The resources investment **that pays**

ANNUAL REPORT 2021

Deterra
ROYALTIES

ASX Appendix 4E

RESULTS FOR ANNOUNCEMENT TO THE MARKET[1]

This statement includes the consolidated results of Deterra Royalties Limited for the Period ended 30 June 2021 (FY21) on a statutory basis[2].

The Annual Report should be read in conjunction with the Deterra Royalties Pre-quotation Disclosure (22 October 2020). No comparative period statutory results are available given the Company was incorporated on 15 June 2020.

Report for the period ended 30 June 2021[2]	$'000
Revenue from ordinary activities	145,209
Profit/(loss) from ordinary activities after tax attributable to members	94,260
Net profit/(loss) after tax attributable to members	94,260
Pre-demerger dividend[3] (cents per share)	3.86
Interim Period dividend - fully franked (cents per share)	2.45
Final dividend – fully franked (cents per share)	11.52
• Record date for determining entitlements to the final dividend	3 September 2021
• Payment date	22 September 2021
Net tangible assets per share as at 30 June 2021 (cents per share)	9.99

Dividends – Further information on dividends paid or recommended is provided in the Directors' Report.

Details of entities over which control has been gained or lost during the period – Further information is provided in Note 1 of the Financial Report.

Further details and analysis can be found in the following pages that constitute Deterra's "FY21 Annual Report".

1 This page and the accompanying 97 pages comprise the year-end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.3.

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

3 Pre-demerger dividends per share shown based on the share count for the period immediately following demerger. This dividend was paid to Iluka Resources Limited.

Calendar of Key Events

Date	Event
3 September 2021	Dividend Record Date
22 September 2021	Dividend Payment Date
18 October 2021	Closure of Acceptances of Proxies for AGM
20 October 2021	Annual General Meeting

All dates are indicative and subject to change. Shareholders are advised to check with the company to confirm timings.

Contents

A resources focused royalties business

About Deterra Royalties

Deterra Royalties Limited is based in Perth and is listed on the Australian Securities Exchange (ASX code: DRR).

Established as an independent company in 2020, the Company's principal activity is the management and growth of a portfolio of royalty assets across a range of commodities, primarily focused on bulk, base and battery metals. Deterra's existing portfolio includes royalties held over Mining Area C, our cornerstone asset, in the Pilbara region of Western Australia, as well as five smaller royalties including Yoongarillup/ Yalyalup, Wonnerup, Eneabba and St Ives.

Highlights

Deterra Royalties (ASX: DRR) is pleased to release its first Annual Report for the period 15 June 2020 to 30 June 2021.

REVENUE $145.2 MILLION

UNDERLYING EBITDA $135.5 MILLION — 96%[4] EBITDA MARGIN

NPAT $94.3 MILLION — PAYOUT 100% NPAT

DIVIDENDS $94.3 MILLION — 17.83[5] c/share Full Year — 11.52 c/share Final

✓ Successful execution of demerger and ASX listing of Deterra

✓ Lean business model delivering strong financial performance and shareholder returns

✓ Developing value-accretive growth options in addition to first production from MAC South Flank

Notes:

[4] Underlying EBITDA margin calculated for Post-demerger Period.

[5] Pre-demerger dividends per share shown based on the share count for the period immediately following demerger.

Focus for the future

Our Business Model

Is simple and transparent, focused on high margins, dividends and disciplined growth

- Operate with Integrity
- Monitor Performance
- Maintain Transparency

- Diversify our Portfolio
- Act with Discipline
- Manage Risk

Our investment proposition

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

Our core asset

Gives exposure to one of the world's most valuable iron ore operations

Our Values

'Sweat the details' to ensure we are disciplined in our decision making;

Work collaboratively within the company and with our advisors to leverage our collective knowledge and expertise;

Think creatively to develop opportunities to add value for our shareholders; and

Bring a focus on shareholder value to everything we do.

Demerger Details

During the period covered by the Annual Report (15 June 2020 to 30 June 2021), Deterra Royalties Limited (Deterra or Company) and its controlled entities (Deterra Royalties (MAC) Limited and Deterra Royalties Holdings Pty Ltd) (the Group) were demerged from their former parent company, Iluka Resources Limited (Iluka).

In describing the period covered by this Annual Report, the terms Pre-demerger Period and Post-demerger Period are used to denote the beneficial economic ownership of the assets and allocation of liabilities during these periods, rather than strict adherence to calendar dates. These terms are defined as follows:

- Pre-demerger Period – Represents the period where Iluka retained all beneficial economic interests and liabilities related to the royalty asset portfolio. This includes all royalty revenues through the quarter ended 30 September 2020, and all operating expenses (as agreed in the separation deed) prior to demerger of the Deterra entity on 2 November 2020.
- Post-demerger Period – Represents the period from which Deterra receives all beneficial economic interests and liabilities to the royalty asset portfolio. This includes all royalty revenues from quarter commencing 1 October 2020, and all operating expenses (as agreed in the separation deed) from the demerger of the Deterra entity on 2 November 2020.
- Financial Year 2021, FY21 or Period ended 30 June 2021 - being 15 June 2020 to 30 June 2021, which represents the period covered by this annual report.

During the period covered by the Annual Report (15 June 2020 to 30 June 2021), the financial position and performance of the Group was particularly affected by a series of transactions designed to transfer a portfolio of six existing royalty assets from Iluka to Deterra, and the subsequent demerger of Deterra as a separate entity listed on the Australian Securities Stock Exchange.

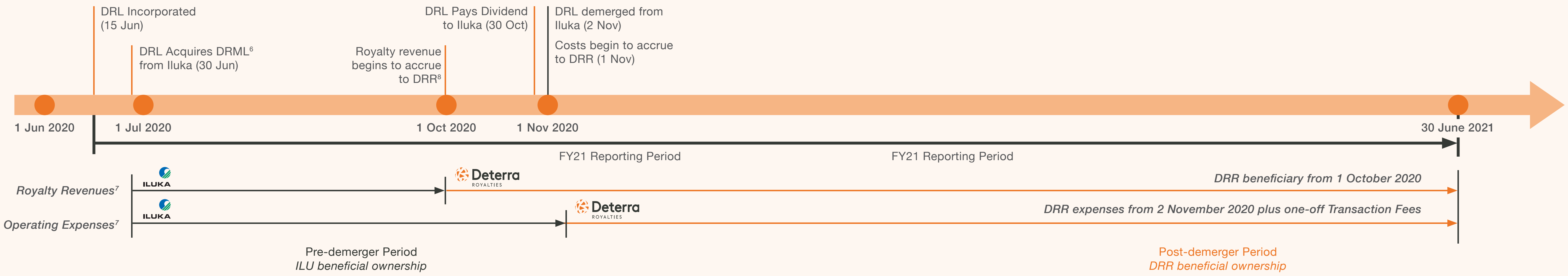
The transactions during the period covered by this Financial Report include:

- On 15 June 2020, a new company, Deterra Royalties Limited (DRL), was incorporated. For the period 15 June 2020 to 30 June 2020 the Company was dormant with no royalty assets or revenues attributable to the entity.
- On 24 June 2020, a new company, Deterra Royalties Holdings Pty Ltd (DRH), was incorporated as wholly owned subsidiary of Deterra. Deterra Royalties Holdings Pty Ltd holds the St Ives royalty asset.
- On 30 June 2020, Deterra acquired 100 per cent of the share capital of Deterra Royalties (MAC) Limited (DRML) from Iluka for a consideration of $24,405,000 (See note 15 of the Financial Report). The purchase consideration included payment of the estimated royalty revenues for the quarter ended 30 June 2020 (net of expected tax liabilities) and the royalty portfolio. DRML holds a portfolio of five royalty assets.
- On 23 October 2020, Deterra and its controlled entities (Deterra Royalties (MAC) Limited and Deterra Royalties Holdings Pty Ltd) commenced trading on a deferred settlement basis on the Australian Securities Stock Exchange.
- On 30 October 2020, Deterra paid a final Pre-demerger Period dividend of $20,393,000 to its 100 per cent shareholder, Iluka, in relation to earnings from royalties for the quarter ended 30 September 2020, plus a top-up payment for differences in the quarter ended 30 June 2020.
- On 1 November 2020 Deterra executed a share split by splitting its existing single share into 528,462,101 shares.
- On 2 November 2020 Deterra and its controlled entities (Deterra Royalties (MAC) Limited and Deterra Royalties Holdings Pty Ltd) demerged from Iluka and was listed on the Australian Securities Stock Exchange under the code DRR.

The outcome of the demerger process was to create Deterra, a listed entity on the ASX that owns a portfolio of six royalty assets, including entitlement to all royalty earnings for the Post-demerger Period, as illustrated in Figure 1.

Figure 1. Timeline of key demerger events

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



Notes:

[6] 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.

[7] Under the terms of the separation agreements, Iluka Resources was entitled to DRL earnings to 30 September 2020 and responsible for costs to 31 October 2020.

[8] DRR is defined as shareholders of Deterra Royalties Limited (DRL) following the implementation of the demerger on 2 November 2020.

Chair and CEO Report

Dear Shareholders,
It is our pleasure to present to you Deterra Royalties' Annual Report for the Financial Year 2021.

MILESTONES ACHIEVED

Financial Year 2021, the Company's first financial year, was a year of significant milestones for Deterra. Most importantly, the Company completed its successful demerger from Iluka Resources Limited and began operations as an independent entity listed on Australian Securities Exchange (ASX) on 2 November 2020. This was a considerable achievement in a period of substantial global economic disruption and we would like to thank all the Deterra and Iluka employees and their advisers who contributed to this outcome. We would also like to welcome our new shareholders to the Company and thank continuing shareholders for their support through this process.

A second important milestone for the Company was BHP's announcement in May 2021 of the first production of the South Flank expansion project at Mining Area C (MAC). This marks a meaningful development for the Company as it signals a period of significant growth in production from the MAC royalty area as the South Flank mine ramps up to full production capacity over the next three years. Deterra shareholders will be rewarded by the Company's revenue royalty on this expected increase in production volume, as well as additional capacity payments. This exposure to the volume growth from the US$3.6 billion South Flank mine has been achieved with no capital contribution from Deterra and is an excellent example of the leverage of a royalty investment.

Third, the Company has declared a final dividend of 11.52 cents per share which together with the interim dividend of 2.45 cents per share (both fully franked) is equal to 100 per cent of Post-demerger Period NPAT consistent with the Company's target dividend policy. Providing shareholders with access to the cashflows generated by our assets is a core element of the Company's strategy and the Board is pleased to have been in a position to deliver on this objective.

PERFORMANCE

Our producing royalties performed well this year. In particular, our cornerstone asset, the MAC Royalty, had an outstanding year generating $140 million of receipts, including a $2 million capacity payment on record production of 61.6 million wet metric tonnes (mwmt) and average realised iron ore prices of A$200/dmt. Although on a much smaller scale, the Yoongarillup and Wonnerup mineral sands royalties generated revenue through the year of $0.8 million. In October 2020, mining operations ceased at Yoongarillup and the site entered a "decommissioning and rehabilitation" phase.

The operators of the two minerals sands mines at Yalyalup and Wonnerup North have submitted permitting applications to extend the lives of these assets.

Financially, the business has also performed well. With corporate costs of $10.1 million, including one-off demerger transaction related costs of $4.6 million, full-year underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was $135.5 million at a Post-demerger Period margin of 96 per cent. Net profit after tax (NPAT) for the full-year was $94.3 million.

POSITIONING FOR GROWTH

As we noted, the Company is entering a period of organic growth as the additional 80 million tonne per annum (mtpa) South Flank mine ramps up, following which MAC will form the largest operating iron ore hub in the world with a nameplate capacity to produce 145mtpa of iron ore.

The Company received the first capacity payments resulting from this growth project and anticipates further payments as production reaches planned levels.

This expansion is expected to support growth in production volumes in our portfolio over the medium term. In addition, we are also actively assessing opportunities to add to our portfolio by making value-accretive acquisitions or investments. Our approach in this area is to be patient and disciplined, focused on adding long-term value over time.

SUSTAINABILITY

We are committed to pursuing value sustainably and we outline our approach in this important area. Although our own direct environmental and social impact is minimal given our small physical footprint, we are indirectly exposed to the environmental, social and governance (ESG) risks of the assets in which we invest and accordingly have developed a framework that reflects our particular ESG risk exposure.

As a new company we have developed a roadmap which underlies our approach and illustrates our commitment to implementing and providing transparency in reporting our ESG performance and objectives.

GOVERNANCE

We have spent time since our listing refining our Board and Committee charters, reviewing the remuneration arrangements for our executives, reviewing accounting policies and risk frameworks, debating our strategy, meeting with owners of existing royalties and prospective mining projects and educating new and continuing shareholders about who we are and where we are going. We are confident we have established a solid platform to support a streamlined but thoughtful governance process going forward.

In summary, it has been a busy and productive year for the Company. The demerger and ASX listing have been completed successfully and the business has performed well financially, enabling the directors to declare fully franked dividends in line with our target 100 per cent pay-out ratio. Deterra represents a new proposition for the Australian investment community and with the support of our shareholders, board and management team, we look forward to the Company growing and evolving over time to become a significant contributor to the broader Australian resources landscape.

Jennifer Seabrook
Independent Chair

Julian Andrews
Managing Director & Chief Executive Officer

Our Board

From left to right: Joanne Warner, Graeme Devlin, Jennifer Seabrook, Julian Andrews, Adele Stratton

JENNIFER SEABROOK
Independent Chair

JULIAN ANDREWS
Managing Director & Chief Executive Officer

GRAEME DEVLIN
Independent Non-Executive Director

JOANNE WARNER
Independent Non-Executive Director

ADELE STRATTON
Non-Executive Director (Iluka nominee)

Deterra has a well credentialled board with extensive expertise in the global resources sector with deep and diverse networks in the mining industry

Our Team

Our team brings together a unique blend of corporate and mining finance experience spanning a diverse range of projects, mining companies and financial institutions

JULIAN ANDREWS

Managing Director
& Chief Executive Officer

BRENDAN RYAN

Chief Financial Officer
& Company Secretary

MATT SCHEMBRI

Senior Analyst

VANESSA PEREIRA

Executive Assistant
& Office Manager

ANGUS THOMSON

Business Development
Manager

ROB WARD

Corporate Development
& Investor Relations

Rehabilitated pasture at Yoongarillup Mine Site

Sustainability

We are committed to delivering attractive and sustainable shareholder returns, which for us means operating with integrity and growing responsibly. As a new company, we are in the early stages of developing and embedding policies and practices to achieve this commitment.

Key to us achieving this commitment is managing our environmental, social and governance risks. Our business model involves investing, principally through holding royalties and streams, in mining projects that are owned and operated by third-party mining companies. This means we do not directly control or influence the operations in which we have an interest. Given the nature of our industry, our direct ESG risk exposure is limited.

However, we recognise that we are indirectly exposed to the ESG risks from the assets in which we invest. As we grow, it will be important that we assess not only the quality of the assets but also our operating partners carefully prior to making an investment in order to manage our indirect ESG risk exposure.

OPERATING WITH INTEGRITY

We recognise the importance of good governance and are committed to fostering a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others.

We have established a suite of policies to guide our performance. Key policies and commitments include:

- Anti-bribery and Corruption Policy: We are committed to complying with the laws and regulations of the countries in which we operate, conducting business ethically and have zero tolerance for bribery and corruption.
- Diversity and Inclusion Policy: We are committed to attracting and retaining the best people while building and maintaining a diverse, sustainable and high achieving workforce, by seeking to provide a safe and inclusive workplace, which is free from harassment and discrimination.
- Environmental, Social and Governance Investment Policy: We are committed to assessing ESG risk exposure and opportunities when considering new investments.
- Directors and Employees Codes of Conduct: We are committed to conducting business honestly, with integrity, and in accordance with our values and standards.
- Whistleblower Policy: We are committed to promoting a workplace in which everyone feels safe, supported and encouraged to report potential misconduct without fear of retaliation.
- Human Rights Policy: We are committed to respecting human rights and conducting our business activities with appropriate due diligence and in accordance with relevant laws and regulations.

Additionally, we recognise and support the growing calls for transparency in global reporting of ESG performance and objectives. We see this as being essential to good governance and responsible investment, while also being in the best interest of our stakeholders. This year we have published our first Corporate Governance Statement and completed a voluntary Tax Transparency Disclosure, as part of this Report.

We have formed a Sustainability Committee to oversee implementation of our policy commitments and track our performance. This Committee, chaired by Jennifer Seabrook, will ensure our business and people are supported as we seek to deliver sustainable shareholder returns.

Snapshot of Deterra

5 board members
(60% female)

6 employees
(17% female)

0 health and
safety incidents

147m² Office
floor space

Established a
Sustainability Committee

Modern slavery assessment
responses from suppliers that
accounted for ~75% of total
supplier expenditure in FY21

6 assets located
within Australia

CLIMATE ACTION

We acknowledge the scientific evidence for climate change and support the Paris Agreement (2015) Objectives. The detrimental impacts of climate change (rising temperatures, changing weather patterns, and extreme weather events) are already being felt and, if global warming intensifies, it may adversely affect the health and safety of the communities in which our partners operate and our shareholders reside. As a result, we are committed to reducing our footprint, incorporating the most recent climate science into our decision-making processes and strive to ensure our financial investments are not contributing to the climate threat.

Deterra operates within a single office, with a staff of six people. As such, our direct impact on the environment is small and our exposure to climate-related risks is limited. We are committed to reducing our direct emissions to net-zero by the end of FY22. This means the greenhouse gas emissions of our office footprint, staff and travel (Scope 1, 2 and 3 emissions) will be reduced or offset and maintained at net-zero. To meet this commitment, we will assess our emissions profile and investigate ways to reduce our emissions. Where reduction may not be possible, we will look at potential offsets.

While it is important for us to be operationally carbon neutral, we acknowledge that our own total operational emissions are minor relative to the operations in which we invest (i.e. indirect impact). We recognise that much of our ability to have a positive impact on climate relates to our capital allocation strategy and our rights under the existing royalties in our portfolio. Therefore, we are committed to monitoring the performance of our existing operating partners and assessing potential future operators on their impacts and the measures they are taking to reduce their impact.

Our largest royalty exposure is to Mining Area C, which, through the South Flank expansion, is growing to become one of the world's largest iron ore mining hubs. The large, open-pit mining operation produces high-grade iron ore with a relatively high proportion of lump relative to fines. These products are used to manufacture steel, primarily via a blast furnace process.

Steel is essential in global construction activities, however, the steelmaking process is energy and carbon intensive and contributes significantly to the Scope 3 emissions of the mine's operator, BHP.

In response, BHP has developed a climate change position and has committed to[9]:

- Continue to take action to reduce its operational greenhouse gas emissions in line with its public targets.
- Support emissions reductions in its value chain, and the economy-wide transitions necessary to meet the Paris Agreement goals, by working with customers and suppliers to achieve sectoral decarbonisation.
- Partner with others to accelerate the transition to a low carbon future and in the development of low emissions and negative emissions technologies, including natural climate solutions.
- Adapt to the potential physical impacts of climate change by building the resilience of its operated assets and investments and contributing to community and ecosystem resilience.
- Seek to enhance the global response to climate change by engaging with governments, maintaining a commitment to public policy advocacy and continuing to promote market mechanisms to reduce global emissions at least cost.

Notes:

[9] See BHP's Sustainability Report at https://bhp.com/sustainability/

GROWING RESPONSIBLY

We recognise that management of ESG risks is critical to the long-term success of an operation and the industry generally, which in turn, is key to Deterra's success. Growing responsibly means building our portfolio, managing risk and acting with discipline.

Though we do not have direct control over the policies and practices of the operations in which we invest, we recognise the importance of and are committed to, investing in mines that are operated in a responsible manner in line with our commitments to achieve long-term sustainable shareholder returns.

To achieve this, we have established a set of criteria for assessing ESG risks and opportunities associated with our investments, based on our ESG Investment Policy. In making new or further investments, we will:

- seek to understand, and take into account, ESG risks and opportunities when evaluating the investment opportunity;
- where appropriate, endeavour to negotiate appropriate contractual protections with a view to seeking sufficient disclosure and transparency regarding the mining operation's ESG performance on an ongoing basis; and
- continue to monitor the mining operation's ESG performance.

Mulla Mulla, native flower to the Pilbara

THE WAY FORWARD

In our first year of operations, our focus in this area has been on embedding internal business practices that support our sustainability commitments to provide the foundations for future initiatives. Recognising the growing calls for transparency in global reporting of ESG performance and objectives we have identified a number of actions moving forward to ensure we are delivering on this commitment. We see this as being essential to good governance and responsible investment, while also being in the best interest of our stakeholders.

These actions and others are described below. Further, we will continue our efforts to engage with stakeholders and rating agencies and remain responsive to recommendations and suggested improvements in our ESG practices.

Figure 2: ESG Roadmap

Current | **Next Steps** | **Future State**

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

Case Study: Mining Area C

Mining Area C, our cornerstone royalty asset, is located in the Pilbara region of Western Australia, 92 kilometres west-north-west of Newman. The mine, which is majority-owned and operated by BHP, and is one of seven iron ore mines operated by BHP in the Pilbara Region.

BHP is operating sustainably, through putting health and safety first, being environmentally responsible, respecting human rights and supporting the communities in which it operates. This commitment is operationalised at a corporate level through policies and standards that guide the culture and decision-making, to a local level, where sustainability is used to manage risks and impacts to maintain and promote the long-term health of society and the environment.

At MAC and the world-class South Flank expansion, BHP has implemented a range of activities to enhance the success of the project. This has included:

- Implementing BHP's Indigenous Engagement Strategy to develop a strong working relationship with the Traditional Owners, the Banjima people, and survey the entirety of the South Flank project area.
- Contributing to the local economy through employment and purchasing of goods and services. The South Flank project contained some US$3.6 billion of work - 79 per cent of which was Australian-based, including 33 per cent that was Pilbara-based and 43 per cent based in the rest of Western Australia.
- Designing and constructing an environment, culture and facilities that promote healthy and interactive living to protect the health, safety and wellbeing of its employees.
- Developing high performance, flexible work arrangements, having strong Indigenous participation and gender balance. Additionally, recruitment for the operation has set clear diversity targets for Indigenous and female employees.

BHP publicly reports on its sustainability performance targets and commitments, and continually works to improve its performance, transparency and accountability. For more information on BHP's sustainability performance, visit www.bhp.com.

United Nations (UN) Global Compact

In August 2021, we applied to join the UN Global Compact as a signatory. The UN Global Compact is the world's largest corporate sustainability initiative with approximately 14,000 corporate participants in over 160 countries.

We support the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We are committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company.

GRI

Consistent with our commitment to be transparent, the Global Reporting Initiative (GRI) establishes principles for reporting of a company's ESG approach and performance.

We plan to use the GRI Standards in future to guide our disclosures in order to meet the growing expectations and needs of our stakeholders. This will involve reporting on not only our ESG performance, but the ESG performance of our investments.

As a first step, we plan to undertake a materiality assessment to identify our material ESG topics. This will be used to inform our ongoing reporting efforts and ESG initiatives in future years.

Sustainable Development Goals

We support the broader development goals of the United Nations, particularly the Sustainable Development Goals (SDGs). The 17 SDGs established in 2015, focus on the most urgent economic, social and environmental challenges and are intended to be achieved by the year 2030. Recognising the role of business in supporting sustainable development (e.g. through influence in operations, supply chains, infrastructure and employment opportunities), we plan to identify and prioritise the SDGs where we can achieve the greatest impact. Our contribution to and progress towards the SDGs will be reported annually.

Modern Slavery Statement

While we recognise that the prevalence of modern slavery in Australia is low, as reflected in the Global Slavery Index, there is still the potential for it to occur within the operations in which we invest and our supply chain.

Through our Human Rights Policy we are committed to assessing and managing modern slavery risks. In line with this, we have asked our top suppliers by value to complete a self-assessment survey to ensure they have appropriate mechanisms in place to manage modern slavery risks.

In future years and in line with the Australian Modern Slavery Act (Cth) 2018, Deterra will prepare a Modern Slavery Statement, which will outline how we are addressing modern slavery risks in our supply chain.

TCFD

The Task Force on Climate-Related Financial Disclosures (TCFD) seeks to improve reporting on climate related risks, recognising that climate change presents risks to the global economy. The TCFD considers the physical and transitional risks associated with climate change. As such, TCFD can be used as an opportunity to demonstrate competitive advantage with respect to the opportunities presented by the transition to a low carbon economy.

We are pleased to recognise that the operator of our largest royalty stream, BHP, has produced a Sustainability Report that implements the TCFD's recommendations.

Community Engagement

As our business grows, we plan to look for opportunities to contribute to communities and create shared value. We will be guided by the UN Sustainable Development Goals and, in line with our strategy, pursue responsible actions.

SUSTAINABLE DEVELOPMENT GOALS

Voluntary Tax Transparency Disclosures

1.TAX GOVERNANCE, TAX STRATEGY AND DEALING WITH AUTHORITIES

The Board of Directors is responsible for setting the Company's tax policy and overseeing tax governance. The Chief Financial Officer has oversight responsibility for tax strategy, the management of tax risk as well as the operational responsibility for execution of tax policies. The Chief Financial Officer reports to the Board's Audit and Risk committee on a regular basis.

Deterra Royalties Limited, together with its 100 per cent controlled Australian subsidiaries, exited the Iluka Resources tax consolidated group on 31 October 2020 and formed a new tax consolidated group (the Deterra Group) for Australian income tax purposes on 2 November 2020.

The Deterra Group:

- Recognises its responsibility to pay tax to all revenue authorities according to the tax rules and legislation of the jurisdictions in which it operates;
- Manages tax risk in the same manner as any other operational risk;
- Engages service providers with appropriate qualifications and experience to manage its tax obligations;
- Engages with revenue authorities, including the Australian Taxation Office, in a transparent and cooperative manner; and
- Has in place a Board approved Tax Policy that affirms the above principles and ensures that tax related decisions are made having regard to Deterra maintaining its integrity and reputation, including that they are made at an appropriately senior level and are supported by appropriate documentation.

2. TAX PAYMENTS TO 30 JUNE 2021

Financial Year 2021 was the Deterra Group's first financial period and the income tax return for this period is expected to be lodged in early September 2021.

The Table 1 below represents direct taxation payments made to governments by the Deterra Group for the Period ended 30 June 2021.

Table 1 excludes taxes collected by the Deterra Group and passed onto revenue authorities such as goods & services tax and pay-as-you-go withholding on employee salaries:

Table 1: Direct tax payments to government	$'000
Income tax instalments – Iluka Tax Group (from 15 June 2020 – 31 October 2020)	15,281
Income tax instalments – Deterra Group (from 2 November 2020 – 30 June 2021)	5,913
State and Territory taxes (Payroll Tax)	31
Total tax payments to Australian Federal and State Governments	21,225

3. FINANCIAL STATEMENT DISCLOSURES

Income tax expense and effective tax rates

Table 2 extracts the 30 June 2021 accounting profit before income tax expense and effective tax rate from the 2021 annual financial statements disclosed in this Annual Report (Notes 6 and 7 in the Annual Financial Report).

Table 2: Calculations of effective tax rate	$'000
Accounting profit before tax	141,647
Income tax expense (current and deferred tax expense)	47,387
Effective tax rate	33.5%

The reconciliation of the accounting profit before tax to the Income tax expense is disclosed in note 6(b) of the Financial Report.

Material temporary differences are disclosed in note 7 of the Financial Report.

Reconciliation of income tax liabilities

A reconciliation of the income tax expense per the annual financial statements to income tax liabilities at 30 June 2021 are as follows:

Table 3: Income tax reconciliation	$'000
Current income tax expense	32,098
Income tax instalments paid	(21,194)
Income tax liabilities	10,904

4. INTERNATIONAL RELATED PARTY DEALINGS

Deterra predominantly engages in regular business activities in Australia with funding sourced from unrelated independent financial institutions. For the period ended 30 June 2021, Deterra did not have any international related party dealings.

Corporate Governance

At Deterra, we believe that strong corporate governance is essential for building a sustainable business and creating long-term value for all our stakeholders.

Whilst the Board of Directors is responsible for the Company's corporate governance, it is critical that all those who work at Deterra act ethically, with integrity and within the law. We aim to embed this behaviour across the organisation and in all our business dealings.

Our governance framework is designed to support our team in the delivery of our strategy and provides the guidelines for effective and responsible decision making at Deterra.

The Board is responsible for promoting the success of Deterra whilst ensuring that the interests of shareholders and stakeholders are protected. The key functions for which the board are accountable include, setting the long-term corporate strategy, reviewing and approving business plans and annual budgets, overseeing the risk management framework, approving material investments, approving financial statements, approving and monitoring the adherence to Company policies, developing and promoting corporate governance and demonstrating, promoting and endorsing an ethical culture.

BOARD COMMITTEES

To assist the Board to discharge its responsibilities, the Board has established the following Committees:

- Audit & Risk
- Nominations & Governance
- People & Performance
- Sustainability

Each Committee works within a Charter approved by the Board, which sets out the roles and responsibilities, composition, structure and membership requirements for the Committee. Details of relevant qualifications and experience for all Committee members can be found on pages 24 and 25 of this Annual Report.

Further information about the Committees can be found in the 2021 Corporate Governance Statement and copies of the Board and Committee Charters can be found in the Governance section of Deterra's website at https://deterraroyalties.com/corporate/governance

Table 4: Summary of Committees

Members	Key Accountabilities
Audit & Risk Committee	
Mr Graeme Devlin (Chair) Ms Jennifer Seabrook Dr Joanne Warner Ms Adele Stratton	• Approve selection and performance of independent external auditor • Recommend risk management framework • Review accounting policies, financial statements and financial reporting • Review processes for managing risk • Review procedures for compliance
Nominations & Governance Committee	
Ms Jennifer Seabrook (Chair) Mr Graeme Devlin Dr Joanne Warner Ms Adele Stratton	• Review and Recommend Director selection, appointment and re-election process • Review and Recommend succession of Board and Chair • Review and Recommend new Directors • Review process of evaluating performance of Board, Committees and Director and Chair • Review corporate governance statement, framework and related legal developments
People & Performance Committee	
Dr Joanne Warner (Chair) Ms Jennifer Seabrook Mr Graeme Devlin Ms Adele Stratton	• Recommend remuneration of CEO and senior executives • Review and recommend selection for CEO, succession planning for CEO and other senior executives • Assess and approve measurable diversity targets • Review compliance with Codes of Conduct
Sustainability Committee	
Ms Jennifer Seabrook (Chair) Mr Graeme Devlin Dr Joanne Warner Ms Adele Stratton	• Advise on emerging ESG risks • Review and recommend proposed sustainability objectives and disclosures • Advise on ESG matters

CORPORATE GOVERNANCE STATEMENT

The Company's 2021 Corporate Governance Statement outlines the Company's current corporate governance framework, by reference to the Corporate Governance Principles and Recommendations contained in the ASX Corporate Governance Council's 4th Edition of its Corporate Governance Principles and Recommendations (ASX Recommendations). During FY21, the Company's corporate governance practices complied with all relevant ASX Recommendations.

The Corporate Governance Statement is current as at 18 August 2021 and has been approved by the Board. This statement can be found in the Governance section of Deterra's website at https://deterraroyalties.com/ along with the ASX Appendix 4G, a checklist cross-referencing the ASX Recommendations to disclosures in the Corporate Governance Statement and the 2021 Annual Report.

Directors' Report

DIRECTORS' REPORT

DIRECTORS STATEMENT OF TENURE

The names of directors who held office during the reporting period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Jennifer Seabrook	Independent Non-Executive Chair (Appointed 15 June 2020)
Julian Andrews	Managing Director (Appointed Director 15 June 2020, appointed Managing Director and Chief Executive Officer 2 November 2020)
Graeme Devlin	Independent Non-Executive Director (Appointed 16 October 2020)
Joanne Warner	Independent Non-Executive Director (Appointed 16 October 2020)
Adele Stratton	Non-Executive Director (Appointed 15 June 2020)

JOINT COMPANY SECRETARIES

Brendan Ryan	Chief Financial Officer (Appointed 14 September 2020) and Company Secretary (Appointed 21 October 2020)
Ian Gregory	Joint Company Secretary (Appointed 21 October 2020)
Nigel Tinley	Company Secretary (Appointed 15 June 2020, resigned 21 October 2020)

PRINCIPAL ACTIVITIES

Deterra Royalties Limited is an Australian company listed on the Australian Securities Exchange (ASX code: DRR). The Group's principal activity is the management of a portfolio of existing royalties and growth through the addition of new royalties across bulk commodities, base and battery metals. The existing portfolio includes six royalties over: Mining Area C, Yoongarillup/Yalyalup (under two royalty agreements), Eneabba, Wonnerup and St Ives.

DIVIDENDS PAID OR RECOMMENDED

Deterra's intent is to pay semi-annual dividends (franked to the maximum extent possible) at a target dividend payout ratio of 100 per cent of net profit after tax (NPAT). Payment of dividends and dividend policy is determined by the Deterra Board at its discretion and may change over time.

The total dividend declared for the period of this Annual Report is $94,225,000 which represents a payout of 100 percent of NPAT. There were three dividends paid or declared during the period:

- Pre-demerger Period intercompany settlement to Iluka Resources Limited of $20,393,000. This amount, paid on 30 October 2020, reflects the distribution of royalty income earned by the Deterra Royalties Limited entity less certain expenses, for the period 1 July 2020 to 30 September 2020.
- Post-demerger Period Interim Dividend of $12,948,000 or 2.45c/share, equal to 100% of NPAT (including transaction expenses) for the post-demerger interim period. This dividend was paid on 31 March 2021.
- Post-demerger Period declared Final Dividend of $60,884,000 or 11.52c/share, equal to 100% of NPAT for the 1 January 2021 - 30 June 2021 period. The Record Date for this dividend is 3 September 2021 and it will be paid on 22 September 2021.

BOARD PROFILE

JENNIFER SEABROOK

Independent Chair and Non Executive Director

BCom, FCA, FAICD

Term Of Office

Ms Seabrook was appointed 15 June 2020.

Board Committees

Chair of Sustainability

Chair of Nominations and Governance

Member of Audit and Risk

Member of People and Performance

Experience

Ms Seabrook brings over 30 years of corporate experience across capital markets, mergers and acquisitions and accounting advisory roles and several non-executive directorships for listed, unlisted and federal and state government corporations.

Other Current Directorships

Non-executive Director of BGC Australia Group, Australia Rail Track Corporation and HBF Health Limited.

Former Directorships In The Last 3 Years

- Iluka Resources Limited
- MMG Limited
- Export Finance Investment Corporation
- IRESS Limited

GRAEME DEVLIN

Independent Non Executive Director

BAppSci, MBA, GAICD

Term Of Office

Mr Devlin was appointed 16 October 2020.

Board Committees

Chair of Audit and Risk

Member of People and Performance

Member of Sustainability

Member of Nominations and Governance

Experience

Mr Devlin brings a deep and varied set of experiences from his business development, operational, investment evaluation and structured finance roles within BHP Group, Rio Tinto and CRA Limited. He served as BHP's head of acquisitions and divestments from 2009 to 2016. Mr Devlin led the transformation of BHP's capital investment decision making rigour, capability and processes. He was instrumental in reshaping of BHP's core asset portfolio.

Other Current Directorships

Nil

Former Directorships In The Last 3 Years

Nil

JOANNE WARNER

Independent Non Executive Director

BAppSc (Hons), DPhil, MAICD

Term Of Office

Dr Warner was appointed 16 October 2020

Board Committees

Chair of People and Performance

Member of Audit and Risk

Member of Sustainability

Member of Nominations and Governance

Experience

Dr Warner has extensive asset management experience including eight years as Head of Global Resources at Colonial First State Global Asset Management. Her broad mining and energy sector experience includes visits to over 450 mining and resource assets across over 30 countries.

Other Current Directorships

Non executive Director of First Quantum Minerals and Geo40 Limited.

Former Directorships In The Last 3 Years

Nil

ADELE STRATTON

Non Executive Director (Iluka Nominee)

BA (Hons), FCA, GAICD

Term Of Office

Ms Stratton was appointed 15 June 2020

Board Committees

Member of Audit and Risk

Member of People and Performance

Member of Sustainability

Member of Nominations and Governance

Experience

Ms Stratton brings finance, operations and commercial experience to Deterra. As Chief Financial Officer and Head of Development at Iluka Resources Limited, she has over 20 years' experience working in both professional practice and public listed companies, including KPMG and Rio Tinto. Ms Stratton is a qualified Chartered Accountant.

Other Current Directorships

Nil

Former Directorships In The Last 3 Years

Nil

BOARD AND EXECUTIVE PROFILE

JULIAN ANDREWS

Managing Director and Chief Executive Officer

BCom (Hons), PhD, CFA, GAICD

Term Of Office

Mr Andrews was appointed as Director 15 June 2020 and as Managing Director and Chief Executive Officer 2 November 2020.

Board Committees

Nil

Experience

Mr Andrews' experience spans over 20 years in broad project finance, capital raising and mergers and acquisitions across the mining, energy and chemicals industry landscape. Prior to his appointment as Managing Director, Mr Andrews was Head of Strategy, Planning and Business Development at Iluka Resources and previously held various roles at Wesfarmers, including General Manager Business Development and Chief Financial Officer in Wesfarmers Chemicals, Energy & Fertilisers division.

Other Current Directorships

Nil

Former Directorships In The Last 3 Years

Nil

EXECUTIVE PROFILE

BRENDAN RYAN

Chief Financial Officer and Company Secretary

BE (Hons), MBA, MAICD, FAusIMM

Term Of Office

Mr Ryan was appointed as Chief Financial Officer 14 September 2020 and as Company Secretary 21 October 2020

Board Committees

Nil

Experience

My Ryan has over 25 years' of senior level commercial and operational experience in the global mining sector. Prior to Deterra, he served as Chief Financial Officer and Chief Business Development Officer at ASX listed Boart Longyear, the world's largest drilling service provider. During his 13 years with Rio Tinto, Mr Ryan held several senior roles including Global Head of Business Evaluation and also led the Rio Tinto Copper and Diamonds business development team.

IAN GREGORY

Joint Company Secretary

BBus, FGIA. FCGI, MAICD

Term Of Office

Mr Gregory was appointed 21 October 2020

Board Committees

Nil

Experience

With over 30 years' experience in the provision of company secretarial, governance and business administration services, Mr Gregory's experience includes ASX listed companies in the exploration, mining, oil and gas, banking, and insurance industries. Prior to 2005, Mr Gregory was the Company Secretary of IBJ Australia Bank Ltd Group and the Griffin Coal Mining Group of companies.

SKILLS AND EXPERIENCE

The Board undertakes a comprehensive review of the Board skills matrix on an annual basis, more details on this review can be found in the 2021 Corporate Governance Statement. Following the review, it was determined that the Board and Committees currently have a strong combination of skills and experience across the key desired areas relevant for each committee. A copy of the Board skills matrix is included in Deterra's 2021 Corporate Governance Statement.

MEETINGS OF DIRECTORS

The number of meetings held and attended by each director of the Company during the financial year are:

Table 5: Director Meetings

	Board		Audit & Risk		People & Performance		Nominations & Governance		Sustainability	
Name	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Non-Executive Directors										
J Seabrook	9*	9	2	2	2	2	1*	1	1*	1
G Devlin	5	5	2*	2	2	2	1	1	1	1
J Warner	5	5	2	2	2*	2	1	1	1	1
A Stratton	9	9	2	2	2	2	1	1	1	1
Executive Director										
J Andrews**	9	9	-	-	-	-	-	-	-	-

Notes:

* indicates Chair of the Committee

** J Andrews attended all Committee meetings by invitation. He is not a member of these Committees.

Attended - Number of meetings the director attended

Held - Total number of meetings of the Committee held over the financial year

INTEREST OF DIRECTORS

The relevant interest of each director held directly or indirectly in the shares, interest in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, is in the table below.

Table 6: Directors' Shareholding Interests

Name	Ordinary Shares	Restricted Shares	Rights over Ordinary Shares
Non-executive Directors			
J Seabrook	69,776	-	-
G Devlin	40,000	-	-
J Warner	23,000	-	-
A Stratton	43,260	-	-
Executive Director			
J Andrews	62,578	27,352	315,069

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.

OPERATIONS & FINANCIAL REVIEW

This review should be read in conjunction with the financial statements and the accompanying notes.

Introduction

The period since demerging and listing on ASX has been busy with building the team, implementing a lean corporate structure and establishing fit for purpose business processes. With the team in place, the key focus has been building relationships with new and existing shareholders and ensuring appropriate understanding of the unique nature of the royalty business model. Significant time has also been spent identifying and meeting with existing owners of royalties and prospective mining projects.

Strategy and Business Model

Deterra is Australia's largest listed royalty investment company and represents a new opportunity for ASX investors to participate in the global resources sector. Headquartered in Perth, Western Australia, Deterra was established as an independent company in November 2020, through the demerger of a portfolio of six royalty assets from Iluka Resources Limited.

The company's cornerstone asset is a royalty over the BHP-operated Mining Area C iron ore operation (referred to as the MAC Royalty), complemented by five other smaller royalty interests. The MAC Royalty has several attractive characteristics, including:

- Strong cash flow generation: the revenue-based royalty provides high margin cash flows with no requirement to contribute to operating or capital costs;
- Embedded growth: Mining Area C production volumes are expected to more than double over the next three years due to the ramp up of the South Flank mine; and[10]
- Long asset life: BHP estimates a mine life of more than 30 years for Mining Area C operations at North and South Flanks and has identified extension options that would increase its life and would fall at least partially within the MAC Royalty Area.[11]

The Company's principal activities are the management and growth of this portfolio of assets. Inorganic growth will be achieved by growing and diversifying the royalty portfolio through disciplined and value accretive investments over time. The key objectives of the disciplined growth strategy are to:

- Provide additional sources of earnings over time;
- Improve cash flow resilience to commodity price fluctuations through portfolio diversification; and
- Leverage Deterra's scaleable operating structure to grow the business.

The simple and scalable business model has enabled Deterra to deliver underlying EBITDA margins since demerger of 96 per cent, coupled with fully franked dividends of 100 per cent of net profits after tax.

Notes:

[10] BHP Operational Review for year ended 30 June 2021, 20 July 2021.

[11] BHP, Mining Area C South Flank Public Environmental Review, May 2017; BHP, Mining Area C Mine Closure Plan, October 2017.

Principal Risks affecting the group

Risk Management

Deterra operates in the resource sector where the macro price environment is uncertain, and the performance of its key assets is outside the direct control of management. As a consequence, the Company's Board and management have developed risk processes that aim to identify and monitor these key uncertainties and where appropriate, mitigate any potential adverse outcomes.

Deterra's approach to managing risk is documented in a Board approved Risk Management Framework and Risk Appetite Statement. The overall approach seeks to ensure that risk management is embedded throughout the business and managed in a structured and systematic manner. The Risk Management Framework is reviewed annually and will be updated as the company's asset portfolio and business environment evolve and the underlying risks change.

The following external factors are all capable of having a material adverse effect on the business and will affect the prospects of the Group for future financial years:

COVID-19 Pandemic Risks

The COVID-19 pandemic emerged in early 2020, and continues to pose a global socio-political, economic and health risk. The potential for the pandemic to have both lasting and unforeseen impact on both end markets and operating asset performance is high.

To date, Deterra has been relatively unaffected given the location of its offices in Perth, Western Australia and the nature of the royalty business model and small physical number of employees. We continue to maintain a heightened state of response readiness commensurate with the risk and in accordance with Government recommendations and health advice.

Environmental, Social and Governance Risks

Deterra operates in an environment of increasing focus by investors and stakeholders on Environmental, Social and Governance (ESG) risks, including changes in community expectations and legislation (e.g. matters related to climate change). Deterra's core business is to receive royalty income streams from non-managed mining assets. The ability of Deterra to attract equity investment and raise funds in debt markets may be impacted by a diminishing appetite for companies that receive revenues from the resources sector.

The Group considers ESG as an integral part of its investment process and seeks advice from third party experts to assist with its exposure and management of these risks. These risks are discussed in more detail in the Sustainability section of this Annual Report.

Strategy Risks

Deterra is seeking to grow its business through the acquisition or creation of new royalty assets. There are risks that Deterra may be unable to execute on this growth strategy due to an inability to effectively compete for royalty assets from a price, cost of capital, structure, jurisdiction and commodity perspective. Conversely, there is a risk of executing an acquisition that may not deliver the expected returns.

Deterra has employed a small but highly experienced team and will supplement this capacity with third party advisors to assist with the identification, negotiation, and execution of future acquisitions. All investments will comply with internal investment criteria and material investments will be subject to additional Board assessment and approval.

Inability to Access Equity and Debt Markets Risk

Deterra will be reliant on equity and debt capital to successfully grow its business. Changes to macro conditions in financial markets may impact on the ability of Deterra to access these equity and debt capital markets.

Deterra has built relationships with a range of participants in the equity and debt capital markets, and will monitor current and future conditions to ensure investment decisions take these market conditions into account.

Climate Risk

The mining assets relating to Deterra's royalties could be adversely affected by the impacts of climate change. The corresponding increase in the severity and frequency of extreme weather events could adversely affect the operations and development of those mining assets and the demand for commodities to which these royalties relate.

Deterra has implemented an ESG Investment Policy which requires the Company to consider ESG risk exposure and opportunities when considering new investments.

Mining Area C Revenue Risks

As a royalty owner, Deterra has material exposure to volume and price achieved by BHP at Mining Area C (MAC) over which Deterra has limited ability to influence or control.

Key external risks that could impact its financial performance include:

- Material fluctuations in iron ore price and foreign exchange rates;
- Material production disruption at MAC from a natural disaster, catastrophic infrastructure or operations incident (mine, rail, or port), environmental or heritage licencing issues; and
- Geopolitical risks associated with Chinese steel mill end customers including potential trade barriers or cessation of iron ore exports to China.

The company monitors potential adverse developments in MAC operations as well as the geopolitical landscape through its network of business relationships and other information sources.

Deterra maintains a conservative balance sheet and low overheads to withstand fluctuations in revenues derived from MAC. Deterra will seek to further diversify its revenue streams via the acquisition of new royalty streams in the future.

Royalty Contract Default Risks

Deterra is reliant on royalty contracts where parties deliver upon their contractual obligations. A failure to make timely payments and meet other contractual obligations may impact on the financial performance of Deterra.

The risk of default by the partners in MAC is considered low due to the established, high-quality counterparties involved. For all future investments, due diligence will include an assessment of the risk of default or/ non-performance.

Management and Key Person Risks

Deterra is a small organisation with two key executives and a small number of employees. A loss of or extended absence of key executives may impact on the ability to execute its growth strategy.

The Board has developed a range of plans and policies to assist with the retention of key executives, succession planning, and any loss of corporate knowledge.

Information Technology and Cyber Security Risks

Deterra is exposed to the risk of loss arising from the failure of the information technology. Deterra has engaged third party outsourced expertise to protect its information technology systems and data from cyber security threats and general operational outages. Additional staff training and education has been undertaken on sound cyber security practices.

Operational Risks

Operational errors by Deterra or its outsourced administrative providers may impact on Deterra's operations, financial performance, and/or compliance requirements, including ASX listing requirements.

Deterra has documented its financial and operational procedures and implemented a control framework that seeks to identify and prevent errors.

Fraud Risks

Deterra may be at risk of the theft of funds or confidential information by employees or outsource partners.

Deterra has documented operational and contractual arrangements with all outsourced providers and has implemented a control framework that seeks to reduce or minimize the impact of fraud or theft.

Due diligence is undertaken on all outsourced providers, including periodic contract review and management oversight. Under the outsourced contract agreements, business-critical information is required to be secured at all times.

Review of DRR Assets

Table 7: Description of the operations

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)

Mining Area C Royalty

The Company receives an ongoing royalty of 1.232% of Australian dollar denominated quarterly FOB revenue from the MAC royalty area. Additional, one-off capacity payments of A$1 million per one million dry metric tonne (mdmt) increase in annual mine production are determined for the period ending 30 June. The demonstrated annual capacity level as at 30 June 2021 is 59mdmt.

Mining Area C is one of four BHP hubs within its Western Australian Iron Ore (WAIO) business and consists of two major mining areas, North Flank and South Flank. The North Flank operation has been in production since 2003 with nameplate capacity of 65 million wet metric tonnes per annum (wmtpa) and South Flank achieved its first ore production in May 2021 and is expected to produce an additional circa 80 million[12] wmtpa, replacing volumes from BHP's Yandi mine, (outside the MAC Royalty Area), as it reaches the end of its economic life in the early-to-mid 2020s[13] . The combined MAC mining hub is expected to operate for over 30 years[14].

Mining Area C production for the financial year was 61.6 million wet metric tonnes (100 per cent basis)[15]. Despite production during the year being impacted by Mining Area C and South Flank tie-in activity, the operation achieved record production in the June 2021 quarter to deliver the strong operational result.

Yoongarillup / Yalyalup Mineral Sands Mines

Deterra owns two royalty agreements over mineral leases near Busselton in Western Australia, currently being operated by mineral sand producer Doral Mineral Sands Pty Ltd. The Yoongarillup site is currently in decommissioning phase[16] with sales limited to stockpiled product. It is anticipated that development of the Yalyalup mine (over which Deterra retains a royalty) 6km north-east of the existing operations will replace current production. The Environmental Protection Authority has recommended approval of the Yalyalup operation[17] subject to certain conditions.

Wonnerup Mineral Sands

Deterra owns a royalty agreement over mineral leases near Busselton in Western Australia, currently being mined by Tronox through its subsidiary Cable Sands Pty Ltd. The Wonnerup complex of mines has been in production since 2013, with the Wonnerup North mine facilitating continuity of operations following the completion of mining at Wonnerup and Wonnerup South[18]. All environmental and regulatory approvals for Wonnerup North Stage 1 are in place with the final Stage 2 approvals nearing completion[19].

Notes:

12 BHP Operational Review for year ended 30 June 2021, 20 July 2021
13 BHP, 2019 Annual Report
14 BHP, Mining Area C Mine Closure Plan, October 2017
15 BHP, Quarterly Operational Review for the year ended 30 June 2021
16 Doral, Company Website www.doral.com.au/mineral-sands
17 EPA, Jan 2021 - https://www.epa.wa.gov.au/media-statements/epa-recommends-environmental-approval-yalyalup-sand-mine
18 Tronox, Company Website - Western Operations Fact Sheet
19 Tronox, Company Website - Western Operations Fact Sheet

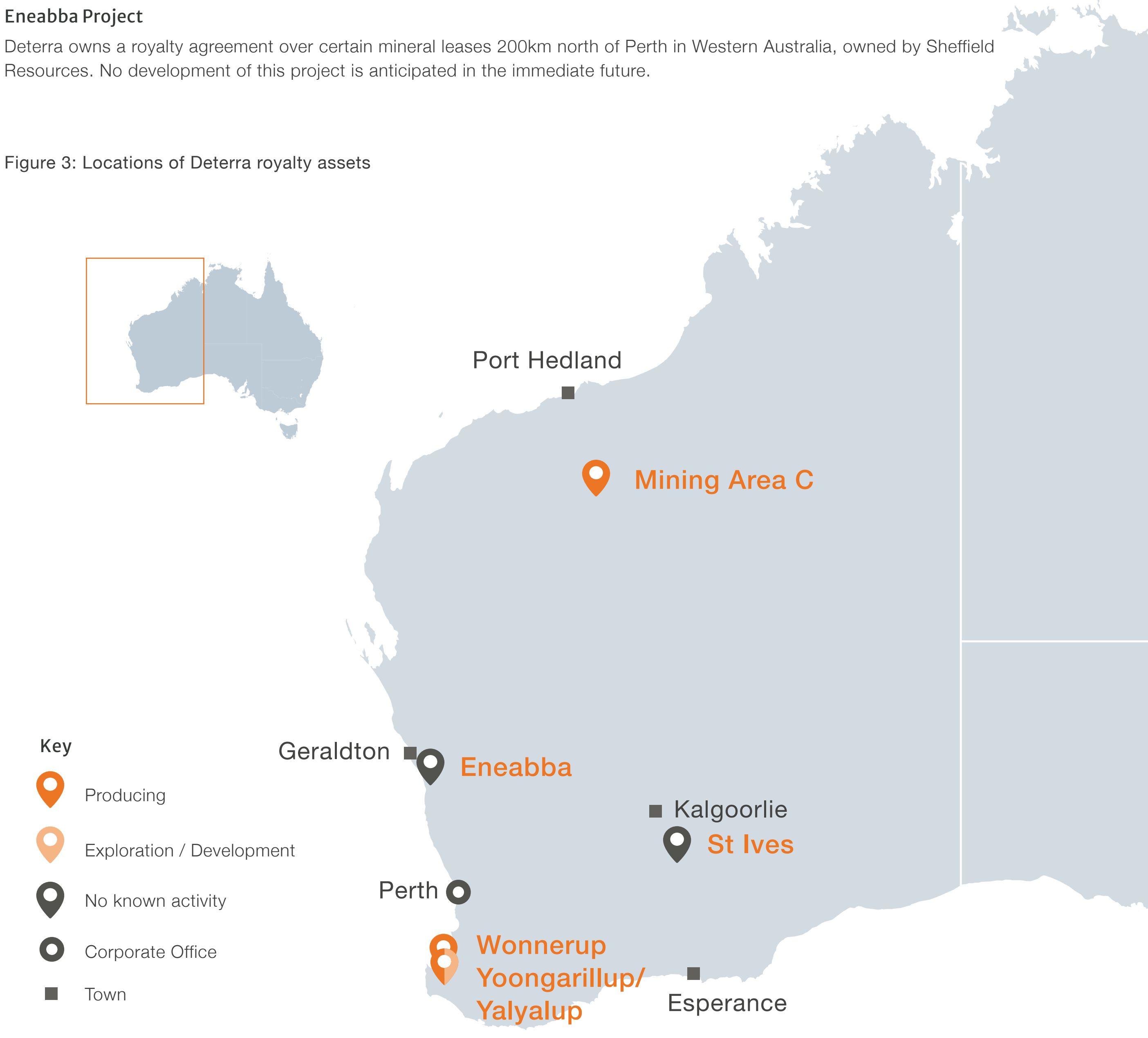
St Ives Gold Project

Deterra owns a royalty agreement over certain mineral leases near Kambalda currently held by St Ives Gold. No mining activity is anticipated on these leases in the immediate future.

Eneabba Project

Deterra owns a royalty agreement over certain mineral leases 200km north of Perth in Western Australia, owned by Sheffield Resources. No development of this project is anticipated in the immediate future.

Figure 3: Locations of Deterra royalty assets



Our key royalty investment activities involve acquisition of royalties from third parties and providing finance to resource companies in return for royalties.

Financial Review

"A strong year that showcases the quality of Deterra's assets and business model"

Non-IFRS

Deterra uses both International Financial Reporting Standards (IFRS) and non-IFRS financial information such as underlying EBITDA, underlying EBIT and net cash to measure operational performance. We believe these non-IFRS measures provide useful information, but should not be considered as an indication of, or an alternative to, profit/(loss) after tax as an indicator of actual operating performance or as an alternative to cash flow as a measure of liquidity. Non-IFRS measures are unaudited but derived from the audited accounts and reconciliations included on page 34.

Period

This Annual Report covers the period of 15 June 2020 to 30 June 2021. This non-standard period accounts for a series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. The terms Pre-demerger Period and Post-demerger Period are used to denote the beneficial economic ownership of the assets and liabilities during these periods.

Further details describing the demerger transactions and the definition of terms can be found on page 6 and 7 of this report.

Operating Results

The strong performance in FY21 highlights the underlying strength of the Deterra assets and business model, and its exposure to resource production levels and pricing.

FY21 saw record production from the MAC asset, driven by first production from BHP's US$3.6 billion South Flank expansion. With a nameplate capacity of 145mtpa, MAC will form the largest iron ore hub in the world and a key part of BHP's Western Australian Iron Ore operations.[20]

The operators of Deterra's two mineral sands royalties at Yalyalup and Wonnerup North have submitted permitting applications to further extend the mine lives of these assets.

Revenue

Total Royalty revenue of $145.2 million was primarily attributable to MAC, where record production coincided with record iron ore prices during the June 2021 half year. Total MAC revenue for the period was $144.4 million, including $4.8 million in demerger-related adjustments. MAC revenue included a $2.0 million capacity payment triggered by the increase in annual capacity from 57 to 59 million dry metric tonnes. An additional $0.8 million was received from royalty agreements on the Yoongarillup and Wonnerup mineral sands assets.

Costs

Operating expenses for the eight months from 2 November 2020 to 30 June 2021 of $10.1 million, include one-off demerger-related transaction expenses of $4.6 million, and business development costs of $0.2 million. The balance of operating expenses is $5.3 million.

EBITDA

Underlying EBITDA for the period was $135.5 million, after adjusting for the impact of one-off demerger-related transaction costs. This measure represents a useful proxy for measuring an operation's cash generating capabilities. The underlying EBITDA margin for the Post-demerger Period of 96 per cent demonstrates the strength and scalability of the low-cost, royalty business model.

Tax

The Group's effective tax rate of 33.5 per cent for FY21 was impacted by permanent differences related to the demerger. The effective tax rate for the Post-demerger Period was 30.3 per cent, closely reflecting the prevailing Australian corporate tax rate.

NPAT

The profit of the consolidated entity after income tax for the full year period amounted to $94.3 million of which $73.9 million was attributable to Deterra shareholders for the Post-demerger Period.

Capital Management

As at 30 June 2021, Deterra had net cash of $24.2 million, royalty receivables of $55 million and available undrawn capacity of $40 million from the Revolver Credit Facility. Deterra seeks to maintain a conservative level of gearing and Note 8d of Deterra's Financial Report provides details of the maturity profile and the company's interest rate exposure.

Notes:

[20] BHP Media Release, BHP Delivers First Production from South Flank, 20 May 2021

Dividends

Deterra's Policy is to pay semi-annual dividends (franked to the maximum extent possible) at a target dividend payout ratio of 100 per cent of net profit after tax (NPAT). Payment of dividends and dividend policy is determined by the Deterra Board at its discretion.

The total dividend declared for the period of this Annual Report is $94,225,000 which represents a payout of 100 percent of NPAT. The three dividends paid or declared during the period include:

- Pre-Demerger intercompany settlement to Iluka Resources Limited of $20,393,000 paid on 30 October 2020.
- Post-Demerger Interim Period Dividend of $12,948,000 or 2.45c/share paid on 31 March 2021.
- Post-Demerger declared Final Dividend of $60,884,000 or 11.52c/share, to be paid on 22 September 2021. This declared Final Dividend is equal to 100% of NPAT for the 1 January 2021 to 30 June 2021 period.

A summary of the Deterra Statement of Profit and Loss and Cashflows are provided below. No comparative period statutory results are available given the company was incorporated on 15 June 2020.

Table 8: Statement of profit or loss	Pre-demerger Period $'000	Post-demerger Period $'000	Total FY21 $'000
MAC royalty	24,067	115,491	139,558
MAC royalty Pre-demerger Adjustment	4,848	-	4,848
Other royalties	351	452	803
Total royalty revenue	29,266	115,943	145,209
Expenses	(116)	(9,958)	(10,074)
Valuation gain on acquired receivable	6,512	-	6,512
Profit before tax	35,662	105,985	141,647
Income tax expense from acquired receivable	(6,512)	-	(6,512)
Income tax expense	(8,757)	(32,118)	(40,875)
Total income tax expense	(15,269)	(32,118)	(47,387)
Net Profit After Tax (NPAT)	20,393	73,867	94,260
Other comprehensive profit for the period, net of tax	-	-	-
Total comprehensive profit for the period	20,393	73,867	94,260
Total and continuing earnings per share:			
Basic earnings per share (Cents)	3.86	13.98	17.84
Diluted earnings per share (Cents)	3.86	13.97	17.83

Table 9: Statement of cashflows	Pre-demerger Period $'000	Post-demerger Period $'000	Total FY21 $'000
Cash flows from operating activities			
Receipts from customers	50,974	61,020	111,994
Payments to suppliers and employees (inclusive of GST)	-	(3,809)	(3,809)
Payment of demerger expenses	-	(4,637)	(4,637)
Interest received	-	23	23
Interest expense	-	(207)	(207)
Tax paid	(15,292)	(5,903)	(21,195)
Net cash inflow/(outflow) from operating activities	35,682	46,487	82,169
Cash flows from investing activities			
Payments for property, plant, and equipment	-	(45)	(45)
Payment for asset acquisition	(24,405)	-	(24,405)
Net cash outflow from investing activities	(24,405)	(45)	(24,450)
Cash flows from financing activities			
Proceeds from issue of shares	-	-	-
Dividends paid	(20,393)	(12,948)	(33,341)
Payment of borrowing establishment fee	(120)	-	(120)
Proceeds from borrowings	9,500	20,000	29,500
Repayment of borrowings	-	(29,500)	(29,500)
Repayment of lease liability	-	(52)	(52)
Net cash (outflow)/inflow from financing activities	(11,013)	(22,500)	(33,513)
Net increase/(decrease) in cash and cash equivalents	264	23,942	24,206
Cash and cash equivalents at the start of the period	-	264	-
Cash and cash equivalents at the end of the period	264	24,206	24,206

Table 10: Earnings and earnings adjustments	Pre-demerger Period $'000	Post-demerger Period $'000	Total FY21 $'000
Net Profit After Tax (NPAT)	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%

Market Overview and Outlook

Deterra's primary commodity exposure is to iron ore. The key ingredient in steel production, iron ore is a globally traded commodity with mature index pricing that reflects the supply and demand characteristics of the industry.

In the June 2021 financial year, global steel demand, primarily driven by China, recovered strongly from the impacts of the Covid-19 pandemic. Supply constraints, primarily in Brazil, amplified the market tightness and resulted in significant price increases during the year.

Australia's strong economic performance during the Covid-19 pandemic contributed to a strengthening of the Australian dollar against the US dollar, the currency in which index prices for iron ore are typically quoted. As the MAC royalty is based on a percentage of Australian dollar revenue, this strengthening of the local currency offset some of the impact of higher prices.

Production volume at Mining Area C is anticipated to more than double to 145mwmtpa in the next three years as the South Flank operation ramps up to full capacity[21]. Deterra is expected to benefit from this expansion through its royalty over revenue from Mining Area C sales as well as additional capacity payments.

Notes:

[21] BHP Operational Review for year ended 30 June 2021, 20 July 2021

REMUNERATION REPORT

Table of Contents

1 Letter from Committee Chair

Dear Shareholder,

On behalf of the Board, I am pleased to provide our shareholders with the Company's inaugural remuneration report.

This report describes the Company's Director and Executive remuneration framework and how these frameworks help in achieving our business strategy. The report also describes the legacy remuneration arrangements in place for the Managing Director as a result of his previous role within Iluka Resources Limited.

Our immediate goals include building Deterra's reputation in both the global investor community and the mining community. This includes demonstrating the Company's attractiveness as an investment opportunity and its viability as an alternative source of funding or as an acquirer of royalty assets. Consistent with this strategy, management has been tasked with two key objectives: managing and maximising the value from our existing assets; and identifying and pursuing investments to build our portfolio in a way which creates shareholder value.

The FY21 remuneration framework was structured to provide alignment between management and shareholders and ensure a long-term focus, and includes a variable equity-based component linked to share price performance. There was no short-term incentive structure for FY21 other than the Initial Equity Grant scheme put in place at the time of demerger.

Although we have only recently embarked upon an exciting and hopefully rewarding journey for all stakeholders, our management team and business are now well established and corporate goals clearly defined. Accordingly, it is appropriate to ensure our remuneration structure remains fit for purpose into the future. The Board will continue to review the Company's remuneration framework in the context of its strategy, market expectations and growth objectives. We will keep shareholders informed as we progress.

Sincerely,

J Warner

Dr Joanne Warner
Chair, People and Performance Committee

2 Remuneration report overview

The directors of Deterra Royalties Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the period ended 30 June 2021. The Report forms part of the Directors' Report and has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Act) and in compliance with AASB124 *Related Party Disclosures*, and audited as required by section 308(3C) of the Act.

3 Key management personnel

Key management personnel (KMP) covered in this report are detailed below (See page 24 and 25 for details of each KMP). Senior executives including the managing director and chief financial officer are referred to as "Executive KMP". While the company was demerged from Iluka Resources Limited on 2 November 2020, the actual date of appointment to the position with the Company for each KMP is shown in Table 11.

Table 11: Key Management Personnel

Non-executive Directors		
J Seabrook	Independent Non-executive Chair	15 June 2020
G Devlin	Independent Non-executive Director	16 October 2020
J Warner	Independent Non-executive Director	16 October 2020
A Stratton	Non-executive Director	15 June 2020
Executive Director		
J Andrews	Managing Director and Chief Executive Officer	15 June 2020[22]
Executives		
B Ryan	Chief Financial Officer and Company Secretary	14 September 2020

Notes:

22 Appointment as Director on 15 June and subsequent appointment Managing Director and Chief Executive Officer effective as of implementation of demerger on 2 November 2020.

4 Executive remuneration

4.1 Remuneration Strategy

The principles and objectives of the Deterra remuneration policy are to:

- Attract, retain and motivate the talented people with the necessary skills to create value for shareholders;
- Reward executives and other employees fairly and responsibly, having regard for the performance of Deterra, the competitive environment and the individual performance of each employee;
- Ensure alignment of executive interests with shareholders;
- Provide a clear link between company performance and remuneration outcomes;
- Ensure remuneration outcomes are consistent with Deterra's long-term strategic objectives and the delivery of long-term shareholder wealth creation; and
- Comply with all relevant legal and regulatory provisions.

Deterra's main asset through which it derives the bulk of its royalty revenue is BHP's Mining Area C (MAC). As a newly listed royalty company on the ASX, Deterra has a unique business model. Prior to the demerger from Iluka Resources Limited the Board considered the nature of the business, remuneration frameworks in resources companies in Australia and overseas, and the medium-term objectives for the Company. The primary focus for the management team over the initial period was considered to be the establishment of all processes, procedures, governance and other controls to provide a strong foundation for the Company to pursue its strategic objectives of growth and diversification of the investment base in order to enhance shareholder returns.

For this initial year, the Board implemented a long-term incentive (LTI) tied equally to the company's share price performance relative to the iron ore price, and the ASX 200 Resources Accumulation Index. There was no short-term incentive (STI) for FY21, however the Board made a 'one-off' Initial Equity Grant (IEG) of Performance Rights to the Managing Director & Chief Executive Officer and to the Chief Financial Officer in December 2020 to bridge the period until the LTI was capable of vesting after 30 June 2023. The IEG is subject to the same market performance hurdles as the LTI with the two tranches potentially vesting after the end of FY21 and FY22. In FY21 Deterra's share price did not exceed the relative performance conditions required and Tranche 1 of the IEG did not vest.

DIRECTORS' REPORT

We are cognisant that finding the right investments to extend and diversify our royalty revenue will require patience and prudent financial management. It is anticipated that the number of opportunities reviewed will vastly exceed the number of transactions pursued. The board understands the need for a strong alignment between the interests of senior management and shareholders, to so that decisions are made with the long term success of the Company and shareholder value firmly in mind.

The remuneration framework for FY21 was structured to promote long-term sustainable growth of the Company by the delivery of a significant portion of remuneration in equity, aligning the management team with shareholders.

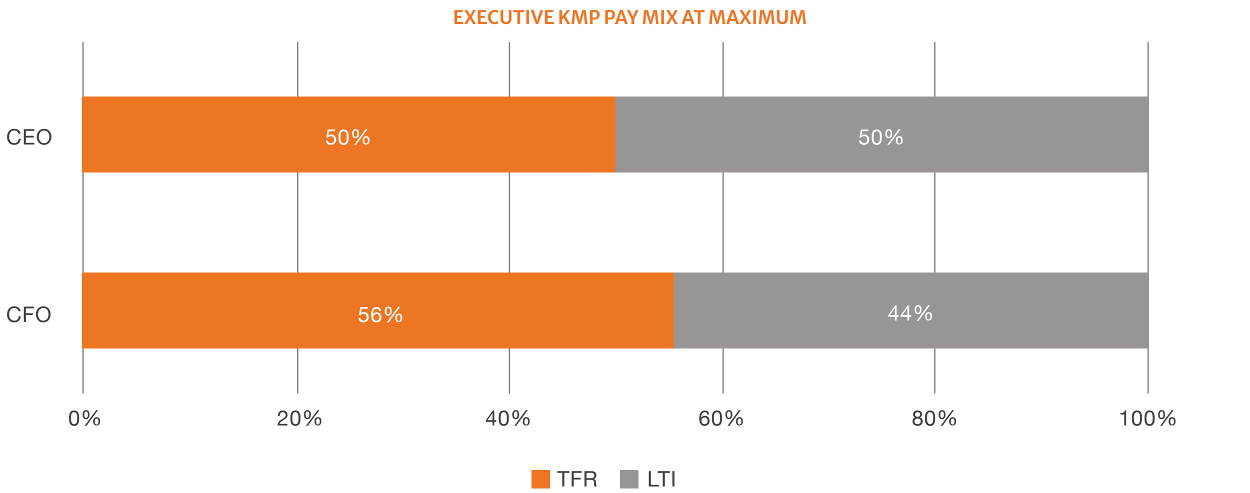
Keeping these principles in mind, after this first period as a publicly-listed company the Board has commenced a review of the Company's remuneration framework in the context of its strategy, market expectations and growth objectives.

4.2 Remuneration Framework

Deterra's Executive KMP remuneration structure for FY21, excluding the Initial Equity Grants (IEG) and MD Replacement Awards, comprises two elements and the figure below illustrates the executives' pay mix at maximum:

- Total Fixed Remuneration (TFR);
- Long-Term Incentive (LTI).

Figure 4: Remuneration outcomes at maximum[23]



Notes:

23 LTI maximum value is based on the grant date value assuming full vesting.

4.2.1 Total Fixed Remuneration (TFR)

TFR comprises cash salary, employer contributions to superannuation and salary sacrifice benefits. In February 2020, prior to the demerger, a market remuneration review was prepared by an independent provider at the request of Iluka Resources Limited.

TFR is reviewed annually by the Board to ensure it remains competitive in the market for which the Company seeks executives. In setting the TFR, the Board has regard for the size and complexity of the position, the skills and experience required for success, and individual qualifications.

4.2.2 Long-term incentive (LTI)

The elements and terms of the LTI are set out in Table 12.

Table 12: LTI plan

Purpose	To align executive accountability and remuneration with the long-term interests of shareholders by rewarding the delivery of sustained performance.
Participants	MD & CEO CFO
Date of grant	7 December 2020[24]
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of pre-determined market performance requirements within defined time restrictions.
Maximum opportunity	100% of TFR for the MD & CEO 80% of TFR for the CFO Performance rights are allocated at face value using the 5-day volume-weighted average price (VWAP) of Deterra shares immediately following listing ($4.28).
Performance period	23 October 2020 to 30 June 2023.
Performance measurement date	June 30 2023
Vesting of PRs	As soon as practicable after testing at the end of the performance period.
Performance conditions	There are two equally weighted performance conditions based on relative TSR. For the purpose of calculating TSR and the performance of ASX 200 Resources Accumulation Index or the Platts 62% Iron Ore CFR China Index, the following opening and closing measures will be used: • Opening price will be based on the 30-trading day volume-weighted share price/index price starting on the first day of the Performance Period. • Closing price will be based on the 30-trading day volume-weighted share price/index price up to and including the final day of the Performance Period. Further details are set out in section 4.2.2.1.
Acquisition of PRs and shares	PRs are issued by the Company and held by the participant subject to the satisfaction of the vesting conditions. The number of rights held may be adjusted pro-rata, consistent with ASX adjustment factors for any capital restructure. Shares to satisfy the exercise of vested PRs may be issued by the Company or acquired on-market.
Treatment of dividends and voting rights	PRs do not have voting rights or dividend rights. For PRs that vest, a cash payment equivalent to dividends paid by Deterra during the period between grant of the PRs and vesting will be made at or around the time of vesting.
Malus and/or clawback	The Deterra board may apply malus to incentives that have yet to vest and even clawback incentives that have already vested where: • the executive acts fraudulently or dishonestly; or • there is material misstatement or omission in the accounts of Deterra.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Treatment on termination	Some or all of the incentives may remain on foot unless an executive resigns or is terminated by the Company for cause.
Change of control	Vesting is subject to board discretion, taking into account performance to the date of change in control.

Notes:

[24] The grant date previously disclosed within the interim financial report for the period 15 June 2020 to 31 December 2020 has been corrected within the Remuneration report to reflect the grant date of the respective share-based payment arrangements.

4.2.2.1 Performance conditions

The relative TSR tranche of the LTI provides that the TSR of the Company will be measured against the ASX 200 Resources Accumulation Index over the performance period to determine the level of vesting.

The vesting scale that will apply to the Performance Rights subject to the relative TSR test is shown in Table 13:

Table 13: TSR vesting conditions

Performance level	DRR TSR ranking	% vesting
Less than threshold	Below index performance	0%
Threshold	Equal to index performance	50%
Above threshold but below maximum	Above index performance but less than 6% above index	Linear vesting between 50% and 100%
Maximum	6% or more above index	100%

The LTI tranche for the relative share price performance condition is based on the Company's compound annual share price performance compared to the Australian dollar equivalent Platts 62% Iron Ore CFR China Index.

The vesting scale that will apply to the Performance Rights subject to the relative share price performance is shown in Table 14:

Table 14: Relative share price performance vesting conditions

	Share	% vesting
Less than threshold	<2% above index	0%
Threshold	Equal to 2% above index	50%
Above threshold but below maximum	More than 2% above index but less than 6% above index	Linear vesting between 50% and 100%
Maximum	6% and above index	100%

4.3 Post-demerger equity grants

This section describes the once-off equity grants that were made post-demerger:

- Table 15 describes the Initial Equity Grant (IEG) for the Managing Director & Chief Executive Officer and the Chief Financial Officer,
- Table 16 describes the 2018 Replacement Award for the Managing Director & Chief Executive Officer,
- Table 17 describes the 2019 Replacement Award for the Managing Director & Chief Executive Officer; and
- Table 18 describes the common features that are shared across these plans.

4.3.1 Initial equity grant

The board made the Initial Equity Grants to transition the period between listing and the vesting of the LTI plan after 30 June 2023. The grant is subject to performance conditions as indicated in Table 15.

Table 15: Initial Equity Grant (IEG)

Feature	Approach
Purpose	To bridge the period up to the potential vesting of LTI plan in 2023.
Participants	MD & CEO and CFO
Date of grant	7 December 2020[24]
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions as described in 4.2.2.1 within defined time restrictions.
Maximum opportunity	MD & CEO: 50% of TFR CFO: 50% of TFR Performance rights are allocated at face value using the 5-day VWAP of Deterra shares immediately following listing ($4.28).
Performance period	Performance rights are divided into two equal tranches: • Tranche 1: 50% of the Performance Rights will be subject to performance over a period commencing from 23 October 2020 and ending on 30 June 2021; and • Tranche 2: 50% of the Performance Rights will be subject to performance over a period commencing from 23 October 2020 and ending on 30 June 2022.

4.3.2 Replacement Awards for Managing Director

In recognition of the demerger and the Managing Director & Chief Executive Officer's loss of Iluka Resources Limited equity awards on joining Deterra, the MD & CEO was granted replacement awards. These take the form of two separate awards, for FY18 and FY19 opportunities foregone.

4.3.2.1 2018 Replacement Awards

Table 16: 2018 Replacement Awards for Managing Director & Chief Executive Officer

Feature	Approach
Purpose	To replace the MD & CEO's 20,360 foregone rights from his previous employer, Iluka Resources.
Date of grant	7 December 2020
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions as described in 4.2.2.1 within defined time restrictions.
Number of rights granted	2.22 rights in Deterra were granted for every 1 Iluka Resources right foregone. The MD & CEO was granted 45,153 rights.
Performance period	23 October 2020 to 31 December 2021

4.3.2.2 2019 Replacement Awards

Table 17: 2019 Replacement Awards for Managing Director & Chief Executive Officer

Feature	Approach
Purpose	To replace the awards to the MD & CEO from his previous employer, Iluka Resources.
Date of grant	7 December 2020
Equity vehicles	• Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions as described in 4.2.2.1 within defined time restrictions. • Restricted shares (RS) which are fully paid ordinary shares in the Company subject to a disposal restriction.
Maximum value of equity to be granted	PRs: $123,208 Performance rights are allocated at face value using the 5-day VWAP of Deterra shares immediately following listing ($4.28). The MD & CEO was granted 28,806 rights. RS: $175,478 Restricted shares are allocated at face value using the 5-day VWAP of Deterra shares immediately following listing ($4.28). The MD & CEO was granted 41,027 restricted shares.
Performance period	PRs: 23 October 2020 to 31 December 2022 RS: There is no performance requirement on the restricted shares.
Restricted shares vest	RS: Restricted shares will vest in three equal tranches: Tranche 1 (13,675): From listing to 1 March 2021 Tranche 2 (13,676): From listing to 1 March 2022 Tranche 3 (13,676): From listing to 1 March 2023 Restricted shares are subject only to continued employment.

4.3.3 Common features of the post demerger equity grants

The once-off equity grants following demerger described in Tables 15, 16 and 17 share the following features.

Table 18: Post demerger equity grant features

Feature	Approach
Performance measurement date	As soon as practicable following end of the performance period.
PRs vest	As soon as practicable following testing at the end of the performance period.
Performance conditions	There are two equally weighted performance conditions based on relative TSR performance and relative share price growth. These are the same performance conditions listed in the LTI plan above. For the purpose of calculating TSR and the (as per Table 12 of 4.2.2) of the Platts 62% Iron Ore CFR China Index, the following opening and closing measures will be used: • Opening price will be based on the 30-trading day volume-weighted share price/index price starting on the first day of the Performance Period. • Closing price will be based on the 30-trading day volume-weighted share price/index price up to and including the final day of the Performance Period. Further details are in section 4.2.2.1.
Acquisition of PRs and shares	PRs are issued by the Company and held by the participant subject to the satisfaction of the performance and vesting conditions. The number of rights held may be adjusted pro-rata, consistent with ASX adjustment factors for any capital restructure. Shares to satisfy the exercise of vested PRs may be issued by the Company or acquired on-market.
Treatment of dividends and voting rights	PRs do not have voting rights or accrue benefits. For Performance Rights that vest, a cash payment equivalent to dividends paid by Deterra during the period between grant of the Performance Rights and vesting will be made at or around the time of vesting.
Malus and/or clawback	The Deterra board may apply malus to incentives that have yet to vest and even clawback incentives that have already vested where: • the executive acts fraudulently or dishonestly; or • there is material misstatement or omission in the accounts of Deterra.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Treatment on termination	Some or all of the incentives may remain on foot unless an executive resigns or is terminated by the Company for cause.
Change of control	Vesting is subject to board discretion, taking into account performance to the date of change in control.

4.4. Remuneration outcomes for 2021

4.4.1 Company Performance

Table 19: FY21[25] Financial Performance

Year Ended 30 June	Pre-demerger 2021[26]	Post-demerger 2021	Total 2021
Revenue ($'000)	29,266	115,943	145,209
Net profit/(loss) after tax ($'000)	20,393	73,867	94,260
Basic earnings per share	$0.0386	$0.1398	$0.1784
Diluted earnings per share	$0.0386	$0.1397	$0.1783
Closing share price (30 June 2021)	-	-	$4.50

Notes:

[25] FY21 refers to the Pre-demerger Period from 15 June 2020 to 1 November 2020 and Post-demerger Period from 2 November 2020 to 30 June 2021.

[26] During the Pre-demerger Period the Company was a wholly owned subsidiary of Iluka Resources Limited.

4.4.2 Initial Equity Grant

Table 15 in Section 4.3.1 above describes the terms of the Initial Equity Grants for the Managing Director & Chief Executive Officer and the Chief Financial Officer. Table 20 shows the outcome of the Tranche 1 Performance Rights with vesting contingent on two performance conditions as at 30 June 2021.

Table 20: Initial Equity Grant outcome for FY21

Initial Equity Grant Measure	Performance Outcome	% Weighting	% of LTI tranche that vested
Relative TSR	Not vested	50%	0%
Relative share price growth to Iron Ore Price	Not vested	50%	0%
	Overall	100%	0%

4.4.3 Actual pay received in FY21

Table 21 below sets out the 'Actual Pay Received' by Executive KMP for 2021 in Australian dollars. It is included to complement the statutory remuneration disclosures to better illustrate the remuneration received or receivable by Executives in FY21 for service and performance.

While this disclosure is non-statutory, it has been audited.

Table 21: Actual pay received in FY21

Executive	TFR	STI	RA[27]	IEG[28]	LTI	Total pay received
J Andrews[29]	$550,000	0	$71,384	0	0	$621,384
B Ryan[30]	$429,931	0	0	0	0	$429,931

Notes:

27 Tranche 1 of the 2019 Replacement Award restricted shares vested as per Table 13. The value is the number of shares that vested (13,675) multiplied by the share price as described in Table 13.

28 No rights vested from the first tranche of the IEG.

29 Appointed as MD & CEO 2 November 2020. Pay received shown in the Table relates to the period 2 November 2020 to 30 June 2021.

30 Pre-demerger remuneration was paid by Iluka Resources Limited. Refer to note 19 b) of the Annual Financial Report for further details.

4.4.4 Executive KMP statutory remuneration

Table 22 sets out the remuneration of Executive KMP for the 2021 Financial Year in Australian Dollars and has been prepared in accordance with the requirements of Section 300A of the Australian *Corporations Act 2001* and associated accounting standards.

Table 22: Statutory remuneration

							Share Based Payment[32]					
Name (Position)	Year	Base Salary	Super-annuation	Non-Monetary Benefits	Short-term cash incentive[31]	Long Service Leave	Shares & units	Options & rights	Cash-settled	Sign-on/ Termination payment	Total Statutory Remuneration	% of performance-based remuneration
Executive Director												
J Andrews Managing Director and CEO	2021	$533,729	16,271	-	-	-	119,838	470,656	-	-	1,140,494	41.3%
Executives												
B Ryan[33]	2021	413,660	16,271	-	-	-	-	213,539	-	-	643,470	33.2%

Notes:

31 There is no short term incentive in place at Deterra for FY21.

32 Represents the value of vested and unvested equity expensed during the period including the probability of the incentives vesting, in accordance with AASB 2 *Share-based Payment*, related to grants made to the executive. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in the above sections.

33 B Ryan commenced as CFO on 14 September 2020.

4.5 Executive KMP Share and other equity holdings

4.5.1 Executive KMP shareholdings

The movements in share and other equity holdings for executive KMP are set out in Table 23. Details of non-executive director shareholdings are set out in Table 31 in Section 5.2

Table 23: Executive KMP shareholdings

Executive	Instrument	Held at 1/7/20	Granted as compensation	Received on exercise of rights	Other[34]	Held at 30/6/21
J Andrews	Ordinary shares	-	-	-	48,903	48,903
	Ordinary shares		13,675[35]		-	13,675
	Restricted shares (vesting 03/22)	-	13,676	-	-	13,676
	Restricted shares (vesting 03/23)	-	13,676	-	-	13,676
B Ryan	Ordinary shares	-	-	-	20,000	20,000

Notes:

34 Other changes represent shares that were purchased or sold during the year. J Andrews was entitled to receive 33,738 ordinary Deterra shares on implementation of the demerger from Iluka Resources Limited on 2 November 2020. He also purchased 15,165 Deterra shares on market during the year. B Ryan purchased 20,000 shares on market during the year.

35 13,675 restricted shares vested in March 2021 and converted to ordinary shares.

4.5.2 Performance rights details

Table 24 sets out the details of the Performance Rights that were granted as compensation during the year.

Table 24: Performance Rights details

Executives	Plan name	Grant Date	Expiry Date[36]	Performance Measure[37]	Fair value at grant	Rights Granted	% vested	% forfeited	Financial year to vest
J Andrews	LTI Plan	7 Dec 20	30/6/23	ASX 200 Res	$3.50	96,444	-	-	30/6/23
	LTI Plan	7 Dec 20	30/6/23	Iron Ore Price	$3.10	96,444	-	-	30/6/23
	Initial Equity Grant	7 Dec 20	30/6/21	ASX 200 Res	$3.70	24,111	0	100	30/6/21
	Initial Equity Grant	7 Dec 20	30/6/22	ASX 200 Res	$3.57	24,111	-	-	30/6/22
	Initial Equity Grant	7 Dec 20	30/6/21	Iron Ore Price	$3.17	24,111	0	100	30/6/21
	Initial Equity Grant	7 Dec 20	30/6/22	Iron Ore Price	$3.15	24,111	-	-	30/6/22
	2018 Replacement Award	7 Dec 20	31/12/21	ASX 200 Res	$3.61	22,576	-	-	31/12/21
	2018 Replacement Award	7 Dec 20	31/12/21	Iron Ore Price	$3.20	22,577	-	-	31/12/21
	2019 Replacement Award	7 Dec 20	31/12/22	ASX 200 Res	$3.55	14,403	-	-	31/12/22
	2019 Replacement Award	7 Dec 20	31/12/22	Iron Ore Price	$3.13	14,403	-	-	31/12/22
B Ryan	LTI Plan	7 Dec 20	30/6/23	ASX 200 Res	$3.50	49,099	-	-	30/6/23
	LTI Plan	7 Dec 20	30/6/23	Iron Ore Price	$3.10	49,099	-	-	30/6/23
	Initial Equity Grant	7 Dec 20	30/6/21	ASX 200 Res	$3.70	15,343	0	100	30/6/21
	Initial Equity Grant	7 Dec 20	30/6/22	ASX 200 Res	$3.57	15,343	-	-	30/6/22
	Initial Equity Grant	7 Dec 20	30/6/21	Iron Ore Price	$3.17	15,343	0	100	30/6/21
	Initial Equity Grant	7 Dec 20	30/6/22	Iron Ore Price	$3.15	15,344	-	-	30/6/22

Notes:

[36] The various awards expire once vested or following the vesting date if they do not vest.

[37] See section 4.2.2.1 for definitions of performance measures.

4.5.3 Performance rights movement during the year

No options with an exercise price were granted by the Company nor exercised in FY21. All Performance Rights are exercisable following vesting. Table 25 provides details of the various Performance Rights granted in FY21 and that remain on foot. Performance Rights are exercised into ordinary shares on a 1-for-1 basis.

Table 25: Performance rights movement during the year

Plan name	Grant Date	Held at 15/6/20	Granted as compensation	Rights Exercised	Rights Lapsed	Rights Forfeited	Held at 30/6/21	Vested during the period	Vested and exercisable at 30/6/21
J Andrews									
LTI Plan	7 Dec 20	-	192,888	-	-	-	192,888	-	-
Initial Equity Grant (vesting FY21)	7 Dec 20	-	48,222	-	-	48,222	-	0	0
Initial Equity Grant (vesting FY22)	7 Dec 20	-	48,222	-	-	-	48,222	-	-
2018 Replacement Award	7 Dec 20	-	45,153	-	-	-	45,153	-	-
2019 Replacement Award	7 Dec 20	-	28,806	-	-	-	28,806	-	-
B Ryan									
LTI Plan	7 Dec 20	-	98,198	-	-	-	98,198	-	-
Initial Equity Grant (vesting FY21)	7 Dec 20	-	30,686	-	-	30,686	-	0	0
Initial Equity Grant (vesting FY22)	7 Dec 20	-	30,687	-	-	-	30,687	-	-

4.6 Key Terms of Executive KMP Employment Contracts

4.6.1 Notice and termination payments

Table 26 sets out for the contractual provisions for current Executive KMP.

Table 26: KMP contracts

Name	Position	Contract Type	Notice Period for Company	Notice Period for Employee	Termination Payment	Treatment of LTI on termination
J Andrews	MD & CEO	Permanent	6 Months	6 Months	6 Months	Lapsed
B Ryan	CFO	Permanent	6 Months	6 Months	6 Months	Lapsed

Termination payments are calculated based upon total fixed remuneration at the date of termination. No payment is made for termination due to gross misconduct.

4.6.2 Managing Director & Chief Executive Officer employment agreement

Table 27: Managing Director & Chief Executive Officer contract

Feature	Approach
Term	Until terminated by either party.
TFR	$825,000 per annum. Fixed remuneration includes superannuation and non-cash benefits but excludes entitlements to reimbursement.
STI	None.
LTI	Mr Andrews is eligible to receive an annual LTI grant and the maximum LTI opportunity is 100% of TFR. Further details are discussed in section 4.2.2
Termination	Mr Andrews can resign: • By providing six months' written notice; or • Immediately in circumstances where there is a fundamental change in his role or responsibilities. In these circumstances, Mr Andrews is entitled to a payment in lieu of 6 months' notice. Deterra can terminate Mr Andrews' employment: • Immediately for misconduct or other circumstances justifying summary dismissal; or • By providing 6 months' written notice. If Mr Andrews resigns he will be subject to a six-month post-employment restraint.
Other	The agreement contains provisions regarding leave entitlements, duties, confidentiality, intellectual property, moral rights and other facilitative and ancillary clauses. It also contains provisions regarding corporate governance and a provision dealing with the *Corporations Act 2001* (Cth) limits on termination benefits to be made to Mr Andrews.

5 Non-executive director remuneration

5.1 Remuneration Policy

Remuneration for Non-executive Directors is determined by reference to relevant external market data and takes into consideration the level of fees paid to directors of other Australian corporations of similar size and complexity to Deterra. Remuneration for Non-executive Directors is subject to the aggregate limit of $1 million in any calendar year that may be changed in future years with shareholder approval.

Fees for Non-executive Directors are fixed and are not linked to the financial performance of the Company. Non-executive Directors are not entitled to retirement benefits.

Table 28 sets out the fee structure that has applied since listing.

Table 28: Board fees policy per annum, inclusive of superannuation

	FY21
Chair fees	$225,000
Member fees	$150,000

No additional or separate fees are paid for service on committees.

In addition to Board and Committee fees, Non-executive Directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, Committees or shareholders or while engaged on Deterra business.

There are no share- or performance-based plans for Deterra Non-executive Directors. Table 29 details the statutory remuneration for the Non-executive Directors.

DIRECTORS' REPORT

Table 29: Non-executive Director statutory remuneration

Name	Year	Base Fees	Superannuation	Non-Monetary Benefits	Total Statutory Remuneration
J Seabrook[38]	2021	234,773	810	-	235,583
G Devlin[39]	2021	97,032	9,218	-	106,250
J Warner[40]	2021	97,032	9,218	-	106,250
A Stratton[41]	2021	-	-	-	-
Total	2021	428,837	19,246	-	448,083

Notes:

38 J Seabrook commenced as Chair on 15 June 2020, although only received payment from Deterra from 2 November 2020. Pre-demerger remuneration was paid by Iluka Resources Limited. Refer to note 19 b) of the Annual Financial Statements for further details.

39 G Devlin commenced as director on 16 October 2020.

40 J Warner commenced as director on 16 October 2020.

41 A Stratton is a nominee of Deterra's largest shareholder Iluka Resources Limited and is not remunerated.

5.2 Minimum Shareholding Requirement Policy

The Company has introduced a minimum shareholding requirement (MSR) policy for Non-executive Directors to increase alignment with the interests of Deterra shareholders. Non-executive Directors (other than the Iluka nominee director) are required to build a minimum shareholding of 100% of their annual fees on a pre-tax basis over a period of 5 years, and then maintain that level.

Table 30 summarises the current applicable MSR under this Policy, while Table 31 shows share movements that occurred during the financial year.

Table 30: Non-executive Director shareholding requirements

Individual covered by this Policy	Minimum Shareholding Percentage of annual fees
Chair of the Board	100%
Other Non-executive Directors	100%

Table 31: Non-executive Director shareholdings

Director	Held at 15/6/20	Granted as compensation	Received on exercise of rights	Other[42]	Held at 30/6/21	Minimum shareholding met?
J Seabrook	-	-	-	69,776	69,776	Yes
G Devlin	-	-	-	40,000	40,000	Yes
J Warner	-	-	-	23,000	23,000	No
A Stratton	-	-	-	43,260	43,260	Yes

Notes:

42 Other changes represent shares that were acquired through the demerger or purchased or sold during the year.

6 Remuneration governance

6.1 People and Performance Committee

The People and Performance Committee (PPC or the Committee) provides advice and recommendations to the Board regarding remuneration matters.

A copy of the charter of the Committee is available on Deterra's website in the Corporate Governance section [https://deterraroyalties.com/corporate/governance].

Members of the Committee during FY21 were:

- J Warner – Independent Non-executive Director (Chair)
- J Seabrook– Independent Non-executive Director and Board Chair
- G Devlin – Independent Non-executive Director
- A Stratton– Non-executive Director

At the Committee's invitation the Managing Director, and other relevant managers attend meetings in an advisory capacity and co-ordinate the work of external, independent advisors as requested. All executives are excluded from any discussions impacting their own remuneration.

Under its Charter, the Committee must meet at least twice a year. The Committee formally met 2 times during FY21. The Committee also met informally on a number of occasions to progress issues on foot and consider other matters as they arose.

The Committee engages external advisors as required. External advisers provide advice on market remuneration levels and mix, market trends, incentives and performance measurement, governance, taxation and legal compliance.

None of the Committee's engagements with remuneration consultants were for work that constituted a remuneration recommendation for the purposes of the Australian *Corporations Act 2001*. Findings were reported directly to the Committee or the Board.

6.2 Share Trading Policy

The Company securities trading policy applies to all NEDs and executives. The policy prohibits employees from dealing in Deterra Royalties Limited securities while in possession of material non-public information relevant to the Company.

Executives must not enter into any hedging arrangements over unvested rights under the Company's equity incentive plans. Breach of this policy may lead to disciplinary action and potentially dismissal.

CORPORATE GOVERNANCE

Matters subsequent to the EOFY (Refer notes)

There are no matters or circumstances that have arisen since 30 June 2021 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years other than the Board recommending a final dividend of 11.52c per share which is equal to $60,884,000. For further information regarding matters subsequent to the end of the financial year, see Note 18 on page 74 of the Financial Report.

Likely developments (Refer Operations & Financial Review)

In the opinion of the Directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report (including the Operating and Financial Review on pages 27 and 35 of this report), relating to likely developments in the operations of the Group and the expected results of those operations in the financial years subsequent to the financial year ended 30 June 2021.

Environmental regulation (Refer Sustainability Report)

The consolidated entity seeks to be compliant with all applicable environmental laws and regulations relevant to its operations. Management is not aware of any environmental laws or regulations that have not been complied with during the financial year. For further information regarding Deterra's sustainability reporting, see pages 12 to 17 of this Annual Report.

Significant changes in state of affairs

During the period covered by the Annual Report (15 June 2020 to 30 June 2021), Deterra Royalties Limited (Deterra) and its controlled entities (Deterra Royalties (MAC) Limited and Deterra Royalties Holdings Pty Ltd) were demerged from their former parent company, Iluka Resources Limited (Iluka). Details of the series of transactions required to effect this change are described in Note 1 of the Annual Financial Statements and in the Demerger Details section on page 6 and 7 of this report.

Auditor

PricewaterhouseCoopers continues in office, in accordance with the *Corporations Act 2001* (Cth) (Corporations Act). For a copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act, see page 53.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. No non-audit services were provided by PwC for the period ending 30 June 2021.

Corporate Governance Statement (Refer CGS)

The Company has, for FY21, elected to disclose the Corporate Governance Statement only on the Company's website. The Corporate Governance Statement can be found at https://deterraroyalties.com/.

Use of cash and assets

During the period between admission to the Official List of ASX and the end of the reporting period, Deterra used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX, in a way consistent with its business objectives. This statement is made pursuant to ASX Listing Rule 4.10.19.

Jennifer Seabrook	**Julian Andrews**
Independent Chair	Managing Director & Chief Executive Officer

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Deterra Royalties Limited for the period 15 June 2020 to 30 June 2021, 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 Deterra Royalties Limited and the entities it controlled during the period.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
17 August 2021

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Financial Report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 15 June 2020 to 30 June 2021

	Note	Consolidated 2021 $'000
Royalty revenue	3	145,209
Business Development		(237)
Operating expenses	4	(4,969)
Demerger expenses		(4,637)
Operating profit before finance cost		135,366
Net finance income/(cost)	5	(220)
Net foreign exchange gains/(losses)		(11)
Fair Value gain on asset acquisition	15	6,512
Profit before tax		141,647
Income tax expense	6	(47,387)
Net Profit After Tax		**94,260**
Other comprehensive profit for the period, net of tax		-
Total comprehensive profit for the period		**94,260**
Total and continuing earnings per share:		
Basic earnings per share ($)	22	0.1784
Diluted earnings per share ($)	22	0.1783

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	Consolidated 2021 $'000
Current Assets		
Cash and cash equivalents	8b	24,206
Trade and other receivables	8a	54,955
Prepayments		644
Total Current Assets		**79,805**
Non-Current Assets		
Royalty intangible assets	9	8,903
Other intangible assets		5
Property, plant and equipment		30
Prepayments		53
Right-of-use assets		297
Total Non-Current Assets		**9,288**
Total Assets		**89,093**
Current Liabilities		
Trade and other payables	8c	801
Provisions		65
Lease liability		67
Income tax liabilities		10,904
Total Current Liabilities		**11,837**
Non-Current Liabilities		
Lease liability		244
Borrowings	8d	-
Deferred tax	7	15,289
Total Non-Current Liabilities		**15,533**
Total Liabilities		**27,370**
Net Assets		**61,723**
Equity		
Share capital	10	-
Reserves		804
Retained Earnings		60,919
Total Equity		**61,723**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 15 June 2020 to 30 June 2021

	Share Capital	Retained Earnings	Share-based payment reserve	Total Equity
	$'000	$'000	$'000	$'000
Balance at 15 June 2020	**-**	**-**	**-**	-
Profit for the period	-	94,260	-	94,260
Total comprehensive income/(loss) for the period	-	94,260	-	94,260
Transactions with owners in their capacity as owners:				
Issue of shares	-	-	-	-
Share-based payments	-	-	804	804
Dividend declared/paid	-	(33,341)	-	(33,341)
Balance at 30 June 2021	**-**	**60,919**	**804**	**61,723**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 15 June 2020 to 30 June 2021

	Note	Consolidated 2021 $'000
Cash Flows from Operating Activities		
Receipts from customers		111,994
Payments to suppliers and employees		(8,446)
Interest Received		23
Interest paid		(207)
Income Tax paid		(21,195)
Net cash inflow from operating activities	11	**82,169**
Cash Flows from Investing Activities		
Payments for property, plant, and equipment		(45)
Payment for asset acquisition	15	(24,405)
Net cash outflow from investing activities		**(24,450)**
Cash Flows from Financing Activities		
Proceeds from issue of shares		-
Dividend paid		(33,341)
Payment of borrowing establishment fee		(120)
Proceeds from borrowings		29,500
Repayment of borrowings		(29,500)
Repayment of lease liabilities		(52)
Net cash outflow from financing activities		**(33,513)**
Net increase in cash and cash equivalents		24,206
Cash and cash equivalents at the start of the period		-
Cash and cash equivalents at the end of the period	8b	**24,206**

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

Contents of the notes to the financial statements

1. Significant Changes in the Current Reporting Period

During the period covered by this Financial Report, the financial position and performance of the Group was particularly affected by a series of transactions designed to transfer a portfolio of six existing royalty assets from Iluka to Deterra and the subsequent demerger of Deterra as a separate entity listed on the Australian Stock Exchange.

The transactions during the period covered by this Financial Report include:

- On 15 June 2020, a new company, Deterra, was incorporated. For the period between 15 June to 30 June 2020 the Company had no royalty assets or revenues attributable to the entity.
- On 24 June 2020, a new company, Deterra Royalties Holdings Pty Ltd, was incorporated as wholly owned subsidiary of Deterra. Deterra Royalties Holdings Pty Ltd holds the St Ives royalty interest.
- On 30 June 2020, Deterra acquired 100% of the share capital of Deterra Royalties (MAC) Limited from Iluka for a consideration of $24,405,000 (See note 15). The purchase consideration included payment for estimated royalty revenues for the quarter ended 30 June 2020 (net of expected tax liabilities) and the Royalty portfolio.
- On 30 October 2020, Deterra paid a final Pre-demerger Period dividend of $20,393,000 to its 100% shareholder, Iluka Resources Limited, in relation to earnings from royalties for the quarter ended 30 September 2020, plus a top-up payment for differences in the quarter ended 30 June 2020.

- On 1 November 2020 Deterra executed a share split by splitting its existing single share into 528,462,101 shares.
- On 2 November 2020 Deterra and its controlled entities (Deterra Royalties (MAC) Limited and Deterra Royalties Holdings Pty Ltd) demerged from Iluka and was listed on the Australian Stock Exchange under the code DRR.

  The outcome of the demerger process was to create Deterra, a listed entity on the ASX that owns a portfolio of royalty assets, including entitlement to all royalty earnings for the Post-demerger Period.

  For a detailed discussion about the performance and financial position, please refer to our operations and financial review on pages 27 to 35.

How the numbers are calculated:

This section provides additional information about those individual line items in the financial statement that the directors consider most relevant in the context of the operation of the Group, including:

* Accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with the particular type of transaction
* Analysis and subtotal, including segment information
* Information about estimates and judgements made in relation to particular items

2. Segment information
3. Royalty revenue
4. Breakdown of expenses by nature
5. Net finance income/(cost)
6. Income tax expense
7. Deferred tax
8. Financial assets and liabilities
9. Royalty intangible assets
10. Share capital
11. Cash flow information

2. Segment Information

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

The Group is organised into a single operating segment, being royalty arrangements in Australia.

3. Royalty Revenue

	Consolidated 2021 $'000
MAC royalty	144,406
Other royalties	803
Total Royalty revenue	145,209

Royalty revenue

The revenue of the Group comprises mainly royalty revenue. For royalty interests, commodities are sold to customers under contracts that are established by the operator of each mining property on which the royalty interest is held. The Group recognises revenue from these sales when control over the commodity transfers to the customer. This transfer of control generally occurs when the operator of the mining property on which the royalty interest is held physically delivers the commodity to the customer. At this point in time, the risks and rewards of ownership have transferred to the customer and the Group has an unconditional right to payment.

Revenue from royalty arrangements is measured at the transaction price agreed in the royalty arrangement with the operator of each mining property.

4. Breakdown of expenses by nature

	Consolidated 2021 $'000
Employee benefits expenses	2,236
Depreciation and amortisation	365
Other expenses	2,368
Total operating expenses	4,969

5. Net Finance Income/(Cost)

	Consolidated 2021 $'000
Finance Income	
Interest on bank deposits	33
Total finance income	33
Finance Cost	
Finance Costs – Leases	(3)
Revolving credit facility fees and interest	(250)
Total finance costs	(253)
Total Net Finance Income/(Costs)	(220)

Interest income

Interest income is accrued on a time basis, by reference to the carrying value and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets which take more than 12 months to prepare for their intended use.

6. Income Tax Expense

	Consolidated 2021 $'000
(a) Income tax expense	
Current tax	
Current income tax on profits for the period	32,098
Total Current income tax	32,098
Deferred tax	
Decrease/(increase) in deferred tax assets	(1,293)
(Decrease)/increase in deferred tax liabilities	16,582
Total deferred tax expense/(benefit)	15,289
Income tax expense	47,387
(b) Numerical reconciliation of income tax expense to prima facie tax payable	
Profit from continuing operations before income tax expense	141,647
Tax at the average effective tax rate of 30%	42,494
Tax effect of amounts which are not deductible in calculating taxable income:	
Non-deductible expenses	334
Tax effect of valuation gain on acquired receivable	(1,953)
Other permanent differences between taxable income and accounting profit:	
Tax payable on acquired receivable (refer note 15)	6,512
Income tax expense	47,387

The income tax expense or benefit represents the sum of current and deferred income taxes.

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used are those that are enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

7. Deferred Tax

	Consolidated 2021 $'000
Deferred tax assets	
The balance comprises temporary differences attributable to:	
Provisions and accruals	31
Lease liabilities	93
Demerger expenses	1,113
Other	56
Gross deferred tax assets	1,293
Amount offset to deferred tax liabilities pursuant to set-off provision	(1,293)
Net deferred tax assets	-
Deferred tax liability	
The balance comprises temporary differences attributable to:	
Property, plant and equipment	9
Right-of-use assets	89
Royalty receivable	16,477
Other	7
Gross deferred tax liabilities	16,582
Amounts offset to deferred tax assets pursuant to set-off provision	(1,293)
Net deferred tax liabilities	15,289
Reconciliation of deferred tax balance	
Balance as at 15 June 2020	-
Deferred tax expense/(benefit) for the period	15,289
Closing balance	15,289

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit or loss; or are associated with investments and loans in controlled entities and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred 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 settled, based on tax rates (and laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity and not in the income statement.

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

8. Financial Assets and Financial Liabilities

The Group holds the following financial instruments:

		Consolidated 2021 $'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	8(a)	54,955
Cash and cash equivalents	8(b)	24,206
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	8(c)	801
Borrowings	8(d)	-
Lease liability		311

a) Trade and other receivables

	Consolidated 2021 $'000
Current	
Royalties receivable	54,923
Accrued income	11
GST receivable	21
	54,955

Trade and other receivables principally comprise amounts relating to royalties receivable. The Directors consider that the carrying amount of trade and other receivables is approximately their fair value.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the amount communicated as receivable from the counterparty under the terms of the royalty agreement. Impairment losses are recognised based on lifetime expected credit losses in profit or loss and are estimated as $nil given the credit quality of the counterparties.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature.

b) Cash and cash equivalents

	Consolidated 2021 $'000
Operating bank account	24,206
Total cash & cash equivalents	24,206

Cash and cash equivalents comprise cash on hand which are subject to an insignificant risk of changes in value.

c) Trade and other payables

	Consolidated 2021 $'000
Current	
Trade payables	345
Employee liabilities	34
Accrued expenses	420
Other payables	2
Total current trade & other payables	801

The Directors consider that the carrying amount of trade and other payables approximates their fair value. All amounts are considered short term, and none are past due.

The amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Trade payables are not interest bearing and are stated at their fair value on initial recognition. After initial recognition these are measured at amortised cost using the effective interest method.

d) Borrowings

	Consolidated 2021 $'000
Revolver Facility Agreement	-
Total borrowings	-

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) Revolving Cash Advance Facility Agreement

Interest bearing bank facilities are initially recognised at fair value, net of directly attributable transaction costs. Transaction costs are recognised in the income statement as they relate to the provision of the revolving facility over that period.

The table below details the facility expiries:

A$ million	Total facility	2021	2022	2023	2024
			Facility Expiry		
At 30 June 2021	$40m	-	-	$40m	-

Undrawn funds of the Revolving Cash Advance Facility at 30 June 2021 were $40 million.

(ii) Interest rate exposure

At 30 June 2021, the Group had the full Revolving Cash Facility available for drawdown. Accordingly, the Group did not have any interest rate exposure from the Revolving Cash Advance Facility. The applicable interest rate for each drawdown is determined with reference to the prevailing interest rates at drawdown date. The contractual repricing date of all the floating rate interest bearing liabilities at the balance date is within one year of drawdown.

(iii) *Financial covenants*

Under the term of the facility agreement, the Group is required to comply with certain financial covenants typical of a facility and business of this nature, including covenants that relate to the ratio of Earnings before Interest, Taxation and Depreciation and Amortisation ("EBITDA") to Net Finance Expense and the ratio of Net Debt to EBITDA. The covenants are tested at specific intervals and the Group remains in compliance with all covenants.

9. Royalty intangible assets

The Group's royalty intangible assets comprise royalty interests.

	Consolidated 2021 $'000
Gross carrying amount	
Opening balance	-
Additions through asset acquisition	9,210
Closing balance	9,210
Amortisation	
Opening balance	-
Amortisation charge	(307)
Closing balance	(307)
Carrying Amount 30 June 2021	8,903

Royalties are initially measured at cost, including any transaction costs.

The Group considers the substance of a royalty to be economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by future supply and demand and foreign exchange rates) are all risks which the Group participates in on a similar basis to an owner of the underlying mineral licence. Furthermore, there is only a right to receive cash to the extent there is production and there are no interest payments, minimum payment obligations or means to enforce production or guarantee repayment. These are accounted for as intangible assets under AASB 138.

Amortisation of intangible assets

The Group's royalty intangible assets are amortised on a straight-line basis over the estimated remaining life of mine. The amortisation starts upon the commencement of production at the underlying mining operation.

The Group's royalty intangible assets were amortised as follows during the period:

Royalty interest	Carrying value 30 June 2021 $'000	Acquisition value $'000	Estimated life of mine	Remaining life of mine
Mining Area C	8,903	9,210	360 months	348 months

10. Share Capital

	Number of Shares	$	Total $
Ordinary shares at 15 June 2020	1	1	1
Share split – effective 1 Nov 2020	528,462,100	-	-
Restricted shares issued	41,027	-	-
Ordinary shares at 30 June 2021	528,503,128	1	1

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

The Company executed a share split on 1 November 2020 to split the share into 528,462,101 shares in preparation of the demerger from Iluka Resources Limited on 2 November 2020.

The company granted 41,027 restricted shares on 7 December 2020 to the Managing Director as part of Employee Incentive Plan. The shares vests in 3 equal tranches on 1 March 2021, 1 March 2022 and 1 March 2023. Restrictions on the shares are lifted on the vesting date.

11. Cash Flow Information

	Consolidated 2021 $'000
Reconciliation of cash flows from operating activities with profit from ordinary activities after income tax:	
Profit for the year	94,260
Adjusted for non-cash items:	
Depreciation of PPE	11
Depreciation expense of right-of-use asset	47
Amortisation of Intangibles	307
Amortisation of loan establishment fees	27
Share-based payment	804
Annual leave provision	64
Interest income accrued	(11)
Interest expense accrued	17
Finance cost on lease liabilities	3
Net unrealised foreign exchange losses	5
Fair Value gain on asset acquisition	(6,512)
Changes in assets and liabilities:	
(Increase)/Decrease in operating receivables	(33,236)
(Increase)/Decrease in prepayments	(605)
Increase/(Decrease) in trade and other payables	795
Increase/(Decrease) in tax payable	10,904
Increase/(Decrease) in deferred tax liability	15,289
Net cash flows from operations	82,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 June 2021

Managing risk:

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance:

12. Critical estimates, judgements, and errors
13. Financial risk management
14. Capital management

12. Critical Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be sensitive to changes in estimates and assumptions. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amount of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial period are discussed below.

i. Acquisition of Royalty Interest

On 30 June 2020, Deterra Royalties Limited (DRL) acquired Deterra Royalties (MAC) Limited (DRML).

Judgement was applied to determine whether the acquisition of DRML by DRL should be treated as an asset acquisition or a business combination under AASB 3 *Business Combinations*.

The Group treated the acquisition as an asset acquisition and more information about the significant judgements and estimates made are disclosed in note 15.

13. Financial Risk Management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

a) Credit risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents and receivables. The Group closely monitors its financial assets and maintains its cash deposits in a high-quality financial institution with a minimum A-/A3 credit rating.

As at 30 June 2021, the Group is unaware of any information which would cause it to believe that these cash deposits are not fully recoverable. The credit risk relating to receivables is discussed in Note 8(a).

b) Liquidity risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. The Group manages its exposure to liquidity risk through prudent management of its financial position, including maintaining sufficient cash on hand or undrawn credit facilities. The Group has in place a planning and budgeting process to help determine the funds required to support the Group's normal operating requirements on an ongoing basis. Management continuously monitors and reviews both actual and forecast cash flows.

(i) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated 2021 $'000
Floating rate	
- Expiring within one year	-
- Expiring beyond one year	40,000
	40,000

(ii) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
At 30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	801	-	-	-	801
Borrowings	-	-	-	-	-
Lease liabilities	71	70	181	-	322
Total non-derivatives	872	70	181	-	1,123

14. Capital Management

a) Risk management

The Group defines capital as the total equity attributable to common shareholders. Capital is managed by the Group's management and governed by the Board of Directors. The Group is not subject to any externally imposed capital requirements and relevant financial covenants are disclosed in note 8(d)(iii).

b) Dividends

i) Ordinary shares

	Consolidated 2021 $'000
First interim dividend for the period ended 30 June 2021	20,393
Second interim dividend for the period ended 30 June 2021 of 2.45 cents per share	12,948
Total dividends	33,341

Prior to the share split (refer note 10), a dividend of $20,393,000, was declared and paid to Iluka on 30 October 2020, reflecting the intercompany settlement for royalty income earned for the Pre-demerger Period less certain demerger related expenses (the first interim dividend).

The second interim dividend relates to the income earned in the Post-demerger Period to 31 December 2020.

ii) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 11.52 cents per fully paid ordinary share. The aggregate amount of the proposed dividend expected to be paid on 22 September 2021 out of retained earnings at 30 June 2021, but not recognised as a liability at year end, is $60,884,000.

iii) Franking credits

The final dividends recommended after 30 June 2021 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2022.

	Parent entity 2021 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30%	27,185

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

Group structure:

This section provides information that will help users understand how the group structure affects the financial position and performance of the Group as a whole. In particular, there is information about changes to the structure that occurred during the year.

A list of significant subsidiaries is provided in note 16.

15. Asset acquisition
16. Interest in Subsidiaries

15. Acquisition of Royalty Interests

On 30 June 2020, Deterra Royalties Limited (Deterra) acquired Deterra Royalties (MAC) Limited (DRML). DRML holds a portfolio of five royalty instruments, the most material of which is a royalty interest in Mining Area C, an iron ore mine located in the Pilbara region of Western Australia. The mine is majority-owned and operated by BHP.

The acquisition of DRML by Deterra has been treated as an asset acquisition, rather than a business combination. This was on the grounds that the transaction met the "concentration test" within AASB 3 *Business Combinations*. The cost of the acquisition has therefore been allocated to the assets and liabilities acquired.

	Consolidated 2021 $'000
The cost of the acquisition was attributed to the following assets and liabilities:	
Royalty receivable	15,195
Royalty intangible asset	9,210
Net assets acquired at 30 June 2020	24,405
Purchase consideration	
Cash paid	24,405

The royalty receivable arises from the estimate of royalties earned for the period from 1 April 2020 to 30 June 2020, that were subsequently received by DRML in July 2020 (after the acquisition by Deterra). Royalties are taxable upon receipt and therefore the right to receive the royalty also carries with it a future obligation to pay those taxes.

Accounting standards do not permit the recognition of deferred tax liabilities as part of asset acquisition accounting. Instead, the allocation of the cost of the acquisition to the royalty receivable ($15,195,000) incorporates a discount to reflect the fact that Deterra is obligated to pay the future tax liability (expected tax obligation of $6,512,000). The remaining cost of the acquisition was allocated to the royalty portfolio (described further in note 9 - Royalty intangible assets).

Upon receipt of the cash (in July 2020) the Group recognised a gain on the receivable of $6,512,000, representing the reversal of the discount applied in the acquisition accounting entries. At the same time, Deterra also recognised a matching income tax liability of $6,512,000 and tax expense to reflect the tax due. There was no impact on net profit after tax. This accounting treatment is only relevant to the initial acquisition. Post acquisition, royalty receivables have been recognised at their gross value along with a corresponding income tax liability.

16. Interest in Subsidiaries

The condensed consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described below:

Name of entity	Country of incorporation	Equity holding[43] 2020
Deterra Royalties (MAC) Limited	Australia	100%
Deterra Royalties Holdings Pty Limited	Australia	100%

[43] The proportion of ownership interest is equal to the proportion of voting power held.

Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Deterra Royalties Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended. Deterra Royalties Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit or Loss and Statement of Other Comprehensive Income.

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Unrecognised items:

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

17. Commitments, contingent liabilities, and contingent assets
18. Subsequent events

17. Commitments and Contingencies

There are no other commitments or contingent liabilities outstanding at 30 June 2021.

18. Subsequent Events

The impact of the Coronavirus (COVID-19) pandemic is ongoing and remains uncertain. Whilst the impact of the pandemic for the consolidated entity up to 30 June 2021 has been limited, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation continues to evolve and remains dependent on measures imposed by the Australian Government and other countries. Of particular relevance to the Group are the localised impact to mining operations over which the Group owns royalties, and the broader macro demand impact on markets for commodities.

Subsequent to period end:

- The Board of Directors recommended a final dividend of 11.52c per share which is equal to $60,884,000.

Further details:

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

19. Related party transactions
20. Share-based payments
21. Remuneration of auditors
22. Earnings per share
23. Parent entity financial information
24. Summary of significant accounting policies

19. Related party transactions

a) *Subsidiaries*

Interests in subsidiaries are set out in note 16.

b) *Key management personnel compensation*

	Total per Rem Report 2021 $'000	Pre-Demerger Period 2021 $'000	Consolidated 2021 $'000
Short-term employee benefits	1,376	159	1,217
Post-employment benefits	52	6	46
Share-based payments	804	-	804
	2,232	165	2,067

The Total Statutory Remuneration per the Remuneration Report include amounts paid by Iluka Resources on behalf of Deterra during the Pre-Demerger Period. The amount included in the Consolidated Financial Report for this reporting period is the difference between the Total Statutory Remuneration per the Remuneration Report and the Pre-Demerger Period cost paid by Iluka Resources.

Detailed remuneration disclosures are provided in the remuneration report on pages 36 to 50.

c) *Transaction with other related parties*

	Consolidated 2021 $'000
Purchase from Iluka Resources	
Acquisition of Royalty Interests	24,405
Transitional services agreement	6
Dividends paid to Iluka Resources	
Total interim dividends paid	22,983
Other transactions with Iluka Resources	
Net tax paid to Iluka Tax Consolidated Group	15,292
Expenses paid on behalf of Deterra	120
Royalty received on behalf of Deterra	(351)

d) *Payable to related party*

At 30 June 2021 there were no amounts payable to related parties.

e) *Terms and conditions*

Transactions, excluding amounts paid under the Transitional Services Agreement, with Iluka Resources arose whilst Deterra was a 100% owned subsidiary and reflect the terms of the demerger, as set out in the prospectus.

20. Share Based Payments

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using valuation techniques appropriate to the instrument being valued, such as Black-Scholes models or Monte Carlo simulations.

In determining the fair value of the equity instruments granted, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Deterra Royalties Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired; and
- the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Profit or Loss and Other Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The share-based payment expense recognised in profit or loss is summarised below:

Schemes	$
(i) Executive Incentive Plan (EIP)	
2018 EIP Replacement	81,023
2019 EIP Replacement - Rights	26,158
2019 EIP Replacement - Restricted Shares	119,838
(ii) Initial Equity Grant Plan (IEGP)	
2020 – Initial Equity Grant	366,406
(iii) Long Term Incentive (LTI) Award	
2021 LTI Award	210,609
Total expense for period	804,034

i. Executive Incentive Plan

Equity awarded under the Executive Incentive Plan serve as replacement for instruments issued to the Managing Director under the relevant Iluka Resources Limited Executive Incentive Plan. The number of restricted shares and performance rights to be awarded are determined based on the number of shares previously awarded by Iluka under the scheme. The key terms and inputs for each issue are as follows:

	2018 EIP – Replacement rights	2019 EIP – Replacement rights	2019 EIP – Replacement Restricted shares
Grant date	7 December 2020	7 December 2020	7 December 2020
Share price at Grant Date	$5.25	$5.25	$5.25
Vesting date	31 December 2021	31 December 2022	21 March 2021, 2022 and 2023
FV at Grant Date (avg)	$3.41	$3.34	$5.05
Number of rights/shares	45,153	28,806	41,027
Total FV at Grant date	$153,746	$96,212	$207,186
Performance or Service conditions	Performance	Performance	Service
Expense in period	$81,023	$26,158	$119,838

ii. Initial Equity Grant Plan

Equity awarded under Initial Equity Grant was awarded to the Managing Director and Chief Financial Officer upon the listing of Deterra Royalties Ltd on the ASX.

	2020 IEG Offer
Grant date	7 December 2020
Share price at Grant Date	$5.25
Vesting date	30 June 2021 and 2022
FV at Grant Date (avg)	$3.40
Number of rights/shares	157,817
Total FV at Grant date	$536,183
Performance or Service conditions	Performance
Expense in period	$366,406

The Initial Equity Grants vesting on 30 June 2021 did not meet the relevant market performance conditions and as such did not vest. The 78,908 performance rights that did not vest represents $271,050 of the expense for the period.

iii. Long Term Incentive Award

Equity awarded under the Group's Long-Term Incentive Award was awarded to the Managing Director and Chief Financial Officer under the Group's Equity Incentive Plan

	2021 Long Term Incentive Award
Grant date	7 December 2020
Share price at Grant Date	$5.25
Vesting date	30 June 2023
FV at Grant Date (avg)	$3.30
Number of rights/shares	291,086
Total FV at Grant date	$960,584
Performance or Service conditions	Performance
Expense in period	$210,609

21. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the parent entity, Deterra Royalties Limited:

	Consolidated 2021 $'000
Audit and review of financial reports	
Group	30
Controlled entities	-
Total audit and review of financial reports	30
Other services	
Consulting services	-
Total services provided by PwC	30

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22. Earnings Per Share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-tax effect of interest and other financing costs associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Earnings per ordinary share is calculated on the Group's profit after tax of $94,260,000 and the weighted average number of shares in issue during the year of 528,466,456.

	Consolidated 2021 $'000
Net profit attributable to shareholders	
Earnings per share - basic	$0.1784
Earnings per share - diluted	$0.1783

The number of diluted shares was calculated based on the total number of performance rights that had a dilutive effect at 30 June 2021 time weighted from 7 December 2020 for the period 15 June 2020 to 30 June 2021.

The weighted average number of shares on issue for the purpose of calculating basic and diluted earnings per share and basic and diluted adjusted earnings per share are as follows:

	Consolidated 2021
Weighted average number of shares on issue	
Basic weighted average number of shares outstanding	528,466,456
Dilutive effect of Employee Performance Rights	122,171
Diluted number of shares outstanding	528,588,627

23. Parent entity financial information

The individual financial statements for the parent entity, Deterra Royalties Ltd, show the following aggregate amounts:

	Parent 2021 $'000
Balance sheet	
Current assets	24,882
Total assets	82,777
Current liabilities	11,836
Total liabilities	27,368
Shareholders' equity	
Share capital	-
Reserves	804
Retained earnings	54,605
	55,409
Profit/(Loss) for the period	87,945
Total comprehensive income/(loss)	87,945

a) *Deed of cross guarantee*

Deterra Royalties Limited and its controlled entities entered into a deed of cross guarantee under which each entity cross guarantees the debts of the others. By entering into the deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.* For the purposes of the cross guarantee, the Group is a 'closed group'. The closed group's financial position at 30 June 2021 as well as the profit and cashflows for the period ended on that date are the same as the consolidated financial position, consolidated profit and cashflows presented in this financial report.

b) Tax consolidation legislation

Deterra Royalties Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation and formed a tax consolidated group.

The head entity, Deterra Royalties Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

The tax consolidated group has not yet entered into a tax funding agreement. To date, no compensation has been received or paid for any current tax payable or deferred tax assets relating to tax losses assumed by the parent entity since implementation of the tax consolidation regime. The 30 June 2021 tax return will be the first tax return lodged by the tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to the period presented. These financial statements present the financial information for Deterra Royalties Limited as a consolidated entity consisting of Deterra Royalties Limited and the entities controlled throughout the period (Group or consolidated entity). The Group is a for-profit entity for the purpose of this financial report.

(a) *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 and the Corporations Act 2001. In addition, the financial statements comply with International Financial Reporting Standards issued by the International Accounting Standards Board. Deterra Royalties Limited is a for-profit entity for the purpose of preparing the financial statements.

i. Historical cost convention

These financial statements have been prepared on the historical cost basis, except for share based payments that is measured at grant date fair value (refer Note 20)

ii. New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the period ended 30 June 2021 are outlined in the table below:

Reference	Summary	Application date of the standard	Applies to financial year ended
AASB 2020-8	**Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 Requires that for-profit private sector entities:** This Standard amends the Standards listed to help entities to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities' financial statements. As a result of these amendments, an entity: a) will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; b) will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and c) will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.	1 January 2021	30 June 2022
AASB 2021-2	***Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*** This Standard amends:	1 January 2023	30 June 2024

a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and

AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group assessed that none of the new accounting standards and interpretations will have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

iii. New standards and interpretations adopted

Since inception, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2020. Adoption of these standards and interpretations did not have a material effect on the financial position or performance of the Group.

In addition, the Group have early adopted the following accounting standards with no material impact to the financial statements:

1. AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current and Non-Current
2. Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments

(b) *Foreign currency translation*

i. *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Deterra Royalties Limited's functional and presentation currency.

ii. *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rates at the date of the transaction (and not retranslated). Non-monetary assets and liabilities measured at fair value are translated using the exchange rates at the date when fair value was determined.

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iii. *Group companies*

Should an entity in the Group have a functional currency different from the presentation currency (and not a currency in a hyperinflationary economy), their results and financial position are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for the statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(c) *Plant and equipment*

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- IT and office equipment – 3 to 5 years

(d) *Impairment of non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets are impaired. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. If such an indication is identified, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The recoverable amount is the higher of fair value (less costs of disposal) and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that has been adjusted to reflect the risks specific to that asset. If the recoverable amount of the asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is also recognised in the income statement.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment loss is also recognised in the income statement.

(e) *Employee benefits*

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as other payables.

(f) *Provisions*

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(g) *Leases*

i. The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for the short-term leases (defined as leases with lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

i. Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The Group did not make any such adjustments during the period.

ii. Right of use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

The Group applied AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in 'Plant and Equipment' policy.

In the directors' opinion:

(a) the financial statements and notes set out on pages 54 to 85 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial period 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 16 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 23.

Note 24(a) 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 Board of Directors.

Jennifer Seabrook
Independent Chair

Perth, Western Australia

Julian Andrews
Managing Director & Chief Executive Officer

Perth, Western Australia

pwc

Independent auditor's report

To the members of Deterra Royalties Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Deterra Royalties 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 30 June 2021 and of its financial performance for the period 15 June 2020 to 30 June 2021

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the period 15 June 2020 to 30 June 2021
- the consolidated statement of cash flows for the period 15 June 2020 to 30 June 2021
- the consolidated statement of profit or loss and other comprehensive income for the period 15 June 2020 to 30 June 2021
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $7 million, which represents approximately 5% of the Group's profit before tax. • 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 Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Accounting for the asset acquisition of Deterra Royalties (MAC) Limited – Royalty revenue • These are further described in the *Key audit matters* section of our report.

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.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for the asset acquisition of Deterra Royalties (MAC) Limited *Refer to note 15* As described in note 15, during the period the Group acquired 100% of the share capital of Deterra Royalties (MAC) Limited for a consideration of $24,405,000. The Group concluded that the acquisition was an asset acquisition by considering the requirements of AASB 3 Business Combinations and in particular the concentration test. The Group therefore allocated the consideration paid to the assets and liabilities acquired. The Group also applied the requirements of AASB 112 Income Taxes to determine the appropriate treatment of temporary differences arising on the acquired assets. This was a key audit matter due to the financial and accounting implications of the transaction on the Group and the judgments required to apply accounting standards to the transaction, including: • that the acquisition was an asset acquisition; • the allocation of the purchase consideration to the assets acquired; and • the impact of tax effect accounting on the transaction	Our audit procedures included the following, amongst others: • Considered whether the Group's assessment that the transaction was an asset acquisition met the requirements of AASB 3 Business Combinations. • Tested the purchase consideration paid by agreeing this to the underlying purchase agreement and bank statement. • Considered whether the Group's approach to allocating the purchase price to the acquired assets was in accordance with the requirements of accounting standards. • Tested that the Group's calculation of the allocation of the purchase price was in accordance with this approach and that the assets acquired had been accurately recorded. • Considered the completeness of assets and liabilities acquired by evaluating contracts related to the acquisition and the Prospectus issued in relation to the demerger of the Group. • Assessed the accounting for income tax, including temporary differences arising from the transaction. • Assessed the appropriateness of accounting for the royalty asset as an intangible asset rather than a financial asset against the requirements of accounting standards and industry practice. • Evaluated the adequacy of the disclosures made in note 15 in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Royalty revenue *Refer to note 3* As described in note 3, royalty revenue is earned on royalty interests held by the Group. This was a key audit matter due to the financial significance of revenue to the financial statements of the Group.	Our audit procedures included the following, amongst others: • Evaluating the appropriateness of the revenue recognition policy against the requirements of accounting standards. • Testing a sample of royalty revenue recognised by the Group by agreeing the revenue recognised to the royalty statements received from the relevant counterparties and tracing receipt of these amounts to the Group's bank account. • We compared the formula used in the royalty statement to that stipulated in the royalty agreement. We agreed the inputs used in the royalty statement to supporting information provided by the counterparty to the Group. • We assessed the completeness of royalty revenue by evaluating the amount of revenue recognised against publicly available information in relation to the quantity of ore produced and average iron ore prices during the period. • Evaluated the adequacy of the disclosures made in note 3 in light of the requirements of Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 15 June 2020 to 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 36 to 50 of the directors' report for the period 15 June 2020 to 30 June 2021.

In our opinion, the remuneration report of Deterra Royalties Limited for the period 15 June 2020 to 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Ian Campbell
Partner

Perth
17 August 2021

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

CAPITAL

Share capital comprised 528,503,128 fully paid ordinary shares on 30 July 2021.

SHAREHOLDER DETAILS

As at 30 July 2021, Deterra Royalties Limited had 20,363 shareholders. There were 2,305 shareholdings with less than a marketable parcel of $500 worth of ordinary shares.

Rank	Name	Units	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	123,274,209	23.33
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	113,901,745	21.55
3	ILUKA RESOURCES LIMITED	105,692,420	20.00
4	CITICORP NOMINEES PTY LIMITED	58,017,011	10.98
5	NATIONAL NOMINEES LIMITED	19,652,320	3.72
6	BNP PARIBAS NOMS PTY LTD <DRP>	12,293,566	2.33
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	7,160,430	1.35
8	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	4,803,675	0.91
9	UBS NOMINEES PTY LTD	4,389,314	0.83
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,515,083	0.67
11	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,083,519	0.58
12	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	1,247,234	0.24
13	R O HENDERSON (BEEHIVE) PTY LIMITED	1,080,000	0.20
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,064,063	0.20
15	WOODROSS NOMINEES PTY LTD	923,398	0.17
16	AMP LIFE LIMITED	756,868	0.14
17	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	663,395	0.13
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	647,832	0.12
19	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	632,830	0.12
20	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	558,155	0.11
	Total Held by First 20	463,357,067	87.67
	Total Held by remaining shareholders	65,146,061	12.33
	Total issued capital	528,503,128	100.0

SUBSTANTIAL HOLDERS OF DETERRA ROYALTIES LIMIITED AT 30 JULY 2021

As at 30 July 2021, Deterra Royalties Limited has four substantial shareholders who, together with their associates, hold five per cent or more of the voting rights in the Deterra Royalties Limited, as notified to the Company under the Australian Corporations Act.

Name	Date Notice Received	Number of shares in Notice	Percentage of Capital in Notice
Iluka Resources Limited	2 November 2020	105,692,420	20.00%
Perpetual Limited	21 May 2021	73,876,135	13.98%
Schroders Investment Management Australia Limited	8 December 2021	27,672,555	5.24%
United Super Pty Ltd	12 May 2021	26,505,729	5.02%

INVESTOR CATEGORIES

Range	Total holders	Units	% Units
1 - 1,000	10,724	4,091,248	0.77
1,001 - 5,000	6,995	17,011,260	3.22
5,001 - 10,000	1,556	11,502,088	2.18
10,001 - 100,000	1,028	23,407,205	4.43
100,001 Over	60	472,491,327	89.40
Rounding			0.00
Total	20,363	528,503,128	100.00

VOTING RIGHTS

On a show of hands, every member present in person or by proxy, attorney or representative shall have one vote. Upon a poll, every member present in person or by proxy, attorney or representative shall have one vote for every share held by the member. Where more than one proxy, attorney or representative is appointed, none may vote on a show of hands.

OTHER SECURITIES ON ISSUE

The Company has performance rights on issue in addition to ordinary shares. The details of securities held as at 30 July 2021 are as follows:

Class of securities	Number of holders	Number of securities
Performance rights	2	443,954

No voting rights attach to the above securities, however, any ordinary shares that are allotted to the holders of the securities upon vesting or conversion of the above-mentioned securities will have the same voting rights as all other ordinary Deterra Royalties shares.

SHARE REGISTRY INFORMATION

Computershare Investor Services Pty Ltd provides share registry services to Deterra and can be contacted for assistance with queries related to shareholdings, dividend payments and other administrative matters.

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace Perth Western Australia 6000

GPO Box D182 Perth Western Australia 6840

Telephone (within Australia): 1300 733 043

Telephone (outside Australia): +61 3 9415 4801

Facsimile: +61 3 9473 2500

DETERRA DEMERGER SHAREHOLDER COST BASE

Following the implementation of the demerger of Deterra Royalties Limited from Iluka Resources Limited on 2 November 2020, the following information has been provided as a guide to calculating the cost base for Iluka shareholders who had been issued shares in Deterra Royalties.

The tax cost base of Iluka shareholders' pre-demerger holdings should be apportioned between their Iluka and Deterra shareholdings based on the following percentages:

Iluka – 54.91%, Deterra – 45.09%

This reflects the Volume Weighted Average Prices (VWAP) for the two entities in the five trading days post demerger (23-29 October 2020) of $5.2083 and $4.2771 for Iluka and Deterra, respectively.

Further information on calculation of cost bases in a demerged entity is available on the ATO website - refer ATO - Cost Base Calculations.

GLOSSARY OF TERMS

$ or A$	Australian dollars.
$m	million Australian dollars.
AAS or Australian Accounting Standards	Australian Accounting Standards issued by the AASB.
AASB	Australian Accounting Standards Board.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited, or the financial market operated by the Australian Securities Exchange, as the context requires.
ATO	Australian Taxation Office.
BHP	BHP Group Limited (ACN 004 028 077) and/or its Subsidiaries, as the context requires.
Board	the Deterra Board.
Capacity Payment	with reference to Mining Area C is the capacity payment key term as described in Table 7.
CFR	Cost and Freight.
The Company	Deterra Royalties Limited (ACN 641 743 348).
Corporations Act	*Corporations Act 2001* (Cth).
Demerger	the demerger of Deterra from Iluka.
Deterra	Deterra Royalties Limited (ACN 641 743 348).
Deterra Holdings	Deterra Royalties Holdings Pty Ltd (ACN 642 008 697).
dmt	dry metric tonnes.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
ESG	environmental, social and governance.
FOB	Free On Board.
FY21 or Financial Year 2021	The period 15 June 2020 to 30 June 2021.
Group	Deterra Royalties Limited and its controlled entities.
GST	has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
IFRS	International Financial Reporting Standards adopted by the International Accounting Standards Board.
Iluka	Iluka Resources Limited (ACN 008 675 018).
ktpa	thousand tonnes per annum.
MAC Royalty	the royalty arrangements as described in Table 7.
mdmt	million dry metric tonnes.
Mining Area C or MAC	Mining Area C, as described on page 30.
Mt	million tonnes.
mtpa	million tonnes per annum.
mwmt	million wet metric tonnes.
North Flank	mining operation within Mining Area C.
NPAT	net profit after tax.
Record Date	the date for determining entitlements of Deterra Shareholders to the final dividend, being 3 September 2021.
South Flank	mining operation within Mining Area C.
TSR	Total Shareholder Return, being the share price growth and dividends paid and reinvested on the ex-dividend date for the relevant company.
VWAP	the volume weighted average price of the relevant shares traded on the ASX during the relevant period.
wmtpa	wet metric tonnes per annum.
wmt	wet metric tonnes.

CAUTIONARY NOTES

FORWARD-LOOKING STATEMENTS

Forward looking statements may generally be identified by the use of forward-looking words such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “likely”, “should”, “planned”, “may”, “might”, “is confident”, “estimate”, “potential” or other similar words or phrases. These statements discuss future expectations concerning the results of operations or financial condition of Deterra, or provide other forward looking statements.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which may be beyond Deterra’s control, and which may cause the actual results, performance or achievements of Deterra to be materially different from future results, performance or achievements expressed or implied by such statements.

Other than as required by law, none of Deterra, its officers, advisers nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Annual Report will actually occur.

Except as required by law, Deterra disclaims any obligation or undertaking to update or revise any forward-looking statement in this Annual Report.

RESERVES, RESOURCES AND OTHER TECHNICAL INFORMATION

Except where otherwise stated, the information in this Annual Report relating to the mining assets to which Deterra’s royalty interests are referrable is based solely on information publicly disclosed by the owners or operators of these mining assets and information and data available in the public domain as at the date of this Annual Report, and none of this information has been independently verified by Deterra. Accordingly, Deterra does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Specifically, Deterra has limited, if any, access to the mining assets in respect of which royalties are derived by the Deterra. Deterra generally relies on publicly available information regarding the mining assets and generally have no ability to independently verify such information.

NON-IFRS FINANCIAL INFORMATION

This Annual Report contains non-IFRS financial measures 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 and/or reconciled in Deterra’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.

CORPORATE DIRECTORY

ABN

88 641 743 348

Directors

Jennifer Seabrook
Independent Chair and
Non-Executive Director

Julian Andrews
Managing Director and
Chief Executive Officer

Graeme Devlin
Independent Non-Executive Director

Joanne Warner
Independent Non-Executive Director

Adele Stratton
Non-Executive Director
(Iluka Nominee)

Company Secretary

Brendan Ryan & Ian Gregory

Registered Office & Principal Place of Business

Level 5,
216 St Georges Terrace
PERTH WA 6000

+61 8 6277 8880

Share Register

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Deterra Royalties shares are listed on the Australian Securities Exchange (ASX). Code: DRR

Auditors

PwC

Level 15,
125 St Georges Terrace
PERTH WA 6000

+61 8 9238 3000

Website

www.deterraroyalties.com

The site contains information on Deterra’s operations, ASX releases and financial and quarterly reports.

Deterra
ROYALTIES

deterraroyalties.com

Insight Communication & Design