

# The resource investment that pays

Half Year Financial Results and  
Outlook

for the period to 31 December 2021



**Deterra**  
ROYALTIES



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

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## 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 Interim Report for the half-year ended 31 December 2021 (22 February 2022). 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.

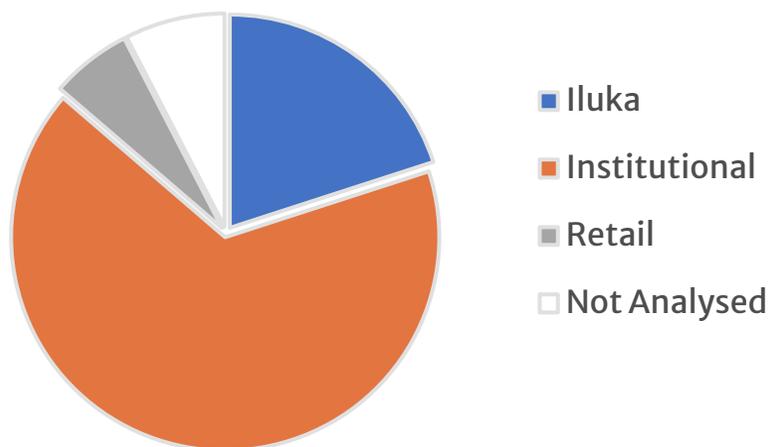
# Corporate overview



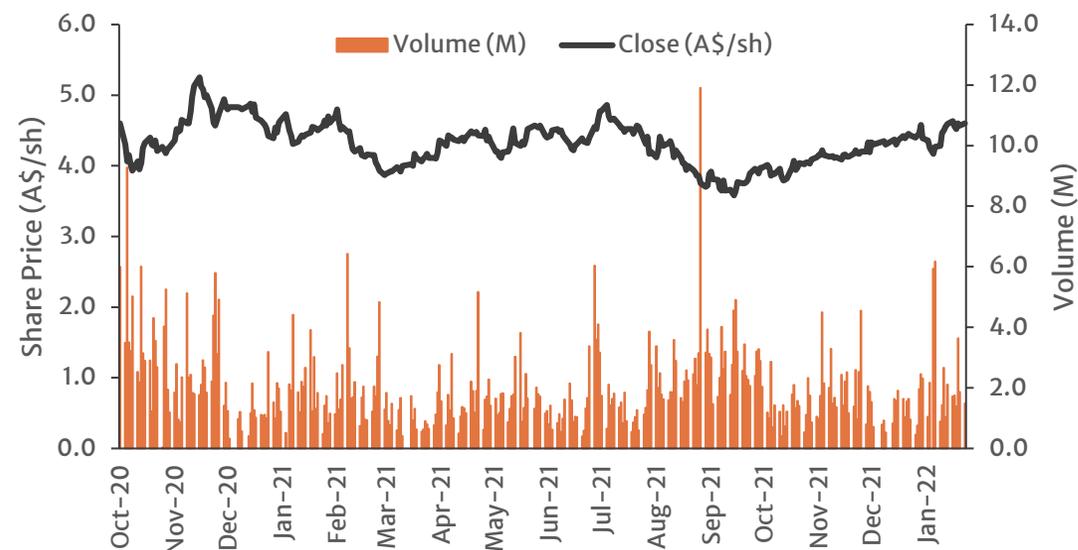
Share price <sup>1</sup>	\$4.49
Shares on issue	528.5m
Market capitalisation	\$2.4bn
Cash (31 Dec 2021)	\$29.4m
1H'22 Dividend	11.68¢
Royalty agreements	6

Managing Director, CEO	Julian Andrews
Independent Non-Executive Chair	Jenny Seabrook
Non-Executive Director	Graeme Devlin
Non-Executive Director	Joanne Warner
Non-Executive Director <sup>2</sup>	Adele Stratton
Chief Financial Officer	Brendan Ryan

## Register composition



## Share price performance<sup>1</sup>



(1) As of 21 Feb 2022  
 (2) Iluka Resources nominee

# Business Highlights



Underlying assets and business model provide a positive start to FY2022

## Simple business model performing well

- Strong operating performance at Mining Area C as production volumes increase to 49.2 million wet metric tonnes, up 45% HoH
- Ramp-up of South Flank Project remains on track to lift Mining Area C volumes to 145 million wet metric tonnes per annum <sup>(1)</sup>

## Building growth optionality

- Increased liquidity as credit facility refinanced and expanded to \$350 million at lower average margins and longer tenor
- Continued investment in business development

## Prioritised shareholder returns

- Dividend policy continues to prioritise shareholder returns
- Fully franked interim dividend of 11.68 cents per share declared representing 100% of NPAT

(1) BHP Operational Review for the Half Year ended 31 December 2022 (19 January 2022)

# What we offer investors



## Quality

MAC royalty covers a world class iron ore hub,  
Operated by BHP the world's largest mining company<sup>1</sup>

## Margins

96% EBITDA Margin<sup>2</sup>

## Dividends

100% of NPAT, Fully Franked paid to date<sup>3</sup>

## Growth

South Flank expected to grow MAC volumes to 145Mwmtpa<sup>4</sup>  
Patient and disciplined approach to value accretive M&A

## ESG

Targeting net zero operational GHG footprint in FY22  
ESG integral to our investment process

(1) BHP is the world's largest listed mining company by market capitalization as of 21 Feb 2022

(2) 1H'22 EBITDA margin

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

(4) BHP delivers first production from South Flank (20 May 2021), available at [www.BHP.com](http://www.BHP.com)

# A better way to invest in resources

Reduce operational exposure, capture upside

The nature of our business model means our investors are exposed to lower capital and operating risk than typical mining investments but retain exposure to the upside through expansions and extensions at no cost.

## “Top line” cashflows

Royalty revenue derived from asset’s revenue line.

## Commodity price leverage

Direct exposure to underlying commodity price.

## Project optionality

Asset expansions and extensions drive value of royalty investments.

## No capital cost obligations

Royalty owner is free carried through future project capital requirements.

## Limited operating cost exposure

No direct exposure to project operating costs.

## Cost inflation resistance

High margins, and protection against cost inflation.

# Financial Results

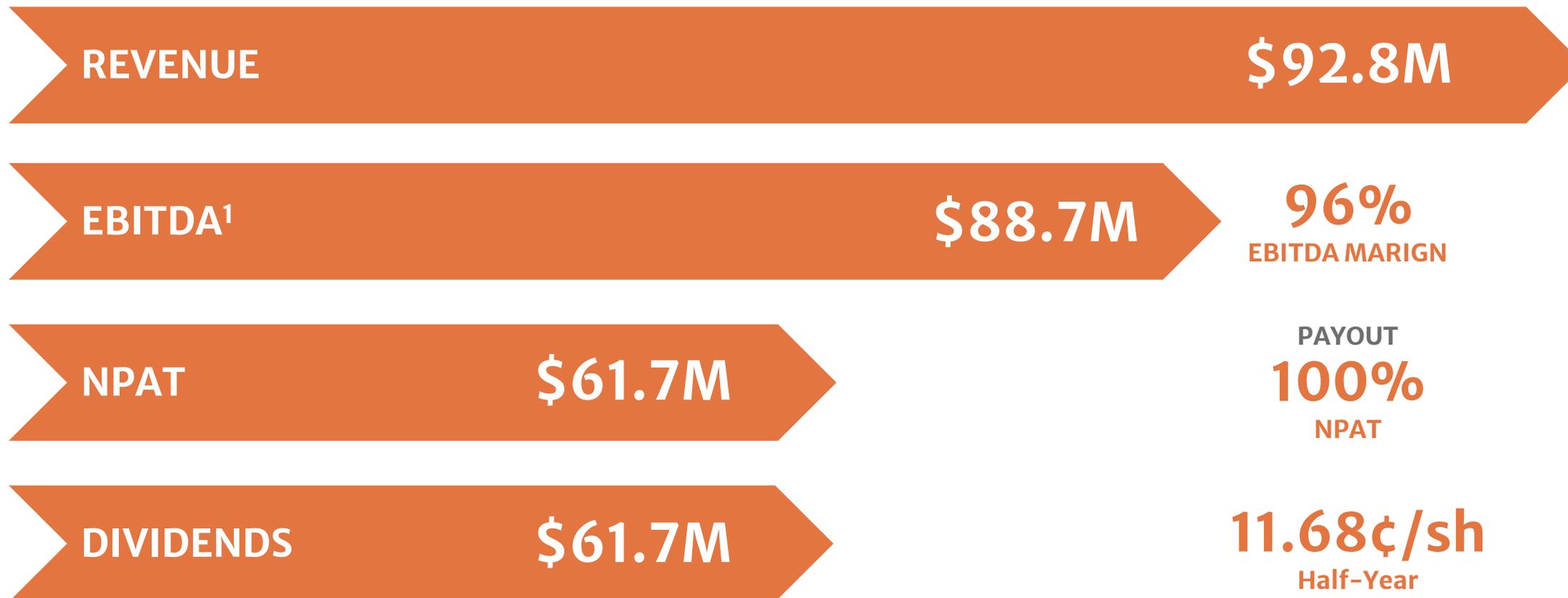
Simple business model  
continues to deliver strong  
financial performance



# 1H'22 Highlights



Strong financial performance reflecting simple business model



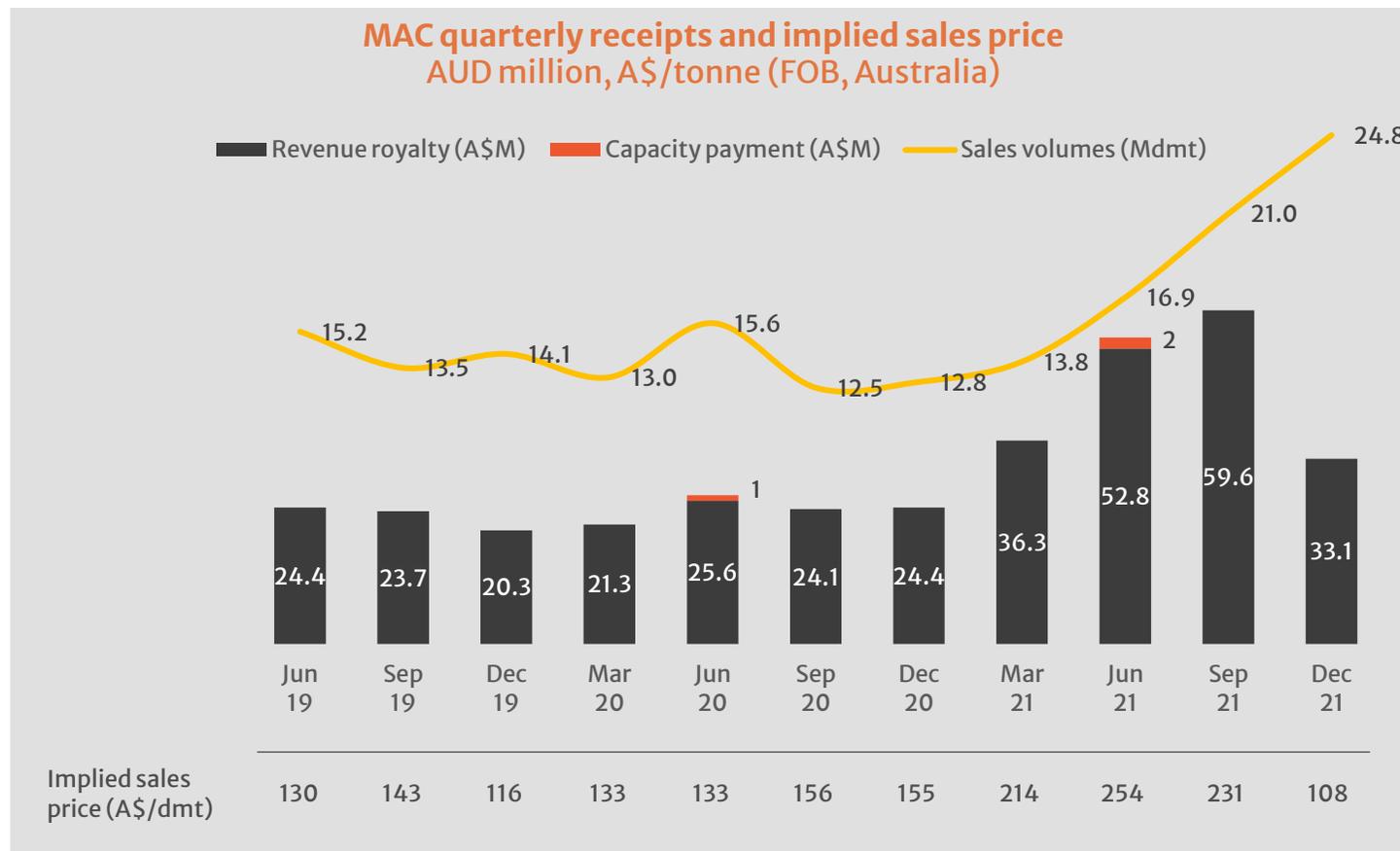
(1) See notes on slide 2 – Non-IFRS Measures.

# Mining Area C Royalty Performance



MAC reported significant increases in production volumes, up 45% on the preceding half

- BHP's MAC operation has performed strongly with incremental production from South Flank reaching a peak rate of 45Mwmtpa in the period.
- The South Flank project remains on track to increase total MAC volumes to 145Mwmtpa over three years<sup>(1)</sup>.



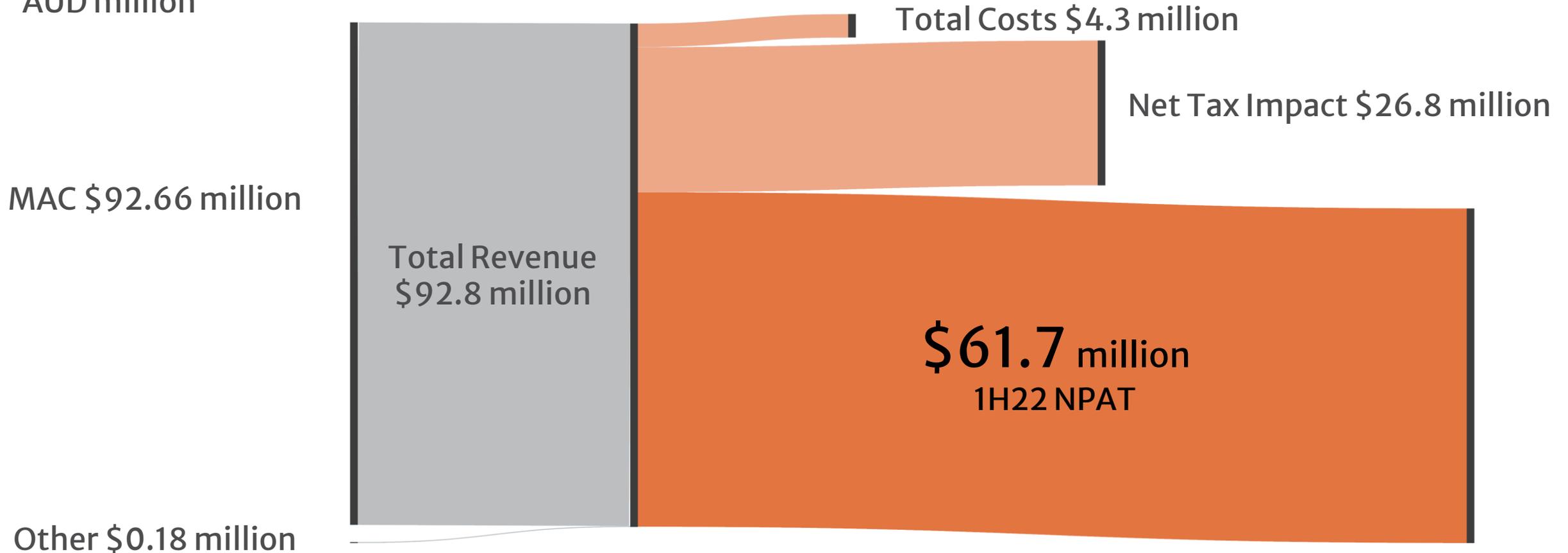
(1) BHP Operational Review for the Half Year ended 31 December 2022 (19 January 2022)

# Simplified Income Statement



## Illustrative 1H22 statement of profit or loss

AUD million

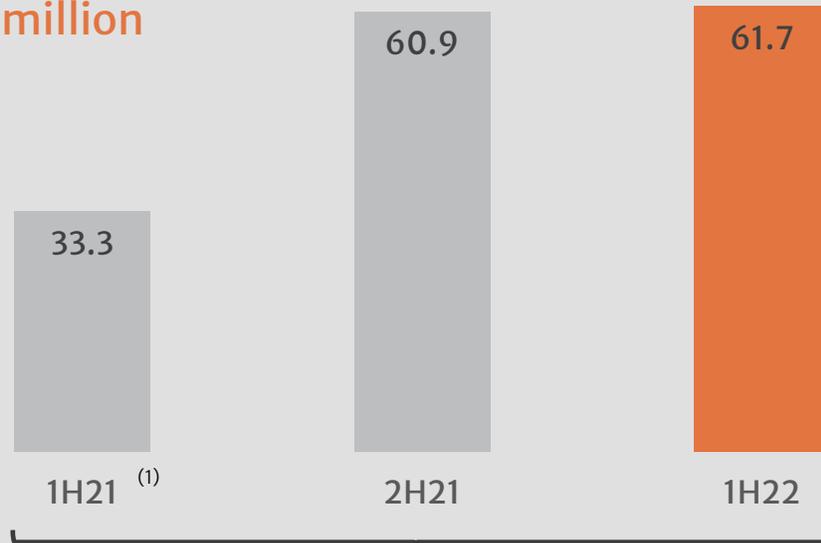


# Delivering strong shareholder returns



Continuing to build a track record of disciplined capital management and shareholder returns

## Dividend History AUD million



Dividends paid or declared

Declared

1H22 dividend of 11.68 cents per share (fully franked)

- Record date: 14 March 2022
- Payment date: 31 March 2022

## Deterra's capital management framework

### Prioritise Returns

- Prioritise returns to shareholders whilst acknowledging the opportunity to invest in growth
- Return all surplus cash, franked to the maximum extent possible

### Optimise Use of Debt

- Optimise use of debt funding for future acquisitions

### Maintain Targeted Leverage

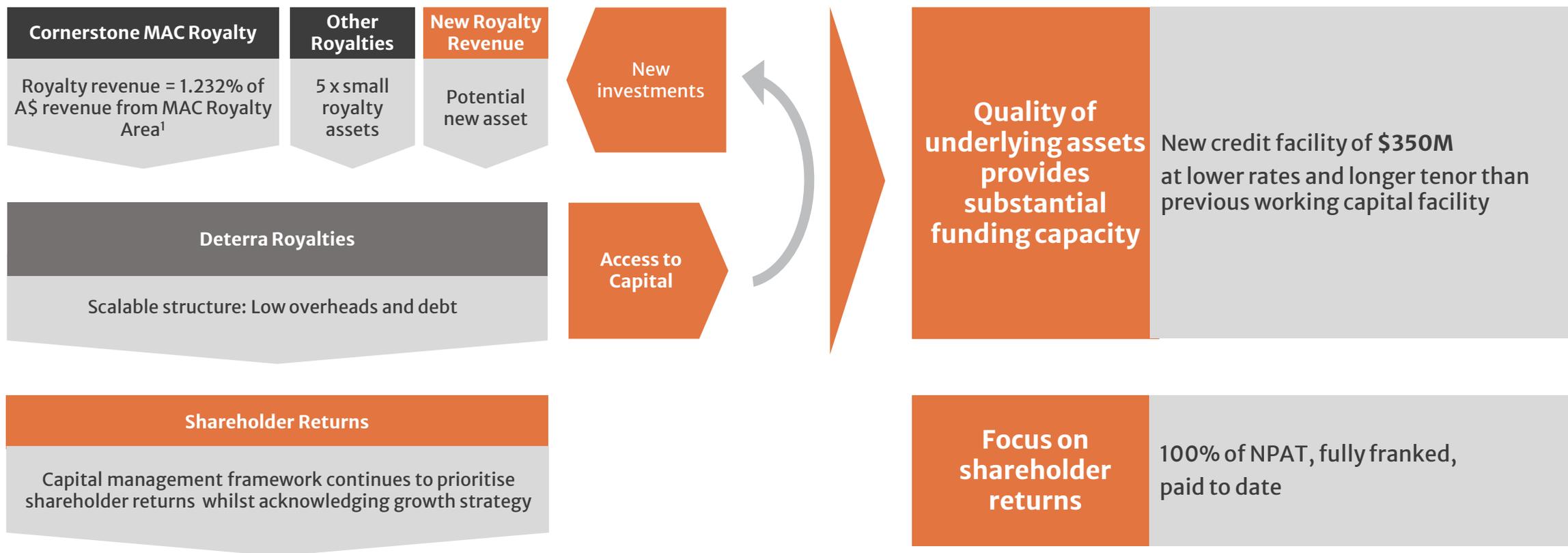
- Expectation that cash flow from future royalties would, at least in part, be utilised to maintain leverage
- Targeted range of 0-15% of enterprise value over time

(1) Includes Pre-Demerger Dividend to Iluka of \$20.4M

# Capital structure for growth and returns



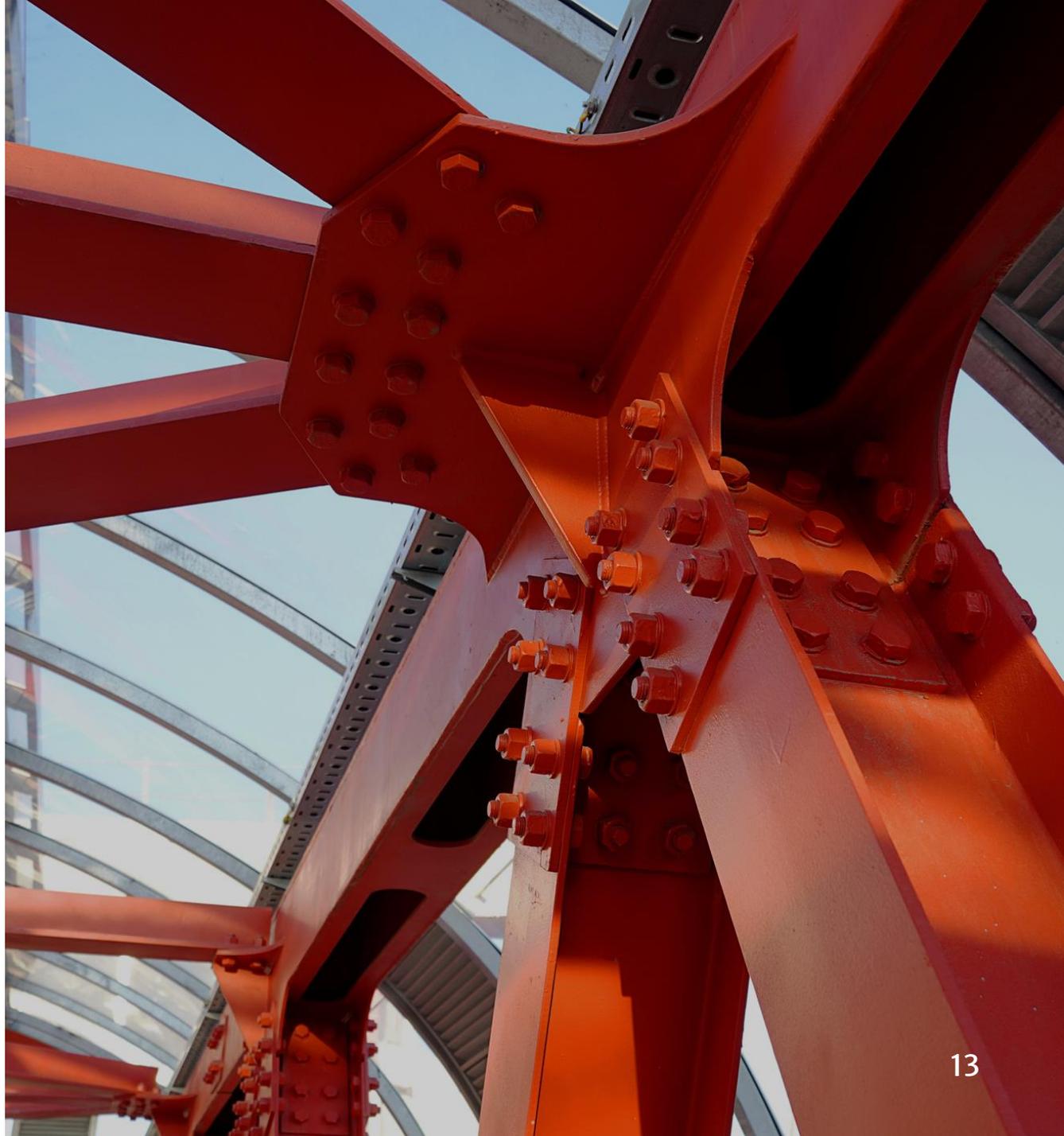
The high-quality MAC cash flows and conservative capital management provides Deterra with strong capacity to fund growth and dividends



(1) Deterra Royalties also received capacity payments under the MAC Royalty Agreement.

# Strategy and outlook

Maximise returns and grow value responsibly



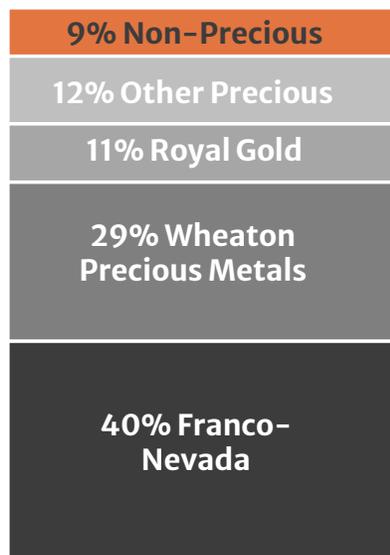
# Royalty and streaming company landscape



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

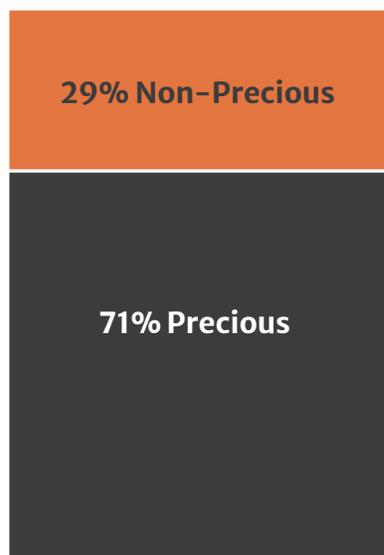
## Listed Royalty Companies<sup>1</sup>

Total US\$63bn market cap with only 9% Non-Precious Focused

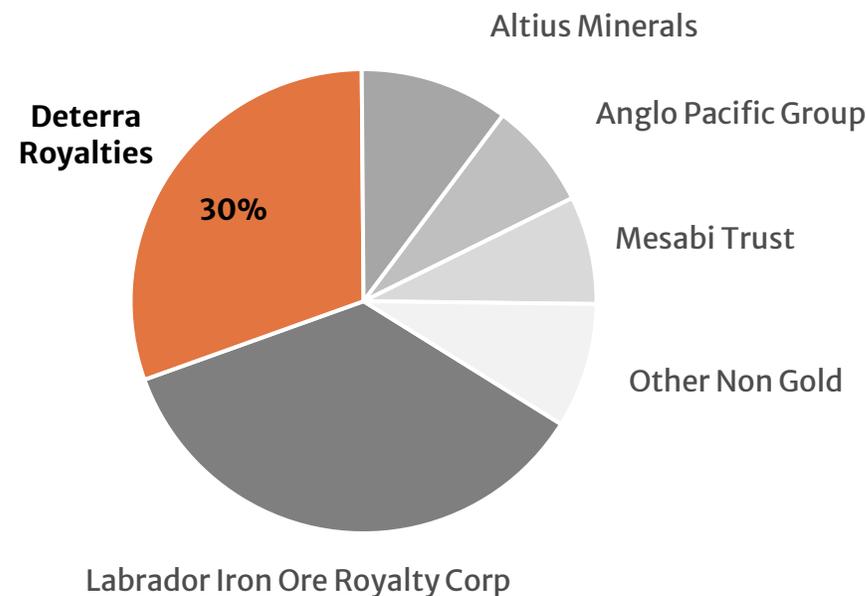


## Opportunity Pool of Existing Royalties<sup>2</sup>

29% of Existing Royalties are Non-Precious



## Non-Precious Focused Listed Royalty Companies<sup>1</sup>



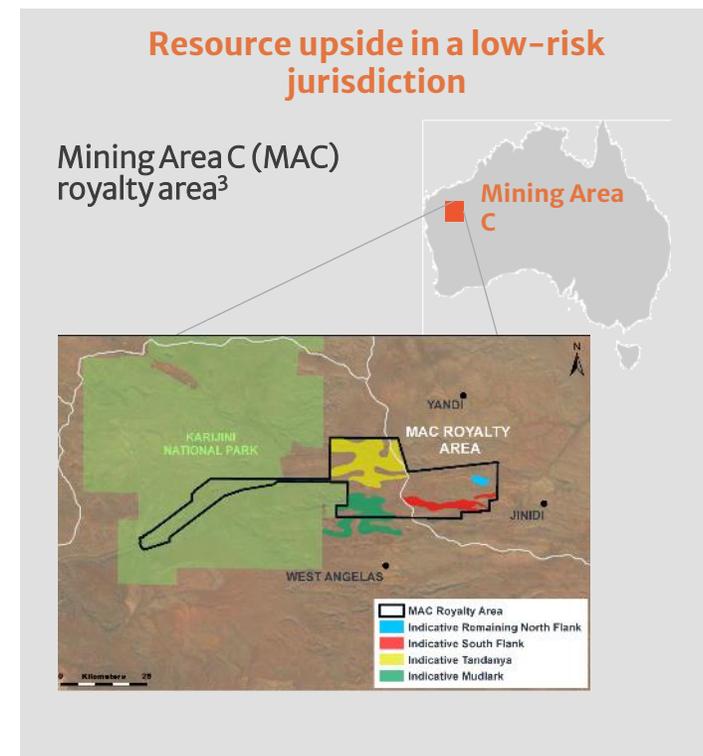
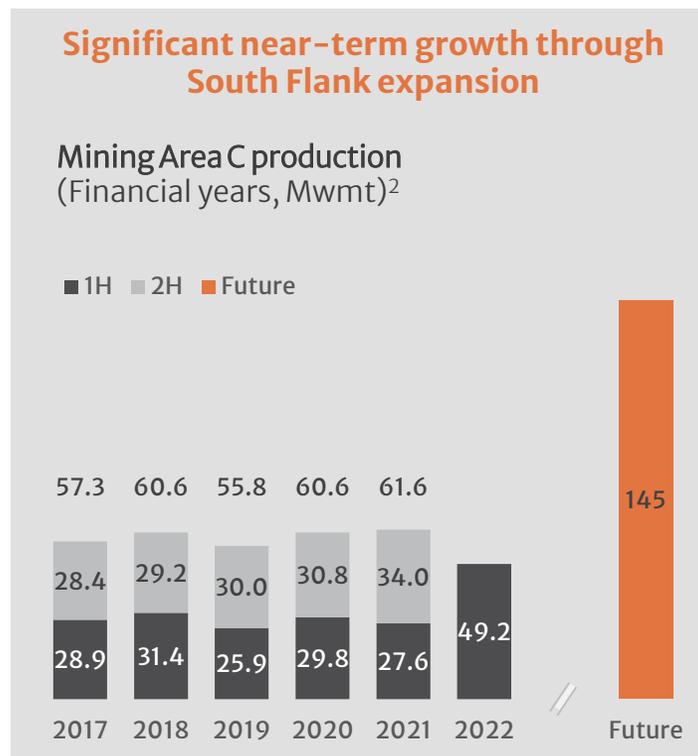
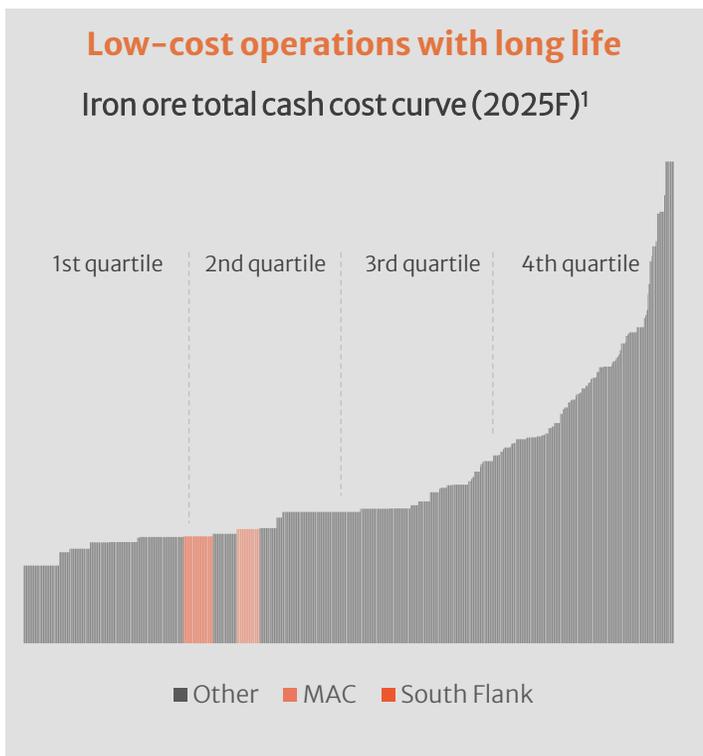
Globally, the listed mining royalty company universe has a total market capitalisation of ~US\$60bn. Only 9% of that market capitalisation is dedicated to the non-precious metal segment. Deterra's analysis suggests that this segment is underserved, with non-precious metals accounting for 29% of the opportunity pool. Deterra is one of the leading companies in the non-precious metal royalty segment and focused on bulk, base and battery metals.

(1) S&P Capital IQ. Average market capitalisation for the peer group during January 2022. Universe includes; TSX:FNV, NYSE:WPM, NasdaqGS:RGLD, TSX:OR, TSX:TFPM, TSX:SSL, NYSEAM:GROY, TSX:MMX, TSX:NSR, TSXV:MTA, TSXV:EMX, TSXV:VOX, TSXV:ELE, AIM:ALS, TSXV:FISH, TSXV:OGN, TSXV:EMPR, TSX:LIF, ASX:DRR, TSX:ALS, LSE:APF, NYSE:MSB, TSXV:URC, AIM:TRR  
 (2) Number of royalties from Deterra analysis of S&P Capital IQ.

# 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<sup>2</sup>



(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) Compared to FY21 volumes. 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](http://www.asx.com.au); BHP delivers first production from South Flank (20 May 2021), available at [www.BHP.com](http://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:

- 1H22 average realised pricing: A\$164/dmt
- Dec 2021 Qtr pricing: A\$108/dmt
- 2021 MAC sales: 55.9 million dry metric tonnes
- Forecast capacity on completion of South Flank expansion:
  - 145 million wet metric tonnes<sup>2</sup>
  - 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 MAC<sup>3</sup>

MAC Royalty annual receipts – Illustrative sales and price sensitivity<sup>1</sup>  
(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

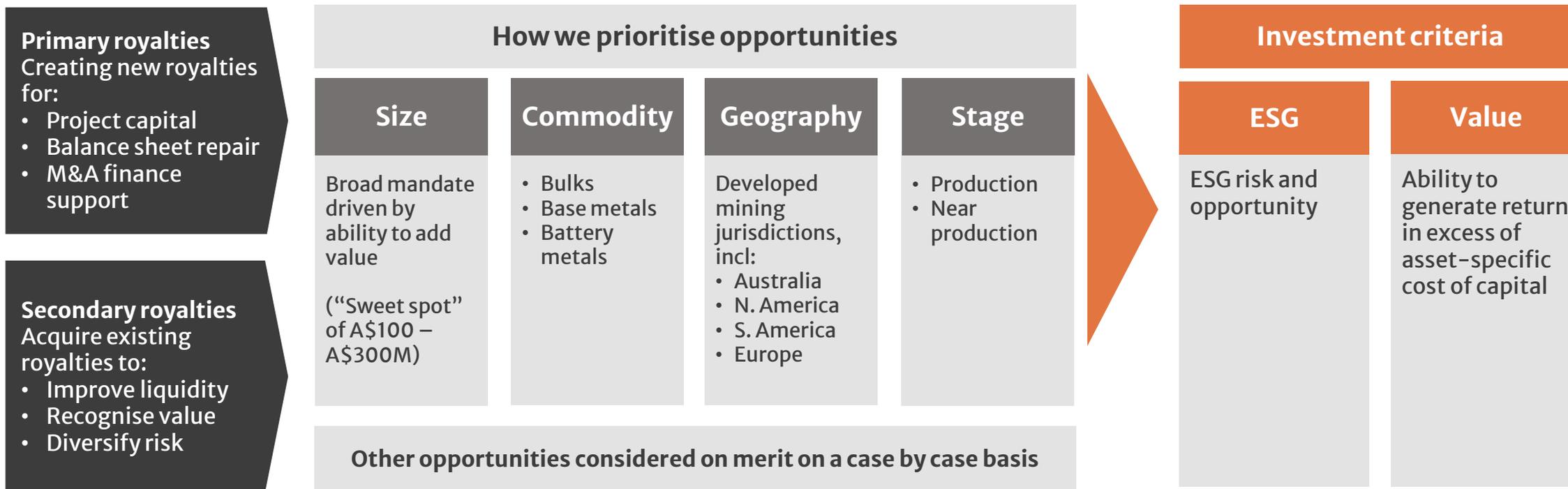
(2) BHP delivers first production from South Flank (20 May 2021), available at [www.BHP.com](http://www.BHP.com).

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

# Strategy focused on value-accretive growth



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



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

# Committed to sustainable shareholder returns



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

## Complete

- Established Human Rights Policy
- Published first Corporate Governance Statement
- Completed Voluntary Tax Disclosure
- Developed ESG due diligence criteria

## Current

- Signatory to the UN Global Compact
- Issued first annual Modern Slavery Statement
- Targeting net-zero operational GHG footprint in FY22

## Next Steps

- Assess materiality and enhance our ESG performance disclosures
- Establish community engagement initiatives
- Enhance the robustness of our ESG due diligence process

## Future State

- Enhance our ESG disclosures
- Inform our investment decisions

# A better way to invest in the resources industry



## Summary

- 1 MAC royalty is one of the world's best royalty assets
- 2 Superior EBITDA margin of 96% in 1H22
- 3 Prioritised returns with 100% of NPAT dividend payout ratio, fully franked paid to date<sup>1</sup>
- 4 South Flank project remains on track to increase Mining Area C volumes by 2.4x<sup>3</sup> and a growth mandate to provide patient and disciplined value accretive M&A<sup>2</sup>

## Our Business Model



(1) Deterra's approach to dividends and dividend policy will be determined by the Deterra Board at its discretion and may change over time  
(2) BHP delivers first production from South Flank (20 May 2021), available at [www.BHP.com](http://www.BHP.com).



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# Income statement



Statement of profit or loss	Half-year ended 31 Dec 2021	Half-year ended 31 Dec 2020 <sup>1</sup>
Royalty Revenue	92,848	53,859
Operating Expenses	(3,666)	(1,139)
Business Development Expenses	(482)	(90)
Depreciation and Amortisation	(198)	(170)
Demerger Expenses	-	(4,637)
<b>Operating profit before finance cost</b>	<b>88,502</b>	<b>47,823</b>
Net finance income/(cost)	(48)	(78)
Net foreign exchange gains/(losses)	(1)	1
Fair Value gain on asset acquisition	-	6,512
<b>Profit before tax</b>	<b>88,453</b>	<b>54,258</b>
Income tax expense	(26,751)	(20,917)
<b>Net Profit After Tax (NPAT)</b>	<b>61,702</b>	<b>33,341</b>
<b>Total and continuing earnings per share:</b>		
Basic earnings per share (\$)	0.1168	0.0631
Diluted earnings per share (\$)	0.1167	0.0631
Payout ratio (%)		

(1) Half-year ended 31 December 2020 refers to the initial interim period from 15 June 2020 (date of incorporation) to 31 December 2020

# Balance Sheet



\$'000	31-Dec-21	30-Jun-21
Cash and cash equivalents	29,431	24,206
Trade and other receivables	33,229	54,955
Prepayments	1,445	644
<b>Total Current Assets</b>	<b>64,105</b>	<b>79,805</b>
Royalties intangible assets	8,748	8,903
Other intangible assets	5	5
Property, plant, and equipment	33	30
Prepaymetns	33	53
Right-of-use assets	261	297
<b>Total Non-Current Assets</b>	<b>9,080</b>	<b>9,288</b>
<b>Total Assets</b>	<b>73,185</b>	<b>89,093</b>
Trade and other payables	590	801
Provision	69	65
Lease liability	68	67
Income tax liability	104	10,904
<b>Total Current Liabilities</b>	<b>831</b>	<b>11,837</b>
Lease liability	211	244
Borrowings	-	-
Deferred tax	9,039	15,289
<b>Total Non-Current Liabilities</b>	<b>9,250</b>	<b>15,533</b>
<b>Total Liabilities</b>	<b>10,081</b>	<b>27,370</b>
<b>Net Assets</b>	<b>63,104</b>	<b>61,723</b>

# Underlying EBITDA and earnings adjustment



Earnings and earnings adjustments <sup>1</sup>	Half-year ended 31 Dec 2021	Half-year ended 31 Dec 2020 <sup>2</sup>
	\$'000	\$'000
<b>Net Profit After Tax</b>	<b>61,702</b>	<b>33,341</b>
<i>add back income tax expense</i>	26,751	14,405
<i>add back income tax expense on acquired receivable</i>	-	6,512
<b>Profit before tax</b>	<b>88,453</b>	<b>54,258</b>
<i>less Valuation gain on acquired receivable</i>	-	(6,512)
<i>add back Net finance costs and FX gains</i>	49	77
<b>Operating profit before finance cost</b>	<b>88,502</b>	<b>47,823</b>
<i>Adjustments to Underlying earnings</i>		
<i>add back one-off demerger expenses</i>	-	4,637
<i>less demerger-related adjustments relating to prior period revenue</i>	-	(4,848)
<i>Total adjustments</i>	-	(211)
<b>Underlying EBIT</b>	<b>88,502</b>	<b>47,612</b>
<i>add back Depreciation and Amortisation</i>	198	170
<b>Underlying EBITDA</b>	<b>88,700</b>	<b>47,782</b>
Adjusted Revenue	92,848	49,011
Underlying EBITDA margin (%)	96%	97%

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

(2) Half-year ended 31 December 2020 refers to the initial interim period from 15 June 2020 (date of incorporation) to 31 December 2020