

# The resource investment that pays

Corporate Presentation

May 2022



**Deterra**  
ROYALTIES



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## Reporting Period

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

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## 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.

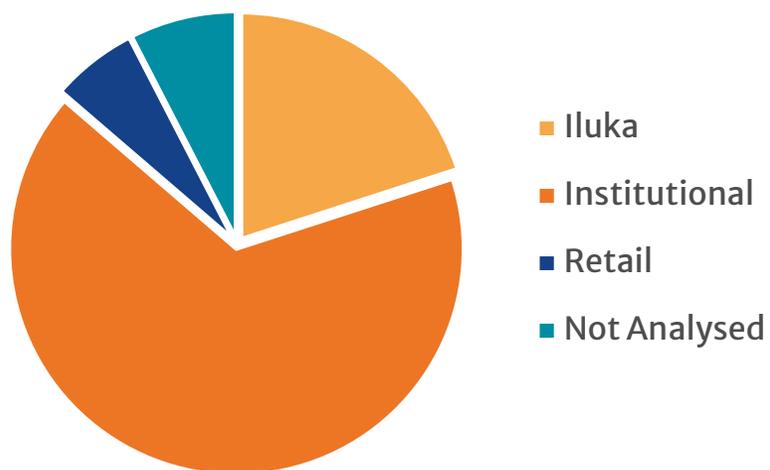
# Corporate overview



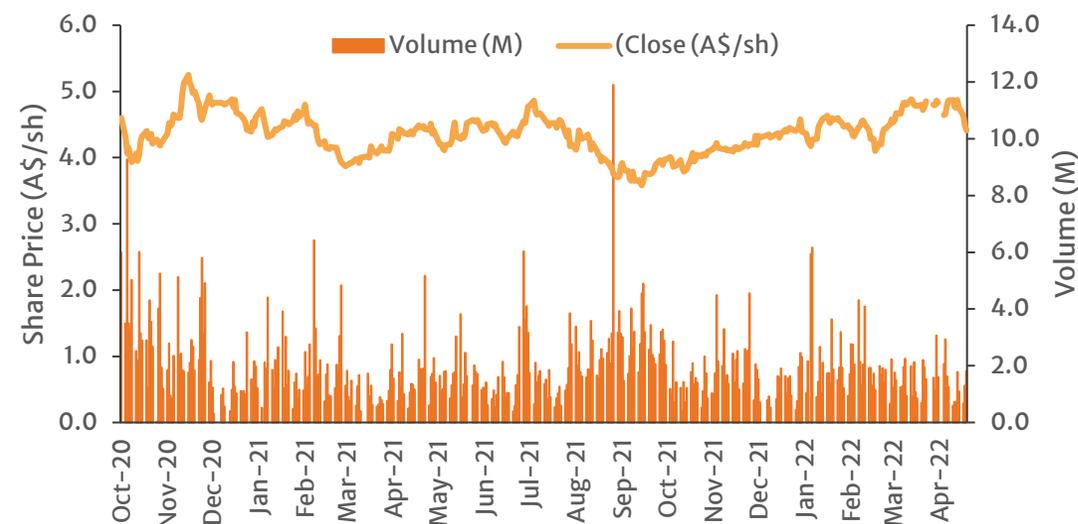
Share price <sup>1</sup>	\$4.43
Shares on issue	528.5m
Market capitalisation	\$2.3bn
Cash (31 Dec 2021)	\$29.4m
1H'22 Dividend	11.68¢
Royalty agreements	6

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 13 May 2022  
 (2) Iluka Resources nominee

# 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 11 May 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.

# 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)



# Financial Results

Simple business model  
continues to deliver strong  
financial performance



# 1H'22 Highlights



Strong financial performance reflecting simple business model

REVENUE

\$92.8M

EBITDA<sup>1</sup>

\$88.7M

96%  
EBITDA MARGIN

NPAT

\$61.7M

PAYOUT  
100%  
NPAT

DIVIDENDS

\$61.7M

11.68¢/sh  
Half-Year

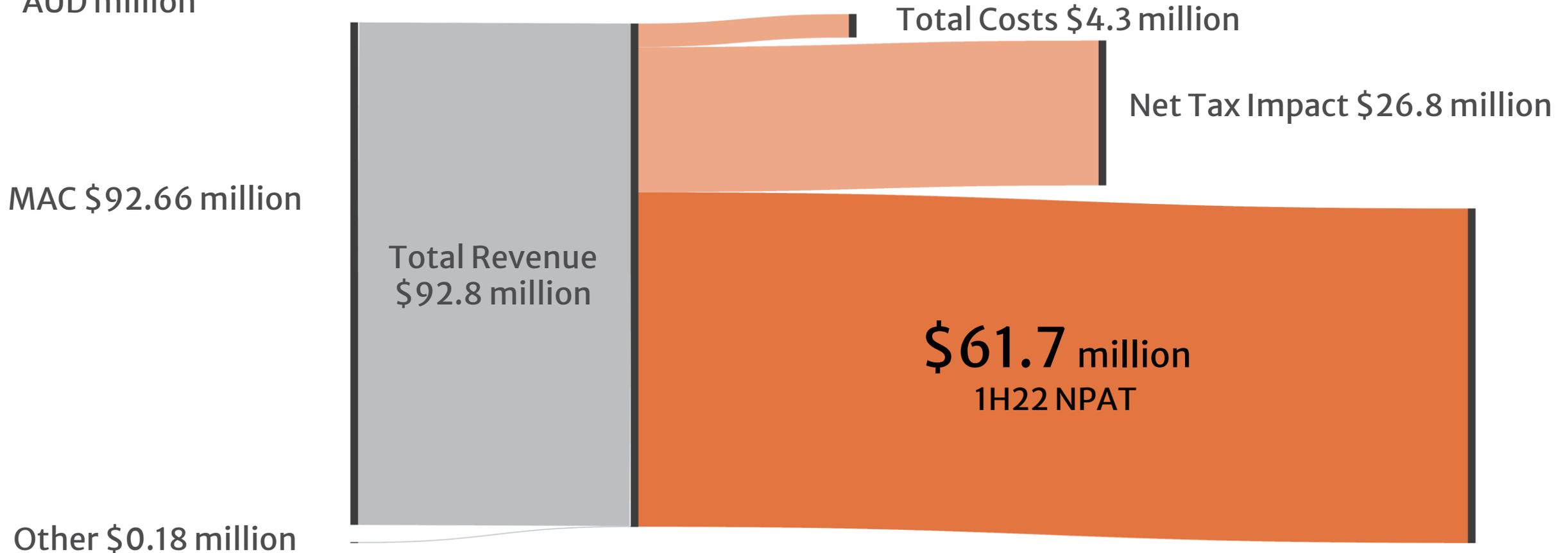
(1) See notes on slide 2 – Non-IFRS Measures.

# Simplified Income Statement



## Illustrative 1H22 statement of profit or loss

AUD million

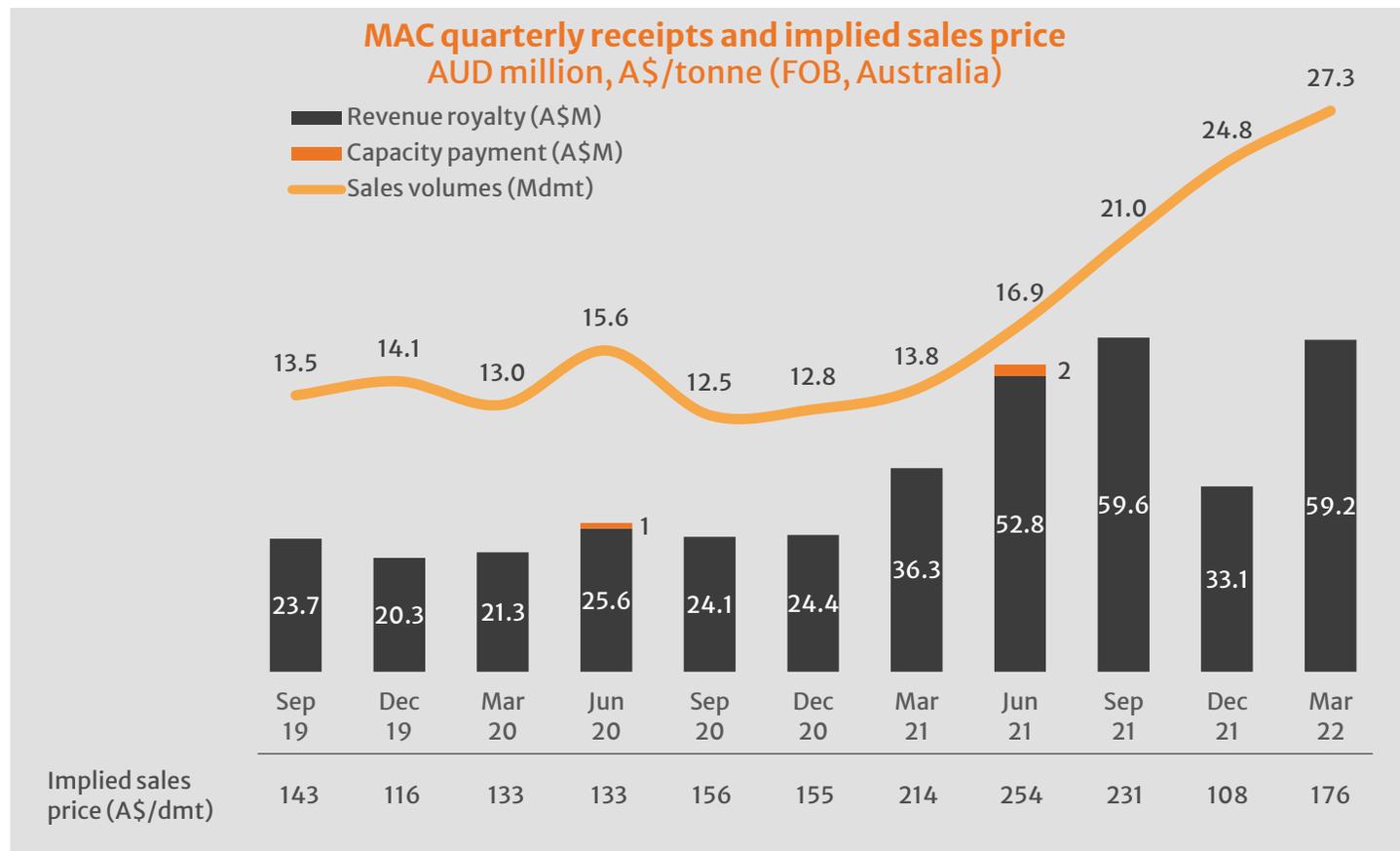


# Mining Area C Royalty Performance



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>.



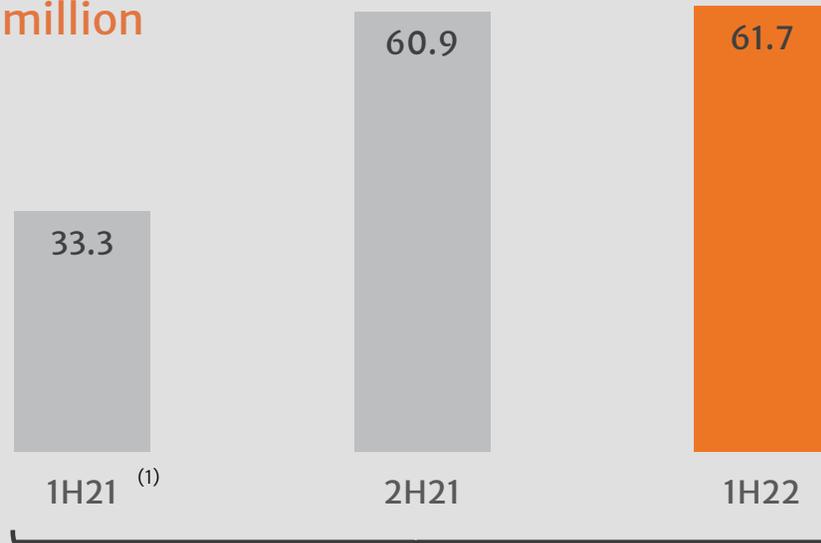
(1) BHP Operational Review for the period ended 31 March 2022

# 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

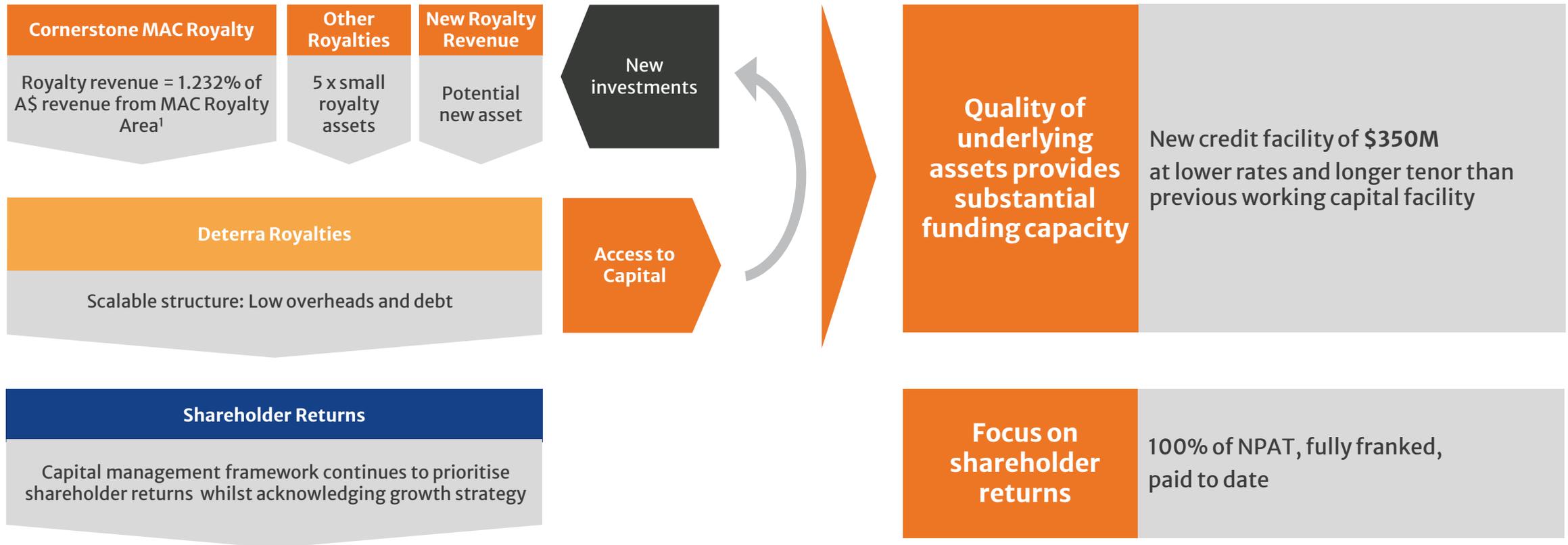
- Expectation that cash flow from future royalties would, at least in part, be utilised to maintain leverage
- Targeted range of 0-15% of enterprise value over time

(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.



# Mining Area C

Low-risk exposure to a large, low-cost iron ore mining complex that is set to grow its volumes by 2.4 times<sup>1</sup>.



(1) Compared to FY21 volumes. BHP reported MAC production volumes on a wet basis. Source: BHP Operational Review for the year period 31 May 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).

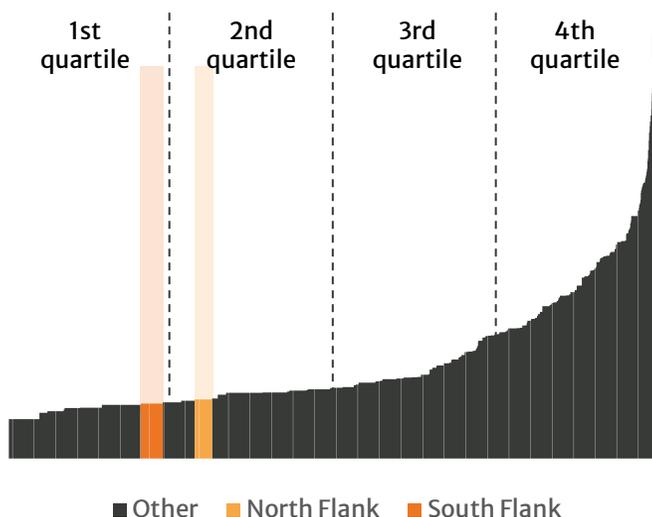
# Our core asset – the Mining Area C Royalty



The South Flank expansion is BHP's newest and most technically advanced operation and will make Mining Area C the world's largest iron ore hub, producing some of the lowest cost and lowest carbon emitting iron ore in the world.

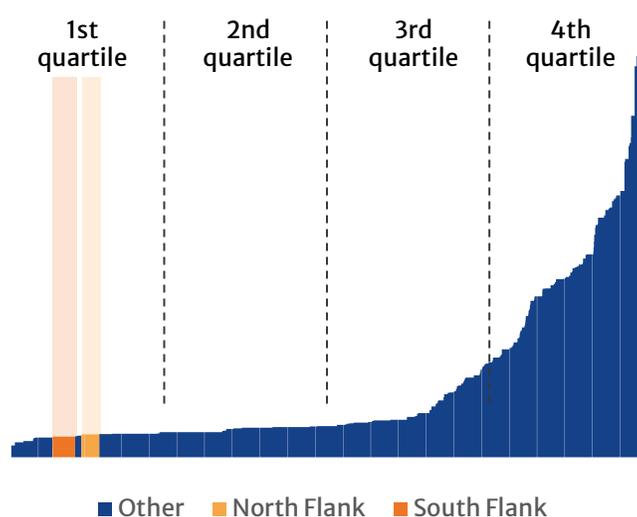
## Low Costs

Iron ore total cash cost curve (2025F)<sup>1</sup>



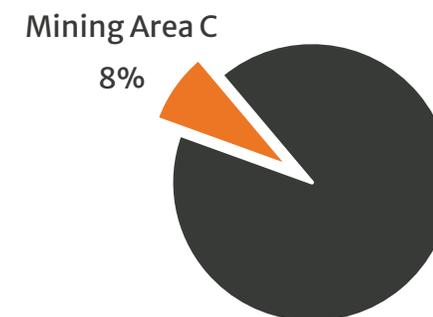
## Low Emissions

Iron ore GHG Intensity curve (2025F)<sup>2</sup>



## Large Scale

Mining Area C will account for 8% of global seaborne supply at full capacity<sup>3</sup>



Global seaborne iron ore supply is expected to be 1592Mt in 2025<sup>3</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. Units are US\$/t

(2) Source: Wood Mackenzie. GHG emissions intensity. Scope 1 plus Scope 2. Units are kgCO<sub>2</sub>e/t

(3) Source: Wood Mackenzie. Global Iron Ore Strategy Planning Outlook – Q1 2022 (31 March 2022)

# Our core asset – the Mining Area C Royalty

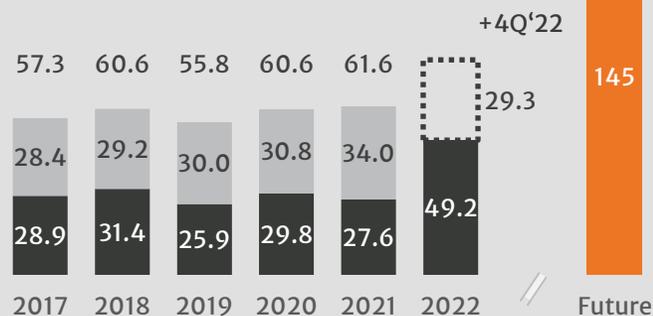


Low risk exposure to a long-life operation with near term growth and potential for further extension

## Significant near-term growth through South Flank expansion

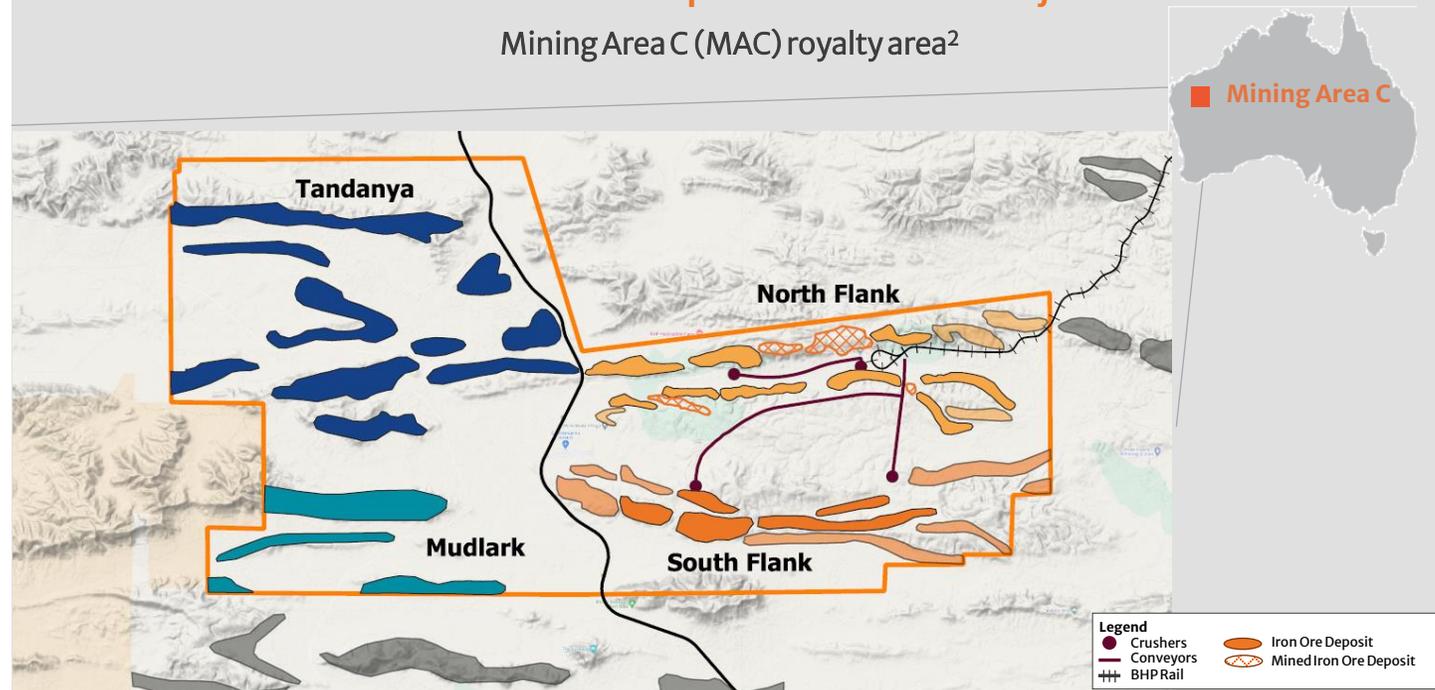
Mining Area C production  
(Financial years, Mwmt)<sup>1</sup>

■ 1H ■ 2H ⚙️ 3Q'22 ■ Future



## Further resource extension potential in a low-risk jurisdiction

Mining Area C (MAC) royalty area<sup>2</sup>



(1) Compared to FY21 volumes. BHP reported MAC production volumes on a wet basis. Source: BHP Operational Review for the year period 31 May 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).

(2) Location and mineralisation outline are for illustrative purposes only. Source: BHP public documents, Google Earth and Western Australian Department of Mines, Industry Regulation and Safety (DMIRS), with Deterra overlay of royalty area.

# Strategy and Outlook

Maximise returns and grow value responsibly



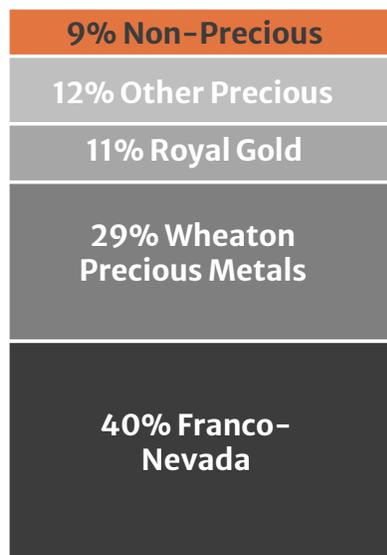
# Royalty and streaming company landscape



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

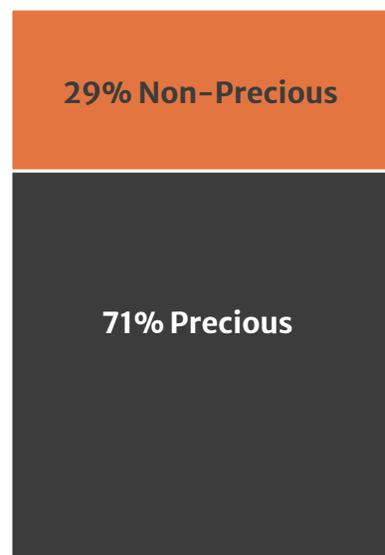
## Listed Royalty Companies<sup>1</sup>

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

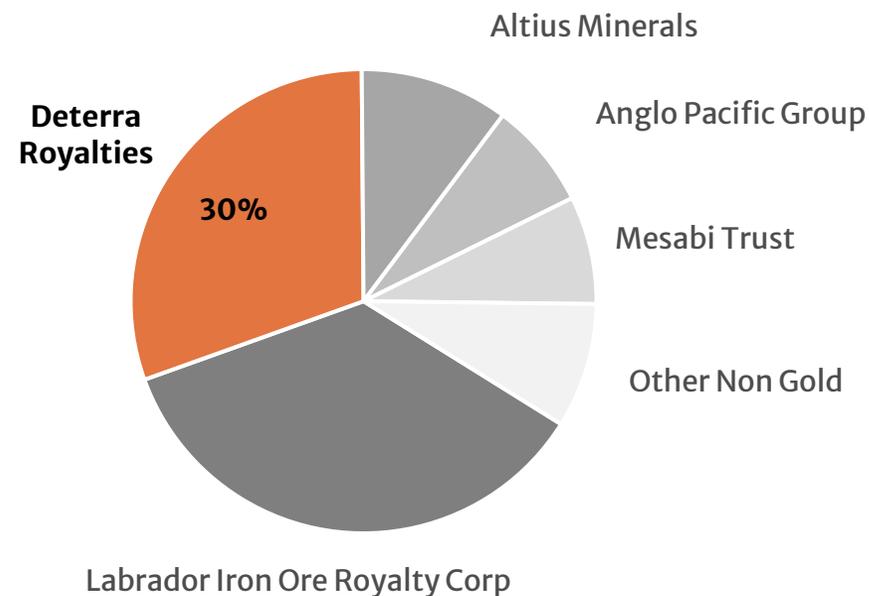


## Opportunity Pool of Existing Royalties<sup>2</sup>

29% of Existing Royalties are Non-Precious



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



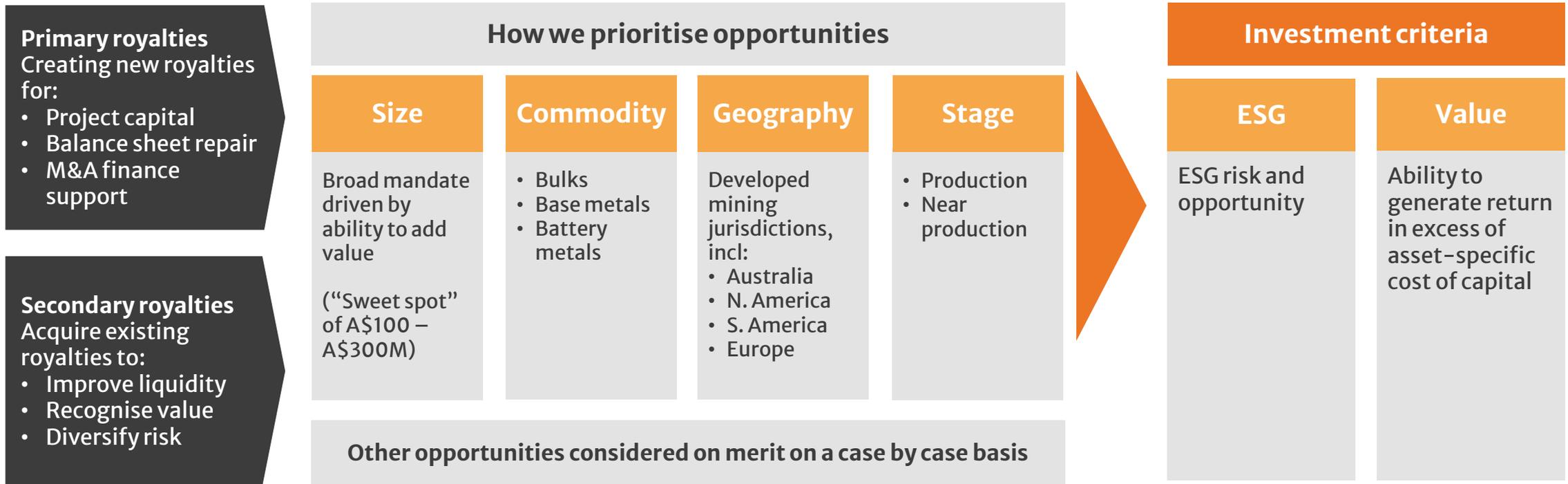
Globally, the listed mining royalty company universe has a total market capitalisation of ~US\$60bn. Only 9% of that market capitalisation is dedicated to the non-precious metal segment. Deterra's analysis suggests that this segment is underserved, with non-precious metals accounting for 29% of the opportunity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

# 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

- Participant in 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



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



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