

# The resources investment that pays

Corporate Presentation

November 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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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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## 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 Full Year Report for the year ended 30 June 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.

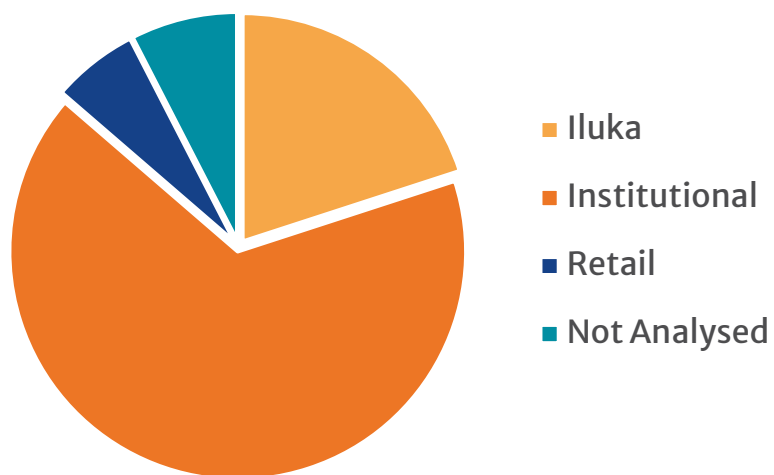
# Corporate overview



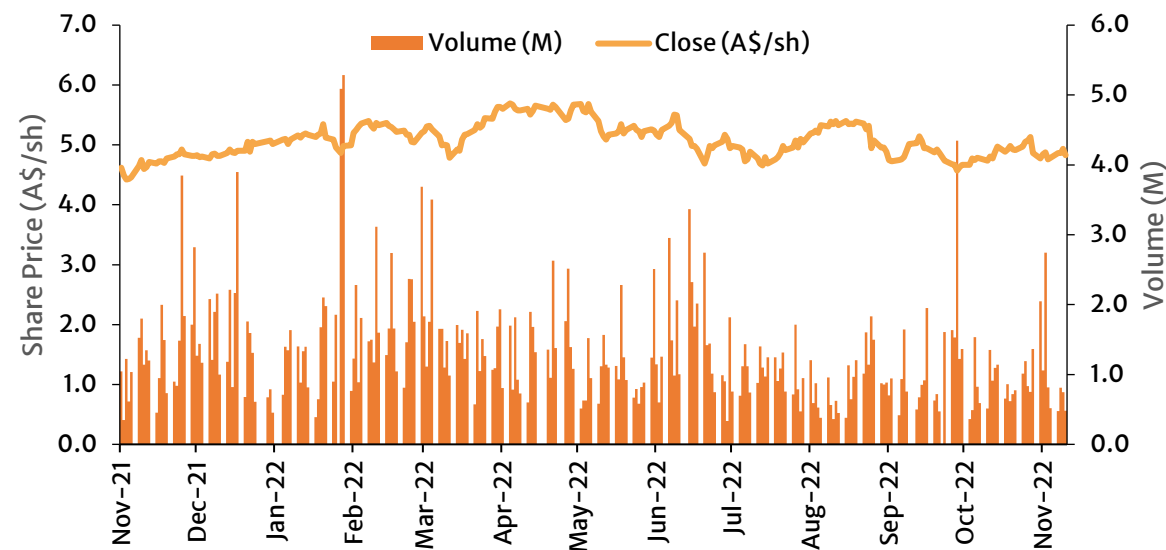
|                          |         |
|--------------------------|---------|
| Share price <sup>1</sup> | \$4.31  |
| Shares on issue          | 528.5m  |
| Market capitalisation    | \$2.3bn |
| Cash (30 June 2022)      | \$27.5m |
| FY'22 Dividend Declared  | 33.76¢  |
| Royalty agreements       | 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 11 November 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

97% EBITDA Margin

## Dividends

100% of NPAT, Fully Franked paid to date<sup>2</sup>

## Growth

South Flank expected to grow MAC volumes to 145Mwmtpa<sup>3</sup>  
Patient and disciplined approach to value accretive M&A

## ESG

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 9 September 2022  
(2) Deterra's approach to dividends and dividend policy will be determined by the Deterra Board at its discretion and may change over time  
(3) 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

FY2022 was a year of robust organic growth for Deterra



## Assets Performing Strongly

Record MAC production of 111Mwmt

- Up 80% on FY21
- South Flank ahead of schedule

Record revenue of \$265M

- Up 83% on FY21
- \$219M revenue royalty
- \$46M capacity payment
- NPAT \$178M

## Positioning for Growth

Evaluated multiple opportunities

- Limited value on offer

\$350 million credit facility in place

- 100% undrawn
- Liquidity available for value accretive transactions

## Prioritised Shareholder Returns

Dividend policy

- Prioritise shareholder returns

Final dividend of 22.08 cents/share

- Fully franked
- 100% of NPAT

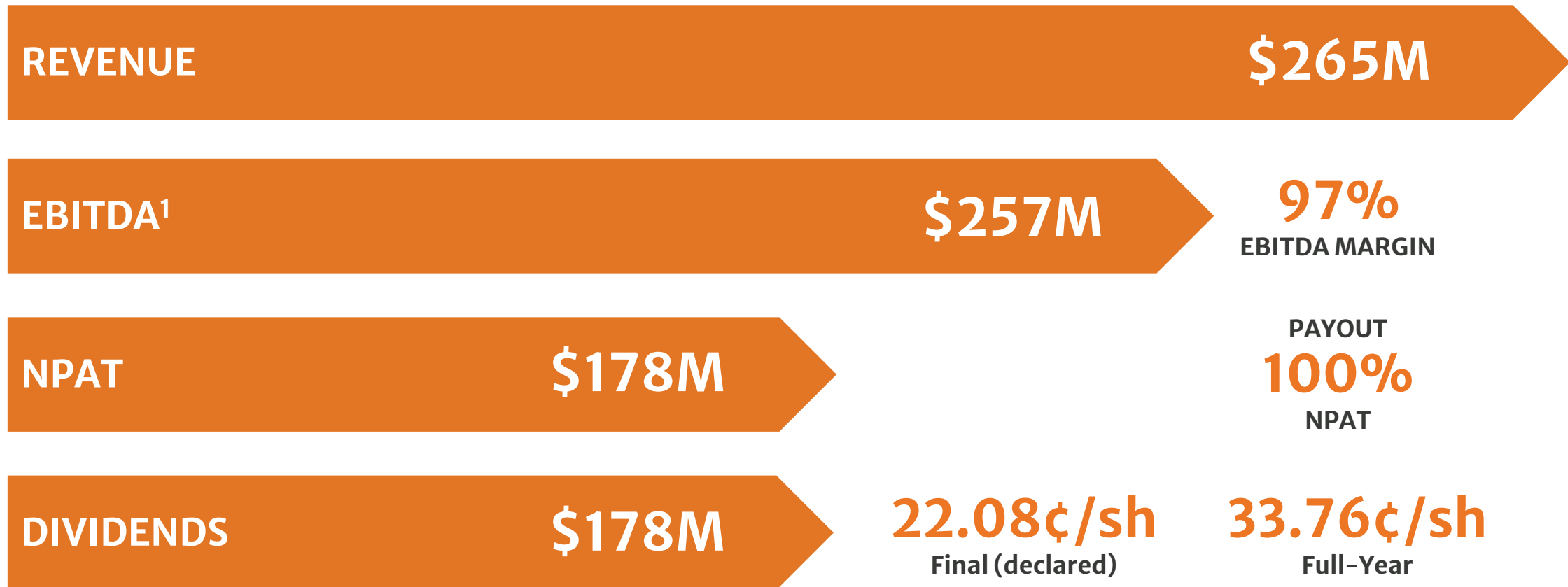
Full Year dividend of 33.76 cents/share

- Fully franked
- 100% of NPAT

# FY'22 Highlights



Lean business model delivering strong financial performance



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

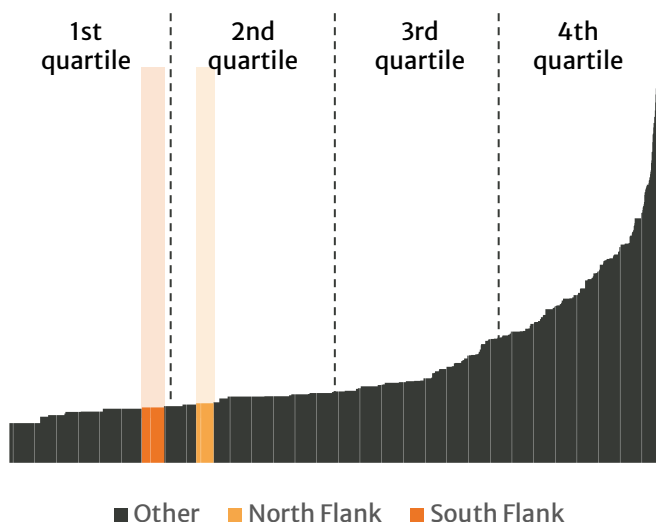
# Our core asset – the Mining Area C Royalty



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

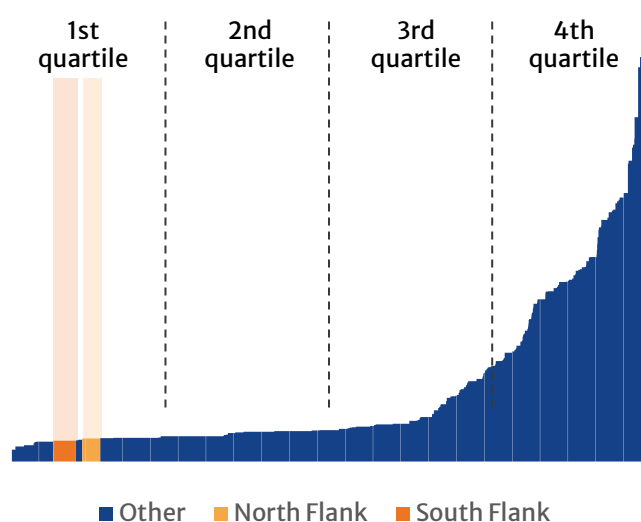
## Low Costs

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



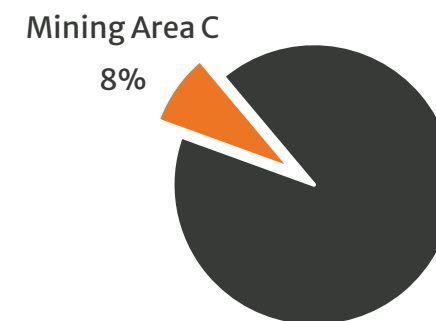
## Low Emissions

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

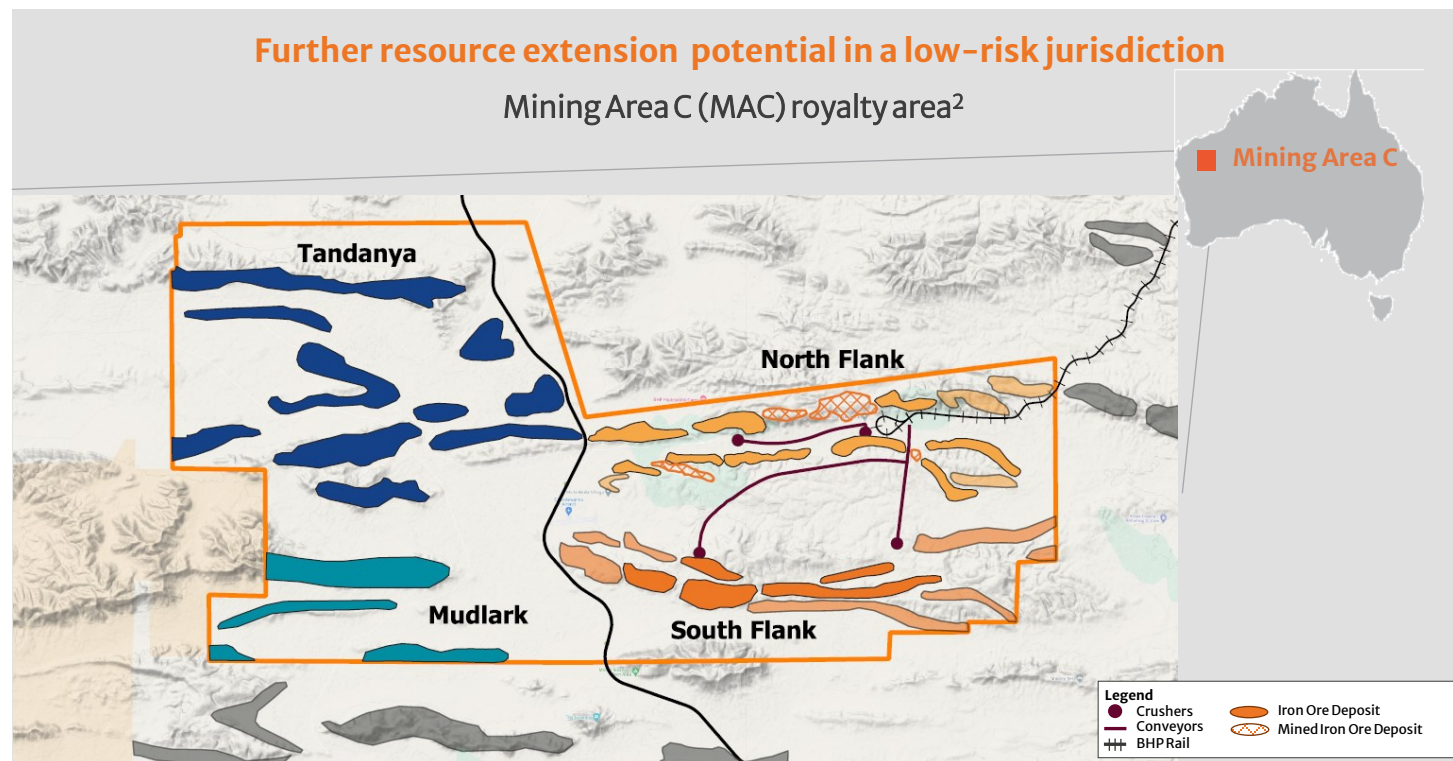
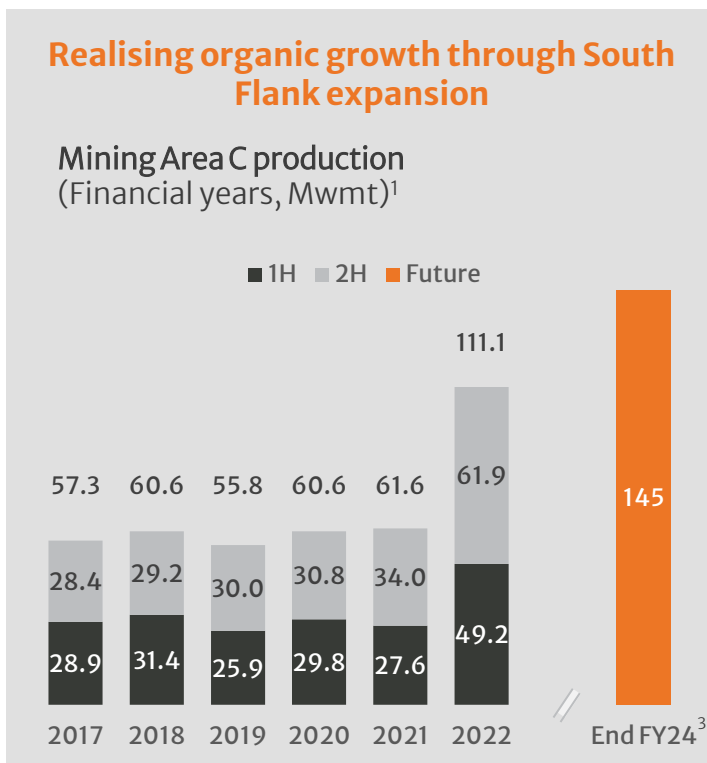
(3) Source: Wood Mackenzie. Global Iron Ore Strategy Planning Outlook – Q1 2022 (31 March 2022)



# 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



(1) 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.

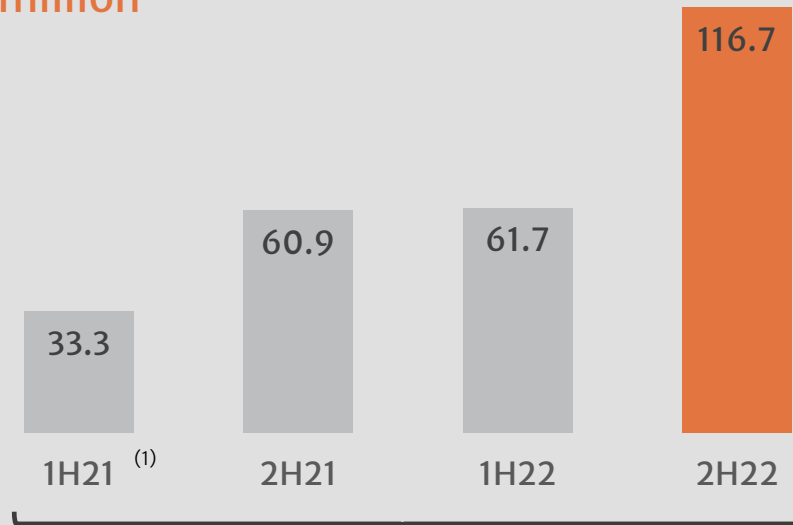
(3) Source: Western Australia Iron Ore briefing – Day 2 (05 Oct 2022), available at [www.asx.com.au](http://www.asx.com.au); Expect to achieve run rate sustainably within the planned three year timeframe.

# 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

2H22 dividend of 22.08 cents per share (fully franked)

- Record date: 26 August 2022
- Payment date: 21 September 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

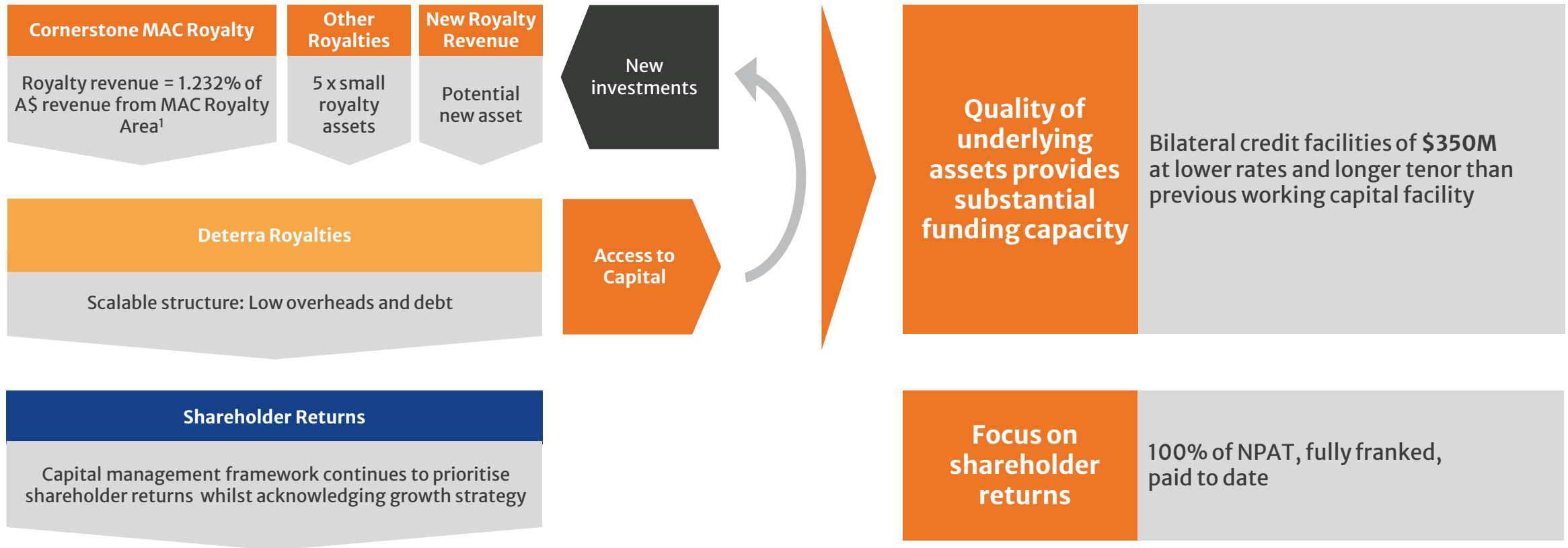
- Expectation that cash flow from future royalties would, at least in part, be utilised to maintain leverage
- Targeted range of 0-15% of enterprise value over time

(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



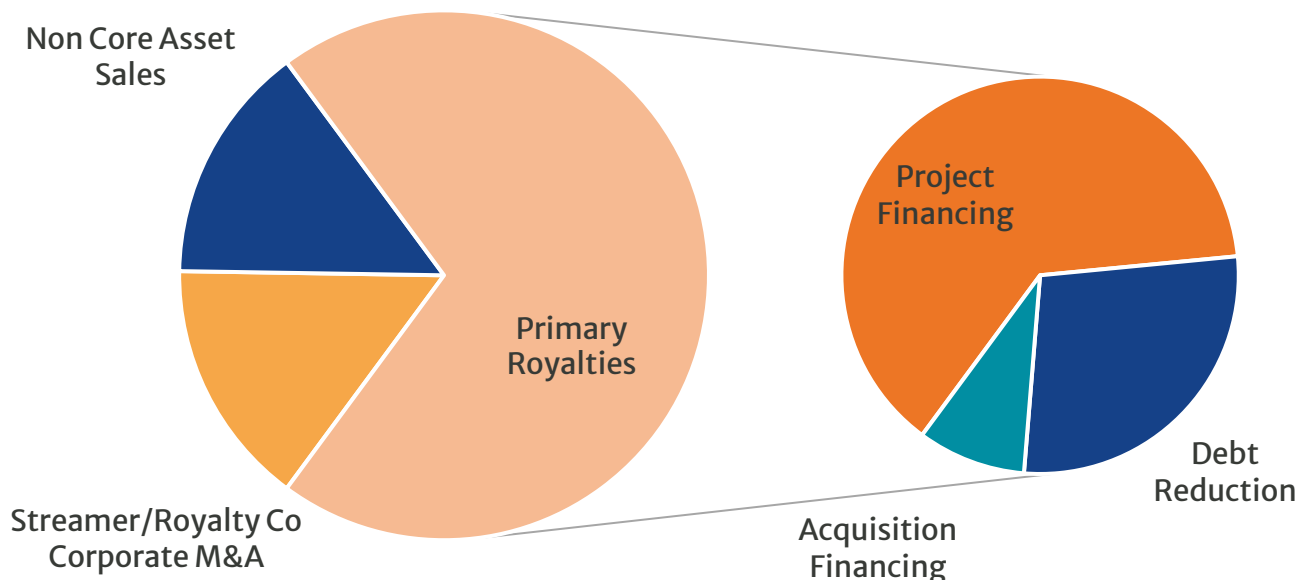
(1) Deterra Royalties also received capacity payments under the MAC Royalty Agreement.

# Royalty and Streaming Deal Flow



Historical royalty and streaming deal flow covers primary and secondary assets throughout the mining cycle

Royalty and Streaming Deals 2004 – Sept 2022



## Primary Royalties

- **Project financing** – Streaming and royalty finance is well established in North America for financing new mining projects alongside debt and equity.
- **Acquisition financing** – By using streaming and royalty financing, miners have acquired larger and higher quality assets that could not have been financed through debt and equity alone.
- **Debt reduction** – In various stages of the mining cycle, royalties and streams have helped mining companies improve their balance sheets.

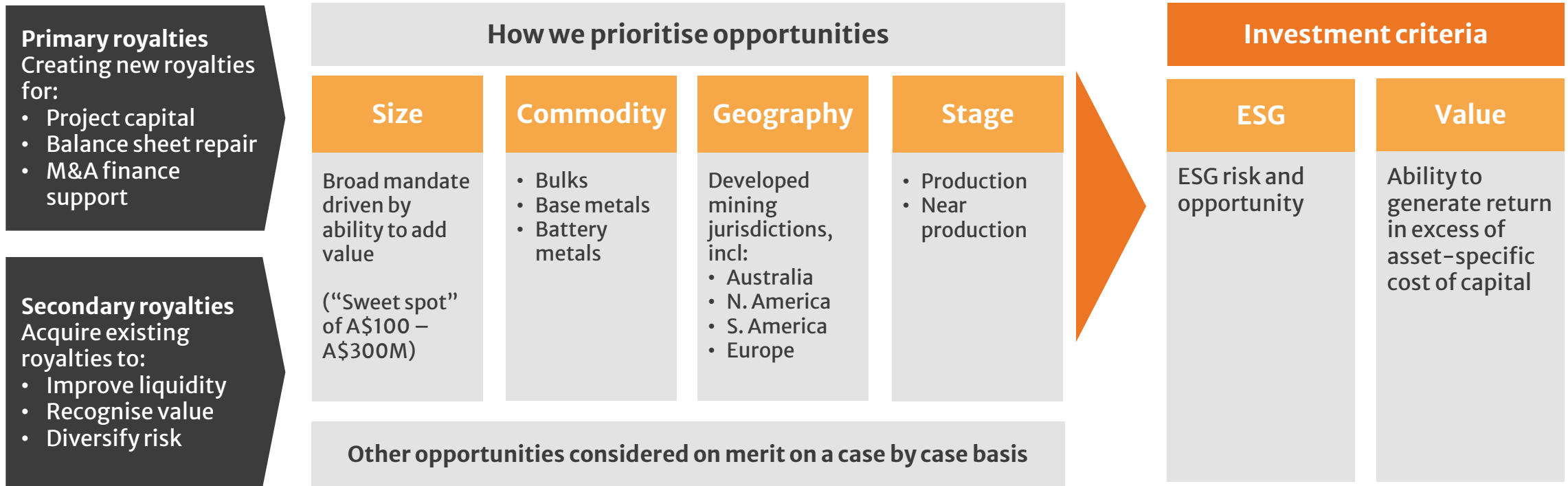
## Secondary Royalties

- **Non Core Asset Sales** – Acquisition of secondary royalties from an entity that is not currently operating the underlying asset.
- **Streamer/Royalty Co Corporate M&A** – Corporate M&A between mining royalty companies.

# 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.

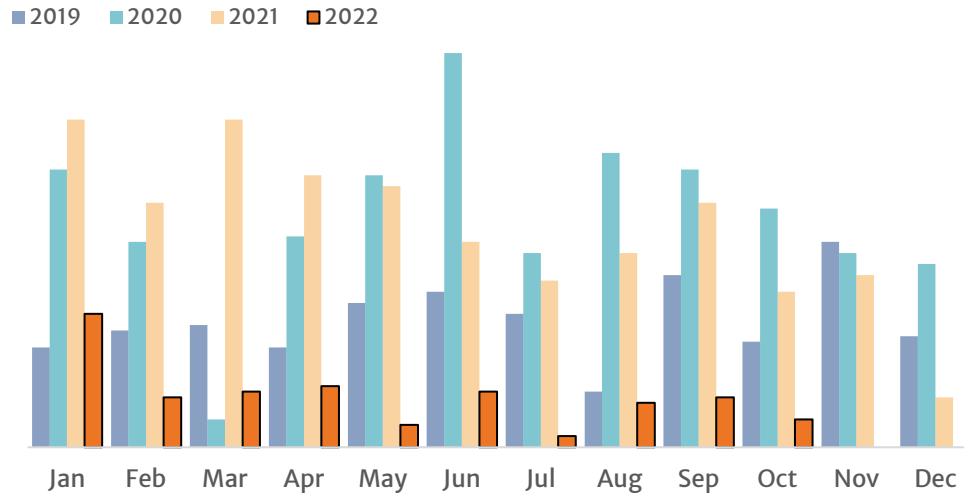


# Positioned to grow in changing capital markets



Access to traditional funding sources is becoming more challenging

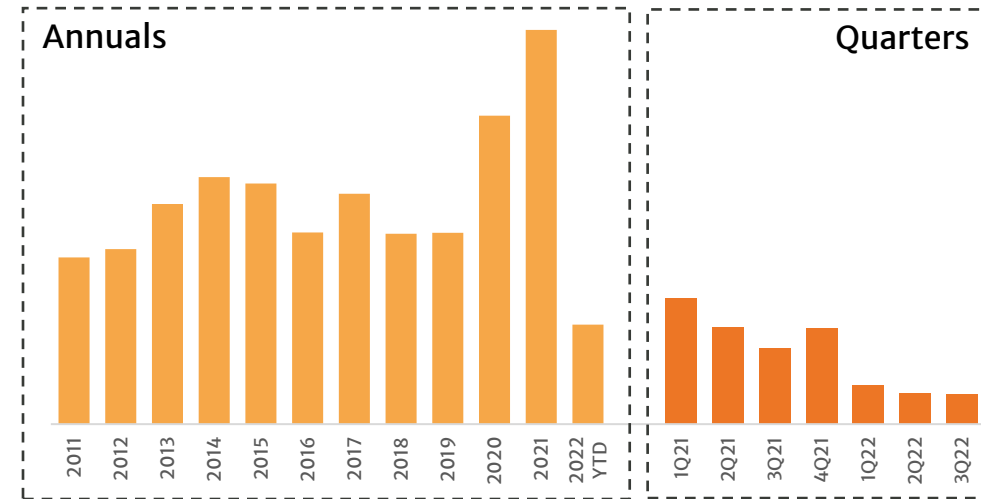
### U.S. High Yield Debt Issuance



Debt has become more expensive and less accessible;

- Bond yields and credit spreads are increasing
- High yield monthly issuance is declining

### Global Equity Issuance



Equity capital markets have slowed;

- Issuance volumes are down 65% globally year to date
- Equity issuance is becoming more challenging

**Deterra's \$350 million credit facilities and quality of underlying assets provides liquidity to act on investment opportunities**

# Committed to sustainable shareholder returns



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



- Established Climate Policy and achieved net-zero operational GHG footprint
- Materiality assessment
- Established Human Rights Policy and issued first annual Modern Slavery Statement
- Published first Corporate Governance Statement and Voluntary Tax Disclosure
- Developed ESG due diligence criteria
- Participant in the UN Global Compact
- No health and safety incidents
- Maintained diverse Board and improved gender balance of workforce



- Maintain emissions monitoring and net-zero operational GHG footprint
- Define social investment strategy
- Continual improvement of our ESG due diligence process, ESG data collection and reporting
- First UNGC Communication on Progress reporting

# A better way to invest in the resources industry



## Investment Proposition

- 1 Top-line exposure to one of the world's best iron ore operations
- 2 Limited exposure to operating and capital cost inflation
- 3 Prioritised returns with 100% of NPAT dividend payout ratio, fully franked paid to date<sup>1</sup>
- 4 Organic growth through South Flank expansion project and focus on providing 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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