3 November 2022 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:

Matthew Schembri
Investor Relations Manager
Mobile: + 61 (0) 427 821 380
Email: matt.schembri@deterraroyalties.com

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

2022 Annual General Meeting – Address from Chair

Deterra has now been listed for two years under the consistent guidance of its board and management team. We have stayed true to our promises at the outset of returning value to our shareholders and seeking to grow the business in a patient and disciplined way.

As far as returning value to shareholders, the Company produced excellent financial results in fiscal year 2022 with record revenues and earnings due to the very strong performance of the Mining Area C Royalty, and the board was pleased to be able to declare record dividends for the year of 33.76 cents per share, fully franked, up from 13.77 cents per share in 2021.

From a governance perspective, we have continued to refine our board operations with the benefit of the experience of our first couple of years. During the year we have evaluated our performance and reviewed our structures, processes and director skillsets. We also made a change to our committee leadership, appointing Graeme Devlin as the independent chair of the Nomination and Governance Committee. This will result in a separation of my role as Chair of the board from the chair of this important committee.

Looking to the external environment, the past year saw considerable change – in particular we saw increasing uncertainty around the broader economic outlook which, combined with significant geo-political uncertainty, has been reflected in higher inflation, increased volatility in energy pricing and reduced risk appetite in capital markets. We are not immune to these threats and remain particularly focused on the geo-political threats in our region.

Notwithstanding the challenges that these factors will bring to us and many others, we believe that they also provide opportunities and that our business model is particularly well suited to these conditions. Our “top line” cash flow revenue-based royalties provide protection against cost inflation, with no direct exposure to projects’ operating or capital costs.

As for new opportunities for the Company, miners and developers in our region, in particular, are now starting to look beyond traditional debt and equity markets for additional sources of funding for the new projects and expansions that will be needed to meet future demand. We continue to increase our exposure to the flow of these opportunities with the aim of pursuing those which are best suited to our business and those of the miners and developers. This requires engagement with many CFOs and executive teams, especially in our region, about the use of royalties and streams alongside traditional funding sources.

I note the interest shown by some shareholders about the time it is taking to capture growth opportunities. Your board is confident your patience will be rewarded when we are able to capture opportunities on terms which create shareholder value. We are ensuring we have the skills at the board and in the executive team to execute on these in a prudent manner. I look forward to the support of our shareholders as the Company continues to grow and evolve.

Jennifer Seabrook

2022 Annual General Meeting – Address from Managing Director

In reviewing FY22, it is clear that it was a year of organic growth for the company. Revenues of $265 million, including a one-off $46 million capacity payment, were up 83 per cent on the prior comparable period on the strength of the performance of our core asset, the royalty we hold over BHP's Mining Area C mine or MAC. Operationally, MAC had an outstanding year, producing 111 million wet metric tonnes, an increase of 80% on the prior year as the South Flank expansion continued its ramp up. BHP is to be commended for its impressive execution of this USD3.6 billion capital project which will grow Mining Area C into the world's largest iron ore operation.

The nature of our business model, and its ability to support high margins with its low and scalable fixed cost structure, is illustrated in the $257 million of EBITDA and $178 million net profit after tax we reported for the year, 100 per cent of which was passed on to shareholders as fully franked dividends.

Inorganic growth is also a very important part of our business model and from the time of our listing two years ago, we have spoken consistently about the opportunity we see to create value through expanding our portfolio of royalty assets.

There is still significant organic growth potential remaining in our current portfolio, and in this regard I note South Flank is on-track to reach full capacity by mid-2024, bringing total Mining Area C capacity to 145 million wet metric tonnes per year. However, clearly, acquiring new value accretive assets is key to delivering on this goal.

This remains a core focus of the team and although no new investments were made in FY22, we have a meaningful pipeline of opportunities and remain very active in this space.

Our focus in this regard remains on commodities where we believe we can compete effectively, in particular bulk commodities such as iron ore and fertilisers, and base metals including copper and nickel, in geographies with well-developed mining infrastructures and legal frameworks, primarily Australia and the Americas. We are also seeing an increasing number of opportunities in the battery metals space.

Many of the opportunities we reviewed in FY22 involved the sale of existing royalties as holders look to monetise assets held in broader portfolios. We have seen a steady flow of these secondary processes, however, more recently capital markets are shifting in a direction that we believe will create more opportunities to write new primary royalties and streams. As debt becomes more expensive and equity less available, we expect miners and developers will need to look beyond these traditional capital sources for funding and, consistent with this, we are seeing a greater proportion of primary opportunities.

We have made significant progress in positioning the Company to act on these various value-accretive investments as they are identified. Specifically:

- In February this year, we announced that we had put in place $350 million of bilateral facilities on terms that both extended the tenor and reduced our overall margin. This additional liquidity is an important element of our growth strategy as it provides us with the ability to act on investment opportunities quickly and when other sources of capital may be less available to counter-parties.
- We have also strengthened our internal resources, adding technical, analytical and accounting support to our core executive team. We now have nine team members and excellent links into advisory support where required to optimise our fixed overhead costs and provide us with flexibility to review growth opportunities as required.

I am also pleased with the progress we made on our ESG framework in FY22, having conducted a materiality assessment – an important step in framing our ESG governance and reporting going forward, – implemented and refined our ESG investment policy, and reported on our direct emissions and met our net zero commitment for the year.

In closing, FY22 was a year of substantial organic growth for the business that has driven significant increases in revenue, earnings, and dividends, and I look forward to capturing the opportunities FY23 will bring for the benefit of our shareholders with the assistance of our team including our Board members.

Julian Andrews