ILUKA

Annual Report
2018

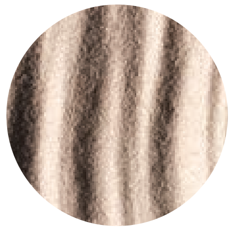
DELIVER SUSTAINABLE VALUE

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.

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.

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 ALSO RECOVERS AND MARKETS ACTIVATED CARBON AND IRON CONCENTRATE, BOTH OF WHICH ARE BY-PRODUCTS OF THE SYNTHETIC RUTILE PROCESS.

MANUFACTURING

Zircon (Zr) is heat resistant and non-reactive and is used in steel and glass manufacturing and metal casting.

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.

NANOMATERIALS

The photocatalytic properties of titanium dioxide (TiO_2) nanomaterials has led to the creation of innovative new applications for titanium dioxide products. Titanium dioxide nanoparticles are used in sunscreens and self-cleaning windows, light emitting diodes and solar cells.

PIGMENTS

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

ROOF/BUILDING/CONSTRUCTION

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

BATHROOM/LIFESTYLE

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

HOME/OFFICE

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

AUTOMOTIVE

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

KITCHEN

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

SPORTING GOODS AND RECREATION

Golf clubs, tennis racquets, bicycle frames.

HEALTHCARE AND MEDICINE

Prosthetics, orthopedic implants, medical instruments.

AIRCRAFT AND INDUSTRY

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

ABOUT ILUKA RESOURCES

Iluka Resources Limited (Iluka) is an international mineral sands company with expertise in exploration, project development, mining operations, processing, marketing and rehabilitation. The company is the largest producer of zircon globally and a major producer of high-grade titanium dioxide feedstocks (rutile and 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 in Australia and Sierra Leone; projects in Australia, Sierra Leone and Sri Lanka; international exploration activities; rehabilitation programmes in the US, Australia and Sierra Leone; exploration and a globally integrated marketing network.

Iluka holds a royalty over iron ore sales revenues from tenements of BHP Billiton's Mining Area C (MAC) province in the north west of Western Australia.

The company is listed on the Australian Securities Exchange and its corporate support centre is located in Perth, Western Australia.

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. Mining unit plants and wet concentrator plants separate and concentrate the heavy mineral sands from waste material.

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 progressively undertaken 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.

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

UNITED STATES
Rehabilitation

SIERRA LEONE
Sierra Rutile operations
Lanti and Gangama expansion projects
Sembehun project

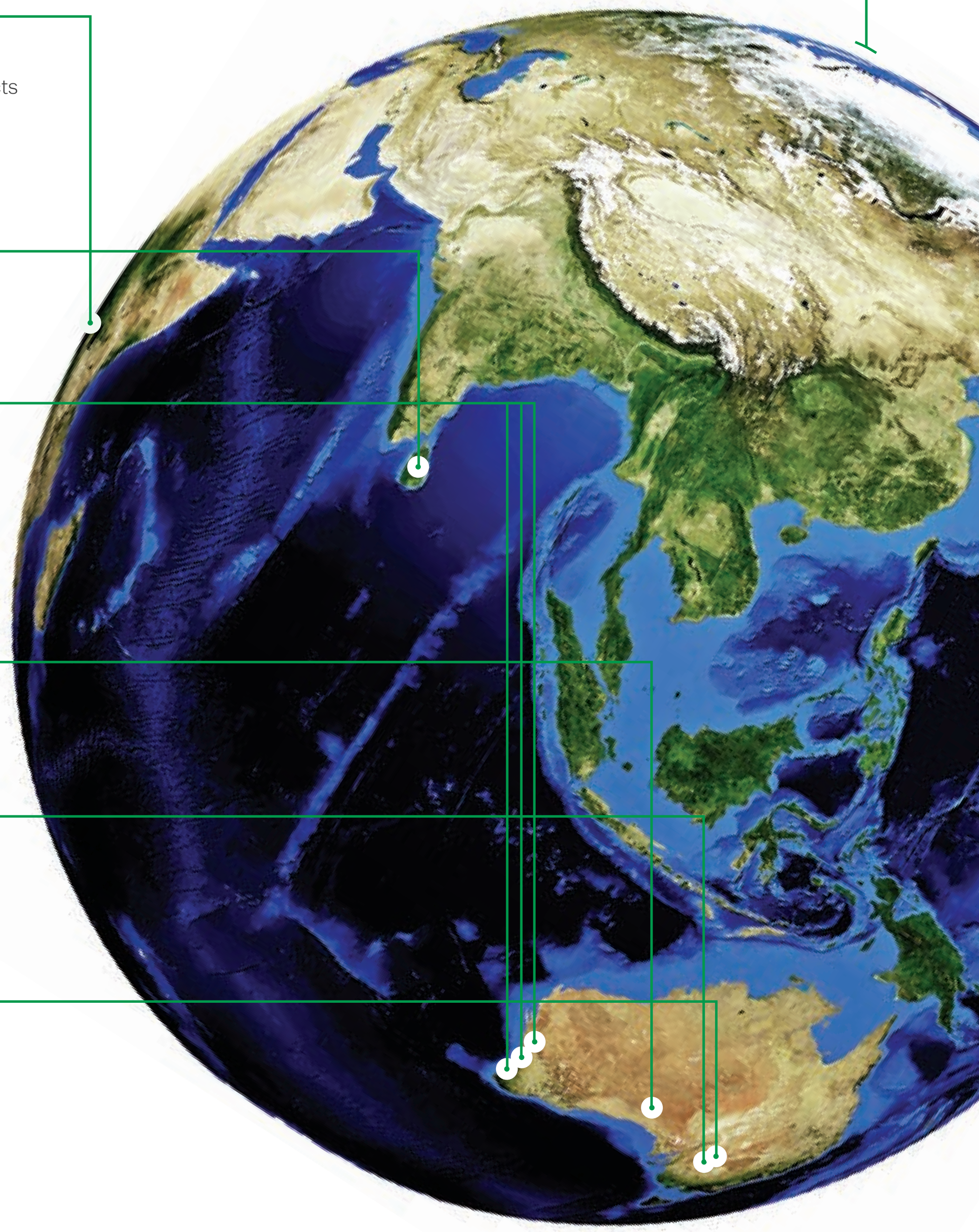
SRI LANKA
Puttalam project

WESTERN AUSTRALIA
Narngulu processing operations
Cataby project
Capel synthetic rutile kilns
Corporate support centre

SOUTH AUSTRALIA
Jacinth-Ambrosia operation

VICTORIA
Fine Minerals project

NEW SOUTH WALES
Balranald project



WORLD'S LARGEST ZIRCON PRODUCER

Narngulu mineral separation plant, Western Australia, Australia

ABOUT THIS REPORT

This Annual Report is a summary of Iluka Resources' and its subsidiaries' operations, activities and financial position as at 31 December 2018. 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 2018 Sustainability Report is expected to be published in April 2019 and will cover the company's sustainability performance for the period 1 January to 31 December 2018.

Current and previous sustainability reports are available on the company's website – www.iluka.com.

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.

WORLD'S LARGEST RUTILE PRODUCER

DELIVER SUSTAINABLE VALUE

BUSINESS REVIEW

FINANCIAL REPORT

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION


Murray Basin, Victoria, Australia

2018 YEAR IN REVIEW

DELIVER SUSTAINABLE VALUE

MINERAL SANDS REVENUE GROWTH UP

22%

GLOBAL SUPPLY TIGHTNESS IN KEY MARKETS

- Global zircon supply tightness, with inventory and zircon in concentrate release supporting consumption in 2018
- Solid demand for high-grade titanium feedstocks
- Significant price growth achieved for zircon and rutile products
- Existing producers' mines are mature, entering decline in coming years

PLEASING FINANCIAL PERFORMANCE

- Two years of strong mineral sands revenue growth, up 22% in 2018 to $1,244 million, following 40% growth in 2017
- Mining Area C royalty income contribution $56 million
- Net profit after tax of $304 million
- Strong free cash flow of $304 million
- Achieved net cash position of $2 million, a significant improvement from net debt of $506 million in 2016 following the Sierra Rutile acquisition
- Return on capital of 54%
- Full year dividend payment of 29 cents per share

NET PROFIT

$304m

MIXED OPERATIONAL RESULTS

- After restarting Jacinth-Ambrosia mining in December 2017, zircon production increased, reflecting higher than anticipated ore grades and improved recoveries
- Superior run time achieved at synthetic rutile kiln in south west Western Australia, with record synthetic rutile production achieved in 2018 from this asset
- Operational issues and strike actions at Sierra Rutile resulted in disappointing rutile production

RETURN ON CAPITAL

54%

CATABY PROJECT ON TRACK FOR EARLY 2019 COMMISSIONING

- Approved by Iluka Board in December 2017 with total capital expenditure of $250-275 million
- Investment returns underpinned by favourable offtake agreements for 85% of synthetic rutile production for at least four years
- 8.5 year mine life producing ilmenite feedstock for synthetic rutile production, zircon and rutile with potential to extend life for a further four years
- First production planned for first half of 2019

PROJECTS SUSTAIN PRODUCTION AND PROVIDE FUTURE GROWTH OPTIONS

- Ambrosia early mine move approved at capital cost of $55 million to smooth zircon production at Jacinth-Ambrosia operations in South Australia
- Sierra Rutile expansions to double production at both Lanti and Gangama mines on track for commissioning in mid-2019
- Value optimisation work on other Sierra Leonean projects
- Fine Minerals deposit in western Victoria could provide long-term zircon product stream and entry to growing rare earths market

FREE CASH FLOW

$304m

HIGH LEVELS OF SUSTAINABILITY PERFORMANCE

- Material reduction in the number of injuries classified as having serious potential
- However, Iluka's total recordable injury frequency rate increased from 2.8 to 3.5 with eight more injuries than 2017
- Proactive measures introduced to reduce malaria and typhoid cases
- Demolition of redundant assets and clean-up of sites as part of ongoing closure and land management activities
- Human Rights Policy released in October 2018
- Inclusion within 2018 Australian Dow Jones Sustainability Indices for leading sustainability performance
- Developed steps to understand climate risks and opportunities, including those related to emissions reduction, in line with the recommendations of the Taskforce on Climate-related Financial Disclosure

NET CASH

$2m

TWO YEARS OF STRONG MINERAL SANDS REVENUE GROWTH, UP 22% IN 2018 TO $1,244 MILLION, FOLLOWING 40% GROWTH IN 2017

CAPITAL INVESTMENT

$312m

CHAIRMAN'S REVIEW

STRONG PERFORMANCE WAS DELIVERED ON THE BACK OF CONTINUING POSITIVE MARKET CONDITIONS

DEAR SHAREHOLDERS

My letter to you this year is written amidst a challenging and complex external environment for business. 2018 saw rising geopolitical tensions, the resurrection of international trade barriers and policy settings dominated by the continued rise of populism. In Australia, these global factors are finding expression in what appears to be ever diminishing trust in institutions, including in the wake of the Hayne Royal Commission into financial services, with associated reputational implications for the business community as a whole.

No company is immune from these challenges. Success demands increased vigilance across all business activities and a sharp focus on core objectives. Iluka's focus, determined by the Managing Director and with the full support of the Board, is on the delivery of sustainable value. The Board's role is to support the Executive in pursuing this objective and to hold it to account. It is also to set a business culture that prioritises the key pillars of value – the sustainability of our profits, our people and our communities; the latter encompassing not only those in Iluka's operating regions, but the company's customers, suppliers and other external stakeholders as well.

These pillars are, of course, mutually reinforcing. To deliver sustainable profits and returns to shareholders necessitates a workforce that is skilled, engaged, diverse and empowered. It is also dependent on the ongoing trust of our communities. That trust is derived primarily from delivering on our commitments – doing what we say we will do operationally, commercially and with respect to health and safety, environmental management and corporate governance in particular. Finally, Iluka's ability to invest in its people and its communities relies on sustainable financial performance and the trust of our shareholders to grow the business over the long term. These are the broad criteria against which directors assess Iluka's performance; on which we expect scrutiny; and should ourselves be held to account.

Notwithstanding the challenges in the external environment, your company delivered a pleasing financial result in 2018. Key features included:

- net profit after tax of $304 million;
- free cash flow of $304 million; and
- a return to a modest net cash position of $2 million, two years after the acquisition of Sierra Rutile (when net debt was $506 million).

This strong performance was delivered on the back of continuing positive market conditions, the realignment of Iluka's business strategy and the repositioning of the company's portfolio over the previous two years. The result enabled the Board to declare a final dividend of 19 cents per share, fully franked. Iluka's interim dividend for 2018 was 10 cents per share, producing a total dividend for the year of 29 cents per share, fully franked. This is in line with Iluka's dividend framework to return to shareholders a minimum of 40% of free cash flow not required for investment purposes or balance sheet activity.

One clear area of disappointment in 2018 was the performance of the Sierra Rutile operation, which endured something of an *annus horribilis* following an encouraging first year of operations post acquisition. This performance is unacceptable and attributable to a range of technical, industrial and external factors. Addressing the long-term stability of Sierra Rutile's operating environment is a key priority for the Board. The Executive has substantive measures and planning in place to improve the operation's performance. Directors are receiving regular updates as to progress in this regard and visited Sierra Leone in November. We will continue to keep shareholders abreast of developments.

Iluka's group sustainability performance was recognised in 2018 through the company's continued listing on the Dow Jones Sustainability Index as a leading sustainability performer. Disappointingly, our total recordable injury frequency rate for the year increased from 2.8 to 3.5, with eight additional injuries. Many of these recordable injuries for the year were minor in nature; there has been a material reduction in the number of injuries classified as having serious potential in comparison to 2017. The lost time injury frequency rate remained constant at 1.0 and we recorded 20 reportable environmental incidents compared to 27 during the previous year.

Significant progress was made by the business in aligning with the International Council on Mining and Metals (ICMM) Framework for Sustainable Development. This included the adoption of a Human Rights Policy, which is important in the context of our operations and activities globally. In an excellent acknowledgment of Iluka's commitment to sustainable development and the quality of work undertaken by our people, the Jacinth-Ambrosia operation received two separate South Australian Premier's Awards for rehabilitation and diversity.

A review of our climate change approach was undertaken in 2018, which considered the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). We have developed steps to understand our climate risks and opportunities, including those related to emissions reduction, in line with the TCFD's recommendations.

As foreshadowed in last year's Annual Report, the Board has implemented a new Executive Incentive Plan (EIP) for Iluka's senior executives. The EIP is structured to align senior executives' interests with your interests as shareholders. In 2018, directors balanced the company's strong financial result; mixed operational performance; sustainability outcomes; and the progression of strategic measures to determine overall incentive outcomes above target. Full details of reward outcomes, which under the terms of the EIP will be delivered predominantly in equity, are set out in the Remuneration Report.

Board development continued with the appointment of Rob Cole as a non-executive director in March 2018. Rob has brought an important and valuable perspective to the Board's deliberations during what was a year of significant activity for the company. I would also like to pay tribute to the contribution of my other fellow directors; the performance of Iluka's people, led by Tom O'Leary; and, as ever, the ongoing support of our shareholders.

The coming year promises further challenges, with Iluka progressing its programme of capital investments against the backdrop of what is an unpredictable external environment for business. Your Board believes the company is positioned strategically, financially and culturally to meet these challenges and deliver on its objective.

Greg Martin
Chairman

MANAGING DIRECTOR'S REVIEW

ILUKA'S AUSTRALIAN OPERATIONS PERFORMED VERY WELL OVER THE COURSE OF THE YEAR

DEAR SHAREHOLDERS

Each of Iluka's previous two Annual Reports outlined a number of actions being taken to place the company on a sustainable footing with a view to future developments. In 2018, the Executive embedded this approach into a defined strategy – the Iluka Plan – and a single objective – to deliver sustainable value. The Iluka Plan outlines the company's purpose, core, direction and values, serving as the reference point to guide business decisions. It is detailed on page 18-21 of this year's Annual Report and I would encourage you to review it.

In 2018 we saw aspects of our approach begin to come to fruition. Iluka delivered a solid financial result; experienced continued positive market conditions; produced zircon and synthetic rutile volumes above plans; made sound progress in relation to capital projects; and received external recognition of the company's sustainability performance. As the Chairman has outlined, we are facing a challenging and complex external business environment. Meeting our objective will require a continued emphasis on delivery and resolve across the portfolio.

Markets

Market conditions for Iluka's core products of zircon and high-grade titanium dioxide feedstocks (rutile and synthetic rutile) were very favourable throughout 2018. In zircon, we saw strong sales and price growth across all products, with the weighted average price received up 41% compared to 2017. Iluka's approach to the zircon market remains to provide sustainability, transparency and predictability in pricing. On 1 October, the company increased its Zircon Reference Price to US$1,580 per tonne for a period of six months. Iluka's approach has been well accepted by our customers and, as announced today, current pricing will be extended for a further six months.

Industry-wide production disruptions at key high-grade titanium feedstock operations, including Sierra Rutile, reduced product availability in 2018. This amplified the effect of an already emerging structural deficit for high-grade feedstocks, with supply-side scarcity, coupled with continued strong demand, creating a tight market and challenges for our customers. Contract prices for rutile increased 21% relative to the previous year. In 2019, structural dynamics throughout the mineral sands industry are expected to continue to support volumes and prices for zircon, rutile and synthetic rutile.

Operations

Iluka's Australian operations performed very well over the course of the year. At Jacinth-Ambrosia in South Australia, higher than anticipated ore grades and improved recoveries delivered an increase in heavy mineral concentrate inventory, which will help to smooth our future production profile for zircon. In Western Australia, the Narngulu mineral separation plant processed 530 thousand tonnes of concentrate, exclusively from Jacinth-Ambrosia. Synthetic rutile production from Iluka's SR2 kiln at Capel was 220 thousand tonnes – a record production performance for this asset. Each of these operations will undergo some transition in 2019 as part of Iluka's capital development programme. I expect their strong performance to stand them in good stead in executing these plans.

The Sierra Rutile operation in Sierra Leone performed unacceptably in 2018, producing 122 thousand tonnes of rutile – 28% lower than 2017. Most concerning were the unlawful strike actions taken by a section of the workforce in October and November. The Government of Sierra Leone formed a taskforce to investigate this activity, which found the strikes illegal and that Iluka had taken appropriate measures to ensure the safety of its people and assets.

In acquiring Sierra Rutile, Iluka was cognisant that operating in a developing country would present new challenges. Clearly, we did not anticipate some of the events that occurred in 2018. Although substantial, the company does not regard these challenges as insurmountable and we retain confidence in the quality of the reserve we acquired. Fundamentally, improving Sierra Rutile's performance requires certainty in the operating environment and we are working closely with the Sierra Leonean Government, which was elected in April 2018, to achieve this. The Government has expressed strong support for Iluka's investment in Sierra Rutile on the basis that foreign investment is crucial to the development of Sierra Leone's economy. The findings of its taskforce were a welcome development and an important, initial step towards achieving long-term stability.

I'm also pleased to advise that Iluka and the International Finance Corporation (IFC), a member of the World Bank Group, have been in discussions to commence a strategic partnership in Sierra Leone. The IFC has today commenced a 60 day disclosure period in relation to its potential investment. This investment remains subject to due diligence, finalisation of documentation on commercially acceptable terms and Board approvals by both Iluka and IFC; and would see IFC acquiring an equity stake of up to 10% in Sierra Rutile for US$60 million . Partnering with the IFC would provide benefits to Iluka, IFC and the people of Sierra Leone by promoting the continued, sustainable development of the Sierra Rutile operation. The World Bank Group has a large and longstanding presence in Sierra Leone and, through the IFC, mobilises funding for private enterprises in developing countries, with partners that adhere to high levels of corporate governance and sustainability performance, to aid economic development and reduce poverty. Sierra Rutile is one of Sierra Leone's largest private sector operations and the IFC has unparalleled expertise in community and stakeholder engagement, which would complement Sierra Rutile's own activities in these areas.

Capital projects

Iluka invested $312 million in developing its capital projects in 2018. This is a significant sum and the successful delivery of these projects is essential to the company's future. The Cataby mine in Western Australia will commence production in the first half of 2019. Ilmenite sourced from Cataby will underpin Iluka's synthetic rutile production over the next decade. It also provides a material source of zircon and rutile, which will be processed at the Narngulu mineral separation plant. In October, the Board approved the early mine move from the Jacinth deposit to the Ambrosia deposit in South Australia, which will occur in the second half of 2019 and partially offset the impact of declining ore grade over the remaining life of the operation. At Sierra Rutile, we are doubling the capacity of both the Gangama and Lanti dry mines, with commissioning also scheduled for mid 2019. Each of these developments is currently on schedule and budget.

The company's senior leadership underwent substantial evolution during the year, with Adele Stratton commencing in the role of Chief Financial Officer; Julian Andrews adding the strategy and rehabilitation functions to his business development accountability; and the appointment of Melissa Roberts to the Executive. A diverse skill set among our management and wider workforce is essential to the delivery of the Iluka Plan and these appointments add to that capability. Of equal importance is our shared sense of commitment; and I am grateful for the enduring dedication of Iluka's people, including our directors. I look forward to updating shareholders on the company's further progress over the coming 12 months.

Tom O'Leary
Managing Director and
Chief Executive Officer

BOARD OF DIRECTORS

Summary of experience

GREG MARTIN

BEc, LLB, FAIM, MAICD

Chairman
Joined Iluka 2013

Murchison Metals, The Australian Gas Light Company, Santos, Western Power

TOM O'LEARY

LLB, BJuris

Managing Director and Chief Executive Officer
Joined Iluka 2016

Wesfarmers Chemicals, Energy & Fertilisers, Wesfarmers, Nikko, Nomura, Allen & Overy, Clayton Utz

MARCELO BASTOS

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

Independent non-executive Director
Joined Iluka 2014

Vale, BHP, MMG, Aurizon Holdings, Golder Associates, OZ Minerals, Golding Contractors

JAMES (HUTCH) RANCK

BSE (Econ), FAICD

Independent non-executive Director
Joined Iluka 2013

Elders, CSIRO, DuPont

JENNIFER SEABROOK

BCom, FCA, FAICD

Independent non-executive Director
Joined Iluka 2008

Gresham Advisory Partners, Hartley Poynton, Touche Ross, Australian Rail Track Corporation, Western Power, Alinta Gas, MMG, IRESS

XIAOLING LIU

PhD, BEng, GAICD, FAusIMM, FTSE

Independent non-executive Director
Joined Iluka 2016

Newcrest, South 32, Rio Tinto Minerals, Australian Aluminium Council, Melbourne Business School

ROB COLE

LLB (Hons), BSc

Independent non-executive Director
Joined Iluka 2018

Ausdrill, GLX Group, Synergy, Southern Ports, St Bartholomew's House, Woodside Petroleum, King & Wood Mallesons

Image above (L-R):

Marcelo Bastos, Xiaoling Liu, Tom O'Leary, Greg Martin, Rob Cole, Jennifer Seabrook, James (Hutch) Ranck

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

STEVE WICKHAM

Assoc Dip in Mechanical Engineering

Chief Operating Officer, Mineral Sands
Joined Iluka 2007

Ticor South Africa, Australian Zircon

MATTHEW BLACKWELL

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

Head of Marketing & Procurement
Joined Iluka 2004

Asia Pacific Resources, WMC Resources, Normandy Poseidon

SIMON HAY

BSc (Hons), MAppSc, Grad Dip (Mgmt), MAICD

Head of Resource Development
Joined Iluka 2009

Mount Isa Mines, WMC Resources, BHP

SUE WILSON

BJuris, LLB, FGIA, FICSA, FAICD

General Counsel and Company Secretary
Joined Iluka 2016

South32, Bankwest, Herbert Smith Freehills, Western Power

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

MELISSA ROBERTS

BCom (Hons), MBA

General Manager, Investor Relations and Commercial Mineral Sands Operations
Joined Iluka 2009

CSBP (now part of Wesfarmers), Mayne Health

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 10 senior executives. 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.

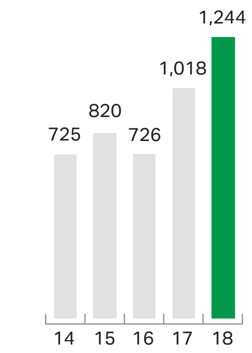
Eneabba rehabilitation site, Western Australia, Australia

FINANCIAL SUMMARY

MINERAL SANDS REVENUE

$1,244m

$m

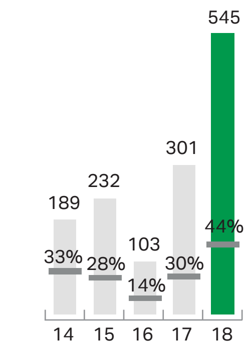


Mineral sands revenue increased 22% to $1,244 million, following strong revenue growth in 2017. Contributing to the 2018 result were significant increases in zircon and rutile prices, offset by small declines in sales volumes. Weighted average zircon and rutile prices increased 41% and 21% respectively. The pricing result reflects tight conditions in both markets owing to solid demand and constrained supply. Iluka's Zircon Reference Price was raised twice in the year to finish at US$1,580 per tonne. High-grade titanium feedstock prices were supported by demand from the pigment market. Z/R/SR sales volumes were down 7%. Rutile sales were constrained by operational issues at Sierra Rutile and the exhaustion of inventory drawn downs. Zircon sales were broadly flat relative to 2017, and included the release of zircon in concentrate given favourable market conditions.

UNDERLYING MINERAL SANDS EBITDA[1]

$545m

$m



EBITDA[1]
EBITDA[1] margin

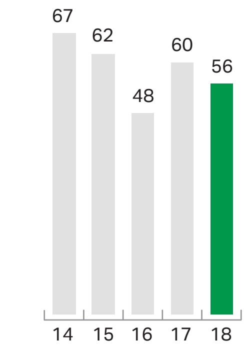
Iluka's underlying mineral sands EBITDA increased by 81% to $545 million. This result reflects the strong growth in mineral sands revenue. Slightly offsetting this, cash costs of production increased by 22% due to higher costs at Sierra Rutile, and the restart of mining and concentrating at Jacinth-Ambrosia, generating mineral sands EBITDA margin of 44%.

Since 2016 Iluka has been reducing inventory levels to a normalised level. This process was completed in 2018. Restructure and idle capacity charges were down 66% with the restart of Jacinth-Ambrosia while government royalties were up 51% due to payments on a higher revenue base.

MINING AREA C EBITDA

$56m

$m

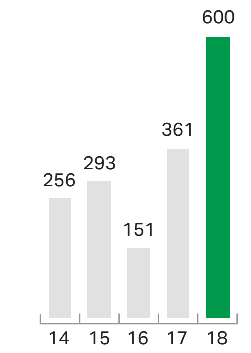


Income from Iluka's Mining Area C royalty was $56 million in 2018, down 8% from 2017 due to lower sales volumes from the royalty area. A$1 million capacity payment was part of the income received in the year.

UNDERLYING GROUP EBITDA

$600m

$m



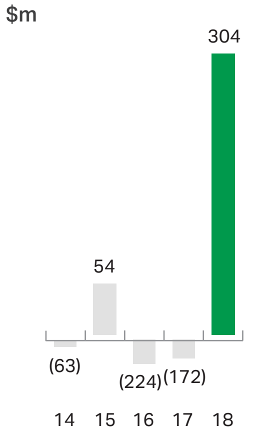
2018 underlying Group EBITDA of $600 million was 66% higher than 2017, largely reflecting the strong mineral sands revenue growth over the period.

[1] Underlying minerals sands and Group EBITDA excludes adjustments including impairments and changes to rehabilitation provisions for closed sites. Iluka's share of Metalysis Ltd's losses, which are non-cash in nature, are also excluded.

NET PROFIT AFTER TAX

$304m

$m

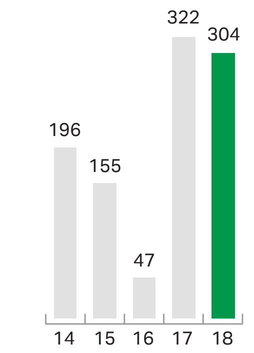


Iluka achieved a net profit after tax of $304 million in 2018. This is a significant turnaround on the $172 million loss recorded in 2017, which was impacted by the inclusion of a $185 million impairment expense and a $127 million rehabilitation provision increase. The strong profit achieved in 2018 is the highest since 2012 and is a reflection of the increased zircon and rutile prices received in the period.

FREE CASH FLOW

$304m

$m



2018 free cash flow was $304 million. This is the second consecutive year of strong cash flows, reflecting the favourable market conditions over this period.

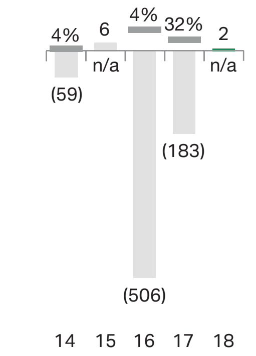
Operating cash flow contributed $594 million and Mining Area C royalty contributed $56 million.

Capital expenditure in 2018 was $312 million, including $189 million on the Cataby mine development and $104 million at Sierra Rutile.

NET CASH (DEBT)

$2m

$m



Net Debt
Gearing %

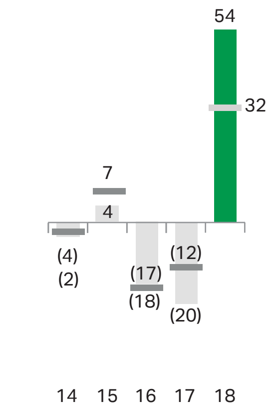
Strong free cash flow in 2017 and 2018 has enabled Iluka to return to a net cash position. Recently, net debt peaked at $506 million in 2016, largely due to the $455 million acquisition of Sierra Rutile in that year.

The return to net cash has also occurred over a time of significant capital expenditure ($312 million), where Iluka is delivering projects to sustain future operations.

ROE AND ROC

ROE 32%
ROC 54%

%



Return on equity
Return on capital

Iluka's strong financial performance in 2018 has generated a return on shareholders' equity (ROE) of 32% and return on capital (ROC) of 54%.

WEIGHTED AVERAGE ZIRCON AND RUTILE PRICES INCREASED 41% AND 21%

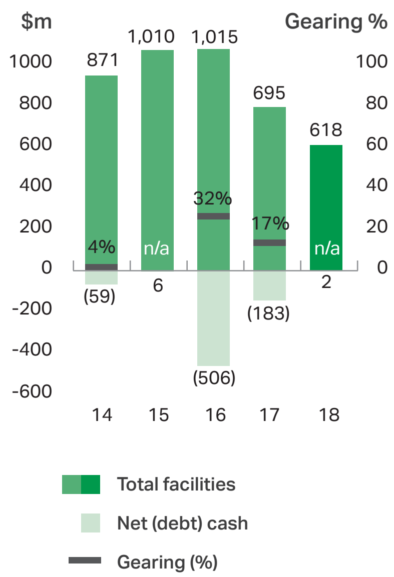
Narngulu mineral separation plant, Western Australia, Australia

NET CASH, STRONG BALANCE SHEET

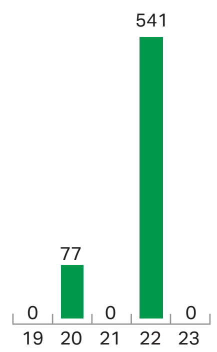
BALANCE SHEET

As at 31 December 2018, Iluka had total debt facilities of $618 million and net cash of $2 million. Iluka 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. Drawings under the MOFA at 31 December 2018 were $50 million (2017: $239 million). Undrawn MOFA facilities at 31 December 2018 were $568 million (2017: $456 million). Of the above interest-bearing liabilities, $50.4 million is subject to an effective weighted average floating interest rate of 4.2% (2017: 3.1%). Note 14 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 2018 full year dividend payment of 29 cents per share (19 cents per share final and 10 cents per share interim dividend), fully franked, represents 40% of free cash flow for the year. This is consistent with Iluka's framework and reflects the underlying strength in the 2018 result. Iluka continues to target credit metrics broadly consistent with investment grade credit metrics and future dividend decisions will take into account balance sheet position and capital expenditure requirements.

Distribution metrics	2017	2018
Payout ratio % of 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 the following hedging contracts in relation to US$96 million of expected USD revenue from contracted sales over the period 2020 to 2021:

- US$64 million in foreign exchange collar contracts expiring in 2020 and 2021. The collars are comprised of AUD call options with strike prices of 75.5 cents and AUD put options with strike prices of 66.0 cents; and
- US$32 million in forward foreign exchange contracts maturing in 2020 at an average AUD:USD rate of 72.1 cents.

The following hedging contracts matured during the year:

- US$95 million in forward foreign exchange contracts at a weighted average rate of 80.1 cents; and
- US$24 million in foreign exchange collar contracts consisting of US$24 million of bought AUD call options with strike prices of 80.0 cents and US$24 million of sold put options with strike prices of 70.0 cents.

Note 20 of Iluka's Financial Report provides details of Iluka's open hedge contracts at 31 December 2018.

STRATEGY AND BUSINESS MODEL

THE ILUKA PLAN

In 2018 Iluka developed the Iluka Plan, which outlines the company's values, purpose, core and direction. It is the strategic reference point that guides business decisions.

OUR VALUES

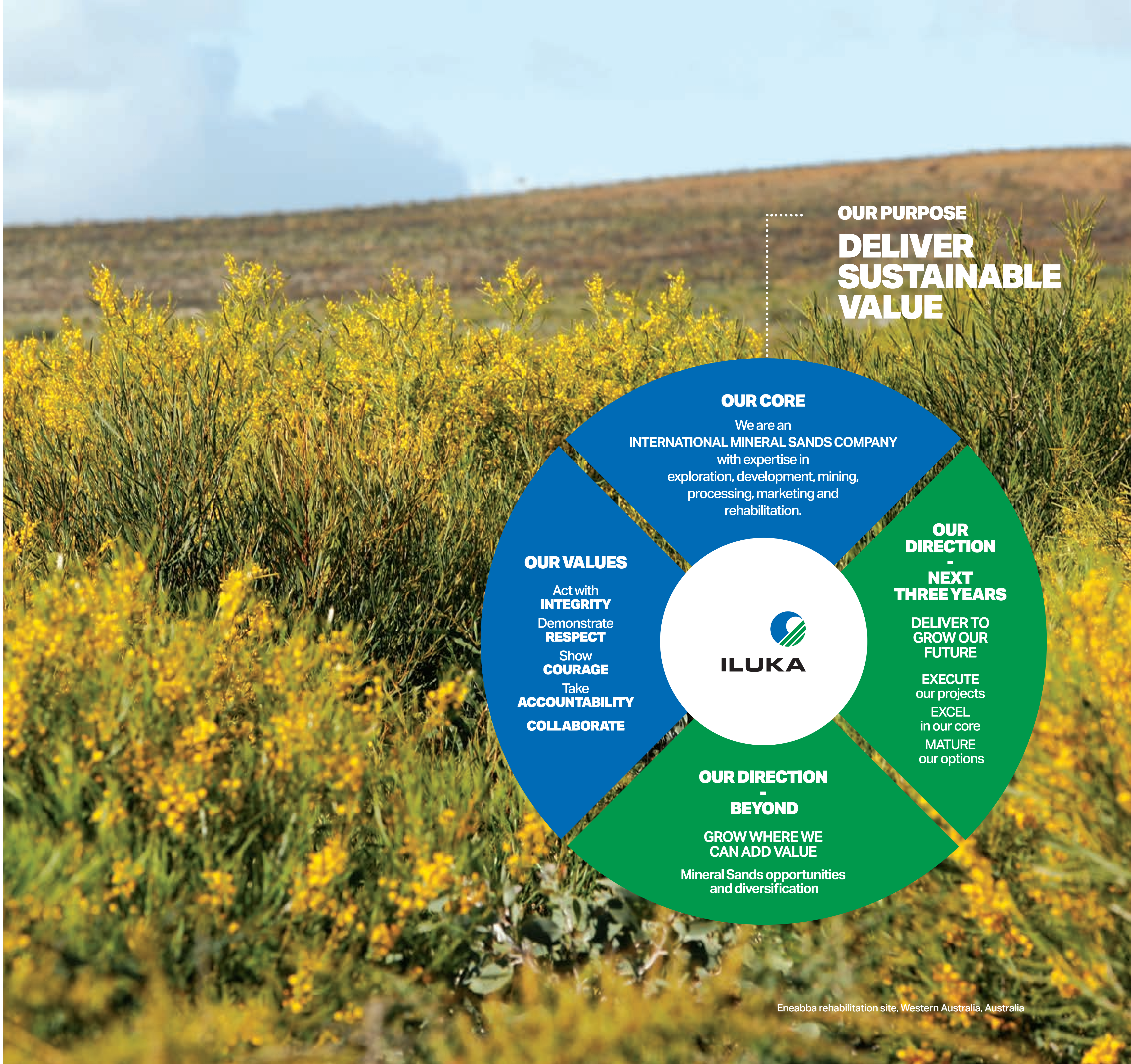
INTEGRITY

RESPECT

COURAGE

ACCOUNTABILITY

COLLABORATION



Eneabba rehabilitation site, Western Australia, Australia

OUR PURPOSE

DELIVER SUSTAINABLE VALUE

OUR CORE

Iluka is an international mineral sands company with expertise in exploration, development, mining, processing, marketing and rehabilitation.

ILUKA'S FOCUS IS ON DELIVERY

Dredge lake, Sierra Rutile, Sierra Leone

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.

OUR DIRECTION

During the three years 2018-20, Iluka's focus is on delivery, particularly with respect to:

- executing the company's capital projects;
- achieving a sustainable price environment for mineral sands products;
- operational excellence and continuing to excel in core areas of expertise; and
- maturing longer-term growth options in the company's portfolio.

Beyond this period, Iluka aims to continue to grow where it can add value in mineral sands and potentially in other mineral diversification.

An overview of the purpose and status of the company's near-term and longer-term capital projects is detailed on pages 36-37 of this report.

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

- maintaining credit metrics that are broadly consistent with an investment grade credit profile – generally corresponding to a leverage ratio of 1.0 to 1.5 times net debt to EBITDA;
- Iluka's dividend framework, which stipulates returns to shareholders of a minimum of 40% of free cash flow not required for investment purposes or balance sheet activity; and
- disciplined capital allocation, meaning Iluka will commit funds to new projects only when it is sufficiently confident of achieving satisfactory returns for shareholders.

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

Risks to the achievement of the Iluka Plan, and their associated mitigation measures, are outlined on pages 44-45 of this report.

FINANCIAL AND OPERATIONAL REVIEW

In this section

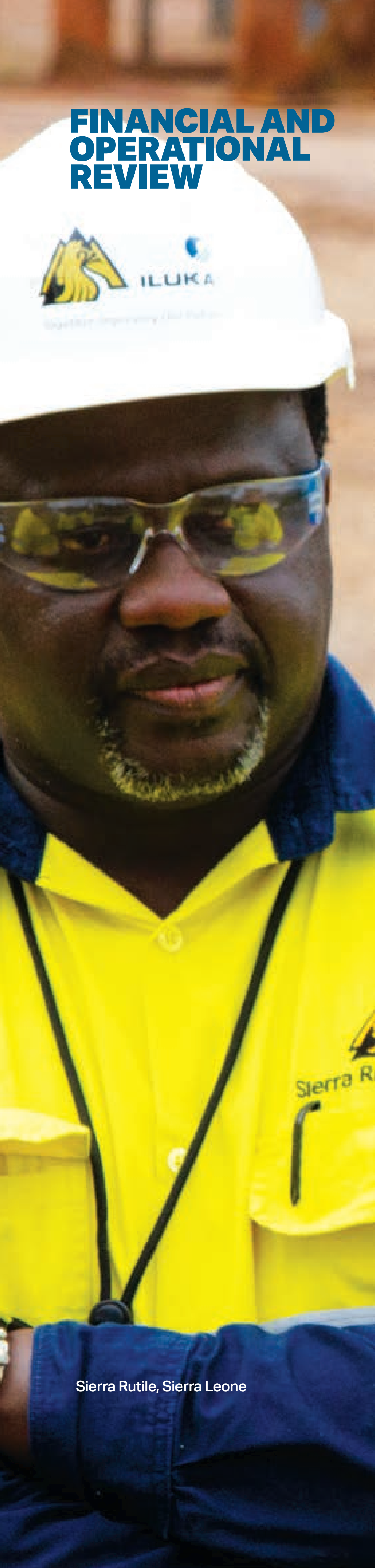
CATABY, WESTERN AUSTRALIA, AUSTRALIA

Currently in the final stages of construction, Cataby is a large predominantly chloride ilmenite deposit located approximately 150 kilometres north of Perth, in the Shire of Dandaragan. The project has an anticipated mine life of 8.5 years, with the possibility to extend this by a further four years.

Operations Manager, Cataby

RECOGNISED AS A LEADING SUSTAINABILITY PERFORMER ON THE DOW JONES SUSTAINABILITY INDEX

FINANCIAL AND OPERATIONAL REVIEW



Sierra Rutile, Sierra Leone

INCOME STATEMENT ANALYSIS

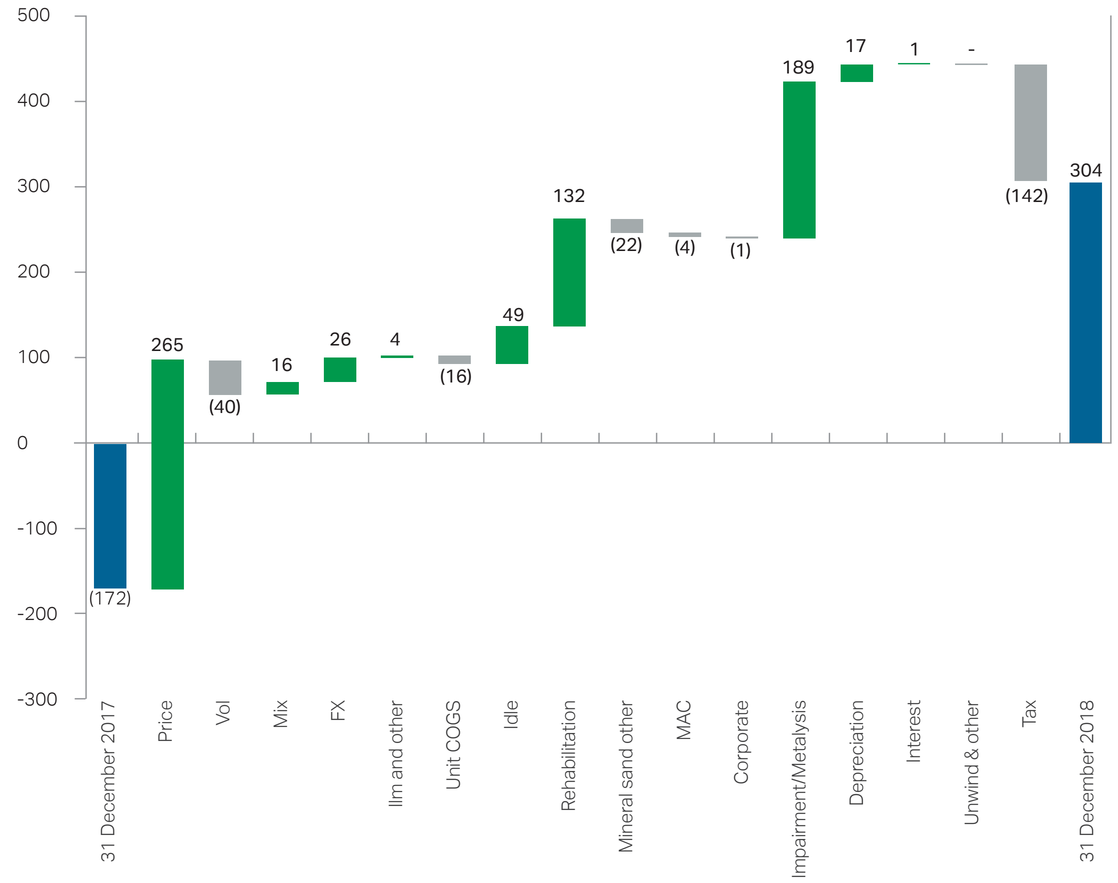
	2018	2017	% change
$ million			
Z/R/SR revenue	1,179.0	959.1	22.9
Ilmenite and other revenue	65.1	58.4	11.5
Mineral Sands Revenue	**1,244.1**	**1,017.5**	**22.3**
Cash costs of production	(455.1)	(372.4)	22.2
Inventory movement - cash	(68.5)	(141.5)	(51.6)
Restructure and idle capacity charges	(24.7)	(73.3)	(66.3)
Government royalties	(38.1)	(25.2)	51.2
Marketing and selling costs	(38.1)	(33.8)	12.7
Asset sales and other income	1.8	0.7	157.1
Exploration and resources development	(30.1)	(24.6)	22.4
Corporate and other costs	(48.1)	(47.1)	2.1
Foreign exchange	1.3	0.6	116.7
Mineral sands EBITDA	**544.5**	**300.9**	**81.0**
Mining Area C EBITDA	55.6	59.6	(6.7)
Underlying Group EBITDA	**600.1**	**360.5**	**66.5**
Depreciation and amortisation	(93.6)	(111.0)	(15.7)
Inventory movement - non-cash	(28.3)	(66.8)	(57.6)
Rehabilitation for closed sites	4.6	(127.4)	n/a
Share of Metalysis Ltd's losses (associate)	-	(3.3)	-
Impairment expense	-	(185.4)	-
Group EBIT	**482.8**	**(133.4)**	**n/a**
Net interest costs and bank charges	(14.1)	(15.5)	(9.0)
Rehabilitation unwind and other finance costs	(16.7)	(16.7)	-
Profit (loss) before tax	**452.0**	**(165.6)**	**n/a**
Tax expense	(148.1)	(6.0)	2,368.3
Profit (loss) for the period (NPAT)	**303.9**	**(171.6)**	**n/a**
Average AUD/USD (cents)	**74.8**	**76.7**	**(2.5)**

[1] Underlying Group EBITDA excludes adjustments including impairments and 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.

UNDERLYING NPAT

	2018	2017
Profit (loss) for the period (NPAT)	303.9	(171.6)
Adjustments:		
Rehabilitation of closed sites, post tax	(3.2)	125.0
Impairments, post tax	-	138.9
Share of Metalysis Ltd's losses post tax	-	3.3
Underlying NPAT	300.7	95.6

MOVEMENT IN NPAT



Sales commentary is contained on pages 26-27.

The Australian dollar weakened in 2018, with an average AUD/USD exchange rate of 74.8 cents compared to 76.7 cents in 2017. 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 $83 million, despite lower production volumes. Increased costs related to the resumption of mining and concentrating activities at Jacinth-Ambrosia in December 2017, slightly offset by completion of mining at Tutunup South in March 2018. Higher costs at Sierra Rutile in 2018 due to increased dredge maintenance costs, and higher fuel and commissioning costs with the in-pit mining unit. Exchange rate depreciation has also contributed to higher Australian dollar costs on conversion of the Sierra Rutile US dollar cost base.

Unit cost of goods sold increased to $750 per tonne compared to $743 per tonne in 2017, reflecting the increased cost base in Sierra Rutile.

Idle costs decreased in 2018 to $25 million versus $73 million in 2017. Idle costs in the prior year included costs associated with the suspension of mining and concentrating activities at Jacinth-Ambrosia, the idling of the Hamilton mineral separation plant and the prolonged maintenance shutdown for the Narngulu mineral separation plant prior to it becoming the primary plant for Australia. Idle costs in 2018 reflect ongoing maintenance and land management costs for idle plant and operations at Eneabba, Tutunup South, Murray Basin and the US.

Mineral sands other costs increased due to higher royalty payments on the higher revenue base, combined with increased Resource Development expenditure associated with drilling to further delineate the Balranald deposit.

Impairment charges were recognised in 2017 for the idling of the Hamilton mineral separation plant and the write-down of the investment in Metalysis Ltd.

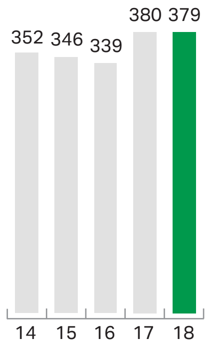
Tax expense had an effective tax rate in the current year of 32.8% compared with the prior year of 3.6% (the corporate tax rate applicable in the main operating jurisdictions of Australia and Sierra Leone is 30%). The prior year effective tax rate was impacted by the substantial tax deductible expenses related to impairments.

FINANCIAL AND OPERATIONAL REVIEW

SALES AND MARKETS

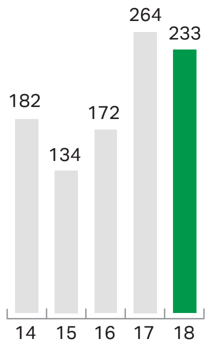
ZIRCON

Sales volumes (kt)



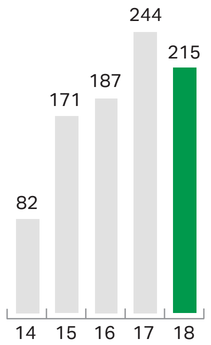
RUTILE

Sales volumes (kt)



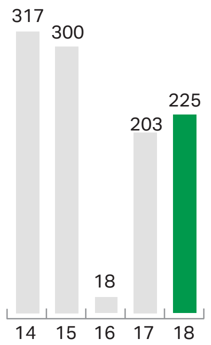
SYNTHETIC RUTILE

Sales volumes (kt)



ILMENITE

Sales volumes (kt)



Zircon

In 2018 Iluka sold 379 thousand tonnes of zircon, in line with the 380 thousand tonnes sold in 2017. Sales of zircon over the past two years are reflective of the solid underlying demand conditions across Iluka's major markets, including China, Asia, India and Europe.

Supply of zircon was tight throughout the year as major zircon producers and swing production capacity were constrained in their ability to respond to lower production as a result of production disruptions (among Iluka's competitors), declining grades and resource depletion. The main industry responses were from Iluka, through the release of additional zircon in concentrate and increased production from Indonesian miners. At the end of 2018, some slowing of buying was evident resulting in a broadly balanced market. However, with minimal inventories through the value chain and an emerging structural deficit, Iluka is of the view that tightness will be an ongoing feature of the market in the medium term.

In 2018, Iluka implemented two increases to its Zircon Reference Price, each effective for six months, to finish the year at US$1,580 per tonne. As a result, weighted average received prices for zircon premium and standard were up 41% relative to 2017.

Iluka's approach in the zircon market is focused on supplying zircon to satisfy genuine underlying demand. In addition, a pricing cadence is struck to reduce historic volatility and achieve more sustained and sustainable zircon prices. Together, this is expected to deliver more sustainable and predictable revenue outcomes. In light of global uncertainties, Iluka plans to maintain the current Zircon Reference Price for a further six months effective from 1 April 2019.

High-grade titanium feedstocks

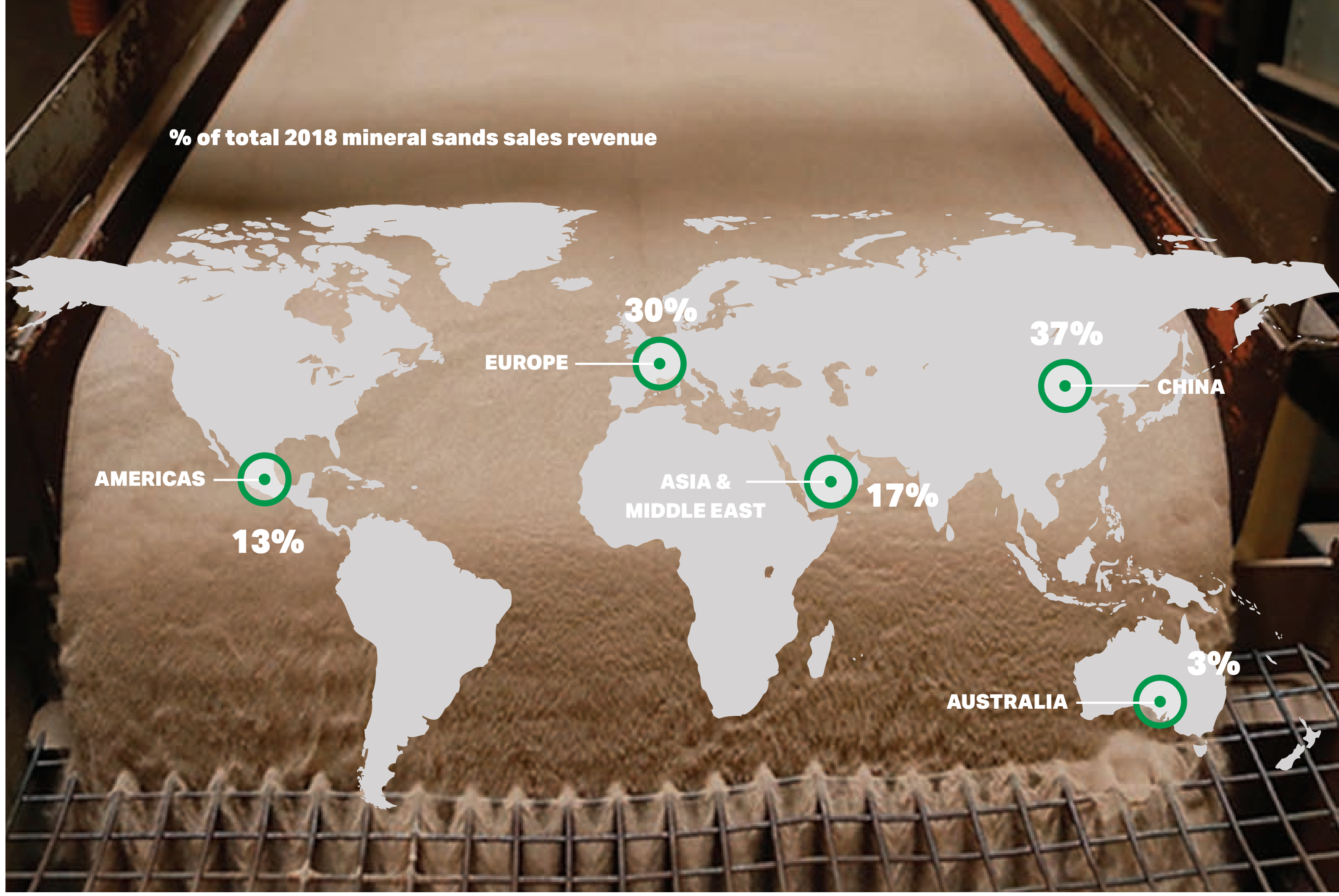
Iluka's 2018 sales of high-grade titanium feedstocks of rutile and synthetic rutile were 448 thousand tonnes, down around 12% from 509 thousand tonnes in 2017. Sales in 2018 were production constrained with supply disruptions at Iluka's primary rutile source, Sierra Rutile, and the completion of planned inventory drawdown from previous Murray Basin operations.

Several mineral sands operations across the industry experienced production disruptions in the year, reducing availability of high-grade titanium feedstocks. At the same time, demand for high-grade feedstocks has remained robust. This is largely attributable to purchasing by the titanium pigment industry, which represents approximately 90% of end use demand. High-grade feedstocks allow chloride pigment plant operators to improve plant yield and increase utilisation.

The supply-side issues coupled with strong demand have created tight market conditions and driven price appreciation in the high-grade market. Iluka's 2018 weighted average rutile price increased 21% on the 2017 average to US$952 per tonne. The average price in the fourth quarter of 2018 was US$1,038 per tonne.

Iluka's synthetic rutile product 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.

The underlying drivers of tight market conditions in 2018 are expected to remain in 2019. Iluka enters 2019 with minimal inventories and will be managing shipments to meet customer demand. Half on half price increases ranging from 8 to 11% for rutile/synthetic rutile have been negotiated for all volumes contracted in the first half 2019.



Weighted average received prices – US$/t FOB

	2014	2015	2016	2017	2018
Zircon premium and standard	1,054	986	810	958	1,351
Zircon (all products including zircon in concentrate)[1]	1,033	961	773	940	1,321
Rutile (excluding HYTI)[2]	828	763	731	790	952
Synthetic rutile[3]	750	-	-	-	-

(1) Zircon prices reflect the weighted average price for zircon premium and zircon standard, also with a weighted average price for all zircon materials, including zircon in concentrate. The prices for each product vary considerably, as does the mix of such products sold period to period. In 2018 the split of zircon and concentrate, by zircon sand equivalent was approximately: 79%, 21% (full year 2017: 88%;12%).

(2) HYTI is excluded from rutile sales prices as it is a lower value titanium dioxide product, with a typical 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, 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.

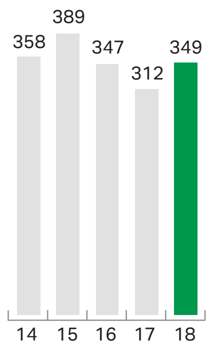
ILUKA EXPECTS MODERATE DEMAND GROWTH FOR ZIRCON AND TITANIUM FEEDSTOCKS IN THE SHORT TO MEDIUM TERM

FINANCIAL AND OPERATIONAL REVIEW

PRODUCTION AND OPERATIONS

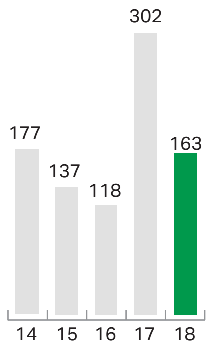
ZIRCON

Production volumes (kt)



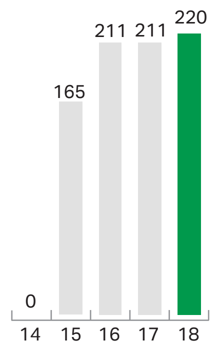
RUTILE

Production volumes (kt)



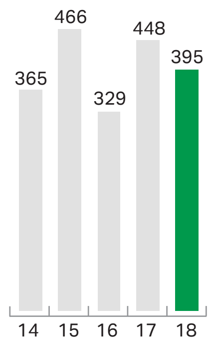
SYNTHETIC RUTILE

Production volumes (kt)



ILMENITE

Production volumes (kt)



Australia

Iluka's primary zircon mine, Jacinth-Ambrosia, South Australia, operated at full capacity in 2018. Higher than anticipated ore grades and improved recoveries resulted in an increase in heavy mineral concentrate inventory over the course of 2018. This inventory will help to smooth future zircon production from Iluka's operations. In the December quarter, mining was completed at the southern end of the Jacinth deposit. The mining unit is now located at Jacinth North, where it will remain before moving to Ambrosia, planned for the second half of 2019.

The Narngulu mineral separation plant in Western Australia processed 530 thousand tonnes of HMC in 2018, exclusively from Jacinth-Ambrosia. In 2019, the plant will continue to process concentrate from Jacinth-Ambrosia and will also process non-magnetic material from Cataby when operations commence in 2019.

Full year synthetic rutile production from Iluka's SR2 kiln at Capel, Western Australia, was 220 thousand tonnes, the highest annual production achieved from the SR2 kiln since commissioning in 1997. This result reflects high kiln operating runtimes achieved throughout the year. In 2018, ilmenite feedstocks for the kiln were from both internal and external sources. From February 2019, the kiln will undergo a major maintenance outage for approximately two months before beginning its next four year campaign. Cataby will provide the main source of ilmenite feedstock for the kiln in 2019.

Sierra Leone

Sierra Rutile produced 122 thousand tonnes of rutile in 2018. This is 28% lower than 2017 (168 thousand tonnes) reflecting a number of factors that hampered operations over the year including mechanical and operational issues, maintenance issues at the dredge, commissioning and operational issues with the in-pit mining unit and strike actions.

A number of ongoing mechanical and operational issues resulted in lower runtimes and ore throughput rates over the course of 2018. These included bearing failures, water tank liner failures and unexpected hard rock digging conditions. Iluka is implementing a range of measures that have been identified to improve production outcomes and ensure operational targets are met consistently going forward.

Output from the Lanti dredge was affected by several periods of downtime resulting from mechanical issues. Iluka implemented a maintenance plan for the dredge and its planned decommissioning was extended to early 2019.

Over two separate episodes in October and November 2018, unlawful strike action at Sierra Rutile resulted in operations halting for approximately two weeks. An independent taskforce was established by the Government of Sierra Leone. The taskforce found the strikes illegal and that Iluka had taken appropriate measures to ensure the safety of its people and assets. Improving performance at Sierra Rutile requires a stable operating environment and Iluka is working closely with the Government to achieve this. The Government has expressed strong support for Iluka's investment in Sierra Rutile and the findings of its taskforce are an important step towards achieving long-term stability.

HMC produced and processed

	2018	2017	% change
HMC produced	934	612	52.6
HMC processed	1,037	1,280	(19.0)

Cash cost and unit cost of production $/t

		2018	2017	% change
Cash cost of production	$m	455.1	372.4	22.2
Unit cash cost per tonne of Z/R/SR excluding by-products	$/t	606	439	38.1
Unit costs of goods sold per tonne of Z/R/SR sold	$/t	750	743	0.9

Mineral sands operations results

	Revenue		Mineral sands EBITDA		EBIT	
$ million	2018	2017	2018	2017	2018	2017
Australia	1,011.4	833.7	603.5	359.1	532.6	53.5
United States	39.3	40.0	1.5	(4.9)	1.5	(124.4)
Sierra Rutile	205.7	145.9	30.2	30.8	(12.5)	(0.6)
Resource development and support costs	-	-	(88.6)	(83.3)	(36.7)	(61.1)
Intercompany elimination	(12.3)	(2.1)	(2.1)	(0.8)	(2.1)	(0.8)
Total	1,244.1	1,017.5	544.5	300.9	482.8	(133.4)

RECORD ANNUAL PRODUCTION FROM SR2 KILN IN WESTERN AUSTRALIA OF 220 THOUSAND TONNES

Zircon

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

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

Australia

		2018	2017	% change
Production volumes				
Zircon	kt	327.9	293.7	11.6
Rutile	kt	41.7	134.5	(69.0)
Synthetic rutile	kt	219.9	210.8	4.3
Total Z/R/SR production	**kt**	**589.5**	**639.0**	**(7.7)**
Ilmenite	kt	340.6	390.5	12.8
Total saleable production	**kt**	**930.1**	**1,029.5**	**9.7**
HMC produced	kt	694	259	167.6
HMC processed	kt	795	932	14.7
Unit cash cost of production - Z/R/SR [1]	$/t	498	350	(42.3)
Mineral sands revenue	**$m**	**1,011.4**	**833.7**	**21.3**
Cash costs of production	$m	(293.6)	(223.6)	(31.3)
Inventory movements - cash costs of production	$m	(46.0)	(151.8)	68.1
Restructure and idle capacity charges	$m	(14.4)	(65.3)	77.9
Government royalties	$m	(31.2)	(18.2)	(71.4)
Marketing and selling costs	$m	(24.2)	(16.4)	(48.2)
Asset sales and other income	$m	1.5	(0.7)	(114.3)
EBITDA	**$m**	**603.5**	**359.1**	**67.4**
Depreciation and amortisation	$m	(48.8)	(67.7)	27.9
Inventory movements - non-cash production costs	$m	(25.4)	(75.0)	69.5
Rehabilitation costs for closed sites	$m	3.3	(7.9)	141.8
Impairment expense	$m	-	(155.0)	100.0
EBIT	**$m**	**532.6**	**(53.5)**	**895.5**

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

Mineral sands revenue of $1,011 million for the year reflected a 21% increase from prior year due to higher sales prices per tonne of Z/R/SR sold, partially offset by lower sales volumes than prior year.

Inventories held decreased during the year to normal levels, being $299 million at year end. Non-current finished goods inventories decreased to nil during the period, with remaining non-current inventory comprising only work in progress.

The decrease in **restructure and idle costs** reflected the absence of both idle costs associated with Jacinth-Ambrosia and restructuring costs associated with the Hamilton mineral separation plant, which were incurred in the prior year.

Similarly, there was no **impairment charge** in the current year; the impairment in 2017 related to the idling of the Hamilton mineral separation plant.

Sierra Rutile

		2018	2017	% change
Production volumes				
Zircon	kt	11.4	3.0	280.0
Rutile	kt	121.5	167.6	
Ilmenite	kt	54.5	57.6	(5.4)
Total production volume	**kt**	**187.4**	**228.2**	**(17.9)**
HMC produced	kt	240	353	(32.1)
HMC processed	kt	242	348	(30.5)
Unit cash cost of production - saleable product [1]	$/t	1,155	783	(47.6)
Mineral sands revenue	**$m**	**205.7**	**145.9**	**41.0**
Cash costs of production	$m	(153.5)	(133.5)	(15.0)
Inventory movements - cash	$m	(11.7)	31.7	101.6
Restructure and idle capacity charges	$m	(2.5)	-	-
Government royalties	$m	(6.9)	(7.0)	1.4
Marketing and selling costs	$m	(0.9)	(6.1)	85.2
Asset sales and other income	$m	-	(0.2)	-
EBITDA	**$m**	**30.2**	**30.8**	**(1.9)**
Depreciation and amortisation	$m	(41.1)	(39.4)	(4.3)
Inventory movement - non-cash	$m	(2.9)	8.0	275.0
Rehabilitation and holding costs for closed sites	$m	1.3	-	-
EBIT	**$m**	**(12.5)**	**(0.6)**	**(1,966.7)**

[1] Calculated as cash costs of production, including by-product costs divided by Z/R production

Sierra Rutile had a disappointing performance this year. The operations suffered downtime due to dredge maintenance issues early in the year when the dredge was off-line for six weeks; extended commissioning of Lanti dry mine in-pit mining unit; and illegal industrial actions in the fourth quarter. This poor operational performance impacted on **cash production costs,** which were US$13 million higher than originally guided (US$102 million) at the start of the year.

Mineral sands revenue increased 41% on higher sales prices per tonne of Z/R/SR sold, partially offset by lower sales volumes than the prior year, in part caused by lower inventory availability due to the operational issues noted above.

Titanium dioxide

A dark coloured mineral which, with further processing, becomes a white, opaque powder. Around 90% of titanium dioxide globally is used as a pigment in the manufacture of paint, plastic and paper.

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONS

United States (Virginia)

		2018	2017	% change
Production volumes				
Zircon	kt	9.3	15.6	(40.4)
Total Z/R/SR production	**kt**	**9.3**	**15.6**	**(40.4)**
Mineral sands revenue	**$m**	**39.3**	**40.0**	**(1.8)**
Cash costs of production	$m	(8.0)	(15.3)	47.7
Inventory movement - cash	$m	(23.0)	(22.6)	(0.9)
Restructure and idle capacity charges	$m	(7.8)	(8.0)	2.5
Marketing and selling costs	$m	0.5	-	n/a
Asset sales and other income	$m	0.5	1.0	50.0
EBITDA	**$m**	**1.5**	**(4.9)**	**n/a**
Rehabilitation and holding costs for closed sites	$m	-	(119.5)	-
EBIT	**$m**	**1.5**	**(124.4)**	**n/a**

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

Zircon and ilmenite production in the United States ceased 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 represents the processing of remnant stockpiles to reduce future rehabilitation obligations.

Mineral sands revenue represents the sale of finished goods that had been stockpiled at the end of operations, combined with a component of the remnant stockpiles processed in the year. The US inventory balance was $7 million at year end.

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

Restructure and idle costs reflect regional management and holding costs following closure of operations. These costs are expected to be broadly consistent going forward until all stockpiles are diminished and rehabilitation is complete.

Rehabilitation costs in the prior year arose due to the identification of potential additional obligations relating to past rehabilitation. Iluka continues to engage proactively with regulatory agencies and positive progress has been made in the management and mitigation of rehabilitation liabilities in the US.

The cost of rehabilitating the Virginia operation will largely depend on the rehabilitation programme ultimately undertaken by Iluka, which can only be determined following what is expected to be extensive and ongoing engagement with the regulators. As the nature and extent of any change continues to be highly uncertain, the provision has been calculated (as it was in the 2017 accounts) on a probabilistic basis across a range of scenarios.

Narngulu mineral separation plant, Western Australia, Australia

FINANCIAL AND OPERATIONAL REVIEW

Movement in net (debt) cash

$ million	H1 2017	H2 2017	H1 2018	H2 2018
Opening net cash (debt)	**(506.3)**	**(304.6)**	**(182.5)**	**(34.4)**
Operating cash flow	193.9	197.8	306.5	287.7
MAC royalty	30.5	29.4	29.6	26.2
Exploration	(5.6)	(7.0)	(4.6)	(7.1)
Interest (net)	(8.8)	(6.5)	(4.7)	(1.9)
Tax	(6.4)	(3.6)	(2.4)	(2.8)
Capital expenditure	(24.6)	(65.9)	(93.6)	(217.9)
Sri Lanka investment	-	(2.6)	-	-
Payment for option contracts	-	(2.3)	-	(0.6)
Asset sales	1.2	2.4	1.1	1.3
Purchase of treasury shares	-	-	(6.4)	(6.0)
Free cash flow	**180.2**	**141.7**	**225.5**	**78.9**
Dividends	-	(25.1)	(69.2)	(39.1)
Net cash flow	**180.2**	**116.6**	**156.3**	**39.8**
Exchange revaluation of USD net debt	22.6	7.0	(7.3)	(2.9)
Amortisation of deferred borrowing costs	(1.1)	(1.5)	(0.9)	(0.7)
(Decrease)/increase in net cash (debt)	**201.7**	**122.1**	**148.1**	**36.2**
Closing net cash (debt)	**(304.6)**	**(182.5)**	**(34.4)**	**1.8**

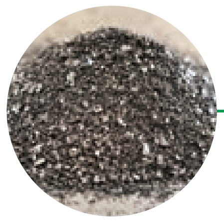
Net debt reduced to a net cash position of $1.8 million, reflecting strong free cash flow of $304.4 million, partially offset by a weaker Australian dollar revaluing US dollar denominated debt.

Operating cashflow of $594.2 million was a 52% increase from 2017 due to higher underlying EBITDA from continued improved market conditions.

Cashflows from the MAC royalty are received quarterly in arrears and were largely consistent year on year due to materially similar iron ore sales volumes and prices.

Iluka invested $311.5 million on capital developments during 2018, predominantly at Cataby.

An interim dividend of 10 cents per share was paid in September and Iluka has announced a final fully franked dividend of 19 cents per share payable in April 2019.



Activated carbon

Iluka produces high quality, coal based activated carbon as a co-product from its synthetic rutile kiln 2 operations

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.

2018	Aus	US	SRL	Expl & oth	Mineral sands	MAC	Corp	Group
Mineral sands revenue	1,011.4	39.3	205.7	(12.3)	**1,244.1**	-	-	**1,244.1**
Freight revenue	39.4	3.9	7.0		**50.3**	-	-	**50.3**
Expenses	(447.3)	(41.7)	(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	**603.5**	**1.5**	**30.2**	**(43.9)**	**591.3**	**55.6**	**(46.8)**	**600.1**
Depn and amort	(48.8)	-	(41.1)	(3.3)	**(93.2)**	(0.4)	-	**(93.6)**
Inventory movement - non-cash	(25.4)	-	(2.9)	-	**(28.3)**	-	-	**(28.3)**
Rehabilitation for closed sites	3.3	-	1.3	-	**4.6**	-	-	**4.6**
EBIT	**532.6**	**1.5**	**(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	(10.3)	(4.4)	(2.0)	-	**(16.7)**	-	-	**(16.7)**
Profit before tax	**522.3**	**(2.9)**	**(14.5)**	**(47.2)**	**457.7**	**55.2**	**(60.9)**	**452.0**
Segment result	**522.3**	**(2.9)**	**(14.5)**	**n/a**	**504.9**	**55.2**	**n/a**	**560.1**

2017	Aus	US	SRL	Expl & oth	Mineral sands	MAC	Corp & elim	Group
Mineral sands revenue	833.7	40.0	145.9	(2.1)	**1,017.5**	-	-	**1,017.5**
Mineral sands expenses	(474.6)	(44.9)	(115.1)	(35.5)	**(670.1)**	-	-	**(670.1)**
Mining Area C	-	-	-	-	**-**	59.6	-	**59.6**
FX	-	-	-	-	**-**	-	0.6	**0.6**
Corporate costs	-	-	-	-	**-**	-	(47.1)	**(47.1)**
Underlying EBITDA	**359.1**	**(4.9)**	**30.8**	**(37.6)**	**347.4**	**59.6**	**(46.5)**	**360.5**
Depn and amort	(67.7)	-	(39.4)	(3.5)	**(110.6)**	(0.4)	-	**(111.0)**
Inventory movement - non-cash	(75.0)	-	8.0	0.2	**(66.8)**	-	-	**(66.8)**
Rehabilitation for closed sites	(7.9)	(119.5)	-	-	**(127.4)**	-	-	**(127.4)**
Share of Metalysis Ltd's losses	-	-	-	-	**-**	-	(3.3)	**(3.3)**
Impairment	(155.0)	-	-	-	**(155.0)**	-	(30.4)	**(185.4)**
EBIT	**53.5**	**(124.4)**	**(0.6)**	**(40.9)**	**(112.4)**	**59.2**	**(80.2)**	**(133.4)**
Net interest costs	-	-	-	-	**-**	-	(15.5)	**(15.5)**
Rehab unwind and other finance costs	(10.3)	(1.9)	(1.9)	-	**(14.1)**	-	(2.6)	**(16.7)**
Profit before tax	**43.2**	**(126.3)**	**(2.5)**	**(40.9)**	**(126.5)**	**59.2**	**(98.3)**	**(165.6)**
Segment result	**43.2**	**(126.3)**	**(2.5)**	**n/a**	**(85.6)**	**59.2**	**n/a**	**(26.4)**

FINANCIAL AND OPERATIONAL REVIEW

PROJECTS

CATABY, WESTERN AUSTRALIA

The Iluka Board approved the Cataby mine development in December 2017. Cataby is a large, chloride ilmenite-rich deposit 150 kilometres north of Perth with ilmenite from the mine to support the continued production of synthetic rutile at Capel, in the south west of Western Australia. Offtake agreements were secured for 85% of synthetic rutile production for a minimum of four years prior to project approval, underpinning returns.

The mine will produce, on average, approximately 200 thousand tonnes of synthetic rutile (from ilmenite feedstock), 50 thousand tonnes of zircon and 30 thousand tonnes of rutile. Ilmenite will be transported to Capel for synthetic rutile production and the non-magnetic stream (zircon and rutile) to Iluka's Narngulu mineral separation plant in Geraldton for final processing. Cataby has a planned mine life of 8.5 years. Access to additional Ore Reserve could extend the mine life for a further four years.

The majority of project execution and site works were completed over the course of 2018. This included construction of the mining unit, relocation of the Newman concentrator from Eneabba, construction of the accommodation village, installation of high voltage power distribution, bulk earthworks and site foundations. The mining contractor is on site and removal of overburden to expose the ore has begun.

As previously disclosed, the estimated total capital cost is $250-275 million. Activities to be completed in early 2019 include pre-strip mining and plant commissioning. First production is planned for the first half of 2019.

AMBROSIA, SOUTH AUSTRALIA

The Jacinth-Ambrosia mine in South Australia's Eucla Basin is Iluka's primary source of zircon. The company undertook work in 2018 assessing options to smooth the production profile of Jacinth-Ambrosia to partially offset the impact of declining grade over its remaining operating life. The outcome of this work was to accelerate the mine move from the Jacinth to the Ambrosia deposit to the fourth quarter of 2019 (previously planned to occur in 2022).

In 2018, the definitive feasibility study for the Ambrosia mine move was completed and the Board approved ~$55 million of funding. Of this ~$35 million is expected to be spent in 2019 on roads, earthworks, high voltage power, mining pipework and pumping infrastructure, site infrastructure and buildings. The deferred capital of ~$20 million to be spent over 2020 and 2021 is related to tailings infrastructure and management.

Activity commenced in late 2018, including access road construction, relocation of equipment and expansion of existing amenities.

SIERRA RUTILE, SIERRA LEONE

Lanti Dry and Gangama expansion, Sierra Leone

Iluka's plans following the acquisition of Sierra Rutile in December 2016 contemplated the doubling of capacity at both the Lanti Dry and Gangama mining operations to increase throughputs and reduce unit operating costs. These projects received Board approval in December 2017.

The Lanti Dry mine expansion involves the construction of a second in-pit mining unit and additional concentrator capacity. At Gangama, the expansion includes the construction of a second mining unit and concentrator based on the current truck and shovel mining method.

Both projects progressed in line with budget and schedule over 2018, with completion expected in mid-2019.

Sembehun, Sierra Leone

Sembehun is a new mine development at Iluka's Sierra Rutile operations. The Sembehun group of deposits contain more than 70% of remaining Ore Reserves at Sierra Rutile.

The definitive feasibility study commenced in March 2018. A number of value optimisation studies are continuing and are focused on investigating options around the timing, capacity and sequence of mining and concentrating activities across the Sembehun deposits.

Environmental, social and health impact assessments are currently being conducted.

As part of the Sembehun development, Iluka is also planning to upgrade the capacity of the mineral separation plant at Sierra Rutile.

ILUKA HAS A DISCIPLINED APPROACH TO CAPITAL INVESTMENT

PROJECTS

FINE MINERALS, VICTORIA

Iluka is advancing a project to mine and beneficiate zircon and rare earth elements from deposits in the Wimmera region of the Murray Basin, Victoria. Iluka currently holds exploration licences on a number of these ore bodies. These and other similar deposits have not been developed into mining operations due to technical challenges associated with purity and recovery of the valuable minerals.

Iluka recently commenced a pre-feasibility study for the WIM100 fine minerals deposit. In 2018, a test pit was completed and an ore sample sent to the mineral test facility in Capel, Western Australia for testing and preparation of customer samples.

The pre-feasibility study is scheduled to be concluded by the end of 2019.

BALRANALD, NEW SOUTH WALES

Balranald and Nepean are two large, deep, high-grade rutile-rich deposits in northern Murray Basin, New South Wales. Iluka is developing an underground mining method for these deposits, involving directional drilling technology unconventional to typical mineral sands operations. The advantages of this approach include reduced environmental footprint, potentially lower capital intensity, scaleability and portfolio flexibility.

In 2018, Iluka has undertaken a drilling programme to provide a more detailed understanding of the deposit mineralisation.

Expenditure for the final field trial will be considered for approval in 2019. The trial is designed to demonstrate the effective functioning of drilling and processing componentry in a continuous mining and processing environment.

PUTTALAM, SRI LANKA

Puttalam Quarry (PQ) is a large, sulphate ilmenite deposit in north west Sri Lanka. Iluka is currently undertaking a pre-feasibility study on its development.

The focus of project work to date has been to establish the legal framework and investment terms which the development will be subject to. These include surface access rights, ministerial and other governmental approvals, fiscal regime and other arrangements. In 2018, progress was hampered by government instability in Sri Lanka.

RESOURCE DEVELOPMENT ACTIVITIES BEING UNDERTAKEN BY THE COMPANY INCLUDE PROJECTS IN AUSTRALIA, SIERRA LEONE AND SRI LANKA; TECHNICAL INNOVATION; AND A GLOBAL EXPLORATION PROGRAMME

Quebec, Canada. Image courtesy Societe d'Exploration Miniere Vior Inc.

FINANCIAL AND OPERATIONAL REVIEW

EXPLORATION

Growing and improving the quality of Iluka's Ore Reserves and Mineral Resources is important to Iluka's ability to deliver sustainable value. The quality of Iluka's Sierra Leonean assets provides a low risk opportunity to add to Ore Reserves in the short term via brownfield exploration. This is balanced with focused greenfield exploration and the assessment of external opportunities, capable of delivering significant longer-term growth.

SIERRA LEONE

At Sierra Rutile, drilling tested for potential Mineral Resources extensions near current mining areas. Updated geological modelling advanced understanding of the Mineral Resources at the Sembehun project.

Iluka announced the addition of 0.62Mt of rutile for a total of 5.0Mt rutile at the Sembehun Group Deposits[1]. In January 2019, Iluka also announced the inaugural Pejebu Mineral Resource estimate of 0.22Mt of rutile, which is proximal to current mining areas[2].

AUSTRALIA

Iluka completed over 30,000m of drilling supporting key projects at Cataby, Western Australia; Ambrosia, South Australia; Balranald, New South Wales; and the Fine Minerals project, Victoria.

At Ambrosia, 19,018m of mine production drilling was completed to underpin inaugural mining in the third quarter of 2019.

QUEBEC, CANADA

Iluka continued to fund Societe d'Exploration Miniere Vior Inc. to undertake greenfield exploration for high-grade rutile/ilmenite deposits in the Foothills, Grand Duc and Big Island Lake (BIL) project areas in Quebec. Work in 2018 included diamond drill testing at the BIL Prospect and a 1462 line kilometre HeliFalcon geophysical survey across the projects to assist definition of diamond drilling targets for testing in 2019.

1 See ASX Release *Sembehun Mineral Resource Increase and Pejebu Exploration Target, Sierra Rutile*, 15 August 2018.

2 See ASX Release, *Inaugural Pejebu Mineral Resource Estimate* released 25 January 2019.

KAZAKHSTAN

Results of drilling completed in 2017 did not meet Iluka's technical hurdle to justify continued exploration on GIN1, GIN2 and GIN3. In May 2018, Iluka submitted the final technical report to the Committee of Geology and Subsoil Use, Ministry of Investments and Development, Kazakhstan.

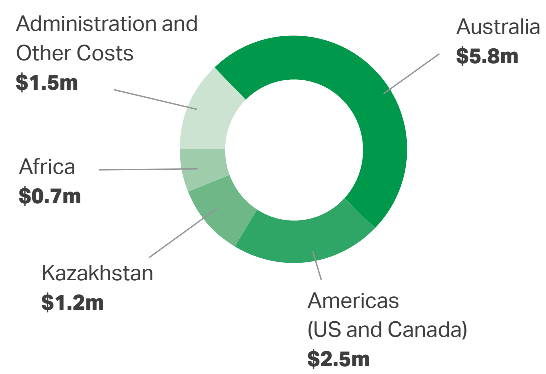
GENERATION AND EXTERNAL OPPORTUNITIES

Project generation, combined with a willingness to partner with others on high potential projects remains vital to delivering high value organic growth options.

Tenement position as at 31 December 2018

Region	Approx. square kilometres
Eucla Basin, South Australia	15,178
Murray Basin (SA, NSW, Vic)	5,297
Perth Basin (WA)	534
Other – Australia	322
Sierra Leone	53,688
Sri Lanka	135
Other	742
Total	76,192

Exploration expenditure 2018 - $11.7 million



EXPLORATION COMPLETED OVER 40,000M OF TARGETED DRILLING ACROSS AUSTRALIA, AFRICA AND NORTH AMERICA

SUSTAINABILITY

There were a number of sustainability highlights in 2018, including the adoption of a new Human Rights Policy, a review of Iluka's approach to climate change and the retention of its position on the Australian Dow Jones Sustainability Index (DJSI).

Published in October 2018, Iluka's Human Rights Policy articulates the company's commitment to respect human rights and align business activities with the UN Guiding Principles on Business and Human Rights. This commitment is supported by a detailed work plan to prevent or mitigate any negative human rights impacts in connection with Iluka's operations and maximise any potential positive impacts. The policy directly references slavery and forced labour and assists in the company's preparations for the introduction of modern slavery legislation in Australia.

Iluka also undertook a review of our climate change approach. The company's activities are inherently energy-intensive, with the majority of Iluka's greenhouse gas emissions generated from energy use during mining and processing. The company is working to manage its climate change risks and take advantage of associated business opportunities. Iluka is committed to the Paris Agreement objectives and accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of climate change science. The Board is taking steps to implement the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD).

The company 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.

Eneabba rehabilitation site, Western Australia, Australia

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

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

We conduct our business by adhering to the highest standards of corporate governance.

Health and safety

We strive to maintain a fatality-free workplace, minimising injuries and protecting the health and wellbeing of our people and the communities in which we operate.

Economic responsibility

We aim to create sustainable economic outcomes, which allow us to share economic benefits with the communities in which we operate, and to deliver sustainable value.

Social performance

We respect human rights, engage meaningfully with stakeholders and seek to make a positive difference to the social and economic development of the areas in which we operate.

People

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

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. Iluka strives to maintain a fatality-free workplace and continually reduce injury and illness potential.

Thirty-four people sustained recordable injures while working for Iluka in 2018; 10 of these were lost time injuries, 19 were medical treatment injuries and five were restricted work cases.

The Group total recordable injury frequency increased from 2.8 in December 2017 to 3.5 in December 2018. The Group lost time injury frequency rate remained at 1.0. The severity of injuries has reduced with the severity rate declining from 97.1 to 90.6 and the number of serious potential incidents has reduced materially from 60 occurrences in 2017 to 47 occurrences in 2018.

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 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:

- 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 appropriate 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; 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 environment; injury; illness; reputation; stakeholder; compliance; financial and company objectives.

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 also adversely affect future performance.

SUSTAINING OPERATIONS RISKS

Maintaining a pipeline of Mineral Resources, Mineral 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.

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 Fine Minerals 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 19 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 interrogation 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.

COUNTRY 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 in fiscal or regulatory regimes, difficulties in interpreting or complying with local laws, material differences in sustainability standards and practices, or changes to existing political, judicial or administrative policies.

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.

ENVIRONMENTAL STANDARDS RISK

Mining operations, by their nature, can have a significant impact on the environment. Iluka is committed to leading practice in environmental management as outlined in the Iluka Environment, Health and Safety 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.

Accidents, environmental incidents, the failure to comply with laws or regulations and real or perceived threats to the environment or the amenity of local communities could result in a loss of Iluka's ability to operate, leading to delays, disruption or the shut-down of exploration and production activities. Accidents, environmental incidents and failure to comply with laws or regulations could lead to fines, legal and compensation costs and adverse publicity.

There is a risk that 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 material remediation costs.

The company monitors these risks on an ongoing basis as part of the ongoing remediation of its former mine sites and operational sites.

BUSINESS INTERRUPTION RISKS

Circumstances may arise which preclude sites from operating including natural disaster, material disruption to our logistics, critical plant failure or industrial action. Iluka experienced industrial action at the Sierra Rutile operation in 2018. Addressing risks to the stability of Sierra Rutile's operating environment is a key priority for the company's Board and Executive. 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 interruption event.

SUSTAINABILITY RISK

Iluka's safety, health, environmental, people and stakeholder 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 2017 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 2018 year, in April 2019.

FINANCIAL REPORT

SIERRA RUTILE OPERATIONS, SIERRA LEONE

Sierra Rutile, a wholly owned subsidiary of Iluka Resources, is a multi-mine operation located in the Bonthe and Moyamba districts, south west Sierra Leone. The operation is the world's largest natural rutile deposit

Sierra Rutile, Sierra Leone

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 31 December 2018

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 2018 (the 'financial year') compared with the year ended 31 December 2017 ('comparative year').

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

Revenue from ordinary activities	Up 25.3% to $1350.9m	
Profit from ordinary activities after tax attributable to members	Up 277% to $303.9m	
Net profit for the period attributable to members	Up 277% to $303.9m	
Dividends		
2018 final: 19 cents per ordinary share (100% franked), to be paid in April 2019		
2018 interim: 10 cents per ordinary share (100% franked), paid in September 2018		
2017 final: 25 cents per ordinary share (100% franked), paid in April 2018		
2017 interim: 6 cents per ordinary share (100% franked), paid in September 2017		
Key ratios	**2018**	**2017**
Basic profit/(loss) per share (cents)	72.2	(41.0)
Diluted profit/(loss) per share (cents)	71.8	(41.0)
Free cash flow per share (cents)[1]	72.1	76.9
Return on Equity[2]	31.8	(20.1)
Net tangible assets per share ($)	2.12	1.70

[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.

The Board of Directors approved a new Dividend Reinvestment Plan (DRP) effective from the 2017 final dividend onwards. The new DRP came into effect from 28 March 2018, being the record date for the final dividend payable in respect of the period ended 31 December 2017. A discount of 1.5% applied to the allocation price for the 2017 final dividend under the DRP. Under the plan, eligible shareholders can reinvest either all or part of their dividend payments into additional fully paid Iluka shares.

The DRP was active for the 2018 interim dividend, and remains active for the 2018 final dividend. The Directors have determined that no discount will apply for the DRP in respect of the 2018 final dividend. Shares allocated to shareholders under the DRP for the 2018 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 13 March 2019. The last date for receipt of election notices for the DRP is 11 March 2019.

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

Independent auditor's report

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

DIRECTORS' REPORT

For the year ended 31 December 2018

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 2018.

The information appearing on pages 14 to 45 forms part of the Directors' Report for the financial year ended 31 December 2018 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 (Appointed 1 March 2018)
X Liu
T O'Leary
J Ranck
J Seabrook

DIRECTORS' PROFILES

Name:	**Greg Martin**
Qualifications:	BEc, LLB, FAIM, MAICD
Age:	59
Role:	Chairman and Non-executive Director
Appointed:	January 2013
Independent:	Yes

Current positions:
- Chairman of the Board
- Nominations and Governance Committee - Chairman
- Audit and Risk Committee - Member
- People and Performance Committee - Member

Relevant skills and experience:
Mr Martin has over 35 years' 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 Limited.

Other relevant directorships and offices (current and recent):
- Sydney Desalination Plant Pty Limited - Chairman (current)
- Western Power - Deputy Board Chair (current)
- Spark Infrastructure - Non-executive Director (current)
- Coronado Global Resources (retired February 2019)
- Santos Limited - Non-executive Director (retired August 2017)
- Prostar Investments (Australia) Pty Ltd - Chairman (retired December 2017)

Name:	**Tom O'Leary**
Qualifications:	LLB, BJuris
Age:	55
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:	**James (Hutch) Ranck**
Qualifications:	BSE (Econ), FAICD
Age:	70
Role:	Non-executive Director
Appointed:	January 2013
Independent:	Yes

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

Relevant skills and experience:
Mr Ranck has held senior management positions with DuPont, both in Australia and international 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. Hutch was a former Chairman of Elders Limited and a Non-executive Member of the CSIRO Board.

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

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
- People and Performance Committee - Member

Relevant skills and experience:
In Ms Seabrook's executive career, she 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 and Western Australian Treasury Corporation.

DIRECTORS' REPORT
For the year ended 31 December 2018

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 (current)
- IRESS Limited - Non-executive Director (current)
- Australian Rail Track Corporation - Non-executive Director (current)
- Western Australian Treasury Corporation - Non-executive Director (retired September 2018)

Name:	**Marcelo Bastos**
Qualifications:	BEng Mechanical (Hons, UFMG), MBA (FDC-MG), MAICD
Age:	55
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 in 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 Golding Contractors Pty Ltd. He is also 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 (appointed September 2018)
- Aurizon Holdings Limited - Non-executive Director (appointed November 2017)
- Golder Associates - Non-executive Director (appointed July 2017)

Name:	**Xiaoling Liu**
Qualifications:	PhD, BEng, GAICD, FAusIMM, FTSE
Age:	62
Role:	Non-executive Director
Appointed:	February 2016
Independent:	Yes

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

Relevant skills and experience:
Dr Liu is a former President and Chief Executive Officer of Rio Tinto Minerals. Over Xiaoling's 26 years with the Rio Tinto Group she held various positions in smelting operation management through to President and CEO of Rio Tinto Minerals. Prior to joining Rio Tinto, she worked as a Research Fellow of City University (London). Xiaoling's previous Non-executive Director roles included: Board member of the California Chamber of Commerce; Vice President of the Board of Australian Aluminium Council; and member of the University Council of the University of Tasmania.

DIRECTORS' REPORT

For the year ended 31 December 2018

Other relevant directorships and offices (current and recent):
• Newcrest Mining Limited - Non-executive Director (current)
• Melbourne Business School - Non-executive Director (current)
• South 32 Limited - Non-executive Director (current)

Name: **Rob Cole**
Qualifications: LLB (Hons), BSc
Age: 56
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 30 years in the energy and resources industry. He has held a diverse range of senior positions in commercial, corporate, marketing and business strategy and planning functions. Mr Cole 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. Mr Cole 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, Mr Cole was a Partner at the law firm King & Wood Mallesons.

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

DIRECTORS' REPORT

For the year ended 31 December 2018

MEETINGS OF DIRECTORS

In 2018, the Board met on 6 occasions, of which all meetings were scheduled. In addition to these meetings, the Board spent a day primarily focused on strategic planning. The Chairman chaired all the meetings. The Non-executive Directors periodically met independent of management to discuss relevant issues. Directors' attendance at Board and committee meetings during 2018 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	**6**		**4**		**4**		**3**	
Executive								
T O'Leary	6	6		**4**		**4**		**3**
Non-Executive								
G Martin	6	6	4	4	4	4	3	3
M Bastos	6	6	4	4	4	4		**2**
R Cole (3)	5	5		**3**	3	3	2	2
X Liu	6	6	4	4	4	4		**3**
J Ranck	6	6	4	4	4	4	3	3
J Seabrook	6	6	4	4	4	4	3	3

Chairman 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 Cole was appointed as a director on 1 March 2018 and in addition to the meetings he attended as a director, he also attended the meetings of the Board, the Audit and Risk Committee and the People and Performance Committee as an observer prior to his appointment.

DIRECTORS SHAREHOLDING

Directors shareholding is set out in the Remuneration Report, section 6.4.

EXECUTIVE TEAM PROFILES

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

Mr Andrews joined Iluka as Head of Business Development in 2017. 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.

Matthew Blackwell, BEng (Mech), Grad Dip (Tech Mgt), MBA, MAICD, MIEAust
Head of Marketing and Procurement

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 2017, Mr Blackwell's' responsibilities were expanded to include Iluka's procurement activities. 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)
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 (now 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.

Simon Hay, BSc (Hons), MAppSc, Grad Dip (Mgmt), MAICD
Head of Resource Development

Mr Hay joined Iluka in 2009 as Manager, South West Operations based in Capel. Mr Hay then moved to the Marketing function and served as Iluka's Country Manager for China and then General Manager Zircon Sales based in Singapore. He was appointed to his current role as Head of Resource Development in March 2016. Prior to joining Iluka, Mr Hay worked at Mt Isa Mines, WMC Resources and BHP Billiton in the fields of metallurgy, projects and operations management in base metals.

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

Ms Hodgson joined the People team at Iluka in 2013 and was appointed as General Manager People in May 2017. 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.

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 17 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.

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 18 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 CSBP (now part of Wesfarmers Chemicals, Energy & Fertilisers), and with Mayne Health.

Steven Wickham, Assoc Dip in Mechanical Engineering
Chief Operating Officer, Mineral Sands

Mr Wickham is a mechanical engineer with extensive experience in senior and executive roles in Australia and South Africa in the manufacturing and mining sectors. Prior to joining Iluka in 2007, he was Chief Executive Officer of Ticor South Africa and Managing Director of Australian Zircon.

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. 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 and a non-executive director of Amana Living. 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 58 to 79 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. The Company also has a royalty over iron ore sales revenue from BHP Billiton's Mining Area C province in Western Australia.

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 may decide to employ 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 25 on page 121 of the financial report.

DIRECTORS' REPORT

For the year ended 31 December 2018

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 80.

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

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. A contingent liability has been disclosed in note 22 to the financial statements. Given the status of proceedings, Iluka is unable to reliably estimate the quantum of liability, if any, that Iluka may incur in respect of this class action.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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. Given the early stage of proceedings, it is not practicable for Iluka to estimate the quantum of liability, if any, that Iluka may incur in respect of this class action.

On 21 February 2019, the Group announced the potential for the International Finance Corporation (IFC) to acquire a 10% equity interest in Sierra Rutile Limited, subject to due diligence, documentation and Board approvals by both the Group and the IFC. The financial effects of this transaction have not been recognised in the financial statements at 31 December 2018.

Other than the above matters, as further detailed in note 23 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.

DIVIDEND

The directors have declared a fully franked final dividend of 19 cents per ordinary share payable on 4 April 2019.

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 22 to 41. 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 2018 may be accessed from the Company's website at http://www.iluka.com/about-iluka/governance.

DIRECTORS' REPORT
For the year ended 31 December 2018

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
Chairman

T O'Leary
Managing Director

21 February 2019

REMUNERATION REPORT

The directors of Iluka Resources Limited (Iluka or company) present this Remuneration Report (Report) for the year ended 31 December 2018.

ABOUT THIS REPORT
This Report provides information about the remuneration of Iluka's key management personnel (KMP), being its executives with authority for planning, directing and controlling the activities of the company (executive KMP) and its non-executive directors. The Report has been prepared in accordance with the Corporations Act 2001 (Cth) and includes the following sections:

SECTION 1 **Overview of 2018 Remuneration – Key Developments**	This section of the Report provides a snapshot of key remuneration developments at Iluka in 2018, as well as an overview of the total realised remuneration received by executive KMP for the relevant year.
SECTION 2 **Remuneration at Iluka**	This section gives an overview of Iluka's remuneration principles and the process for determining the structure of remuneration for executive KMP.
SECTION 3 **Performance and Executive Remuneration**	This section outlines the remuneration structure and outcomes for Iluka's executive KMP in 2018, being: • **T O'Leary** – Managing Director and Chief Executive Officer • **J Andrews** – Head of Strategy, Planning and Business Development (from 22 August 2018) • **M Blackwell** – Head of Marketing and Procurement • **S Hay** – Head of Resource Development • **A Stratton** – Chief Financial Officer (from 22 August 2018) • **D Warden** – Chief Financial Officer & Head of Strategy and Planning (ceased 5 October 2018) • **S Wickham** – Chief Operating Officer Mineral Sands It also demonstrates how the components of remuneration at Iluka are aligned with value-creation by being linked to the company's performance.
SECTION 4 **Non-executive Director Remuneration**	This section outlines the remuneration structure and fees paid to Iluka's non-executive directors in 2018, being: • **G Martin** – Chairman, Independent Non-executive Director • **M Bastos** – Independent Non-executive Director • **R Cole** – Independent Non-executive Director (from 1 March 2018) • **X Liu** – Independent Non-executive Director • **J Ranck** – Independent Non-executive Director • **J Seabrook** – Independent Non-executive Director
SECTION 5 **Remuneration Governance**	This section sets out the governance framework and practices which support Iluka's remuneration framework.
SECTION 6 **Statutory Remuneration Disclosures**	This section includes statutorily required remuneration disclosures for 2018, including details of equity awards outstanding and executive KMP and non-executive director shareholdings in Iluka.

DIRECTORS' REPORT
For the year ended 31 December 2018

SECTION 1 OVERVIEW OF 2018 REMUNERATION – KEY DEVELOPMENTS

Iluka's approach to remuneration is intended to ensure that remuneration received by executive KMP is closely linked to Iluka's performance and the returns generated for our shareholders.

1.1 Snapshot of 2018 Remuneration Outcomes

The following information provides a snapshot of developments which occurred in relation to the company's remuneration arrangements:

Linking business performance to remuneration outcomes
Refer to section 5.3
	• A new Executive Incentive Plan (EIP) was introduced in 2018. The EIP has been designed to ensure that Iluka's incentives support the achievement of the company's strategy and key objective – to deliver sustainable value.
	• The EIP generates a strong alignment between shareholders and executives by delivering awards predominately in equity with deferred vesting, supporting decisions in the long term interests of shareholders.
	• The EIP combined the previous Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP) into a single incentive plan. The quantum of each executive KMP's EIP award will be determined by performance against a scorecard over the 12 month annual performance period.
	• The award targets set for Executives have a lower total maximum reward opportunity and a reduction in the proportion paid in cash than under previous plans.
	• For 2018 the Board set performance measures which were a combination of specific financial, production and sustainability targets in respect of performance in the 2018 year and an assessment of the company's progress against its longer term strategic plan to position Iluka to deliver sustainable value.
	• Any resulting EIP award will be delivered to executive KMP as follows:
	    • Two thirds (67%) as a combination of:
	        • A cash payment, made at the end of the performance period; and
	        • A grant of restricted shares, to be released in equal tranches over the three years following the end of the performance period; and
	    • One third (33%) as a grant of performance rights, which will vest subject to meeting a further gateway test (based on the company's relative Total Shareholder Return performance over a four year period commencing at the beginning of the performance period).
	• The Board expects executives to build, and continue to hold, a personally significant shareholding in Iluka through minimum shareholding requirements.

Iluka 2018 Performance ***Refer to section 3***	• Strong financial performance as reflected in revenue growth of 22% in 2018 to $1.244 billion and net profit after tax of $303.9 million resulting in a return on capital of 54%. • Group Z/R/SR production of 732,000 tonnes, with the Australian assets performing very well including record synthetic rutile production from the SR2 kiln and strong zircon output at Jacinth-Ambrosia, although a disappointing rutile production outcome at SRL. • Unfavourable performance on sustainability measures with an increase in TRIFR from 2.8 to 3.5 with 8 additional injuries. Many of the recordable injuries for the year were minor in nature with a material reduction in the number of injuries classified as having serious potential in comparison to 2017. • Progression of strategic initiatives including ensuring sustainable zircon production into the medium term by accelerating the Jacinth-Ambrosia mine move and producing more zircon in concentrate to help balance the market; progression of the Cataby project on time and budget to maintain synthetic rutile production over the next decade and progression of expansions at Sierra Rutile, however Sembehun development was deferred to allow for further analysis and optimisation.

Iluka 2018 EIP outcomes ***Refer to section 3***	• The Board assessment of performance for 2018 balances the strong financial performance, mixed operational performance, sustainability outcomes and the progression of long term strategic measures. The assessment resulted in overall incentive outcomes above target. • The EIP outcome for the Managing Director was 116% of target (maximum 150%). This outcome results in a total award of $2,157,127 which will be delivered as a combination of restricted shares (52%), performance rights (33%) and cash (15%). • The average EIP outcome for other executive KMP was 113% of target (maximum 150%). For the executive KMP 47% of the incentive will be delivered as restricted shares, 33% as performance rights and 20% as cash.
Changes in Total Fixed Remuneration (TFR)	• As a result of Adele Stratton's appointment as Chief Financial Officer her TFR was adjusted to reflect the promotion and change in accountabilities. • No other TFR increases were awarded to executive KMP during 2018.
Long Term Incentive Plan (LTIP) – *Legacy Arrangement* ***Refer section 3.3***	• 25% of the 2016 LTIP (performance period 1 January 2016 to 31 December 2018) vested. The TSR of Iluka over the performance period was 44.2%, which ranked at the 50th percentile of the S&P/ASX 200 Materials Index comparator group. The average ROE over the performance period was negative 1.8% (reported earnings in both 2016 and 2017 were impacted by impairments and increases to provisions).
Long Term Deferred Rights (LTDR) – *One-off Equity Grants* ***Refer section 3.4***	• In October 2016, LTDR's were granted to the Managing Director as compensation for incentives foregone from Mr O'Leary's previous employer. Tranche 2 of the Managing Director's LTDR award (performance period 1 October 2016 to 31 December 2018) was tested as at 31 December 2018 and 35.7% of the award vested. The TSR over the period was 29.4% which ranked at the 61st percentile of the S&P/ASX 200 Materials Index comparator group. The average ROE was 3.3% (reported earnings in both 2016 and 2017 were impacted by impairments and increases to provisions). • In 2018, LTDRs were granted to the Chief Operating Officer in recognition of the ongoing importance of integration and delivery of the investment case for the Sierra Rutile operations. Share rights will vest subject to meeting certain performance hurdles which will be tested over a two year period commencing 1 January 2018 and ending on 31 December 2019.
Non–executive directors Remuneration ***Refer section 4***	• During 2018 the Board engaged an external remuneration consultant to benchmark Board and committee fees. The Board determined that an increase in Board and committee fees was warranted given that fees have not been increased since 2011. A 3% increase was applied to Board and Audit and Risk Committee fees and a 23% increase to the People and Performance Committee fees to align with current market practice and to recognise the substantial workload of the Committee. Fee increases were applied from 1 March 2018.

DIRECTORS' REPORT
For the year ended 31 December 2018

1.2 Total Realised Earnings for executive KMP (non-IFRS) This section uses non-IFRS information to explain the "actual pay" received by executive KMP for 2018. 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. The information provided in the table below is shown on the following basis:

- "**TFR**" includes base salary and superannuation earned in 2018.
- "**Other**" payments include non-monetary benefits received in 2018, including car parking 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 share award receivable by executive KMP in respect of performance in 2018 (paid in March 2019 following the release of 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 former LTIP or LTDR awards of shares as a consequence of rights from prior years which reached the end of their performance period and vested in 2018. It does not include LTIP or LTDR awards which may vest in future years if performance conditions are met.

Name	TFR $	Other $	EIP $		LTIP[1]/ LTDR[2] $	Total Earnings $
			Cash	Restricted Shares	Shares	
Managing Director						
T O'Leary	1,400,000	13,406	323,569	1,121,706	527,795	3,386,656
Other executive KMP						
J Andrews[3]	500,000	13,406	115,350	271,073	-	899,829
M Blackwell	655,000	13,406	153,729	361,262	128,321	1,311,718
S Hay	600,000	13,406	134,820	316,827	90,503	1,155,556
A Stratton[4]	469,783	13,406	132,653	311,733	13,365	940,940
D Warden[5]	506,957	10,959	-	-	113,774	631,690
S Wickham[6]	733,000	77,434	155,909	366,386	126,362	1,459,091
Total	**4,864,740**	**155,423**	**1,016,030**	**2,748,987**	**1,000,300**	**9,785,480**

[1] Represents the estimated value of the 2016-2018 LTIP (not applicable to T O'Leary and J Andrews) for which the performance period concluded on 31 December 2018. The estimate was calculated using the opening share price of $7.62 at 1 January 2019. The actual value will be calculated using the closing share price at the date of vesting (1 March 2019).
[2] The estimated value of the 2016 LTDR award for T O'Leary was calculated using the opening share price of $7.62 at 1 January 2019. The actual value will be calculated using the closing share price at the date of vesting (1 March 2019).
[3] J Andrews was appointed to his current role and became a KMP on 22 August 2018. Remuneration disclosures for the full 2018 year are shown.
[4] A Stratton was appointed to her current role and became a KMP on 22 August 2018. Remuneration disclosures for the full 2018 year are shown. EIP for A Stratton was calculated based upon her TFR of $575,000 as at 31 December 2018.
[5] D Warden ceased to be a KMP on 5 October 2018. Remuneration disclosures reflect the period he was a KMP.
[6] S Wickham received an additional allowance in consideration of the significant time he is required to spend in Sierra Leone.

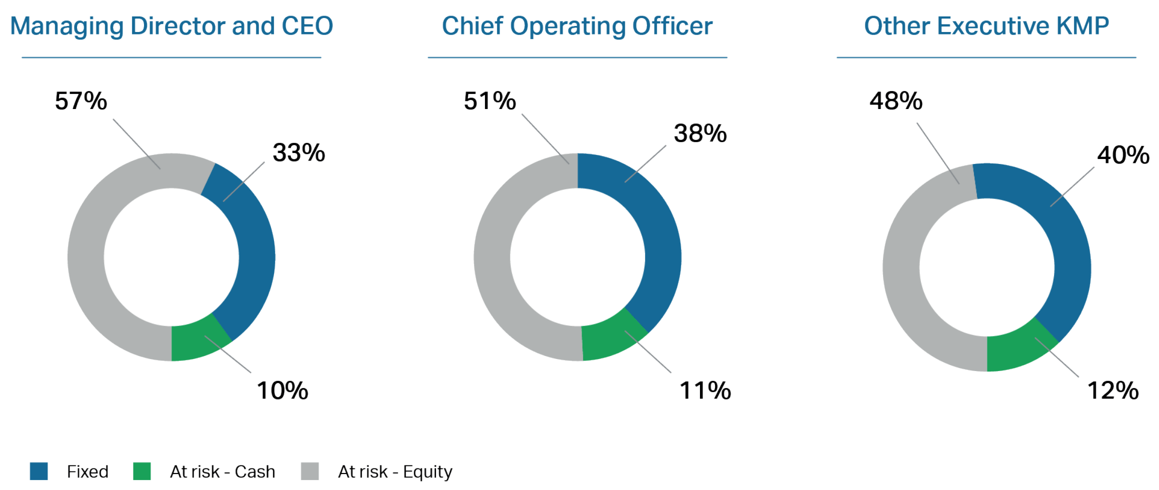
SECTION 2 REMUNERATION AT ILUKA

2.1 Components of executive KMP remuneration in 2018

Executive remuneration is comprised of both fixed and "at risk" components. The table below describes each of the components making up each executive KMP's total remuneration package applicable in 2018:

Fixed Remuneration	Executive Incentive Plan
Total Fixed Remuneration	**At Risk Remuneration**
TFR consists of base salary, superannuation and any salary sacrifice items. Individual TFR is determined within an appropriate range around the market median and is based on individual experience and performance. It is regularly review by the People and Performance Committee (PPC) and Board.	EIP awards require above-threshold performance against the annual scorecard objectives. These include financial, sustainability, production, group and individual strategic targets. 85% of the Managing Director's award and 80% of executive KMP's awards are deferred into equity in the form of restricted shares and share rights which encourage long term value creation and further align executives' interests with shareholder interests. The remaining portion of the awards is paid in cash.

The following diagram sets out the mix of fixed and "at risk" remuneration for executive KMP in 2018*:



* Percentages are based on achievement of maximum performance for the "at risk" remuneration components provided in 2018.

With the introduction of the EIP, the proportion of the annual incentive which is delivered as cash to executive KMP has reduced in 2018. The Managing Director's cash component of the EIP will reduce to zero by 2020.

DIRECTORS' REPORT
For the year ended 31 December 2018

SECTION 3 2018 PERFORMANCE AND EXECUTIVE REMUNERATION OUTCOMES – FURTHER DETAIL

The outcomes of the incentive awards for executive KMP in 2018 are summarised below.

3.1 Company Performance

Five year performance

The table below provides key performance metrics for 2018 and the prior four financial years.

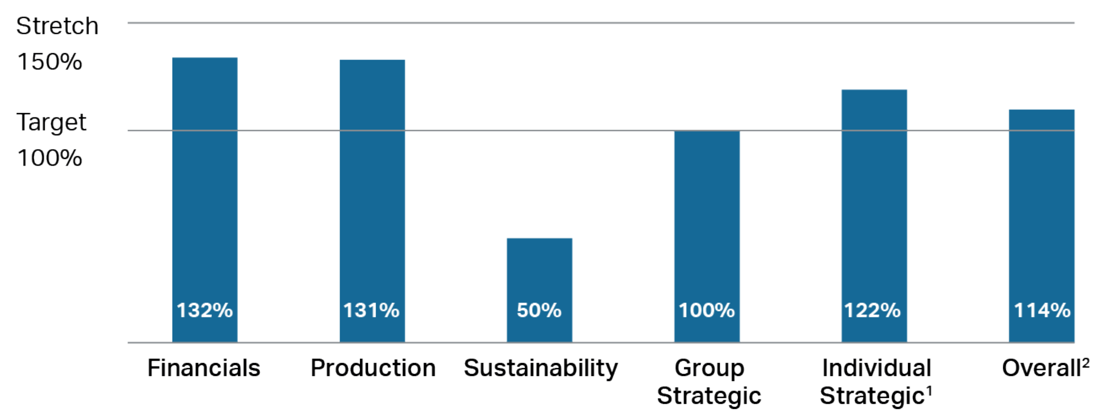
	2014	2015	2016[2]	2017[2]	2018
Net profit/(loss) after tax ($ million)	(62.5)	53.5	(224.0)	(171.6)	303.9
EBITDA margin (%)	32.5	31.2	13.9	35.4	48.2
Free cash flow ($ million)	196.3	155.0	47.3	321.9	304.4
Earnings per share (cents)	(15.0)	12.8	(53.3)	(41.0)	72.2
Return on equity (%)	(4.1)	3.8	(17.1)	(20.1)	31.8
Closing share price ($)[1]	5.95	6.13	7.27	10.17	7.62
Dividends paid (cents)[3]	19	25	3	31	29
Franking credit level (%)	100	100	100	100	100
Average AUD:USD spot exchange rate (cents)	90.3	75.2	74.4	76.7	74.8
Revenue per tonne Z/R/SR sold ($/t)	1,030	1,136	999	1,079	1,415

[1] Starting share price on 1 January 2014 was $8.63.
[2] Reported earnings in both 2016 and 2017 were impacted by impairments and increases to provisions
[3] Dividends paid in relation to the year

3.2 2018 EIP scorecard outcomes

The annual scorecard measures are intentionally challenging, have been set in line with Iluka's long term corporate plan and in the Board's view, will deliver sustainable value if achieved.

The diagram below provides a summary overview of the outcome achieved for 2018 against each category of the scorecard performance areas.



[1] Average KMP individual scores.
[2] Percentage of target using average individual strategic score.

Set out below is commentary on the performance outcome for each component of the 2018 EIP Scorecard:

EIP Measures	Rationale for inclusion	Performance outcome and commentary
Financial	**35% Weighting**	**Above target performance - 132% of target**
Managing Director and Chief Financial Officer: • Return on Equity • Earnings per Share • All in Unit Cash Costs of Production *Other Executive KMP:* • Return on Capital • Net Profit After Tax • All in Unit Cash Costs of Production	The combination of financial measures reflect how efficiently Iluka uses capital to generate earnings, the management of total cash costs within the business, and considers the profit made and resulting impact of returns generated for shareholders.	Stretch performance was achieved in relation to: • Return on Equity 31.8%; • Return on Capital 54%; • Earnings per share 72.3 cents per share; and • Net Profit After Tax $303.9 million. The all-in unit cash costs of production of $864 per tonne was higher than planned.
Production	**15% Weighting**	**Above target performance - 131% of target**
• Group Z/R/SR	Production was included as a scorecard metric for 2018 because, in the context of strong demand for Iluka's output, it was appropriate to optimise production.	The production outcome of 731.5 kt reflected higher than planned output from Australian operations which more than offset lower than planned production outcomes at Sierra Rutile. Higher Australian production was largely achieved through the production and sale of zircon in concentrate (ZIC) products which were produced and sold to meet customer demand, offset market shortages of zircon sand, and to mitigate remediation obligations. The record synthetic rutile production from the kiln in Capel also contributed to the stronger production outcome in Australia. The production optimisation and initiatives to deliver more tonnes into the market contributed to delivering the strong revenue achieved in 2018 and to meeting customer demand particularly in zircon markets.
Sustainability	**15% Weighting**	**Below Target performance - 50% of target**
• Group TRIFR • Group Closure Index • Level 3+ Environmental Incidents • Closed Actions by Due Date • Increase in environmental and safety reporting (SRL)	Providing a safe workplace for all employees and ensuring that the impact of its activities on the environment is managed appropriately and minimised are integral to Iluka's corporate objective and values. The closure index measures the effectiveness of Iluka's management of its rehabilitation exposure and risks associated with disturbed areas arising from operational activity. For executive KMP with accountability for SRL operations, the focus on leading measures ensures continuous sustainability performance and improved outcomes.	In 2018 the Group recorded a TRIFR of 3.5 (rolling 12-month average to 31 December 2018) which was above target performance resulting in a below threshold incentive outcome. Targets for 2018 were set based on achieving a year-on-year improvement despite the increased activity in operations and projects in comparison to 2017. Many of the recordable injuries for the year were minor in nature and overall there was a material reduction in the number of injuries classified as having serious potential in comparison to 2017. For environmental incidents, threshold performance v achieved with 9 level 3 incidents occurring in 2018 compa with 7 incidents in 2017, excluding SRL. The target set to improve the timeliness of improvement actions was achieved, which represented a significant improvement from prior years. The Group closure index, which measures rehabilitation exposure risk across the business, resulted in a below threshold outcome for 2018. SRL achieved above target outcomes for improving environmental and safety reporting as part of the ongoing program to instil an effective safety culture across the operations.

Group Strategy	**10% weighting** The 2018 strategic objectives were linked to major business opportunities and priorities for the year and risks from the corporate plan, and were directed at positioning Iluka to deliver sustainable value over the longer term.	**At target performance - 100% of target** Details relating to progress against the 2018 strategic objectives are provided below.
Sub-total – Group objectives	**75% weighting**	**Above target performance - 111% of target**
Individual Strategy	**25% weighting** Individual KMP strategic objectives were set to support achievement of group objectives.	**Above target performance - Average executive KMP performance - 122% of target**
Total	**100% weighting**	**Average executive KMP performance - 114% of target**

For 2018 the Board extracted key components of the Company's Corporate Plan and set objectives for the Company as well as for individuals which Directors believe will position the Company to deliver sustainable value over the long term. While the precise terms of those objectives and progress made is in some cases commercially sensitive, a summary of the 2018 strategic objectives and progress made against those objectives is set out below.

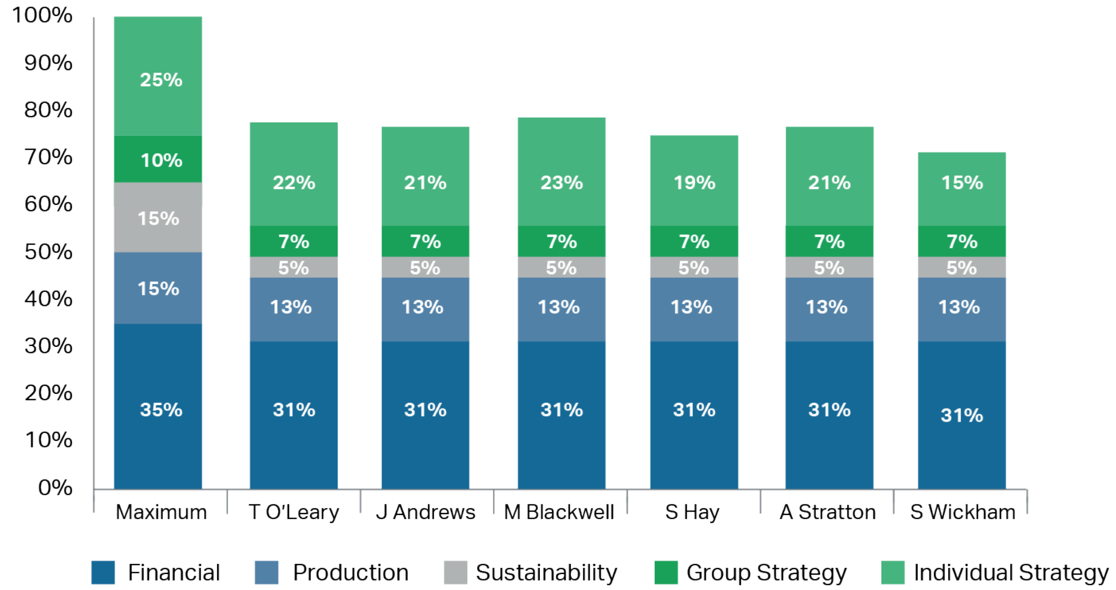
2018 Strategic Objectives	Progress
• Delivering value-accretive expansions	• Cataby – at year end mechanical construction was near complete; wet commissioning commenced on 20 December 2018. The project is expected to be completed on time and budget. • Jacinth –Ambrosia – Capital works associated with an early move to develop the Ambrosia deposit have been approved and will support continued significant production of zircon from the Jacinth-Ambrosia mine. The project is tracking well on schedule and budget. • Sierra Rutile expansions covered separately below. • Fine Minerals – a PFS commenced in August on this rare earths and zircon project in the Murray Basin in Victoria and all activities are on track. • Sri Lanka PQ Project – the PFS was largely complete by year end and a summary report is in preparation. Recent political uncertainty will inevitably delay progress on achieving certainty in respect of fiscal arrangements.
• Deliver on Sierra Rutile acquisition	• Production was significantly below plan. • Lanti in-pit mining unit delivered within cost but behind schedule and has not performed to expectations operationally. A lessons learnt exercise was conducted and lessons applied to other projects. • The DM 1 and 2 expansion projects have progressed during 2018 on time and budget. • Sembehun development was deferred to enable further analysis and optimisation of the project scope and capital requirements. Studies commenced in December with a new development plan to be presented mid-2019. Re-interpretation of existing Sembehun drilling data yielded an additional 0.6 million tonne of rutile mineral resource. • A project office was established in South Africa in June and all SRL project responsibilities transferred to this team smoothly in Q3. • Improvement needed in employee relations as illustrated by strike actions in Q4 2018 which interrupted production. • Participation in the President of Sierra Leone's taskforce to examine the underlying causes of the strike actions was managed well, and the report of the taskforce illustrates the strength of Government support for Sierra Rutile Limited.

• Reduce costs	• A range of cost reduction initiatives have been progressed across business areas, examples include:
	  • The Iluka spend optimization programme was completed on schedule, delivering net cost reductions across 12,000 catalogued consumables;
	  • At SRL, approximately 1,400 items were re-bid and new contracts negotiated with numerous improvements including some critical items held on consignment and transparent open book pricing; and
	  • Optimisation of the intermediate and finished goods supply chains which delivered material savings in 2018.
	• While the cost reduction initiatives noted above generated savings in the order of $8 million in 2018, and will generate ongoing savings, they were not sufficient to offset the increase in all-in unit cost of production.
	• Operational issues at SRL led to a higher cost base in 2018, with an increase of US$13 million to the original guidance of US$102 million cash costs. This had a detrimental impact on all-in unit costs for both SRL and the Group

• Effectively manage rehabilitation exposure in the United States	• Positive progress has been made in the management and mitigation of rehabilitation liabilities in the United States.

DIRECTORS' REPORT
For the year ended 31 December 2018

The diagram below shows actual EIP reward as a percentage of maximum potential reward for each executive KMP.



The following table shows the value of total remuneration for executive KMP directly attributable to the 2018 performance year by showing the fixed remuneration paid, and the cash and equity value of the 2018 EIP award.

Executive KMP	TFR	Other	EIP			Total
	$	$	$			$
			Cash	Restricted Shares	Performance Rights	
Managing Director						
T O'Leary	1,400,000	13,406	323,569	1,121,706	711,852	3,570,533
Other executive KMP						
J Andrews	500,000	13,406	115,350	271,073	190,328	1,090,157
M Blackwell	655,000	13,406	153,729	361,262	253,652	1,437,049
S Hay	600,000	13,406	134,820	316,827	222,453	1,287,506
A Stratton	469,783	13,406	132,653	311,733	218,877	1,146,452
S Wickham	733,000	77,434	155,909	366,386	257,250	1,589,979

[1]The EIP award to the MD is awarded as 15% cash, 52% restricted shares and 33% performance rights. For other executive KMP the award is 20% cash, 47% restricted shares and 33% performance rights. The value for the 2018 EIP award of restricted shares and performance rights is the dollar value that will be awarded in March 2019.

3.3 2016 LTIP outcome (legacy arrangement)

At the end of 2018, the three year 2016 LTIP award completed its performance period (1 January 2016 to 31 December 2018).

Performance was measured against both the ROE and relative TSR performance targets as follows:

Component	Performance target	Actual performance	Implication for vesting
ROE (50%)	50% vesting at Threshold of 10% with full vesting at target of 14%	-1.8%[1]	Nil vesting of the ROE component
Relative TSR (50%) (S&P/ASX 200 Materials Index)	50% vesting at 50th percentile and full vesting for 75th percentile	50th percentile[2]	50% vesting of the TSR component

[1] The 2016 and 2017 reported results were impacted by impairments and increases to provisions.

[2] The TSR achieved over the three year period was 44.2% which ranked at the 50th percentile threshold for vesting.

[3] No corporate events that resulted in any changes to the comparator group took place during the performance period.

3.4 One-off equity grants

2018 Long Term Deferred Rights – Chief Operating Officer

The Board retains the flexibility to make one-off equity grants in recognition of executive position changes and the impact these new and other specific roles 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 2018. Key details of the grant are set out in the table below:

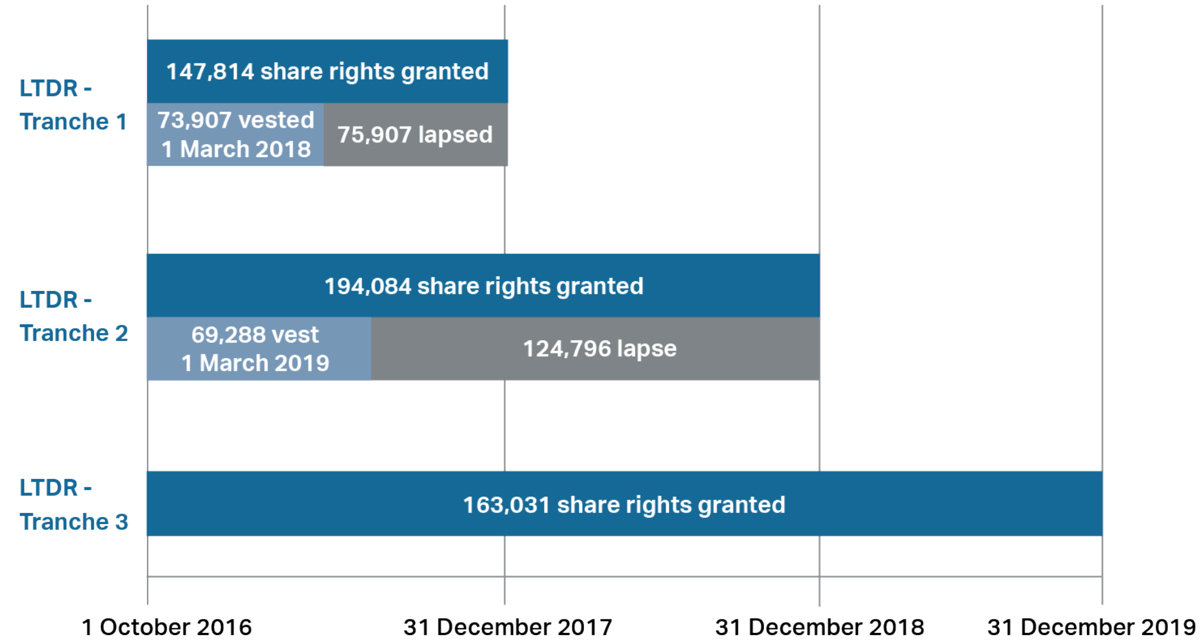
LTDR opportunity	In 2018, the maximum LTDR opportunity for the Chief Operating Officer was 15% of TFR.
Instrument	The LTDR was awarded in share rights that entitle the participant to acquire fully-paid ordinary shares in the company on vesting and, where relevant, exercise of those rights. Rights are granted for nil consideration and no price is payable on exercise of those rights. Share rights do not attract dividends and do not carry voting rights prior to vesting and, where relevant, exercise.
Performance period	Share rights may vest at the end of the two year performance period between 1 January 2018 and 31 December 2019, subject to the satisfaction of performance hurdles.
Cessation of employment	If the executive KMP resigns or is dismissed for cause, all of their unvested share rights will lapse, unless the Board determines otherwise. If the executive KMP ceases employment due to any other circumstances (including death, total and permanent disability, redundancy or retirement), the Board has discretion to determine the treatment of any unvested share rights and may determine that some or all of the share rights lapse, vest or stay on foot.
Change of control	In the event of a takeover or other transaction that in the Board's opinion should be treated as a change of control event, the Board has a discretion to determine that vesting of some or all of the share rights be accelerated.
Board discretion	Where the Board exercises its discretion under the LTDR, for example in relation to cessation of employment or a change of control, the Board will consider all relevant factors at the time, which the Board expects will include Iluka's performance against the performance targets and the proportion of the performance period that has elapsed.

DIRECTORS' REPORT
For the year ended 31 December 2018

2016 LTDR outcome – Managing Director

In October 2016, the Managing Director received an award of 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 in line with the LTIP performance targets outlined in Section 3.3 above over staggered performance periods. The diagram below illustrates the performance periods over which the performance targets will be measured and the tranches will become eligible for vesting. This staggered approach was designed to promote sustained value creation for shareholders:



Following the end of 2018, Tranche 2 of the LTDR grant was eligible to be tested against the ROE and relative TSR performance targets over the performance period 1 October 2016 to 31 December 2018.

Average ROE performance over the period of 3.3% (reported earnings in both 2016 and 2017 were impacted by impairments and increases to provisions) against a threshold of 10% resulted in no vesting of the ROE component (half of Tranche 2) and TSR of 29.4% that ranked at the 61st percentile of the S&P/ASX 200 Materials Index comparator group on a relative basis resulted in 71% vesting of the TSR component (the remaining half of Tranche 2).

SECTION 4 NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of the non-executive directors is determined by the Board on recommendation from the People and Performance Committee within the maximum aggregate amount approved by shareholders at Iluka's Annual General Meeting. The current cap on non-executive directors' fees (including superannuation) as approved by shareholders in May 2015 is $1.8 million. The total amount paid to non-executive directors in 2018 (including superannuation) was $1.2 million. Non-executive directors do not receive any performance-based remuneration.

External remuneration consultants were engaged in 2018 to conduct benchmarking analysis in respect to non-executive directors remuneration. Having regard to this market data, directors' workloads and the need to attract and retain high calibre directors with the requisite skills and experience, the Board determined that an increase was warranted. Non-executive directors' fees were last increased in 2011.

Details of the change in non-executive director fees are as follows:

	2017	2018
Non-executive director base fees		
Board Chairman (inclusive of Committee fees)	$312,000	$321,400
Board Member	$125,000	$128,800
Board Member Committee fees		
Audit and Risk Committee Chair	$35,000	$36,100
Audit and Risk Committee Member	$17,500	$18,100
People and Performance Committee Chair	$25,000	$30,600
People and Performance Committee Member	$12,500	$15,350
Nominations Committee Chair	Nil	Nil
Nominations Committee Member	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.

DIRECTORS' REPORT
For the year ended 31 December 2018

SECTION 5 REMUNERATION GOVERNANCE

5.1 Remuneration governance and principles

The following diagram outlines the governance framework in place at Iluka for setting remuneration for the company's KMP and other employees. It also includes the key remuneration principles which underlie Iluka's remuneration governance framework and practices.

Remuneration governance framework

Board

The Board delegates responsibility in relation to remuneration to the People and Performance Committee (PPC). The PPC operates in accordance with a Charter as approved by the Board.

Delegation and oversight

Reporting and recommendations

People and performance committee

The PPC is responsible for assisting and providing recommendations to the Board in support of the Company's purpose to deliver sustainable value and in fulfilling its corporate governance responsibilities relating to:

- overall remuneration strategy of the Company;
- remuneration of non-executive directors;
- performance and remuneration of the Managing Director and Executives;
- incentives offers and outcomes, including all equity offers to employees;
- succession planning for key roles; and
- diversity strategy, policies and practices of the Company.

External Advice

The PPC has appropriate resources and authority to discharge its duties and responsibilities, including the authority to engage external professionals on terms it determines to be appropriate.

In 2018, the Committee engaged independent remuneration consultants to provide insights on remuneration trends, regulatory updates and market data in relation to the remuneration of the Managing Director, other Executive KMP and non-executive directors. No remuneration recommendations were obtained as defined under the Corporations Act 2001 (Cth).

Remuneration principles

The following principles are aligned with Iluka's People Policy and form the basis of Iluka's remuneration framework:

- remuneration which is comparable and competitive within the relevant market;
- an appropriate balance between fixed and variable (at risk) components of remuneration;
- performance based with targets that reflect both prevailing business expectations and minimum requirements over time;
- alignment to shareholder returns through performance objectives which support financial, sustainability, production, strategy and result in improved shareholder returns;
- trailing exposure to Company performance for executives through deferred equity plans and minimum shareholding requirements; and
- fair and transparent remuneration based on performance, compliance with legislative frameworks and clear and concise disclosure.

5.2 Equity related remuneration policies

Iluka has a number of company policies in place, designed to support and reinforce the remuneration principles and structure outlined in Section 5.1. These policies include the following:

Securities Trading Policy

Under the Securities 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.

This prohibition extends to directors and executives taking out margin loans on their holdings of Iluka securities.

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

Minimum Shareholding Policy

Iluka encourages all employees to own shares in the Company as it increases the incentive for employees to drive continued shareholder wealth.

Shareholdings required to be held by Executive KMP are:

- 200% of TFR for the Managing Director and CEO; and
- 100% of TFR for other Executive KMP.

Non-executive directors are required to acquire and hold a shareholding of 12,000 shares for Directors and 30,000 shares for the Chairman within three years of appointment.

A summary of KMP's current shareholdings is available in Section 6 of this Report

Clawback

The terms of Iluka's EIP and former STIP and LTIP awards contain provisions permitting the Company to clawback incentives that have vested and that have been paid or awarded to participants in certain circumstances.

For example, performance rights and restricted shares 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.

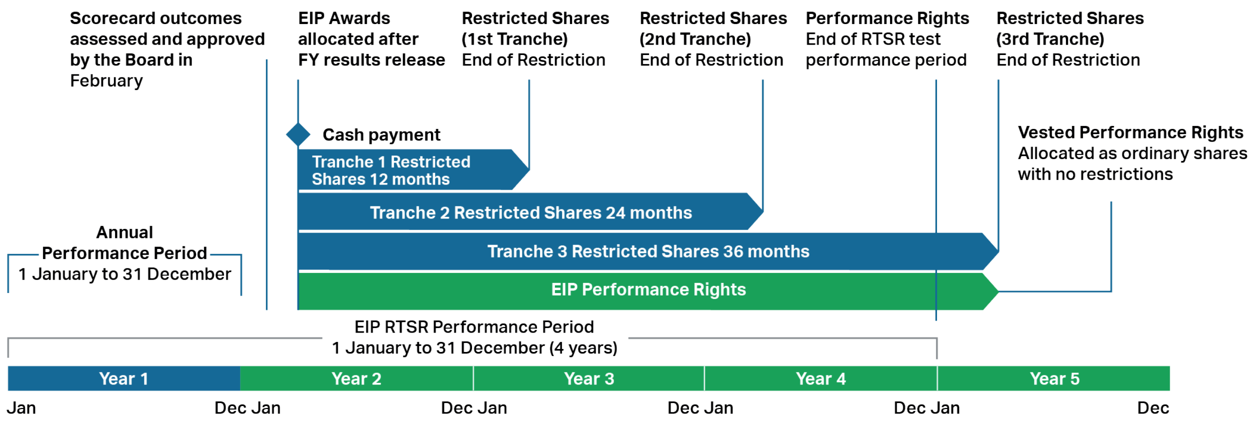
This allows the Board to ensure that remuneration outcomes continue to align with outcomes for shareholders and that inappropriate benefits are not awarded.

5.3 Executive Incentive plan

As foreshadowed in the 2017 Annual Report, in 2018 the EIP replaced both the former STIP and LTIP. The EIP was designed to enable the Board to ensure that Iluka's incentives remain fit for purpose and support the achievement of the company's key objective – to deliver sustainable value. It strongly aligns Iluka's executives with the interests of shareholders through the increased use of equity and fairly rewards executives for delivery of superior results.

The following diagram provides an overview of the EIP elements and timings.

EIP diagram implementation



The structure of Iluka's 2018 EIP was as follows:

2018 EIP opportunity

For the Managing Director the 'at target' opportunity was 133% of TFR and the maximum opportunity was 200% of TFR.
For other executive KMP the 'at target' opportunity was 100% of TFR and the maximum opportunity was 150% of TFR.

Annual performance - measures and vesting schedule

The PPC approved the annual EIP scorecard having regard to Iluka's corporate plan, business conditions and market and shareholder expectations. Performance targets included Financial, Production, Sustainability and Strategic (comprising group and individual objectives).

- **Financial** measures for the Managing Director and Chief Financial Officer included return on equity, earnings per share and all in unit cash costs of production. For other Executive KMP measures included net profit after tax, return on capital and all in unit cash costs of production.
- **Production** was measured against production targets across the group's operating mines.
- **Sustainability** targets related to safety and environmental objectives and were set based on a combination of industry best practice and continual improvement versus the prior year performance.
- **Strategic** objectives were linked to major business opportunities and priorities for the year and risks from the corporate plan, and were directed at positioning Iluka to deliver sustainable value over the longer term. These were set at group and individual level

For all scorecard performance measures, a threshold, target and stretch goal was set at the start of the 2018 performance period. EIP outcomes were calculated according to the following schedule:

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

A sliding scale operated between threshold and target, and between target and stretch.

Performance assessment

EIP outcomes were determined following testing at the conclusion of the 2018 performance period, in early 2019.

Outcomes were subject to rigorous one up assessment and, for the Managing Director and executive KMP, assessment by the Board.

Award type and timing

EIP awards for the 2018 performance period will be granted in March 2019. The EIP relevant outcome will be delivered:

- For the Managing Director, 15% in cash, 52% in restricted shares and 33% in performance rights; and
- For other Executive KMP, 20% in cash, 47% in restricted shares and 33% in performance rights.

The number of restricted shares and performance rights awarded to each participant will be based on face value and 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.

For EIP awards in 2019 and later years, the Company intends to review the mix of equity instruments it provides with a view to simplifying the arrangements by providing a mix of share rights and performance rights (rather than restricted shares and performance rights).

Restriction and performance periods on EIP equity	**Restricted Shares** Restricted shares will be granted for nil consideration in March 2019. The restricted shares will be released from dealing restrictions in three equal tranches over the three years following the end of the 2018 performance period. **Performance Rights** Performance rights will be granted for nil consideration in March 2019. Performance rights will vest subject to meeting a further gateway test based on Iluka's TSR performance relative to the ASX 200 Resources Index (excluding companies primarily engaged in the oil and gas sector and non-mining activities). TSR performance is measured over the four year period commencing at the beginning of the 2018 performance period.
Voting rights and dividends	Participants will receive dividends and are entitled to exercise voting rights attaching to the restricted shares. No dividends are paid on performance rights prior to vesting. For any performance rights that ultimately vest, a cash payment equivalent to dividends paid by Iluka during the period between grant of the performance rights and vesting will be made shortly after the time of vesting. No cash payment will be made in respect of dividends on performance rights which do not vest.
Cessation of employment	In the event of an executive KMP ceasing employment for reasons of resignation or termination for cause, all of their restricted shares and unvested performance rights will be forfeited or lapse (as applicable). If the executive KMP ceases employment due to any other circumstances (including death, total and permanent disability, retirement or redundancy), the unvested restricted shares and performance rights will remain on foot and be subject to the original terms of the award.
Clawback	The Board has power under the relevant rules to clawback incentives that have vested and that have been paid or awarded to participants in certain circumstances. For example, restricted shares 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.
Change of control	In the event of a takeover or other transaction that in the Board's opinion should be treated as a change of control event, the Board has a discretion to determine that vesting of some or all of the performance rights be accelerated and that dealing restrictions on restricted shares be released.
Board discretion	Where the Board exercises its discretion under the EIP, for example in relation to cessation of employment or a change of control, the Board will consider all relevant factors at the time, which the Board expects will include the participant's performance against the performance targets and the proportion of the performance or deferral period that has elapsed.

DIRECTORS' REPORT
For the year ended 31 December 2018

5.4 Executive employment agreements

Executive KMP are employed on terms set out in individual employment agreements. The employment agreements continue on a rolling basis and do not contain a fixed term. Key terms of the agreements are as follows:

Executive KMP	Position	Termination Notice Period by Iluka or Employee	Termination Payments[1]
T O'Leary	Managing Director and Chief Executive Officer	6 months	6 months
J Andrews	Head of Strategy, Planning and Business Development	3 months	3 months
M Blackwell	Head of Marketing and Procurement	3 months	6 months
S Hay	Head of Resource Development	3 months	3 months
A Stratton	Chief Financial Officer	6 months	-
S Wickham	Chief Operating Officer, Mineral Sands	3 months	6 months

[1] Termination payments (other than for gross misconduct) are calculated based on TFR at date of termination and are provided in addition to the notice period or payment 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.

SECTION 6 STATUTORY REMUNERATION 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.

6.1 Non-executive director Statutory Remuneration Disclosures

Name	Year	Board, Committee Fees $	Non-Monetary Benefits $	Superannuation $	Statutory Total $
G Martin	2018	319,833	-	20,290	340,123
	2017	312,000	-	19,832	331,832
M Bastos	2018	146,167	-	13,886	160,053
	2017	142,500	-	13,538	156,038
R Cole[1]	2018	132,138	-	12,553	144,691
	2017	-	-	-	-
X Liu	2018	146,167	-	13,886	160,053
	2017	142,500	-	13,538	156,038
J Ranck	2018	175,833	-	16,704	192,537
	2017	167,500	-	15,912	183,412
J Seabrook	2018	178,958	-	17,001	195,959
	2017	172,500	-	16,388	188,888
Total	**2018**	**1,099,096**	**-**	**94,320**	**1,193,416**
	2017	**937,000**	**-**	**79,208**	**1,016,208**

[1] R Cole was appointed on 1 March 2018.

6.2 Executive KMP Statutory Remuneration Disclosures

Name	Year	TFR[1] $	EIP/STIP Cash[2] $	Non-Monetary Benefits[3] $	Termination Benefits[4] $	Other[5] $	Share Based Payments[2,6,7] $	Statutory Total $
Managing Director								
T O'Leary	2018	1,400,000	323,569	13,406	-	-	1,065,428	2.802,403
	2017	1,400,000	382,620	21,350	-	-	1,888,909	3,692,879
Other executive KMP								
J Andrews[8]	2018	500,000	115,350	13,406	-	-	157,036	785,792
	2017	-	-	-	-	-	-	-
M Blackwell[9]	2018	655,000	153,729	13,406	-	-	373,502	1,195,637
	2017	802,095	175,475	14,600	-	160,981	354,269	1,507,420
S Hay	2018	600,000	134,820	13,406	-	-	323,472	1,071,698
	2017	608,523	149,940	13,402	-	-	294,286	1,066,151
A Stratton[10]	2018	469,783	132,653	13,406	-	-	205,213	821,055
	2017	-	-	-	-	-	-	-
D Warden[4,11]	2018	506,957	-	10,959	174,796	-	(294,399)	398,313
	2017	660,000	170,874	13,402	-	-	269,155	1,113,431
S Wickham	2018	733,000	155,909	4,434	-	73,000	481,435	1,447,778
	2017	734,463	187,795	7,012	-	76,237	403,558	1,409,065
Total	**2018**	**4,864,740**	**1,016,030**	**82,423**	**174,796**	**73,000**	**2,311,687**	**8,522,675**
	2017	**4,205,081**	**1,066,704**	**69,766**	**-**	**237,218**	**3,210,177**	**8,788,946**

[1] Includes base salary and superannuation.
[2] EIP cash payments and restricted share and performance right awards for 2018 will be made in March 2019.
[3] Includes non-monetary benefits which consist of car parking and spouse travel.
[4] Includes cessation entitlements relating to payment in lieu of notice and accrued leave entitlements.
[5] Includes Sierra Leone travel allowance for S Wickham and 2017 US social security expenses and relocation allowances for M Blackwell.
[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. This includes amounts previously accrued that have been reversed as a result of the instruments not meeting a performance condition.
[7] The 2017 comparative Total Share Based Payments information has been corrected to include $414,588 of 2017 STIP remuneration, granted in March 2018, which is attributable to the prior period.
[8] J Andrews became a KMP on 22 August 2018. Remuneration disclosures for the full 2018 year are shown.
[9] M Blackwell relocated from the US to Australia effective 15 March 2017. TFR for 2017 includes $96,761 of US accrued leave paid out. The USD denominated portion of his 2017 earnings have been converted from USD to AUD for 2017 using the average foreign exchange rate for the duration of his 2017 US employment of 0.7510.
[10] A Stratton became a KMP on 22 August 2018. Remuneration disclosures for the full 2018 year are shown.
[11] D Warden ceased to be a KMP on 5 October 2018. Remuneration disclosures for 2018 reflect the period he was a KMP. Share based payments for 2018 include amounts previously accrued that have been reversed as a result of the instruments being forfeited or lapsing upon the cessation of Mr Warden's employment.

DIRECTORS' REPORT
For the year ended 31 December 2018

6.3 Executive KMP Share–based Compensation

EIP and STIP restricted shares

Name	2016 STIP[1] (restricted shares)	2017 STIP[1] (restricted shares)	2018 EIP[1,2] (restricted shares)	% of total opportunity awarded %[3] (cash and restricted shares)		
				2016	2017	2018
T O'Leary	-	36,273	147,206	-	61	77
J Andrews	-	-	35,574	-	-	77
M Blackwell	16,177	16,635	47,410	35	60	78
S Hay	13,208	14,215	41,578	39	56	75
A Stratton	-	-	40,910	-	-	77
D Warden	16,124	16,199	-	37	58	-
S Wickham	18,391	17,803	48,082	38	57	71

[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 will be made in March 2019).
[2] Represents the estimated number of restricted shares to be awarded under the 2018 EIP calculated using the opening share price of $7.62 at 1 January 2019.
[3] The percentage achieved of the EIP or STIP maximum incentive opportunity awarded for the financial year.

Share Rights

	Number of share rights					Value of share rights	
Name	Balance at 1 January 2018	Granted during 2018[1]	Vested / exercised into shares in 2018	Lapsed during 2018[2]	Balance at 31 December 2018	Value of rights granted in 2018 $	Value of rights vested / exercised into shares in 2018 $
Managing Director							
T O'Leary	1,004,797	-	(73,907)	(73,907)	856,983	-	692,509
Other executive KMP							
J Andrews	-	-	-	-	-	-	-
M Blackwell	243,460	-	(12,771)	(38,311)	192,378	-	130,392
S Hay	168,722	-	(5,222)	(15,664)	147,836	-	53,317
A Stratton	29,750	-	(1,436)	(4,308)	24,006	-	14,662
D Warden[3]	272,162	-	(23,653)	(188,784)	59,725	-	241,497
S Wickham	270,730	10,424	(14,352)	(43,056)	223,746	109,950	146,534

[1] Share rights granted in respect of the 2018 LTDR award for the Chief Operating Officer, which form part of share based payments for 2018 to 2020 inclusive.
[2] Share rights which lapsed during 2018 relate to the 2015 LTIP award and Tranche 2 of the 2016 LTIP and the 2017 LTIP award for the former Chief Financial Officer & Head of Strategy and Planning (D Warden).
[3] D Warden ceased to be a KMP on 5 October 2018. The balance at 31 December 2018 reflects Tranche 1 of the 2016 LTIP which remained on foot for testing. On vesting, Mr Warden will be able to elect whether his vested rights under the 2016 LTIP award are settled with shares or a cash equivalent.

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.

Incentive Plan	Grant Date	Fair Value per Share or Right at Grant Date[1] $	Vesting Year	Expiry year[2]
2016 LTIP Tranche 1	May 2016	5.14	2019	2026
2016 LTIP Tranche 2	May 2016	5.07	2020	2026
2016 STIP[3]	March 2017	6.82	2018 & 2019	–
2016 LTDR[4]	October 2016	4.68	2018, 2019 & 2020	2026
2016 LTIP (MD grant)	October 2016	4.57	2021	2026
2017 LTIP	March 2017	6.55	2021	2027
2017 STIP[3]	March 2018	10.55	2019 & 2020	-
2017 LTDR[5]	March 2017	6.82	2021	2027
2018 LTDR[5]	March 2018	10.55	2021	2028
2018 EIP[6]	March 2019	7.62	2020, 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] Awards under these plans are restricted shares; all other plans grant share rights.
[4] 2016 LTDR's awarded to the Managing Director are tested at the end of 2017, 2018 and 2019
[5] Represents the face value of the 2018 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 annual results.
[6] Represents the estimated fair value of restricted shares and performance rights to be awarded under the 2018 EIP for which the performance period concluded on 31 December 2018 calculated using the closing share price of $7.62 at 1 January 2019. The actual value will be calculated as the VWAP of ordinary shares over the five trading days following the release of the Company's 2018 annual results.

6.4 KMP shareholdings

Shareholdings of executive KMP and their related parties

	Number of shares				
Name	Balance held at 1 January 2018	Vesting/exercise of share rights pursuant to LTDR and LTIP	Awarded as Restricted Shares pursuant to STIP	Other changes[1]	Balance held at 31 December 2018[4]
Managing Director					
T O'Leary	-	73,907	36,273	-	110,180
Other executive KMP					
J Andrews[1]	-	-	4,740	-	4,740
M Blackwell	53,037	12,771	16,635	(18,888)	63,555
S Hay	60,867	5,222	14,215	(13,635)	66,669
A Stratton[2]	9,193	1,436	5,854	(2,560)	13,923
D Warden[3]	49,833	23,653	16,199	(89,685)	-
S Wickham	71,967	14,352	17,803	(34,244)	69,878

[1] Other changes may include changes due to personal trades and forfeited shares.
[2] J Andrews and A Stratton were appointed to their current roles and became KMP on 22August 2018.
[3] D Warden ceased to be a member of KMP on 5 October 2018. The closing balance reflects this date.
[4] The Managing Director is required to build a shareholding of 200% of TFR and other executive KMP are required to build a shareholding of 100% of TFR. Executives are required to build the shareholding over a reasonable time frame taking into account vesting and requirements to meet taxation obligations.

Shareholdings of Non-executive directors and their related parties

	Number of shares[1]		
Name	Balance held at 1 January 2018	Net movement	Balance held at 31 December 2018
G Martin[2]	20,000	10,000	30,000
M Bastos[2]	11,000	2,985	13,985
R Cole[2, 3]	-	4,000	4,000
X Liu[2]	10,000	2,000	12,000
J Ranck	10,000	2,412	12,412
J Seabrook[2]	19,314	663	19,977

[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] R Cole was appointed a non-executive director on 1 March 2018. Remuneration disclosures for 2018 reflect the period he was a non-executive director.

6.5 On-market Share Purchases

The total number of Iluka shares acquired on-market to satisfy employee incentive schemes in 2018 was 1,215,977 at an average price of $10.16 per share.

6.6 Transactions with Key Management Personnel

During the financial year there were no product or services purchases by KMP from the Group (2017: nil) and there are no amounts payable at 31 December 2018 (2017: nil).

There have been no loans to KMP during the financial year (2017: nil).

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 31 December 2018

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Iluka Resources Limited for the year ended 31 December 2018, 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
21 February 2019

ILUKA RESOURCES LIMITED ABN 34 008 675 018

FINANCIAL REPORT - 31 DECEMBER 2018

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 14
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 2019. 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 2018

	Notes	2018 $m	2017 $m
Revenue	5	**1,350.9**	1,077.8
Other income		**3.1**	2.1
Expenses	6	**(870.3)**	(1,023.9)
Impairment of assets	7	**-**	(185.4)
Share of losses of investments accounted for using the equity method		**-**	(3.3)
Interest and finance charges		**(15.0)**	(18.8)
Rehabilitation and mine closure provision discount unwind		**(16.7)**	(14.1)
Total finance costs	14(d)	**(31.7)**	(32.9)
Profit/(loss) before income tax		**452.0**	(165.6)
Income tax expense	10	**(148.1)**	(6.0)
Profit/(loss) for the period attributable to owners		**303.9**	(171.6)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation of foreign operations	16	**43.2**	(38.4)
Hedge of net investment in foreign operation, net of tax	16	**(2.1)**	14.8
Movements in foreign exchange cash flow hedges, net of tax		**(7.9)**	(2.2)
Items that will not be reclassified to profit or loss			
Actuarial (losses) gains on defined benefit plans, net of tax	16	**0.6**	(0.5)
Total other comprehensive income/(loss) for the year, net of tax		**33.8**	(26.3)
Total comprehensive income/(loss) for the year attributable to owners		**337.7**	(197.9)
		Cents	Cents
Profit/(loss) per share attributable to ordinary equity holders			
Basic profit/(loss) per share	18	**72.2**	(41.0)
Diluted profit/(loss) per share	18	**71.8**	(41.0)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Notes	2018 $m	2017 $m
ASSETS			
Current assets			
Cash and cash equivalents	14	**51.3**	53.6
Receivables	12	**162.6**	171.4
Inventories	13	**387.1**	469.6
Derivative financial instruments	20	**-**	0.2
Current tax receivables		**7.7**	20.0
Total current assets		**608.7**	714.8
Non-current assets			
Derivative financial instruments	20	**-**	2.4
Property, plant and equipment	9	**1,379.1**	1,029.8
Deferred tax assets	11	**215.6**	185.9
Intangible asset - MAC Royalty	5(c)	**3.9**	4.3
Inventories	13	**4.6**	9.8
Total non-current assets		**1,603.2**	1,232.2
Total assets		**2,211.9**	1,947.0
LIABILITIES			
Current liabilities			
Payables		**153.2**	114.2
Derivative financial instruments	20	**4.4**	3.4
Current tax payable		**143.6**	3.8
Provisions	8	**105.6**	83.8
Total current liabilities		**406.8**	205.2
Non-current liabilities			
Interest-bearing liabilities	14	**49.5**	236.1
Derivative financial instruments	20	**7.3**	-
Provisions	8	**638.3**	620.2
Total non-current liabilities		**695.1**	856.3
Total liabilities		**1,101.9**	1,061.5
Net assets		**1,110.0**	885.5
EQUITY			
Contributed equity	15	**1,154.0**	1,119.7
Reserves	16	**42.6**	9.4
Accumulated losses	16	**(86.6)**	(243.6)
Total equity		**1,110.0**	885.5

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 2018

	Notes	Attributable to owners of Iluka Resources Limited Share capital $m	Other reserves $m	Retained earnings $m	Total equity $m
Balance at 1 January 2017		**1,117.2**	**32.2**	**(46.4)**	**1,103.0**
Loss for the year	16	-	-	(171.6)	(171.6)
Other comprehensive income (loss)	16	-	(25.8)	(0.5)	(26.3)
Total comprehensive income		**-**	**(25.8)**	**(172.1)**	**(197.9)**
Transactions with owners in their capacity as owners:					
Transfer of shares to employees, net of tax		2.5	(2.5)	-	-
Share-based payments, net of tax	16	-	5.5	-	5.5
Dividends paid	16	-	-	(25.1)	(25.1)
		2.5	3.0	(25.1)	(19.6)
Balance at 31 December 2017		**1,119.7**	**9.4**	**(243.6)**	**885.5**
Adjustment on adoption of AASB 15 (net of tax)	32	-	-	(0.6)	(0.6)
Restated total equity at 1 January 2018		**1,119.7**	**9.4**	**(244.2)**	**884.9**
Profit for the year	16	-	-	303.9	303.9
Other comprehensive income (loss)	16	-	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)	-	-
Share-based payments, net of tax	16	-	4.6	-	4.6
Dividends paid	16	38.6	-	(146.9)	(108.3)
Purchase of treasury shares, net of tax		(8.9)	-	-	(8.9)
		34.3	-	(146.9)	(112.6)
Balance at 31 December 2018		**1,154.0**	**42.6**	**(86.6)**	**1,110.0**

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 2018

	Notes	2018 $m	2017 $m
Cash flows from operating activities			
Receipts from customers		**1,277.4**	994.1
Payments to suppliers and employees		**(683.2)**	(602.4)
Operating cash flow		**594.2**	391.7
Interest received		**1.0**	0.7
Interest paid		**(7.6)**	(16.0)
Income taxes paid		**(5.2)**	(10.0)
Exploration expenditure		**(11.7)**	(12.6)
Mining Area C royalty receipts		**55.8**	59.9
Net cash inflow from operating activities	27	**626.5**	413.7
Cash flows from investing activities			
Payments for property, plant and equipment		**(311.5)**	(90.5)
Sale of property, plant and equipment		**2.4**	3.6
Sri Lanka deposit - instalment payment	22(c)	**-**	(2.6)
Payments for options contracts		**(0.6)**	(2.3)
Net cash outflow from investing activities		**(309.7)**	(91.8)
Cash flows from financing activities			
Repayment of borrowings		**(366.0)**	(403.7)
Proceeds from borrowings		**166.0**	62.5
Purchase of treasury shares		**(12.4)**	-
Dividends paid	17	**(108.3)**	(25.1)
Debt refinance costs		**-**	(1.4)
Net cash outflow from financing activities		**(320.7)**	(367.7)
Net decrease in cash and cash equivalents		**(3.9)**	(45.8)
Cash and cash equivalents at 1 January		**53.6**	101.3
Effects of exchange rate changes on cash and cash equivalents		**1.6**	(1.9)
Cash and cash equivalents at end of period	14	**51.3**	53.6

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 2018

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

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 21.

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 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 32.

(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 2018 and the results of all subsidiaries for the year then ended. Iluka Resources Limited and its subsidiaries together are referred to in this financial report as the Group. A list of controlled entities (subsidiaries) at year-end is contained in note 21.

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) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting from the date on which the investee becomes an associate.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 7.

(iii) 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 20 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 off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Rounding Instrument to the nearest hundred thousand dollars, or in certain cases, the nearest thousand dollars and the nearest dollar.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

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:

Impairment of assets	Note 7
Rehabilitation and mine closure provisions	Note 8
Tax balances	Note 10
Deferred tax asset recognition	Note 11
Net realisable value and classification of product inventory	Note 13

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.

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. During the year ended 31 December 2018, $10.8 million of saleable material was transferred from the US to Australia (2017: nil) and $1.6 million was transferred from SRL to Australia (2017: nil). These transfers are excluded from the results below.

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

The segments are unchanged from those reported at 31 December 2017.

Australia (AUS) comprises the integrated mineral sands mining and processing operations in Western Australia, South Australia and Victoria. The processing activities in Western Australia also include the Group’s synthetic rutile kilns.

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

United States (US) comprises rehabilitation obligations in both Virginia and Florida. Mining and processing activities were substantially ceased in Virginia in December 2015, although sale of remnant product remains an activity.

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

(b) Segment information

2018	AUS $m	US $m	SRL $m	MAC $m	Total $m
Total segment sales of mineral sands[1]	1,011.4	28.8	203.9	-	1,244.1
Total segment freight revenue[1]	39.4	3.9	7.0	-	50.3
Total segment result[2]	522.3	(2.9)	(14.5)	55.2	560.1
Depreciation and amortisation expense	48.8	-	41.1	0.4	90.3
Changes in rehabilitation for closed sites (credit)	(3.3)	-	(1.3)	-	(4.6)
Segment assets	1,196.0	60.3	621.0	17.5	1,894.8
Segment liabilities	492.3	235.3	137.6	-	865.2
Additions to non-current segment assets	275.8	5.3	109.9	-	391.0

2017	AUS $m	US $m	SRL $m	MAC $m	Total $m
Total segment sales of mineral sands[1]	833.7	40.0	143.8	-	1,017.5
Total segment result[2]	43.2	(126.3)	(2.5)	59.2	(26.4)
Impairment of assets	155.0	-	-	-	155.0
Depreciation and amortisation expense	67.7	-	39.4	0.4	107.5
Changes in rehabilitation for closed sites (expense)	7.9	119.5	-	-	127.4
Segment assets	1,073.3	73.2	487.9	18.1	1,652.5
Segment liabilities	458.5	225.9	108.5	-	792.9
Additions to non-current segment assets	49.7	-	58.1	-	107.8

[1]The Group has adopted AASB 15 during the current reporting period. Segment revenue is shown separately for the sale of mineral sands and freight revenue for the year ended 31 December 2018. Comparative segment revenue has not been disaggregated. Refer to note 32.

[2]Total segment result includes the impairment charge, 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:

	2018 $m	2017 $m
China	**462.3**	333.6
Asia excluding China	**198.4**	138.2
Europe	**304.5**	267.9
Americas	**230.7**	132.5
Other countries	**48.2**	145.3
Sale of goods	**1,244.1**	1,017.5

Revenue of $147.3 million and $143.0 million was derived from two external customers of the mineral sands segments, which individually account for greater than 10% of the total segment revenue (2017: revenues of $147.0 million and $121.5 million from two external customers).

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

	2018 $m	2017 $m
Segment result	**560.1**	(26.4)
Interest income	**1.0**	0.7
Asset sales and other income	**1.0**	(0.8)
Other expenses	**(0.2)**	(0.7)
Marketing and selling	**(13.6)**	(11.3)
Corporate and other costs	**(48.2)**	(47.1)
Depreciation	**(3.3)**	(3.5)
Resource development	**(30.1)**	(24.6)
Interest and finance charges	**(15.1)**	(18.8)
Net foreign exchange gains	**0.4**	0.6
Impairments (Metalysis)	**-**	(30.4)
Metalysis losses	**-**	(3.3)
Profit/(loss) before income tax	**452.0**	(165.6)

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

Segment assets	**1,894.8**	1,652.5
Corporate assets	**42.5**	35.0
Cash and cash equivalents	**51.3**	53.6
Current tax receivable	**7.7**	20.0
Deferred tax assets	**215.6**	185.9
Total assets as per the balance sheet	**2,211.9**	1,947.0

Segment liabilities	**865.2**	792.9
Corporate liabilities	**43.6**	28.7
Current tax payable	**143.6**	3.8
Interest-bearing liabilities	**49.5**	236.1
Total liabilities as per the balance sheet	**1,101.9**	1,061.5

5 REVENUE

	Notes	2018 $m	2017 $m
Sales revenue			
Sale of goods	5(a)	**1,244.1**	1,017.5
Freight revenue	5(b)	**50.3**	-
Other revenue			
Mining Area C royalty income	5(c)	**55.6**	59.6
Interest	5(d)	**0.9**	0.7
		56.5	60.3
		1,350.9	**1,077.8**

(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.

Included within freight revenue is $0.9 million that relates to contracts in place at the end of the prior year and included within the opening adjustment to retained earnings, as set out in note 32. Freight revenue of $2.4 million has been deferred at the end of the current year in relation to unfulfilled shipping obligations.

The Group adopted AASB 15 from the beginning of the period using the cumulative effect method, which does not require comparative information to be restated. Accordingly, freight revenue is not shown separately for the comparative year. Refer to note 32.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

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

Iluka holds a royalty stream 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	2018 $m	2017 $m
Expenses			
Cash costs of production	6(a)	**443.6**	362.2
Depreciation and amortisation		**84.1**	90.5
Inventory movement - cash costs of production		**68.5**	141.5
Inventory movement - non-cash production costs		**28.3**	66.8
Cost of goods sold	6(b)	**624.5**	661.0
Ilmenite concentrate and by-product costs	6(c)	**11.5**	10.2
Depreciation (idle, corporate and other)		**9.4**	20.5
Restructure and idle capacity charges	6(d)	**24.7**	73.3
Rehabilitation costs for closed sites	6(e)	**(4.6)**	127.4
Impairment of assets		**-**	185.3
Government royalties		**38.1**	25.2
Marketing and selling costs[1]		**88.5**	33.8
Corporate and other costs		**48.1**	47.1
Resource development costs		**30.1**	24.6
Net loss on disposal of property, plant and equipment		**-**	0.9
		870.3	1,209.3

[1]Marketing and selling costs were presented net of freight revenue in the comparative period. As detailed in notes 5 and 32, revenue that was previously netted against marketing and selling costs is now presented separately as freight revenue.

(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.

Liabilities for employee termination benefits associated with restructuring activities are recognised when the Group is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal and there is no further service required. Where further service is required to be eligible for the benefit, the liability is recognised over the relevant service period.

(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:

	2018 $m	2017 $m
Employee benefits (excluding share-based payments)	**174.5**	148.4
Share-based payments	**6.2**	7.4
Exploration expenditure (included in Resource development expenses)	**11.8**	12.7
Operating leases	**11.8**	12.2
Inventory NRV write-downs - finished goods and WIP	**11.4**	5.2

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 on the basis of discounted present value of future cash flows (a level 3 fair value estimation method). 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

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 for the Australian dollar compared to the US dollar using external forecasts by recognised economic forecasters;
- 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.

Given the nature of the Group’s mining activities, future changes in assumptions upon which these estimates are based may give rise to material adjustments in future periods. This could lead to a reversal of part, or all, of impairment charges recorded in prior years, or the recognition of new impairment charges in the future.

(b) Impairment review

During the reporting period, the Group noted an impairment indicator resulting from an increase in estimated development costs associated with the Sembehun project at Sierra Rutile. The post-tax recoverable amount of the CGU was estimated using the key estimates for Group recoverable amount calculations noted above, as well as estimates specific to SRL, including the assumption of the successful development and operation of the Sembehun project at costs consistent with latest forecasts, and a stable operating environment and fiscal regime. The fair value was found to exceed the carrying value of the CGU. Furthermore, the potential IFC consideration for a 10% non-controlling interest in SRL supports the carrying value of the SRL CGU. Therefore no impairment charge has been recognised in the current year.

(c) 2017 impairment

The Group recorded an impairment charge of $185.3 million for the year ended 31 December 2017. The impairment charge predominantly related to the Hamilton Mineral Separation Plant which was placed on care and maintenance in October 2017 ($151 million), and the write off of the investment in Metalysis Limited, an unlisted UK-based technology company focused on the development and commercialisation of solid state production of metal powder to titanium alloys ($30 million).

8 PROVISIONS

	Notes	2018 $m	2017 $m
Current			
Rehabilitation and mine closure	8(a)	**87.7**	69.8
Employee benefits - long service leave	8(b)	**12.2**	10.4
Workers compensation and other provisions		**5.7**	3.6
		105.6	83.8
Non-current			
Rehabilitation and mine closure	8(a)	**616.1**	599.4
Employee benefits - long service leave	8(b)	**2.0**	3.0
Retirement benefit obligations	28	**17.9**	14.8
Other provisions		**2.3**	3.0
		638.3	620.2

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 2018		**669.2**
Change in provisions - credit for closed sites	6	**(4.6)**
Change in provision - additions to property, plant and equipment	9	**47.9**
Foreign exchange rate movements		**28.3**
Rehabilitation and mine closure provision discount unwind	14(d)	**16.7**
Amounts spent during the year		**(53.7)**
Balance at 31 December 2018		**703.8**

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.

The total rehabilitation and mine closure provision of $703.8 million (2017: $669.2 million) includes $464.0 million (2017: $493.8 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 credit to profit or loss of $4.6 million (2017: cost of $127.4 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 discount rates of between 2% and 4% (2017: 2% and 4%).

(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.

9 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings $m	Plant, machinery & equipment $m	Mine reserves & development $m	Exploration & evaluation $m	Total $m
At 1 January 2017					
Cost	209.3	2,030.4	943.0	47.8	3,230.5
Accumulated depreciation[1]	(43.3)	(1,391.8)	(560.2)	(17.0)	(2,012.3)
Opening written down value	166.0	638.6	382.8	30.8	1,218.2
Additions	6.6	71.6	31.9	3.3	113.4
Disposals	-	(3.8)	-	-	(3.8)
Depreciation and amortisation	(3.7)	(77.0)	(29.9)	-	(110.6)
Exchange differences	(5.7)	(14.9)	(14.6)	2.8	(32.4)
Impairment of assets	(7.2)	(147.8)	-	-	(155.0)
Transfers/reclassifications	-	(4.3)	19.3	(15.0)	-
Closing written down value	156.0	462.4	389.5	21.9	1,029.8
At 31 December 2017					
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)
Closing written down value	**156.0**	**462.4**	**389.5**	**21.9**	**1,029.8**
Year ended 31 December 2018					
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	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**

[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 $47.9 million (2017: $4.7 million) related to changes in the rehabilitation provision, predominantly related 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 $218.7 million, $86.2 million and $2.3 million respectively (2017: $46.6 million, $5.4 million and $0.2 million respectively) relating to assets under construction which are currently not being depreciated as the assets are not ready for use.

In addition, within property, plant and equipment, excluding exploration and land assets, are amounts totalling $218.5 million which have not been depreciated in the year as mining of the related area of interest has not yet commenced (2017: $196.8 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 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	2018 $m	2017 $m
Current tax		**157.3**	(0.4)
Deferred tax	11	**(10.1)**	5.2
Under (over) provided in prior years		**0.9**	1.2
		148.1	6.0

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

	2018	2017
Profit (loss) before income tax expense	**452.0**	(165.6)
Tax at the Australian tax rate of 30% (2017: 30%)	**135.6**	(49.7)
Tax effect of amounts not deductible (taxable) in calculating taxable income:		
Research and development credit	**(0.7)**	(1.1)
Deferred tax losses not recognised by overseas operations	**1.3**	35.7
Metalysis write-down	**-**	10.1
SRL minimum tax (3.5% of revenue)	**7.4**	5.2
Non-deductible expenses	**2.1**	4.3
Other items	**1.5**	(0.5)
	147.2	**4.0**
Difference in overseas tax rates	**-**	0.8
Under provision in prior years	**0.9**	1.2
Income tax expense (benefit)	**148.1**	**6.0**

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$ 193.4 million at 31 December 2018 (31 December 2017: US$162.9 million).

Unused capital losses for which no deferred tax asset has been recognised are approximately $92.7 million (2017: $92.7 million) (tax at the Australian rate of 30%: $27.9 million (2017: $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.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

Tax transparency code

Iluka has adopted the Board of Taxation's voluntary Tax Transparency Code (TTC). The TTC requires additional tax disclosures in two parts (Part A and Part B). The Part A requirements are addressed by this note and income tax note 10 by providing:
• a reconciliation of accounting profit to tax expense and to current year income tax payable;
• the identification of material temporary and non-temporary differences; and
• the effective company tax rates for Iluka's Australian and global operations.

Part B disclosure requirements will be addressed in the Sustainability Report 2018.

Effective income tax rate: Australian and global operations

	2018	2017
Effective income tax rate[1]		
Australia[2]	**30.5%**	42.9%
Global[3]	**32.8%**	(3.6)%

Current year income tax payable reconciliation

	$m	$m
Profit/(loss) before income tax	**452.0**	(165.6)
Income tax at the statutory rate of 30%	**135.6**	(49.7)
Non-temporary differences - income tax expense	**11.8**	54.5
Non-temporary differences - equity[4]	**(0.2)**	2.0
Temporary differences: deferred tax expense	**10.1**	(5.2)
Total	**157.3**	1.6

[1]Effective income tax rate = Income tax expense / profit before income tax.

[2]Australian effective tax rate is higher than the Australian corporate tax rate of 30% primarily due to non-deductible expenditure incurred in relation to non-Australian operations.

[3]Effective tax rate arises from impact of US operations and 2018 Sierra Leone income tax liability calculated as 3.5% of revenue (minimum tax).

[4]Income tax impact of non-deductible Australian share based payments recognised in the share option reserve.

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

	2018 $m	2017 $m
Hedge of net investments in foreign operations	**(0.9)**	6.3
Changes in fair value of foreign exchange cash flow hedges	**(3.4)**	(0.9)
Actuarial gains (losses) on retirement benefit obligation	**0.2**	(0.2)
	(4.1)	5.2

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.

11 DEFERRED TAX

	2018 $m	2017 $m
Deferred tax asset:		
The balance comprises temporary differences attributable to:		
Tax losses	**209.3**	185.6
Employee provisions	**6.9**	6.1
Provisions	**160.2**	146.1
Cash flow hedge reserve (in equity)	**4.3**	1.0
Other	**8.3**	2.2
Gross deferred tax assets	**389.0**	341.0
Amount offset to deferred tax liabilities pursuant to set-off provision	**(173.4)**	(155.1)
Net deferred tax assets	**215.6**	185.9
Deferred tax liability:		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**(153.9)**	(127.9)
Inventory	**(12.9)**	(19.1)
Receivables	**(4.4)**	(4.3)
Treasury shares (in equity)	**(1.9)**	(0.1)
Other	**(0.4)**	(3.7)
Gross deferred tax liabilities	**(173.5)**	(155.1)
Amount offset to deferred tax assets pursuant to set-off provision	**173.5**	155.1
Net deferred tax liabilities	**-**	-
Movements in net deferred tax balance:		
Balance at 1 January	**185.9**	208.2
Credited to the income statement	**10.1**	(5.2)
Under provision in prior years	**(2.2)**	(1.1)
Charged directly to equity	**21.8**	(15.9)
Transfers	**-**	(0.1)
Balance at 31 December	**215.6**	185.9

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

The net deferred tax asset of $215.6 million (2017: $185.9 million) includes an amount of $209.3 million (2017: $185.6 million) representing the value of carried forward losses incurred by SRL.

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.

12 RECEIVABLES

	2018 $m	2017 $m
Trade receivables	**114.4**	118.9
Mining Area C royalty receivable	**13.6**	13.8
Other receivables	**26.7**	19.5
Prepayments	**7.9**	19.2
	162.6	171.4

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 45 days of the invoice being issued (2017: 50 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 $1.7 million overdue at balance date (2017: $4.1 million), of which $1.4 million are less than 28 days overdue (2017: $4.1 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 $114.4 million excludes $70.6 million (31 December 2017: excludes $64.0 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 $11.5 million (2017: $10.9 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 2018 the trade receivables balance was $114.4 million, with $85.1 million covered by credit risk insurance and a further $29.2 million by letters of credit. As a result, the Group had no uninsured receivables at 31 December 2018 (2017: $nil).

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

13 INVENTORIES

	2018 $m	2017 $m
Current		
Work in progress	**139.3**	144.0
Finished goods	**178.9**	261.5
Consumable stores	**68.9**	64.1
Total current inventories	**387.1**	469.6
Non-current		
Work in progress	**4.6**	4.8
Finished goods	**-**	5.0
Total non-current inventories	**4.6**	9.8

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 $2.0 million (2017: $14.3 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 $11.4 million occurred for work in progress or finished goods (2017: $5.2 million). If finished goods future selling prices were 5% lower than expected, no inventory write-down would be required at 31 December 2018 (2017: no write down).

Inventory of $4.6 million (2017: $9.8 million) was classified as non-current as it is not expected to be sold within 12 months of the balance sheet date.

CAPITAL

14 NET (CASH)/DEBT AND FINANCE COSTS

	2018 $m	2017 $m
Cash and cash equivalents		
Cash at bank and in hand	**51.3**	53.6
Total cash and cash equivalents	**51.3**	53.6
Non-current interest-bearing liabilities (unsecured)		
Multi Optional Facility Agreement	**50.4**	238.6
Deferred borrowing costs	**(0.9)**	(2.5)
	49.5	236.1
Total interest-bearing liabilities	**49.5**	**236.1**
Net (cash)/debt	**(1.8)**	**182.5**

(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 2.5% (2017: 0.0% and 2.12%) 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$618.3 million (2017: A$695.1 million).

The table below details the facility expiries:

A$million	Total facility	2018	Facility Expiry 2019	2020	2021	2022
At 31 December 2018	**618.3**	**-**	**-**	**77.1**	**-**	**541.2**
At 31 December 2017	695.1	-	96.2	72.5	-	526.4

Drawings under the MOFA at 31 December 2018 were A$50.4 million (2017: A$238.6 million). Undrawn MOFA facilities at 31 December 2018 were A$567.9 million (2017: A$456.5 million).

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

(c) Interest rate exposure

Of the above interest-bearing liabilities, $50.4 million is subject to an effective weighted average floating interest rate of 4.2% (2017: interest-bearing liabilities of $238.6 million at 3.1%). The contractual repricing date of all of the floating rate interest-bearing liabilities at the balance date is within one year.

(d) Finance costs

	2018 $m	2017 $m
Interest charges on interest-bearing liabilities	**7.2**	15.4
Bank fees and similar charges	**6.2**	0.8
Amortisation of deferred borrowing costs	**1.6**	2.6
Rehabilitation and mine closure provision discount unwind	**16.7**	14.1
Total finance costs	**31.7**	32.9

(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. No transaction costs associated with the extension of the MOFA were incurred and capitalised in 2018 (2017: $1.5 million), as the facility was not extended in the current year.

(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).

15 CONTRIBUTED EQUITY

(a) Share capital

	2018 Shares	2017 Shares	2018 $m	2017 $m
Ordinary shares - fully paid	**422,395,677**	418,701,360	**1,158.6**	1,120.0
Treasury shares - net of tax	**(675,521)**	(53,218)	**(4.6)**	(0.3)
	421,720,156	418,648,142	**1,154.0**	1,119.7

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
2017 final	23 April 2018	$10.56	3,340,866
2018 interim	27 September 2018	$9.54	353,451
			3,694,317

(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 2017	466,050	2.8
Employee share issues, net of tax	(412,832)	(2.5)
Balance at 31 December 2017	**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**

16 RESERVES AND RETAINED EARNINGS

	Notes	2018 $m	2017 $m
Asset revaluation reserve			
Balance at 1 January		**11.8**	11.8
Transfer to retained earnings on disposal		**(0.4)**	-
Balance at 31 December	16(a)	**11.4**	11.8
Hedge reserve			
Balance at 1 January		**(2.2)**	-
Deferred costs of hedging		**(14.4)**	(0.6)
Changes in the fair value of hedging instruments recognised in equity		**(5.4)**	(4.0)
Reclassified to profit or loss		**8.5**	1.4
Deferred tax		**3.4**	1.0
Balance 31 December	16(b)	**(10.1)**	(2.2)
Share-based payments reserve			
Balance at 1 January		**1.9**	(1.1)
Transfer of shares to employees, net of tax		**(4.6)**	(2.5)
Share-based payments, net of tax		**5.0**	5.5
Balance at 31 December	16(c)	**2.3**	1.9

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

	Notes	2018 $m	2017 $m
Foreign currency translation			
Balance at 1 January		**(2.1)**	21.5
Currency translation of US operation	20(a)	**(15.7)**	(0.3)
Currency translation of Sierra Rutile		**59.7**	(37.9)
Translation differences on other foreign operations		**(0.8)**	(0.2)
Hedge of net investment in Sierra Rutile		**(3.0)**	21.1
Deferred tax		**0.9**	(6.3)
Balance at 31 December	16(d)	**39.0**	(2.1)
Total reserves		**42.6**	9.4
Retained earnings			
Balance at 1 January		**(243.6)**	(46.4)
Adjustment on adoption of AASB 15 (net of tax)		**(0.6)**	-
Net profit/(loss) for the period		**303.9**	(171.6)
Dividends paid		**(146.9)**	(25.1)
Actuarial gains/(losses) on retirement benefit obligation, net of tax		**0.6**	(0.5)
Balance at 31 December		**(86.6)**	(243.6)

(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 20. 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 15) 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 2018, US$nil was designated as a hedge of the net investment in Sierra Rutile Limited (2017: US$120.7 million). The reserve is recognised in profit or loss when the net investment is disposed of.

17 DIVIDENDS

	2018 $m	2017 $m
Final dividend		
for 2017 of 25 cents per share, fully franked	**104.7**	-
	104.7	-
Interim dividend		
for 2018 of 10 cents per share, fully franked	**42.2**	-
for 2017 of 6 cents per share, fully franked	**-**	25.1
	42.2	25.1
Total dividends	**146.9**	25.1

Of the total $42.2 million interim dividend declared for 2018 and the total $104.7 million final dividend declared for 2017, shareholders respectively took up $3.4 million and $35.2 million as ordinary shares as part of the Dividend Reinvestment Plan. Refer to note 15(a).

Since balance date the directors have determined a final dividend for 2018 of 19 cents per share, fully franked (2017: 25 cents per share, fully franked). The dividend is payable on 4 April 2019 for shareholders on the register as at 8 March 2019. The aggregate amount of the proposed dividend is $80.1 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 2018 is $27.9 million (2017: $89.3 million). This balance is based on a tax rate of 30% (2017: 30%).

18 PROFIT/(LOSS) PER SHARE

	2018 Cents	2017 Cents
Basic profit/(loss) per share (cents)	**72.2**	(41.0)
Diluted profit/(loss) per share (cents)	**71.8**	(41.0)

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

Basic EPS is calculated on the profit for the period attributable to equity owners of $303.9 million (2017: loss of $171.6 million) divided by the weighted average number of shares on issue during the year, excluding treasury shares, being 420,797,114 shares (2017: 418,525,273 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 2017 as they would reduce the loss per share and therefore were not included in the calculation of diluted EPS in the comparative period.

RISK

19 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 20.

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:

	2018 $m	2017 $m
Cash and cash equivalents	**9.0**	21.9
Receivables	**59.4**	85.6
Payables	**(16.7)**	(25.1)
Interest-bearing liabilities	**(50.4)**	(238.6)
Derivative financial instruments	**(7.3)**	2.4
	(6.0)	(153.8)

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 0.7479 (2017: 0.7668). The US dollar spot rate at 31 December 2018 was 0.7050 (31 December 2017: 0.7784). Based on the Group's net financial assets at 31 December 2018, 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 2018	**0.4**	**(37.1)**	**0.2**	**24.5**
31 December 2017	(0.2)	(11.9)	0.2	9.7

(iii) Interest rate risk

Interest rate risk arises from the Group's borrowings and cash deposits. During 2018 and 2017, the Group's borrowings at variable rates were denominated in Australian dollars and US dollars. At 31 December 2018, 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 2018	**0.5**	**(0.5)**
31 December 2017	3.6	(3.6)

The sensitivity is calculated using the average debt position for the year ended 31 December 2018. The interest charges in note 14(d) of $7.2 million (2017: $15.4 million) reflect interest-bearing liabilities in 2018 that range between $38.4 million and $236.1 million (2017: $236.1 million and $607.6 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 to assist in managing the credit risk of its customers. Further details are set out in note 12.

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 both credit and sovereign ratings.

(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 14(b)(i)) of $567.9 million at balance date as well as cash and cash equivalents of $51.3 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 are dates which range from 2020 to 2022 and contractual cash flows are until the next contractual re-pricing date, which are all within one year. 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 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**

At 31 December 2017	**Weighted average rate**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total contractual cash flows**	**Carrying amount liabilities**
		$m	**$m**	**$m**	**$m**	**$m**
Non-derivatives						
Payables		114.2	-	-	114.2	114.2
Interest-bearing variable rate	3.1	1.5	-	238.6	240.1	238.6
Total non-derivatives		115.7	-	238.6	354.3	352.8
Derivatives						
Forward foreign exchange contracts		3.4	-	-	3.4	3.4
Foreign exchange collar contracts		(0.2)	(1.2)	(1.2)	(2.6)	(2.6)
Total derivatives		3.2	(1.2)	(1.2)	0.8	0.8

Refer to note 20 for detail on derivative instruments.

20 HEDGING

	2018 $m	2017 $m
Current assets/(liabilities)		
Foreign exchange collar hedges	**(3.8)**	0.2
Foreign exchange forward contracts	**(0.6)**	(3.4)
	(4.4)	(3.2)
Non-current assets/(liabilities)		
Foreign exchange collar hedges	**(7.3)**	2.4

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 2018 and 31 December 2017. 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.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

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 19(d). The recognition of the future gain or loss is expected to be consistent with this timing.

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 enters into foreign exchange forward contracts and foreign exchange collar hedges. The following contracts in relation expected USD revenue from contracted sales to 31 December 2022 remain open at the reporting date:

- foreign exchange forward contracts covering US$31.6 million at an average rate of 72.1 cents (31 December 2017: US$95.6 million at an average rate of 80.1 cents); and
- foreign exchange collar hedges covering US$311.0 million of expected USD revenue to 31 December 2022. The collars comprise US$311.0 million worth of purchased AUD call options with a weighted average strike price of 79.2 cents and US$311.0 million of AUD put options at a strike price of 69.1 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. The following hedging contracts matured during the year:

- US$95.0 million in forward foreign exchange contracts at a weighted average rate of 80.1 cents; and
- US$24.0 million in foreign exchange collar contracts consisting of US$24.0 million of bought AUD call options with strike prices of 80.0 cents and US$24.0 million of sold put options with strike prices of 70.0 cents.

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 $2.1 million (2017: $14.8 million reserve increase).

GROUP STRUCTURE

21 CONTROLLED ENTITIES AND DEED OF CROSS GUARANTEE

The consolidated financial statements incorporate the following subsidiaries:

	Controlled entities	Country of incorporation	Equity holding 2018 %	Equity holding 2017 %
*	**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
	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 (SE Asia) 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	100	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
	Sierra Rutile Marketing Limited	United Kingdom	100	100
	Iluka South Africa (Pty) Limited	South Africa	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	2018 $m	2017 $m
Revenue from ordinary activities	**1,118.7**	894.9
Expenses from ordinary activities	**(605.1)**	(839.3)
Finance costs	**(24.1)**	(28.7)
Income tax expense	**(143.9)**	(16.1)
Profit for the period	**345.6**	10.8
Other comprehensive income		
Changes in the fair value of cash flow hedges	**(7.9)**	(2.2)
Total comprehensive income for the period	**337.7**	8.6

Summary of movements in consolidated retained earnings	2018 $m	2017 $m
Retained earnings/(accumulated loss) at the beginning of the financial year	**(10.9)**	3.4
Profit for the period	**345.6**	10.8
Dividends paid	**(146.9)**	(25.1)
Retained earnings/(accumulated loss) at the end of the financial year	**187.8**	(10.9)

Condensed balance sheet	2018 $m	2017 $m
Current assets		
Cash and cash equivalents	**18.4**	27.1
Receivables	**118.0**	157.7
Inventories	**292.5**	365.1
Derivative financial instruments	**-**	0.2
Current tax receivables	**-**	3.7
Total current assets	**428.9**	553.8
Non-current assets		
Derivative financial instruments	**-**	2.4
Property, plant and equipment	**838.3**	615.8
Deferred tax assets	**46.3**	38.0
Intangible assets	**3.9**	4.3
Inventories	**4.6**	4.7
Other financial assets - investments in non-closed group entities	**729.2**	617.8
Total non-current assets	**1,622.3**	1,283.0
Total assets	**2,051.2**	1,836.8
Current liabilities		
Payables	**100.0**	73.6
Derivative financial instruments	**4.4**	3.4
Current tax payable	**137.3**	-
Provisions	**82.2**	58.0
Total current liabilities	**323.9**	135.0
Non-current liabilities		
Interest-bearing liabilities	**49.5**	236.1
Derivatives	**7.3**	-
Provisions	**336.0**	343.9
Total non-current liabilities	**392.8**	580.0
Total liabilities	**716.7**	715.0
Net assets	**1,334.5**	1,121.8
Equity		
Contributed equity	**1,154.0**	1,119.7
Reserves	**(7.3)**	13.0
Retained earnings	**187.8**	(10.9)
Total equity	**1,334.5**	1,121.8

OTHER NOTES

22 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 2018, the total value of performance commitments and guarantees was $123.6 million (2017: $120.4 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$8.0 million on the Iluka Board approving a development of mining operations on EL 170 or on expiry of the stage 3 period, being October 2019; 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.

Iluka has a put option to transfer either the shares in PKD Resources (Pvt) Ltd or the tenements back to the vendor. If exercised, Iluka will not be required to make the payments referred to above.

(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 (Iluka) 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. On 9 May 2018, Iluka was informed that the class action had received funding from the applicant’s third party litigation funder, Harbour Fund II LP. 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. Given the status of the proceedings, Iluka is unable to reliably estimate the quantum of liability, if any, that Iluka may incur in respect of the class action.

(e) 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.

23 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Acquisition of interest in Sierra Rutile Limited by the International Finance Corporation (IFC)

On 21 February 2019, the Group announced the potential for the IFC to acquire a 10% equity interest in Sierra Rutile Limited for the consideration of US$60 million, subject to due diligence, documentation and Board approvals by both the Group and the IFC.

The financial effects of this transaction have not been recognised at 31 December 2018. Subsequent to the completion of the potential transaction, the Group will retain a controlling interest in Sierra Rutile Limited. Accordingly the Group will continue to consolidate it as a subsidiary. From finalisation of the potential agreement, the ownership interest held by the IFC will give rise to a liability measured at fair value, which reflects the terms of ownership that apply to IFC.

(b) Sierra Leone environmental class action

On 22 January 2019 Sierra Rutile Limited 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 Sierra Rutile Limited and The Environmental Protection Agency.

The proceedings have been brought by a group of landowner representatives (Representatives) who allege that they suffered loss as a result of Sierra Rutile Limited's mining operations. The claims primarily relate to environmental matters. The Representatives allege, in part, that Sierra Rutile Limited engaged in improper mining practices resulting in environmental degradation and contamination, did not meet certain rehabilitation obligations and violated local mining laws. Sierra Rutile Limited denies liability in respect of the allegations and intends to defend the claims.

Given the early stage of proceedings, it is not practicable for Iluka to estimate the quantum of liability, if any, that Iluka may incur in respect of the class action.

24 COMMITMENTS

(a) Exploration and mining lease commitments	2018 $m	2017 $m
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities payable:		
Within one year	**15.7**	18.3
Later than one year but not later than five years	**32.7**	34.3
Later than five years	**47.0**	46.7
	95.4	99.3

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**	11.5
Later than one year but not later than five years	**15.8**	7.8
Later than five years	**14.3**	0.4
	37.3	19.7

The Group leases various storage facilities, offices, mining equipment and motor vehicles under non-cancellable operating leases expiring within one to 10 years with varying terms.

(c) Capital commitments

Capital expenditure contracted for and payable, but not recognised as liabilities are $57.8 million (2017: $27.0 million). All of the commitments relate to the purchase of property, plant and equipment and are payable within one year of the reporting date.

25 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:

(a) PricewaterhouseCoopers Australia	2018 $000	2017 $000
Audit and other assurance services		
Audit and review of financial statements	**514**	619
Other assurance services	**-**	13
	514	632
Tax and other services		
Tax compliance and advisory services	**10**	-
Other compliance and advisory services	**-**	52
	10	52
Total remuneration	**524**	684
(b) Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial statements	**156**	181
Other compliance and advisory services	**34**	22
	190	203
(c) Non-PricewaterhouseCoopers audit firms		
Audit and review of financial statements	**76**	48
Other compliance and advisory services	**142**	-
	218	48
Summary of total fees disclosed above:		
Audit and review of financial statements	**746**	848
Other assurance services	**-**	13
Tax compliance and advisory services	**10**	-
Other compliance and advisory services	**176**	74
	932	935

26 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.

The share-based payment expense recognised in profit or loss of $6.2 million (2017: $7.4 million) results from several schemes summarised below.

Schemes	Grant date	Vesting date	Fair value $	**Shares / rights at 31 Dec 18**	**Expense 2018 $m**	Shares / rights at 31 Dec 17	Expense 2017 $m
STIP (i)							
2018	Mar-19	Mar-20/21	7.62	**-**	**1.5**		
2017	Mar-18	Mar-19/20	10.55	**-**	**1.4**	-	1.3
2016	Mar-17	Mar-18/19	6.82	**-**	**0.4**	-	0.7
2015	Mar-16	Mar-17/18	6.63	**-**	**-**	-	0.3
LTIP - TSR (ii)							
2017	May-17	Mar-21	5.66	**401,657**	**0.5**	431,698	0.6
2016 MD Grant	Oct-16	Mar-21	3.71	**126,688**	**(0.3)**	126,688	-
2016	May-16	Mar-20	4.27	**237,217**	**0.2**	270,656	0.2
2016	May-16	Mar-19	4.27	**267,739**	**0.1**	270,656	0.3
2015	Feb-15	Mar-18	5.02	**-**	**-**	261,984	0.3
LTIP - ROE (ii)							
2017	May-17	Mar-21	7.44	**401,681**	**0.7**	431,724	0.8
2016 MD Grant	Oct-16	Mar-21	5.42	**126,687**	**0.3**	126,687	-
2016	May-16	Mar-20	5.86	**237,234**	**0.3**	270,674	0.4
2016	May-16	Mar-19	6.01	**267,757**	**(0.9)**	270,674	0.4
2015	Feb-15	Mar-18	6.74	**-**	**(1.6)**	261,984	-
EIP (iii)	Mar-18	Mar-20/21/22	7.62	**-**	**2.5**		
MD LTDR (iv)	Oct-16	Mar-18/19/20	4.68	**357,115**	**0.1**	504,929	1.3
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**	-	-
Employee Share Plan (vi)			9.01	**-**	**0.4**	-	0.5
Restricted Share Plan (vii)			6.82	**-**	**0.4**	-	0.2
					6.2		7.4

(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 2017 LTIP takes into account the exercise price of $nil, the share price at grant date of $8.39, the expected price volatility of the share price (based on historical volatility), the expected dividend yield of 3.08% and the risk free rate of return of 1.88%. The fair value of the total shareholder return tranche also takes 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 the share-based payments expense.

(iii) Executive Incentive Plan (EIP)

Equity awarded under the 2018 executive incentive plan will be allocated on 1 March 2019. The number of restricted shares and performance rights to be awarded will be determined based on a volume weighted average market price of Iluka shares for the five days following the release of the 2018 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 26,557 (2017: 16,133) share rights.

(vi) Employee share plan

A total of 37,400 (2017: 45,954) shares were issued to eligible employees who participated in the plan. Each participant was issued with shares worth $1,000 based on a volume weighted average market price of $11.28 (2017: $9.01) for the five days following the close of the offer period.

(vii) Restricted share plan

52,029 (2017: 95,674) restricted shares were issued to seven (2017: eight) eligible employees who participated in the plan. Shares were issued to participants based on a volume weighted average price of $10.55 (2017: $6.82) calculated over the five trading days following the release of the Company's 2017 annual results.

27 RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018 $m	2017 $m
Profit (loss) for the year	**303.9**	(171.6)
Depreciation and amortisation	**93.6**	111.0
Doubtful debts/(reversed)	**(1.4)**	1.3
Net loss (gain) on disposal of property, plant and equipment	**(1.3)**	0.9
Net exchange differences	**1.6**	(1.9)
Rehabilitation and mine closure provision discount unwind	**16.7**	14.1
Non-cash share-based payments expense	**6.2**	7.4
Amortisation of deferred borrowing costs	**1.6**	2.6
Equity accounted share of losses	**-**	3.3
Impairment of assets	**-**	185.4
Inventory NRV write-down	**11.4**	5.2
Changes in rehabilitation provisions for closed sites	**(4.6)**	127.4
Change in operating assets and liabilities		
Decrease in receivables	**7.5**	(31.1)
Decrease in inventories	**85.9**	203.4
Increase in net current tax liability	**152.1**	(8.5)
Decrease (increase) in net deferred tax	**(6.7)**	3.8
Increase in payables	**(35.3)**	(7.0)
Increase in provisions	**(4.7)**	(32.0)
Net cash inflow from operating activities	**626.5**	413.7

28 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. The Group has no further legal or contructive 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	**2018 $m**	2017 $m
Australia	Surplus	**0.4**	0.4
United States	Deficit	**(12.1)**	(11.1)
Sierra Rutile	Deficit	**(6.2)**	(4.1)
Total		**(17.9)**	(14.8)

A net deficit of $17.9 million (2017: deficit $14.8 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.

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Defined benefit plan obligation	**(39.4)**	(36.0)	(35.0)	(31.1)	(29.5)
Plan assets	**21.5**	21.2	20.3	20.4	19.3
Deficit	**(17.9)**	(14.8)	(14.7)	(10.7)	(10.2)

(c) Defined benefits superannuation expense

In 2018, $2.3 million (2017: $1.7 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.

29 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 58 to 79.

The below provides a summary:

	2018 $000	2017 $000
Short-term benefits	**6,997**	6,412
Post-employment benefits	**232**	183
Termination benefits	**175**	-
Share-based payments	**2,312**	2,796
Total	**9,716**	9,391

(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.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2018

30 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information for Iluka Resources Limited

	2018 $m	2017 $m
Balance sheet		
Current assets	**165.6**	203.5
Non-current assets	**1,393.9**	1,228.4
Total assets	**1,559.5**	1,431.9
Current liabilities	**196.4**	34.0
Non-current liabilities	**390.1**	393.9
Total liabilities	**586.5**	427.9
Net assets	**973.0**	1,004.0
Shareholders' equity		
Contributed equity	**1,158.7**	1,120.0
Other reserves	**0.5**	10.4
Profit reserve[1]	**22.3**	82.1
Accumulated loss	**(208.5)**	(208.5)
	973.0	1,004.0
Profit/(loss) for the year	**86.8**	(208.5)
Other comprehensive income		
Changes in the fair value of cash flow hedges, net of tax	**(7.9)**	2.2
Total comprehensive loss (income)	**78.9**	210.7

[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 $42.8 million as at 31 December 2018 (2017: $40.0 million). In addition, the parent has a contingent liability related to the shareholder class action, as detailed in note 22.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 31 December 2018, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $26.1 million (2017: $22.3 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.

31 RELATED PARTY TRANSACTIONS

The only related party transactions are with Directors and Key Management Personnel (refer note 29). Details of material controlled entities are set out in note 21. The ultimate Australian controlling entity and the ultimate parent entity is Iluka Resources Limited.

32 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 2018. The affected policies and standards are:

(i) AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. AASB 15 supersedes AASB 118 *Revenue*.

Adoption of the new standard has had neither an impact on the timing of recognition, nor on the measurement of revenue in respect of the sale of mineral sands. Similarly, there was no impact on royalty income and interest income. Certain freight revenue that was previously recognised in marketing and selling costs was identified as a separate performance obligation upon adopting the new standard.

In accordance with the transition provisions in the standard, the group has adopted AASB 15 using the cumulative effect method. Under this approach, comparatives are not restated, instead, the cumulative effect of adopting the new standard is recognised in the opening balance of retained earnings in the current reporting period. The new standard is only applied to contracts that remain in force as at the date of adoption.

Adoption adjustments to the opening balance of retained earnings

Certain freight revenue was identified at 31 December 2017 for which the related performance obligation was partially completed as at that date. This resulted in a decrease to the opening balance of retained earnings as follows:

	$'m
Opening retained earnings 1 January as previously reported	(243.6)
Decrease due to deferral of freight revenue	(0.9)
Deferred tax effect	0.3
Restated opening retained earnings	**(244.2)**

This adjustment is reflected in the statement of changes in equity, net of tax. The above deferred freight revenue (and related tax effect) has been fully recognised in the current reporting period, as detailed below.

Impact of adoption on the current reporting period

Freight revenue that was previously presented net of the related expenses in marketing and selling costs is now required to be presented as revenue, resulting in a net increase to marketing and selling costs in expenses as well as revenue.

Freight revenue that was deferred at the beginning of the reporting period has been fully recognised in the current reporting period, along with related tax effects. The Group identified certain freight revenue as at 31 December 2018 for which the related performance obligation was partially completed as at that date, and has accordingly deferred $2.4 million, with the deferred revenue liability included in payables.

	Pre-adoption $'m	Adoption adjustments $'m	AASB 15 amounts $'m
Profit or loss impact			
Freight revenue			
Gross freight revenue for the year	-	51.8	**51.8**
Deferred revenue at the beginning of the year	-	0.9	**0.9**
Deferred revenue at the end of the year	-	(2.4)	**(2.4)**
Freight revenue for the year	-	50.3	**50.3**
Marketing and selling costs	36.7	51.8	**88.5**
Income tax expense	148.6	(0.5)	**148.1**
Balance sheet impact			
Payables[1]	150.8	2.4	**153.2**
Deferred tax asset	215.9	0.7	**215.6**

[1]Deferred revenue is included in payables.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

(ii)* AASB 9 *Financial Instruments

The Group elected to early adopt AASB 9 *Financial Instruments* from 1 January 2017 (the comparative period) because the new accounting standard provides more relevant information for the users of the financial report.

AASB 9 replaced the provisions of AASB 139 *Financial Instruments* that relate to the recognition, classification and measurement of financial assets and financial liabilities, including derecognition, impairment and changes to hedge accounting rules. AASB 9 also amends other standards dealing with financial instruments such as AASB 7 *Financial Instruments: Disclosures*.

The adoption of AASB 9 did not result in a significant change to the recognition or measurement of financial instruments for the Group as presented in the financial report. The new hedge accounting rules aligned the accounting for hedging instruments more closely to the Group's risk management practices, which allows the Group's natural hedge relationship and derivatives to qualify for hedge accounting under AASB 9. See note 20.

On adoption of AASB 9 Iluka has also reclassified its financial assets as subsequently measured at amortised cost or fair value depending on the business model for those assets and their contractual cash flow characteristics. There was no change in the classification or measurement of financial liabilities. The principal impact on Iluka's financial assets at 1 January 2017 was the reclassification of the trade receivables from 'loans and receivables' under AASB 139 to 'financial assets at amortised cost' under AASB 9. This did not change the balance of trade receivables recognised at 31 December 2018 (31 December 2017: no change).

***(iii)* Other new standards and amendments adopted**

In addition to those listed above, the Group has adopted the following applicable new standards and amendments, which do not have a material impact on the current or prior period, and are not expected to have a material impact on future periods:

- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Forthcoming standards and amendments not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

***(i)* AASB 16 *Leases* (effective from 1 January 2019)**

AASB 16 *Leases* replaces AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease.* The new standard sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It applies a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee.

The new standard removes the distinction between operating and finance leases. Instead, all leases other than short term or low value asset leases are recognised on the balance sheet as a right of use asset representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make lease payments in future. For leases currently classified and treated under AASB 117 as operating leases, lease expenses will be replaced with amortisation of the right of use asset and interest expense on the lease liability.

The Group has evaluated the impact of current lease arrangements for the lease of office buildings, warehouses, equipment and other assets. The impact on the balance sheet on this date was an increase in lease related assets, and an increase in lease liabilities, of $37.2 million.

The Group has implemented the new standard effective from 1 January 2019.

***(ii)* Other forthcoming standards and amendments**

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 2018

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 81 to 130 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 2018 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 21 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 21.

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
Chairman

T O'Leary
Managing Director

21 February 2019

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 2018 and of its financial performance for the year then ended

(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 2018
- 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* (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.

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INDEPENDENT AUDITOR'S REPORT
To the members of Iluka Resources Limited
For the year ended 31 December 2018

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.

The Group is a producer of zircon and titanium dioxide products including rutile and synthetic rutile, with operations in Australia, the United States and Sierra Leone. The Group also earns royalty income from a tier one iron ore operation - BHP's Mining Area C province in Western Australia.

Materiality

- For the purpose of our audit we used overall Group materiality of $10 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.

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*
Closure and rehabilitation provisions in Virginia *Refer to Critical accounting estimates and judgements in note 3 and note 8 to the financial report* 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 2018 the balance sheet included provisions for such obligations of $703.8m. 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 the matters identified and the quantum of possible outcomes which may result in further costs to the Group. These provisions comprise a substantial portion of the $235.3m US 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 on key controls over the assessment of the work required to rehabilitate disturbed areas and the estimated future cost of that work which forms the basis for the Group's closure and rehabilitation provision models, including those for Virginia. We evaluated key assumptions utilised in these models by performing the following procedures: • evaluating the competency and independence of the experts retained by the Group to assist with the assessment of its rehabilitation obligations • visiting the Group's former operations in Virginia along with a US-based PwC rehabilitation expert to observe the impacted sites to further understand the key inputs to provision estimates and the Group's rehabilitation strategy • examining the Group's assessment of significant changes in future cost estimates from the prior year • comparing the estimated future rehabilitation costs to actual costs being incurred at the Group's sites for similar activities to assess the extent to which rehabilitation estimates take into account current experience • assessing the ability of the Group to make reliable estimates of the extent of future rehabilitation expenditure by comparing actual cash outflows in 2018 to those forecast as part of the provision in previous years • assessing the Group's judgments about the likelihood of potential outcomes in relation to the manner in which the rehabilitation of legacy sites in Virginia is likely to occur, and

INDEPENDENT AUDITOR'S REPORT
To the members of Iluka Resources Limited
For the year ended 31 December 2018

Key audit matter	*How our audit addressed the key audit matter*
	• considering the appropriateness of the discount rates and inflation rates utilised in calculating the provision by comparing them to current market consensus.

Impairment assessment for non-current assets in Sierra Rutile
Refer to Critical accounting estimates and judgements in note 3 and note 7 to the financial report
 	
The Group performed an assessment for impairment indicators across its CGUs given this is required by Australian Accounting Standards. During the year, the Group identified that previous capital estimates relating to the undeveloped Sembehun deposit in Sierra Leone may increase by 40% to 60%, which has resulted in the deferral of the development to allow further financial and operational evaluations. The Group has identified this as an indicator of potential impairment for the Group's property, plant and equipment cash generating unit in Sierra Leone (the Sierra Rutile CGU) at year end.
 	
This assessment did not result in an impairment charge as the Group concluded the fair value less cost of disposal (FVLCOD) of the Sierra Rutile CGU exceeded its carrying value at 31 December 2018.
 	
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, 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 which are subject to the judgements and assumptions outlined above in determining whether there is an impairment to the CGU's assets.
	We evaluated the Group's assessment of whether there were any indicators of asset impairment at 31 December 2018 for its CGUs, including considering whether there were any further impairment indicators for these CGUs which had not been considered by the Group.
	
	We performed the following procedures on the Group's impairment assessment for the Sierra Rutile CGU:
	• assessing whether the Sierra Rutile CGU appropriately included all directly attributable assets and liabilities
	• considering 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
	• testing whether forecast cash flows used in the impairment model were consistent with the most recent Corporate Plan formally approved by directors
	• considering 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
	  ○ 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 responsible for developing capital cost 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

Key audit matter	*How our audit addressed the key audit matter*
	○ 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 betas, risk free rate and gearing ratios, assisted by PwC valuation experts ● testing the mathematical accuracy of the impairment model's calculations, and ● evaluating 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.
Recognition and measurement of deferred tax assets in Sierra Leone *Refer to Critical accounting estimates and judgements in note 3 and note 11 to the financial report* The Group has recognised $209.3 million of deferred tax assets relating to Sierra Rutile Limited, primarily comprising the anticipated future benefit of the utilisation of previously incurred tax losses against future taxable profit above the minimum 3.5% turnover tax. The tax losses arose both prior to the acquisition of Sierra Rutile Limited on 7 December 2016 and from its operating performance from acquisition through to 31 December 2018, The recognition and measurement of these deferred tax assets was a key audit matter given that there was significant judgement in: ● Assessing whether the losses will continue to be available for use. This included assessing the impact, if any, of the *Extractive Industries Revenue Act 2018,* which was enacted into law in Sierra Leone during the year; and ● Determining the sufficiency of future taxable profits against which the losses could be utilised.	We evaluated the Group's analysis supporting the continued recognition and measurement of deferred tax assets of $209.3 million. This included the Group's analysis of the application of the *Extractive Industries Revenue Act 2018* to Sierra Rutile Limited, particularly whether it could restrict the utilisation of losses previously forecast by the Group. In doing so, we utilised PwC tax experts from the region. In considering the Group's assessment of the sufficiency of future taxable profits, we evaluated the Group's supporting financial model. We assessed the consistency of the model with the model utilised to assess the Sierra Rutile CGU for impairment and compared the calculation of taxable income within the model to the relevant tax legislation. We also tested the reconciliation of tax losses at the beginning of the year to assessments issued by the Sierra Leonean National Revenue Authority and for the current year to the Group's tax calculation.

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 2018, but does not include the financial report and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT
To the members of Iluka Resources Limited

For the year ended 31 December 2018

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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 58 to 79 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Iluka Resources Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

To the members of Iluka Resources Limited

For the year ended 31 December 2018

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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

Justin Carroll
Partner

Perth
21 February 2019

PHYSICAL, FINANCIAL AND CORPORATE INFORMATION

In this section

Cataby, Western Australia, Australia

FIVE YEAR PHYSICAL AND FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
Production volumes (kt)					
- Zircon	348.6	312.3	347.1	388.6	357.6
- Rutile	163.2	302.1	117.6	136.5	177.2
- Synthetic rutile	219.9	210.8	210.9	164.9	-
Total Z/R/SR	**731.7**	**825.2**	**675.6**	**690**	**534.8**
- Ilmenite	395.1	448.1	329.4	466.1	365.4
Sales volumes (kt)					
- Zircon	379.3	380.4	338.8	346.2	352.2
- Rutile	233.2	264.3	172.1	133.6	182.0
- Synthetic rutile	214.6	244.4	186.8	171.2	82.0
Total Z/R/SR	**827.1**	**889.1**	**697.7**	**651**	**616.2**
- Ilmenite	224.5	202.7	17.7	299.8	316.6
Weighted average annual prices (US$/t)					
- Zircon (premium and standard)	1,351	958	810	986	1,054
- Zircon (all products)	1,321	940	773	961	1,033
- Rutile (excluding HYTI)	952	790	716	721	777
- Synthetic rutile	Not disclosed	Not disclosed	Not disclosed	Not disclosed	750
Average AUD:USD spot exchange rate (cents)	**74.8**	**76.7**	**74.4**	**75.2**	**90.3**
AUD:USD range (cents)	70.4/81.2	71.8/80.6	68.6/78.0	69.2/82.3	81.1/94.9

	2018	2017	2016	2015	2014
Unit revenue and cash cost ($/t)					
Revenue per tonne Z/R/SR sold (A$/t)	1,415	1,079	999	1,136	1,030
Unit cash costs of production per tonne Z/R/SR produced including by-product costs	606	439	373	558	668
Unit cost of goods sold per tonne of Z/R/SR	750	743	700	780	862

Summary financials ($m)	**2018**	**2017**	**2016**	**2015**	**2014**
Z/R/SR revenue	1,179.0	959.1	696.8	739.7	634.8
Ilmenite and other revenue	65.1	58.4	29.5	80.1	90.1
Revenue from operations	1,244.1	1,017.5	726.3	819.8	724.9
Cash costs of production	(455.1)	(372.4)	(260.6)	(392.5)	(381.9)
Inventory movement – cash costs of production	(68.5)	(141.5)	(107.6)	9.6	14.7
Restructure and idle capacity charges	(24.7)	(73.3)	(69.5)	(38.3)	(40.1)
Government royalties	(38.1)	(25.2)	(20.4)	(21.0)	(10.6)
Marketing and selling costs	(38.1)	(33.8)	(36.3)	(32.0)	(30.1)
Asset sales and other income	1.8	0.7	(0.6)	1.4	6.0
Corporate and other costs	(48.1)	(47.1)	(53.8)	(52.7)	(48.4)
Resources development	(30.1)	(24.6)	(79.4)	(58.4)	(45.3)
Underlying mineral sands EBITDA[1]	544.5	300.9	103.0	231.8	189.2
Mining Area C EBITDA	55.6	59.6	47.5	61.6	66.8
Underlying Group EBITDA[1]	600.1	360.5	150.5	293.4	256.0
Rehabilitation and holding costs for closed sites	4.6	(127.4)	(42.6)	(2.7)	1.0
SRL transaction costs	-	-	(14.1)	-	-
Depreciation and amortisation	(93.6)	(111.0)	(79.9)	(132.0)	(191.7)
Inventory movement – non-cash production costs	(28.3)	(66.8)	(57.3)	(15.3)	-
Share of Metalysis Ltd losses (associate)	-	(3.3)	(3.3)	-	-
Significant non-cash items	-	(185.4)	(201.0)	-	(82.0)
Net interest and finance charges	(30.8)	(32.2)	(30.0)	(56.4)	(31.8)
Income tax (expense) benefit	(148.1)	(6.0)	53.7	(33.1)	(14.0)
Net profit (loss) after tax for the period (NPAT)	303.9	(171.6)	(224.0)	53.5	(62.5)
Operating cash flow	594.2	391.7	137.3	222.2	254.8
Capital expenditure	(311.5)	(93.1)	(82.5)	(66.4)	(48.3)
Free cash (outflow) inflow[2] ($m)	304.4	321.9	47.3	155.0	196.3
Net (debt) cash	1.8	(182.5)	(506.3)	6.0	(59.0)

	2018	2017	2016	2015	2014
Capital and dividends					
Ordinary shares on issue (millions)	422.4	418.7	418.7	418.7	418.7
Dividends per share in respect of the year (cents)	29	31	3	25	19
Franking level %	100	100	100	100	100
Opening year share price ($)	10.01	7.27	6.13	5.95	8.63
Closing year share price ($)	7.62	10.17	7.27	6.13	5.95
Financial ratios					
Underlying Group EBITDA/revenue margin %	48.2	35.4	20.7	35.8	35.3
Mineral sands EBITDA/revenue margin %	43.8	29.6	14.2	28.3	26.1
Basic earnings (loss) per share (cents)	72.2	(41.0)	(53.6)	12.8	(15.0)
Free cash flow per share (cents)	72.1	76.9	11.3	37.0	46.9
Return on shareholders' equity[3] %	31.8	(20.1)	(17.1)	3.8	(4.1)
Return on capital[4] %	54.0	(11.6)	(18.3)	6.8	(2.0)
Gearing (net debt/net debt + equity) %	n/a	17.1	31.5	n/a	3.9
Financial position as at 31 December ($m)					
Total assets	2,211.9	1,947.0	2,442.3	2,103.3	2,173.4
Total liabilities	1,101.9	(1,061.5)	(1,339.3)	(694.7)	(738.8)
Net assets	1,110.0	885.5	1,103.0	1,408.6	1,434.6
Shareholders' equity	1,110.0	885.5	1,103.0	1,408.6	1,434.6
Net tangible asset backing per share ($)	2.1	1.7	2.2	3.3	3.4
Employees as at 31 December					
Full-time equivalent employees[5]	3,421	2,543	687	876	827

	2018	2017	2016	2015	2014
Iluka Ore Reserves and Mineral Resources					
Mineral Resources in situ HM tonnes	167.8	169.4	170.5	172.9	176.4
Ore Reserves in situ HM tonnes	15.7	16.4	16.7	23	24.9
HM Grade (%) Ore Reserves	5.8	5.8	5.9	5.7	5.4
Assemblage[6] (%)					
Zircon	17	19	19	18	18
Rutile	4	4	4	6	6
Ilmenite	54	52	52	53	52

	2018	2017	2016
Sierra Rutile Ore Reserves and Mineral Resources			
Mineral Resources in situ rutile tonnes	8.0	7.3	7.5
Ore Reserves in situ rutile tonnes	3.8	3.8	3.9

Notes

1 Underlying Group EBITDA excludes non-recurring adjustments including impairments, 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.

Refer pages 143 to 149 for Iluka's Ore Reserves and Mineral Resource Statement or refer Iluka's website www.iluka.com

OPERATING MINES PHYSICAL DATA

12 MONTHS TO 31 DECEMBER 2018

	Jacinth-Ambrosia	Murray Basin	Western Australia	Australia Total	Sierra Leone	Virginia	Group total 2018	Group total 2017
Mining								
Overburden moved kbcm	3,010	-	1,457	4,467	-	-	4,467	1,037
Ore mined kt	10,312	-	1,653	11,965	8,227	-	20,192	13,381
Ore grade HM %	8.2	-	14.0	9.0	3.0	-	n/a	n/a
VHM grade %	7.3	-	11.6	7.9	2.3	-	n/a	n/a
Concentrating								
HMC produced kt	674	-	20	694	240	-	934	612
VHM produced kt	597	-	18	615	171	-	786	485
VHM in HMC assemblage %	88.7	-	86.9	88.6	71.4	-	84.2	79.2
- Zircon	62.9	-	13.5	61.4	3.7	-	46.6	9.7
- Rutile	5.9	-	9.1	6.0	47.7	-	16.7	31.4
- Ilmenite	19.9	-	64.3	21.2	20.0	-	20.9	38.1
Processing								
HMC processed kt	530	-	265	795	242	-	1,037	1,280
Finished product[1] kt								
- Zircon	289.1	0.1	38.7	327.9	11.4	9.3	348.6	312.3
- Rutile	38.0	-	3.7	41.7	121.5	-	163.2	302.1
- Ilmenite								
(saleable/upgradeable/WHIMS)	121.7	50.8	168.1	340.6	54.5	-	395.1	448.1
Synthetic rutile produced kt	-	-	219.9	219.9	-	-	219.9	210.8

[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 the ore mined.

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 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, one tonne of upgradeable ilmenite will produce between 0.56 to 0.60 tonnes of synthetic rutile. Iluka also purchases external ilmenite for its synthetic rutile production process. Refer Iluka's website www.iluka.com – Mineral Sands Technical Information for more detailed information on the mineral sands mining and 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 2018

Summary of Ore Reserves for Iluka[1,2,3]

						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	88	3.1	3.5	29	48	5	
		Probable	4	0.1	2.2	20	52	4	
Total	**Eucla Basin**		**92**	**3.2**	**3.5**	**29**	**48**	**5**	**(0.7)**
Australia	Perth Basin	Proved	88	5.5	6.3	60	9	4	
		Probable	92	7.0	7.5	61	8	4	
Total	**Perth Basin[5]**		**180**	**12.5**	**6.9**	**60**	**9**	**4**	**(0.0)**
Total	**Proved**		**176**	**8.7**	**4.9**	**49**	**23**	**4**	
Total	**Probable**		**96**	**7.0**	**7.3**	**60**	**9**	**4**	
Grand total			**272**	**15.7**	**5.8**	**54**	**17**	**4**	**(0.7)**

Notes:

(1) Competent Persons – Ore Reserves: C Lee (MAusIMM(CP)). The Ore Reserves in this table have been estimated in accordance with the JORC Code (2012 Edition), other than the Ore Reserves for the IPL North and 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 31st of December 2018 and have been depleted for all production conducted to this date.

ORE RESERVES AND MINERAL RESOURCES STATEMENT

RUTILE ORE RESERVES (SIERRA RUTILE)

Iluka Rutile Ore Reserve for Sierra Leone by JORC Category at 31 December 2018

Summary of Ore Reserves for Iluka[1,2,3]

					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 Rutile	Proved	26	0.4	1.4	-	-	
		Probable	264	3.6	1.3	-	-	
Total	**Sierra Leone**		**290**	**3.9**	**1.4**	**-**	**-**	**0.1**

Notes:

(1) Competent Person - Ore Reserves: C Lee (MAusIMM(CP))

(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 the 31st of December 2018 and have been depleted for all production conducted to this date.

Ore Reserves are estimated using all available geological, 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 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. An equivalent comparison of the rutile tonnages contained in Iluka's Ore Reserve inventory for heavy minerals can be calculated using the formula:

[Rutile tonnes = HM tonnes * Rutile %] that is [16.7*(4/100)] = 0.7 Mt of rutile.

For the year ending 2018, HM Ore Reserves decreased by **0.7Mt** HM associated with mining depletion and adjustments, down from **16.4Mt** HM to **15.7Mt** HM.

The main factors contributing to the movement in Iluka's HM Ore Reserves during 2018 include the following:

- The Eucla Basin Ore Reserves decreased by **0.72Mt** HM associated with mining depletion and pit re-design at Jacinth.
- The Perth Basin Ore Reserves decreased by **0.02Mt** HM as a result of mine depletion and adjustment at Tutunup South.

HM ORE RESERVES MINED AND ADJUSTED

Iluka HM Ore Reserves mined and adjusted by country and region at 31 December 2018

Summary of Ore Reserve depletion[1]

Country	Region	Category	In situ HM tonnes millions 2017	In situ HM grade (%) 2017	In situ HM tonnes millions mined 2018	In situ HM tonnes[2] millions adjusted 2018	In situ HM tonnes millions 2018	In situ HM grade (%) 2018	In situ HM tonnes[3] millions net change
Australia	Eucla Basin	Active mines	2.0	4.3	(0.6)	(0.1)	1.3	3.5	(0.7)
		Non-active sites	2.0	3.5	-	-	2.0	3.5	-
Total	**Eucla Basin**		**3.9**	**3.8**	**(0.6)**	**(0.1)**	**3.2**	**3.5**	**(0.7)**
Australia	Perth Basin	Active mines	0.0	10.2	(0.0)	(0.0)	-	-	(0.0)
		Non-active sites	12.5	6.9	-	-	12.5	6.9	-
Total	**Perth Basin**		**12.5**	**6.9**	**(0.0)**	**(0.0)**	**12.5**	**6.9**	**(0.0)**
Total		**Active mines**	**2.3**	**4.6**	**(0.2)**	**(0.1)**	**2.0**	**4.3**	**(0.3)**
Total		**Non-active sites**	**14.4**	**6.1**	**-**	**-**	**14.4**	**6.1**	**-**
Total	**Ore Reserves**		**16.4**	**5.8**	**(0.7)**	**(0.1)**	**15.7**	**5.8**	**(0.7)**

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

Iluka Rutile Ore Reserves mined and adjusted for Sierra Rutile at 31 December 2018

Summary of Ore Reserve depletion[1]

Country	Region	Category	In situ rutile tonnes millions 2017	In situ rutile grade (%) 2017	In situ rutile tonnes millions mined 2018	In situ rutile tonnes[2] millions adjusted 2018	In situ rutile tonnes millions 2018	In situ rutile grade (%) 2018	In situ rutile tonnes[3] millions net change
Sierra Leone	Sierra Rutile	Active mines	0.9	1.4	(0.1)	(0.0)	0.8	1.4	(0.1)
		Non-active sites	2.9	1.2	-	0.2	3.1	1.3	0.2
Total	**Sierra Leone**		**3.8**	**1.3**	**(0.1)**	**0.2**	**3.9**	**1.4**	**0.1**

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.

The rutile Ore Reserves for Sierra Rutile increased by **0.1Mt** rutile associated with mining depletion and adjustment at Lanti, Gangama and Gbeni and re-optimisation of Benduma, Dodo, Kamatipa, Kibi and Komende up from **3.8Mt** rutile to **3.9Mt** rutile.

ORE RESERVES AND MINERAL RESOURCES STATEMENT

HM MINERAL RESOURCES

Iluka HM Mineral Resources breakdown by country, region and JORC category at 31 December 2018

Summary of Mineral Resources 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	218	6.4	2.9	34	42	4	
		Indicated	85	8.1	9.5	65	20	2	
		Inferred	74	3.7	5.1	60	20	2	
Total	**Eucla Basin**		**377**	**18.2**	**4.8**	**53**	**28**	**3**	**(0.7)**
Australia	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**	**0.4**
Australia	Perth Basin	Measured	485	28.4	5.9	58	10	5	
		Indicated	311	16.7	5.4	54	10	5	
		Inferred	203	10.5	5.2	55	9	4	
Total	**Perth Basin[5]**		**999**	**55.6**	**5.6**	**56**	**10**	**5**	**(0.6)**
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**	**-**	**(0.6)**
Sri Lanka	Sri Lanka	Measured	214	22.2	10.4	70	3	4	
		Indicated	36	3.1	8.6	69	4	3	
		Inferred	440	31.0	7.0	66	4	5	
Total	**Sri Lanka[7]**		**690**	**56.3**	**8.2**	**67**	**4**	**4**	**-**
Total		**Measured**	**925**	**62.7**	**6.8**	**60**	**11**	**5**	
Total		**Indicated**	**568**	**48.9**	**8.6**	**58**	**12**	**8**	
Total		**Inferred**	**824**	**56.2**	**6.8**	**60**	**7**	**6**	
Grand total			**2,351**	**167.8**	**7.1**	**60**	**10**	**6**	**(1.6)**

Notes:

(1) Competent Person - 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 RUTILE)

Iluka Rutile Mineral Resources for Sierra Rutile by JORC category at 31 December 2018

Summary of Mineral Resources [1,2,3] for Iluka

Country	Region	Mineral Resource category	Material tonnes millions	In situ rutile tonnes millions	In situ mineral content[4] Rutile grade (%)	In situ mineral content[4] Ilmenite[5] grade (%)	In situ mineral content[4] Zircon[5] grade (%)	Change rutile tonnes millions
Sierra Leone	Sierra Rutile	Measured	42	0.5	1.2	0.3	0.1	
		Indicated	507	5.7	1.1	0.9	0.1	
		Inferred	165	1.8	1.1	0.6	0.1	
Total	**Sierra Leone**		**714**	**8.0**	**1.1**	**0.8**	**0.1**	**0.7**

Notes:

(1) Competent Person - Mineral Resources; B Gibson (MIAG).

(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.

Mineral Resources are estimated using all available geological, drill hole and assay data, including mineralogical sampling and test work on mineral and final product qualities. Resource estimates are prepared in accordance with the 2012 JORC Code and consider geology, heavy mineral (HM) cut-off grades, mineralisation thickness vs. depth of burial ratios and the potential mining and extraction methodology. These factors may vary significantly between deposits.

For the year ending 2018, Mineral Resources (excluding the Mineral Resources attributable to Sierra Rutile) decreased by **1.6Mt** HM net of mining depletion and adjustments (write-downs) down from **169.4Mt** HM to **167.8Mt** HM.

The change in Mineral Resources for 2018 was driven by the following:

- Eucla Basin Mineral Resources decreased by **0.72Mt** HM as a result of mining depletion and write-down at Jacinth.
- The Murray Basin Mineral Resource increased by **0.41Mt** HM as a result of re-estimation and re-reporting of the Boulka Deposit.
- The Perth Basin Mineral Resources decreased by **0.61Mt** HM principally associated with mining depletion and write-down of Tutunup South (**0.04Mt** HM) and re-estimation and write-down for Northern Leases (0.56Mt HM).
- Atlantic Seaboard Mineral Resources decreased by **0.64Mt** HM as a result of write-down at Old Hickory.

The rutile Mineral Resources for Sierra Leone increased by **0.67Mt** rutile, up from **7.3Mt** rutile to **7.97Mt** rutile, net of mining depletion and adjustments (updated resource estimation or write-downs).

The change in Mineral Resources for 2018 was driven by the following:

- Mining depletion and write-down for Lanti (decreased **0.03Mt** of rutile), Gangama (decreased **0.09Mt** of rutile) and Gbeni (decreased **0.02Mt** of rutile).
- Updated estimation and re-reporting for Benduma (increased **0.49Mt** of rutile), Dodo (increased **0.27Mt** of rutile), Gbap (decreased **0.13Mt** of rutile), Kamatipa (increased **0.11Mt** of rutile), Kibi (increased **0.15Mt** of rutile), Komende (decreased **0.12Mt** of rutile), Ndendemoia (increased **0.03Mt** of rutile) and Taninahun (increased **0.01Mt** 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 2018

Summary of Mineral Resource depletion[1]

Country	Region	Category	In situ HM tonnes millions 2017	In situ HM grade (%) 2017	In situ HM tonnes millions mined 2018	In situ HM tonnes[2] millions adjusted 2018	In situ HM tonnes millions 2018	In situ HM grade (%) 2018	In situ HM tonnes[3] millions net change
Australia	Eucla Basin	Active mines	2.3	3.8	(0.6)	(0.1)	1.6	3.2	(0.7)
		Non-active sites	16.6	5.1	-	-	16.6	5.1	-
Total	**Eucla Basin**		**18.9**	**4.9**	**(0.6)**	**(0.1)**	**18.2**	**4.8**	**(0.7)**
Australia	Murray Basin	Active mines	-	-	-	-	-	-	-
		Non-active sites	33.0	17.5	-	0.4	33.4	17.2	0.4
Total	**Murray Basin**		**33.0**	**17.5**	**-**	**0.4**	**33.4**	**17.2**	**0.4**
Australia	Perth Basin	Active mines	0.0	8.5	(0.0)	(0.0)	-	-	(0.0)
		Non-active sites	56.1	5.6	-	(0.6)	55.6	5.6	(0.6)
Total	**Perth Basin**		**56.2**	**5.6**	**(0.0)**	**(0.6)**	**55.6**	**5.6**	**(0.6)**
USA	Atlantic Seaboard	Active mines	-	-	-	-	-	-	-
		Non-active sites	5.0	4.5	-	(0.6)	4.4	4.8	(0.6)
Total	**Atlantic Seaboard**		**5.0**	**4.5**	**-**	**(0.6)**	**4.4**	**4.8**	**(0.6)**
Sri Lanka	Sri Lanka	Active mines	-	-	-	-	-	-	-
		Non-active sites	56.3	8.2	-	-	56.3	8.2	-
Total	**Sri Lanka**		**56.3**	**8.2**	**-**	**-**	**56.3**	**8.2**	**-**
Total		Active mines	**2.3**	**4.3**	**(0.7)**	**(0.1)**	**1.6**	**3.2**	**(0.8)**
Total		Non-active sites	**167.0**	**7.1**	**-**	**(0.8)**	**166.2**	**7.2**	**(0.8)**
Total	**Mineral Resources**		**169.4**	**7.1**	**(0.7)**	**(0.9)**	**167.8**	**7.1**	**(1.6)**

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 RUTILE)

Iluka Rutile Mineral Resources mined and adjusted for Sierra Rutile at 31 December 2018

Summary of Mineral Resource depletion[1]

Country	Region	Category	In situ rutile tonnes millions 2017	In situ rutile grade (%) 2017	In situ rutile tonnes millions mined 2018	In situ rutile tonnes[2] millions adjusted 2018	In situ rutile tonnes millions 2018	In situ rutile grade (%) 2018	In situ rutile tonnes[3] millions net change
Sierra Leone	Sierra Rutile	Active mines	1.8	1.2	(0.1)	(0.0)	1.7	1.2	(0.1)
		Non-active sites	5.5	1.0	-	0.8	6.3	1.1	0.8
Total	**Sierra Leone**		**7.3**	**1.0**	**(0.1)**	**0.8**	**8.0**	**1.1**	**0.7**

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 2018 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 disclosed in the announcement dated the 20/02/2017. Information prepared and disclosed under the JORC Code 2004 Edition and 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 all 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 Chris Lee who is a Member of the Australasian Institute of Mining and Metallurgy (MAUSIMM).

Mr Gibson and Mr Lee are full time employees of Iluka Resources.

Mr Gibson and Mr Lee 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 Lee consent to the inclusion in this report of the matters based on his 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's 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 2018 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 2018. 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 (PwC).

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.

SHAREHOLDER AND INVESTOR INFORMATION

As at 31 January 2019

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 422,395,677 shares on issue as at 31 January 2019. A total of 675,521 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

Size of shareholding	Number of holders
1 - 1,000	11,338
1,001 - 5,000	6,877
5,001 - 10,000	1,064
10,001 - 100,000	633
100,001 - 1,000,000	22
1,000,001 and over	18
Unmarketable parcel (less than $500)	1,325

TOP 20 SHAREHOLDERS (NOMINEE COMPANY HOLDINGS)

Shareholder	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	130,797,857	30.97
J P Morgan Nominees Australia Pty Limited	96,419,738	22.83
Citicorp Nominees Pty Limited	53,716,845	12.72
National Nominees Limited	36,478,382	8.64
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	15,698,340	3.72
BNP Paribas Noms Pty Ltd (DRP)	15,323,746	3.63
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	3,156,739	0.75
National Nominees Limited (N A/C)	2,885,154	0.68
BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	2,594,500	0.61
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	2,528,599	0.60
CS Third Nominees Pty Limited (HSBC Cust Nom Au Ltd 13 A/C)	2,418,371	0.57
CS Fourth Nominees Pty Limited (HSBC Cust Nom Au Ltd 11 A/C)	2,251,539	0.53
Argo Investments Limited	1,700,000	0.40
Australian Foundation Investment Company Limited	1,666,999	0.39
HSBC Custody Nominees (Australia) Limited - A/C 2	1,339,634	0.32
AMP Life Limited	1,291,680	0.31
UBS Nominees Pty Ltd	1,235,000	0.29
R O Henderson (Beehive) Pty Limited	1,150,000	0.27
HSBC Custody Nominees (Australia) Limited-GSCO ECA	870,343	0.21
BNP Paribas Noms (NZ) Ltd (DRP)	869,448	0.21

SUBSTANTIAL SHAREHOLDERS (AS PROVIDED IN DISCLOSED SUBSTANTIAL SHAREHOLDER NOTICES TO THE COMPANY)

Shareholder	Size of shareholding	% of issued capital
Sumitomo Mitsui Trust Holdings	40,994,285	9.71%
BlackRock Group	40,196,434	9.52%
Schroder Investment Management Australia Limited	30,511,324	7.22%
Paradice Investment Management Pty Ltd	22,012,536	5.21%
National Australia Bank Limited	21,596,240	5.11%
The Vanguard Group	21,125,614	5.00%

CALENDAR OF KEY EVENTS 2019

21 February	Announcement of financial results
14 April 9:30am (WST)	Closure of acceptances of proxies for AGM
15 April	March Quarterly Review
16 April 9:30am (WST)	Annual General Meeting – Perth
24 July	June Quarterly Review
21 August	Announcement of half year financial results
25 October	September Quarterly Review
31 December	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

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 14, 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 4001 (outside Australia)
Facsimile: +61 3 9473 2500

Postal address
GPO Box 2975
Melbourne VIC 3001
Website: www.investorcentre.com

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 issuer-sponsored holding statements and dividend statements.

CORPORATE INFORMATION

COMPANY DETAILS

Iluka Resources Limited
ABN: 34 008 675 018

REGISTERED OFFICE

Level 14, 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 64th Annual General Meeting of Shareholders will be held in River View Room 5 at the Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia, on Tuesday, 16 April 2019 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, assumption 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.

Insight Communication & Design

ILUKA

www.iluka.com

Jacinth-Ambrosia, South Australia, Australia