



The resources
investment that pays

Annual Report 2022

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ASX Appendix 4E

Results for Announcement to the Market¹

This statement includes the consolidated results of Deterra Royalties Limited for the year ended 30 June 2022 (FY22) on a statutory basis.

Report for the year ended 30 June 2022	2022 \$'000	2021 ² \$'000	Up/ Down	Movement %
Revenue from ordinary activities	265,155	145,209	Up	83%
Profit from ordinary activities after tax attributable to members	178,462	94,260	Up	89%
Net profit after tax attributable to members	178,462	94,260	Up	89%

Dividend information	Cents Per Share	Franked Amount	Tax rate for franking
Final dividend for period ended 30 June 2021	11.52	100%	30%
Interim dividend	11.68	100%	30%
Final dividend declared for year ended 30 June 2022	22.08	100%	30%

Final dividend dates

Ex-dividend date	25 August 2022
Record date	26 August 2022
Payment date	21 September 2022

Tangible assets	30 June 2022	30 June 2021
Net tangible assets per share (cents)	20.82	9.99

Dividends – Further information on dividends paid or recommended is provided in the Directors' Report.

Further details and analysis can be found in the following pages that constitute Deterra's "FY22 Annual Report".

¹ This page and the accompanying 101 pages comprise the year-end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.3.

² Comparisons to the prior year are made to the non-standard period of 15 June 2020 to 30 June 2021. This non-standard period includes 12 months of royalty revenue and only eight months of operating expenses to account for the series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. Further details of the demerger transactions can be found on page 96 of this report.

Calendar of Key Events

Date	Event
26 August 2022	Dividend Record Date
21 September 2022	Dividend Payment Date
1 November 2022	Closure of Acceptances of Proxies for AGM
3 November 2022	Annual General Meeting*

*Nominations of directors must be received by the Company at least 45 business days prior to the date of the Annual General Meeting (ie: by 1 September 2022).



Image courtesy of BHP Group.

Deterra holds **six royalties** in its current portfolio, creating growth through asset life extensions and exploration.

Our key royalty investment activities involve acquisition of royalties from third parties and providing finance to resource companies in return for royalties.

Mineral Sands

Yoongarillup and Yalyalup Mineral Sands Mines

- South West, Western Australia
- Producing
- Exploration

Mineral Sands

Eneabba Project

- Mid West, Western Australia
- Exploration

Mineral Sands

Wonnerup Mineral Sands

- South West, Western Australia
- Producing

Iron Ore

Mining Area C

- Pilbara, Western Australia
- Producing

Minerals

St Ives Gold Project

- Eastern Goldfields, Western Australia
- Exploration

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About Deterra Royalties

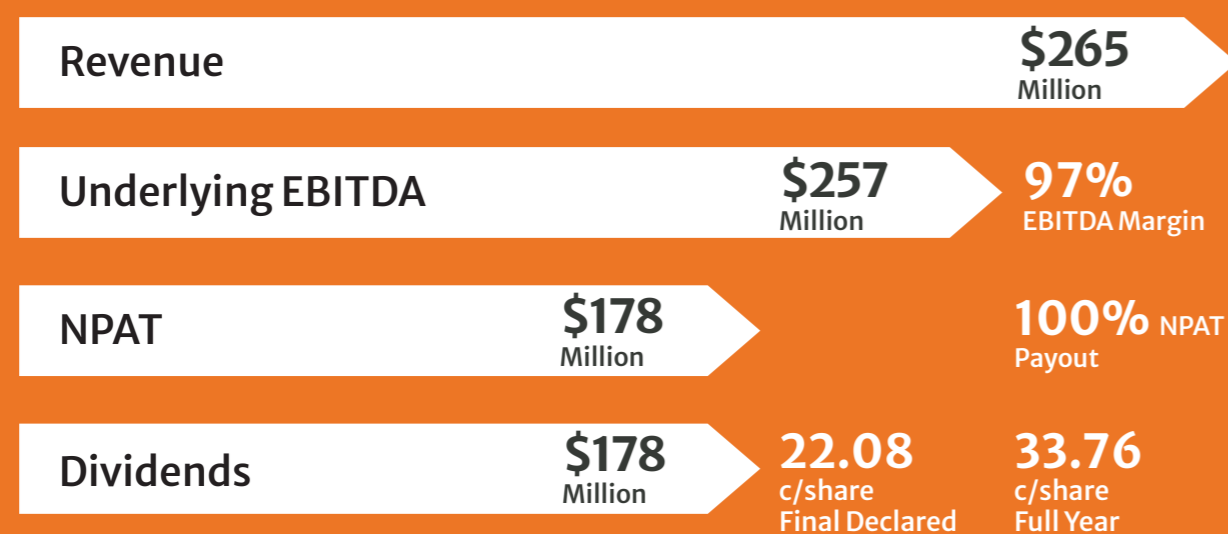
Deterra Royalties Limited is based in Perth and is listed on the Australian Securities Exchange (ASX code: DRR).

The Company's principal activity is the management and growth of a portfolio of royalty assets across a range of commodities, primarily focused on bulk, base and battery metals. Deterra's existing portfolio includes royalties held over Mining Area C, our cornerstone asset, in the Pilbara region of Western Australia, as well as five smaller royalties including Yoongarillup/Yalyalup, Wonnerup, Eneabba and St Ives.

A resources focused royalties business

Highlights

Deterra Royalties (ASX: DRR) is pleased to release its Annual Report for the period 1 July 2021 to 30 June 2022.



✓ Lean business model delivering strong financial performance and shareholder returns

✓ Developing value accretive growth options in addition to increased production from MAC South Flank

Focus for the Future

Our Business Model

Is simple and transparent, focused on high margins, dividends and disciplined growth



Our investment proposition

Offers a lower risk, higher margin exposure to the resources sector with a focus on shareholder returns

Our core asset

Gives exposure to one of the world's most valuable iron ore operations

Our Values



Disciplined
Ensure we are disciplined in our processes and decision making.



Creative
Think creatively to develop opportunities to add value to our stakeholders.



Collaborative
Work collaboratively within the company and with our shareholders.



Strategic
Challenge the status quo.



Reliable
Act with integrity in everything we do.

Chair and CEO Report

Dear Shareholders,

It is our pleasure to present to you Deterra Royalties' Annual Report for the financial year 2021/22 (FY22).

The past year has seen uncertainty around the broader economic outlook which has been reflected in increased volatility in commodity pricing and capital markets. We believe that our model is particularly well suited to these emerging conditions. Our revenue based royalties provide significant protection against cost inflation, as they have no direct exposure to the operating or capital costs of the projects. Royalties offers shareholders a distinctly lower risk profile when compared to a mining company. By returning 100 per cent of earnings to shareholders Deterra provides investors with a unique exposure to income from a high margin investment business with a world class cornerstone asset.

We believe that these changing macro-economic conditions will also bring new opportunities for the Company as miners and developers 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.

Asset performance

It has been another outstanding year for our producing royalties and in particular our cornerstone asset, the Mining Area C Royalty (MAC Royalty). Mining Area C reported record production volumes of 111 million wet tonnes (mwt) as the South Flank operations continue to ramp up. As at fourth quarter 2022, the South Flank expansion is ahead of schedule, producing at a run rate of 67 mwt per annum, 84 per cent of the 80 mwt per annum announced nameplate capacity. When the South Flank expansion is complete, which is expected by mid 2024, the combined Mining Area C capacity of 145 mwt per annum will make it the largest iron ore production hub in the world.

Financial Performance

Financially, the Company has also reported record results with total revenue of \$265.2 million. The MAC Royalty generated \$218.8 million of royalty revenue on record production, an increase of 53.6 per cent on FY21, as well as a one off capacity payment of \$46 million resulting from continuing ramp up of the South Flank expansion. The average realised iron ore price, although remaining high compared to historical levels, declined 14 per cent from the prior year. On a much smaller scale, the Yoongarillup and Wonnerup mineral sands royalties generated revenue through the year, \$0.35 million and \$0.05 million respectively. Full year earnings before interest, tax, depreciation and amortisation (EBITDA) was \$256.8 million, an increase of 89 per cent from the prior year, at an EBITDA margin of 97 per cent. Net profit after tax (NPAT) for the full year increased 89 per cent to \$178.5 million.

The Company has declared a final dividend of 22.08 cents per share which, together with the interim dividend of 11.68 cents per share, brings the total FY22 dividend to 33.76 cents per share fully franked, equal to 100 per cent of NPAT. Providing shareholders with access to the cashflows generated by our assets is a core element of the Company's strategy and the Board is pleased to have been in position to deliver on this objective once again.



Positioning for growth

Our royalties investment model provides option value at no incremental cost through exposure to future development of projects or deposits on tenements covered by our royalties.

In this way, our current portfolio continues to provide substantial organic growth options. In the short term, based on BHP stated capacity, South Flank is expected to add up to an additional 34 mwt of capacity over the next two years. Although on a smaller scale, the development of the Yalyalup mine to replace Yoongarillup and the permitting of the extension of Wonnerup operations are also a good demonstration of this option value.

In addition, we continue to evaluate opportunities to grow the Company's portfolio of assets. Although no new investments have been made in FY22, during the year our business development team has been, and remains, very active in identifying and assessing opportunities in both acquiring existing royalties and creating new instruments.

Our focus has been 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, primarily Australia and the Americas.

We have seen many potential investments in these areas but value has been difficult to find in the very strong commodity markets which prevailed for much of the year. Our approach will continue to be patient and disciplined.

Significant progress has been made in positioning the Company to act on value accretive investments as they are identified. In February this year, we announced that we had put in place \$350 million of bilateral credit 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.

Team

In the last 12 months we have strengthened the team, adding technical, analytical and accounting support. We now have eight team members and excellent links into advisory support where required to optimise our overhead costs but provide us with flexibility to review growth opportunities.

In summary, it has been a busy year for the Company, one in which we have stayed focused on our core principles of returning value to shareholders and seeking to grow the business in a patient and disciplined way. The Company has produced an excellent financial result due to the very strong performance of the MAC Royalty. We look forward to capturing further opportunities for the benefit of our shareholders with the assistance of our team, including our Board members.

Jennifer Seabrook
Independent Chair

Julian Andrews
Managing Director & Chief Executive Officer

Our Board



From left to right: Joanne Warner, Julian Andrews, Adele Stratton, Graeme Devlin, Jennifer Seabrook

Jennifer Seabrook
Independent Chair

Joanne Warner
Independent Non-Executive Director

Julian Andrews
Managing Director & Chief Executive Officer

Adele Stratton
Non-Executive Director (Iluka nominee)

Graeme Devlin
Independent Non-Executive Director

Deterra has a well credentialed board with extensive expertise in the global resources sector with deep and diverse networks in the mining industry

Our Team



Julian Andrews
Managing Director
& Chief Executive Officer



Brendan Ryan
Chief Financial Officer
& Company Secretary



Bronwyn Kerr
General Counsel
& Company Secretary



Matt Schembri
Manager, Investor Relations



Li Li
Financial Controller



Vanessa Pereira
Executive Assistant
& Office Manager



James Thompson
Senior Resource Geologist



Adrian Hartojo
Senior Business
Development Analyst



Sustainability

Operating with Integrity

We recognise the importance of good governance and put this at the heart of everything we do. For us, this means ensuring that sustainability is embedded in our decision-making.

This sustainability section of our annual report reflects the value we place on operating in a responsible manner, which involves being transparent, protecting the environment and contributing to the communities.

Following the establishment of our Sustainability Committee in FY21, our focus this year was further building our frameworks to manage environmental, social and governance risks, and embedding this approach into our organisational culture, workplace practices and business processes.

Key Highlights

Our key ESG achievements this year include:

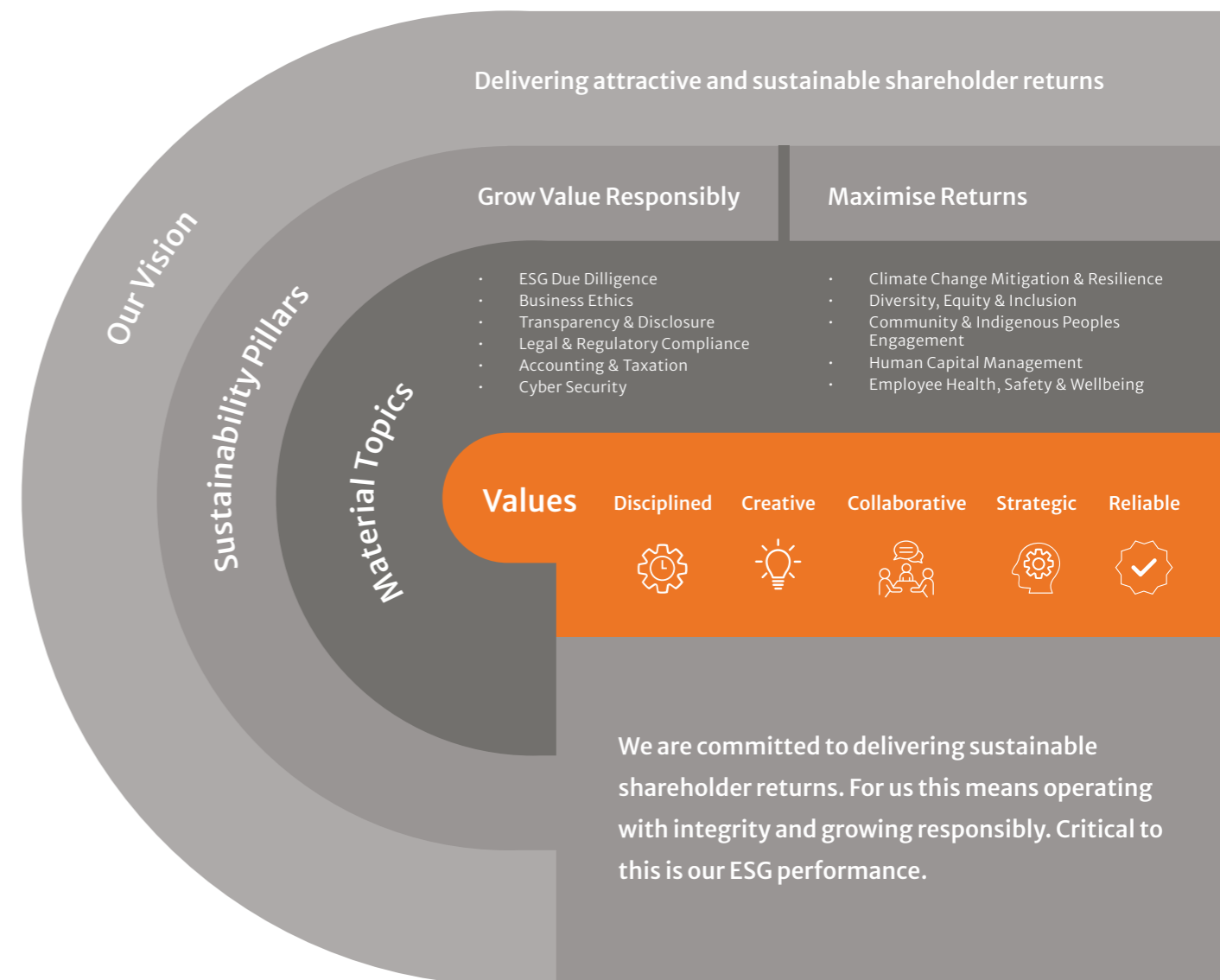
<p>8 employees (36% female)</p> 	<p>0 health and safety incidents</p> 
<p>5 board members (60% female)</p> 	<p>Achieved Net Zero operational GHG emissions</p> 
<p>Issued our first Modern Slavery Statement</p> 	<p>Adopted Human Rights & Climate Policies</p> 
<p>Became a UN Global Compact Participant</p> 	<p>Undertook our first Materiality Assessment</p> 

Our Approach to Sustainability

We are committed to delivering sustainable shareholder returns. For us this means operating with integrity and growing responsibly. Critical to this is our ESG performance.

Given the nature of our industry, our direct ESG risk exposure is limited. However, we recognise that we are indirectly exposed to ESG risks through the assets in which we invest. As we continue to grow, it will be important that we assess not only the quality of the assets but also our operating partners carefully prior to making investment decisions in order to manage our indirect ESG risk exposure.

While FY21 saw us develop policies and processes to drive good ESG performance, in FY22 we took steps to embed these policies and processes into practice. We also established a sustainability roadmap to help us continue to evolve our approach to ESG, and ensure that we are delivering on our ESG commitments.



Materiality

In FY22, in line with the Global Reporting Initiative (GRI) Standards, we conducted our first materiality assessment. Material topics are those issues that we believe may have a material impact to our business, either directly through our own actions or indirectly through the actions of our investment partners and other stakeholders.

In determining our material issues, we conducted a detailed review of our business, the external landscape and peer and competitor disclosure practices. This helped to establish a list of potentially material topics prioritised by the significance of the potential impact of the issue to our business and the influence the issue may have on our decisions. Following consultation with stakeholders several “core material issues” were identified that could have the most impact and deserve our focus.

The list of material topics was then reviewed and endorsed by our Sustainability Committee as:

- Corporate Governance, Business Ethics and Transparency
- Climate Change Mitigation & Resilience
- ESG Due Diligence

We are in the process of updating our sustainability roadmap to reflect the outcomes of the materiality assessment. We talk to each of these topics in the following sections.



Image courtesy of Mark Pudovskis.

Corporate Governance, Business Ethics and Transparency

We believe strong corporate governance is essential for building a sustainable business and creating long term value for our stakeholders. We value acting ethically, with integrity and within the law, and aim to embed this behavior across the organisation and in all our business dealings. Our governance framework is designed to support our team in the delivery of our strategy and provides the guidelines for effective and responsible decision making.

Our Codes of Conduct applies to all of our directors, employees and contractors. They provide a guideline for maintaining our integrity and ensures our company culture and values are upheld, in addition to addressing avoidance of conflicts of interest, compliance with laws, rules and regulations, confidentiality, internal controls and disclosure, protection and proper use of our resources and assets, communications, fair dealing, privacy, use of company computers and the internet, and reporting any violations of laws or regulations. Codes of Conduct are used in conjunction with our Diversity and Inclusion Policy, Whistleblower Policy and Anti-Bribery and Corruption Policy to deliver on our values. All of these policies are available on our website.

In addition, and in line with our commitment to ethical business practices and transparency and in accordance with the ASX regulations, we produced our first [Voluntary Tax Transparency Disclosure](#) statement and our first [Corporate Governance Statement](#) in 2021 and will maintain this disclosure on an annual basis.

Climate Change Mitigation and Resilience

We are committed to establishing and maintaining carbon neutrality within our own operations and investing responsibly

We view climate change as a global priority where we all have a role to play in reducing our impact, and support decarbonisation and the transition to a low carbon economy. Climate change and energy use are material to us and therefore a core focus area. Due to the nature of our business our direct impact on climate change is small as we operate from a single office with a staff of eight people. However, we do acknowledge that although our direct emissions are small (3.88 t CO₂e) the operations in which we invest may have a greater impact. Therefore, we recognise the long-term value of investing in projects with a favourable emissions profile, as such we are committed to assessing the carbon footprint of prospective future investments.

Greenhouse Gas Emissions Inventory

In FY21 we made a commitment to assess our emissions profile and investigate ways to reduce our emissions, to achieve this we engaged a consultancy to undertake an assessment of our emissions and develop a Net Zero Pathway.

We used the Greenhouse Gas Protocol Corporate Standard and National Greenhouse and Energy Reporting Measurement Determination methodology to calculate our GHG emissions. Our GHG emissions inventory included Scope 1 and Scope 2 emissions for the period 1st November 2020 to 31st December 2021 for emissions associated with our Perth office. Apart from electricity consumption at our office, we do not have any operational or financial control on the activities at assets in which we invest. There are no Scope 1 emissions. Our total GHG emissions (1 November 2020 to 31 December 2021) were 4.52 t CO₂e. This was extrapolated for a twelve month period for FY22 resulting in an estimated annual emission burden of 3.88 t CO₂e.

Summary GHG Data (1 Nov 20 – 31 Dec 21)	Quantity
Purchased electricity consumption (kWh)	6658
Purchased electricity consumption (Scope 2)	4.52
Fuel combustion activity data (Scope 1)	0
Total Scope 1 Emissions	0
Total Scope 2 Emissions (Tons of CO₂e)	4.52

Net Zero Commitment

In FY22 we adopted a formal Net Zero commitment via our [Climate Policy](#) and met this target through the purchase of a small number of Gold Standard offsets. We have also sought to offset our travel (scope 3 emissions) with Gold Standard certified emission reduction offsets. To further support our commitment to zero emissions we have entered into an agreement to purchase Large-scale Generation Certificates (LGCs) ensuring our energy use is from renewable resources. Through these measures we have accomplished our net zero target, and are committed to achieving this target annually.

Physical and Transitional Risk

Climate-related risks associated with our office-based operations have been identified as minor, however we do appreciate that these risks are material to our investments. We do not foresee climate-related risks to have a major impact on our revenue in the short-term, however we do acknowledge risks could emerge in the medium to long term.

To manage our risk, we screen for physical climate-related risks, including adaptation and mitigation strategies, over short, medium and long term intervals through our due diligence process. This forms part of our decision making process when entering into new agreements. The due diligence process is undertaken by our staff along with consultants who have experience assessing ESG, technical, and financial risks. Of note, we have made a commitment not to invest in coal projects.

However, we see ESG not just as a risk, but as an opportunity. As a royalties company we are well placed to participate in opportunities stemming from the transition to a low-carbon economy. As such we are embedding transitional risk analysis into our business model, where we will assess investment opportunities in commodities used for low emission products and services that have potential to increase revenue due to greater demand for these resources.

Iron Ore:

Iron Ore is a critical commodity in modern society and is fundamental for the transition to a low carbon economy as it is an essential material used in technologies such as wind turbines and electric vehicles.

The South Flank is BHP's newest and most technically advanced operation, producing some of the lowest carbon emitting iron ore in the world. Iron ore greenhouse gas emissions for Mining Area C are in the lowest quartile of all seaborne iron ore (Wood Mackenzie GHG emissions intensity Scope 1 plus Scope 2).

The production of steel is energy intensive and results in high emissions, in order for steel production to reduce emissions it is essential to decarbonise. BHP has partnered with the University of Newcastle to research methods to decarbonise steelmaking to support its efforts in the transition to a low carbon economy.

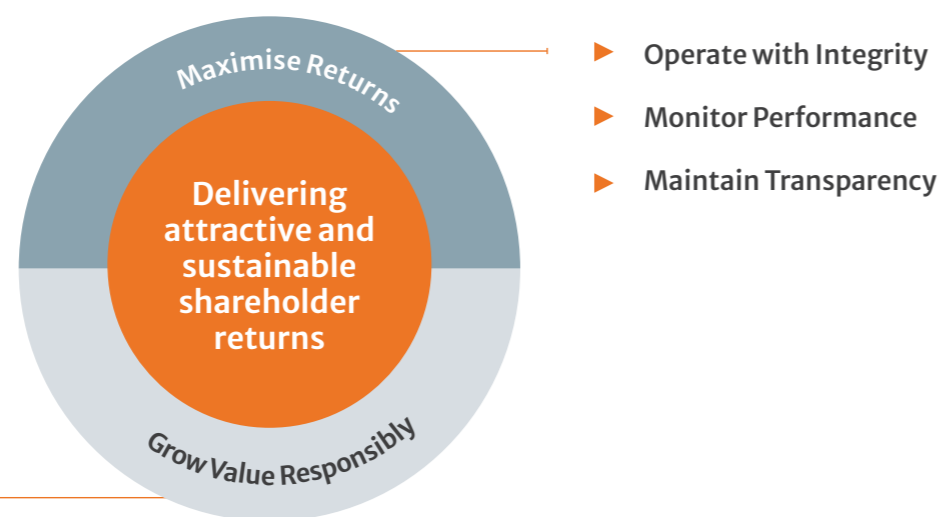
<https://www.bhp.com/news/media-centre/releases/2022/02/bhp-extends-low-carbon-steel-research-partnership-with-the-university-of-newcastle>

Investing Responsibly

ESG Due Diligence

Our business model involves investing, principally through holding royalties and streams, in mining projects that are owned and operated by third-party mining companies. This means we do not directly control or influence the operations in which we have a financial interest. However, we are committed to responsible mining practices. We recognise that we are indirectly exposed to the ESG risks from the assets in which we invest. We acknowledge the importance of assessing not only the quality of the assets but also our operating partners carefully prior to making an investment in order to manage our ESG risk exposure. Our Sustainability Committee has developed ESG Assessment Criteria which are complemented by Deterra's Risk Appetite Statement and Procedures and Risk Management Framework.

As we continue to build our business and our portfolio of assets, we recognize the importance of making responsible investments. As such we have expanded our ESG Assessment Criteria and continue to refine our approach to assessing potential investment options. Prior to entering into royalty and stream agreements we undertake an ESG due diligence analysis, assessing and mitigating potential risks relating to an asset. The due diligence process varies based upon a number of factors, including whether the project is at the exploration, construction or operational phase, the type of commodity and geographic region. We believe that thorough assessment of ESG risks in association with the companies, projects and locations in which we seek to invest will enhance the long-term performance of our company. Where necessary we engage third party specialists including technical, sustainability and legal experts to assist with our ESG due diligence. We will continue to refine our approach to our investment assessment.



Deterra has expanded its ESG Assessment Criteria and continues to refine its approach in assessing potential investment options

Our Assets

We hold six royalties in our current portfolio, our key royalty investment activities involve acquisition of royalties from third parties and providing financing to resource companies in return for royalties. See pages 34 to 35 of this Annual Report for further detail.

Our cornerstone royalty asset is over Mining Area C, which is operated by BHP Limited, a leading global diversified miner rated "A" by MSCI Inc for its approach to environmental, social and governance issues. We plan to diversify our royalty portfolio over time through the disciplined acquisition of value accretive royalties.

Mining Area C

Operator: BHP

Country: Australia

Commodity: Iron Ore

Climate: Deterra estimates that Mining Area C's emissions across Scope 1 and Scope 2 for 2022 will total 685 kT CO₂e (Wood Mackenzie, GHG emissions intensity). BHP has set targets to reduce its operational emissions by at least 30 per cent from 2020 levels by 2030 and net zero by 2050. BHP has also set goals to support the development of technologies and pathways capable of emissions intensity reduction in integrated steelmaking. In June 2022, BHP advised that its operational greenhouse gas emissions had dropped 20 per cent since FY20 and noted that it expected to spend around US\$4 billion through to 2030 to further reduce its emissions.

Water Management: In FY19 BHP developed a Water Stewardship Position Statement that expresses BHP's commitment to and advocacy for water stewardship. With its water stewardship vision being "A 'water secure' world by 2030", BHP has committed to setting public, context-based, business-level targets that will aim to both improve their management of water and support shared approaches to water management within the regions they operate.

Bio-diversity: Mining Area C is located in the Pilbara Region of Western Australia. BHP is committed to effective management of the land and biodiversity risks, and to contributing to a resilient environment beyond the immediate areas of its operational activities. Supporting conservation efforts beyond its footprint as a way of creating value for society.

Diversity & Inclusion: BHP has publicly announced its aspiration to achieve gender balance within its employee workforce globally by the end of FY25. As of the end of FY21, 25.2 per cent of leadership and 29.8 per cent of the employee workforce was female. BHP has also set targets to achieve Indigenous employment of 8 per cent in its Australian workforce by FY25. BHP has conducted LGBT+ awareness training across its operated assets and work has progressed to reach LGBT+ people in the regions and ensure employees are safe and supported onsite.

Health & Safety: BHP acknowledges the Health and Safety of its workforce and communities in which it operates is paramount. It has introduced the Fatality Elimination Program, Integrated Contractor Management Program and Field Leadership Program to enable the achievement of its safety targets. In FY21, the total recordable injury frequency (TRIF) performance was 3.7 per million hours worked with the highest number of injuries related to slips, trips and falls. BHP undertakes a range of activities to enhance the physical and mental wellbeing of employees in addition to a range of targeted health programs such as the better sleep program.

Transparency: BHP supports transparency and disclosure initiatives and partner with Transparency International, representation on the board of Extractive Industries Transparency Initiative Standard, Bribery Prevention Network (Australia) and the BHP Foundation. In FY21 BHP published comprehensive reports on BHP's Climate Transition Action Plan, Annual Report (inclusive of Sustainability), ESG Standards and Databook, Modern Slavery Statement and Tailings and Storage Facility Policy Statement.

Source, unless stated: <https://www.bhp.com/sustainability>



Image courtesy of BHP Group.

United Nations Global Compact

We aim to demonstrate sustainability leadership in our practices, actions and investments. In early 2022, we joined the United Nations Global Compact (UNGC) as a participant member, committing to implement its Ten Principles for sustainability.

Area	Principle	For more information
Human Rights	1: Business should support and respect the protection of internationally proclaimed human rights; and	See our Human Rights Policy and Modern Slavery Statement
	2: Make sure that they are not complicit in human rights abuses.	
Labour	3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;	See Investing Responsibly Section
	4: The elimination of all forms of forced and compulsory labour;	
	5: The effective abolition of child labour, and;	
Environment	6: The elimination of discrimination in respect of employment and occupation	See our Human Rights Policy and Modern Slavery Statement
	7: Businesses should support a precautionary approach to environmental challenges;	
	8: Undertake initiatives to promote greater environmental responsibility; and	
Anti-Corruption	9: Encourage the development and diffusion of environmentally friendly technologies.	See Climate Change Mitigation and Resilience Section
	10: Businesses should work against corruption in all its forms, including extortion and bribery.	

Progress

As outlined in this report, during the past year we have laid the foundations for our sustainability journey and achieved the key targets we set out in 2021. In the coming years, we will continue to evolve our approach to sustainability that reflects our values. Our focus will be on our material issues and working towards achieving the targets laid out on our sustainability roadmap in order to deliver meaningful results for our business, shareholders, and stakeholders. We will continue to report annually on our sustainability progress and performance.



Complete

- ✓ 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



Next Steps

- ✓ 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

We are committed to delivering attractive and sustainable shareholder returns.



Voluntary Tax Transparency Disclosures

1. Tax governance, tax strategy and dealing with authorities

The Board of Directors is responsible for setting the Company's tax policy and overseeing tax governance. The Chief Financial Officer has oversight responsibility for tax strategy, the management of tax risk as well as the operational responsibility for execution of tax policies. The Chief Financial Officer reports to the Board's Audit and Risk committee on a regular basis.

Deterra Royalties Limited, together with its 100 per cent controlled Australian subsidiaries, is a tax consolidated group (the Deterra Group) for Australian income tax purposes.

The Deterra Group:

- Recognises its responsibility to pay tax to all revenue authorities according to the tax rules and legislation of the jurisdictions in which it operates;
- Manages tax risk in the same manner as any other operational risk;
- Engages service providers with appropriate qualifications and experience to manage its tax obligations;
- Engages with revenue authorities, including the Australian Taxation Office, in a transparent and cooperative manner; and
- Has in place a Board approved Tax Policy that affirms the above principles and ensures that tax related decisions are made having regard to Deterra maintaining its integrity and reputation, including that they are made at an appropriately senior level and are supported by appropriate documentation.

2. Tax payments in FY22

Deterra Group is expecting to lodge its FY22 income tax return in early September 2022. The Table 1 below represents direct taxation payments made to governments by the Deterra Group for the year ended 30 June 2022.

Table 1 excludes taxes collected by the Deterra Group and passed onto revenue authorities such as goods and services tax and pay-as-you-go withholding on employee salaries:

Table 1: Direct tax payments to government	\$'000
Income tax instalments	70,930
State and Territory taxes (Payroll tax)	133
Total tax payments to Australian Federal and State Governments	71,063

3. Financial statement disclosures

Income tax expense and effective tax rates

Table 2 extracts the 30 June 2022 accounting profit before income tax expense and effective tax rate from the 2022 annual financial statements disclosed in this Annual Report (Notes 5 and 6 in the Annual Financial Report).

Table 2: Calculations of effective tax rate	\$'000
Accounting profit before tax	255,532
Income tax expense (current and deferred tax expense)	77,070
Effective tax rate	30.16%

The reconciliation of the accounting profit before tax to the Income tax expense is disclosed in note 5(b) of the Financial Report.

Material temporary differences are disclosed in note 6 of the Financial Report.

Reconciliation of income tax liabilities/(assets)

A reconciliation of the income tax expense per the annual financial statements to income tax liabilities/(assets) at 30 June 2022 are as follows:

Table 3: Income tax liabilities/(assets) reconciliation	\$'000
Income tax liabilities/(assets) at beginning of period	10,904
Current income tax expense	59,544
Income tax instalments paid – relating to FY21	(10,904)
Income tax instalments paid – relating to FY22	(60,026)
Income tax liabilities/(assets)	(482)

4. International related party dealings

Deterra predominantly engages in regular business activities in Australia with funding sourced from unrelated independent financial institutions. For the year ended 30 June 2022, Deterra did not have any international related party dealings.

Corporate Governance

At Deterra, we believe that strong corporate governance is essential for building a sustainable business and creating long-term value for all our stakeholders.

Whilst the Board of Directors is responsible for the Company's corporate governance, it is critical that all those who work at Deterra act ethically, with integrity and within the law. We aim to embed this behaviour across the organisation and in all our business dealings.

Our governance framework is designed to support our team in the delivery of our strategy and provides the guidelines for effective and responsible decision making at Deterra.

The Board is responsible for promoting the success of Deterra whilst ensuring that the interests of shareholders and stakeholders are protected. The key functions for which the board are accountable include, setting the long term corporate strategy, reviewing and approving business plans and annual budgets, overseeing the risk management framework, approving material investments, approving financial statements, approving and monitoring the adherence to Company policies, developing and promoting corporate governance and demonstrating, promoting and endorsing an ethical culture.

Board Committees

To assist the Board to discharge its responsibilities, the Board has established the following Committees:

- Audit & Risk
- Nominations & Governance
- People & Performance
- Sustainability

Each Committee works within a Charter approved by the Board, which sets out the roles and responsibilities, composition, structure and membership requirements for the Committee. Details of relevant qualifications and experience for all Committee members can be found on pages 28 and 29 of this Annual Report.

Further information about the Committees can be found in the FY22 Corporate Governance Statement and copies of the Board and Committee Charters can be found in the Governance section of Deterra's website at <https://deterraroyalties.com/sustainability/corporate-governance>.



Image courtesy of Tronox Holdings plc.

Table 4: Summary of Committees

Members	Key Accountabilities
Audit & Risk Committee	
Mr Graeme Devlin (Chair)	• Approve selection and performance of independent external auditor
Ms Jennifer Seabrook	• Review accounting policies, financial statements and financial reporting
Dr Joanne Warner	• Recommend risk management framework
Ms Adele Stratton	• Review processes for managing risk
	• Review procedures for compliance
Nominations & Governance Committee	
Mr Graeme Devlin (Chair)	• Review and recommend Director selection, appointment and re-election process
Ms Jennifer Seabrook	• Review and recommend succession of Board and Chair
Dr Joanne Warner	• Undertake evaluation of performance of Board, Committees, Directors and Chair
Ms Adele Stratton	• Review corporate governance statement, framework and related legal developments
People & Performance Committee	
Dr Joanne Warner (Chair)	• Recommend remuneration of Executive KMP and Non-Executive Directors
Ms Jennifer Seabrook	• Review and recommend selection for CEO, succession planning for CEO and other senior executives
Mr Graeme Devlin	• Assess and approve measurable diversity targets
Ms Adele Stratton	• Review compliance with Codes of Conduct
Sustainability Committee	
Ms Jennifer Seabrook (Chair)	• Advise on ESG matters including emerging risks
Mr Graeme Devlin	• Review and recommend sustainability objectives and disclosures
Dr Joanne Warner	
Ms Adele Stratton	

Corporate Governance Statement

The Company's FY22 Corporate Governance Statement outlines the Company's current corporate governance framework, by reference to the Corporate Governance Principles and Recommendations contained in the ASX Corporate Governance Council's 4th Edition of its Corporate Governance Principles and Recommendations (ASX Recommendations). During FY22, the Company's corporate governance practices complied with all relevant ASX Recommendations.

The Corporate Governance Statement is current as at the date of this report and has been approved by the Board. This statement can be found in the Governance section of Deterra's website at <https://deterraroyalties.com/sustainability/corporate-governance> along with the ASX Appendix 4G, a checklist cross-referencing the ASX Recommendations to disclosures in the Corporate Governance Statement and the FY22 Annual Report.

Directors' Report

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Directors' Report

Directors' Statement of Tenure

The names of directors who held office during the reporting period and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Jennifer Seabrook	Independent Non-Executive Chair (Appointed 15 June 2020)
Julian Andrews	Managing Director (Appointed Director 15 June 2020, appointed Managing Director and Chief Executive Officer 2 November 2020)
Graeme Devlin	Independent Non-Executive Director (Appointed 16 October 2020)
Joanne Warner	Independent Non-Executive Director (Appointed 16 October 2020)
Adele Stratton	Non-Executive Director (Appointed 15 June 2020)

Joint Company Secretaries

Brendan Ryan	Chief Financial Officer (Appointed 14 September 2020) and Joint Company Secretary (Appointed 21 October 2020)
Ian Gregory	Joint Company Secretary (Appointed 21 October 2020, resigned 8 November 2021)
Bronwyn Kerr	Company Secretary (Appointed 8 November 2021), General Counsel (Appointed 27 October 2021)

Principal Activities

Deterra Royalties Limited is an Australian company listed on the Australian Securities Exchange (ASX code: DRR). The Group's principal activity is the management of a portfolio of existing royalties and growth through the addition of new royalties across bulk commodities, base and battery metals. The existing portfolio includes six royalties over: Mining Area C, Yoongarillup/ Yalyalup (under two royalty agreements), Eneabba, Wonnerup and St Ives.

Dividends Paid or Recommended

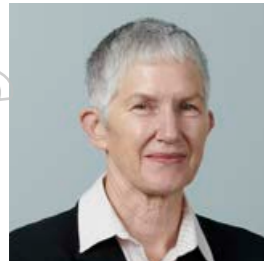
Deterra's intent is to pay semi-annual dividends (franked to the maximum extent possible) from excess cash. Payment of dividends and dividend policy is determined by the Deterra Board at its discretion.

The total dividend declared for the period of this Annual Report is \$178,430,000 which represents a payout of 100 percent of NPAT. The two dividends paid or declared during the period include:

- Interim Period Dividend of \$61,732,000 or 11.68c/share paid on 31 March 2022.
- Final Dividend declared of \$116,698,000 or 22.08c/share, to be paid on 21 September 2022 for shareholders on record as at 26 August 2022.

Directors' Report

Board Profile



Jennifer Seabrook

Independent Chair and Non-Executive Director
BCom, FCA, FAICD

Term Of Office

Ms Seabrook was appointed 15 June 2020.

Board Committees

Chair of Sustainability
Member of Audit and Risk
Member of People and Performance
Member of Nominations and Governance

Experience

Ms Seabrook brings over 30 years of corporate experience across capital markets, mergers and acquisitions and accounting advisory roles and several Non-Executive Directorships for listed, unlisted and federal and state government corporations. Ms Seabrook is currently a Non-Executive Director of BGC Australia Group of Companies, Australian Rail Track Corporation and HBF Health Limited.

Current Listed Directorships

Nil

Former Listed Directorships In The Last 3 Years

- Iluka Resources Limited: May 2008 – April 2020
- IRESS Limited: August 2008 – May 2020
- MMG Limited: July 2015 – October 2019



Graeme Devlin

Independent Non-Executive Director
BAppSci, MBA, GAICD

Term Of Office

Mr Devlin was appointed 16 October 2020.

Board Committees

Chair of Audit and Risk
Chair of Nominations and Governance
Member of People and Performance
Member of Sustainability

Experience

Mr Devlin brings a deep and varied set of experiences from his business development, operational, investment evaluation and structured finance roles within BHP Group, Rio Tinto and CRA Limited. He served as BHP's head of acquisitions and divestments from 2009 to 2016. Mr Devlin led the transformation of BHP's capital investment decision making rigour, capability and processes. He was instrumental in the reshaping of BHP's core asset portfolio.

Current Listed Directorships

Nil

Former Listed Directorships In The Last 3 Years

Nil



Joanne Warner

Independent Non-Executive Director
BAppSc (Hons), DPhil, MAICD

Term Of Office

Dr Warner was appointed 16 October 2020.

Board Committees

Chair of People and Performance
Member of Audit and Risk
Member of Sustainability
Member of Nominations and Governance

Experience

Dr Warner has extensive asset management experience including eight years as Head of Global Resources at Colonial First State Global Asset Management. Her broad mining and energy sector experience includes visits to over 450 mining and resource assets across over 30 countries. Dr Warner is currently a Non-Executive Director of Geo40 Limited.

Current Listed Directorships

Non executive Director of First Quantum Minerals – May 2019 to present

Former Listed Directorships In The Last 3 Years

Nil



Adele Stratton

Non-Executive Director (Iluka Nominee)
BA (Hons), FCA, GAICD

Term Of Office

Ms Stratton was appointed 15 June 2020.

Board Committees

Member of Audit and Risk
Member of People and Performance
Member of Sustainability
Member of Nominations and Governance

Experience

Ms Stratton brings finance, operations and commercial experience to Deterra. As Chief Financial Officer and Head of Development at Iluka Resources Limited, she has over 20 years' experience working in both professional practice and public listed companies, including KPMG and Rio Tinto. Ms Stratton is a qualified Chartered Accountant.

Current Listed Directorships

Nil

Former Listed Directorships In The Last 3 Years

Nil

Directors' Report

Board and Executive Profile



Julian Andrews

Managing Director and Chief Executive Officer
BCom (Hons), PhD, CFA, GAICD

Term Of Office

Mr Andrews was appointed as Director 15 June 2020 and as Managing Director and Chief Executive Officer 2 November 2020.

Board Committees

Nil

Experience

Mr Andrews' experience spans over 20 years in broad project finance, capital raising and mergers and acquisitions across the mining, energy and chemicals industry landscape. Prior to his appointment as Managing Director, Mr Andrews was Head of Strategy, Planning and Business Development at Iluka Resources and previously held various roles at Wesfarmers, including General Manager Business Development and Chief Financial Officer in Wesfarmers Chemicals, Energy & Fertilisers division.

Current Listed Directorships

Nil

Former Listed Directorships In The Last 3 Years

Nil

Executive Profile



Brendan Ryan

Chief Financial Officer and Company Secretary
BE (Hons), MBA, GAICD, FAusIMM

Term Of Office

Mr Ryan was appointed as Chief Financial Officer 14 September 2020 and as Company Secretary 21 October 2020.

Board Committees

Nil

Experience

My Ryan has over 25 years' of senior level commercial and operational experience in the global mining sector. Prior to Deterra, he served as Chief Financial Officer and Chief Business Development Officer at ASX listed Boart Longyear, the world's largest drilling service provider. During his 13 years with Rio Tinto, Mr Ryan held several senior roles including Global Head of Business Evaluation and also led the Rio Tinto Copper and Diamonds business development team.



Bronwyn Kerr

General Counsel and Company Secretary
LLB (Hons), BA, FCIS, GAICD

Term Of Office

Ms Kerr was appointed as General Counsel on 27 October 2021 and as Company Secretary on 8 November 2021.

Board Committees

Nil

Experience

Ms Kerr is an experienced General Counsel and Company Secretary, joining Deterra from Pilbara iron ore producer Atlas Iron. Ms Kerr has advised companies on governance, mergers and acquisitions, capital raising, leveraged finance and project development, including procurement, land access and community engagement.

Ms Kerr is admitted to practice law in Western Australia and holds post-graduate qualifications in finance and corporate governance.

Directors' Report

Skills and Experience

The Board undertakes a comprehensive review of the Board skills matrix on an annual basis. Following the review, it was determined that the Board and Committees currently have a strong combination of skills and experience across the key desired areas relevant for each committee. A copy of the Board skills matrix is included in Deterra's 2022 Corporate Governance Statement.

Meetings of Directors

The number of meetings held and attended by each director of the Company during the financial year are:

Table 5: Director Meetings

Name	Board		Audit & Risk		People & Performance		Nominations & Governance		Sustainability	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Non-Executive Directors										
J Seabrook	14*	14*	4	4	5	5	2	2	3*	3*
G Devlin	14	14	4*	4*	5	5	2*	2*	3	3
J Warner	14	14	4	4	5*	5*	2	2	3	3
A Stratton	14	14	4	4	5	5	2	2	3	3
Executive Director										
J Andrews**	14	14	4	4	5	5	2	2	3	3

Notes:

* indicates Chair of the Committee

** J Andrews attended all Committee meetings by invitation. He is not a member of these Committees.

Attended - Number of meetings the director attended

Held - Total number of meetings of the Committee held over the financial year

Interest of Directors

The relevant interest of each director held directly or indirectly in the shares, interest in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, is in the table below.

Table 6: Directors' Shareholding Interests

Name	Ordinary Shares	Restricted Shares	Rights over Ordinary Shares
Non-Executive Directors			
J Seabrook	94,776	-	-
G Devlin	40,000	-	-
J Warner	50,000	-	-
A Stratton	43,260	-	-
Executive Director			
J Andrews	98,830	13,676	412,795

Indemnification and Insurance of Directors and Officers

The Company indemnifies all directors of the Company named in this report and current and former executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or the related body corporate) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the year the Company has paid a premium in respect of directors' and executive officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

Directors' Report

Operations & Financial Review

This review should be read in conjunction with the financial statements and the accompanying notes.

Introduction

The focus in our second year of operation, has been to promote understanding of our royalty business model and the quality of our underlying assets, and to build the foundations of the business to support value accretive growth.

In February, we announced we had refinanced our existing \$40 million credit facility with \$350 million of bilateral credit facilities, achieving both an increased maturity profile and lower margin. We believe access to these funds is critical to our growth strategy as it enables us to act opportunistically on value accretive investment opportunities when other sources of capital may be less available.

Whilst we have assessed multiple opportunities during FY22, finding value in the context of the strong commodity markets was difficult and in line with our commitment to a patient and disciplined approach to growth, no new investments were made. Nonetheless, our team remains active in identifying and assessing new business development opportunities to both acquire existing and create new royalty instruments.

As capital markets are changing in line with broader macro-economic conditions, we anticipate that royalty funding will be more attractive to potential partners and that our ongoing efforts to build relationships with owners of existing royalties and high priority prospective mining projects will lead to attractive growth opportunities.

Strategy and Business Model

Deterra is Australia's largest listed royalty investment company and represents a new opportunity for ASX investors to participate in the global resources sector. Headquartered in Perth, Western Australia, Deterra was established as an independent company in November 2020, through the demerger of a portfolio of six royalty assets from Iluka Resources Limited.

The Company's cornerstone asset is a royalty over the BHP-operated Mining Area C iron ore operation in the Pilbara region of Western Australia (referred to as the MAC Royalty), complemented by five other smaller royalty interests. The MAC Royalty has several attractive characteristics, including:

- Quality: High quality exposure from one of the world's premium iron ore mining districts;
- Strong cash flow generation: the revenue based royalty provides high margin cash flows with no exposure to operating costs or capital contributions for the life of the operation;
- Embedded growth: the MAC Royalty production volumes are expected to increase to 145 million wmtpa by the end of FY24, as the MAC operation ramps up to be the largest iron ore hub in the world; and³
- Long asset life: BHP estimates a mine life of more than 30 years for Mining Area C operations⁴ and has identified extension options that would increase its life and would fall at least partially within the MAC Royalty Area.

The Company's principal activities are the management and growth of this portfolio of assets. Inorganic growth will be achieved by diversifying the royalty portfolio through disciplined and value accretive investments over time. The key objectives of the disciplined growth strategy are to:

- Provide additional sources of earnings over time;
- Improve cash flow resilience to commodity price fluctuations through portfolio diversification; and
- Leverage Deterra's scaleable operating structure to grow the business.

The simple and scalable business model has enabled Deterra to deliver underlying EBITDA margins of 97 per cent, coupled with fully franked dividends of 100 per cent of net profits after tax.

Notes:

³ BHP Operational Review for year ended 30 June 2021, 20 July 2021.

⁴ BHP, Mining Area C South Flank Public Environmental Review, May 2017; BHP, Mining Area C Mine Closure Plan, October 2017.

Directors' Report

Principal Risks affecting the group

Risk Management

Deterra operates in the resource sector where the macro price environment is uncertain, and the performance of its key assets is outside the direct control of management. As a consequence, the Company's Board and management have developed risk processes that aim to identify and monitor these key uncertainties and where appropriate, mitigate any potential adverse outcomes.

Deterra's approach to managing risk is documented in a Board approved Risk Management Framework and Risk Appetite Statement. The overall approach seeks to ensure that risk management is embedded throughout the business and managed in a structured and systematic manner. The Risk Management Framework is reviewed annually and will be updated as the Company's asset portfolio and business environment evolve and the underlying risks change.

The following external factors are all capable of having a material adverse effect on the business and will affect the prospects of the Group for future financial years:

COVID-19 Pandemic Risks

The COVID-19 pandemic emerged in early 2020, and continues to pose a global socio-political, economic and health risk. The potential for the pandemic to have both lasting and unforeseen impact on both end markets and operating asset performance is high.

To date, Deterra has been relatively unaffected, however, we maintain a heightened sense of readiness commensurate with the risk and in accordance with Government recommendations and health advice.

Environmental, Social and Governance Risks

Deterra operates in an environment of increasing focus by investors and stakeholders on Environmental, Social and Governance (ESG) risks, including changes in community expectations and legislation (e.g. matters related to climate change). Deterra's core business is to receive royalty income streams from non-managed mining assets. The ability of Deterra to attract equity investment and raise funds in debt markets may be impacted by a diminishing appetite for companies that receive revenues from the resources sector.

The Group considers ESG as an integral part of its investment process and seeks advice from third party experts to assist with its exposure and management of these risks. These risks are discussed in more detail in the Sustainability section of this Annual Report.

Strategy Risks

Deterra is seeking to grow its business through the acquisition or creation of new royalty assets. There are risks that Deterra may be unable to execute on this growth strategy due to an inability to effectively compete for royalty assets from a price, cost of capital, structure, jurisdiction and commodity perspective. Conversely, there is a risk of executing an acquisition that may not deliver the expected returns.

Deterra has employed a small but highly experienced team and will supplement this capacity with third party advisors to assist with the identification, negotiation, and execution of future acquisitions. All investments will comply with internal investment criteria and material investments will be subject to additional Board assessment and approval.

Inability to Access Equity and Debt Markets Risk

Deterra will be reliant on equity and debt capital to successfully grow its business. Changes to macro conditions in financial markets may impact on the ability of Deterra to access these equity and debt capital markets.

Deterra recently put in place a \$350 million bilateral credit facility and continues to build relationships with a range of participants in the equity and debt capital markets and will monitor current and future conditions to ensure investment decisions take these market conditions into account.

Climate Risk

The mining assets relating to Deterra's royalties could be adversely affected by the impacts of climate change. The corresponding increase in the severity and frequency of extreme weather events could adversely affect the operations and development of those mining assets and the demand for commodities to which these royalties relate.

Deterra has implemented an ESG Investment Policy which requires the Company to consider ESG risk exposure and opportunities when considering new investments.

Directors' Report

Mining Area C Revenue Risks

As a royalty owner, Deterra has material exposure to volume and price achieved by BHP at Mining Area C (MAC) over which Deterra has limited ability to influence or control.

Key external risks that could impact its financial performance include:

- Material fluctuations in iron ore price and foreign exchange rates;
- Material production disruption at MAC from a natural disaster, catastrophic infrastructure or operations incident (mine, rail, or port), environmental or heritage licensing issues; and
- Geopolitical risks associated with Chinese steel mill end customers including potential trade barriers or cessation of iron ore exports to China.

The company monitors potential adverse developments in MAC operations as well as the geopolitical landscape through its network of business relationships and other information sources.

Deterra maintains a conservative balance sheet and low overheads to withstand fluctuations in revenues derived from MAC. Deterra will seek to further diversify its revenue streams via the acquisition of new royalty streams in the future.

Royalty Contract Default Risks

Deterra is reliant on royalty contracts where parties deliver upon their contractual obligations. A failure to make timely payments and meet other contractual obligations may impact on the financial performance of Deterra.

The risk of default by the partners in MAC is considered low due to the established, high-quality counterparties involved. For all future investments, due diligence will include an assessment of the risk of default or non-performance.

Management and Key Person Risks

Deterra is a small organisation with two key executives and a small number of employees. A loss of or extended absence of key executives may impact on the ability to execute its growth strategy.

The Board has developed a range of plans and policies to assist with the retention of key executives, succession planning, and any loss of corporate knowledge.

Information Technology and Cyber Security Risks

Deterra is exposed to the risk of loss arising from the failure of the information technology. Deterra has engaged third party outsourced expertise to protect its information technology systems and data from cyber security threats and general operational outages. Additional staff training and education has been undertaken on sound cyber security practices.

Operational Risks

Operational errors by Deterra or its outsourced administrative providers may impact on Deterra's operations, financial performance, and/or compliance requirements, including ASX listing requirements.

Deterra has documented its financial and operational procedures and implemented a control framework that seeks to identify and prevent errors.

Fraud Risks

Deterra may be at risk of the theft of funds or confidential information by employees or outsource partners.

Deterra has documented operational and contractual arrangements with all outsourced providers and has implemented a control framework that seeks to reduce or minimize the impact of fraud or theft.

Due diligence is undertaken on all outsourced providers, including periodic contract review and oversight. Under the outsourced contract agreements, business-critical information is required to be secured at all times.

Directors' Report

Review of the Group's Assets

Table 7: Description of the operations

Project	Counterparty	Location	Commodity	Status	Royalty Key Terms
Mining Area C (MAC)	BHP Billiton Minerals Pty Ltd; Itochu Minerals & Energy of Australia Pty Ltd; Mitsui Iron Ore Corporation Pty Ltd	Pilbara, WA	Iron Ore	Producing	1.232% of MAC product revenue \$1 million per 1mdmt increase in capacity
Yoongarillup / Yalyalup Project (under two royalty agreements)	Doral Mineral Sands Pty Ltd	South West, WA	Mineral Sands	Producing/ Development	2% of revenue from sales of Minerals
Eneabba Project	Image Resources Limited	Mid West, WA	Mineral Sands	Exploration	1.5% of gross revenue from sales of Minerals
Wonnerup Project	Cable Sands (W.A.) Pty Ltd	South West, WA	Mineral Sands	Producing	\$0.70 per tonne of Valuable Heavy Mineral
St Ives Gold Project	St Ives Gold Mining Company Pty Ltd	Eastern Goldfields, WA	Minerals	Exploration	3% of gross revenue (subject to conditions)

During the 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 revenue payments via two separate mechanisms from this cornerstone royalty contract:
 - a 1.232 per cent royalty on all Australian denominated FOB revenue from the sale of material produced at MAC, payable quarterly; and
 - a 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. The demonstrated annual capacity level as at 30 June 2022 is 105 mdmt.

Mining Area C is one of four BHP hubs within its Western Australian Iron Ore (WAIO) business and consists of two major mining areas, North Flank and South Flank. The North Flank operation has been in production since 2003 with nameplate capacity of 65 million wet metric tonnes per annum (wmtpa) and South Flank achieved its first ore production in May 2021 and is expected to ramp up to circa 80 million wmtpa over a three year period, replacing volumes from BHP's Yandi mine, (outside the MAC Royalty Area), as it reaches the end of its economic life in the early to mid 2020⁵. The combined MAC mining hub is expected to operate for over 30 years⁶ ramping up to 145 million wmtpa by the end of FY24⁷ and will form the largest operating iron ore hub in the world.

Mining Area C production for the FY22 was 111 million wmt (100 per cent basis)⁸. The operator BHP has indicated that the South Flank ramp up to full production capacity is ahead of the schedule⁹. Revenue for the FY22 from Mining Area C was \$264.8 million, made up of \$218.8 million from the 1.232 per cent revenue royalty and \$46 million from the annual capacity payment.

- Yoongarillup / Yalyalup Mineral Sands Mines** – Deterra holds a two per cent 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 recently approved Yalyalup mine commenced production in Q2 2022 and has an expected production capacity of 100ktpa of heavy mineral concentrate over a four year mine life and will follow a similar mining method as the recently decommissioned Yoongarillup mine¹⁰. Revenue for the FY22 from Yoongarillup / Yalyalup was \$0.35 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 Stage 2 to extend the use of existing processing and administration facilities for an additional five years have now been received and mining has commenced¹¹. Revenue for the FY22 from Wonnerup was \$0.05 million.

Directors' Report

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 acquisition of the Eneabba project for the sum of \$24 million from Sheffield Resources Limited¹².

Image have also announced plans to fast track the conversion of contained resources on the Eneabba Tenements to reserves¹³. Image is looking to conduct ground magnetic surveys in an effort to test previously identified extents of mineralisation and potentially develop new target areas.
- St Ives Gold Project** – Deterra holds a royalty agreement over certain mineral leases near Kambalda currently operated by Gold Fields. There have been no public updates on this asset during the period and no mining activity is anticipated on these leases in the immediate future.

Figure 1: Locations of Deterra royalty assets



Our key royalty investment activities involve acquisition of royalties from third parties and providing finance to resource companies in return for royalties.

Notes:

- BHP, 2019 Annual Report
- BHP, Mining Area C Mine Closure Plan, October 2017
- BHP Release, BHP delivers first production from South Flank, 20 May 2021
- BHP, Quarterly Operational Review for the year ended 30 June 2022 – 19 July 2022
- BHP, Quarterly Operational Review for the year ended 30 June 2022 – 19 July 2022
- Doral Website Yalyalup Project – Fact Sheet Aug 2021
- Tronox, Company Website – Western Operations Fact Sheet
- Image Resources Release – Strategic Acquisition of Eneabba Tenement Package – 29 Nov 2021
- Image Resources Release – Eneabba Tenement Package Strategic Acquisition Update – 19 Jan 2022

Directors' Report

Financial Review

"It is pleasing to see strong growth in revenue from the company's royalty assets. Deterra has recorded royalty revenue of \$265.2 million in FY22 which represents an 83% increase year on year."

Non-IFRS

Deterra uses both International Financial Reporting Standards (IFRS) and non-IFRS financial information such as underlying EBITDA, underlying EBIT and net cash to measure operational performance. We believe these non-IFRS measures provide useful information, but should not be considered as an indication of, or an alternative to, profit after tax as an indicator of actual operating performance or as an alternative to cash flow as a measure of liquidity. Non-IFRS measures are unaudited but derived from the audited accounts and reconciliations included on page 38.

Period

This Annual Report covers the period of 1 July 2021 to 30 June 2022. Comparisons to the prior year are made to the non-standard period of 15 June 2020 to 30 June 2021. This non-standard period accounts for a series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. Further details describing the demerger transactions can be found on page 96 of this report.

Operating Results

The record performance in FY22 highlights the organic growth inherent within the Deterra royalty assets and strength of the underlying business model. The record \$265.2 million in revenue demonstrates the top line exposure to resource production levels and pricing, while the 97 per cent EBITDA margin highlights the very limited exposure to the inflationary pressures in the sector.

FY22 saw record production from the MAC asset, driven by the performance of BHP to accelerate ramp up of the US\$3.6 billion South Flank expansion ahead of schedule. At full nameplate capacity of 145mtpa, MAC will form the largest iron ore hub in the world and the baseload capacity of BHP's Western Australian Iron Ore operations.

The operators of Deterra's two mineral sands royalties at Yalyalup and Wonnerup North have received approvals to their permitting applications to further extend the mine lives of these assets.

- **Revenue** – Group revenue for FY22 was a record \$265.2 million representing an increase of 83 per cent over FY21. This is driven by MAC revenue of \$264.8 million of which \$218.8 million, was attributable to the revenue royalty, plus \$46 million attributable to the capacity payment from the accelerated ramp up of BHP's South Flank expansion. An additional \$0.4 million was received from ongoing operations at the Yalyalup and Wonnerup mineral sands assets.
- **Costs** – Total operating expenses for FY22 were \$7.7 million reflect the low cost royalty business model. This run rate is only slightly higher than the comparative operating expenses of \$4.6 million in FY21¹⁴, which included only eight months of operating expenses. Depreciation and amortisation of \$0.4 million remains broadly flat.
Deterra saw an increase in project related business development costs from \$0.2 million to \$0.7 million reflecting the increased activity on detailed due diligence of potential investment opportunities during the period.
- **EBITDA** – EBITDA for FY22 of \$256.8 million increased 89 per cent over 2021, largely due to the increase in MAC revenue. The EBITDA margin of 97 per cent demonstrates the strength and scalability of the low cost, royalty business model.
- **Tax** – The Group's effective tax rate was 30.16 per cent, closely reflecting the prevailing Australian corporate tax rate.
- **NPAT** – Group profit after income tax for FY22 amounted to a record \$178.5 million reflecting an 89 per cent increase relative to \$94.3 million for FY21. The improvement in NPAT reflects an increase in revenue primarily due to improved MAC volumes contributing to increased royalty revenues and a material capacity payment.
- **Capital Management** – As at 30 June 2022, Deterra had net cash of \$27.5 million, royalty receivables of \$113.2 million and available undrawn capacity of \$350 million from the new credit facilities.

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.

Note 12 of Deterra's Financial Report provides details of the Group's maturity profile and interest rate exposure.

Directors' Report

Dividends

Deterra's Policy is to pay semi annual dividends (franked to the maximum extent possible) from excess cash. Payment of dividends and dividend policy is determined by the Deterra Board at its discretion.

The total dividend declared for the period of this Annual Report is \$178,430,000 which represents a payout of 100 percent of NPAT. The two dividends paid or declared during the period include:

- Interim Dividend of \$61,732,000 or 11.68 c/share paid on 31 March 2022.
- Final Dividend declared of \$116,698,000 or 22.08 c/share, to be paid on 21 September 2022 for shareholders on record as at 26 August 2022.

A summary of the Deterra Statement of Profit and Loss and Cashflows are provided below¹⁴.

	FY22 \$'000	FY21 ¹⁴ \$'000
Table 8: Statement of profit or loss		
MAC royalty	218,752	137,558
MAC capacity payment	46,000	2,000
MAC royalty Pre-demerger Adjustment	-	4,848
Other royalties	403	803
Total royalty revenue	265,155	145,209
Expenses	(9,623)	(10,074)
Valuation gain on acquired receivable	-	6,512
Profit before tax	255,532	141,647
Income tax expense from acquired receivable	-	(6,512)
Income tax expense	(77,070)	(40,875)
Total income tax expense	(77,070)	(47,387)
Net Profit After Tax (NPAT)	178,462	94,260
Other comprehensive profit for the period, net of tax	-	-
Total comprehensive profit for the period	178,462	94,260
Total and continuing earnings per share:		
Basic earnings per share (cents)	33.77	17.84
Diluted earnings per share (cents)	33.74	17.83

Notes:

¹⁴ Comparisons to the prior year are made to the non-standard period of 15 June 2020 to 30 June 2021. This non-standard period includes 12 months of royalty revenue and only 8 months of operating expenses to account for the series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. Further details of the demerger transactions can be found on page 96 of this report.

Directors' Report

Table 9: Statement of cashflows	FY22 \$'000	FY21 \$'000
Cash flows from operating activities		
Receipts from customers	206,925	111,994
Payments to suppliers and employees (inclusive of GST)	(7,561)	(3,809)
Payment of demerger expenses	-	(4,637)
Interest received	207	23
Interest expense	(827)	(207)
Tax paid	(70,929)	(21,195)
Net cash inflow/(outflow) from operating activities	127,815	82,169
Cash Flows from Investing Activities		
Payments for property, plant, and equipment	(10)	(45)
Payment for asset acquisition	-	(24,405)
Net cash outflow from investing activities	(10)	(24,450)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Dividends paid	(122,615)	(33,341)
Payment of borrowing establishment fee	(1,868)	(120)
Proceeds from borrowings	14,000	29,500
Repayment of borrowings	(14,000)	(29,500)
Repayment of lease liability	(72)	(52)
Net cash (outflow)/inflow from financing activities	(124,555)	(33,513)
Net increase/(decrease) in cash and cash equivalents	3,250	24,206
Cash and cash equivalents at the start of the period	24,206	-
Cash and cash equivalents at the end of the period	27,456	24,206

Table 10: Underlying earnings and earnings adjustments	FY22 \$'000	FY21 \$'000
Net Profit After Tax (NPAT)	178,462	94,260
add back Income tax expense	77,070	40,875
add back Income tax expense on acquired receivable	-	6,512
Profit before tax	255,532	141,647
less Valuation gain on acquired receivable	-	(6,512)
add back Net finance costs and FX gains	859	231
Operating profit before finance cost	256,391	135,366
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	256,391	135,155
add back Depreciation and Amortisation	393	365
Underlying EBITDA	256,784	135,520
Adjusted Revenue	265,155	140,361
Underlying EBITDA margin (%)	97%	97%

Directors' Report

Market Overview and Outlook

Deterra's primary commodity market exposure is to iron ore. The key ingredient in steel production, iron ore, is a globally traded commodity with mature index pricing that reflects the supply and demand characteristics of the industry.

The first half of FY22 saw the price of iron ore receding from historic highs of over US\$220 per tonne to 18 month lows of US\$90 per tonne. The second half of the year saw the price stabilise in the US\$100 to US\$150 per tonne range. Notwithstanding this volatility, average price realised through the MAC Royalty remained strong relative to historical averages, albeit below FY21 levels.

More recently, we have seen a decline in sentiment towards the global macroeconomic environment. We anticipate that continued supply chain disruption, inflation, geopolitical instability and uncertainty over global energy markets will create further headwinds for the global economy.

Whilst Deterra's royalty assets are not fully protected from these changed market conditions, the top line nature of the royalty instruments, low overheads, combined with exposure to high quality mining assets, demonstrates the relative attractiveness of our business model in a high inflationary environment. Within this context, Deterra's strategy remains to provide our shareholders with access to the cash generated by our existing assets, whilst seeking to build a larger portfolio of bulks, base and battery metal royalties.

We anticipate further organic growth within our existing portfolio, as MAC continues to ramp up towards full nameplate capacity of 145mtpa. At full capacity MAC will be the largest iron ore hub in the world and will form the baseload capacity of BHP's Western Australian Iron Ore operations.

Deterra's role as financier in a cyclical industry continues to focus on longer term investment horizons. Deterra has maintained a strong balance sheet with significant liquidity to enable it to make value accretive investments throughout the commodity cycle. We believe that recent changes in the market should offer new opportunities to demonstrate the relative advantages of the royalty financing model.

Directors' Report

Remuneration Report

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Directors' Report

1 Letter from Committee Chair



Dear Shareholder,

On behalf of the Board, I am pleased to present this Remuneration report for the financial year to 30 June 2022 (FY22).

Remuneration Policy Review

The FY21 remuneration framework was designed to promote long term sustainable growth and alignment between the management team and shareholders through a combination of fixed remuneration and a variable equity based component linked to share price performance. Following the Company's first annual reporting cycle, at the end of the FY21 the Board undertook a review of its executive remuneration framework in the context of its strategy, market expectations and growth objectives. This review determined that improvements could be made to the framework to better achieve these objectives and, as a result, in FY22 a short-term incentive (STI) was introduced. This STI increases the Board's ability to focus management priorities, in the short term, is consistent with market practice, recognise individual achievement, and assist in attracting, retaining, and motivating Deterra executives. The STI was structured to address several aspects of the Company's incentive remuneration framework:

- The Company's significant near term goals can be addressed in the measurable requirements of the STI scorecard each year.
- In FY21 the potential fixed remuneration and variable remuneration opportunities were equally weighted. Total remuneration has been reweighted for FY22 so that there is a greater weight on variable at risk remuneration.
- The proportion of equity-based incentives with vesting over 2 and 3 years (for deferred STI) has increased.

Details of the operation of the remuneration framework for FY22 are provided in section 6.

Performance outcomes

FY22 has seen an increase in the Company's revenue and earnings, largely due to the Mining Area C royalty revenue and a capacity payment, which are driven by significant volume growth from the ramp up of production at the South Flank operation in Mining Area C. Over the course of the year iron ore pricing remained strong relative to historical averages, however average realised prices did decline somewhat from the prior year.

There has been a focused effort by management to increase the market's knowledge of the company and its business model both in Australia and internationally. This is expected to result in greater recognition of the unique and high quality investment proposition we offer. We committed to and achieved net zero emissions in our first full year of operation and are advancing other sustainability initiatives. These are outlined in the Managing Director's strategic objectives set out in Section 6.3.2. Governance is highly developed as charters have been reviewed and sustainability reporting established along with clear and ongoing communication with stakeholders.

Directors' Report

Substantial progress has been made in our efforts to grow the Company's portfolio of assets. Although no new investments have been made in FY22, in line with our disciplined approach to evaluating opportunities, the Company is well positioned to act on value accretive investments.

Disappointingly, the company did not consistently trade at a valuation premium that adequately reflects the high quality, high margin and financial exposure Deterra offers to a world class iron ore asset. Clearly it will take time to grow the appreciation of the royalty investment model in the Australian market and to establish trust among investors in relation to our growth strategy, and this will remain a key focus for management in FY23.

Remuneration outcomes

In determining FY22 remuneration, the Board has sought to maintain a balance between company performance, individual achievement and shareholder returns. In summary, FY22 outcomes are:

- Fixed remuneration: no fixed remuneration increases were awarded to Executive KMP in FY22;
- Short term Incentive Plan (STI): the Board has determined an STI outcome of 60 per cent of maximum for the Managing Director and Chief Executive Officer (MD&CEO), to be delivered two thirds in equity deferred equally over one and two years, and one third in cash. The Chief Financial Officer (CFO) award is 60 per cent of maximum, also delivered two thirds in equity deferred equally over one and two years, and one third in cash;
- Initial Equity Grant (IEG): Under the terms of the STI, executive KMP were eligible to receive either the STI or IEG, whichever is greater, but not both. The awards under the STI were determined to be greater than under the IEG, and hence no award was made under the IEG; and
- Long term Incentive (LTI): the FY21 LTI is not tested until after the end of FY23; and
- Board fee movement: No changes to the Non-Executive Director fees were made during FY22.

The Board believes these outcomes recognise fairly the performance of the business and management.

Sincerely,



Dr Joanne Warner
Chair, People and Performance Committee

Directors' Report

2 Remuneration report overview

The directors of Deterra Royalties Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2022. The Report forms part of the Directors' Report and has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Act) and in compliance with AASB124 *Related Party Disclosures* and audited as required by section 308(3C) of the Act.

3 Remuneration governance

3.1 People and Performance Committee

The People and Performance Committee (PPC or the Committee) provides advice and recommendations to the Board regarding remuneration matters.

A copy of the charter of the Committee is available on Deterra's website in the Policies and Charters section <https://www.deterraroyalties.com/sustainability/policies-and-charters/>.

Members of the Committee during FY22 were:

- J Warner – Independent Non-Executive Director and Chair of the People and Performance Committee
- J Seabrook – Independent Non-Executive Director and Board Chair
- G Devlin – Independent Non-Executive Director
- A Stratton – Non-Executive Director

At the Committee's invitation, the Managing Director, and other relevant managers attend meetings in an advisory capacity and coordinate the work of external, independent advisors as requested. All executives are excluded from any discussions impacting their own remuneration.

Under its Charter, the Committee must meet at least twice a year. The Committee formally met five times during FY22. The Committee also met informally on a number of occasions to progress issues on foot and consider other matters as they arose.

The Committee engages external advisors as required. External advisers provide advice on market remuneration levels and mix, market trends, incentives and performance measurement, governance, taxation and legal compliance.

None of the Committee's engagements with remuneration consultants were for work that constituted a remuneration recommendation for the purposes of the Australian *Corporations Act 2001*. Findings were reported directly to the Committee or the Board.

3.2 Share Trading Policy

The Company's securities trading policy applies to all Non-Executive Directors (NEDs) and Executives. The policy prohibits employees from dealing in Deterra Royalties Limited securities while in possession of material non-public information relevant to the Company.

Executives must not enter into any hedging arrangements over unvested rights under the Company's equity incentive plans. Breach of this policy may lead to disciplinary action and potentially dismissal.

4 Key management personnel

Key management personnel (KMP) covered in this report are detailed below (See page 28 and 29 for details of each KMP). KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling activities of the company. Senior executives including the MD & CEO and CFO are referred to as "Executive KMP".

Table 11: Key management personnel

Non-Executive Directors		
J Seabrook	Independent Non-Executive Chair	Full year
G Devlin	Independent Non-Executive Director	Full year
J Warner	Independent Non-Executive Director	Full year
A Stratton	Non-Executive Director	Full year
Executive Director		
J Andrews	Managing Director and Chief Executive Officer	Full year
Executives		
B Ryan	Chief Financial Officer and Joint Company Secretary	Full year

Directors' Report

5 Remuneration strategy

The principles and objectives of the Deterra remuneration policy are to:

- Attract, retain and motivate the talented people with the necessary skills to create value for shareholders;
- Reward executives and other employees fairly and responsibly, having regard for the performance of Deterra, the competitive environment and the individual performance of each employee;
- Ensure alignment of executive interests with shareholders;
- Provide a clear link between company performance and remuneration outcomes;
- Ensure remuneration outcomes are consistent with Deterra's short-term and long-term strategic objectives and the delivery of long-term shareholder wealth creation; and
- Comply with all relevant legal and regulatory provisions.

6 Executive remuneration

Deterra's Executive KMP remuneration structure for FY22 incorporates fixed and variable components:

Table 12: Remuneration mix

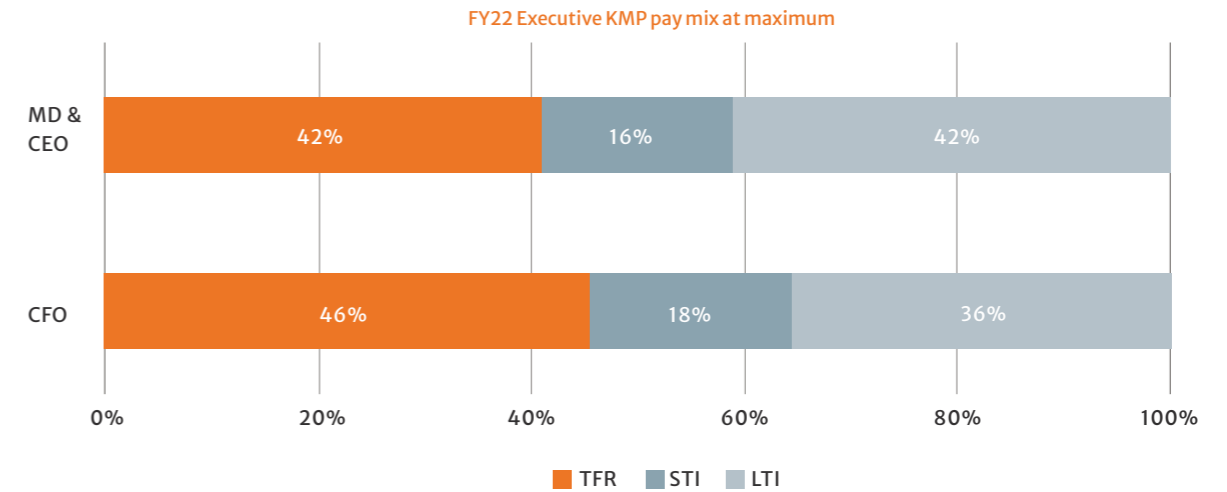
Fixed pay	Variable, at risk, pay
<p>Total Fixed Remuneration (TFR) comprises cash salary, employer contributions to superannuation and salary sacrifice benefits.</p> <p>Approach: TFR is reviewed annually by the Board to ensure it remains competitive in the market for which the Company seeks executives. In setting the TFR, the Board has regard for the size and complexity of the position, the skills and experience required for success, and individual qualifications.</p> <p>No change in TFR was made for FY22.</p>	<p>STI</p> <p>Purpose: To reward Executive KMP for achievement of strategic objectives over an annual performance period that will contribute to increasing shareholder value.</p> <p>Approach: Annual Executive KMP performance is set and assessed by the Board through a balanced scorecard that includes a range of key measures that directly affect shareholder value. Each scorecard measure is weighted according to its importance, is measurable and is assessed quantitatively and qualitatively.</p> <p>Two thirds of the STI outcome is to be in the form of share rights and deferred for up to two years. One third is to be in cash and payable at the conclusion of the STI performance period.</p> <p>IEG</p> <p>Purpose: A transitional award to align the executive incentives with the long term interests of the shareholders</p> <p>Approach: IEG was a one off grant on demerger provided in the form of performance rights in two equal tranches subject to performance conditions.</p> <p>For FY22, the executive KMP will receive only one of either STI or IEG, whichever is the higher.</p> <p>LTI</p> <p>Purpose: To align executive accountability and remuneration with the long term interests of shareholders by rewarding the delivery of sustained performance.</p> <p>Approach: LTI is provided in the form of performance rights and is subject to a three year performance period.</p> <p>No change in LTI was made for FY22.</p>

Directors' Report

6.1 Executive remuneration mix

The following diagram shows the proportion of executive remuneration that is fixed and at risk.

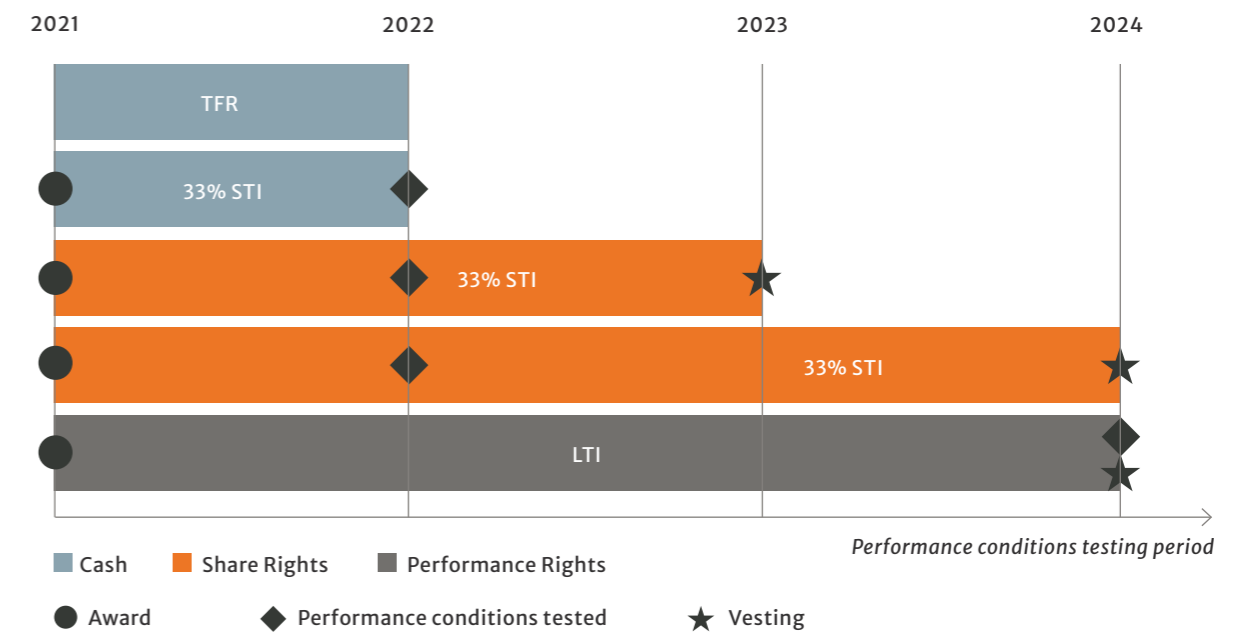
Figure 2: Remuneration outcome at maximum



6.2 Executive TFR and incentive remuneration structure

The following diagram outlines the executive remuneration structure. Further details on the individual elements is provided below.

Figure 3: Remuneration structure



In addition, certain incentives were granted to the MD & CEO and the CFO on demerger (the IEG) and to the MD & CEO in recognition of the loss of Iluka Resources Limited equity awards on joining Deterra (the MD Replacement Awards). See section 6.3.5 vesting of replacement awards for details.

Directors' Report

6.2.1 Short-term incentive (STI)

The elements and terms of the STI are set out in Table 13 below.

Purpose	To reward Executive KMP for achievement of strategic objectives over an annual performance period that contribute to increasing shareholder value.						
Participants	MD & CEO CFO						
Payment vehicle	One third of the STI award is paid in cash and two-thirds are deferred in share rights.						
Maximum opportunity	40% of TFR for the MD & CEO 40% of TFR for the CFO						
Performance period	1 July 2021 to 30 June 2022						
Performance measurement date	Following finalisation of FY22 financial results						
Performance conditions	<p>Annual Executive KMP performance is set and assessed by the Board through a balanced scorecard that includes a range of key financial and non financial measures that directly affect shareholder value. Each scorecard measure is weighted according to its importance, is measurable and is assessed quantitatively and qualitatively.</p> <p>In FY22, Performance measures revolve around four main categories:</p> <ul style="list-style-type: none"> • Market engagement • Shareholder returns • Environment, social and governance • Investment processes, systems and procedures <p>Section 6.3.2 provides a detailed explanation of the targets set in FY22, how they were measured and our assessment of performance.</p>						
Scorecard operation	<p>STI scorecard outcomes are calculated based on the following schedule. Awards from 50 to 100% of opportunity are on a linear basis consistent with the level of performance attained.</p> <table border="1"> <thead> <tr> <th>Performance Level</th> <th>STI outcome (of maximum STI opportunity)</th> </tr> </thead> <tbody> <tr> <td>Meet expectations</td> <td>50%</td> </tr> <tr> <td>Exceed expectations</td> <td>51% - 100%</td> </tr> </tbody> </table>	Performance Level	STI outcome (of maximum STI opportunity)	Meet expectations	50%	Exceed expectations	51% - 100%
Performance Level	STI outcome (of maximum STI opportunity)						
Meet expectations	50%						
Exceed expectations	51% - 100%						
Award timing	<p>The cash payment (one-third of STI award) is made, and the share rights (two-thirds of STI award) are granted as soon as practicable after the performance period and no later than three months after that date.</p> <p>The share rights will vest in two equal tranches, subject to continued service or Board discretion for good leaver:</p> <ul style="list-style-type: none"> • 50% vests 1 July 2023, and • 50% vests 1 July 2024. 						
Allocation method	<p>Share rights are granted by the Company and are based on the five trading day volume weighted average price of Deterra's shares during the period of 1 July 2022 to 7 July 2022 (\$4.15). Share rights held by the participant subject to the satisfaction of the vesting conditions.</p> <p>Shares to satisfy the exercise of vested share rights may be issued by the Company or acquired on market.</p>						
Treatment of dividends and voting rights	<p>Share rights do not have voting rights or dividend rights during the performance period and before being vested.</p> <p>For share rights that vest, additional shares may be allocated, or a cash payment will be made, equal in value to the amount of dividends paid (not grossed up for franking credits) on the underlying shares during the period from grant of the rights to exercise on a reinvested basis.</p>						

Directors' Report

6.2.1 Short-term incentive (STI) (continued)

Malus and/or clawback	<p>The Deterra Board may apply malus to incentives that have yet to vest and even clawback incentives that have already vested where:</p> <ul style="list-style-type: none"> • the executive acts fraudulently or dishonestly; or • there is material misstatement or omission in the accounts of Deterra; or • the award has resulted in an inappropriate benefit being awarded.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Treatment on termination	The share rights are granted on the basis that they remain on foot on cessation of employment with the Board having the discretion to forfeit some, none or all of the STI Rights having regard for the facts and circumstances in which the executive's employment ceases.
Board discretion	The Board has discretion to vary STI outcomes having regard for the circumstances at the time (including in the event the STI outcome would result in an inappropriate outcome).
Change of control	Vesting is subject to board discretion, taking into account performance to the date of change in control.

6.2.2 Long-term incentive (LTI)

The elements and terms of the LTI are set out in Table 15.

Purpose	To align executive accountability and remuneration with the long term interests of shareholders by rewarding the delivery of sustained performance.
Participants	MD & CEO CFO
Date of grant	20 December 2021
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of predetermined market performance requirements within defined time restrictions.
Maximum opportunity	100% of TFR for the MD & CEO 80% of TFR for the CFO
	Performance rights were allocated at face value using the five trading day volume weighted average price of Deterra shares during the period 1 July 2021 to 7 July 2021 (\$4.32)
Performance period	1 July 2021 to 30 June 2024
Performance measurement date	Following finalisation of FY24 financial results
Vesting of PRs	As soon as practicable after testing at the end of the performance period.
Performance conditions	<p>There are two equally weighted performance conditions based on relative TSR.</p> <p>For the purpose of calculating TSR and the performance of ASX 200 Resources Accumulation Index or the Platts 62% Iron Ore CFR China Index, the following opening and closing measures will be used:</p> <ul style="list-style-type: none"> • Opening price will be based on the 30 trading day volume weighted share price/index price starting on the first day of the Performance Period. • Closing price will be based on the 30 trading day volume weighted share price/index price up to and including the final day of the Performance Period. <p>Further details are set out in section 6.2.2.1.</p>
Acquisition of PRs and shares	<p>PRs are granted by the Company and held by the participant subject to the satisfaction of the vesting conditions. The number of rights held may be adjusted pro rata, consistent with ASX adjustment factors for any capital restructure.</p> <p>Shares to satisfy the exercise of vested PRs may be issued by the Company or acquired on market.</p>

Directors' Report

6.2.2 Long-term incentive (LTI) (continued)

Table 16: LTI plan (continued)

Treatment of dividends and voting rights	Performance rights do not have voting rights or dividend rights during the performance period and before being vested. For performance rights that vest, additional shares may be allocated, or a cash payment will be made, equal in value to the amount of dividends paid (not grossed up for franking credits) on the underlying shares during the period from grant of the rights to exercise on a reinvested basis.
Malus and/or clawback	The Deterra board may apply malus to incentives that have yet to vest and even clawback incentives that have already vested where: <ul style="list-style-type: none"> the executive acts fraudulently or dishonestly; or there is material misstatement or omission in the accounts of Deterra; or the award has resulted in an inappropriate benefit being awarded.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Treatment on termination	The share rights are granted on the basis that they remain on foot on cessation of employment with the Board having the discretion to forfeit some, none or all of the STI Rights having regard for the facts and circumstances in which the executive's employment ceases.
Board discretion	The Board has discretion to vary LTI outcomes having regard for the circumstances at the time (including in the event the LTI outcome would result in an inappropriate outcome).
Change of control	Vesting is subject to board discretion, taking into account performance to the date of change in control.

6.2.2.1 Performance conditions

The relative TSR tranche of the LTI (which forms 50 per cent of the performance condition) provides that the TSR of the Company will be measured against the ASX 200 Resources Accumulation Index over the performance period to determine the level of vesting.

The vesting scale that will apply to the Performance Rights subject to the relative TSR test is shown in Table 17:

Table 17: TSR vesting conditions

Performance level	DRR TSR ranking	% vesting
Less than threshold	Below index performance	0%
Threshold	Equal to index performance	50%
Above threshold but below maximum	Above index performance but less than 6% above index	Linear vesting between 50% and 100%
Maximum	6% or more above index	100%

The LTI tranche for the relative share price performance (which forms the other 50 per cent of the performance condition) is based on the Company's compound annual share price performance compared to the Australian dollar equivalent Platts 62 per cent Iron Ore CFR China Index.

The vesting scale that will apply to the Performance Rights subject to the relative share price performance is shown in Table 18:

Table 18: Relative share price performance vesting conditions

Share	% vesting	
Less than threshold	<2% above index	0%
Threshold	Equal to 2% above index	50%
Above threshold but below maximum	More than 2% above index but less than 6% above index	Linear vesting between 50% and 100%
Maximum	6% and above index	100%

Directors' Report

6.3. Remuneration outcomes for FY22

6.3.1. Company Performance

Table 19: FY22 Financial performance

		FY22	FY21 ¹⁵
Revenue	\$'000	265,155	145,209
Net profit/(loss) after tax	\$'000	178,462	94,260
Basic earnings per share	\$	0.3377	0.1784
Diluted earnings per share	\$	0.3375	0.1783
Closing share price (30 June)	\$	4.24	4.5






Notes:

¹⁵ Comparisons to the prior year are made to the non-standard period of 15 June 2020 to 30 June 2021. This non-standard period includes 12 months of royalty revenue and only 8 months of operating expenses to account for the series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. Further details of the demerger transactions can be found on page 96 of this report.

6.3.2. 2022 STI Scorecard and Outcomes Achieved

The STI Scorecard is approved by the Board at the start of the financial year. The following targets and objectives are set for MD & CEO for FY22:

Table 20: STI scorecard

Scorecard measure	Weight	Performance			score
		nil	meets	exceeds	
Market engagement	40%				30
<ul style="list-style-type: none"> Increase market knowledge of royalty investment business model Increase brand recognition of Deterra as an ASX investment Build a well balanced and high-quality shareholder base 		<ul style="list-style-type: none"> Substantial investor engagement through in person and virtual conferences, roadshows, domestic and investor broker briefings, and one to one meetings Updated Company digital presence and presentation material and messaging Conference presentation and industry panel invitations Significant expansion of brokerage coverage 			
Shareholder returns	20%				0
<ul style="list-style-type: none"> Gain recognition of Deterra as a high-quality investment with valuation reflecting option value 		<ul style="list-style-type: none"> DRR trades at a significant premium to NAV, as measured by rolling average price to consensus of DRR analyst coverage 			
ESG Framework	20%				14
<ul style="list-style-type: none"> Develop, implement and communicate ESG framework Apply ESG criteria in due diligence activity 		<ul style="list-style-type: none"> ESG framework released and implemented. Materiality assessment underway Net zero direct emissions achieved for FY22 Continued engagement with shareholders, ratings agencies and other stakeholders on ESG approach 			
Investments	20%				16
<ul style="list-style-type: none"> Company is ready and capable of executing on investment 		<ul style="list-style-type: none"> Significant number of investment opportunities reviewed and presented to board Active pipeline of new opportunities Debt facility expanded with extended tenor and reduced margin to support flexibility and capacity for investment 			
Total	100%				60

Directors' Report

6.3.3. STI Awards from FY22 Scorecard Outcomes

The following table presents the outcomes of the STI award attributed to the performance year ended at 30 June 2022. The face value of the share rights has been presented, as the fair value will not be determined until the grant is made in late August 2022.

Table 21: STI outcome for FY22

Executive KMP	Maximum STI Opportunity	% of maximum STI earned	% of maximum STI forfeited	STI Cash	Tranche 1 Share Rights	Tranche 2 Share Rights	Total
J Andrews	\$330,000	60%	40%	\$66,000	\$66,000	\$66,000	\$198,000
B Ryan	\$210,000	60%	40%	\$42,000	\$42,000	\$42,000	\$126,000

6.3.4. Initial Equity Grant

The board made the Initial Equity Grants (IEG) to the Managing Director & Chief Executive Officer and the Chief Financial Officer to transition the period between listing and the vesting of the LTI plan after 30 June 2023. This grant of performance rights is subject to two equal weighted performance conditions based on relative TSR and relative share price growth. These performance results are compared to the ASX200 Resources Accumulation Index and the Platts 62% Iron Ore CFR China Index, respectively.

The performance rights comprise two equal tranches. The first tranche was tested against performance conditions at 30 June 2021 and the vesting conditions were not met. The second tranche of the IEG was tested against the performance conditions of 30 June 2022. The testing results are 0 per cent of performance rights met the vesting conditions.

In implementing the STI, the Board determined that for FY22 the executive KMP will receive only one of either the IEG or the STI, whichever is higher. As noted in section 6.3.3, the award under the STI is greater than under the IEG for both the MD & CEO and the CFO and accordingly no award has been made under the IEG and the performance rights lapsed.

Table 22: Initial Equity Grant outcome for FY22

Measure	Performance Outcome	% Weighting	% of IEG tranche that vested
Relative TSR	Not Vested	50%	0%
Relative share price growth to Iron Ore Price	Not Vested	50%	0%
	Overall	100%	0%

6.3.5. Vesting of Replacement Awards

In recognition of the demerger and the MD & CEO's loss of Iluka Resources Limited equity awards on joining Deterra, two replacement awards were granted to the MD & CEO.

6.3.5.1. 2018 Replacement Award

The 2018 replacement award was granted as performance rights, that are tested for vesting subject to performance conditions to 31 December 2021. These performance conditions are the same as the LTI plan listed above. The testing results are summarised in table 23.

Table 23: 2018 Replacement Award outcome for FY22

Measure	Performance Outcome	% Weighting	% of RA that vested
Relative TSR	Not Vested	50%	0%
Relative share price growth to Iron Ore Price	Vested	50%	50%
	Overall	100%	50%

Directors' Report

6.3.5.2. 2019 Replacement Award

The 2019 replacement award was granted as performance rights and three equal tranches of restricted shares. The performance rights will be tested for vesting in FY23, subject to performance conditions to 31 December 2022. The restricted shares are subject to continued employment only. The vesting results of the restricted shares are summarized in table 24.

Table 24: 2019 Replacement Award restricted shares outcome for FY22

Restricted Shares	Vesting Date	% Vested at 1/3/2021	% Vested at 1/3/2022
Tranche 1 (13,675 shares)	1/03/2021	100%	-
Tranche 2 (13,676 shares)	1/03/2022	-	100%
Tranche 3 (13,676 shares)	1/03/2023	-	-

6.3.6. Actual pay received in FY22

Table 25 below sets out the 'Actual Pay Received' by Executive KMP for FY22 in Australian dollars. It is included to complement the statutory remuneration disclosures to better illustrate the remuneration received or receivable by Executives in FY22 for service and performance.

While this disclosure is non statutory, it has been audited.

Table 25: Actual pay received/ receivable in FY22

Executive	TFR	Other ¹⁶	STI		RA ¹⁸	IEG	LTI	Total
			Cash ¹⁷	Share Rights ¹⁷				
J Andrews	\$825,000	\$3,154	\$66,000	\$132,000	\$61,268	-	-	\$1,087,422
B Ryan	\$525,000	-	\$42,000	\$84,000	-	-	-	\$651,000

Notes:

¹⁶ Represents dividend equivalent payments in relation to vesting of 2018 Replacement Award.

¹⁷ Represents outcome from FY22 STI. Cash is to be paid in August 2022. Share rights vest in two tranches in July 2023 and 2024. The value of the share rights presented is the face value of the award, as the fair value will not be determined until the grant is made in late August 2022.

¹⁸ Tranche 2 of the 2019 Replacement Award restricted shares vested as per Table 24. The value shown as pay received is the number of shares that vested (13,676) multiplied by the vesting date fair value of the share price (\$4.48).

Directors' Report

6.3.7. **Executive KMP statutory remuneration**
Table 26 sets out the remuneration of Executive KMP for the 2022 Financial Year in Australian Dollars and has been prepared in accordance with the requirements of Section 300A of the Australian Corporations Act 2001 and associated accounting standards.

Table 26: Statutory remuneration

Name (Position)	Year	Base Salary	Super-annuation	Non-Monetary Benefits ¹⁹	Short-term cash incentive ²⁰	Share Based Payment ²¹				% of performance-based remuneration
						Annual and Long Service Leave	Shares	Rights	Total Statutory Remuneration	
Executive Director										
J Andrews	2022	\$801,432	\$23,568	\$12,452	\$66,000	\$47,596	\$67,508	\$656,079	\$1,674,635	47%
MD & CEO	2021	\$533,729	\$16,271	\$6,232	-	\$20,096	\$119,838	\$470,656	\$1,166,822	51%
Executives										
B Ryan	2022	\$501,432	\$23,568	\$12,452	\$42,000	(\$2,019)	-	\$286,476	\$863,909	38%
CFO	2021	\$413,660	\$16,271	\$6,232	-	\$20,162	-	\$213,539	\$669,864	32%

Notes:

¹⁹ Represents car parking for Executive KMP.

²⁰ FY22 Short-term Incentive award cash component will be paid in August 2022. The value shown is that accrued for FY22.

²¹ Represents the value of vested and unvested equity expensed during the period including the probability of the incentives vesting, in accordance with AASB 2 Share-based Payment, related to grants made to the executive. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in the above sections.

6.4. Executive KMP Share and other equity holdings

6.4.1. Executive KMP shareholdings

The movements in share and other equity holdings for executive KMP are set out in Table 27. Details of Non-Executive director shareholdings are set out in Table 35 in Section 8

Table 27: Executive KMP shareholdings

Executive	Instrument	Held at 1/7/21	Granted as compensation	Received on exercise of rights	Other ²²	Held at 30/6/22
J Andrews	Ordinary shares	62,578	-	22,576	13,676	98,830
	Restricted shares (vesting 03/22)	13,676	-	-	(13,676)	-
	Restricted shares (vesting 03/23)	13,676	-	-	-	13,676
B Ryan	Ordinary shares	20,000	-	-	-	20,000

Notes:

²² Other changes represent 13,676 restricted shares vested in March 2022 and converted to ordinary shares

Directors' Report

6.4.2. Performance rights details

Table 28 sets out the details of the Performance Rights that were granted as compensation during the year.

Table 28: Performance Rights details

Executives	Plan name	Grant Date	Expiry Date ²³	Performance Measure ²⁴	Fair value at grant date	Rights Granted	% Vested	% Forfeited	Financial year to vest
J Andrews									
	LTI Plan	20/12/2021	30/06/2024	ASX 200 Res	\$2.44	95,551	-	-	30/06/2024
	LTI Plan	20/12/2021	30/06/2024	Iron Ore Price	\$3.21	95,551	-	-	30/06/2024
B Ryan									
	LTI Plan	20/12/2021	30/06/2024	ASX 200 Res	\$2.44	48,644	-	-	30/06/2024
	LTI Plan	20/12/2021	30/06/2024	Iron Ore Price	\$3.21	48,644	-	-	30/06/2024

Notes:

²³ The various awards expire once vested or following the vesting date if they do not vest.

²⁴ See section 6.2.2.1 for definitions of performance measures.

6.4.3. Performance rights movement during the year

No options with an exercise price were granted by the Company nor exercised in FY22. All Performance Rights are exercisable following vesting. Table 29 provides details of the various Performance Rights granted and that remain on foot. Performance Rights are exercised into ordinary shares on a one for one basis.

Table 29: Performance Rights movement during the year

Executive	Grant Date	Held at 30/6/21	Granted as Compensation	Rights Vested/ Exercised	Rights Lapsed	Held at 30/6/22
J Andrews						
2021 LTI Plan	7-Dec-20	192,888	-	-	-	192,888
Initial Equity Grant tranche 2 (vesting FY22) ²⁵	7-Dec-20	48,222	-	-	(48,222)	-
2018 Replacement Award	7-Dec-20	45,153	-	(22,576)	(22,577)	-
2019 Replacement Award	7-Dec-20	28,806	-	-	-	28,806
2022 LTI Plan	20-Dec-21	-	191,101	-	-	191,101
B Ryan						
2021 LTI Plan	7-Dec-20	98,198	-	-	-	98,198
Initial Equity Grant tranche 2 (vesting FY22) ²⁵	7-Dec-20	30,687	-	-	(30,687)	-
2022 LTI Plan	20-Dec-21	-	97,288	-	-	97,288

Notes:

²⁵ As noted in section 6.3.4., the award under the STI is greater than under the IEG for both the MD & CEO and the CFO and accordingly no award has been made under the IEG and the performance rights lapsed. Under the guidance of AASB 2 Share Based Payments, the FY22 STI share rights portion is recognised as a modification of the IEG tranche 2 performance rights.

Directors' Report

6.5. Key Terms of Executive KMP Employment Contracts

6.5.1. Notice and termination payments

Table 30 sets out for the contractual provisions for current Executive KMP.

Table 30: KMP contracts

Name	Position	Contract Type	Notice Period for Company	Notice Period for Employee	Termination Payment	Treatment of LTI on termination
J Andrews	MD & CEO	Permanent	6 Months	6 Months	6 Months	Board discretion
B Ryan	CFO	Permanent	6 Months	6 Months	6 Months	Board discretion

Termination payments are calculated based upon total fixed remuneration at the date of termination. No payment is made for termination due to gross misconduct.

6.5.2. Managing Director & Chief Executive Officer employment agreement

Table 31: Managing Director & Chief Executive Officer contract

Feature	Approach
Term	Until terminated by either party.
TFR	<p>\$825,000 per annum.</p> <p>Fixed remuneration includes superannuation and non cash benefits but excludes entitlements to reimbursement.</p>
STI	<p>Mr Andrews is eligible to receive an annual STI and the maximum STI opportunity is 40% of TFR. The STI is paid one third cash, and two thirds share rights.</p> <p>Further details are discussed in section 6.2.1</p>
LTI	<p>Mr Andrews is eligible to receive an annual LTI grant and the maximum LTI opportunity is 100% of TFR.</p> <p>Further details are discussed in section 6.2.2</p>
Termination	<p>Mr Andrews can resign:</p> <ul style="list-style-type: none"> By providing six months' written notice; or Immediately in circumstances where there is a fundamental change in his role or responsibilities. In these circumstances, Mr Andrews is entitled to a payment in lieu of 6 months' notice. <p>Deterra can terminate Mr Andrews' employment:</p> <ul style="list-style-type: none"> Immediately for misconduct or other circumstances justifying summary dismissal; or By providing 6 months' written notice. <p>If Mr Andrews resigns he will be subject to a six month post employment restraint.</p>
Other	The agreement contains provisions regarding leave entitlements, duties, confidentiality, intellectual property, moral rights and other facilitative and ancillary clauses. It also contains provisions regarding corporate governance and a provision dealing with the <i>Corporations Act 2001</i> (Cth) limits on termination benefits to be made to Mr Andrews.

Directors' Report

7 Non-Executive director remuneration

7.1 Remuneration Policy

Remuneration for Non-Executive Directors is determined by reference to relevant external market data and takes into consideration the level of fees paid to directors of other Australian corporations of similar size and complexity to Deterra. Remuneration for Non-Executive Directors is subject to the aggregate limit of \$1 million in any calendar year that may be changed in future years with shareholder approval.

Fees for Non-Executive Directors are fixed and are not linked to the financial performance of the Company. Non-Executive Directors are not entitled to retirement benefits.

Table 32 sets out the fee structure that has applied since listing in October 2020.

Table 32: Board fees policy per annum, inclusive of superannuation

	FY22
Chair fees	\$225,000
Member fees	\$150,000

No additional or separate fees are paid for service on committees.

In addition to Board and Committee fees, Non-Executive Directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, Committees or shareholders or while engaged on Deterra business.

There are no share or performance based plans for Deterra Non-Executive Directors. Table 33 details the statutory remuneration for the Non-Executive Directors.

Table 33: Non-Executive Director statutory remuneration

Name	Year	Base Fees	Superannuation	Non-Monetary Benefits	Total Statutory Remuneration
J Seabrook ³²	2022	\$219,886	\$5,114	-	\$225,000
	2021	\$234,773	\$810	-	\$235,583
G Devlin ³³	2022	\$136,353	\$13,647	-	\$150,000
	2021	\$97,032	\$9,218	-	\$106,250
J Warner ³⁴	2022	\$136,353	\$13,647	-	\$150,000
	2021	\$97,032	\$9,218	-	\$106,250
A Stratton ³⁵	2022	-	-	-	-
	2021	-	-	-	-

Notes:

³² J Seabrook commenced as Chair on 15 June 2020. The FY21 remuneration represents a 54 week period from 15 June 2020 to 30 June 2021. The pre-demerger portion of the FY21 remuneration was paid by Iluka on behalf of Deterra. See Demerger Details at page 96.

³³ G Devlin commenced as director on 16 October 2020.

³⁴ J Warner commenced as director on 16 October 2020.

³⁵ A Stratton is a nominee of Deterra's largest shareholder Iluka Resources Limited and is not remunerated.

Directors' Report

8 Minimum Shareholding Requirement Policy

Deterra has adopted a Minimum Shareholding Policy to strengthen the alignment of the interests of directors and executives of Deterra with the long term interests of Deterra's shareholders.

Executive Key Management Personnel

The Policy was extended to Executive KMP in August 2021, requiring:

- the CEO & Managing Director to meet a minimum shareholding requirement of 100 per cent of his total fixed remuneration; and
- the CFO to meet a minimum shareholding requirement of 80 per cent of his total fixed remuneration.
- In each case by August 2026

While Executive KMPs have not yet accumulated the required shareholding value, it is expected they will meet the timeframe requirement through participating in Deterra's employee incentive schemes.

Non Executive Directors

The Policy requires all Non-Executive directors to meet a minimum shareholding requirement of 100 per cent of their annual base fees (pre-tax) within five years of appointment. As of 30 June 2022, all Non-Executive directors met this requirement.

Table 34 summarises the current applicable MSR under this Policy, while Table 35 shows share movements that occurred during the financial year.

Table 34: Minimum shareholding requirements

Individual covered by this Policy	Minimum Shareholding Percentage of TFR/annual fees
MD & CEO	100%
CFO	80%
Chair of the Board	100%
Other Non-Executive Directors	100%

Table 35: KMP shareholdings

Director	Held at 30/6/21	Granted as compensation	Received on exercise of rights	Other ³⁶	Held at 30/6/22	FY22 STI Share Rights ³⁷	Minimum shareholding met ³⁸
J Seabrook	69,776			25,000	94,776		Yes
G Devlin	40,000				40,000		Yes
J Warner	23,000			27,000	50,000		Yes
A Stratton	43,260				43,260		Yes
J Andrews	62,578		22,576	13,676	98,830	31,784	No
B Ryan	20,000				20,000	20,226	No

Notes:

³⁶ Other changes represent shares that were purchased or sold and restricted shares vested during the year.

³⁷ FY22 STI share rights have been fully accrued in FY22. These rights will be granted in late August 2022 and vest in two equal tranches in July 2023 and 2024, subject to continuous employment.

³⁸ Assessment of eligible shares and corresponding market price carried out in accordance with Deterra's Minimum Shareholding Policy available at <https://www.deterraroyalties.com/sustainability/policies-and-charters/>

Directors' Report

Corporate Governance

Matters subsequent to the EOFY (Refer notes)

There are no matters or circumstances that have arisen since 30 June 2022 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years other than the Board recommending a final dividend of 22.08 cents per share which is equal to \$116,698,000. For further information regarding matters subsequent to the end of the financial year, see Note 16 on page 79 of the Financial Report.

Likely developments (Refer Operations & Financial Review)

In the opinion of the Directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report (including the Operating and Financial Review from pages 31 to 37 of this report), relating to likely developments in the operations of the Group and the expected results of those operations in the financial years subsequent to the financial year ended 30 June 2022.

Environmental regulation (Refer Sustainability Report)

The consolidated entity seeks to be compliant with all applicable environmental laws and regulations relevant to its operations. Management is not aware of any environmental laws or regulations that have not been complied with during the financial year. For further information regarding Deterra's sustainability reporting, see pages 12 to 21 of this Annual Report.

Auditor

PricewaterhouseCoopers continues in office, in accordance with the *Corporations Act 2001* (Cth) (*Corporations Act*). For a copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act*, see page 58.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. No non-audit services were provided by PwC for the year ended 30 June 2022.

Corporate Governance Statement (Refer CGS)

The Company has, for FY22, elected to disclose the Corporate Governance Statement only on the Company's website. The Corporate Governance Statement can be found at <https://www.deterraroyalties.com/sustainability/corporate-governance/>.

Use of cash and assets

During the period between admission to the Official List of ASX and the end of the reporting period, Deterra used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX, in a way consistent with its business objectives. This statement is made pursuant to ASX Listing Rule 4.10.19.



Jennifer Seabrook
Independent Chair



Julian Andrews
Managing Director &
Chief Executive Officer

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Deterra Royalties Limited for the year ended 30 June 2022, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Ian Campbell'.

Ian Campbell
Partner
PricewaterhouseCoopers

Perth
17 August 2022

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Image courtesy of BHP Group.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 \$'000	2021 ³⁹ \$'000
Royalty revenue	2	265,155	145,209
Business development		(729)	(237)
Operating expenses	3	(7,642)	(4,604)
Depreciation and amortisation		(393)	(365)
Demerger expenses		-	(4,637)
Operating profit before finance cost		256,391	135,366
Net finance income/(cost)	4	(852)	(220)
Net foreign exchange gains/(losses)		(7)	(11)
Fair value gain on asset acquisition		-	6,512
Profit before tax		255,532	141,647
Income tax expense	5	(77,070)	(47,387)
Net Profit After Tax		178,462	94,260
Other comprehensive profit for the period, net of tax		-	-
Total comprehensive profit for the period		178,462	94,260
Total and continuing earnings per share:			
Basic earnings per share (\$)	20	0.3377	0.1784
Diluted earnings per share (\$)	20	0.3375	0.1783

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

Note:

³⁹ Comparisons to the prior year are made to the non-standard period of 15 June 2020 to 30 June 2021. This non-standard period includes 12 months of royalty revenue and only 8 months of operating expenses to account for the series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. Further details of the demerger transactions can be found on page 96 of this report.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Current Assets			
Cash and cash equivalents	7b	27,456	24,206
Trade and other receivables	7a	113,220	54,955
Income tax assets		482	-
Prepayments		602	644
Total Current Assets		141,760	79,805
Non-Current Assets			
Royalty intangible assets	8	8,596	8,903
Other intangible assets		4	5
Property, plant and equipment		26	30
Prepayments		1,675	53
Right-of-use assets		229	297
Total Non-Current Assets		10,530	9,288
Total Assets		152,290	89,093
Current Liabilities			
Trade and other payables	7c	479	801
Provisions		123	65
Lease liability		68	67
Income tax liabilities		-	10,904
Total Current Liabilities		670	11,837
Non-Current Liabilities			
Lease liability		180	244
Borrowings	7d	-	-
Deferred tax	6	32,815	15,289
Total Non-Current Liabilities		32,995	15,533
Total Liabilities		33,665	27,370
Net Assets		118,625	61,723
Equity			
Share capital	9	-	-
Reserves		1,859	804
Retained Earnings		116,766	60,919
Total Equity		118,625	61,723

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Share Capital \$'000	Retained Earnings \$'000	Share-based payment reserve \$'000	Total Equity \$'000
Balance at 15 June 2020 ⁴⁰	-	-	-	-
Profit for the period	-	94,260	-	94,260
Total comprehensive income/(loss) for the period	-	94,260	-	94,260
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	-	-	-	-
Share-based payments	-	-	804	804
Dividend declared/paid	-	(33,341)	-	(33,341)
	-	(33,341)	804	(32,537)
Balance at 30 June 2021	-	60,919	804	61,723
Balance at 1 July 2021	-	60,919	804	61,723
Profit for the period	-	178,462	-	178,462
Total comprehensive income/(loss) for the period	-	178,462	-	178,462
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	-	-	-	-
Share-based payments	-	-	1,058	1,058
Dividend equivalent payment on vested rights	-	-	(3)	(3)
Dividend declared/paid	-	(122,615)	-	(122,615)
	-	(122,615)	1,055	(121,560)
Balance at 30 June 2022	-	116,766	1,859	118,625

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

Note:

⁴⁰ Comparisons to the prior year are made to the non-standard period of 15 June 2020 to 30 June 2021. This non-standard period includes 12 months of royalty revenue and only 8 months of operating expenses to account for the series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. Further details of the demerger transactions can be found on page 96 of this report.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

		2022 \$'000	2021 ⁴¹ \$'000
Cash Flows from Operating Activities			
Receipts from customers		206,925	111,994
Payments to suppliers and employees		(7,561)	(8,446)
Interest received		207	23
Interest paid		(827)	(207)
Income Tax paid		(70,929)	(21,195)
Net cash inflow from operating activities	10	127,815	82,169
Cash Flows from Investing Activities			
Payments for property, plant, and equipment		(10)	(45)
Payment for asset acquisition		-	(24,405)
Net cash outflow from investing activities		(10)	(24,450)
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	-
Dividend paid		(122,615)	(33,341)
Payment of borrowing establishment fee		(1,868)	(120)
Proceeds from borrowings		14,000	29,500
Repayment of borrowings		(14,000)	(29,500)
Repayment of lease liabilities		(72)	(52)
Net cash outflow from financing activities		(124,555)	(33,513)
Net increase in cash and cash equivalents		3,250	24,206
Cash and cash equivalents at the start of the period		24,206	-
Cash and cash equivalents at the end of the period		27,456	24,206

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

Note:

⁴¹ Comparisons to the prior year are made to the non-standard period of 15 June 2020 to 30 June 2021. This non-standard period includes 12 months of royalty revenue and only 8 months of operating expenses to account for the series of intercompany transactions that occurred as part of the demerger of Deterra from Iluka. Further details of the demerger transactions can be found on page 96 of this report.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

How the numbers are calculated:

This section provides additional information about those individual line items in the financial statement that the directors consider most relevant in the context of the operation of the Group, including:

- * Accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with the particular type of transaction
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Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1. 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, who is 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.

2. Royalty Revenue

	2022 \$'000	2021 \$'000
MAC royalty	218,752	142,406
MAC capacity payment	46,000	2,000
Other royalties	403	803
Total Royalty revenue	265,155	145,209

Royalty revenue

The revenue of the Group comprises mainly royalty revenue. As described further in note 8, the Group considers royalty interests to represent a retained interest in the relevant mineral asset. The royalty is therefore a payment by the operator of each mining property on which the royalty interest is held for the right to extract and sell commodities from that retained interest. Royalty arrangements typically provide Deterra with a right to periodic payments calculated as a percentage of the amounts invoiced by the operator in the given period. Certain of the Group's arrangements also provide an entitlement for lump sum payments when the operator meets certain production thresholds (called capacity payments).

The Group recognises royalty revenue when commodities are sold by the operator under customer contracts (the Group is not a party to these contracts). Invoices are generally issued by the operator at the point when commodities are sold. Practically, the Group is provided with periodic communication from the operator about the amounts invoiced. Revenue from royalty arrangements is measured each period based on the agreed terms of the royalty arrangement and confirmed with the operator of each mining property.

Revenue from capacity payments is recognised proportionately when it is highly probable that the relevant annual production capacity threshold will be exceeded. For current arrangements, this is generally when the Group is informed by the counterparty that this has occurred. It is measured at the amount calculated using the agreed terms in the royalty agreement and confirmed with the counterparty.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

3. Breakdown of expenses by nature

	2022 \$'000	2021 \$'000
Employee benefits expenses	3,518	2,236
Other expenses	4,124	2,368
Total operating expenses	7,642	4,604

The comparator period for operating expenses in FY21 included only the eight months of post demerger expenses from 2 November 2020 to 30 June 2021. By comparison, FY22 expenses include the full 12 months of expenses from 1 July 2021 to 30 June 2022. Further information on the comparator period is provided on page 96, Demerger Details.

4. Net Finance Income/(Cost)

	2022 \$'000	2021 \$'000
Finance Income		
Interest on bank deposits	224	33
Total finance income	224	33
Finance Cost		
Finance Costs – Leases	(4)	(3)
Credit facilities fees and interest	(1,072)	(250)
Total finance costs	(1,076)	(253)
Total Net Finance Income/(Costs)	(852)	(220)

Interest income

Interest income is accrued on a time basis, by reference to the carrying value and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets which take more than 12 months to prepare for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

5. Income Tax Expense

	2022 \$'000	2021 \$'000
(a) Income tax expense		
<i>Current tax</i>		
Current income tax on profits for the period	59,544	32,098
Total Current income tax	59,544	32,098
<i>Deferred tax</i>		
Decrease/(increase) in deferred tax assets	89	(1,293)
(Decrease)/increase in deferred tax liabilities	17,437	16,582
Total deferred tax expense/(benefit)	17,526	15,289
Income tax expense	77,070	47,387
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	255,532	141,647
Tax at the average effective tax rate of 30%	76,660	42,494
<i>Tax effect of amounts which are not deductible in calculating taxable income:</i>		
Non-deductible expenses	410	334
Tax effect of valuation gain on acquired receivable	-	(1,953)
<i>Other permanent differences between taxable income and accounting profit:</i>		
Tax payable on acquired receivable	-	6,512
Income tax expense	77,070	47,387

The income tax expense or benefit represents the sum of current and deferred income taxes.

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

6. Deferred Tax

	2022 \$'000	2021 \$'000
Deferred tax assets		
<i>The balance comprises temporary differences attributable to:</i>		
Provisions and accruals	48	31
Lease liabilities	74	93
Demerger expenses	835	1,113
Other	247	56
Gross deferred tax assets	1,204	1,293
Amount offset to deferred tax liabilities pursuant to set-off provision	(1,204)	(1,293)
Net deferred tax assets	-	-
Deferred tax liability		
<i>The balance comprises temporary differences attributable to:</i>		
Property, plant and equipment	8	9
Right-of-use assets	69	89
Royalty receivable	33,929	16,477
Other	13	7
Gross deferred tax liabilities	34,019	16,582
Amounts offset to deferred tax assets pursuant to set-off provision	(1,204)	(1,293)
Net deferred tax liabilities	32,815	15,289

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit or loss; or are associated with investments and loans in controlled entities and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

7. Financial Assets and Financial Liabilities

The Group holds the following financial instruments:

		2022 \$'000	2021 \$'000
Financial assets			
Financial assets at amortised cost			
Trade and other receivables	7(a)	113,220	54,955
Cash and cash equivalents	7(b)	27,456	24,206
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	7(c)	479	801
Borrowings	7(d)	-	-
Lease liability		248	311

(a) Trade and other receivables

		2022 \$'000	2021 \$'000
<i>Current</i>			
Royalties receivable		113,096	54,923
Accrued interest income		28	11
GST receivable		39	21
Other receivables		57	-
		113,220	54,955

Trade and other receivables principally comprise amounts relating to royalties receivable. The Directors consider that the carrying amount of trade and other receivables is approximately their fair value.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the amount communicated as receivable from the counterparty under the terms of the royalty agreement. Impairment losses are recognised based on lifetime expected credit losses in profit or loss and are estimated as \$nil given the credit quality of the counterparties.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature.

(b) Cash and cash equivalents

		2022 \$'000	2021 \$'000
Operating bank account		27,456	24,206
Total cash & cash equivalents		27,456	24,206

Cash and cash equivalents comprise cash on hand which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

(c) Trade and other payables

	2022 \$'000	2021 \$'000
<i>Current</i>		
Trade payables	43	345
Employee liabilities	181	34
Accrued expenses	252	420
Other payables	3	2
Total current trade & other payables	479	801

The Directors consider that the carrying amount of trade and other payables approximates their fair value. All amounts are considered short term, and none are past due.

The amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Trade payables are not interest bearing and are stated at their fair value on initial recognition. After initial recognition these are measured at amortised cost using the effective interest method.

(d) Borrowings

Interest bearing liabilities are initially recognised at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method, the difference between the amount initially recognised and the redemption amount is recognised in profit or loss over the period of the borrowings on an effective interest basis.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

(i) Bilateral Credit Facilities

On 21 February 2022, Deterra refinanced its existing revolving cash advance 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.

Interest bearing bank facilities are initially recognised at fair value, net of directly attributable transaction costs. Transaction costs are recognised in prepayments and amortised over the term of the bilateral credit facilities as they relate to the provision of the facility over that period.

The table below details the facility expiries:

A\$ million	Total facility	Facility Expiry				
		2023	2024	2025	2026	2027
At 30 June 2022	\$350m	-	-	\$175m	\$100m	\$75m
At 30 June 2021	\$40m	\$40m	-	-		-

Undrawn funds of the Bilateral Credit Facility at 30 June 2022 were \$350 million (2021: \$40 million).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

(ii) Interest rate exposure

At 30 June 2022, the Group had the bilateral credit facilities available for drawdown. Accordingly, the Group did not have any interest rate exposure from the bilateral credit facilities. The applicable interest rate for each drawdown is determined with reference to the prevailing interest rates at drawdown date. The contractual repricing date of all the floating rate interest bearing liabilities at the balance date is within one year of drawdown.

(iii) Financial covenants

Under the term of the facility agreement, the Group is required to comply with certain financial covenants typical of a facility and business of this nature, including covenants that relate to the ratio of Earnings before Interest, Taxation and Depreciation and Amortisation ("EBITDA") to Net Finance Expense and the ratio of Net Debt to EBITDA. The covenants are tested at specific intervals and the Group remains in compliance with all covenants.

8. Royalty intangible assets

The Group's royalty intangible assets currently comprise the Group's royalty interests over Mining Area C.

	2022 \$'000	2021 \$'000
Gross carrying amount		
Opening balance	9,210	-
Additions through asset acquisition	-	9,210
Closing balance	9,210	9,210
Amortisation		
Opening balance	(307)	-
Amortisation charge	(307)	(307)
Closing balance	(614)	(307)
Carrying Amount 30 June	8,596	8,903

Royalties are initially measured at cost, including any transaction costs.

The Group considers the substance of a royalty to be economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by future supply and demand and foreign exchange rates) are all risks which the Group participates in on a similar basis to an owner of the underlying mineral licence.

Furthermore, there is only a right to receive cash to the extent there is production and there are no interest payments, minimum payment obligations or means to enforce production or guarantee repayment. These are accounted for as intangible assets under AASB 138.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

Amortisation of intangible assets

The Group's royalty intangible assets are amortised on a straight-line basis over the estimated remaining life of mine. The amortisation starts upon the commencement of production at the underlying mining operation.

The Group's royalty intangible assets were amortised as follows during the period:

Royalty interest	30 June 2020		30 June 2022	
	Acquisition value \$'000	Estimated life of mine	Carrying Value \$'000	Remaining life of mine
Mining Area C	9,210	360 months	8,596	336 months

9. Share Capital

	Number of shares	\$
Ordinary shares at 15 June 2020	1	1
Share split - effective 1 Nov 2020	528,462,100	
Restricted shares issued	41,027	-
Ordinary shares at 30 June 2021	528,503,128	1
Shares issued to employee - 18 Feb 2022	22,576	-
Ordinary shares at 30 June 2022	528,525,704	1

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

The Group issued 22,576 shares to the MD & CEO on 18 February 2022 upon the vesting of the Executive Incentive Plan.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

10. Cash Flow Information

	2022 \$'000	2021 \$'000
Reconciliation of cash flows from operating activities with profit from ordinary activities after income tax:		
Profit for the year	178,462	94,260
Adjusted for non-cash items:		
Depreciation of PPE	14	11
Depreciation of right-of-use asset	72	47
Amortisation of intangibles	307	307
Amortisation of loan establishment fees	246	27
Share-based payment	1,058	804
Annual leave provision	59	64
Interest income accrued	(17)	(11)
Interest expense accrued	-	17
Finance cost on lease liabilities	4	3
Net unrealised foreign exchange (gains)/losses	(5)	5
Fair Value gain on asset acquisition	-	(6,512)
Changes in assets and liabilities:		
(Increase)/Decrease in operating receivables	(58,229)	(33,236)
(Increase)/Decrease in prepayments	42	(605)
Increase/(Decrease) in trade and other payables	(338)	795
Increase/(Decrease) in tax payable	(11,386)	10,904
Increase/(Decrease) in deferred tax liability	17,526	15,289
Net cash flows from operations	127,815	82,169

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

Managing risk:

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance:

11. Critical estimates and judgements
12. Financial risk management
13. Capital management

11. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

During FY 2022, there have been no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year.

12. Financial Risk Management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

a) Credit risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents and receivables. The Group closely monitors its financial assets and maintains its cash deposits in a high-quality financial institution with a minimum A-/A3 credit rating.

As at 30 June 2022, the Group is unaware of any information which would cause it to believe that these cash deposits are not fully recoverable.

Majority of the Group's outstanding receivable balance at 30 June 2022 had been collected prior to the issuance of this annual financial report. The credit risk relating to receivables is considered low.

b) Liquidity risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. The Group manages its exposure to liquidity risk through prudent management of its financial position, including maintaining sufficient cash on hand or undrawn credit facilities. The Group has in place a planning and budgeting process to help determine the funds required to support the Group's normal operating requirements on an ongoing basis. Management continuously monitors and reviews both actual and forecast cash flows.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2022 \$'000	2021 \$'000
Floating rate		
- Expiring within one year	-	-
- Expiring beyond one year	350,000	40,000
	<u>350,000</u>	<u>40,000</u>

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

Contractual maturities of financial liabilities	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
As at 30 June 2022					
Trade and other payables	479	-	-	-	479
Lease liabilities	71	72	111	-	254
Total non-derivatives	550	72	111	-	733
As at 30 June 2021					
Trade and other payables	801	-	-	-	801
Lease liabilities	71	70	181	-	322
Total non-derivatives	872	70	181	-	1,123

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

13. Capital Management

a) Risk management

The Group defines capital as the total equity attributable to common shareholders. Capital is managed by the Group's management and governed by the Board of Directors. The Group is not subject to any externally imposed capital requirements and relevant financial covenants are disclosed in note 7(d)(iii).

b) Dividends

i) Ordinary shares

	2022 \$'000	2021 \$'000
Fully franked at 30 per cent		
Final dividend for FY21: 11.52 cents per share	60,883	-
Interim dividend for FY22: 11.68 cents per share (FY21: 2.45 cents per share)	61,732	12,948
Pre- demerger dividend: 3.86 cents per share ⁴⁹	-	20,393
Total dividends paid	<u>122,615</u>	<u>33,341</u>

⁴⁹ Pre-demerger dividends per share shown based on the share count for the period immediately following demerger. This dividend was paid to Iluka Resources Limited.

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22.08 cents per fully paid ordinary share. The aggregate amount of the proposed dividend expected to be paid on 21 September 2022 out of retained earnings at 30 June 2022, but not recognised as a liability at year end, is \$116,698,000.

ii) Franking credits

The final dividends recommended after 30 June 2022 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 2023.

	2022 \$'000	2021 \$'000
Franking credits available for subsequent reporting period	51,531	27,185

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

Group structure:

This section provides information that will help users understand how the group structure affects the financial position and performance of the Group as a whole. In particular, there is information about changes to the structure that occurred during the year.

A list of significant subsidiaries is provided in note 14.

14. Interest in subsidiaries

14. Interest in subsidiaries

The condensed consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described below:

Name of entity	Country of incorporation	Equity holding ⁴² 2022
Deterra Royalties (MAC) Limited	Australia	100%
Deterra Royalties Holdings Pty Limited	Australia	100%

⁴² The proportion of ownership interest is equal to the proportion of voting power held.

Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Deterra Royalties Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended. Deterra Royalties Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit or Loss and Other Comprehensive Income.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

Unrecognised items:

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

- 15. Commitments and contingencies
- 16. Subsequent events

15. Commitments and Contingencies

There are no other commitments or contingent liabilities outstanding at 30 June 2022.

16. Subsequent Events

The impact of the Coronavirus (COVID-19) pandemic is ongoing and remains uncertain. Whilst the impact for the consolidated entity up to 30 June 2022 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.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Subsequent to period end:

- The Board of Directors recommended a final dividend of 22.08 cents per share which is equal to \$116,698,000.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

Further details:	
This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.	
<ul style="list-style-type: none"> 17. Related party transactions 18. Share-based payments 19. Remuneration of auditors 20. Earnings per share 21. Parent entity financial information 22. Summary of significant accounting policies 	

17. Related party transactions

a) Subsidiaries

Interests in subsidiaries are set out in note 14.

b) Key management personnel compensation

	2022 \$	2021 \$
Short-term employee benefits	1,977,092	1,216,946
Post-employment benefits	79,543	45,554
Share-based payments	1,010,063	804,033
	3,066,698	2,066,533

Detailed remuneration disclosures are provided in the remuneration report on pages 40 to 56.

c) Transactions with other related parties

	2022 \$	2021 \$
<i>Purchase from Iluka Resources</i>		
Acquisition of Royalty Interests	-	24,405,000
Transitional services agreement	-	6,000
<i>Dividends paid to Iluka Resources</i>		
Total dividends paid	24,520,641	22,983,000
<i>Other transactions with Iluka Resources</i>		
Net tax paid to Iluka Tax Consolidated Group	-	15,292,000
Expenses paid on behalf of Deterra	-	120,000
Royalty received on behalf of Deterra	-	(351,000)

d) Payable to related party

At 30 June 2022 there were no (30 June 2021: \$0) amounts payable to related parties.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

18. Share-based payments

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using valuation techniques appropriate to the instrument being valued, such as Black-Scholes models or Monte Carlo simulations.

In determining the fair value of the equity instruments granted, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Deterra Royalties Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired; and
- the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Profit or Loss and Other Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

During the year equity settled share-based payments were awarded under the Group's Long-Term Incentive Award to the MD & CEO, CFO and other employees under the Group's Equity Incentive Plan, details are provided in 18(iv) below.

The share-based payment expense recognised is summarised below:

	2022 \$'000	2021 \$'000
Share-based payment expense recognised in profit or loss	1,058	804
Total expense for the period	1,058	804

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

The following table shows the performance rights and restricted shares granted and outstanding at the beginning and end of the reporting period:

	EIP		IEG Rights	STI Rights	LTI Rights
	Rights	Shares			
Opening balance	73,959	27,351	78,909	-	291,086
Opportunity granted during the year	-	-	-	60,678	312,271
Vested during the year	(22,576)	(13,676)	-	-	-
Lapsed during the year	(22,577)	-	-	-	-
Other adjustments during the year ⁴³	-	-	(78,909)	-	-
As at 30 June 2022	28,806	13,675	-	60,678	603,357
Weighted average remaining contractual life of the deferred rights outstanding at end of year	0.5 year	0.66 year	0 years	1.5 years	1.52 years

⁴³ As at 30 June 2022, the outstanding IEG rights were substituted by the STI share rights. Refer to section *ii* for details.

i. Executive Incentive Plan

Equity awarded under the Executive Incentive Plan serve as replacement for instruments issued to the Managing Director under the relevant Iluka Resources Limited Executive Incentive Plan. The number of restricted shares and performance rights to be awarded are determined based on the number of shares previously awarded by Iluka under the scheme.

The fair value of the restricted shares (average: \$5.05) is determined with the reference to the share price at the date of the grant on 7 December 2020 and the expected dividend yield. The fair value of the performance rights (average: \$3.34) took into account the share price at the grant date, expected share price volatility, dividend yield and the risk-free rate.

ii. Initial Equity Grant Plan

Initial Equity Grant of performance rights was awarded to the MD & CEO and CFO upon the listing of Deterra Royalties Ltd on the ASX. The fair value of the performance rights took into account share price at the grant date, expected share price volatility, dividend yield and the risk-free rate.

The award comprises two equal tranches. The first tranche was tested at 30 June 2021. The second tranche of the IEG was tested against the performance conditions of 30 June 2022. The testing results are 0% of performance rights met the vesting conditions.

During FY22, the Board implemented the Short-term Incentive Award ("STI") to the MD & CEO and CFO. In doing so, they determined that for FY22 the executives will receive only one of either the IEG or the STI, whichever is higher. As at 30 June 2022, the award under the STI is greater than under the IEG for both the MD & CEO and the CFO and therefore no award has been made under the IEG tranche 2. Accordingly, the STI share rights portion of the award is treated as a modification of the original IEG tranche 2 award. At 30 June 2022, the date of the modification, the total fair value of the IEG tranche 2 award is higher than the fair value of the STI share rights. As such, the share-based payments expense for the IEG tranche 2 has been fully recognised with no incremental expenses recognised for the STI share rights.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

iii. Short Term Incentive Award - Executives

Short-Term Incentive Award was introduced in December 2021 to the MD & CEO and CFO, effective as of 1 July 2021. Under the award, the performance is assessed based on a balanced score card. One-third of the outcome is paid in cash, and two-thirds is to be in the form of share rights and deferred for up to two years. The fair value of the share rights is determined with reference to the closing share price at the grant date (\$4.24). As described in section *ii*, the STI share rights portion of the award is treated as a modification of the original IEG tranche 2 award. The modification does not increase the total fair value of the original award, and therefore no incremental share-based payments expense has been recognised for the STI share rights in FY22.

iv. Long Term Incentive Award

During FY22, performance rights were granted to the eligible employees under the Group's FY22 Long Term Incentive Plan. The plan is effective from 1 July 2021. Under the award, there are two performance hurdles being relative TSR and share price growth compared to the ASX200 Resources Accumulation Index and the Platts 62% Iron Ore CFR China Index, respectively.

The fair value of the performance rights is determined using an option pricing model with the following inputs:

Grant date	20 December 2021
Share price at grant date	\$4.20
Volatility	28.11%
Dividend yield	3.33%
Risk-free rate	0.92%
FV at grant date (avg)	\$2.91
Performance or service conditions	Performance

19. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the parent entity, Deterra Royalties Limited:

	2022 \$'000	2021 \$'000
Audit and review of financial reports		
Group	47	30
Controlled Entities	-	-
Total audit and review of financial reports	47	30
Other services		
Consulting services	-	-
Total services provided by PwC	47	30

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

20. Earnings Per Share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-tax effect of interest and other financing costs associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Earnings per ordinary share is calculated on the Group's profit after tax of \$178,462,000 and the weighted average number of shares in issue during the year of 528,511,354.

	2022 \$'000	2021 \$'000
Net profit attributable to shareholders		
Earnings per share - basic	\$0.3377	\$0.1784
Earnings per share - diluted	\$0.3375	\$0.1783

The number of diluted shares was calculated based on the total number of performance rights that had a dilutive effect at 30 June 2022 time weighted for the year ended 30 June 2022.

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:

	2022 \$'000	2021 \$'000
Weighted average number of shares on issue		
Basic weighted average number of shares outstanding	528,511,354	528,466,456
Dilutive effect of Employee Performance Rights	343,181	122,171
Diluted number of shares outstanding	528,854,535	528,588,627

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

21. Parent entity financial information

Summary financial information for the parent entity, Deterra Royalties Limited:

	Parent 2022 \$'000	Parent 2021 \$'000
<i>Balance sheet</i>		
Current assets	28,664	24,882
Total assets	55,003	82,777
Current liabilities	669	11,836
Total liabilities	55,564	27,368
<i>Shareholders' equity</i>		
Share capital	-	-
Reserves	1,859	804
Retained earnings	(2,419)	54,605
	(560)	55,409
Profit/(Loss) for the period	65,591	87,945
Total comprehensive income/(loss)	65,591	87,945

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(a) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity. Dividends received from subsidiaries are recognised in the parent entity's profit or loss when its right to receive the dividend is established. After 30 June 2022 but prior to issuance of this report, Deterra subsidiaries have declared and paid a final dividend to the parent entity, providing the parent entity sufficient profits and net assets for the announced final dividend payment.

(b) Deed of cross guarantee

Deterra Royalties Limited and its controlled entities entered into a deed of cross guarantee under which each entity cross guarantees the debts of the others. By entering into the deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. For the purposes of the cross guarantee, the Group is a 'closed group'. The closed group's financial position at 30 June 2022 as well as the profit and cashflows for the period ended on that date are the same as the consolidated financial position, consolidated profit and cashflows presented in this financial report.

(c) Tax consolidation legislation

Deterra Royalties Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation and formed a tax consolidated group. The head entity, Deterra Royalties Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

The tax consolidated group has not yet entered into a tax funding agreement. To date, no compensation has been received or paid for any current tax payable or deferred tax assets relating to tax losses assumed by the parent entity since implementation of the tax consolidation regime.

22. Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to the period presented. These financial statements present the financial information for Deterra Royalties Limited as a consolidated entity consisting of Deterra Royalties Limited and the entities controlled throughout the period (Group or consolidated entity). The Group is a for-profit entity for the purpose of this financial report.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. In addition, the financial statements comply with International Financial Reporting Standards issued by the International Accounting Standards Board. Deterra Royalties Limited is a for-profit entity for the purpose of preparing the financial statements.

i. Historical cost convention

These financial statements have been prepared on the historical cost basis, except for share based payments that is measured at grant date fair value (refer Note 18).

ii. Rounding

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the rounding of amounts in the financial statements. In accordance with the Instrument, amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar.

iii. New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the period ended 30 June 2022 are outlined in the table below:

Reference	Summary	Appli- cation date	Applies to financial year ended
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates This Standard amends: a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023	30 June 2024

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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.

iv. New standards and interpretations adopted

The Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2021. Adoption of these standards and interpretations did not have a material effect on the financial position or performance of the Group.

(b) Foreign currency translation

i. Functional and presentation currency

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Australian dollars, which is Deterra Royalties Limited's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rates at the date of the transaction (and not retranslated). Non-monetary assets and liabilities measured at fair value are translated using the exchange rates at the date when fair value was determined.

iii. Group companies

Should an entity in the Group have a functional currency different from the presentation currency (and not a currency in a hyperinflationary economy), their results and financial position are translated into the presentation currency as follows:

- Assets and liabilities for each Consolidated Statement of Financial Position presented are translated at the closing rate at the date of that Consolidated Statement of Financial Position;
- Income and expenses for the Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- IT and office equipment – 3 to 5 years

(d) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets are impaired. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. If such an indication is identified, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The recoverable amount is the higher of fair value (less costs of disposal) and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that has been adjusted to reflect the risks specific to that asset. If the recoverable amount of the asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is also recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment loss is also recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(e) Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as other payables.

(f) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Directors' Declaration

For the year ended 30 June 2022

In the directors' opinion:

- (a) the financial statements and notes set out on pages 60 to 88 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 30 June 2022 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
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 14 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 21.

Note 22(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Jennifer Seabrook
Independent Chair

Perth, Western Australia



Julian Andrews
Managing Director & Chief
Executive Officer

Perth, Western Australia



Independent auditor's report

To the members of Deterra Royalties Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Deterra Royalties Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> • For the purpose of our audit we used overall Group materiality of \$12.8 million, which represents approximately 5% of the Group's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. 	<ul style="list-style-type: none"> • Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> - Royalty revenue • These are further described in the <i>Key audit matters</i> section of our report.

Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Royalty revenue (\$265,155,000) <i>Refer to note 2</i> As described in note 2, royalty revenue is earned on royalty interests held by the Group. This was a key audit matter due to the financial significance of revenue to the financial statements of the Group.	<p>Our audit procedures included the following, amongst others:</p> <ul style="list-style-type: none">• Evaluating the appropriateness of the revenue recognition policy against the requirements of accounting standards.• Testing royalty revenue recognised by the Group by agreeing the revenue recognised to the royalty statements received from the relevant counterparties and tracing receipt of these amounts to the Group's bank account.• We compared the formula used in the royalty statement to that stipulated in the royalty agreement. We agreed the inputs used in the royalty statement to supporting information provided by the counterparty to the Group.• We assessed the completeness of royalty revenue by evaluating the amount of revenue recognised against publicly available information in relation to the quantity of ore produced and average iron ore prices during the period.• Evaluated the adequacy of the disclosures made in note 2 in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 40 to 56 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Deterra Royalties Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Ian Campbell
Partner

Perth
17 August 2022

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Demerger Details

The period covered by this Annual Report from 1 July 2021 to 30 June 2022 is being compared to a non-standard period (15 June 2020 to 30 June 2021), where Deterra Royalties Limited (Deterra) was demerged from Iluka Resources Limited (Iluka).

Throughout this Annual Report, the period covered from 1 July 2021 to 30 June 2022 is being compared to a non-standard period (15 June 2020 to 30 June 2021).

During the comparator period (15 June 2020 to 30 June 2021), the financial position and performance of the Group was particularly affected by a series of transactions designed to transfer a portfolio of six existing royalty assets from Iluka to Deterra, and the subsequent demerger of Deterra as a separate entity listed on the Australian Securities Stock Exchange.

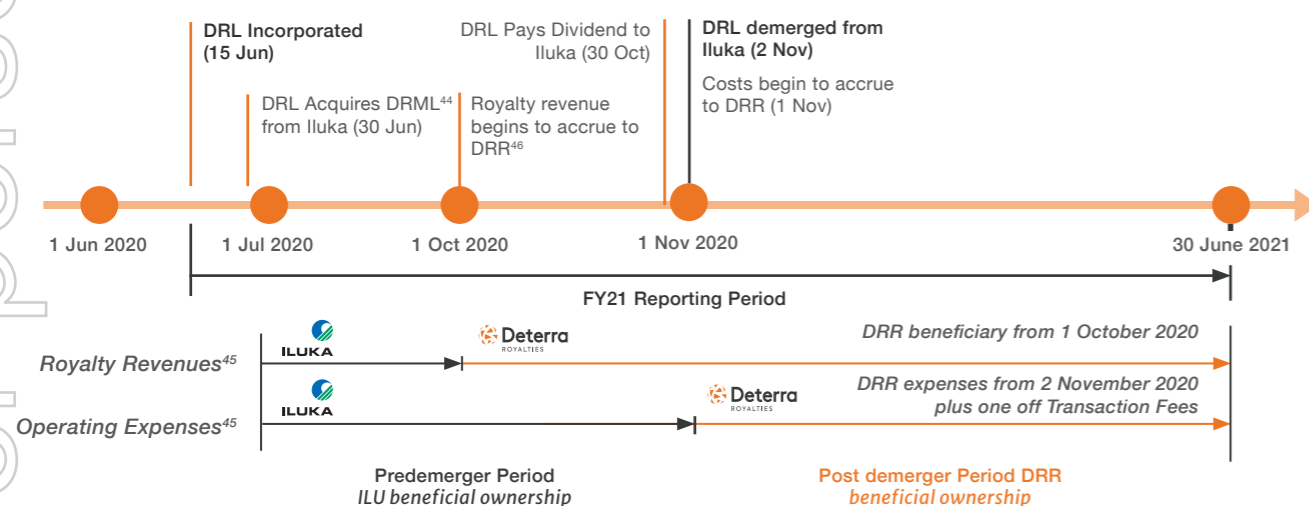
In describing the comparator period, the terms Predemerger Period and Post-demerger Period are used to denote the beneficial economic ownership of the assets and allocation of liabilities during these periods, rather than strict adherence to calendar dates.

These terms are defined as follows:

- **Predemerger Period** – Represents the period where Iluka retained all beneficial economic interests and liabilities related to the royalty asset portfolio. This includes all royalty revenues through the quarter ended 30 September 2020, and all operating expenses (as agreed in the separation deed) prior to demerger of the Deterra entity on 2 November 2020.
- **Post demerger Period** – Represents the period from which Deterra receives all beneficial economic interests and liabilities to the royalty asset portfolio. This includes all royalty revenues from quarter commencing 1 October 2020, and all operating expenses (as agreed in the separation deed) from the demerger of the Deterra entity on 2 November 2020.
- **Financial Year 2021**, being 15 June 2020 to 30 June 2021, which represents the period covered by the inaugural annual report the entity.

Figure 1. Timeline of key demerger events

Deterra Royalties Limited (DRL) was successfully demerged from Iluka Resources on 2 November 2020



Notes:

⁴⁴ Deterra Royalties (MAC) Limited, the entity which holds the MAC Royalty, the Doral royalty interests, the Sheffield royalty interest and the Cable Sands royalty interest.

⁴⁵ Under the terms of the separation agreements, Iluka Resources was entitled to DRL earnings to 30 September 2020 and responsible for costs to 31 October 2020.

⁴⁶ DRR is defined as shareholders of Deterra Royalties Limited (DRL) following the implementation of the demerger on 2 November 2020.

ASX Additional Information / Shareholder Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Capital

Share capital comprised 528,525,704 fully paid ordinary shares on 31 July 2022.

Shareholder Details

As at 31 July 2022, Deterra Royalties Limited had 20,456 shareholders. There were 2,529 shareholdings with less than a marketable parcel of \$500 worth of ordinary shares.

Rank	Name	Units	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	137,201,231	25.96
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	106,750,904	20.20
3	ILUKA RESOURCES LIMITED	105,692,420	20.00
4	CITICORP NOMINEES PTY LIMITED	57,672,173	10.91
5	BNP PARIBAS NOMS PTY LTD <DRP>	16,903,773	3.20
6	NATIONAL NOMINEES LIMITED	13,821,243	2.62
7	UBS NOMINEES PTY LTD	5,475,788	1.04
8	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,699,502	0.70
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,302,208	0.62
10	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,224,646	0.61
11	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,178,930	0.22
12	R O HENDERSON (BEEHIVE) PTY LIMITED	1,080,000	0.20
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,070,560	0.20
14	BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	852,150	0.16
15	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	545,976	0.10
16	CARLTON HOTEL LIMITED	502,308	0.10
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	499,687	0.09
18	MR ANGUS MACKAY	481,250	0.09
19	MCNEIL NOMINEES PTY LIMITED	450,000	0.09
20	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	432,509	0.08
Total Held by First 20		460,837,258	87.19
Total Held by remaining shareholders		67,688,446	12.81
Total issued capital		528,525,704	100.0

Substantial Holders of Deterra Royalties Limited at 31 July 2022

As at 31 July 2022, Deterra Royalties Limited has four substantial shareholders who, together with their associates, hold five per cent or more of the voting rights in the Deterra Royalties Limited, as notified to the Company under the Australian Corporations Act.

Name	Number of shares in Notice	Percentage of Capital in Notice
Iluka Resources Limited	105,692,420	20.00%
Perpetual Limited	68,321,682	12.93%
Schroder Investment Management Australia Limited	37,342,046	7.07%
BlackRock Inc.	26,495,705	5.01%

ASX Additional Information / Shareholder Information (continued)

Investor Categories

Range	Total holders	Units	% Units
1 - 1,000	10,290	3,889,658	0.74
1,001 - 5,000	7,286	17,962,921	3.40
5,001 - 10,000	1,721	12,818,534	2.43
10,001 - 100,000	1,121	25,292,319	4.79
100,001 Over	58	468,562,272	88.65
Rounding			-0.01
Total	20,476	528,525,704	100.00

Voting Rights

On a show of hands, every member present in person or by proxy, attorney or representative shall have one vote. Upon a poll, every member present in person or by proxy, attorney or representative shall have one vote for every share held by the member. Where more than one proxy, attorney or representative is appointed, none may vote on a show of hands.

Other Securities On Issue

The Company has performance rights on issue in addition to ordinary shares. The details of securities held as at 31 July 2022 are as follows:

Class of securities	Number of holders	Number of securities
Performance rights	5	711,072

No voting rights attach to the above securities, however, any ordinary shares that are allotted to the holders of the securities upon vesting or conversion of the above-mentioned securities will have the same voting rights as all other ordinary Deterra Royalties shares.

Share Registry Information

Computershare Investor Services Pty Ltd provides share registry services to Deterra and can be contacted for assistance with queries related to shareholdings, dividend payments and other administrative matters.

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace Perth Western Australia 6000

GPO Box D182 Perth Western Australia 6840

Telephone (within Australia): 1300 733 043

Telephone (outside Australia): +61 3 9415 4801

Facsimile: +61 3 9473 2500

Glossary of Terms

Further information on calculation of cost bases in a demerged entity is available on the ATO website – refer ATO – Cost Base Calculations.

\$ or A\$	Australian dollars.
\$m	million Australian dollars.
AAS or Australian Accounting Standards	Australian Accounting Standards issued by the AASB.
AASB	Australian Accounting Standards Board.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited, or the financial market operated by the Australian Securities Exchange, as the context requires.
ATO	Australian Taxation Office.
BHP	BHP Group Limited (ACN 004 028 077) and/or its Subsidiaries, as the context requires.
Board	the Deterra Board.
Capacity Payment	with reference to Mining Area C is the capacity payment key term as described in Table 7.
CFR	Cost and Freight.
The Company	Deterra Royalties Limited (ACN 641 743 348) and its controlled entities.
Corporations Act	Corporations Act 2001 (Cth).
Demerger	the demerger of Deterra from Iluka.
Deterra	Deterra Royalties Limited (ACN 641 743 348).
Deterra Holdings	Deterra Royalties Holdings Pty Ltd (ACN 642 008 697).
dmt	dry metric tonnes.
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.
ESG	environmental, social and governance.
FOB	Free On Board.
FY22 or Financial Year 2022	The period 1 July 2021 to 30 June 2022
Group	Deterra Royalties Limited and its controlled entities.
GST	has the meaning given to it in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
IFRS	International Financial Reporting Standards adopted by the International Accounting Standards Board.
Iluka	Iluka Resources Limited (ACN 008 675 018).
ktpa	thousand tonnes per annum.
MAC Royalty	the royalty arrangements as described in Table 7.
mdmt	million dry metric tonnes.
Mining Area C or MAC	Mining Area C, as described on page 34.
Mt	million tonnes.
mtpa	million tonnes per annum.
mwmt	million wet metric tonnes.
North Flank	mining operation within Mining Area C.
NPAT	net profit after tax.
Record Date	the date for determining entitlements of Deterra Shareholders to the final dividend, being 26 August 2022.
South Flank	mining operation within Mining Area C.
TSR	Total Shareholder Return, being the share price growth and dividends paid and reinvested on the ex-dividend date for the relevant company.
VWAP	the volume weighted average price of the relevant shares traded on the ASX during the relevant period.
wmtpa	wet metric tonnes per annum.
wmt	wet metric tonnes.

Cautionary Notes

Forward-looking statements

Forward looking statements may generally be identified by the use of forward-looking words such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “likely”, “should”, “planned”, “may”, “might”, “is confident”, “estimate”, “potential” or other similar words or phrases. These statements discuss future expectations concerning the results of operations or financial condition of Deterra, or provide other forward looking statements.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which may be beyond Deterra’s control, and which may cause the actual results, performance or achievements of Deterra to be materially different from future results, performance or achievements expressed or implied by such statements.

Other than as required by law, none of Deterra, its officers, advisers nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Annual Report will actually occur.

Except as required by law, Deterra disclaims any obligation or undertaking to update or revise any forward-looking statement in this Annual Report.

Reserves, resources and other technical information

Except where otherwise stated, the information in this Annual Report relating to the mining assets to which Deterra’s royalty interests are referable is based solely on information publicly disclosed by the owners or operators of these mining assets and information and data available in the public domain as at the date of this Annual Report, and none of this information has been independently verified by Deterra. Accordingly, Deterra does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Specifically, Deterra has limited, if any, access to the mining assets in respect of which royalties are derived by the Deterra. Deterra generally relies on publicly available information regarding the mining assets and generally have no ability to independently verify such information.

Non-IFRS financial information

This Annual Report contains non-IFRS financial measures 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 and/or reconciled in Deterra’s annual results materials and/or Annual Report. Non-IFRS measures have not been subject to audit or review. All figures are expressed in Australian dollars unless stated otherwise.

Corporate Directory

ABN

88 641 743 348

Directors

Jennifer Seabrook
Independent Chair and
Non-Executive Director

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
(Iluka Nominee)

Company Secretary

Brendan Ryan
Chief Financial Officer & Company Secretary

Bronwyn Kerr
General Counsel & Company Secretary

Registered Office & Principal Place of Business

Level 5,
216 St Georges Terrace
PERTH WA 6000
+61 8 6277 8880

Share Register

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Deterra Royalties shares are listed on
the Australian Securities Exchange (ASX). Code: **DRR**

Auditors

PwC
Level 15,
125 St Georges Terrace
PERTH WA 6000
+61 8 9238 3000

Website

www.deterraroyalties.com

The site contains information on Deterra’s operations, ASX releases and financial and quarterly reports.

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