

# Deterra Royalties

## Macquarie Australia

### Conference Presentation

Julian Andrews  
Managing Director and Chief Executive Officer

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**Deterra**  
ROYALTIES

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## 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.

# Business highlights

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## 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

- Royalty receipts of \$90.3 million in the nine months to March 2021
- H1 FY21 NPAT of \$33.3 million and Underlying EBITDA margin of 97%<sup>1</sup>
- 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 95 per cent complete with commissioning activity expected to commence in the June 2021 quarter
- Management team focused on identification and evaluation of new royalty opportunities

# Business update



# Mining Area C royalty performance

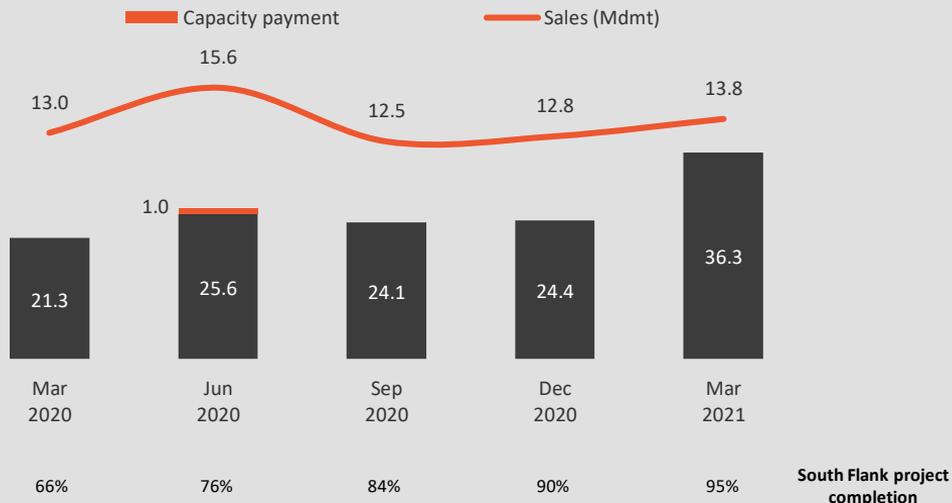
The MAC Royalty continues to perform well in the robust iron ore price environment

## Key Points

- Iron ore price tailwinds have continued since demerger
- South Flank now 95% complete and commissioning activity on track to commence in the June 2021 quarter
- Capacity payment threshold remains at 57Mdm, set in FY20

## MAC quarterly revenue royalty payment and sales volume<sup>1</sup>

AUD million, Million dry metric tonnes



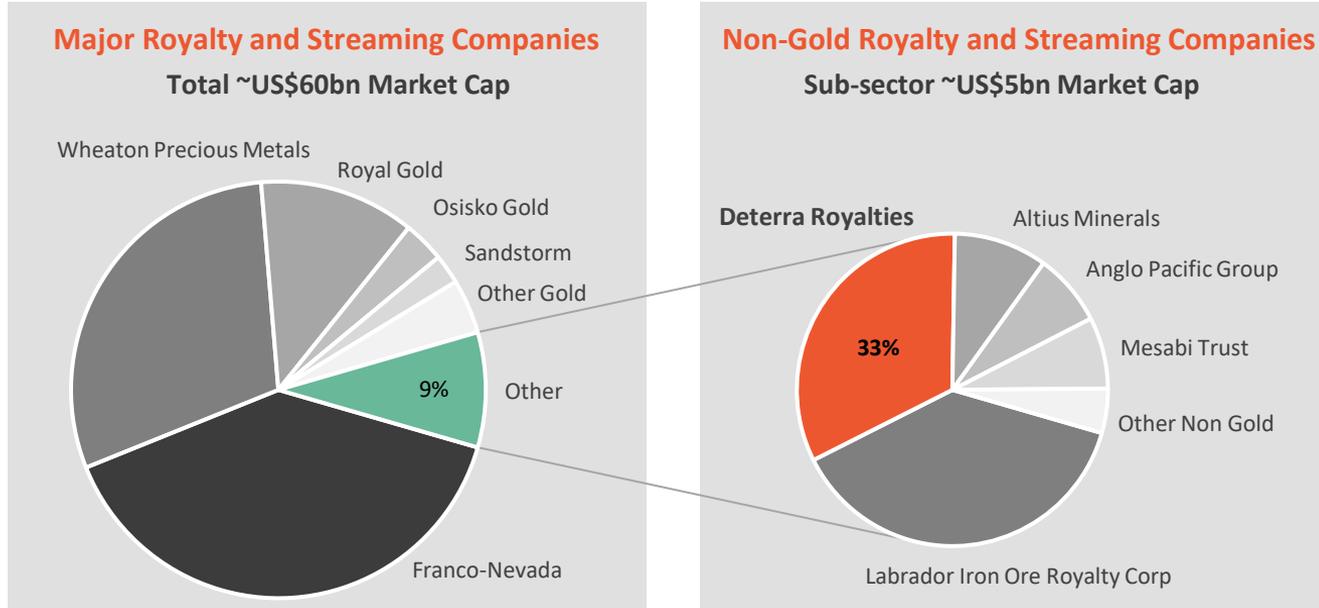
(1) MAC sales volumes are reported on a dry basis and will vary from BHP reported production due to product moisture factors and the timing of sales and inventory movements in any reporting period. Iron ore sales typically reflect average index prices for the month of shipping, with adjustments for ore quality. Deterra's royalty receipts are based on sales invoiced during the period which may reflect, in part, provisional pricing. Accordingly, quarterly revenues can be impacted by the timing of adjustments to align achieved pricing to provisional pricing from the prior quarter. The threshold production for future capacity payments is now 57 Mdm.

# Strategy



# Royalty and streaming company landscape

Deterra holds a leading position in the non-gold royalty and streaming sub-sector



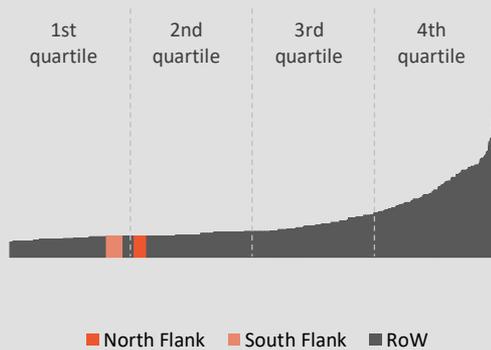
Source: Capital IQ. Average market capitalisation for the peer group during March 2021. Includes; TSX:FNV, NYSE:WPM, NasdaqGS:RGLD, TSX:OR, TSX:SSL, TSX:MMX, TSX:NSR, TSXV:MTA, TSXV:EMX, TSXV:RZZ, TSXV:ELY, TSXV:VOX, TSXV:ELE, TSXV:FISH, TSXV:OGN, TSX:LIF, ASX:DRR, TSX:ALS, LSE:APF, NYSE:MSB, TSXV:URC, AIM:TRR

# 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)<sup>1</sup>



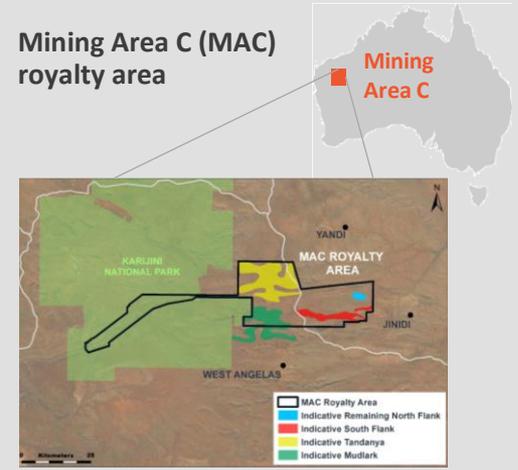
## Significant near-term growth

Mining Area C production and sales volumes (Calendar years, Mwmt)<sup>2</sup>



## 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.

# Capital management and strategy

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

**Build a portfolio of royalties focusing on earnings growth and diversification through value accretive investments**

## Capital management and dividend policy:

- Intent to pay out 100% of NPAT<sup>1</sup>, franked to the maximum extent possible
- Conservative capital structure limits interest costs
- Lean corporate structure and cost base
- Earnings sensitive to iron ore prices, sales volumes, foreign exchange rates and one-off expenses

## Key objective 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

**Building a track record of delivering 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.

# 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
Core target A\$100 – A\$300M  but scope to invest above or below	<ul style="list-style-type: none"> <li>• Bulks</li> <li>• Base metals</li> <li>• Battery metals</li> </ul>	Developed mining jurisdictions, incl: <ul style="list-style-type: none"> <li>• Australia</li> <li>• N. America</li> <li>• S. America</li> <li>• Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Production</li> <li>• Near production</li> </ul>

Other opportunities considered on merit on a case by case basis

### Investment criteria

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

# 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)<sup>1</sup>

## 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

Investor and Media enquiries

**Rob Ward**

Corporate Development and Investor Relations

Mobile: + 61 (0) 431 596 831

Email: [robert.ward@deterraroyalties.com](mailto:robert.ward@deterraroyalties.com)

**Brendan Ryan**

Chief Financial Officer

Email: [investor.relations@deterraroyalties.com](mailto:investor.relations@deterraroyalties.com)

**Deterra Royalties Limited**

ACN 641 743 348

Level 5, 216 St Georges Terrace Perth WA 6000

Telephone: +61 (0)8 6277 8880

[www.deterraroyalties.com](http://www.deterraroyalties.com)



# 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)



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