

18 August 2021

ASX: DRR

FY21 Financial Results and Outlook Presentation

Deterra Royalties Limited (ASX: DRR) (**Deterra** or **Company**) is pleased to release a results and outlook presentation for the period ended 30 June 2021. An investor and analyst briefing will be held at 10:00 (AWST) / 12:00 (AEDT) today by Mr Julian Andrews, Managing Director and Chief Executive Officer, and Mr Brendan Ryan, Chief Financial Officer.

The live audio webcast and on-demand replay of the results briefing will be available at www.deterraroyalties.com and via the following link:

<https://edge.media-server.com/mmc/p/4pbzkzon>

This document was approved and authorised for release by Deterra's Managing Director.

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Financial Results and Outlook

For the period ended 30 June 2021

18 August 2021

Julian Andrews
Managing Director and Chief Executive Officer

Brendan Ryan
Chief Financial Officer



**The resources
investment
that pays**

Important notices and disclaimer

This presentation has been prepared by Deterra Royalties Limited ("Deterra", "the Company"). By accessing this presentation you acknowledge that you have read and understood the following statement.

The material in this presentation is general background information about Deterra and its activities current as at the date of the presentation on 18 August 2021. The information in this presentation is given in summary form and does not purport to be complete. Information in this presentation is provided to assist sophisticated investors with their own analysis of the Company but should not be relied upon as a predictor of future performance. The current outlook parameters supersede all previous key physical and financial parameters. The information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investors. Investors should consider these factors and consult with their financial, legal or other professional adviser.

This presentation should be read in conjunction with Deterra's other periodic and continuous disclosure announcements which are available at www.asx.com.au.

Reporting Period

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

Reserves, resources and other technical information

Except where otherwise stated, the information in this presentation relating to the mining assets to which Deterra's royalty interests are referable 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 presentation, and none of this information has been independently verified by Deterra. Accordingly, Deterra does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Specifically, Deterra has limited, if any, access to the mining assets in respect of which royalties are derived by the Deterra. Deterra generally relies on publicly available information regarding the mining assets and generally have no ability to independently verify such information.

Forward-looking Statements

This presentation contains certain statements which constitute "forward-looking statements". Often, but not always, forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "plan", "believes", "estimate", "anticipate", "outlook" and "guidance", or similar expressions, and may include, without limitation, statements regarding plans; strategies and objectives of management; anticipated performance; estimates of future expenditure; expected costs; estimates of future royalty income, product supply, demand and consumption; statements regarding future product prices; and statements regarding the expectation of future Mineral Resources and Ore Reserves.

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No independent third party has reviewed the reasonableness of the forward-looking statements or any underlying assumptions.

Past performance

Investors should note that past performance metrics and figures in this presentation are given for illustrative purposes only and cannot be relied upon as an indicator of (and provide no guidance as to) future Deterra performance, including future share price performance. Any such historical information is not represented as being, and is not, indicative of Deterra's views on its future financial condition and/or performance.

Non-IFRS Financial Information

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

All figures are expressed in Australian dollars unless stated otherwise.

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

A better way to invest in the resources industry



Achievements for FY21

Successful demerger & ASX listing

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

Lean business model delivering strong financial performance

- Revenue of \$145.2 million with an NPAT of \$94.3 million¹
- Underlying EBITDA of \$135.5 million at a Post-demerger margin of 96%
- Declared a Final Dividend of 11.52 cents per share (fully franked) distributing 100% of NPAT

Realising and developing value-accretive growth options

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

Committed to sustainable shareholder returns

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

Delivering strong financial outcomes

Statutory accounts¹

Total Revenue
\$145.2M
Underlying EBITDA ³
\$135.5M
NPAT
\$94.3M
Dividends per share ⁴
17.83¢
(100% of NPAT)

Attributable to²:



Revenue
\$29.3M

Underlying EBITDA
\$24.4M

NPAT
\$20.4M

DPS ⁴
3.86¢



Revenue
\$115.9M

Underlying EBITDA
\$111.1M

NPAT
\$73.9M

DPS
13.97¢

(1) Refers to results for period 15 June 2020 to 30 June 2021.

(2) See notes on slide 7.

(3) See notes on slide 2 – Non-IFRS Measures.

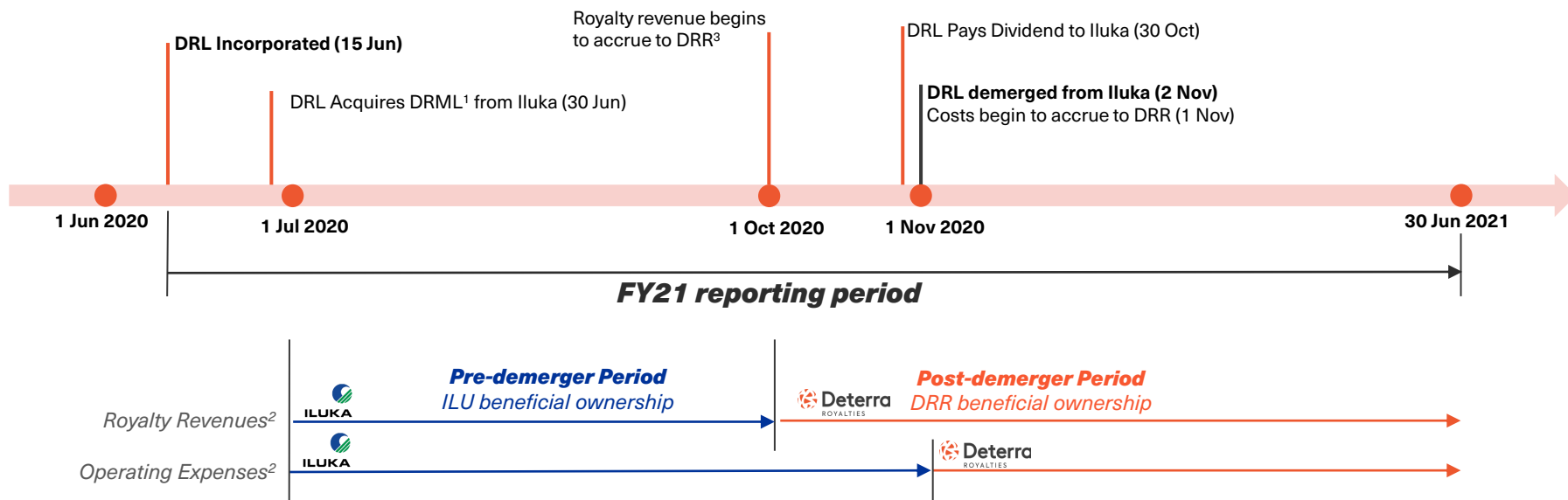
(4) Pre-demerger dividends per share shown based on the share count for the period immediately following demerger and is included in total dividends on this same basis.

Financial results



FY21 reporting period

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



(1) Deterra Royalties (MAC) Limited, the entity which holds the MAC Royalty, the Doral royalty interests, the Sheffield royalty interest and the Cable Sands royalty interest.

(2) Under the terms of the demerger separation agreements, Iluka Resources was entitled to DRL earnings to 30 September 2020 and responsible for costs to 31 October 2020.

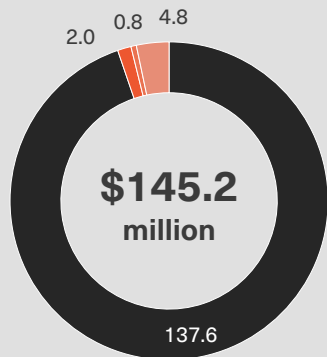
(3) DRR is defined as shareholders of Deterra Royalties Limited (DRL) following the implementation of the demerger on 2 November 2020.

Mining Area C Royalty performance

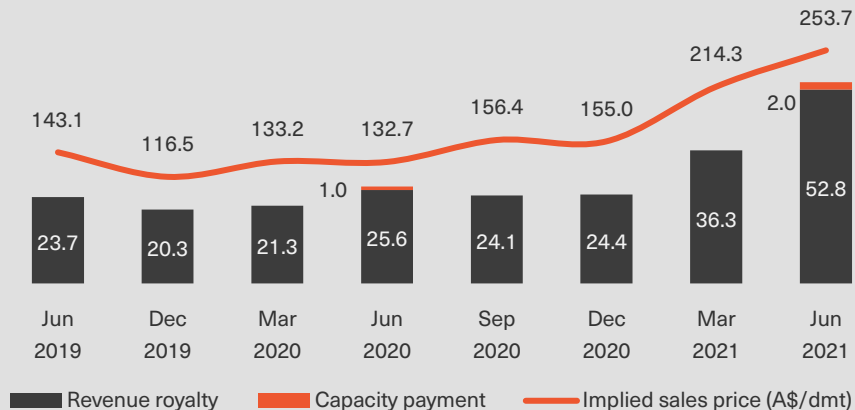
The MAC Royalty performed strongly in a backdrop of a robust iron ore price environment

Revenue breakdown
AUD million

■ FY21 MAC Revenue royalty ■ FY21 Capacity payment
■ Other royalties ■ Demerger-related adjustment¹



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



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

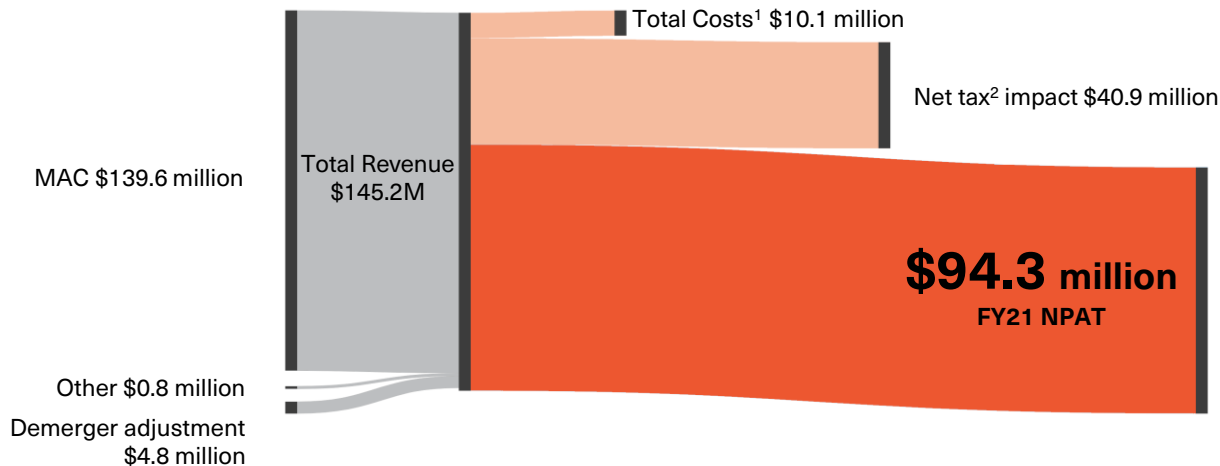
Robust financial performance

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

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

Illustrative FY21 statement of profit or loss

AUD million



(1) Costs accrued from November 2020 and includes \$4.6M of one-off demerger-related expenses.

(2) Valuation gain on acquired receivable (\$6,512,000) offset by Income tax expense from acquired receivable (\$6,512,000) on acquisition of Deterra Royalties (MAC) Limited by Deterra Royalties Limited.

Delivering strong shareholder returns

Building a track record of disciplined capital management and shareholder returns

100% NPAT Payout

- Dividend policy of 100% of NPAT¹
- Franked to maximum extent possible

Low Debt

- Conservative capital structure
- Allows opportunistic investment

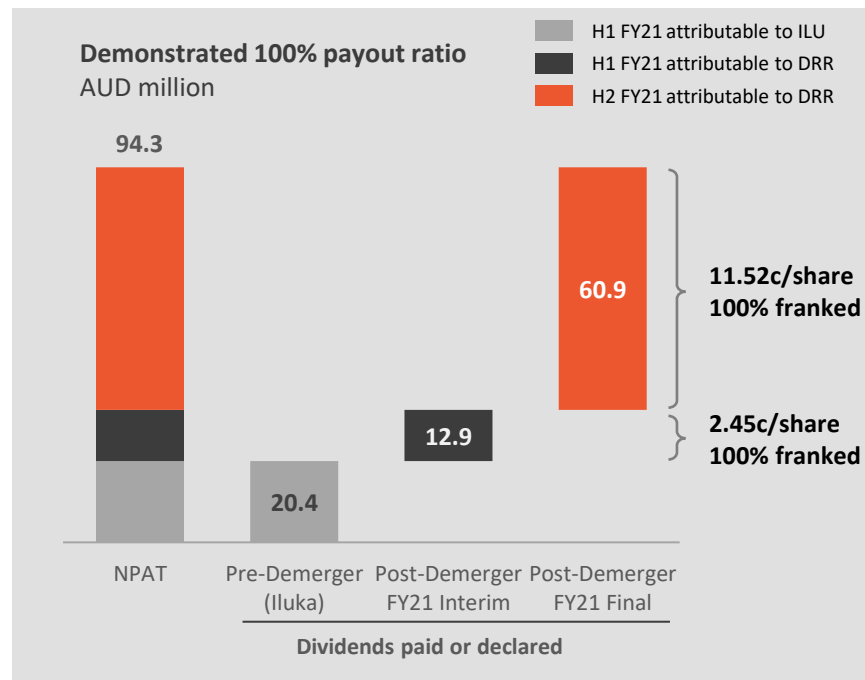
Low Cost

- Lean team and cost base
- Highly scalable corporate structure

Declared

FY21 final dividend of 11.52 cents per share (fully franked)

- Record date: 3 September 2021
- Payment date: 22 September 2021



Strategy and outlook

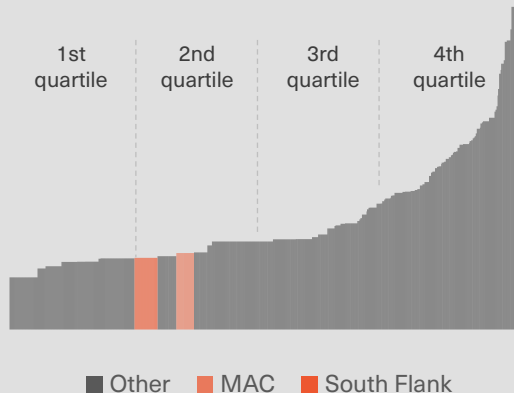


Our core asset – the Mining Area C Royalty...

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

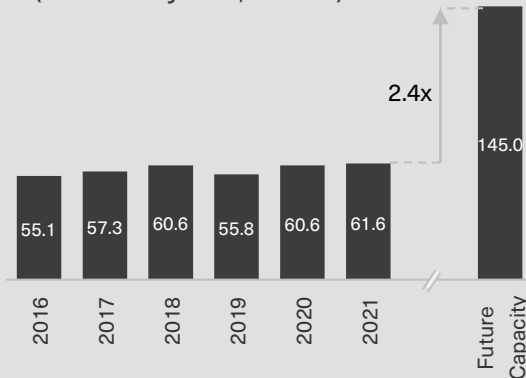
Low-cost operations with long life

Iron ore total cash cost curve (2025F)¹



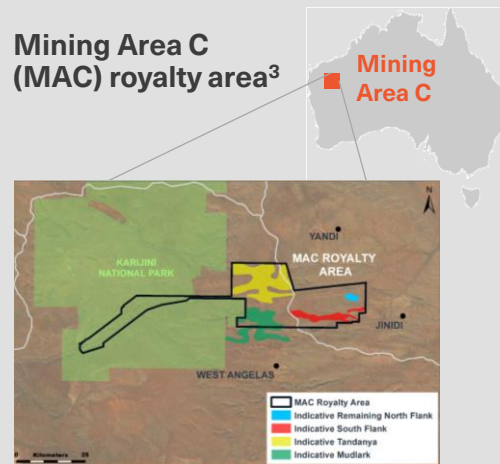
Significant near-term growth through South Flank expansion

Mining Area C production (Financial years, Mwmt)²



Resource upside in a low-risk jurisdiction

Mining Area C (MAC) royalty area³



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

... is leveraged to South Flank growth

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

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

- 2021 average realised pricing: A\$200/dmt
- June 2021 Qtr pricing: A\$254/dmt
- 2021 MAC sales: 55.9 million dry metric tonnes
 - Forecast capacity on completion of South Flank expansion: 145 million wet metric tonnes²
- The sensitivity table adjacent illustrates a range of potential MAC royalty receipts under various iron ore and production assumptions.
- assumes constant AUD:USD exchange rate of 0.75

Capacity payment of A\$1 million per 1 million dry metric tonne (dmt) increase in annual production at MAC³

MAC Royalty annual receipts – Illustrative production and price sensitivity¹
(AUD million)

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

(1) Excludes one-off capacity payments.

(2) MAC sales volumes are reported on a dry basis and will vary from BHP reported production due to product moisture factors and the timing of sales and inventory movements in any reporting period. Source BHP delivers first production from South Flank (20 May 2021), available at www.BHP.com.

(3) The threshold production for future capacity payments is now 59 Mdmt.

Targeted growth strategy focused on value-accretive investment

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

Primary royalties

Creating new royalties for:

- Project capital
- Balance sheet repair
- M&A finance support

Secondary royalties

Acquire existing royalties to:

- Improve liquidity
- Daylight value
- Diversify risk

How we prioritise opportunities

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

Investment criteria

ESG

ESG risk and opportunity

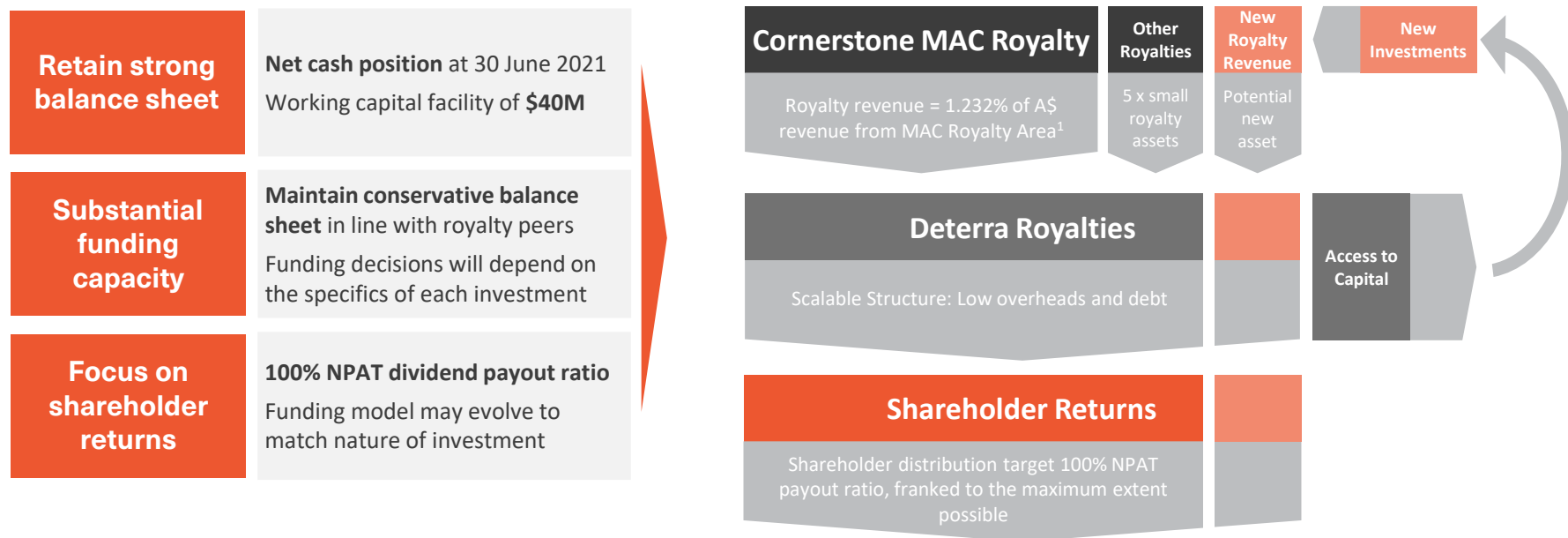
Value

Ability to generate return in excess of asset-specific cost of capital

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

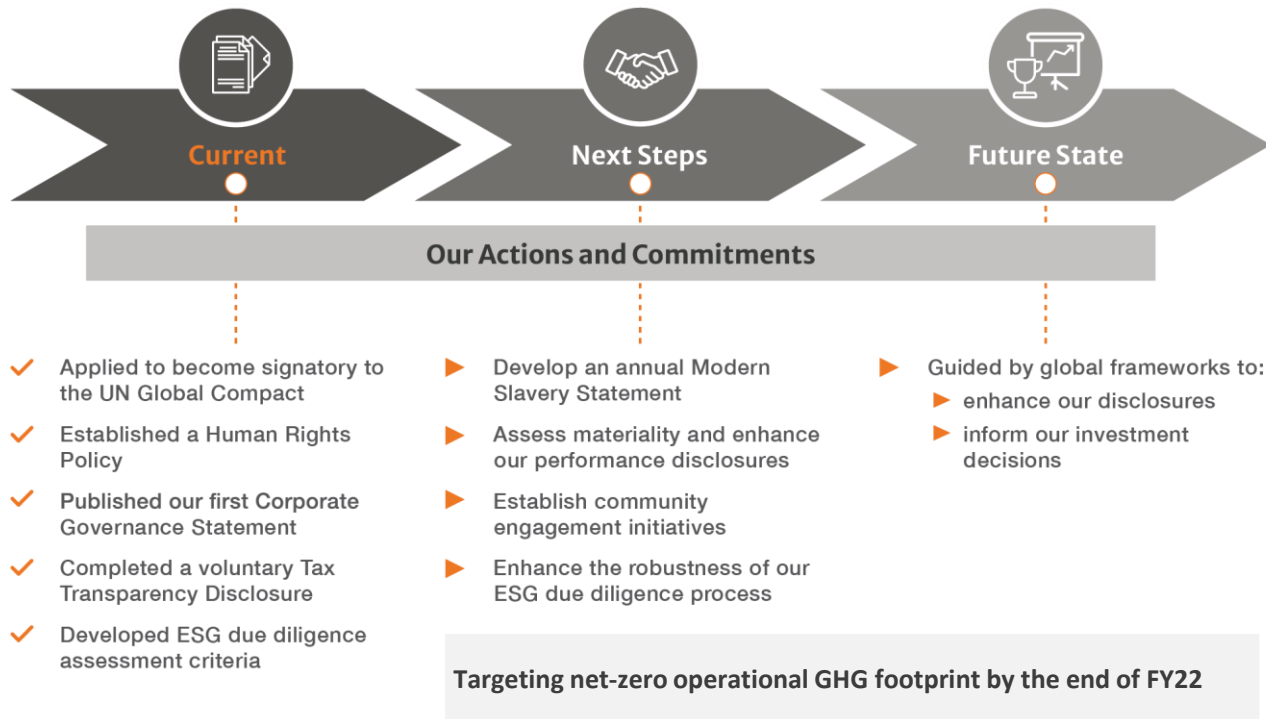
Capital structure and funding for growth

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



Committed to sustainable shareholder returns

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



Six key drivers of success

Maximise returns

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

Grow value responsibly

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

Deliver attractive and sustainable shareholder returns

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Appendix



Portfolio of royalties

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

Underlying EBITDA and earnings adjustments

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

(1) See notes on slide 2 – Non-IFRS Measures.

(2) Refers to results for period 15 June 2020 to 30 June 2021.

MAC Royalty overview

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

Illustrative MAC value chain and royalty payment mechanisms:

Mine
production



Mine
stockpiles



Rail logistics



Port stockpiles



Ocean freight



Customer
sales



Capacity Payments: One-off
A\$1 million per one million dry
metric tonne increase in annual
mine production (year end 30
June)

**Current demonstrated capacity
level is set at 59Mdm**

Revenue Payments: Ongoing
1.232% of Australian dollar
denominated quarterly FOB
revenue from the MAC Royalty
Area

BHP

**Reported quarterly
MAC production
volumes in
wet metric tonnes**

*Product moisture
and inventory
movements*

*FOB net-back
adjustment to price,
including freight cost*

*Product sales to customers
priced with reference to
62% Iron Ore Fines CFR
Qingdao index
(per dry tonne)*



**Deterra
Royalties**

**Modelling
considerations:**

*Product moisture
and inventory
movements*



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