

24 February 2021

ASX: DRR

INTERIM PERIOD FINANCIAL RESULTS AND OUTLOOK

Deterra Royalties Limited (ASX: DRR) (**Deterra** or **Company**) is pleased to release a results and outlook presentation for the interim period to 31 December 2020. An investor and analyst briefing will be held at 10:00 (AWST) / 13:00 (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.

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

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Company Secretary

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FY21 Interim Period Financial Results and Outlook

24 February 2021

Julian Andrews
Managing Director and Chief Executive Officer

Brendan Ryan
Chief Financial Officer



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Important notices and disclaimer

This presentation has been prepared by Deterra Royalties Limited (“Deterra”, “DRL”, “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 24 February 2021. This presentation provides an indicative outlook for the Deterra business and the 2021 financial year. 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 information is based on Deterra forecasts and as such is subject to variation related to, but not restricted to, economic, market demand/supply and competitive factors. This presentation should be read in conjunction with Deterra's other periodic and continuous disclosure announcements which are available at www.asx.com.au.

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 cash production costs, non-production costs, Royalty EBITDA, Underlying Group 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 pre-quotations disclosure (22 October 2020). Non-IFRS measures have not been subject to audit or review.

To assist shareholders in their understanding of Deterra, pro forma financial information has been prepared to reflect the business as it is now structured and as though it was in effect from 1 January 2019.

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.

FY21 Interim Period Business Highlights

Successful demerger & ASX listing

- Board and management team now fully in place
- Implemented lean corporate structure with outsourced functional support
- Modest working capital facility in place

Lean business model delivering strong financial performance

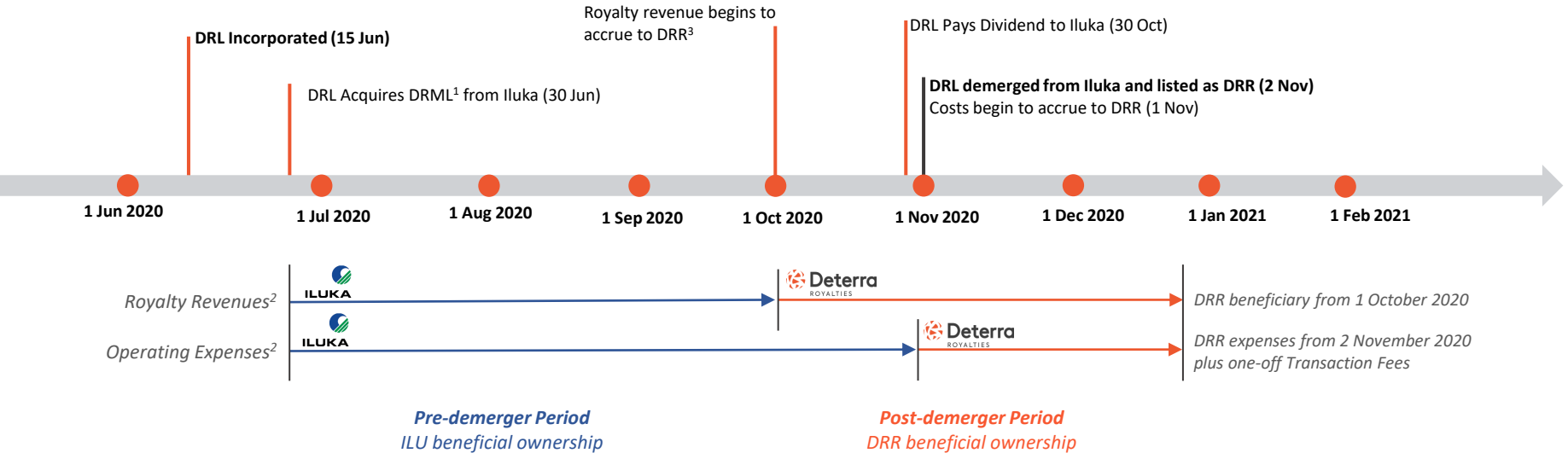
- Revenue of \$53.9 million with an NPAT of \$33.3 million (incl transaction cost)
- Underlying EBITDA of \$47.8 million at an Underlying EBITDA margin of 97%
- Declared an Interim Dividend of 2.45 cents per share (fully franked) equal to 100% of Post-demerger Period NPAT

Developing revenue growth options

- MAC South Flank 90 per cent complete with production scheduled mid 2021
- Yalyalup and Wonnerup North approvals should extend life of these assets
- Commenced identification and evaluation of new royalty opportunities

Demerger of Deterra Royalties

Deterra Royalties Limited (DRL) was 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 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.

FY21 interim period financial highlights

Statutory accounts¹

Total Revenue
\$53.9M
Underlying EBITDA ³
\$47.8M
NPAT
\$33.3M

Attributable to²:



Revenue	Revenue
\$29.3M	\$24.6M
Underlying EBITDA	Underlying EBITDA
\$24.4M	\$23.4M
NPAT	NPAT
\$20.4M	\$12.9M

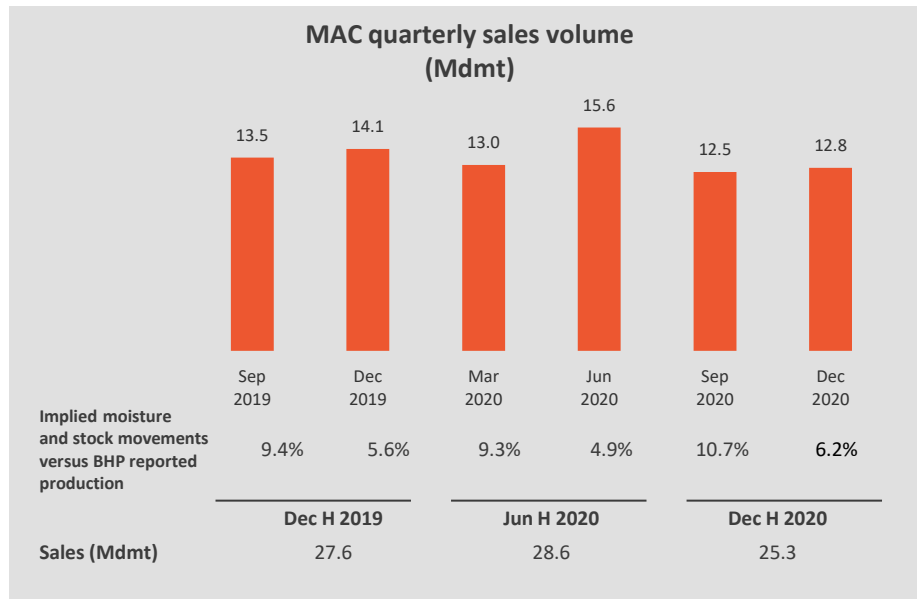
(1) Refers to interim period results for period 15 June to 31 December 2020.

(2) See notes on slide 4.

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

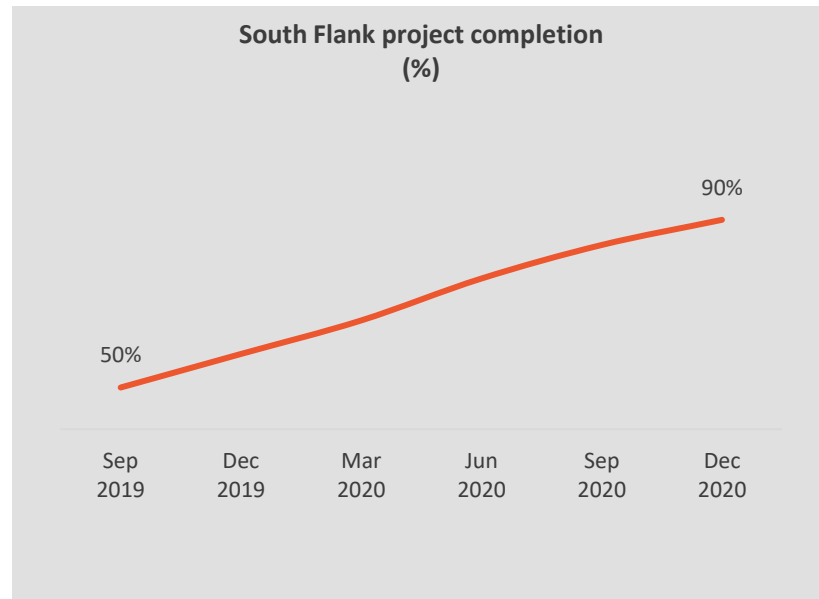
Mining Area C performance

December 2020 sales volume up Q-on-Q despite South Flank tie-in activity



Source: BHP.

BHP South Flank project is now 90% complete and remains on track for first production in the middle of 2021 calendar year



Source: BHP Operational Review for the half year ended 31 December 2020 and similar prior Operational Reviews.

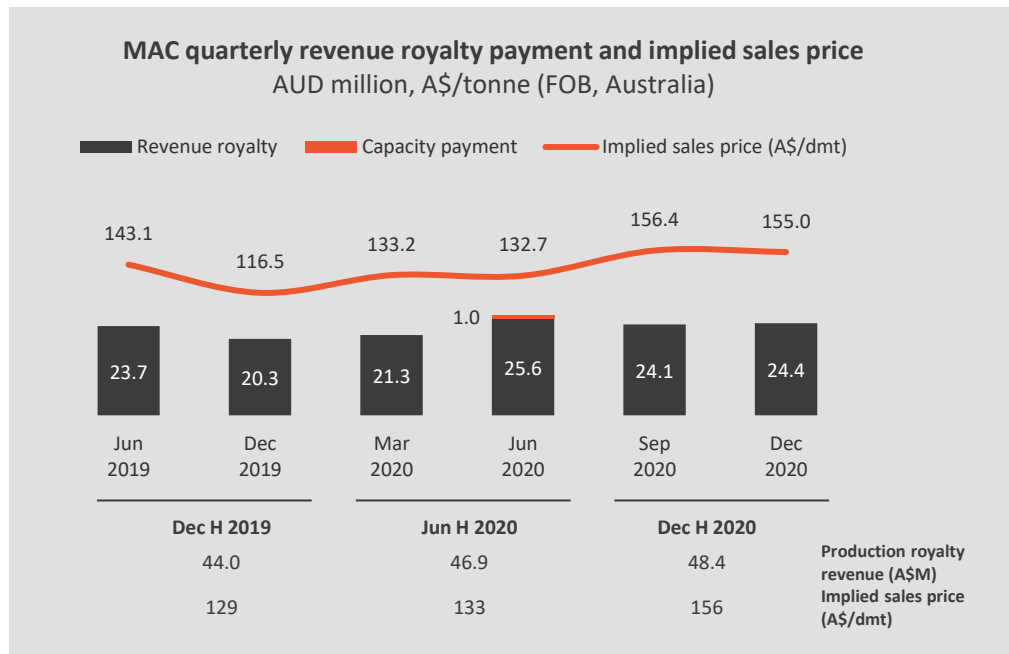
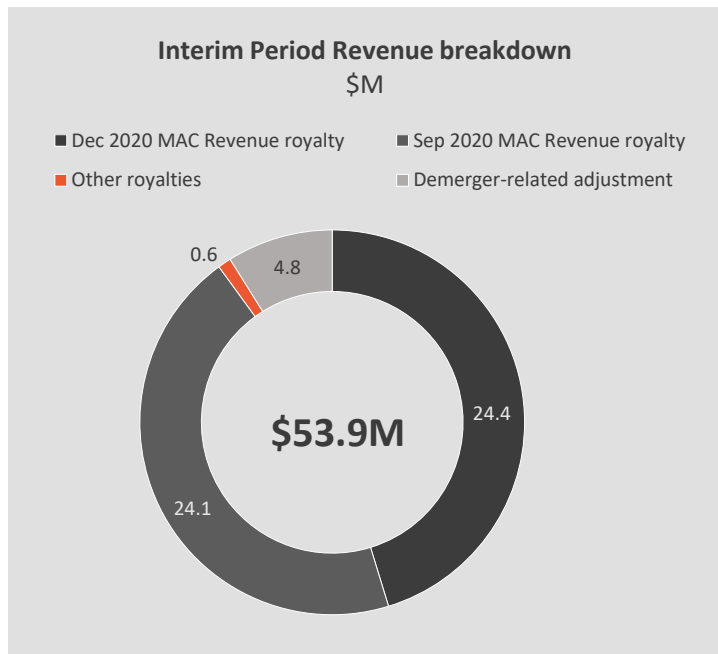


Financial results



Mining Area C royalty performance

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



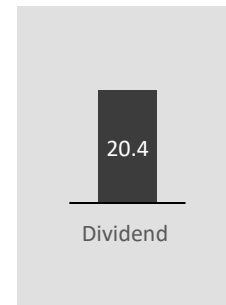
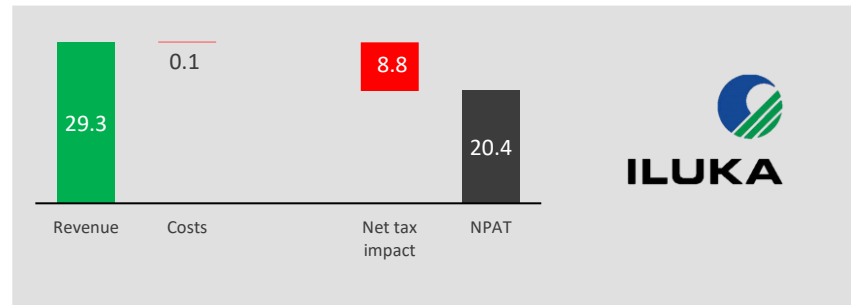
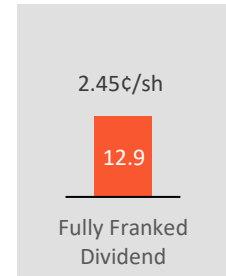
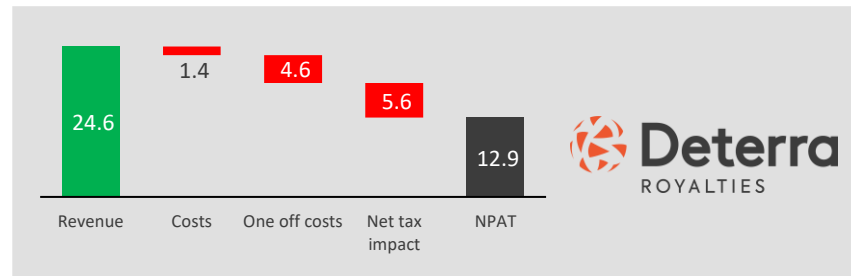
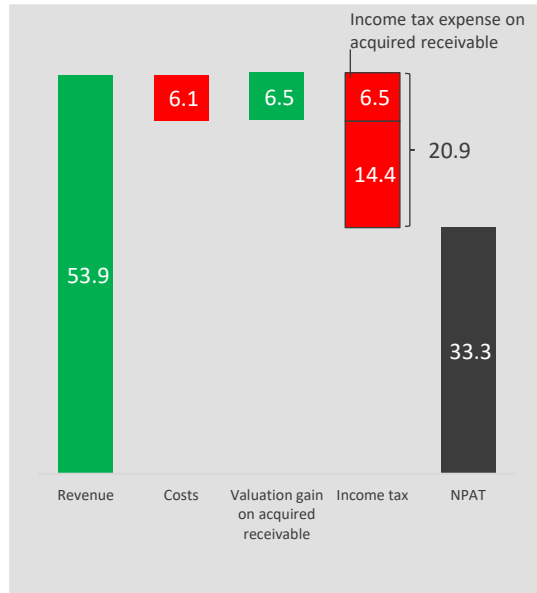
(1) On 30 June 2020, Deterra Royalties Limited (DRL) acquired Deterra Royalties (MAC) Limited (DRML). The acquisition has been treated as an asset acquisition and the June 2020 quarter royalty receivable that was recognised in the transaction amounted to \$21.7M. The adjustments include \$1M increase for the receipt of a capacity payment and \$3.8M for higher revenue royalties than forecast at 30 June 2020. The threshold production for future capacity payments is now 57 Mdmt.

Financial performance

attributable to Iluka and Deterra Royalties

Earnings 15th June 2020 to 31st December 2020 attributable to Iluka and Deterra Royalties (\$M)

100% of NPAT





Shareholder returns

Low debt and scalable corporate structure designed to support the flow of dividends to shareholders

- Intent to pay out 100% of NPAT¹, franked to the maximum extent possible
- Conservative capital structure limits interest costs
- Lean and scalable corporate structure and cost base
- Earnings sensitive to iron ore prices, sales volumes, foreign exchange rates and one off expenses

Interim dividend of 2.45cps, fully franked

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

Strategy and outlook

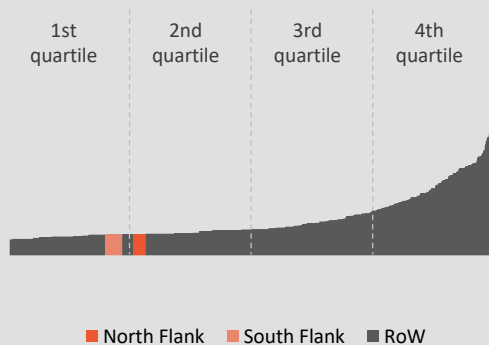


Mining Area C operation and South Flank expansion (MAC royalty)

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

Low-cost operations with long life

Iron ore total cash cost curve (2023F)¹



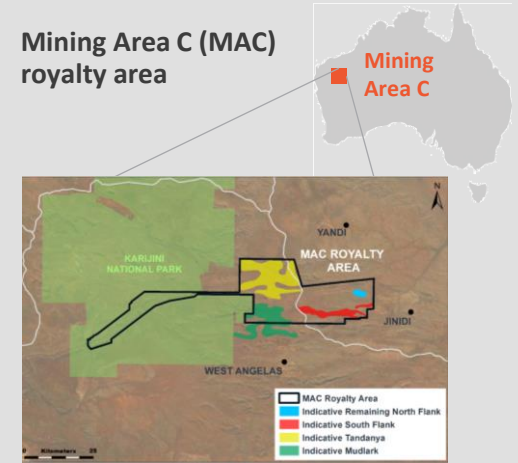
Significant near-term growth

Mining Area C production and sales volumes (Calendar years, Mwmt)²



Resource upside in a low-risk jurisdiction

Mining Area C (MAC) royalty area



- (1) As presented in the Demerger Booklet (Deterra Royalties Limited), published by Iluka Resources on 10 September 2020. 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.



Growth strategy focused on value accretive investment

Deterra will seek to build a portfolio of royalty interests focusing on earnings growth and diversification by making complementary and value accretive investments

Key objectives of this strategy is to achieve:

- Multiple sources of earnings growth – new royalties with attractive returns, exposure to mine life extensions and production increases
- Greater cash flow resilience and lower risk – through portfolio diversification over time
- Scaleable cost structure – limited incremental operating cost required for new investments
- Disciplined approach – to investment and capital allocation

Considering ESG in new investments

Deterra seeks to create sustainable value by applying strong ESG policies and practices in making new investments



Account for ESG risks and opportunities when evaluating investment opportunities



Seek contractual protections and sufficient disclosure and transparency to facilitate the Company's ongoing assessment of ESG risk management and performance



Continue to monitor operators' ESG commitments and performance

Six key drivers of success

Maximise value from portfolio

1 Robust cashflows with strong embedded growth in MAC

2 Low cost, scalable corporate structure

3 Maximise franked dividends (100% NPAT)¹

Execute disciplined growth

4 Increase scale and diversification through complementary acquisitions

5 Disciplined capital allocation

6 Strong balance sheet and significant debt capacity

Maximise shareholder value

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

For more information

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Portfolio of royalties

Project	Counterparty	Location	Commodity	Status	Royalty Key Terms
Mining Area C (MAC)	BHP Billiton Minerals Pty Ltd; Itochu Minerals & Energy of Australia Pty Ltd; Mitsui Iron Ore Corporation Pty Ltd	Pilbara, WA	Iron Ore	Producing	1.232% of MAC product revenue \$1 million per 1mdmt increase in capacity
Yoongarillup / Yalyalup Project (under two royalty agreements)	Doral Mineral Sands Pty Ltd	South West, WA	Mineral sands	Producing	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	Development	\$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	12,948	33,341
<i>add back income tax expense</i>	8,757	5,648	20,917
<i>add back income tax expense on acquired receivable</i>	6,512		
Profit before tax	35,662	18,596	54,258
<i>less Valuation gain on acquired receivable</i>	(6,512)		(6,512)
<i>add back Net finance costs and FX gains</i>		77	77
Operating profit before finance cost	29,150	18,673	47,823
<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	23,310	47,612
<i>add back Depreciation and Amortisation</i>	116	54	170
Underlying EBITDA	24,418	23,364	47,782
Adjusted Revenue	24,418	24,593	49,011
Underlying EBITDA margin (%)	100%	95%	97%

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

(2) Refers to interim period results for period 15 June to 31 December 2020.

Income statement

Statement of profit or loss	Pre-demerger Period	Post-demerger Period	Total per financial report
	\$'000	\$'000	\$'000
MAC royalty	24,067	24,382	48,449
MAC royalty adjustments	4,848		4,848
Other royalties	351	211	562
Total Royalty Revenue	29,266	24,593	53,859
Valuation gain on acquired receivable	6,512		
Demerger expenses		(4,637)	
Other costs	(116)	(1,360)	
Profit before tax	35,662	18,596	54,258
Income tax expense on acquired receivable	(6,512)		
Income tax expense	(8,757)	(5,648)	(20,917)
Net Profit After Tax (NPAT)	20,393	12,948	33,341
Total and continuing earnings per share:			
Basic earnings per share (\$)	0.0386	0.0245	0.0631
Dividend per share (\$)	NA	0.0245	0.0245
Payout ratio (%)	NA	100%	

- Pre-demerger income recognises value gain of \$6.5M on the receivable asset that formed part of the acquisition of the royalty portfolio.
- Offsetting income tax expense of \$6.5M

Balance sheet

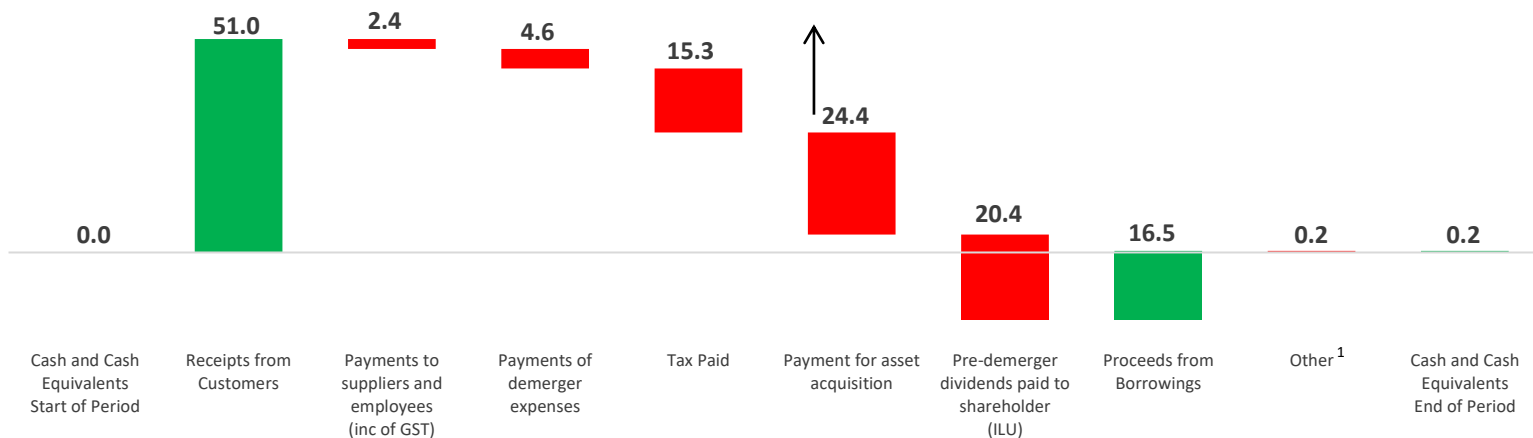
\$'000	31-Dec-20
Cash and cash equivalents	188
Trade and other receivables	25,092
Income tax receivable	363
Prepayments	1,114
Total Current Assets	26,757
Royalties intangible assets	9,055
Property, plant, and equipment	29
Right-of-use assets	332
Total Non-Current Assets	9,416
Total Assets	36,173
Trade and other payables	382
Provision for annual leave	11
Lease liability	65
Total Current Liabilities	458
Lease liability	279
Borrowings	16,386
Deferred tax	5,987
Total Non-Current Liabilities	22,652
Total Liabilities	23,110
Net Assets	13,063

- December quarter 2020 MAC royalty recognised as a receivable with an associated deferred tax liability
- Royalty assets are valued at cost with the MAC royalty to be amortised over 30 years
- \$40M debt facility to be used for general corporate and working capital purposes (drawn amount fully repaid in January)

Financial performance

FY21 interim period cash flow was impacted by acquisition of the MAC asset and dividends distributed pre-demerger

Cashflow 15th June 2020 to 31st December 2020
(\$M)



Assets and liabilities recognised as a result of the acquisition	\$M
Royalty receivable, net of tax payable – June 2020 royalty	15.2
Intangible assets - Royalty	9.2
Net assets acquired at 30 June 2020	24.4

(1) Other includes; Interest received, interest expense, Payments for property, plant, equipment, Payment of borrowing establishment fee, Payment of lease liability.



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