Financial Results and Outlook

For the period ended 30 June 2021

18 August 2021

Julian Andrews
Managing Director and Chief Executive Officer

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Chief Financial Officer

Deterra ROYALTIES

The resources investment that pays

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Reporting Period

Financial Year 2021, FY21 and Period ended 30 June 2021 all refer to the period 15 June 2020 to 30 June 2021.

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Non-IFRS Financial Information

This document may contain non-IFRS financial measures including EBITDA, Underlying EBITDA, EBIT, free cash flow, and net debt amongst others. Deterra management considers these to be key financial performance indicators of the business and they are defined in the FY21 Annual Report (18 August 2021). Non-IFRS measures have not been subject to audit or review.

All figures are expressed in Australian dollars unless stated otherwise.

In accordance with ASX Listing Rule 15.5, Deterra confirms that this presentation has been authorised for release to ASX by Deterra's Managing Director.

Deterra ROYALTIES

A better way to invest in the resources industry

- Operate with Integrity
- Monitor Performance
- Maintain Transparency

- Diversify our Portfolio
- Act with Discipline
- Manage Risk

Deterra ROYALTIES

Achievements for FY21

Successful demerger & ASX listing

- Board and management team fully in place
- Implemented lean corporate structure

Lean business model delivering strong financial performance

- Revenue of $145.2 million with an NPAT of $94.3 million[1]
- Underlying EBITDA of $135.5 million at a Post-demerger margin of 96%
- Declared a Final Dividend of 11.52 cents per share (fully franked) distributing 100% of NPAT

Realising and developing value-accretive growth options

- MAC South Flank achieved first ore – growth of 80 million wet metric tonne per annum (Mwmtpa) capacity underway bringing total MAC capacity to 145Mwmtpa
- Identification and evaluation of new royalty opportunities

Committed to sustainable shareholder returns

- Established ESG assessment criteria for new investments
- Targeting net-zero operational Greenhouse Gas footprint by end FY22

(1) Period 15 June 2020 to 30 June 2021. See slide 2 for details.

Deterra ROYALTIES

Delivering strong financial outcomes

Statutory accounts[1]	Attributable to[2]: ILUKA	Attributable to[2]: Deterra ROYALTIES
Total Revenue $145.2M	Revenue $29.3M	Revenue $115.9M
Underlying EBITDA[3] $135.5M	Underlying EBITDA $24.4M	Underlying EBITDA $111.1M
NPAT $94.3M	NPAT $20.4M	NPAT $73.9M
Dividends per share[4] 17.83¢ (100% of NPAT)	DPS[4] 3.86¢	DPS 13.97¢

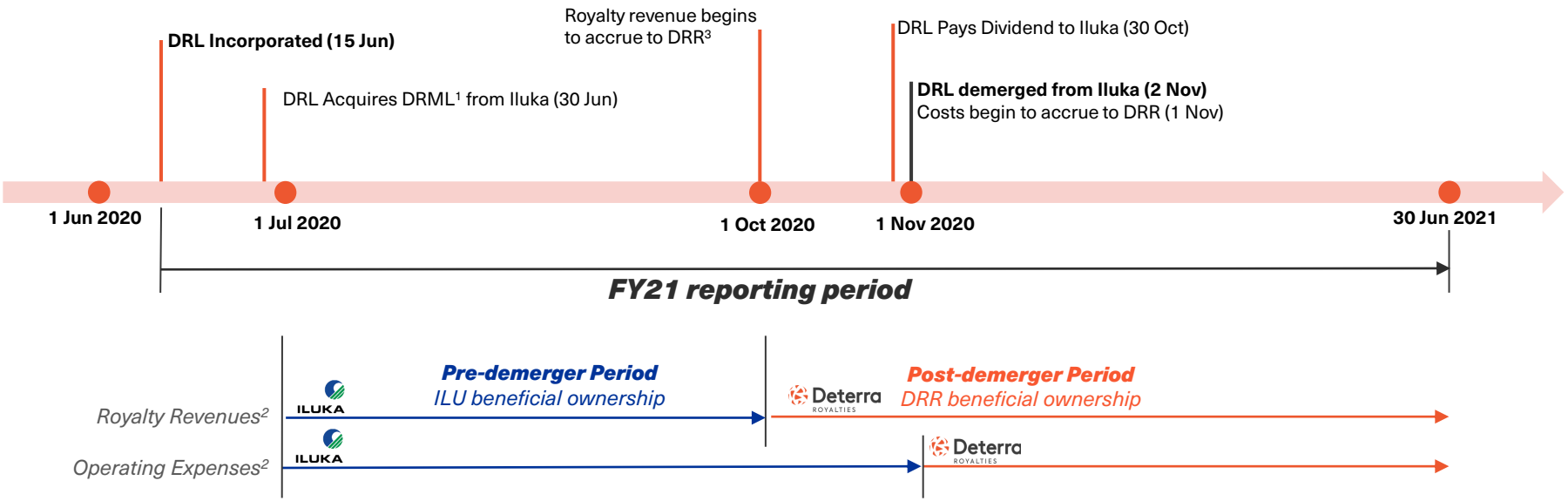
(1) Refers to results for period 15 June 2020 to 30 June 2021.
(2) See notes on slide 7.
(3) See notes on slide 2 – Non-IFRS Measures.
(4) Pre-demerger dividends per share shown based on the share count for the period immediately following demerger and is included in total dividends on this same basis.

Deterra ROYALTIES

Financial results

FY21 reporting period

Deterra Royalties Limited (DRL) was incorporated 15 June 2020 and successfully demerged from Iluka Resources on 2 November 2020



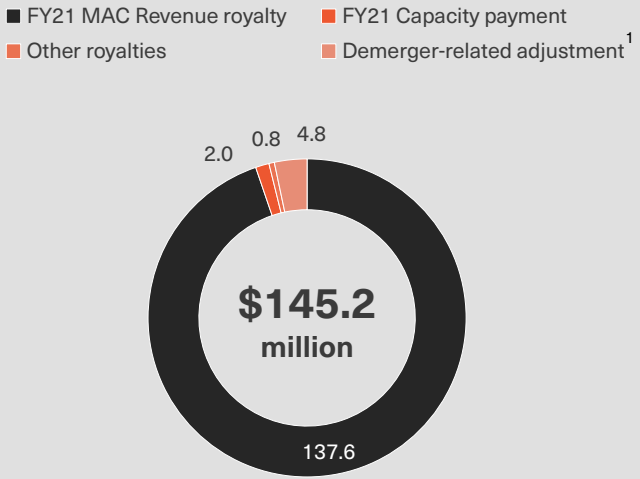
(1) Deterra Royalties (MAC) Limited, the entity which holds the MAC Royalty, the Doral royalty interests, the Sheffield royalty interest and the Cable Sands royalty interest.
(2) Under the terms of the demerger separation agreements, Iluka Resources was entitled to DRL earnings to 30 September 2020 and responsible for costs to 31 October 2020.
(3) DRR is defined as shareholders of Deterra Royalties Limited (DRL) following the implementation of the demerger on 2 November 2020.

Deterra ROYALTIES

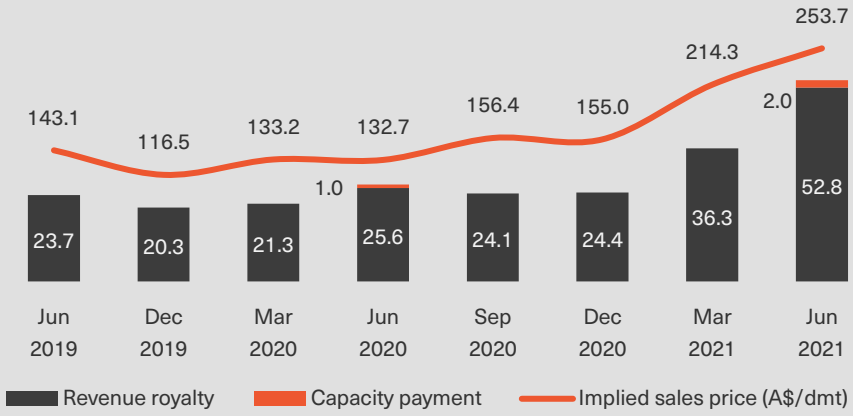
Mining Area C Royalty performance

The MAC Royalty performed strongly in a backdrop of a robust iron ore price environment

Revenue breakdown
AUD million



MAC quarterly receipts and implied sales price
AUD million, A$/tonne (FOB, Australia)



(1) On 30 June 2020, Deterra Royalties Limited (DRL) acquired Deterra Royalties (MAC) Limited (DRML). The acquisition has been treated as an asset acquisition and the June 2020 quarter royalty receivable that was accrued for ahead of the transaction amounted to $21.7M. The adjustments include $1M increase for the receipt of a capacity payment and $3.8M for higher revenue royalties than forecast at 30 June 2020.

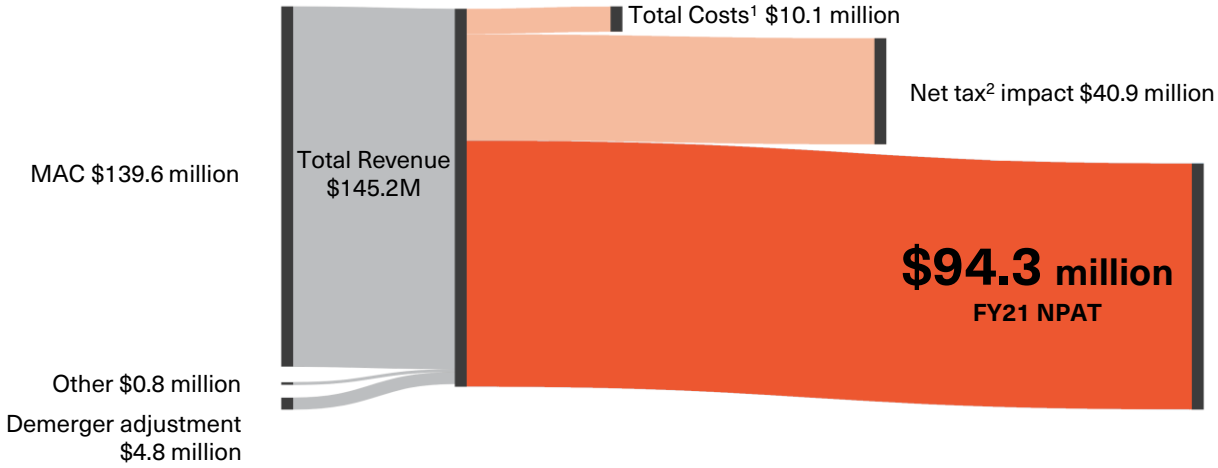
Deterra ROYALTIES

Robust financial performance

Offering a lower risk, higher margin exposure to the resources sector, with a focus on shareholder returns

Simple and transparent business model, providing investors strong visibility on earnings, cash flows and dividends without full exposure to some of the key operating risks of mining businesses

Illustrative FY21 statement of profit or loss
AUD million



(1) Costs accrued from November 2020 and includes $4.6M of one-off demerger-related expenses.
(2) Valuation gain on acquired receivable ($6,512,000) offset by Income tax expense from acquired receivable ($6,512,000) on acquisition of Deterra Royalties (MAC) Limited by Deterra Royalties Limited.

Deterra ROYALTIES

Delivering strong shareholder returns

Building a track record of disciplined capital management and shareholder returns

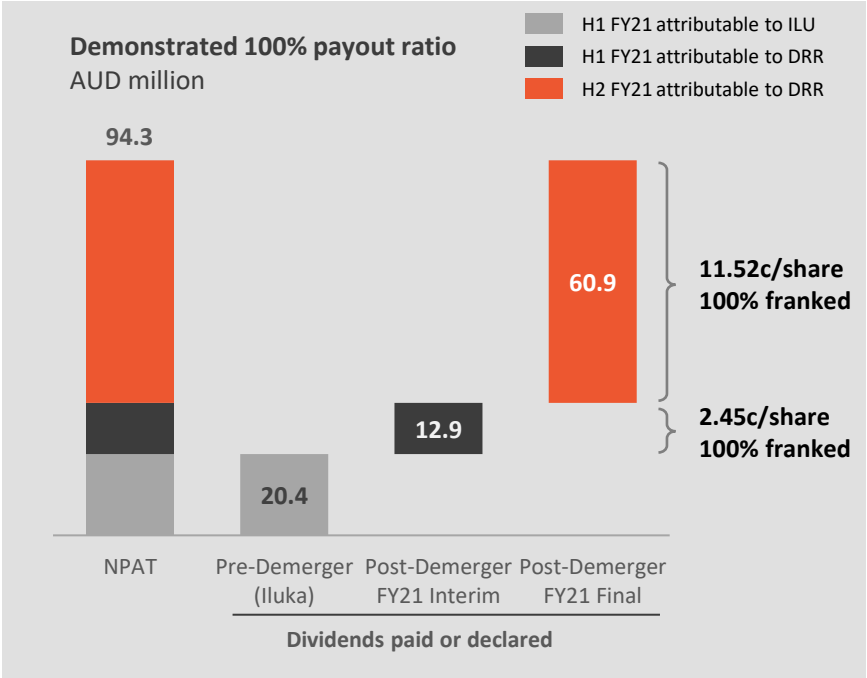
100% NPAT Payout
- Dividend policy of 100% of NPAT[1]
- Franked to maximum extent possible

Low Debt
- Conservative capital structure
- Allows opportunistic investment

Low Cost
- Lean team and cost base
- Highly scalable corporate structure

Declared

FY21 final dividend of 11.52 cents per share (fully franked)
- Record date: 3 September 2021
- Payment date: 22 September 2021



(1) Deterra's approach to dividends and dividend policy will be determined by the Deterra Board at its discretion and may change over time.

Deterra ROYALTIES

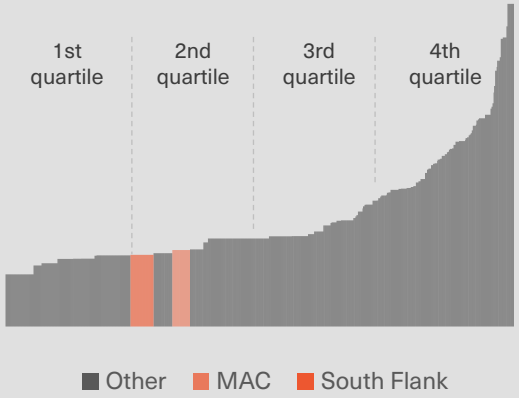
Strategy and outlook

Our core asset – the Mining Area C Royalty…

Low-risk exposure to a large, low-cost iron ore mining complex that is set to grow its volumes by approximately 2.4 times

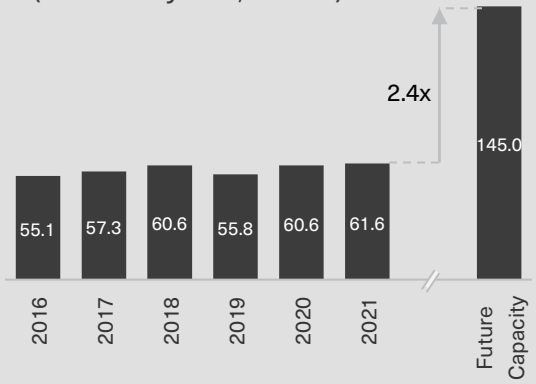
Low-cost operations with long life

Iron ore total cash cost curve (2025F)[1]



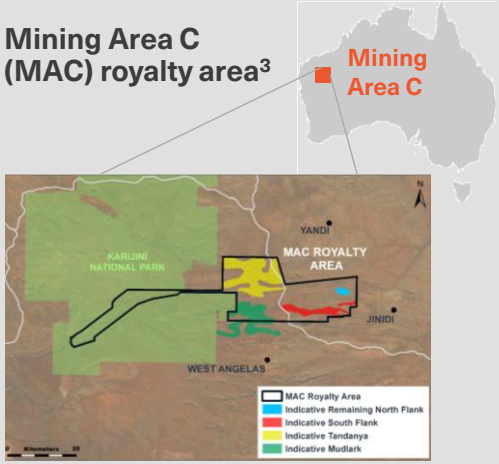
Significant near-term growth through South Flank expansion

Mining Area C production
(Financial years, Mwmt)[2]



Resource upside in a low-risk jurisdiction

Mining Area C (MAC) royalty area[3]



(1) Source: Wood Mackenzie. Total cash costs are defined as direct cash cost associated with mining, processing and transport of marketable products, including G&A costs directly related to mine production, royalties, levies and other indirect taxes.
(2) BHP reported MAC production volumes on a wet basis. Source: BHP Operational Review for the year ended 30 June 2021 (20 July 2021) and similar prior Operational Reviews, available at www.asx.com.au; BHP delivers first production from South Flank (20 May 2021), available at www.BHP.com.
(3) Source: BHP, overlay of illustrative MAC royalty area. Location and mineralisation outline are for illustrative purposes only.

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… is leveraged to South Flank growth

Deterra's MAC Royalty revenue is determined by BHP's realised iron ore prices, sales volumes and foreign exchange rates

Revenue royalty payment of 1.232% of realised AUD FOB revenue from sale of MAC product:

- 2021 average realised pricing: A$200/dmt
- June 2021 Qtr pricing: A$254/dmt
- 2021 MAC sales: 55.9 million dry metric tonnes
  - Forecast capacity on completion of South Flank expansion: 145 million wet metric tonnes[2]
- The sensitivity table adjacent illustrates a range of potential MAC royalty receipts under various iron ore and production assumptions.
- assumes constant AUD:USD exchange rate of 0.75

Capacity payment of A$1 million per 1 million dry metric tonne (dmt) increase in annual production at MAC[3]

MAC Royalty annual receipts – Illustrative production and price sensitivity[1]
(AUD million)

MAC Sales (Mdmt)	Realised Iron Ore Price: A$/dmt (FOB) (*US$/dmt (FOB)*)							
	80 *(60)*	**107** *(80)*	**133** *(100)*	**160** *(120)*	**187** *(140)*	**213** *(160)*	**240** *(180)*	**267** *(200)*
60	59	79	99	118	138	158	177	197
80	79	105	131	158	184	210	237	263
100	99	131	164	197	230	263	296	329
120	118	158	197	237	276	315	355	394
140	138	184	230	276	322	368	414	460

(1) Excludes one-off capacity payments.
(2) MAC sales volumes are reported on a dry basis and will vary from BHP reported production due to product moisture factors and the timing of sales and inventory movements in any reporting period. Source BHP delivers first production from South Flank (20 May 2021), available at www.BHP.com.
(3) The threshold production for future capacity payments is now 59 Mdmt.

Deterra ROYALTIES

Targeted growth strategy focused on value-accretive investment

Deterra's screening process and investment criteria prioritise opportunities where it has a competitive advantage

Primary royalties
Creating new royalties for:
- Project capital
- Balance sheet repair
- M&A finance support

Secondary royalties
Acquire existing royalties to:
- Improve liquidity
- Daylight value
- Diversify risk

How we prioritise opportunities

Size	Commodity	Geography	Stage
Broad mandate driven by ability to add value ("Sweet spot" of A$100 – A$300M)	• Bulks • Base metals • Battery metals	Developed mining jurisdictions, incl: • Australia • N. America • S. America • Europe	• Production • Near production

Other opportunities considered on merit on a case by case basis

Investment criteria

ESG	Value
ESG risk and opportunity	Ability to generate return in excess of asset-specific cost of capital

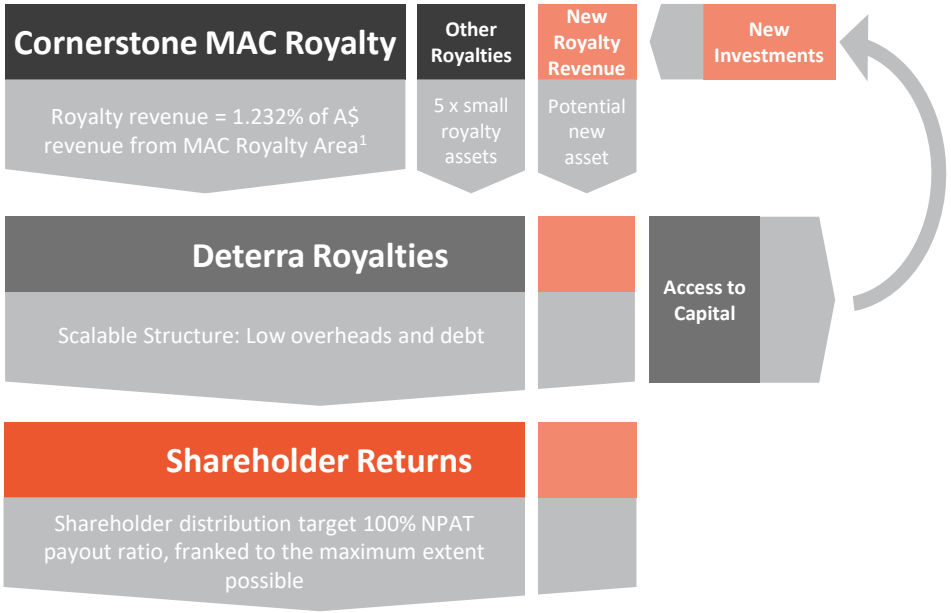
Growth strategy focused on increasing earnings and diversification through value-accretive investments over time.

Deterra ROYALTIES

Capital structure and funding for growth

The high-quality MAC cash flows and conservative capital management provides Deterra with strong capacity to fund growth

Retain strong balance sheet	**Net cash position** at 30 June 2021 Working capital facility of **$40M**
Substantial funding capacity	**Maintain conservative balance sheet** in line with royalty peers Funding decisions will depend on the specifics of each investment
Focus on shareholder returns	**100% NPAT dividend payout ratio** Funding model may evolve to match nature of investment



(1) Deterra Royalties also received capacity payments under the MAC Royalty Agreement.

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Committed to sustainable shareholder returns

Our sustainability roadmap outlines our commitment to transparent reporting of our ESG performance and objectives

Our Actions and Commitments

Current

- ✓ Applied to become signatory to the UN Global Compact
- ✓ Established a Human Rights Policy
- ✓ Published our first Corporate Governance Statement
- ✓ Completed a voluntary Tax Transparency Disclosure
- ✓ Developed ESG due diligence assessment criteria

Next Steps

- ▶ Develop an annual Modern Slavery Statement
- ▶ Assess materiality and enhance our performance disclosures
- ▶ Establish community engagement initiatives
- ▶ Enhance the robustness of our ESG due diligence process

Future State

- ▶ Guided by global frameworks to:
  - ▶ enhance our disclosures
  - ▶ inform our investment decisions

Targeting net-zero operational GHG footprint by the end of FY22

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Six key drivers of success

Maximise returns

1. Cash generative assets with strong embedded production growth
2. Low cost, scalable corporate structure and high earnings margins
3. Focus on providing franked dividends (100% NPAT)[1]

Grow value responsibly

4. Increase scale and diversification through complementary value-accretive acquisitions
5. Disciplined capital allocation
6. Strong balance sheet and significant debt capacity

Deliver attractive and sustainable shareholder returns

(1) Deterra's approach to dividends and dividend policy will be determined by the Deterra Board at its discretion and may change over time.

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For more information:

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Appendix

Portfolio of royalties

Project	Counterparty	Location	Commodity	Status	Royalty Key Terms
Mining Area C (MAC)	BHP Billiton Minerals Pty Ltd; Itochu Minerals & Energy of Australia Pty Ltd; Mitsui Iron Ore Corporation Pty Ltd	Pilbara, WA	Iron Ore	Producing	1.232% of MAC product revenue $1 million per 1Mdmt increase in capacity
Yoongarillup / Yalyalup Project (under two royalty agreements)	Doral Mineral Sands Pty Ltd	South West, WA	Mineral Sands	Producing/ Development	2% of revenue from sales of Minerals
Eneabba Project	Sheffield Resources Limited	Mid West, WA	Mineral Sands	Exploration	1.5% of gross revenue from sales of Minerals
Wonnerup Project	Cable Sands (W.A.) Pty Ltd	South West, WA	Mineral Sands	Producing	$0.70 per tonne of Valuable Heavy Mineral
St Ives Gold Project	St Ives Gold Mining Company Pty Ltd	Eastern Goldfields, WA	Minerals	No known activity	3% of gross revenue (subject to conditions)

Deterra ROYALTIES

Underlying EBITDA and earnings adjustments

Earnings and earnings adjustments[1]	Pre-demerger period	Post-demerger period	Total period[2]
	$'000	$'000	$'000
Net Profit After Tax	**20,393**	**73,867**	**94,260**
add back income tax expense	8,757	32,118	40,875
add back income tax expense on acquired receivable	6,512	-	6,512
Profit before tax	**35,662**	**105,985**	**141,647**
less Valuation gain on acquired receivable	(6,512)	-	(6,512)
add back Net finance costs and FX gains		231	231
Operating profit before finance cost	**29,150**	**106,216**	**135,366**
Adjustments to Underlying earnings			
add back one-off demerger expenses		4,637	4,637
less demerger-related adjustments relating to prior period revenue	(4,848)	-	(4,848)
Total adjustments	(4,848)	4,637	(211)
Underlying EBIT	**24,302**	**110,853**	**135,155**
add back Depreciation and Amortisation	116	249	365
Underlying EBITDA	**24,418**	**111,102**	**135,520**
Adjusted Revenue	24,418	115,943	140,361
Underlying EBITDA margin (%)	100%	96%	97%

(1) See notes on slide 2 – Non-IFRS Measures.
(2) Refers to results for period 15 June 2020 to 30 June 2021.

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MAC Royalty overview

MAC Royalty is Deterra's cornerstone asset and consists of annual production-related Capacity Payments and ongoing quarterly revenue payments

Illustrative MAC value chain and royalty payment mechanisms:

	Mine production	Mine stockpiles	Rail logistics	Port stockpiles	Ocean freight	Customer sales
						
Deterra Royalties	**Capacity Payments**: One-off A$**1 million** per **one million dry metric tonne** increase in annual mine production (year end 30 June) **Current demonstrated capacity level is set at 59Mdmt**				**Revenue Payments:** Ongoing **1.232%** of Australian dollar denominated quarterly FOB revenue from the MAC Royalty Area	
Modelling considerations:		*Product moisture and inventory movements*	BHP **Reported quarterly MAC production volumes in wet metric tonnes**	*Product moisture and inventory movements*	*FOB net-back adjustment to price, including freight cost*	*Product sales to customers priced with reference to 62% Iron Ore Fines CFR Qingdao index (per dry tonne)*

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