22 February 2022 ASX: DRR

Half-Year Report for the period to 31 December 2021

Deterra Royalties Limited (ASX: DRR) (**Deterra** or **Company**) is pleased to release its Interim Results for the half-year ended 31 December 2021 (1H22)[1].

Highlights:

- Simple business model continues to deliver strong financial performance with revenue of $92.8 million and an NPAT of $61.7 million
- EBITDA of $88.7 million at a sector leading margin of 96%
- Fully franked interim dividend of 11.68 cents per share declared representing 100% of NPAT
- Strong operating performance at Mining Area C as production volumes increase to 49.2 million wet metric tonnes, up 45% HoH through the ramp-up of South Flank which remains on track[2]
- Credit facility refinanced and expanded to $350 million at lower average margins and longer tenor
- Increased liquidity provides flexibility to act on growth opportunities within a capital management framework that prioritises shareholder returns

Deterra's Managing Director, Julian Andrews, said *"Deterra's first half results reflect a strong start to FY2022 that reinforces the quality of Deterra's assets and business model, providing investors with the ability to invest in the resources sector without exposure to cost inflation, operational or capital risk.*

Our current portfolio continues to perform well, with the Mining Area C royalty delivering record volumes and revenue following the commissioning of the South Flank mine in May 2021, enabling the Directors to declare a dividend of 11.68 cents per share, fully franked.

In our second year of operation, we remain focused on developing growth options for the business. We continue to evaluate options to add royalty assets to the business and have increased our investment in business development capability. In that regard, I am pleased to announce that we have refinanced our existing facility, increasing total credit limits to $350 million, which will allow us to act flexibly on value accretive acquisitions. The quality of the banking group and competitive terms again reflects the strength of Deterra's assets and business model.

[1] Refer also to Deterra's ASX Appendix 4D and Interim Financial report for the half-year ended 31 December 2021, both released on 22 February 2022.
[2] BHP Operational Review for the half year ended 31 December 2021

Key Points of Note:

$ million, unless otherwise stated	**1H22**	**1H21[3,4]**	**Inc/(dec)[4]**
Royalty Revenue	92.8	53.9	72%
Underlying EBITDA	88.7	47.8[4]	86%
Underlying EBITDA Margin	96%	97%[4]	(2)%
Net Profit After Tax (NPAT)	61.7	33.3[4]	85%
Dividend – interim (cps)[5]	11.68	6.31	
Dividend as % NPAT	**100%**	**100%**	

Overview of Financial Performance:

Revenue for the period was $92.8 million, an increase of 72% on the prior comparative period. Mining Area C royalties continue to comprise the majority of revenue with $92.7 million and $0.2 million from the Yoongarillup and Wonnerup assets.

Revenues generated from Mining Area C benefited from favourable iron ore pricing and the commissioning of the South Flank. In the half-year, Mining Area C production volumes were up 78% on the previous corresponding period and up 45% half on half as incremental production from the South Flank contributed to overall production. The South Flank project remains on track to increase Mining Area C production volumes from 61.6Mwt in 2021 to 145Mwtpa over three years.[6]

Total operating expenses were $4.3 million. This increase reflects greater business development activity.

Bilateral Credit Facility:

On 21 February 2022, Deterra refinanced its existing credit facility, increasing total credit limits from $40 million to $350 million. The bilateral credit facilities comprise maturities of three, four, and five years and have been implemented on an unsecured basis. The credit facilities have been provided by leading Australian and international banks with proven credentials in resources and royalty financing. The refinancing was materially oversubscribed, resulting in competitive terms and conditions and pricing. As a result of the refinancing, the Company has increased its weighted average maturity profile whilst concurrently reducing its weighted average margin.

The credit facility will provide Deterra with the option to act flexibly in the acquisition of value accretive royalties. Minimum annual costs associated with the facility will be $2.4 million, consisting of $1.8 million in undrawn commitment fees and the remainder in amortised annual establishment costs. Deterra will prioritise opportunities where it considers it has a competitive advantage, targeting investments in commodities such as bulks, base and battery metals that are at or near production in developed mining jurisdictions.

[3] Interim period 15 June 2020 to 31 December 2020.
[4] 1H21 includes certain demerger related items, partly offset by the inclusion of only two months of operating expenses following the demerger of the Group part-way through the interim period. See Deterra's 2021 Annual Report for details
[5] Dividend per share is calculated on the Group's profit after tax for the pre-demerger period as if the current number of shares on issue of 528,475,777 was in place during this time.
[6] BHP Operational Review for the Half-Year ended 31 December 2021; BHP marks official opening of South Flank (7 October 2021)

Dividend:

The Board has determined to pay a fully franked, interim dividend to eligible Deterra Shareholders of $61.7 million or 11.68 cents per share. This amounts to 100% of NPAT. The dividend is expected to be paid on 31 March 2022 to shareholders of record on 14 March 2022.

Following the introduction of the new credit facility, Deterra confirms that its capital management framework remains to prioritise returns to shareholders whilst acknowledging the opportunity to invest in growth. Deterra intends to return all surplus cash, franked, to the maximum extent possible, to shareholders from its royalty portfolio with particular emphasis on the Mining Area C royalty payments. The framework sees an intent to optimise the use of debt funding for future acquisitions with an expectation that cash flow from these future royalties would, at least in part, be utilised to maintain leverage within a targeted range of 0-15% of enterprise value over time.

At present this approach is reflected in the payment of dividends (franked to the maximum extent possible) at a target dividend payout ratio of 100 per cent of net profit after tax (NPAT).

It is noted that dividend policy is subject to Board discretion and may change over time.

FY21 Financial Results Teleconference:

Deterra's Managing Director and Chief Executive Officer, Julian Andrews, and Chief Financial Officer, Brendan Ryan, will host a conference call for equity markets participants to discuss the H1 FY2022 financial results. The conference call will take place at 11:00am (AEST) on Tuesday, 22 February 2022. The live audio webcast and on-demand replay of the results briefing will be available at www.deterraroyalties.com and via the following link:

https://edge.media-server.com/mmc/p/aia4w94g

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

Bronwyn Kerr
Company Secretary

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DETERRA ROYALTIES LIMITED

ABN 88 641 743 348

INTERIM REPORT

for the half-year ending 31 December 2021

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APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Preliminary financial statements for the half-year ended 31 December 2021 as required by ASX listing rule 4.2A

Report for the half year ended 31 December 2021 **(All comparisons to interim period 15 June 2020 to 31 December 2020)**	**$000**	**Up/Down**	**Movement[1]** **%**
Revenue from ordinary activities	$92,848	↑	72%
Net profit after tax attributable to members (from ordinary activities)	$61,702	↑	85%
Net profit after tax attributable to members	$61,702	↑	85%

Dividend Information	**Cents per share**	**Franked amount**	**Tax rate for franking**
Final 2021 dividend per share (paid 22 September 2021)	11.52	100%	30%
Interim H1 2022 declared dividend per share	11.68	100%	30%

Interim dividend dates

Ex-dividend date	11 March 2022
Record Date	14 March 2022
Payment Date	31 March 2022

Tangible assets	**31 Dec 2021**	**31 Dec 2020**
Net tangible assets per share (cents)	10.3	4.2

This information should be read in conjunction with the Deterra 2021 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2021.

The consolidated financial statements for the half-year ended 31 December 2021 upon which the Appendix 4D is based have been reviewed by PricewaterhouseCoopers

This report covers the interim half-year period of 1 July 2021 through to 31 December 2021. This period is being compared against the inaugural interim period results from 15 June 2020 through to the 31 December 2020[1,2]

All currencies shown are in this report are Australian Dollars unless otherwise indicated.

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

Bronwyn Kerr
Company Secretary

[1] Comparable period includes certain demerger related adjustments and operating expenses for the part-period (two months) post-demerger. Further details can be found in the Deterra 2021 Annual Report.

[2] Deterra was granted relief from section 323D(5) in order to align its inaugural half-year reporting to include the period from 15 June 2020, the date when Deterra was incorporated, through to 31 December 2020.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Deterra Royalties Limited (Deterra) and the entities it controlled (the "Group" or the "consolidated entity") during the half-year period from 1 July 2021 to 31 December 2021. The consolidated financial statements are presented in Australian dollars, which is Deterra's functional and presentation currency.

The Group is of a kind referred to under ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial reports. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

In compliance with the provisions of the Corporations Act 2001, the directors report the following:

1. Board of Directors

The names of directors who held office during the date of this report are as follows.

Jennifer Seabrook	Independent Non-Executive Chair
Julian Andrews	Managing Director and Chief Executive Officer
Graeme Devlin	Independent Non-Executive Director
Joanne Warner	Independent Non-Executive Director
Adele Stratton	Non-Executive Director

2. Joint Company Secretaries

Brendan Ryan	Chief Financial Officer & Joint Company Secretary
Bronwyn Kerr	General Counsel and Joint Company Secretary (Appointed 8 November 2021)
Ian Gregory	Joint Company Secretary (Resigned effective 8 November 2021)

REVIEW OF RESULTS AND OPERATIONS

3. Summary of Results

- Revenue of $92.8 million
- EBITDA of $88.7 million equal to 96% EBITDA Margin
- Net profit after tax of $61.7 million
- Interim dividend declared of $61.7 million or 11.68 cents per share (fully franked) equal to 100% NPAT

4. Review of Deterra Operations and Assets

Deterra's strategy is to maximise the return of profits from the existing royalty portfolio, while seeking to grow the portfolio in a way that creates additional value for shareholders.

During the half-year period the following developments occurred across our producing royalty assets:

- **Mining Area C -** Deterra holds contractual rights over the Mining Area C (MAC) royalty area. The Group receives a 1.232% royalty on Australian denominated FOB revenue from the sale of material produced at MAC, payable quarterly, plus additional, one-off capacity payments of A$1 million per million dry metric tonnes (Mdmt) for any increase in annual mine production, determined for the period ending 30 June, payable annually.

  H1 2022 saw record sales volumes of 45.8 Mdmt from MAC, an 81% increase from 25.3 Mdmt in H1 2021 as BHP's US$3.6 billion South Flank expansion commences ramp up to full production. Guidance from BHP confirms the South Flank ramp up to full production capacity of 80 million wet metric tonnes per annum

(Mwmtpa) over three years remains on track with a peak rate of 45 Mwmtpa achieved in the half year[3]. Revenue for the period from Mining Area C was $92.7 million.

- **Yoongarillup / Yalyalup Mineral Sands Mines -** Deterra holds a 2% royalty on revenue from the sale of minerals under two royalty agreements over certain mineral leases operated by mineral sand producer Doral Mineral Sands Pty Ltd. The Yoongarillup site is now decommissioning with site infrastructure and equipment being relocated to the now fully approved Yalyalup mine which is scheduled to commence commissioning in Q2 2022. This will result in an expected production capacity of 100ktpa of heavy mineral concentrate over a 5 year mine life.[4] Revenue for the period from Yoongarillup / Yalyalup was $0.15 million.

- **Wonnerup Mineral Sands -** Deterra holds a $0.70 per tonne royalty on all valuable heavy minerals produced over certain mineral leases currently being mined by mineral sand producer Tronox through its subsidiary Cable Sands Pty Ltd. Mining at Wonnerup North using the existing facilities is underway. The environmental and regulatory approvals required for the proposed Stage 2 establishment of new processing facilities and associated infrastructure are nearing completion[5]. Revenue for the period from Wonnerup was $0.03 million.

Deterra also notes a change in respect of one of two non-producing royalty assets:

- **Eneabba Project -** During the period, in November 2021, Image Resources NL announced the strategic acquisition of the Eneabba project for the sum of $24 million from Sheffield Resources Limited[6]. Image have also announced plans to fast-track the conversion of contained resources on the Eneabba Tenements to reserves[7].

- **St Ives Gold Project -** Deterra holds a royalty agreement over certain mineral leases currently operated by Gold Fields. There have been no public updates on this asset during the period.

During the half-year period Deterra saw a significant increase in business development activity as the team engaged in detailed due diligence on a number of prospective opportunities. This increased activity resulted in higher project related business development costs of $0.5 million which are separately identified in the financial statements.

5. Review of Financial Results

A summary of the key financial metrics and prior period comparisons is discussed below:

- **Revenue -** Group revenue for the half-year period was a record $92.8 million. This was primarily attributable to MAC revenue of $92.66 million, with an additional $0.18 million received from ongoing operations at the Yalyalup and Wonnerup mineral sands assets. This represents an increase of 72% over the 2020 interim period, driven by higher iron ore prices in Q1, and significantly higher iron ore production at MAC with the ramp up of BHP's 80 Mwmtpa South Flank operation.

- **Costs -** Total operating expenses for the half-year period were $4.3 million. This amount is lower than the 2020 interim period of $6.0 million, which included $4.6 million of one-off demerger expenses partly offset by the inclusion of only two months of operating expenses following the demerger of the Group part-way through the interim period[8]. The general administrative costs for the half-year period were $3.7 million which reflects a similar run rate to the $1.1 million of costs incurred for the two months within the 2020 interim period (from 3 November 2020 to 31 December 2020). Depreciation and amortisation of $0.2 million remains broadly flat.

[3] BHP Operational Review for the half year ended 31 December 2021 – 19 January 2022
[4] Doral Website Yalyalup Project - Fact Sheet Aug 2021
[5] Tronox Website Western Operations - Fact Sheet
[6] Image Resources Release –Strategic Acquisition of Eneabba Tenement Package - 29 Nov 2021
[7] Image Resources Release – Eneabba Tenement Package Strategic Acquisition Update – 19 Jan 2022
[8] 2020 interim period included six months of revenue and only two months of costs. See Deterra's 2021 Annual Report for details.

Deterra saw an increase in project related business development costs from $0.1 million to $0.5 million. These costs were incurred on detailed due diligence for a number of prospective opportunities.

- **EBITDA -** EBITDA for the half-year period of $88.7 million increased 86% over the 2020 interim period[9], largely due to the increase in MAC revenue. The EBITDA margin of 96% demonstrates the strength and scalability of the low-cost, royalty business model.

- **Tax -** The Group's effective tax rate was 30.24%, closely reflecting the prevailing Australian corporate tax rate.

- **NPAT -** Group profit after income tax for the half-year period amounted to a record $61.7 million reflecting an 85% increase relative to $33.3 million for the 2020 interim period[10]. The improvement in NPAT reflects an increase in revenue primarily due to improved MAC volumes.

- **Capital Management -** As at 31 December 2021, Deterra had net cash of $29.4 million, royalty receivables of $33.2 million and available undrawn capacity of $40 million from the Revolver Credit Facility. Deterra seeks to maintain a conservative level of gearing. Note 8 of Deterra's Financial Report provides details of the Group's maturity profile and interest rate exposure.

  Post period end, on 21 February 2022, Deterra refinanced its existing credit facility, increasing total credit limits from $40 million to $350 million. The new bilateral credit facilities comprise maturities of three, four, and five years and have been implemented on an unsecured basis. The credit facilities have been provided by leading Australian and international banks with proven credentials in resources and royalty financing. The refinancing was materially oversubscribed, resulting in competitive terms. As a result, the Group has increased its weighted average maturity profile and reduced its weighted average margin. Minimum annual costs associated with the facility will be $2.4 million, consisting of $1.8 million in undrawn commitment fees with the remainder in amortised annual establishment costs.

6. Dividends Paid or Recommended

On 22 September 2021 Deterra paid a final dividend of 11.52 cents per share for the 30 June 2021 Financial Year.

On 21 February 2022, the Board of Directors declared a fully franked interim dividend of 11.68 cents per share, for a total of $61,732,000 and equal to 100% of NPAT. This dividend is payable on 31 March 2022 for shareholders on record as at 14 March 2022.

7. Events Occurring after the Reporting Date

Apart from the declared dividend described in Section 6 above and the new bilateral credit facilities described in Capital Management in Section 5 above, there were no other events occurring after the reporting dates.

[9] 2020 interim period included six months of revenue and only two months of costs See Deterra's 2021 Annual Report for details.
[10] 2020 interim period included six months of revenue and only two months of costs See Deterra's 2021 Annual Report for details.

8. Reconciliation of non-IFRS financial information

A reconciliation of the statutory results to the segment and commentary in this half-year ended 31 December 2021 is presented below.

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

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

9. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of directors.

Julian Andrews
Managing Director
Perth, Western Australia
February 2022

Auditor's Independence Declaration

As lead auditor for the review of Deterra Royalties Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Deterra Royalties Limited and the entities it controlled during the period.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
22 February 2022

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DETERRA ROYALTIES LIMITED

ABN 88 641 743 348

FINANCIAL INFORMATION

for the half-year ended 31 December 2021

For the half-year ended 31 December 2021

	Note	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020* $'000
Royalty revenue	3	92,848	53,859
Operating expenses		(3,666)	(1,139)
Business Development expenses		(482)	(90)
Depreciation and amortisation		(198)	(170)
Demerger expenses		-	(4,637)
Operating profit before finance cost		**88,502**	**47,823**
Net finance income/(cost)	4	(48)	(78)
Net foreign exchange gains/(losses)		(1)	1
Fair Value gain on asset acquisition		-	6,512
Profit before tax		**88,453**	**54,258**
Income tax expense	5	(26,751)	(20,917)
Net Profit After Tax		**61,702**	**33,341**
Other comprehensive profit for the period, net of tax		-	-
Total comprehensive profit for the period		**61,702**	**33,341**
Total and continuing earnings per share:			
Basic earnings per share ($)	14	0.1168	0.0631
Diluted earnings per share ($)	14	0.1167	0.0631

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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

As at 31 December 2021

	Note	31 Dec 2021 $'000	30 Jun 2021 $'000
Current Assets			
Cash and cash equivalents		29,431	24,206
Trade and other receivables	7	33,229	54,955
Prepayments		1,445	644
Total Current Assets		**64,105**	**79,805**
Non-Current Assets			
Royalty intangible assets		8,748	8,903
Other intangible assets		5	5
Property, plant and equipment		33	30
Prepayments		33	53
Right-of-use assets		261	297
Total Non-Current Assets		**9,080**	**9,288**
Total Assets		**73,185**	**89,093**
Current Liabilities			
Trade and other payables		590	801
Provisions		69	65
Lease liability		68	67
Income tax liabilities		104	10,904
Total Current Liabilities		**831**	**11,837**
Non-Current Liabilities			
Lease liability		211	244
Borrowings	8	-	-
Deferred tax	6	9,039	15,289
Total Non-Current Liabilities		**9,250**	**15,533**
Total Liabilities		**10,081**	**27,370**
Net Assets		**63,104**	**61,723**
Equity			
Share capital		-	-
Reserves		1,366	804
Retained Earnings		61,738	60,919
Total Equity		**63,104**	**61,723**

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Share Capital $'000	Retained Earnings $'000	Share-based payment reserve $'000	Total Equity $'000
Balance at 15 June 2020	**-**	**-**	**-**	**-**
Profit for the period	-	33,341	-	33,341
Total comprehensive income/(loss) for the period	**-**	**33,341**	**-**	**33,341**
Transactions with owners in their capacity as owners:				
Issue of shares	-	-	-	-
Share-based payments	-	-	115	115
Dividend declared/paid	-	(20,393)	-	(20,393)
	-	**(20,393)**	**115**	**(20,278)**
Balance at 31 December 2020	**-**	**12,948**	**115**	**13,063**
Balance at 1 July 2021	**-**	**60,919**	**804**	**61,723**
Profit for the period	-	61,702	-	61,702
Total comprehensive income/(loss) for the period	-	61,702	-	61,702
Transactions with owners in their capacity as owners:				
Issue of shares	-	-	-	-
Share-based payments	-	-	562	562
Dividend declared/paid	-	(60,883)	-	(60,883)
	-	(60,883)	562	(60,321)
Balance at 31 December 2021	**-**	**61,738**	**1,366**	**63,104**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Note	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020* $'000
Cash Flows from Operating Activities			
Receipts from customers		114,608	50,974
Payments to suppliers and employees (inclusive of GST)		(4,624)	(2,372)
Payment of demerger expenses		-	(4,637)
Interest Received		102	3
Interest paid		(131)	(37)
Income Tax paid		(43,800)	(15,292)
Net cash inflow from operating activities	9	**66,155**	**28,639**
Cash Flows from Investing Activities			
Payments for property, plant, and equipment		(10)	(32)
Payment for asset acquisition		-	(24,405)
Net cash outflow from investing activities		**(10)**	**(24,437)**
Cash Flows from Financing Activities			
Dividend paid		(60,883)	(20,393)
Payment of borrowing establishment fee		-	(120)
Proceeds from borrowings		14,000	16,500
Repayment of borrowings		(14,000)	-
Repayment of lease liabilities		(37)	(1)
Net cash outflow from financing activities		**(60,920)**	**(4,014)**
Net increase in cash and cash equivalents		5,225	188
Cash and cash equivalents at the start of the period		24,206	-
Cash and cash equivalents at the end of the period		**29,431**	**188**

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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

1. Significant Changes in the Current Reporting Period

During the period covered by this Financial Report the Group received royalty income of $92,848,000 from its six existing royalty assets.

During the period the group declared and paid a final fully franked dividend of $60,883,000.

For a detailed discussion about the performance and financial position, please refer to our operations and financial review on pages 2 to 5.

2. Segment Information

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

The Group is organised into a single operating segment, being royalty arrangements in Australia.

3. Royalty Revenue

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
MAC royalty	92,669	53,297
Other royalties	179	562
Total Royalty revenue	92,848	53,859

4. Net Finance Income/(Cost)

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
Finance Income		
Interest on bank deposits	105	4
Total finance income	105	4
Finance Cost		
Finance Costs – Leases	(2)	(1)
Revolving credit facility fees and interest	(151)	(81)
Total finance costs	(153)	(82)
Total Net Finance Income/(Costs)	(48)	(78)

5. Income Tax Expense

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
(a) Income tax expense		
Current tax		
Current income tax on profits for the period	33,000	14,930
Total Current income tax	33,000	14,930
Deferred tax		
Decrease/(increase) in deferred tax assets	291	(1,490)
(Decrease)/increase in deferred tax liabilities	(6,540)	7,477
Total deferred tax expense/(benefit)	(6,249)	5,987
Income tax expense	26,751	20,917
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	88,453	54,258
Tax at the average effective tax rate of 30%	26,536	16,277
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	215	81
Tax effect of valuation gain on acquired receivable	-	(1,953)
Other permanent differences between taxable income and accounting profit:		
Tax payable on acquired receivable	-	6,512
Income tax expense	26,751	20,917

6. Deferred Tax

	31 Dec 2021 $'000	30 Jun 2021 $'000
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Provisions and accruals	30	31
Lease liabilities	84	93
Demerger expenses	835	1,113
Other	54	56
Gross deferred tax assets	1,003	1,293
Amount offset to deferred tax liabilities pursuant to set-off provision	(1,003)	(1,293)
Net deferred tax assets	-	-
Deferred tax liability		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	10	9
Right-of-use assets	78	89
Royalty receivable	9,949	16,477
Other	5	7
Gross deferred tax liabilities	10,042	16,582
Amounts offset to deferred tax assets pursuant to set-off provision	(1,003)	(1,293)
Net deferred tax liabilities	9,039	15,289

7. Trade and other receivables

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current		
Royalties receivable	33,163	54,923
Accrued income	15	11
GST receivable	51	21
	33,229	54,955

8. Borrowings

Revolving Cash Advance Facility Agreement

Undrawn funds of the Revolving Cash Advance Facility at 31 December 2021 were $40 million.

The table below details the facility expiries:

		Facility Expiry			
A$ million	**Total facility**	**2021**	**2022**	**2023**	**2024**
At 31 December 2021	$40m	-	-	$40m	-
At 30 June 2021	$40m	-	-	$40m	-

9. Cash Flow Information

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
Reconciliation of cash flows from operating activities with profit from ordinary activities after income tax:		
Profit for the period	61,702	33,341
Adjusted for non-cash items:		
Depreciation of PPE	7	3
Depreciation expense of right-of-use asset	36	12
Amortisation of Intangibles	155	155
Amortisation of loan establishment fees	20	7
Share-based payment	562	115
Fair Value gain on asset acquisition	-	(6,512)
Other non-cash items	1	10
Changes in assets and liabilities:		
(Increase)/Decrease in operating receivables	21,725	(3,385)
(Increase)/Decrease in prepayments	(800)	(1,114)
Increase/(Decrease) in trade and other payables	(204)	383
Increase/(Decrease) in tax payable	(10,800)	(363)
Increase/(Decrease) in deferred tax liability	(6,249)	5,987
Net cash flows from operations	66,155	28,639

10. Dividends

i) Ordinary shares

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
Dividends provided for and paid during the half-year	60,883	20,393

ii) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since the end of the half-year the directors have declared the payment of an interim dividend of 11.68 cents per fully paid ordinary share. The aggregate amount of the declared dividend of $61,732,000 will be paid on 31 March 2022 out of retained earnings at 31 December 2021, but not recognised as a liability at the end of the half- year.

iii) Franking credits

The interim dividends declared after 31 December 2021 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2022.

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30%	27,781	-

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

11. Commitments and Contingencies

There are no other commitments or contingent liabilities outstanding at 31 December 2021.

12. Subsequent Events

Subsequent to period end:

- The Board of Directors declared an interim dividend of 11.68 cents per share which is equal to $61,732,000.
- On 21 February 2022, Deterra entered into new $350 million bilateral credit facilities to replace the existing $40 million working capital facility(refer to discussion in Capital Management section of the Directors' Report for further information)

The impact of the Coronavirus (COVID-19) pandemic is ongoing and remains uncertain. Whilst the impact for the consolidated entity up to 31 December 2021 has been limited, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. Of particular relevance to the Group is any localised impact on mining operations over which the Group owns royalties and the broader macro demand and pricing for commodities.

13. Share Based Payments

During the half-year equity settled share-based payments were awarded under the Group's Long-Term Incentive Award to the Managing Director, Chief Financial Officer and other employees under the Group's Equity Incentive Plan.

	2022 Long Term Incentive Award
Grant date	20 December 2021
Share price at Grant Date	$4.20
Vesting date	30 June 2024
FV at Grant Date (avg)	$2.91
Number of rights/shares	312,271
Total FV at Grant date	$907,146
Performance or Service conditions	Performance
Expense in period (1 July 2021 to 31 December 2021)	$147,573

14. Earnings Per Share

Earnings per ordinary share is calculated on the Group's profit after tax of $61,702,000 and the weighted average number of shares on issue during the year of 528,475,777.

	Half-year ended 31 Dec 2021	Half-year ended 31 Dec 2020
Net profit attributable to shareholders		
Earnings per share - basic	$0.1168	$0.0631
Earnings per share - diluted	$0.1167	$0.0631

The number of diluted shares was calculated based on the total number of performance rights that had a dilutive effect at 31 December 2021 time weighted for the period 1 July 2021 to 31 December 2021.

The weighted average number of shares on issue for the purpose of calculating basic and diluted earnings per share and basic and diluted adjusted earnings per share are as follows:

	Half-year ended 31 Dec 2021	Half-year ended 31 Dec 2020
Weighted average number of shares on issue		
Basic weighted average number of shares outstanding	528,475,777	528,462,101
Dilutive effect of Employee Performance Rights	354,571	55,723
Diluted number of shares outstanding	528,830,348	528,517,824

15. *Basis of preparation*

This condensed consolidated interim financial report for the half-year ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB *134 Interim Financial Reporting* and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted and applied by the Group are consistent with those of the previous financial year and corresponding interim reporting period. New and amended standards adopted by the Group in the current reporting period had no material impact.

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

a) New and amended standards adopted by the group

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

b) Impact of standards issued but not yet applied by the entity

The following new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been adopted by the Group:

- AASB 17 *Insurance Contracts*
- AASB 2020-3 *Annual improvements and other amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Group assessed that none of the new accounting standards and interpretations will have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

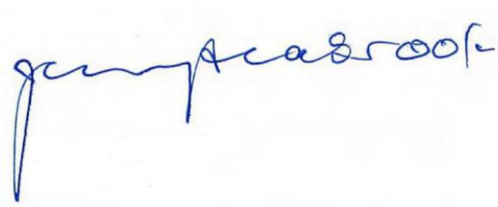
In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 19 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial period ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

This declaration is made in accordance with a resolution of the Board of Directors.



Jennifer Seabrook
Independent Non-Executive Chair

Perth, Western Australia

Julian Andrews
Managing Director & Chief Executive Officer

Perth, Western Australia

Independent auditor's review report to the members of Deterra Royalties Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Deterra Royalties Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 31 December 2021, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Deterra Royalties Limited does not comply with the *Corporations Act 2001* including:

1. Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.

2. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ian Campbell
Partner

Perth
22 February 2022