



ILUKA

Tax Transparency Report

2021

**DELIVER
SUSTAINABLE
VALUE**

ABOUT THIS REPORT

The 2021 Tax Transparency Report is published on a voluntary basis in line with the Company's Corporate Governance framework as part of Iluka's ongoing commitment to high standards of corporate governance and transparency. The disclosures in this report are consistent with those recommended for a "large" taxpayer under the Australian Voluntary Tax Transparency Code, which Iluka has adopted since 2016.

As a significant global entity, Iluka also complies with country-by-country reporting, which is reported to the Australian Tax Office (ATO) in accordance with the ATO's notification requirements. The information contained in this report complies with the tax strategy publication requirements of the *UK Finance Act 2016*. Iluka also supports the Extractive Industries Transparency Initiative (EITI) and is an active participant in EITI in Sierra Leone through our subsidiary, Sierra Rutile Limited (SRL).

The Report should be read together with Iluka's 2021 Annual Report, which is available on the company's website: www.iluka.com

A description of technical terms used in this Report and information regarding the approach adopted in compiling the data presented can be found in the Basis of Preparation and the Glossary of Terms.

All dollar figures in this Report are in Australian dollars (A\$), unless otherwise stated.

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

Iluka's Executive team and Board of Directors review this Report.

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ABOUT ILUKA

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

The company's objective is to deliver sustainable value.

With 70 years industry experience, Iluka is a leading global producer of the critical minerals zircon and high grade titanium dioxide feedstocks (rutile and synthetic rutile). The company also has an emerging position in rare earth elements (rare earths). Iluka's products are used in an array of applications including technology, construction, medical, lifestyle and industrial uses. As the world moves towards a smarter, safer and sustainable future, Iluka's high quality products are increasing in demand.

With over 3,000 direct employees, the company has operations and projects in Australia and Sierra Leone; and a globally integrated marketing network. Exploration activities are conducted internationally and Iluka is actively engaged in the rehabilitation of previous operations in the United States, Australia and Sierra Leone.

Headquartered in Perth, the company is listed on the Australian Securities Exchange (ASX). Iluka holds a 20% stake in Deterra Royalties Limited (Deterra), the largest ASX-listed resources focused royalty company.

REPORT BOUNDARY

OPERATIONS, RESOURCE DEVELOPMENT, MARKETING AND REHABILITATION ACTIVITIES

WESTERN AUSTRALIA

- Cataby mining and concentrating
- Narngulu processing
- Eneabba development
- Capel synthetic rutile processing
- South West deposits project
- Corporate support centre
- Rehabilitation

SOUTH AUSTRALIA

- Jacinth-Ambrosia mining and concentrating
- Atacama project
- Rehabilitation

NEW SOUTH WALES

- Balranald project
- Euston project

VICTORIA

- Wimmera project
- Rehabilitation
- Hamilton processing (idle)

UNITED STATES

- Marketing and distribution
- Rehabilitation

EUROPE

- Marketing and distribution

ASIA

- Marketing and distribution

SIERRA LEONE

- Sierra Rutile mining, concentrating and processing operations
- Sembehun project
- Rehabilitation



2021 CONTRIBUTION

TOTAL
WORKFORCE

3,252

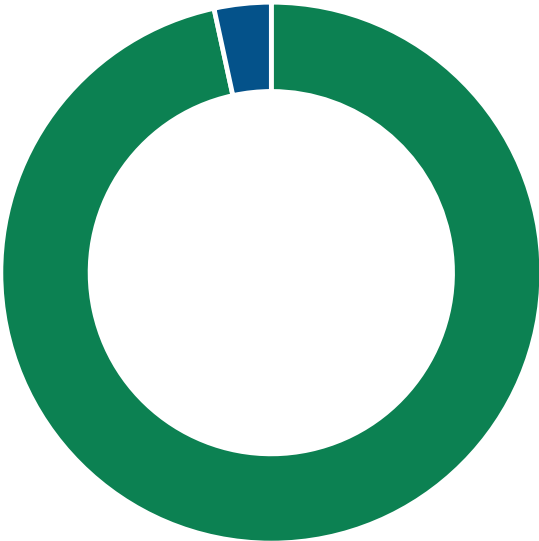
GROUP UNDERLYING
EFFECTIVE TAX RATE

32%

AUSTRALIAN UNDERLYING
EFFECTIVE TAX RATE

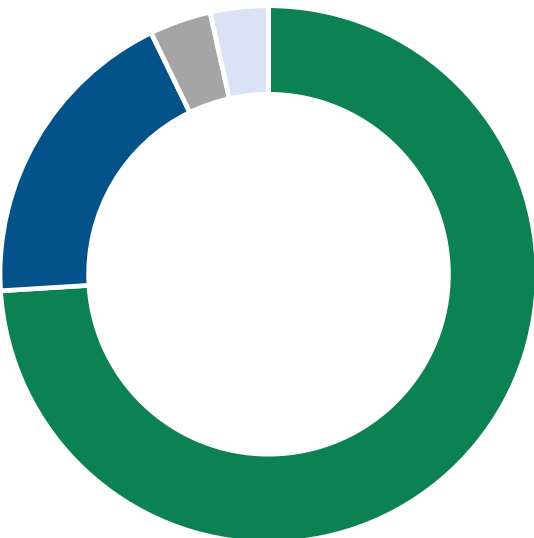
28.8%

Total taxes borne and collected \$149.9 million:



AUSTRALIA
\$144.8M

SIERRA LEONE
\$5.1M



Employee payroll taxes collected \$45.8 million:

AUSTRALIA
\$33.9M

SIERRA LEONE
\$8.6M

UNITED STATES
\$1.7M

OTHER
\$1.6M



MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Over the past 12 months we have seen increasing demand for Iluka's products, widely regarded by governments and key industries as critical minerals. This demand reflected both the return of markets to pre-pandemic levels; and the increasing focus of customers in ensuring security of supply.

Having demonstrated a disciplined business approach against the many challenges that have resulted from, or been amplified by, the global COVID-19 pandemic, Iluka commenced the year from a position of strength.

By 1 April 2021, our operations had returned to maximum settings. As part of continuous improvement efforts, we have focused on sustainably enhancing our operations globally, the outcome of which is represented in our full year results. We have continued to invest in our future through the ongoing development of novel mining and processing technologies; and in maintaining a diversified project pipeline.

As part of ongoing efforts to ensure the continued sustainability of operations in Sierra Leone, a series of changes to Sierra Rutile Limited's fiscal regime were agreed to and ratified by Parliament. This outcome, combined with continued operational improvements, resulted in Sierra Rutile withdrawing its notice to suspend operations in January 2022.

Throughout the year, Iluka's response to increasing market demand and continued disciplined approach has resulted in one of the strongest financial results in the company's history. In 2021, Iluka contributed and collected a total of \$225.7 million in taxes globally, which included taxes borne by Iluka of \$215 million. Our Group underlying effective tax rate was 32%.

Taxes represent a significant, though not exclusive, part of Iluka's economic contribution to the countries, regions and communities in which we operate. Details of our broader economic contribution can be found in our 2021 Annual Report.

Iluka's tax affairs are conducted in accordance with our guiding principles of tax risk governance and management. Our third annual Tax Transparency Report supports our continued commitment to providing enhanced levels of transparency; and demonstrates our efforts towards our purpose of delivering sustainable value.

Adele Stratton

Chief Financial Officer and Head of Development



THE ILUKA PLAN

OUR VALUES

Integrity • Respect • Courage • Accountability • Collaboration

OUR PURPOSE

The Iluka Plan

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 APPROACH TO TAX

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

TAX RISK FRAMEWORK AND GOVERNANCE

Iluka is committed to conducting its business in accordance with highest standards of corporate governance through its policies and processes that align with our Purpose and Values. Our Principles of Tax Risk Governance Management underpin our approach to managing tax risks across the Group. Our process for tax risk management is aligned to the Group's Risk Management Policy and Framework.

The Iluka Board retains ultimate responsibility for Iluka's tax governance, with oversight and management of tax risks delegated to the Iluka Audit and Risk Committee. Tax risks are regularly reported to and considered by the Audit and Risk Committee.

Iluka's Tax Risk Policy ("the Policy"), which is substantially aligned to the better practice outcomes in the ATO Tax Risk Management and Governance Guide, is the primary governance and control framework applicable across the entire Group by which the Group's tax risks are managed. The Policy establishes the accountability, reporting and escalation framework for managing Iluka's tax risks and is reviewed by the Board on an annual basis to ensure that it remains fit for purpose and aligns to the Group's strategic direction and values.

This involves identifying tax risks at the earliest opportunity, quantifying and assessing the potential impact of these risks and, where appropriate, implementing risk mitigation strategies. Iluka has a low risk appetite for tax risk, being a low tolerance for non-compliance with tax obligations and unnecessary disputes with tax authorities. Management of Iluka's tax affairs is also undertaken in compliance with Iluka's Anti-Bribery and Corruption Policy and Procedure.

At the apex of the Policy is Iluka's Board approved Approach to Tax Statement which sets the strategic direction and tone for how the Group manages its tax affairs. The Approach to Tax is practically implemented through translation into a set of principles aligned to Iluka's Values and Code of Conduct, setting a minimum "operating standard" for how Iluka's tax matters are handled.

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

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

PRINCIPLES OF TAX RISK GOVERNANCE AND MANAGEMENT

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



Act with **INTEGRITY**

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



Show **COURAGE**

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



Demonstrate **RESPECT**

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



Take **ACCOUNTABILITY**

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



COLLABORATE

- Iluka builds mutual trust through transparent, open and honest communications with Tax Authorities and other external stakeholders; and
- Where appropriate to do so, Iluka engages with external stakeholders in public policy advocacy on tax to responsibly contribute to the development of relevant tax policies, laws and disclosures.

INTERNATIONAL RELATED PARTY DEALINGS

Iluka's principal activities are mineral sands exploration, project development, mining operations, sales and marketing, and rehabilitation.

These activities are undertaken in a number of countries across the globe through companies and branches which are considered international related parties in relation to other entities within the Group. Our products are sold direct to customers from our operations in Australia and Sierra Leone. There were no intra-group sales for our products in the 2021 income year.

Our operating model results in the provision of intra-group services and transactions, including management and other support services, the sale, purchase and marketing of commodities and financing arrangements. The aggregate value of these intra-group transactions comprised less than 2% of sales revenue for 2021.

All international related party transactions take place in accordance with the arm's length principles contained in the OECD guidelines and local laws i.e. the price that would have been charged by an unrelated party for the same transaction and in accordance with the Group's Transfer Pricing Standard and Procedures, which are reviewed on an annual basis.

Iluka obtains independent advice from transfer pricing experts to ensure that the transactions are compliant with local legal and tax requirements and are priced on an arms length basis with appropriate supporting documentation, as required by the tax laws of each respective jurisdiction. We disclose international related party transactions through the lodgement of tax returns and detailed country by-country reports.

In 2021 intra-group related party charges within Iluka consisted primarily of:

- i. The provision of management, administrative, financing and technical services. Where such services are carried out in a different jurisdiction from the Iluka organisation directly benefiting from those services, these are appropriately recharged.
- ii. The receipt of sales and marketing services. We conduct marketing activities in the best markets for our products and close to our customers, and for that reason our marketing business is dispersed across the globe in Australia, the United States, United Kingdom, China, Spain and India. Our sales teams based in these locations collectively provide sales and marketing support services within their regions to the mining operations in Australia and Sierra Leone.

All intra-group charges are determined in accordance with OECD transfer pricing guidelines taking into account any local transfer pricing requirements, supported by robust and contemporaneous transfer pricing documentation.

TAX AGREEMENTS

The Iluka Group has not entered into any tax agreements with tax authorities relating to the pricing of intra-group transactions under Advance Pricing Arrangements.

Iluka's mining operation in Sierra Leone is subject to the fiscal regime as set out in the *Sierra Rutile (Ratification) Act 2002* ("the Act"). The Government of Sierra Leone publishes all mining agreements on the website of the Sierra Leone National Minerals Agency and a copy of the Act can be accessed at www.nma.gov.sl. The Act fixes the rates on a range of taxes and contains clauses to ensure that there is a stable fiscal regime to underpin the economics of Sierra Rutile's operations in Sierra Leone.

Adjustments to Sierra Rutile's fiscal regime as set out in the Act were ratified by the parliament of Sierra Leone in December 2021. The adjustments reset the fiscal regime for the remaining Area 1 mining operations effective 1 August 2021 and are a result of engagement with the Government of Sierra Leone with the objective of returning the operation to a sustainable footing.

TAX AUTHORITIES

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

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

Pursuant to the ATO's Justified Trust Program, Iluka is part of the "Top 1000" Tax Performance Program, covering GST and Income Tax. In 2021, Iluka undertook a Combined Assurance Review (CAR) which related to the income tax years 31 December 2016 to 31 December 2019 and GST period of 1 January 2019 to 31 December 2019 as part of the Top 1000 program. As a result of the review, the ATO obtained a high level of confidence that Iluka paid the right amount of Australian income tax for the income tax review period. Iluka obtained an overall medium level of assurance for this review, which is consistent with the ratings achieved to date by other mining companies in the Top 1000 cohort.

TAX INCENTIVES AND SUBSIDIES

Iluka understands that governments may utilise tax incentives and subsidies to attract investment and stimulate growth in order to support their economic policies.

Iluka avails itself of the Research and Development (R&D) Tax Incentive, which the ATO and the Department of Industry, Innovation and Science (on behalf of Innovation and Science Australia) jointly administer. For 2021, Iluka is eligible for a 38.5% non-refundable tax offset for eligible R&D expenditure. Iluka's key technology projects at Wimmera (processing) and Balranald (underground mining) are potentially transformative for Iluka and industry.

In 2020, Iluka received \$13.9 million under the Australian Government's JobKeeper Payment scheme to assist businesses impacted by the economic effects of the COVID-19 pandemic. Iluka was eligible following a significant decline in zircon demand and associated revenue in Q1 2020 and accordingly elected to participate. In 2021, Iluka voluntarily repaid in full the JobKeeper amounts received.

LOW TAX JURISDICTIONS

The Group is currently comprised of 65 legal entities. Three of these are located in and resident of the British Virgin Islands ("BVI") which is a jurisdiction described by the OECD as a "no or only nominal tax jurisdiction", which meets the substantial activities standard. Two of these entities were inherited on acquisition of the parent company of Sierra Rutile and the other was incorporated to merge with the existing BVI parent company of Sierra Rutile at acquisition.

The entities in question comply, on an annual basis, with the reporting and filing requirements of the *Economic Substance (Companies and Limited Partnerships) Act of 2018* in the BVI. Further, given the current structure, the BVI companies are subject to the Australian Controlled Foreign Company rules. Under these rules, profits generated by the BVI entities are attributable and taxable in Australia at the Australian corporate tax rate of 30%.



PAYMENTS MADE TO GOVERNMENT BY COUNTRY

This information has been prepared on the basis set out in the Basis of Report preparation section of this Report. The highest taxes paid are in the places in which we operate, namely Australia and Sierra Leone. Employee payroll taxes paid outside of Australia and Sierra Leone predominantly reflect personnel for Iluka's rehabilitation activities in the United States and some technical support capability based in South Africa.

Country and level of government (AU\$ millions)	Corporate Income Tax	Royalties	Licence Fees	Employer Payroll Taxes	Other Taxes and Payments	Total Government Payments Borne	Employee Payroll Taxes (Not Borne)	Net Taxes Collected/ (Refunded)
Australia								
Government of Australia	144.8	-	-	-	14.0 ¹	158.8	33.9	(37.7)
State of Queensland	-	-	0.1	0.0	-	0.1	-	-
State of South Australia	-	12.8	0.7	0.8	-	14.3	-	-
State of New South Wales	-	-	0.3	0.0	-	0.3	-	-
State of Victoria	-	0.4	0.4	0.1	-	0.9	-	-
State of Western Australia	-	13.3	1.6	5.6	1.6	22.1	-	-
Australia Total	144.8	26.5	3.1	6.5	15.6	196.5	33.9	(37.7)
Sierra Leone								
Government of Sierra Leone	5.1	6.1	1.9	0.3	4.4	17.8	8.6	2.7
Sierra Leone Total	5.1	6.1	1.9	0.3	4.4	17.8	8.6	2.7
United States of America								
Government of United States of America	-	-	-	0.5	-	0.5	1.7	-
State of Virginia	-	-	-	-	0.1	0.1	-	-
State of Florida	-	-	-	-	0.1	0.1	-	-
United States Total	0.0	-	-	0.5	0.2	0.7	1.7	-
Other Countries								
Other	0.0	-	-	0.0	-	0.0	1.6	(0.1)
Other Total	0.0	-	-	0.0	-	0.0	1.6	(0.1)
Total Payments to Governments	149.9	32.6	5.0	7.3	20.2	215.0	45.8	(35.1)

Notes:

¹ Includes the repayment of JobKeeper of \$13.9 million.

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

Income tax expense represents corporate income tax payable on accounting profits adjusted for non-temporary differences. Non-temporary differences reflect amounts where the tax treatment will always be different to accounting and not just in the timing of when tax should be paid/refunded. The difference between income tax expense and corporate income tax paid is attributable to a combination of temporary differences and the timing of cash tax payments pursuant to the tax administration laws of the respective jurisdiction. Temporary differences represent amounts that are assessable / deductible for tax purposes but the timing of which is different to what is recognised for accounting purposes. For example, the tax depreciation rate in Australia pursuant to the Australian tax rules is different to accounting.

Iluka's income tax expense is provided at page 12 which details Iluka's underlying income tax expense and effective tax rate.

	Total Group	Australia	SRL	USA	Other
Profit/(loss) before taxation	505.0	467.0	8.5	33.0	(3.5)
Tax at the legislated tax rate	30%	30%	25%	21%	30%
Profit/(Loss) Subject to Taxation	151.5	140.1	2.5	9.9	(1.0)
Non-Temporary Differences					
Deterra equity accounted share of profit	(5.4)	(5.4)	0.0	0.0	0.0
Non-assessable income ²	(23.6)	0.0	(11.5)	(11.9)	(0.2)
Non-deductible expenses/assessable income	3.7	1.4	1.0	0.0	1.3 ³
Current year foreign losses not recognised	10.0	0.0	8.0	2.0	0.0
SRL minimum tax (% of revenue)	5.4	0.0	5.4	0.0	0.0
Other items	0.5	0.6	0.0	0.0	(0.1)
Difference in tax rates	(0.9)	0.0	(0.9)	0.0	0.0
Total Non-Temporary Differences	(10.2)	(3.4)	2.0	(9.9)	1.0
Under provision in prior years	(2.1)	(2.1)	0.0	0.0	0.0
Income Tax (Benefit)/Expense	139.1	134.6	4.5	0.0	0.0
Under provision in prior years	2.1	2.1	0.0	0.0	0.0
Fixed assets	18.7	18.7	0.0	0.0	0.0
Consumables and trading stock	(1.2)	(1.2)	0.0	0.0	0.0
Accrued income/expenses	(1.0)	(1.0)	0.0	0.0	0.0
Provisions	(2.6)	(2.6)	0.0	0.0	0.0
Other items	(4.9)	(4.9)	0.0	0.0	0.0
2021 Income Tax Payable	150.2	145.7	4.5	0.0	0.0
Less: amounts payable in 2022 (current tax payable)	(28.5)	(27.5)	(1.0)	0.0	0.0
Current Tax Paid in 2021	121.7	118.2	3.5	0.0	0.0
Add: Tax payments/(refunds) in 2021 relating to 2020 year	27.9	26.5 ⁴	1.4	0.0	0.0
Add: Tax payments/(refunds) in 2021 relating to pre 2020 Year	0.1	0.1	0.0	0.0	0.0
Add: Other movements ⁵	0.2	0.0	0.2	0.0	0.0
Corporate Tax Paid/(Refunded)	149.9	144.8	5.1	0.0	0.0

Notes:

² Relates predominantly to the US and SRL adjustments for accounting provisions that are treated as non-assessable for income tax purposes.

³ Primarily relates to Sri Lanka exploration impairment which is not deductible for tax purposes

⁴ Refer to page 13 for reconciliation to ATO tax transparency disclosure.

⁵ Relates to movements in foreign exchange rates

EFFECTIVE TAX RATE

The effective tax rate is calculated as income tax expense/(benefit) divided by profit/(loss) before income tax.

Income tax expense/(benefit) captures income tax on profits and excludes all other taxes such as transactional taxes in connection with supplies, taxes on property and taxes borne as an employer. The effective tax rate will differ from the corporate tax rate due to non-temporary differences, explained previously. The net loss disclosed under 'other' relates primarily to the impairment loss on the Sri Lanka exploration asset offset by intra-group interest income that is attributed and taxed in Australia under the Australian Controlled Foreign Company rules.

	Total Group	Australia	SRL	USA	Other
Corporate tax rate	30%	30%	25%	21%	30%
Profit/(loss) before income tax	505.0	467.0	8.5	33.0	(3.5)
Income tax expense/(benefit)	139.1	134.6	4.5	-	(0.0)
Effective Tax Rate	27.5%	28.8%	52.9%	0.0%	0.0%

UNDERLYING EFFECTIVE TAX RATE

The underlying effective tax rate adjusts the profit / (loss) before income tax to remove non-recurring material accounting adjustments that are non-taxable transactions.

	Total Group	Australia	SRL	USA	Other
Profit/(Loss) Before Income Tax	505.0	467.0	8.5⁶	33.0⁶	(3.5)
Non-recurring adjustments					
- Rehabilitation for closed sites ⁷	(80.0)	-	(40.4)	(39.6)	-
- Loss on remeasurement of put option	3.4	0.0	3.4	0.0	0.0
- Impairment - Sri Lanka exploration	6.2	0.0	0.0	0.0	6.2
Underlying Profit/(Loss) Before Income Tax	434.6	467.0	(28.5)	(6.6)	2.8
Income Tax Expense/(Benefit)	139.1	134.6	4.5	0.0	0.0
Non-recurring adjustments	0.0	0.0	0.0	0.0	0.0
- Other	0.0	0.0	0.0	0.0	0.0
Underlying Income Tax Expense/(Benefit)	139.1	134.6	4.5	0.0	0.0
Underlying Effective Tax Rate	32.0%	28.8%	(15.8%)⁸	0.0%	0.0%

⁶ The profit in SRL and the USA is a result of the adjustments to the rehabilitation provision for closed sites arising from the Group's annual review of rehabilitation provisions.

⁷ The 2021 adjustments to the accounting rehabilitation provision for closed sites has been reflected as a non-recurring adjustment for SRL and the USA only, because they have no deferred tax balances recognised, with any movements in the provision thereby impacting the effective tax rate. Accounting rehabilitation adjustments for closed sites in Australia are timing variances, recognised through deferred tax, with no associated impact on effective tax rates.

⁸ The negative effective tax rate of 15.8% in Sierra Leone represents the minimum corporate income tax payable being the applicable per cent of revenue expressed as a percentage of Sierra Rutile's underlying loss before income tax of \$28.5 million.

AUSTRALIAN CORPORATE TAX TRANSPARENCY DISCLOSURE

The Australian Taxation Office ("ATO") publishes certain tax information of large taxpayers annually. The latest data published by the ATO relates to Iluka's 2019 tax year (being the year ended 31 December 2019). The information for the 2019 tax year was also reported in the 2020 Tax Transparency Report.

Iluka filed its 2020 year Australian income tax return in August 2021. The 2020 year corporate tax transparency disclosure will be released by the ATO late in calendar year 2022. To provide additional context to this Report, we have disclosed the tax information reported under the current ATO corporate tax transparency disclosure and taken from our 2020 Australian income tax return, and reconciled this to our 2020 and 2021 tax transparency reporting suite.

	2020 A\$ million
Group profit before income tax – per Iluka 2020 Annual Report	2,505.6
Group foreign subsidiaries	55.7
Consolidation eliminations	3.6
Profit before income tax – Australia	2,564.9
Total Income	3,115
Total expenses	(550.1)
Profit/(loss) before income tax – Australia	2,564.9
Non-temporary adjustments	(2,228.2) ⁹
Temporary adjustments	27.0
Total Taxable Income	363.7
Tax on taxable income	109.1
Less tax offsets	18.4
Tax Payable	90.7
Net corporate income tax paid in 2020	64.2
Net corporate income tax paid in 2021	26.5

⁹ This adjustment includes the accounting gain on demerger of Deterra which was not assessable for tax purposes

BASIS OF PREPARATION

The payments made to government has been prepared on the following basis:

- the Report gives its readers an overview of the total payments made by Iluka to governments worldwide;
- Iluka includes Iluka Resources Limited and subsidiaries (hereafter and above – "Iluka", "Iluka Group" or "the Group") for the period they form part of the Iluka Resources Limited accounting consolidated group; and
- the scope of reporting is described further below.

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

- total payments to governments borne;
- employee payroll taxes; and
- net taxes refunded.

All data, unless otherwise stated, is prepared for the year 1 January 2021 to 31 December 2021. The payments made by country and level of government are presented in this Report on a cash paid and cash received basis for the year ended 31 December 2021 for the period they form part of the Iluka Resources Limited accounting consolidated group.

SCOPE AND METHODOLOGY OF REPORTING

REPORTING CURRENCY

All payments to governments have been reported in A\$ in line with the Iluka functional currency for consolidated accounting purposes. Payments denominated in currencies other than A\$ are translated for this Report at the average exchange rate for the year 1 January 2021 to 31 December 2021.

ORGANISATIONAL REPORTING BOUNDARIES

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

TOTAL PAYMENTS TO GOVERNMENTS BORNE

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

Corporate income taxes paid/(refunded)

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

Royalties

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

Fees

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

Employer payroll taxes

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

Other taxes and payments

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

EMPLOYEE PAYROLL TAXES COLLECTED

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

NET TAXES COLLECTED/(REFUNDED)

This comprises:

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

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

Withholding taxes collected from suppliers

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

GLOSSARY OF TERMS

Corporate income taxes paid / (refunded)	<p>Payments to governments and refunds from governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of withholding taxes paid on dividends, interest or royalties. Generally, these taxes are reflected in the corporate income tax returns made to government and included as income taxes in the Consolidated Income Statement.</p> <p>For the purposes of allocating corporate income taxes to particular countries in the 'Payments made by country and level of government' in this Report, withholding taxes are allocated to the country to which the withholding taxes are remitted.</p>
Current tax	The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS 12.
Deferred tax	The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS 12.
Effective Tax Rate	Income tax expense/(benefit) divided by Profit/(loss) before income tax.
Government	Any national, regional or local authority of a country and includes any department, agency or undertaking controlled by such an authority.
IFRS (International Financial Reporting Standards)	Accounting standards as issued by the IASB (International Accounting Standards Board).
Iluka or the Iluka Group or the Group	Iluka Resources Limited and its respective subsidiaries.
Income tax expense/ (benefit)	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.
Non-temporary Differences	<p>Differences between taxable income or loss and profit/(loss) before income tax.</p> <p>These differences arise as a result of particular expenses or revenue which under income tax legislation will never be included in the determination of taxable income or loss although they are recognised in the Profit/(loss) before income tax.</p>
Payment	An amount paid whether in money or in kind.
Profit /(loss) before income tax	Accounting profit for a period before deducting a charge for corporate income taxes.
Report	The Report has been prepared for Iluka's financial year from 1 January 2021 to 31 December 2021.
Sierra Rutile	Sierra Rutile Limited, a subsidiary of Iluka.
Temporary Differences	Differences between pre-tax statutory profit or loss and taxable income or loss for a given reporting period which arise because the reporting period in which some items of revenue and expense are included in the determination of the pre-tax statutory profit or loss does not coincide with the reporting period in which they are included in the determination of taxable income or loss.
Underlying effective tax rate	Income tax expense/(benefit) excluding exceptional items included in income tax expense divided by Profit/(loss) before income tax and exceptional items.

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