31 October 2023 ASX: DRR

Chair and Managing Director addresses to Annual General Meeting

Deterra Royalties Limited (ASX: DRR) (**Deterra** or **Company**) is pleased to attach a copy of the address to be given by each of the Chair and the Managing Director at today's Annual General Meeting.

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

Bronwyn Kerr
Company Secretary

Investor and media enquiries:

Brendan Ryan
Chief Financial Officer
Phone: +61 8 6277 8880
Email: investor.relations@deterraroyalties.com

2023 Annual General Meeting – Address from Chair

Deterra listed in late 2020 as ASX's first substantial royalty business, and since that time, we have been consistent in setting out the two core elements of the Company's strategy:

- first, to provide our shareholders with transparency and access to the cash flow generated by our world-class Mining Area C royalty; and
- second, to use the MAC Royalty as a foundation on which to build a broader portfolio of royalty and streaming assets providing new sources of growth and diversification.

This remains our focus, and I am pleased to report that in FY23 we have returned 28.85 cents per share in fully franked dividends, or $152.5 million, which brings our total returns to shareholders since listing to over $400 million in fully franked dividends.

In parallel, consistent with our commitment to you, our shareholders, to pursue responsible growth, we have been busy evaluating growth opportunities whilst investing in our business development capability and flexible acquisition debt facilities.

In this regard, I again note the interest shown by some shareholders about the time it is taking to capture growth opportunities. From the beginning, we have been clear about our intention to be patient and disciplined in our approach, retaining our focus on adding long term value over time. We see discipline as a fundamental part of our investment decision making, and our observations over the past couple of years has reinforced our belief in the importance of investing in the right opportunities at the right time and at the right price. The extent of our activity is clearly shown in the spend on business development activity. We have bid on a number of opportunities and have not been successful. In hindsight, we believe our judgements have been correct and the market has borne this out. We have been in the fortunate position of having organic growth, scale and cash flow and believe our patience and discipline will be rewarded when we are able to capture opportunities on terms which create shareholder value.

We have noted previously that we are seeing an increasing number of growth opportunities and are entering a more prospective period for value accretive growth. This growth may require an adjustment in our capital management framework to support investment. Our framework, as with most companies, is built around balancing returns to shareholders with the need to invest in growth. In particular, I highlight the discretion the board has to adjust the payout ratio and that if we are to grow and minimise dilution to shareholders some retention of earnings may be required.

We are also committed to ensuring our returns to shareholders are sustainable, which requires ongoing focus on our environment, social and governance performance and in that respect, we have continued our development on a number of fronts. In terms of community involvement, during the year we announced that we had entered into a partnership with the Earbus Foundation of WA to help provide important healthcare support to the communities of the central Pilbara. This support has already enabled Earbus to recommence its activities in that region and we are pleased to be associated with this important work.

We continue to review the composition of our board and committees, and as our focus moves from formation and governance activities towards greater emphasis on growth activites, we saw a clear need to add specific royalty experience and also experience in the Canadian market-place. In that regard we have strengthened our board and committee membership through the addition of Jason Neal. Jason will address the meeting shortly and can speak to the specific skills and experience he brings, but we are very pleased to have the benefit of his extensive investment experience and global knowledge and networks, particularly in the royalty and streaming hub of Toronto.

In closing, Deterra has now been listed for three years under the consistent guidance of its board and management team. We have stayed true to our commitment at the outset of returning value to our shareholders and seeking to grow the business in a patient and disciplined way. I look forward to continuing to build on that work with the support of you, our shareholders.

Jennifer Seabrook

2023 Annual General Meeting – Address from Managing Director

Last year, FY23, was once again a year of strong performance for the company.

Our producing assets continue to perform well and deliver organic volume growth. In particular, our core asset, the Mining Area C Royalty, once again benefited from record production volumes at Mining Area C – 126 million wet tonnes, up from 111 million tonnes in FY22 – as the South Flank expansion continued to ramp up to full nameplate capacity. This US$3.6 billion investment by BHP and its partners remains on schedule to reach full run-rate production by mid-2024, at which point the combined Mining Area C capacity of 145 million tonnes a year will make it the largest iron ore production hub in the world.

Our mineral sands royalties also recorded strong performance with Doral's Yalyalup mine reaching full production capacity of 100,000 tonnes of heavy mineral concentrate and with the approval of the extension of Tronox' Wonnerup operations.

From a financial perspective, it was pleasing to see these volumes reflected in another strong year of revenue generation, with total revenue of $229 million. Although this was down 14 per cent on FY22, this was largely due to a reduction in the one-off capacity payment received from the MAC royalty, down from $46 million in FY22 to $13 million in FY23, as the rate of growth in South Flank volumes slowed as it approaches nameplate capacity.

Underlying royalty receipts, that is excluding the one-off MAC royalty capacity payment, were down 1.6 per cent overall at $216 million, as the increased sales volumes largely offset softer realised pricing as iron pricing moderated from the levels seen in FY22.

One of the key features of our business model is the protection it can provide against cost inflation and margin compression through exposure to mines' revenue rather than operating earnings. This is particularly powerful in times of significant cost inflation, as we have seen recently in the mining sector, and is reflected in the $219 million of reported EBITDA, at a 96 per cent margin.

It has also been a very busy year in terms of business development.

When we met this time last year, we remarked on the changes we were seeing at the time in broader economic and capital market conditions, and our belief that they would lead to an increase in the number and quality of growth opportunities for the Company.

This has proved to be the case, and although no new investments were made in FY23, our pipeline is as active as it has ever been as we continue to build both market awareness of our business and internal capacity, with the number of opportunities reviewed in that time doubling over the prior year. In all, we have now reviewed more than 150 opportunities since listing.

It's worth noting again at this point that we see discipline and patience as critical to investing capital effectively on a long-term basis, and our observations over the past couple of years have reinforced this belief. We have had organic growth in our portfolio, and still do, and will not make investments for the sake of simply showing activity.

As we have said from the time of our listing, we believe there is a significant opportunity to add value to the company through growth and are focused on pursuing that opportunity. In that regard, we are now seeing more, better quality opportunities at levels that we think better able to support value. However, the market is very competitive and our ability to act quickly on value-accretive opportunities as they arise will be key to the success of our growth strategy.

Accordingly, we continue to strengthen our capacity in that regard. In particular, as a provider of capital or investor in secondary royalties, liquidity is critical to the success of our business model. We need to be able to invest as we see good opportunities "through the cycle" and particularly when other sources of capital are less available. Hence, we have put in place credit facilities that provide us with that liquidity. We have found this liquidity to be an important differentiator for our business when talking to potential counter-parties particularly about primary royalties – they value our ability to be “funds certain”.

We have also continued to invest in our team’s capability to review and execute on these opportunities, most notably our recent announcement of the appointment of Jason Clifton to the Chief Financial Officer role with Brendan Ryan to assume full-time responsibility for business development as Head of Corporate Development.

In closing, FY23 was a year of continued organic growth for the business in which we delivered strong returns for our shareholders whilst continuing to build our profile, pipeline and capability and I look forward to capturing the opportunities FY24 will bring for the benefit of our shareholders with the assistance of our team and Board members.

Julian Andrews