22 October 2020

Pre-quotation disclosure

The following information is required to be provided to ASX Limited (**ASX**) for release to the market in connection with the official quotation and deferred settlement trading of the fully paid ordinary shares in Deterra Royalties Limited (**Deterra**) which will commence at 11.30am (AEDT) on 23 October 2020.

Unless otherwise defined, capitalised terms in this document have the same meaning they have in the demerger booklet released to ASX by Iluka Resources Limited (**Iluka**) on 10 September 2020 (**Demerger Booklet**).

1 Indicative statement of the 20 largest shareholders

Attachment 1 is an indicative statement of the 20 largest shareholders of Deterra.

The statement sets out an indicative list of the names of the 20 largest shareholders of Deterra Shares, being the only class of securities of Deterra to be quoted, and the number of Deterra Shares held by those holders.

2 Indicative distribution of shareholders statement

Attachment 2 is an indicative statement of the numbers of shareholders in each class of securities to be quoted, setting out the number of holders in the following categories:

1 – 1,000

1,001 – 5,000

5,001 – 10,000

10,001 – 100,000

100,001 and over.

3 Shareholder entitlement

To effect the Demerger of Deterra from Iluka:

(a) each Iluka Shareholder (other than Ineligible Overseas Shareholders and Selling Shareholders) will receive one Deterra Share for each Iluka Share that they hold as at the Record Date (expected to be 4.00pm (Perth time) on Monday, 26 October 2020); and

(b) for each Ineligible Overseas Shareholder and Selling Shareholder, the nominee of the Sale Agent will receive one Deterra Share for each Iluka Share held by the Ineligible Overseas Shareholder and Selling Shareholder as at the Record Date.

Iluka Shareholders can call the Shareholder Information Line on 1300 352 915 (within Australia) or +61 3 9415 4303 (international) between 6.30am and 5:00pm (Perth time) Monday to Friday, if they have any questions in relation to their entitlement to Deterra Shares.

4 Conditions precedent

All of the conditions precedent to the Demerger (other than ASX granting approval for the admission of Deterra and the quotation of Deterra Shares) have been satisfied or waived.

5 ASX Listing Rule waivers

ASX has granted Deterra a waiver from ASX Listing Rules 1.1 (Condition 3), 6.23.2, 6.23.4 and 10.14 on the terms set out below.

ASX Listing Rule 1.1 (Condition 3)

Waiver decision

1. *Based solely on the information provided, ASX Limited ('ASX') grant Deterra Royalties Limited (the 'Company') a waiver from listing rule 1.1 condition 3 to the extent necessary to permit the Company to issue an information memorandum instead of a prospectus for its listing on the ASX, on condition that the information memorandum complies with the requirements of listing rule 1.4.*

2. *ASX has considered Listing Rule 1.1 condition 3 only and makes no statement as to the Company's compliance with other listing rules.*

Basis for waiver decision

3. *Listing Rule 1.1 requires an entity applying for admission to the official list of ASX to meet various conditions before it is admitted. Listing rule 1.1 condition 3 requires an entity applying for admission to issue a prospectus or product disclosure statement required to be lodged with ASIC under the Corporations Act 2001 (Cth). ASX, in lieu of a prospectus or product disclosure statement, may accept an information memorandum that complies with the information memorandum requirements of Listing Rule 1.4 where an entity does not need to raise capital.*

Fact/reason for granting the waiver

4. *DRR has applied for admission to the Official List of ASX in connection with its proposed demerger from Iluka Resources Limited. The Company will use an information memorandum based on the Demerger Booklet as the basis of the Company's ASX listing. The Company is currently a wholly-owned business of ILU, which is an existing listed entity, and it is to be spun-off into a separate listed entity. Shareholders of ILU will ultimately become shareholders in the Company. The demerger is to be effected pursuant to an in-specie distribution on a one-for-one basis. ILU will seek shareholder approval for the demerger. Upon implementation of the demerger, each ILU shareholder, as at the record date for the demerger, will receive a proportionate shareholding in the Company, with ILU retaining up to 20% shareholding in the Company. On the basis that the Company will not be raising any capital as part of the listing, the issue of an information memorandum incorporating the Demerger Booklet is considered acceptable in place of a prospectus.*

ASX Listing Rule 6.23.2

Waiver decision

1. *Based solely on the information provided, ASX Limited ('ASX') grants Deterra Royalties Limited (the 'Company or Deterra') a waiver from listing rule 6.23.2 to the extent necessary to permit the Company to cancel performance rights issued to Mr Julian Andrews under its 2018 executive incentive plan ('Andrews*

Performance Rights') so that they can be replaced by Deterra performance rights on substantially similar terms, without shareholder approval, on the following conditions:

1.1 The shareholders of the Company approve the Demerger; and

1.2 Full details of the cancellation of the Andrews Performance Rights are set out to ASX's satisfaction in the demerger booklet for the Demerger.

2. ASX has considered Listing Rule 6.23.2 only and makes no statement as to the Company's compliance with other listing rules.

Basis for waiver decision

3. The cancellation of options for consideration requires the approval of holders of ordinary securities to prevent option holders from seeking to extract an economic benefit from the listed entity that has granted the options, other than by exercising options according to their terms. This requirement maintains an appropriate balance between the rights and holders of ordinary securities and holders of options and supports the integrity of the ASX market.

Fact/reason for granting the waiver

4. Following the Demerger, IEP Performance Rights held by Mr Julian Andrews, who will become CEO of Deterra, are to be cancelled, and replaced by Deterra performance rights on substantially similar terms. The Company's shareholders will not be disadvantaged on condition that there is sufficient disclosure in the demerger booklet and accordingly, the requirement to receive separate shareholder approval under listing rule 6.23.2 for the cancellation of the IEP Performance Rights is superfluous.

ASX Listing Rule 6.23.4

Waiver decision

1. Based solely on the information provided, ASX Limited ('ASX') grant Deterra Royalties Limited (the 'Company or Deterra') a waiver from listing rule 6.23.4 to the extent necessary to permit the performance conditions attaching to the performance rights (the 'Amended Performance Rights') issued by the Company under Equity Plans held by its employees who will remain employed by the Company following the Demerger, to be amended so that they relate to the performance of the entity resulting from the Demerger, without security holder approval, on the following conditions.

1.1 The Company's shareholders approve the Demerger.

1.2 The full details of the Amended Performance Rights are set out to ASX's satisfaction in the demerger booklet for the Demerger.

1.3 The Performance Rights performance conditions are amended so that a holder of Amended Performance Rights will not receive a benefit that they would not have received before the Demerger.

2. ASX has considered Listing Rule 6.23.4 only and makes no statement as to the Company's compliance with other listing rules.

Basis for waiver decision

3. The cancellation of options for consideration requires the approval of holders of ordinary securities to prevent option holders from seeking to extract an economic benefit from the listed entity that has granted the options, other than by exercising options according to their terms. This requirement maintains an appropriate balance between the rights of holders of ordinary securities and holders of options and supports the integrity of the ASX market.

Fact/reason for granting the waiver

4. *Following the Proposed Demerger, the Company proposes to amend the terms of the performance rights issued under the Equity Plans to reflect the financial performance of the two separate entities following the demerger of Deterra. The amendments will be made in accordance with the terms of the Equity Plans and will ensure that the performance conditions attaching to the Amended Performance Rights are not materially easier or more difficult to satisfy after the Proposed Demerger. The shareholders will not be disadvantaged on the condition that there is sufficient disclosure in the Demerger Booklet and shareholders approve the Demerger and accordingly, the requirement to receive separate security holder approval under listing rule 6.23.4 to amend the performance conditions attaching to the Amended Performance Rights is superfluous.*

ASX Listing Rule 10.14

Waiver decision

1. *Based solely on the information provided, ASX Limited ('ASX') grants Deterra Royalties Limited (the 'Company') a waiver from listing rule 10.14 to the extent necessary to permit the Company to issue restricted shares in the Company or rights to receive shares in the Company to any executive director/s of the Company as part of the demerger of the Company from Iluka Resources Limited ("ILU") without seeking shareholder approval, on the following conditions:*

    1.1 *The Demerger Booklet issued in connection with the proposed demerger of the Company contains the information required by Listing Rule 10.15 in respect of the proposed issues.*

    1.2 *In each case, the date by which the Company will issue the options or rights must be no later than 12 months from the date of its admission to the official list.*

2. *ASX has considered Listing Rule 10.14 only and makes no statement as to the Company's compliance with other listing rules.*

Basis for waiver decision

3. *Listed entities are required to obtain the prior approval of security holders for an issue of equity securities to related parties, even if pursuant to their participation in an employee incentive scheme. This rule is directed at preventing related parties from obtaining securities on advantageous terms and increasing their holding proportionate to the holdings of other security holders' interests by supplementing the related party provisions of the Corporations Act (and any related party provisions applying to foreign entities under relevant legislation).*

Fact/reason for granting the waiver

4. *DRR has applied for admission to the official list of ASX. It is proposed that the Company will have an equity plan under which certain employees of the Company, which may include directors, will be eligible to receive awards to replace their current entitlements (which will lapse when they cease employment with ILU) or awards to incentivise them in the future. The material terms of the awards that the Company proposes to make to any directors of the Company has been disclosed in the Demerger Booklet that will be sent to ILU shareholders and the Company's equity plans will be established prior to its listing. Waivers from Listing Rule 10.14 are granted on the basis that where a future issue of equity securities to a director under an incentive scheme is disclosed in an initial listing document, persons who subscribe under the IPO with notice of the future issue of securities to the director may be taken effectively to have consented to the issue. Therefore, it is unnecessary to*

submit the issue to a security holders' meeting for approval. The disclosure of the details of the future issue must be adequate and consistent with the information that would be required under Listing Rules 10.15 or 10.15A in a notice of meeting. Accordingly, a waiver from listing rule 10.14 is granted on the basis that the Company's Demerger Booklet contains adequate disclosure about the proposed issues of shares to directors and the shares are issued within three years of the Company's admission to the official list, which is consistent with the requirements of Listing Rule 10.15.

6 Appendix 1A and Information Form and Checklist

Attachment 3 is a copy of the final Appendix 1A and Information Form and Checklist that was lodged with ASX on 22 October 2020.

7 Deterra Constitution

Attachment 4 is a copy of the Deterra Constitution.

8 Information Memorandum

Attachment 5 is a copy of Deterra's Information Memorandum dated 16 October 2020.

9 Securities Dealing Policy

Attachment 6 is a copy of Deterra's Securities Dealing Policy.

Attachment 1

Indicative statement of the 20 largest shareholders

Rank	Investor	Balance held	% issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	144,355,264	27.32%
2	ILUKA RESOURCES LIMITED	105,692,420	20.00%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	99,063,490	18.75%
4	CITICORP NOMINEES PTY LIMITED	49,860,117	9.43%
5	NATIONAL NOMINEES LIMITED	26,634,012	5.04%
6	BNP PARIBAS NOMS PTY LTD <DRP>	10,054,137	1.90%
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	8,337,260	1.58%
8	UBS NOMINEES PTY LTD	8,306,740	1.57%
9	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	5,464,696	1.03%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	4,224,407	0.80%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,425,044	0.65%
12	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,339,575	0.44%
13	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,838,206	0.35%

Rank	Investor	Balance held	% issued capital
14	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,530,912	0.29%
15	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,384,032	0.26%
16	R O HENDERSON (BEEHIVE) PTY LIMITED	1,080,000	0.20%
17	ARGO INVESTMENTS LIMITED	1,000,000	0.19%
18	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	813,856	0.15%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	700,309	0.13%
20	UBS NOMINEES PTY LTD	608,260	0.12%
Total held by first 20		476,712,737	90.21%
Total held by remaining shareholders		51,749,364	9.79%
Total issued capital		528,462,101	**100.00%**

Attachment 2

Indicative distribution of shareholders statement

Class	Ranges	Investors	Securities	% issued capital
Ord	1 to 1,000	12,064	4,581,570	0.87%
Ord	1,001 to 5,000	6925	16,169,123	3.06%
Ord	5,001 to 10,000	1141	8,246,034	1.56%
Ord	10,001 to 100,000	673	14,892,382	2.82%
Ord	100,001 and over	49	484,572,992	91.69%
Ord	**Total**	20,852	528,462,101	**100.00%**

Attachment 3

Appendix 1A and Information Form and Checklist

Appendix 1A

Application for Admission to the ASX Official List (ASX Listing)

Name of entity[1]

Deterra Royalties Limited

ABN/ARBN	Date of this form
88 641 743 348	22 October 2020

We (the entity named above) apply for admission to the +official list of ASX Limited (ASX) as an ASX Listing and for +quotation of the following +securities (or such other number of +securities as we may notify to ASX prior to the commencement of +quotation):

	Number	*+Class (quoted only)*
Estimated maximum number and +class of +securities to be quoted on ASX at the commencement of quotation on ASX	528,462,101	Fully paid ordinary shares

By giving this form to ASX, we agree to the matters set out in Appendix 1A of the ASX Listing Rules.

Notes:

1. *If the entity seeking admission is a trust, the application should be in the form "[Name of responsible entity of trust] in its capacity as responsible entity of [Name of trust]".*
2. *An entity seeking admission to the official list as an ASX Listing must also provide to ASX the information and documents referred to in the Information Form and Checklist (ASX Listing) published on the ASX website.*

+ See chapter 19 of the ASX Listing Rules for defined terms.

Information Form and Checklist

(ASX Listing)

Name of entity	ABN/ACN/ARBN/ARSN
Deterra Royalties Limited	641 743 348

We (the entity named above) supply the following information and documents to support our application for admission to the official list of ASX Limited (ASX) as an ASX Listing.

Note: by giving an Appendix 1A *Application for Admission to the ASX Official List (ASX Listing)* to ASX, the entity is taken to have warranted that all of the information and documents it has given, or will give, to ASX in connection with its admission to the official list and the quotation of its securities are, or will be, accurate, complete and not misleading. It also indemnifies ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from, or connected with, any breach of that warranty (see Appendix 1A of the ASX Listing Rules).

The information and documents referred to in this Information Form and Checklist (including any annexures to it) are covered by the warranty and indemnity mentioned above.

Terms used in this Information Form and Checklist and in any Annexures have the same meaning as in the ASX Listing Rules.

Part 1 – Key Information

Instructions: *please complete each applicable item below. If an item is not applicable, please mark it as "N/A".*

All entities – corporate details[1]

Type of Australian registration number given above (eg ABN, ACN, ARSN or ARBN)	ACN
Legal entity identifier, if applicable	N/A
Place of incorporation or establishment	Western Australia
Date of incorporation or establishment	15 June 2020
Legislation under which incorporated or established	*Corporations Act 2001* (Cth)
Address of registered office in place of incorporation or establishment	Level 17, 240 St Georges Terrace, Perth WA 6000
Main business activity	The operation of a royalty business model involving the management and acquisition of a portfolio of royalties across most bulk commodities, base and precious metals, battery minerals and energy.
Country where main business activity is mostly carried on	Australia
Other exchanges on which the entity is listed	N/A

[1] If the entity applying for admission to the official list is a stapled group, please provide these details for each entity comprising the stapled group.

Street address of principal administrative office	Level 17, 240 St Georges Terrace, Perth WA 6000
Postal address of principal administrative office	Level 17, 240 St Georges Terrace, Perth WA 6000
Telephone number of principal administrative office	+61 (0)8 6277 8880
E-mail address for investor enquiries	brendan.ryan@deterraroyalties.com
Website URL	www.deterraroyalties.com

All entities – board and senior management details[2]

Full name and title of chairperson of directors	Ms Jennifer Seabrook
Full names of all existing directors	Ms Jennifer Seabrook Mr Julian Andrews Mr Graeme Devlin Dr Joanne Warner Ms Adele Stratton
Full names of any persons proposed to be appointed as additional or replacement directors	N/A
Full name and title of CEO/managing director	Mr Julian Andrews
Email address of CEO/managing director	julian.andrews@deterraroyalties.com
Full name and title of CFO	Mr Brendan Ryan
Email address of CFO	brendan.ryan@deterraroyalties.com
Full name and title of company secretary	Mr Brendan Ryan
Email address of company secretary	brendan.ryan@deterraroyalties.com

All entities – ASX compliance contact details[3]

Full name and title of ASX contact(s)	Mr Brendan Ryan (Chief Financial Officer and Company Secretary) Mr Julian Andrews (Managing Director and Chief Executive Officer)
Business address of ASX contact(s)	Level 17, 240 St Georges Terrace, Perth WA 6000

[2] If the entity applying for admission to the official list is a trust, enter the board and senior management details for the responsible entity of the trust.

[3] Under Listing Rule 1.1 Condition 13, a listed entity must appoint a person responsible for communication with ASX on Listing Rule matters. You can appoint more than one person to cater for situations where the primary nominated contact is not available.

Business phone number of ASX contact(s)	Mr Brendan Ryan: +61 477 881 976 Mr Julian Andrews: +61 409 102 708
Mobile phone number of ASX contact(s)	Mr Brendan Ryan: +61 477 881 976 Mr Julian Andrews: +61 409 102 708
Email address of ASX contact(s)	brendan.ryan@deterraroyalties.com julian.andrews@deterraroyalties.com

All entities – investor relations contact details

Full name and title of person responsible for investor relations	Mr Brendan Ryan (Chief Financial Officer and Company Secretary)
Business phone number of person responsible for investor relations	+61 477 881 976
Email address of person responsible for investor relations	brendan.ryan@deterraroyalties.com

All entities – auditor details[4]

Full name of auditor	PricewaterhouseCoopers (intended to be appointed following listing)

All entities – registry details[5]

Name of securities registry	Computershare Investor Services Pty Limited
Address of securities registry	Level 11, 172 St Georges Terrace, Perth WA 6000
Phone number of securities registry	1300 850 505 (within Australia) +61 (0)3 9415 4000 (outside Australia)
Fax number of securities registry	+61 (0)3 9473 2500
Email address of securities registry	web.queries@computershare.com.au
Type of subregisters the entity will operate[6]	Issuer and CHESS Sponsored Subregisters

All entities – key dates

Annual balance date	30 June (subject to and with effect from implementation of the demerger)
Month in which annual meeting is usually held (or intended to be held)[7]	October

4 In certain cases, ASX may require the applicant to provide information about the qualifications and experience of its auditor for release to the market before quotation commences (see Guidance Note 1 section 2.12).

5 If the entity has different registries for different classes of securities, please indicate clearly which registry details apply to which class of securities.

6 Example: CHESS and issuer sponsored subregisters (see Guidance Note 1 section 3.23).

7 May not apply to some trusts.

Months in which dividends or distributions are usually paid (or are intended to be paid)	March and September

Trusts – additional details

Name of responsible entity	N/A
Full names of the members of the compliance committee (if any)	N/A

Entities incorporated or established outside Australia – additional details

Name and address of the entity's Australian agent for service of process	N/A
Address of registered office in Australia (if any)	N/A

Entities listed or to be listed on another exchange or exchanges

Name of the other exchange(s) where the entity is or proposes to be listed	N/A
Is the ASX listing intended to be the entity's primary or secondary listing	N/A

Part 2 – Checklist Confirming Compliance with Admission Requirements

Instructions: *please indicate in the "Location/Confirmation" column for each item below and in any Annexures where the information or document referred to in that item is to be found (eg in the case of information, the specific page reference in the Offer Document where that information is located or, in the case of a document, the folder tab number where that document is located). If the item asks for confirmation of a matter, you may simply enter "Confirmed"" in the "Location/Confirmation" column. If an item is not applicable, please mark it as "N/A".*

In this regard, it will greatly assist ASX and speed up its review of the application if the various documents referred to in this Checklist and any Annexures (other than the 2 copies of the applicant's Offer Document (as lodged with ASIC) referred to in item 4 and the 10 printed versions of the final Offer Document referred to in note 10) are provided in a folder separated by numbered tabs and if the entity's constitution and copies of all material contracts are provided both in hard copy and in electronic format.

Note that completion of this Checklist and any Annexures is not to be taken to represent that the entity is necessarily in full or substantial compliance with the ASX Listing Rules or that ASX will admit the entity to its official list. Admission to the official list is in ASX's absolute discretion and ASX may refuse admission without giving any reasons (see Listing Rule 1.19).

A reference in this Checklist and in any Annexures to the "Offer Document" means the listing prospectus, product disclosure statement or information memorandum lodged by the applicant with ASX pursuant to Listing Rule 1.1 Condition 3.

If the applicant lodges a supplementary or replacement prospectus, product disclosure statement or information memorandum with ASX, ASX may require it to update this Checklist and any Annexures by reference to that document.

All entities – key supporting documents

Nº	Item	Location/Confirmation
1.	A copy of the entity's certificate of incorporation, certificate of registration or other evidence of status (including any change of name)	**Tab 1** – Certificate of registration for A.C.N. 641 743 348 Limited (renamed Deterra Royalties Limited on 20 August 2020)

Nº	Item	Location/Confirmation
2.	A copy of the entity's constitution (Listing Rule 1.1 Condition 2)[8]	**Tab 2** – Constitution of the Company (to take effect from the Company's listing on the ASX)
3.	Either: (a) confirmation that the entity's constitution includes the provisions of Appendix 15A or Appendix 15B (as applicable); or (b) a completed checklist that the constitution complies with the Listing Rules (Listing Rule 1.1 Condition 2)[9]	**Tab 3** – ASX compliance checklist for the constitution of the Company
4.	An electronic version and 2 hard copies of the Offer Document, as lodged with ASIC (Listing Rule 1.1 Condition 3)[10]	**Tab 4** **A.** Information memorandum of the Company **B.** Copy of Demerger Booklet
5.	Where in the Offer Document is the prominent statement that ASX takes no responsibility for the contents of the Offer Document (Listing Rule 1.1 Condition 3)?	See the important information section 'Role of ASIC and ASX' (inside cover) of the Demerger Booklet.
6.	Original executed ASX Online agreement confirming that documents may be given to ASX and authenticated electronically (Listing Rule 1.1 Condition 14)[11]	**Tab 5**
7.	If the entity's corporate governance statement[12] is included in its Offer Document, the page reference where it is included. Otherwise, a copy of the entity's corporate governance statement (Listing Rule 1.1 Condition 16)	See Section 2.11.2 (Page 63) of the Demerger Booklet.
8.	If the entity will be included in the S & P All Ordinaries Index on admission to the official list,[13] where in its Offer Document does it state that it will have an audit committee (Listing Rule 1.1 Condition 17)?	See Sections 2.11.5 (Page 65) and 2.11.6 (Page 65) of the Demerger Booklet.
9.	If the entity will be included in the S & P / ASX 300 Index on admission to the official list,[14] where in its Offer Document does it state that it will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the audit committee (Listing Rule 1.1 Condition 17)?	See Section 2.11.2 (Page 63) of the Demerger Booklet.
10.	If the entity will be included in the S & P / ASX 300 Index on admission to the official list,[15] where in its Offer Document does it state that it will have a remuneration committee comprised solely of non-executive directors (Listing Rule 1.1 Condition 18)	See Section 2.11.7 (Page 65) of the Demerger Booklet.
11.	If the entity's trading policy is included in its Offer Document, the page reference where it is included. Otherwise, a copy of the entity's trading policy (Listing Rule 1.1 Condition 19)	**Tab 6** – Securities Dealing Policy

8 It will assist ASX if the copy of the constitution is provided both in hard copy and in electronic format.

9 An electronic copy of the checklist is available from the ASX Compliance Downloads page on ASX's website.

10 The applicant should also provide 10 printed copies of the final Offer Document to ASX as soon as they are available.

11 An electronic copy of the *ASX Online Agreement* is available from the ASX Compliance Downloads page on ASX's website.

12 The entity's "corporate governance statement" is the statement disclosing the extent to which the entity will follow, as at the date of its admission to the official list, the recommendations set by the ASX Corporate Governance Council. If the entity does not intend to follow all the recommendations on its admission to the official list, the entity must separately identify each recommendation that will not be followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it intends to adopt in lieu of the recommendation.

13 If the entity is unsure whether they will be included in the S & P All Ordinaries Index on admission to the official list, they should contact ASX or S & P.

14 If the entity is unsure whether they will be included in the S & P / ASX 300 Index on admission to the official list, they should contact ASX or S & P.

15 If the entity is unsure whether they will be included in the S & P / ASX 300 Index on admission to the official list, they should contact ASX or S & P.

Nº	Item	Location/Confirmation
12.	For each director or proposed director, the CEO or proposed CEO, and the CFO or proposed CFO (together, "relevant officers") of the entity at the date of listing,[16] a list of the countries in which they have resided over the past 10 years (Listing Rule 1.1 Condition 20 and Guidance Note 1 section 3.21)[17]	Ms Jennifer Seabrook – Australia Mr Julian Andrews – Australia Mr Graeme Devlin – Australia Dr Joanne Warner – Australia Ms Adele Stratton – Australia Mr Brendan Ryan – Australia, United Kingdom and United States
13.	For each relevant officer, a list of any other names or alias they have used in the past 10 years, including any maiden name or married name[18] (Listing Rule 1.1 Condition 20 and Guidance Note 1 section 3.21)	N/A
14.	For each relevant officer who is or has in the past 10 years been a resident of Australia, an original or certified true copy of a national criminal history check obtained from the Australian Federal Police, a State or Territory police service or a broker accredited by Australian Criminal Intelligence Commission which is not more than 12 months old (Listing Rule 1.1 Condition 20 and Guidance Note 1 section 3.21)	**Tab 7** **A.** Ms Jennifer Seabrook **B.** Mr Julian Andrews **C.** Mr Graeme Devlin **D.** Dr Joanne Warner **E.** Ms Adele Stratton **F.** Mr Brendan Ryan
15.	For each relevant officer who is or has in the past 10 years been a resident of a country other than Australia, an original or certified true copy of an equivalent national criminal history check to that mentioned in item 14 above for each country in which the relevant officer has resided over the past 10 years (in English or together with a certified English translation) which is not more than 12 months old or, if such a check is not available in any such country, a statutory declaration[19] from the relevant officer confirming that fact and that he or she has not been convicted in that country of: (a) any criminal offence involving fraud, dishonesty, misrepresentation, concealment of material facts or breach of his or her duties as a director or officer of a company or other entity; or (b) any other criminal offence which at the time carried a maximum term of imprisonment of five years or more (regardless of the period, if any, for which he or she was sentenced), or, if that is not the case, a statement to that effect and a detailed explanation of the circumstances involved (Listing Rule 1.1 Condition 20 and Guidance Note 1 section 3.21)	**Tab 8** **A.** Mr Brendan Ryan (United Kingdom) **B.** Mr Brendan Ryan (United States)
16.	For each relevant officer who is or has in the past 10 years been a resident of Australia, an original or certified true copy of a search of the Australian Financial Security Authority National Personal Insolvency Index which is not more than 12 months old (Listing Rule 1.1 Condition 20 and Guidance Note 1 section 3.21)	**Tab 9** **A.** Ms Jennifer Seabrook **B.** Mr Julian Andrews **C.** Mr Graeme Devlin **D.** Dr Joanne Warner **E.** Ms Adele Stratton **F.** Mr Brendan Ryan
17.	For each relevant officer who is or has in the past 10 years been a resident	**Tab 10**

[16] If the entity applying for admission to the official list is a trust, references in items 12, 13, 14, 15, 16, 17 and 18 to a relevant officer mean a relevant officer of the responsible entity of the trust.

[17] The information referred to in items 12, 13, 14, 15, 16, 17 and 18 is required so that ASX can be satisfied that the relevant officer is of good fame and character under Listing Rule 1 Condition 20.

[18] The sample statutory declaration referred to in item 18 below addresses this requirement. Note that if the relevant officer has used another name or alias (including a maiden name or married name) in the past 10 years, the criminal record and bankruptcy checks referred to in items 14, 15, 16, 17 must cover all of the names or aliases the relevant officer has used over that period.

[19] The sample statutory declaration referred to in item 18 below also addresses this requirement.

Nº	Item	Location/Confirmation
	of a country other than Australia, an original or certified true copy of an equivalent national bankruptcy check to that mentioned in item 16 above for each country in which the relevant officer has resided over the past 10 years (in English or together with a certified English translation) which is not more than 12 months old or if such a check is not available in any such country, a statutory declaration[20] from the relevant officer confirming that fact and that he or she has not been declared a bankrupt or been an insolvent under administration in that country or, if that is not the case, a statement to that effect and a detailed explanation of the circumstances involved (Listing Rule 1.1 Condition 20 and Guidance Note 1 section 3.21)	**A.** Mr Brendan Ryan (United Kingdom) **B.** Mr Brendan Ryan (United States)
18.	A statutory declaration[21] from each relevant officer officer specifying whether they have used any other name or alias in the past 10 years and confirming that: (a) the relevant officer has not been the subject of any criminal or civil penalty proceedings or other enforcement action by any government agency in which he or she was found to have engaged in behaviour involving fraud, dishonesty, misrepresentation, concealment of material facts or breach of duty; (b) the relevant officer has not been refused membership of, or had their membership suspended or cancelled by, any professional body on the ground that he or she has engaged in behaviour involving fraud, dishonesty, misrepresentation, concealment of material facts or breach of duty; (c) the relevant officer has not been the subject of any disciplinary action (including any censure, monetary penalty or banning order) by a securities exchange or other authority responsible for regulating securities markets for failure to comply with his or her obligations as a director or officer of a listed entity; (d) no listed entity of which he or she was a relevant officer (or, in the case of a listed trust, in respect of which he or she was a relevant officer of the responsible entity of the trust) at the time of the relevant conduct has been the subject of any disciplinary action (including any censure, monetary penalty, suspension of trading or termination of listing) by a securities exchange or other authority responsible for regulating securities markets for failure to comply with its obligations under the Listing Rules applicable to that entity; and (e) the relevant officer is not aware of any pending or threatened investigation or enquiry by a government agency, professional body, securities exchange or other authority responsible for regulating securities markets that could lead to proceedings or action of the type described in (a), (b), (c) or (d) above, or, if the relevant officer is not able to give such confirmation, a statement to that effect and a detailed explanation of the circumstances involved (Listing Rule 1.1 Condition 20 and Guidance Note 1 section 3.21)	**Tab 11** **A.** Ms Jennifer Seabrook **B.** Mr Julian Andrews **C.** Mr Graeme Devlin **D.** Dr Joanne Warner **E.** Ms Adele Stratton **F.** Mr Brendan Ryan
19.	A specimen certificate/holding statement for each class of securities to be quoted or a specimen holding statement for CDIs (as applicable)	**Tab 12**
20.	Please either: (a) enter "Confirmed" in the column to the right to confirm that the entity has not previously applied for, and been refused or withdrawn its application for, admission to the official list of another securities exchange, or (b) attach a statement explaining the circumstances and state the location of that statement	Confirmed
21.	Please enter "Confirmed" in the column to the right to confirm that the entity	Confirmed (subject to payment of an

[20] The sample statutory declaration referred to in item 18 below also addresses this requirement.

[21] A sample statutory declaration is available from the ASX Compliance Downloads page on ASX's website.

Nº	Item	Location/Confirmation
	has paid its initial listing fee [22]	adjustment amount (if any)).

All entities – group structure

22.	Where in the Offer Document is there a diagram showing the group structure of the entity, identifying (where applicable) each material child entity and the nature and location of the business activities it undertakes	See Section 2.5 (Page 39) of the Demerger Booklet.
23.	If the entity has any material child entities, where in the Offer Document is there a list of all such child entities stating, in each case, its name, where it is incorporated or established, the nature of its business and the entity's percentage holding in it?	See response to item 22 above.
24.	If the entity has any material investments in associated entities for which it will apply equity accounting, where in the Offer Document is there a list of all such associated entities stating, in each case, its name, where it is incorporated or established, the nature of its business and the entity's percentage holding in it?	N/A
25.	If the entity has a material interest in a joint venture, where in the Offer Document is there a description of the joint venture agreement, including the parties to the agreement and their respective rights and obligations under the agreement?	The Company has a material interest in the Mount Goldsworthy Joint Venture through the MAC Royalty Agreement but is not a joint venturer itself. See Section 8.4 (Pages 204 – 206) of the Demerger Booklet for a summary of the MAC Royalty Agreement.
26.	If the entity does not hold its material assets and business operations directly itself or indirectly through a child entity, where in the Offer Document is there an explanation of why that structure has been employed and the risks associated with it?	N/A

All entities – capital structure

27.	Where in the Offer Document is there a table showing the existing and proposed capital structure of the entity, broken down as follows: (a) the number and class of each equity security and each debt security currently on issue; and (b) the number and class of each equity security and each debt security proposed to be issued between the date of this application and the date the entity is admitted to the official list; and (c) the resulting total number of each class of equity security and debt security proposed to be on issue at the date the entity is admitted to the official list; and (d) the number and class of each equity security proposed to be issued following admission in accordance with material contracts or agreements?	The Company will only have one class of shares on issue, being ordinary shares (see Sections 2.9.10 (Page 61) and 8.3.19 (Page 204) of the Demerger Booklet. Under the Demerger, eligible shareholders of Iluka Resources Limited will receive one ordinary share in the Company for each ordinary share in Iluka Resources Limited that they hold on the record date. At the time of the Demerger, the Company will have

[22] See Guidance Notes 15 and 15A for the fees payable on the application. You can also use the ASX online equity listing fees calculator: http://www.asx.com.au/prices/cost-listing.htm. Payment should be made either by cheque made payable to ASX Operations Pty Ltd or by electronic funds transfer to the following account:

Bank: National Australia Bank
Account Name: ASX Operations Pty Ltd
BSB: 082 057
A/C: 494728375
Swift Code (Overseas Customers): NATAAU3202S

If payment is made by electronic funds transfer, please email your remittance advice to ar@asx.com.au or fax it to (612) 9227-0553, describing the payment as the "initial listing fee" and including the name of the entity applying for admission, the ASX home branch where the entity has lodged its application (ie Sydney, Melbourne or Perth) and the amount paid.

Nº	Item Note: This applies whether the securities are to be quoted on ASX or not. If the entity is proposing to issue a minimum, maximum or oversubscription number of securities, the table should be presented to disclose each scenario.	Location/Confirmation
		approximately 528 million ordinary shares on issue as at the record date, with no options over shares, preferred shares or other forms of external hybrid capital. Shortly after listing, the Company intends to make a grant of performance rights and share awards to certain members of its senior management team as outlined in Section 2.13 (Pages 68 – 73) of the Demerger Booklet.
28.	If any class of securities referred to in the table mentioned in item 27 are not ordinary securities, where in the Offer Document does it disclose the terms applicable to those securities? Note: This applies whether the securities are to be quoted on ASX or not. For equity securities (other than options to acquire unissued securities or convertible debt securities), this should state whether they are fully paid or partly paid; if they are partly paid, the amount paid up and the amount owing per security; voting rights; rights to dividends or distributions; and conversion terms (if applicable). For options to acquire unissued securities, this should state the number outstanding, exercise prices; exercise terms and expiry dates. For debt securities or convertible debt securities, this should state their nominal or face value; rate of interest; dates of payment of interest; date and terms of repayment or redemption; and conversion terms (if applicable).	As noted above, shortly after listing, the Company intends to make a grant of performance rights and share awards to certain members of its senior management team as outlined in Section 2.13 (Pages 68 – 73) of the Demerger Booklet.
29.	Where in the Offer Document does it confirm that the entity's free float at the time of listing will be not less than 20% (Listing Rule 1.1 Condition 7)?	See Section 4.4.1 (Page 103) of the Demerger Booklet.
30.	Where in the Offer Document does it confirm that the issue/sale price of all securities for which the entity seeks quotation is at least 20 cents in cash (Listing Rule 2.1 Condition 2)?	N/A
31.	If the entity has or proposes to have any options on issue, where in the Offer Document does it confirm that the exercise price for each underlying security is at least 20 cents in cash (Listing Rule 1.1 Condition 12)?	N/A
32.	If the entity has any partly paid securities and it is not a no liability company, where in the Offer Document does it disclose the entity's call program, including the date and amount of each proposed call and whether it allows for any extension for payment of a call (Listing Rule 2.1 Condition 4)?	N/A
33.	Is the entity proposing to offer any securities by way of a bookbuild? If so, please enter "Confirmed" in the column to the right to indicate that the entity is aware of the disclosure requirements for bookbuilds in Annexure A to Guidance Note 1 and has made appropriate arrangements with the bookrunner to obtain this information.	No

All entities – business information

34.	Where in the Offer Document is there a description of the history of the entity?	See Sections 2.5 (Page 39) and 2.7.3 (Page 45) of the Demerger Booklet.
35.	Where in the Offer Document is there a description of the entity's existing and proposed activities and level of operations?	See Sections 2.1 (Page 28) and 2.4 (Pages 37 – 38) of the Demerger Booklet.
36.	Where in the Offer Document is there a description of the material business risks the entity faces?	See Section 2.15 (Pages 74 – 77) of the Demerger Booklet.
37.	Where in the Offer Document is there a table setting out the proposed use of	N/A – there is no public offer in

Nº	Item	Location/Confirmation
	the proceeds of the offer?	connection with the admission of the Company to the Official List of the ASX.

All entities – related parties, promoters and advisers

38.	Has the entity undertaken a placement of securities in the last 2 years in which a related party or their associates, a promoter or their associates, or an adviser involved in the offer or their associates, have participated? If so, please attach a statement (a) explaining the circumstances of the placement; (b) listing the names and addresses of the participants in the placement, the number of securities they received in the placement and the consideration they provided for those securities; and (c) identifying the participants in the placement who are a related party or associate of a related party, a promoter or associate of a promoter, or an adviser or an associate of an adviser.	No.
39.	Does an adviser to the offer have a material interest in the success of the offer over and above normal professional fees for services rendered in connection with the offer? If so, where in the Offer Document is there a clear and concise statement explaining in one location all of the interests that adviser has in the success of the offer, including (without limitation): (a) the number and type of securities in the entity in which the adviser and its associates currently have a relevant interest; (b) details of the consideration paid or provided by the adviser or its associates for the securities referred to in (a) above; (c) the fees or other consideration the adviser or an associate may receive for services provided in connection with the offer; (d) the fees or other consideration the adviser or an associate may receive under any ongoing mandate they may have with the entity post the offer; (e) if the consideration in (c) or (d) above includes any convertible securities (including options, performance shares or performance rights), details of the number and terms of those securities, the percentage of the entity's issued capital at listing they will convert into if they are converted, the value the entity believes the convertible securities are worth and the basis on which the entity has determined that value; and (f) if the adviser or any of its associates have participated in a placement of securities by the entity in the preceding 2 years, full details of the securities they received in the placement and the consideration they paid or provided for those securities?	No.

All entities – other information and documents

40.	Where in the Offer Document is there a description of the entity's proposed dividend/distribution policy?	See Section 2.4.2 (Page 37) of the Demerger Booklet.
41.	Does the entity have or propose to have a dividend or distribution reinvestment plan?	
	If so, where are the existence and material terms of the plan disclosed in the Offer Document?	N/A – while the Deterra Constitution makes provision for a dividend reinvestment plan, no decision has been made to activate it.
	A copy of the terms of the plan	N/A

Nº	Item	Location/Confirmation
42.	Does the entity have or propose to have an employee incentive scheme?	
	If so, where are the existence and material terms of the scheme disclosed in the Offer Document?	See Section 2.13.3 (Pages 68 – 72) of the Demerger Booklet.
	Where in the Offer Document is there a statement as to whether directors[23] are entitled to participate in the scheme and, if they are, the extent to which they currently participate or are proposed to participate?	See Sections 2.13.3.1 (Pages 69 – 71), 2.13.3.2 (Pages 71 – 72) and 2.13.4 (Pages 72 – 73) of the Demerger Booklet in relation to Mr Julian Andrews' participation as a member of the executive team.
	A copy of the terms of the scheme	**Tab 13** – Equity Incentive Plan Rules
43.	Has the entity entered into any material contracts (including any underwriting agreement relating to the securities to be quoted on ASX)?[24]	
	If so, where are the existence and main terms of those material contracts disclosed in the Offer Document?	See Sections 4.9.1 (Page 108), 4.9.2 (Page 109), 4.9.3 (Pages 109 – 110) and 8.4 (Pages 204 – 206) of the Demerger Booklet.
	Copies of all of the material contracts referred to in the Offer Document	**Tab 14** **A.** St Ives Royalty Purchase, Assignment and Assumption Deed (forming part of the Restructure Documents) **B.** IRHL Share Sale Agreement (forming part of the Restructure Documents) **C.** Demerger Implementation Deed **D.** Separation Deed **E.** Transitional Services Agreement **F.** MAC Royalty Agreement
44.	If the entity is not an externally managed trust and the following information is included in the Offer Document, the page reference where it is included. Otherwise, either a summary of the material terms of, or a copy of, any employment, service or consultancy agreement the entity or a child entity has entered into with: (a) its CEO or proposed CEO; (b) any of its directors or proposed directors; or (c) any other person or entity who is a related party of the persons referred to in (a) or (b) above (Listing Rule 3.16.4) Note: this requirement does not apply to an externally managed trust. If the entity applying for admission to the official list is an internally managed trust, references to a CEO, proposed CEO, director or proposed director mean a CEO, proposed CEO, director or proposed director of the responsible entity of the trust.	See Section 2.12 (Page 67) and 2.13.1 (Pages 68 – 69) of the Demerger Booklet.
45.	Please enter "Confirmed" in the column to the right to indicate that the material contracts summarised in the Offer Document include, in addition to those mentioned in item 44, any other material contract(s) the entity or a child entity has entered into with: (a) its CEO or proposed CEO; (b) any of its directors or proposed directors; or (c) any other person or entity who is a related party of the persons referred to in (a) or (b) above	Confirmed

[23] If the entity applying for admission to the official list is a trust, references to a director mean a director of the responsible entity of the trust.

[24] It will assist ASX if the material contracts are provided both in hard copy and in electronic format.

Nº	Item	Location/Confirmation
	Note: this requirement does not apply to an externally managed trust. If the entity applying for admission to the official list is an internally managed trust, references to a CEO, proposed CEO, director or proposed director mean a CEO, proposed CEO, director or proposed director of the responsible entity of the trust.	
46.	Please enter "Confirmed" in the column to the right to indicate that all information that a reasonable person would expect to have a material effect on the price or value of the securities to be quoted is included in or provided with this Information Form and Checklist	Confirmed
47.	A copy of the entity's most recent annual report	N/A

Entities that are trusts

48.	Evidence that the entity is a registered managed investment scheme or has an exemption from ASIC from that requirement (Listing Rule 1.1 Condition 5(a))	N/A
49.	If the entity is exempted from the requirement to be a registered managed investment scheme, evidence that its responsible entity is either an Australian company or registered as a foreign company carrying on business in Australia under the Corporations Act (Listing Rule 1.1 Condition 5(b))	N/A
50.	Please enter "Confirmed" in the column to the right to indicate that the responsible entity is not under an obligation to allow a security holder to withdraw from the trust (Listing Rule 1.1 Condition 5(c))	N/A

Entities applying under the profit test (Listing Rule 1.2)

51.	Evidence that the entity is a going concern or the successor of a going concern (Listing Rule 1.2.1)	N/A
52.	Evidence that the entity has been in the same main business activity for the last 3 full financial years (Listing Rule 1.2.2)	N/A
53.	Audited accounts for the last 3 full financial years, including the audit reports (Listing Rule 1.2.3(a))	N/A
54.	If the entity's last financial year ended more than 6 months and 75 days before the date of this application, audited or reviewed accounts for the last half year (or longer period if available), including the audit report or review (Listing Rule 1.2.3(b))	N/A
55.	A reviewed pro forma statement of financial position, including the review (Listing Rule 1.2.3(c))[25]	N/A
56.	Evidence that the entity's aggregated profit from continuing operations for the last 3 full financial years has been at least $1 million (Listing Rule 1.2.4)	N/A
57.	Evidence that the entity's profit from continuing operations in the past 12 months to a date no more than 2 months before the date of this application has exceeded $500,000 (Listing Rule 1.2.5)	N/A
58.	Is there a statement in the Offer Document that the entity's directors[26] have made enquiries and nothing has come to their attention to suggest that the	N/A

[25] The review must be conducted by a registered company auditor (or if the entity is a foreign entity, an overseas equivalent of a registered company auditor) or independent accountant.

No	Item	Location/Confirmation
	entity is not continuing to earn profit from continuing operations up to the date of the Offer Document If so, where is it? If not, please attach such a statement signed by all of the entity's directors[27] (Listing Rule 1.2.6)	

Entities applying under the assets test (Listing Rule 1.3)

59. Evidence that the entity has: (a) if it is not an investment entity, net tangible assets of at least $4 million (after deducting the costs of fund raising) or a market capitalisation of at least $15 million; (b) if it is an investment entity other than pooled development fund, net tangible assets of at least $15 million; or (c) if it is a pooled development fund, net tangible assets of at least $2 million (Listing Rule 1.3.1 and 1.3.4)	See Section 3.11.11 (Page 99) of the Demerger Booklet.
60. Evidence that: (a) at least half of the entity's total tangible assets (after raising any funds) is not cash or in a form readily convertible to cash;[28] or (b) there are commitments consistent with its stated objectives under Listing Rule 1.3.3(a) to spend at least half of the entity's cash and assets in a form readily convertible to cash And if (b) above applies, where in the Offer Document is there an expenditure program setting out those commitments (Listing Rule 1.3.2)	See Section 2.9.6 (Page 59) of the Demerger Booklet.
61. Where in the Offer Document is there a statement setting out the objectives the entity is seeking to achieve from its admission and the offer (Listing Rule 1.3.3(a))?	See Sections 1 (Pages 21 – 26) and 2.4 (Pages 37 – 38) of the Demerger Booklet.
62. Is there a statement in the Offer Document that the entity has enough working capital at the time of its admission to carry out those stated objectives? If so, where is it? If not, attach a statement by an independent expert confirming that the entity has enough working capital to carry out its stated objectives (Listing Rule 1.3.3(b))	See Section 2.9.9 (Page 61) of the Demerger Booklet and paragraph 8 of the ASX Listing Information Memorandum.
63. Evidence that the entity's working capital (as shown in its reviewed pro forma statement of financial position under listing Rule 1.3.5(d)) is at least $1.5 million (Listing Rule 1.3.3(c))	See Sections 2.4.2 (Page 37), 2.9.6 (Page 59) and 2.9.9 (Page 61) of the Demerger Booklet and paragraph 8 of the ASX Listing Memorandum.
64. Audited accounts for the last 2 full financial years, including the audit reports (Listing Rule 1.3.5(a))	**Tab 15** **A.** Audited accounts of Iluka Resources Limited for the financial year ended 31 December 2019 (including audit report) **B.** Audited accounts of Iluka Resources Limited for the financial year ended 31 December 2018 (including audit report)

[26] If the entity applying for admission to the official list is a trust, the statement should be made by the directors of the responsible entity of the trust.

[27] If the entity applying for admission to the official list is a trust, the statement should be signed by all of the directors of the responsible entity of the trust.

[28] In deciding if an entity's total tangible assets are in a form readily convertible to cash, ASX would normally not treat inventories or receivables as readily convertible to cash.

No	Item	Location/Confirmation
		ASX has confirmed through "in-principle" advice that it will accept the audited accounts of Iluka Resources Limited for the financial years ended 31 December 2018 and 31 December 2019 (**Historical Financial Periods**). ASX has confirmed that it will not require the Company to provide audited standalone accounts for the Historical Financial Periods nor have those periods separately audited.
65.	If the entity's last financial year ended more than 6 months and 75 days before the date of this application, audited or reviewed accounts for the last half year (or longer period if available), including the audit report or review (Listing Rule 1.3.5(b))	N/A
66.	If the entity has in the 12 months before the date of this application acquired, or is proposing in connection with its application for admission to acquire, another entity or business that is significant in the context of the entity, audited accounts for the last 2 full financial years for that other entity or business, including the audit reports (Listing Rule 1.3.5(c) first bullet point)	N/A
67.	If the entity has in the 12 months before the date of this application acquired, or is proposing in connection with its application for admission to acquire, another entity or business that is significant in the context of the entity and the last full financial year for that other entity or business ended more than 6 months and 75 days before the date of this application, audited or reviewed accounts for the last half year (or longer period if available) from the end of the last full financial year for that other entity or business, including the audit report or review (Listing Rule 1.3.5(c) second bullet point)	N/A
68.	A reviewed pro forma statement of financial position, including the review (Listing Rule 1.3.5(d))[29]	See Section 2.9.6 (Page 59) of the Demerger Booklet.

Entities with restricted securities

69.	A statement setting out a list of any person (either on their own or together with associates) who has held a relevant interest in at least 10% of the entity's voting securities at any time in the 12 months before the date of this application	N/A
70.	A completed ASX Restricted Securities Table[30]	N/A
71.	Copies of all restriction deeds (Appendix 9A) entered into in relation to restricted securities (Listing Rule 9.1(b))[31]	N/A
72.	A list of all security holders sent a restriction notice (Appendix 9C) in relation to restricted securities and a sample of the restriction notice (Listing Rule 9.1(c))[32]	N/A

[29] The review must be conducted by a registered company auditor (or if the entity is a foreign entity, an overseas equivalent of a registered company auditor) or independent accountant.

[30] An electronic copy of the ASX Restricted Securities Table is available from the ASX Compliance Downloads page on ASX's website.

[31] ASX will advise which restricted securities are required to be escrowed via a restriction deed under Listing Rule 9.1 as part of the admission and quotation decision. If properly completed restriction deeds and related undertakings have not been provided for all such securities advised by ASX, that will need to be rectified prior to admission occurring and quotation commencing.

Nº	Item	Location/Confirmation
73.	If the entity intends to use a third party to maintain its issuer sponsored subregister, a written undertaking from that third party to comply with Listing Rule 9.1(e) (Listing Rule 9.1(f))	N/A
74.	Are any of the restricted securities in a class that is not intended to be quoted on ASX?	
	If so, a sample of the share certificate for the restricted securities with the statement required under Listing Rule 9.1(g)(iii).	N/A
	Copies of the undertaking(s) from a bank or recognised trustee to hold the certificates for the restricted securities in escrow (Listing Rule 9.1(g)(iv))	N/A
	If the entity intends to use a third party to maintain its certificated subregister, a written undertaking from that third party to comply with Listing Rule 9.1(g) (Listing Rule 9.1(h))	N/A

Entities (other than mining exploration entities and oil and gas exploration entities) with classified assets[33]

75.	Within the 2 years preceding the date of the entity's application for admission to the official list, has the entity acquired, or entered into an agreement to acquire, a classified asset from any person?	
	If so, where in the Offer Document does it disclose: (a) the date of the acquisition or agreement; (b) full details of the classified asset, including any title particulars; (c) the name of the vendor; (d) if the vendor was not the beneficial owner of the classified asset at the date of the acquisition or agreement, the name of the beneficial owner(s); (e) details of the relationship between the vendor (or, if the vendor was not the beneficial owner of the classified asset at the date of the acquisition or agreement, between the beneficial owner(s)) and the entity or any related party or promoter of, or adviser to, the entity; and (f) details of the purchase price paid or payable and all other consideration (whether legally enforceable or not) passing directly or indirectly to the vendor, and, if the vendor acquired the classified asset from a third party within that 2 year period, the equivalent details to those set out above in relation to the arrangements between the vendor and the third party?	N/A
	Is the vendor (or, if the vendor was not the beneficial owner of the classified asset at the date of the acquisition or agreement, are any of the beneficial owner(s)) a related party or promoter of the entity or an associate of a related party or promoter of the entity? If so, please enter "Confirmed" in the column to the right to indicate that the consideration paid by the entity for the classified asset was solely restricted	N/A

[32] ASX will advise which restricted securities are required to be escrowed via a restriction notice under Listing Rule 9.1 as part of the admission and quotation decision. If properly completed restriction notices have not been provided to all such securities advised by ASX, that will need to be rectified prior to admission occurring and quotation commencing.

[33] A "classified asset" is defined in Listing Rule 19.12 as:

(a) an interest in a mining exploration area or oil and gas exploration area or similar tenement or interest;

(b) an interest in intangible property that is substantially speculative or unproven, or has not been profitably exploited for at least three years, and which entitles the entity to develop, manufacture, market or distribute the property;

(c) an interest in an asset which, in ASX's opinion, cannot readily be valued; or

(d) an interest in an entity the substantial proportion of whose assets (held directly, or through a controlled entity) is property of the type referred to in paragraphs (a), (b) and (c) above.

Nº	Item	Location/Confirmation
	securities, save to the extent it involved the reimbursement of expenditure incurred by the vendor in developing the classified asset[34] or the entity was not required to apply the restrictions in Appendix 9B under Listing Rule 9.2 (Listing Rule 1.1 Condition 11)	
	If cash is being paid or proposed to be paid in connection with the acquisition of a classified asset from a related party or promoter, please provide supporting documentation to demonstrate that it was for the reimbursement of expenditure incurred by the vendor in developing the classified asset	N/A
	Please also provide a copy of the agreement(s) relating to the acquisition entered into by the entity and any expert's report or valuation obtained by the entity in relation to the acquisition	N/A

Mining entities

76.	A completed Appendix 1A Information Form and Checklist Annexure 1 (Mining Entities)[35]	N/A

Oil and gas entities

77.	A completed Appendix 1A Information Form and Checklist Annexure 2 (Oil and Gas Entities)[36]	N/A

Entities incorporated or established outside of Australia

78.	A completed Appendix 1A Information Form and Checklist Annexure 3 (Foreign Entities)[37]	N/A

Externally managed entities

79.	A completed Appendix 1A Information Form and Checklist Annexure 4 (Externally Managed Entities)[38]	N/A

Stapled entities

80.	A completed Appendix 1A Information Form and Checklist Annexure 5 (Stapled Entities)[39]	N/A

Further documents to be provided before admission to the official list

In addition to the information and documents mentioned above, entities will be required to provide the following before their admission to the official list and the quotation of their securities commences:

- When available, 10 printed copies of the final Offer Document (see note 10 above);
- A statement setting out the names of the 20 largest holders in each class of securities to be quoted, and the number and percentage of each class of securities held by those holders;
- A distribution schedule of each class of equity securities to be quoted, setting out the number of holders in the following categories and the total percentage of the securities in that class held by the recipients in each category:
  - 1 - 1,000

[34] ASX may require evidence to support expenditure claims.

[35] An electronic copy of this Appendix is available from the ASX Compliance Downloads page on ASX's website.

[36] An electronic copy of this Appendix is available from the ASX Compliance Downloads page on ASX's website.

[37] An electronic copy of this Appendix is available from the ASX Compliance Downloads page on ASX's website.

[38] An electronic copy of this Appendix is available from the ASX Compliance Downloads page on ASX's website.

[39] An electronic copy of this Appendix is available from the ASX Compliance Downloads page on ASX's website.

- 1,001 - 5,000
- 5,001 - 10,000
- 10,001 - 100,000
- 100,001 and over

- The number of holders of a parcel of securities (excluding restricted securities or securities subject to voluntary escrow) with a value of more than $2,000, based on the issue/sale price;
- Any outstanding restriction deeds (Appendix 9A) and related undertakings;[40]
- Any outstanding restriction notices (Appendix 9C);[41] and
- Any other information that ASX may require under Listing Rule 1.17.[42]

[40] See note 31 above.

[41] See note 32 above.

[42] Among other things, this may include evidence to verify that an entity has met Listing Rule 1 Condition 8 and achieved minimum spread without using artificial means (see Guidance Note 1 section 3.9).

Attachment 4

Deterra Constitution

Constitution

Deterra Royalties Limited

ACN 641 743 348

Adopted by the Board on 6 August 2020

Table of contents

Deterra Royalties Limited ACN 641 743 348 (the **company)**

A public company limited by shares

1 Preliminary

1.1 Definitions and interpretation

(a) The meanings of the terms used in this constitution are set out below.

Term	Meaning
Act	*Corporations Act 2001* (Cth).
AGM	an annual general meeting of the company that the Act requires to be held.
ASX Settlement Operating Rules	the operating rules of ASX Settlement Pty Limited and, to the extent that they are applicable, the operating rules of the Exchange and the operating rules of ASX Clear Pty Limited.
Board	the directors for the time being of the company or those of them who are present at a meeting at which there is a quorum.
Business Day	has the meaning given to that term in the Listing Rules.
Exchange	the Australian Securities Exchange or such other body corporate that is declared by the Board to be the company's primary stock exchange for the purposes of this definition.
Listing Rules	the listing rules of the Exchange as they apply to the company.
Proper ASTC Transfer	has the meaning given to that term in the *Corporations Regulations 2001* (Cth).
Record Time	1 in the case of a meeting for which the caller of the meeting has decided, under the Act, that shares are to be taken to be held by the persons who held them at a specified time before the meeting, that time; and 2 in any other case, 48 hours before the relevant meeting, or, if this time would fall on a trading day, 7.00pm (Sydney time) on that day

Term	Meaning
	or such other time specified in the ASX Settlement Operating Rules.
Representative	in relation to a member that is a body corporate means a person authorised in accordance with the Act (or a corresponding previous law) by the body corporate to act as its representative at the meeting.
Seal	any common seal, duplicate seal or certificate seal of the company.
Transmission Event	1 for a member who is an individual – the member's death, the member's bankruptcy, or a member becoming of unsound mind, or a person who, or whose estate, is liable to be dealt with in any way under the laws relating to mental health; and 2 for a member who is a body corporate – the dissolution of the member or the succession by another body corporate to the assets and liabilities of the member.
URL	Uniform Resource Locator, the address that specifies the location of a file on the internet.

(b) A reference in this constitution to a partly paid share is a reference to a share on which there is an amount unpaid.

(c) A reference in this constitution to an amount unpaid on a share includes a reference to any amount of the issue price which is unpaid.

(d) A reference in this constitution to a call or an amount called on a share includes a reference to a sum that, by the terms of issue of a share, becomes payable on issue or at a fixed date.

(e) A reference in this constitution to a member for the purposes of a meeting of members is a reference to a registered holder of shares as at the relevant Record Time.

(f) A reference in this constitution to a member present at a general meeting is a reference to a member present in person or by proxy, attorney or Representative or, except in any rule that specifies a quorum or except in any rule prescribed by the Board, a member who has duly lodged a valid direct vote in relation to the general meeting under rule 7.8.

(g) A chairperson or deputy chairperson appointed under this constitution may be referred to as chairman or chairwoman, or deputy chairman or chairwoman, or as chair, if applicable.

(h) A reference in this constitution to a person holding or occupying a particular office or position is a reference to any person who occupies or performs the duties of that office or position.

(i) A reference to a document being 'signed' or to 'signature' includes that document being executed under hand or under seal or by any other method and, in the case

of a communication in electronic form, includes the document being authenticated in accordance with the Act or any other method approved by the Board.

(j) Unless the contrary intention appears, in this constitution:

(1) the singular includes the plural and the plural includes the singular;

(2) words that refer to any gender include all genders;

(3) words used to refer to persons generally or to refer to a natural person include a body corporate, body politic, partnership, joint venture, association, board, group or other body (whether or not the body is incorporated);

(4) a reference to a person includes that person's successors and legal personal representatives;

(5) a reference to a statute or regulation, or a provision of any of them includes all statutes, regulations or provisions amending, consolidating or replacing them, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;

(6) a reference to the Listing Rules or the ASX Settlement Operating Rules includes any variation, consolidation or replacement of those rules and is to be taken to be subject to any applicable waiver or exemption; and

(7) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.

(k) Specifying anything in this constitution after the words 'including', 'includes' or 'for example' or similar expressions does not limit what else is included unless there is express wording to the contrary.

(l) In this constitution, headings and bold type are only for convenience and do not affect the meaning of this constitution.

1.2 Application of the Act, Listing Rules and ASX Settlement Operating Rules

(a) The rules that apply as replaceable rules to companies under the Act do not apply to the company except so far as they are repeated in this constitution.

(b) Unless the contrary intention appears:

(1) an expression in a rule that deals with a matter dealt with by a provision of the Act, the Listing Rules or the ASX Settlement Operating Rules has the same meaning as in that provision; and

(2) subject to rule 1.2(b)(1), an expression in a rule that is used in the Act has the same meaning in this constitution as in the Act.

1.3 Exercising powers

(a) The company may, in any way the Act permits:

(1) exercise any power;

(2) take any action; or

(3) engage in any conduct or procedure,

which, under the Act a company limited by shares may exercise, take or engage in.

(b) Where this constitution provides that a person 'may' do a particular act or thing, the act or thing may be done at the person's discretion.

(c) Where this constitution confers a power to do a particular act or thing, the power is, unless the contrary intention appears, to be taken as including a power exercisable in the same way and subject to the same conditions (if any) to repeal, rescind, revoke, amend or vary that act or thing.

(d) Where this constitution confers a power to do a particular act or thing, the power may be exercised from time to time and may be exercised subject to conditions.

(e) Where this constitution confers a power to do a particular act or thing concerning particular matters, the power is, unless the contrary intention appears, to be taken to include a power to do that act or thing as to only some of those matters or as to a particular class of those matters, and to make different provision concerning different matters or different classes of matters.

(f) Where this constitution confers a power to make appointments to an office or position (except the power to appoint a director under rule 8.1(b)), the power is, unless the contrary intention appears, to be taken to include a power:

(1) to appoint a person to act in the office or position until a person is formally appointed to the office or position;

(2) to remove or suspend any person appointed (without prejudice to any rights or obligations under any contract between the person and the company); and

(3) to appoint another person temporarily in the place of any person removed or suspended or in the place of any sick or absent holder of the office or position.

(g) Where this constitution gives power to a person to delegate a function or power:

(1) the delegation may be concurrent with, or (except in the case of a delegation by the Board) to the exclusion of, the performance or exercise of that function or power by the person;

(2) the delegation may be either general or limited in any way provided in the terms of delegation;

(3) the delegation need not be to a specified person but may be to any person holding, occupying or performing the duties of a specified office or position;

(4) the delegation may include the power to delegate; and

(5) where performing or exercising that function or power depends on that person's opinion, belief or state of mind about a matter, that function or power may be performed or exercised by the delegate on the delegate's opinion, belief or state of mind about that matter.

1.4 Currency

Any amount payable to the holder of a share, whether in relation to dividends, repayment of capital, participation in surplus property of the company or otherwise, may, with the agreement of the holder or under the terms of issue of the share, be paid in the currency of a country other than Australia. The Board may fix a time on or before the payment date as the time at which the applicable exchange rate will be determined for that purpose.

1.5 Transitional provisions

This constitution must be interpreted in such a way that:

(a) every director, chief executive officer, managing director and secretary in office in that capacity immediately before this constitution is adopted continues in office subject to, and is taken to have been appointed or elected under, this constitution;

(b) any register maintained by the company immediately before this constitution is adopted is taken to be a register maintained under this constitution;

(c) any Seal adopted by the company as a Seal immediately before this constitution is adopted is taken to be a Seal which the company has under a relevant authority given by this constitution;

(d) for the purposes of rule 4.1(p):

(1) a cheque issued under the predecessor of rule 4.1(k) is taken to have been issued under rule 4.1(k);

(2) any money held at the date of adoption of this constitution for a member under the predecessor of rule 4.1(m) is taken to have been held in an account under rule 4.1(m);

(3) any money held at the date of adoption of this constitution for a member the company regards as uncontactable is taken to have been held in an account under rule 4.1(n); and

(e) unless a contrary intention appears in this constitution, all persons, things, agreements and circumstances appointed, approved or created by or under the constitution of the company in force before this constitution is adopted continue to have the same status, operation and effect after this constitution is adopted.

2 Share capital

2.1 Shares

Subject to this constitution, the Board may:

(a) issue, allot or grant options for, or otherwise dispose of, shares in the company; and

(b) decide:

(1) the persons to whom shares are issued or options are granted;

(2) the terms on which shares are issued or options are granted; and

(3) the rights and restrictions attached to those shares or options.

2.2 Preference shares

(a) The company may issue preference shares including preference shares which are, or at the option of the company or holder are, liable to be redeemed or convertible into ordinary shares.

(b) Each preference share confers on the holder a right to receive a preferential dividend, in priority to the payment of any dividend on the ordinary shares, at the rate and on the basis decided by the Board under the terms of issue.

(c) In addition to the preferential dividend and rights on winding up, each preference share may participate with the ordinary shares in profits and assets of the company, including on a winding up, if and to the extent the Board decides under the terms of issue.

(d) The preferential dividend may be cumulative only if and to the extent the Board decides under the terms of issue, and will otherwise be non-cumulative.

(e) Each preference share confers on its holder the right in a winding up and on redemption to payment in priority to the ordinary shares of:

(1) the amount of any dividend accrued but unpaid on the share at the date of winding up or the date of redemption, unless otherwise provided for in the terms of issue; and

(2) any additional amount specified in the terms of issue.

(f) To the extent the Board may decide under the terms of issue, a preference share may confer a right to a bonus issue or capitalisation of profits in favour of holders of those shares only.

(g) A preference share does not confer on its holder any right to participate in the profits or assets of the company except as set out above.

(h) A preference share does not entitle its holder to vote at any general meeting of the company except in the following circumstances:

(1) during a period in which a dividend or part of a dividend on the share is in arrears;

(2) on a proposal to reduce the share capital of the company;

(3) on a resolution to approve the terms of a buy back agreement;

(4) on a proposal that affects rights attached to the preference share;

(5) on a proposal to wind up the company;

(6) on a proposal for the disposal of the whole of the property, business and undertaking of the company;

(7) during the winding up of the company; or

(8) in any other circumstances in which the Listing Rules require holders of preference shares to be entitled to vote.

(i) The holder of a preference share who is entitled to vote in respect of that share under rule 2.2(h) is, on a poll, entitled to the greater of one vote per share or such other number of votes specified in, or determined in accordance with, the terms of issue for the share.

(j) In the case of a redeemable preference share, the company must redeem the share, pay the amount payable on redemption of the share, or otherwise deal with the redemption, in accordance with the terms of issue.

(k) A holder of a preference share must not transfer or purport to transfer, and the Board, to the extent permitted by the Listing Rules, must not register a transfer of, the share if the transfer would contravene any restrictions on the right to transfer the share set out in the terms of issue for the share.

2.3 Alteration of share capital

Subject to the Act, the Board may do anything required to give effect to any resolution altering the company's share capital, including, where a member becomes entitled to a fraction of a share on a consolidation, by:

(a) making cash payments;

(b) determining that fractions may be disregarded to adjust the rights of all members;

(c) appointing a trustee to deal with any fractions on behalf of members; and

(d) rounding (or rounding up) each fractional entitlement to the nearest whole share.

2.4 Conversion or reclassification of shares

Subject to rule 2.5, the company may by resolution convert or reclassify shares from one class to another.

2.5 Variation of class rights

(a) The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

(1) with the written consent of the holders of 75% of the shares of the class; or

(2) by a special resolution passed at a separate meeting of the holders of shares of the class.

(b) The provisions of this constitution relating to general meetings apply, with necessary changes, to separate class meetings as if they were general meetings.

(c) The rights conferred on the holders of any class of shares are to be taken as not having been varied by the creation or issue of further shares ranking equally with them, unless the terms of issue provide otherwise.

2.6 Joint holders of shares

Where 2 or more persons are registered as the holders of a share, they hold it as joint tenants with rights of survivorship, on the following conditions:

(a) they are liable individually as well as jointly for all payments, including calls, in respect of the share;

(b) subject to rule 2.6(a), on the death of any one of them the survivor is the only person the company will recognise as having any title to the share;

(c) any one of them may give effective receipts for any dividend, bonus, interest or other distribution or payment in respect of the share; and

(d) except where persons are jointly entitled to a share because of a Transmission Event, or where required by the Listing Rules or the ASX Settlement Operating Rules, the company may, but is not required to, register more than 3 persons as joint holders of the share.

2.7 Equitable and other claims

The company may treat the registered holder of a share as the absolute owner of that share and need not:

(a) recognise a person as holding a share on trust, even if the company has notice of a trust; or

(b) recognise, or be bound by, any equitable, contingent, future or partial claim to or interest in a share by any other person, except an absolute right of ownership in the registered holder, even if the company has notice of that claim or interest.

2.8 Restricted securities

If, at any time, any of the share capital of the company is classified by the Exchange as ‘restricted securities’, then despite any other provision of this constitution:

(a) a holder of restricted securities must not dispose of, or agree or offer to dispose of, the restricted securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the Exchange;

(b) if the restricted securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the restricted securities are to be kept on the company's issuer sponsored subregister and are to have a holding lock applied for the duration of the escrow period applicable to those securities;

(c) the company will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of restricted securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the Exchange;

(d) a holder of restricted securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the Exchange; and

(e) if a holder of restricted securities breaches a restriction deed or a provision of this constitution restricting a disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.

3 Calls, forfeiture, indemnities, lien and surrender

3.1 Calls

(a) Subject to the terms on which any shares are issued, the Board may:

(1) make calls on the members for any amount unpaid on their shares which is not by the terms of issue of those shares made payable at fixed times; and

(2) on the issue of shares, differentiate between members as to the amount of calls to be paid and the time for payment.

(b) The Board may require a call to be paid by instalments.

(c) The Board must send members notice of a call at least 14 days (or such longer period required by the Listing Rules) before the amount called is due, specifying the amount of the call, the time for payment and the manner in which payment must be made.

(d) Each member must pay the amount called to the company by the time and in the manner specified for payment.

(e) A call is taken to have been made when the resolution of the Board authorising the call is passed.

(f) The Board may revoke a call or extend the time for payment.

(g) A call is valid even if a member for any reason does not receive notice of the call.

(h) If an amount called on a share is not paid in full by the time specified for payment, the person who owes the amount must pay:

(1) interest on the unpaid part of the amount from the date payment is due to the date payment is made, at a rate determined under rule 3.9; and

(2) if the share was issued after the date this constitution is adopted, any costs, expenses or damages the company incurs due to the failure to pay or late payment.

(i) Any amount unpaid on a share that, by the terms of issue of the share, becomes payable on issue or at a fixed date:

(1) is treated for the purposes of this constitution as if that amount were payable under a call duly made and notified; and

(2) must be paid on the date on which it is payable under the terms of issue of the share.

(j) The Board may, to the extent the law permits, waive or compromise all or part of any payment due to the company under the terms of issue of a share or under this rule 3.1.

3.2 Proceedings to recover calls

(a) In a proceeding to recover a call, or an amount payable due to the failure to pay or late payment of a call, proof that:

(1) the name of the defendant is entered in the register as the holder or one of the holders of the share on which the call is claimed;

(2) the resolution making the call is recorded in the minute book; and

(3) notice of the call was given to the defendant complying with this constitution,

is conclusive evidence of the obligation to pay the call and it is not necessary to prove the appointment of the Board who made the call or any other matter.

(b) In rule 3.2(a), **defendant** includes a person against whom the company alleges a set-off or counterclaim, and a **proceeding** to recover a call or an amount is to be interpreted accordingly.

3.3 Payments in advance of calls

(a) The Board may accept from a member the whole or a part of the amount unpaid on a share even though no part of that amount has been called.

(b) The Board may authorise payment by the company of interest on an amount accepted under rule 3.3(a), until the amount becomes payable, at a rate agreed between the Board and the member paying the amount.

(c) The Board may repay to a member any amount accepted under rule 3.3(a).

3.4 Forfeiting partly paid shares

(a) If a member fails to pay the whole of a call or an instalment of a call by the time specified for payment, the Board may serve a notice on that member:

(1) requiring payment of the unpaid part of the call or instalment, together with any interest that has accrued and all costs, expenses or damages that the company has incurred due to the failure to pay;

(2) specifying a further time (at least 14 days after the date of the notice) by which, and the manner in which, the amount payable under rule 3.4(a)(1) must be paid; and

(3) stating that if the whole of the amount payable under rule 3.4(a)(1) is not paid by the time and in the manner specified, the shares on which the call was made will be liable to be forfeited.

(b) If a member does not comply with a notice served under rule 3.4(a), the Board may by resolution forfeit any share concerning which the notice was given at any

time after the day named in the notice and before the payment required by the notice is made.

(c) A forfeiture under rule 3.4(b) includes all dividends, interest and other amounts payable by the company on the forfeited share and not actually paid before the forfeiture.

(d) Where a share has been forfeited:

(1) notice of the resolution must be given to the member in whose name the share stood immediately before the forfeiture; and

(2) an entry of the forfeiture, with the date, must be made in the register of members.

(e) Failure to give the notice or to make the entry required under rule 3.4(d) does not invalidate the forfeiture.

(f) A forfeited share becomes the property of the company and the Board may sell, reissue or otherwise dispose of the share as it thinks fit and, in the case of reissue or other disposal, with or without crediting as paid up any amount paid on the share by any former holder.

(g) A person whose shares have been forfeited ceases to be a member as to the forfeited shares, but must, unless the Board decides otherwise, pay to the company:

(1) all calls, instalments, interest, costs, expenses and damages owing on the shares at the time of the forfeiture; and

(2) interest on the unpaid part of the amount payable under rule 3.4(g)(1), from the date of the forfeiture to the date of payment, at a rate determined under rule 3.9.

(h) The forfeiture of a share extinguishes all interest in, and all claims and demands against the company relating to, the forfeited share and, subject to rule 3.8(i), all other rights attached to the share.

(i) The Board may:

(1) exempt a share from all or part of this rule 3.4;

(2) waive or compromise all or part of any payment due to the company under this rule 3.4; and

(3) before a forfeited share has been sold, reissued or otherwise disposed of, cancel the forfeiture on the conditions it decides.

3.5 Members' indemnity

(a) If the company becomes liable for any reason under a law to make a payment:

(1) in respect of shares held solely or jointly by a member;

(2) in respect of a transfer or transmission of shares by a member;

(3) in respect of dividends, bonuses or other amounts due or payable or which may become due and payable to a member; or

(4) in any other way for, on account of or relating to a member,

rules 3.5(b) and 3.5(c) apply, in addition to any right or remedy the company may otherwise have.

(b) The member or if the member is dead, the member's legal personal representative must:

(1) fully indemnify the company against that liability;

(2) on demand reimburse the company for any payment made; and

(3) pay interest on the unpaid part of the amount payable to the company under rule 3.5(b)(2), from the date of demand until the date the company is reimbursed in full for that payment, at a rate determined under rule 3.9.

(c) The Board may:

(1) exempt a share from all or part of this rule 3.5; and

(2) waive or compromise all or part of any payment due to the company under this rule 3.5.

3.6 Lien on shares

(a) The company has a first lien on:

(1) each partly paid share for all unpaid calls and instalments due on that share; and

(2) each share for any amounts the company is required by law to pay and has paid in respect of that share.

In each case the lien extends to reasonable interest and expenses incurred because the amount is not paid.

(b) The company's lien on a share extends to all dividends payable on the share and to the proceeds of sale of the share.

(c) The Board may sell a share on which the company has a lien as it thinks fit where:

(1) an amount for which a lien exists under this rule 3.6 is presently payable; and

(2) the company has given the registered holder a written notice, at least 14 days before the date of the sale, stating and demanding payment of that amount.

(d) The Board may do anything necessary or desirable under the ASX Settlement Operating Rules to protect any lien, charge or other right to which the company is entitled under this constitution or a law.

(e) When the company registers a transfer of shares on which the company has a lien without giving the transferee notice of its claim, the company's lien is released so far as it relates to amounts owing by the transferor or any predecessor in title.

(f) The Board may:

(1) exempt a share from all or part of this rule 3.6; and

(2) waive or compromise all or part of any payment due to the company under this rule 3.6.

3.7 Surrender of shares

(a) The Board may accept a surrender of a share by way of compromise of a claim.

(b) Any share so surrendered may be sold, reissued or otherwise disposed of in the same manner as a forfeited share.

3.8 Sale, reissue or other disposal of shares by the company

(a) A reference in this rule 3.8 to a sale of a share by the company is a reference to any sale, reissue or other disposal of a share under rules 3.4(f), 3.6(c) or 5.4.

(b) When the company sells a share, the Board may:

(1) receive the purchase money or consideration given for the share;

(2) effect a transfer of the share or execute or appoint a person to execute, on behalf of the former holder, a transfer of the share; and

(3) register as the holder of the share the person to whom the share is sold.

(c) A person to whom the company sells shares need not take any steps to investigate the regularity or validity of the sale, or to see how the purchase money or consideration on the sale is applied. That person's title to the shares is not affected by any irregularity by the company in relation to the sale. A sale of the share by the company is valid even if a Transmission Event occurs to the member before the sale.

(d) The only remedy of a person who suffers a loss because of a sale of a share by the company is a claim for damages against the company.

(e) The proceeds of a sale of shares by the company must be applied in paying:

(1) first, the expenses of the sale;

(2) secondly, all amounts payable (whether presently or not) by the former holder to the company,

and any balance must be paid to the former holder on the former holder delivering to the company proof of title to the shares acceptable to the Board.

(f) The proceeds of sale arising from a notice under rule 5.4(b) must not be applied in payment of the expenses of the sale and must be paid to the former holder on the former holder delivering to the company proof of title to the shares acceptable to the Board.

(g) Until the proceeds of a sale of a share sold by the company are claimed or otherwise disposed of according to law, the Board may invest or use the proceeds in any other way for the benefit of the company.

(h) The company is not required to pay interest on money payable to a former holder under this rule 3.8.

(i) On completion of a sale, reissue or other disposal of a share under rule 3.4(f), the rights which attach to the share which were extinguished under rule 3.4(h) revive.

(j) A written statement by a director or secretary of the company that a share in the company has been:

(1) duly forfeited under rule 3.4(b);

(2) duly sold, reissued or otherwise disposed of under rule 3.4(f); or

(3) duly sold under rule 3.6(c) or rule 5.4,

on a date stated in the statement is conclusive evidence of the facts stated as against all persons claiming to be entitled to the share, and of the right of the company to forfeit, sell, reissue or otherwise dispose of the share.

3.9 Interest payable by member

(a) For the purposes of rules 3.1(h)(1), 3.4(g)(2) and 3.5(b)(3), the rate of interest payable to the company is:

(1) if the Board has fixed a rate, that rate; or

(2) in any other case, a rate per annum 2% higher than the rate prescribed in respect of unpaid judgments in the Supreme Court of the state or territory in which the company is registered.

(b) Interest accrues daily and may be capitalised monthly or at such other intervals the Board decides.

4 Distributions

4.1 Dividends

(a) The Board may pay any dividends that, in its judgment, the financial position of the company justifies.

(b) The Board may rescind a decision to pay a dividend if it decides, before the payment date, that the company's financial position no longer justifies the payment or that it is otherwise in the best interests of the company that the dividend decision be rescinded.

(c) The Board may pay any dividend required to be paid under the terms of issue of a share.

(d) Paying a dividend does not require confirmation at a general meeting.

(e) Subject to any rights or restrictions attached to any shares or class of shares:

(1) all dividends must be paid equally on all shares, except that a partly paid share confers an entitlement only to the proportion of the dividend which the amount paid (not credited) on the share is of the total amounts paid and payable (excluding amounts credited);

(2) for the purposes of rule 4.1(e)(1), unless the Board decides otherwise, an amount paid on a share in advance of a call is to be taken as not having been paid until it becomes payable; and

(3) interest is not payable by the company on any dividend.

(f) Subject to the ASX Settlement Operating Rules, the Board may fix a record date for a dividend, with or without suspending the registration of transfers from that date under rule 5.3.

(g) Subject to the ASX Settlement Operating Rules, a dividend in respect of a share must be paid to the person who is registered, or entitled under rule 5.1(c) to be registered, as the holder of the share:

(1) where the Board has fixed a record date in respect of the dividend, on that date; or

(2) where the Board has not fixed a record date in respect of that dividend, on the date fixed for payment of the dividend,

and a transfer of a share that is not registered, or left with the company for registration under rule 5.1(b), on or before that date is not effective, as against the company, to pass any right to the dividend.

(h) When resolving to pay a dividend, the Board may direct payment of the dividend from any available source permitted by law, including:

(1) wholly or partly by the distribution of specific assets, including paid-up shares or other securities of the company or of another body corporate, either generally or to specific members; and

(2) unless prevented by the Listing Rules, to particular members wholly or partly out of any particular fund or reserve or out of profits derived from any particular source, and to the other members wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source.

(i) Subject to the ASX Settlement Operating Rules, where a person is entitled to a share because of a Transmission Event, the Board may, but need not, retain any dividends payable on that share until that person becomes registered as the holder of that share or transfers it.

(j) The Board may retain from any dividend payable to a member any amount presently payable by the member to the company and apply the amount retained to the amount owing.

(k) The Board may decide the method of payment of any dividend or other amount in respect of a share. Different methods of payment may apply to different members or groups of members (such as overseas members). Without limiting any other method of payment which the company may adopt, payment in respect of a share may be made:

(1) by such electronic or other means approved by the Board directly to an account (of a type approved by the Board) nominated in writing by the member or the joint holders; or

(2) by cheque sent to the address of the member shown in the register of members or, in the case of joint holders, to the address shown in the register of members of any of the joint holders, or to such other address as the member or any of the joint holders in writing direct.

(l) A cheque sent under rule 4.1(k):

(1) may be made payable to bearer or to the order of the member to whom it is sent or any other person the member directs; and

(2) is sent at the member's risk.

(m) If the Board decides that payments will be made by electronic transfer into an account (of a type approved by the Board) nominated by a member, but no such account is nominated by the member or an electronic transfer into a nominated account is rejected or refunded, the company may credit the amount payable to an account of the company to be held until the member nominates a valid account.

(n) Where a member does not have a registered address or the company believes that a member is not known at the member’s registered address, the company may credit an amount payable in respect of the member’s shares to an account of the company to be held until the member claims the amount payable or nominates a valid account.

(o) An amount credited to an account under rules 4.1(m) or 4.1(n) is to be treated as having been paid to the member at the time it is credited to that account. The company will not be a trustee of the money and no interest will accrue on the money. The money may be used for the benefit of the company until claimed, reinvested under rule 4.1(p) or disposed of in accordance with the laws relating to unclaimed monies.

(p) If a cheque for an amount payable under rule 4.1(k) is not presented for payment for at least 11 calendar months after issue or an amount is held in an account under rules 4.1(m) or 4.1(n) for at least 11 calendar months, the Board may

reinvest the amount, after deducting reasonable expenses, into shares in the company on behalf of, and in the name of, the member concerned and may stop payment on the cheque. The shares may be acquired on market or by way of new issue at a price the Board accepts is market price at the time. Any residual sum which arises from the reinvestment may be carried forward or donated to charity on behalf of the member, as the Board decides. The company's liability to provide the relevant amount is discharged by an application under this rule 4.1(p). The Board may do anything necessary or desirable (including executing any document) on behalf of the member to effect the application of an amount under this rule 4.1(p). The Board may determine other rules to regulate the operation of this rule 4.1(p) and may delegate its power under this rule to any person.

4.2 Capitalising profits

(a) Subject to:

(1) the Listing Rules;

(2) any rights or restrictions attached to any shares or class of shares; and

(3) any special resolution of the company;

the Board may capitalise and distribute to members, in the same proportions as the members are entitled to receive dividends, any amount:

(4) forming part of the undivided profits of the company;

(5) representing profits arising from an ascertained accretion to capital or a revaluation of the assets of the company;

(6) arising from the realisation of any assets of the company; or

(7) otherwise available for distribution as a dividend.

(b) The Board may resolve that all or any part of the capitalised amount is to be applied:

(1) in paying up in full, at an issue price decided by the Board, any unissued shares in or other securities of the company;

(2) in paying up any amounts unpaid on shares or other securities held by the members;

(3) partly as specified in rule 4.2(b)(1) and partly as specified in rule 4.2(b)(2); or

(4) any other method permitted by law.

The members entitled to share in the distribution must accept that application in full satisfaction of their interest in the capitalised amount.

(c) Rules 4.1(e), 4.1(f) and 4.1(g) apply, so far as they can and with any necessary changes, to capitalising an amount under this rule 4.2 as if references in those rules to:

(1) a dividend were references to capitalising an amount; and

(2) a record date were references to the date the Board resolves to capitalise the amount under this rule 4.2.

(d) Where the terms of options (existing at the date the resolution referred to in rule 4.2(b) is passed) entitle the holder to an issue of bonus shares under this rule 4.2, the Board may in determining the number of unissued shares to be so issued, allow in an appropriate manner for the future issue of bonus shares to options holders.

4.3 Ancillary powers

(a) To give effect to any resolution to reduce the capital of the company, to satisfy a dividend as set out in rule 4.1(h)(1) or to capitalise any amount under rule 4.2, the Board may settle as it thinks expedient any difficulty that arises in making the distribution or capitalisation and, in particular:

(1) make cash payments in cases where members are entitled to fractions of shares or other securities;

(2) decide that amounts or fractions of less than a particular value decided by the Board may be disregarded to adjust the rights of all parties;

(3) fix the value for distribution of any specific assets;

(4) pay cash or issue shares or other securities to any member to adjust the rights of all parties;

(5) vest any of those specific assets, cash, shares or other securities in a trustee on trust for the persons entitled to the distribution or capitalised amount; and

(6) authorise any person to make, on behalf of all the members entitled to any specific assets, cash, shares or other securities as a result of the distribution or capitalisation, an agreement with the company or another person which provides, as appropriate, for the distribution or issue to them of shares or other securities credited as fully paid up or for payment by the company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing shares or other securities by applying their respective proportions of the amount resolved to be distributed or capitalised.

(b) Any agreement made under an authority referred to in rule 4.3(a)(6) is effective and binds all members concerned.

(c) If a distribution, transfer or issue of specific assets, shares or securities to a particular member or members is, in the Board's discretion, considered impracticable or would give rise to parcels of securities that do not constitute a marketable parcel, the Board may make a cash payment to those members or allocate the assets, shares or securities to a trustee to be sold on behalf of, and for the benefit of, those members, instead of making the distribution, transfer or issue to those members. Any proceeds receivable by members under this rule 4.3(c) will be net of expenses incurred by the company and trustee in selling the relevant assets, shares or securities.

(d) If the company distributes to members (either generally or to specific members) securities in the company or in another body corporate or trust (whether as a dividend or otherwise and whether or not for value), each of those members appoints the company as his or her agent to do anything needed to give effect to that distribution, including agreeing to become a member of that other body corporate.

4.4 Reserves

(a) The Board may set aside out of the company's profits any reserves or provisions it decides.

(b) The Board may appropriate to the company's profits any amount previously set aside as a reserve or provision.

(c) Setting aside an amount as a reserve or provision does not require the Board to keep the amount separate from the company's other assets or prevent the amount being used in the company's business or being invested as the Board decides.

4.5 Carrying forward profits

The Board may carry forward any part of the profits remaining that they consider should not be distributed as dividends or capitalised, without transferring those profits to a reserve or provision.

5 Transfer and transmission of shares

5.1 Transferring shares

(a) Subject to this constitution and to any restrictions attached to a member's shares, a member may transfer any of the member's shares by:

(1) a Proper ASTC Transfer; or

(2) a written transfer in any usual form or in any other form approved by the Board.

(b) A transfer referred to in rule 5.1(a)(2) must be:

(1) signed by or on behalf of the transferor and, if required by the company, the transferee;

(2) if required by law, duly stamped; and

(3) left for registration at the company's registered office, or at any other place the Board decides, with such evidence the Board requires to prove the transferor's title or right to the shares and the transferee's right to be registered as the owner of the shares.

(c) Subject to rules 5.2(a) and 5.3, where the company receives a transfer complying with rule 5.1, the company must register the transferee named in the transfer as the holder of the shares to which it relates.

(d) A transferor of shares remains the holder of the shares until a Proper ASTC Transfer has been effected or the transferee's name is entered in the register of members as the holder of the shares.

(e) The company must not charge a fee for registering a transfer of shares unless:

(1) the company is not listed on the Exchange; or

(2) the fee is permitted by the Listing Rules.

(f) The company (or the company's securities registry) may put in place, and require compliance with, reasonable processes and procedures in connection with determining the authenticity of an instrument of transfer, notwithstanding that this may prevent, delay or interfere with the registration of the relevant instrument of transfer.

(g) The company may retain a registered transfer for any period the Board decides.

(h) The Board may do anything that is necessary or desirable for the company to participate in any computerised, electronic or other system for facilitating the transfer of shares or operation of the company's registers that may be owned, operated or sponsored by the Exchange or a related body corporate of the Exchange.

(i) The Board may, to the extent the law permits, waive any of the requirements of this rule 5.1 and prescribe alternative requirements instead, to give effect to rule 5.1(h) or for another purpose.

5.2 Power to decline to register transfers

(a) The Board may decline to register, or prevent registration of, a transfer of shares or apply a holding lock to prevent a transfer in accordance with the Act or the Listing Rules where:

(1) the transfer is not in registrable form;

(2) the company has a lien on any of the shares transferred;

(3) registration of the transfer may breach a law of Australia;

(4) the transfer is paper-based and registration of the transfer will result in a holding which, at the time the transfer is lodged, is less than a marketable parcel;

(5) the transfer is not permitted under the terms of an employee share plan; or

(6) the company is otherwise permitted or required to do so under the Listing Rules or, except for a Proper ASTC Transfer, under the terms of issue of the shares.

(b) If the Board declines to register a transfer, the company must give notice of the refusal as required by the Act and the Listing Rules. Failure to give that notice will not invalidate the decision of the Board to decline to register the transfer.

(c) The Board may delegate its authority under this rule 5.2 to any person.

5.3 Power to suspend registration of transfers

The Board may suspend the registration of transfers at any time, and for any periods, permitted by the ASX Settlement Operating Rules that it decides.

5.4 Selling non marketable parcels

(a) The Board may sell shares that constitute less than a marketable parcel by following the procedures in this rule 5.4.

(b) The Board may send a notice to a member who holds less than a marketable parcel of shares in a class of shares of the company, on a date decided by the Board, which:

(1) explains the effect of the notice under this rule 5.4; and

(2) advises the holder that he or she may choose to be exempt from the provisions of this rule 5.4. A form of election for that purpose must be sent with the notice.

(c) If, before 5.00pm (Perth time) on a date specified in the notice which is no earlier than 6 weeks after the notice is sent:

(1) the company has not received a notice from the member exempting them from this rule 5.4; and

(2) the member has not increased his or her shareholding to a marketable parcel,

the member is taken to have irrevocably appointed the company as his or her agent to do anything in rule 5.4(e).

(d) In addition to initiating a sale by sending a notice under rule 5.4(b), the Board may also initiate a sale if a member holds less than a marketable parcel at the time that the transfer document was initiated or, in the case of a paper-based transfer document, was lodged with the company. In that case:

(1) the member is taken to have irrevocably appointed the company as his or her agent to do anything in rule 5.4(e); and

(2) if the holding was created after the adoption of this rule, the Board may remove or change the member's rights to vote or receive dividends in respect of those shares. Any dividends withheld must be sent to the former holder after the sale when the former holder delivers to the company such proof of title as the Board accepts.

(e) The company may:

(1) sell the shares constituting less than a marketable parcel as soon as practicable;

(2) deal with the proceeds of sale under rule 3.8; and

(3) receive any disclosure document, including a financial services guide, as agent for the member.

(f) The costs and expenses of any sale of shares arising from a notice under rule 5.4(b) (including brokerage and stamp duty) are payable by the purchaser or by the company.

(g) A notice under rule 5.4(b) may be given to a member only once in a 12 month period and may not be given during the offer period of a takeover bid for the company.

(h) If a takeover bid is announced after a notice is given but before an agreement is entered into for the sale of shares, this rule ceases to operate for those shares. However, despite rule 5.4(g), a new notice under rule 5.4(b) may be given after the offer period of the takeover bid closes.

(i) The Board may, before a sale is effected under this rule 5.4, revoke a notice given or suspend or terminate the operation of this rule either generally or in specific cases.

(j) If a member is registered in respect of more than one parcel of shares, the Board may treat the member as a separate member in respect of each of those parcels so that this rule 5.4 will operate as if each parcel was held by different persons.

5.5 Transmission of shares

(a) Subject to rule 5.5(c), where a member dies, the only persons the company will recognise as having any title to the member's shares or any benefits accruing on those shares are:

(1) where the deceased was a sole holder, the legal personal representative of the deceased; and

(2) where the deceased was a joint holder, the survivor or survivors.

(b) Rule 5.5(a) does not release the estate of a deceased member from any liability on a share, whether that share was held by the deceased solely or jointly with other persons.

(c) The Board may register a transfer of shares signed by a member before a Transmission Event even though the company has notice of the Transmission Event.

(d) A person who becomes entitled to a share because of a Transmission Event may, on producing such evidence as the Board requires to prove that person's entitlement to the share, choose:

(1) to be registered as the holder of the share by signing and giving the company a written notice stating that choice; or

(2) to nominate some other person to be registered as the transferee of the share by executing or effecting in some other way a transfer of the share to that other person.

(e) The provisions of this constitution concerning the right to transfer shares and the registration of transfers of shares apply, so far as they can and with any necessary changes, to a notice or transfer under rule 5.5(d) as if the relevant Transmission Event had not occurred and the notice or transfer were executed or effected by the registered holder of the share.

(f) Where 2 or more persons are jointly entitled to a share because of a Transmission Event they will, on being registered as the holders of the share, be taken to hold the share as joint tenants and rule 2.6 will apply to them.

6 Plebiscite to approve proportional takeover bids

6.1 Definitions

The meanings of the terms used in this rule 6 are set out below.

Term	Meaning
Approving Resolution	in relation to a Proportional Takeover Bid, a resolution to approve the Proportional Takeover Bid passed in accordance with rule 6.3.
Approving Resolution Deadline	in relation to a Proportional Takeover Bid, the day that is 14 days before the last day of the bid period and during which the offers under the Proportional Takeover Bid remain open or a later day allowed by the Australian Securities and Investments Commission.
Proportional Takeover Bid	a takeover bid that is made or purports to be made under section 618(1)(b) of the Act in respect of securities included in a class of securities in the company.
Relevant Class	in relation to a Proportional Takeover Bid, means the class of securities in the company in respect of which offers are made under the Proportional Takeover Bid.

6.2 Transfers not to be registered

Despite rules 5.1(c) and 5.2, a transfer giving effect to a contract resulting from the acceptance of an offer made under a Proportional Takeover Bid must not be registered unless an Approving Resolution has been passed or is taken to have been passed in accordance with rule 6.3.

6.3 Approving Resolution

(a) Where offers have been made under a Proportional Takeover Bid, the Board must:

(1) convene a meeting of the persons entitled to vote on the Approving Resolution for the purpose of considering and, if thought fit, passing a resolution to approve the Proportional Takeover Bid; and

(2) ensure that the resolution is voted on in accordance with this rule 6.3,

before the Approving Resolution Deadline.

(b) The provisions of this constitution relating to general meetings apply (with any necessary changes) to a meeting that is convened under rule 6.3(a), as if that meeting were a general meeting of the company.

(c) The bidder under a Proportional Takeover Bid and any associates of the bidder are not entitled to vote on the Approving Resolution and if they do vote, their votes must not be counted.

(d) Subject to rule 6.3(c), a person who held securities of the relevant class as at the end of the day on which the first offer under the Proportional Takeover Bid was made is entitled to vote on the Approving Resolution.

(e) An Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.

(f) If an Approving Resolution has not been voted on in accordance with this rule 6.3 as at the end of the day before the Approving Resolution Deadline, an Approving Resolution will be taken to have been passed in accordance with this rule 6.3 on the Approving Resolution Deadline.

6.4 Sunset

Rules 6.1, 6.2 and 6.3, cease to have effect at the end of 3 years beginning:

(a) where those rules have not been renewed in accordance with the Act, on the date that those rules were adopted by the company; or

(b) where those rules have been renewed in accordance with the Act, on the date those rules were last renewed.

7 General meetings

7.1 Calling general meetings

(a) A general meeting may only be called:

(1) by a Board resolution; or

(2) as otherwise provided in the Act.

(b) The Board may, by notice to the Exchange, change the venue for, postpone or cancel a general meeting, but:

(1) a meeting that is called in accordance with a members' requisition under the Act; and

(2) any other meeting that is not called by a Board resolution,

may not be postponed or cancelled without the prior written consent of the persons who called or requisitioned the meeting.

7.2 Notice of general meetings

(a) Notice of a general meeting must be given, not less than the prescribed notice of meeting of members, to each person who at the time of giving the notice:

(1) is a member, director or auditor of the company; or

(2) is entitled to a share because of a Transmission Event and has satisfied the Board of this.

(b) The content of a notice of a general meeting called by the Board is to be decided by the Board, but it must state the general nature of the business to be transacted at the meeting and any other matters required by the Act.

(c) Unless the Act provides otherwise:

(1) no business may be transacted at a general meeting unless the general nature of the business is stated in the notice calling the meeting; and

(2) except with the approval of the Board or the chairperson, no person may move any amendment to a proposed resolution or to a document that relates to such a resolution.

(d) A person may waive notice of any general meeting by written notice to the company.

(e) Failure to give a member or any other person notice of a general meeting or a proxy form, does not invalidate anything done or any resolution passed at the general meeting if:

(1) the failure occurred by accident or inadvertent error; or

(2) before or after the meeting, the person notifies the company of the person's agreement to that thing or resolution.

(f) A person's attendance at a general meeting waives any objection that person may have to:

(1) a failure to give notice, or the giving of a defective notice, of the meeting unless the person at the beginning of the meeting objects to the holding of the meeting; and

(2) the consideration of a particular matter at the meeting which is not within the business referred to in the notice of the meeting, unless the person objects to considering the matter when it is presented.

7.3 Admission to general meetings

(a) The chairperson of a general meeting may take any action he or she considers appropriate for the safety of persons attending the meeting and the orderly conduct of the meeting and may refuse admission to, or require to leave and remain out of, the meeting any person:

(1) in possession of a pictorial-recording or sound-recording device;

(2) in possession of a placard or banner;

(3) in possession of an article considered by the chairperson to be dangerous, offensive or liable to cause disruption;

(4) who refuses to produce or permit examination of any article, or the contents of any article, in the person's possession;

(5) who refuses to comply with a request to turn off a mobile telephone, personal communication device or similar device;

(6) who behaves or threatens to behave or who the chairperson has reasonable grounds to believe may behave in a dangerous, offensive or disruptive way; or

(7) who is not entitled to receive notice of the meeting.

The chairperson may delegate the powers conferred by this rule to any person he or she thinks fit.

(b) A person, whether a member or not, requested by the Board or the chairperson to attend a general meeting is entitled to be present and, at the request of the chairperson, to speak at the meeting.

(c) If the chairperson of a general meeting considers that there is not enough room for the members who wish to attend the meeting, he or she may arrange for any person whom he or she considers cannot be seated in the main meeting room to observe or attend the general meeting in a separate room. Even if the members present in the separate room are not able to participate in the conduct of the meeting, the meeting will nevertheless be treated as validly held in the main room.

(d) If a separate meeting place is linked to the main place of a general meeting by an instantaneous audio-visual communication device which, by itself or in conjunction with other arrangements:

(1) gives the general body of members in the separate meeting place a reasonable opportunity to participate in proceedings in the main place;

(2) enables the chairperson to be aware of proceedings in the other place; and

(3) enables the members in the separate meeting place to vote on a show of hands or on a poll,

a member present at the separate meeting place is taken to be present at the general meeting and entitled to exercise all rights as if he or she was present at the main place.

(e) If, before or during the meeting, any technical difficulty occurs where one or more of the matters set out in rule 7.3(d) is not satisfied, the chairperson may:

(1) adjourn the meeting until the difficulty is remedied; or

(2) continue to hold the meeting in the main place (and any other place which is linked under rule 7.3(d)) and transact business, and no member may object to the meeting being held or continuing.

(f) Nothing in this rule 7.3 or in rule 7.6 is to be taken to limit the powers conferred on the chairperson by law.

7.4 Quorum at general meetings

(a) No business may be transacted at a general meeting, except the election of a chairperson and the adjournment of the meeting, unless a quorum of members is present when the meeting proceeds to business.

(b) A quorum is 5 or more members present at the meeting and entitled to vote on a resolution at the meeting.

(c) If a quorum is not present within 30 minutes after the time appointed for the general meeting:

(1) where the meeting was called at the request of members, the meeting must be dissolved; or

(2) in any other case, the meeting stands adjourned to the day, time and place the directors present decide or, if they do not make a decision, to the same day in the next week at the same time and place and if a quorum is not present at the adjourned meeting within 30 minutes after the time appointed for the meeting, the meeting must be dissolved.

7.5 Chairperson of general meetings

(a) The chairperson of the Board or, in the absence of the chairperson, the deputy chairperson of the Board is entitled, if present within 15 minutes after the time appointed for a general meeting and willing to act, to preside as chairperson at the meeting.

(b) The directors present may choose one of their number to preside as chairperson if, at a general meeting:

(1) there is no chairperson or deputy chairperson of the Board;

(2) neither the chairperson nor the deputy chairperson of the Board is present within 15 minutes after the time appointed for the meeting; or

(3) neither the chairperson nor the deputy chairperson of the Board is willing to act as chairperson of the meeting.

(c) If the directors do not choose a chairperson under rule 7.5(b), the members present must elect as chairperson of the meeting:

(1) another director who is present and willing to act; or

(2) if no other director is present and willing to act, a member who is present and willing to act.

(d) A chairperson of a general meeting may, for any item of business or discrete part of the meeting, vacate the chair in favour of another person nominated by him or her (**Acting Chairperson**). Where an instrument of proxy appoints the chairperson as proxy for part of the proceedings for which an Acting Chairperson has been nominated, the instrument of proxy is taken to be in favour of the Acting Chairperson for the relevant part of the proceedings.

(e) Wherever the term ‘chairperson’ is used in this rule 7, it is to be read as a reference to the chairperson of the general meeting, unless the context indicates otherwise.

7.6 Conduct at general meetings

(a) Subject to the provisions of the Act, the chairperson is responsible for the general conduct of the meeting and for the procedures to be adopted at the meeting.

(b) The chairperson may, at any time the chairperson considers it necessary or desirable for the efficient and orderly conduct of the meeting:

(1) impose a limit on the time that a person may speak on each motion or other item of business and terminate debate or discussion on any business, question, motion or resolution being considered by the meeting and require the business, question, motion or resolution to be put to a vote of the members present;

(2) adopt any procedures for casting or recording votes at the meeting whether on a show of hands or on a poll, including the appointment of scrutineers; and

(3) decide not to put to the meeting any resolution proposed in the notice convening the meeting (other than a resolution proposed by members in accordance with section 249N of the Act or required by the Act to be put to the meeting).

(c) A decision by a chairperson under rules 7.6(a) or 7.6(b) is final.

(d) Whether or not a quorum is present, the chairperson may postpone the meeting before it has started if, at the time and place appointed for the meeting, he or she considers that:

(1) there is not enough room for the number of members who wish to attend the meeting; or

(2) a postponement is necessary in light of the behaviour of persons present or for any other reason so that the business of the meeting can be properly carried out.

(e) A postponement under rule 7.6(d) will be to another time, which may be on the same day as the meeting, and may be to another place (and the new time and place will be taken to be the time and place for the meeting as if specified in the notice that called the meeting originally).

(f) The chairperson may at any time during the course of the meeting:

(1) adjourn the meeting or any business, motion, question or resolution being considered or remaining to be considered by the meeting either to a later time at the same meeting or to an adjourned meeting; and

(2) for the purpose of allowing any poll to be taken or determined, suspend the proceedings of the meeting for such period or periods as he or she decides without effecting an adjournment. No business may be transacted and no discussion may take place during any suspension of proceedings unless the chairperson otherwise allows.

(g) The chairperson's rights under rules 7.6(d) and 7.6(f) are exclusive and, unless the chairperson requires otherwise, no vote may be taken or demanded by the members present concerning any postponement, adjournment or suspension of proceedings.

(h) Only unfinished business may be transacted at a meeting resumed after an adjournment.

(i) Where a meeting is postponed or adjourned under this rule 7.6, notice of the postponed or adjourned meeting must be given to the Exchange, but, except as provided by rule 7.6(k), need not be given to any other person.

(j) Where a meeting is postponed or adjourned, the Board may, by notice to the Exchange, postpone, cancel or change the place of the postponed or adjourned meeting.

(k) Where a meeting is postponed or adjourned for 30 days or more, notice of the postponed or adjourned meeting must be given as in the case of the original meeting.

7.7 Decisions at general meetings

(a) Except where a resolution requires a special majority, questions arising at a general meeting must be decided by a majority of votes cast by the members present at the meeting. A decision made in this way is for all purposes, a decision of the members.

(b) If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote.

(c) Subject to rule 7.7(d), each matter submitted to a general meeting is to be decided in the first instance on a show of hands of the members present and entitled to vote.

(d) A matter will be decided on a poll without first being submitted to the meeting to be decided on a show of hands where:

(1) the matter is a resolution set out in the notice of meeting provided to members in accordance with rule 7.2; or

(2) any other circumstance where the chairperson determines it appropriate.

(e) A poll may be demanded by members in accordance with the Act (and not otherwise) or by the chairperson.

(f) A demand for a poll does not prevent a general meeting continuing to transact any business except the question on which the poll is demanded.

(g) Unless a poll is duly demanded, a declaration by the chairperson that a resolution has on a show of hands been carried or carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the company is conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

(h) A poll at a general meeting must be taken in the way and at the time the chairperson directs. The result of the poll as declared by the chairperson is the resolution of the meeting at which the poll was demanded.

(i) A poll cannot be demanded at a general meeting on the election of a chairperson.

(j) The demand for a poll may be withdrawn with the chairperson's consent.

7.8 Direct voting

(a) Despite anything to the contrary in this constitution, the Board may decide that, at any general meeting or class meeting, a member who is entitled to attend and vote on a resolution at that meeting is entitled to a direct vote in respect of that resolution. A 'direct vote' includes a vote delivered to the company by post, fax or other electronic means approved by the directors.

(b) The Board may prescribe regulations, rules and procedures in relation to direct voting, including specifying the form, method and timing of giving a direct vote at a meeting in order for the vote to be valid.

7.9 Voting rights

(a) Subject to this constitution and the Act and to any rights or restrictions attached to any shares or class of shares, at a general meeting:

(1) on a show of hands, every member present has one vote; and

(2) on a poll, every member present has one vote for each share held as at the Record Time by the member entitling the member to vote, except for partly paid shares, each of which confers on a poll only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share. An amount paid in advance of a call is disregarded for this purpose.

(b) If a person present at a general meeting represents personally or by proxy, attorney or Representative more than one member, on a show of hands the person is, subject to the Act, entitled to one vote only even though he or she represents more than one member.

(c) A joint holder may vote at a meeting either personally or by proxy, attorney or Representative as if that person was the sole holder. If more than one joint holder tenders a vote in respect of the relevant shares, the vote of the holder named first in the register who tenders a vote, whether in person or by proxy, attorney or Representative, must be accepted to the exclusion of the votes of the other joint holders.

(d) The parent or guardian of an infant member may vote at any general meeting on such evidence being produced of the relationship or of the appointment of the guardian as the Board may require and any vote so tendered by a parent or guardian of an infant member must be accepted to the exclusion of the vote of the infant member.

(e) A person entitled to a share because of a Transmission Event may vote at a general meeting in respect of that share in the same way as if that person were the registered holder of the share if, at least 48 hours before the meeting (or such shorter time as the Board determines), the Board:

(1) admitted that person's right to vote at that meeting in respect of the share; or

(2) was satisfied of that person's right to be registered as the holder of, or to transfer, the share.

Any vote duly tendered by that person must be accepted and the vote of the registered holder of those shares must not be counted.

(f) Where a member holds a share on which a call or other amount payable to the company has not been duly paid:

(1) that member is only entitled to be present at a general meeting and vote if that member holds, as at the Record Time, other shares on which no money is then due and payable; and

(2) on a poll, that member is not entitled to vote in respect of that share but may vote in respect of any shares that member holds, as at the Record Time, on which no money is then due and payable.

(g) A member is not entitled to vote on a resolution if, under the Act or the Listing Rules:

(1) the member must not vote or must abstain from voting on the resolution; or

(2) a vote on the resolution by the member must be disregarded for any purposes.

If the member or a person acting as proxy, attorney or Representative of the member does tender a vote on that resolution, their vote must not be counted.

(h) An objection to the validity of a vote tendered at a general meeting must be:

(1) raised before or immediately after the result of the vote is declared; and

(2) referred to the chairperson, whose decision is final.

(i) A vote tendered, but not disallowed by the chairperson under rule 7.9(h), is valid for all purposes, even if it would not otherwise have been valid.

(j) The chairperson may decide any difficulty or dispute which arises as to the number of votes that may be cast by or on behalf of any member and the decision of the chairperson is final.

7.10 Representation at general meetings

(a) Subject to this constitution, each member entitled to vote at a general meeting may vote:

(1) in person or, where a member is a body corporate, by its Representative;

(2) by not more than 2 proxies; or

(3) by not more than 2 attorneys.

(b) A proxy, attorney or Representative may, but need not, be a member of the company.

(c) An instrument appointing a proxy is valid if it is in accordance with the Act or in any form approved by the Board.

(d) For the purposes of this rule 7.10, a proxy appointment received at an electronic address specified in the notice of general meeting for the receipt of proxy appointments or otherwise received by the company in accordance with the Act is taken to have been signed or executed if the appointment:

(1) includes or is accompanied by a personal identification code allocated by the company to the member making the appointment;

(2) has been authorised by the member in another manner approved by the Board and specified in or with the notice of meeting; or

(3) is otherwise authenticated in accordance with the Act.

(e) A vote given in accordance with an instrument appointing a proxy or attorney is valid despite the transfer of the share in respect of which the instrument was given if the transfer is not registered by the time at which the instrument appointing the proxy or attorney is required to be received under rule 7.10(i).

(f) Unless otherwise provided in the appointment of a proxy, attorney or Representative, an appointment will be taken to confer authority:

(1) even though the appointment may refer to specific resolutions and may direct the proxy, attorney or Representative how to vote on those resolutions, to do any of the acts specified in rule 7.10(g); and

(2) even though the appointment may refer to a specific meeting to be held at a specified time or venue, where the meeting is rescheduled, adjourned or postponed to another time or changed to another venue, to attend and vote at the rescheduled, adjourned or postponed meeting or at the new venue.

(g) The acts referred to in rule 7.10(f)(1) are:

(1) to vote on any amendment moved to the proposed resolutions and on any motion that the proposed resolutions not be put or any similar motion;

(2) to vote on any motion before the general meeting, whether or not the motion is referred to in the appointment; and

(3) to act generally at the meeting (including to speak, demand a poll, join in demanding a poll and to move motions).

(h) A proxy form issued by the company must allow for the insertion of the name of the person to be primarily appointed as proxy and may provide that, in circumstances and on conditions specified in the form that are not inconsistent with this constitution, the chairperson of the relevant meeting (or another person specified in the form) is appointed as proxy.

(i) A proxy or attorney may not vote at a general meeting or adjourned or postponed meeting or on a poll unless the instrument appointing the proxy or attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the company:

(1) at least 48 hours, or such lesser time as specified by the Board in the notice of meeting, (or in the case of an adjournment or postponement of a meeting, any lesser time that the Board or the chairperson of the meeting decides) before the time for holding the meeting or adjourned or postponed meeting or taking the poll, as applicable; or

(2) where rule 7.10(j)(2) applies, such shorter period before the time for holding the meeting or adjourned or postponed meeting or taking the poll, as applicable, as the company determines in its discretion.

A document is received by the company under this rule 7.10(i) when it is received in accordance with the Act, and to the extent permitted by the Act, if the document is produced or the transmission of the document is otherwise verified to the company in the way specified in the notice of meeting.

(j) Where the company receives an instrument appointing a proxy or attorney in accordance with rule 7.10 and within the time period specified in rule 7.10(i)(1), the company is entitled to:

(1) clarify with the appointing member any instruction in relation to that instrument by written or verbal communication and make any amendments to the instrument required to reflect any clarification; and

(2) where the company considers that the instrument has not been duly executed, return the instrument to the appointing member and request that the member duly execute the instrument and return it to the company within the period determined by the company under rules 7.10(i)(2) and notified to the member.

(k) The member is taken to have appointed the company as its attorney for the purpose of any amendments made to an instrument appointing a proxy in accordance with rule 7.10(j)(1). An instrument appointing a proxy or attorney which is received by the company in accordance with rule 7.10(j)(2) is taken to have been validly received by the company.

(l) The appointment of a proxy or attorney is not revoked by the appointor attending and taking part in the general meeting, but if the appointor votes on a resolution, the proxy or attorney is not entitled to vote, and must not vote, as the appointor's proxy or attorney on the resolution.

(m) Where a member appoints 2 proxies or attorneys to vote at the same general meeting:

(1) if the appointment does not specify the proportion or number of the member's votes each proxy or attorney may exercise, each proxy or attorney may exercise half the member's votes;

(2) on a show of hands, neither proxy or attorney may vote if more than one proxy or attorney attends; and

(3) on a poll, each proxy or attorney may only exercise votes in respect of those shares or voting rights the proxy or attorney represents.

(n) Unless written notice of the matter has been received at the company's registered office (or at another place specified for lodging an appointment of a proxy, attorney or Representative for the meeting) within the time period specified under rules 7.10(j) or 7.10(i) (as applicable), a vote cast by a proxy, attorney or Representative is valid even if, before the vote is cast:

(1) a Transmission Event occurs to the member; or

(2) the member revokes the appointment of the proxy, attorney or Representative or revokes the authority under which a third party appointed the proxy, attorney or Representative.

(o) The chairperson may require a person acting as a proxy, attorney or Representative to establish to the chairperson's satisfaction that the person is the person duly appointed to act. If the person fails to satisfy the requirement, the chairperson may:

(1) exclude the person from attending or voting at the meeting; or

(2) permit the person to exercise the powers of a proxy, attorney or Representative on the condition that, if required by the company, he or she produce evidence of the appointment within the time set by the chairperson.

(p) The chairperson may delegate his or her powers under rule 7.10(o) to any person.

8 Directors

8.1 Appointment and retirement of directors

(a) The number of directors shall:

(1) not be less than 4; and

(2) not be more than 8,

unless the company resolves otherwise at a general meeting.

(b) The Board may appoint any eligible person to be a director, either as an addition to the existing directors or to fill a casual vacancy, but so that the total number of directors does not exceed the maximum number fixed under this constitution.

(c) A director appointed by the Board under rule 8.1(b), who is not a managing director, holds office until the conclusion of the next AGM following his or her appointment.

(d) No director who is not the managing director may hold office without re-election beyond the third AGM following the meeting at which the director was last elected or re-elected.

(e) If there is more than one managing director, only one of them, nominated by the Board, is entitled not to be subject to vacation of office under rule 8.1(c) or retirement under rule 8.1(d) or 8.1(f).

(f) To the extent that the Listing Rules require an election of directors to be held and no director would otherwise be required (by rules 8.1(c) or 8.1(d)) to submit for election or re-election, the director to retire is any director who wishes to retire (whether or not he or she intends to stand for re-election), otherwise it is the director who has been longest in office since their last election or appointment (excluding the managing director). As between directors who were last elected or appointed on the same day, the director to retire must be decided by lot (unless they can agree among themselves).

(g) A director is not required to retire and is not relieved from retiring because of a change in the number or identity of the directors after the date of the notice calling the AGM but before the meeting closes.

(h) The members may by resolution at a general meeting appoint an eligible person to be a director, either as an addition to the existing directors or to fill a casual vacancy, but so that the total number of directors does not exceed the maximum number fixed under this constitution.

(i) The retirement of a director from office under this constitution and the re-election of a director or the election of another person to that office (as the case may be) takes effect at the conclusion of the meeting at which the retirement and re-election or election occur.

(j) A person is eligible for election to the office of a director at a general meeting only if:

(1) the person is in office as a director immediately before that meeting and the Board has recommended the person's election to members;

(2) the person has been nominated by the Board for election at that meeting; or

(3) in any other case, not less than the number of members specified in the Act as being required to give notice of a resolution at a general meeting of the company have:

(A) at least 45 Business Days; or

(B) in the case of a general meeting which the directors have been duly requested by members under the Act to call, at least 30 Business Days,

but, in each case, no more than 90 Business Days, before the meeting given the company:

(C) a notice signed by the relevant members stating their intention to nominate the person for election; and

(D) a notice signed by the person nominated stating his or her consent to the nomination.

(k) A partner, employer or employee of an auditor of the company may not be appointed or elected as a director.

8.2 Vacating office

In addition to the circumstances prescribed by the Act and this constitution, the office of a director becomes vacant if the director:

(a) becomes of unsound mind or a person who is, or whose estate is, liable to be dealt with in any way under the law relating to mental health;

(b) becomes bankrupt or insolvent or makes any arrangement or compromise with his or her creditors generally;

(c) is convicted on indictment of an offence and the Board does not within one month after that conviction resolve to confirm the director's appointment or election (as the case may be) to the office of director;

(d) fails to attend meetings of the Board for more than 3 consecutive months without leave of absence from the Board and a majority of the other directors have not, within 14 days of having been given a notice by the secretary giving details of the absence, resolved that leave of absence be granted; or

(e) resigns by written notice to the company.

8.3 Remuneration

(a) The Board may decide the remuneration from the company to which each director is entitled for his or her services as a director but the total aggregate amount provided to all non-executive directors of the company for their services as directors must not exceed in any financial year the amount fixed by the company in general meeting.

(b) When calculating a non-executive director's remuneration for the purposes of rule 8.3(a), any amount paid by the company or related body corporate:

(1) to a superannuation, retirement or pension fund for a director is to be included;

(2) as fees for acting as a director of the company or any child entity (including attending and participating in any board committee meetings where the Board has not made a determination under rule 8.7(c)) is to be included;

(3) as securities, issued with the approval of members under the Listing Rules, are to be excluded; and

(4) for any insurance premium paid or agreed to be paid for a director under rule 10.4 is to be excluded.

(c) Remuneration under rule 8.3(a) may be provided in such manner that the Board decides, including by way of non-cash benefit, such as a contribution to a superannuation fund.

(d) The remuneration is taken to accrue from day to day.

(e) The remuneration of a director (who is not a managing director or an executive director) must not include a commission on, or a percentage of, profits or operating revenue.

(f) The directors are entitled to be paid all travelling and other expenses they incur in attending to the company's affairs, including attending and returning from general meetings of the company or meetings of the Board or of committees of the Board. Such amounts will not form part of the aggregate remuneration permitted under rule 8.3(a).

(g) Any director who performs extra services, makes any special exertions for the benefit of the company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a non-executive director, may be remunerated for the services (as determined by the Board) out of the

funds of the company. Any amount paid will not form part of the aggregate remuneration permitted under rule 8.3(a).

(h) If a director is also:

(1) an officer; or

(2) an executive,

of the company or of a related body corporate, any remuneration that director may receive for acting in their capacity as that officer or executive may be either in addition to or instead of that director's remuneration under rule 8.3(a).

(i) The Board may:

(1) at any time after a director dies or ceases to hold office as a director for any other reason, pay or provide to the director or a legal personal representative, spouse, relative or dependant of the director, in addition to the remuneration of that director under rule 8.3(a), a pension or benefit for past services rendered by that director; and

(2) cause the company to enter into a contract with the director or a legal personal representative, spouse, relative or dependant of the director to give effect to such a payment or provide for such a benefit.

(j) Any director may be paid a retirement benefit, as determined by the Board, in accordance with the Act. The Board may make arrangements with any director with respect to the payment of retirement benefits in accordance with this rule 8.3(j).

(k) The Board may establish or support, or assist in the establishment or support of, funds and trusts to provide pension, retirement, superannuation or similar payments or benefits to or in respect of the directors or former directors and grant pensions and allowances to those persons or their dependants either by periodic payment or a lump sum.

8.4 Director need not be a member

(a) A director is not required to hold any shares in the company to qualify for appointment.

(b) A director is entitled to attend and speak at general meetings and at meetings of the holders of a class of shares, even if he or she is not a member or a holder of shares in the relevant class.

8.5 Directors may contract with the company and hold other offices

(a) The Board may make regulations requiring the disclosure of interests that a director, and any person deemed by the Board to be related to or associated with the director, may have in any matter concerning the company or a related body corporate. Any regulations made under this constitution bind all directors.

(b) No act, transaction, agreement, instrument, resolution or other thing is invalid or voidable only because a person fails to comply with any regulation made under rule 8.5(a).

(c) A director is not disqualified from contracting or entering into an arrangement with the company as vendor, purchaser or in another capacity, merely because the director holds office as a director or because of the fiduciary obligations arising from that office.

(d) A contract or arrangement entered into by or on behalf of the company in which a director is in any way interested is not invalid or voidable merely because the

director holds office as a director or because of the fiduciary obligations arising from that office.

(e) A director who is interested in any arrangement involving the company is not liable to account to the company for any profit realised under the arrangement merely because the director holds office as a director or because of the fiduciary obligations arising from that office, provided that the director complies with the disclosure requirements applicable to the director under rule 8.5(a) and under the Act regarding that interest.

(f) A director may hold any other office or position (except auditor) in the company or any related body corporate in conjunction with his or her directorship and may be appointed to that office or position on terms (including remuneration and tenure) the Board decides.

(g) A director may be or become a director or other officer of, or interested in, any related body corporate or any other body corporate promoted by or associated with the company, or in which the company may be interested as a vendor, and, with the consent of the Board, need not account to the company for any remuneration or other benefits the director receives as a director or officer of, or from having an interest in, that body corporate.

(h) A director who has an interest in a matter that is being considered at a meeting of the Board may, despite that interest, vote, be present and be counted in a quorum at the meeting, unless that is prohibited by the Act. No act, transaction, agreement, instrument, resolution or other thing is invalid or voidable only because a director fails to comply with that prohibition.

(i) The Board may exercise the voting rights given by shares in any corporation held or owned by the company in any way the Board decides. This includes voting for any resolution appointing a director as a director or other officer of that corporation or voting for the payment of remuneration to the directors or other officers of that corporation. A director may, if the law permits, vote for the exercise of those voting rights even though he or she is, or may be about to be appointed, a director or other officer of that other corporation and, in that capacity, may be interested in the exercise of those voting rights.

(j) A director who is interested in any contract or arrangement may, despite that interest, participate in the execution of any document by or on behalf of the company evidencing or otherwise connected with that contract or arrangement.

8.6 Powers and duties of directors

(a) The business and affairs of the company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by this constitution) may exercise all powers and do all things that are:

(1) within the power of the company; and

(2) are not by this constitution or by law directed or required to be done by the company in general meeting.

(b) The Board may exercise all the powers of the company:

(1) to borrow or raise money in any other way;

(2) to charge any of the company's property or business or any of its uncalled capital; and

(3) to issue debentures or give any security for a debt, liability or obligation of the company or of any other person.

(c) Debentures or other securities may be issued on the terms and at prices decided by the Board, including bearing interest or not, with rights to subscribe for, or exchange into, shares or other securities in the company or a related body corporate or with special privileges as to redemption, participating in share issues, attending and voting at general meetings and appointing directors.

(d) The Board may decide how cheques, promissory notes, banker's drafts, bills of exchange or other negotiable instruments must be signed, drawn, accepted, endorsed or otherwise executed, as applicable, by or on behalf of the company.

(e) The Board may:

(1) appoint or employ any person as an officer, agent or attorney of the company for the purposes, with the powers, discretions and duties (including those vested in or exercisable by the Board), for any period and on any other conditions they decide;

(2) authorise an officer, agent or attorney to delegate any of the powers, discretions and duties vested in the officer, agent or attorney; and

(3) remove or dismiss any officer, agent or attorney of the company at any time, with or without cause.

(f) A power of attorney may contain any provisions for the protection and convenience of the attorney or persons dealing with the attorney that the Board decides.

(g) Nothing in this rule 8.6 limits the general nature of rule 8.6(a).

8.7 Delegation by the Board

(a) The Board may delegate any of its powers to one director, a committee of the Board, or any person or persons.

(b) A director, committee of the Board, or person to whom any powers have been so delegated must exercise the powers delegated in accordance with any directions of the Board.

(c) The acceptance of a delegation of powers by a director may, if the Board so resolves, be treated as an extra service or special exertion performed by the delegate for the purposes of rule 8.3(g).

(d) The provisions of this constitution applying to meetings and resolutions of the Board apply, so far as they can and with any necessary changes, to meetings and resolutions of a committee of the Board, except to the extent they are contrary to any direction given under rule 8.7(b).

8.8 Proceedings of directors

(a) The directors may meet together to attend to business and adjourn and otherwise regulate their meetings as they decide.

(b) The contemporaneous linking together by telephone or other electronic means of a sufficient number of directors to constitute a quorum, constitutes a meeting of the Board. All the provisions in this constitution relating to meetings of the Board apply, as far as they can and with any necessary changes, to meetings of the Board by telephone or other electronic means.

(c) A meeting by telephone or other electronic means is to be taken to be held at the place where the chairperson of the meeting is or at such other place the chairperson of the meeting decides, as long as at least one of the directors involved was at that place for the duration of the meeting.

(d) A director taking part in a meeting by telephone or other electronic means is to be taken to be present in person at the meeting and all directors participating in the meeting will (unless there is a specific statement otherwise) be taken to have consented to the holding of the meeting by the relevant electronic means.

(e) If, before or during the meeting, any technical difficulty occurs where one or more directors cease to participate, the chairperson may adjourn the meeting until the difficulty is remedied or may, where a quorum of directors remains present, continue with the meeting.

8.9 Calling meetings of the Board

(a) A director may, whenever the director thinks fit, call a meeting of the Board.

(b) A secretary must, if requested by a director, call a meeting of the Board.

8.10 Notice of meetings of the Board

(a) Notice of a meeting of the Board must be given to each person who is a director at the time the notice is given a director, except a director on leave of absence approved by the Board.

(b) A notice of a meeting of the Board:

(1) must specify the time and place of the meeting;

(2) need not state the nature of the business to be transacted at the meeting;

(3) may, if necessary, be given immediately before the meeting; and

(4) may be given in person or by post or by telephone, fax or other electronic means, or in any other way consented to by the directors from time to time.

(c) A director may waive notice of a meeting of the Board by giving notice to that effect in person or by post or by telephone, fax or other electronic means.

(d) Failure to give a director notice of a meeting of the Board does not invalidate anything done or any resolution passed at the meeting if:

(1) the failure occurred by accident or inadvertent error; or

(2) the director attended the meeting or waived notice of the meeting (whether before or after the meeting).

(e) A person who attends a meeting of the Board waives any objection that person may have to a failure to give notice of the meeting.

8.11 Quorum at meetings of the Board

(a) No business may be transacted at a meeting of the Board unless a quorum of directors is present at the time the business is dealt with.

(b) Unless the Board decides differently, 3 directors constitute a quorum.

(c) If there is a vacancy in the office of a director, the remaining directors may act. But, if their number is not sufficient to constitute a quorum, they may act only in an emergency or to increase the number of directors to a number sufficient to constitute a quorum or to call a general meeting of the company.

8.12 Chairperson and deputy chairperson of the Board

(a) The Board must elect a director to the office of chairperson of the Board and may elect one or more directors to the office of deputy chairperson of the Board. The Board may decide the period for which those offices will be held.

(b) The chairperson of the Board is entitled (if present within 10 minutes after the time appointed for the meeting and willing to act) to preside as chairperson at a meeting of the Board.

(c) If at a meeting of the Board:

(1) there is no chairperson of the Board;

(2) the chairperson of the Board is not present within 10 minutes after the time appointed for the holding of the meeting; or

(3) the chairperson of the Board is present within that time but is not willing or declines to act as chairperson of the meeting,

the deputy chairperson, if any, is entitled to be chairperson of the meeting. In the absence of a deputy chairperson, or if the deputy chairperson is unwilling or declines to act as chairperson of the meeting, the directors present must elect one of themselves to chair the meeting.

8.13 Decisions of the Board

(a) The Board, at a meeting at which a quorum is present, may exercise any authorities, powers and discretions vested in or exercisable by the Board under this constitution.

(b) Questions arising at a meeting of the Board must be decided by a majority of votes cast by the directors present and entitled to vote on the matter.

(c) Subject to rule 8.13(d), if the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to his or her deliberative vote.

(d) Where only 2 directors are present or entitled to vote at a meeting of the Board and the votes are equal on a proposed resolution:

(1) the chairperson of the meeting does not have a second or casting vote; and

(2) the proposed resolution is taken as lost.

8.14 Written resolutions

(a) If:

(1) all of the directors who would be entitled to receive notice of a meeting of the Board and to vote on a resolution are given a document setting out that resolution;

(2) at least 75% of the directors who are entitled to vote on the resolution (**required majority**) sign or consent to the resolution; and

(3) the directors who sign or consent to the resolution would have constituted a quorum at a meeting of the Board held to consider that resolution,

then the resolution is taken to have been passed by a meeting of the Board at the time when the last director required to constitute the required majority signs or consents to that resolution.

(b) A director may consent to a resolution by:

(1) signing the document containing the resolution (or a copy of that document);

(2) giving to the company a written notice (including by fax to its registered office or other electronic means) addressed to the secretary or to the chairperson of the Board signifying assent to the resolution and either setting out its terms or otherwise clearly identifying them; or

(3) telephoning the secretary or the chairperson of the Board and signifying assent to the resolution and clearly identifying its terms.

8.15 Validity of acts

An act done by a meeting of the Board, a committee of the Board or a person acting as a director is not invalidated by:

(a) a defect in the appointment of a person as a director or a member of a committee; or

(b) a person so appointed being disqualified or not being entitled to vote,

if that circumstance was not known by the Board, committee or person when the act was done.

9 Executive officers

9.1 Managing directors and executive directors

(a) The Board may appoint one or more of the directors to the office of managing director or other executive director.

(b) Unless the Board decides otherwise, a managing director's or other executive director's employment terminates if the managing director or other executive director ceases to be a director.

(c) A managing director or other executive director may be referred to by any title the Board decides on.

9.2 Secretary

(a) The Board must appoint at least one secretary and may appoint additional secretaries.

(b) The Board may appoint one or more assistant secretaries.

9.3 Provisions applicable to all executive officers

(a) A reference in this rule 9.3 to an executive officer is a reference to a managing director, deputy managing director, executive director, secretary or assistant secretary appointed under this rule 9.

(b) The appointment of an executive officer may be for the period, at the remuneration and on the conditions the Board decides.

(c) The remuneration payable by the company to an executive officer must not include a commission on, or percentage of, operating revenue.

(d) The Board may:

(1) delegate to or give an executive officer any powers, discretions and duties it decides;

(2) withdraw, suspend or vary any of the powers, discretions and duties given to an executive officer; and

(3) authorise the executive officer to delegate any of the powers, discretions and duties given to the executive officer.

(e) Unless the Board decides differently, the office of a director who is employed by the company or by a subsidiary of the company automatically becomes vacant if the director ceases to be so employed.

(f) An act done by a person acting as an executive officer is not invalidated by:

(1) a defect in the person's appointment as an executive officer;

(2) the person being disqualified to be an executive officer; or

(3) the person having vacated office,

if the person did not know that circumstance when the act was done.

10 Indemnity and insurance

10.1 Persons to whom rules 10.2 and 10.4 apply

Rules 10.2 and 10.4 apply:

(a) to each person who is or has been a director or executive officer (within the meaning of rule 9.3(a)) of the company; and

(b) to such other officers or former officers of the company or of its related bodies corporate as the Board in each case determines,

(each an **Officer** for the purposes of this rule 10).

10.2 Indemnity

The company must indemnify each Officer on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses (**Liabilities**) incurred by the Officer as an officer of the company or of a related body corporate.

10.3 Extent of indemnity

The indemnity in rule 10.2:

(a) is enforceable without the Officer having to first incur any expense or make any payment;

(b) is a continuing obligation and is enforceable by the Officer even though the Officer may have ceased to be an officer of the company or its related bodies corporate; and

(c) applies to Liabilities incurred both before and after the adoption of this constitution.

10.4 Insurance

The company may, to the extent permitted by law:

(a) purchase and maintain insurance; or

(b) pay or agree to pay a premium for insurance,

for each Officer against any Liability incurred by the Officer as an officer of the company or of a related body corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings, whether civil or criminal and whatever their outcome.

10.5 Savings

Nothing in rule 10.2 or 10.4:

(a) affects any other right or remedy that a person to whom those rules apply may have in respect of any Liability referred to in those rules;

(b) limits the capacity of the company to indemnify or provide or pay for insurance for any person to whom those rules do not apply; or

(c) limits or diminishes the terms of any indemnity conferred or agreement to indemnify entered into prior to the adoption of this constitution.

10.6 Deed

The company may enter into a deed with any Officer to give effect to the rights conferred by this rule 10 or the exercise of a discretion under this rule 10 on such terms as the Board thinks fit which are not inconsistent with this rule 10.

11 Winding up

11.1 Distributing surplus

Subject to this constitution and the rights or restrictions attached to any shares or class of shares:

(a) if the company is wound up and the property of the company available for distribution among the members is more than sufficient to pay:

(1) all the debts and liabilities of the company; and

(2) the costs, charges and expenses of the winding up,

the excess must be divided among the members in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares;

(b) for the purpose of calculating the excess referred to in rule 11.1(a), any amount unpaid on a share is to be treated as property of the company;

(c) the amount of the excess that would otherwise be distributed to the holder of a partly paid share under rule 11.1(a) must be reduced by the amount unpaid on that share at the date of the distribution; and

(d) if the effect of the reduction under rule 11.1(c) would be to reduce the distribution to the holder of a partly paid share to a negative amount, the holder must contribute that amount to the company.

11.2 Dividing property

(a) If the company is wound up, the liquidator may, with the sanction of a special resolution:

(1) divide among the members the whole or any part of the company's property; and

(2) decide how the division is to be carried out as between the members or different classes of members.

(b) A division under rule 11.2(a) need not accord with the legal rights of the members and, in particular, any class may be given preferential or special rights or may be excluded altogether or in part.

(c) Where a division under rule 11.2(a) does not accord with the legal rights of the members, a member is entitled to dissent and to exercise the same rights as if the special resolution sanctioning that division were a special resolution passed under section 507 of the Act.

(d) If any of the property to be divided under rule 11.2(a) includes securities with a liability to calls, any person entitled under the division to any of the securities may, within 10 days after the passing of the special resolution referred to in rule 11.2(a), by written notice direct the liquidator to sell the person's proportion of the securities and account for the net proceeds. The liquidator must, if practicable, act accordingly.

(e) Nothing in this rule 11.2 takes away from or affects any right to exercise any statutory or other power which would have existed if this rule were omitted.

(f) Rule 4.3 applies, so far as it can and with any necessary changes, to a division by a liquidator under rule 11.2(a) as if references in rule 4.3 to:

(1) the Board were references to the liquidator; and

(2) a distribution or capitalisation were references to the division under rule 11.2(a).

12 Inspection of and access to records

(a) A person who is not a director does not have the right to inspect any of the board papers, books, records or documents of the company, except as provided by law, or this constitution, or as authorised by the Board, or by resolution of the members.

(b) The company may enter into contracts with its directors or former directors agreeing to provide continuing access for a specified period after the director ceases to be a director to board papers, books, records and documents of the company which relate to the period during which the director or former director was a director on such terms and conditions as the Board thinks fit and which are not inconsistent with this rule 12.

(c) The company may procure that its subsidiaries provide similar access to board papers, books, records or documents as that set out in rules 12(a) and 12(b).

(d) This rule 12 does not limit any right the directors or former directors otherwise have.

13 Seals

13.1 Manner of execution

Without limiting the ways in which the company can execute documents under the Act and subject to this constitution, the company may execute a document if the document is signed by:

(a) 2 directors; or

(b) a director and a secretary; or

(c) any other person authorised by the Board for that purpose.

13.2 Common seal

The company may have a common seal. If the company has a common seal, rules 13.3 to 13.7 apply.

13.3 Safe custody of Seal

The Board must provide for the safe custody of the Seal.

13.4 Using the Seal

Subject to rule 13.7 and unless a different procedure is decided by the Board, if the company has a common seal any document to which it is affixed must be signed by:

(a) 2 directors;

(b) by a director and a secretary; or

(c) a director and another person appointed by the Board to countersign that document or a class of documents in which that document is included.

13.5 Seal register

(a) The company may keep a Seal register and, on affixing the Seal to any document (other than a certificate for securities of the company) may enter in the register particulars of the document, including a short description of the document.

(b) The register, or any details from it that the Board requires, may be produced at meetings of the Board for noting the use of the Seal since the previous meeting of the Board.

(c) Failure to comply with rules 13.5(a) or 13.5(b) does not invalidate any document to which the Seal is properly affixed.

13.6 Duplicate seals and certificate seals

(a) The company may have one or more duplicate seals for use in place of its common seal outside the state or territory where its common seal is kept. Each duplicate seal must be a facsimile of the common seal of the company with the addition on its face of the words ‘duplicate seal’ and the name of the place where it is to be used.

(b) A document sealed with a duplicate seal, or a certificate seal as provided in rule 13.7, is to be taken to have been sealed with the common seal of the company.

13.7 Sealing and signing certificates

The Board may decide either generally or in a particular case that the Seal and the signature of any director, secretary or other person is to be printed on or affixed to any certificates for securities in the company by some mechanical or other means.

14 Notices

14.1 Notices by the company to members

(a) Without limiting any other way in which notice may be given to a member under this constitution, the Act or the Listing Rules, the company may give a notice to a member by:

(1) delivering it personally to the member;

(2) sending it by prepaid post to the member's address in the register of members or any other address the member supplies to the company for giving notices; or

(3) sending it by fax or other electronic means (including providing a URL link to any document or attachment) to the fax number or electronic address the member has supplied to the company for giving notices.

(b) The company may give a notice to the joint holders of a share by giving the notice in the way authorised by rule 14.1(a) to the joint holder named first in the register of members for the share.

(c) The company may give a notice to a person entitled to a share as a result of a Transmission Event by delivering it or sending it in the manner authorised by rule 14.1(a) addressed to the name or title of the person, to:

(1) the address, fax number or electronic address that person has supplied to the company for giving notices to that person; or

(2) if that person has not supplied an address, fax number or electronic address, to the address, fax number or electronic address to which the notice might have been sent if that Transmission Event had not occurred.

(d) A notice given to a member under rules 14.1(a) or 14.1(b) is, even if a Transmission Event has occurred and whether or not the company has notice of that occurrence:

(1) duly given for any shares registered in that person's name, whether solely or jointly with another person; and

(2) sufficiently served on any person entitled to the shares because of the Transmission Event.

(e) A notice given to a person who is entitled to a share because of a Transmission Event is sufficiently served on the member in whose name the share is registered.

(f) A person who, because of a transfer of shares, becomes entitled to any shares registered in the name of a member, is taken to have received every notice which, before that person's name and address is entered in the register of members for those shares, is given to the member complying with this rule 14.1.

(g) A signature to any notice given by the company to a member under this rule 14.1 may be printed or affixed by some mechanical, electronic or other means.

(h) Where a member does not have a registered address or where the company believes that member is not known at the member's registered address, all notices are taken to be:

(1) given to the member if the notice is exhibited in the company's registered office for a period of 48 hours; and

(2) served at the commencement of that period,

unless and until the member informs the company of the member's address.

14.2 Notices by the company to directors

The company may give a notice to a director by:

(a) delivering it personally to him or her;

(b) sending it by prepaid post to his or her usual residential or business address, or any other address he or she has supplied to the company for giving notices; or

(c) sending it by fax or other electronic means to the fax number or electronic address he or she has supplied to the company for giving notices.

14.3 Notices by directors to the company

A director may give a notice to the company by:

(a) delivering it to the company's registered office;

(b) sending it by prepaid post to the company's registered office; or

(c) sending it by fax or other electronic means to the principal fax number or electronic address at the company's registered office.

14.4 Time of service

(a) A notice from the company properly addressed and posted is taken to be served at 10.00am (Perth time) on the day after the date it is posted.

(b) A certificate signed by a secretary or officer of the company to the effect that a notice was duly posted under this constitution is conclusive evidence of that fact.

(c) Where the company sends a notice by fax, the notice is taken as served at the time the fax is sent if the correct fax number appears on the facsimile transmission report produced by the sender's fax machine.

(d) Where the company sends a notice by electronic transmission, the notice is taken as served at the time the electronic transmission is sent.

(e) Where the company gives a notice to a member by any other means permitted by the Act relating to the giving of notices and electronic means of access to them, the notice is taken as given at 10.00am (Perth time) on the day after the date on which the member is notified that the notice is available.

(f) Where a given number of days' notice or notice extending over any other period must be given, the day of service is not to be counted in the number of days or other period.

14.5 Other communications and documents

Rules 14.1 to 14.4 (inclusive) apply, so far as they can and with any necessary changes, to serving any communication or document.

14.6 Written notices

A reference in this constitution to a written notice includes a notice given by fax or other electronic means. A signature to a written notice need not be handwritten.

15 General

15.1 Submission to jurisdiction

Each member submits to the non-exclusive jurisdiction of the Supreme Court of the state or territory in which the company is taken to be registered for the purposes of the Act, the Federal Court of Australia and the courts which may hear appeals from those courts.

15.2 Prohibition and enforceability

(a) Any provision of, or the application of any provision of, this constitution which is prohibited in any place is, in that place, ineffective only to the extent of that prohibition.

(b) Any provision of, or the application of any provision of, this constitution which is void, illegal or unenforceable in any place does not affect the validity, legality or enforceability of that provision in any other place or of the remaining provisions in that or any other place.

Attachment 5

Information Memorandum

Information memorandum

Deterra Royalties Limited

1 Purpose of Information Memorandum

This Information Memorandum has been prepared by Deterra Royalties Limited ACN 641 743 348 (**Deterra**) in connection with its application for:

(a) admission to the official list of the Australia Securities Exchange (**ASX**); and

(b) fully paid ordinary shares in the capital of Deterra (**Deterra Shares**) to be granted official quotation on the securities exchange operated by ASX.

This document is not a disclosure document lodged with the Australian Securities and Investments Commission (**ASIC**) under the *Corporations Act 2001* (Cth) (**Corporations Act**).

This document does not constitute or contain any offer of Deterra Shares for subscription, issue or purchase or any invitation to subscribe for, apply for the issue of, or purchase Deterra Shares.

Neither ASX nor any of its officers takes any responsibility for the contents of this Information Memorandum.

2 Incorporation of Demerger Booklet

The following parts of the demerger booklet prepared by Iluka Resources Limited ACN 008 675 018 (**Iluka**) dated 10 September 2020 in connection with the proposed demerger of Deterra (**Demerger Booklet**), a copy of which is included as Annexure A to this Information Memorandum, are taken to be included in this Information Memorandum:

- Important information (to the extent it relates to Deterra);
- Frequently asked questions (to the extent it relates to Deterra);
- Section 1 (Advantages, disadvantages and other relevant considerations) (to the extent it relates to Deterra);
- Section 2 (Overview of Deterra);
- Section 4.2 (Iluka restructure and Deterra separation) (to the extent it relates to Deterra) and Section 4.9 (Demerger agreements);
- Section 5 (Taxation implications for Iluka Shareholders) (to the extent it relates to Deterra);
- Section 6 (Investigating Accountant's Report) (to the extent it relates to Deterra);
- Section 7 (Independent Expert's Report) (to the extent it relates to Deterra);
- Section 8.2 (Interests of Iluka and Deterra Directors) (to the extent it relates to Deterra), Section 8.3 (Overview of the Deterra Constitution), Section 8.4 (Summary of the MAC Royalty Agreement), Section 8.5 (Regulatory waivers and consents) (to the extent it relates to Deterra), Section 8.6 (Consents and disclaimers), Section 8.7 (Regulatory and legal) and Section 8.9 (Supplementary information);
- Section 9 (Glossary).

Words defined in the Demerger Booklet have the same meaning where used in this Information Memorandum (unless the context otherwise requires).

3 Supplementary information

3.1 No material developments

Since publication of the Demerger Booklet and other than as noted below, no material developments have occurred in relation to Deterra.

3.2 Change to financial year

The Deterra Board has determined that, subject to and with effect from implementation of the Demerger, Deterra's first financial year will end on 30 June 2021. Accordingly, Deterra expects to hold its first annual general meeting in October 2021.

4 ASX listing

Deterra believes that this Information Memorandum contains all the information which would have been required under section 710 of the Corporations Act if the Information Memorandum were a prospectus in respect of an offering by Deterra of the same number of Deterra Shares as will be transferred pursuant to the Demerger and for which quotation on ASX will be sought.

An application has been made to ASX for Deterra to be admitted to the official list of ASX and for Deterra Shares to be granted official quotation on the securities exchange operated by ASX.

Neither ASIC nor ASX accepts responsibility for any statement in this Information Memorandum. The fact that ASX may admit Deterra to the official list of ASX is not to be taken in any way as an indication of the merits of Deterra.

5 Capital raisings

Other than as set out in section 4.2.2 of the Demerger Booklet in connection with the capital restructuring of Deterra required for the Demerger and to satisfy the remuneration commitments made to its executives, Deterra has not issued any capital for the three months before the date of this Information Memorandum and the board of Deterra does not anticipate the need to issue any capital for three months after the date of this Information Memorandum.

6 Supplementary Information Memorandum

Deterra will issue a supplementary information memorandum (**Supplementary Information Memorandum**) if it becomes aware of any of the following between the date of this Information Memorandum and the date on which Deterra Shares are quoted:

- a material statement in this Information Memorandum is misleading or deceptive;
- there is a material omission from this Information Memorandum;
- there has been a significant change affecting a matter included in this Information Memorandum; or

- a significant new circumstance has arisen and it would have been required to be included in this Information Memorandum if it had arisen prior to the date of this Information Memorandum.

7 Disclosure of interests

7.1 Directors

Other than as set out in the Demerger Booklet, no director of Deterra or any entity in which any such director is a member or partner has at the date of this Information Memorandum, or within two years before the date of this Information Memorandum had, any interests in the promotion of Deterra or in any property acquired or proposed to be acquired by Deterra and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any director or to any entity in which a director is a member or partner, either to induce them to become, or to qualify them as, a director, or otherwise for services rendered by them or by the entity in connection with the promotion or formation of Deterra.

7.2 Experts

Other than as set out in the Demerger Booklet, no expert named in the Demerger Booklet or entity in which any such expert is a member of partner has any interest in the promotion of Deterra or in any property acquired or proposed to be acquired by Deterra and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any such expert or to any entity in which any such expert is a member or partner for services rendered by him or her or the entity in connection with the promotion or formation of Deterra.

8 Statement from Directors

Each director of Deterra believes that Deterra has enough working capital to carry out its stated objectives.

9 Consents

In addition to the roles listed in section 8.6 of the Demerger Booklet, Ashurst has performed the role of independent legal counsel to Deterra.

Each of the parties named in this section as consenting parties:

- has given and has not, before the date of this Information Memorandum, withdrawn its consent to be named in this Information Memorandum in the form and context in which it is named;
- has given and has not, before the date of this Information Memorandum, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its name below, and the references to those statements and reports in the form and context in which they are included in this Information Memorandum;

- does not make, or purport to make, any statement in this Information Memorandum other than those statements referred to below in respect of that person's name (and as consented to by that person);
- has not caused or authorised the issue of this Information Memorandum; and
- to the extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Information Memorandum.

Role	Consenting parties	Relevant statement or report
Legal adviser	Herbert Smith Freehills	N/A
Legal adviser (independent counsel to Deterra)	Ashurst	N/A
Financial advisers	Gresham Advisory Partners Limited Macquarie Capital (Australia) Limited	N/A
Investigating Accountant	PricewaterhouseCoopers Securities Ltd	Section 6 (Investigating Accountant's Report) of the Demerger Booklet to the extent it relates to Deterra
Independent Expert	Deloitte Corporate Finance Pty Limited	Section 7 (Independent Expert's Report) of the Demerger Booklet to the extent it relates to Deterra
Taxation adviser	Greenwood & Herbert Smith Freehills Pty Ltd	Section 5 (Taxation implications for Iluka Shareholders) of the Demerger Booklet to the extent it relates to Deterra
Auditor	PricewaterhouseCoopers	N/A
Other	Wood Mackenzie	Any statements based on its industry report titled 'Wood Mackenzie, Iron Ore Markets and Asset Review, June 2020'. Iluka commissioned the industry report from Wood Mackenzie in connection with the Demerger. The information from Wood

Role	Consenting parties	Relevant statement or report
		Mackenzie has been accurately reproduced from the relevant source and, as far as Iluka and Deterra are aware and are able to ascertain from information published by Wood Mackenzie, no relevant facts have been omitted which would render the reproduced information being inaccurate or misleading.

Authorisation

Signed by each director of Deterra or a person authorised by them in writing to sign this Information Memorandum on their behalf:

Jennifer Seabrook

Julian Andrews

Graeme Devlin

Joanne Warner

Adele Stratton

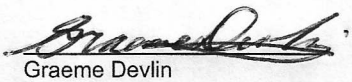
DATED: **16 October 2020**

Authorisation

Signed by each director of Deterra or a person authorised by them in writing to sign this Information Memorandum on their behalf:

Jennifer Seabrook

Julian Andrews



Graeme Devlin

Joanne Warner

Adele Stratton

DATED: **16 October 2020**

Authorisation

Signed by each director of Deterra or a person authorised by them in writing to sign this Information Memorandum on their behalf:

Jennifer Seabrook

Julian Andrews

Graeme Devlin

Joanne Warner

Adele Stratton

DATED: **16 October 2020**

Annexure A

Demerger Booklet

DEMERGER OF DETERRA ROYALTIES LIMITED BY ILUKA RESOURCES LIMITED

DEMERGER BOOKLET

VOTE IN FAVOUR

Each Iluka Director recommends that Iluka Shareholders vote in favour of the Demerger Resolution to give effect to the Demerger of Deterra.

The Independent Expert has concluded that the Demerger is in the best interests of Iluka Shareholders.

THIS IS AN IMPORTANT DOCUMENT & REQUIRES YOUR IMMEDIATE ATTENTION.

You should read this document in its entirety prior to deciding whether or not to vote in favour of the resolution to effect the Demerger. If you are in any doubt as to what you should do, you should seek independent legal, financial, taxation or other professional advice before voting on the Demerger.

FINANCIAL ADVISORS

MACQUARIE

GRESHAM

LEGAL ADVISOR

HERBERT SMITH FREEHILLS

IMPORTANT INFORMATION

GENERAL

This Demerger Booklet is important. Iluka Shareholders should carefully read this Demerger Booklet in its entirety before making a decision as to how to vote on the Demerger Resolution to be considered at the Extraordinary General Meeting.

INVESTMENT DECISIONS

This Demerger Booklet does not take into account the individual investment objectives, financial situation or needs of any particular Iluka Shareholder or any other person. The information in this Demerger Booklet should not be relied upon as the sole basis for any investment decision. Iluka Shareholders should seek independent legal, financial, taxation and other professional advice before making any investment decision.

RISK FACTORS

There are risk factors associated with the Demerger itself, and with an investment in Deterra Shares or Iluka Shares, which are discussed in this Demerger Booklet and which Iluka Shareholders should consider carefully.

PURPOSE OF THIS DEMERGER BOOKLET

This Demerger Booklet sets out all information known to the Iluka Directors which is material to the decision of Iluka Shareholders in deciding how to vote on the Demerger Resolution as required by section 256C(4) of the Corporations Act, other than information it has previously disclosed to Iluka Shareholders and, as such, it would be unreasonable for Iluka to disclose.

PREPARATION OF AND RESPONSIBILITY FOR THIS DEMERGER BOOKLET

- This Demerger Booklet (other than the Independent Expert's Report and the Investigating Accountant's Report) has been prepared by Iluka as at the date of this Demerger Booklet and Iluka is responsible for the content of this Demerger Booklet.
- Deloitte Corporate Finance Pty Limited has prepared the Independent Expert's Report, which is contained in Section 7. Deloitte Corporate Finance Pty Limited takes responsibility for that report.
- PricewaterhouseCoopers Securities Ltd has prepared the Investigating Accountant's Report, which is contained in Section 6. PricewaterhouseCoopers Securities Ltd takes responsibility for that report.
- Greenwoods & Herbert Smith Freehills Pty Limited has reviewed and agrees with Section 5 relating to the description given of the income tax and goods and services tax implications of the Demerger for Iluka Shareholders who, amongst other things are residents of Australia for Australian tax purposes.

ROLE OF ASIC AND ASX

A copy of this Demerger Booklet has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Demerger Booklet.

Deterra will apply for admission to the Official List and for official quotation of Deterra Shares on the ASX shortly after the date of this Demerger Booklet, conditional on approval of the Demerger. Neither ASX nor any of its officers takes any responsibility for the contents of this Demerger Booklet. The fact that ASX may admit Deterra to the Official List does not make any statement regarding, and should not be taken in any way as an indication of, the merits of an investment in Deterra.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of Extraordinary General Meeting is set out in Section 10. The Notice of Extraordinary General Meeting is in substantially the same form as the draft Notice of Extraordinary General Meeting given to ASIC on 27 August 2020.

STATUS OF THIS DEMERGER BOOKLET

This Demerger Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act.

FOREIGN JURISDICTIONS AND SHAREHOLDERS

Iluka Shareholders who are Ineligible Overseas Shareholders will not receive Deterra Shares under the Demerger. Deterra Shares that would otherwise be transferred to these shareholders under the Demerger will be transferred to the Sale Agent to be sold, with the proceeds of such sale to be paid to Ineligible Overseas Shareholders. Refer to Sections 4.8.2 for further information.

Iluka Shareholders which reside outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Demerger.

This Demerger Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify the Deterra Shares or otherwise permit a public offering of Deterra Shares in any jurisdiction outside Australia.

Based on the information available to Iluka as at the date of this Demerger Booklet, Iluka Shareholders whose addresses are shown in the register on the Record Date as being in the following jurisdictions will be entitled to have Deterra Shares transferred to them under the Demerger:

- Australia, New Zealand, Hong Kong, Singapore, the United Kingdom or the United States; or
- any other jurisdiction in which Iluka reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer Deterra Shares to the Iluka Shareholder.

Nominees, custodians and other Iluka Shareholders who hold Iluka Shares on behalf of a beneficial owner resident outside Australia, New Zealand, Hong Kong, Singapore, the United Kingdom or the United States may not forward this Demerger Booklet (or any accompanying document) to anyone outside these countries without the consent of Iluka.

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 the Iluka Group or the Deterra Group, 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 Iluka's or Deterra's control, and which may cause the actual results, performance or achievements of Iluka or 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 Iluka, Deterra, their 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 Demerger Booklet will actually occur.

Additionally, statements of the intentions of the Iluka Board or the Deterra Board reflect the present intentions of the Iluka Directors and Deterra Directors respectively as at the date of this Demerger Booklet and may be subject to change as the composition of the Iluka Board and Deterra Board alters, or as circumstances require.

Except as required by law, Iluka and Deterra disclaim any obligation or undertaking to update or revise any forward looking statement in this Demerger Booklet.

RESERVES, RESOURCES AND OTHER TECHNICAL INFORMATION

Except where otherwise stated, the information in this Demerger Booklet 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 Demerger Booklet, and none of this information has been independently verified by Iluka or Deterra. Accordingly, neither Iluka, nor Deterra, make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Specifically, Iluka and Deterra have limited, if any, access to the mining assets in respect of which royalties are derived by the Deterra Group. Iluka and Deterra generally rely on publicly available information regarding the mining assets and generally have no ability to independently verify such information.

PRESENTATION OF FINANCIAL INFORMATION

The Iluka Historical Financial Information within this Demerger Booklet has been derived from the financial reports of Iluka for the years ended 31 December 2018 and 2019 and half-years ended 30 June 2019 and 2020, which were audited or reviewed (as applicable) by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued unqualified audit or review opinions (as applicable) on these financial statements. The financial statements for these periods are available from Iluka's website (**www.iluka.com**) or the ASX website (**www.asx.com.au**). The Deterra Pro Forma Historical Financial Information and the Iluka (post Demerger) Pro Forma Historical Financial Information within this Demerger Booklet has not historically been subject to a separate audit.

The Deterra Pro Forma Historical Financial Information and the Iluka (post Demerger) Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (**AAS**) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (**AASB**), which comply with the recognition and measurement principles of the International Accounting Standards Board and interpretations adopted by the International Accounting Standards Board.

The Iluka (post Demerger) Pro Forma Historical Financial Information and the Deterra Pro Forma Historical Financial Information within this Demerger Booklet has been prepared consistent with the recognition and measurement principles contained in AAS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect:

- the recognition of certain items in periods different from the applicable period under AAS; and
- the impact of certain transactions as if they occurred as at 30 June 2020 in the pro forma historical balance sheets and immediately prior to 1 January 2018 in the pro forma historical income statements and cash flow statements.

The Iluka (post Demerger) Pro Forma Historical Financial Information and the Deterra Pro Forma Historical Financial Information has been prepared on a consistent basis to the accounting policies set out in Iluka's financial statements for the half-year ended 30 June 2020.

In preparing the Iluka (post Demerger) Pro Forma Historical Financial Information and the Deterra Pro Forma Historical Financial Information, certain adjustments were made to the historical financial information of Iluka and Deterra that Iluka and Deterra considered appropriate to reflect the effect of the Demerger, as described in this Demerger Booklet. Past financial performance is not necessarily a guide to future financial performance.

IMPORTANT INFORMATION

PRIVACY AND PERSONAL INFORMATION

Iluka, Deterra and their respective share registries (each an **Organisation**), may collect personal information in the process of implementing the Demerger. The personal information may include the names, addresses, other contact details and details of the shareholdings of Iluka Shareholders, and the names of individuals appointed by Iluka Shareholders as proxies, corporate representatives or attorneys at the Extraordinary General Meeting.

Iluka Shareholders who are individuals, and individuals appointed as proxies, corporate representatives or attorneys in respect of whom personal information is collected as outlined in this Section have certain rights to access their personal information. They should call the Shareholder Information Line on 1300 352 915 (within Australia) or +61 3 9415 4303 (international) on weekdays between 6.30am and 5.00pm (AWST) if they wish to request access to the personal information held by any of the Organisations. Iluka Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote on the Demerger Resolution should inform those individuals of the matters outlined in this Section.

The personal information will be collected for the purpose of implementing and administering the shareholdings arising from the Demerger. An Organisation may, to the extent permitted by law, disclose personal information collected by it to another Organisation, to securities brokers, to print and mail service providers and any other service providers and advisers engaged by an Organisation in relation to the implementation and administration of the shareholdings arising from the Demerger. The personal information of Ineligible Overseas Shareholders and Selling Shareholders may also be disclosed to the Sale Agent for the purposes of operating the Sale Facility.

The main consequence of not collecting the personal information outlined in this Section would be that Iluka may be hindered in, or prevented from, conducting the Extraordinary General Meeting and implementing the Demerger.

INTERPRETATION

Capitalised terms and certain abbreviations used in this Demerger Booklet are defined in the Glossary in Section 9.

In this Demerger Booklet, the term "Iluka (post Demerger)" is used to describe Iluka as it will exist after the Demerger has been implemented. The term "Iluka (post Demerger)" is used in this Demerger Booklet for simplicity of explanation only, to distinguish between that entity during the period prior to, and the period after, the Demerger. However, Iluka and Iluka (post Demerger) are and will remain the same legal entity and corporate group, which is Iluka Resources Limited and, where the context requires, its Subsidiaries from time to time.

The term "Deterra" used in this Demerger Booklet reflects the separation principles outlined in Section 4.2, with references to Deterra in the historic period inclusive of any royalty interests that will be held by Deterra as it will exist after the Demerger has been implemented. The term "standalone" is used to describe Deterra as it will exist after the Demerger, with a separate board and management team from Iluka (post Demerger).

References in this Demerger Booklet to the Deterra Board or to Deterra Directors means the board or directors of Deterra immediately prior to implementation of the Demerger (or from the time following the Implementation). It is intended that the board of Deterra will be reconstituted prior to Implementation to reflect the board composition set out in Section 2.6.1. References in this Demerger Booklet to strategies or policies to be applied by Deterra following the Demerger reflect the views and intentions of the intended directors of Deterra immediately prior to implementation of the Demerger and Deterra senior executives.

Unless otherwise stated, all times and dates referred to in this Demerger Booklet are times and dates in Australian Western Standard Time (**AWST**). All dates and times following the date of the Extraordinary General Meeting are indicative only and, among other things, are subject to all necessary approvals from regulatory authorities. Any changes to the timetable will be announced through ASX and will be notified on Iluka's website at www.iluka.com.

In this Demerger Booklet, unless otherwise specified or the context otherwise requires, references to $ or A$ are to Australian dollars.

All references to years are references to Iluka's financial years, ending 31 December, unless otherwise indicated.

Any discrepancies between totals in tables and sums of components contained in this Demerger Booklet and between those figures and figures referred to in other parts of this Demerger Booklet are due to rounding.

DATE

This Demerger Booklet is dated 10 September 2020.

SUPPLEMENTARY INFORMATION

Refer to Section 8.9 for information about the steps that Iluka will take if information about the Demerger needs to be updated.

CONTENTS

CHAIRMAN'S LETTER

Greg Martin

On behalf of the Iluka Board, I am pleased to present this Demerger Booklet containing important information regarding the proposed Demerger of Deterra Royalties Limited from Iluka.

Many shareholders would be aware that Iluka holds a royalty over iron ore produced from specific tenements of the Mining Area C province in the Pilbara region of Western Australia. The presence of this royalty agreement within Iluka's portfolio stems from the historic iron ore interests of Consolidated Gold Fields Australia Limited (a subsidiary of Iluka now known as Deterra Royalties (MAC) Limited) which was involved in the major Pilbara development at Mount Goldsworthy from the mid-1960s.

Since the commencement of production from Mining Area C in 2003, the royalty has contributed A$929 million in revenue to Iluka's royalty business and so has been subject to ongoing consideration by the Board in relation to its optimal corporate structure. The development by BHP of the South Flank project, which is now more than 76 per cent complete, is expected to deliver a production increase within the MAC Royalty Area of approximately 80 million wmt of iron ore per annum from 2023, increasing the potential cash flows generated by the royalty business substantially.

Iluka's mineral sands business is a market leader in the supply of zircon and high grade titanium dioxide feedstocks, with positive long-term market fundamentals; quality mineral sands and rare earth production assets; and a diverse pipeline of development projects.

A Demerger will therefore liberate two fundamentally distinct businesses – each with quality assets and a promising future – into two standalone ASX-listed companies.

A Demerger Resolution to approve the proposed Demerger will be put to shareholders at a virtual Extraordinary General Meeting to be held on Friday, 16 October 2020. The Iluka Board consistently reviews all of our operations and assets to determine what is in the best long term interests of our Company and shareholders. With the completion of South Flank becoming more proximate over the past year, a comprehensive review with external advisors has determined that the Demerger delivers the most appropriate corporate structure for the future of both businesses, and the best means to deliver value from what is a historically significant evolution in the development of the Mining Area C province.

The Board strongly encourages you to support the Demerger by voting in favour of the Demerger Resolution.

Should the Demerger be approved, Iluka will retain its position as a global leader in the mineral sands industry, with a diversified set of producing assets and development options serving as the foundation to deliver sustainable value. The new company, Deterra, will own the MAC Royalty as its cornerstone asset, with an expectation of strong long-term royalty cash flows based on production from Mining Area C Royalty Area and the opportunity to build on this foundation through investment in other value-accretive royalties. Post Demerger, Deterra will be the largest independent royalty company listed on the ASX.

Your Board believes the separation of these two businesses into two separate ASX listed companies has potential to unlock shareholder value over time as a consequence of:

- greater investment choice enabling shareholders to hold shares in one or both of Iluka and Deterra based on individual investment objectives, risk tolerances and desired sector exposures;
- empowering the Board and management of each company to focus on their distinct growth strategies appropriate for each business;
- reinforced discipline when pursuing growth opportunities through the application of appropriate capital allocation and project evaluation metrics aligned with the risk profile of each business; and
- allowing the adoption of distinct and appropriate capital structures and financial policies for each business.

Following implementation of the Demerger, Iluka will hold a minority ownership interest of 20 per cent in Deterra as a long term investment.

If the Demerger Resolution is approved by Shareholders and the Demerger proceeds, eligible Iluka Shareholders will be entitled to receive one Deterra Share for each Iluka Share they hold on the Record Date, expected to be 4.00pm (AWST) on Monday, 26 October 2020. Iluka Shareholders will also retain their shareholding in Iluka. Post implementation of the Demerger, Eligible Shareholders will have the choice to retain their Iluka and Deterra shares, or sell either or both of them.

After considering the advantages, disadvantages and risks of the Demerger, your Board has concluded the Demerger is in the best interests of Iluka Shareholders and will, over time, deliver greater value to Iluka Shareholders than the current structure.

In additional to the Board's recommendation, Deloitte Corporate Finance Pty Limited, the Independent Expert appointed by Iluka, has also concluded that the Demerger is in the best interests of Iluka Shareholders. The Independent Expert's Report is contained in Section 7.

I encourage you to read this Demerger Booklet thoroughly as it contains important information that will assist you to make an informed decision, including the advantages, disadvantages, and risks (see Section 1). If you have any questions about the Demerger Booklet or the Demerger, please consult your financial, legal, taxation or other relevant professional adviser. You are also welcome to call the Shareholder Information Line on 1300 352 915 (within Australia) or +61 3 9415 4303 (international) on weekdays between 6.30am and 5.00pm (AWST) or visit the company's website, **www.iluka.com**.

In order to proceed, the Demerger Resolution must be approved by Iluka Shareholders and your vote is important. I urge you to vote on the Demerger Resolution by attending the virtual Extraordinary General Meeting to be held at 9.30am (AWST) on Friday, 16 October 2020 and casting your vote online or by voting by proxy. For your Proxy Form to be effective, it must be received by 9.30am (AWST) on Wednesday, 14 October 2020.

Each Iluka Director recommends you vote in favour of the Demerger Resolution and each Iluka Director intends to vote any Iluka Shares she or he holds or controls in favour of the Demerger Resolution. I look forward to discussing this important opportunity with you further during the Extraordinary General Meeting on Friday, 16 October 2020.

Yours sincerely

Greg Martin

Chairman

ACTIONS FOR ILUKA SHAREHOLDERS

IMPORTANT DATES

EVENT	INDICATIVE DATE
Date of this Demerger Booklet	Thursday, 10 September 2020
Last time and date by which proxy forms for the Extraordinary General Meeting must be received by the Iluka Share Registry	9.30am (AWST) Wednesday, 14 October 2020
Last time and date for determining eligibility to vote at the Extraordinary General Meeting	4.00pm (AWST) Wednesday, 14 October 2020
Extraordinary General Meeting	9.30am (AWST) Friday, 16 October 2020
Last time and date by which Sale Facility Forms must be received by Iluka Share Registry (for Eligible Shareholders who individually hold 500 Iluka Shares or less as at the Record Date	2.00pm (AWST) Thursday, 22 October 2020
Last date Iluka Shares trade on ASX cum-entitlements under the Demerger	Thursday, 22 October 2020
ASX listing of Deterra. Deterra Shares to be distributed to Iluka Shareholders commence trading on ASX on a deferred settlement basis Iluka Shares trade on ASX on an ex-Demerger Entitlements basis	Friday, 23 October 2020
Time and date for determining entitlement to Deterra Shares under the Demerger (the **Record Date**)	4.00pm (AWST), Monday, 26 October 2020
Implementation Date and transfer of Deterra Shares to Eligible Shareholders (other than Selling Shareholders) and Sale Agent Dispatch of holding statements to Eligible Shareholders (other than Selling Shareholders)	Monday, 2 November 2020
Normal trading of Deterra Shares on ASX commences	Tuesday, 3 November 2020
Completion of sale of Deterra Shares under Sale Facility	Monday, 30 November 2020
Dispatch of payment to Ineligible Overseas Shareholders and Selling Shareholders	Expected to occur on or before Tuesday, 17 December 2020

All dates and times following the date of the Extraordinary General Meeting are indicative only. Any changes to the timetable will be announced through ASX and will be notified on Iluka's website at www.iluka.com.

WHAT ILUKA SHAREHOLDERS SHOULD DO

1. CAREFULLY READ THIS DEMERGER BOOKLET

You should read this Demerger Booklet in full, including the advantages, disadvantages and risks of the Demerger set out in Section 1 and of an investment in Deterra as set out in Section 2.15, before making any decision on how to vote on the Demerger Resolution.

There are answers to questions you may have about the Demerger in the 'Frequently asked questions' Section.

If you have any additional questions in relation to this document or the Demerger, please call the Shareholder Information Line on 1300 352 915 (within Australia) or +61 3 9415 4303 (international) on weekdays between 6.30am and 5.00pm (AWST).

2. VOTE ON THE CAPITAL REDUCTION

Iluka Shareholders who are registered on the Iluka Share Register at 4.00pm (AWST) on Wednesday, 14 October 2020 are entitled to vote to determine whether or not the Capital Reduction proceeds, subject to certain other conditions.

Iluka Shareholders can vote:

- online, by attending the virtual Extraordinary General Meeting, using a web browser or mobile device: **https://web.lumiagm.com**;
- by submitting a proxy through the Computershare Investor Services Pty Limited website, **www.investorvote.com.au**, and following the prompts and instructions provided;
- by mailing the enclosed Proxy Form to Computershare Investor Services Pty Limited at GPO Box 1282, Melbourne VIC 3001 (using the reply paid envelope provided);
- by faxing the enclosed Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
- by using the mobile voting app, to access scan the QR Code on your Proxy Form and follow the prompts.

To be valid, your proxy must be received by the Iluka Share Registry by 9.30am (AWST) on Wednesday, 14 October 2020.

3. CHOOSE WHETHER TO KEEP OR SELL THE DETERRA SHARES THAT YOU WOULD RECEIVE AS A RESULT OF THE DEMERGER

If you are an Eligible Shareholder who individually holds 500 Iluka Shares or less as at the Record Date, you may elect to have all the Deterra Shares that you would otherwise receive under the Demerger sold by the Sale Agent and the proceeds remitted to you, free of any brokerage costs or stamp duty.

To make this election, complete and return the Sale Facility Form using the enclosed reply paid envelope, or by fax on 1800 783 447 (within Australia) or +61 3 9473 2555 (international) or by email to **corpactprocessing@computershare.com.au** so that it is received by the Iluka Share Registry by 2.00pm (AWST) on Thursday, 22 October 2020.

FREQUENTLY ASKED QUESTIONS

Question	Answer	Section
Demerger Proposal		
What is the Demerger?	The Demerger will result in the formation of an independent ASX listed company, Deterra, which will be the leading Australian listed royalty company. Iluka Shareholders will retain their Iluka Shares and Eligible Shareholders will be entitled to receive one share in Deterra for every Iluka Share held at the Record Date. The Demerger does not require any Iluka Shareholder to pay cash for the Deterra Shares which they are entitled to as a result of the Demerger.	1.1
Why has the Demerger been proposed by the Iluka Board?	The decision to demerge Deterra follows a review of Iluka's most appropriate corporate and capital structure for its two principal businesses, the mineral sands operations and the royalty business. After considering the advantages, disadvantages and risks of the Demerger, including a thorough assessment of the alternatives available, the Iluka Board has concluded the Demerger is in the best interests of Iluka Shareholders and is more likely, over time, to deliver greater value than the current structure to Iluka Shareholders. The Iluka Board believes that Iluka's royalty business and the mineral sands business have distinct business and risk profiles which require different business strategies and plans and appeal to different types of investors. Deterra is also now of a scale where it is appropriate for it to be owned and operated separately. Post Demerger, Iluka Shareholders will have the flexibility to choose the level of their holding in Iluka and/or Deterra shares. It will also allow each business to adopt an appropriate capital structure and reinforce discipline when pursuing growth opportunities which should enhance returns to shareholders of both entities over the long term.	1.1
What alternatives did the Iluka Board consider?	The Iluka Directors considered a number of alternatives including maintaining the current structure, amending Iluka's dividend policy, undertaking an initial public offering of Deterra and a sale of Deterra. Having regard to the available alternatives that were considered, the advantages, disadvantages and risks as set out in Sections 1.3, 1.4 and 1.5, the Iluka Board concluded that the Demerger is in the best interests of Iluka Shareholders.	1.2

Question	Answer	Section
Demerger Proposal		
What is Deterra?	Deterra will be the largest royalty company listed on the ASX. Deterra's cornerstone asset is the MAC Royalty, which is expected to produce sustainable long term cash flows, with potential for future growth through asset life extensions and further exploration success. In addition, Deterra will have a portfolio of five other significantly smaller royalties previously held by Iluka. Over time, Deterra will seek to expand its portfolio through the acquisition of high quality royalty assets[1] that are value accretive and consistent with Deterra's objective to maximise long term value for shareholders. Deterra's key strengths include: • the cornerstone asset of the MAC Royalty is a high quality royalty asset underpinned by the world class BHP operated Mining Area C iron ore operation; • strong growth outlook driven by the South Flank development and other future development options at Mining Area C; • attractive dividends expected to flow from Deterra's ownership of the long life MAC Royalty; • a structurally advantaged business model relative to other forms of investments in resources (refer to Section 2.3.4); • the unique position as currently the only listed Australian royalty investment company of scale; • substantial capacity to fund growth and scaleable corporate structure; and • experienced board and well-credentialed senior management.	2
What is a royalty agreement, and what are royalty companies?	Royalties are contractual agreements that involve a one-time up-front payment or consideration in return for future payments, typically based on a percentage of revenue or profit from a specific project or set of tenements. Royalties are most commonly created as a result of one of the following scenarios: • through the exchange of capital in return for a royalty interest, typically used for funding development projects or providing additional liquidity; • as whole or part of the consideration to sellers of resource assets; or • to allow mining companies to pre-sell their by-product commodity exposure in polymetallic mines. The principal activity of a royalty business is the management of and investment in royalty interests that provide investors with lower risk exposure to underlying commodities relative to operating mining companies whilst maintaining upside potential. Another similar mechanism and alternative form of financing is streams. A stream is a contractual agreement whereby the holder purchases a percentage of the production from an identified mine, for an upfront payment plus an additional payment when the product is delivered. Streams and royalties have similar characteristics and royalty companies often hold a combination of both.	2.2

[1] This may include similar assets such as streaming arrangements. See Section 2.2.3.

FREQUENTLY ASKED QUESTIONS

Question	Answer	Section
Demerger Proposal		
Why is Iluka retaining a shareholding in Deterra?	Following implementation of the Demerger, Iluka will hold a minority ownership interest of 20 per cent in Deterra. The holding in Deterra will provide Iluka with economic exposure to the production growth associated with BHP's development of South Flank and the potential for continued growth through future expansions, extensions, developments and discoveries within the MAC Royalty Area, as well as Deterra's longer term growth strategy. The holding in Deterra will also provide an additional investment and source of financial strength for Iluka. Iluka regards its 20 per cent interest in Deterra as a long term investment. As long as Iluka holds greater than 10 per cent interest in Deterra, Iluka will have the right to nominate one representative to the Deterra Board.	3.7
Are there any restrictions on Iluka disposing its stake in Deterra?	There are no escrow or similar restrictions on the disposal by Iluka of its 20 per cent shareholding. Future decisions by Iluka such as whether to retain or divest all or part of that interest, or participate in equity raisings undertaken by Deterra, would be made having regard to the circumstances at the time, including Iluka's balance sheet and capital structure.	3.7
Recommendations		
What is the recommendation of the Iluka Directors?	Each Iluka Director recommends that you vote in favour of the Demerger Resolution. Each Iluka Director intends to vote any Iluka Shares held or controlled by him or her in favour of the Demerger Resolution.	1.1
What is the Independent Expert's opinion on the Demerger?	The Independent Expert has concluded that the Demerger is in the best interests of Iluka Shareholders. The Independent Expert's Report is contained in Section 7.	7

Question	Answer	Section
Advantages, disadvantages and risks of the Demerger		
What are the advantages of the Demerger?	The advantages of the Demerger include the following: • Iluka Shareholders will have greater flexibility to choose their level of investment in Iluka and Deterra based on individual investment objectives, risk tolerances and desired sector exposure; • empowering the Board and management of each of Iluka and Deterra to focus on the distinct growth strategies appropriate for each business; • reinforced discipline when pursuing growth opportunities through the application of appropriate capital allocation and project evaluation metrics aligned with the risk profile of each business; • allowing the adoption of a capital structure and financial policies appropriate for each business; and • increasing flexibility for each business to determine compensation and incentive plans that have closer alignment to each business' underlying strategy, performance and shareholder returns. These advantages, together with other advantages of the Demerger, are discussed in Section 1.3.	1.3
What are the disadvantages of the Demerger?	The disadvantages of the Demerger include: • there is expected to be approximately A$17.9 million (pre-tax) in one-off transaction costs associated with the Demerger; • following the Demerger, Deterra will be a separately listed entity on the ASX, which it is estimated will result in additional costs of approximately A$6.9 million per annum[2]; • the Demerger will create two separate companies listed on the ASX, each which will be smaller and less diversified than Iluka immediately before the Demerger, although both will remain significant entities; and • some Iluka Shareholders will not be eligible to receive Deterra Shares, though this is not expected to be a material proportion of the Iluka Share Register. These disadvantages, together with other disadvantages of the Demerger, are discussed in Section 1.4.	1.4
What are the potential risks associated with the Demerger?	The key potential risks of the Demerger include: • the combined market value of Iluka Shares and Deterra Shares following the Demerger may be less than the market value of Iluka Shares prior to the Demerger; • changes in index inclusion and weighting; and • potential delays and unexpected costs associated with the Demerger and the establishment of Deterra as a standalone entity. These risks are discussed in Section 1.5. You should review this Section carefully before deciding whether or not to vote in favour of the Demerger Resolution.	1.5

[2] Deterra will also incur other costs in assessing and executing new royalty investments.

FREQUENTLY ASKED QUESTIONS

Question	Answer	Section
Advantages, disadvantages and risks of the Demerger		
What are the risks with respect to an investment in Deterra	Deterra will be subject to risks which may adversely affect its future operating or financial performance, or the investment return or value of Deterra Shares. Many of these risks are existing business risks, to which Iluka Shareholders are already exposed, while others arise out of, or increase as a result of, the Demerger. These risks are discussed further in Section 2.15. You should review this Section carefully before deciding whether or not to vote in favour of the Demerger Resolution.	2.15
What are the risks with respect to an investment in Iluka following Demerger?	The risks currently faced by Iluka will continue to be faced by the company following the Demerger. Investors are already exposed to these risks through their investment in Iluka, however, the nature of some of these risks may be altered due to the reduced diversification, increased earnings and cash flow volatility and loss of MAC Royalty revenues resulting from Demerger. These risks are discussed further in Section 3.12	3.12
Deterra after Demerger		
When will Deterra Shares commence trading separately?	It is expected that Deterra Shares will commence trading on the ASX on Friday, 23 October 2020, initially on a deferred settlement basis. It is the responsibility of Eligible Shareholders to determine their entitlement to Deterra Shares before trading in Deterra Shares, especially during the deferred settlement period. Trading on the ASX of Deterra Shares on a normal settlement basis is expected to commence on Tuesday, 3 November 2020.	4.7
What will the Deterra share price be?	There is no certainty as to the price at which Deterra Shares will trade after the Demerger. Deterra's share price will be determined when it commences trading on the ASX on a deferred settlement basis, which is expected to be on Friday, 23 October 2020.	4.7
What will Deterra's strategic priorities after the Demerger be?	Deterra's current strategic priorities are set out in Section 2.4. The Deterra Board intends to continue to focus on these strategic priorities following the Demerger. The future strategy of Deterra will, however, ultimately be a matter for the Deterra Board and Deterra senior management to develop over time and is subject to change or alteration as circumstances require.	2.4
What additional ongoing costs will Deterra have as a standalone listed company?	Deterra is expected to incur incremental, net ongoing costs of approximately A$6.9 million per annum as a standalone listed entity. These costs are associated with Deterra's ASX listing and ongoing fees, share registry, insurance, maintaining a separate board of directors and management team, and operating company secretarial, treasury and other corporate functions required as a separate listed entity.	1.4.2

Question	Answer	Section
Deterra after Demerger		
What will Deterra's dividend policy be?	Deterra intends to adopt a dividend policy where it declares dividends semi-annually, franked to the maximum extent possible, which represents a target dividend payout ratio of 100 per cent of net profit after tax. Deterra's dividend policy will be determined by the Deterra Board at its discretion and may change over time. Refer to Section 2.4.2 for the full details. The first dividend by Deterra is expected to be paid for the period ending in 31 December 2020 which reflects the revenue of Deterra from 1 October 2020 net of tax for that period and costs incurred from implementation of the Demerger, including the one-off transaction costs of the Demerger payable by Deterra as set out in Section 2.9.6.	2.4.2, 2.9.12
What will Deterra's capital structure be?	Following the Demerger, Deterra is expected to have net debt of approximately A$14.2 million and a debt facility of A$40.0 million for general corporate and working capital purposes. Deterra will have only ordinary shares on issue and no other equity securities at the time of the Demerger.	2.4.2
Who will be on the Deterra Board after Demerger?	The Deterra Board will initially comprise the following persons: • Jennifer Seabrook – Independent Chair • 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	2.6.1
Who will be on the senior leadership team of Deterra?	Deterra's senior leadership team will comprise • Julian Andrews – Managing Director and Chief Executive Officer • Brendan Ryan – Chief Financial Officer and Company Secretary	2.6.2
Iluka after Demerger		
Will Iluka own any Deterra Shares after the Demerger?	Yes, Iluka will own a shareholding of 20 per cent in Deterra after the Demerger is implemented.	3.1
What will be Iluka's share price after the Demerger?	There is no certainty as to the price at which Iluka Shares will trade after the Demerger. Iluka will, however, no longer own the MAC Royalty or the royalty business but will retain a 20 per cent interest in Deterra after the Demerger. As a result, the price at which Iluka Shares trade may change post Demerger. Iluka (post Demerger)'s share price will be determined when it begins trading on the ASX ex-Demerger Entitlement, which is expected to be on Friday, 23 October 2020.	3.1

FREQUENTLY ASKED QUESTIONS

Question	Answer	Section
Iluka after Demerger		
What will be Iluka's strategy after the Demerger?	After the Demerger, Iluka will continue to be a leading international mineral sands company. The company's core objective will remain unchanged – to deliver sustainable value by leveraging over 60 years' experience and expertise in the mineral sands industry. Post Demerger, Iluka will continue to follow the Iluka Plan, released in 2018, which outlines the direction of Iluka to execute, excel in its operations and core functional support areas and mature its longer-term growth options. In 2019 and 2020, Iluka reached several significant milestones in this regard, including the delivery of five major projects and substantial progress across its development portfolio. Iluka's operating portfolio, including Jacinth-Ambrosia, Cataby and Sierra Rutile, delivered full year production of 702 thousand tonnes of Z/R/SR in 2019 and Iluka is a market leader in the supply of zircon and high grade titanium feedstocks.	3.5
Who will be on the Iluka Board after Demerger?	Following the Demerger, the Iluka Board will comprise 7 directors: • Greg Martin – Independent Chairman • Tom O'Leary – Managing Director • Marcelo Bastos – Independent Non-Executive Director • Rob Cole – Independent Non-Executive Director • Susie Corlett – Independent Non-Executive Director • James Ranck – Independent Non-Executive Director • Lynne Saint – Independent Non-Executive Director	
Who will be on the senior leadership team of Iluka?	Following the Demerger, Iluka's senior leadership team will comprise: • Tom O'Leary – Managing Director • Adele Stratton – Chief Financial Officer • Matthew Blackwell – Head of Major Projects, Engineering & Innovation • Rob Hattingh – CEO of Sierra Rutile • Daniel McGrath – General Manager, Cataby & Southwest • Shane Tilka – General Manager, Jacinth-Ambrosia & Midwest • Tim Bartholomew – General Manager, Strategic Development & Closure • Sarah Hodgson – General Manger, People and Sustainability • Melissa Roberts – General Manager, Investor Relations • Christian Barbier – Head of Marketing • Sue Wilson – General Counsel and Company Secretary	
What will be the impact of the Demerger on Iluka's dividends?	Post Demerger, Iluka will maintain its current dividend framework to pay dividends equal to a minimum of 40 per cent of free cash flow not required for investing or balance sheet activity. Iluka will seek to distribute the maximum franking credits available. However, Iluka's dividend policy will be determined by the Iluka Board at its discretion and may change over time.	3.9

Question	Answer	Section
Implementation and process		
What are the mechanics of the Demerger?	To implement the Demerger, Iluka will undertake a Capital Reduction and Dividend, which will be an in specie distribution of Deterra Shares to Eligible Shareholders (other than Selling Shareholders). Eligible Shareholders (other than Selling Shareholders) will receive one Deterra Share for every Iluka Share held at the Record Date. Following the Demerger, Iluka Shareholders at the Record Date will hold 80 per cent of the Deterra Shares on issue, with the remaining 20 per cent of the Deterra Shares to be held by Iluka.	4.4
What is the Capital Reduction?	The Capital Reduction will involve Iluka reducing its share capital on the Implementation Date. The Capital Reduction Amount will not be paid in cash to Iluka Shareholders. The Capital Reduction (and the Dividend) will be effected by an in specie distribution of Deterra Shares under the Demerger. The Capital Reduction must be approved by a simple majority (more than 50 per cent) of votes cast by Iluka Shareholders on the Demerger Resolution. Iluka is of the view that, taking into account all relevant matters, the Capital Reduction is fair and reasonable to Iluka Shareholders as a whole and will not materially prejudice the ability of Iluka to pay its creditors. The Independent Expert has concluded that the Demerger (comprising the Capital Reduction and Dividend) will not materially prejudice the ability of Iluka to pay its creditors. Refer to Section 7 for the Independent Expert's Report.	4.4, 7
What are the key steps to implement the Demerger?	The key remaining steps to implement the Demerger are: • approval of the Capital Reduction by Iluka Shareholders at the Extraordinary General Meeting; • approval of admission of Deterra to the Official List of the ASX and the official quotation of Deterra Shares by the ASX; and • Eligible Shareholders (other than Selling Shareholders) receiving Deterra Shares. Trading on the ASX of Deterra Shares on normal settlement basis is expected to commence on Tuesday, 3 November 2020. Sections 4.1, 4.2, 4.3 and 4.4 contain further details of the Demerger, including a description of the approval thresholds and other conditions that must be satisfied or waived for the Demerger to proceed.	4.4.1
Is the Demerger subject to any conditions?	The Demerger is subject to the satisfaction or waiver of certain conditions. The principal conditions and steps to implement the transaction are those outlined in the answer above and also described in Section 4.1.	4.1

FREQUENTLY ASKED QUESTIONS

Question	Answer	Section
Implementation and process		
Which Iluka Shareholders are eligible to participate in the Demerger?	Iluka Shareholders registered on the Iluka Share Register as the holders of Iluka Shares at the Record Date may be eligible to receive Deterra Shares, depending on the location of their registered address. Iluka Shareholders whose registered address on the Iluka Share Register at the Record Date is in the following jurisdictions will be Eligible Shareholders: • Australia, New Zealand, Hong Kong, Singapore, the United Kingdom or the United States; or • a jurisdiction in which Iluka reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer the Deterra Shares to the Iluka Shareholder. Ineligible Overseas Shareholders, being Iluka Shareholders whose registered address on the Iluka Share Register at the Record Date is outside the jurisdictions listed above, will not receive Deterra Shares and should refer to Section 4.5.3 for further information.	4.5
Will I need to make any payments to participate in the Demerger?	No. The Capital Reduction and Dividend on your Iluka Shares will be effected by the in specie distribution of Deterra Shares. You do not need to make any separate payment.	4.5
Can I choose to receive cash instead of Deterra Shares?	No. Under the Demerger, you may not elect to receive cash instead of Deterra Shares. However, if you are an Ineligible Overseas Shareholder, the Deterra Shares you are otherwise entitled to under the Demerger will be sold on the ASX by the Sale Agent with the proceeds remitted to you, free of any brokerage costs or stamp duty. In addition, Eligible Shareholders who individually hold 500 Iluka Shares or less as at the Record Date (**Small Shareholders**) may elect to have the Deterra Shares to which they are entitled sold on the ASX by the Sale Agent and the proceeds remitted to them under the Sale Facility, free of any brokerage costs or stamp duty. Small Shareholders who do not make an election to participate in the Sale Facility will receive Deterra Shares. The amount of money received by each Ineligible Overseas Shareholder and Selling Shareholder will be calculated on an averaged basis so that all Ineligible Overseas Shareholders and Selling Shareholders will receive the same price in Australian dollars per Deterra Share, subject to rounding to the nearest whole cent.	4.5, 4.8

Question	Answer	Section
Implementation and process		
What is the Sale Facility?	The Sale Facility provides for the sale of Deterra Shares for Small Shareholders or Ineligible Overseas Shareholders as follows: **Small Shareholders** If you are a Small Shareholder and you wish to have: • all the Deterra Shares that you would receive under the Demerger sold on the ASX by the Sale Agent; and • the proceeds (calculated on an averaged basis) remitted to you, free of any brokerage costs or stamp duty, you should complete and return the Sale Facility Form using the enclosed reply paid envelope, or by fax on 1800 783 447 (within Australia) or +61 3 9473 2555 (international) or by email to corpactprocessing@computershare.com.au so that it is received by the Iluka Share Registry by 2.00pm (AWST) on Thursday, 22 October 2020. The Sale Facility operates on an opt-in basis for Small Shareholders, so Small Shareholders who do not make an election to participate in the Sale Facility will receive Deterra Shares. The Sale Facility for Small Shareholders only applies to Deterra Shares. Iluka Shares cannot be sold under the Sale Facility. **Ineligible Overseas Shareholders** Ineligible Overseas Shareholders will have their Deterra Shares sold through the Sale Facility, with the proceeds (calculated on an averaged basis) from the sale of the Deterra Shares to which they are entitled, remitted to them, free of any brokerage costs or stamp duty. Accordingly, Ineligible Overseas Shareholders do not need to take any steps to participate in the Sale Facility.	4.8
What will Iluka Shareholders receive if the Demerger proceeds?	Eligible Shareholders (other than Selling Shareholders) will receive one Deterra Share for every Iluka Share they hold at the Record Date. The Record Date is expected to be 4.00pm (AWST) on Monday, 26 October 2020.	4.4
What is the impact of the Demerger on my Iluka Shares?	The number of Iluka Shares will not change as a result of the Demerger. Iluka will, however, no longer own the MAC Royalty or the royalty business after the Demerger.	
How many Deterra Shares will I receive?	If you are an Eligible Shareholder (other than a Selling Shareholder) and the Demerger proceeds, you will hold one Deterra Share for every Iluka Share held at the Record Date. The number of shares Deterra will have on issue will be the number of shares held by Iluka Shareholders on the Record Date plus the number of shares held by the Iluka Group reflecting its 20 per cent shareholding in Deterra. As a result, the total number of shares Deterra will initially have on issue will be 25 per cent higher than the number of shares Iluka currently has on issue.	4.2.3, 4.4

FREQUENTLY ASKED QUESTIONS

Question	Answer	Section
Implementation and process		
What are the costs of the Demerger?	Total transaction costs of the Demerger are estimated to be A$17.9 million (pre-tax) and are expected to be incurred by Deterra and Iluka. Of these costs, A$4.9 million is expected to have been incurred prior to the Extraordinary General Meeting. In addition to the transaction costs, Deterra is expected to incur one-off separation costs of approximately A$0.3 million.	1.4.1
What happens if the Demerger does not proceed?	If the Demerger does not proceed: • Deterra will continue to operate as part of the Iluka Group; • Eligible Shareholders will not receive Deterra Shares; • Iluka will incur transaction costs of approximately A$4.9 million; and • the advantages of the Demerger described in Section 1.3 will not be realised, and the disadvantages and risks of the Demerger described in Sections 1.4 and 1.5 will not arise.	4.9.5
Voting on the Demerger		
What is the voting threshold?	The Capital Reduction must be approved by a simple majority (more than 50 per cent) of votes cast by Iluka Shareholders on the Demerger Resolution.	4.3
Who can vote at the Extraordinary General Meeting?	Iluka Shareholders who are registered on the Iluka Share Register at 4.00pm (AWST) on Wednesday, 14 October 2020 are entitled to vote on the Demerger Resolution.	10
When will the Extraordinary General Meeting be held?	The Extraordinary General Meeting for Iluka Shareholders to vote on the Demerger Resolution will be held at 9.30am (AWST) on Friday, 16 October 2020 as a virtual meeting on-line in accordance with the Corporations (Coronavirus Economic Response) Determination (No. 1) 2020.	10

Question	Answer	Section
Voting on the Demerger		
What is the procedure to vote at the Extraordinary General Meeting?	Participating in the virtual meeting Shareholders can register to attend the virtual Extraordinary General Meeting and vote via the online platform by using a web browser or mobile device: **https://web.lumiagm.com.** Registration will open from 8.30am (AWST). Your password is your postcode registered on your holding if you are an Australian shareholder. Overseas shareholders should refer to the Online Platform Guide, which is available at Iluka's website at www.iluka.com. Participating in the meeting online enables shareholders to view the Extraordinary General Meeting live, comment and ask questions, and vote in real time at the appropriate times during the meeting. Attorneys holding a power of attorney may not vote at the meeting unless an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting is given to the Iluka Share Registry prior to the Extraordinary General Meeting (or has previously been given to the Iluka Share Registry). A shareholder that is a corporation may appoint an individual to act as its representative and to attend and vote at the meeting in accordance with the Corporations Act. A representative may not vote at the meeting unless evidence of his or her appointment, including any authority under which it is signed, is given to the Iluka Share Registry prior to the Extraordinary General Meeting (or has previously been given to the Iluka Share Registry). Voting by proxy If you are unable to attend the Extraordinary General Meeting, you can lodge your proxy online at **www.investorvote.com.au** or scan the QR codes on your Proxy Form with your smartphone and follow the prompts. Alternatively, complete and return the Proxy Form accompanying this Demerger Booklet by using the enclosed envelope, or by fax on 1800 783 447 (within Australia) or +61 3 9473 2555 (international). If an attorney signs a Proxy Form on your behalf, a copy of the authority under which the Proxy Form was signed must be received by the Iluka Share Registry at the same time as the Proxy Form (unless you have already provided a copy of the authority to the Iluka Share Registry). If you complete and return a Proxy Form, you may still attend the Extraordinary General Meeting online.	10
What if I do not vote at the Extraordinary General Meeting or do not vote in favour of the Demerger Resolutions?	If Iluka Shareholders who support the Demerger do not vote, there is a risk the Demerger will not be approved. If you do not vote or vote against the Demerger Resolution, but the Demerger Resolution is approved by the requisite majority of Iluka Shareholders, then, subject to the other conditions to the Demerger being satisfied or waived, the Demerger will be implemented and binding on all Iluka Shareholders, including those who did not vote or voted against the Demerger Resolution.	10

FREQUENTLY ASKED QUESTIONS

Question	Answer	Section
Tax considerations		
What are the taxation implications of the Demerger for Iluka Shareholders?	Iluka has received a draft class ruling from the Australian Taxation Office confirming demerger tax relief should be available for Iluka Shareholders. The final ruling will only be received after the Implementation Date for the Demerger and may differ from the draft. The general Australian taxation implications of the Demerger for Iluka Shareholders are set out in Section 5 including in the situation where the final ATO ruling differs from the draft ruling. The outline in Section 5 is general in nature and should not be relied upon as advice. The tax consequences for each shareholder may vary depending on individual circumstances. Accordingly, you are encouraged to seek your own professional advice as to the Australian, and, if applicable, foreign tax implications of participating in the Demerger.	5
Other information		
If you have further questions	If you have any further questions, you should: • contact your stockbroker, solicitor, accountant and/or other professional adviser; or • call the Shareholder Information Line on 1300 352 915 (within Australia) or +61 3 9415 4303 (international) on weekdays between 6.30am and 5.00pm (AWST). Further information can also be found on the company's website (www.iluka.com).	

1

ADVANTAGES, DISADVANTAGES AND OTHER RELEVANT CONSIDERATIONS

SECTION 1
ADVANTAGES, DISADVANTAGES AND OTHER RELEVANT CONSIDERATIONS

1.1 BACKGROUND TO DEMERGER

Iluka is primarily an international mineral sands company with expertise in exploration, project development, mining operations, processing, marketing and rehabilitation. Iluka's core objective is to deliver sustainable value by leveraging the company's expertise and over 60 years of mineral sands industry experience. This purpose, which has always been at the heart of Iluka, continues to be Iluka's primary focus.

In addition, Iluka holds the MAC Royalty, a right to receive payment based on a percentage of sales of iron ore produced at the BHP operated Mining Area C in the Pilbara region of Western Australia[3]. This royalty was established through the involvement of Consolidated Gold Fields Australia Limited (a subsidiary of Iluka now known as Deterra Royalties (MAC) Limited (**MAC Royalty Co**)) in the Mount Goldsworthy Joint Venture. The MAC Royalty has become a significant component of Iluka's total market value and its contribution to that value has meaningfully increased as BHP and its joint venture partners have committed to the South Flank expansion which will see Mining Area C iron ore production increase from 60 million wet metric tonnes per annum (**wmtpa**) in 2019 to a production capacity of 145 million wmtpa by 2023 (equivalent of 139 million dry metric tonne per annum (**dmtpa**)[4]). Deterra generated pro forma EBITDA of A$78.9 million in 2019.

The MAC Royalty has generated revenue of A$929 million since inception and is the cornerstone of a significant royalty business capable of being owned and operated separately. Given the expected increase in materiality of the MAC Royalty, and following a review of the optimal corporate and capital structure for Iluka's businesses comprising the mineral sands operations and the MAC Royalty, Iluka announced its intention to demerge Deterra on 20 February 2020.

The review considered a range of options, with the Iluka Board concluding that a separation of Deterra from the mineral sands business by way of demerger is in the best interest of shareholders.

The Iluka Directors are of the view that the advantages of the Demerger outweigh its disadvantages and risks. As a result, each Iluka Director recommends that Iluka Shareholders vote in favour of the Demerger Resolution at the Extraordinary General Meeting.

Iluka Shareholders should carefully consider the following advantages, disadvantages and risks of the Demerger and other relevant considerations, as well as other information contained in this Demerger Booklet (including the risks associated with owning Deterra Shares as set out in Section 2.15, the risks associated with owning Iluka Shares as set out in Section 3.12 and the Independent Expert's Report in Section 7), in deciding whether or not to vote in favour of the Demerger Resolution required to implement the Demerger.

1.2 ALTERNATIVES CONSIDERED

Iluka has considered a number of alternative options to the Demerger, including maintaining the current structure, amending its dividend policy, undertaking a sale of the MAC Royalty or an initial public offering of the royalty business. The Iluka Directors are of the view that separation of the businesses has the potential to unlock shareholder value over time relative to the current combined structure and that, of the options to separate, the Demerger is the most likely to enhance long term value for Iluka Shareholders compared to the alternative options.

1.2.1 Maintaining the current structure

The characteristics, assets and risk profiles of Iluka and Deterra differ and require substantially different business and growth strategies, levels of capital investment, capital structures and financial policies. Maintaining the current structure does not allow investors to choose their level of investment in the two distinct businesses. While maintaining the current structure does have some benefits including reduced transaction costs and cash flow diversification, the Iluka Directors do not believe this will deliver the greatest long-term value for Iluka Shareholders compared to the Demerger.

1.2.2 Dividend policy amendment

An option considered was to amend Iluka's dividend policy to provide investors greater visibility of likely future dividends, in particular with respect to cash flows from the MAC Royalty. This option could be achieved through a change in stated dividend policy or through a change in the company's constitution.

A change in dividend policy would not require shareholder approval, while a change in the company's constitution would. However, any change in dividend policy would not lead to the same benefits that the Iluka Board expects to achieve through a Demerger as outlined in Section 1.3. In particular, it would not provide investors the ability to hold shares in one or both of Deterra and Iluka based on individual investment objectives, risk tolerances and desired sector exposures nor permit the adoption of a capital structure and financial policies appropriate for each business.

[3] Mining Area C is owned by the Mount Goldsworthy Joint Venture. The joint venture parties include BHP (85 per cent), Itochu (8 per cent), and Mitsui (7 per cent).

[4] Converted to dry metric tonnes based on moisture content of 3.85 per cent for North Flank and 4.20 per cent for South Flank as per Wood Mackenzie, Iron Ore Markets and Asset Review, June 2020.

1.2.3 Sale of the MAC Royalty

A sale of the MAC Royalty would result in cash proceeds being received by Iluka. It is possible that attractive terms may be realised from a trade buyer or a financial investor. However, the MAC Royalty has significant future option value for shareholders (including through the potential for underlying mine life within the MAC Royalty Area to be extended through reserve upgrades or exploration success, or for mining operations to be expanded). If the MAC Royalty was sold, Iluka Shareholders would not have the option to continue their investment and therefore could not participate in any future value associated with any potential future growth in the cash flow from the MAC Royalty. The price realised from a sale could also be significantly affected by prevailing market conditions at the time of execution. The timing of a sale would also be dependent on demand from potential buyers and the ultimate buyer's ability to complete quickly and efficiently. A sale would also likely involve a higher degree of transaction uncertainty and increased execution costs compared to the Demerger. Accordingly, the Iluka Board considers a sale would be unlikely to realise the full underlying value for Iluka Shareholders.

The Demerger does not preclude a third party from acquiring Deterra in the future and Iluka Shareholders who retain their investment in Deterra following the Demerger would potentially benefit from, and make their own decision about participation in, any future corporate takeover activity involving Deterra. There is no guarantee an approach for an acquisition of the MAC Royalty may eventuate.

1.2.4 Initial Public Offering (IPO)

Under an IPO of Deterra, Iluka would receive cash proceeds from investors for the sale of Deterra Shares. However, an IPO would also likely involve a significant degree of transaction uncertainty and would not allow Iluka Shareholders to participate in any future value associated with the MAC Royalty, unless Iluka Shareholders separately opted to participate in the IPO of Deterra or that future value was adequately recognised in the cash proceeds from IPO investors. The proceeds realised in an IPO may also be significantly affected by prevailing market conditions at the time of execution and Iluka may not be able to realise the full underlying value of Deterra through an IPO. Separation via an IPO would also be likely to give rise to substantial additional execution costs compared to the Demerger.

The timing of executing an IPO would also be dependent on investor demand for Deterra Shares and would need to be timed having regard to market conditions.

1.2.5 Demerger

The Iluka Directors selected Demerger as the preferred approach to the separation of Deterra as the Iluka Board considers that the Demerger:

- will establish Deterra with a corporate structure and stock exchange listing appropriate for the nature of its assets and the composition of its shareholder base;
- allows Eligible Shareholders to retain their existing ownership of Deterra, with the opportunity to increase or decrease that exposure by trading in Deterra Shares;
- does not crystallise a fixed value for Deterra but instead allows Eligible Shareholders to continue to retain their exposure to Deterra and benefit from future growth of the business; and
- is the preferred method of separation relative to other options currently available, taking into account transaction certainty, associated costs and implementation timeframe.

1.3 ADVANTAGES OF THE DEMERGER

The advantages of the Demerger include the following:

1.3.1 Iluka Shareholders will have greater flexibility to choose their level of investment in Iluka and Deterra

The characteristics, assets and risk profiles of Iluka and Deterra differ and may appeal to different types of investors. The Demerger will provide Eligible Shareholders (other than Selling Shareholders) with separate investments in two distinct companies.

Deterra is expected to have low capital intensity and generate high margin cash flows that support a high dividend payout ratio. Its business model provides investors with returns linked to production, production growth, commodity pricing (currently predominately iron ore) and exploration upside while limiting exposure to many of the risks of operating mining companies.

Iluka (post Demerger) will be a mineral sands and rare earths producer providing investors with exposure to a market leading position in the mineral sands market and the operational performance of its key assets. Iluka has a pipeline of growth projects and it is expected to appeal to certain investors, some of whom may currently not be invested in Iluka, that are attracted to the risk profile and nature of the business and markets in which it operates.

Once Deterra is separately listed, existing and future investors will have greater investment choice and the opportunity to manage their exposure to the different asset profiles of Iluka and Deterra, respectively, according to their own investment objectives, risk tolerances and desired sector exposures.

1.3.2 The Board and management of each of Deterra and Iluka will focus on the distinct strategies for each business

Iluka's mineral sands and royalty businesses have different risk profiles, return requirements, capital intensity and management requirements. Following the Demerger, Iluka and Deterra will each be able to focus on their respective strategies and operational initiatives to drive long term value.

At present, strategic decisions relating to royalty opportunities available to Iluka are inevitably taken with reference to the impacts on, or needs of, the broader Iluka Group. The Demerger will create a board and management team focused solely on developing and optimising the performance of Deterra with the ability to pursue its own strategic and operational priorities.

Refer to Section 2.4 for additional information on the proposed business strategy of Deterra and to Section 3.5 for additional information on the business strategy of Iluka.

1.3.3 Reinforced discipline when pursuing growth opportunities for each business

The mineral sands and royalty businesses have different cash flow characteristics and risk and return relationships which require different investment evaluation metrics. For example, different discount rates would typically apply in respect of each business.

The separation of Deterra reinforces the requirement for disciplined investment through separate capital structures and capital allocation policies aligned with the risk and return profile of each business.

1.3.4 Ability to adopt capital structures and financial policies appropriate for each business

Iluka's current capital structure and financial policies reflect a blend of the two distinct businesses in Iluka's portfolio. Separating the two businesses will allow the adoption of a capital structure and financial policies appropriate for each business.

This will include separate dividend policies that are aligned with the characteristics of the respective businesses, taking into account their cash flow generating capabilities (for example, operational leverage and capital intensity).

1.3.5 Greater flexibility to align incentive plans with underlying strategy, performance and shareholder value creation

The Demerger will increase flexibility for each business to put in place management compensation and incentive plans that have closer alignment to each business' underlying strategy, performance and shareholder returns.

At present, Iluka executive incentive plans are weighted towards overall shareholder return-based measures and a significant portion of the executive incentive plan rewards involve the purchase of shares on market in Iluka to satisfy awards. Without a structural separation, it is challenging in this context to uncouple the contribution to shareholder return from Iluka's mineral sands and royalty businesses.

Separating the businesses by way of Demerger ensures that share based compensation and incentive plans can be fully aligned to the respective business' performance and value creation.

1.4 DISADVANTAGES OF THE DEMERGER

The disadvantages of the Demerger include the following:

1.4.1 Demerger implementation costs

Total transaction costs in relation to the Demerger are estimated to be approximately A$17.9 million (on a pre-tax basis). These costs include financial, accounting, legal and tax adviser costs, rebranding and upfront organisation costs. It is expected that up to $6.0 million of these costs will be paid by Deterra, with the remaining costs to be met by Iluka. Approximately A$4.9 million of these costs will have already been incurred prior to the Extraordinary General Meeting. The remaining costs are expected to be incurred following the Extraordinary General Meeting.

1.4.2 Additional corporate and operating costs

Following the Demerger, Deterra will be a separately listed entity on the ASX, which is expected to result in net additional corporate costs of approximately A$6.9 million per annum. These costs are associated with Deterra's ASX listing and ongoing fees, share registry, maintaining a separate board of directors and management team, and operating company secretarial, treasury and other corporate functions required as a separate listed entity.

1.4.3 Reduction in size and diversification

The Demerger will create two separate companies listed on the ASX, each of which will be smaller than Iluka immediately before the Demerger.

Iluka will be less diversified following the Demerger. Iluka's (post Demerger) earnings will be more exposed to potential volatility associated with mineral sands markets, although it will retain exposure to Deterra through its 20 per cent holding. Iluka's mineral sands revenue of $456.6 million for the half-year ended June 2020 was down 16.3 per cent from the half-year ended June 2019 as a result of the impact of the COVID-19 pandemic on mineral sands markets.

As a result of the Demerger, Iluka's (post Demerger) borrowing capacity and credit metrics will likely change although the Demerger will not trigger a renegotiation of Iluka's existing unsecured debt facilities which are due to expire in July 2024 and will continue to remain in place post Demerger[5].

Deterra will be materially exposed to iron ore production and fluctuations in iron ore prices and foreign exchange rates. These factors, which determine the cash flow from the MAC Royalty, can be volatile. While iron ore prices have been resilient in recent times, lower economic growth or continued global economic uncertainty (including as a result of the COVID-19 pandemic) may impact iron ore markets and therefore affect the revenue Deterra derives from the MAC Royalty.

For further information regarding the risk factors affecting Deterra see Section 2.15 and Iluka (post Demerger) see Section 3.12.

1.4.4 Some Iluka Shareholders will not be eligible to receive, or may be unable to retain, Deterra Shares

Iluka Shareholders who are Ineligible Overseas Shareholders will not receive Deterra Shares under the Demerger. Deterra Shares that would otherwise be transferred to these shareholders under the Demerger will be transferred to the Sales Agent to be sold, with the proceeds of such sale to be paid to Ineligible Overseas Shareholders. Based on the Iluka Shareholders as at the date of this Demerger Booklet, Ineligible Overseas Shareholders are not expected to represent a significant proportion of the Iluka Share Register.

In addition, some Iluka Shareholders may not be permitted to retain their Deterra Shares under the terms of their investment mandates. This may result in downward pressure on the Deterra Share price in the initial period following implementation of the Demerger. Based on the Iluka Shareholders as at the date of this Demerger Booklet, such shareholders are not expected to represent a significant proportion of the Iluka Share Register.

[5] Iluka's unsecured credit facilities are via a Multi Option Facility Agreement (**MOFA**) of approximately A$523 million

1.5 RISKS OF THE DEMERGER

The key risks of the Demerger are as follows:

1.5.1 Combined market value of Deterra Shares and Iluka Shares post Demerger may be less than the combined market value prior to the Demerger

The Iluka Directors consider that the Demerger will enhance long term value for Iluka Shareholders. However, it is not possible to predict the market value of Deterra Shares and Iluka Shares post Demerger.

There can be no assurance that Deterra Shares or Iluka Shares post Demerger will trade at any particular price after listing. There is a risk that the combined market value of Deterra and Iluka (post Demerger) may be less than the market value of Iluka prior to Demerger.

Iluka Shareholders should also note that if the Demerger does not proceed, there is no assurance that Iluka Shares will continue to trade at prices in line with recent levels.

1.5.2 Potential changes in index inclusion

Iluka is currently (prior to the Demerger) a constituent of the benchmark S&P/ASX 200 index as well as the S&P/ASX 100 index. Following the Demerger, each of Iluka and Deterra are expected to be constituents of the S&P/ASX 200 index, however it is uncertain whether either Iluka or Deterra will be constituents of the S&P/ASX 100 index.

Index inclusion for each of Iluka and Deterra will depend on a number of factors, including the trading of each company's shares following the Demerger, and no assurances can be made regarding either Iluka or Deterra's potential index inclusion following the Demerger, or potential index inclusion in the future.

If Iluka were to be removed from the S&P/ASX 100 index or Deterra was not a constituent of the S&P/ASX 100 index, there is a risk that some existing institutional fund manager shareholders may sell their shares to comply with their investment mandates or preferences. However, this may also create the opportunity for different groups of institutional fund managers focused on S&P/ASX 200 index constituents to purchase shares under their investment mandates. As such, there is no certainty as to the impact on the share price or trading of either Iluka and / or Deterra stemming from not being a constituent of the S&P/ASX 100 index.

1.5.3 There is potential for delays, unexpected costs or other issues in establishing Deterra as a standalone operating entity

The royalty business within Iluka is currently supported by Iluka's corporate services infrastructure, including the provision of services relating to group accounting, treasury, taxation, superannuation, legal, insurance administration, information management and human resources.

As part of the implementation of the Demerger, Deterra will replace these support services with its own internal capability, third party contracts and transitional service agreements as appropriate. During a transitional period of up to 9 months, Deterra will be reliant on Iluka for the provision of certain transitional services and will enter into a transitional services arrangement with Iluka to support the establishment of its own operations (see Section 4.9.4 for further information).

It may take some time for Deterra to procure the necessary resources and services and ensure that all processes are operating fully and efficiently. There is a risk that the establishment of these capabilities may take longer than expected or may involve greater costs than anticipated.

2

OVERVIEW OF DETERRA

SECTION 2
OVERVIEW OF DETERRA

2.1 BACKGROUND INFORMATION AND BUSINESS SUMMARY

On Demerger, Deterra will be Australia's leading listed royalty investment company with its cornerstone asset being a royalty over the BHP-operated Mining Area C iron ore operation (referred to as the MAC Royalty), complemented by five other significantly smaller royalty interests. Deterra will be headquartered in Perth, Western Australia, and will be listed on the ASX (ASX ticker DRR).

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 by 2023 through the development of the South Flank project; and
- **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.

Without compromising these characteristics, there is an opportunity for Deterra to build on this foundation by seeking to acquire additional value accretive and complementary royalty assets and create a diversified portfolio.

Deterra aims to replicate on the ASX the listed royalty investment business model that is well established in North America by growing and diversifying its royalty portfolio by making value accretive investments over time, leveraging the high quality MAC Royalty as its cornerstone asset. The key objectives of this strategy are to:

- Provide additional sources of earnings growth over time;
- Ensure greater cash flow resilience to commodity price fluctuations and lower risk through portfolio diversification; and
- Leverage Deterra's scaleable operating structure to grow the business given very limited incremental operating costs are expected to be required for new investments.

For the year ended 31 December 2019, Deterra's pro forma revenue was A$85.7 million and pro forma EBITDA of A$78.9 million. MAC Royalty CY19 revenue was based on sales volumes of 55 million dry metric tonnes (dmt), which is expected to increase in line with the production capacity increasing to 139 million dmtpa by 2023 when BHP completes the development and ramp-up of the South Flank project within Mining Area C.

Refer to Figure 2.1 below for a summary of the key features of the MAC Royalty.

Figure 2.1: Key metrics of the cornerstone asset[6]

MAC ROYALTY

ongoing **1.232%** of Australian dollar denominated revenue from MAC Royalty Area (**Revenue Payments**)	one-off **A$1 million** per **one million tonne** increase in annual production (**Capacity Payments**)	**A$85.1 million** MAC Royalty CY19 revenue

MINING AREA C

BHP Operated mine within its WAIO operations[7]	**55 million dmt** CY19 sales volume Mining Area C	**139 million dmtpa** Production capacity post completion of South Flank	**+30 years** Remaining mine life

[6] Refer to Section 2.7 for additional information on Mining Area C including operational summary, South Flank expansion, iron ore products produced, potential mine life and future potential growth in Mining Area C.

[7] Western Australia Iron Ore (**WAIO**) is an integrated system of four processing hubs and five mines connected by more than 1,000 kilometres of rail infrastructure and port facilities in the Pilbara region of northern Western Australia. WAIO is operated by BHP.

2.2 ROYALTY INDUSTRY OVERVIEW

2.2.1 Introduction

Deterra will operate a royalty business model which involves the management and acquisition of a portfolio of royalties. Royalties are considered an alternative form of financing that involve a one-time up-front payment (or asset transfer[8]) in return for the right to a proportion of revenue, profit or production.

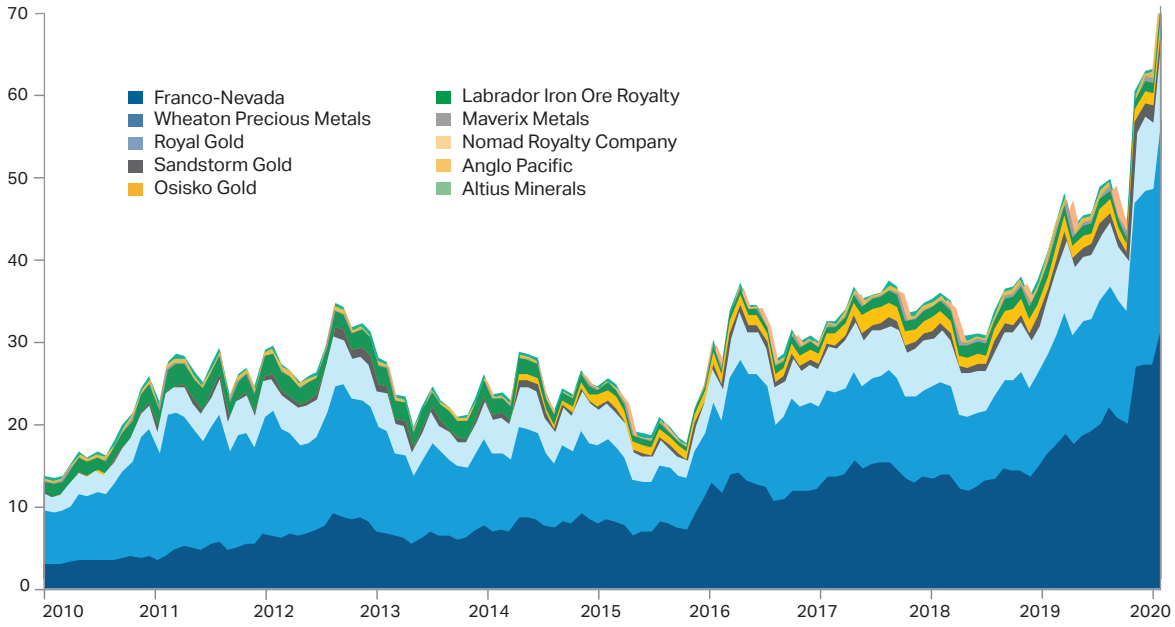
Resources companies have increasingly used both royalties and streams as an attractive form of financing over the past decade as they offer several benefits, including:

- lower risk than debt given royalty holders typically take both production and commodity price risk;
- no financial covenants;
- royalty holders typically have limited or no joint venture rights; and
- a non-dilutive source of financing for shareholders' equity ownership.

Refer to Section 2.2.3 for further details on royalties and streams.

The royalty industry has grown significantly over the past decade, as measured by the market capitalisation of a select group of royalty companies (refer to Figure 2.2 below).

Figure 2.2: Select royalty companies monthly market capitalisation (US$ billion)[9]



Source: FactSet, as at 31 July 2020.

The royalty industry has historically been primarily comprised of precious metals focused companies and, while there are established non-precious focused peers, Deterra is expected to be one of the leading non-precious royalty companies given the scale and asset quality of the MAC Royalty.

[8] Refer to Section 2.2.3.1.

[9] Selected companies hold a combination of royalties and streams. Refer to Section 2.2.3 for the definitions of each. Market capitalisation calculated in US dollars.

Table 2.1 Select royalty companies[10]

Company	Market Capitalisation (US$ billion)	Listing	Approximate number of royalties and streams	Commodity focus
Franco Nevada	30.4	TSE, NYSE	374	Precious metals
Wheaton Precious Metals	24.3	TSE, NYSE	29	Precious metals
Royal Gold, Inc	9.2	NASDAQ	187	Precious metals
Osisko Gold Royalties	1.9	TSE, NYSE	135	Precious metals
Sandstorm Gold Royalties	1.8	TSE, NYSE	200	Precious metals
Labrador Iron Ore Royalty Corporation	1.2	TSE	1[11] (mine equity interest + royalty)	Iron ore
Maverix Metals Inc	0.6	TSE, NYSE	100	Precious metals
Nomad Royalty Company	0.6	TSE	10	Precious metals
Anglo Pacific Group PLC	0.3	LON, TSE	15	Coal, Iron ore
Altius Minerals Corporation	0.3	TSE	52	Base metals, Potash, Iron ore

Source: FactSet as at 31 July 2020.

2.2.2 Royalty company public market valuation observations

Large royalty companies with diversified portfolios typically trade at higher multiples than large mining companies with diversified portfolios. The multiple rating for royalty companies reflects the structural advantages royalty companies have relative to investment in mining companies, as they provide similar upside exposure to underlying production and commodity prices while reducing the exposure to capital, operating and environmental costs incurred by mining companies, as well as a scaleable operating cost structure, leveraged to growth.

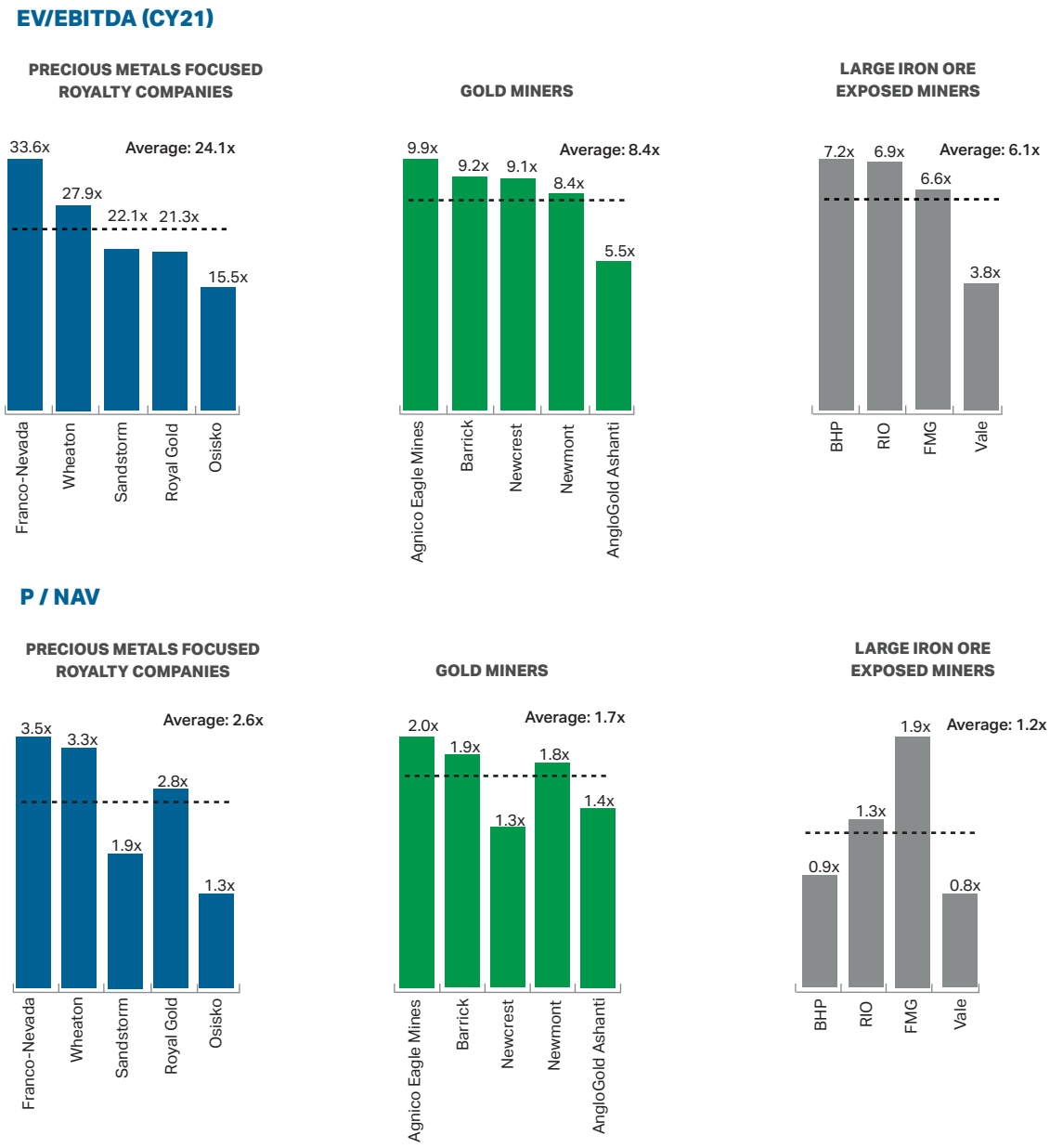
The largest listed royalty companies typically have a significant skew towards gold and precious metals in their asset bases. To compare valuation metrics on a like-for-like basis, set out below is a comparison of the largest listed royalty companies to the largest listed gold miners from a valuation perspective.

[10] Based on company disclosures as at 31 July 2020. Market capitalisation for each company calculated as the closing share price as at 31 July 2020 multiplied by the total number of shares on issue.

[11] This company's scope of investment is limited by its constitution to this one iron ore mine only.

Figure 2.3 sets out the Calendar Year 2021 (**CY2021**) EBITDA[12,13,14] multiples and P/NAV ratio[15,16], for the top 5 global listed royalty companies (by market capitalisation) compared to the top 5 global listed gold mining companies (by market capitalisation). Also set out in the below charts are the largest listed iron ore miners, which currently trade on lower multiples than the largest listed gold miners. There are no non-precious royalty companies of similar size and quality to compare against the largest iron more miners and against which Deterra could be compared.

Figure 2.3: Select multiples for largest global royalty companies, largest global gold mining companies and largest global iron ore exposed companies



Source: FactSet as at 31 July 2020. Refer to Appendix A for further details.

The multiples shown above for precious metal focused royalty and streaming companies are not necessarily reflective of the multiples that may be achieved by Deterra post Demerger.

[12] The enterprise value is calculated as the sum of equity value (calculated as the closing share price as at 31 July 2020 multiplied by the total shares on issue) plus net debt and minority interests as at the last audited balance date.

[13] Forecast EBITDA is the median available broker forecast. The average of 2021 and 2022 is used to create a CY2021 forecast where companies have a June financial year end. Details regarding the broker forecasts used in this section are set out in Appendix A.

[14] Share prices, equity values, net asset values and EBITDA forecasts are converted from local currency to USD at the prevailing spot rate on 31 July 2020. Debt and minority interests are converted from local currency to USD at the prevailing spot rate on the last audited balance date.

[15] P/NAV ratio is the current share price divided by the broker consensus net asset valuation per share, essentially a measure of what premium or discount a company trades at relative to assessed broker discounted cash flow valuation for the company.

[16] The net asset value per share is the median available broker forecast. Details regarding the broker forecasts used in this section are set out in Appendix A.

2.2.3 What are royalties and streams?

2.2.3.1 Royalties

Royalties are contractual agreements that involve a one-time up-front payment (or asset transfer) in return for future payments, typically based on a percentage of revenue or profit from a specific project or set of tenements.

Royalties are most commonly created as a result of one of the following scenarios:

- through the exchange of capital in return for a royalty interest, typically used for funding development projects or providing additional liquidity;
- as whole or part of the consideration to sellers of resources assets; or
- to allow mining companies to pre-sell their by-product commodity exposure in polymetallic mines.

Royalty portfolios can also be created through the acquisition of royalties or royalty companies over time.

One of the key distinguishing features of royalties is that royalty holders do not have a working interest in the underlying project or tenements. Therefore, the royalty holder has no obligation to contribute additional capital for any purpose, including operating or capital costs and rehabilitation liabilities[17].

A summary of the most common types of royalties is outlined in Table 2.2.

Table 2.2 Summary of common royalties

Revenue based royalties	"Top-line" interests paid based on production or revenue with defined deductions as specified by the royalty contract. Examples include net sales royalties, production royalties and freehold or lessor royalties.
Profit based royalties	Royalties paid as a percentage of profit, for example net profit interests and net royalty interests.
Fixed royalties	Royalties paid based on a set rate per tonne mined, produced or processed (meaning that changes in the underlying commodity price do not alter royalty amounts). Examples include minimum royalties, advanced minimum royalties, sliding scale royalties and capped royalties.

2.2.3.2 Streams

A common trend amongst resources companies is also the use of streams as an alternative financing structure. A stream is a contractual agreement whereby the holder purchases a percentage of the production from an identified mine, for an upfront payment plus an additional payment when the product is delivered. The streaming model provides cost predictability to the holder which is often an underlying customer or a royalty company.

The key difference between a royalty and a stream is that a stream typically involves the holder taking physical settlement of the product. However, when royalty companies enter into streams they typically immediately on-sell the product to a third-party customer under offtake arrangements (often without taking physical delivery of the product). In these circumstances, streams and royalties have very similar characteristics.

[17] It should be noted that some royalty investment companies, such as Labrador Iron Ore Royalty Corporation, also hold equity positions in the underlying operation.

2.3 KEY STRENGTHS OF DETERRA

2.3.1 The MAC Royalty is a high quality royalty asset underpinned by the world class Mining Area C operation

Deterra's cornerstone asset, the MAC Royalty, is a high-quality iron ore royalty given:

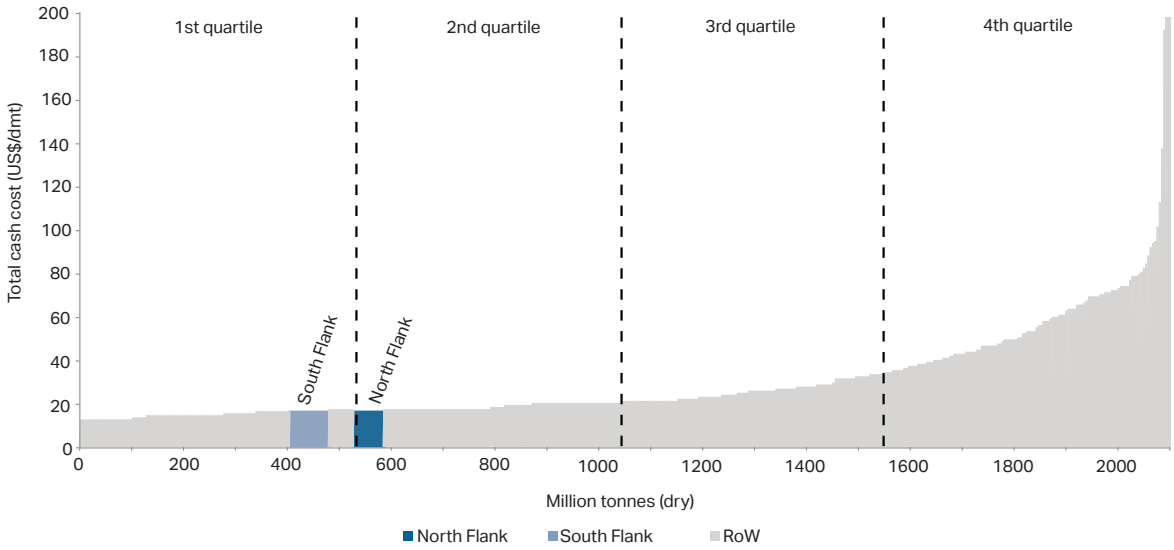
- **World-class underlying asset exposure**

  Mining Area C is a large scale and low-cost mining operation with an expected production capacity of 139 million dmtpa of iron ore from 2023 onwards[18]. Once the South Flank expansion is complete, Mining Area C will be the biggest of the four hubs within BHP's WAIO operations.

  The existing North Flank operation of Mining Area C has been operational since 2003 with a demonstrated long-term track record of consistent and growing iron ore production. Following development of South Flank, the mine life of Mining Area C is expected to be at least 30 years, with BHP disclosing its longer term plans for the Mining Area C hub to continue operations for more than 50 years[19].

  Wood Mackenzie has estimated that Mining Area C (post South Flank ramp-up) will straddle the second quartile of the cost curve at the 22nd and 25th percentile. This attractive cost position means that Mining Area C is well placed to continue to operate, even in the event of prolonged lower iron ore prices.

Figure 2.4 Global iron ore total cash cost curve, 2023[20]



Source: Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020

- **Operated and owned by high quality counterparties**

  BHP, the operator of Mining Area C, is the world's largest diversified mining company (as measured by market capitalisation) and is recognised as one of the premier operators of large-scale mining operations globally.

  BHP has operated in the Pilbara for over 50 years and is the third largest producer of iron ore globally. BHP is also a highly credentialed operator with a demonstrated commitment to environmental and social sustainability and governance principles.

  The Mining Area C owners are BHP, Itochu and Mitsui. Each of these counterparties to the MAC Royalty attract 'A' credit ratings from international credit rating agencies.

[18] Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

[19] BHP, *Mining Area C Mine Closure Plan*, October 2017.

[20] Total cash costs are defined by Wood Mackenzie as direct cash cost associated with the mining, processing and transport of the marketable product, including general and administration overhead costs directly related to mine production, royalties, levies and other indirect taxes.

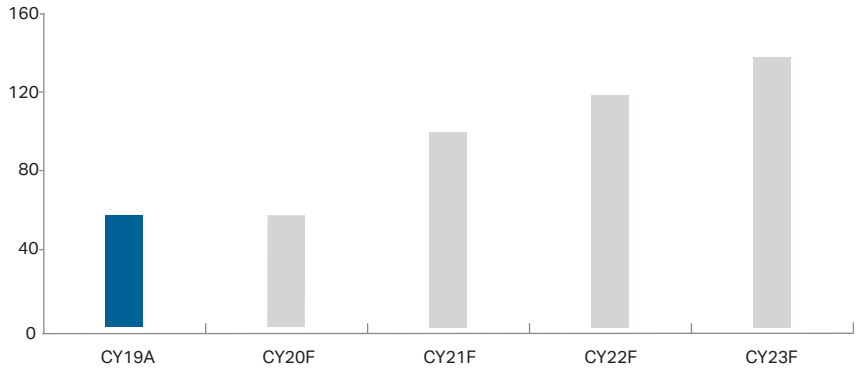
2.3.2 Strong growth outlook driven by South Flank and other future development options at Mining Area C

Deterra will benefit from the expansion and / or extension of mine-life of Mining Area C with no requirement to contribute additional capital.

Mining Area C is expected to more than double production by 2023 as South Flank reaches full capacity[21]. As at 30 June 2020, BHP has completed more than 76 per cent of construction and BHP has a depth of experience in delivering large-scale projects in the Pilbara.

BHP has identified several potential additional projects, including Tandanya and Mudlark, which are likely to fall at least partially within the MAC Royalty Area. In addition to potential reserve replacement and extensions at North and South Flank, these additional projects could further extend the potential royalty cash flows and mine life of Mining Area C.

Figure 2.5: Mining Area C indicative forecast production capacity through South Flank development (million dmtpa)[22]



Source: *Wood Mackenzie, Iron Ore Markets and Asset Review, June 2020*

2.3.3 Attractive dividends expected to flow from Deterra's ownership of the long life MAC Royalty

The MAC Royalty generates strong free cash flows, the size of which are primarily a function of production and sales levels from Mining Area C, the USD iron ore price and the AUD:USD foreign exchange rate. Subject to iron ore prices and exchange rate movements, these cash flows are expected to increase as the South Flank development enters production.

Figure 2.6 sets out the potential EBIT that Deterra could generate at the expected combined North and South Flank steady state production rate and at a range of potential exchange rates and iron ore prices.

Figure 2.6: Deterra EBIT sensitivity based on full run rate production capacity of 139 million dmtpa from 2023 onwards (A$ million)

		Iron Ore Fines: US$/DMT, 62% Fe (CFR)			
		55	65	75	Spot (106)
Foreign exchange rate (AUD:USD)	0.75	$109m	$133m	$157m	$231m
	0.70	$117m	$143m	$169m	$248m
	Spot (0.70)	$116m	$142m	$168m	$247m
	0.65	$126m	$154m	$182m	$268m
	0.60	$138m	$168m	$198m	$291m

Note: Refer to Section 2.7.2 for further details. The iron ore spot price of US$106/dmt and foreign exchange rate of 0.704 is based on the 31-day average to 31 July 2020 of the 62% Fe CFR iron ore price and AUD:USD exchange rate, respectively.

With a scaleable corporate structure and low debt, Deterra is designed to maximise dividends to shareholders. Deterra intends to adopt a dividend policy where it declares dividends semi-annually, franked to the maximum extent possible, which represents a target dividend payout ratio of 100 per cent of net profit after tax. Deterra's approach to dividends and dividend policy will be determined by the Deterra Board at its discretion and may change over time[23].

[21] Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

[22] CY19 BHP reported production of 60 million wmpta (on 100 per cent basis) converted to dmt based on a moisture content of 3.85 per cent per Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020. Implied production in CY19 of 57 million dmtpa.

[23] Refer to Section 2.4.2.

With the high dividend payout ratio supported by the strong cash flows from Mining Area C, Deterra is expected to deliver an annual dividend yield which should compare favourably to other yield style investments in Australia (for example REITS or utility companies) and be attractive to yield focused investors.

2.3.4 Deterra has a structurally advantaged business model relative to other forms of investment in resources

The ownership of royalties provides investors with exposure to the economic value created through the discovery, extraction and sale of natural resources without full exposure to some of the key operating risks of mining businesses such as capital expenditure and operating margins. Further, revenue based royalties typically have an advantaged position in a mining company's capital structure, accessing cash flows ahead of debt and equity capital providers.

Figure 2.7: Revenue royalties – structural advantages relative to alternatives

	Royalty companies	Mining companies	Physical commodity
Exposure to:			
Commodity price changes	✓	✓	✓
Income potential[24]	✓	✓	X
Exploration or production upside	✓	✓	X
Limited exposure to:			
Capital development costs[1]	✓	X	✓
Asset level operating costs[1]	✓	X	✓
Environmental costs and OH&S risks[1]	✓	X	✓

Note (1): Risk is limited to extent that the mine or project is not closed due to one of these risk factors

There is precedent for companies who successfully build a diversified portfolio of royalty investments over time to create value for shareholders. This is demonstrated by the share price performance and returns generated by royalty companies in other jurisdictions, such as North America, as outlined in Figure 2.8, and the premium multiples that large royalty companies trade on compared to large mining companies, as outlined in Figure 2.3.

Figure 2.8 Select total shareholder returns[25]

Source: FactSet as at 31 July 2020

[24] Typically recurring income is by way of dividends associated with the business performance compared to holding the physical commodity

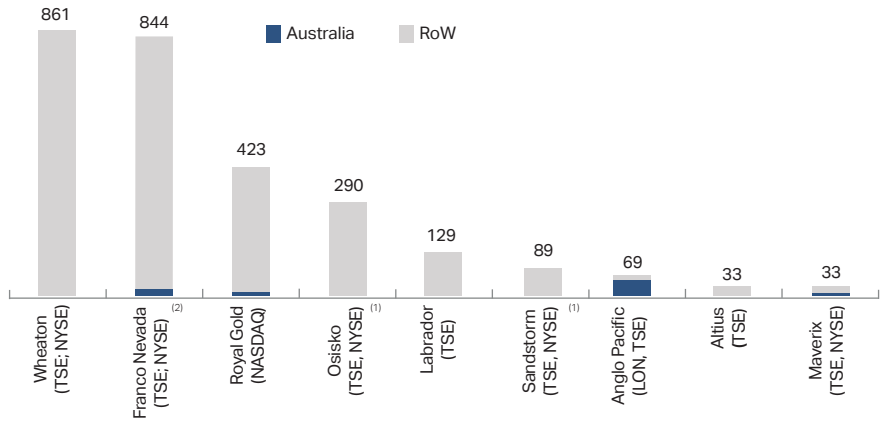
[25] Total shareholder returns with dividends reinvested. The Royalties Index presented has been compiled by Iluka (given the lack of an external royalty company index to reference) based on the weighted capitalisation in US dollars of the following constituents: Franco-Nevada, Wheaton Precious Metals, Royal Gold Inc, Osisko Gold Royalties, Sandstorm Gold, Altius Minerals Corporation, Maverix Metals Inc, Nomad Royalty Company, Anglo Pacific Group and Labrador Iron Ore Corporation. Note: Royalty companies included in the Royalties Index are exposed to various different commodities to Deterra and interests are typically held within a portfolio of royalty and / or streaming interests.

2.3.5 Deterra will have a unique position as the only listed Australian royalty investment company of scale

Australia has a well-developed, global scale resources sector which provides a significant opportunity for Deterra to deploy capital. While a number of the large listed international royalty companies own royalties in Australia, Australia has not traditionally been a key geography of focus for them.

Deterra's local presence, knowledge and relationships will provide access to Australian opportunities and its ability to use ASX-listed scrip as consideration is expected to be attractive to vendors looking for liquidity from or to monetise existing royalties.

Figure 2.9 Selected listed royalty companies FY19 revenue by geography: Australia and RoW (US$ million)



Notes: (1) Split based on gold equivalent ounces;
(2) Split based on FY19 EBITDA by legal ownership. Source: Company disclosures.

2.3.6 Strong capacity to fund growth and scaleable corporate structure

Post Demerger, Deterra will have a scaleable corporate structure and a modest corporate cost base of approximately A$6.9 million per annum (pre-tax)[26]. Going forward, Deterra will be able to make additional investments and increase its earnings base without having to materially increase costs which makes it a readily scalable business model.

Deterra will have low net debt post Demerger, providing it with financial flexibility to satisfy its dividend policy and invest in new royalties over time.

2.3.7 Experienced board and senior management

As part of the Demerger, Deterra has put in place a board and management team with specific skills and expertise to support Deterra as a standalone business and execute its business strategy.

The appointed senior management team, led by Julian Andrews as Managing Director and Chief Executive Officer and Brendan Ryan as Chief Financial Officer and Company Secretary, has extensive commercial experience and expertise in capital markets, financing, mining, and business development (refer to Section 2.6 for full biographies).

Figure 2.10 Senior management

Julian Andrews
Managing Director and Chief Executive Officer

Brendan Ryan
Chief Financial Officer

[26] Deterra may also incur other costs in assessing and executing new royalty investments.

2.4 BUSINESS STRATEGY

Deterra's business model provides investors with exposure to the economic value created through the discovery, extraction and sale of natural resources (initially iron ore through the MAC Royalty) typically without full exposure to some of the key operating risks of mining businesses (such as capital expenditure, operating costs, occupational health and safety and environmental liability).

Deterra's objective is to maximise long-term value to shareholders. It intends to meet this objective by:

- Maximising the value of existing royalties (refer to Sections 2.7 and 2.8 for an overview of these existing royalties);
- Adopting a scaleable corporate structure to minimise corporate overheads and investment activity expenditure (refer to Section 2.4.1);
- Distributing all available profits and franking credits to shareholders in accordance with the intended target dividend payout ratio of 100 per cent of net profit after tax (refer to Section 2.4.2); and
- Investing in new royalties that are complementary and value accretive (refer to Section 2.4.3).

2.4.1 Organisational structure

Deterra will pursue its business strategy with a scaleable corporate structure based on a small and focused team of commercial and technical professionals that will operate in a flat management structure reporting to the Managing Director and Chief Executive Officer.

It is expected that Deterra will have 6 full time staff members and a corporate overhead cost base of approximately A$6.9 million per annum (pre-tax).

Back office functions including information technology, payroll, human resources, accounting, legal and tax support will be outsourced to third party providers to minimise operating costs with some to be provided by Iluka on a temporary basis under a transitional services agreement. Refer to Section 4.9.4 for additional information on the transitional services agreement.

In assessing royalty investments, Deterra will seek external assistance from experts in areas such as commodity marketing, geology and mining operations as required to supplement the expertise of Deterra's own team. In addition, legal, accounting and tax advisory costs will be incurred in the process of royalty investing. Where these costs relate to an investment in a specific royalty, they will generally be capitalised into the cost of that royalty. Where the costs are general in nature or relate to a royalty investment that does not proceed, they will be recorded as an expense of Deterra. This treatment will be assessed on a deal by deal basis.

2.4.2 Dividend policy and capital structure

Deterra intends to adopt a dividend policy whereby it pays dividends semi-annually (which are franked to the maximum extent possible) at a target dividend payout ratio of 100 per cent of net profit after tax.

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

The first dividend by Deterra is expected to be paid in respect of the period ending 31 December 2020 and will reflect the revenue of Deterra from 1 October 2020 net of tax for that period and costs incurred from implementation of the Demerger, including the one-off transaction costs of the Demerger payable by Deterra as set out in Section 2.9.6.

Deterra has been set up with low debt, providing it with significant debt funding capacity in order to pursue value accretive growth. It will have pro-forma net debt of A$14.2 million and a debt facility of A$40.0 million for general corporate and working capital purposes.

Deterra intends to maintain a conservative balance sheet. While acquisitions can be funded through debt, this may be supplemented by equity to the extent required to maintain a conservative balance sheet.

2.4.3 Royalty investment activities

Deterra will aim to build value over time through executing its royalty investment strategy. In doing so, Deterra will seek to build a portfolio of royalties that add value, through earnings growth and diversification.

The key royalty investing activities of Deterra will comprise:

- The acquisition of royalties from third parties. These will most likely be in-production royalties; and
- Providing finance to resources companies in return for royalties. These will most likely be over projects that are at a pre-production stage.

The objective will be to undertake royalty investments that are value accretive by way of:

- Increasing Deterra earnings and dividends per share. This will primarily be a function of the investment returns generated on the investment in royalties acquired, which will in turn be dependent on commodity price, exchange rate, expansion and production outcomes;
- Increasing the asset values of the underlying royalty portfolio. This will occur primarily where the reserves and resources of the underlying royalties are increased, thereby increasing the life of the royalty and its value; and
- Diversifying the royalty portfolio, thereby reducing the risk attaching to any one commodity, operator or royalty area.

Deterra will adopt a staged and disciplined approach to royalty investment activities. In assessing royalty investment opportunities, Deterra will have regard to the following guidelines:

- **Types of royalties**: Deterra will seek to maintain its limited exposure to operational risk by primarily focusing on revenue-based royalty agreements or streams with limited operational risk exposure. Deterra will prioritise royalties or streams over tenements and projects with low operating costs and well-credentialed operators with experienced management;
- **Types of commodities:** Deterra will be open to invest across most bulk commodities, base and precious metals, battery minerals and energy. In evaluating these sectors and specific opportunities, Deterra will have regard to where it can invest competitively and generate value, and will avoid commodities where markets are not transparent or which are subject to potential regulatory restrictions or environmental pressures;
- **Pre-production royalties:** Deterra's initial focus will be on producing or near producing royalties. Whilst earlier stage pre-production royalties can attract high investment returns, Deterra will focus initially on investing where there is a credible near-term pathway to production and manageable exposure to project development risks;
- **Geography:** Deterra will be primarily focused on opportunities in the Australian resources sector. Other geographies will be considered on a case by case basis, but Deterra would need to be satisfied as to its relative competitive positioning and the strength of the political and legal governance arrangements in those jurisdictions; and
- **Environmental, Social and Governance (ESG) factors:** all projects and operators will be assessed across a range of ESG criteria including social responsibility to workforce and local indigenous communities along with environmentally responsible mining practices.

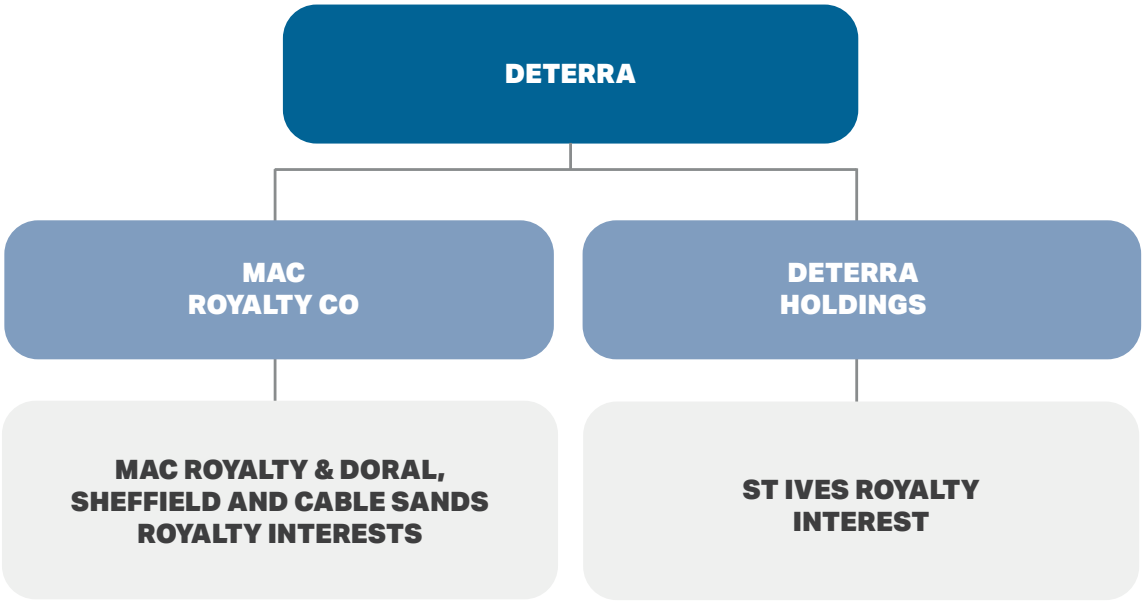
2.4.4 Deterra competitive advantages

Deterra holds a number of competitive advantages in acquiring and investing in new royalty opportunities that the Deterra board believes will support it successfully executing its investment strategy, these include:

- **Deterra will be the only ASX-listed Australian royalty investment company of scale:** Australia has a significant resources sector and this provides a large opportunity set to deploy capital across multiple commodities. Deterra's local headquarters and Board and management's knowledge and relationships make it well placed to identify these opportunities.
- **Valuable scrip currency:** Deterra's ASX-listed scrip will give it the currency to monetise assets for natural sellers of these assets. This includes private equity, credit and other closed end funds that need a liquidity event for fund life considerations, miners looking to divest non-core assets as well as royalty investors seeking additional liquidity for their investment but not necessarily a full monetisation or wishing to retain some exposure to future appreciation of the asset.
- **Commodity scope:** Deterra's commodity strategy will be driven by the ability to generate value, and will consider a broad range of commodities and opportunities. Deterra will not operate under the same investment policies as many other global royalty sector participants, which exclusively invest in, or are heavily weighted to, precious metals.
- **Strong board and management team:** Deterra is led by a dedicated management team and board with broad relationships and expertise in a diverse range of commodities, financing and deal structuring.

2.5 DETERRA OWNERSHIP STRUCTURE

Deterra directly owns 100 per cent of Deterra Royalties (MAC) Limited (ACN 008 421 065) (**MAC Royalty Co**) and Deterra Royalties Holdings Pty Ltd (ACN 642 008 697) (**Deterra Holdings**), as illustrated in the group structure diagram below. Both MAC Royalty Co and Deterra Holdings are Australian incorporated companies limited by shares.



MAC Royalty Co holds the MAC Royalty (as described in Section 2.7), the Doral royalty interests, the Sheffield royalty interest and the Cable Sands royalty interest (each as described in Section 2.8) and Deterra Holdings holds the St Ives royalty interest (as described in Section 2.8).

MAC Royalty Co was incorporated on 3 November 1960 under its former name, Consolidated Gold Fields (Australia) Pty. Limited. MAC Royalty Co's operations have primarily related to the MAC Royalty and other royalties held by it over time and associated activities. MAC Royalty Co was a party to the historic *Iron Ore (Mount Goldsworthy) Agreement Act 1964-1994 (WA)* and the Mount Goldsworthy Joint Venture.

2.6 DETERRA BOARD AND SENIOR MANAGEMENT

2.6.1 Deterra Board

In determining the appropriate Board composition for Deterra, a focus was given to identifying candidates with a diverse range of expertise in the global resources sector including in the areas of mining investment, project finance, mergers and acquisitions, business development, capital markets, and corporate governance along with deep and diverse networks in the mining and resources industry. As outlined in Table 2.3 below, Deterra's Board will provide a balanced and extensive expertise across these skill sets. If the Demerger is implemented, the Deterra Board will comprise of a Managing Director & Chief Executive Officer, 3 Non-executive Directors including a majority of independent directors and an independent Chair, consistent with ASX Corporate Governance Principles.

Table 2.3 Deterra Board

Independent Chair	**Jennifer Seabrook**
	Ms Seabrook has worked at the highest levels of corporate Australia for more than 30 years, both in her capacity as a senior executive in capital markets, mergers and acquisitions and accounting advisory roles, and in numerous directorships. Ms Seabrook has extensive experience in global resources, investment and capital markets through these roles. She is currently a senior adviser at Gresham (due to retire 30 September 2020) and a non-executive director of BGC and Australian Rail Track Corporation. Some of her previous non-executive directorships include: Iluka Resources Limited, MMG Limited, IRESS Limited, Export Finance and Insurance Corporation, Western Australian Treasury Corporation, AlintaGas, Western Power Corporation and West Australian Newspapers Holdings. Ms Seabrook was a non-executive director of Iluka from 2008 until her retirement from the Board in April 2020, and was a member of ASIC's External Advisory Group from 2010 to 2013 and the Takeovers Panel from 2000 to 2012. Ms Seabrook holds a Bachelor of Commerce from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants, and a Fellow of the Australian Institute of Company Directors.
Managing Director and Chief Executive Officer	**Julian Andrews**
	Mr Andrews has more than 20 years of experience in diversified portfolio investment, project finance, capital raising and mergers and acquisitions across a range of industries including mining, energy and chemicals. Mr Andrews is currently Head of Strategy, Planning & Business Development at Iluka, having joined the company in 2017, and will assume the role of Chief Executive Officer of Deterra on Implementation. Prior to joining Iluka, Mr Andrews held various roles at Wesfarmers, including General Manager, Business Development and Chief Financial Officer in Wesfarmers Chemicals, Energy & Fertilisers division. He began his career in strategy consulting with PricewaterhouseCoopers Canada and worked in project finance and corporate advisory in the USA before returning to Perth in 2004. Mr Andrews holds a Doctor of Philosophy from the University of Alberta and a Bachelor of Commerce (Hons) from the University of Western Australia and is a Chartered Financial Analyst (CFA) charterholder.

Table 2.3 Deterra Board (continued)

Independent Non-Executive Director

Graeme Devlin

Mr Devlin is a highly experienced mining executive, having served most recently as BHP's global head of Acquisitions and Divestments from 2009 to 2016. Prior to that, Mr Devlin worked in a variety of business development, operational, investment evaluation, project and finance roles within BHP, Coal & Allied, Rio Tinto and CRA Limited. During his time at BHP, Mr Devlin led the transformation of BHP's capital investment decision making rigour, capability and processes. He was also instrumental in the identification and evaluation of numerous opportunities and execution of transactions, which led to a fundamental reshaping of BHP's core asset portfolio. This included the successful demerger of South32 in 2015.

Mr Devlin holds a Bachelor of Applied Science from Monash University and a Master of Business Administration from the University of Melbourne.

Independent Non-Executive Director

Joanne Warner

Dr Warner has considerable global asset management experience as an institutional investor managing portfolios of mining and energy companies, including 20 years at Colonial First State Global Asset Management where she served as Head of Global Resources from 2010 to 2017.

She is currently a Non-executive director of First Quantum Minerals, a globally diversified TSX-listed base metals group, and Geo40 Limited, a pioneering company focused on the extraction of silica and other minerals from geothermal fluids associated with power generation.

Dr Warner earned a Bachelor of Applied Science (Applied Chemistry) from the University of Technology, Sydney and holds a D.Phil. in Solid State Chemistry from the University of Oxford.

Non-Executive Director Iluka Nominee

Adele Stratton

Ms Stratton joined Iluka in 2011 and was appointed Chief Financial Officer in September 2018. In the intervening period she held numerous senior roles across the company, most recently General Manager Finance, Investor Relations and Corporate Affairs.

She is a qualified chartered accountant with 20 years' experience working in both practice and public listed companies. Ms Stratton commenced her career with KPMG, spending seven years in the assurance practice both in the UK, where she qualified as a chartered accountant, and Australia. Prior to joining Iluka, she worked in a number of finance roles at Rio Tinto Iron Ore in Perth. Ms Stratton holds a Bachelor of Accounting from the University of Liverpool and is a Fellow of the Institute of Chartered Accountants.

The Deterra Board will continue to assess the requisite mix and balance of skills and experience and, if appropriate, may supplement its expertise through the addition of one or more members.

2.6.2 Deterra senior management

The senior management of Deterra have extensive experience and expertise in the core activities of mining investment, business development, corporate strategy and capital markets. Further information on the Deterra senior management team is summarised in Table 2.4 below.

Table 2.4 Deterra senior management team

Managing Director and Chief Executive Officer 	**Julian Andrews** Refer to Table 2.3.
Chief Financial Officer and Company Secretary 	**Brendan Ryan** Mr Ryan is a senior executive with 30 years of commercial and operational experience in the global mining industry. Most recently he has served as Chief Financial Officer and Chief Business Development Officer at Boart Longyear, an ASX-listed global drilling services company. Prior to joining Boart Longyear, he held a number of senior business development roles at Rio Tinto with a focus on evaluation and delivery of investment opportunities across a range of commodities including copper, nickel, zinc and diamonds, culminating in serving as Rio Tinto's Global Head of Business Evaluation from 2012 to 2015. Mr Ryan began his career in engineering and operations roles at Shell / Anglo Coal in Queensland, Australia. Mr. Ryan holds a Bachelor of Mining Engineering from the University of Queensland and a Master of Business Administration from the University of Oxford.

2.7 OVERVIEW OF THE MAC ROYALTY

2.7.1 MAC Royalty overview

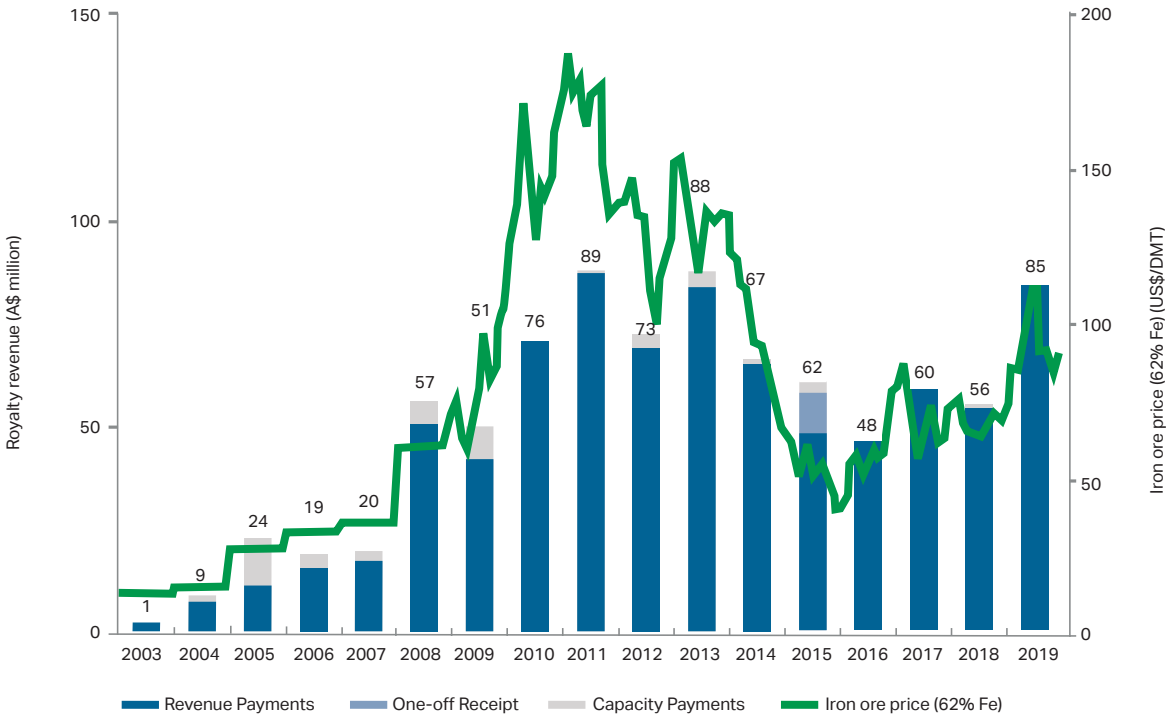
Deterra's cornerstone asset, the MAC Royalty, is a revenue royalty interest over the BHP operated Mining Area C iron ore operation in the Pilbara, Western Australia. The MAC Royalty provides payments comprising of:

- quarterly royalty payments equal to 1.232 per cent of Australian dollar denominated revenue from the MAC Royalty Area (**Revenue Payments**); and
- one-off production capacity payments of A$1 million per one million dry metric tonne increase in the annual production level from the MAC Royalty Area during any 12-month period ending 30 June above the previous highest annual production level, paid annually to the extent applicable (**Capacity Payments**).

From inception to 30 June 2020, the MAC Royalty has generated a total of A$929 million in revenue, comprised of A$867 million in Revenue Royalty Payments, A$52 million in Capacity Payments and a A$10 million one-off payment received as a result of the renegotiation of the MAC Royalty Agreement in 2015.

Refer to Figure 2.11 below for a summary of the historical MAC Royalty revenue.

Figure 2.11 Historical MAC Royalty revenue (A$ million)[27]



[27] One-off receipt refers to the payment received as a result of the renegotiation and amendment of the MAC Royalty Agreement in 2015.

2.7.2 Illustrative potential Deterra EBIT sensitivity

Whilst Deterra's business mix may evolve over time through the potential investment in additional royalty interests, upon Demerger, Deterra EBIT will primarily be a function of three key variables: MAC Royalty Area iron ore sales volumes, iron ore prices and the AUD:USD exchange rate.

Deterra earnings before interest and tax (**EBIT**) is expected to benefit from the substantial growth associated with BHP's South Flank expansion of Mining Area C. Over the period 2019 to 2023, production from the MAC Royalty Area is expected to more than double, with production volumes increasing from 57 million dmt in 2019 to 139 million dmt in 2023. As at 30 June 2020, BHP is over 76 per cent through the construction of South Flank which is a low risk brownfield expansion of its existing WAIO operations.

Table 2.5 provides a sensitivity table of Deterra EBIT at the forecast production capacity rate of 139 million dmtpa representing the projected steady state production from Mining Area C following the South Flank expansion[28].

This sensitivity table presents a range of iron ore prices and foreign exchange rates and is based on the following assumptions:

- MAC Royalty Revenue Payments are based on quarterly sales volumes – sensitivity table assumes sales volumes equal to 100 per cent of production in the period, being 139 million dmtpa;
- assumed Australia to China freight charges of US$7.8/dmt as per Wood Mackenzie average forecast freight rates between 2020 and 2027 to convert the benchmark CFR price index to FOB terms to align with MAC Royalty Revenue Payment terms which are based on FOB revenue;
- assumed overall lump proportion as a percentage of total sales volumes of 35 percent post South Flank ramp-up based on BHP estimates[29];
- 22 per cent Lump premium over the 62% Fe CFR index price for fines based on the historical five-year average premium to 31 July 2020[30]; and
- standalone corporate costs of A$6.9 million based on 2020 pro forma accounts.

The presented sensitivity table range is based on:

- iron ore price range based on Wood Mackenzie long term real price forecast of US$65/dmt plus and minus US$10.0/dmt and spot price of US$106/dmt based on the 31-day average of the 62% Fe CFR iron ore price to 31 July 2020;
- foreign exchange rate range based on five cent increments within the last two year trading range and spot based on the 31-day average to 31 July 2020 of 0.704 AUD:USD.

In addition to the annual Revenue Payments, Deterra expects to receive approximately A$80 million in Capacity Payments over the course of the three year ramp up of South Flank as annual tonnages of iron ore production[31]. These are not included in Table 2.5.

Table 2.5 Illustrative Deterra EBIT sensitivity (A$ million) assuming Mining Area C sales of 139 million dmtpa

		Iron Ore Fines: US$/DMT, 62% Fe (CFR)			
		55	65	75	Spot (106)
Foreign exchange rate (AUD:USD)	0.75	$109m	$133m	$157m	$231m
	0.70	$117m	$143m	$169m	$248m
	Spot (0.70)	$116m	$142m	$168m	$247m
	0.65	$126m	$154m	$182m	$268m
	0.60	$138m	$168m	$198m	$291m

[28] Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

[29] BHP, *BHP approves South Flank Project*, 14 June 2018.

[30] Bloomberg as at 31 July 2020. Calculated based on 62% Fe CFR iron ore price.

[31] Capacity Payments based on annual increases to dry metric tonnes of production. Refer to Section 2.7.1 for further details.

2.7.3 History

Refer to Figure 2.12 below for a summary of the history of the MAC Royalty and Mining Area C operations.

Figure 2.12: MAC Royalty and Mining Area C history

MINING AREA C HISTORY

1962

Establishment of Mount Goldsworthy JV

The Mount Goldsworthy Joint Venture was created in February 1962 between Consolidated Gold Fields (Australia) Pty. Limited, an antecedent of Iluka now known as IRHL, and two other joint venture parties.

Note: Iluka has evolved through several predecessor companies before being formed in 1998 as a result of merger between Westralian Sands and Renison Goldfields Consolidated.

MAC ROYALTY HISTORY

1977

Sale of the joint venture interest

One-third interest in the Mount Goldsworthy joint venture was sold in 1977, a portion which was paid as deferred consideration. Subsequently, further changes in ownership occurred, including the acquisition of an interest in the joint venture by BHP Iron (BHP) in 1979.

1994

Creation of the MAC Royalty

The MAC Royalty was created to release BHP and the other joint venture parties from the deferred consideration due under the 1977 Sale and Purchase Agreement.

2003

Mining Area C commenced production

In April 2002, the BHP board approved the development of MAC. The project was commissioned ahead of schedule in 2003, with first ore railed from the MAC Royalty Area to the port at Nelson Point on 16 August 2003.

The first shipment of ore departed Nelson Point on 24 September 2003. The initial production capacity of Mining Area C was 15 Mtpa. Since then, production from Mining Area C has increased significantly and in 2019 produced 60 million wmt.

2015

Amendment of the MAC Royalty

To reflect the changes in the way in which iron ore is marketed and sold, an amended basis for determination of the MAC Royalty was agreed in July 2015.

2018

South Flank expansion

South Flank project commenced construction in July 2018 and as at June 2020, the project construction was more than 76 per cent complete and on schedule and budget to reach first production in 2021. Once at full ramp up, Mining Area C is expected produce 139 million dmtpa.

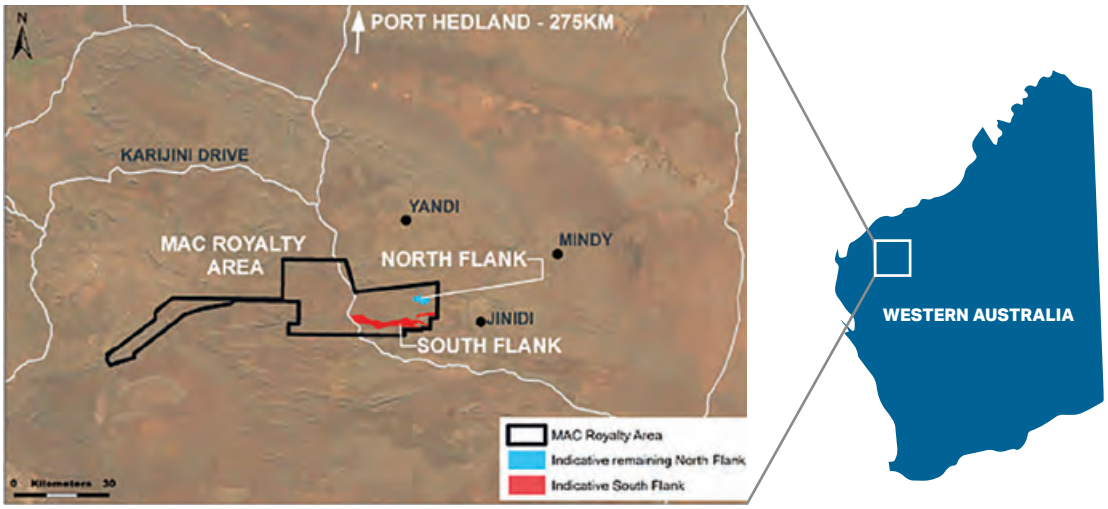
2.7.4 Illustrative potential Deterra EBIT sensitivity

The MAC Royalty area is the area of mining area 'C' as defined at 13 October 1994 under the Iron Ore (Mount Goldsworthy) Agreement Act 1964-1994 (WA), which principally relates to the Mining Area C operation (**MAC Royalty Area**).

Mining Area C is located in Western Australia approximately 90km north west of Newman Township in the Pilbara region. The Pilbara region is one of the premier iron ore regions in the world, with Western Australia accounting for more than 50 per cent of global supply in 2018[32].

Refer to Figure 2.13 below for an illustration of the MAC Royalty Area.

Figure 2.13: MAC Royalty Area



Source: BHP, overlay of illustrative MAC Royalty Area. Note: Location and mineralisation outline digitised from small scale map and should be used for illustrative purposes only

2.7.5 Mining Area C operations overview

Mining Area C is one of four hubs within BHP's WAIO, producing 60 million wmtpa of iron ore in 2019 (100 per cent basis). All of BHP's annual iron ore production in 2019 came from WAIO, of which Mining Area C contributed 20 per cent in 2019[33].

WAIO is an integrated system of four processing hubs and five mines connected by more than 1,000 km of rail infrastructure and port facilities in the Pilbara region of northern Western Australia.

Mining Area C has two major mining areas, North Flank and South Flank which, as a combined mining hub, are expected by BHP to operate for over 30 years[34].

- **North Flank:** has been in production since 2003; and
- **South Flank:** is currently in development with first production targeted to occur in 2021[35].

As outlined further below, both mining areas within Mining Area C are open pit mines with bedded ore types classified as host Archaean or Proterozoic iron formations, known as Brockman, Marra Mamba and Nimingarra.

Ore mined from Mining Area C is crushed, beneficiated (where necessary) and blended to create high-grade lump and fines products. Iron ore products are then transported along the Port Hedland–Newman rail line to the port facilities at Port Hedland.

[32] Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

[33] Percentage based on BHP's 85 per cent interest in Mining Area C.

[34] BHP, *Mining Area C – Southern Flank: Public Environmental Review*, May 2017.

[35] BHP, *Operational Review for the year ended 30 June 2020*, 21 July 2020.

2.7.5.1 South Flank expansion

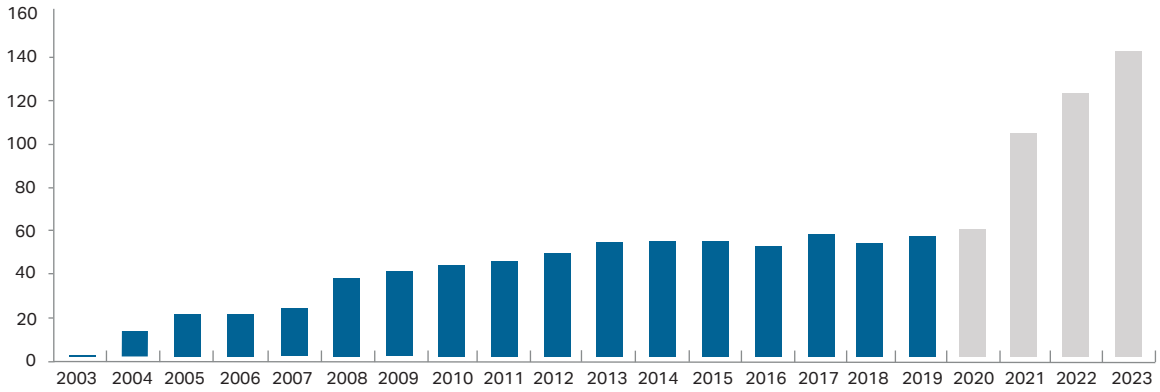
BHP commenced construction of the South Flank open pit mine in July 2018. The project is a US$3.6 billion capital investment (on a 100 per cent basis) and is expected by BHP to produce 80 million wmtpa, replacing volumes from Yandi, a nearby BHP mine (which is outside the MAC Royalty Area), as it reaches its end of economic life in the early-to-mid 2020s[36].

By 30 June 2020 South Flank construction was 76 per cent complete.

The production capacity at Mining Area C is expected to increase to 145 million wmtpa by 2023 (equivalent of approximately 139 million dmtpa)[37]. The South Flank mine will be one of the largest producing iron ore mines BHP has developed, integrating the latest advances in autonomous-ready fleets and digital connectivity.

Figure 2.14 below provides a summary of the historical and projected iron ore capacity from Mining Area C.

Figure 2.14: Historical sales volumes and forecast capacity from Mining Area C (million dmtpa)[38]



Source: Iluka reported MAC Royalty sales volumes, Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020

2.7.5.2 Iron ore products produced from Mining Area C

Mining Area C predominantly contributes to the Newman Blend Lump and MAC Fines product streams, which are mostly exported to East Asia with China being the primary market. BHP has stated that South Flank iron ore will contribute to an increase in WAIO's average iron grade from 61 per cent to 62 per cent, and the overall proportion of lump from 25 per cent to approximately 35 per cent[39].

Lump iron ore products have historically traded at a premium to the grade adjusted price of fines iron ore products. The average premium of 62 per cent Fe CFR lump products to the equivalent fines was 22 per cent over the past five years up to 31 July 2020[40].

[36] BHP, *2019 Annual Report*.

[37] Wet metric tonnes guidance converted to dry metric tonne based on a moisture content of 3.85 per cent for North Flank and 4.20 per cent for South Flank; Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

[38] 100 per cent basis. Assumes forecast sales volumes is equal to production.

[39] BHP, *BHP approves South Flank project*, 14 June 2018.

[40] Bloomberg as at 31 July 2020.

2.7.5.3 Potential mine life of North and South Flank

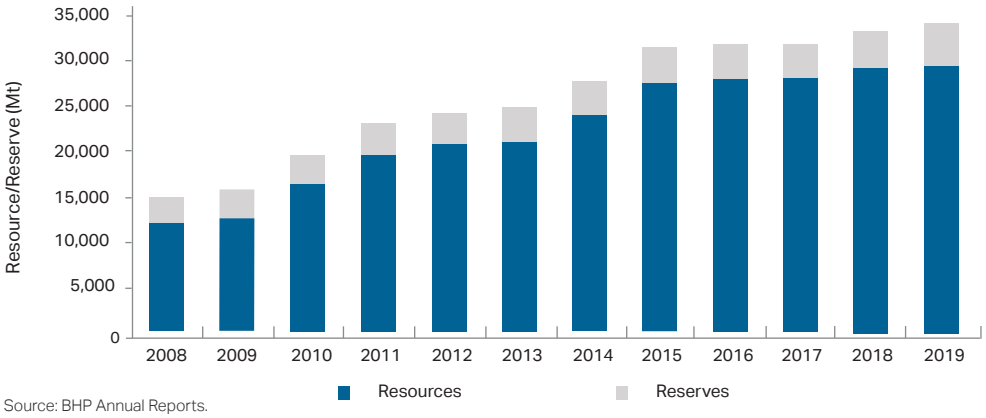
BHP has stated that "It is expected that the life of the Mining Area C mining operation, inclusive of the Northern and Southern Flanks, will be approximately 30 years, commencing in approximately 2020."[41] In addition, and subject to further exploration success, BHP has stated that it has strategic and operational plans to continue operations for over 50 years[42].

Based on the information published by BHP to date, the mine life expectation for each of the mining operations is as follows:[43]

- **South Flank** mine life of approximately 25 years from 2021 based on BHP disclosures and BHP estimated 1,850 million dmt ore resource and 80 million metric tonne per annum production accommodating for an estimated two-year ramp-up;
- **North Flank** mine life of approximately 30 years from 2020 based on BHP disclosures; and
- **Mining Area C** operational plans to continue operations for over 50 years from a range of prospective deposits.

BHP reports consolidated reserves and resources for its WAIO division which means South Flank and North Flank cannot be individually separated. Notwithstanding this, BHP has a well-documented history of growing its iron ore Resources and replacing its Reserves over time, as outlined in Figure 2.15 below.

Figure 2.15: BHP WAIO Reserves and Resources[44]



Source: BHP Annual Reports.

2.7.5.4 Future growth within Mining Area C area

BHP's long-term strategy for Mining Area C is to continue operations for over 50 years. This strategy was released by BHP in its 50 to 100-year strategic mining proposal for the Pilbara which outlined plans for new and existing mines. BHP has acknowledged that, to achieve these growth targets, the development of additional mining operations will be required and has outlined a number of potential mining areas for future development.

Two potential future operations identified by BHP, Tandanya and Mudlark, are likely to be at least partially within the MAC Royalty Area given the tenements for these future operations partially overlap the MAC Royalty Area.

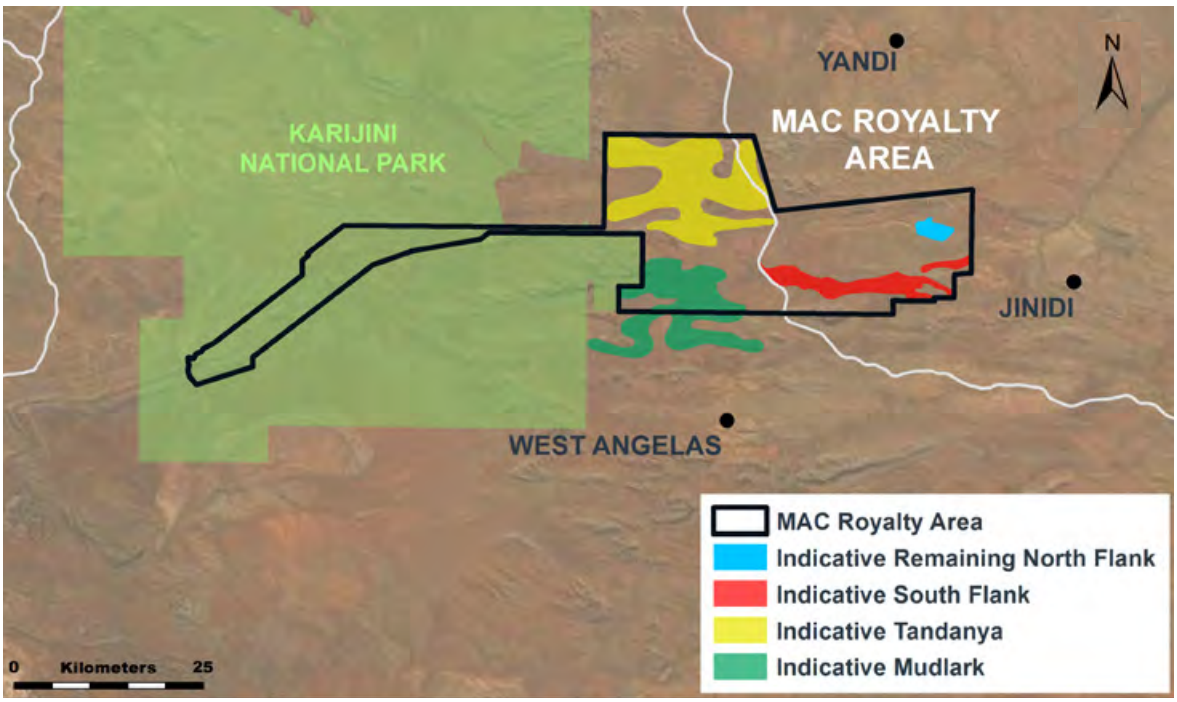
[41] BHP, *Mining Area C – Southern Flank: Public Environmental Review*, May 2017.

[42] BHP, *Mining Area C Mine Closure Plan*, October 2017.

[43] BHP, *Mining Area C – Southern Flank: Public Environmental Review, May 2017; BHP, Mining Area C Mine Closure Plan*, October 2017.

[44] Figure 2.15 includes Proven and Probable Reserves, and Measured, Indicated and Inferred Resources. Inferred Resources, which have the lowest level of geological knowledge and confidence, represent on average more than 60 per cent of the Resources component depicted in the chart.

Figure 2.16: Overlay of MAC Royalty Area on BHP's current and future proposed Pilbara mining operations



Source: BHP, overlay of illustrative MAC Royalty Area. Note: Location and mineralisation outline digitised from small scale A4 map and should be used for illustrative purposes only

2.7.6 MAC Royalty counterparties

The MAC Royalty Agreement is between MAC Royalty Co (a wholly owned subsidiary of Deterra), BHP Billiton Minerals Pty Ltd, Itochu Minerals & Energy of Australia Pty Ltd and Mitsui Iron Ore Corporation Pty Ltd. Refer to Section 8.4 for further details on the MAC Royalty Agreement.

BHP Billiton Minerals Pty Ltd is a wholly owned subsidiary of BHP Group Limited (**BHP**) which is one of the largest diversified resources companies globally. BHP has a multiple listed company structure, including listings on the ASX, United Kingdom Listing Authority Official List, Johannesburg Stock Exchange, and its New York Stock Exchange listed American Depository Receipts program. As at 31 July 2020, BHP has a market capitalisation of approximately US$123 billion.

Itochu Minerals & Energy of Australia Pty Ltd is a wholly owned subsidiary of Itochu Corporation (**Itochu**), which engages in domestic trading, import/export, and overseas trading of various products such as textiles, machinery, metals, minerals, energy, chemicals, food, general products, realty, information and communications technology, and finance. Itochu is listed on the Tokyo Stock Exchange and its market capitalisation is approximately US$32 billion as at 31 July 2020.

Mitsui Iron Ore Corporation Pty Ltd is a wholly owned subsidiary of Mitsui & Co., Ltd. (**Mitsui**) which is an international trading business with seven business units including: iron and steel products, mineral and metal resources, machinery and infrastructure, chemicals, energy, lifestyle and innovation and corporate development. Mitsui is listed on the Tokyo Stock Exchange and its market capitalisation is approximately US$25 billion as at 31 July 2020.

Each of these counterparties to the MAC Royalty attract 'A' credit ratings from international credit rating agencies, reflecting their financial strength and quality as counterparties.

2.7.7 Iron ore market overview

The coronavirus pandemic in 2020 has impacted global economies in an unprecedented way. Iron ore prices however, have been remarkably resilient. Iron ore prices averaged US$106/tonne over the 31 days to 31 July 2020, up over 20 per cent on prices observed at the start of January 2020[45], driven by the combination of a strong rebound in demand from China post first quarter lockdown and mine suspensions at Vale's operations in Brazil.

Iron ore is the primary input in the production of refined iron and steel related products, thus the demand for iron ore is heavily dependent on the volume of steel production. Steel consumption is driven by the construction, machinery and automotive sectors which currently account for 57 per cent, 17 per cent and 12 per cent of global steel consumption respectively[46]. Growth in these sectors is generally correlated with growth in macroeconomic activity, as measured by gross domestic product (GDP) and industrial production.

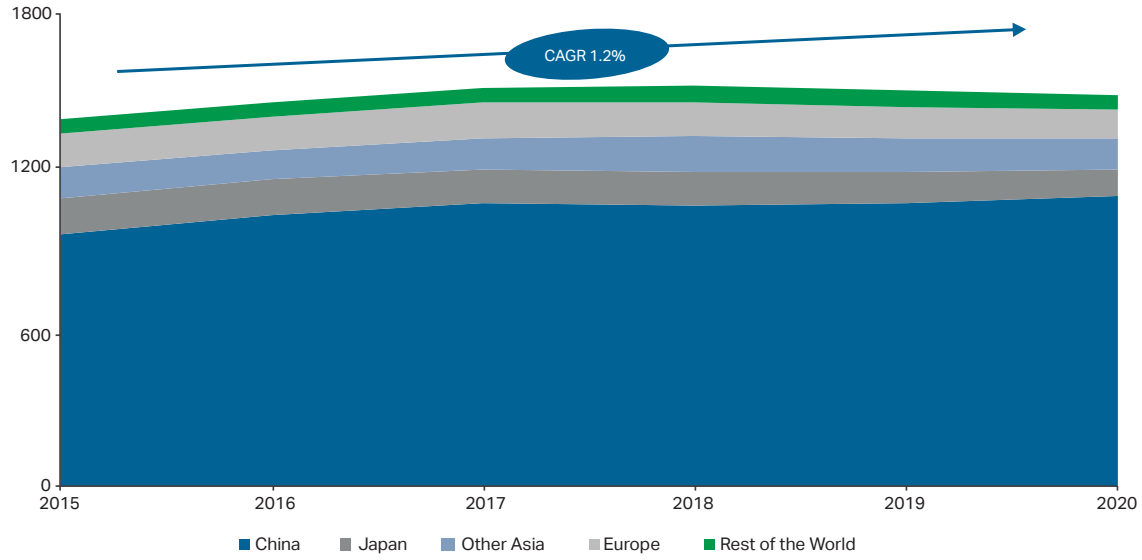
Demand

Global seaborne iron ore demand has more than tripled over the past two decades, from 460 Mt in 2000 to 1,474 Mt in 2019, primarily driven by China's growing steel production capacity, which led to demand for imported iron ore to increase from 70 Mt in 2000 to 1,052 Mt in 2019, or 71 per cent of the international market for seaborne iron ore in 2019[46]. During this period, seaborne (and domestic) iron ore demand in China was primarily driven by growing steel consumption from capital intensive infrastructure projects and urbanization.

More recently, growth in Chinese demand for imported iron ore slowed, and in 2018 was estimated to have declined for the first time since 2010, albeit by less than 1 per cent. Demand in 2019 was flat and is expected to grow by 2.6 per cent in 2020[46].

Japan is the second largest importer of iron ore, with approximately 8 per cent of the total market although its share and overall consumption has declined in recent years due to falling domestic steel demand and increasing competition for Japanese manufacturers from other Asian steel suppliers in traditional export markets.

Figure 2.17: Global seaborne iron ore demand by key markets (Mt)



Source: Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

[45] Bloomberg as of 31 July 2020.

[46] Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

Given China's large market share, the outlook for China is a key factor in assessing the long term demand profile for seaborne iron ore. While China is expected to continue to grow, this growth is expected to be slower than that experienced during the last decade.

China's ageing population and the slowing rate of urbanization are expected to be major influences on the long term demand for seaborne iron ore. The extent to which seaborne iron ore can displace Chinese domestic iron ore production, supported by Chinese government led environmental initiatives to reduce pollution, is expected to assist in reducing the impact of these factors.

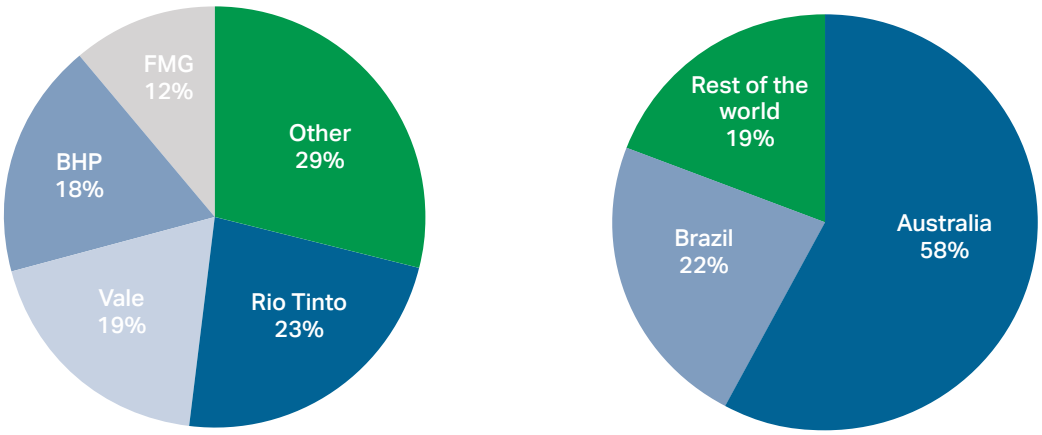
The price and availability of Chinese scrap is also expected to influence the long term demand for seaborne iron ore. The price of Chinese scrap is currently higher than the price of hot metal, with this relationship expected to continue due to tight domestic scrap supply and China's restrictions on the import of scrap. Notwithstanding this, the increase in the use of scrap has the potential to have negative long-term implications for hot metal production and therefore iron ore demand and pricing.

The rate of growth in developing markets such as India, Indonesia and Vietnam, which have experienced rapid growth in economic activity over the past decade, albeit off a low base, has the potential to favourably impact long term demand for seaborne iron ore.

Supply

The seaborne iron ore market is heavily concentrated with the top four major producers (BHP, Rio Tinto, Vale and Fortescue Metals), representing approximately 70 per cent of this market[46]. Seaborne supply is also geographically concentrated in Australia and Brazil. The two countries together contributed approximately 81 per cent of seaborne exports in 2019, despite Brazil's disrupted production due to the tailings dam failures in 2015 and 2019[47].

Figure 2.18: Global seaborne iron ore supply by producer and country (2019)



Source: Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

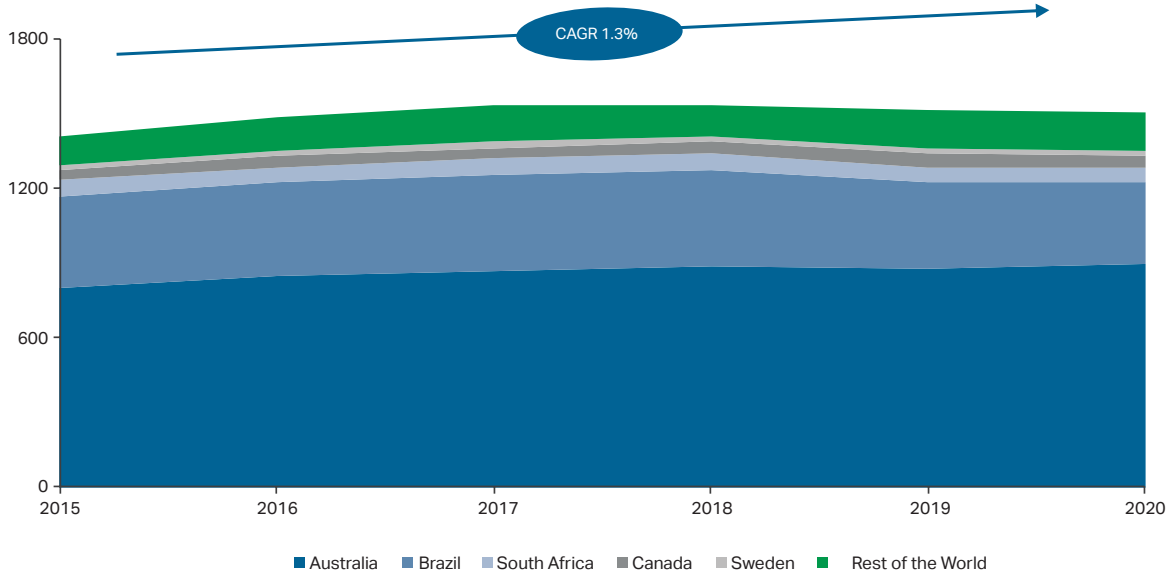
[47] Wood Mackenzie, I*ron Ore Markets and Asset Review*, June 2020.

In Australia, iron ore production is dominated by three companies with assets located in the Pilbara region of Western Australia. The three majors; BHP, Rio Tinto and Fortescue Metals Group, collectively own eight of the ten largest iron ore mines in the world. All four of BHP's WAIO operations feature in the top ten list. Mining Area C (excluding South Flank) is currently the eighth largest mine in the world based on 2019 production.

Iron ore exports from Australia has grown over 500 per cent in the period from 2000 to 2019 (from 144 Mt in 2000 to 880 Mt in 2019), largely in response to the growth in Chinese demand. The rate of growth has moderated in the past five years with an estimated compound annual growth rate of 2.2 per cent.

Brazil is the world's second largest, and lowest cost (although at a freight cost disadvantage for Chinese demand relative to Australian producers), seaborne supplier of iron ore and has also seen significant growth in production since 2000 (from 161 Mt in 2000 to 340 Mt in 2019). Vale is Brazil's largest iron ore producer, accounting for approximately 80 per cent of Brazilian production. More recently, there have been significant supply disruptions from Vale's iron ore operations due to tailings dam failures and more recently shutdowns due to COVID-19.

Figure 2.19: Global seaborne iron ore supply by key markets (Mt)



Source: Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

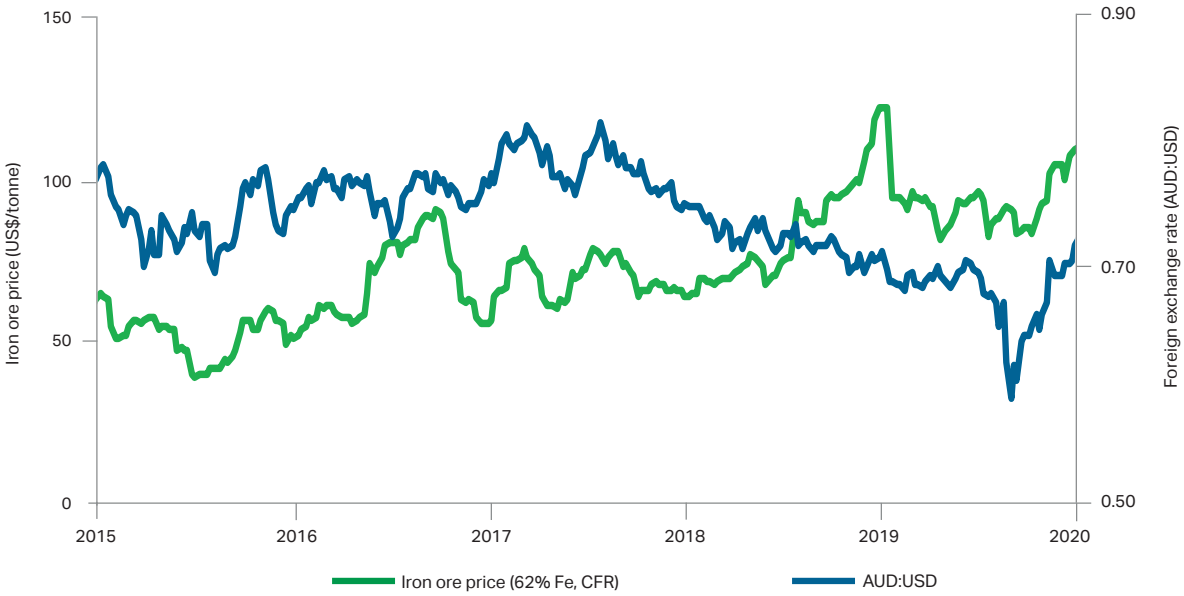
Some of the major factors that are expected to influence the long term supply of seaborne iron ore are continued strong Australian production, the stabilisation and recovery of Brazilian production and the potential development of large scale projects outside of current production regions with the ability to impact market supply levels, such as the Simandou deposit in Guinea.

The Simandou deposit in Guinea is considered a large deposit with the potential to produce more than 100 Mt per annum. The magnitude of the project coupled with reduced appetite for investment in large capital intensive greenfield projects has historically deterred the development of Simandou. However, in November 2019, a Chinese backed consortium, SMB-Winning won the rights to develop Blocks 1 & 2, known as Simandou North, with an offer of 14 billion US dollars to develop the mine and associated infrastructure. Given the greenfield infrastructure requirements and early stage nature of the project, timing and development of this deposit remains uncertain.

Pricing overview

Iron ore prices are quoted in US Dollars, thus exposing the Australian iron ore industry and Deterra to foreign exchange movements. Refer to Figure 2.20 below for a summary of historical iron ore prices and foreign exchange rate movements.

Figure 2.20: Historical iron ore price and AUD:USD exchange rate

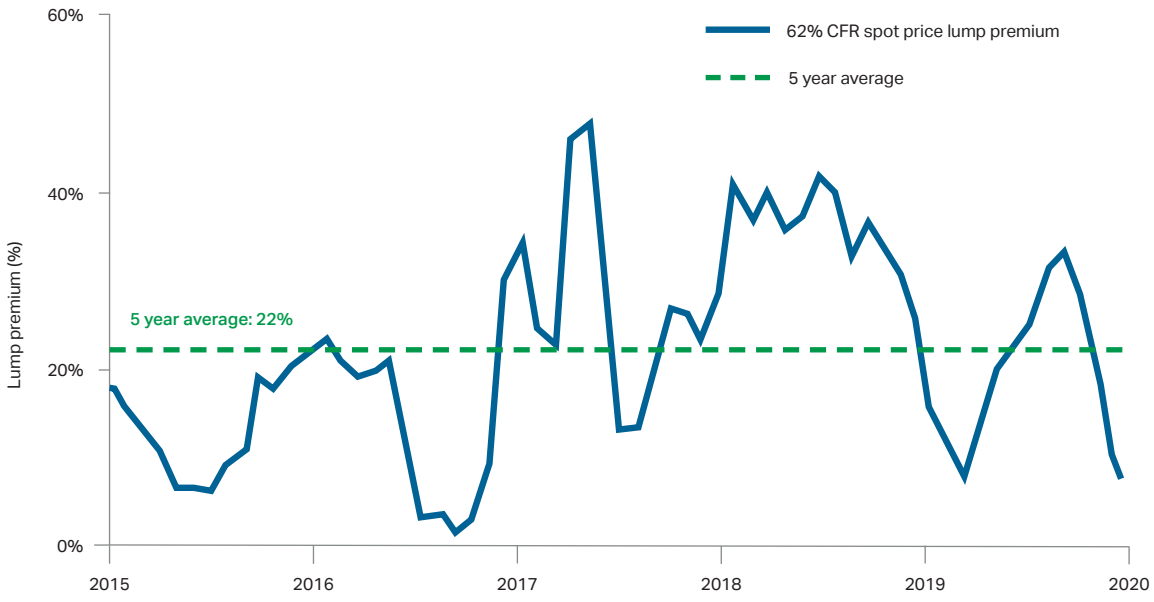


Source: FactSet as at 31 July 2020

Iron ore prices are typically quoted based on a reference benchmark price, namely for Sinter Fines on a CFR basis to North East China at 58% Fe, 62% Fe and 65% Fe. To formulate a bespoke price for iron ore products, the value-in-use methodology uses adjustments for the level of iron ore content and trace elements above or below the benchmark specifications in the form of premiums or discounts.

Lump products can be used as a direct feed at direct reduced iron plants and do not require sintering prior to treatment in a blast furnace. The cost benefit to steel makers is therefore reflected as a premium in lump pricing[47]. Historical lump premiums vary over time and have averaged approximately 22 per cent over the last five years (relative to the 62% Fe CFR Fines price).

Figure 2.21: Historical lump premiums[48]



Source: FactSet as at 31 July 2020

Market Outlook

In line with demand and supply dynamics discussed above, Wood Mackenzie expectations are that the iron ore price will gradually decline from the current spot price of approximately US$110 - 120/t 62% Fe CFR Fines to a long term (2020 real price) of approximately US$65/t 62% Fe CFR Fines by 2026.

[48] Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020.

[49] Monthly average lump premiums based on 62% Fe CFR index.

2.8 OTHER ROYALTIES

Deterra holds five other royalties (in addition to the MAC Royalty) as part of its existing portfolio. Only certain tenements related to royalties over the Yoongarillup Mineral Sands Mine and the Wonnerup Project are in production. Deterra's royalty interests (other than the MAC Royalty) are summarised in Table 2.6 below.

Table 2.6: Summary of portfolio royalties

Project	Counterparty	Location	Project commodity	Status	Deterra revenue (2019)	End of current mine life	Royalty key terms	Tenements
Yoongarillup Mineral Sands Mine (certain tenements) (under two royalty agreements)	Doral Mineral Sands Pty Limited (ACN 096 342 451)	South West, WA	Mineral sands	Production	A$0.6 million	Q4 2020	2 per cent of revenue from sales of Minerals [50] [51]	R 70/52; M 70/458; M 70/459; M 70/641; R 70/39; R 70/56[52] M 70/94; M 70/352; M 70/677; R 70/8; M 70/1033; M 70/812[53]
Eneabba Project	Sheffield Resources Limited (ACN 125 811 083)	Mid West, WA	Mineral sands	Exploration	n/a	n/a	1.5 per cent of gross revenue from sales of Minerals [51]	M 70/872; M 70/965; M 70/1153; R 70/35
Wonnerup Project (certain tenements)	Cable Sands (W.A.) Pty Ltd (ACN 009 137 142) (a subsidiary of Tronox Holdings plc)	South West, WA	Mineral sands	Production	Nil	2027	$0.70 per tonne of Valuable Heavy Mineral[54]	M 70/360; M 70/569; M 70/785; M 70/792; M 70/942; M 70/1108; M 70/1117; R 70/10; R 70/11
St Ives Gold Project (certain tenements)	St Ives Gold Mining Company Pty Limited (ACN 098 386 273)	Eastern Goldfields, WA	Minerals	No known activity	n/a	n/a	3 per cent of gross revenue[55] (subject to royalties to previous holders of the tenements [56])	M 15/206; M 15/230; M 15/366; M 15/367; M 15/390; M 15/432; M 15/452; M 15/453; M 15/493; M 15/494; M 15/495

[50] The royalty payable by Doral Mineral Sands Pty Limited arises under two separate royalty contracts with the same terms.

[51] 'Minerals' refers to naturally occurring substances obtained or obtainable from the tenements by mining carried out on or under the surface of the land.

[52] These tenements relate to the first royalty contract with Doral Mineral Sands Pty Limited.

[53] These tenements relate to the second royalty contract with Doral Mineral Sands Pty Limited.

[54] 'Valuable Heavy Mineral' refers to zircon, rutile, ilmenite, anatase and other titanium dioxides, leucoxene, monazite and cassiterite.

[55] Royalty is payable on revenue from minerals and mineral bearing substances derived from ore mined and treated.

[56] Deterra is obliged to pay a royalty of 1.96 per cent of the net value of sales to Alkormy Pty Ltd and a royalty on sales of the first 1 million tonnes of production from tenement M 15/390 of $0.60 per tonne of ore recovered to three individuals. Royalty payments in respect of tenement M 15/390 are not payable to Alkormy Pty Ltd until the royalty arrangement with the three individuals has expired.

2.9 DETERRA PRO FORMA HISTORICAL FINANCIAL INFORMATION

This section contains pro forma historical financial information in relation to Deterra (**the Deterra Pro Forma Historical Financial Information**) comprising:

- Deterra pro forma historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020;
- Deterra pro forma historical balance sheet as at 30 June 2020; and
- Deterra pro forma historical free cash flows for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020.

In this Demerger Booklet (including in this Section), references to Deterra Pro Forma Historical Financial Information are references to the pro forma historical financial information of Deterra during the relevant period or at the relevant time, being the corporate group that is being restructured to form Deterra as it will exist immediately following implementation of the Demerger.

References to Deterra Pro Forma Historical Financial Information refers to Deterra on a consolidated basis.

The financial information in this section is presented in an abbreviated form and does not contain all presentation, comparatives and disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act. The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Deterra Pro Forma Historical Financial Information, a copy of which is included in Section 6.

The financial information in this section should be read in conjunction with the risk factors set out in Section 2.15.

2.9.1 Basis of preparation

The Deterra Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Iluka Shareholders to understand the financial position, financial performance and cash flows of Deterra. By its nature, pro forma historical financial information is illustrative only. Consequently, the pro forma historical financial information does not purport to reflect the actual financial performance, financial position and cash flows that would have occurred if Deterra had operated as a standalone entity for the relevant periods. Past performance is not a guide to future performance.

The Deterra Pro Forma Historical Balance Sheet has been derived from the historical financial information extracted from Deterra's accounting records and adjusted for the effects of the pro forma adjustments described below. These accounting records were used to generate Iluka's financial statements for the half years ended 30 June 2019 and 30 June 2020, and years ended 31 December 2018, and 31 December 2019. The Deterra Pro Forma Historical Income Statements have been derived from the Mining Area C segment information contained within the financial statements of Iluka. The Iluka financial statements for these periods are available from Iluka's website (www.iluka.com) or the ASX website (www.asx.com.au).

The Iluka full year financial statements and interim half-year financial statements have been audited or reviewed respectively by PricewaterhouseCoopers in accordance with Australian Auditing Standards and Interpretations. PricewaterhouseCoopers issued unqualified audit or review opinions on these financial statements.

The Deterra Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the AAS (including Australian Accounting Interpretations) adopted by the AASB, which comply with the recognition and measurement principles of the International Accounting Standards Board and interpretations adopted by the International Accounting Standards Board.

The Deterra Pro Forma Historical Financial Information has been prepared on a consistent basis with the accounting policies set out in Iluka's financial statements for the half year ended 30 June 2020.

The AAS are subject to amendments from time to time. During the historical periods presented, Iluka has adopted AASB 16 Leases effective from 1 January 2019. Deterra has assessed the impact of AASB 16 on the periods prior to adoption and noted no material impact as such pro forma adjustments have not been reflected in the historical periods prior to adoption of this standard.

The Deterra Pro Forma Historical Information includes pro forma adjustments to reflect the impact of certain transactions as if they occurred as at 30 June 2020 in the pro forma historical balance sheet and immediately prior to 1 January 2018 in the pro forma historical income statements and pro forma historical cash flows.

Pro forma adjustments have been made to the Deterra pro forma historical income statements to reflect:

- additional standalone corporate costs of Deterra. This includes management remuneration, company secretarial costs, ASX listing fees, share registry costs, audit fees, insurance and the costs of a separate board of directors;
- additional financing costs associated with new financing arrangements; and
- the expected tax effects of the pro forma adjustments outlined in the pro forma historical income statements.

Pro forma adjustments have been made to the Deterra pro forma historical balance sheet to reflect intercompany settlement, financing arrangements, one month's accrued royalty receipts prior to Implementation Date and one-off transaction costs associated with the demerger.

The Deterra Pro Forma Historical Cash Flow Statements set out in Section 2.9.8 are presented as free cash flows (as defined in Section 2.9.2).

Following the Demerger, Deterra will prepare its general purpose financial statements in accordance with AAS and the Corporations Act. The AAS are subject to amendments from time to time, and any such changes may impact on the balance sheet or income statement of Deterra post Demerger. In addition, following the Demerger, Deterra may be impacted by accounting policies adopted which are different to existing policies, and differences in interpretations of AAS.

2.9.2 Explanation of certain non-IFRS financial measures

This document uses non-IFRS financial information which is used to measure operational performance. Non-IFRS measures are unaudited but derived from audited accounts. The principal non-IFRS financial measures referred to in this section are as follows:

- EBIT is reported earnings before the following:
  - Interest income, interest expense and finance costs; and
  - Income tax expense.
- EBITDA is reported earnings before the following:
  - Interest income, interest expense and finance costs;
  - Income tax expense ; and
  - Depreciation and amortisation.
- Free cash flow is net cash flow before refinance costs, proceeds/repayment of borrowings and dividend paid in the year.

2.9.3 Deterra Pro Forma Historical Income Statements

Set out below are the Deterra pro forma consolidated historical income statements for years ended 31 December 2018 and 31 December 2019, and half years ended 30 June 2019 and 30 June 2020.

Table 2.7 Deterra pro forma historical income statements

A$ million	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Revenue	41.5	48.1	56.0	85.7
Expenses	(3.4)	(3.5)	(6.7)	(6.8)
EBITDA	**38.1**	**44.6**	**49.3**	**78.9**
Depreciation and amortisation expense	(0.2)	(0.2)	(0.4)	(0.4)
EBIT	**37.9**	**44.4**	**48.9**	**78.5**
Interest and finance charges	(0.2)	(0.2)	(0.4)	(0.4)
Profit/(loss) before income tax	37.7	44.2	48.5	78.1
Income tax expense	(11.4)	(13.3)	(14.7)	(23.6)
Profit/(loss) for the period attributable to owners	**26.3**	**30.9**	**33.8**	**54.5**

Table 2.8 Reconciliation of Iluka historical MAC segment results, as derived from the financial statements of Iluka, to Deterra pro forma historical profit after tax

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Historical MAC segment results (pre tax)	**1**	**41.0**	**47.8**	**55.2**	**84.7**
Pro forma standalone operating costs	**2**	(3.4)	(3.5)	(6.7)	(6.8)
Pro forma interest and finance charges	**3**	(0.2)	(0.2)	(0.4)	(0.4)
Inclusion of other (non-MAC) royalty income	**4**	0.3	0.1	0.4	0.6
Tax effect of the historical MAC segments results and pro forma adjustments above	**5**	(11.4)	(13.3)	(14.7)	(23.6)
Pro forma historical profit after tax		**26.3**	**30.9**	**33.8**	**54.5**

Notes:

1. Represents the reported MAC segment result prior to the Demerger occurring, as derived from the MAC segment information contained within the financial statements of Iluka.
2. Following the Demerger, Deterra will be a standalone entity listed on the ASX. As a standalone entity, Deterra will incur net additional operating costs of $6.9 million per annum. The FY20 estimated costs have been discounted by inflation of 2 per cent to derive the historical pro forma standalone operating costs. These costs include management remuneration costs, company secretarial costs, ASX listing fees, share registry costs, audit fees, insurance and board of directors costs. Post Demerger, Deterra may also incur other costs in assessing and executing new royalty investments.
3. Reflects the pro forma interest and finance charges resulting from the drawdown of external debt of $14.2 million to fund the purchase of the royalty assets, royalty receivable from BHP and Deterra's share of Demerger transaction costs on the assumption this debt was in place in full each period.
4. Represents other income generating royalty assets transferred from Iluka to Deterra (including via the transfer of shares in MAC Royalty Co). See Section 2.8 for details.
5. Represents the tax effect of the historical MAC segments results and pro forma adjustments outlined above at the Australian tax rate of 30 per cent.

2.9.4 Revenue

Set out below are the Deterra pro forma consolidated historical income statements for years ended 31 December 2018 and 31 December 2019, and half years ended 30 June 2019 and 30 June 2020.

Table 2.9: Deterra historical revenue breakdown

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
MAC Royalty income	1	41.2	48.0	55.6	85.1
Other royalty income	2	0.3	0.1	0.4	0.6
Revenue		**41.5**	**48.1**	**56.0**	**85.7**

Notes:

1. Deterra holds (via MAC Royalty Co) a royalty stream over BHP's Mining Area C iron ore province (MAC Royalty). The royalty stream is paid at 1.232 per cent of Australian dollar denominated revenue from the MAC Royalty Area and a one-off capacity payment of $1 million per million dmt increase in annual production.
2. Royalty income stream over Doral Mineral Sands' Yoongarillup mine. The royalty stream is paid at 2 per cent of Australian dollar denominated revenue from the sales of minerals. Based on Doral Mineral Sands' disclosures, the estimated mine completion date is Q4 2020.

2.9.4.2 MAC Royalty income

Set out below is MAC Royalty income information for years ended 31 December 2018 and 31 December 2019, and half years ended 30 June 2019 and 30 June 2020, in accordance to BHP royalty statements.

Table 2.10: MAC royalty income analysis

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Total eligible Ore mined from MAC comprised in products sold	dmt	27.8	28.6	51.6	55.4
Total FOB revenue	US$m	2,355	2,503	3,320	4,802
Average iron ore price	US$/t	84.8	87.4	64.3	86.7
Average USD/AUD	$	0.71	0.66	0.75	0.70
Total FOB revenue	A$m	3,341	3,805	4,431	6,913
MAC revenue payment (@1.232%)	A$m	41.2	47.0	54.6	85.1
MAC capacity payment	A$m	-	1.0	1.0	-
MAC Royalty income	A$m	**41.2**	**48.0**	**55.6**	**85.1**

2.9.5 Management commentary on Deterra's pro forma historical performance

In 2018 Deterra's income from the MAC Royalty declined by 6.7 per cent from the prior year due to 8.2 per cent lower BHP iron ore sales volume and 2.6 per cent lower average realised USD iron ore price. This was partially offset by a favourable USD exchange rate and growth in Doral royalty income. Production capacity at Mining Area C increased by 1 million dmt, generating an additional capacity payment of $1 million.

In 2019 Deterra's MAC Royalty income increased by 53.1 per cent from 2018. This is largely attributable to favourable iron ore market conditions, with a 34.8 per cent rise in average realised USD iron ore price year-on-year and a favourable USD exchange rate. BHP iron ore sales volume grew by 7.4 per cent from 2018 to 2019.

The MAC Royalty generated income of $48.0 million for the six months ended 30 June 2020, an increase of 16.5 per cent compared to $41.2 million for the previous corresponding period. The increase is driven by a combination of favourable AUD:USD exchange rate movement, increase in iron ore prices of 3.1 per cent and growth in BHP iron ore sales volume of 2.9 per cent. In addition, an increase in production capacity in the period has generated a capacity payment of $1 million.

2.9.6 Deterra Pro Forma Historical Balance Sheet

Set out in Table 2.11 is Deterra's pro forma consolidated historical balance sheet as at 30 June 2020. For the purposes of presenting the pro forma historical balance sheet, it has been assumed that the Demerger was effected and completed on 30 June 2020.

The Deterra pro forma historical balance sheet has been prepared in order to give Iluka Shareholders an indication of the Deterra historical balance sheet in the circumstances noted in this section, and does not reflect the actual or prospective financial position of Deterra at the time of the Demerger.

Table 2.11: Deterra pro forma historical balance sheet

A$m	Half year ended 30 June 2020	Intercompany settlement and debt draw down 1.	Retention of one month's accrued income 2.	Demerger transaction cost 3.	Pro forma historical Deterra as at 30 June 2020
Current assets					
Cash and cash equivalents **3.**	-	-	-	-	-
Current tax receivables	-	-	-	0.3	0.3
Receivables	26.6	(26.6)	6.5	-	6.5
Total current assets	26.6	(26.6)	6.5	0.3	6.8
Non-current assets					
Deferred tax assets	-	-	-	-	-
Royalty assets	10.2	-	-	-	10.2
Total non-current assets	10.2	-	-	-	10.2
Total assets	**36.8**	**(26.6)**	**6.5**	**0.3**	**17.0**
Current liabilities					
Intercompany payable due to Iluka	24.4	(24.4)	-	-	-
Total current liabilities	24.4	(24.4)	-	-	-
Non-current liabilities					
Deferred tax liabilities	9.0	(8.0)	1.9	(1.2)	1.7
Debt payable **4.**	-	9.2	-	5.0	14.2
Total non-current liabilities	9.0	1.2	1.9	3.8	15.9
Total liabilities	**33.4**	**(23.2)**	**1.9**	**3.8**	**15.9**
Net assets	**3.4**	**(3.4)**	**4.6**	**(3.5)**	**1.1**
Equity					
Contributed equity	-	-	-	-	-
Retained earnings	3.4	(3.4)	4.6	(3.5)	1.1
Total equity	**3.4**	**(3.4)**	**4.6**	**(3.5)**	**1.1**

Notes:

1. Represents the settlement of intercompany payable balances and tax funding liabilities due to Iluka, funded by cash receipts from the MAC owners (BHP, Itochu and Mitsui), an internal dividend within the Iluka group and a debt draw down of $9.2 million. Refer to Section 2.9.9 for details on Deterra's debt facility.
2. Accrued royalty receipts for the period 1 October 2020 to the Implementation Date will be retained by Deterra and is presented as a receivable. This amount is indicative and is subject to movement in BHP sales volume, iron ore prices and exchange rates. Royalty receipts in relation to income accrued for the period 1 July 2020 to 30 September 2020 will be retained by Iluka via an internal dividend within the Iluka group prior to demerger. An estimate of royalty revenue for the period 1 July 2020 to 30 September 2020, and the associated receipts have not been reflected in the pro forma balance sheet.
3. Represents one-off demerger costs which are detailed in Section 3.11.12. Deterra is responsible for 50 per cent of the financial advisory costs. The Deterra pro forma balance sheet assumes payment of $5.0 million financial advisory costs payable by Deterra on completion of demerger which will be funded by an external debt drawdown, and the associated tax effect. The actual fee may be higher or lower.
4. At Demerger date, Deterra will have $25.8 million in undrawn facilities which will be used to fund working capital until the receipt of royalty payment in relation to royalty income for the period 1 October 2020 to 31 December 2020.

2.9.7 Royalty assets

Royalty assets are recorded at cost and capitalised as intangible assets with finite lives. They are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. The cost of royalty assets is determined by reference to the cost model under AASB 138 *Intangibles*.

Producing royalty assets are depleted on a straight line basis over the estimated life of mine to which the royalty asset relates. The life of the mine is estimated using the best available data, for example life of mine models specifically associated with the royalty which include proven and probable reserves and may include a portion of resources expected to be converted into reserves. Where life of mine models are not available, the Company uses publicly available information for the royalty to estimate the life of the mine. BHP estimates the MAC Royalty has an expected life of 30 years.

2.9.8 Deterra Pro Forma Historical Free Cash Flows

Set out in Table 2.12 is Deterra's pro forma consolidated historical free cash flow statements for years ended 31 December 2018 and 31 December 2019, and half years ended 30 June 2019 and 30 June 2020.

Table 2.12: Deterra pro forma historical free cash flows

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Operating cash flow	**1**	27.3	38.3	49.5	72.3
Interest paid	**2**	(0.2)	(0.2)	(0.4)	(0.4)
Income taxes paid	**3**	(9.5)	(12.5)	(15.0)	(21.4)
Free cash flow		**17.6**	**25.6**	**34.1**	**50.5**

Notes:

1. Comprises of the historical royalty receipts prior to the Demerger occurring and net cash outflows relating to incremental corporate operating costs. Corporate operating costs include management remuneration costs, company secretarial costs, share registry costs, audit fees, insurance and the cost of maintaining a board of directors. The difference between operating cash flow and EBITDA arises from working capital movements due to the MAC Royalty payments being received quarterly in arrears.
2. Represents finance costs at an estimated 3.1 per cent interest rate on the drawdown of external borrowings (A$14.2 million) on the assumption this debt was in place in full for each period.
3. Represents the estimated tax payable at the Australian tax rate of 30 per cent.

2.9.9 Capital and financing

Deterra will establish a A$40 million revolving credit facility (**Deterra Facility**), which will be available prior to the Implementation Date. The Deterra Board considers that the Deterra Facility, combined with the cash flow expected to be generated by Deterra, will be sufficient to allow Deterra to manage its working capital requirements immediately following the Demerger.

The Deterra Facility contains market standard terms and conditions for a facility and business of this nature, including as outlined below:

Table 2.13: Key terms of the Deterra Facility

Facility type	Revolving credit (cash advance) facility	
Currency	A$	
Commitment and maturity	**Commitment** A$40 million	**Maturity date** Three years from financial close.
Applicable interest rate	BBSY plus a margin agreed at commercial rates.	
Conditions precedent to initial drawdown	The Deterra Facility contains conditions precedent to initial drawdown that are customary for a facility and business of this nature and other conditions precedent which relate to the implementation of the Demerger and the listing of Deterra on the ASX.	
Review events	The Deterra Facility contains customary review events for a facility and business of this nature, including termination or invalidity of the MAC Royalty Agreement, Deterra Shares being suspended for more than 10 consecutive Business Days or a change of control occurring, in which case the lender may require Deterra to repay the facility within 120 days.	
Events of default	The Deterra Facility contains customary events of default including, but not limited to, payment default, misrepresentation, breach of financial undertakings and cross-default.	
Undertakings	The Deterra Facility contains undertakings which are customary for a facility and business of this nature including, but not limited to, financial undertakings, provision of information, negative pledge, prior ranking debt and disposals of assets.	
Security	Unsecured.	
Guarantee	The Deterra Facility is guaranteed by certain members of the Deterra Group. Deterra will be required to ensure that guarantees are provided from members of the Deterra Group comprising no less than 85 per cent of EBITDA of the Deterra Group.	

As at the date of this Demerger Booklet, the borrower under the Deterra Facility and the bank providing the Deterra Facility have agreed and executed a facility agreement. In addition, the borrower under the Deterra Facility and each guarantor have executed a Common Terms Deed Poll.

2.9.10 Shareholders' equity

At the time of the Demerger, Deterra will have approximately 528 million ordinary shares on issue as at the Record Date, with no options over shares, preferred shares or other forms of external hybrid capital. The number of Iluka Shares on issue as at the Record Date will be approximately 423 million shares. The difference in the number of shares on issue reflects the additional share issuance required for Iluka to retain a 20 per cent interest in Deterra. Shortly after Deterra Listing, Deterra intends to make a grant of performance rights and Deterra Share awards to certain members of its senior management team as outlined in Section 2.13.

2.9.11 Taxation

Deterra currently pays income tax as part of Iluka's group taxation arrangements. At the time of implementation of the Demerger, Deterra (and its subsidiaries) will exit Iluka's Australian income tax consolidated group in a manner that achieves a "clear exit" for any past or future tax obligations that may arise in respect of periods that Deterra was a member of the Iluka Australian income tax consolidated group.

2.9.12 Dividend policy

Deterra intends to adopt a dividend policy whereby it pays dividends that represent a target dividend payout ratio of 100 per cent of net profit after tax.

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

While Deterra intends for its dividends to be franked to the maximum extent possible, this will be dependent on its franking credit balances (and forecast franking position for the relevant income year) at the time dividends are determined to be declared. Deterra is expected to generate franking credits post Demerger. Franking credits are generated through the payment of income tax.

2.9.13 Material changes in Deterra's financial position since the most recent balance date

The most recent published financial statements of Iluka are provided in the financial report for the half-year ended 30 June 2020, which was released to the ASX on 14 August 2020. To the knowledge of Iluka Directors, there has not been any material change in the financial position of Deterra since 30 June 2020, except as disclosed in this Demerger Booklet or otherwise in announcements to the ASX.

A copy of the most recent financial report is available on Iluka's website, www.iluka.com.

2.10 CORPORATE SOCIAL RESPONSIBILITY

Deterra recognises that it has a responsibility to the community, its investors, and its employees and will look to conduct its business to the highest standards of corporate governance and with an awareness of how its business decisions might impact its external stakeholders. Deterra also seeks to keep up-to-date with developments in research, technology, knowledge, and how mining and extraction operations can impact the environment and the social well-being of communities, so that these can guide Deterra in its investment decisions and strategic planning.

2.10.1 Investment decisions

Deterra seeks to create sustainable economic outcomes in order to deliver sustainable value to its investors and, consistent with that aim, the Deterra Board has adopted an Environmental, Social and Governance (ESG) investment policy to guide the company's consideration of ESG issues in its investment decision-making process.

Consistent with the ESG investment policy, Deterra will seek to understand its sustainability risks and opportunities to better inform its strategy and investment decisions. When making investment decisions, Deterra will have regard to ESG matters.

2.10.2 Employees

Deterra recognises that, to deliver sustainable profits, its employees must be skilled, engaged and empowered. The Deterra Board has adopted a Diversity and Inclusion Policy, which will guide Deterra in maintaining a diverse, inclusive and high-achieving team.

Deterra is committed to ensuring that it provides a safe and inclusive workplace free from harassment and discrimination.

The Deterra Board will include in the Corporate Governance Statement each year a summary of Deterra's progress towards achieving the measurable objectives set under the Diversity and Inclusion Policy for the year to which the Corporate Governance Statement relates.

The Deterra Board has adopted Codes of Conduct that set down standards for appropriate ethical and professional behaviour of Deterra's directors and employees.

The standards for both directors and employees include that directors and employees must:

- act with integrity and professionalism and in Deterra's best interests at all times in the performance of their duties;
- comply with relevant laws and regulations and observe all Deterra policies, standards and charters;
- act fairly, ethically, responsibly and with high standards of integrity, and be honest, open and accountable in all dealings with internal and external parties;
- demonstrate Deterra's values and protect its reputation;
- not make improper use of Deterra's resources, property, or information, which includes maintaining the confidentiality of Deterra's business information and that of its employees, customers and suppliers; and
- avoid conflicts of interest between their personal interests and duties and communicate any potential or apparent conflicts of interest to Deterra.

The Deterra Codes of Conduct are complemented by an Anti-Bribery and Corruption Policy and a Whistleblower Policy. The Anti-Bribery and Corruption Policy sets out policies and procedures for Deterra employees to follow in managing bribery and corruption risks. The Whistleblower Policy provides a process for Deterra employees, suppliers and their family members to report breaches of the Codes of Conduct or Anti-Bribery and Corruption Policy, as well as other types of potential misconduct.

2.11 DETERRA CORPORATE GOVERNANCE

2.11.1 Corporate governance overview

This Section explains how the Deterra Board will oversee the management of the Deterra business. The Deterra Board is responsible for the overall corporate governance of Deterra. Details of Deterra's key policies and practices and the charters for the Deterra Board and each of its committees are available at http://iluka.com/royalty-business/deterra-governance-documents.

The Deterra Board will monitor the financial position and corporate performance of Deterra and oversee its business strategy. The Deterra Board is committed to protecting and optimising performance and building sustainable value for Deterra Shareholders, as well as promoting a good corporate culture within the organisation. In conducting the Deterra business with these objectives, the Deterra Board will seek to ensure that Deterra is properly managed to protect and enhance Deterra Shareholder interests and that Deterra and Deterra Directors, officers and team members operate in an environment of strong corporate governance.

Accordingly, the Deterra Board has created a framework for managing Deterra, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the Deterra business and that are designed to promote the responsible management and conduct of Deterra.

The main policies and practices adopted by Deterra, which will take effect from the Deterra Listing, are summarised below. In addition, many governance elements are contained in the Deterra Constitution, which is summarised in Section 8.3.

2.11.2 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

Deterra is seeking a listing on the ASX. The ASX Corporate Governance Council has developed the fourth edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**) for entities listed on the ASX in order to promote investor confidence and to assist companies in meeting stakeholder expectations.

The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, Deterra will be required to provide a corporate governance statement in its annual report disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Deterra does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Deterra intends to comply with all of the ASX Recommendations from the time of the Deterra Listing.

2.11.3 Deterra Board

The Deterra Board will be comprised of 5 directors, including an independent, non-executive Chair, the Managing Director and Chief Executive Officer, 2 independent non-executive directors and 1 director nominated to the Deterra Board by Iluka.

Detailed biographies of the Deterra Board members on Deterra Listing are provided in Section 2.6.1.

The Deterra Board has adopted a definition of independence that is based on the ASX Recommendations. The Deterra Board considers a Deterra Director to be independent where he or she is free of any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Deterra Board and to act in the best interests of Deterra as a whole rather than in the interests of an individual Deterra Shareholder or other party. The Deterra Board will regularly assess the independence of each Deterra Director in light of information disclosed to the Deterra Board.

The Deterra Board considers that each of Graeme Devlin and Joanne Warner are independent Non-Executive Directors, and Jennifer Seabrook is considered to be an independent Non-Executive Chair.

The Deterra Board recognises that the Chair, Jennifer Seabrook has within the last 3 years been an officer of Iluka, which will remain a substantial shareholder of Deterra. The Deterra Board considers Ms Seabrook to be independent notwithstanding that historical relationship, on the basis that she retired from her position as an independent non-executive director of Iluka on 9 April 2020 (after 12 years on the Iluka Board) to become Chair of the Deterra Board and has no ongoing connections with Iluka. Ms Seabrook is also a senior adviser at Gresham (due to retire 30 September 2020) which has acted as an adviser to Iluka in relation to the Demerger. Ms Seabrook was not involved in the appointment of Gresham to this role nor in the provision of any advice by Gresham.

Adele Stratton is not considered by the Deterra Board to be an independent director as she is a nominee of Iluka, which will continue to be a substantial shareholder of Deterra following the Deterra Listing. The Deterra Board believes that Ms Stratton will make a valuable contribution to Deterra through her deep understanding of the Deterra business, the industries in which it operates and executive experience at Iluka and Rio Tinto Iron Ore.

Julian Andrews is not considered to be independent on the basis that he will be employed by Deterra as Managing Director and Chief Executive Officer.

2.11.4 Deterra Board charter

The Deterra Board has adopted a written charter to provide a framework for the effective operation of the Deterra Board, which sets out the:

- Deterra Board's composition;
- Deterra Board's role and the responsibilities and processes of the Deterra Board;
- relationship and interaction between the Deterra Board and management; and
- authority delegated by the Deterra Board to management and to Deterra Board committees.

The Deterra Board's role includes to:

- represent and serve the interests of shareholders by overseeing Deterra's strategies, policies and performance;
- set, review and monitor compliance with Deterra's culture, values and governance framework; and
- keep shareholders informed of Deterra's performance and major developments affecting its state of affairs.

The management function is the responsibility of the Deterra Managing Director and Chief Executive Officer, supported by his direct reports. Management must supply the Deterra Board with information in a form, timeframe and quality that will enable the Deterra Board to discharge its duties effectively.

Each Deterra Director, with the written consent of the Chair, may seek independent professional advice at Deterra's expense on any matter connected with the discharge of their responsibilities.

2.11.5 Deterra Board committees

The Deterra Board may from time to time establish and delegate powers to committees, in accordance with the Deterra Constitution, to assist in the discharge of its responsibilities. The Deterra Board has established an Audit and Risk Committee and a People and Performance Committee. Other committees may be established by the Deterra Board as and when required. The standing Board committees will each meet at least twice per year.

The People and Performance Committee oversees Board composition and diversity matters. Board succession will be overseen by the Deterra Board.

2.11.6 Audit and Risk Committee

Under its charter, this committee must consist of a minimum of three members, only Non-Executive Directors (a majority of whom must be independent) and an independent Non-Executive Director as Chair who is not Chair of the Deterra Board. The Audit and Risk Committee will initially comprise:

- Graeme Devlin (Chair);
- Jennifer Seabrook;
- Joanne Warner; and
- Adele Stratton.

The role of the Audit and Risk Committee is to assist the Deterra Board to oversee, amongst other things, the following matters:

- financial and other periodic reporting;
- the external audit function and internal audit function (where it exists) and the relationship with the auditors;
- the implementation of Deterra's risk management framework and the processes for identifying and managing financial and non-financial risk;
- internal controls and systems; and
- processes for monitoring compliance with applicable legal and regulatory requirements and internal codes of conduct.

2.11.7 People and Performance Committee

Under its charter, this committee must consist of a minimum of three members of only Non-Executive Directors (a majority of whom must be independent) and an independent Non-Executive Director as Chair.

The People and Performance Committee will comprise:

- Joanne Warner (Chair);
- Jennifer Seabrook;
- Graeme Devlin; and
- Adele Stratton.

The role of the People and Performance Committee is to assist the Deterra Board by:

- overseeing Deterra's overall remuneration strategy and its application to the directors, senior executives and employees as a whole;
- overseeing Deterra's diversity strategy, policy and practices;
- overseeing succession planning for the Managing Director and Chief Executive Offer and other senior executives; and
- advising on the most suitable governance practices and processes to enable Deterra to operate to a high standard, and in an efficient way.

2.11.8 Corporate governance policies and standards

The Deterra Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which are available at http://iluka.com/royalty-business/deterra-governance-documents.

2.11.9 Market Disclosure and Communications Policy and communications with investors and other stakeholders

Once listed, Deterra will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Deterra is aware of its obligation to keep the market fully informed of any information Deterra becomes aware of concerning it, which may have a material effect on the price or value of Deterra securities, subject to certain exceptions.

Deterra has adopted a Market Disclosure and Communications Policy to take effect from the Deterra Listing that establishes procedures aimed at ensuring that Deterra fulfils its obligations in relation to the timely disclosure of material price-sensitive information.

Deterra is committed to ensuring that:

- all investors have equal and timely access to material information about Deterra in accordance with its obligations; and
- its market disclosures are accurate, balanced and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Additionally, Deterra recognises that potential investors and other interested stakeholders may wish to obtain information about the Deterra Group from time to time. To achieve this, Deterra will communicate information regularly to Deterra Shareholders and other stakeholders through a range of forums and publications, including Deterra's website, at the annual general meeting, and through Deterra's annual report and ASX announcements.

2.11.10 Securities Dealing Policy

Deterra has adopted a Securities Dealing Policy that is intended to: ensure public confidence is maintained in the reputation of the Deterra Group, its directors and employees and in the trading of its securities; explain the types of conduct in relation to dealings in securities that are prohibited by law; and establish procedures for the buying and selling of securities that protect Deterra, Deterra Directors and employees against the misuse of unpublished information, which could materially affect the price or value of Deterra securities.

The policy provides that Deterra Directors and Deterra Group employees must not:

- deal in Deterra securities on a short term trading basis or when they are aware of 'inside' information; or
- hedge unvested equity remuneration or vested equity subject to holding locks.

The policy further provides that Deterra Directors, certain restricted team members and their connected persons must not deal in Deterra's securities during trading blackout periods (except in exceptional circumstances, where prior approval is provided).

Outside of the blackout periods, these restricted persons must receive prior approval for any proposed dealing in Deterra securities (including any proposed dealing by one of their connected persons), and in all instances, buying or selling securities is not permitted at any time by any person who possesses 'inside' information.

2.12 DETERRA DIRECTORS' INTERESTS AND REMUNERATION

2.12.1 Deterra Managing Director and Chief Executive Officer

Refer to Section 2.13 for a description of the Managing Director and Chief Executive Officer's remuneration.

2.12.2 Deterra Non-Executive Directors' arrangements

Under the Deterra Constitution, the Deterra Board decides the total amount paid to each director as remuneration for his or her services as a Deterra Director. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by Deterra in a general meeting. This amount has been fixed by Deterra at A$1,000,000 per annum. This amount is intended to provide Deterra with flexibility to continue to attract and retain Non-Executive Directors of appropriate skill, expertise and calibre. It is not proposed that the whole of the annual aggregate Non-Executive Director fee amount will be used. Future increases in the Non-Executive Director fee pool are subject to shareholder approval.

Annual Non-Executive Directors' fees, inclusive of superannuation and committee fees, currently agreed to be paid by Deterra are A$225,000 to the Chair and A$150,000 to each other Non-Executive Director (other than the Iluka nominee). No separate fees will be paid for service on Board Committees.

No fees will be paid by Deterra to Adele Stratton, on the basis that she sits on the Deterra Board as a nominee of Iluka and is separately remunerated by Iluka. Jennifer Seabrook commenced her role as Chair-elect of Deterra on 10 April 2020 and since that date has assisted Deterra in its preparations for the Demerger and been remunerated at an initial amount of $210,000 per annum until 30 June 2020 and subsequent to 30 June 2020 in accordance with the fees noted above. Fees to the other Deterra Non-Executive Directors will be payable with effect from the date of the Extraordinary General Meeting.

2.12.3 Other information about Deterra Directors' interests and benefits

Deterra Non-Executive Directors may be reimbursed for travel and other expenses incurred in attending to Deterra's affairs. Non-Executive Directors may be paid such additional remuneration as the Deterra Board decides is appropriate where a Deterra Non-Executive Director performs extra services, makes any special exertions for the benefit of Deterra or otherwise performs services which in the opinion of the Deterra Board are outside the scope of duties of a Non-Executive Director. There are no retirement benefits paid to Deterra Non-Executive Directors, other than statutory entitlements.

2.12.4 Deterra Directors' deeds of indemnity, insurance and access

Deterra will enter into deeds of indemnity, insurance and access with each of the Deterra Directors.

In summary, each deed will provide the Deterra Directors right of access to Deterra Board papers and requires Deterra to indemnify the Deterra Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Deterra Director as an officer of Deterra or of a related body corporate on the terms set out in the deed.

Under the deeds of indemnity, insurance and access, Deterra must maintain a directors and officers insurance policy insuring a Deterra Director (among others) against liability as a director and officer of Deterra and its related bodies corporate from the appointment date until the later of seven years after a Deterra Director ceases to hold office as a director of Deterra or a director of a related body corporate or the date any relevant proceedings commenced (and notified by the director to Deterra) during the seven-year period have been finally resolved. The Board of Deterra has declined to obtain 'side C' insurance cover, which would provide coverage in respect of securities class action claims, given the significant cost of this coverage and the Deterra Board's preference to minimise the company's cost base.

2.12.5 Deterra Directors' interests in Deterra Shares

The Deterra Directors are not required by the Deterra Constitution to hold any Deterra Shares.

However, under the terms of their appointment, each Deterra Non-Executive Director (other than the Iluka nominee) is required to acquire Deterra Shares with a value equivalent to 100 per cent of annual Chair or Non-Executive Director pre-tax fees (as applicable). Deterra Non-Executive Directors will have a period of 5 years from appointment to acquire Deterra Shares to satisfy this requirement.

Deterra Directors' shareholdings will be notified to the ASX on the Deterra Listing. On implementation of the Demerger, the Deterra Directors are expected to hold (either personally or through entities associated with the Deterra Director) one Deterra Share for every Iluka Share they hold as at the Record Date.

2.13 EXECUTIVE REMUNERATION

2.13.1 Managing Director and Chief Executive Officer

Term	Description
Employer	Mr Julian Andrews is currently employed by Iluka as Head of Strategy, Planning & Business Development. From the Implementation Date, Mr Andrews will be employed by Deterra as Managing Director and Chief Executive Officer of the Deterra Group.
Fixed remuneration arrangements	Under the terms of his employment with Deterra, Mr Andrews is entitled to annual fixed remuneration (FR) of A$825,000 which includes base salary and statutory superannuation contributions. Remuneration levels for Deterra KMP have been set following detailed market benchmarking of ASX listed companies of a similar size and with similar attributes to Deterra.
Variable remuneration arrangements	Mr Andrews will participate in the Long Term Incentive (LTI) plan outlined in Section 2.13.3.1. under which performance rights will be granted subject to performance and vesting conditions. The maximum annual opportunity for Mr Andrews under the LTI plan is 100% of FR, being A$825,000. It is not currently proposed for Deterra to operate a separate short term incentive plan. This recognises the nature of Royalty's business and its focus on building sustainable long-term value for Shareholders. Mr Andrews is also entitled to participate in an initial equity grant, subject to performance and vesting conditions, as outlined in Section 2.13.3.2. This initial equity grant is intended to bridge the gap until the first equity grant under the LTI Offer plan is capable of vesting in 2023, given that Deterra will not operate a separate short term incentive plan. The maximum opportunity for Mr Andrews under the initial equity grant is 50% of FR, being A$412,500.

Termination	Mr Andrews' employment with Deterra may be terminated:
	
	• by Deterra upon giving 6 months' written notice to Mr Andrews (with Deterra able to provide payment in lieu of all or part of the notice period). Where Mr Andrew's employment is terminated by Deterra (other than summary termination) or by mutual agreement, Mr Andrews will be entitled to a payment equivalent to 6 months' of his annual FR less any amount paid to him in lieu of his notice period;
	• by Deterra without notice in circumstances including serious or willful misconduct and failure to perform or observe any lawful direction from Deterra or the Deterra Board; or
	• by Mr Andrews:
	  • upon giving 6 months' written notice; or
	  • in certain circumstances where Mr Andrews forms the view, acting reasonably and in good faith, that there has been a 'fundamental change' to his employment, in which case he will be entitled to terminate his employment without notice and receive a payment equivalent to 6 months' of his annual FR.
	
	On termination of employment, Mr Andrews will be subject to a restraint of trade period of up to 6 months. The enforceability of the restraint clause is subject to all usual legal requirements.
	
	Any payments made to Mr Andrews upon termination of his employment are subject to the termination benefits cap under the Corporations Act.

Legacy Iluka incentive awards	Mr Andrews holds a number of incentive awards under existing Iluka employee equity incentive plans. Details regarding how those awards and entitlements will be dealt with on Demerger are set out in Section 2.13.4.

Term	Description
Summary of Deterra remuneration arrangements	The following table summarises the maximum remuneration receivable by Mr Andrews for the financial year ending 30 June 2021. Also displayed is remuneration receivable on threshold performance

	Maximum remuneration	Remuneration based on threshold performance
FR	A$825,000	A$825,000
LTIP award	A$825,000	A$412,500
Initial equity grant	A$412,500	A$206,250
Total	**A$2,062,500**	**A$1,443,750**

2.13.2 Deterra senior management

Senior management is employed under individual employment agreements with Deterra. These agreements establish an entitlement to FR which is inclusive of superannuation and in some cases, other benefits.

Certain members of the senior management team will participate in the LTI plan and initial equity grant from the Deterra Listing on the terms outlined in Sections 2.13.3.1 and 2.13.3.2.

On termination of employment, members of the senior management team will be subject to a restraint of trade period for a period equal to their notice period. The enforceability of the restraint clauses are subject to all usual legal requirements.

Payments made to senior management team members upon termination of employment may be subject to the terminations benefits cap under the Corporations Act.

2.13.3 Deterra senior management remuneration

Deterra has established the Deterra Equity Incentive Plan (**Plan**) to assist in the motivation, retention and reward of certain employees. The Plan is designed to align the interests of employees with the interests of Deterra Shareholders by providing an opportunity for employees to receive an equity interest in Deterra.

The Plan provides flexibility for Deterra to offer rights, options, units and/or restricted shares as incentives, subject to the terms of individual offers and the satisfaction of performance and/or service conditions determined by the Deterra Board from time to time. The Plan also provides flexibility for salary or fee sacrifice arrangements and may be used to establish a fee sacrifice plan for non-executive directors to acquire shares in Deterra in the future.

The Deterra Board is committed to reviewing the remuneration mix for the senior management team to ensure that it continues to be appropriate for Deterra as a newly listed entity.

2.13.3.1 Long term incentive plan

Shortly after the Deterra Listing, Deterra intends to make a long term incentive grant of performance rights under the Plan with a total face value of A$825,000 to Mr Andrews and with a total face value of A$420,000 to Mr Ryan (**LTI Offer**).

The key terms of the FY2021 LTI Offer under the Plan are set out in the below table.

Eligibility	Offers may be made at the Deterra Board's discretion to certain employees of Deterra or any other person that the Deterra Board determines to be eligible to receive a grant under the Plan. The LTI Offer is being made to the Deterra Managing Director and Chief Executive Officer and the Chief Financial Officer and Company Secretary.
Offers under the Plan	Under the Plan, the Deterra Board may make an equity incentive grant offer at its discretion, subject to any requirements for shareholder approval. The Deterra Board has the discretion to set the terms and conditions on which it will offer an equity incentive grant in an individual offer document. An offer must be accepted by the participant and can be made on an opt-in or opt-out basis. The LTI Offer will be made shortly after the Listing (and no later than 12 months from the Listing), and will be made on an opt-out basis.
Grant of securities	The LTI Offer is a grant of performance rights, each being a conditional right to acquire one fully paid ordinary share in Deterra (or at the Deterra Board's discretion, a cash equivalent payment), subject to meeting specified performance and vesting conditions. No consideration is payable upon grant or vesting of the performance rights under the LTI Offer.
Quantum of grants	Mr Andrews: A$825,000. Mr Ryan: A$420,000. The final number of shares awarded to each participant will be calculated by dividing the face value of their opportunity by the 5-day volume-weighted average price of Deterra Shares (VWAP) immediately following Listing.
Performance conditions and vesting schedule	The performance rights will be subject to a performance period commencing on the date of the Deterra Listing and ending on 30 June 2023. Each participant's performance rights will be divided into two equal tranches and subject to the following performance hurdles: 1 50% of the performance rights will be subject to Deterra relative total shareholder return (**RTSR**) performance compared to the ASX 200 Resources Accumulation Index (**RTSR Component**); and 2 50% of the performance rights will be subject to the compound annual growth rate (**CAGR**) of Deterra's Share price compared to the Australian dollar equivalent Platts 62% Iron Ore CFR China Index (**Iron Ore Price Component**). Vesting will be determined based on Deterra's performance compared to the relevant benchmarks in accordance with the following vesting schedule:

Performance level	RTSR Component (50% of performance rights)	Iron Ore Price Component (50% of performance rights)	% vesting of relevant component
Less than threshold	Below index performance	Less than 2% above index	Nil vesting
Threshold	Equal to index performance	Equal to 2% above index	50% vesting
Above threshold but below maximum performance	Above index performance but less than 6% above index	More than 2% above index but less than 6% above index performance	Straight line pro rata vesting between 50% and 100%
Maximum	6% or more above index (outperformance)	6% or more above index (outperformance)	100% vesting

As soon as practicable following the end of the performance period, the Deterra Board will test the performance conditions and determine if and to what extent the performance conditions have been satisfied.

Participants will be allocated one Deterra Share for each performance right that vests (and if required, is exercised) or, at the Deterra Board's discretion, they may be paid an equivalent cash amount.

Voting and dividend entitlements	Shares allocated to participants carry the same voting rights as other Deterra Shares. No dividends will be paid on performance rights. 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.
Disposal restrictions	Any dealing (transfer, sale, disposal or hedging) of a performance right is prohibited. Following vesting of performance rights, no disposal restrictions will apply to the resulting Deterra Shares (except for Deterra's Securities Dealing Policy).
Cessation of employment	Unless the Board determines otherwise, where a participant resigns (other than by mutual agreement) or is terminated for cause, their unvested performance rights will lapse. If a participant ceases employment for other reasons (including by mutual agreement), unless the Board determines otherwise, their unvested performance rights will generally remain on foot subject to the original terms of the grant and be performance tested in the ordinary course.
Change of control	The Board has discretion to determine the level of vesting (if any) on a change of control, having regard to shareholder outcomes realised, performance to date against any the applicable performance conditions, the portion of the performance period elapsed and any other factors it considers appropriate.
Clawback and preventing inappropriate benefits	Under the Plan and the LTI Offer, the Deterra Board will be able to lapse or clawback incentives (including incentives that have vested) in certain circumstances, including: • where the participant acts fraudulently or dishonestly; or • if there is a material misstatement or omission in the accounts of a Deterra Group company.

2.13.3.2 Initial equity grant

Shortly after the Listing, Deterra intends to make an initial equity grant of performance rights under the Plan with a total face value of A$412,500 to Mr Andrews and with a total face value of A$262,500 to Mr Ryan (**Equity Offer**). The Equity Offer is a transitional grant intended to bridge the gap until the LTI Offer is capable of vesting in 2023, noting that there is no separate short term incentive plan offered.

The key terms of the Equity Offer under the Plan are set out in the below table.

Eligibility	The Equity Offer is being made to the Deterra Managing Director and Chief Executive Officer and Chief Financial Officer and Company Secretary.
Equity Offer	The Equity Offer will be made shortly after the Listing (and no later than 12 months from the Listing), and will be made on an opt-out basis.
Grant of securities	The Equity Offer is a grant of performance rights, each being a conditional right to acquire one fully paid ordinary share in Deterra (or at the Deterra Board's discretion, a cash equivalent payment), subject to meeting specified performance and vesting conditions. No consideration is payable upon grant or vesting of the performance rights under the Equity Offer.
Quantum of grants	Mr Andrews: A$412,500 Mr Ryan: A$262,500. The final number of shares awarded to each participant will be calculated by dividing the face value of their opportunity by the 5-day VWAP of Deterra Shares immediately following Listing.

Performance conditions and vesting schedule	Each participant's performance rights under the Equity Offer will divided into two equal tranches and subject to the following performance periods: • Tranche 1: 50% of the performance rights will be subject to performance over a period commencing from Listing and ending on 30 June 2021; and • Tranche 2: 50% of the performance rights will be subject to performance over a period commencing from Listing and ending on 30 June 2022. Each tranche of performance rights will be equally weighted between the two performance conditions and vesting schedule applicable to the LTIP Offer (i.e. applying to the RTSR Component and Iron Ore Price Component of the LTIP Offer outlined above) and tested at the end the applicable performance period specified above. As soon as practicable following the end of the relevant performance period, the Deterra Board will test the relevant performance conditions and determine if and to what extent the performance conditions have been satisfied. Participants will be allocated one Deterra Share for each performance right that vests (and if required, is exercised) or, at the Deterra Board's discretion, they may be paid an equivalent cash amount.
Additional terms	The Equity Offer will be subject to the same restrictions on dealing, treatment on cessation of employment, treatment on change of control of Deterra and clawback provisions as the LTI Offer outlined above. Performance rights and Deterra Shares allocated to participants under the Equity Offer will also carry the same voting, dividend and dividend equivalent entitlements as the LTI Offer outlined above.

2.13.4 Iluka legacy award replacement awards for the Managing Director and Chief Executive Officer

As outlined in Section 2.13.1 above, the Deterra Managing Director and Chief Executive Officer is eligible to receive a number of 'replacement' awards' in the form of Deterra Shares or performance rights (**Replacement Awards**). The Replacement Awards are being granted to Mr Andrews to replace Iluka awards or entitlements held by Mr Andrews prior to the Demerger.

The Replacement Awards are as follows:

- **Iluka 2018 equity incentive plan:** Deterra performance rights, to be awarded shortly after Listing, as replacements for 20,360 Iluka performance rights previously held by Mr Andrews which are being lapsed. The award will vest in December 2021;
- **Iluka 2019 equity incentive plan:** Deterra Shares, to be awarded shortly after Listing, with a face value of A$175,478 and Deterra performance rights with a face value of A$123,208, as replacements for Iluka restricted rights and performance rights (respectively), which Mr Andrews has earned in respect of the 2019 year, but which were not granted to Mr Andrews in anticipation of the Demerger. The restricted shares will vest over a 3 year period from March 2021 to March 2023 and the performance rights will vest in December 2022; and
- **Iluka 2020 equity incentive plan (pro rata for the period 1 January 2020 – 30 June 2020):** An incentive award with a target face value of A$319,000 (maximum value of $478,500), as a pro rata award in respect of the 2020 year. The actual award outcome is typically subject to Iluka and Mr Andrews' achievement against relevant scorecard measures for Iluka's 2020 financial year. The outcome and the format of any award will be determined by the Iluka Board in February 2021, with the award, to be funded by Iluka, as either a cash payment or in Iluka equity (at the Iluka Board's discretion).

The Replacement Awards will be awarded to Mr Andrews under the Plan on the following terms:

- The number of Deterra performance rights for the 2018 Replacement Awards will be determined by the following calculation:
    - Number of Iluka performance rights held before Demerger x (Deterra 5-day VWAP + Iluka 5-day VWAP) / Deterra 5-day VWAP
- The number of Deterra Shares or performance rights Mr Andrews will receive for the 2019 Replacement Award will be determined by dividing the face value of the award entitlement/outcome by the 5-day VWAP of Deterra shares immediately following Listing.
- For Replacement Awards being provided as Deterra Shares, the shares will be allocated to Mr Andrews subject to a holding lock and subject to a service condition based on continued employment with Deterra. The Replacement Awards will otherwise be granted on substantially the same terms and conditions as would have applied with respect to the originally anticipated award of (Iluka) restricted rights (except that there will be no dividend equivalent payments, given that Deterra Shares already carry dividend entitlements).
- For Replacement Awards being provided as Deterra performance rights, the performance rights will be subject to performance conditions (described below) and a service condition based on continued employment with Deterra. The Replacement Awards will otherwise be granted on substantially the same terms and conditions as would have applied with respect to the originally anticipated award of (Iluka) performance rights.

Replacement Award	Performance conditions
Iluka 2018 equity incentive plan	Half of the performance rights comprising each Replacement Award will vest based on Deterra's RTSR performance compared to the ASX 200 Resources Accumulation Index over the period from Listing to the end of the relevant performance period (applying the same vesting schedule applicable for the LTIP Offer – see Section 2.13.3.1).
Iluka 2019 equity incentive plan	The remaining half of the performance rights comprising each Replacement Award will vest based on the CAGR of Deterra's share price compared to the Platts 62% Iron Ore CFR China Index over the period from Listing to the end of the relevant performance period (applying the same vesting schedule applicable for the LTIP Offer – see Section 2.13.3.1).

2.14 DIVIDEND REINVESTMENT PLAN

The Deterra Constitution allows for a dividend reinvestment plan (**DRP**) to be established in the future. If the Deterra Board decides to establish and activate a DRP, it will provide further details to Deterra Shareholders prior to the relevant dividend record date, including details of the elections that may be made in relation to participation in the DRP by Deterra Shareholders.

2.15 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN DETERRA SHARES

2.15.1 Overview

This Section outlines a number of risks that may affect Deterra following the Demerger.

The risks set out in this Section may adversely affect the future operating or financial performance or prospects of Deterra, and the investment returns or value of Deterra Shares. Some of these risks may be mitigated by appropriate controls, systems and other actions, but others will be outside the control of Deterra.

Many of these are risks to which Iluka Shareholders are currently exposed, but may be more significant or concentrated for Deterra and Deterra Shareholders, while others arise as a result of Deterra becoming a standalone ASX-listed entity independent from Iluka following the Demerger.

This Section should be read in conjunction with Section 1 which set outs the advantages and disadvantages and risks of the Demerger, and Section 3.12 which sets out the risk factors associated with an investment in Iluka (post Demerger).

Further, the risks set out in this Section are not exhaustive of all the risks to which Deterra could be exposed.

2.15.2 Deterra specific risks

2.15.2.1 Commodity prices

The prices of commodities that Deterra's royalties relate to are determined by, or linked to, prices in world commodity markets, which have historically been subject to substantial volatility. In particular, the revenue Deterra derives from the MAC Royalty will be significantly affected by changes in the market price for iron ore. All commodities, by their nature, are subject to price fluctuations, in particular, based on demand. Demand for a commodity may be influenced by a range of events, including macro- economic conditions and global events. Future material commodity price declines will result in a decrease in revenue or, in the case of severe declines in commodity prices that cause the suspension of mining operations, a complete cessation of revenue from royalties. Deterra does not have a policy to hedge against variations in commodity prices and, if it decides to implement a hedging policy in the future, there is no guarantee that appropriate hedging will be available at an acceptable cost. Hedging may also prevent Deterra from benefiting fully from commodity price increases.

2.15.2.2 Sales volumes

Deterra's revenues are determined based on the sales of production from the underlying mining operations. In particular, the revenue Deterra derives from the MAC Royalty is based on sales of Mining Area C Royalty Area produced ore the production of which is subject to a range of risks as described in this Section 2.15.2, and Deterra has no control or input into the operation of the mining assets underlying its royalties.

2.15.2.3 Foreign exchange rates

Deterra's assets, earnings and cash flows could be affected by fluctuations in foreign exchange rates. Fluctuations in the exchange rates of relevant currencies may have an impact on Deterra's financial results. In particular, commodity prices are often quoted, and sales are often transacted, in US dollars, including iron ore prices. Deterra's financial performance and ability to pay dividends is therefore significantly impacted by movements in the exchange rate between US dollars and Australian dollars.

2.15.2.4 Third parties control operations and development of mining assets

The operation of the mining assets relating to Deterra's royalties is dependent upon third party holders and operators of the mining assets. Deterra has no input into the operation of these mining assets, and the operators' failure to perform could affect the revenues generated by Deterra.

Similarly, Deterra will have limited or no decision-making influence as to how these mining assets are exploited, including decisions to expand, continue or reduce production from, or exploration of, a mining asset. The interests of Deterra and third party holders and operators of mining assets may not always be aligned.

If an operator does not bring parts or all of a mining asset into production and operate in accordance with feasibility studies, technical or reserve reports or other plans for any reason, including due to unexpected problems or delays, then the acquired royalty may not yield the expected financial return that was estimated.

Development, expansion and operation of mining assets is very capital intensive and any inability of the operators of the mining assets relating to Deterra's royalties to meet liquidity needs, obtain financing or operate profitably could have material adverse effects on the value of, and revenue from, the Deterra's royalties.

The inability of Deterra to control the operations or development of the mining assets relating to Deterra's royalties may have a material adverse effect on Deterra's financial performance and ability to pay a dividend.

2.15.2.5 Operating risks for underlying mining assets

The level of production of commodities achieved by the operators of mining assets relating to Deterra's royalties may be adversely impacted by operating risks.

Moreover, a decline in the price of commodities that the operators of the properties relating to Deterra's royalties sells, a reduction in recovery rates or ore grades or changes in applicable laws and regulations (including environment, permitting, title or tax regulations) that are adverse to the properties relating to Deterra's royalties, may mean the volumes of product that the operators of the mining assets relating to Deterra's royalties can feasibly extract may be lower than the Ore Reserve and Mineral Resource estimates, which may result in a reduction of such estimates.

Furthermore, failure by the operators of the properties that relate to Deterra's royalties to discover new resources, convert resources to reserves or develop new operations in sufficient quantities to maintain or grow the current level of its reserves could negatively affect Deterra's results or prospects.

2.15.2.6 Access to infrastructure and the provision of third party services

A number of factors could disrupt the availability of the services utilised by the operators of the mining assets relating to Deterra's royalties to transport products to customers, including pandemic, weather-related problems, rail or port capacity or allocation constraints, key equipment or infrastructure failures or industrial action.

Access by the operators of the mining assets relating to Deterra's royalties, or access on current terms, to water and electricity to support existing activities and developments cannot be guaranteed in the future, due to factors such as climate (including drought), changes in allocations, changes in activities or conditions at the operations of the mining assets relating to Deterra's royalties, the nature or term of contractual arrangements or changes in government policy.

2.15.2.7 Environmental, heritage and native title impacts

There is potential for mining activities associated with the mining assets relating to Deterra's royalties to adversely impact the environment or sites of cultural or historical importance, including Aboriginal heritage sites, or to be adversely affected by issues related to the environment or sites of cultural or historical importance, including Aboriginal heritage sites.

In June 2020, BHP announced that as part of the South Flank development it would engage in consultation with traditional Aboriginal owners before disturbing heritage sites (BHP had previously received government approval to develop those sites). BHP has subsequently confirmed that South Flank remains on schedule for first production in the mid-2021 calendar year.

2.15.2.8 Ability to access future growth opportunities

Deterra's ability to grow from the existing royalties it holds is uncertain, given they are dependent on decisions of operators and holders of the mining assets in respect of which Deterra has a royalty interest. Deterra intends to periodically review opportunities to acquire existing royalties or streams, to create new royalties or streams, or to acquire companies that hold royalties or streams. There is no certainty that Deterra will successfully secure new royalty opportunities or the extent to which such new royalty opportunities will contribute to Deterra's earnings. Further, Deterra may face competition from other royalty companies in pursuing growth or acquisition opportunities.

2.15.2.9 Licences and permits

The duration, cost and success of government licence, permit applications, authorisations, concessions and other approvals made by the operators of the properties relating to Deterra's royalties are contingent on many factors, including those outside the control of Deterra. Failure to obtain or renew a necessary permit could mean that the operators of the properties relating to Deterra's royalties may not be able to proceed with the development or continued operation of a mine or project, which in turn, may have an adverse effect on Deterra.

2.15.2.10 Climate risks

The mining assets relating to Deterra's royalties could be adversely affected by the impacts of climate change and 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 Deterra's royalties relate to.

2.15.2.11 Government regulations

The mining assets relating to Deterra's royalties could be adversely affected by new or changed government regulations, such as controls on imports, exports and/or prices and changes in fiscal legislation. These regulations may in turn be influenced by geo-political developments.

2.15.2.12 Political events

The mining assets relating to Deterra's royalties could be exposed to the risk of terrorism, civil unrest, expropriation, nationalisation, renegotiation or nullification of existing contracts, leases, permits or other agreements

2.15.2.13 Changing expectations with respect to environmental, social and governance (ESG) standards

Whilst Deterra does not control the operation of the mining assets relating to Deterra's royalties, changing community attitudes towards and increasing regulation of ESG risks and disclosure may impact the operators of the mining assets in the future which may also have an impact on Deterra. Increased expectations with respect to ESG risk management may impact on the profitability or value of existing or acquired Deterra investments, restrict Deterra's ability to attract financing or investment, or result in heightened compliance costs associated with meeting prevailing regulatory and disclosure standards.

2.15.2.14 Deterra's counterparty risk

Deterra's interests are contractual in nature. Contracts are subject to interpretation or technical defects and parties to contracts do not always honour contractual terms.

Further, as royalty payments from production typically flow through the operator, there is a risk that the relevant operator may not have sufficient cash flow at a particular payment date to honour the contractual terms or enters financial difficulties, including insolvency. Typically, Deterra would not have the benefit of security or credit support in respect of a counterparty's obligations in respect of the royalty. Similarly, there is a risk of delay and additional expense in receiving such payments from operators for the reasons described above.

If operators of mining assets relating to Deterra's royalties do not honour their contractual obligations, either by choice or due to financial difficulties or insolvency, or if the Deterra is unable to enforce its contractual rights, it may have a material adverse effect on the Deterra's financial performance and ability to pay a dividend.

To the extent the grantors of royalties do not abide by their contractual obligations, the Deterra would be required to take legal action to enforce its contractual obligations, and such litigation may be time consuming and costly, with no guarantee of success.

The counterparty or ultimate controller of the counterparty of Deterra's royalties may change over time as a result of transactions relating to the underlying mining interest. This may result in a change in the nature and extent of the risks described above.

2.15.2.15 Access to information regarding the operation of Deterra's royalties

As a royalty holder, Deterra generally has limited, if any, access to non-public data regarding the operations or to the actual mining assets relating to Deterra's royalties. The extent of publicly available information regarding the operations may also be limited. This could affect Deterra's ability to assess the royalty's performance.

In addition, some of Deterra's royalty arrangements may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and, as such, Deterra may not be in a position to publicly disclose non-public information with respect to its royalty's performance.

Similarly, Deterra depends on the operators of the mining assets relating to Deterra's royalties for the accurate calculation of royalty payments that it receives. Deterra has limited ability to independently verify such information or achieve assurance that such third party information is complete or accurate. Deterra has certain audit rights under the contracts governing the relevant royalties, but the audit rights are limited to those set out in the relevant contracts and the audit may occur months after the Deterra's recognition of the royalty revenue.

2.15.2.16 Disputes

Royalties generally are subject to uncertainties and complexities arising from the application of contract, property and mining laws governing private parties and/or local governments. Disputes could arise challenging, among other things, various rights of the holders of the mining asset, operator or Deterra or the operation and interpretation of Deterra's rights. Such disputes may result in costs for Deterra and there is no guarantee they will be resolved or determined in favour of Deterra.

2.15.2.17 MAC Royalty concentration

The MAC Royalty constitutes the majority portion of Deterra's current royalty portfolio and any adverse development related to the underlying mining assets of the MAC Royalty will affect the revenue derived from the royalty portfolio.

2.15.2.18 Accidents or incidents

The operations of the mining assets relating to Deterra's royalties may be subject to accidents or incidents, including natural catastrophes, that impact on the operators of the properties relating to Deterra's royalties ability to continue operating or cause harm to its assets or equipment.

2.15.2.19 Financial risks

Deterra will have debt on its balance sheet and its ability to refinance that debt on favourable terms as it becomes due or to repay the debt, its ability to raise further finance on favourable terms for its business and to pursue opportunities, and its borrowing costs, will depend upon market conditions and Deterra's performance. It is also possible that Deterra may need to raise additional equity capital to fund investments in growth opportunities and there is no assurance that this will be able to occur on favourable terms or within a timely manner.

2.15.2.20 Ongoing employee attraction and retention

Attraction and retention of talented employees is a key focus for the business and Deterra intends to implement a range of measures to ensure that it remains an attractive place to work. Despite this, there can be no guarantee that Deterra can continue to attract and retain employees. Any inability to attract, develop and retain key team members could adversely affect Deterra's operations, financial position or growth prospects.

2.15.3 New or increased risks specifically associated with the Demerger

Following implementation of the Demerger, Deterra will face new or increased risks as a result of being a standalone ASX-listed entity independent from Iluka.

2.15.3.1 Dividend and capital management capacity

Deterra's capacity to pay dividends and undertake capital management activities will be primarily driven by earnings generated after the Demerger. Deterra will have minimal retained earnings immediately following the Demerger.

2.15.3.2 Franking capacity

At the time of the Demerger, Deterra will exit Iluka's Australian tax consolidated group with a franking account balance of nil.

Accordingly, Deterra's capacity to frank dividends will depend on its payment of Australian tax after the Demerger. While Deterra is forecast to pay sufficient levels of tax to support fully franked distributions at the targeted dividend payout ratio, there is no certainty that this will be realised.

2.15.4 General risks

The financial performance and share market value of Deterra may fluctuate as a result of various factors, including economic conditions, interest rates, inflation, commodity prices, government regulations, investor perceptions and recommendations by equity analysts. These factors may cause Deterra's earnings to vary from historical levels and/or Deterra Shares to trade below their initial listing price.

2.15.4.1 Economic conditions

The events relating to the COVID-19 pandemic have recently resulted in significant market volatility including in the prices of securities trading on the ASX and on other foreign securities exchanges. There is continued uncertainty as to the further impact of the COVID-19 pandemic including in relation to governmental action, work stoppages, lockdown, quarantines, travel restrictions and the impact on the Australian economy.

Lower economic growth affecting key markets to which Deterra is exposed or continued global economic uncertainty (including as a result of the COVID-19 pandemic) may significantly impact Deterra's business and key markets to which Deterra is exposed.

2.15.4.2 Market risks

As with any investment in an ASX-listed company, the trading price of Deterra Shares may fluctuate depending on the financial and operating performance of Deterra, as well as other external factors over which Deterra has no control.

2.15.4.3 Interest rates

Deterra will have external interest bearing liabilities after the Demerger and, accordingly, will be exposed to movements in interest rates.

While Deterra will take reasonable steps to protect itself from rising interest rates, a rise in rates may still adversely affect Deterra's interest payments for floating rate instruments.

2.15.4.4 Taxation

Variations in the taxation laws of Australia could affect Deterra's financial performance. The interpretation of taxation laws could also change, leading to a change in taxation treatment of investments or activities. Consistent with other companies of the size of Deterra, Deterra could be the subject of periodic information requests, investigations and audit activities by the ATO, responding to which will require the application of Deterra's resources.

2.15.4.5 Accounting

Changes in accounting or financial reporting standards may adversely impact the financial performance of Deterra. In addition, Deterra's financial performance may be impacted by changes to accounting policies after the Demerger or differences in interpretations of accounting standards.

3

INFORMATION ON ILUKA (POST DEMERGER)

SECTION 3
INFORMATION ON ILUKA (POST DEMERGER)

3.1 BACKGROUND INFORMATION ON ILUKA (POST DEMERGER)

Iluka is a leading international mineral sands company with expertise in exploration, development, mining, processing, marketing and rehabilitation. The company's purpose is to deliver sustainable value. Iluka's industry position and purpose will be unchanged following the Demerger of Deterra.

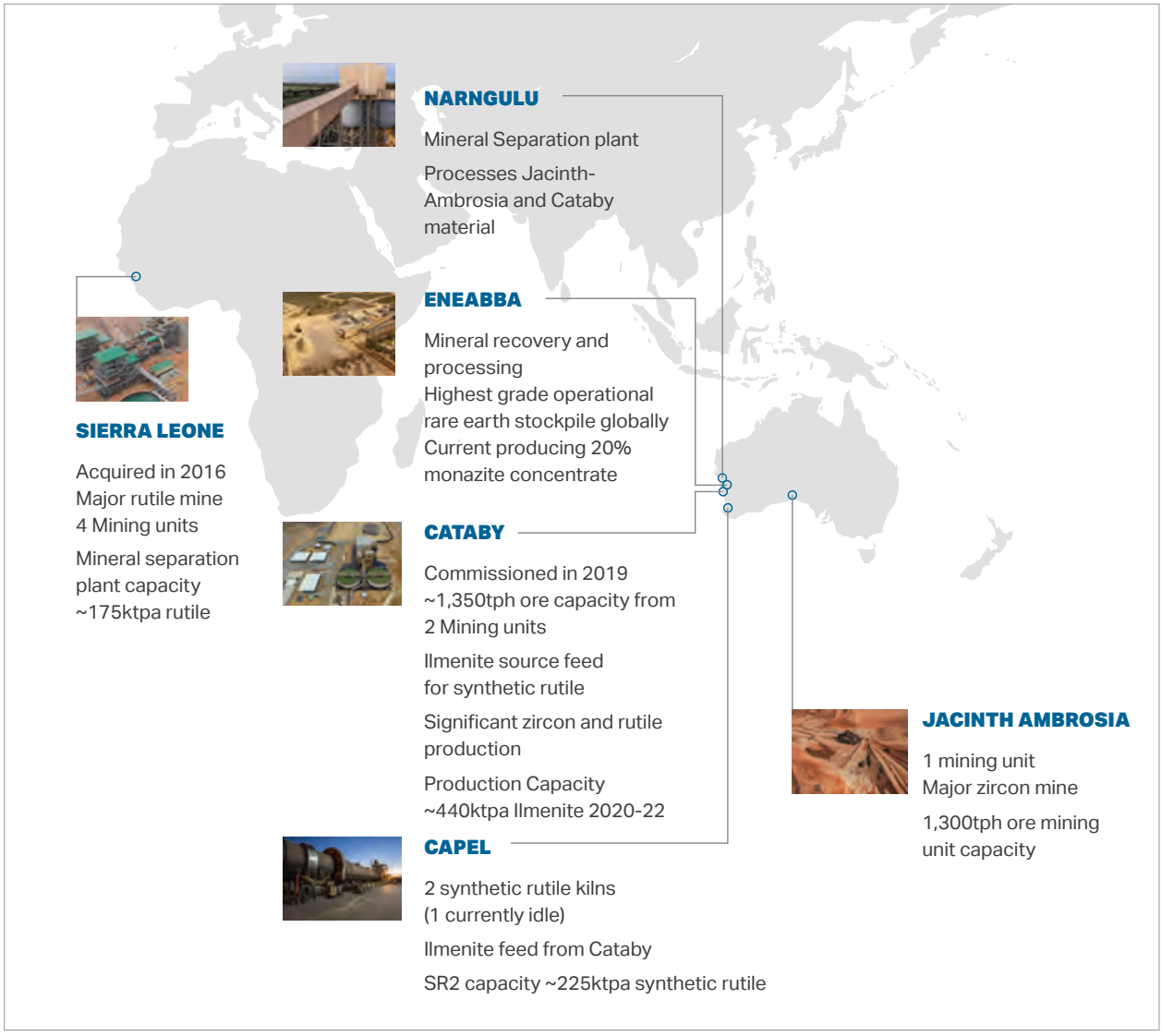
Iluka is a market leader in the supply of zircon and high grade titanium dioxide feedstocks (**High Grade Feedstocks**), the latter encompassing the products rutile and synthetic rutile. The company is also developing an emerging position in rare earth elements, which are a subset of mineral sands and present a logical and important diversification opportunity. Each of these products are used in an increasing array of applications including home, workplace, transportation, power generation, medical, lifestyle and industrial applications.

With over 3,000 direct employees, Iluka has operations in Australia and Sierra Leone; a diverse pipeline of development projects; an international exploration programme; and a globally integrated marketing network.

The company has an established track record of safe, responsible operations that minimise the impact of mining and processing activities on the environment. Rehabilitation efforts are focussed on current and former sites in Australia, the United States and Sierra Leone.

Post Demerger, Iluka will continue to be listed on the ASX, with its corporate headquarters located in Perth, Western Australia. The company plans to retain a minority ownership interest of 20 per cent in Deterra as a long-term investment.

Figure 3.1: Iluka's global operations – mineral sands

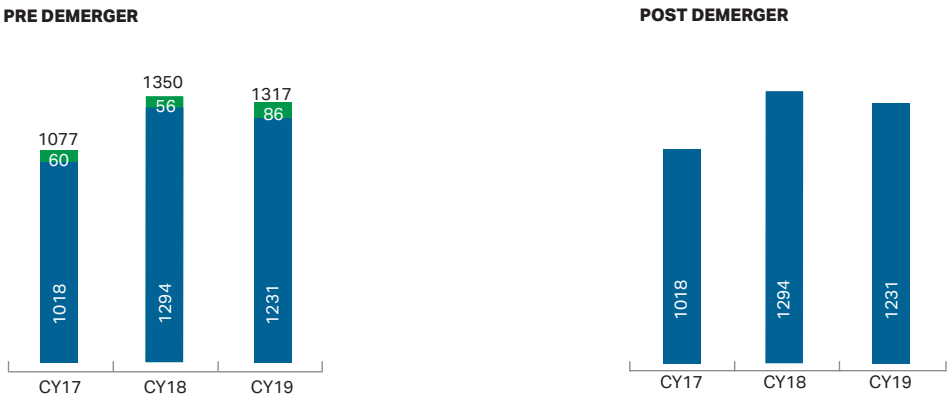


SECTION 3
INFORMATION ON ILUKA (POST DEMERGER)

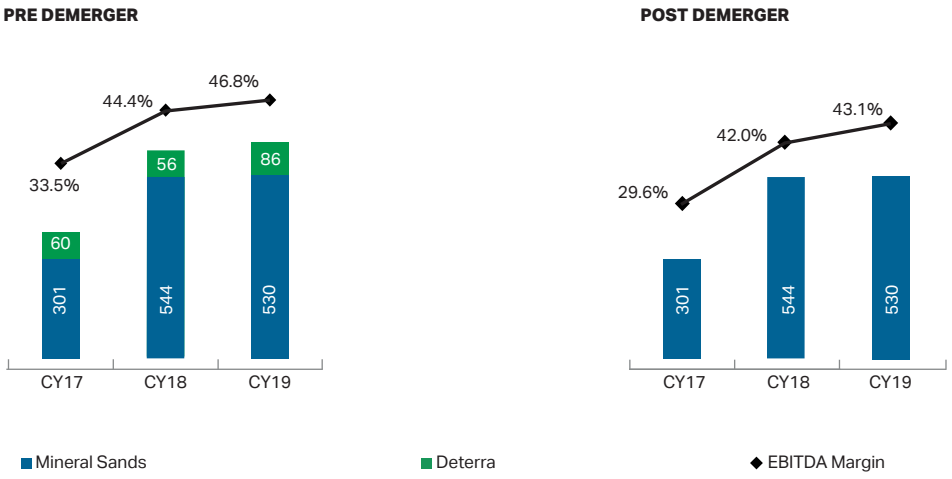
Iluka's mineral sands business has – on an underlying pro forma basis – historically generated significant revenue and underlying EBITDA, including strong underlying EBITDA margins, as shown in Figure 3.2 below. A reconciliation between underlying EBITDA and the reported profit/(loss) after tax can be found in Table 3.1.

Figure 3.2: Iluka underlying segment revenue and EBITDA pre and post Demerger[57]

REVENUE BY BUSINESS (A$ MILLION)



UNDERLYING EBITDA BY BUSINESS AND EBITDA MARGIN (A$ MILLION; %)



[57] Post Demerger financials do not include 20 per cent earnings from Deterra which will be required to be accounted.

3.2 KEY STRENGTHS OF ILUKA

3.2.1 Positive long-term market fundamentals for mineral sands

Iluka operates in markets that are correlated strongly over time with global gross domestic product (**GDP**) and rising living standards. End uses for mineral sands products are wide and increasing; and include construction, transportation, power generation, medical, lifestyle and industrial uses. Trends towards sustainable development are anticipated to support increasing demand for zircon, High Grade Feedstocks and rare earths, which collectively have key applications in renewable energy technologies (solar panels, wind turbines and electronic vehicles), water and air purification and energy efficiency.

The COVID-19 pandemic has had a significant impact on the global economy, including mineral sands markets. Iluka's balance sheet strength, quality assets and experience in flexibly reducing production in times of lower demand following value rather than volume, have enabled the company to reduce costs, maintain profitability and remain flexible. This flexibility means that Iluka is well positioned to respond when the global economy recovers and demand normalises over the medium term. Mineral sands markets are highly consolidated, with Iluka and the other top two global suppliers of zircon and High Grade Feedstocks holding approximately 65 per cent and 70 per cent share respectively.

Owing to grade decline at existing operations across the mineral sands industry and a lack of investment in new developments, a structural supply deficit is expected to emerge. While the COVID-19 pandemic is likely to impact the nature and timing of this deficit, significant investment remains required to sustain global supply over coming years, particularly for zircon and rutile. Iluka is pursuing an integrated, multifaceted approach to addressing this industry challenge, including via the company's project pipeline; exploration programme; and technical innovation activities. These resource development initiatives draw on Iluka's leading capability and expertise, the result of more than 60 years' industry experience.

3.2.2 Portfolio of quality mineral sands production assets

Iluka operates high quality mining and processing assets. These primarily produce the high value, traditional mineral sands products of zircon, rutile and synthetic rutile. Iluka is the world's largest producer of zircon and rutile and a major producer of synthetic rutile, in 2019 Iluka delivered full year production of 322,000 tonnes of zircon, 184,000 tonnes of rutile and 196,000 tonnes of synthetic rutile. In April 2020, Iluka commenced the production of monazite concentrate, marking the first phase of the company's longstanding plans to enter the rare earth market via an incremental approach.

Mining operations

- **Jacinth-Ambrosia:** in South Australia, is the world's largest zircon mine and also produces the titanium dioxide feedstock products rutile and ilmenite. Jacinth-Ambrosia was discovered by Iluka in 2004 and commenced production in 2009.
- **Cataby:** in the Mid West of Western Australia, is a large, high grade predominantly chloride ilmenite mine, which also produces zircon and rutile. Cataby was discovered by Iluka in the 1970s and commenced production in 2019.
- **Sierra Rutile:** in Sierra Leone, is the world's largest rutile mine and also produces smaller quantities of ilmenite and zircon in concentrate. Sierra Rutile commenced operation in the 1960s and was acquired by Iluka in late 2016. It encompasses two dry mining operations at Lanti and Gangama. Mining and processing activities take place in close proximity to local villages, with Iluka a significant contributor to the regional and national economy.
- **Eneabba:** in the Mid West of Western Australia, is the world's highest grade operational rare earth stockpile. It comprises a strategic store of monazite – a mineral containing rare earths – recovered from Iluka's historical mineral sands operations in the region. With a resource life of approximately 10 years, Eneabba provides Iluka a low risk, low cost, high return entry into the rare earth market.

Processing operations

- **Narngulu mineral separation pant:** at Geraldton in the Mid West of Western Australia, processes material sourced from Jacinth-Ambrosia and Cataby for export from the Port of Geraldton. Narngulu is the largest zircon processing facility globally, with the main plant supplemented by a smaller mineral processing unit for the production of zircon in concentrate.
- **Capel synthetic rutile processing:** in the South West of Western Australia consists of two rotary kilns (one currently idled) and a separation plant. The latter plant first converts concentrate sourced predominantly from Cataby to ilmenite. This mineral is then processed further via the kiln to produce high value synthetic rutile, a beneficiated High Grade Feedstock.
- **Sierra Rutile mineral separation plant:** processes concentrate from Sierra Rutile mining operations to produce rutile for export from dedicated port facilities.
- **Eneabba:** currently produces a 20 per cent monazite concentrate on site. Iluka is fast tracking further development at Eneabba that will see additional processing to produce a higher-value monazite product. The company is also actively exploring the potential for downstream processing.

3.2.3 Pipeline of development projects

Iluka has a portfolio of development projects to maintain or grow production over the medium term. At a time when resource depletion and grade decline present a key challenge across the mineral sands industry, the company's focus is on advancing the prospect of developing projects within its portfolio.

The company is currently progressing six development projects, with several others at an earlier stage of evolution. These encompass both traditional developments and those based on innovation and technology, drawing on Iluka's considerable technical expertise. The company is therefore positioned to continue to be a global leader in mineral sands, including an emerging position in rare earths, with a demonstrated ability to adapt to market dynamics.

Section 3.4.2 contains further details of Iluka's growth pipeline.

3.2.4 Value driven marketing model

Iluka employs a value driven marketing model, focused on high value, high margin products. The company's two traditional product streams – zircon and High Grade Feedstocks – have different customers, different industry dynamics and consequently require different marketing strategies.

The downstream zircon industry is relatively fragmented; and Iluka has a large number of customers of varying sizes. In 2016, Iluka implemented a zircon pricing model targeted at supporting sustainable prices through the cycle, while at the same time providing zircon customers with visibility and stability. Iluka's pricing model incorporates a system of customer rewards and rebates taking into account product type, specification and volumes.

The downstream High Grade Feedstock market is more consolidated; and around 90 percent of demand is accounted for by the pigment industry, dominated by large producers. High Grade Feedstocks are priced based on their relative economic value, which considers a range of information, data points and technical parameters to determine a value-in-use. A significant proportion of Iluka's High Grade Feedstocks are subject to take-or-pay sales agreements with major customers entered into to underpin the economics of new capital investments made by the company.

Rare earths are a group of 17 chemical elements. Due to their unique chemical and physical properties, certain rare earth elements are considered a critical input across a number of rapidly evolving markets, including industrial and military applications. In entering this market incrementally, Iluka's focus is on high value elements commonly used in permanent magnets, such as in electric cars, wind turbines and electronics.

3.2.5 Strong balance sheet and disciplined approach to capital allocation

The prudent management of Iluka's financial position continues to be a key element of the company's overall resilience, including in the context of the COVID-19 pandemic. Iluka's strong balance sheet will be retained post Demerger, with a pro forma net cash position of A$89 million and undrawn committed debt facilities of approximately A$523 million as at 30 June 2020. The company held an inventory balance of $560 million as at 30 June 2020. It will also retain a 20 per cent stake in Deterra, providing additional financial strength.

Following the Demerger, Iluka will revise its target leverage to no net debt (on average) throughout the capital investment cycle.

The company will continue to employ a disciplined approach to evaluating new projects and will only commit funds when it is sufficiently confident of achieving satisfactory returns for shareholders on a risk adjusted basis.

Section 3.8 provides further information on the expected impact of the Demerger on Iluka's capital structure and approach to capital allocation.

3.2.6 Experienced board and management team

Iluka will continue to be led by an experienced board and management team, with a breadth of experience spanning the operational, commercial and sustainable development dimensions of the resources sector. This includes technical, financial, environmental, industry and legal disciplines developed over more than 60 years of operations.

3.3 PRODUCTS OVERVIEW

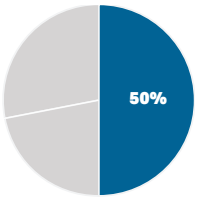
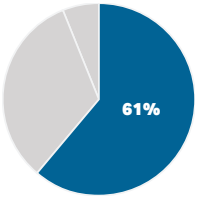
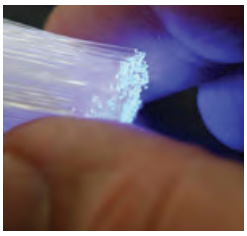
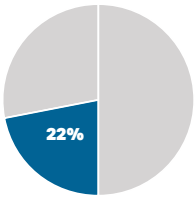
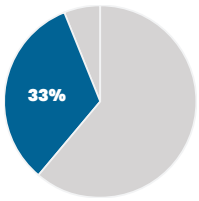
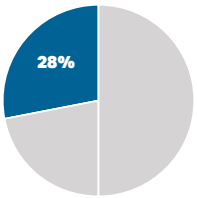
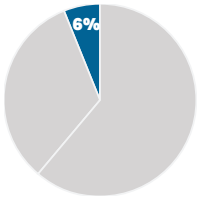
Mineral sands represent a relatively small, niche part of the global resources sector. The mineral sands industry consists of two core product streams:

- zircon – in which Iluka participates with a portfolio of products targeted at specific user applications; and
- titanium dioxide feedstocks – in which Iluka participates predominantly in the very high grade chloride segments of rutile and synthetic rutile (High Grade Feedstocks).

The two product categories have different properties, prices and distinct end use markets. Mineral sands deposits typically contain both titanium dioxide minerals and zircon, the latter usually being present in a minor proportion, as well as some rare earths bearing minerals such as monazite and xenotime. The relative weighting of each mineral in an ore body (known as assemblage) varies by deposit.

3.3.1 Zircon

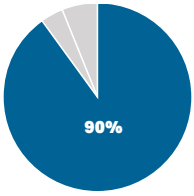
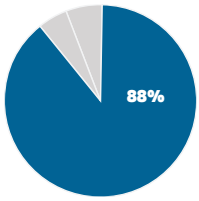
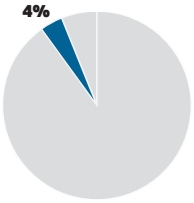
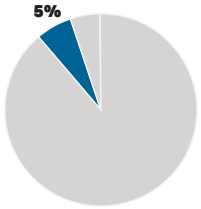
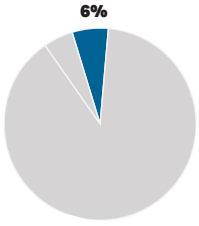
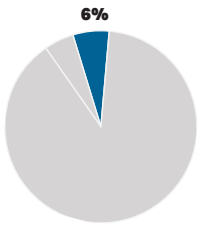
Zircon is an opaque, hard wearing mineral with unique chemical resistance and thermal stability properties.

Application		Global Demand (CY17-19 average)	Iluka Sales (CY17-19 average)
Ceramics Tiles, sanitary ware, table wear			
Chemicals, & Specialty Uses Electronics, catalytic converters, fibre optics, nuclear fuel rods			
Refractory and Foundry Investment casting, glass, steel and cement industries			

3.3.2 High Grade Feedstocks

High Grade Feedstocks are usually preferred to produce higher quality pigments for the manufacture of paints, coatings and plastics, as well as in a range of other applications including inks, fibres, rubber, food, cosmetics and pharmaceuticals. High Grade Feedstocks are used in the chloride process (rather than sulfate) to produce pigment which typically uses less acid, less feedstock and produces less waste per tonne of pigment produced.

High Grade Feedstocks are also used in specialist applications including welding electrodes and the production of titanium metal used in commercial aerospace, military and industrial applications.

Application		Global Demand (CY17-19 average)[58]	Iluka Sales (CY17-19 average)
Pigment Paint, plastics, inks, specialty coatings			
Metal Aircraft frames and engines, medical items, sporting goods			
Welding Steel fabrication, ship building			

3.3.3 Rare earths

Iluka's mineral sands deposits include monazite and xenotime, both rare earth phosphate minerals that contains rare earth elements. Iluka monazite and xenotime contains various concentrations of rare earths but is attractive for its light rare earths Neodymium (Nd), Praseodymium (Pr) and heavy rare earths Dysprosium (Dy) and Terbium (Tb) all of which are important in the manufacturing of permanent magnets. These magnets form a critical element in the production of high efficiency electric motors required for vehicle electrification and renewable energy such as wind turbines.

Iluka monazite is a proven feedstock for final processing into rare earth oxides and end use products.

[58] Global demand for titanium feedstocks.

3.4 BUSINESS OVERVIEW

3.4.1 Mineral sands operations

The following outlines Iluka's key operational assets post Demerger. A reconciliation between underlying EBITDA and the reported profit/(loss) after tax can be found in Table 3.1.

		CY 19			
Business Division	Description	Z/R/SR Production (kt	Revenue (A$ million)	Underlying EBITDA contribution (A$ million)	Underlying EBITDA contribution (%)
Jacinth-Ambrosia / Mid-West processing	The Jacinth-Ambrosia operation in South Australia is the world's largest zircon mine. Comprising two contiguous deposits, Jacinth and Ambrosia, the mine is located approximately 800 km from Adelaide and 270 km from the Port of Thevenard. The Jacinth-Ambrosia operation encompasses mining and wet concentration activities with heavy mineral concentrate transported to Iluka's Narngulu mineral separation plant in Western Australia for final processing. Iluka also retains a material stockpile of zircon-in-concentrate (predominantly at Narngulu). This serves as a strategic 'swing' supply asset, augmenting the company's ability to act flexibly when confronted with changing market conditions	291.4	482.7	343.2	
Cataby / South West processing	Cataby is a large predominantly chloride ilmenite deposit, located approximately 150 km north of Perth, in the Shire of Dandaragan. Cataby produces ilmenite feedstock for synthetic rutile production, zircon and rutile. Material is being processed into approximately 225 ktpa of premium grade synthetic rutile at the SR2 kiln at Capel (around 350km south of Cataby); and shipped out of the Port of Bunbury.	265.3	414.2	220.6	
Sierra Rutile	Sierra Rutile (**SRL**) is an integrated multi-mine and processing operation located in the Bonthe and Moyamba districts in the south west of Sierra Leone. The operation is the world's largest natural rutile deposit and encompasses two dry mining operations at Lanti and Gangama, a mineral separation plant and a port facility. SRL's main product stream is natural rutile and the operation also produces smaller quantities of ilmenite and zircon in concentrate. Sembehun, which is an adjacent group of deposits to SRL, is a potential future expansion area.	145.7	257.6	63.3	

3.4.2 Project pipeline

Iluka's project pipeline includes both traditional mineral sands developments and those based on innovation and technology, drawing on Iluka's considerable technical expertise.

Each element of Iluka's project pipeline is developed and gated towards execution in a disciplined manner, subject to acceptable progress in the following areas:

1. confidence in satisfactory project risk-return attributes;
2. high level of strategic alignment to Iluka's core objectives; and
3. sequenced to take advantage of the economic and market outlook.

In addition to the development projects outlined below, Iluka has an ongoing commitment to exploration activities globally, with these greenfield efforts forming an additional component of the company's approach. While some field programmes are currently on hold as a result of travel restrictions related to the COVID-19 pandemic, to date 126 potential exploration targets have been reviewed in 2020, with nine priority targets to be progressed across Australia and the United States.

Project	Overview
High Grade Feedstocks	
Balranald (New South Wales)	• Balranald is a rutile, zircon and ilmenite rich deposit in the northern Murray Basin, New South Wales • Iluka is currently developing underground mining and backfilling technology to economically access and extract what is a deep and high grade deposit; a final field trial commenced in June 2020 • If this technology is successful, it will also unlock other assets in Iluka's portfolio and could be commercialised for other projects owned by third parties
SR1 Kiln Restart (Western Australia)	• The synthetic rutile kiln 1 (**SR1**) is adjacent to the operational synthetic rutile kiln 2 (**SR2**) kiln and has capacity to produce 110 thousand tonnes of synthetic rutile per annum • Key long-lead items have been delivered. Commencement of the refurbishment works of the kiln remains subject to market conditions and ilmenite feed availability
Sembehun (Sierra Leone)	• The Sembehun group of deposits are situated 20 to 30 kilometres north west of the existing Sierra Rutile operations and collectively represent one of the largest undeveloped rutile deposits in the world • Initial concept studies were completed in 2020 to assess alternative mining methods, as well as infrastructure, utilities and logistical options. Development is subject to demonstration of consistent operational performance and an appropriate risk-return profile • The concept study demonstrated the potential of hydraulic mining. The field trial planned for Q2 2020 has been suspended due to COVID-19 travel restrictions

Project	Overview
Zircon	
Atacama (South Australia)	• Atacama is a satellite deposit to Iluka's existing operation at Jacinth-Ambrosia • The deposit, located approximately five kilometres from Ambrosia, has the potential to supplement and extend zircon production at Jacinth-Ambrosia and also provide a meaningful supply of ilmenite (nearly two thirds of valuable mineral assemblage at Atacama relates to ilmenite) by utilising existing infrastructure • Viability of the project is dependent on a processing solution which enables upgrading or selling of ilmenite; work continues to validate a processing solution
Wimmera (Victoria)	• Wimmera involves the mining and beneficiation of a fine grained heavy mineral sand ore body for the potential long-term supply of ceramic-grade zircon and rare earth products, including valuable neodymium and praseodymium • Iluka has undertaken innovative technology studies to process and optimise recovery and purity from the ore of the deposit • The technology studies to remove impurities from the zircon, if successful, will enable the development of other similar challenging projects; work continues to validate a processing solution
Rare Earths	
Eneabba (Western Australia)	• Eneabba is the world's highest grade operational rare earth stockpile. It comprises a strategic store of monazite – a mineral containing rare earths – recovered from Iluka's historical mineral sands operations in the region • Iluka is extracting, processing and marketing this stockpile as part of an incremental entry into the rare earths market • Phase One, commissioned in April 2020, is producing a 20 per cent monazite concentrate • Iluka is fast tracking further development that will see additional processing to produce a higher-value monazite product • The company is also actively exploring the potential for downstream processing
Wimmera (Victoria)	• See above • Rare earths market knowledge and networks gained from Iluka's incremental approach at Eneabba will be leveraged across other projects, especially Wimmera, which is a dual zircon/rare earths development with potential for a multi-decade mine life • Iluka retains additional tenements in the Wimmera region of similar size, grade and assemblage, presenting a potentially transformative development opportunity for the company in the medium term

3.5 ILUKA'S STRATEGY

Iluka's purpose is to deliver sustainable value by leveraging over 60 years' experience and expertise in the mineral sands industry. Post Demerger, this strategy will remain unchanged and the Iluka Plan, which was released in 2018, will continue to be the strategic reference point that guides Iluka's business decisions.

The four pillars of the Iluka Plan include:

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

OUR PURPOSE: Iluka's purpose is to deliver sustainable value.

OUR VALUES: Iluka's values are to act with integrity, demonstrate respect, show courage, take accountability and collaborate.

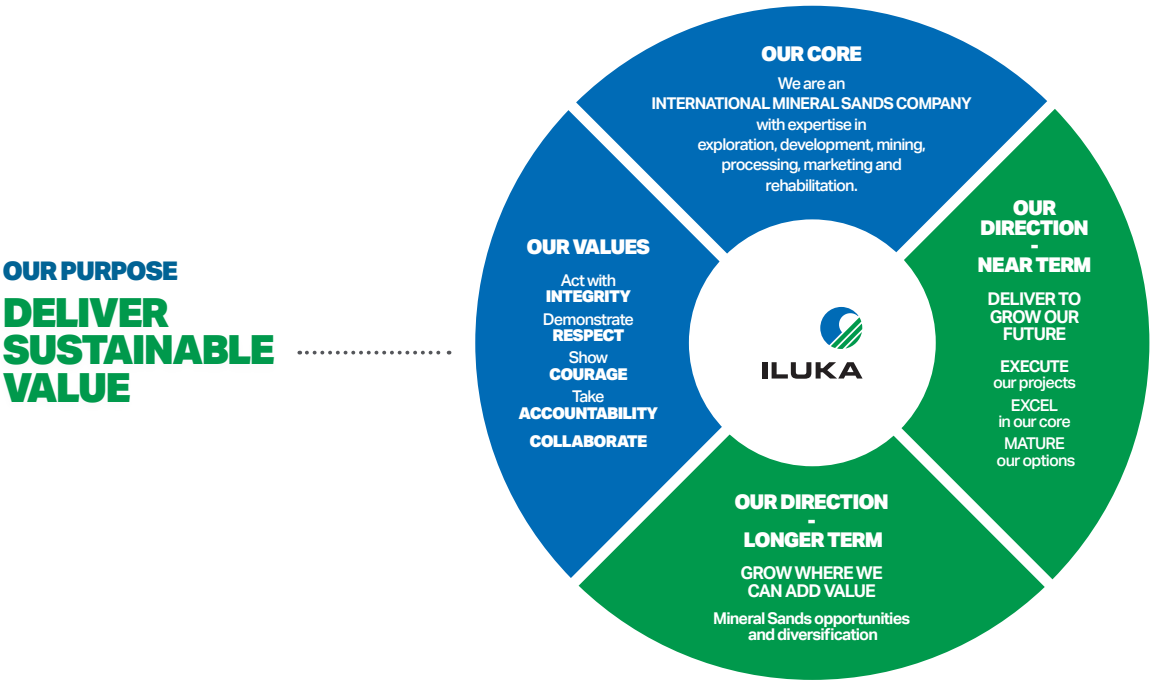
OUR DIRECTION:

Near Term: Deliver To Grow Our Future: Iluka's near term direction is to execute approved projects, excel in its core operations and functional support areas and mature its project pipeline of options for future production replacement and growth, while achieving a sustainable price environment for mineral sands products.

Longer Term: Grow Where We Can Add Value: Beyond this, Iluka will look to grow in areas where its experience and approach can add value, whether in mineral sands or through diversification opportunities.

Iluka, as the world's largest producer of zircon and natural rutile and a significant producer of synthetic rutile, is well placed to deliver this strategy.

Figure 3.3: The Iluka Plan



3.6 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Iluka aspires to achieve high levels of sustainability performance integrating economic, environmental and social considerations into business practice, and ensuring safe and responsible conduct underpins everything it does.

Iluka's sustainability approach and performance is overseen by the Iluka Board and is integrated into all levels of the business. Sustainability is governed through a series of policies and management systems aligned to the company's core values – to act with integrity, demonstrate respect, show courage, take accountability and collaborate.

Refer to Iluka's 2019 Sustainability Report for further information.

GOVERNANCE AND INTEGRITY

Iluka conducts business by adhering to the highest standards of corporate governance whilst acting with integrity by being transparent and honouring its commitments.

HEALTH AND SAFETY

Iluka strives to maintain a fatality-free workplace, minimising injuries and protecting the health and wellbeing of the people and communities in which it operates.

ENVIRONMENT

Iluka seeks to manage the impact on the environment, use resources efficiently and leave positive rehabilitation and closure outcomes.

Iluka takes a proactive approach to rehabilitation by progressively backfilling and rehabilitating the land as mining progresses.

ECONOMIC RESPONSIBILITY

Iluka aims to create sustainable economic outcomes, allowing the sharing of economic benefits with the host communities in which it operates.

PEOPLE

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

SOCIAL PERFORMANCE

Iluka respects human rights, engages meaningfully with stakeholders and seeks to make a positive difference to the social and economic development of the areas in which it operates.

3.7 SHAREHOLDING IN DETERRA

Post Demerger, Iluka will hold a minority ownership interest of 20 per cent in Deterra. The holding in Deterra will provide Iluka with economic exposure to the production growth associated with BHP's development of South Flank and the potential for continued growth through future expansions, extensions, developments and discoveries within the MAC Royalty Area; as well as Deterra's longer term growth strategy. The holding in Deterra will also provide an additional source of financial strength for Iluka.

Iluka regards its 20 per cent interest in Deterra as a long term investment. Future decisions by Iluka such as whether to retain or divest all or part of that interest, or participate in equity raisings undertaken by Deterra, would be made having regard to the circumstances at the time, including Iluka's balance sheet and capital structure. There is no escrow or similar restrictions on the disposal by Iluka of its 20 per cent shareholding. As a result of the shareholding, Iluka will have one nominated representative on the Deterra Board so long as Iluka holds greater than 10 per cent interest in Deterra.

The relationship between Iluka and Deterra is governed according to the terms of the Separation Deed, a summary of which is set out in Section 4.9.3

SECTION 3
INFORMATION ON ILUKA (POST DEMERGER)

3.8 EXPECTED IMPACT OF DEMERGER ON ILUKA CAPITAL STRUCTURE

Iluka has and will continue to take a conservative approach to its capital structure. This approach will be unchanged following the Demerger. The company will revise its current target leverage ratio of 1.0 to 1.5 times net debt to EBITDA to a target of no net debt (on average) through the capital investment cycle. This may result in Iluka targeting a net cash balance at certain points in the cycle (for example just prior to periods of increased capital investment); and net debt at other points in the cycle (for example just after periods of increased capital investment).

Iluka will continue to have a strong balance sheet, including a pro forma net cash position post Demerger of A$89 million, and unsecured committed debt facilities via a Multi Option Facility Agreement (**MOFA**) of approximately A$523 million which are due to expire in July 2024. The Demerger will not trigger a renegotiation of the MOFA terms and it will continue to remain in place.

Iluka intends to maintain adequate liquidity facilities to manage periods of heightened capital investment and provide operational flexibility.

In addition, Iluka's inventory balance of A$560 million as at 30 June 2020, and its 20 per cent stake in Deterra, will provide further balance sheet strength.

The company will continue to employ a disciplined approach to evaluating new projects and will only commit funds when it is sufficiently confident of achieving satisfactory returns for shareholders on a risk adjusted basis.

3.9 EXPECTED IMPACT OF DEMERGER ON ILUKA DIVIDENDS

Iluka's dividend framework is to seek to pay a minimum of 40 per cent of free cash flow not required for investing or balance sheet activity. This will be unchanged post demerger. Within this framework, the company will continue to seek to distribute the maximum franking credits available.

3.10 BOARD OF DIRECTORS OF ILUKA FOLLOWING THE DEMERGER

In connection with the Demerger, Jennifer Seabrook retired from the Iluka Board on 9 April 2020 to join Deterra as its inaugural Chair. Ms Seabrook commenced her role as Chair-elect of Deterra on 10 April 2020.

No other changes have been made to the Iluka Board as a result of the Demerger.

Detailed biographies of the Iluka Board can be found at **www.iluka.com.**

3.11 ILUKA PRO FORMA HISTORICAL FINANCIAL INFORMATION

This section contains historical financial information of Iluka (hereafter the **Iluka Historical Financial Information**) comprising:

- the historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020;
- the historical balance sheet as at 30 June 2020; and
- the historical free cash flow for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020.

This section also contains the following pro forma historical financial information of Iluka following the Demerger (hereafter the **Iluka (post Demerger) Pro Forma Historical Financial Information**) comprising:

- the pro forma consolidated historical income statements of Iluka (post Demerger) for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020;
- the pro forma consolidated historical balance sheet of Iluka (post Demerger) as at 30 June 2020; and
- the pro forma consolidated historical free cash flows of Iluka (post Demerger) for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020.

3.11.1 Basis of preparation

3.11.1.1 Iluka Historical Financial Information

The Iluka Historical Financial Information has been derived from the full year audited financial statements and half-year reviewed interim financial statements of Iluka. The financial statements were audited or reviewed respectively by PricewaterhouseCoopers in accordance with Australian Auditing Standards and Interpretations. PricewaterhouseCoopers issued unqualified audit or review opinions on these financial statements. The financial statements for these periods are available from Iluka's website (www.iluka.com) or the ASX website (**www.asx.com.au**).

The Iluka Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS (including Australian Accounting Interpretations) adopted by the AASB, which comply with the recognition and measurement principles of the International Accounting Standards Board and interpretations adopted by the International Accounting Standard Board.

3.11.1.2 Iluka (post Demerger) Pro Forma Historical Financial Information

The Iluka (post Demerger) Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Iluka Shareholders to understand the impact of the Demerger and the financial performance, financial position and cash flows of Iluka post Demerger. By its nature, pro forma historical financial information is illustrative only. Consequently, the Iluka (post Demerger) Pro Forma Historical Financial Information does not purport to reflect the actual or future financial performance or cash flows for the relevant period, nor does it reflect the actual financial position of Iluka (post Demerger) at the relevant time. Past performance is not a guide to future performance.

The Iluka (post Demerger) Pro Forma Historical Financial Information has been prepared in accordance with AAS and has been prepared on a consistent basis with the accounting policies set out in Iluka's interim report for the half year ended 30 June 2020.

The AAS are subject to amendments from time to time, and any such changes may impact the balance sheet or income statement of Iluka post Demerger. During the historical periods presented, Iluka has adopted AASB 16 Leases, effective from 1 January 2019. Iluka has assessed the impact of AASB 16 on the period prior to adoption and noted no material impact. As such, retrospective pro forma adjustments have not been reflected in the historical period prior to adoption this standard.

In addition, following the Demerger, Iluka may be impacted by accounting policies adopted which are different to existing policies, and differences in interpretations of AAS.

The financial information in this Section 3.11 is presented in an abbreviated form and does not contain all of the presentation, comparatives and disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act. The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Iluka Historical Financial Information and Iluka (post Demerger) Pro Forma Historical Financial Information, a copy of which is included in Section 6.

The financial information in this section should be read in conjunction with the risk factors set out in Section 3.12.

The Iluka (post Demerger) Pro Forma Historical Financial Information has been derived from the Iluka Historical Financial Information and adjusted for the effects of pro forma adjustments to reflect the impact of certain transactions as if they occurred as at 30 June 2020 in the pro forma historical balance sheet and immediately prior to 1 January 2018 in the pro forma historical income statements and pro forma historical free cash flows.

Presentation adjustments have been made to separately present individually significant items in Iluka's annual report within the pro forma historical income statements. These items comprise of charges associated with the write down of assets associated with the Sierra Rutile operations.

The pro forma adjustments which have been made to Iluka (post Demerger) are:

- pro forma historical income statements reflect the removal of royalty revenue, inclusion of 20 per cent share in associate profits from Deterra and the associated tax effects of such adjustments as a result of the Demerger.
- pro forma historical balance sheet reflects:
    - Deterra intercompany settlement, financing arrangement and recognition of one month's accrued royalty income prior to Implementation Date;
    - the accounting for the Demerger, including the one-off demerger costs; and
    - the investment in associate to reflect the retained 20 per cent interest in the newly listed Deterra entity.

3.11.2 Explanation of certain non-IFRS financial measures

This document uses non-IFRS financial information which are used to measure operational performance. Non-IFRS measures are unaudited but derived from audited accounts. The principal non-IFRS financial measures referred to in this section are as follows:

- **EBIT, before significant items** is reported earnings before the following:
  - Non-cash asset write-downs;
  - Interest income, interest expense and finance costs; and
  - Income tax expense.
- **Underlying EBITDA** is reported earnings before the following:
  - Non-cash asset write-downs;
  - Interest income, interest expense and finance costs;
  - Depreciation and amortisation;
  - Inventory movement – non-cash;
  - Rehabilitation for closed sites;
  - Share of gains/ (losses) of investments accounted for using the equity method; and
  - Income tax expense.
- **Free cash flow** is net cash flow before refinance costs, proceeds/repayment of borrowings and dividends paid in the year.
- **Significant items** represent non-cash write down of assets with respect to Sierra Rutile's operation.

3.11.3 Iluka historical income statements

Set out below are Iluka's historical income statements for the years ended 31 December 2018 and 31 December 2019, and half years ended 30 June 2019 and 30 June 2020.

Table 3.1: Iluka historical income statements

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Revenue		608.5	519.1	1,350.0	1,316.8
Other Income		0.4	9.7	3.1	2.4
Expenses		(335.0)	(303.7)	(753.0)	(703.2)
Underlying EBITDA		**273.9**	**225.1**	**600.1**	**616.0**
Depreciation and amortisation		(64.7)	(74.7)	(93.6)	(163.2)
Inventory movement – non cash		8.0	24.5	(28.3)	15.5
Rehabilitation for closed sites		(0.3)	(0.4)	4.6	(3.2)
EBIT, before significant items		**216.9**	**174.5**	**482.8**	**465.1**
Net interest costs and bank charges		(6.3)	(4.0)	(14.1)	(13.8)
Rehab and mine closure discount unwind		(9.8)	(7.3)	(16.7)	(38.0)
Total finance costs		**(16.1)**	**(11.3)**	**(30.8)**	**(51.8)**
Profit before income tax, excluding significant items		**200.8**	**163.2**	**452.0**	**413.3**
Significant items	1	-	-	-	(414.3)
Profit/(loss) before income tax		**200.8**	**163.2**	**452.0**	**(1.0)**
Income tax expense		(63.6)	(50.0)	(148.1)	(298.7)
Profit/(loss) for the period attributable to owners		**137.2**	**113.2**	**303.9**	**(299.7)**

Notes:

1. Significant items includes write down of assets associated with Sierra Rutile operations ($414.3 million) in the year ended 31 December 2019.

3.11.4 Management commentary on historical results

Iluka's reported profit after tax for 2018 was $303.9 million, with underlying EBITDA of $600.1 million. Mineral sands revenue was up 22 per cent to $1,244.1 million with price increases offsetting a small decline in production constrained zircon, rutile and synthetic rutile (Z/R/SR) sales volumes. Average revenue per tonne of Z/R/SR sold was up 31 per cent to $1,415 per tonne, reflecting a 41 per cent and 21 per cent increase in zircon and rutile prices respectively.

Iluka's reported loss after tax for 2019 was $299.7 million. This reflects a $414.3 million write-down for the carrying value of assets associated with Sierra Rutile operations combined with the associated removal of a $161.9 million deferred tax asset. The adjustment to the Sierra Rutile carrying value was a function of operational performance achieved to date being below the acquisition investment case; and that Iluka does not currently have a defined development approach for the Sembehun deposit, resulting in difficulties in ascribing any meaningful value to this asset. Underlying EBITDA in 2019, which excludes impairment and other non-cash items was $616.0 million, the third highest on record, building on the strong performance in 2018. Mineral sands revenue of $1,193.1 million was down 4 per cent from 2018 reflecting mixed market conditions.

Iluka's reported profit after tax for half-year ended June 2020 was $113.2 million, with underlying EBITDA of $225.1 million. Mineral sands revenue was down 16.3 per cent from half-year ended June 2019 to $456.6 million as the COVID-19 pandemic impacted customers and markets. This was partially offset by the depreciation of the AUD:USD foreign exchange rates, which favourably affected USD denominated revenue. Iluka did not pay an interim dividend.

Further commentary on Iluka's historical financial results and the results of its business units is provided in Iluka's annual financial reports for the years ended 31 December 2018 and 31 December 2019, and half year financial reports for half years ended 30 June 2019 and 30 June 2020. These reports are available on Iluka's website www.iluka.com or the ASX website at www.asx.com.au.

3.11.5 Iluka (post Demerger) pro forma historical income statements

Set out below are the Iluka (post Demerger) pro forma consolidated historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020.

Table 3.2: Iluka (post Demerger) pro forma historical income statements

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Revenue		567.0	471.0	1,294.0	1,231.1
Other Income		0.4	9.7	3.1	2.4
Expenses		(335.0)	(303.7)	(753.0)	(703.2)
Underlying EBITDA		**232.4**	**177.0**	**544.1**	**530.3**
Depreciation and amortisation		(64.5)	(74.5)	(93.2)	(162.8)
Inventory movement – non cash		8.0	24.5	(28.3)	15.5
Rehabilitation for closed sites		(0.3)	(0.4)	4.6	(3.2)
Share of gains/ (losses) of investments accounted for using the equity method		5.2	6.2	6.8	10.9
EBIT, before significant items		**180.8**	**132.8**	**434.0**	**390.7**
Net interest costs and bank charges		(6.3)	(4.0)	(14.1)	(13.8)
Rehab and mine closure discount unwind		(9.8)	(7.3)	(16.7)	(38.0)
Total finance costs		**(16.1)**	**(11.3)**	**(30.8)**	**(51.8)**
Profit before income tax, excluding significant items		**164.7**	**121.5**	**403.2**	**338.9**
Significant items	1	-	-	-	(414.3)
Profit/(loss) before income tax		**164.7**	**121.5**	**403.2**	**(75.4)**
Income tax expense		(51.1)	(35.5)	(131.3)	(273.0)
Profit/(loss) for the period attributable to owners		**113.6**	**86.0**	**271.9**	**(348.4)**

Notes:

1. Significant items includes the write down of assets associated with Sierra Rutile ($414.3 million) in the year ended 31 December 2019.

3.11.6 Reconciliation of Iluka Historical Income Statements to Iluka (Post Demerger) Pro Forma Historical Income Statements

Reconciliations of the Iluka historical income statements to the Iluka (post Demerger) pro forma historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 are shown in the following tables.

Table 3.3 Reconciliation of Iluka historical profit after tax to Iluka (post demerger) pro forma historical profit after tax

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Historical profit/(loss) after tax	**1**	**137.2**	**113.2**	**303.9**	**(299.7)**
Pro forma decrease in royalty revenue	**2**	(41.5)	(48.1)	(56.0)	(85.7)
Pro forma decrease in depreciation and amortisation expense	**3**	0.2	0.2	0.4	0.4
Share of profits of associates	**4**	5.2	6.2	6.8	10.9
Tax effect of pro forma adjustments above	**5**	12.5	14.5	16.8	25.7
Pro forma historical profit/(loss) after tax		**113.6**	**86.0**	**271.9**	**(348.4)**

Notes:

1. Represents the historical profit/(loss) after tax of Iluka prior to the Demerger occurring, as derived from the historical financial statements of Iluka.
2. Represents the removal of historical royalty revenue including MAC Royalty revenue, as derived from historical financial statements of Iluka, and other immaterial royalty revenue not separately disclosed in the historical financial statements.
3. Represents the amortisation expense for the royalty intangible assets historically recognised in Iluka, as derived from the historical financial statements of Iluka .
4. Iluka will equity account its retained 20 per cent interest in Deterra. This adjustment reflects Iluka's equity accounted share of Deterra's pro forma historical profit after tax.
5. Represents the tax effect of the pro forma adjustments outlined above at the Australian tax rate of 30 per cent.

3.11.7 Iluka historical and Iluka (post Demerger) pro forma historical balance sheet

The following table sets out the Iluka consolidated historical balance sheet and the Iluka (post Demerger) pro forma consolidated historical balance sheet as at 30 June 2020.

For the purposes of presenting the Iluka (post Demerger) pro forma historical balance sheet, it has been assumed that the Demerger was effected and completed on 30 June 2020.

The Iluka (post Demerger) pro forma consolidated historical balance sheet has been prepared in order to give Iluka Shareholders an indication of Iluka's (post Demerger) balance sheet in the circumstances noted in this section, and does not reflect the actual or prospective financial position of Iluka at the time of the Demerger.

No adjustments have been made to reflect the trading of Iluka or Deterra since 30 June 2020, with the exception of the royalty income accrued in the period 1 October 2020 to the Implementation Date. Royalty income accrued in the period 1 October 2020 to the Implementation Date will be retained by Deterra.

Table 3.4: Iluka historical and Iluka (post Demerger) pro forma historical balance sheet

A$ million	30 June 2020 1.	Intercompany settlement and debt draw down 2.	Deterra's retention of one month's royalty income prior to Implementation Date 3.	De-consolidation of Deterra 4.	Demerger transaction costs 5.	Post Demerger pro forma historical as at 30 June 2020
Current assets						
Cash and cash equivalents	150.3	35.8	-	-	(8.8)	**177.3**
Receivables	15.3	(26.6)	6.5	(6.5)	-	**88.7**
Inventories	406.5	-	-	-	-	**406.5**
Current tax receivables	9.9	-	-	-	-	**9.9**
Total current assets	682.0	**9.2**	**6.5**	**(6.5)**	**(8.8)**	**682.4**
Non-current assets						
Property, plant and equipment	1,100.0	-	-	-	-	**1,100.0**
Deferred tax assets	15.0	8.0	(1.9)	2.9	2.1	**26.1**
Investments in associates	-	-	-	360.0	-	**360.0**
Intangible asset	3.3	-	-	(3.3)	-	**-**
Inventories	153.9	-	-	-	-	**153.9**
Right of use assets	19.5	-	-	-	-	**19.5**
Total non-current assets	**1,291.7**	**8.0**	**(1.9)**	**359.6**	**2.1**	1,659.5
Total assets	**1,973.7**	**17.2**	**4.6**	**353.1**	**(6.7)**	2,341.9
Non-current assets						
Payables	126.9	-	-	-	-	**126.9**
Derivative financial instruments	4.2	-	-	-	-	**4.2**
Current tax payable	105.1	8.0	-	-	(0.5)	**112.6**
Provisions	120.3	-	-	-	-	**120.3**
Lease liabilities	11.3	-	-	-	-	**11.3**
Total current liabilities	**367.8**	**8.0**	**-**	**-**	**(0.5)**	375.3
Non-current liabilities						
Interest-bearing liabilities	88.2	9.2	-	(9.2)	-	**88.2**
Derivative financial instruments	5.0	-	-	-	-	**5.0**
Provisions	677.4	-	-	-	-	**677.4**
Lease liabilities	17.3	-	-	-	-	**17.3**
Financial liabilities at fair value through profit and loss	29.1	-	-	-	-	**29.1**
Total non-current liabilities	**817.0**	**9.2**	**-**	**(9.2)**	**-**	817.0
Total liabilities	**1,184.8**	**17.2**	**-**	**(9.2)**	**(0.5)**	1,192.3
Net assets	**788.9**	**-**	**4.6**	**362.3**	**(6.2)**	1,149.6
Equity						
Contributed equity **6.**	1,160.5	-	-	(10.0)	-	**1,150.5**
Retained earnings and reserves **6.**	(371.6)	-	4.6	372.3	(6.2)	**(0.9)**
Total Equity 6.	**788.9**	**-**	**4.6**	**362.3**	**(6.2)**	1,149.6

Notes:

1. Iluka historical balance sheet as reported within the Iluka financial statements for the year ended 30 June 2020.
2. Represents the settlement of intercompany payable balances and tax funding liabilities due from Deterra, funded by cash receipts from the MAC owners (BHP, Itochu and Mitsui) and a debt draw down of $9.2 million.
3. Accrued royalty receipts for the period 1 October 2020 to the Implementation Date will be retained by Deterra and is presented as a receivable. The amounts included are indicative and are subject to movements in BHP sales volume, iron ore prices and exchange rates.

   Royalty receipts for the period 1 July 2020 to 30 September 2020 will be retained by Iluka. An estimate of royalty revenue for the period 1 July 2020 to 30 September 2020, and the associated receipts have not been reflected in the pro forma balance sheet. This adjustment has been prepared on a consistent basis with the Deterra pro forma balance sheet.
4. Represents the deconsolidation of Deterra, including the de-recognition of the royalty receivable and intangible asset (total: $9.8 million), and the recognition of equity accounted investments in Deterra for Iluka's retained 20 per cent interest of $360 million. The value of Iluka's retained interest included reflects the estimated impact in accordance with Table 3.8 and is to be determined by the demerger accounting method detailed in Section 3.11.11 on demerger implementation.
5. Represents one-off demerger costs which is detailed in Section 3.11.12. The $8.8 million demerger costs represent estimated costs to be incurred post 30 June 2020 and excludes demerger costs incurred by Deterra.
6. The demerger will be accounted for in equity. The value of the Capital Reduction is to be determined in accordance with the Demerger allocation between capital and dividend specified in the draft ATO class ruling. The adjustment reflects the estimated impact on equity in accordance with Table 3.8 and the draft ATO class ruling.

3.11.8 Iluka historical free cash flow

Set out below are Iluka's consolidated historical free cash flow for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020.

Table 3.5: Iluka historical free cash flow

A$ million	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Operating cash flow	**179.9**	**96.7**	**594.2**	**408.1**
Mining Area C royalty receipts	30.4	41.6	55.8	78.5
Exploration	(5.0)	(5.5)	(11.7)	(11.3)
Interest (net)	(2.9)	(1.0)	(6.6)	(5.7)
Tax	(143.9)	(39.4)	(5.2)	(147.4)
Capital expenditure	(145.0)	(49.6)	(311.5)	(197.5)
Government subsidy	-	4.3	-	-
Proceeds from changes in ownership interests	28.5	-	-	28.5
Payments for options contracts	-	-	(0.6)	-
Principal element of lease payment AASB 16	(4.0)	(4.8)	-	(8.1)
Assets sales	1.8	3.9	2.4	2.0
Share purchases	(5.0)	-	(12.4)	(7.4)
Free cash flow	**(65.2)**	**46.2**	**304.4**	**139.7**

3.11.9 Iluka (Post Demerger) pro forma free cash flow

Set out below are the Iluka (post Demerger) pro forma consolidated free cash flows for the years ended 31 December 2018 and 31 December 2019 and half-years ended 30 June 2019 and 30 June 2020.

Table 3.6: Iluka (post demerger) pro forma free cash flow

A$ million	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Operating cash flow	**179.6**	**96.6**	**593.8**	**407.5**
Exploration expenditure	(5.0)	(5.5)	(11.7)	(11.3)
Interest (net)	(2.9)	(1.0)	(6.6)	(5.7)
Tax	(114.6)	(27.9)	(4.9)	(110.4)
Capital expenditure	(145.0)	(49.6)	(311.5)	(197.5)
Government subsidy	-	4.3	-	-
Proceeds from changes in ownership interests	28.5	-	-	28.5
Payments for options contracts	-	-	(0.6)	-
Principal element of lease payment AASB 16	(4.0)	(4.8)	-	(8.1)
Assets sales	1.8	3.9	2.4	2.0
Share purchases	(5.0)	-	(12.4)	(7.4)
Free cash flow	**(66.6)**	**16.0**	**248.5**	**97.6**

3.11.10 Reconciliation of Iluka historical free cash flow to Iluka (post Demerger) Pro Forma Historical free cash flow

Reconciliations of the Iluka historical free cash flow to the Iluka (post Demerger) pro forma historical free cash flow for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 are shown in the following tables.

Table 3.7 Reconciliation of Iluka historical free cash flow to Iluka (post demerger) pro forma historical free cash flow

A$ million	Note	Half year ended 30 June 2019	Half year ended 30 June 2020	Year ended 31 December 2018	Year ended 31 December 2019
Historical free cash flow		**(65.2)**	**46.2**	**304.4**	**139.7**
Royalty receipts	1	(30.7)	(41.7)	(56.2)	(79.1)
Tax effect of pro forma adjustments above	2	29.3	11.5	0.3	37.0
Pro forma historical free cash flow	3	**(66.6)**	**16.0**	**248.5**	**97.6**

Notes:

1. Represents the removal of historical royalty receipts, as derived from the historical financial statements of Iluka.
2. Represents the tax effect of the pro forma adjustments outlined above at the Australian tax rate of 30 per cent, restricted to the amount of tax payment made by the Australian tax group in each respective year.

3.11.11 Demerger accounting

Accounting for demerger transactions is addressed in AASB Interpretation 17 *Distributions of Non-cash Assets to Owners*. This interpretation requires that any obligations for distributions made by a company to its shareholders should be recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and that all liabilities for distributions payable should be measured in accordance with AASB 137 at the fair value of the assets to be distributed.

The fair value of the assets of Deterra will be determined by reference to the Deterra Shares as traded on the ASX (whether on an ordinary or deferred settlement basis).

The difference between the fair value of all Deterra Shares transferred to Iluka Shareholders (or the Sale Agent in respect of Selling Shareholders) by Iluka under the Demerger plus the fair value uplift of Iluka's retained 20 per cent shareholding and Iluka's investment in Deterra will be recognised as profit on Demerger. AASB does not provide guidance as to where a debit to equity should be recorded for the recognition of a distribution liability in the balance sheet to the company making the distribution. The value of the Capital Reduction is to be determined in accordance with the Demerger allocation between capital and dividend specified in the draft ATO class ruling. Accordingly, the historical capital cost of Deterra will be allocated to Capital Reduction, and the difference between fair value of all Deterra shares transferred to Iluka shareholders and the historical capital cost of Deterra will be recognised as a dividend.

On the effective date of the Demerger, Iluka will recognise a provision based on the estimated fair value of Deterra Shares, which is expected to exceed Deterra's book value of its net assets. This provision will be settled through the transfer of the Deterra Shares under the Demerger. At that time, the difference between the book value of the net assets transferred and the fair value of Deterra Shares will be recognised as income to Iluka and included in Iluka's FY2020 income statement within discontinued operations. As outlined above, the Demerger allocation between capital and dividend will be determined at the time the Demerger of the Deterra Shares takes place. For illustrative purposes only, a range of fair values and the implied capital reduction and dividend on demerger are set out below.

Table 3.8 Implied capital reduction and dividend

Deterra fair value per the share price (A$)	2.8	3.4	4.2	4.7
Implied market capitalisation (A$m)	1,500	1,800	2,200	2,500
Capital reduction (A$m)	10	10	10	10
Implied dividend (A$m)	1,190	1,430	1,750	1,990
Implied fair value of retained 20 per cent interest (A$m)	300	360	440	500
# of Royalty Shares (m)	528			

3.11.12 Demerger costs

The total one-off transaction costs of the Demerger are estimated to be approximately $17.9 million (pre-tax), including discretionary performance fees payable to advisors. Approximately $4.9 million of one-off transaction costs are expected to have been incurred prior to the Extraordinary General Meeting.

One-off transaction costs relate to a range of activities associated with the Demerger, including advisory fees and restructuring costs associated with separating Deterra and Iluka. These costs are summarised as follows:

- advisory costs of $16.5 million include up to $12.6 million in financial advisory costs, of which up to $6.0 million is payable by Deterra. Advisory costs also include $3.9 million in financial due diligence, legal, tax and other advisor costs associated with the listing of Deterra; and
- demerger implementation costs of $1.4 million include costs associated with the listing of Deterra and other implementation costs.

These costs are estimates, and the actual costs incurred may differ from these estimated costs, and the difference may be significant.

In addition to the transaction costs, Deterra is expected to incur approximately $0.3 million in separation costs to set up new systems and processes to allow it to operate as an independent entity.

3.11.13 Dividend policy and franking

Iluka's current dividend policy is to maintain a minimum payout ratio of 40 per cent of free cash flow not required for investing or balance sheet activity. Decisions relating to dividend policy post Demerger will depend on Iluka's available franking credits, earnings, cash flows and target credit metrics. Notwithstanding this, Iluka's dividend policy is not expected to change and will continue to consider free cash flow generation, profit generation and availability of franking credits.

3.11.14 Material changes in financial position since the most recent balance date

The most recent published financial statements of Iluka are provided in the interim financial report for the six months ended 30 June 2020, which was released to the ASX on 14 August 2020. To the knowledge of Iluka Directors, there has not been any material change in the financial position of Iluka since 30 June 2020 except as disclosed in this Demerger Booklet.

Iluka will provide, free of charge, a copy of this most recent financial report to any person who requests a copy, and is also available on www.iluka.com.

3.12 RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN ILUKA SHARES POST DEMERGER

The risks currently faced by Iluka will continue to be faced by the company following the Demerger. Investors are already exposed to these risks through their investment in Iluka; and these are disclosed each year in the company's Annual Report. The nature of some of these risks may be altered due to the reduced diversification, increased earnings and cash flow volatility and loss of MAC revenues resulting from Demerger.

A summary of key risks is set out below:

- fluctuations in commodity prices and impacts of ongoing global volatility may negatively affect Iluka's results;
- Iluka's financial results may be negatively affected by currency exchange rate fluctuations;
- reduction in demand for Iluka's commodities may adversely affect Iluka;
- continuity of business operations, planned growth initiatives or demand for Iluka's commodities may be negatively impacted or delayed due to the COVID-19 pandemic;
- Iluka's customers may seek to reduce commitments under take-or-pay contracts, or may default on the contract terms, which would negatively impact Iluka's revenues;
- actions by governments or political events in the countries in which Iluka operates, has non-operating assets or sells products that could have a negative impact on Iluka;
- failure to discover or acquire new reserves, maintain or enhance existing reserves or develop new operations could negatively affect Iluka's future results and financial condition;
- potential changes to Iluka's portfolio of assets following the Demerger through acquisitions and divestments may have a material adverse effect on Iluka's future results and financial condition;
- increased costs and schedule delays may adversely affect Iluka's development projects;
- if Iluka's liquidity and cash flow deteriorate significantly, it could adversely affect Iluka's ability to fund its major capital programs;
- Iluka may not recover its investments in mining assets, which may require financial write-downs;
- the commercial counterparties Iluka transacts with may not meet their obligations which may negatively impact Iluka's results;
- cost pressures and reduced productivity could negatively impact Iluka's operating margins and expansion plans;
- unexpected natural and operational catastrophes may adversely impact Iluka's operations;
- breaches in Iluka's information technology security processes may adversely impact the conduct of Iluka's business activities;
- health, safety, environment and community incidents or accidents and related regulations may adversely affect Iluka's operations and reputation or licence to operate;
- climate change and greenhouse gas effects may adversely impact Iluka's operations and markets; and
- a breach of Iluka's governance processes may lead to regulatory penalties and loss of reputation.

4

DETAILS OF THE DEMERGER

SECTION 4
DETAILS OF THE DEMERGER

4.1 CONDITIONS

Implementation of the Demerger remains subject to a number of conditions being satisfied or waived. The key conditions are summarised below:

- the requisite majority of the Iluka Shareholders passing the Demerger Resolution;
- no order or injunction being issued by any court of competent jurisdiction and no other legal restraining order or prohibition preventing the Demerger being in effect;
- all regulatory approvals required for the Demerger being obtained (either unconditionally or on conditions reasonably satisfactory to Iluka and Deterra); and
- ASX approving the admission of Deterra to the ASX Official List and granting permission for official quotation of Deterra Shares on ASX.

The end date for satisfaction or waiver of these conditions is 31 December 2020 (or such other date determined by Iluka and Deterra).

4.2 ILUKA RESTRUCTURE AND DETERRA SEPARATION

4.2.1 Overview

To establish Deterra Group as the owner of the Deterra business as described in Section 2, asset and share transfers and other commercial arrangements have been, or will be, implemented in connection with the Demerger. Agreements to enable these steps have been entered into and completion of the steps will occur before implementation of the Demerger. A summary of these agreements is set out in Section 4.9.1.

4.2.2 Capital structure and funding

As part of the implementation of the Demerger, it is necessary to establish an appropriate, standalone capital structure for Deterra.

Accordingly:

- all inter-company loans between Deterra and Iluka will be repaid, eliminated or discharged prior to the implementation of the Demerger; and
- Deterra has entered into a facility agreement and a Common Terms Deed Poll in respect of the Deterra Facility (summarised in Section 2.9.9).

Other than in connection with the capital restructuring of Deterra required for the Demerger and to satisfy the remuneration commitments made to its executives, Deterra has not issued any capital for the three months before the date of this Demerger Booklet and does not expect that it will need to raise any capital in the three months after the date of this Demerger Booklet.

4.2.3 Ownership of Deterra Shares

Under the Demerger, 80 per cent of the issued Deterra Shares will be transferred to Eligible Shareholders (other than Selling Shareholders) and the Sale Agent. Iluka will retain a 20 per cent shareholding in Deterra. Immediately following the Demerger, Deterra will have 25 per cent more Deterra Shares on issue than the number of Iluka Shares on issue.

4.2.4 Deed of cross guarantee

Iluka and certain of its subsidiaries are parties to a deed of cross guarantee in accordance with ASIC Corporations (Wholly owned Companies) Instrument 2016/785. MAC Royalty Co is a party to the Iluka deed of cross guarantee. A revocation deed was lodged with ASIC on 10 September 2020 to revoke the participation of MAC Royalty Co in the Iluka deed of cross guarantee. The revocation deed will take effect on 11 March 2021 provided that no party to the Iluka deed of cross guarantee goes into liquidation during that six month period after lodgement with ASIC.

4.3 VOTING ON THE DEMERGER RESOLUTION

The Iluka Board has convened the Extraordinary General Meeting to consider and, if thought fit, approve the Demerger Resolution. The terms of the Demerger Resolution are set out in the notice convening the Extraordinary General Meeting in Section 10.

Each Iluka Shareholder who is registered on the Iluka Share Register at 4.00pm (AWST) on Wednesday, 14 October 2020 is entitled to attend the Extraordinary General Meeting online and vote on the Demerger Resolution.

For the Demerger to proceed, the Demerger Resolution must be approved by a simple majority of votes cast on the Demerger Resolution.

4.4 CAPITAL REDUCTION, DIVIDEND AND IMPLEMENTATION OF THE DEMERGER

4.4.1 Iluka steps

It is expected that the Demerger will be implemented on Monday, 2 November 2020.

On the Implementation Date:

- Iluka will undertake the Capital Reduction and will apply the Dividend. The Capital Reduction and Dividend will be satisfied by the in specie distribution of the Deterra Shares to the Eligible Shareholders (and the Sale Agent in respect of Ineligible Overseas Shareholders and Selling Shareholders).
- Each Eligible Shareholder (other than Selling Shareholders) will receive one Deterra Share for each Iluka Share it is registered as holding as at the Record Date.

4.4.2 Ineligible Overseas Shareholders and Selling Shareholders

In the case of Ineligible Overseas Shareholders and Selling Shareholders, the Deterra Shares which those shareholders would otherwise have received under the Demerger will be transferred to the Sale Agent to be sold. The proceeds of sale will be remitted to the Ineligible Overseas Shareholders and Selling Shareholders, as set out in Sections 4.5.3 and 4.8.

4.4.3 Confirmation of Deterra shareholdings

The transfer and distribution of Deterra Shares referred to above will be achieved by:

- in the case of the transfer of Deterra Shares to Eligible Shareholders (other than Selling Shareholders) pursuant to the Demerger, Iluka procuring the execution of and the delivery to Deterra of the transfers of the relevant Deterra Shares, pursuant to Iluka's constitution;
- entry in the Deterra Share Register of the names of Eligible Shareholders (other than Selling Shareholders); and
- Iluka procuring the dispatch to Eligible Shareholders (other than Selling Shareholders) by prepaid post to the person's address as shown in the Iluka Share Register as at the Record Date (unless directed otherwise by an Eligible Shareholder), uncertificated holding statements for the Deterra Shares transferred to them under the Demerger. In the case of joint Iluka Shareholders, uncertificated holding statements for Deterra Shares will be sent to the address of the Iluka Shareholder whose name appears first in the Iluka Share Register.

Except for the Australian tax file numbers and Australian business numbers of Eligible Shareholders (other than Selling Shareholders), any binding instruction or notification between an Eligible Shareholder (other than a Selling Shareholder) and Iluka relating to Iluka Shares as at the Record Date (including any instruction relating to payment of dividends or to communications from Iluka, including bank account details, email addresses and communication preferences) will, unless otherwise determined by Deterra, be deemed to be a similarly binding instruction or notification to Deterra in respect of relevant Deterra Shares until those instructions or notifications are, in each case, revoked or amended in writing addressed to Deterra at its share registry.

4.4.4 Creditors

In the opinion of the Iluka Directors, the Demerger will not, if implemented, materially prejudice Iluka's ability to pay its creditors.

The Independent Expert has concluded that the Demerger will not materially prejudice Iluka's ability to pay its creditors. Refer to Section 7 for the Independent Expert's Report.

4.5 ENTITLEMENT TO PARTICIPATE IN THE DEMERGER

4.5.1 Dealings in Iluka Shares

Iluka Shareholders as at the Record Date will be eligible to participate in the Demerger (although the way in which an individual Iluka Shareholder participates will depend on whether that shareholder is an Eligible Shareholder or an Ineligible Overseas Shareholder).

For the purposes of determining which Iluka Shareholders are eligible to participate in the Demerger, dealings in Iluka Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered as the holder of Iluka Shares on the Record Date (or registered before the Record Date and remains registered on that date); and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by Iluka before the Record Date with sufficient time to allow for registration of the transferee on the Record Date (or registered before the Record Date and remains registered on that date).

For the purpose of determining entitlements under the Demerger, Iluka will not accept for registration or recognise any transfer or transmission application in respect of Iluka Shares received after the Record Date.

4.5.2 Eligible Shareholders

Iluka Shareholders whose addresses are shown in the Iluka Share Register on the Record Date as being in the following jurisdictions will be Eligible Shareholders and will receive Deterra Shares (unless they are Selling Shareholders):

- Australia, New Zealand, Hong Kong, Singapore, the United Kingdom or the United States; and
- any other jurisdiction in which Iluka reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer Deterra Shares to the Iluka Shareholder.

Certain Eligible Shareholders are entitled to participate in the Sale Facility – see Section 4.8.

4.5.3 Ineligible Overseas Shareholders

Ineligible Overseas Shareholders are Iluka Shareholders whose addresses are shown in the Iluka Share Register on the Record Date as being in a jurisdiction outside the other jurisdictions referred to in Section 4.5.2.

Deterra Shares will not be transferred or distributed to Ineligible Overseas Shareholders. Instead, Deterra Shares which the Ineligible Overseas Shareholders would otherwise have received will be transferred to the Sale Agent to be sold under the Sale Facility.

Refer to Section 4.8 for more information on how the Sale Facility will operate.

4.5.4 Participants in Iluka employee incentive plans

Refer to Section 4.6 for the treatment of participants in the Iluka employee incentive plans on the Record Date. Participants in the Iluka employee incentive plans on the Record Date whose addresses are shown in the Iluka Share Register or employee share trusts register (as applicable) on the Record Date as being in the following jurisdictions will be Eligible Shareholders:

- Australia, New Zealand, Hong Kong, Singapore, the United Kingdom or the United States; or
- any other jurisdiction in which Iluka reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer or distribute Deterra Shares.

Any other participants holding Iluka Shares in the Iluka employee incentive plans on the Record Date whose addresses are shown in the Iluka Share Register or employee share trusts register (as applicable) on the Record Date as being in a jurisdiction outside these jurisdictions will be Ineligible Overseas Shareholders. Deterra Shares to which the Ineligible Overseas Shareholders would otherwise have been entitled will be transferred to the Sale Agent to be sold under the Sale Facility.

Refer to Section 4.8 for more information on how the Sale Facility will operate.

4.6 TREATMENT OF LEGACY ILUKA EMPLOYEE INCENTIVE ARRANGEMENTS FOR CONTINUING ILUKA GROUP EMPLOYEES

Iluka currently has various employee incentive awards on foot, which will each be impacted by the Demerger. The current employee incentive and equity arrangements on foot at the time of Demerger include awards under the following employee incentive plans:

- Executive Incentive Plan (**EIP**);
- Short Term Incentive Plan (**STIP**);
- Long Term Incentive Plan (**LTIP**); and
- Sierra Rutile Limited Restricted Share Plan (**SRL Plan**).

This section outlines the proposed treatment of incentives on foot for employees that will continue to be employed by the Iluka Group.

In general restricted Iluka Share awards will be treated in the same way as other Iluka Shares on implementation of the Demerger. However performance rights, restricted rights, cash units and performance units granted under other Iluka equity incentive plans do not carry a right to participate in the Demerger. The Iluka Board has determined the treatments set out in the following table in order to preserve the overall value of the incentives following the Demerger, and to ensure that participants are not disadvantaged by the Demerger.

SECTION 4
DETAILS OF THE DEMERGER

Award	Award type	Scheduled vesting date(s)	Treatment on demerger of Deterra
EIP – 2018 award	Restricted Iluka Shares	1/03/2020 and 1/03/2021	Restricted Iluka Shares held by, or on behalf of, participants will participate in the Demerger and participants will be allocated one Deterra Share for each Iluka Share held prior to the Demerger. Where the restricted Iluka Shares are held by, or on behalf of, a member of the Iluka Executive team, Deterra Shares allocated to them will be subject to the same holding lock applicable to their restricted Iluka Shares. A portion of the restricted Iluka Shares and/or the Deterra Shares may be released early from any restricted period to help the executive meet any tax liability arising from the Demerger. Deterra Shares allocated to other participants will not be subject to any holding lock.
STIP –2018 and 2019 awards		1/03/2021 and 1/03/2022	
SRL –2018 and 2019 awards		9/03/2021 and 1/03/2022	
STIP – 2018 and 2019 awards	Iluka cash units	1/03/2020, 1/03/2021 and 1/03/2022	Cash units will remain on foot, subject to the original terms, however the cash payment received on vesting will be determined based on the combined value of Iluka Shares and Deterra Shares at the scheduled vesting date.
LTIP – 2017 awards (and, for Iluka Managing Director, his LTIP 2016 award)	Iluka performance rights	1/03/2021	The TSR performance condition will be adjusted to capture the performance of both Iluka and Deterra for the remainder of the performance period post-Demerger (which is expected to be the last two months of the four-year performance period). This reflects that decisions made by current management will have a direct impact on the initial performance of Deterra. Participants will also receive an additional award in the form of performance rights / units to reflect the dilution in the value of Iluka shares after Deterra is demerged. The additional award will be calculated as follows: the number of performance rights / units held before the Demerger multiplied by ((the Iluka five-day VWAP plus Deterra five-day VWAP) divided by the Iluka five-day VWAP) minus the number of performance rights/units held prior to demerger. The additional grants will be made shortly after the Demerger on substantially the same terms as the participant's original awards (with the adjusted relative TSR condition).
	Iluka performance cash units	1/03/2021	

Award	Award type	Scheduled vesting date(s)	Treatment on demerger of Deterra
EIP – 2018 and 2019 awards	Iluka performance rights	1/03/2022 and 1/03/2023	The TSR performance condition will be adjusted so that the combined performance of Iluka and Deterra is tracked prior to Demerger, and post-Demerger only the Iluka performance is measured (i.e. excluding Deterra). This is so that the outcome will reflect the performance over which participants have reasonable control/ oversight. Participants will also receive an additional award in the form of performance rights / units to reflect the dilution in the value of Iluka shares after Deterra is demerged. The additional award will be calculated as follows: the number of performance rights / units held before the Demerger multiplied by ((the Iluka five-day VWAP plus Deterra five-day VWAP) divided by the Iluka five-day VWAP) minus the number of performance rights/units held prior to demerger. The additional grants will be made shortly after the Demerger on substantially the same terms as the participant's original awards (with the adjusted relative TSR condition).
EIP – 2019 awards	Iluka performance units	1/03/2023	
EIP – 2019 awards	Iluka restricted rights	1/03/2021, 1/03/2022 and 1/03/2023	Participants will receive an additional award in the form of restricted rights to reflect the dilution in the value of Iluka shares after Deterra is demerged. The additional award will be calculated as follows: the number of restricted rights held before the Demerger multiplied by ((the Iluka five-day VWAP plus Deterra five-day VWAP) divided by the Iluka five-day VWAP) minus the number of restricted rights held prior to demerger. The additional grants will be made shortly after the Demerger on substantially the same terms as the participant's original awards.

4.7 ASX TRADING IN ILUKA AND DETERRA SHARES

If the Demerger Resolution is passed by Iluka Shareholders and the other conditions to the Demerger are satisfied then:

- on the Business Day prior to the Record Date (expected to be Friday, 23 October 2020):
  - Iluka Shares are expected to commence trading ex the entitlement to receive Deterra Shares; and
  - trading in Deterra Shares on the ASX on a deferred settlement basis is expected to commence for Eligible Shareholders (other than Selling Shareholders);
- on the Implementation Date, the Demerger will be implemented and Deterra Shares will be transferred as described in Section 4.4.3.

4.8 SALE FACILITY

4.8.1 Small Shareholders

Eligible Shareholders who hold 500 Iluka Shares or less as at the Record Date may elect to have all the Deterra Shares that they would otherwise receive sold by the Sale Agent and the proceeds remitted to them as soon as practicable following the sale of those shares (which is expected to occur on or before Tuesday, 17 December 2020), free of any brokerage costs or stamp duty.

Small Shareholders who wish to participate in the Sale Facility should complete and return the Sale Facility Form using the enclosed reply paid envelope, or by fax on 1800 783 447 (within Australia) or +61 3 9473 2555 (international) or by email to corpactprocessing@computershare.com.au so that it is received by the Iluka Share Registry by 2.00pm (AWST) on Thursday, 22 October 2020.

4.8.2 Ineligible Overseas Shareholders

Ineligible Overseas Shareholders will continue to be entitled to hold their Iluka Shares. However, the Deterra Shares which they would otherwise have received will be transferred to the Sale Agent and sold, with the proceeds remitted to them as soon as practicable following the sale of those shares (which is expected to occur on or before Tuesday, 17 December 2020), free of any brokerage costs or stamp duty.

The payment of the proceeds from the sale of Deterra Shares will be in full satisfaction of the rights of Ineligible Overseas Shareholders under the Capital Reduction and Dividend.

4.8.3 Operation of the Sale Facility

Under the Sale Facility, the Sale Agent will sell Deterra Shares during the sale period (which is expected to be from Monday, 2 November 2020 to Monday, 30 November 2020) at the price the Sale Agent determines.

As the market price of Deterra Shares will be subject to change from time to time, the sale price of those Deterra Shares and the proceeds of that sale cannot be guaranteed. Ineligible Overseas Shareholders and Selling Shareholders will be able to obtain information on the market price of Deterra Shares on the ASX's website at www.asx.com.au.

The proceeds received by the Sale Agent will then, as soon as practicable, be distributed to Ineligible Overseas Shareholders and Selling Shareholders by making a deposit into an account with an Australian bank nominated by the Ineligible Overseas Shareholder or Selling Shareholder with the Iluka Share Registry as at the Record Date. If the Ineligible Overseas Shareholder or Selling Shareholder does not have a nominated Australian bank account with the Iluka Share Registry as at the Record Date, the Ineligible Overseas Shareholder or Selling Shareholder will be sent a cheque drawn on an Australian bank in Australian currency for the proceeds of sale. If the relevant Ineligible Overseas Shareholder's or Selling Shareholder's whereabouts are unknown as at the Record Date, the proceeds will be paid into a separate bank account and held until claimed or applied under laws dealing with unclaimed money.

The amount of money received by each Ineligible Overseas Shareholder and Selling Shareholder will be calculated on an averaged basis so that all Ineligible Overseas Shareholders and Selling Shareholders will receive the same price in Australian dollars per Deterra Share, subject to rounding to the nearest whole cent. Consequently, the amount received by Ineligible Overseas Shareholders and Selling Shareholders for each Deterra Share may be more or less than the actual price that is received by the Sale Agent for that particular Deterra Share.

4.9 DEMERGER AGREEMENTS

The key transaction documents to give effect to the Demerger are summarised below.

Not all of the transactions underlying the Corporate Restructure have been entered into or effected on the same terms as could have been obtained from third parties. In particular, agreements for the transactions underlying the Corporate Restructure have not included terms such as certain warranties that might have been obtained from third parties. This reflects the nature of the Demerger (which is unlike a sale to a third party) and the desire of the Iluka Board to appropriately allocate the risks and benefits of these arrangements between the Deterra Group and the Iluka Group.

4.9.1 Restructure Documents

Iluka and Deterra have entered into the Restructure Documents to procure that all steps necessary to effect the Corporate Restructure are undertaken prior to the Implementation Date.

Under the Restructure Documents, the relevant Iluka Group Member and Deterra Group Member have procured the transfer of:

- all the shares in MAC Royalty Co (and as a result, all of MAC Royalty Co's assets, rights and obligations relating to the MAC Royalty and four of the Other Royalties[59] as described in Section 2, including historical documentation (such as maps, correspondence and advice) relating to Mining Area C) from the Iluka Group to the Deterra Group; and
- all the assets, rights and obligations relating to the royalty payable by St Ives Gold Mining Company Pty Limited as described in Section 2 from the Iluka Group to the Deterra Group.

As a result of completion of the Corporate Restructure, each of the MAC Royalty and the Other Royalties are now held by the Deterra Group.

[59] The Other Royalties held by MAC Royalty Co are the royalties payable by Doral Mineral Sands Pty Limited, Sheffield Resources Limited and Cable Sands (W.A.) Pty Ltd.

4.9.2 Demerger Implementation Deed

The Implementation Deed entered into on or about the date of this Demerger Booklet between Iluka and Deterra sets out certain steps required to be taken by each of them to give effect to the Demerger.

The key terms of the Implementation Deed are as follows:

- (**Conditions**) The obligations of Iluka and Deterra under the deed are subject to the conditions summarised in Section 4.1 being satisfied or waived by Iluka.
- (**Joint obligations**) Iluka and Deterra have certain joint obligations in relation to the Demerger including to:
  - apply for all regulatory approvals required for the Demerger;
  - prepare the disclosure documents to be sent to Iluka Shareholders or required for the Deterra Listing, and use reasonable endeavours to ensure that those disclosure documents comply with applicable laws and regulations;
  - use reasonable endeavours to effect the Demerger in accordance with an agreed timetable; and
  - cause the board of Deterra to comprise only the persons named in Section 2.6.1 as directors of Deterra by the effective date of the Demerger.
- (**Iluka obligations**) Iluka must take all reasonable steps within its control to implement the Demerger, including:
  - convening the Extraordinary General Meeting and declaring the Dividend; and
  - procuring the sale of Deterra Shares by the Sale Agent for Ineligible Overseas Shareholders and Selling Shareholders.
- (**Obligations of Deterra**) Deterra must take all reasonable steps within its control to implement the Demerger, including:
  - registering the Deterra Shareholders as referred to in Section 4.4.3; and
  - issuing holding statements to holders of Deterra Shares as contemplated in Section 4.4.3.
- (**Listing**) Deterra must apply for admission of Deterra to the Official List of ASX and official quotation of Deterra Shares on the ASX and Iluka must provide reasonable assistance to enable Deterra to comply with these obligations.
- (**Termination**) The obligations of Iluka and Deterra under the deed will automatically terminate if the Demerger is not implemented on or before 31 December 2020 (or such other date determined by Iluka and Deterra), a majority of the Iluka Directors change their recommendation or withdraw their support for the Demerger or a condition (as summarised in Section 4.1) is not satisfied or waived.

4.9.3 Separation Deed

The Separation Deed entered into between Iluka and Deterra deals with certain issues arising in connection with the separation of Deterra from the Iluka Group.

The key terms of the Separation Deed are as follows:

- (**Demerger Principle**) The fundamental underlying principle of the Demerger is that:
  - the Deterra Group will have the entire economic benefit and risk of the Deterra Business, as if the Deterra Group and not the Iluka Group had owned that business at all times; and
  - the Iluka Group will have the entire economic benefit and risk of the Iluka Business, as if the Iluka Group and not the Deterra Group had owned that business at all times.

  The Deterra Business comprises only the specific MAC Royalty and Other Royalties referred to in this Demerger Booklet. The Iluka Business comprises all other existing and former businesses and operations undertaken by the Iluka Group, including any other royalties and any prior activities undertaken by MAC Royalty Co.

  Iluka is entitled to payment of a dividend from Deterra which reflects after tax revenue derived by the Deterra Group attributable to the period from 1 July 2020 up to and including 30 September 2020, less operating costs incurred by the Deterra Group attributable to the period from 1 July 2020 to the Implementation Date.
- (**Rights and obligations**) To give effect to the Demerger Principle, Iluka and Deterra agree that once the Demerger is implemented, no member of the Iluka Group will have any rights against, or obligations to, any member of the Deterra Group and no member of the Deterra Group will have any rights against, or obligations to, any member of the Iluka Group other than in respect of arrangements which the parties have agreed will continue after the implementation of the Demerger.
- (**Inter-company loans**) Immediately prior to the Implementation Date, all inter-company loans between one or more Iluka Group Members and one or more Deterra Group Members will be settled.

4.9.3 Separation Deed (continued)

- (**Assumption of liabilities**) Consistent with the Demerger Principle:
  - Iluka will assume and be responsible for all liabilities relating to the Iluka Business and Iluka indemnifies the Deterra Group against all claims and liabilities relating to that business, except to the extent such liabilities are attributable to fraud, wilful misconduct or bad faith on the part of any Deterra Group Member; and
  - Deterra will assume and be responsible for all liabilities relating to the Deterra Business and indemnifies the Iluka Group against all claims and liabilities relating to that business, except to the extent such liabilities are attributable to fraud, wilful misconduct or bad faith on the party of the Iluka Group Member.
- (**Releases and indemnities**) Iluka and Deterra agree to the releases and indemnities required to give effect to the Demerger Principle. Iluka will also (subject to certain exceptions) indemnify Deterra from any defective disclosure in this Demerger Booklet, other than information that Deterra is responsible for.
- (**Assets**) If any asset which exclusively relates to:
  - the Deterra Business is identified as being owned by the Iluka Group then, subject to certain limitations and qualifications, the Separation Deed imposes obligations on Iluka to transfer, assign or grant rights over that asset to the Deterra Group for no/nominal consideration; and
  - the Iluka Business is identified as being owned by the Deterra Group then, subject to certain limitations and qualifications, the Separation Deed imposes obligations on Deterra to transfer, assign or grant rights over that asset to the Iluka Group for no/nominal consideration.
- Iluka warrants to Deterra that, so far as Iluka is aware:
  - the Royalties comprise all on foot royalty arrangements to which an Iluka Group Member is a beneficiary other than the Mt Porter royalty (and any replacement of the Mt Porter royalty)[60] which has been deliberately excluded from the scope of the Deterra Business; and
  - there are no assets which exclusively relate to the Iluka Business held by a Deterra Group Member.
- (**Demerger costs**) The Separation Deed sets out responsibility for Demerger transaction costs.
- (**Retained shareholding**) For so long as Iluka retains at least a 10 per cent shareholding in Deterra, Iluka will be entitled to:
  - nominate one director for appointment to the Deterra Board (and nominate a replacement director for appointment to the Deterra Board if the initial Iluka nominee is removed or not re-elected as a director by Deterra Shareholders). Iluka may only nominate a person as a director if Iluka considers, acting reasonably, that such person is a suitable candidate having regarding to his or her experience, standing and character, and will add value to the Deterra Board having regard to the overall composition of the board; and
  - access certain information from Deterra, including information required to facilitate tax and financial reporting by Iluka, and access information obtained by the nominee Deterra Director referred to above subject to that director complying with his or her duties as a Deterra Director and subject to any applicable protocols adopted by the Deterra Board from time to time.

  No escrow restrictions will apply to the retained shareholding.

  During the four year period following implementation of the Demerger, Iluka must not (and must procure that its subsidiaries and, to the extent within its control, its associates do not) acquire a relevant interest in Deterra Shares (from a person other than Deterra itself) that would result in Iluka's voting power (as defined in the Corporations Act) increasing to above 20 per cent.
- (**Royalty interests**) If, during the 2 year period after the Implementation Date, any Iluka Group Member holds a royalty interest, and proposes to divest of that royalty interest, Deterra will have a last right of refusal to acquire that royalty interest. Any resulting sale and purchase transaction between Iluka and Deterra is subject to Deterra Shareholder approval where required under the ASX Listing Rules.
- (**Records and data**) Other than business records which are exclusively used by, or exclusively relate to, the business to be conducted by Deterra (which will be owned by Deterra), all business records will be owned by Iluka. Each party will be obliged to make available relevant business records and data which relate to the other party's business following the Demerger.
- (**Warranties**) Iluka provides a number of warranties as at the Implementation Date in respect of title to the Royalties including no encumbrances on the Royalties, no material default in respect of the Royalties as far as Iluka is aware, no over payment of royalties under the MAC Royalty Agreement as far as Iluka is aware, and no existing litigation in respect of the Deterra Business.

[60] The Mt Porter royalty refers to the royalty payable by Ark Mines Ltd to an Iluka Group Member and any replacement royalty contract over the tenements the subject of the royalty contract.

4.9.4 Transitional Services Agreement

The royalty business within Iluka is currently supported by Iluka's corporate services infrastructure, including the provision of services relating to group accounting, treasury, taxation, superannuation, legal, insurance administration, information management and human resources.

Iluka and Deterra have agreed to enter into a transitional services agreement under which Iluka has agreed to continue to provide some of these services on a transitional basis to Deterra Group for up to 9 months.

Deterra must reimburse Iluka for the provision of these services at cost.

Either party may terminate the agreement or a particular service for a material breach by the other party or if the other party suffers an insolvency event.

4.9.5 Implications if the Demerger does not proceed

If Iluka Shareholders do not approve the Capital Reduction or any of the other conditions of the Demerger are not satisfied or waived, the Demerger will not proceed.

In that event:

- the Capital Reduction will not proceed and the Dividend will not be declared;
- Iluka Shareholders will not receive Deterra Shares (or in the case of Selling Shareholders and Ineligible Overseas Shareholders, they will not receive the proceeds from the sale of Deterra Shares);
- Iluka Shareholders will retain their current holding of Iluka Shares (unless they otherwise sell such shares);
- Iluka will continue to own Deterra which will continue to hold the royalty interests referred to in Section 2;
- the advantages of the Demerger, as described in Section 1.3, will not be realised;
- the disadvantages and risks of the Demerger described in Sections 1.4 and 1.5 will not arise; and
- Iluka will incur transaction costs of approximately A$4.9 million (pre-tax).

5

TAX IMPLICATIONS FOR ILUKA SHAREHOLDERS

SECTION 5
TAX IMPLICATIONS FOR ILUKA SHAREHOLDERS

5.1 INTRODUCTION

The following is a general summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications arising for certain Iluka Shareholders under the Demerger. As this summary is necessarily general in nature, Iluka Shareholders should consult with a professional tax advisor regarding their particular circumstances.

This tax summary only addresses the position of Iluka Shareholders who:

- are registered on the Iluka Share Register as the holders of Iluka Shares at the Record Date;
- hold their Iluka Shares on capital account, i.e. not on revenue account or as trading stock;
- have not elected for the Taxation of Financial Arrangement (**TOFA**) provisions in Division 230 of the *Income Tax Assessment Act* 1997 to apply in respect of their Iluka Shares; and
- did not acquire their Iluka Shares under an Iluka employee incentive plan.

This tax summary does not address any tax consequence arising under the laws of jurisdictions other than Australia.

This tax summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Demerger Booklet.

The comments in this section are generally directed at Iluka Shareholders who are Australian tax residents (and are not tax residents in any other country), and who acquired, or are taken to have acquired, their Iluka Shares on or after 20 September 1985 (**Post-CGT Iluka Shares**).

However, where relevant, specific comments have been made regarding:

- non-resident Iluka Shareholders who (i) do not hold their Iluka Shares in carrying on business through a permanent establishment in Australia; or (ii) did not make an election to treat their Iluka Shares as taxable Australian property when they ceased to be an Australian resident (**residency election**); and
- Iluka Shareholders who acquired, or are taken to have acquired, their Iluka Shares before 20 September 1985 (**Pre-CGT Iluka Shares**).

A non-resident Iluka Shareholder who, together with any tax law associates, owns, or has owned, 10 per cent or more of the shares in Iluka should seek their own advice.

5.2 CLASS RULING

Iluka has applied to the Australian Commissioner of Taxation (**Commissioner**) for a class ruling confirming certain income tax implications of the Demerger for Iluka Shareholders.

Iluka has received a draft of the class ruling which sets out the Commissioner's preliminary, but considered views that:

- demerger tax relief under Division 125 of the *Income Tax Assessment Act 1997* applies to the Demerger (**Demerger Tax Relief**); and
- the Dividend should not be subject to Australian income tax as no determination will be made under section 45B of the *Income Tax Assessment Act 1936* (**s.45B determination**).

The final class ruling will be received from the Commissioner only after the Implementation Date for the Demerger. Accordingly, the information below includes the implications for Iluka Shareholders where:

- Demerger Tax Relief is available; and
- if contrary to the position outlined in the draft class ruling, Demerger Tax Relief is not available or a s.45B determination is made.

5.3 SUMMARY OF EXPECTED OUTCOMES

On the Implementation Date:

- Iluka will undertake the Capital Reduction and will effect the Dividend. The Capital Reduction and Dividend will not be paid in cash, but will be effected by a distribution of Deterra Shares.
- Each Iluka Shareholder (other than Ineligible Overseas Shareholders and Selling Shareholders) will receive one Deterra Share for each Iluka Share it is registered as holding as at the Record Date.

In the case of Ineligible Overseas Shareholders and Selling Shareholders, the Deterra Shares which those shareholders would otherwise have received under the Demerger will be transferred to the Sale Agent to be sold on the ASX. The proceeds of sale will be remitted to the Ineligible Overseas Shareholders and Selling Shareholders.

The Australian income tax consequences of the Demerger for Australian resident Iluka Shareholders are summarised below:

Issue	Australian income tax consequence (assuming Demerger Tax Relief applies)	Refer
Is the Dividend assessable?	You will not be assessed on the Dividend.	Section 5.4.1
Does the Capital Reduction give rise to capital gains tax (CGT) consequences?	If you choose Demerger Tax Relief, you will be able to disregard any capital gain that arises from the Capital Reduction. If you do not choose Demerger Tax Relief, a capital gain may arise. You may be entitled to discount CGT treatment on any capital gain if you held your Iluka Shares for at least 12 months before the Implementation Date.	Section 5.4.2
How do I determine the cost base of the Iluka Shares and Deterra Shares?	You must apportion the tax cost base of your Iluka Shares just before the Demerger between the Iluka Shares and the Deterra Shares held just after the Demerger. Further information will be given to you to assist in this apportionment.	Section 5.4.3
When am I taken to have acquired my Deterra Shares for CGT discount purposes?	You may be entitled to the CGT discount on the subsequent disposal of the Deterra Shares if the Deterra Shares are taken to have been held for 12 months or more. For these purposes, you will be treated as having acquired the corresponding Deterra Shares on the same date as your Iluka Shares.	Section 5.4.4
Does it make a difference if my Iluka Shares are Pre-CGT Iluka Shares?	If you hold Pre-CGT Iluka Shares: • no CGT consequences should arise for you in respect of your Pre-CGT Iluka Shares; • if you choose Demerger Tax Relief, you will be able to treat your corresponding Deterra Shares as pre-CGT assets; and • if you do not choose Demerger Tax Relief, your tax cost base in your Deterra Shares will be equal to their market value on the Implementation Date. You will be treated as having acquired your corresponding Deterra Shares on the Implementation Date.	Sections 5.4.2.2, 5.4.3 and 5.4.4
What happens if I sell my Deterra Shares under the Sale Facility?	The Australian income tax implication of the Demerger outlined above should apply equally to you if your Deterra Shares are sold by the Sale Agent under the Sale Facility. You may also make a capital gain or capital loss on the disposal of the Deterra Shares under the Sale Facility.	Section 5.7

The Australian income tax outcomes for Australian resident Iluka Shareholders will be different if, contrary to the position outlined in the draft class ruling, the Commissioner rules that Demerger Tax Relief is not available or that a s.45B determination will be made – refer to Section 5.5 below for further details.

5.4 DEMERGER TAX RELIEF AVAILABLE

5.4.1 Dividend

The Dividend will not be assessable to Australian resident Iluka Shareholders.

For non-resident Iluka Shareholders, the Dividend should not be assessable income in Australia nor subject to dividend withholding tax.

5.4.2 Capital Reduction – CGT consequences

5.4.2.1 Australian resident Iluka Shareholders with Post-CGT Iluka Shares

Australian resident Iluka Shareholders should generally be eligible to choose Demerger Tax Relief in respect of their Iluka Shares.

An Iluka Shareholder who chooses Demerger Tax Relief will be able to disregard any capital gain that arises under CGT event G1 (capital payment for shares) from the Capital Reduction.

The way an Iluka Shareholder prepares its income tax return will be sufficient evidence of the making of a choice to obtain Demerger Tax Relief. No formal election is required.

CGT event G1 will happen on the Implementation Date for Iluka Shareholders who hold Post-CGT Iluka Shares and who do not choose Demerger Tax Relief in respect of their Deterra Shares:

- Under CGT event G1, a capital gain will arise to the extent (if any) that the Capital Reduction Amount in respect of that Iluka Share exceeds the cost base of that share.
- Australian resident Iluka Shareholders may be entitled to discount CGT treatment on any capital gain arising in respect of the Capital Reduction. Discount CGT treatment is available for an Australian resident Iluka Shareholder that is an individual, trust, or complying superannuation entity and who acquired their Iluka Shares at least 12 months before the Implementation Date. The discount factor will vary depending on the tax profile of the Iluka Shareholder. Specifically, the discount factor for resident individuals and trusts is 1/2 and for complying superannuation entities is 1/3.

5.4.2.2 Pre-CGT Iluka Shares

No CGT consequences should arise for Iluka Shareholders in respect of Pre-CGT Iluka Shares.

5.4.2.3 Non-resident Iluka Shareholders

For a non-resident Iluka Shareholder who does not hold their Iluka Shares in carrying on a business through a permanent establishment in Australia and has not made a residency election, CGT consequences should arise only if:

- that Iluka Shareholder together with its tax law associates held 10 per cent or more of the Iluka Shares at the time of disposal or for any continuous 12 month period within two years preceding the disposal (referred to as a "non-portfolio interest" in Iluka); and
- more than 50 per cent of Iluka's value is attributable to direct or indirect interests in "taxable Australian real property" (as defined in the *Income Tax Assessment Act 1997*).

Non-resident Iluka Shareholders who hold (or have held) a non-portfolio interest should obtain independent professional advice as to the tax implications of the Capital Reduction.

5.4.3 CGT cost base in Iluka Shares and Deterra Shares

Irrespective of whether Demerger Tax Relief is chosen, Australian resident Iluka Shareholders who hold Post-CGT Iluka Shares must apportion the tax cost base of their Post-CGT Iluka Shares just before the Demerger between the Post-CGT Iluka Shares and Deterra Shares held just after the Demerger.

The first element of the tax cost base of each Post-CGT Iluka Share and corresponding Deterra Share held by an Australian resident Iluka Shareholder just after the Demerger will be determined as follows:

- calculate the total of the cost bases of Post-CGT Iluka Shares held (worked out just before the Demerger); and
- apportion the result of the above calculation between the Post-CGT Iluka Shares and corresponding Deterra Shares held just after the Demerger, having regard to the market values (or a reasonable approximation thereof) of the shares just after the Demerger. Iluka will provide Iluka Shareholders with information to assist them in determining the respective cost bases of their Iluka Shares and corresponding Deterra Shares on the Iluka website (www.iluka.com) following the Demerger.

The tax cost base of Deterra Shares in relation to Australian resident Iluka Shareholders that hold Pre-CGT Iluka Shares is as follows:

- if Demerger Tax Relief is chosen, Iluka Shareholders will be able to treat their Deterra Shares as pre-CGT assets (discussed further below in Section 5.4.4); and
- if Demerger Tax Relief is not chosen, Iluka Shareholders will have a first element tax cost base and reduced cost base in their Deterra Shares equal to their market value on the Implementation Date.

5.4.4 Time of acquisition of Deterra Shares

For Iluka Shareholders who may be entitled to the CGT discount on the subsequent disposal of their Deterra Shares, irrespective of whether Demerger Tax Relief is chosen, these shareholders will be treated as having acquired the corresponding Deterra Shares on the same date as their Iluka Shares.

Iluka Shareholders that hold Pre-CGT Iluka Shares and choose Demerger Tax Relief will be treated as having acquired the corresponding Deterra Shares before 20 September 1985, i.e. the corresponding Deterra Shares will be treated as pre-CGT assets.

Iluka Shareholders that hold Pre-CGT Iluka Shares and do not choose Demerger Tax Relief will be treated as having acquired the corresponding Deterra Shares on the Implementation Date.

5.5 DEMERGER TAX RELIEF NOT AVAILABLE

If, contrary to the position outlined in the draft class ruling, the Commissioner rules that Demerger Tax Relief is not available, Australian resident Iluka Shareholders:

- will be required to include the Dividend in their assessable income;
- will make a capital gain under CGT event G1 to the extent (if any) that the Capital Reduction Amount received by the Iluka Shareholder exceeds the cost base of their Iluka Shares;
- will have a first element tax cost base and reduced cost base in their Deterra Shares equal to their market value on the Implementation Date; and
- will be taken to have acquired their Deterra Shares on the Implementation Date for the purposes of determining eligibility for the CGT discount.

If, contrary to the position outlined in the draft class ruling, the Commissioner does make a s.45B determination, the following consequences may apply for Iluka Shareholders:

- the Dividend may be assessable income; and/or
- the Capital Reduction may be treated as an unfranked dividend.

5.6 HOLDING DETERRA SHARES AFTER THE DEMERGER

The Australian income tax consequences for holding Deterra Shares should generally be the same as holding Iluka Shares.

5.6.1 Dividends

Australian resident Deterra Shareholders will be required to include dividends in respect of Deterra Shares in their assessable income for the income year in which the dividends are received.

Dividends may be franked to the extent determined by Deterra.

For Australian resident Deterra Shareholders:

- subject to the "qualified person" rules, the Deterra Shareholder should include any franking credits in their assessable income and should be entitled to a tax offset equal to the franking credits received;
- a Deterra Shareholder that is an individual or complying superannuation entity may be able to receive a tax refund in a particular year if the franking credits attached to the dividend exceed the tax payable on the Deterra Shareholder's total taxable income for that income year;
- a Deterra Shareholder that is a company will not be entitled to a tax refund of excess franking credits. Rather, the excess franking credits may be converted to a tax loss which can be carried forward to future years (subject to the Deterra Shareholder satisfying certain loss carry forward rules); and
- Deterra Shareholders that are trusts should obtain their own advice on the Australian tax treatment of dividends received from Deterra and any franking credits attached.

For non-resident Deterra Shareholders:

- to the extent a dividend is franked, no dividend withholding tax (**DWT**) should arise; and
- to the extent a dividend is unfranked, DWT of 30 per cent will arise subject to reduction under relevant double tax agreements between Australia and the country of residence of the shareholder.

5.6.2 Sale of Deterra Shares

Australian resident Deterra Shareholders will make a capital gain or capital loss depending on whether the sale proceeds from the disposal of their Deterra Shares exceed the cost base of the shares sold.

Assuming Demerger Tax Relief is available, for the purpose of determining the CGT consequences from a sale of the Deterra Shares:

- the cost base of the Deterra Shares will be as outlined in Section 5.4.3;
- for the purpose of determining whether the Deterra Shares are held for 12 months or more for the purpose of the CGT discount, shareholders will be treated as having acquired the corresponding Deterra Shares on the same date as their Iluka Shares (see Section 5.4.4); and
- any capital gain or capital loss on the disposal of Deterra Shares deemed to have been acquired before 20 September 1985 will be disregarded.

A non-resident Deterra Shareholder should not be subject to CGT unless their Deterra Shares are held via an Australian permanent establishment.

5.7 SALE FACILITY

The Australian income tax implications of the Demerger outlined in Sections 5.4 and 5.5 should apply equally to Selling Shareholders whose Deterra Shares are sold by the Sale Agent on the ASX under the Sale Facility.

Under the Sale Facility, Selling Shareholders should be regarded for CGT purposes as having disposed of their Deterra Shares under CGT event A1 (disposal of a CGT asset). The disposal proceeds will equal the proceeds received under the Sale Facility.

Assuming Demerger Tax Relief is available, for the purpose of determining whether a capital gain or capital loss arises:

- the cost base of the Deterra Shares will be as outlined in Section 5.4.3;
- for the purpose of determining whether the Deterra Shares are held for 12 months or more for the purpose of the CGT discount, shareholders will be treated as having acquired the corresponding Deterra Shares on the same date as their Iluka Shares (see Section 5.4.4); and
- any capital gain or capital loss on the disposal of Deterra Shares deemed to have been acquired before 20 September 1985 will be disregarded.

No Australian income tax consequences should arise for Selling Shareholders who are non-residents unless their Deterra Shares are held via an Australian permanent establishment.

5.8 OTHER MATTERS

5.8.1 Australian Tax File Number (TFN) and Australian Business Number (ABN)

Following the Demerger, it is expected that Iluka Shareholders will be given the opportunity to quote their TFN, TFN exemption or their ABN in respect of Deterra Shares. These numbers will not be transferred or otherwise provided to Deterra.

Iluka Shareholders need not quote a TFN, TFN exemption or ABN in respect of their Deterra Shares. However, if they do not, then TFN withholding may be required to be deducted from any dividends paid by Deterra at the highest marginal tax rate plus the medicate levy (currently 47 per cent in total).

5.8.2 GST

No GST should be payable by Iluka Shareholders in relation to their participation in the Demerger.

However, the eligibility for Iluka Shareholders to claim full or partial input tax credits in relation to GST incurred on advisor fees and other costs relating to their participation in the Demerger will depend on the individual circumstances of each shareholder.

5.8.3 Stamp Duty

No stamp duty should be payable in any Australian State or Territory by Iluka Shareholders in relation to their participation in the Demerger.

5.8.4 Iluka employee incentive plan

Further information in relation to the tax treatment for employee incentive plan participants will be provided separately to employees.

5.8.5 Foreign resident CGT withholding declaration

Iluka warrants that it has at all times up to and including the Implementation Date been an Australian resident for tax purposes in accordance with the *Income Tax Assessment Act 1936*.

6

INVESTIGATING ACCOUNTANT'S REPORT

pwc

The Directors
Iluka Resources Limited (**Iluka**)
Level 17, 240 St Georges Terrace
PERTH WA 6000

The Directors
Deterra Royalties Limited (**Deterra**)
Level 17, 240 St Georges Terrace
PERTH WA 6000

10 September 2020

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on the historical and pro forma historical financial information and Financial Services Guide

We have been engaged by Iluka and Deterra (together, **you**) to report on the Iluka Historical and (post Demerger) Pro Forma Historical Financial Information and the Deterra Pro Forma Historical Financial Information (as those terms are defined in the "Scope" section of this report) (together, the **Demerger Financial Information**) for inclusion in the Demerger Booklet dated on or about 10 September 2020, to be issued by Iluka in respect of the proposed demerger of Deterra from Iluka (the **Demerger**).

Expressions and terms defined in the Demerger Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services License under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services license under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information included in the Demerger Booklet, the:

Iluka Historical Financial Information

- Iluka consolidated historical balance sheet as at 30 June 2020 as set out in table 3.4 in section 3.11.7 of the Demerger Booklet;
- Iluka consolidated historical income statements for the years ended 31 December 2018 and 31 December 2019 and the half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.1 in section 3.11.3 of the Demerger Booklet; and

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- Iluka consolidated historical free cash flow statements for the years ended 31 December 2018 and 31 December 2019 and the half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.5 in section 3.11.8 of the Demerger Booklet;

collectively the **Iluka Historical Financial Information**.

The Iluka Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Iluka's adopted accounting policies. The Iluka Historical Financial Information has been extracted from the annual and interim financial reports of Iluka for the years ended 31 December 2018 and 31 December 2019 and the half-years ended 30 June 2019 and 30 June 2020. The annual financial reports were audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards and upon which PricewaterhouseCoopers issued an unmodified audit opinion. The interim financial reports were reviewed by PricewaterhouseCoopers in accordance with the Australian Auditing Standards and upon which PricewaterhouseCoopers issued an unmodified review opinion. The Iluka Historical Financial Information is presented in the Demerger Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested PricewaterhouseCoopers Securities Ltd to review the following pro forma historical financial information included in the Demerger Booklet (in each case, which assumes completion of the Demerger), the:

Iluka (post Demerger) Pro Forma Historical Financial Information

- Iluka (post Demerger) pro forma consolidated historical balance sheet as at 30 June 2020 as set out in table 3.4 in section 3.11.7 of the Demerger Booklet;
- Iluka (post Demerger) pro forma consolidated historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.2 in section 3.11.5 of the Demerger Booklet; and
- Iluka (post Demerger) pro forma consolidated historical free cash flow statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.6 in section 3.11.9 of the Demerger Booklet;

collectively the **Iluka (post Demerger) Pro Forma Historical Financial Information**.

Deterra Pro Forma Historical Financial Information

- Deterra pro forma consolidated historical balance sheet as at 30 June 2020 as set out in table 2.11 in section 2.9.6 of the Demerger Booklet;
- Deterra pro forma consolidated historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 2.7 in section 2.9.3 of the Demerger Booklet; and
- Deterra pro forma consolidated historical free cash flow statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 2.12 in section 2.9.8 of the Demerger Booklet.

collectively the **Deterra Pro Forma Historical Financial Information**.

The Iluka (post Demerger) and Deterra Pro Forma Historical Financial Information (together, the **Pro Forma Historical Financial Information**) has been derived from the historical financial information of Iluka and Deterra, after adjusting for the effects of pro forma adjustments described in sections 3.11.1.2 and 2.9.1 of the Demerger Booklet. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and Iluka's and Deterra's (as applicable) adopted accounting policies applied to their historical financial information (as applicable) and the events or transactions to which the pro forma adjustments relate, as described in sections 3.11.1.2 and 2.9.1 of the Demerger Booklet, as if those events or transactions had occurred as at the date of the historical financial information (as applicable). Due to its nature, the Iluka Pro Forma Historical Financial Information or Deterra Pro Forma Historical Financial Information (as the case may be) does not represent Iluka's and Deterra's (as applicable) actual or prospective financial performance, financial position and/or cash flows.

Directors' responsibility

The directors of Iluka are responsible for the preparation of the Demerger Financial Information, including their basis of preparation and the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors of Iluka determine are necessary to enable the preparation of Demerger Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Demerger Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, comprising:

Iluka Historical Financial Information

- Iluka consolidated historical balance sheet as at 30 June 2020 as set out in table 3.4 in section 3.11.7 of the Demerger Booklet;
- Iluka consolidated historical income statements for the years ended 31 December 2018 and 31 December 2019 and the half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.1 in section 3.11.3 of the Demerger Booklet; and

- Iluka consolidated historical cash flow statements for the years ended 31 December 2018 and 31 December 2019 and the half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.5 in section 3.11.8 of the Demerger Booklet;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in sections 3.11.1.1 of the Demerger Booklet.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, comprising:

Iluka (post Demerger) Pro Forma Historical Financial Information

- Iluka (post Demerger) pro forma consolidated historical balance sheet as at 30 June 2020 as set out in table 3.4 in section 3.11.7 of the Demerger Booklet;
- Iluka (post Demerger) pro forma consolidated historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.2 in section 3.11.5 of the Demerger Booklet; and
- Iluka (post Demerger) pro forma consolidated historical free cash flows for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 3.6 in section 3.11.9 of the Demerger Booklet;

in each case, which assumes completion of the Demerger, and

Deterra Pro Forma Historical Financial Information

- Deterra pro forma consolidated historical balance sheet as at 30 June 2020 as set out in table 2.11 in section 2.9.6 of the Demerger Booklet;
- Deterra pro forma consolidated historical income statements for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 2.7 in section 2.9.3 of the Demerger Booklet; and
- Deterra pro forma consolidated historical free cash flows for the years ended 31 December 2018 and 31 December 2019, and half-years ended 30 June 2019 and 30 June 2020 as set out in table 2.12 in section 2.9.8 of the Demerger Booklet.

in each case, which assumes completion of the Demerger,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in sections 3.11.1.2 and 2.9.1 of the Demerger Booklet.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

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Restriction on Use

Without modifying our conclusions, we draw attention to the sections 2.9.1 and 3.11.1.2 of the Demerger Booklet, which describes the purpose of the Demerger Financial Information, being for inclusion in the Demerger Booklet. As a result, the Demerger Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Demerger Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Demerger Booklet.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this Demerger other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Darren Carton
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 10 September 2020

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Iluka Resources Ltd (**Iluka**) and Australian Strategic Materials Ltd (**Deterra**) to provide a report in the form of an Investigating Accountant's Report (the **Report**) in relation to the Demerger Financial Information (as those terms are defined in the Report) for inclusion in the Demerger Booklet to be dated on or about 10 September 2020 and relating to the proposed demerger of Deterra from Iluka.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged are $306,000 (excluding GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Iluka.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (**"AFCA"**), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Darren Carton
Authorised representative of PwC Securities
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000

7

INDEPENDENT EXPERT'S REPORT

Deloitte.

Iluka Resources Limited

Independent expert's report and Financial Services Guide

9 September 2020

Financial Services Guide (FSG)

What is a Financial Services Guide?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (AFSL 241457) has been engaged by Iluka Resources Limited to prepare an independent expert's report (our Report) in connection with the proposed demerger of its Mining Area C Royalty Business (the Proposed Demerger). Iluka Resources Limited will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately $290,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the Proposed Demerger.

Apart from these fees, Deloitte Corporate Finance, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls Deloitte Corporate Finance. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS). FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

9 September 2020

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Tower 2, Brookfield Place, Perth, WA 6000

Deloitte.

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The Directors
Iluka Resources Limited
240 St Georges Terrace
Perth
WA 6000

9 September 2020

Dear Directors

Re: Independent expert's report – Proposed Demerger of Deterra Royalties Limited by Iluka Resources Limited

Introduction

On 20 February 2020, Iluka Resources Limited (Iluka or the Company) announced its intention to demerge its Mining Area C (MAC) Royalty Business (MAC Royalty Business) (the Proposed Demerger).

Iluka is an international mineral sands company that engages in exploration, project development, mining operations, processing, marketing and rehabilitation activities. Iluka is one of the largest producers of zircon globally, and a major producer of titanium dioxide feedstock (rutile, chloride ilmenite and synthetic rutile). Iluka has operating mines and processing operations in Western Australia, South Australia and Sierra Leone. Additionally, Iluka has exploration, pre-development and development projects in Western Australia, South Australia, Victoria, New South Wales, Sierra Leone and Sri Lanka.

Iluka also holds a royalty over iron ore sales revenues derived from mining in a specified MAC area in Western Australia. MAC is operated by BHP Group Limited (BHP) on behalf of a joint venture between BHP Billiton Minerals Pty Ltd (a wholly owned Subsidiary of BHP), Itochu Minerals & Energy of Australia Pty Ltd (Itochu) and Mitsui Iron Ore Corporation Pty Ltd (Mitsui).

Refer to Section 2.1 and Section 2.3 for further detail on each business.

Under the terms of the Proposed Demerger, the MAC Royalty Business would be demerged from Iluka and the entity that owns the MAC Royalty Business would become a new Australian Securities Exchange (ASX) listed royalty company known as Deterra Royalties Limited (Deterra), with Iluka's shareholders (the Shareholders) receiving one share in Deterra for each existing share held in Iluka whilst retaining their existing shareholding in Iluka. The Company will retain a minority interest of 20% in Deterra.

The Directors of the Company (the Directors) have engaged Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) to provide an independent expert's report (IER) advising whether, in our opinion, the Proposed Demerger is in the best interests of the Shareholders and whether the Proposed Demerger will materially prejudice Iluka's ability to pay its creditors.

Our field work was completed on 6 August 2020.

Purpose of the report

The Proposed Demerger will be the subject of a vote by the Shareholders. On the basis that the Proposed Demerger will not result in a change in the underlying economic interests of security holders, a change of control or selective treatment of different security holders, there is no statutory requirement for the preparation of an IER in respect of the Proposed Demerger. Nonetheless, the Directors have requested an IER to assist the Shareholders in their consideration of the Proposed Demerger.

This report is to be included in the booklet detailing the Proposed Demerger (**the Demerger Booklet**) to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Demerger. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Iluka, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

We have prepared this report having regard to Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 in relation to the content of expert's reports and ASIC Regulatory Guide 112 in respect of the independence of experts.

ASIC Regulatory Guide 111 specifically addresses the basis under which an expert should form an opinion in relation to demergers and demutualisations. In particular, RG 111.35 and 111.36 state that the issue of 'value' may be of secondary importance in the absence of the following effects resulting from the implementation of the demerger:

- a change in the underlying economic interests of security holders
- a change of control
- selective treatment of different security holders.

In addition, RG 111.37 states that "If the demerger or demutualisation involves a scheme of arrangement and the expert concludes that the advantages of the transaction outweigh the disadvantages, the expert should say that the scheme is in the best interests of the members." Whilst the Proposed Demerger will not be effected via a scheme of arrangement, we have adopted a basis of evaluation consistent with the wording of RG 111.37 noted above.

If the Proposed Demerger proceeds, it would not result in a change of control or selective treatment among Shareholders. In addition, Shareholders will retain the same underlying economic interest in Iluka but will hold shares in two entities (Iluka and Deterra) in place of holding shares in a single entity (Iluka). Accordingly, in forming our opinion as to whether the Proposed Demerger is in the best interests of Shareholders, we have assessed the advantages and disadvantages of the Proposed Demerger and the implications for Shareholders if the Proposed Demerger does not proceed. A summary of our analysis is set out below.

Summary and conclusion

In assessing whether the Proposed Demerger is in the best interests of Shareholders, we have considered the advantages and disadvantages of the Proposed Demerger and the implications for Shareholders if the Proposed Demerger does not proceed. Our analysis is set out below.

Advantages of the Proposed Demerger

Separating two very different businesses to facilitate greater strategic focus for each business

Iluka's board and management team currently oversee two businesses which have different risk/return profiles and asset characteristics. Given the differences between the two businesses, there are limited operational synergies from managing both businesses in one company. Further, the businesses require different core competencies and strategies to maximise value. Following the Proposed Demerger, Iluka and Deterra will each have their own board and senior management team focused on their respective business. The impact of the dedicated strategic focus following the Proposed Demerger is likely to be more significant for Deterra given that the Proposed Demerger will create a board and management

team focused solely on developing and optimising the performance of this business and pursuing its own strategic and operational priorities for the first time. At present, strategic decisions relating to Deterra are largely made considering the impact on the broader Iluka group.

On the basis that Iluka (post Proposed Demerger) and Deterra are then able to pursue value enhancing opportunities more effectively, it is not unreasonable to expect that this will ultimately be reflected in the share price of Deterra and Iluka.

Ability to structure funding, dividend policy and capital management according to the respective requirements of each business

Historically, Iluka has operated a single capital structure, largely driven by the requirements of the mineral sands business as the primary business.

As noted in Section 3.8, the Mineral Sands and Rare Earths business (**Mineral Sands**), as an operating mining company, has a greater requirement for capital than Deterra which is a recipient of royalty income. Additionally, the relative risk/return profiles of each business are different resulting in a higher cost of capital for the Mineral Sands business to compensate for the higher risk relative to Deterra's business. Iluka's cost of capital and funding priorities being focused on the Mineral Sands business has historically hindered Iluka from actively bidding for royalty-based acquisition targets. In this way, Iluka has been unable to fully exploit growth opportunities available to Deterra.

Iluka currently operates a group dividend policy that targets a dividend payout ratio of 40% of free cash flow that is not required for investing or capital activity. Following the Proposed Demerger, Iluka has proposed to maintain the same policy, while Deterra will target a dividend payout ratio of 100% of net profit after tax (at the discretion of the Deterra board). A Shareholder's preference for a higher or lower dividend payout ratio will depend on their individual income and risk preferences. Further details of the proposed dividend policies of Iluka (post Proposed Demerger) and Deterra are set out in Section 3.5.

The Proposed Demerger will enable Deterra to independently structure its funding and manage capital requirements, providing Deterra with enhanced financial flexibility to grow the business. It will also ensure that Iluka (post Proposed Demerger) remains firmly focused on capital discipline when making new investment decisions.

Unlocking value for Shareholders

Separating the two distinct businesses and enabling them to pursue their own strategies, each equipped with an appropriate capital structure, financing and dividend policy, provides an environment in which value from Deterra can be unlocked for Shareholders.

As discussed in Section 3.8, increasing the dividend payout ratio for Deterra from the current Iluka target payout ratio of 40% of cash flows to 100% of net profit after tax would increase cash distributions to Shareholders by c. 56% based on 2019 pro-forma data. Illustratively, this uplift will increase to c. 77% once South Flank is fully ramped up[1]. In addition, the growth strategy for Deterra of acquiring value accretive royalties to complement the portfolio has the potential to further increase the future dividends to Shareholders.

When diverse businesses demerge, market valuations tend to become less complex and more likely to better reflect the value of each business appropriately. In particular, if the Proposed Demerger is completed, Iluka (post Proposed Demerger) and Deterra will each be responsible for making their own market disclosures. Subsequently, the Proposed Demerger will provide greater transparency of the individual operations and strategies of Deterra so that investors and market analysts will be able to separately analyse the underlying performance, risks and growth prospects more effectively and make better informed decisions. A potential value uplift cannot yet be quantified, however, the Proposed Demerger is expected to simplify market valuations for each business going forward.

Greater flexibility for Shareholders and new investors based on their investment objectives

Immediately following the Proposed Demerger, eligible Shareholders will hold approximately the same total ownership interest they currently hold in Iluka through separate shareholdings in Iluka (post Proposed Demerger) and Deterra. Accordingly, aside from Iluka's retained stake of 20% in Deterra, the Proposed Demerger will provide Shareholders with the flexibility to sell or otherwise alter the composition of their portfolio based on their investment objectives, risk profiles and desired industry and commodity exposures.

Although royalty companies are uncommon in Australia and some potential investors may need to be informed and educated regarding the merits of investing in a royalty company, there are many investors who target stocks that offer a recurring yield. These include superannuation funds, other institutional investors trying to maximise returns without exposing themselves to undue risk and individuals seeking

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[1] based on 2019 historicals and pro forma historicals, with MAC royalty cash flows adjusted on a pro rated volume basis and excluding one-off production capacity payments

a better return on their cash. Current market conditions have seen interest rates decline and dividend yields fall to their lowest level since 1994[2]. Dividend cuts and earnings downgrades have also driven yield seeking investors towards iron ore miners[3]. This comes as high iron ore prices have resulted in strong performance for iron ore miners. This combination presents a unique benefit for Deterra given its primary royalty is derived from a premium quality, growing iron ore operation.

We note that there have been three new royalty company listings globally in the past twelve months suggesting sufficient investor interest in high yield stocks. Refer to Appendix 1 for further details. These new entrants have added c. $946.5 million to the market capitalisation of the global royalty industry.

Given the different risk profiles of the Mineral Sands business and Deterra discussed in Section 3.8, it is likely that, over time, each entity will attract a different set of shareholders with different investment objectives. The Proposed Demerger will provide Shareholders with the flexibility to consider whether Deterra is an appropriate investment given their preferred risk/return profile and their relative desire for income from their investments. It is also anticipated that Deterra will attract a new set of investors who would not otherwise invest in Iluka in its current form.

Alignment of management incentives

The Proposed Demerger will enable each entity to implement an incentive scheme directly linked to the performance of the business over which its management has control.

The Proposed Demerger will increase flexibility for each business to determine compensation and incentive plans that have closer alignment to each business' underlying strategy, performance and shareholder value creation.

Disadvantages of the Proposed Demerger

Reduced company size and loss of diversification

Following the Proposed Demerger, Shareholders will hold shares in two ASX listed companies, each of which will be smaller in terms of earnings and have less diverse operations than Iluka. Iluka (post Proposed Demerger) will have greater exposure to future weakness in pricing or demand for zircon, rutile, ilmenite and monazite but will maintain some diversification through its 20% retained interest in Deterra. As a standalone business, Deterra will be almost solely exposed to iron ore prices as a key driver of royalties received.

As discussed in Section 3.8, we anticipate that some brokers may increase their discount rate or reduce their multiple assumptions for the Mineral Sands business resulting in a lower valuation, however any change will likely be offset by the incremental shareholder value created through the change in dividend policy for Deterra on a standalone basis (which will also benefit Iluka due to its 20% ownership).

Prior to the Proposed Demerger, Iluka was a constituent of the ASX 100 and ASX 200. Whilst Iluka (post Proposed Demerger) and Deterra are expected to be sufficiently large to qualify as constituents of the ASX 200 individually, it is uncertain whether either will qualify as a constituent of the ASX 100. As some fund managers are mandated to hold shares in constituents of the ASX 100, if Iluka (post Proposed Demerger) and Deterra do not qualify, some fund managers may be required to dispose of their shares. However, this may be offset by some other fund managers who are mandated to hold investments in the ASX 200 and investors who are attracted to Deterra's investment profile. As a result, it is uncertain what the impact of index exclusion and inclusion will be for Iluka (post Proposed Demerger) and Deterra.

Iluka's unsecured debt facilities are not due to expire until July 2024 and will remain in place with the Mineral Sands business. The terms of any subsequent refinancing will be assessed at that time, and there is a possibility that Iluka's reduced access to MAC royalty cash flows could affect the terms negotiated in the future.

One-off transaction and implementation costs

Iluka has estimated one-off costs of approximately $17.9 million (pre-tax) related to the Proposed Demerger including professional adviser fees, legal fees, printing and other costs. Approximately $4.9 million is anticipated to have been incurred prior to the Extraordinary General Meeting.

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[2] The Australian – Avoiding the yield traps key for income investors - https://www.theaustralian.com.au/business/markets/avoiding-the-yield-traps-key-for-income-investors/news-story/d0903466196ffd5aa776253bbdd4cf03 dated 9 July 2020

[3] AFR – 'Gushing cash': Iron ore miners a yield hunter favourite' https://www.afr.com/markets/equity-markets/gushing-cash-iron-ore-miners-are-a-yield-favourite-20200616-p552z7#:~:text=A%20soaring%20iron%20ore%20price,scarce%20in%20the%20Australian%20sharemarket.&text=Sturdy%20demand%20from%20China%20has,keep%20selling%20through%20the%20pandemic. dated 24 June 2020

In addition to these costs, Deterra is anticipated to incur one-off separation costs of approximately $0.3 million (pre-tax).

Total costs are estimated to be $18.2 million which includes transaction and separation costs.

Additional ongoing corporate costs

Post Proposed Demerger, Deterra will lose the synergy benefits of sharing corporate costs with the Mineral Sands business. Therefore, Deterra will incur approximately $6.9 million of ongoing corporate costs (pre-tax) in respect of running a separately listed business, including having its own management team, board of directors and functional corporate structure.

Short term share trading

In the short term, Iluka and Deterra share prices may be affected by relatively high levels of buying and selling activity that commonly follows demergers.

Other considerations

Tax implications of the Proposed Demerger

We understand that Iluka has sought legal and tax advice in relation to the Proposed Demerger and has also lodged an application with the Australian Taxation Office (ATO) for a class ruling to confirm certain Australian income taxation implications of the Proposed Demerger. At the date of this report, the class ruling has not been issued.

Iluka has received a draft of the class ruling which sets out the Commissioner's preliminary views that:

- demerger tax relief under Division 125 of the Income Tax Assessment Act 1997 applies to the Demerger
- the dividend should not be subject to Australian income tax as no determination will be made under section 45B of the Income Tax Assessment Act 1936.

The final class ruling will be received from the Commissioner only after the Implementation Date for the Demerger.

Further details of the tax implications of the Proposed Demerger are available in Section 5 of the Demerger Booklet.

Ineligible shareholders

Shareholders with registered addresses outside of Australia, New Zealand, United Kingdom, Hong Kong, Singapore, the United States (**US**) or a jurisdiction in which Iluka reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer the Deterra shares to the Iluka Shareholder; will not be entitled to receive Deterra shares issued as part of the Proposed Demerger.

In addition, some Shareholders may not be permitted to retain Deterra shares under the terms of their investment mandates.

The treatment of the shares in Deterra in respect of these ineligible Shareholders is set out in Section 4 of the Demerger Booklet.

Alternatives considered

Iluka has considered a number of alternatives for the MAC Royalty Business, including maintaining the current Iluka structure, amending Iluka's dividend policy, a divestment or an initial public offering (**IPO**) of Deterra. The Iluka Directors are of the view that separation of the businesses has the potential to unlock material shareholder value over time relative to the current combined structure and that, of the options to separate, the Demerger is the most likely to enhance long term value for Shareholders. These alternatives are discussed below:

- **Maintaining the current structure**: enables Iluka to maintain its size and diverse business lines as well as reducing transaction costs. It would, however, mean that the businesses would not be able to adopt distinct growth strategies, capital structure and funding policies appropriate for each business. In the current structure, investors do not have the flexibility to adjust their exposure to Deterra independently from their exposure to the Mineral Sands business, according to their risk tolerance and investment objectives. We note that the Iluka Directors do not believe this will deliver the greatest long-term value to Shareholders compared to the alternatives considered
- **Changing the Iluka dividend policy**: this was considered as a means to give investors greater visibility of future dividends and could be achieved either through a change in the stated dividend

policy or a change in the constitution. This alternative would have the same advantages and disadvantages as maintaining the current structure but would have an additional advantage of potentially enabling a greater dividend distribution. However, the policy would still need to take into account the ability to pay dividends from an Iluka group point of view rather than being able to have a separate policy in relation to the MAC Royalty business only and therefore would still be constrained by the requirements of the Mineral Sands business

- **Divestment of the MAC Royalty Business:** a successfully executed sale would have the benefit of generating proceeds for Iluka, however, it would be a longer process than a demerger with no certainty of a successful outcome. A sale of the MAC Royalty Business requires a third party buyer willing and able to pay a fair price to be found, whereas a demerger can be executed by Iluka with a higher degree of certainty. A divestment would secure a price based on prevailing market expectations of value at the time of the transaction, which may not fully reflect current value or the potential upside value from mine life extensions, resource upgrades or future exploration success. In addition, a divestment would incur greater transaction costs (notably capital gains tax costs) than a demerger

- **IPO of the MAC Royalty Business:** similar to a divestment, a successfully executed IPO would have the benefit of generating proceeds for Iluka from the sale of Deterra shares, however, it would be a longer process than a demerger and would need to be timed appropriately for when market conditions allow for a successful outcome. An IPO of Deterra requires third party investors (including Shareholders) to invest new money whereas a demerger can be executed by Iluka with a higher degree of certainty and no additional investment from third party investors and Shareholders. An IPO would also secure a price based on prevailing market expectations of value and the level of investor interest at the time of the transaction, which may not fully reflect current value or the potential upside value from mine life extensions, resource upgrades or future exploration success. In addition, an IPO would incur greater transaction costs (notably capital gains tax costs) than a demerger

After considering the advantages and disadvantages of these alternatives, the Directors of Iluka considered the Proposed Demerger to be the most attractive option available.

Empirical studies on demergers

Recent empirical evidence of demergers in the Australian market is limited. The evidence is mainly restricted to US and European markets. Chai, Lin and Veld (2016)[4] examined the announcement effects and the long-run share performance associated with demergers for companies listed on the ASX. They found a significant positive 2.93% demerger announcement effect over a 3-day window surrounding the announcement day and significant long-run excess returns up to 36 months after demerger announcements.

In Appendix 2, we set out a high level summary of recent empirical evidence for the Australian market and historical academic studies from US and European markets. The results of the recent empirical evidence for the Australian market and the evidence from the less recent historical academic studies seem to support the assertion that share prices outperform market indices following a demerger.

Implications if the Proposed Demerger does not proceed

If the Proposed Demerger does not proceed, there will be no change in Iluka and it will remain listed on the ASX in its current form. Accordingly, Shareholders will retain a single shareholding in Iluka, which will continue to own the MAC Royalty Business.

Iluka will continue to operate in its current form and will continue with its existing strategies, the principal of which is to pursue growth in the mineral sands and rare earths sectors.

Implications for Shareholders should the Proposed Demerger not be implemented include:

- the advantages, the disadvantages and risks of the Proposed Demerger will not be realised

- of the expected $17.9 million (pre-tax) transaction costs, approximately $13.0 million (pre-tax) relating to the Proposed Demerger may not be incurred by Iluka. Approximately $4.9 million of transaction costs are expected to have been incurred prior to the Extraordinary General Meeting.

[4] Daniel Chai, Ken Lin and Chris Veld, Value-creation through spin-offs: Australian evidence (2016)

- additionally, $0.3 million of one-off separation costs relating to the Proposed Demerger may not be incurred by Deterra.

Consideration of Iluka's ability to pay its creditors

In assessing Iluka's ability to pay its creditors, we have compared certain financial ratios of Iluka prior to the Proposed Demerger with those implied by pro-forma financial statements of Iluka following the Proposed Demerger. In particular we have considered the current ratio, net debt to capital ratio, net debt to EBITDA ratio and interest coverage ratio. Refer to Section 4 for further details of this analysis.

We are of the opinion that the Proposed Demerger does not materially prejudice the ability of Iluka to pay its existing creditors.

Opinion

Based on our consideration of the foregoing, the advantages of the Proposed Demerger outweigh the disadvantages of the Proposed Demerger. Consequently, we are of the opinion that the Proposed Demerger is in the best interests of the Shareholders. Furthermore, we are of the opinion that the Proposed Demerger does not materially prejudice the ability of Iluka to pay its existing creditors.

An individual Shareholder's decision in relation to the Proposed Demerger may be influenced by his or her particular circumstances. If in doubt the Shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Nicki Ivory

Authorised Representative
AR Number: 461005

Stephen Reid

Authorised Representative
AR Number: 461011

Glossary

Reference	Definition
$	Australian dollars
AASB 16	Australian Accounting Standards Board 16 Leases Standard
Al_2O_3	Aluminium oxide
AR	Authorised representative
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
BHP	BHP Group Limited
CEO	Chief Executive Officer
Company, the	Iluka Resources Limited
DCF	Discounted Cash Flow
Deloitte	Deloitte Touche Tohmatsu
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Demerger Booklet, the	Booklet detailing the Proposed Demerger
Deterra	Deterra Royalties Limited
DFS	Definitive Feasibility Study
Directors, the	The Directors of Iluka
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIU	Economist Intelligence Unit
FSG	Financial Services Guide
FY	Financial year
FY20XX	31 December 20XX
IBIS	IBIS World Pty Limited
IER	Independent expert's report
IFC	International Finance Corporation
Iluka	Iluka Resources Limited
IMF	International Monetary Fund
IOC	Iron Ore Company of Canada
IODEX	Platts Iron Ore Index
IPO	Initial Public Offering
Itochu	Itochu Minerals & Energy of Australia Pty Ltd
Km	Kilometres
Kronos	Kronos Worldwide Inc
kt	Kilotonnes
ktpa	Kilotonnes per annum
LIORC	Labrador Iron Ore Royalty Corporation

Reference	Definition
LTM	Last 12 months
MAC	Mining Area C
MAC Royalty Business	The Royalty Business within Iluka, of which MAC is the most significant royalty
MAC Royalty Co	Deterra Royalties (MAC) Limited
Mdmt	Million dry metric tonne
Mineral Sands	the Mineral Sands and Rare Earths business of Iluka
Mitsui	Mitsui Iron Ore Corporation Pty Ltd
mm	Millimetres
MOFA	Multi Option Facility Agreement
Mt	Million tonnes
Mwmt	Million wet metric tonnes
Mwmtpa	Million wet metric tonnes per annum
Nasdaq	National Association of Securities Dealers Automated Quotations
Nomad	Nomad Royalty Company Limited
PFS	Pre-Feasibility Study
Proposed Demerger, the	The proposed demerger of the MAC Royalty Business
QX	Quarter X
Review, the	Formal review of the corporate and capital structure of Iluka's main businesses
SGR	Standard grade rutile
Shareholders, the	Existing holders of Iluka shares
SiO_2	Silicon dioxide
SR2	Second synthetic rutile kiln at Capel
t	Tonne
TiO_2	Titanium dioxide
Trident	Trident Royalties PLC
TSX	Toronto Stock Exchange
US	United States of America
US$	US Dollars
US$/t	US Dollars per tonne
Vox	Vox Royalty Corporation

Contents

1 Overview of the Proposed Demerger

1.1 Summary

On 31 October 2019, Iluka announced to the market the commencement of a formal review of the corporate and capital structure of its two main businesses, the Mineral Sands business and the MAC Royalty Business (**the Review**). Following the Review, on 20 February 2020 Iluka announced its intention to demerge its MAC Royalty Business.

Under the terms of the Proposed Demerger, the MAC Royalty Business will be demerged from Iluka and Deterra, the entity that owns the MAC Royalty Business will become a new ASX listed royalty company. The Proposed Demerger will be effected by a distribution of shares in Deterra via an in-specie dividend and capital return by Iluka, with the Shareholders receiving one share in Deterra for each existing share held in Iluka whilst retaining their existing shareholding in Iluka. The Company will retain a minority interest of 20% in Deterra.

Full details of the Proposed Demerger are provided in Section 1 of the Demerger Booklet.

1.2 Rationale for the Proposed Demerger

The Directors consider that the Proposed Demerger has potential to unlock shareholder value over time as a consequence of[5]:

- shareholders having greater investment choice and the ability to hold shares in one or both of Iluka and Deterra based on their individual investment objectives, risk tolerances and desired sector exposures
- empowering the Board and management of each company to focus on their distinct growth strategies appropriate for each business
- reinforced discipline when pursuing growth opportunities through the application of appropriate capital allocation and project evaluation metrics aligned with the risk profile of each business
- allowing the adoption of distinct and appropriate capital structures and financial policies for each business.

[5] Chairman's letter, Demerger Booklet

2 Profile of Iluka

2.1 Overview

Iluka is an international mineral sands company that engages in exploration, project development, mining operations, processing, marketing and rehabilitation activities. Iluka is one of the largest producers of zircon globally, and a major producer of titanium dioxide feedstock (rutile, chloride ilmenite and synthetic rutile). Iluka has operating mines and processing operations in Western Australia, South Australia and Sierra Leone. Additionally, Iluka has exploration, pre-development and development projects in Western Australia, South Australia, Victoria, New South Wales, Sierra Leone and Sri Lanka.

Iluka also holds a royalty over iron ore sales revenues derived from mining in a specified MAC area in Western Australia. MAC is operated by BHP on behalf of a joint venture between BHP, Itochu and Mitsui. A brief history of MAC is set out in Section 2.3.

Iluka was formed through the merger of RGC Ltd and Westralian Sands in 1998 and adopted the name Iluka in 1999. It is headquartered in Perth, Western Australia.

A brief overview of the mineral sands and royalty markets is set out in Appendix 1.

Figure 1 shows the EBITDA generated by Iluka in FY2019, split between its Mineral Sands business and its MAC Royalty Business. Total EBITDA generated in FY2019 was c. $616 million. Figure 2 shows the underlying group EBITDA from FY2014 to FY2019.

Figure 1: FY2019 EBITDA by segment ($m)

Source: Iluka 2019 annual report

Figure 2: FY2014 – FY2019 Group EBITDA ($m)

Source: Iluka 2019 annual report

2.1.1 Key personnel

The table below sets out Iluka's key personnel prior to the Proposed Demerger.

Table 1: Iluka's key personnel

Name	Title	Description
Tom O'Leary	Managing Director	Tom joined Iluka in September 2016 as its CEO
Adele Stratton	Chief Financial Officer	Adele joined Iluka in May 2011 and was appointed Chief Financial Officer in September 2018
Matthew Blackwell	Head of Major Projects, Engineering & Innovation	Matthew joined Iluka in September 2004 and was appointed Head of Major Projects, Engineering & Innovation in 2019
Rob Hattingh	CEO, Sierra Rutile	Rob joined Iluka in April 2008 before moving to Sierra Rutile in November 2016
Sue Wilson	General Counsel and Company Secretary	Sue joined Iluka in December 2016
Sarah Hodgson	General Manager, People and Sustainability	Sarah joined Iluka in August 2013 and was appointed General Manager in May 2017
Julian Andrews	Head of Strategy, Planning & Business Development	Julian joined Iluka in September 2017 and was appointed Head of Strategy in September 2018[1]
Melissa Roberts	General Manager, Investor Relations	Melissa joined Iluka in February 2009 and has held a number of roles across Iluka
Daniel McGrath	General Manager, Cataby & Southwest	Daniel joined Iluka in August 1993 and has held a number of roles across Iluka

Name	Title	Description
Christian Barbier	Head of Marketing	Christian joined Iluka in January 2016 and was appointed Head of Marketing in June 2019
Tim Bartholomew	General Manager, Strategic Development & Closure	Tim joined Iluka in July 2007 and has held a number of roles across Iluka
Shane Tilka	General Manager, Jacinth-Ambrosia & Midwest	Shane joined Iluka in November 2004 and has held a number of roles across Iluka

Source: Iluka Management
Note:
1. Julian Andrews will step down if the Proposed Demerger proceeds

2.2 Mineral Sands

2.2.1 Australia

The figure below shows the location of Iluka's mining and processing operations and resource development projects in Australia.

Figure 3: Iluka's operations in Australia

Source: Iluka Management

South Australia

Mining and processing operations

Iluka's South Australian operation refers to the Jacinth-Ambrosia mine which is the world's largest zircon mine. The Jacinth-Ambrosia deposit was discovered in 2004 with production commencing in 2009. Jacinth-Ambrosia is located 800 kilometres (**km**) from Adelaide and 270 km from the Port of Thevenard. Dry mining and concentration of ore through gravity separation occurs on site, producing heavy mineral concentrate. The concentrate is then transported to Iluka's Narngulu mineral separation plant in Western Australia for final processing.

In October 2018, the Board approved funding of $55 million to bring forward the mine transition from Jacinth to Ambrosia, which was completed in August 2019. The transition was initially planned for 2022 but was brought forward to minimise capital required to achieve consistently higher group zircon production levels over the 2019 to 2021 period.

Iluka plans to return to Jacinth in August 2020 after 12 months of high grade mining at Ambrosia. The return to Jacinth is driven by management's focus on reducing operating costs over the next few years due to lower levels of zircon demanded by the market. The reduction in operating costs resulting from the return is c. $30 million over 2020 to 2022. Capital expenditure for tailings management at Ambrosia of c. $20 million has also been deferred due to the return.

The figure below illustrates the quarterly production of zircon, rutile and ilmenite from Jacinth-Ambrosia from FY2018 to Q2 FY2020.

Figure 4: Production from Jacinth-Ambrosia FY2018 to Q2 FY2020

Source: Iluka ASX announcements

Note:

1. Figure above subject to rounding
2. Iluka's zircon production figures include volumes of zircon attributable to external processing arrangements (i.e. zircon in concentrate)
3. Q1 and Q2 zircon production reflect changes to Narngulu plant settings detailed below

Resource development projects

Atacama is a satellite resource development project close to Iluka's existing operation at Jacinth-Ambrosia. A Pre-Feasibility Study (**PFS**) commenced in Q4 of 2018. At this stage, the viability of Atacama is dependent upon a processing solution which enables upgrading and selling of ilmenite.

Western Australia

Mining and processing operations

Iluka's Western Australian mining and processing operations are located in Narngulu, Eneabba, Cataby and Capel.

Narngulu

Narngulu hosts Iluka's mineral separation plant and is one of the largest mineral separation facilities globally with current capacity to process 750 kilotonnes per annum (**ktpa**) of heavy mineral concentrate and produce c. 300 to 350 ktpa of zircon finished product. Narngulu receives heavy mineral concentrate from Iluka's Jacinth-Ambrosia mine and non-magnetic material (zircon and rutile) from Cataby. The main plant is supplemented by a smaller mineral processing facility for the production of zircon in concentrate, utilising stockpiled chemical zircon and other tailing stockpiles at Narngulu with annualised capacity of up to around 80 to 90 ktpa.

Narngulu has recently adjusted its plant settings (due to current market dynamics) to treat concentrate from Jacinth-Ambrosia and Cataby independently, instead of at the same time. These adjustments would reduce zircon production by 110 kilotonnes (**kt**) if maintained throughout 2020. The plant still retains flexibility to return to higher production settings within 24 hours if required.

Cataby

Cataby is a large, chloride ilmenite rich, deposit 150 km north of Perth. Mine development was approved in December 2017. Commissioning occurred over the first quarter of 2019 and the mine formally opened in June 2019.

Cataby is a conventional mineral sands development utilising both dozer push as well as truck and excavator mining to feed two in-pit mining units. An onsite Wet High Magnetic Separation plant separates the magnetic ilmenite and non-magnetic zircon and rutile. Cataby is expected to produce approximately 370 ktpa of chloride ilmenite, 50 ktpa of zircon and 30 ktpa of rutile on average over its eight and a half year mine life. Access to additional ore reserves could extend the mine life by an additional four years[6].

Magnetic heavy mineral concentrate sourced from Cataby is transported to Capel for synthetic rutile production (c. 215 to 220 ktpa on average (excluding 2 months of major maintenance outages every 4 years)) with zircon and rutile transported to Narngulu for final processing. We note that offtake agreements with various pigment producers for 85% of the synthetic rutile production from Cataby for a minimum of four years were secured in December 2017. The offtake agreements account for a minimum of 175 ktpa of synthetic rutile per annum, with customers collectively having flexibility to purchase up to 190 ktpa or c. 95% of the average annual capacity of the second synthetic rutile kiln at Capel (**SR2**). Key contract terms of the offtake agreements include:

- all offtake is subject to take or pay provisions
- the majority of the offtake is subject to a floor price adjusted for inflation over the life of the contract
- all pricing is in USD with prices typically adjusted based on movements of high-grade feedstock prices
- the agreements span from 2019 to 2022 with the ability for an additional 80 ktpa to be secure for four years at Iluka's option, under the same terms and conditions. We note that there have been recent contractual disputes regarding 2020 synthetic rutile offtake agreements. Regarding the contractual disputes:
    - Iluka has issued a notice of default to one of its customers in May 2020 in relation to its failure to take or pay for 20 thousand tonnes (**t**) of synthetic rutile
    - another of Iluka's customers may potentially be entitled to offtake less than the contracted around of synthetic rutile for a period of at least three months. This will impact the September 2020 shipment of synthetic rutile.

[6] Iluka March quarterly review dated 15 April 2019

The figure below illustrates the quarterly production of zircon, rutile and ilmenite for Cataby from FY2018 to Q2 FY2020.

Figure 5: Production from Cataby/South West WA FY2018 to Q2 FY2020

Source: Iluka ASX announcements
Note:
1. Figure above subject to rounding

Capel

Operations at Capel include two synthetic rutile kilns, known as SR1 and SR2. The synthetic rutile process upgrades the chloride ilmenite received from Cataby to synthetic rutile product with titanium dioxide content of 85% to 95%.

SR2 is currently operational with an annual production capacity of approximately 220 kt. In FY2019 SR2 operated at c. 89% capacity with annual production of 196 kt, down from approximately 220 kt in FY2018 due to planned major maintenance work occurring in Q1 of FY2019. Adjacent to SR2 is SR1 which is currently idle with an annual production capacity of 110 kt. A scoping study and cost estimate to restart SR1 has been completed. The restart of SR1 remains subject to determining an appropriate feed source and market outlook.

Eneabba

Iluka's Eneabba resource development project is a mineral sands recovery project in Eneabba, Western Australia. Eneabba currently produces 20% monazite concentrate on site. Iluka is currently exploring further development opportunities to process monazite-zircon concentrate and produce higher value monazite product.

Phase 1 of the project involves the extraction, processing and sale of a monazite-rich tailings stockpile which is currently stored in a mining void at Eneabba. The stockpile is at surface level and has high concentrations of monazite, requiring minimal processing to produce monazite-zircon concentrate for sale. Monazite is a rare earth phosphate heavy mineral[7], a subset of mineral sands that contains rare earth minerals as well as thorium and uranium. Phase 2 involves further upgrade of monazite concentrate.

Regarding Phase 1, site construction and off-site fabrication activities have been completed. First production was recorded in April 2020 with first sales shipped ahead of schedule in June 2020.

[7] Rare earth metals are a group of elements used across a variety of markets including industrial and military applications.

Studies into Phase 2 of the project will involve further processing to produce a higher value monazite product and actively exploring the potential for downstream processing are well advanced.

Victoria

Resource development projects

The Wimmera Project is Iluka's resource development project in Western Victoria. The Wimmera Project is a fine grained deposit and is a proposed zircon and rare earth project. Iluka's focus is on refining zircon to a saleable grade and rare earth products.. Key end use applications for rare earth elements in this deposit are in permanent magnets, used in electric cars, wind turbines and consumer electronics.

The project is currently at PFS stage, which involves assessing geological, mining, processing, marketing, environmental and social aspects of the project. Iluka has noted that although progress has been satisfactory, the complexity of the project has resulted in the PFS taking longer than anticipated.

The PFS will select the optimal mining method and advance design and de-risking of process flow sheet and mineral refining. The PFS is scheduled to be completed in 2021 with further work subject to Board approval.

New South Wales

Resource development projects

Iluka owns a resource development project in New South Wales known as Balranald and Nepean. It consists of two rutile rich deposits in the northern Murray Basin. Due to the depth of these deposits relative to traditional deposits (c. 60 metres underground), Iluka has internally developed an underground mining method to access the orebody more economically than through conventional means.

A drilling programme providing a more detailed understanding of the deposit mineralisation was completed in late 2018. The results are positive and preparations for a third trial to determine the economic viability of the underground mining and backfilling technology developed by Iluka is underway. The trial was planned for Q2 2020 however, timing has been impacted by COVID-19 restrictions. However, contractors and technology partners, personnel and resources have been mobilised to site and trial activities have commenced as of the June 2020 quarterly report. Without any further COVID-19 resulted delays, preliminary results are expected in Q4 2020.

2.2.2 Sierra Leone

The figure below shows the location of Iluka's mining and processing operations and development project in Sierra Leone.

Figure 6: Iluka's Sierra Leone operations

Source: Iluka Management

Mining and processing operations

Sierra Rutile was acquired by Iluka in December 2016 and operates as a subsidiary of Iluka. Sierra Rutile is a multi-mine operation located in the Bonthe and Moyamba districts, in the South-West of Sierra Leone. Sierra Rutile owns the world's largest natural rutile deposit and consists of two mining operations at Lanti and Gangama, a mineral separation plant and a dedicated port facility. Sierra Rutile's main product is natural rutile, but it also produces small quantities of ilmenite and zircon in concentrate.

Sierra Rutile has an operating history of more than 50 years with a remaining mine life of at least 20 years depending on future development options. In 2019, Iluka completed expansion projects at Lanti and Gangama. The expansion projects have doubled the capacity of both Lanti and Gangama from 500 to 600 tonnes per hour to 1,000 to 1,200 tonnes per hour.

Iluka and Kronos Worldwide Inc (**Kronos**) have entered into a take-or-pay offtake agreement for 75% of standard grade rutile (**SGR**) produced from the Sierra Rutile operations, effective through to December 2022. The agreement relates to production from Lanti and Gangama and the key contract terms include:

- offtake for 75% of SGR production each year, with a minimum of 100 kt per annum
- all offtake is subject to take-or-pay provisions
- a pricing mechanism that follows fluctuations in a basket of high grade ore transactions of both Kronos and Iluka, which is subject to a floor price adjusted for inflation over the life of the contract
- usual commercial terms including force majeure and suspension of operations provisions.

The figure below illustrates the quarterly production of zircon, rutile and ilmenite from Sierra Rutile operations from FY2018 to Q2 FY2020.

Figure 7: Production from Sierra Rutile FY2018 to Q2 FY2020

Source: Iluka ASX announcements
Note:
1. Figure above subject to rounding

Resource development

Iluka's Sierra Leone resource development project refers to Sembehun, a group of rutile deposits 20 km to 30 km north west of existing Sierra Rutile operations. Sembehun is one of the largest and highest quality rutile deposits in the world. A DFS for Early Works (haul road, bridge and process water dam) and Phase 1 for developing Sembehun was scheduled for completion in the second half of 2019. However, as detailed engineering and definitive estimates were developed and the studies have advanced, it became evident that additional capital beyond what was initially estimated in 2018 would be required to develop the project.

When Sierra Rutile was acquired by Iluka, the Sembehun deposit represented a significant part of the acquisition price. In December 2019, an impairment charge of US$290 million was taken, to reduce the carrying value of assets associated with Sierra Rutile. As a result, the net assets of Sierra Rutile have reduced to approximately US$50 million as the acquisition has not performed in line with the original investment case, both in terms of the operational performance and the potential costs to develop Sembehun.

Iluka has since undertaken a review and commenced rescoping of development options. Once rescoping has been completed, Iluka plans to undertake a PFS on preferred options to select a preferred development pathway in 2020. Early Works were initially scheduled to commence in the second half of 2019 but have been delayed until rescoping has been completed.

In 2020, initial concept studies to assess alternative mining methods as well as infrastructure, utilities and logistic options have been completed. A field trail is required to confirm viability but field work on the project has been suspended due to COVID-19. Timing of future activities is subject to the easing of travel restrictions[8].

[8] Iluka Bank of America Merrill Lunch 2020 Global Metals, Mining and Steel Conference https://www.asx.com.au/asxpdf/20200512/pdf/44hr2jbj1dvr2s.pdf dated 12 May 2020

2.2.3 Sri Lanka

Resource development

Iluka's Sri Lanka resource development project refers to Puttalam Quarry, a large predominantly sulphate ilmenite deposit located in the Puttalam district of Sri Lanka. The PFS for Puttalam Quarry has been put on hold, pending resolution of key development criteria with the Sri Lankan government. Key development criteria include obtaining certainty over long term tenure, local ownership laws and resolution of fiscal arrangements.

Iluka's exploration lease for Puttalam Quarry expires in September 2020. Iluka has commenced the process to convert the exploration lease into an industrial mining license, in accordance with local regulations. Despite this, there are a number of matters requiring action from the Sri Lankan government to enable this conversion. Adding to this, parliament has been dissolved pending an election. This places risk on the exploration lease expiring prior to an industrial mining license being granted.

2.3 MAC Royalty Business

MAC royalty

MAC is an iron ore mining area located in the Pilbara region of Western Australia. It is operated by BHP on behalf of a joint venture between BHP (85%), Itochu (8%) and Mitsui (7%). First production from MAC occurred in 2003 and production has since increased to 60 million wet metric tonnes (**Mwmt**) in 2019 on a 100% basis.

A brief description on the history of MAC is set out in the table below.

Table 2: MAC history

Year	Event
1962	The Mount Goldsworthy Joint Venture was created in February 1962 between Consolidated Gold Fields (Australia) Pty Ltd (an antecedent subsidiary of Iluka now known as Deterra Royalties (MAC) Limited (**MAC Royalty Co**)) and two other joint venture parties
1977	A one-third interest in the Joint Venture was sold in 1977, resulting in changes in ownership including the acquisition of an interest in the Joint Venture by BHP in 1979
1994	The MAC royalty was created to release BHP and other joint venture parties from deferred consideration due under the 1977 sale and purchase agreements

Source: Iluka Management

Iluka holds a royalty over iron ore produced from specific tenements within MAC. The royalty agreement provides a revenue-based royalty and production capacity payments consisting of:

- ongoing quarterly royalty payments of 1.232% of Australian denominated revenue from the MAC royalty area
- a series of one-off payments of $1 million per million dry metric tonne (**Mdmt**) increase in the annual production level from the MAC royalty area during any 12 month period ending 30 June above the previous highest annual production level.

In June 2018, BHP approved the South Flank project which involves a new high grade deposit and the expansion of existing infrastructure at the MAC hub. It is expected to add an additional c. 80 million wet metric tonnes per annum (**Mwmtpa**) of iron ore production capacity in addition to the current MAC capacity of c. 60 Mwmtpa. Approximately US$3.6 billion of capex has been approved for South Flank[9]. The overall South Flank project is 76% complete as at June 2020. First production is anticipated in the middle of 2021[10]. The proposed South Flank mine pits fall within Iluka's MAC royalty area and therefore will be subject to the above royalty terms. The combined North Flank and South Flank hub is expected

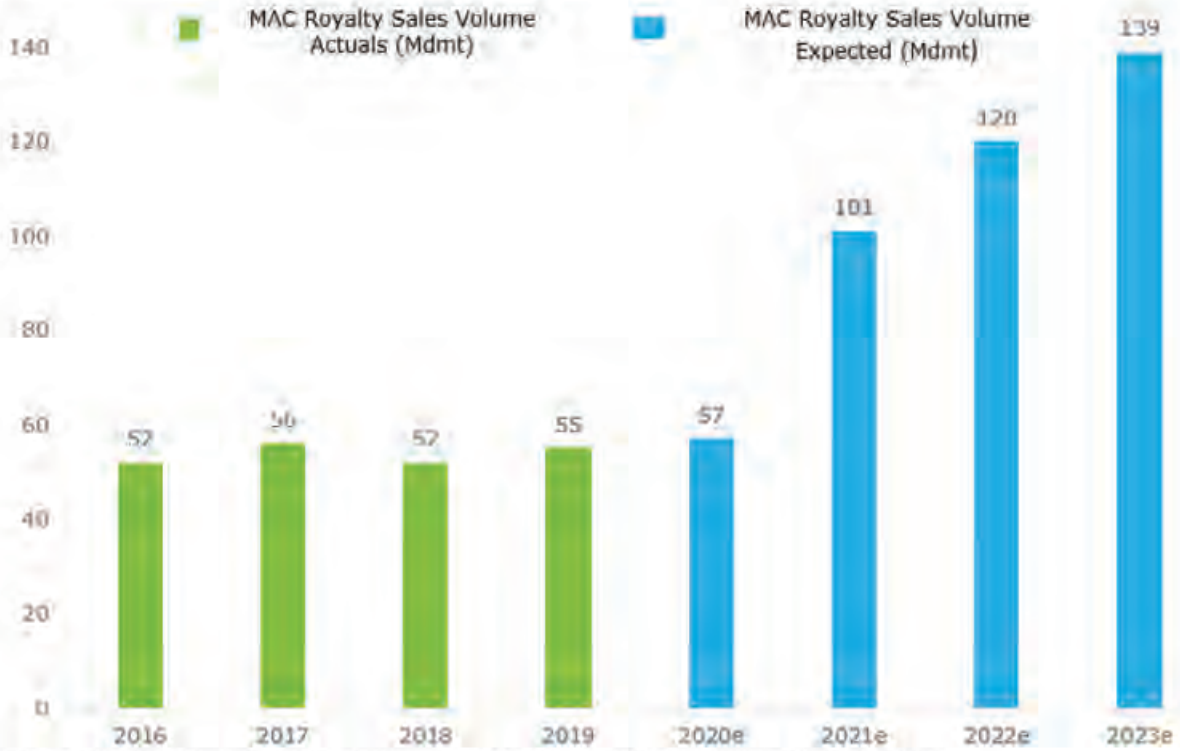
[9] BHP – BHP approves South Flank project dated June 2018 - https://www.bhp.com/media-and-insights/news-releases/2018/06/bhp-approves-south-flank-project/

[10] BHP – BHP News Release - https://www.bhp.com/-/media/documents/media/reports-and-presentations/2020/200721_bhpoperationalreviewfortheyearended30june2020.pdf?la=en dated 21 July 2020

to operate for approximately 30 years. In addition, BHP has stated that the long-term strategy for MAC is to continue operations to 2073[11] based on the development of prospective deposits in the area.

Production from MAC is expected to more than double as a result of the South Flank project. The figure below shows the historical and forecast production from MAC. MAC is currently BHP's smallest production hub producing c. 55 to 60 Mwmtpa. However, post expansion MAC will be BHP's largest operating hub within its WA Iron Ore operations with production capacity of c. 145 Mwmtpa.

Figure 8: Historical and forecast production from MAC

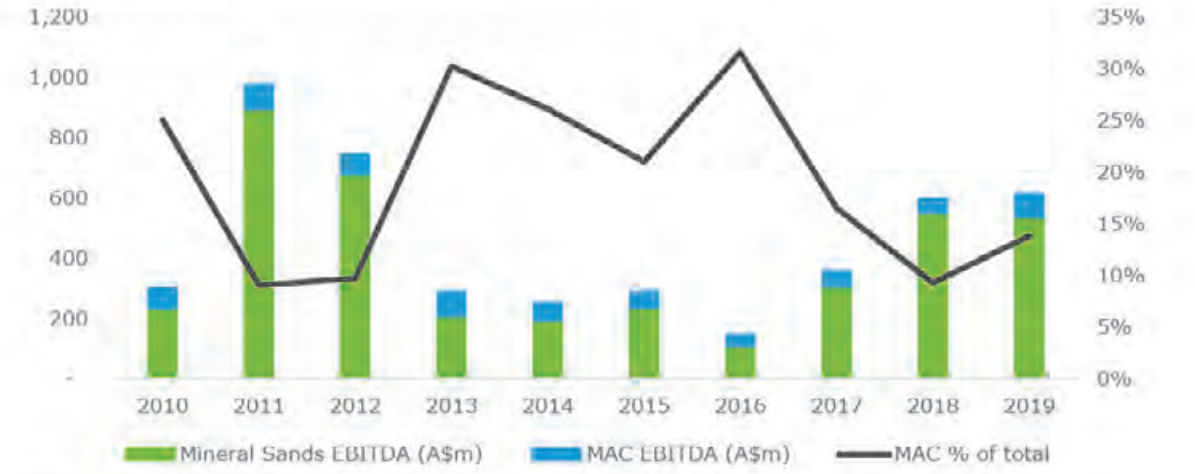


Source: Iluka Management, Wood Mackenzie, Iron Ore Markets and Asset Review dated June 2020
Note:
1. Volumes are in Mdmt. 145 Mwmt is equivalent to 139 Mdmt
2. Historical sales data sourced from Iluka, forecast data sourced from Wood Mackenzie
3. 2020 estimated based on 2019 actual data

Revenue from MAC has been a sizeable contributor to Iluka group earnings over the past five years. The MAC royalty has accounted for c. 18% of group EBITDA from FY2015 to FY2019, peaking in FY2016 at c. 32%. The recent improved earnings from Iluka's Mineral Sands business has seen MAC's contribution decrease to c. 9% and c. 14% in FY2018 and FY2019 respectively. Forecast MAC EBITDA contribution is expected to increase as South Flank production ramps up and overall production volumes from MAC more than double from current volumes.

[11] BHP - Mining Area C Mine Closure Plan dated October 2017

Figure 9:MAC EBITDA contribution FY2010 to FY2019



Source: Iluka Annual Reports

Other royalties

Deterra holds five other revenue royalties as part of its existing portfolio. Only certain tenements related to revenue royalties over the Yoongarillup Mineral Sands Mine are in production. The owner and operator of Yoongarillup Mineral Sands Mine, Doral Mineral Sands Pty Limited, has estimated that it has a mine completion date of Q4 2020.

Table 3: Summary of other royalties

Project	Counterparty	Location	Commodity	Status	Royalty Terms
Yoongarillup (certain tenements) (under two royalty agreements)	Doral Mineral Sands Pty Limited	Western Australia	Minerals	Producing	2% of revenue from sales of minerals[1]
Eneabba	Sheffield Resources Limited	Western Australia	Minerals	Exploration	1.5% of gross revenue from sales of minerals
Wonnerup North (certain tenements)	Cable Sands (W.A.) Pty Ltd (a subsidiary of Tronox Holdings plc)	Western Australia	Minerals	Development	$0.70 per tonne of valuable heavy mineral[2]
St Ives Gold (certain tenements)	St Ives Gold Mining Company Pty Limited	Western Australia	Mineral Sands/minerals	Exploration	3% of gross revenue[3] (subject to royalties to previous holders of the tenements[4])

Source: Iluka Management
Note:
1. The royalty payable by Doral Mineral Sands arises under two separate royalty contracts with the same terms
2. Valuable heavy mineral refers to zircon, rutile, ilmenite, anatase and other titanium dioxides, leucoxene, monazite and cassiterite
3. Royalty is payable on revenue from minerals and mineral bearing substances derived from ore mined and treated
4. Refer to Section 2.8 of the Demerger Booklet for further details

2.4 Capital Structure

2.4.1 Shareholdings

Iluka had 422.3 million fully paid ordinary shares outstanding at 10 July 2020, as summarised in the table below.

Table 4: Top 5 Shareholders

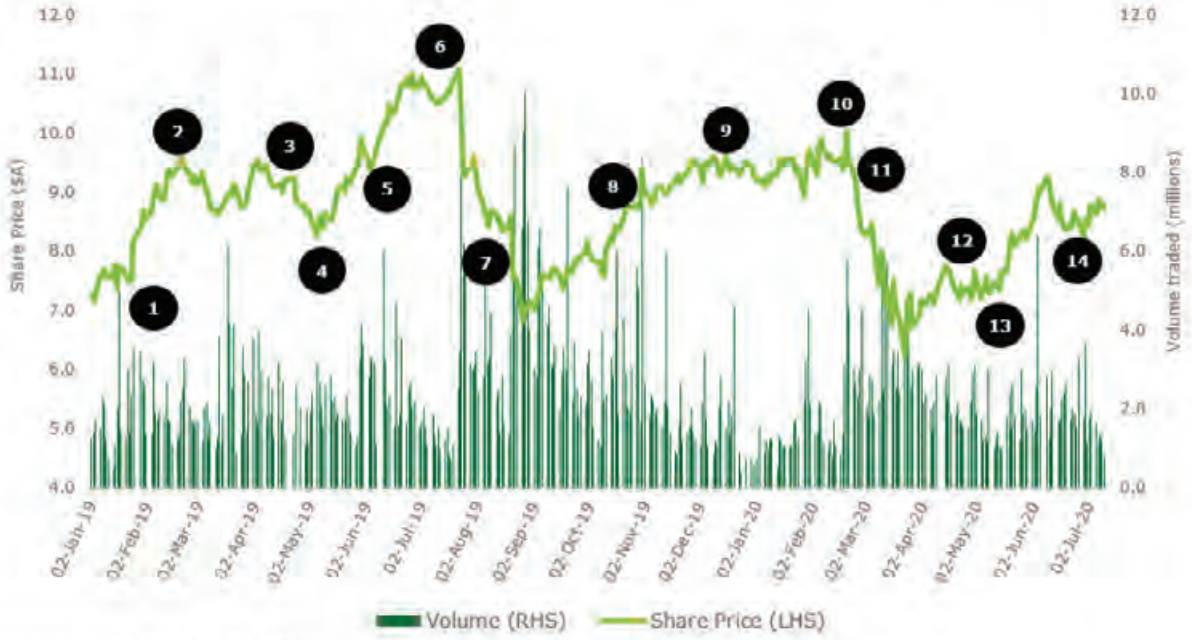
No	Shareholder	No ordinary shares held (millions)	Percentage of issued shares (%)
1	Perpetual Limited	52.1	12.3
2	Schroder Investment Management Australia Limited	37.4	8.9
3	BlackRock Group	28.4	6.7
4	Sumitomo Mitsui Trust Holdings, Inc.	26.5	6.3
5	The Vanguard Group, Inc.	25.4	6.0
	Total top 5 shareholders	**169.9**	**40.2**
	Other shareholders	**252.4**	**59.8**
	Total shares outstanding	**422.3**	**100.0**

Source: Iluka 2019 annual report, Iluka ASX announcements
Note:
1. Figure above subject to rounding

2.5 Recent share trading

The figure below illustrates Iluka's share trading from 2 January 2019 to 10 July 2020.

Figure 10: Iluka's share trading



Source: S&P Capital IQ, ASX announcements

We note that in the 12 months ended 10 July 2020, 661 million Iluka shares were traded on the ASX, representing 156% of average shares outstanding for the period.

The key market activities and announcements from the figure above are detailed in the following table.

Table 5: Key announcements

Ref	Date	Commentary
1	25-Jan-19	Iluka announced the inaugural Mineral Resource estimate of rutile mineralisation at the Pejebu Deposit, located adjacent to current mining operations in Sierra Leone
2	21-Feb-19	Iluka announced its full year results to 31 December 2018 reflecting strong financial results but a production and cost guidance lower than market expectations for FY2019 driven mainly by the projections for the operations in Sierra Leone
3	15-Apr-19	Iluka announced its quarterly review to 31 March 2019. Production was 17% lower than the December 2018 quarter largely due to a planned major maintenance outage
4	9-May-19	International Finance Corporation (IFC) approved the proposed investment (pending signing) of US$60 million to acquire a 10% equity stake in Iluka's Sierra Rutile
5	6-Jun-19	Iluka announced that it had signed the agreement to partner with IFC in Sierra Leone. Under the terms agreed, IFC subscribed new shares equivalent to a 3.57% stake in Sierra Rutile for US$20 million with a further investment of US$40 million to increase its stake to 10% subject to approval of development of the Sembehun deposit
6	24-Jul-19	Iluka announced its quarterly review to 30 June 2019 showing soft level of sales and a weaker pricing outlook for zircon. Additionally, Iluka announced that it had delayed its Sembehun Project in Sierra Leone due to rising capital costs
7	21-Aug-19	Iluka announced its half year results for the six months ended 30 June 2019 which were weaker than market expectations due to soft level of sales and uncertain outlook for zircon prices
8	31-Oct-19	Iluka announced that it had commenced a review of the corporate and capital structure of Iluka's two principal businesses: the Mineral Sands business and the MAC Royalty Business
9	17-Dec-19	Iluka announced a write down of US$290 million of Sierra Rutile's carrying value as the Sierra Rutile acquisition has not performed in line with the original investment case. Iluka also announced an increase to its Australian rehabilitation provisions due to a decrease in the risk free rate
10	20-Feb-20	Iluka announced its full year results to 31 December 2019 and its intention to demerge the MAC Royalty Business, subject to shareholder and other approvals
11	24-Feb-20	ASX started to decline amid concerns regarding the impact of the COVID-19 in the global economy
12	29-Apr-20	Iluka announced its quarterly review to 31 March 2020 which had been impacted by COVID-19. Zircon sales were significantly lower than expected. Titanium dioxide revenue had remained certain due to take or pay contracts. Mining trials at Balranald and Sembehun were delayed due to travel restrictions
13	12-May-20	Iluka released an investor presentation at Bank of America Merrill Lynch's 2020 Global Metals, Mining and Steel Conference. The presentation provided updates on the impact of COVID-19 on Iluka's operations, general operational updates and mineral sands market updates and detail on Iluka's project pipeline
14	26-Jun-20	Iluka announced that a customer failed to take or pay for 20,000 t of synthetic rutile in May. Iluka issued a notice of default to this customer. Another customer notified Iluka that it may take less than its contracted amount in September 2020
15[1]	28-July-20	Iluka announced its quarterly review to 30 June 2020. Zircon and rutile production was down due to altered production settings at Narngulu and lower runtime and throughput at Sierra Rutile respectively. Synthetic rutile production was up due to improved ilmenite quality, improvements from last major maintenance and upgrades achieved at SR2

Source: S&P Capital IQ, Iluka ASX announcements
1. Reference 15 not included in the Figure above

2.6 Financial performance

We have summarised in the table below the income statements of Iluka for the financial years ended 31 December 2018 (**FY2018**) and 31 December 2019 (**FY2019**).

Table 6: Income statements FY2018 and FY2019

$m	Audited Actual FY2018	Audited Actual FY2019
Mineral Sands revenue	1,244.1	1,193.1
Freight revenue[1]	50.3	38.6
MAC royalty income	55.6	85.1
Interest	0.9	1.2
Other income	3.1	2.4
Expenses	(870.3)	(854.1)
Write-down of Sierra Rutile	-	(414.3)
Total finance costs	(31.7)	(53.0)
Profit/(loss) before income tax	**452.0**	**(1.0)**
Income tax expense	(148.1)	(298.7)
Net profit/(loss) for the year	**303.9**	**(299.7)**

Source: Iluka 2019 annual report
Note:
1. Revenue from freighting products to customers in accordance with the Incoterms in each particular sales contract
2. Refer to Section 3.3.1 for YTD June 2020 financial performance values

We note the following in relation to the financial performance of Iluka:

- Iluka's Mineral Sands revenue decreased by 4.1% to $1,193.1 million for FY2019, primarily driven by a sales volume decline partially offset by an increase in prices. Zircon demand was affected by US and China trade tensions and other sources of global economic uncertainty, which impacted end market sentiment and customer purchasing
- MAC royalty income increased by 53% to $85.1 million, reflecting higher iron ore prices, higher sales volumes and a more favorable US dollar exchange rate
- the $414.3 million (US$290 million[12]) write-down of Sierra Rutile reflects the adjustment of Sierra Rutile's carrying value as well as associated deferred tax assets. This adjustment is a function of operational performance achieved to date being below the acquisition investment case and the lack of a defined development approach for the Sembehun deposit.

[12] Iluka's ASX announcement 17 December 2019

2.7 Financial position

We have summarised in the table below the balance sheet of Iluka as at 31 December 2018 and 31 December 2019.

Table 7: Financial position as at 31 December 2018 and 31 December 2019

$m	Audited Actual FY2018	Audited Actual FY2019
Cash and cash equivalents	51.3	97.3
Receivables	162.6	196.3
Inventories	387.1	341.1
Current tax receivables	7.7	3.3
Total current assets	**608.7**	**638.0**
Property, plant and equipment	1,379.1	1,126.2
Deferred tax assets	215.6	22.1
Intangible asset - MAC royalty	3.9	3.5
Inventories	4.6	84.1
Right of use assets	-	20.5
Total non-current assets	**1,603.2**	**1,256.4**
Total assets	**2,211.9**	**1,894.4**
Payables	153.2	140.8
Derivative financial instruments	4.4	3.7
Current tax payable	143.6	96.1
Provisions	105.6	112.6
Lease liabilities	-	9.2
Total current liabilities	**406.8**	**362.4**
Interest-bearing liabilities	49.5	54.0
Derivative financial instruments	7.3	1.6
Provisions	638.3	715.6
Financial liabilities at fair value through profit or loss	-	28.4
Lease liabilities	-	20.8
Total non-current liabilities	**695.1**	**820.4**
Total liabilities	**1,101.9**	**1,182.8**
Net assets	**1,110.0**	**711.6**

Source: Iluka 2019 annual report
Note:
1. Refer to Section 3.3.3 for YTD June 2020 financial position values

We note the following in relation to the financial position of Iluka:

- Iluka's main assets consist of receivables, inventories and property, plant and equipment
- Iluka's property, plant and equipment and deferred tax assets decreased in FY2019 by $446.4 million primarily due to the write-down of Sierra Rutile's operations explained in Section 2.6
- interest-bearing liabilities mainly represent a Multi Option Facility Agreement (**MOFA**) that comprises a series of unsecured five-year bilateral revolving credit facilities with several domestic and foreign institutions, totaling $523.0 million. Undrawn MOFA facilities at 30 June 2020 were $523.0 million
- provisions mainly comprise the rehabilitation and mine closure provision
- financial liabilities at fair value through profit or loss represents IFC's right to dispose of their 10% interest in Sierra Rutile back to Iluka at its fair value.

3 Impact of the Proposed Demerger

In this section we discuss the broad impact of the Proposed Demerger on Iluka and Deterra. In particular, we consider the likely outcomes for the operations and financial performance of each entity.

3.1 Strategy post Proposed Demerger

3.1.1 Iluka

Post the Proposed Demerger Iluka will be a mineral sands and rare earths producer and will continue to follow the Iluka plan[13] which outlines Iluka's direction. Iluka's industry position and purpose will remain unchanged following the Proposed Demerger.

3.1.2 Deterra

Deterra's objective is to maximise long-term value to shareholders through:

- maximising the value of existing royalties
- adopting a scaleable corporate structure to minimise corporate overheads and investment activity expenditure
- distributing all available profits and franking credits to shareholders in accordance with the intended target dividend payout ratio of 100% of net profit after tax (at the discretion of the Deterra board)
- investing in new royalties that are complementary and value accretive.

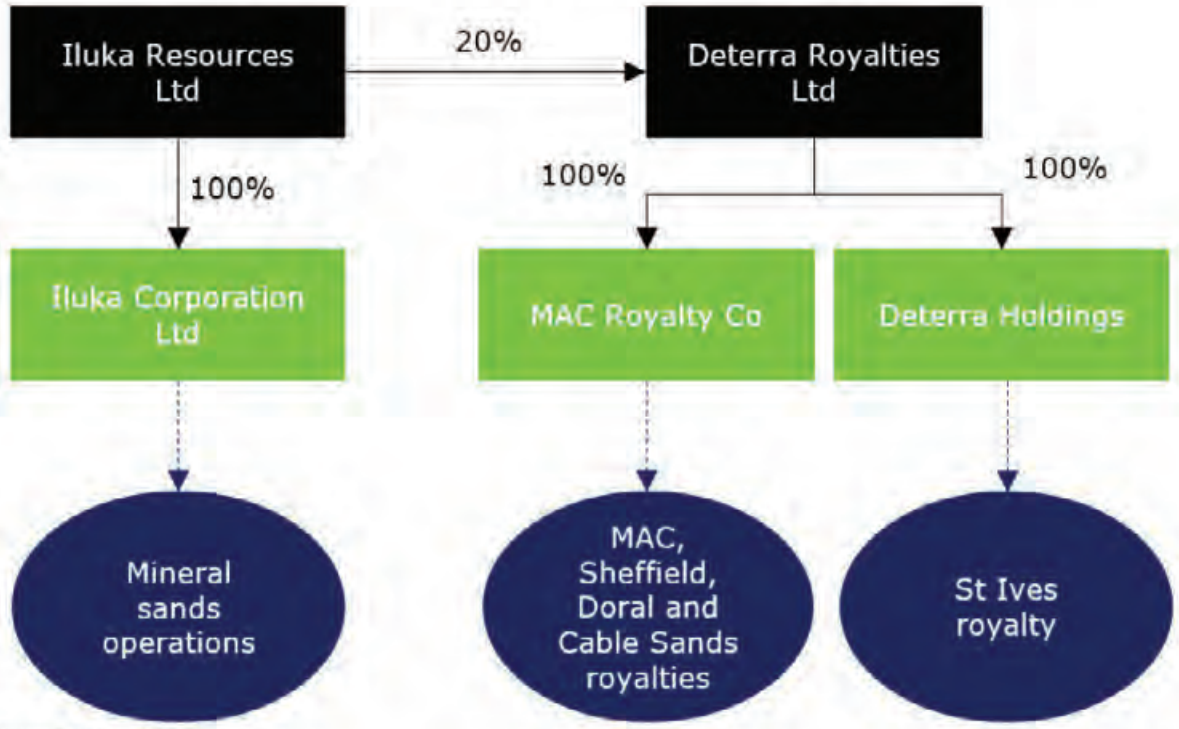
Deterra will seek to maintain its exposure to high quality and low risk royalties. This will be done by prioritising royalties or streams over tenements and projects with low operating costs and experienced operators and management.

[13] The Iluka plan was released in 2018 and outlines Iluka's core business, purpose, values and direction

3.2 Operating and ownership structure

The operating and ownership structure of Iluka and Deterra following the Proposed Demerger is depicted in the figure below.

Figure 11: Operating and ownership structure after the Proposed Demerger



Source: Iluka Management

We note the following in relation to the post-demerger operations of Iluka and Deterra:

- after the Proposed Demerger, Iluka will continue to be an international mineral sands and rare earths company listed on the ASX. It will retain a minority ownership interest of 20% in Deterra as a long-term investment. The current Iluka business plan will remain unchanged
- following the Proposed Demerger, Deterra will be an ASX listed royalty investment company with its key asset being the MAC Royalty Business.

3.3 Pro-forma financial statements

3.3.1 Pro-forma financial performance

The historical and pro-forma (post Proposed Demerger) historical financial performance of the Iluka and Deterra entities are presented below.

Table 8: Iluka historical and pro-forma historical income statements

$m	Historical				Pro forma historical			
	FY2018	FY2019	YTD June FY2020	LTM June 2020	FY2018	FY2019	YTD June FY2020	LTM June 2020
Revenue	1,350.0	1,316.8	519.4	1,227.7	1,294.0	1,231.1	471.0	1,135.1
Other Income	3.1	2.4	9.7	11.7	3.1	2.4	9.7	11.7
Expenses	(753.0)	(703.2)	(303.7)	(671.9)	(753.0)	(703.2)	(303.7)	(671.9)
Underlying EBITDA	**600.1**	**616.0**	**225.1**	**567.2**	**544.1**	**530.3**	**177.0**	**474.9**
			-	-			-	-
Depreciation and amortisation	(93.6)	(163.2)	(74.7)	(173.2)	(93.2)	(162.8)	(74.5)	(172.8)
Inventory movement – non cash	(28.3)	15.5	24.5	32.0	(28.3)	15.5	24.5	32.0
Rehabilitation for closed sites	4.6	(3.2)	(0.4)	(3.3)	4.6	(3.2)	(0.4)	(3.3)
Share of gains/ (losses) of investments accounted for using the equity method	-	-	-	-	6.8	10.9	6.2	11.9
EBIT before significant items	**482.8**	**465.1**	**174.5**	**422.7**	**434.0**	**390.7**	**132.8**	**342.7**
			-	-			-	-
Net interest costs and bank charges	(14.1)	(13.8)	(4.0)	(11.5)	(14.1)	(13.8)	(4.0)	(11.5)
Rehab and mine closure discount unwind	(16.7)	(38.0)	(7.3)	(35.5)	(16.7)	(38.0)	(7.3)	(35.5)
Total finance costs	**(30.8)**	**(51.8)**	**(11.3)**	**(47.0)**	**(30.8)**	**(51.8)**	**(11.3)**	**(47.0)**
			-	-			-	-
Profit before income tax, excluding significant items	452.0	413.3	163.2	375.7	403.2	338.9	121.5	295.7
Significant items	-	(414.3)	-	(414.3)	-	(414.3)	-	(414.3)
Profit/(loss) before income tax	**452.0**	**(1.0)**	**163.2**	**(38.6)**	**403.2**	**(75.4)**	**121.5**	**(118.6)**
			-	-			-	-
Income tax expense	(148.1)	(298.7)	(50.0)	(285.1)	(131.3)	(273.0)	(35.5)	(257.4)
Profit/(loss) for the period attributable to owners	**303.9**	**(299.7)**	**113.2**	**(323.7)**	**271.9**	**(348.4)**	**86.0**	**(376.0)**

Source: Demerger Booklet, Deloitte Corporate Finance analysis

Note:

1. Changes between Iluka's historical and pro-forma historical income statements are highlighted above
2. In calculating the last 12 months (LTM) 30 June 2020 income statement values, we have subtracted half year ended 30 June 2019 values from full year 30 December 2019 values and added half year ended 30 June 2020 values.

We note the following in relation to the differences between the historical and pro-forma historical financial performance of Iluka:

- removal of the MAC royalty and other royalty revenue in the pro-forma figures results in a total revenue reduction of $56.0 million and $85.7 million in FY2018 and FY2019 respectively

- the equity accounting of Iluka's 20% interest in Deterra in the pro-forma figures results in an increase in Iluka's share of gains/(losses) by $6.8 million and $10.9 million in FY2018 and FY2019 respectively.

Refer to Section 2.6 for a discussion on the historical financial performance of Iluka. A detailed reconciliation of the historical and pro-forma historical income statement of Iluka is set out in Section 3.11.6 of the Demerger Booklet.

Table 9: MAC segment and Deterra pro-forma historical income statements

$m	MAC segment Historical				Pro forma historical			
	FY2018	FY2019	YTD June FY2020	LTM June 2020	FY2018	FY2019	YTD June FY2020	LTM June 2020
Revenue	55.6	85.1	48.0	91.9	56.0	85.7	48.1	92.3
Expenses	-	-	-	-	(6.7)	(6.8)	(3.5)	(6.9)
EBITDA	**55.6**	**85.1**	**48.0**	**91.9**	**49.3**	**78.9**	**44.6**	**85.4**
Depreciation and amortisation expense	-	-	-	-	(0.4)	(0.4)	(0.2)	(0.4)
EBIT	**55.6**	**85.1**	**48.0**	**91.9**	**48.9**	**78.5**	**44.4**	**85.0**
							-	-
Interest and finance charges					(0.4)	(0.4)	(0.2)	(0.4)
Profit/(loss) before income tax	**55.6**	**85.1**	**48.0**	**91.9**	**48.5**	**78.1**	**44.2**	**84.6**
							-	-
Income tax expense	n/a	n/a	n/a	n/a	(14.7)	(23.6)	(13.3)	(25.5)
Profit/(loss) for the period attributable to owners	**n/a**	**n/a**	**n/a**	**n/a**	**33.8**	**54.5**	**30.9**	**59.1**

Source: Demerger Booklet

Note:

1. Changes between Deterra's historical and pro-forma historical income statement as a result of the Proposed Demerger are highlighted above
2. Data taken for the MAC segment (from Iluka's historical financial statements) included for illustrative purposes
3. In calculating the LTM 30 June 2020 income statement values, we have subtracted half year ended 30 June 2019 values from full year 30 December 2019 values and added half year ended 30 June 2020 values
4. n/a – not applicable

We note the following in relation to the differences between the MAC segment historical and pro-forma historical financial performance of Deterra:

- revenue increases by $0.4 million and $0.6 million in FY2018 and FY2019 due to the inclusion of non-MAC royalty assets in the Deterra pro-forma figures (these did not form part of the MAC segment reporting historically)
- pro-forma expenses are $6.6 million and $6.8 million greater in FY2018 and FY2019 respectively due to additional costs expected to be incurred by Deterra operating as a separately listed standalone business. These costs include management remuneration costs, company secretarial costs, ASX listing fees, share registry costs, audit fees, insurance and board of directors costs
- interest and finance charges increase by $0.4 million in FY2018 and FY2019 due to the drawdown of external debt of $14.2 million.

A detailed reconciliation of the historical MAC segment results and pro-forma historical income statement for Deterra is set out in Section 2.9.3 of the Demerger Booklet.

3.3.2 Pro-forma financial position

The historical and pro-forma (post Proposed Demerger) historical financial positions of the Iluka and Deterra entities are presented below.

Table 10: Iluka pro-forma financial position

$m	30 June 2020	Intercompany settlement and field draw down	Deterra's retention of one month's royalty income prior to Implementation Date	De-consolidation of Deterra	Demerger transaction costs	Post Demerger pro-forma historical as at 30 June 2020
Cash and cash equivalents	150.3	35.8	-	-	(8.8)	177.3
Receivables	115.3	(26.6)	6.5	(6.5)	-	88.7
Inventories	406.5					406.5
Current tax receivables	9.9	-	-	-	-	9.9
Total current assets	**682**	**9.2**	**6.5**	**(6.5)**	**(8.8)**	**682.4**
Property, plant and equipment	1100.0	-	-	-	-	1,100.0
Deferred tax assets	15.0	8.0	(1.9)	2.9	2.1	26.1
Investments in associates				360.0		360.0
Intangible asset	3.3	-	-	(3.3)	-	-
Inventories	153.9	-	-	-	-	153.9
Right of use assets	19.5	-	-	-	-	19.5
Total non-current assets	**1291.7**	**8.0**	**(1.9)**	**359.6**	**2.1**	**1,659.5**
Total assets	**1973.7**	**17.2**	**4.6**	**353.1**	**(6.7)**	**2,341.9**
Payables	126.9	-	-	-	-	126.9
Derivative financial instruments	4.2	-	-	-	-	4.2
Current tax payable	105.1	8.0	-	-	(0.5)	112.6
Provisions	120.3	-	-	-	-	120.3
Lease liabilities	11.3	-	-	-	-	11.3
Total current liabilities	**367.8**	**8.0**	-	-	**(0.5)**	**375.3**
Interest-bearing liabilities	88.2	9.2	-	(9.2)	-	88.2
Derivative financial instruments	5.0	-	-	-	-	5.0
Provisions	677.4					677.4
Lease liabilities	17.3	-	-	-	-	17.3
Financial liabilities at fair value through profit and loss	29.1	-	-	-	-	29.1
Total non-current liabilities	**817**	**9.2**	-	**(9.2)**	-	**817.0**
Total liabilities	**1184.8**	**17.2**	-	**(9.2)**	**(0.5)**	**1,192.3**
Net assets	**788.9**	-	**4.6**	**362.3**	**(6.2)**	**1,149.6**

Source: Demerger Booklet

We note the following in relation to the pro-forma financial position of Iluka:

- investment in associates is expected to increase by $360 million due to the equity accounting of Iluka's 20% interest in Deterra as a result of the Proposed Demerger (this is an estimate of the potential market value of this interest upon the demerger).

A detailed description of the movements between the historical and pro-forma historical balance sheet is set out in Section 3.11.7 of the Demerger Booklet.

Table 11: Deterra pro-forma financial position

$m	Half year ended 30 June 2020	Intercompany settlement and debt draw down	Retention of one month's accrued income	Demerger transaction cost	Pro-forma historical Deterra as at 30 June 2020
Cash and cash equivalents	-	-	-	-	-
Current tax receivables	-	-	-	0.3	0.3
Receivables	26.6	(26.6)	6.5	-	6.5
Total current assets	**26.6**	**(26.6)**	**6.5**	**0.3**	**6.8**
Deferred tax assets					
Intangible assets	10.2				10.2
Total non-current assets	10.2	-	-	-	10.2
Total assets	**36.8**	**(26.6)**	**6.5**	**0.3**	**17.0**
Intercompany payable due to Iluka	24.4	(24.4)	-	-	-
Total current liabilities	**24.4**	**(24.4)**	**-**	**-**	**-**
Deferred tax liabilities	9.0	(8.0)	1.9	(1.2)	1.7
Debt payable	-	9.2	-	5.0	14.2
Total non-current liabilities	**9.0**	**1.2**	**1.9**	**3.8**	**15.9**
Total liabilities	**33.4**	**(23.2)**	**1.9**	**3.8**	**15.9**
Net assets	**3.4**	**(3.4)**	**4.6**	**(3.5)**	**1.1**

Source: Demerger Booklet

We note the following in relation to the pro-forma financial position of Deterra:

- debt payable of $14.2 million reflects the following balance sheet movements:

- the settlement of intercompany payable balances and tax funding liabilities due to Iluka, funded by cash receipts from MAC owners (BHP, Itochu and Mitsui), an internal dividend within the Iluka group and debt drawdown of $9.2 million. Refer to Section 2.9.9 of the Demerger Booklet for details of Deterra's debt facility

- one off demerger costs where Deterra assumes $5.0 million in financial advisory costs payable on completion of the Proposed Demerger, funded by an external debt drawdown.

A detailed description of the movements between the historical MAC segment and pro-forma historical balance sheet is set out in Section 2.9.6 of the Demerger Booklet.

3.4 Capital Structure

After the Proposed Demerger, Iluka intends to adjust its current target leverage ratio of 1.0 to 1.5 times net debt to EBITDA to a target of nil net debt on average through the capital investment cycle. Iluka intends to maintain adequate liquidity facilities to manage periods of heightened capital investment and provide operational flexibility.

Following the Proposed Demerger, Deterra is expected to have net debt of $14.2 million and a debt facility of $40 million for general corporate and working capital purposes. The remaining undrawn facility provides Deterra with significant debt funding capacity to pursue growth. Although acquisitions can be funded through the debt facility, it will be supplemented by equity in order to maintain a conservative balance sheet.

To implement the Proposed Demerger, Iluka will undertake a capital reduction and distribute an in-specie dividend. The capital reduction will involve Iluka reducing its share capital via an in-specie distribution of Deterra shares to eligible shareholders.

3.5 Dividend policy

Following the Proposed Demerger, Iluka intends to maintain its current dividend policy to pay dividends equal to a minimum of 40% of free cash flow not required for investing or balance sheet activity. Iluka will seek to distribute the maximum franking credits available.

Deterra intends to adopt a dividend policy to pay dividends semi-annually, which are franked to the maximum extent possible and represent 100% of the distributable net profit after tax.

Iluka and Deterra's dividend policies will be determined by the Iluka and Deterra Boards at their discretion and may change over time.

3.6 Board of Directors

As a result of the Proposed Demerger, the only change to the Iluka Board has been the retirement of Jennifer Seabrook from the Iluka Board on 9 April 2020 to join Deterra as its inaugural Chair. Jennifer commenced her role as Chair-elect of Deterra on 10 April 2020.

The following table sets out the composition of the Iluka and Deterra Boards post the Proposed Demerger:

Table 12: Iluka and Deterra Boards post the Proposed Demerger

Name	Title
Iluka	
Greg Martin	Independent Chairman
Tom O'Leary	Managing Director
Marcelo Bastos	Independent Non-Executive Director
Rob Cole	Independent Non-Executive Director
Susie Corlett	Independent Non-Executive Director
James Ranck	Independent Non-Executive Director
Lynne Saint	Independent Non-Executive Director
Deterra	
Jennifer Seabrook	Independent Chair
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

Source: Demerger Booklet

Detailed biographies of the directors can be found in the Demerger Booklet.

3.7 Senior leadership team

Post the Proposed Demerger, Julian Andrews will step down as Head of Strategy, Planning & Business Development at Iluka and will be appointed as CEO of Deterra.

The following table sets out the composition of the Iluka and Deterra senior leadership teams post the Proposed Demerger:

Table 13: Iluka and Deterra senior leadership teams post the Proposed Demerger

Name	Title
Iluka	
Tom O'Leary	Managing Director
Adele Stratton	Chief Financial Officer
Matthew Blackwell	Head of Major Projects, Engineering & Innovation
Rob Hattingh	CEO of Sierra Rutile
Daniel McGrath	General Manager, Cataby & Southwest
Shane Tilka	General Manager, Jacinth-Ambrosia & Midwest
Tim Bartholomew	General Manager, Strategic Development & Closure
Sarah Hodgson	General Manger, People and Sustainability
Melissa Roberts	General Manager, Investor Relations
Christian Barbier	Head of Marketing
Sue Wilson	General Counsel and Company Secretary
Deterra	
Julian Andrews	Managing Director and Chief Executive Officer
Brendan Ryan	Chief Financial Officer and Company Secretary

Source: Demerger Booklet

Detailed biographies of the senior leadership teams can be found in the Demerger Booklet.

3.8 Potential impact on market valuation

The distinct nature of the Mineral Sands business and the Deterra business is the result of their differing business and risk profiles and necessitates that they are valued separately.

The following table sets out the key differences in the investment profile of the Mineral Sands business (excluding the retained interest in Deterra) relative to Deterra.

Table 14: Key differences in the investment profile of the Mineral Sands business relative to Deterra

Mineral Sands business	Deterra
• Mineral Sands focused business with three key operations and a pipeline of growth opportunities	• Royalty focused business with its primary asset being the MAC royalty
• Exposure to zircon, rutile, ilmenite and monazite prices	• Exposure to iron ore prices
• Expected minimum dividend payout of 40% of free cash flow not required for investing or balance sheet activity	• Expected dividend payout ratio of 100% of net profit after tax
• Income stream currently linked to various mine lives that are predominantly less than 10 years	• Income stream currently linked to MAC mine lives of over 25 years
• Exposure to both operating risk and operating leverage	• No exposure to operating leverage and limited exposure to operating risk
• Exposure to capital intensity for mining project development and growth	• Low capital intensity
• Rehabilitation liabilities	• No rehabilitation liabilities

Source: Iluka data, Deloitte Corporate Finance analysis

These differences create complexity when evaluating Iluka in its current form.

Valuation methodologies

Prior to the announcement of the strategic review on 31 October 2019, brokers covering Iluka valued it primarily using a discounted cash flow (**DCF**) methodology[14]. Whilst there were limited disclosures on the specifics of each broker's valuation, many disclosed that they applied a lower discount rate to value Deterra relative to the Mineral Sands business.

Since the Proposed Demerger announcement, broker valuation updates show that most brokers continue to use a DCF approach. However, we note that Credit Suisse has since changed its valuation approach for the MAC Royalty Business, replacing the DCF approach with a dividend yield methodology on the basis that Deterra intends to distribute 100% of earnings[15]. Further, we note that UBS previously used a sum-of-the-parts approach for the MAC Royalty Business and the Mineral Sands business using a multiples approach. In recent times, UBS has continued to value the MAC Royalty Business using a multiples based valuation approach and has varied its valuation approach for the Mineral Sands business between a DCF and a multiples approach[16,17]. If the Proposed Demerger proceeds, we anticipate that other brokers may also choose to change their valuation methodology.

It is evident that the two businesses can be valued using different methodologies including a DCF approach (with different assumptions for Deterra and the Mineral Sands business), a market based approach or a dividend yield approach.

As Iluka will retain a 20% equity interest in Deterra under the Proposed Demerger, some valuation complexity will remain, but given the reduced exposure to Deterra and that it would be a separately listed company, this should make the valuation simpler than under the current structure.

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[14] Our review of broker coverage of Iluka is limited to those broker reports available to Deloitte under license with Thomson One

[15] Credit Suisse broker report on Iluka dated 20 February 2020

[16] UBS broker report on Iluka dated 29 June 2020

[17] UBS broker report on Iluka dated 29 July 2020

Changes to valuation assumptions

Most brokers currently value the Mineral Sands business and the MAC Royalty Business separately using a DCF approach with assumptions tailored for each business including the following:

- the Mineral Sands business based on estimated mine plans and Deterra based on the MAC royalty terms
- different discount rates for each business reflecting the different risk profiles for each business.

We anticipate that changes to valuation assumptions as a result of the Proposed Demerger may be limited to the following key areas:

- a potential increase in the Mineral Sands business' discount rate or reduction in multiple applied if the market assesses that Iluka's overall risk profile has increased due to the reduced access to the MAC royalty cash flows (from 100% exposure to 20%)
- higher growth potential for Deterra and value benefits from separate management teams focusing on each business
- increased value to Shareholders through increased distributions from Deterra as it will no longer be restricted by Iluka's dividend policy
- increased costs in Deterra for it to operate as a standalone listed company pursuing growth.

Estimated impact on market value

To assess whether the above potential changes to the valuation assumptions will potentially unlock shareholder value, we have considered the following:

- the impact of a higher dividend payout ratio for Deterra than under Iluka
- the costs associated with Deterra operating as a standalone listed entity.

Using 2019 financial data included in the Demerger Booklet, we have compared Iluka's historical dividend with estimated dividends using Iluka and Deterra's stated dividend policies, Iluka's (post Proposed Demerger) pro-forma historical cash flow and Deterra's net profit after tax. The table below illustrates our analysis.

Table 15: Estimated 2019 pro-forma impact of a change in dividend policy on total dividends

$m			
Pre Proposed Demerger		Post Proposed Demerger	
Iluka historical dividend[1]	$55.9	Iluka pro-forma historical dividend[2]	$43.4
		Deterra pro-forma historical dividend[3]	$43.6
Total	**$55.9**		**$87.0**

Source: Deloitte Corporate Finance analysis, Demerger Booklet
1. 40% of the 2019 Iluka cash flow figure of $139.7 million (Refer Section 3.11.8 of the Demerger Booklet). We note this is slightly lower if we apply total dividends declared for 2019 of 15 cents a share multiplied by shares outstanding of 422.4 million as at 31 December 2019
2. 2019 Iluka pro-forma cash flow figure of $97.8 million (Refer to Section 3.11.9 of the Demerger Booklet) plus 20% of Deterra's profit after tax of $54.5 million (Refer to Section 7.9.3 of the Demerger Booklet) multiplied by 40%
3. The remaining 80% of the 2019 pro-forma Deterra profit after tax of $54.5 million, fully distributed

As observed above, the Proposed Demerger is expected to increase total cash distributions paid to Shareholders by c. 56% or c. $31 million (before one-off costs) driven by Deterra's dividend policy.

Using 2019 data, we have also illustratively estimated the potential impact on the dividends once South Flank is fully ramped up. The table below summarises our analysis. Further detail is available in Appendix 4.

Table 16: Illustrative pro-forma impact of a change in dividend policy on total dividends post South Flank ramp up

$m			
Pre Proposed Demerger		Post Proposed Demerger	
Iluka historical dividend[1]	$94.3	Iluka pro-forma historical dividend[2]	$50.7
		Deterra pro-forma historical dividend[3]	$116.5
Total	**$94.3**		**$167.2**

Source: Deloitte Corporate Finance analysis, Demerger Booklet
1. Refer to Appendix 4 for further detail
2. 40% of Iluka's pro-forma cash flow plus 40% of its share of Deterra's dividend (20%)
3. 80% of Deterra's net profit after tax (remaining 20% reflected in Iluka pro-forma historical dividend)

Illustratively, the cash distribution uplift post the Proposed Demerger increases to c. 77% or c. $73 million once South Flank is fully ramped up[18] (before one off costs).

We also considered the opportunity cost of incurring an additional $6.9 million of pre-tax operating costs for Deterra that are not currently incurred by Iluka, and which would otherwise be reinvested in Iluka. Applying a tax rate of 30%, a cost of capital in the region of 9% to 10% for Iluka (based on the range observed in broker notes) and a 2% growth assumption, implies a return into perpetuity of c. $60 million to $70 million. We note that the c. $73 million single year uplift in dividends (after South Flank is fully operational) exceeds the opportunity cost of being unable to reinvest the Deterra operating costs into Iluka on a perpetual basis.

[18] based on 2019 historicals and pro-forma historicals, with MAC royalty cash flows adjusted on a pro-rated volume basis and excluding one-off production capacity payments

4 Impact on Iluka's ability to pay its creditors

4.1 Basis of evaluation

In assessing Iluka's ability to pay its creditors, we have compared certain financial ratios of Iluka prior to the Proposed Demerger to those implied by the pro-forma financial statements for Iluka following the Proposed Demerger. The sections below detail our analysis of the following ratios:

- current ratio
- net debt to capital ratio
- net debt to EBITDA
- interest coverage ratio.

We have used 30 June 2020 balance sheet and LTM 30 June 2020 income statement values for Iluka in our ratio analysis below. In calculating the LTM 30 June 2020 income statement values, we have subtracted half year ended 30 June 2019 values from full year 30 December 2019 values and added half year ended 30 June 2020 values. Refer to Section 3.11.3, Section 3.11.5 and Section 3.11.7 of the Demerger Booklet for further details on the source data.

4.2 Evaluation

The pro-forma income statement for Iluka shows that adjusting the LTM 2020 EBITDA and EBIT for the Proposed Demerger decreases results by 16% and 19% respectively, primarily due to the removal of the MAC Royalty Business' revenue. The balance sheet is strengthened through the c. $360.0 million increase in net assets, driven by the equity accounting of Iluka's 20% interest in Deterra as a result of the Proposed Demerger.

Following the Proposed Demerger, Iluka will continue to have access to a $519.3 million debt facility.

4.3 Analysis of financial ratios

In addition to analysing ratios for Iluka, we have also analysed the same ratios for a selected group of mineral sands, rare earths and base metal mining companies for comparison purposes. We note the ratios of the comparable companies have been adjusted for one-off/unusual expenses.

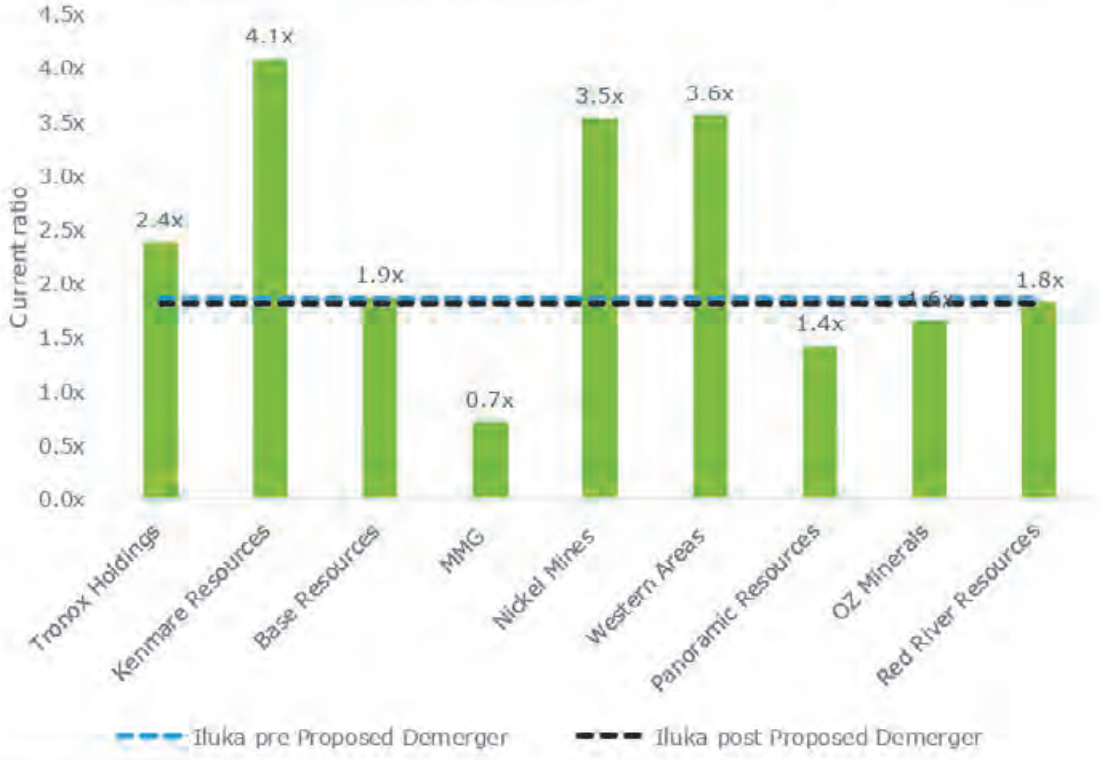
For the companies which have adopted the Australian Accounting Standards Board 16 Leases Standard (**AASB 16**), we have applied financial ratios that reflect the implementation of AASB 16 based on information available from the latest annual reports of the selected companies. We note that the historical financial statements of a large number of the selected companies have not yet adopted AASB 16. Regarding those companies we have:

- included the financial ratios (based on the latest annual report pre AASB 16) in our analysis if management have noted that the impact of AASB 16 will be immaterial
- excluded the ratios from our analysis if management have noted that the impact of AASB 16 will be material
- excluded the ratios where disclosures were insufficient to make the necessary adjustments.

4.3.1 Current ratio

The current ratio is a measure of a company's ability to meet its short-term obligations that fall due within one year. It is calculated as the ratio of current assets to current liabilities. The current ratio for Iluka, pre and post the Proposed Demerger is 1.9x and 1.8x respectively. Therefore, the Proposed Demerger does not materially impact Iluka's current ratio. The current ratio pre and post the Proposed Demerger is within the range observed for the comparable companies.

Figure 12: The current ratio of Iluka pre and post the Proposed Demerger compared to comparable companies



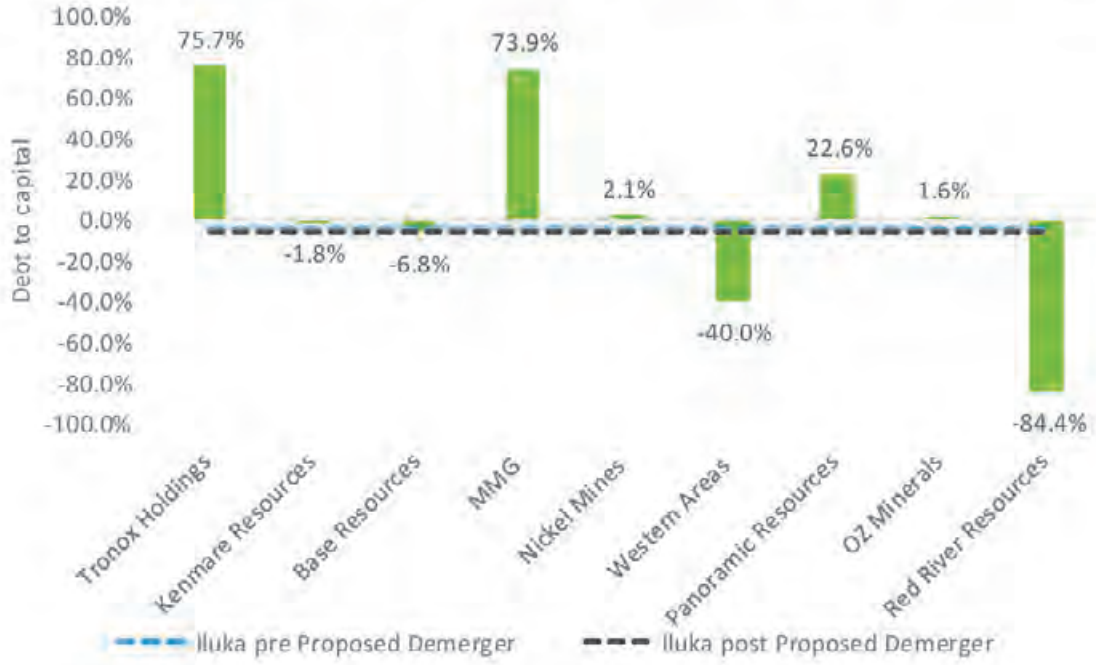
Source: Deloitte Corporate Finance analysis, S&P Capital IQ, Demerger Booklet
Note:
1. Data based on latest available annual report
2. Mineral sands, rare earths and base metal mining companies included for comparison purposes only
3. Lynas Corporation, Metals X, New Century Resources, IGO and Sandfire Resources excluded due to material but unquantified impact of AASB 16

4.3.2 Net debt to capital

The net debt to capital ratio measures the level of leverage of a company. It is calculated as net debt divided by capital (net debt plus book value of equity). The current net debt to capital for Iluka, pre and post the Proposed Demerger is -4.6% and -5.9% respectively (the ratios are negative due to its net cash position). As a result of the Proposed Demerger, the increase in Iluka's net cash position improves the net debt to capital ratio, which more than offsets the increase in equity due to Iluka's 20% stake in Deterra. Therefore, the Proposed Demerger does not materially impact Iluka's net debt to capital ratio. Refer to Section 3.3.2 for further details.

The net debt to capital ratio of approximately nil is a conservative position and within the range observed for the comparable companies.

Figure 13: The net debt to capital ratio of Iluka pre and post the Proposed Demerger compared to comparable companies

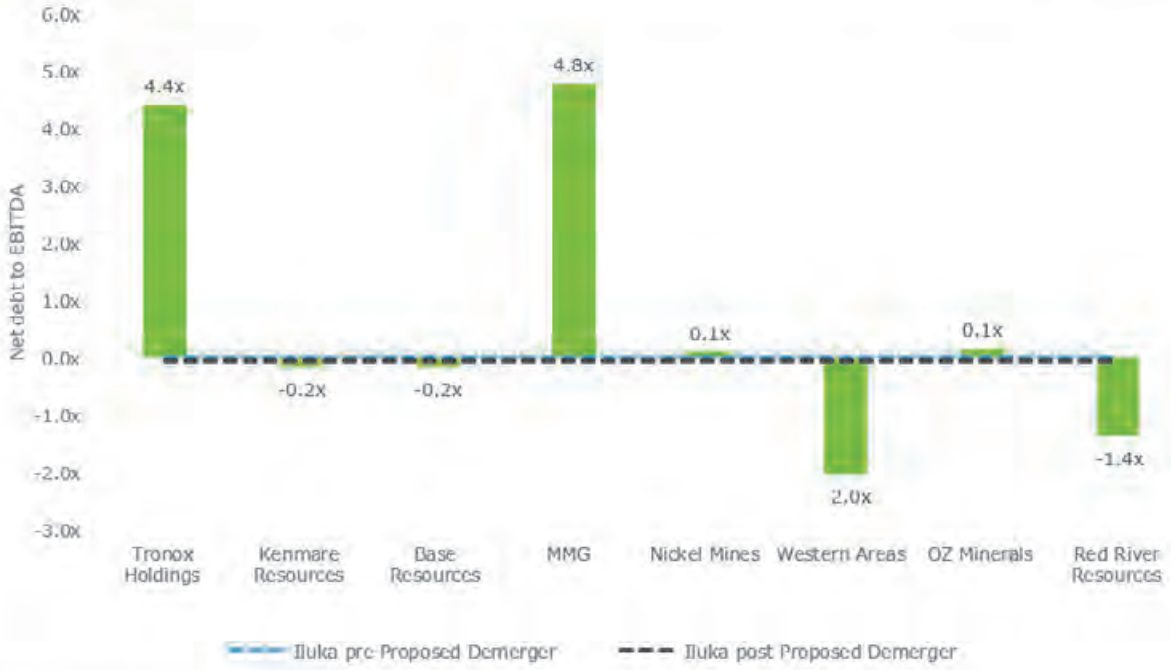


Source: Deloitte Corporate Finance analysis, S&P Capital IQ, Demerger Booklet
Note:
1. Data based on latest available annual report
2. Mineral sands, rare earths and base metal mining companies included for comparison purposes only
3. Lynas Corporation, Metals X, New Century Resources, IGO and Sandfire Resources excluded due to material but unquantified impact of AASB 16

4.3.3 Net debt to EBITDA

Net debt to EBITDA is a measure of a company's debt capacity. It is calculated using interest bearing liabilities less cash or cash equivalents divided by EBITDA. It provides an indication of how long a company would have to operate at its current level to pay off all outstanding debt. Management of Iluka have targeted a net debt to EBITDA ratio after the Proposed Demerger of nil on average through the business cycle. The current net debt to EBITDA for Iluka pre and post the Proposed Demerger is negative due to its net cash position. This is conservative and within the range observed for the comparable companies.

Figure 14: The net debt to EBITDA ratio of Iluka pre and post the Proposed Demerger compared to comparable companies



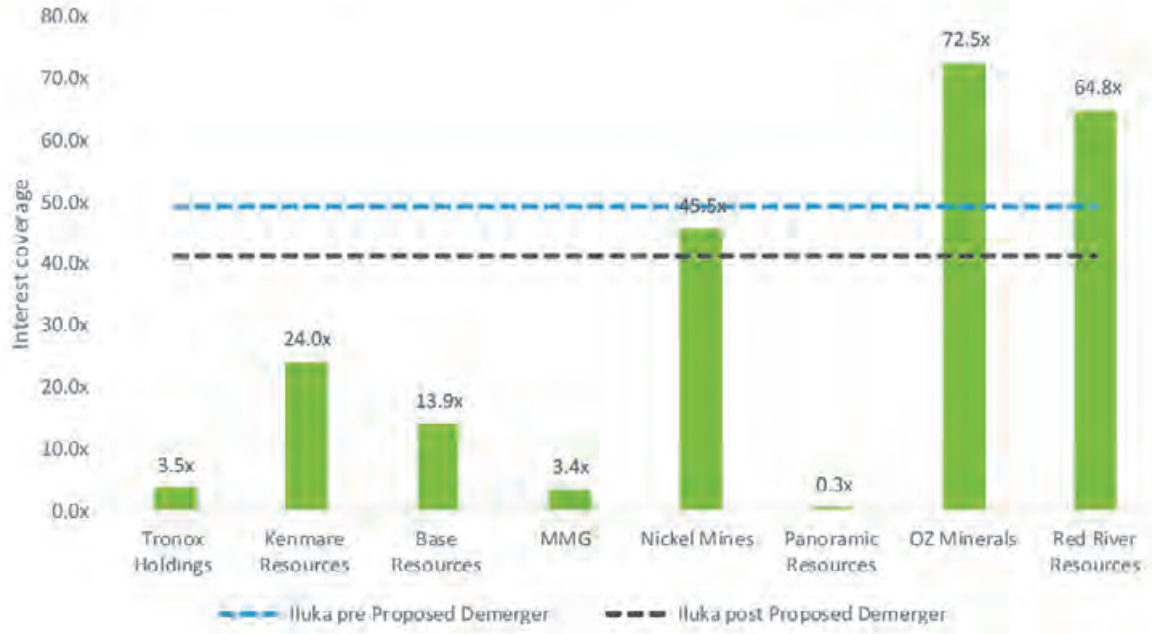
Source: Deloitte Corporate Finance analysis, S&P Capital IQ, Demerger Booklet
Note:
1. Data based on latest available annual report
2. Mineral sands, rare earths and base metal mining companies included for comparison purposes only
3. Lynas Corporation, Metals X, New Century Resources, IGO and Sandfire Resources excluded due to material but unquantified impact of AASB 16
4. Panoramic Resources excluded due to a net debt to EBITDA value of 175.4x. We consider this to be an outlier

4.3.4 Interest coverage

The interest coverage ratio is used to determine how easily a company is able to pay its interest obligations on outstanding debt. We have calculated it as EBITDA divided by net interest expense. The interest coverage ratio for Iluka pre and post the Proposed Demerger is 49.3x and 41.3x respectively. Despite the decrease post the Proposed Demerger, Iluka's interest coverage remains high and within the range observed for the comparable companies.

The decrease in Iluka's interest coverage after the Proposed Demerger is driven by the removal of the MAC Royalty Business' revenue from EBITDA. Refer to Section 3.3.1 for further details.

Figure 15: The interest coverage ratio of Iluka pre and post the Proposed Demerger compared to comparable companies



Source: Deloitte Corporate Finance analysis, S&P Capital IQ, Demerger Booklet
Note:
1. Data based on latest available annual report
2. Mineral sands, rare earths and base metal mining companies included for comparison purposes only
3. Lynas Corporation, Metals X, New Century Resources, IGO and Sandfire Resources excluded due to material but unquantified impact of AASB 16
4. Negative interest coverage ratio (interest revenue exceeds interest expense) for Western Areas not graphed

4.4 Conclusion

We note the following in regard to the analysis above:

- EBITDA and EBIT have decreased by $92.3 million (16%) and $80.0 million (19%) respectively as a result of the Proposed Demerger, driven by the removal of revenue from the MAC Royalty Business
- net assets have increased as a result of equity accounting (at estimated market value) the 20% equity interest in Deterra, whereas historically the MAC Royalty Business was recorded at a negligible historical cost in Iluka's balance sheet. This visibly provides Iluka with additional balance sheet strength, even though it now owns a smaller effective interest in the MAC Royalty Business. The pro-forma balance sheet of Iluka continues to reflect a positive net asset position (value of assets exceeds liabilities)
- Iluka's current ratio will not be significantly impacted as a result of the Proposed Demerger, decreasing from 1.9x to 1.8x. This is within the range observed for the comparable companies
- Iluka's net debt to capital ratio improves after the Proposed Demerger moving from -4.6% to -5.9%. The net debt to capital ratio remains conservative and within the range observed for the comparable companies
- Iluka's current net debt to EBITDA ratio does not materially change after the Proposed Demerger. The net debt to EBITDA ratio remains conservative and within the range observed for the comparable companies
- Iluka maintains a high interest coverage ratio pre and post the Proposed Demerger. It remains high and within the range observed for the comparable companies.

Based on the above, we consider that the Proposed Demerger is unlikely to materially prejudice the ability of Iluka to pay its existing creditors.

Appendix 1: Industry overview

Mineral sands market

The mineral sands industry involves the mining and processing of zircon and titanium dioxide products, upgraded titanium dioxide products as well as some rare earth minerals bearing minerals such as monazite and xenotime. Zircon, titanium dioxide and rare earth minerals have different properties, prices and end use markets.

Zircon

Overview

Zircon or zirconium silicate is an opaque, hard wearing mineral with unique chemical resistance and thermal stability.

Around half of all zircon is used in the production of ceramics where it provides whiteness, strength and corrosion resistance. Due to its hardness, high melting point and resistance to corrosion, it is also used in the steel industry to line furnaces. Zircon has several derivatives such as zirconia and zirconium, created by modifying zircon chemically.

Zircon can be processed to create zirconia by melting the sand at very high temperatures typically above 2,600 degrees Celsius in an electric furnace to form molten zirconia[19]. The cooled and crushed zirconia has many applications such as advanced ceramics and biomedical implants.

Zirconium is another derivative of zircon and takes the form of a silvery grey metal. Zirconium is mainly used as an alloy in the nuclear power industry and is also added to aluminium alloys and steel to improve mechanical properties and corrosion resistance. Zirconium chemicals have a vast array of applications including catalysts, paper coatings and cosmetics.

The table below provides a summary of the uses of zircon and zircon products.

Table 17: Uses of zircon and zircon products

Product	Industry
Ceramics	Tiles, sanitary ware, table ware
Chemicals and fused zirconia	Electronics, catalytic converters, fiber optics, nuclear fuel rods
Refractory and foundry	Investment casting, glass, steel and cement industries

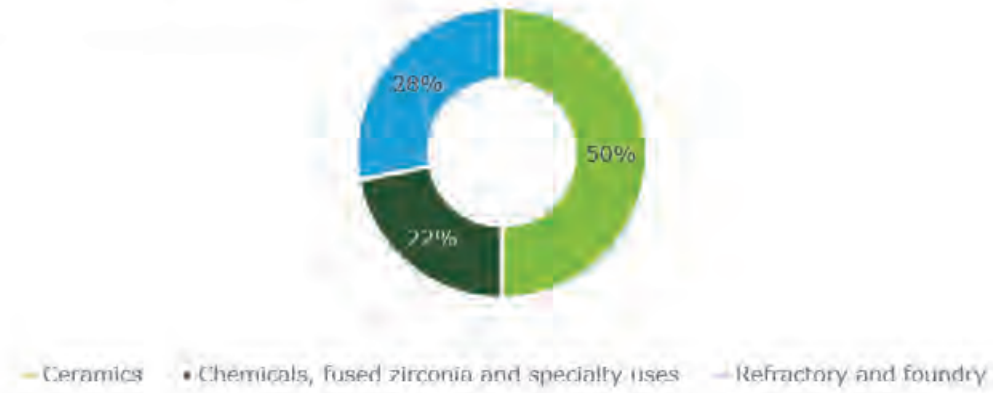
Source: Iluka Management

Demand

From 2017 to 2019, on average, 50% of global demand for zircon was derived from ceramics, 28% from refractory and foundry and 22% from chemicals, fused zirconia and specialty uses.

[19] Zircon Association - https://www.zircon-association.org/difference-between-zircon-zirconia,zirconium.html accessed 20 February 2020

Figure 16: Average 2017 to 2019 global zircon demand



Source: TZMI

Recent business and consumer confidence in zircon has been affected by subdued outlook for global economic growth. The International Monetary Fund (**IMF**) has recently downgraded projected global economic growth to -4.9% in 2020 and 5.4% in 2021[20]. The downward revision reflects the greater than expected negative impact of the COVID-19 pandemic on activity in the first half of 2020, and more gradual recovery into 2021 than previously forecast. The recent coronavirus outbreak and lingering trade and political tensions between the United States and China is expected to impact zircon demand in the short term.

Approximately 50% of the world's zircon is consumed in China with other significant markets including Europe, India, South East Asia and the Middle East[21]. Currently, zircon demand in key markets such as China and Europe remains soft and has been further exacerbated by COVID-19. Customers have been reducing zircon inventories across the supply chain which has continued to impact demand, yet the rate at which European ceramics producers are restarting operations is encouraging. However, there remains uncertainty in relation to the demand outlook due to COVID-19[22].

Growth drivers for zircon include urbanisation, construction and industrial production. Emerging and specialty applications of zircon based on its derivatives, zirconia and zirconium chemicals, provide a key growing market for zircon in the future.

[20] IMF – World Economic Outlook - https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020 dated June 2020

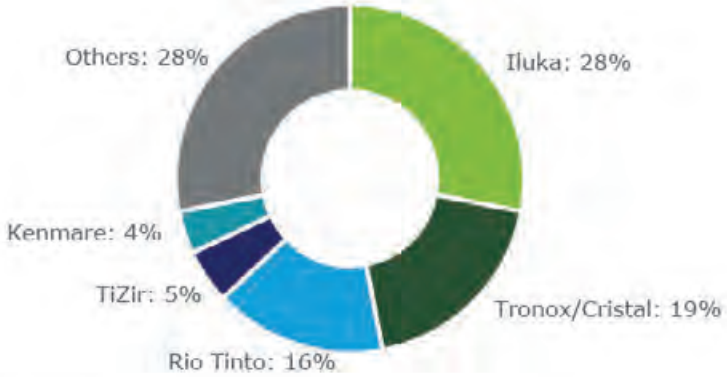
[21] Sheffield Resources – Market Overview - http://www.sheffieldresources.com.au/irm/content/mineral-sand-market.aspx?RID=385&RedirectCount=1 accessed 20 February 2020

[22] Iluka Bank of America Merrill Lynch 2020 Global Metals, Mining and Steel Conference presentation dated May 2020

Supply

In 2018 c. 1.2 million tonnes (**Mt**) of zircon was produced with supply concentrated between three large players as shown in the Figure below. In 2018, Iluka was the world's largest producer of zircon followed by Tronox/Cristal and Rio Tinto.

Figure 17: Global zircon producers in 2018

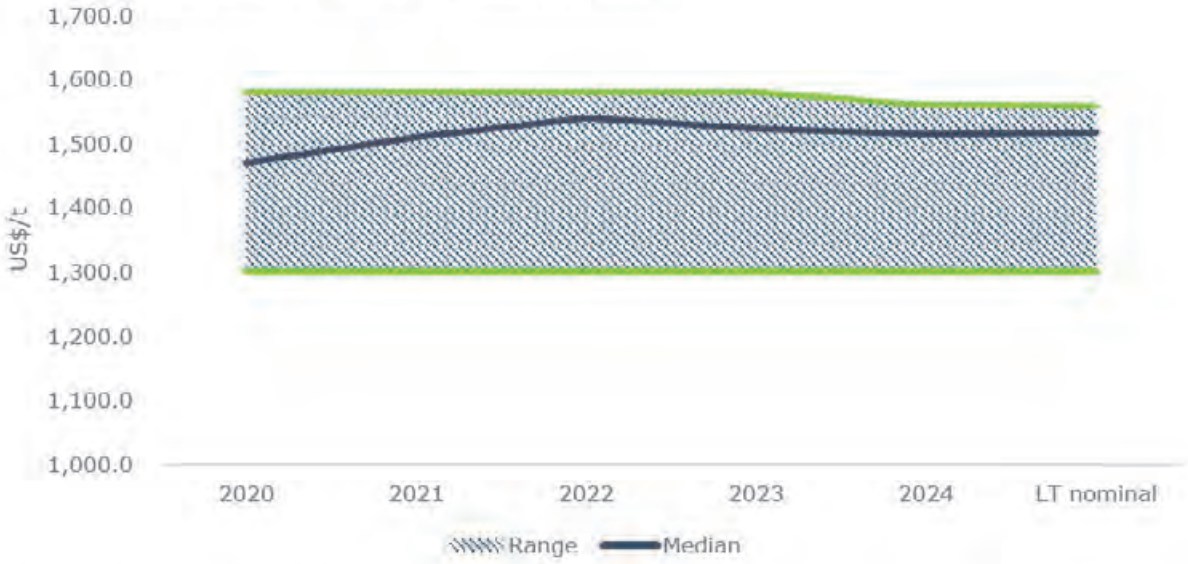


Source: Iluka Management, TZMI

The global inventory of zircon in-situ has reduced in recent years as existing producers' mines mature and grades decline progressively[23]. A lack of quality mineral sands projects particularly with high zircon grade and depletion of current reserves (including Iluka's) is expected to see supply decreasing from 2020 onwards leading to a structural deficit, however timing is uncertain due to COVID-19.

Pricing

Figure 18: Forecast zircon price from FY2020 to FY2024



Source: Consensus Economics dated June 2020
Note:
1. LT nominal refers to the average 2025 to 2029 nominal forecast price

There is no exchange traded market for zircon and zircon derivatives. Mineral sands products were traditionally sold via long-term contracts, often referred to as legacy contracts. This historical contractual setting resulted in an extended period of relative price stability and only modest price growth.

[23] Iluka 2019 Ruidow Zirconium Conference presentation dated May 2019

Broker forecasts provide a guide on the pricing of zircon as shown in the Figure above. Nominal median zircon prices are expected to remain relatively stable in USD terms, between US$1,470/t and US$1,540/t.

Titanium minerals

Overview

Natural rutile is a naturally occurring mineral with a high titanium dioxide (TiO_2) content (92% to 95%). Ilmenite is a lower grade iron and titanium dioxide bearing mineral that can be sold as a raw material or upgraded to synthetic rutile in a rotary kiln. TiO_2 feedstocks are graded based on their TiO_2 content which ranges from 45% to 58% for sulphate ilmenite and 58% and 65% for chloride ilmenite[24]. Synthetic rutile has a titanium dioxide content of 88% to 95%.

TiO_2 is a dark coloured mineral which becomes a white, opaque powder with further processing. Approximately 90% of TiO_2 globally is used in the manufacture of titanium pigment to manufacture paint, plastic and paper as it is a non-toxic whitener. It also provides ultraviolet and chemical resistance and is also used in plastic pipes, packaging, clothing, sunscreen, toothpaste and make up.

TiO_2 feedstocks are also used to produce titanium metal, which has the highest strength to weight ratio of all metals. Titanium metal is chemically resistant, has a high melting point and low conductivity. As a result, titanium metal is used across a wide range of industries including aeronautics, medical implants, defence, sporting goods, mining and petroleum.

The table below provides a summary of the uses of TiO_2.

Table 18: Uses of TiO_2

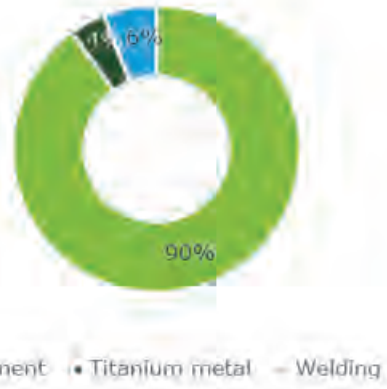
Product	Industry
Pigment	Paint, plastics, inks and specialty coatings
Titanium metal	Aircraft frames and engines, medical items, sporting goods and defence armament
Welding	Steel fabrication and ship building

Source: Iluka Management

Demand

From 2017 to 2019, on average, 90% of global demand for TiO_2 was derived from pigment, 6% from welding and 4% from titanium metal.

Figure 19: Average 2017 to 2019 global TiO_2 demand



Source: TZMI

Zircon and TiO_2 demand are driven by the same factors: urbanisation, construction and industrial production. Hence as with zircon, titanium demand is also expected to be impacted by downgraded global growth assumptions.

[24] Strandline Resources Limited http://www.strandline.com.au/irm/content/ilmenite.aspx?RID=315

Demand for TiO_2 is linked heavily to pigment demand and rising living standards. The global pigment market is expected to increase in the future driven by:

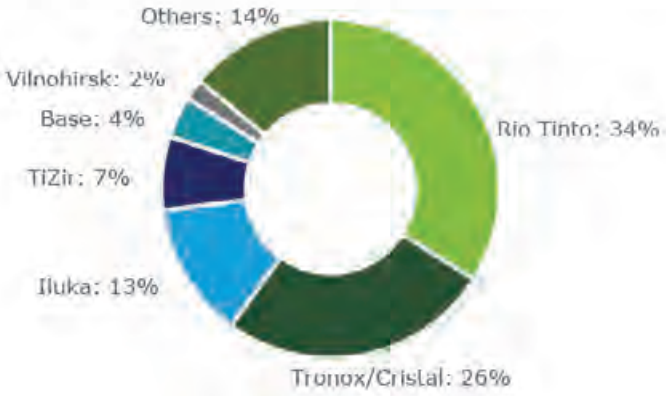
- the rapidly growing paint and coating industry in Asia-Pacific due to a rise in automotive and construction industries
- increasing environmental awareness as regulations on pigment use in food packaging and printing across the globe become stringent due to the toxic elements in some pigments.

However, the rate at which the market is forecast to increase in the future is uncertain due to COVID-19.

Supply

In 2018 c. 7.4 Mt of TiO_2 was produced. Titanium feedstocks are either chloride or sulphate, with a c. 50/50 split globally. In 2018 c. 2.5 Mt of high grade chloride TiO_2 (including rutile, synthetic rutile, chloride slag and up-graded slag) was produced. Supply is concentrated between two large players (Rio Tinto and Tronox/Cristal) who supply 60% of world TiO_2 production.

Figure 20) High grade chloride TiO_2[1] producers in 2018

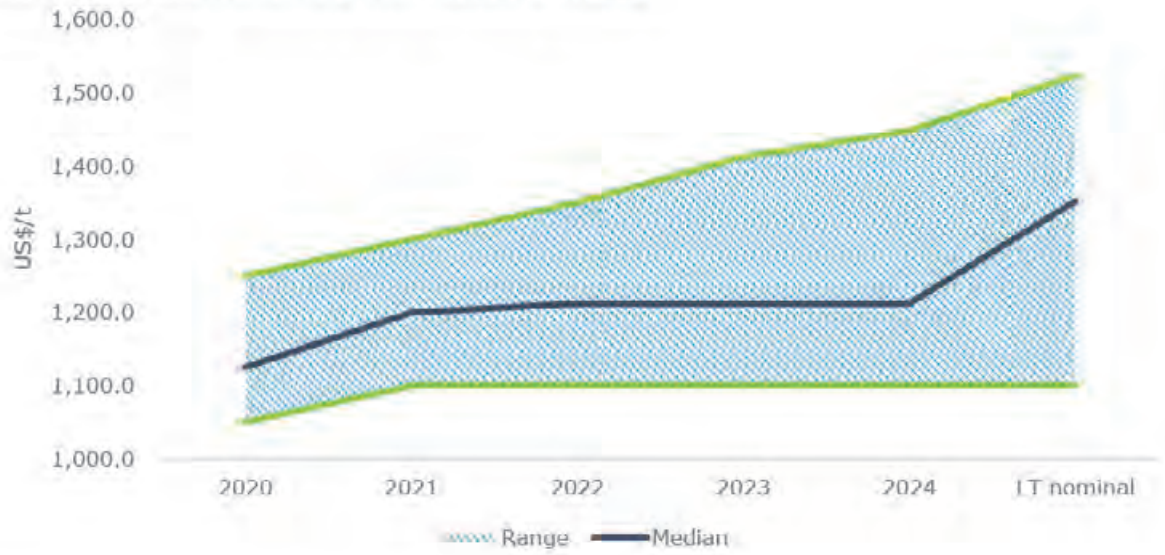


Source: Iluka, TZMI
Note:
1. High grade chloride TiO_2 defined as greater than 80% TiO_2 content

Supply for rutile is expected to decline in the future, with supply constraints in high grade titanium minerals already evident due to recent mine closures, grade decline and short remaining mine lives, however timing is uncertain due to COVID-19. The industry will require reinvestment to meet forecast global demand.

Pricing

Figure 21: Forecast rutile price from FY2020 to FY2024



Source: Consensus Economics dated June 2020
Note:
1. LT nominal refers to the average 2025 to 2029 nominal forecast price

Similar to zircon, there is no exchange traded market for rutile and synthetic rutile. Products are sold via 6 month through to longer term contracts. Historical contracts resulted in an extended period of relative price stability and only modest price growth. Rutile and synthetic rutile is now sold to major pigment and titanium metal customers on a contractual basis, typically less than 12 months.

Broker forecasts provide a guide on the pricing of rutile as shown in the Figure above. Nominal median rutile prices are forecast to increase over the period from US$1,125/t to US$1,352/t.

We note that despite the COVID-19 outbreak and lingering trade and political tensions, constraints in the supply of TiO_2 is expected to provide support for prices in the short term.

Rare earth minerals

Overview

Rare earth minerals refer to a group of 17 elements used in a wide variety of areas due to their unique metallurgical, nuclear, electrical, magnetic and luminescent properties[25]. Despite their name, rare earth minerals are generally abundant in nature but are hazardous to extract[26].

The rare earth minerals produced by Iluka are Neodymium, Praseodymium and heavy rare earths Dysprosium and Terbium. All of these rare earths are used in the manufacturing of permanent magnets, a crucial component in the production of electric vehicles and renewable energy plants (wind turbines).

The market for rare earth minerals was valued at c. US$13.2 billion in 2019 and is expected to grow at a 10.7% compound annual growth rate from 2020 to 2026[27]. The growing demand from emerging technologies such as electric vehicles, coupled with the increased use in magnet and optical instrument applications is expected to substantially contribute to market growth in the future.

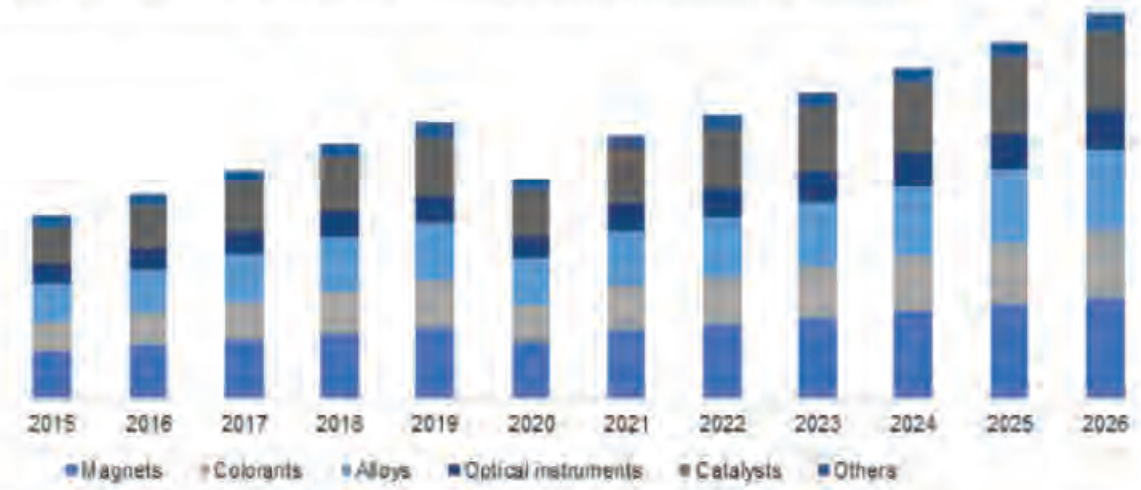
The figure below indicates the historical and forecast rare earth metal applications from 2015 to 2026.

[25] https://www.ga.gov.au/scientific-topics/minerals/mineral-resources-and-advice/australian-resource-reviews/rare-earth-elements accessed 13 July 2020

[26] https://www.bbc.com/news/world-17357863 accessed 13 July 2020

[27] https://www.gminsights.com/industry-analysis/rare-earth-metals-market dated June 2020

Figure 22: Historical and forecast rare earth metal applications (% breakdown)



Source: Global Market Insights

Royalty market[28]

Sector overview

Payment of mining royalties originally began as a method for governments to charge for the right to extract minerals[29]. The concept was later applied by owners of mineral rights who sold or granted options to another party to develop and mine a particular area, whilst retaining a royalty as a potential future income stream if the development ever reached production stage[30]. A royalty may also be granted to a joint venture party when their equity interest is diluted down[31]. For options and joint ventures, the royalty is typically a small component of a larger agreement[32]. The owner of the royalty is entitled to a right to a percentage of mineral production, revenue or profit upon commercialisation.

In the past decade, royalty agreements have become a popular alternative to traditional debt and equity funding for developing, constructing and expanding mining projects. Prior to 2008, when commodity prices were higher, junior mining companies were able to raise capital through an Initial Public Offering (**IPO**) in Australia, Canada or UK. Post IPO, those companies could raise debt from an established bank. Given the greater liquidity in the market at that time, junior mining companies did not need to look for alternative financing methods. However, since the Global Financial Crisis in 2008 and the decline in commodity prices, the traditional sources of funding for mining companies started to become more limited, meaning that they had to find other financing options.

Royalty companies that specialise in providing financing to mining and resource companies in exchange for a royalty once the project is commercialised, have become more prevalent. We note that as royalties are contractual agreements, royalty payments owed rank ahead of shareholders during an insolvency situation making royalty financing a more attractive form of financing for capital providers as it represents potentially lower risk than equity funding. Royalty companies also acquire existing royalties to build a diversified portfolio of royalty assets.

Streams are similar to royalty finance however, in exchange for upfront capital, the provider obtains the right to purchase all or a portion of one or more metals produced from a mine, at a price determined by

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[28] Norton Rose Fulbright - Royalty finance - the new normal? (https://www.nortonrosefulbright.com/en/knowledge/publications/470758f0/royalty-finance---the-new-normal)

[29] EKB - Understanding Streaming Agreements and Royalty Agreements: Alternatives to Traditional Financing (http://www.ekb.com/wp-content/uploads/2017/10/Understanding-Streaming-Agreements-and-Royalty-Agreements-Alternatives-to-Traditional-Financing.pdf)

[30] EKB - Royalty Companies' Effect on Royalty Agreements and Other Recent Trends (http://www.ekb.com/wp-content/uploads/2017/10/Royalty-Companies%E2%80%99-Effect-on-Royalty-Agreements-and-Other-Recent-Trends-Alan-Monk-PDF-.pdf)

[31] Ibid

[32] EKB - Understanding Streaming Agreements and Royalty Agreements: Alternatives to Traditional Financing (http://www.ekb.com/wp-content/uploads/2017/10/Understanding-Streaming-Agreements-and-Royalty-Agreements-Alternatives-to-Traditional-Financing.pdf)

the purchase agreement for the life of the transaction. The key distinction between royalties and streams is that a stream typically involves physical settlement of the product.

Royalty companies market themselves as an investment opportunity with the potential for greater returns than exchange traded funds but with less risk than an operating mining company. Some features of royalty companies include:

- limited ongoing capital requirements once royalties are acquired
- offering the royalty owner growth upside as production increases including upside from exploration and development without additional funding requirements or risk of stock dilution
- no risk of operating or capital cost overruns for production or revenue-based royalties.

Royalty companies provide investors with commodity price and exploration optionality while limiting exposure to many of the risks of operating mining companies. Royalty companies build a strong balance sheet given that they typically participate at the revenue line, do not need to fund unscheduled capital expenditures and have a high margin with low overheads. They use their free cash flow to raise capital for new opportunities and expand their portfolio.

Royalty companies are largely based in North America, with the royalty market in Australia comparatively less developed. However, some recent Australian transactions involving mining and streaming royalties include:

- Blaze International's acquisition of an option over 3 exploration tenements south of Mt Magnet which includes a net smelter royalty to Eastern Goldfields[33]
- Fe Limited's disposal of its Evanston iron ore royalty relating to the Koolyanobbing iron ore mine to an Australian subsidiary of Trident Resources[34]
- Marquee Resources' acquisition of an option to acquire the West Spargoville gold and nickel project including a royalty owed to the current owner Fyfehill[35]
- RPM Automotive Group's disposal of its non-core royalty at Bulong Gold Project to Vox Royalty[36]
- Northparkes Mines' (China Molybdenum Co Ltd is the owner and operator) streaming agreement with Triple Flag Mining Finance[37]
- Newcrest Mining's acquisition of gold prepay and stream facilities and offtake agreement for the Fruta del Norte mine[38]. We note that this transaction involves an Australian company but a non-Australian asset.

We also note three recent royalty company listings in the past year:

- Trident Royalties plc (**Trident**) was admitted into the Alternative Investment Market, a sub-market of the London Stock Exchange in June 2020. This follows after successful raising of c. $29.2 million. The market capitalisation of Trident as at 10 July 2020 was c. $39.5 million

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[33] Market Herald - https://themarketherald.com.au/blaze-international-asxblz-to-snatch-up-mt-magnet-project-from-private-explorer-2020-07-02/ accessed 20 July 2020

[34] Market Herald - https://themarketherald.com.au/fe-limited-asxfel-completes-iron-ore-royalty-sale-2020-06-04/ accessed 20 July 2020

[35] Marquee Resources - https://www.marqueeresources.com.au/wp-content/uploads/2020/07/OPTION-TO-ACQUIRE-WA-GOLD-NICKEL-PROJECT.pdf dated 7 July 2020

[36] RPM Automotive Group - https://www.asx.com.au/asxpdf/20200701/pdf/44k3xvfv49lh2h.pdf dated 1 July 2020

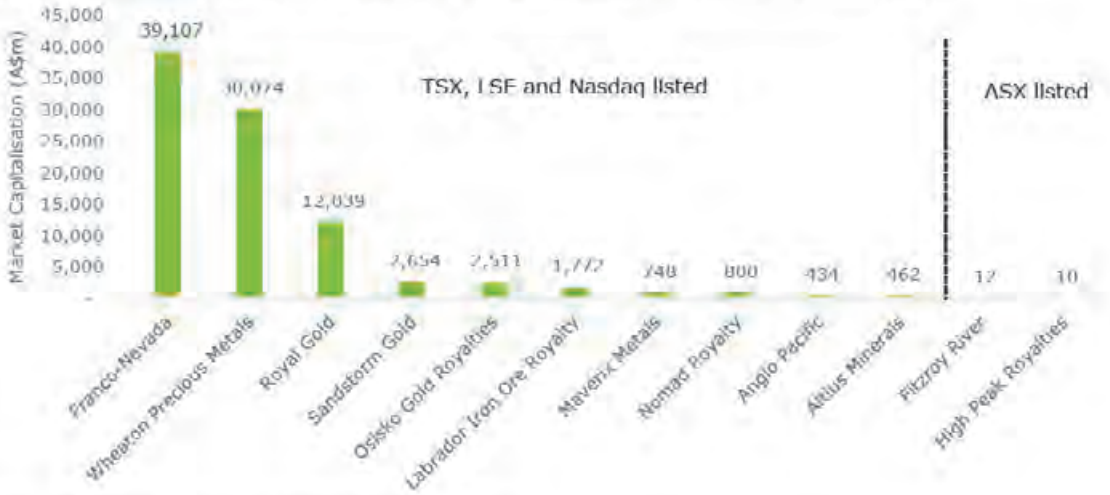
[37] Northparkes Mines - http://www.northparkes.com/news/northparkes-mines-owner-cmoc-announces-us550-million-streaming-agreement - dated 12 July 2020

[38] Newcrest Mining - https://www.newcrest.com/sites/default/files/2020-04/200430_Newcrest%20acquires%20Fruta%20del%20Norte%20finance%20facilities%20-%20Market%20Release.pdf – dated 30 April 2020

- Vox Royalty Corporation (**Vox**) commenced trading on the Toronto Stock Exchange (**TSX**) in May 2020. The TSX listing saw strong investor demand with brokered private placements raising c. $15.2 million, exceeding the initial targets of c. $7.8 million to $13.3 million. The market capitalisation of Vox as at 10 July 2020 was c. $107.2 million

- Nomad Royalty Company Limited (**Nomad**) also commenced trading on the TSX in May 2020 after completion of a reverse take-over as well as private placements raising c. 14.5 million. The market capitalisation of Nomad as at 10 July 2020 was c. $800.0 million. On 15 July 2020, Nomad announced a US$50 million revolving credit facility (with the option to increase to US$75 million) to be used to finance future royalty and stream acquisitions[39].

Figure 23: Market capitalisation of resource royalty companies[1] as at 10 July 2020



Source: S&P Capital IQ, Deloitte Corporate Finance analysis
Note:
1. Chart is not a complete list of royalty companies.

In Australia, there are numerous royalty investments held by private companies, including significant iron ore royalties, akin to the MAC royalty, held by the Perron Group[40] and the Bennett[41], Wright[42] and Hancock families[43]. There are also numerous other known royalties in Australia held by a variety of owners. This includes but is not limited to:

- South32 Limited's rights to a portfolio of royalties that is diversified by commodity and country of origin which it inherited from BHP when it demerged in 2015[44]

- the Weeks Petroleum Royalty

- Triple Flag's royalty over the Fosterville gold mine (owned by Kirkland Lake Gold)

- Franco Nevada's royalty over the Red October, Duketon, Matilda and South Kalgoorlie gold projects.

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[39] Bloomberg - https://www.bloomberg.com/press-releases/2020-07-15/nomad-royalty-company-secures-up-to-us-75-million-revolving-credit-facility dated 15 July 2020

[40] Perron Group - https://www.perrongroup.com.au/investments accessed 20 July 2020

[41] AFR - https://www.afr.com/companies/mining/iron-ore-heiress-listed-as-witness-in-billion-dollar-fraud-case-20200209-p53g2h accessed 20 July 2020

[42] ibid

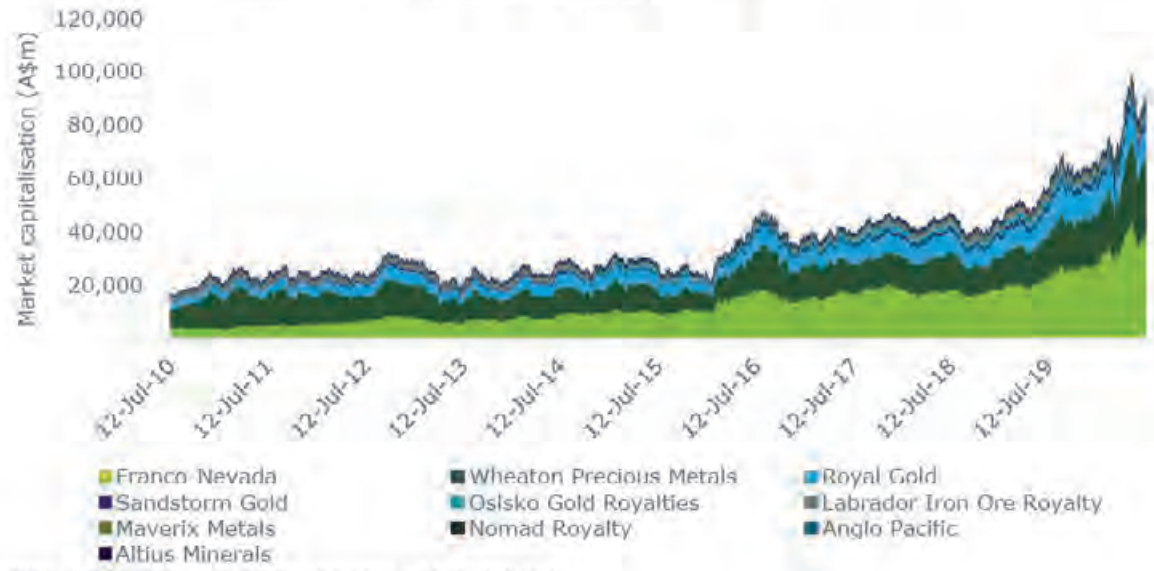
[43] AFR - https://www.afr.com/companies/mining/hancock-loses-latest-round-in-war-over-iron-ore-royalties-20190724-p52abz accessed 20 July 2020

[44] South 32 Information Memorandum - https://www.asx.com.au/asxpdf/20150317/pdf/42xbbd54j2phzl.pdf dated 16 March 2015

Royalty sector performance

The figure below shows the market capitalisation of international royalty peers from 12 July 2010 to 10 July 2020.

Figure 24: Market capitalisation of international royalty peers



Source: S&P Capital IQ, Deloitte Corporate Finance analysis
Note:
1. Chart is not a complete list of royalty companies

Over the historical period there has been significant growth in the market capitalisation of international royalty peers with the combined market capitalisation exceeding $90.6 billion in July 2020. We note that over the past three years, the total market capitalisation has increased by 228% from c. $39.7 billion in July 2017 to c. $90.6 billion in July 2020.

Iron ore

The underlying mineral over which Iluka receives MAC royalties is iron ore. The prospects for MAC are therefore linked to industry conditions for iron ore.

Overview

Iron ore is found in its raw form as hematite (96% of iron ore in Australia), magnetite, goethite, limonite, itabirite, pisolite and taconite ores. Hematite and magnetite are normally used in steel making, with hematite being preferred due to its higher iron content as ore in situ.

Iron content is the most important factor that determines the value of the ore. The majority of the world's high grade iron ore resources (greater than 60% Fe content and on average 62% to 63% Fe) are hematite deposits, which either require a small amount of beneficiation or can be fed directly into blast furnaces (albeit after sintering fines ore). The majority of iron ore currently exported from Australia, and the Pilbara, is high grade hematite direct shipping ore which only requires crushing and screening. There are also a number of large high-grade hematite mines in Brazil. Australia also has lower grade hematite deposits (Fe content of 40% to 60%).

Magnetite ores are generally of a lower grade (between 25% and 40% Fe content) and require beneficiation involving crushing, milling and magnetic separation resulting in higher costs. Magnetically beneficiated ore can be pelletised for use as a high-grade raw material in the steel making process.

The productivity of blast furnaces is affected by the chemical composition of the ore, such as iron content and levels of impurities. Steelmakers are willing to pay a premium for high grade ore with low impurities.

The main impurities found in naturally occurring hematite and magnetite ores are silicon dioxide (SiO_2), aluminium oxide (Al_2O_3), sulphur and phosphorous. The level of these impurities is one of the main determinants of whether an iron ore resource is commercially viable.

The geological features of each ore deposit affect the mining approach and production costs, which are higher where ore bodies are deeper (requiring higher stripping ratios) or where ore bodies are below the water table (requiring dewatering and drying).

Iron ore is a relatively low value-to-weight ratio product and there are three principal types of iron ore products: fines (size less than 6 millimetres (**mm**)), lump (size 6 mm to 30 mm) and pellets. Currently, fines account for the largest share of production in Australia (approximately 76%), followed by lump (approximately 23%) and pellets account for less than 1% of output[45]. Over the past five years, the sales volume and revenue from iron ore fines have decreased as operators focused on sites with a higher proportion of lump ore. The demand for these products is affected by availability, price differentials and blast furnace requirements.

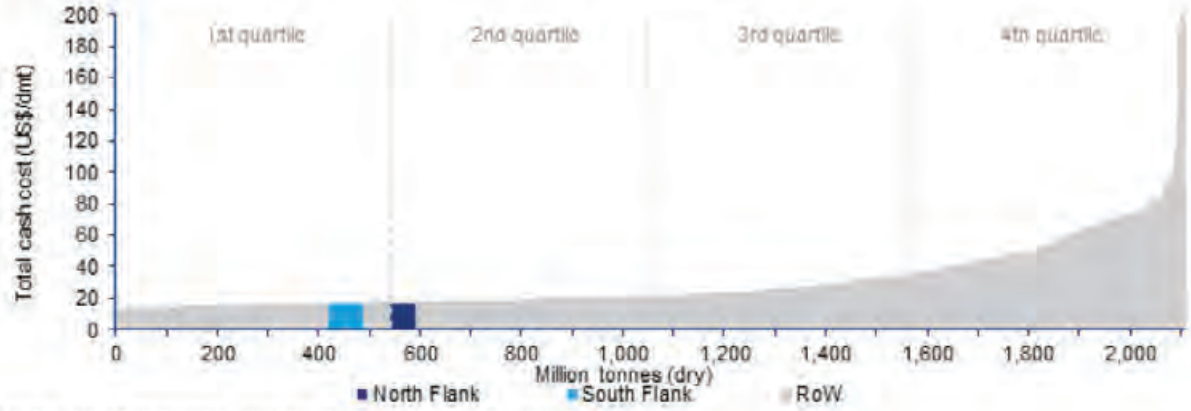
Although the cost of production for fines and lump ore is similar, lump ore is generally priced at a premium to fines. This is because fines must be sintered by the steel mill before they can be added to the blast furnace. Sintering improves the permeability of the furnace feedstock and prevents the loss of fines. In comparison, no pre-smelter processing is required for lump ore, making it more desirable for steel makers.

MAC iron ore

MAC is located in the Pilbara region of Western Australia and is operated by BHP, one of the world's largest resources companies with expertise in iron ore operations. BHP has an integrated system of four processing hubs and five mines connected via more than 1000 km of rail infrastructure and port facilities in the Pilbara region.

High-grade hematite deposits with low levels of sulphur and phosphorous impurities are mined at MAC, making it desirable for steel mills. MAC's North and South Flank mining operations are in the second and first quartile on the iron ore cost curve respectively, as shown in the figure below. As a result, iron ore from MAC is comparatively resilient to fluctuations in demand. Therefore, given the high quality of the MAC operation and the counterparties involved (MAC is owned by BHP, Mitsui and Itochu, all being A rated parties) we note that commercial and counterparty risk is low.

Figure 25: MAC's North and South Flank iron ore cost curve position



Source: Wood Mackenzie, Iron Ore Markets and Asset Review, June 2020
Note:
1. RoW- Rest of World
2. cost curve based on cash costs per tonne in 2023 on a FOB basis, unadjusted for grade or moisture

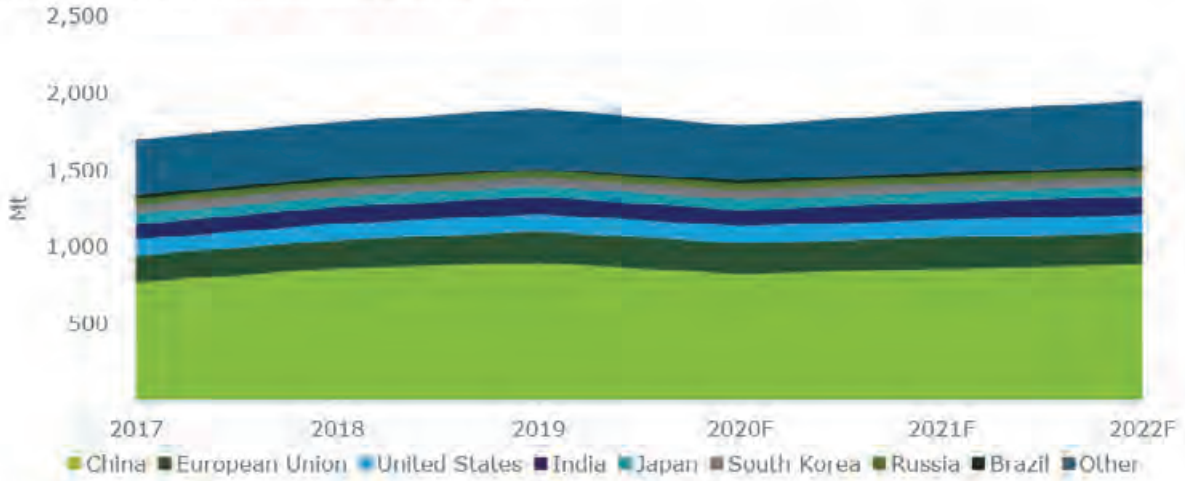
Demand

Demand for iron ore is driven by iron and steel making as c. 98% of iron ore is used in steelmaking[46]. Demand for steel depends on activity across a range of sectors including construction, motor vehicle manufacturing, ship building, plant and equipment manufacturing and consumer goods manufacturing.

[45] IBISworld Iron Ore Mining in Australia dated July 2019
[46] United States Geological Survey - https://www.usgs.gov/centers/nmic/iron-ore-statistics-and-information accessed 20 February 2020

The iron ore industry has benefited from rising prices and higher production volumes over the past five years. Strong economic growth in China has driven developments in iron ore mining to meet Chinese demand for greater steel production. As a result, China has been the largest consumer of iron ore for the past decade. The historical and forecast consumption of steel is presented in the figure below.

Figure 26: Global steel consumption per country



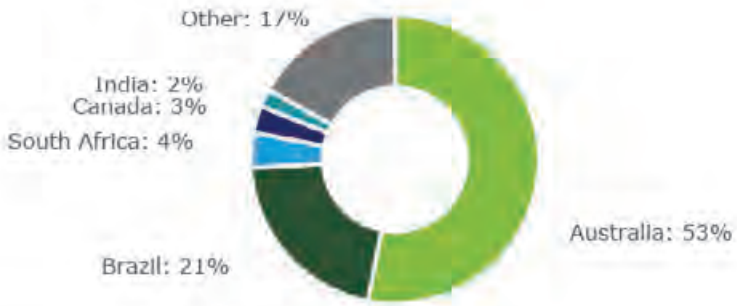
Source: Department of Industry, Innovation and Science
Note:
1. E – estimate
2. F – forecast

China accounts for c. 53% of global steel demand with Asia as a whole accounting for c. 70%. Economic outlook for Asian economies plays a crucial role in steel demand which in turn impacts iron ore demand. Global economic growth in 2019 was supported by China's monetary stimulus measures and the government's focus on infrastructure investment and construction. COVID-19 has impacted demand for steel. The Economic Intelligence Unit (**EIU**) is forecasting global steel demand to contract by 5.3% in 2020, compared with a 4.0% and 3.9% expansion in 2018 and 2019 respectively. The impact of COVID-19 on steel and in turn iron ore demand, will vary on a regional basis. EIU is forecasting a recovery in the second half of 2020 as supply chains are restocked. Despite the closures of integrated mills in Europe, Japan and elsewhere, short term iron ore prices are expected to stay high. This is primarily due to continued demand within China, accounting for two thirds of the seaborne iron ore market[47]. Contributing to this is the widespread supply issues from Vale and lockdowns in other iron ore producing countries restricting supply.

Supply

Iron ore supply is concentrated mainly between Australia and Brazil. As shown in the figure below, in 2019, Australia and Brazil had a combined global share of 74% of seaborne iron ore exports.

Figure 27: Global iron ore suppliers in 2019



Source: Department of Industry, Innovation and Science

[47] EIU – Steel update dated 1 July 2020

Global iron ore supply exceeded 1,500 Mt in 2019 (as seen in the figure below), reflecting declining output from Brazil. Supply in Brazil has been recovering from the Vale dam collapse in 2015 however, due to COVID-19, construction and maintenance has become unsafe at several sites. Additionally, exports from countries such as Ukraine, South Africa and Canada have come under pressure due to COVID-19.

Figure 28: Historical and forecast global iron ore supply

Source: Department of Industry, Innovation and Science
Note:
1. E – estimate
2. F – forecast
3. RoW – Rest of World

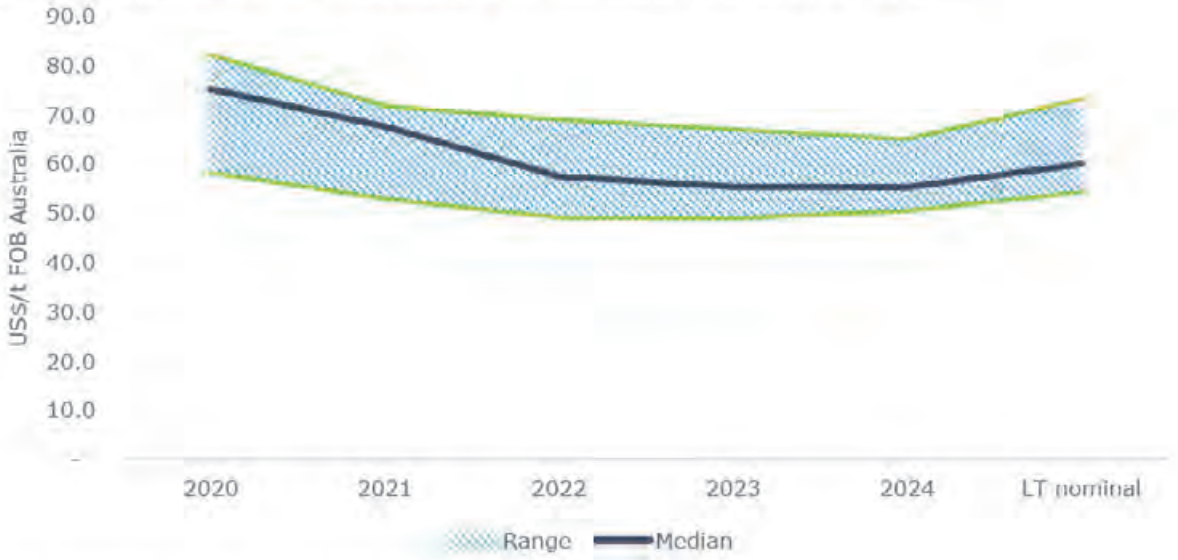
The world retains a significant pipeline of promising iron ore projects. One of the most significant projects is Simandou, a large iron ore deposit in West Africa with potential to produce 100 mt a year. The project is separated into Blocks 1 & 2 (Simandou North) and Blocks 3 & 4 (Simandou South). In November 2019, a Chinese backed consortium won the rights to develop Simandou North. The consortium has a proven track record of developing bauxite in Guinea. It was reported in June 2020 that the Guinean government had approved a basic agreement for the development of Simandou. Despite this, Simandou is subject to key risks such as geopolitical risk and lack of rail/port infrastructure.

Australian iron ore supply is expected to increase over the next two to three years as the current wave of mine and transportation infrastructure expansions reaches completion[48]. These projects includes BHP's South Flank project, Rio Tinto's autonomous rail project and its Silvergrass and Koodaideri projects and Fortescue Metals Group's Eliwana and Iron Bridge projects.

[48] Wood Mackenzie, Iron Ore Markets and Asset Review dated June 2020

Forecast

Figure 29: Forecast Iron ore (fine) prices FOB Australia from FY2020 to FY2024



Source: Consensus Economics dated June 2020
Note:
1. LT nominal refers to the average 2025 to 2029 nominal forecast price

Iron ore is not traded on an exchange, transactions between buyers and sellers are conducted through non-public negotiations using different currencies and ore grades. Due to the lack of transparency, the spot iron ore prices are quoted using a benchmark index and a futures market. The Platts Iron Ore Index (**IODEX**) is the primary physical market pricing reference for seaborne iron ore fines delivered into China. The assessment is based on a standard specification of iron ore fines with 62% iron, 2.25% alumina, 4% silica and 0.09% phosphorus, among other gangue elements.

Broker forecasts provide a guide on the pricing of iron ore as shown in the Figure above. Nominal median iron ore prices are forecast to decrease from US$75/t to US$67/t from 2020 to 2021.

Wood Mackenzie forecasts real iron ore prices to range from c. US$61/t to US$55/t from 2022 to 2024. Longer term prices are expected to increase to c. US$63/t in 2025 and US$65/t from 2026 onwards[49].

As first ore from the South Flank project is expected in 2021, the project will be largely exposed to iron ore prices in the later forecast periods. In the later forecast periods, nominal iron ore prices are expected to remain stable at between US$58/t and US$55/t from 2022 to 2024 with a long term forecast of US$60/t.

[49] Wood Mackenzie, Iron Ore Markets and Asset Review dated June 2020

Appendix 2: Studies on demergers

Market evidence

Over time, there have been varying trends in the structure and focus of large corporations. Up until the 1970s, corporate focus was characterised by companies looking to build and form large diversified conglomerates. Risk diversification and economies of scale were the primary drivers of this trend. This contrasts to the latter part of the twentieth and early twenty-first centuries, when companies trended away from diversification toward operational and industry focus. This shift was driven by the increasing recognition that capital markets are more efficient in allocating resources to businesses with attractive investment opportunities. It is not uncommon for the market to allocate a 'diversification discount' to large conglomerates[50].

Demergers also allow existing shareholders to retain control over the demerged entity. As a smaller and more focused company could be more attractive to potential buyers, the company's pool of potential buyers increases and therefore shareholders may have an increased likelihood of receiving a takeover premium for one or more of their demerged investments. This argument is further supported by the theory that investors do not reward corporate diversification as they can achieve diversification within their investment portfolio themselves. In addition, a demerger also provides the investor with the choice to invest in the parent or the subsidiary, or both.

As a result of this trend away from diversification, demerger activity has progressively grown, especially in the US, where regulatory and tax treatment is relatively favourable for this type of divestiture. Australia and the United Kingdom are also considered favourable jurisdictions for demergers.

On the following page, we list the recent demergers in Australia and New Zealand, including the rationale for the demerger.

[50] Berger and Ofek (1995) found, based on a sample from 1986 to 1995, that the sum of the stand-alone values to the firm's actual value implies on average a 13% to 15% value loss from diversification.

Table 19: Recent demergers in Australia and New Zealand

Demerger Completion Date	Parent	Demerged Entity	Parent's activities post demerger	Rationale for demerger
1-Apr-20	GrainCorp Limited	United Malt Group Limited	Agricultural products	Spin-off the United Malt business
21-Nov-18	Wesfarmers Limited	Coles Group Limited	Diversified operations	Spin-off the supermarket business and focus on businesses with higher future earnings growth prospects
31-May-18	Westfield Corporation	OneMarket Limited	Property management	Spin-off the retail technology platform
16-Nov-17	Fairfax Media Limited	Domain Holdings Australia Limited	Media and entertainment	Spin-off the real estate business and focus on distinct growth strategies of the respective business
5-Jul-17	Reckon Limited	GetBusy Plc	Financial management software	Spin-off the document management software business
09-Feb-17	Heron Resources Limited	Ardea Resources Limited	Mining	Spin-off certain assets not located in New South Wales
06-Dec-16	Metals X Limited	Westgold Resources Limited	Mining	Spin-off the gold exploration unit
27-Jun-16	HT&E Ltd[1]	NZME Ltd	Media and entertainment	Spin-off certain international assets
1-Jun-16	TrustPower Limited	Tilt Renewables Limited	Electricity producer	Spin-off wind assets
3-Feb-16	National Australia Bank Limited	CYB Investments Limited	Banking and financial services	Spin-off certain international assets
18-May-15	BHP Billiton Ltd	South32 Limited	Mining	Spin-off certain international and non-core assets
10-Dec-13	Brambles Limited	Recall Holdings Limited	Cleaning and industrial support services	Spin-off the information management business and focus on growth opportunities in core business
18-Dec-13	Amcor Limited	Orora Limited	Packaging solutions	Spin off Australasia and Packaging Distribution business
26-Nov-12	Woolworths Group Limited	Shopping Centres Australasia Property Group	Retail supermarket operator	Spin-off sub-regional shopping centres and freestanding retail assets
01-Dec-11	Spark New Zealand Limited	Chorus Limited	Telecommunications	Separation of retail and network operations
06-Jun-11	Tabcorp Holdings Limited	The Star Entertainment Group Limited	Media and entertainment	Spin-off the casinos business
10-May-11	Foster's Group Limited	Treasury Wine Estates Limited	Brewing	Spin-off the company's wine business
13-Dec-10	Westfield Group	Westfield Retail Trust	Property management	Spin-off the shopping centre business
22-Jul-10	Arrow Energy Limited	Dart Energy Ltd	Production of coal seam gas	Spin-off certain international assets
12-Jul-10	Orica Limited	DuluxGroup Limited	Explosive and blasting systems	Spin-off the paint and home improvement business
22-Jan-10	Macquarie Infrastructure Group	Macquarie Atlas Roads	Infrastructure projects	Spin-off the Atlas roads business

Source: Mergermarket, company websites
Note:
1. Formerly APN News & Media

For our empirical analysis in this section, we have considered only demergers where both the parent and the demerged entity were listed on the Australian and New Zealand securities exchanges.

The stated rationale for undertaking these demergers can be summarised into two key reasons:

- spinning off business units that operated in jurisdictions with different growth prospects, regulatory regimes and risk outlook
- spinning off subsidiaries with business operations in areas not falling directly under the core business of the parent company.

Analysis of value creation

Academic studies

There is little objective evidence as to whether or not demergers have actually enhanced shareholder value, principally because it is not possible to observe or reliably measure what returns would have been achieved had the demerger not occurred.

There are many documented studies on the impact of demergers on shareholder value. The majority of these studies assess value creation by observing abnormal returns of listed companies attributed to the demerger event. Abnormal return is usually measured as excess rate of return for a security compared to the rate of return of a market index of listed companies considered comparable to the original business.

The studies mostly focus on the analysis of abnormal returns observed soon after the announcement date of the transaction. However, more recently there has been an increasing focus on observing long term returns over a period of up to three years after the effective date of the demerger. Conceptually, a better long-term abnormal return compared with a return over the short term may be explained by the ability of management to deliver returns in excess of market participants' expectations at the announcement date.

The academic studies[51] focus on US and European markets where there is an extensive observable history of demergers; however, given the variety of calculation methodologies applied, not all studies are directly comparable. The results collated and summarised in the Figure below generally indicate that demergers generate, on average, positive abnormal returns.

[51]Roger Rüdisüli, Value Creation of Spin-offs and Carve-outs (2005); Chris Veld and Yulia V. Veld-Merkoulova, Value Creation Through Spin-offs: a Review of the Empirical Evidence (2008) Miles and Rosenfeld (1983); Schipper and Smith (1983); Hite and Owens (1983); Vijh (1994); Allen et al (1995); Michaley and Shaw (1995); Daley, Mehrotra and Sivakumar (1997); Desai and Jain (1999); Krishnaswami and Subramaniam (1999); Gertner, Powers, and Scharfstein (2000); Blanton, Perrett, and Taino (2000); Mulherin and Boone (2000); Chemmanur and Paeglis (2000); Rosenfeld (1984); Copeland, Lemgruber and Mayers (1987); Denning (1988); Seifert and Rubin (1989); Ball, Rutherford, and Shaw (1993); Slovin, Sushka, and Ferraro (1995); Seward and Walsh (1996); Johnson, Klein, and Thibodeaux (1996); Maxwell and Rao (2003); Veld and Veld Merkoulova (2008); Buhner (1998); Buhner (2000); Janssens de Vroom and Van Frederikslust (2000); Veld and Veld-Merkoulova (2004); Kirchmaier (2003); Sudarsanam and Qian (2007); Murray (2000); Schauten, Steenbeek, and Wycisk (2001); Sin and Ariff (2006); Cusatis, Miles and Woolridge (1993 and 1994); McConnell, Ozbilgin, and Wahal (2001); Powers (2001); Anslinger, Klepper, and Subramaniam (1999); Anslinger, Bonini, and Patsalos-Fox (2000); McConnell, Ozbilgin, and Wahal (2001).

Figure 30: Average abnormal returns observed in academic studies

Source: Refer to footnotes 51 and 52 below

We note the following regarding the above:

- the studies almost unanimously[52] observed that the initial announcement of a demerger to the marketplace resulted in a positive movement in the company's share price in the range of 0.5% to 5.6%, with an average return of 2.9%
- the studies[53] observed that the parent company's abnormal returns ranged from -3.9% to 13.5% (average of 5.1%) over a twelve-month period following the demerger and the demerged entity's returns ranged from -6.4% to 15.7% (average of 6.8%) over the same period. Over a two-year period following the demerger, parent returns ranged from 0.7% to 26.7% (average of 12.7%) whilst demerged entity returns ranged from 5.8% to 36.2% (average of 17.6%). Over a three-year period, parent returns ranged from -5.9% to 18.1% (average of 6.5%) whilst demerged entity returns ranged from -20.9% to 33.6% (average of 16.8%).

Other hypotheses tested in the US and European studies observed the following:

- subsidiary firms' returns over the long term are greater than that of their parent firms over the same period post demerger
- parent firms generally undertake spin-offs in bull markets. This is based on the theory that management prefer a positive market environment in which to demerge subsidiaries
- spin-off firms (both parent and subsidiary) do not experience a significant decline (if any) in returns in the period post demerger
- size, operational diversification and geography do not have a significant impact in assessing the long-term value created by a demerger.

Empirical analysis

We have attempted to estimate the abnormal/excess returns from selected recent demergers in the Australian and New Zealand markets. This is a high-level analysis which incorporates significant limitations, not least the statistical significance of the results.

The Figure below depicts the observed excess return of the hypothetical combined security on a market

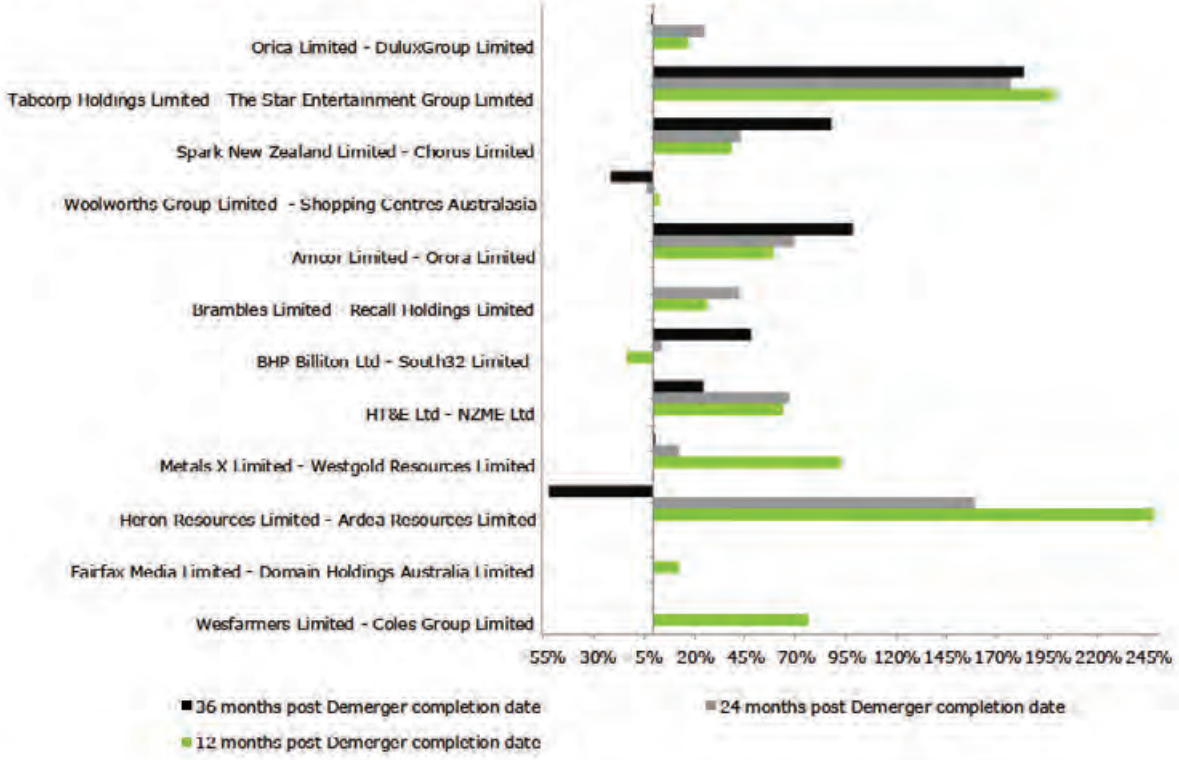
[52] The only exception is the study of Murray (2000) for the United Kingdom, which reports a non significant abnormal return of -0.19% for the event window from day -1 to day 1. However, the study of Schauten, Steenbeek, and Wycisk (2001) for the same country and for the same event window shows an abnormal return of 2.13%

[53] The studies were mainly focused in the US market. Only two studies in our analysis were based on the European market: Veld and Veld-Merkoulova (2004) and Kirchmaier (2003)

capitalisation basis of both the parent and the subsidiary over a period of one, two and three years after the demerger was completed[54]. We have considered only demergers where the parent and the demerged entity were listed on the Australian or New Zealand securities exchanges. We have included demergers where share price information for parent and demerged entity was available for at least one year.

To estimate the excess returns, we have compared the return of the hypothetical combined security with the return of the S&P/ASX All Ordinaries Index or the S&P/NZX 50 Index, depending on the location of the parent company.

Figure 31: Excess returns of recent demergers in Australia and New Zealand



Source: Capital IQ, Mergermarket, Company announcements, Deloitte Corporate Finance analysis
Note:
1. The Fairfax Media/Domain Holdings and Wesfarmers/Coles Group demergers were completed in November 2017 and November 2018, respectively. Therefore, returns over a 24 and 36 month period are not available. Recall Holdings was delisted in May 2016, therefore return over 36 month is not available. The Graincorp/United Malt demerger has not been analysed due to the short timeframe since the demerger was approved

The above analysis indicates that the majority of demergers which occurred during the period under review created value on a market capitalisation basis. In our total sample of 31 excess returns for the different time periods only 4 exhibited returns below the market index.

In particular, we note that excess returns for the 12 months from the demerger were in the range of -13% and 248%, with an average excess return of 69%. When considered over a period of 24 months from the demerger, exhibited returns were in the range of -3% and 177%, with an average of 60%; while for the period of 36 months after the demerger, exhibited returns were in the range of -52% and 183%, with an average of 41%.

Conclusion

The evidence from the numerous academic studies presented above generally indicates that market observations broadly support the theory that demergers create value for shareholders, although the

[54] The return of the hypothetical combined security on a market capitalisation basis has been calculated by adding together the market capitalisation of the subsidiary (on a pro-rata basis as per the demerger terms) and the parent over one, two and three years after the demerger was completed, and then comparing each of these combined market capitalisations against the market capitalisation of the parent on the day of the demerger announcement.

range of outcomes and the rationale behind the demergers indicate that there is no ideal business structure that all companies should target. The success of demergers, in their ability to create shareholder value, depends on the specific circumstances of each case.

The results of our analysis of recent demergers in the Australian and New Zealand markets generally support the conclusion of the academic studies.

Appendix 3: Context to the report

Individual circumstances

We have evaluated the Proposed Demerger for the Shareholders as a whole and have not considered the effect of the Proposed Demerger on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Demerger from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Demerger is in the best interests of shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

This report has been prepared at the request of the Directors of Iluka and is to be included in a Demerger Booklet to be provided to the Shareholders to assist in their consideration of the Proposed Demerger. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Demerger Booklet in their assessment of the Proposed Demerger outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Iluka, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Demerger. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

This report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Demerger is in the best interests of the Shareholders as a whole. Deloitte Corporate Finance consents to this report being included in the Demerger Booklet in the form and context in which it is to be included in the Demerger Booklet.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Iluka and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Iluka Management for confirmation of factual accuracy.

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Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of Tower 2, Brookfield Place, 123 St Georges Terrace, Perth, WA 6000, acknowledges that:

- Iluka proposes to issue the Demerger Booklet to be provided to Shareholders in relation to the Proposed Demerger

- the Demerger Booklet will be issued electronically and in hard copy by request
- it has previously received a copy of the draft Demerger Booklet for review
- It is named in the Demerger Booklet as the 'Independent expert' and the Demerger Booklet includes its independent expert's report as an Annexure.

On the basis that the Demerger Booklet is consistent in all material respects with the draft Demerger Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Demerger Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report as an Annexure to the Demerger Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Demerger Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Demerger Booklet and takes no responsibility for any part of the Demerger Booklet, other than any references to its name and the independent expert's report as included as an Annexure.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- Proposed Demerger presentation for the ATO
- Draft Demerger Booklet in relation to the Proposed Demerger
- audited financial statements and annual reports for Iluka for the years ending 31 December 2016, 2017, 2018 and 2019
- Iluka's company website and ASX announcements
- publicly available information on comparable companies and market transactions published by ASIC, Thomson Research, Thomson Reuters Financial markets and Mergermarket
- Wood Mackenzie's Iron Ore Markets and Asset Review dated June 2020
- other publicly available information, media releases and reports on Iluka and the mining industry.

In addition, we have had discussions with, Adele Stratton, Chief Financial Officer, Julian Andrews, Head of Strategy, Planning & Development and Tom Plant, Treasury Manager in relation to the above information and to current operations and prospects

Appendix 4: Dividend policy analysis

Table 20: Table 16 calculation breakdown[5,6]

$m

Description	Demerger Booklet reference	Ref	Calculation
Key inputs			
MAC 2019 pro-forma historical revenue	Section 2.9.4, Table 2.9	A	85.1
MAC 2019 historical production (mdmt)	Section 2.7.5.1, Figure 2.14	B	55.0
MAC 2023 forecast production (mdmt)	Section 2.7.5.1, Figure 2.14	C	139.0
MAC royalty receipts pre-South Flank ramp up	Section 3.11.8, Table 3.5	D	78.5
Iluka historical free cash flow	Section 3.11.8, Table 3.5	E	139.7
Iluka pro-forma historical free cash flow	Section 3.11.9, Table 3.6	F	97.6
Pre Proposed Demerger			
Adjusted Deterra Revenue	Section 2.9.4, Table 2.9	G	(A/B*C)+0.6[1]=215.7
Incremental increase in MAC royalty receipts	n/a	H	G-D=137.2
Additional tax payable	n/a	I	H*30%=41.2
Iluka historical dividend			**(E+H-I)*40%=94.3**
Post Proposed Demerger			
Adjusted Deterra net profit before tax	Section 2.9.3, Table 2.7	J	G-(6.8+0.4+0.4)[2] =208.1
Tax payable	n/a	K	J*30%=62.4
Deterra net profit after tax	n/a	L	J-K=145.6
Iluka pro-forma historical dividend			**(F+(L*20%))*40%=50.7[3]**
Deterra pro-forma historical dividend			**L*80%=116.5[4]**

Source: Deloitte Corporate Finance analysis, Demerger Booklet
Note:
1. Refers to other royalty income
2. Refers to general expenses, depreciation and amortisation expense and interest and finance charges
3. 40% of Iluka's pro-forma cash flow plus 40% of its share of Deterra's dividend (20%)
4. 80% of Deterra's net profit after tax (remaining 20% reflected in Iluka pro-forma historical dividend)
5. Indicative analysis only, no adjustment has been made for Deterra's receipt of one-off capacity payments and timing differences between cash flow and profit
6. We have assumed that the tax payable on Deterra dividends is fully offset by franking credits received
7. Table above is subject to rounding

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8

ADDITIONAL INFORMATION

SECTION 8
ADDITIONAL INFORMATION

8.1 ILUKA DIRECTORS

The Iluka Directors at the date of this Demerger Booklet are:

- Marcelo Hubmeyer De Almeida Bastos;
- Robert James Cole;
- Susan Jane Corlett;
- Gregory John Walton Martin;
- Thomas Joseph Patrick O'Leary;
- James Hutchison Ranck; and
- Lynne Diane Saint.

Jennifer Anne Seabrook retired from the Iluka Board on 9 April 2020 and has assumed the position of Chair of the Deterra Board.

8.2 INTERESTS OF ILUKA AND DETERRA DIRECTORS

8.2.1 Interests

No marketable securities of Iluka are held by or on behalf of Iluka Directors or Deterra Directors as at the date of this Demerger Booklet other than the following interests:

	Iluka Shares held	
Iluka Director	**Direct holdings of Iluka Shares**	**Indirect holdings of Iluka Shares**
Marcelo Hubmeyer De Almeida Bastos	-	14,544
Robert James Cole	-	12,000
Susan Jane Corlett	-	9,993
Gregory John Walton Martin	-	30,000
Thomas Joseph Patrick O'Leary	346,038	-
James Hutchison Ranck	12,909	-
Lynne Diane Saint	-	3,500
Deterra Director	**Direct holdings of Iluka Shares**	**Indirect holdings of Iluka Shares**
Jennifer Seabrook	20,776	-
Julian Andrews	14,406	-
Graeme Devlin	-	-
Joanne Warner	-	-
Adele Stratton	21,028	-

No Iluka Director or Deterra Director holds any options over Iluka Shares as at the date of this Demerger Booklet, other than Thomas Joseph Patrick O'Leary, Adele Stratton and Julian Andrews.

As at 6 August 2020, Thomas Joseph Patrick O'Leary holds 686,456 performance rights under Iluka employee incentive plans:

- 253,375 unvested Long Term Deferred Rights granted in respect of the director's 2016 Long Term Incentive grant;
- 246,493 performance rights granted pursuant to Iluka's 2017 Long Term Incentive Plan;
- 76,148 performance rights granted pursuant to Iluka's 2018 Executive Incentive Plan; and
- 110,440 performance rights granted pursuant to Iluka's 2019 Executive Incentive Plan.

As at 6 August 2020, Adele Stratton holds 69,168 performance rights under Iluka employee incentive plans:

- 9,978 performance rights granted pursuant to Iluka's 2017 Long Term Incentive Plan;
- 23,414 performance rights granted pursuant to Iluka's 2018 Executive Incentive Plan; and
- 35,776 performance rights granted pursuant to Iluka's 2019 Executive Incentive Plan.

As at the date of this Demerger Booklet, Julian Andrews holds 20,360 performance rights under Iluka's 2018 Executive Incentive Plan, however these will be replaced with Deterra Replacement Awards shortly after the Deterra Listing (as described in Section 2.13.4).

Each performance right is a right to acquire one Iluka Share, subject to satisfaction of the performance conditions. Refer to Section 4.6 for the treatment of Iluka incentive arrangements, including each award of performance rights held by Mr O'Leary, Ms Stratton and Mr Andrews.

No Iluka Director or Deterra Director will participate in Deterra's LTI Offer, Equity Offer or Replacement Awards shortly after the Deterra Listing, other than Mr Andrews (as described in Section 2.13).

No marketable securities of Deterra are held by or on behalf of Iluka Directors or Deterra Directors as at the date of this Demerger Booklet.

Iluka Directors or Deterra Directors who hold Iluka Shares will be entitled to vote at the Extraordinary General Meeting and receive Deterra Shares under the Demerger on the same terms as all other Iluka Shareholders.

8.2.2 Agreements or arrangements with Iluka Directors in connection with the Demerger

Other than:

- the proposal that Jennifer Anne Seabrook remain a Deterra Director should the Demerger be implemented;
- Adele Stratton's appointment as a Deterra Director as a nominee of Iluka; and
- the Deterra Directors' fee and indemnity arrangements referred to in Section 2.12,

there are no agreements or arrangements made between any Iluka Director and any other person in connection with or conditional upon the outcome of the Demerger.

Other than as set out above or elsewhere in this Demerger Booklet, no director or proposed director of Deterra holds, or held at any time during the last two years before the date of this Demerger Booklet, any interest in:

- the formation or promotion of Deterra;
- any property acquired or proposed to be acquired by Deterra in connection with its formation or promotion or the Demerger; or
- the Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any director or proposed director of Deterra either to induce them to become, or to qualify them as, a director of Deterra, or otherwise for services rendered by them in connection with the formation or promotion of Deterra or the Demerger.

8.3 OVERVIEW OF DETERRA CONSTITUTION

8.3.1 Introduction

The rights and liabilities attaching to ownership of Deterra Shares arise from a combination of the Deterra Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Deterra Shares and a description of other material provisions of the Deterra Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Deterra Shareholders. The summary assumes that Deterra is admitted to the official list of the ASX.

8.3.2 Meeting of members

Each Deterra Shareholder is entitled to receive notice of, attend, and vote at, general meetings of Deterra and to receive all notices, accounts and other documents required to be sent to Deterra Shareholders under the Deterra Constitution, Corporations Act and ASX Listing Rules. Deterra must give at least 28 days' written notice of a general meeting.

8.3.3 Voting at a general meeting

At a general meeting of Deterra, every Deterra Shareholder present in person or by proxy, representative or attorney and entitled to vote is entitled to one vote on a show of hands and, on a poll, one vote for each Deterra Share held by the Deterra Shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chair of the meeting has a casting vote in addition to any deliberative vote.

8.3.4 Dividends

The Deterra Board may pay any dividends that, in its judgement, the financial position of Deterra justifies. The Deterra Board may also pay any dividend required to be paid under the terms of issue of a Deterra Share, and fix a record date for a dividend and method of payment.

8.3.5 Transfer of Deterra Shares

Subject to the Deterra Constitution and to any restrictions attached to a Deterra Share, Deterra Shares may be transferred by proper ASTC transfer effected in accordance with the ASX Settlement Operating Rules, Corporations Act and ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Deterra Board and permitted by the relevant laws and ASX requirements. The Deterra Board may decline to register, or prevent registration of, a transfer of Deterra Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

8.3.6 Issue of further shares

The Deterra Board may, subject to the Deterra Constitution, Corporations Act and ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Deterra Shares on such terms as the Deterra Board decides.

8.3.7 Preference shares

Deterra may issue preference shares including preference shares which are, or at the option of Deterra or a holder are, liable to be redeemed or convertible to Deterra Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of Deterra.

8.3.8 Winding up

If Deterra is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Deterra Shares or classes of shares, Deterra Shareholders will be entitled to a share in any surplus property of Deterra in proportion to the number of shares held by them.

If Deterra is wound up, the liquidator may, with the sanction of a special resolution, divide among the Deterra Shareholders the whole or part of Deterra property and decide how the division is to be carried out as between Deterra Shareholders or different classes of Deterra Shareholders.

8.3.9 Non-marketable parcels

In accordance with the ASX Listing Rules, the Deterra Board may sell Deterra Shares that constitute less than a marketable parcel by following the procedures set out in the Deterra Constitution. A marketable parcel of Deterra Shares is defined in the ASX Listing Rules and is generally a holding of Deterra Shares with a market value of not less than $500.

8.3.10 Proportional takeover provisions

The Deterra Constitution contains provisions requiring Deterra Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Deterra Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

8.3.11 Variation of class rights

The procedure set out in the Deterra Constitution must be followed for any variation of rights attached to the Deterra Shares. Under the Deterra Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

(a) with the written consent of the holders of 75 per cent of the shares of the class; or

(b) by a special resolution passed at a separate meeting of the holders of shares of the class.

8.3.12 Directors – appointment and retirement

Under the Deterra Constitution, the number of directors shall be a minimum of four directors and a maximum of eight directors, unless Deterra resolves otherwise at a general meeting. Directors are elected or re-elected at general meetings of Deterra.

No Deterra Director (excluding the CEO) may hold office without re-election beyond the third annual general meeting following the meeting at which that director was last elected or re-elected. The Deterra Board may also appoint any eligible person to be a Deterra Director, either to fill a casual vacancy on the Deterra Board or as an addition to the existing directors, who will then hold office until the conclusion of the next annual general meeting of Deterra following their appointment.

A person is eligible for election to the office of a Deterra Director at a general meeting if they are nominated or recommended by the Deterra Board or not less than the number of Deterra Shareholders required to give notice of a resolution under the Corporations Act (subject to timing requirements).

8.3.13 Directors – voting

Questions arising at a meeting of the Deterra Board must be decided by a majority of votes of the Deterra Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chair of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Deterra Directors present or entitled to vote, in which case the chair of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Deterra Board may be passed without holding a meeting of the Deterra Board, if 75 per cent of the Deterra Directors entitled to vote on the resolution sign or consent to the resolution.

8.3.14 Directors – remuneration

Under the Deterra Constitution, the Deterra Board may decide the remuneration to which each Deterra Director is entitled for his or her services as a director. The total aggregate amount provided to all Non-Executive Directors for their services as directors must not exceed in any financial year the amount fixed by Deterra in general meeting. The remuneration of a Deterra Director (who is not an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 2.12.2. Any change to that maximum aggregate amount needs to be approved by Deterra Shareholders.

Deterra Directors are entitled to be paid for all travelling and other expenses incurred in attending to Deterra's affairs, including attending and returning from general meetings of Deterra or meetings of the Deterra Board or Deterra Board committees. Any Deterra Director who performs extra services, makes any special exertions for the benefit of Deterra or otherwise performs services, which, in the opinion of the Deterra Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Deterra Board) out of the funds of Deterra.

Deterra Directors' remuneration is discussed further in Section 2.12.

8.3.15 Power and duties of Deterra Directors

The business and affairs of Deterra are to be managed by or under the direction of the Deterra Board, which (in addition to the powers and authorities conferred on it by the Deterra Constitution) may exercise all powers and do all things that are within the power of Deterra and that are not required by law or by the Deterra Constitution to be done by Deterra in general meeting.

8.3.16 Access to records

Deterra may enter into contracts with a Deterra Director or former Deterra Director agreeing to provide continuing access, for a specified period after the Deterra Director ceases to be a director of Deterra, to Deterra Board papers, books, records and documents of Deterra which relate to the period during which the director or former director was a Deterra Director on such terms and conditions as the Deterra Board thinks fit. Deterra may procure that its Subsidiaries provide similar access to board papers, books, records or documents.

8.3.17 Indemnities

Deterra must indemnify each officer of Deterra on a full indemnity basis and to the full extent permitted by law against all losses, liability, costs, charges and expenses incurred by that person as an officer of Deterra or of a related body corporate.

Deterra may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of Deterra against any liability incurred by that person as an officer of Deterra or of a related body corporate, including but not limited to liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

8.3.18 Amendment

The Deterra Constitution can only be amended by special resolution passed by at least three quarters of Deterra Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of Deterra.

8.3.19 Share capital

On implementation of the Demerger, the only class of security on issue by Deterra will be fully paid ordinary shares.

8.4 SUMMARY OF THE MAC ROYALTY AGREEMENT

Below is a summary of the key terms of the MAC Royalty Agreement.

8.4.1 Overview

The current MAC Royalty arrangement was entered into on 13 October 1994 between:

- MAC Royalty Co; and
- BHP Iron Pty Ltd, BHP Australia Coal Pty Ltd, Itochu Minerals & Energy of Australia Pty Ltd and Mitsui Iron Ore Corporation Pty Ltd, as the participants in the Mount Goldsworthy Joint Venture.

(**MAC Royalty Agreement**).

The MAC Royalty Agreement was further amended and restated pursuant to a deed of amendment dated 21 July 2015.

The current Joint Venturers under the MAC Royalty Agreement are BHP Billiton Minerals Pty Ltd, Itochu Minerals & Energy of Australia Pty Ltd and Mitsui Iron Ore Corporation Pty Ltd. The Joint Venturers are severally liable under the MAC Royalty Agreement in the following proportions:

- BHP Billiton Minerals Pty Ltd: 81.35 per cent;
- Itochu Minerals & Energy of Australia Pty Ltd: 9.95 per cent; and
- Mitsui Iron Ore Corporation Pty Ltd: 8.70 per cent.

8.4.2 Royalty and other payment obligations

8.4.2.1 Ongoing Royalty Payments and Capacity Payments

Under the MAC Royalty Agreement, the Joint Venturers must pay to MAC Royalty Co two payments on an ongoing basis – Capacity Payments and Revenue Payments.

8.4.2.2 Capacity Payment

In any 12 month period in which mining of ore from the MAC Royalty Area is increased in excess of the 'Payment Tonnage' (see below), a Capacity Payment related to the amount of ore mined from MAC is payable in accordance with the following formula.

$$\$X = \frac{Q - T}{1{,}000{,}000} \times 1{,}000{,}000$$

Where:

X = the amount payable;

Q = total ore mined in that 12 month period from MAC in tonnes, rounded up to the nearest million;

T = the threshold tonnage (initially being 5,000,000 and after any Capacity Payment has been made, being the value of Q for the preceding Capacity Payment);

R = $\frac{T}{100}$ or 100,000, whichever is less; and

Payment Tonnage = **T + R**.

8.4.2.3 Revenue Payment

A royalty relating to all ore mined from the MAC Royalty Area is payable at a rate of 1.232 per cent of the FOB revenue received (or deemed to be received) in that quarter for MAC product.

If and to the extent revenue received by the Joint Venturers in respect of MAC product does not reflect an arm's length market price for such product shipped and sold on an FOB basis, the Royalty Agreement responds by deeming a market price as the applicable FOB revenue received for the purposes of calculating the Royalty Payment. For example the actual revenue received by the Joint Venturers may be subject to deemed adjustment for the purposes of calculating the Royalty Payment where:

- the sale is to a related body corporate of a Joint Venturer (rather than a third party);
- the sale is not on an FOB basis (including where not shipped);
- the MAC product is paid for (in whole or in part) pursuant to an alternative payment arrangement where any part of the consideration for the sale is separate;
- product is blended;
- there is no price payable for the MAC product; or
- the MAC product is processed by a Joint Venturer or its related body corporate.

Certain iron ore joint ventures in the region of the MAC Royalty Area that are managed by BHP Billiton Iron Ore Pty Ltd, including the Mt Goldsworthy Joint Venture, blend iron ore products in order to produce new blended products for ultimate sale in global markets. Iron ore from the MAC Royalty Area is blended by the Joint Venturers with other iron ore from the region before export. As such, MAC product under the MAC Royalty Agreement captures both iron ore mined from the MAC Royalty Area which is blended with other iron ore products and iron ore mined from the MAC Royalty Area which is unblended.

8.4.2.4 MAC Royalty Area

Under the MAC Royalty Agreement, the MAC Royalty Area is the area of mining area 'C' as defined at 13 October 1994 under the Iron Ore (Mount Goldsworthy) Agreement Act 1964-1994 (WA). See Figure 2.13 for an illustration of the MAC Royalty Area.

Where the Joint Venturers relinquish the MAC Royalty Area and subsequently they or related companies, directly or indirectly, participate in the mining of that relinquished area, the MAC Royalty Agreement provides that the Capacity Payment and Royalty Payment remain payable in respect of ore mined from that area.

Under the MAC Royalty Agreement, should the Joint Venturers intend to surrender the whole or any part of MAC Royalty Area, they must use reasonable endeavours to provide MAC Royalty Co with 3 months' prior notice of any such surrender and, in addition should the rights in respect of MAC Royalty Area be about to be lost, extinguished or surrendered, they must use all reasonable endeavours to give MAC Royalty Co an opportunity to take over such rights.

8.4.3 Information audit and review rights

8.4.3.1 Capacity Payment and Revenue Payment

The Joint Venturers must provide to Deterra:

- a Capacity Payment return setting out information relating to the calculation of any Capacity Payment if applicable;
- a quarterly Revenue Payment return setting out information (and supporting documentation) relating to the calculation of the Revenue Payment; and
- a certificate from the Mt Goldsworthy Joint Venture's external auditors as to the correctness of the matters contained in the Capacity Payment and Revenue Payment returns during the preceding financial year (**Annual Auditor Certificate**). This certificate must be provided to MAC Royalty Co within 3 calendar months after the end of each financial year ending 30 June and is final and binding upon MAC Royalty Co unless it exercises its right of review.

If the Annual Auditor Certificate discloses an additional sum is payable to MAC Royalty Co, or an excess sum has been paid to MAC Royalty Co, such sum must be paid to MAC Royalty Co or offset against the next Revenue Payments payable to MAC Royalty Co (as applicable).

8.4.3.2 Deterra's review rights

Within 30 days of receipt of an Annual Auditor Certificate, MAC Royalty Co has the right to appoint an independent chartered accountant to review the certificate (at its own cost) and to assess relevant information from the Joint Venturers.

In the event that the independent chartered accountant disputes the accuracy of an Annual Auditor Certificate, then the dispute will be referred to an expert for determination.

8.4.4 Amendments to the iron ore blending arrangements

Given that certain amendments to the iron ore blending arrangements referred to in Section 8.4.2.3 above may have the potential to adversely affect the interests of MAC Royalty Co under the MAC Royalty Agreement, a regime exists in the MAC Royalty Agreement in respect of such amendments.

Essentially under that regime, if amendments to the blending arrangements could reasonably be expected to have an adverse impact on MAC Royalty Co, which cannot be avoided by amending the MAC Royalty Agreement, MAC Royalty Co can elect for such amendments to not to apply for the purposes of the MAC Royalty Agreement.

8.4.5 Expert determination and review of mechanisms

8.4.5.1 Expert determination

Whenever a dispute arises in regard to the determination of the fair market value of MAC product or where an independent chartered accountant disputes the accuracy of an Annual Auditor Certificate, the dispute is determined by an expert.

8.4.5.2 Review of mechanisms

The MAC Royalty Agreement contemplates the potential for a required review of certain mechanisms under the MAC Royalty Agreement, where:

- the determination of FOB revenue under the MAC Royalty Agreement materially understates or overstates, or is reasonably expected to result in the material understatement or overstatement of, the value of iron ore mined from MAC;
- the operation of the iron ore blending arrangements results in, or is reasonably expected to result in, a material understatement or overstatement of FOB revenue compared to the FOB revenue that would have been derived from MAC product on an unblended basis; or
- the Joint Venturers form the view (acting reasonably) that an amendment to the iron ore blending arrangements is not reasonably expected to have an adverse impact on MAC Royalty Co.

8.5 REGULATORY WAIVERS AND CONSENTS

8.5.1 ASIC

ASIC has granted relief from:

- the prospectus provisions in the Corporations Act, in relation to their application to the invitation for Iluka Shareholders to vote on the Demerger Resolution to effect the Demerger pursuant to this Demerger Booklet and to secondary trading in Deterra Shares following the Demerger; and
- various provisions in the Corporations Act (including the provisions relating to managed investment schemes and financial services licensing) that may otherwise apply to the Sale Facility.

8.5.2 ASX

ASX has:

- confirmed that for the purpose of ASX Listing Rule 1.3, the Iluka historical financial information may be used for the purpose of the assets test under the ASX Listing Rules and separate audited accounts for Deterra are not required;
- provided an in-principle waiver from ASX Listing Rule 1.1, Condition 3, to the extent necessary to permit Deterra to issue an information memorandum (incorporating this Demerger Booklet) instead of a prospectus for Deterra's listing on ASX, on condition that the information memorandum complies with the requirements of ASX Listing Rule 1.4;
- provided an in-principle waiver from ASX Listing Rule 6.23 to the extent necessary to permit Iluka to amend the terms of the Iluka employee incentive arrangements in the manner described in Section 4.6 and to cancel the Iluka incentive awards to the Managing Director and Chief Executive Officer of Deterra (so that they can be replaced with Deterra awards as described in Section 2.13.4), in both cases without obtaining Iluka Shareholder approval; and
- provided an in-principle waiver from Listing Rule 10.14 to the extent necessary to permit Deterra to issue Deterra Shares and performance rights to the Managing Director and Chief Executive Officer of Deterra in the manner described in Section 2.13, without obtaining Deterra Shareholder approval.

8.6 CONSENTS AND DISCLAIMERS

Each of the parties named in this Section as consenting parties:

- has given and has not, before the date of this Demerger Booklet, withdrawn its written consent to be named in this Demerger Booklet in the form and context in which it is named;
- has given and has not, before the date of this Demerger Booklet, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names in this Section, and the references to those statements and reports in the form and context in which they are included in this Demerger Booklet;
- does not make, or purport to make, any statement in this Demerger Booklet other than those statements referred to in this Section in respect of that person's name (and as consented to by that person); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Demerger Booklet.

Role	Consenting Party
Legal adviser	Herbert Smith Freehills
Financial advisers	Gresham Advisory Partners Limited Macquarie Capital (Australia) Limited
Investigating Accountant	PricewaterhouseCoopers Securities Ltd, in relation to the Investigating Accountant's Report in Section 6 and any statements based on that report.
Independent Expert	Deloitte Corporate Finance Pty Limited, in relation to the Independent Expert's Report in Section 7 and any statements based on that report.
Taxation adviser	Greenwoods & Herbert Smith Freehills Pty LtdLimited, in relation to Section 5 and any related tax statements.
Auditor	PricewaterhouseCoopers
Other	Wood Mackenzie, in relation to any statements based on its industry report titled 'Wood Mackenzie, *Iron Ore Markets and Asset Review*, June 2020'. Iluka commissioned the industry report from Wood Mackenzie in connection with the Demerger. The information from Wood Mackenzie has been accurately reproduced from the relevant source and, as far as Iluka and Deterra are aware and are able to ascertain from information published by Wood Mackenzie, no relevant facts have been omitted which would render the reproduced information being inaccurate or misleading.

8.7 REGULATORY AND LEGAL

8.7.1 Foreign exchange controls

There are currently Australian exchange controls which restrict the remittances of dividends, interest or other payments by Iluka or Deterra to non-resident shareholders outside Australia, if they are certain persons or entities designated by the Australian Minister of Foreign Affairs or Minister for Trade (as applicable) as being associated with the Democratic People's Republic of Korea (North Korea), Iran, Libya, the former government of the Federal Republic of Yugoslavia, Myanmar, Russia, Ukraine, Syria or Zimbabwe.

The Australian Government has also implemented certain financial sanctions made by the United Nations Security Council (which prevents dealing with financial resources owned by or giving financial resources to designated persons) in relation to: Al-Qaida, the Central African Republic, Counter-Terrorism, the Democratic Republic of the Congo, Guinea-Bissau, Iran, Iraq, ISIL (Da'esh), Lebanon, Libya, North Korea, Mali, Somalia, South Sudan, Sudan, the Taliban and Yemen.

For information on designated persons or entities, refer to the Department of Foreign Affairs and Trade's website at http://www.dfat.gov.au/un/unsc_sanctions/.

8.7.2 Restrictions on foreign ownership

There are no limitations under Australian law on the right of non-residents to hold or vote Deterra Shares other than as set out below.

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20 per cent or more by a single foreign person and its associates (**Substantial Interest**), or 40 per cent or more by two or more unassociated foreign persons and their associates (**Aggregate Substantial Interest**). Where a foreign person holds a Substantial Interest in Deterra or foreign persons hold an Aggregate Substantial Interest in Deterra, Deterra may (subject to certain exceptions) itself be a 'foreign person' for the purpose of the FATA.

Where an acquisition of a Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer. The Federal Treasurer also has the power to prohibit an acquisition of an Aggregate Substantial Interest or, if the acquisition of an Aggregate Substantial Interest has already occurred, unwind the acquisition, if it meets certain criteria. If the Federal Treasurer has been notified of the acquisition of a Substantial Interest or Aggregate Substantial Interest and has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's Foreign Investment Policy (**Policy**) or a statutory period has expired without the Federal Treasurer objecting, then the Federal Treasurer is prevented from making an order prohibiting or unwinding the transaction.

In addition, in accordance with the Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. Under the Policy, a 'direct investment' will typically include any investment of 10 per cent or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10 per cent where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

8.7.3 Foreign selling restrictions

This Demerger Booklet does not constitute an offer of Deterra Shares in any jurisdiction in which it would be unlawful. In particular, this Demerger Booklet may not be distributed to any person, and the Deterra Shares may not be offered or sold, in any country outside Australia except to the extent provided below:

Hong Kong

WARNING: The contents of this Demerger Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Demerger. If you are in any doubt about any of the contents of this Demerger Booklet, you should obtain independent professional advice.

This Demerger Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Demerger Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Demerger Booklet in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Demerger Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Demerger Booklet may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Demerger Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Iluka Shareholders in connection with the Demerger, and no steps have been taken to register or seek authorisation for the issue of this Demerger Booklet in Hong Kong.

This Demerger Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Demerger Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Demerger Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with consideration of the Demerger by the person to whom this Demerger Booklet is addressed.

8.7.3 Foreign selling restrictions (continued)

New Zealand

This Demerger Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Financial Markets Conduct Act 2013* (or any other relevant New Zealand law). The offer of Deterra Shares under the Demerger is being made to existing shareholders of Iluka in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Demerger Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

Singapore

This Demerger Booklet and any other document relating to the Demerger or the Deterra Shares have not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and the Demerger is not regulated by any financial supervisory authority under any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (the **SFA**) will not apply.

This Demerger Booklet and any other document in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of Deterra Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to Deterra Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

This Demerger Booklet is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this Demerger Booklet may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Iluka nor Deterra is in the business of dealing in securities or hold itself out or purport to hold itself out to be doing so. As such, Iluka and Deterra are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

United Kingdom

Neither the information in this Demerger Booklet nor any other document relating to the Demerger has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**)) has been published or is intended to be published in respect of the Deterra Shares.

This Demerger Booklet does not constitute an offer of transferable securities to the public within the meaning of the Prospectus Regulation (2017/1129/EU) or the FSMA. Accordingly, this Demerger Booklet does not constitute a prospectus for the purposes of the Prospectus Regulation or the FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Deterra Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to Iluka.

In the United Kingdom, this Demerger Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this Demerger Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Demerger Booklet or any of its contents.

8.7.3 Foreign selling restrictions (continued)

United States

This Demerger Booklet has not been filed with, or reviewed by, the US Securities and Exchange Commission or any US state securities authority and none of them has passed upon or endorsed the merits of the Demerger or the accuracy, adequacy or completeness of the Demerger Booklet. Any representation to the contrary is a criminal offence.

The Deterra Shares have not been, and will not be, registered under the *US Securities Act 1933* or the securities laws of any US state or other jurisdiction. The Demerger is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

US shareholders of Iluka should note that the Demerger is made of securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Demerger is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Iluka and Deterra are located in Australia and most of their officers and directors are residents of Australia. You may not be able to sue their respective officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Iluka and Deterra to subject themselves to a US court's judgment.

8.8 OTHER INFORMATION MATERIAL TO THE MAKING OF A DECISION IN RELATION TO THE DEMERGER

Except as set out in this Demerger Booklet, there is no other information material to the making of a decision in relation to the Demerger Resolution being information that is within the knowledge of any Iluka Director, or any director of any related body corporate of Iluka, which has not previously been disclosed to Iluka Shareholders.

8.9 SUPPLEMENTARY INFORMATION

Iluka will issue a supplementary document to this Demerger Booklet if it becomes aware of any of the following between the date of this Demerger Booklet and the date of the Extraordinary General Meeting:

- a material statement in this Demerger Booklet is false or misleading;
- a material omission from this Demerger Booklet;
- a significant change affecting a matter included in this Demerger Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Demerger Booklet if it had arisen before the date of this Demerger Booklet.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Iluka may circulate and publish any supplementary document by:

- posting the supplementary document on Iluka's website (**www.iluka.com**); or
- making an announcement to ASX.

Any updated information about the Demerger will be made available by announcement to ASX and on Iluka's website (www.iluka.com)

9
GLOSSARY

SECTION 9
GLOSSARY

$ 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.
Annual Auditor Certificate	has the meaning given in Section 8.4.3.1.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532 as a holder of a licence to operate a clearing and settlement facility.
ASX	ASX Limited, or the financial market operated by the Australian Securities Exchange, as the context requires.
ASX Listing Rules	the official Listing Rules of ASX.
ATO	Australian Taxation Office.
BHP	BHP Group Limited (ACN 004 028 077) and/or its Subsidiaries, as the context requires.
Board	the Iluka Board and/or the Deterra Board, as the context requires.
Business Day	has the meaning given in the ASX Listing Rules.
Capacity Payment	has the meaning given in Section 2.7.1.
Capital Reduction	the reduction of the share capital of Iluka in accordance with the Demerger Resolution.
Capital Reduction Amount	$10 million, being the amount of the capital of Iluka that is to be reduced in accordance with the Demerger Resolution.
CAGR	Compound Annual Growth Rate.
CHESS	the clearing house electronic subregister system of share transfers operated by ASTC.
CFR	Cost and Freight.
Corporate Restructure	the transfer of all the companies, assets, rights and obligations relating to the business to be conducted by Deterra after the Implementation Date from the Iluka Group to the Deterra Group to be undertaken in accordance with the Restructure Documents.
Corporations Act	*Corporations Act 2001* (Cth).
Demerger	the proposed demerger of Deterra from Iluka, to be implemented through: 1 the Dividend and Capital Reduction; and 2 the Deterra Listing.
Demerger Booklet	this booklet.
Demerger Entitlement	the entitlement of each Iluka Shareholder to Deterra Shares under the Demerger, being in relation to an Iluka Shareholder, one Deterra Share for each Iluka Share held by that Iluka Shareholder as at the Record Date.

SECTION 9
GLOSSARY

Demerger Principle	as described in Section 4.9.3.
Demerger Resolution	an ordinary resolution of Iluka Shareholders relating to the reduction of capital in Iluka in order to effect the Demerger and in the form set out in the Notice of Extraordinary General Meeting.
Deterra	Deterra Royalties Limited (ACN 641 743 348).
Deterra Board	the board of directors of Deterra immediately prior to the Implementation Date, or from time to time following the Implementation Date, as the context requires.
Deterra Constitution	the constitution of Deterra, with effect from immediately prior to the Implementation Date.
Deterra Director	a director of Deterra immediately prior to the Implementation Date, or from time to time following the Implementation Date, as the context requires.
Deterra Group	Deterra, together with its Subsidiaries, following the Demerger.
Deterra Group Member	a member of the Deterra Group.
Deterra Holdings	Deterra Royalties Holdings Pty Ltd (ACN 642 008 697).
Deterra Listing	the listing of Deterra on the ASX.
Deterra Pro Forma Historical Financial Information	has the meaning given in Section 2.9.
Deterra Share	a fully paid ordinary share in the capital of Deterra.
Deterra Share Register	the register of Deterra Shareholders maintained under section 169 of the Corporations Act.
Deterra Shareholder	a holder of a Deterra Share.
Distribution Amount	the VWAP of Deterra Shares on the ASX, whether on a deferred or normal settlement basis, over the first five days of trading in Deterra Shares on the ASX, multiplied by the number of Iluka Shares on issue at the Record Date.
Dividend	the Distribution Amount less the total Capital Reduction Amount.
dmt	dry metric tonnes.
DRI	Direct Reduced Iron.
DRP	dividend reinvestment plan.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Eligible Shareholder	an Iluka Shareholder whose registered address on the Iluka Share Register on the Record Date is in: • Australia, New Zealand, United Kingdom, Hong Kong, Singapore or the United States; or • a jurisdiction in which Iluka reasonably believes it is not prohibited or unduly onerous or impractical to implement the Demerger and to transfer the Deterra Shares to the Iluka Shareholder.

Equity Offer	the one off grant of performance rights proposed to be made following the Implementation Date, as described in Section 2.13.3.2.
Extraordinary General Meeting	the virtual extraordinary general meeting of Iluka Shareholders convened to consider the Demerger Resolution to be held at 9.30am (AWST) on Friday, 16 October 2020.
FOB	Free On Board.
GDP	gross domestic product.
GST	has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
High Grade Feedstocks	high grade titanium dioxide feedstocks including rutile and synthetic rutile.
IFRS	International Financial Reporting Standards adopted by the International Accounting Standards Board.
Iluka	Iluka Resources Limited (ACN 008 675 018).
Iluka Board	the board of directors of Iluka.
Iluka Director	a director of Iluka.
Iluka Group	Iluka, together with its Subsidiaries, following the Demerger.
Iluka Group Member	a member of the Iluka Group.
Iluka Historical Financial Information	has the meaning given in Section 3.11.
Iluka (post Demerger) Pro Forma Historical Financial Information	has the meaning given in Section 3.11.
Iluka Share	a fully paid ordinary share in the capital of Iluka.
Iluka Shareholder	a registered holder of Iluka Shares.
Iluka Share Register	the register of Iluka Shareholders maintained under section 169 of the Corporations Act.
Iluka Share Registry	Computershare Investor Services Pty Limited (ACN 078 279 277).
Implementation Date	the date of implementation of the Demerger and the transfer of Deterra Shares to Iluka Shareholders (apart from Ineligible Overseas Shareholders and Selling Shareholders), which is expected to be Monday, 2 November 2020, or such other date as determined by the Iluka Board.
Implementation Deed	the deed dated on or about the date of this Demerger Booklet between Iluka and Deterra under which each party undertakes specified obligations to give effect to the Demerger, a summary of which is set out in Section 4.9.2.
Independent Expert	Deloitte Corporate Finance Pty Limited.
Independent Expert's Report	the report of the Independent Expert contained in Section 7.
Ineligible Overseas Shareholder	an Iluka Shareholder who is not an Eligible Shareholder.
Investigating Accountant	PricewaterhouseCoopers Securities Ltd.
Investigating Accountant's Report	the report of the Investigating Accountant on certain pro forma historical financial information presented in this Demerger Booklet, as set out in Section 6.

SECTION 9
GLOSSARY

Joint Venturers	means the participants to the Mount Goldsworthy Joint Venture, being BHP Billiton Minerals Pty Ltd, Itochu Minerals & Energy of Australia Pty Ltd and Mitsui Iron Ore Corporation Pty Ltd.
ktpa	thousand tonnes per annum.
LTI Offer	the grant of performance rights Deterra will make to the Managing Director and Chief Executive Officer and select members of the senior management team following Implementation Date.
MAC Royalty	the royalty arrangements described in Section 2.7.
MAC Royalty Agreement	has the meaning given in Section 8.4.1.
MAC Royalty Area	Mining Area C area subject to the MAC Royalty Agreement, as described in Section 8.4.
MAC Royalty Co	Deterra Royalties (MAC) Limited (ACN 008 421 065).
Mining Area C or MAC	Mining Area C, as described in Section 2.7.
MOFA	the Multi Option Facility Agreement described in Section 3.8.
Mt	million tonnes.
Mtpa	million tonnes per annum.
North Flank	mining operation within Mining Area C.
Notice of Extraordinary General Meeting	the notice of meeting for the Extraordinary General Meeting set out in Section 10.
Official List	the official list of ASX.
Other Royalties	the royalty arrangements described in Section 2.8.
Proxy Form	the proxy form for the Extraordinary General Meeting.
ROE	Return on Equity, being the measurement for the amount of net income earned by a company expressed as a percentage of shareholder equity.
RTSR	Relative Total Shareholder Return, being the share price growth and dividends paid and reinvested on the ex-dividend date for the relevant company.
Record Date	the date for determining entitlements of Iluka Shareholders to Deterra Shares, expected to be 4.00pm (AWST) on Monday, 26 October 2020.
Reserve	Ore Reserve.
Resource	Mineral Resource.
Restructure Documents	comprises: 1 a share sale agreement in respect of 100 per cent of the shares in MAC Royalty Co; and 2 a deed of purchase, assignment and assumption in respect of the St Ives royalty interest, each between an Iluka Group Member and Deterra Group Member dealing with the transfer of all the companies, assets, rights and obligations relating to the business to be conducted by Deterra after the Implementation Date from the Iluka Group to the Deterra Group, a summary of which is set out in Section 4.9.1.

Revenue Payment	has the meaning given in Section 2.7.1.
Sale Agent	the nominee appointed by Iluka to sell or facilitate the transfer of the Deterra Shares to which Ineligible Overseas Shareholders and Selling Shareholders are entitled.
Sale Facility	the facility to be established by the Sale Agent under which Deterra Shares to which Ineligible Overseas Shareholders and Selling Shareholders are entitled, will be sold as described more fully in Section 4.8.
Sale Facility Form	the sale facility form which accompanies this Demerger Booklet or such other form as Iluka may permit or agree to in connection with the sale of Deterra Shares under the Sale Facility.
Section	a section of this Demerger Booklet.
Selling Shareholder	a Small Shareholder who elects to have all the Deterra Shares that they would otherwise receive pursuant to the Demerger sold using the Sale Facility.
Separation Deed	the deed between Iluka and Deterra dealing with certain commercial, transitional and legal issues arising in connection with the legal and economic Demerger of Deterra from Iluka, a summary of which is set out in Section 4.9.3.
Shareholder Information Line	the information line set up for the purpose of answering enquiries from Iluka Shareholders in relation to the Demerger. The information line numbers are 1300 352 915 (within Australia) or +61 3 9415 4303 (international) on weekdays between 6.30am and 5.00pm (AWST).
Small Shareholders	an Eligible Shareholder who individually holds 500 Iluka Shares or fewer as at the Record Date.
South Flank	mining operation within Mining Area C currently under construction.
SR1	synthetic rutile kiln 1.
SR2	synthetic rutile kiln 2.
SRL	Iluka's Sierra Rutile operations.
STI	short term incentive.
Subsidiary	has the meaning given in the Corporations Act.
TSR	Total Shareholder Return.
VWAP	the volume weighted average price of the relevant shares traded on the ASX during the relevant period except for trades otherwise than in the ordinary course of trading.
WAIO	Western Australian iron ore assets of BHP.
Wood Mackenzie	Wood Mackenzie (Australia) Pty Ltd.

10

NOTICE OF EXTRAORDINARY GENERAL MEETING

SECTION 10
NOTICE OF EXTRAORDINARY GENERAL MEETING

ILUKA RESOURCES LIMITED

Notice is given that an Extraordinary General Meeting of Iluka Shareholders will be held on Friday, 16 October 2020 at 9.30am (AWST) for the purpose of transacting the following business.

The Extraordinary General Meeting will be held virtually and Iluka Shareholders will be able to attend and participate in the meeting online. This Notice of Meeting sets out the details of the virtual Extraordinary General Meeting, including information about how to vote and ask questions during the meeting.

Once the meeting has commenced, you will be able to watch and participate in the proceedings in real time on your computer or on your mobile device.

Iluka is committed to health and safety. There will be no physical meeting given the uncertainty and potential health risks associated with large gatherings during the COVID-19 pandemic. This approach is in line with temporary amendments to the corporate meeting requirements in Australia and current regulatory guidance.

You can attend and participate in the virtual Extraordinary General Meeting using a web browser or mobile device: https://web.lumiagm.com.

Further information on how to participate virtually is set out in this Notice of Meeting and the Online Platform Guide which can be found at Iluka's website at www.iluka.com.

Terms used in this notice have the same meaning as set out in the Glossary in Section 9 of this Demerger Booklet (of which this notice forms part), unless indicated otherwise.

BUSINESS OF THE EXTRAORDINARY GENERAL MEETING

The purpose of the meeting is to consider and, if thought fit, to pass the following resolution as an ordinary resolution to approve a reduction in the capital of Iluka as an equal capital reduction.

"That, subject to the conditions precedent set out in clause 3.1 of the Implementation Deed being satisfied or waived in accordance with that deed:

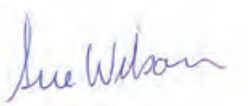
(1) for the purposes of section 256C(1) of the Corporations Act, Iluka Resources Limited's share capital be reduced on the Implementation Date by the Capital Reduction Amount, with such amount being applied equally against each Iluka Share on issue on the Record Date and the reduction, together with the Dividend, being effected and satisfied by distributing in specie the Deterra Shares to Eligible Shareholders (and the Sale Agent in respect of Ineligible Overseas Shareholders and Selling Shareholders); and

(2) the Demerger otherwise be implemented in the manner more fully described in the Demerger Booklet (which accompanies and forms part of this Notice of Extraordinary General Meeting)."

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

Only Iluka Shareholders registered on the Iluka Share Register at 4.00pm (AWST) on Wednesday, 14 October 2020 are entitled to vote on the Demerger Resolution. The Demerger Resolution must be approved by a simple majority of votes cast by Iluka Shareholders on the Demerger Resolution.

By order of the Iluka Board



Sue Wilson

Company Secretary

10 September 2020

SECTION 10
NOTICE OF EXTRAORDINARY GENERAL MEETING

EXPLANATORY NOTES

The Demerger Resolution at the Extraordinary General Meeting is being put to shareholders to obtain approval under section 256C of the Corporations Act to an equal capital reduction in Iluka Resources Limited's ordinary share capital under section 256B of the Corporations Act.

The Demerger Resolution at the Extraordinary General Meeting is being proposed in connection with the Demerger and the Demerger is conditional on, among other things, the Demerger Resolution being passed.

The Demerger will be effected by a distribution of Deterra Shares to Iluka Shareholders as at the Record Date (or in the case of Ineligible Overseas Shareholders and Selling Shareholders, to the Sale Agent) via the Dividend and the Capital Reduction in accordance with the Demerger Booklet.

The effect on Iluka and its shareholders if the Demerger Resolution is passed, together with all other factors that are material to the making of a decision by shareholders whether to approve the Demerger Resolution, is set out in this Demerger Booklet, of which this notice forms part.

If the Demerger Resolution is passed by the required majority, it will take effect provided all other conditions to the Demerger are satisfied (or waived).

The Iluka Directors are of the view that, taking into account all relevant matters, the Demerger (which includes the Capital Reduction and the Dividend) is in the best interests of Iluka Shareholders and will not materially prejudice Iluka's ability to pay its creditors. Each Iluka Director recommends that you vote in favour of the Demerger Resolution and intends to vote all shares controlled by them in favour of that Demerger Resolution.

VOTING

How to vote

You can vote in either of two ways:

- by voting live during the meeting using the online platform by:
  - attending the virtual meeting and casting your vote; or
  - appointing an attorney or, in the case of corporate shareholders, a corporate representative to attend the virtual meeting and cast your vote; or
- by appointing a proxy to attend the virtual meeting and vote on your behalf.

Voting live (or by attorney)

- Shareholders can register to attend the virtual Extraordinary General Meeting and vote via the online platform by using a web browser or mobile device: **https://web.lumiagm.com.**
- Registration will open from 8.30am (AWST).
- Your password is your postcode registered on your holding if you are an Australian shareholder. Overseas shareholders should refer to the Online Platform Guide, which is available at Iluka's website at www.iluka.com.
- Participating in the meeting online enables shareholders to view the Extraordinary General Meeting live, comment and ask questions, and vote in real time at the appropriate times during the meeting.
- If you have a power of attorney from a shareholder you may not vote at the meeting unless an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting is given to the Iluka Share Registry prior to the Extraordinary General Meeting (or has previously been given to the Iluka Share Registry).
- A shareholder that is a corporation may appoint an individual to act as its representative and to vote in person at the meeting in accordance with the Corporations Act. A representative may not vote at the Extraordinary General Meeting unless evidence of his or her appointment, including any authority under which it is signed, is given to the Iluka Share Registry prior to the Meeting (or has previously been given to the Iluka Share Registry).

Voting by proxy

- An Iluka Shareholder who is entitled to vote at the Extraordinary General Meeting can appoint no more than two proxies. Each proxy has the right to vote on the poll and also to ask questions at the Extraordinary General Meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Each proxy may exercise half of the votes if more than one proxy is appointed and the appointment does not specify the proportion of or number of the Iluka Shareholder's votes that each proxy may exercise.
- A proxy does not need to be an Iluka Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as that person thinks fit.
- If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the Iluka Shareholder's behalf on the poll and the shares the subject of the proxy appointment will not be counted in determining the required majority.
- Iluka Shareholders who return their Proxy Form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairperson of the Extraordinary General Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Extraordinary General Meeting, the chairperson of the Extraordinary General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Undirected proxy appointments in favour of the chairperson of the Extraordinary General Meeting will be used to support the Demerger Resolution.
- Completed Proxy Form(s) must be sent to the Iluka Share Registry:
    - by lodging online through the Computershare Investor Services Pty Limited website, **www.investorvote.com.au**, and following the prompts and instructions provided;
    - by mailing to Computershare Investor Services Pty Limited at GPO Box 1282, Melbourne VIC 3001 (using the reply paid envelope provided);
    - by faxing to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
    - by using the mobile voting app, to access scan the QR Code on your Proxy Form and follow the prompts.
- To be effective, Proxy Forms must be received by no later than 9.30am (AWST) on Wednesday, 14 October 2020. Proxy Forms received after this time will be invalid.
- The Proxy Form must be signed by the Iluka Shareholder or their attorney. Proxies given by corporations must be executed in accordance with Iluka's constitution or the Corporations Act. Where the appointment of a proxy is signed by the appointor's attorney, a certified copy of the power of attorney or the power itself must be received by the Iluka Share Registry at the same time as the Proxy Form.

11

CORPORATE DIRECTORY

SECTION 11
CORPORATE DIRECTORY

ILUKA

Iluka Resources Limited
Level 17
240 St Georges Terrace
Perth WA 6000

INDEPENDENT EXPERT

Deloitte Corporate Finance Pty Limited
Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000

ILUKA SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth WA 6000
www.computershare.com.au
Telephone: 1300 733 043 (within Australia)
or +61 (03) 9415 4801 (outside Australia)

INVESTIGATING ACCOUNTANT

PricewaterhouseCoopers Securities Ltd
Brookfield Place
125 St Georges Terrace
Perth WA 6000

FINANCIAL ADVISERS

Gresham Advisory Partners Limited
Level 17
167 Macquarie Street
Sydney NSW 2000

Macquarie Capital (Australia) Limited
Level 4
50 Martin Place
Sydney NSW 2000

TAX ADVISER

Greenwoods & Herbert Smith Freehills Pty Limited
Level 34
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

LEGAL ADVISER

Herbert Smith Freehills
Level 42
101 Collins Street
Melbourne VIC 3000

AUDITOR

PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
Perth WA 6000

APPENDIX A

MEDIAN BROKER FORECASTS

APPENDIX A
MEDIAN BROKER FORECASTS

The selection criteria for the median broker forecast numbers used in this Demerger Booklet have been based on using those broker forecasts that Iluka had access to, and which were released within the 100 days to 31 July 2020.

The Directors do not adopt any broker forecast or median calculated from more than one broker forecast. The broker forecasts have been included solely as an indication of market views.

Median CY2021 EBITDA broker forecasts for top 5 global listed royalty companies (by market capitalisation), the top 5 global listed gold mining companies (by market capitalisation) and the top 4 global listed iron ore exposed mining companies (by market capitalisation)

Company	Financial year end	Number of broker forecasts	Range of broker forecasts	Date range of broker forecasts used in median
Royalty companies				
Franco-Nevada Corp.	31 December	10	US$758m to US$1,076m	15 May 2020 to 28 July 2020
Osisko Gold Royalties	31 December	11	US$64m to US$148m	14 May 2020 to 28 July 2020
Royal Gold, Inc.	30 June	8	2021: US$405m to US$589m 2022: US$401m to US$533m	7 May 2020 to 28 July 2020
Sandstorm Gold Ltd.	31 December	7	US$74m to US$103m	22 July 2020 to 31 July 2020
Wheaton Precious Metals Corp.	31 December	12	US$669m to US$994m	7 May 2020 to 28 July 2020
Gold mining companies				
Agnico Eagle Mines Ltd.	31 December	10	US$1,386 to US$2,477m	20 May 2020 to 30 July 2020
AngloGold Ashanti Ltd	31 December	7	US$1,959m to US$3,065m	11 May 2020 to 30 July 2020
Barrick Gold Corp.	31 December	12	US$4,873m to US$8,217m	6 May 2020 to 28 July 2020
Newcrest Mining Ltd	30 June	7	2021: US$1,827m to US$2,537m 2022: US$1,835m to US$2,390m	23 July 2020 to 29 July 2020
Newmont Corp.	31 December	11	US$6,009m to US$8,249m	20 May 2020 to 31 July 2020
Iron ore mining companies				
BHP Group Ltd	30 June	9	2021: US$18,634 to US$23,295m 2022: US$19,100m to US$23,424	13 July 2020 to 31 July 2020
Fortescue Metals Group Ltd	30 June	11	2021: US$5,778 to US$7,952m 2022: US$3,646 to US$6,498m	1 May 2020 to 31 July 2020
Rio Tinto Limited	31 December	8	US$14,779 to US$19,368m	17 July 2020 to 31 July 2020
Vale S.A.	31 December	14	US$13,726 to US$19,673m	29 April 2020 to 30 July 2020

APPENDIX A
MEDIAN BROKER FORECASTS

Median net asset value per share broker forecasts for top 5 global listed royalty companies (by market capitalisation), the top 5 global listed gold mining companies (by market capitalisation) and the top 4 global listed iron ore exposed mining companies (by market capitalisation)

Company	Financial year end	Number of broker forecasts	Range of broker forecasts	Date range of broker forecasts used in median
Royalty companies				
Franco-Nevada Corp.	31 December	10	US$40.11 to US$153.22	8 May 2020 to 28 July 2020
Osisko Gold Royalties	31 December	11	US$6.70 to US$14.33	13 May 2020 to 24 July 2020
Royal Gold, Inc.	30 June	8	US$44.39 to US$67.38	7 May 2020 to 24 July 2020
Sandstorm Gold Ltd.	31 December	9	US$3.78 to US$7.28	8 May 2020 to 31 July 2020
Wheaton Precious Metals Corp.	31 December	9	US$14.34 to US$26.11	7 May 2020 to 24 July 2020
Gold mining companies				
Agnico Eagle Mines Ltd.	31 December	11	US$21.82 to US$65.01	1 May 2020 to 30 July 2020
AngloGold Ashanti Ltd	31 December	4	US$13.52 to US$28.21	18 May 2020 to 30 July 2020
Barrick Gold Corp.	31 December	12	US$11.63 to US$22.60	23 April 2020 to 24 July 2020
Newcrest Mining Ltd	30 June	4	US$14.34 to US$19.93	15 July 2020 to 24 July 2020
Newmont Corp.	31 December	10	US$26.43 to US$61.94	19 May 2020 to 31 July 2020
Iron ore mining companies				
BHP Group Ltd	30 June	2	US$21.43 to US$36.83	21 July 2020 to 22 July 2020
Fortescue Metals Group Ltd	30 June	3	US$6.07 to US$8.02	30 April 2020 to 30 July 2020
Rio Tinto Limited	31 December	3	US$40.51 to US$82.28	10 June 2020 to 29 July 2020
Vale S.A.	31 December	4	US$13.56 to US$25.03	9 June 2020 to 30 July 2020

APPENDIX B

SAMPLE PROXY AND SHARE SALE FACILITY FORMS

ILUKA

Iluka Resources Limited
ABN 34 008 675 018

Need assistance?

Phone:
1300 352 915 (within Australia)
+61 3 9415 4303 (outside Australia)

Online:
www.investorcentre.com/contact

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **9:30am (AWST) Wednesday, 14 October 2020.**

Proxy Form

How to Vote on the Item of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, one securityholder may sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE VIRTUAL MEETING

Corporate Representative or proxy attendance
If a representative of a corporate securityholder or proxy is to attend the virtual meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to the virtual meeting. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

SRN/HIN: I9999999999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

This is an important document that requires your immediate attention. You should read the Iluka Resources Limited Demerger Booklet dated 10 September 2020 carefully before completing and returning this form. Terms defined in the Demerger Booklet have the same meaning in this form (unless the context requires otherwise). Please also read this form carefully. If you need assistance in deciding whether to complete this form, please contact your financial or other professional advisor.

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Iluka Resources Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the virtual Extraordinary General Meeting of Iluka Resources Limited on Friday, 16 October 2020 at 9:30am (AWST) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 - Approve a reduction in the capital of Iluka as an equal capital reduction	☐	☐	☐

"That, subject to the conditions precedent set out in clause 3.1 of the Implementation Deed being satisfied or waived in accordance with that deed:

(1) for the purposes of section 256C(1) of the Corporations Act, Iluka Resources Limited's share capital be reduced on the Implementation Date by the Capital Reduction Amount, with such amount being applied equally against each Iluka Share on issue on the Record Date and the reduction, together with the Dividend, being effected and satisfied by distributing in specie the Deterra Shares to Eligible Shareholders (and the Sale Agent in respect of Ineligible Overseas Shareholders and Selling Shareholders); and

(2) the Demerger otherwise be implemented in the manner more fully described in the Demerger Booklet which accompanies and forms part of the Notice of Extraordinary General Meeting."

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

Mobile Number _____

Email Address _____ By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

ILU 267554A

Computershare

ILUKA

Iluka Resources Limited
ABN 34 008 675 018

Return your Form:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 1282
Melbourne Victoria 3001
Australia

By Fax:
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

By Email:
corpactprocessing@computershare.com.au

For all enquiries:

Phone:
(within Australia) 1300 352 915
(outside Australia) +61 3 9415 4303

Sale Facility Form

This form should be returned by 2.00pm (AWST) on Thursday, 22 October 2020.

This is an important document that requires your immediate attention. You should read the Iluka Resources Limited Demerger Booklet dated 10 September 2020 carefully - particularly section 4.8 which describes the Sale Facility - before completing and returning this form. Terms defined in the Demerger Booklet have the same meaning in this form (unless the context requires otherwise).

Small Shareholders are Eligible Shareholders who hold 500 or less Iluka Shares as at the Record Date (being 4.00pm (AWST) on Monday, 26 October 2020). If you are a Small Shareholder, you have the option to have all of the Deterra Shares which you are entitled to receive under the Demerger sold by the Sale Agent and the proceeds of sale remitted to you, free of any brokerage costs or stamp duty but excluding any interest and after deducting any applicable withholding tax. Please see section 4.8.3 of the Demerger Booklet for further information regarding how the proceeds from the sale will be calculated and remitted to you.

Please complete this form **only** if you want to sell **ALL** of the Deterra Shares that you are entitled to receive under the Demerger through the Sale Facility. If the number of Iluka Shares you hold on the Record Date is 500 or less, all of the Deterra Shares you are entitled to receive under the Demerger will be transferred to the Sale Agent should you elect to participate in the Sale Facility.

Please refer to section 5.7 of the Demerger Booklet for further information on the Australian tax consequences of electing to sell Deterra Shares under the Sale Facility.

If you hold more than 500 Iluka Shares on the Record Date, you are not eligible to participate in the Sale Facility and your form will be disregarded. In this case, you will receive Deterra Shares under the Demerger. If you have already disposed of all of your Iluka Shares, do not complete or return this form.

For your election to be effective, this form must be received by the Iluka Share Registry by 2.00pm (AWST) on Thursday, 22 October 2020.

If the Demerger does not proceed, this form will have no effect.
If you are in doubt about how to deal with this form, please contact your financial or other professional advisor.
Note this form can only be used in relation to the shareholding represented by the details printed above and overleaf.

Step 1: Registration Name & Holding Details

Details of your shareholding are shown overleaf.
Please check the details provided and update your address via www.investorcentre.com/au if any of the details are incorrect.
If you have a CHESS sponsored holding, please contact your Chess sponsor to notify a change of address.

Step 2: Make an Election

If you want to sell ALL of the Deterra Shares that you are entitled to receive under the Demerger through the Sale Facility, complete Step 2 and sign in Step 3 on the reverse of this form.

Step 3: Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: Where signing as Power of Attorney ("**POA**"), if you have not already lodged the Power of Attorney with the Iluka Share Registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Overseas Companies: Where the holding is in the name of an overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

Deceased Estate: All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering contact details is not compulsory, but will assist us if we need to contact you.

Turn over to complete the form →

Sale Facility Form

STEP 1 Registration Name & Holding Details

For your security keep your SRN/ HIN confidential.

Registration Name:

Holding Details: Shareholding in Iluka as at 2.00pm (AWST) 7 September 2020:

STEP 2 Make a Sale Facility Election

If you wish to **sell ALL of the Deterra Shares** that you are entitled to receive under the Demerger through the Sale Facility please mark the box below.

☐ **Sell ALL Deterra Shares**

STEP 3 Signature of Shareholder(s)

This section must be completed.

By signing and returning this form I/we confirm that I/we have read and understood the terms of the Sale Facility detailed in the Demerger Booklet; understand that ALL of the Deterra Shares to which I/we am/are entitled to receive under the Demerger will be transferred to the Sale Agent and sold under the Sale Facility; and I/we authorise that transfer and sale.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary/ Sole Director (cross out titles as applicable)	Director	Director/Company Secretary (cross out titles as applicable)

Contact Name _____ Contact Daytime Telephone _____ Date / /

Withdrawal of a Sale Election

If after returning this form, you decide you would like to retain the Deterra Shares you are entitled to receive under the Demerger instead of participating in the Sale Facility, please contact the Shareholder Information Line on the phone numbers shown on the front of this form to obtain a Sale Facility Withdrawal Form. A completed Sale Facility Withdrawal Form must be received by the Iluka Share Registry by 2.00pm (AWST) on Thursday, 22 October 2020.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("**CIS**") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Iluka Resources Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Iluka Resources Limited or to third parties upon direction by Iluka Resources Limited where related to the administration of your securityholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Computershare

ILUKA

Deterra ROYALTIES

www.iluka.com

Insight Communication & Design

Attachment 6

Securities Dealing Policy

Securities Dealing Policy

Deterra Royalties Limited

ACN 641 743 348

Adopted by the Board on 6 August 2020

1 What is this Policy about?

The purpose of this Policy is to:

- ensure that public confidence is maintained in the reputation of the Company and the Group, the directors and employees of the Group and in the trading of the Company's securities;
- explain the Company's policy and procedures for the buying and selling of securities to assist the Group's directors and employees; and
- recognise that some types of dealing in securities are prohibited by law.

The Company will take a substance over form approach and will have regard to the intent and spirit of this Policy when applying and enforcing it.

2 Who must comply with this Policy?

This Policy applies to all directors of the Company (**Directors**) and employees of the Group (collectively, **Employees**).

Certain aspects of this Policy apply only to **Restricted Persons** who, for the purposes of this Policy, are:

- Directors;
- other key management personnel of the Company and direct reports to the CEO (**Senior Executives**); and
- other persons who regularly possess inside information and who have been advised by the Chief Financial Officer **(CFO)** that they are subject to special restrictions under this Policy (**Nominated Employees**).

Restricted Persons must also take steps in relation to dealings by their "Connected Persons". See section 4.7 for further information.

3 Restrictions applying to all Employees

3.1 No dealing while in possession of Inside Information

Employees must not deal in the Company's securities if:

- they are aware of Inside Information in relation to the Company; or
- the Company has notified Employees that they must not deal in securities (either for a specified period, or until the Company gives further notice).

Inside Information is information that:

- is not generally available to the market; and
- if it were generally available to the market, a reasonable person would expect it to have a material effect (upwards or downwards) on the price or value of a security.

Inside Information may include matters of supposition, matters that are not yet certain and matters relating to a person's intentions.

Section 6 contains further details regarding the scope of the insider trading laws.

3.2 The Front Page Test

It is important that public confidence in the Group is maintained. It would be damaging to the Group's reputation if the market or the general public perceived that Employees might be taking advantage of their position in the Group to make financial gains (by dealing in securities on the basis of Inside Information).

As a guiding principle, Employees should ask themselves:

> *If the market was aware of all the current circumstances, could I be perceived to be taking advantage of my position in an inappropriate way? How would it look if the transaction were reported on the front page of the newspaper?* (The **Front Page Test**)

If the Employee is unsure, he or she should consult the CFO.

Where any approval is required for a dealing under this Policy, approval will not be granted where the dealing would not satisfy the Front Page Test.

3.3 No short-term or speculative dealing, short selling or stock lending

Employees must not deal in the Company's securities on a speculative or short-term trading basis nor enter into short selling or stock lending arrangements in relation to the Company's securities.

Short-term trading includes buying and selling securities on market within a 3 month period, and entering into other short-term dealings (for example, forward contracts).

Selling shares received following the vesting of entitlements under an employee, executive or director equity plan within 3 months of the vesting date is not a short-term dealing.

3.4 Hedging of Company securities

Hedging includes entering into any arrangements that operate to limit the economic risk associated with holding the Company's securities.

Employees must not hedge Company securities:

- acquired under an employee, executive or director equity plan operated by the Company prior to vesting; or
- while they are subject to a holding lock or restriction on dealing under the terms of an employee, executive or director equity plan operated by the Company.

3.5 Dealing in other companies' securities

Employees may come into possession of Inside Information regarding another company where they are directly involved in client relationship management or negotiating contracts. For example, where a person is aware that the Group is about to sign a major agreement with another company.

Employees must not deal in the securities in another company if they are aware of Inside Information in relation to that company, no matter how they came into possession of the Inside Information.

If you are in any doubt, consult with the CFO.

4 Additional restrictions applying to Restricted Persons

4.1 No dealing in blackout periods

Restricted Persons must not deal in Company securities during any of the following blackout periods:

- the period from the close of trading on the ASX on 30 June each year until the day following the announcement to ASX of the full-year results;
- the period from the close of trading on the ASX on 31 December each year until the day following the announcement to ASX of the half-year results; and
- any other period that the Board specifies from time to time.

4.2 Exceptional circumstances

If a Restricted Person needs to deal in securities during a blackout period due to exceptional circumstances and is **not** in possession of any Inside Information, then, they may apply for approval to deal by following the process set out in section 4.4. Exceptional circumstances are likely to include severe financial hardship or compulsion by court order.

Approval to deal will only be granted if the Restricted Person's application is accompanied by sufficient evidence (in the opinion of the person providing clearance) that the dealing is the most reasonable course of action available in the circumstances.

Unless otherwise specified in the notice, any dealing permitted under this section 4.2 must comply with the other sections of this Policy (to the extent applicable).

4.3 Approval required for dealing outside blackout periods

(a) During any period that is not a trading blackout period under section 4.1, Restricted Persons must, prior to any proposed dealing, seek approval for the proposed dealing in the Company's securities.

(b) There are certain times during the year when approval under this Policy is more likely to be granted. These are the 4 week periods immediately following:

(1) the day after release of the Company's full-year results; and

(2) the day after release of the Company's half-year results.

Restricted Persons who wish to seek approval to trade under this Policy are encouraged to do so during these periods. Trading at any time (even if approval has been obtained under this Policy) remains subject to the insider trading prohibition in the Corporations Act.

4.4 Written request process

(a) Requests for approval under 4.2 or 4.3 should be submitted to the CFO, who will forward it to:

(1) the CEO (in the case of Nominated Employees or Senior Executives);

(2) the Chair of the Board (in the case of the CEO or other Directors);

(3) the Chair of the Audit Committee (in the case of the Chair of the Board).

(b) A request for approval to deal will be answered as soon as practicable. The approver, having consulted with members of management as appropriate, may:

(1) grant or refuse the request;

(2) impose conditions on the dealing in their discretion.

(c) The approver is not obliged to provide reasons for any aspect of their decision, and may revoke their approval at any time. If a request is not approved or an approval is revoked, that fact must be kept confidential.

(d) Following receipt of approval to deal, the approved dealing must occur within 2 business days following approval (or such other time specified in the approval), otherwise the approval is no longer effective and fresh approval must be sought.

(e) Approval under this Policy is not an endorsement of the dealing. Personnel are responsible for their own compliance with the law.

4.5 Margin lending arrangements

(a) Approval must be obtained in accordance with the procedure set out in section 4.4 for any:

(1) entering into a margin lending arrangement in respect of the Company's securities; and

(2) transferring securities in the Company into an existing margin loan account.

(b) The Company may, at its discretion, make any approval granted in accordance with section 4.5(a) conditional upon such terms and conditions as the Company sees fit (for example, with regard to the circumstances in which the Company's securities may be sold to satisfy a margin call).

4.6 Directors – confirmation of trade required

Following any trade, Directors must promptly notify the CFO, ideally by close of business on the day the trade is entered into. This is to assist the Company to comply with its disclosure obligations under the ASX Listing Rules.

4.7 Connected Persons

Restricted Persons must take appropriate steps to ensure that their "Connected Persons" only deal in securities in circumstances where the Restricted Person to whom they are connected would be permitted to deal under this Policy. For example, by obtaining clearance in accordance with this Policy in respect of the Connected Persons' dealings.

Connected Persons are:

- a family member who may be expected to influence, or be influenced by, the Restricted Person in his or her dealings with the Company or Company securities (this may include the Restricted Person's spouse, partner and children, the children of the Restricted Person's partner, or dependants of the Restricted Person or the Restricted Person's partner); and
- a company or any other entity which the Restricted Person has an ability to control.

5 Excluded Dealings

Sections 3.3, 4.1 and 4.3 of this Policy do not apply to:

(a) participation in an employee, executive or director equity plan operated by the Company. However, where securities in the Company granted under an employee, executive or director equity plan cease to be held under the terms of that plan, any dealings in those securities must only occur in accordance with this Policy;

(b) the following categories of trades:

- acquisition of Company securities through a dividend reinvestment plan;
- acquisition of Company securities through a share purchase plan available to all retail shareholders;
- acquisition of Company securities through a rights issue; and
- the disposal of Company securities through the acceptance of a takeover offer, scheme of arrangement or equal access buy-back;

(c) dealings that result in no effective change to the beneficial interest in the securities (for example, transfers of Company securities already held into a superannuation fund or trust of which the Employee is a beneficiary);

(d) trading under a pre-approved non-discretionary trading plan, where the Employee did not enter into the plan or amend the plan during a blackout period, the plan does not permit the Employee to exercise any influence or discretion in relation to trading under the plan and the plan cannot be cancelled during a blackout period, other than in exceptional circumstances; and

(e) a disposal of securities of the Company that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement.

However, given such dealings **remain subject to the insider trading rules** in the Corporations Act, Employees should still consider any legal or reputational issues (and discuss any concerns they have with the CFO) before proceeding with the dealing.

6 What are the rules about insider trading?

Broadly speaking, the Corporations Act provides that a person who has Inside Information about a company must not:

(a) buy or sell securities in a company, or enter in an agreement to buy or sell securities, or exercise options over securities, or otherwise apply for, acquire or dispose of securities (**deal**);

(b) encourage someone else to deal in securities in that company; or

(c) directly or indirectly provide that information to another person where they know, or ought to know, that that person is likely to deal in securities or encourage someone else to deal in securities of that company (**tipping**).

These restrictions apply to all securities, not just the Company's securities.

7 What happens if this Policy is breached?

Breaches of this Policy will be regarded by the Company as serious and will be subject to appropriate sanctions.

Any person who is suspected of breaching this Policy may be suspended from attending the workplace on full pay pending the outcome of investigations into the alleged breach.

Any person who breaches this Policy could face disciplinary action (including forfeiture of securities and/or suspension or termination of employment).

Breaches of the insider trading laws have serious consequences for both the personnel concerned and the Company. Penalties under the Corporations Act include financial penalties and imprisonment.

8 Who should I contact?

Employees should contact the CFO if they are unsure about whether it is acceptable to deal or communicate with others in relation to the Company's securities or other securities or if they have any other queries about this Policy.