Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

Deterra, Australia's first ASX Listed royalty company holds its first AGM.

Company/ASX Code	Deterra Royalties Limited (DRR)
AGM date	Wednesday 20 October 2021
Time and location	10am AWST Melbourne Hotel, 33 Milligan Street, Perth.
Registry	Computershare
Webcast	Yes, to be held as a hybrid meeting. Lumi meeting ID 333-695-717
Poll or show of hands	Poll on all items
Monitor	Geoff Read
Pre AGM Meeting?	Yes, with Chair Jenny Seabrook.

The individual who prepared this voting intention **does not have** a shareholding in this company.

Summary

Deterra (DRR) was founded in June 2020 as a subsidiary of Iluka Resources and then demerged from Iluka in October 2020 following a shareholders' meeting. This is DRR's first annual report and the first AGM. DRR is the first royalty company to list on the ASX. It is a familiar concept in the North American markets but one that is new to Australia. DRR has to educate the market in the benefits of investing in a royalty business. The company has one large royalty from a BHP iron ore mine in the WA's Pilbara region. It holds several smaller royalties over mineral sands and gold deposits in other parts of WA. DRR have stated that they would be buyers of additional royalties if the suitable agreements can be reached.

Comment:- The DRR share register is very concentrated. The 60 largest shareholders own 90% of the company. The remaining 10% is spread among 20,300 shareholders.

Item 1	**Consideration of accounts and reports**
ASA Vote	No vote required

Summary of ASA Position

Deterra has got off to a successful start. It is being run as a low cost business with only 7 employees in a modest rented office in central Perth. It has a small board, 4 NED's plus the MD/CEO. The NED's all have solid credentials in mining project evaluation, accounting, and capital management. 75% of the NED's are women. 3 out of 4 directors have a meaningful shareholding in the company and the board has a policy to this effect. The fourth director has commenced building a meaningful shareholding.

In the short time it has been operating DRR has implemented policies on taxation transparency, gender diversity, modern slavery and all the ESG aspects of the business. It is striving to be a model of good corporate governance. The annual report is clear, concise and easily understood. The company has no debt.

As this was the initial year there were some once only establishment costs of about $4.6M in total.

Total revenue was $145M and after all costs including tax NPAT was $94.3M. The company paid out ALL OF THIS NPAT as two fully franked dividends, a combined total of 17.8 cents. This is both exceptional and refreshing to see.

Summary (2021 was the first year of operation)

(As at FYE)	**2021**	**2020**
NPAT ($m)	94.3	N/A
UPAT ($m)	94.3	N/A
Share price ($)	4.50	N/A
Dividend (cents)	17.8	N/A
Simple TSR (%)	19	N/A
EPS (cents)	17.8	N/A
CEO total remuneration, actual ($m)	0.621 Part year	N/A

For 2021 the CEO's total actual remuneration was 9 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics. Note that this was for a partial 8 month year.

Item 1	**Adoption of Remuneration Report**
ASA Vote	**For**

Summary of ASA Position

The remuneration report is clear, concise and easy to read. The CEO came from Iluka on de-merger and on leaving would have lost substantial long term share benefits. To compensate for this DRR is rewarding him with replacement rights in 3 tranches over 3 years. These replacement rights are not performance tested.

For the first year a simple and modest performance pay scheme was created which provided as follows for the CEO. A base salary fixed at $825k and an interim equity grant scheme where the CEO can receive performance rights equal to 50% of his TFR if the share price and TSR outperform comparator indicators. The objective of the interim equity grant is to reward the CEO in shares (subject to performance) in the 2 years before the 3 year long term incentive plan could yield a reward. 50% of the award was tested on 30 June 2021 and failed to meet the test, thus no rights were vested, and 50% of the award will be tested on 30 June 2022. There is no STI for the 2021 year.

The LTI plan for the CEO is equal to his fixed remuneration if he achieves the maximum reward. Performance rights are allocated at face value (in this case $4.28) and are tested equally against two measures. The first is relative TSR compared to the ASX 200 resources accumulation index and the second is the relative share price which is compared to an iron ore price index. Both components are tested over a 3 year period ending on 30 June 2023

The board fees are reasonable for a company of this size and there is a table which discloses the take home pay of executives. The executive salaries are reasonable for a company of this size.

Whilst we prefer LTI schemes to operate over a 4 year period a shorter timeframe of 3 years is acceptable.

It is good to see the LTI scheme based on market price for the awards.

Readers will learn from the 2021 AGM notice of meeting that the company plans to introduce a short term incentive scheme from 1 July 2021. In this scheme some benefit is paid as cash immediately and the balance is paid as shares over a 2 year period.

Overall the remuneration report is in alignment with our expectations and we support a vote FOR the resolution. Take home pay is clearly disclosed.

Item 2	**Re-election of Jennifer Seabrook as a Director**
ASA Vote	**For**

Summary of ASA Position

Ms Seabrook was a director of Iluka until just before the Deterra de-merger and was appointed as chair in 2020. She is an independent director. Her background is in capital markets, mergers and acquisitions and as an NED at many companies. Her other director positions are:- BGC, HBF, and the Australian Rail Track Corporation. Ms Seabrook holds share in DRR to a value in excess of one years board fees. We support the re-election of Ms Seabrook.

Item 3	**Re-election of Adele Stratton as a Director**
ASA Vote	**For**

Summary of ASA Position

Ms Stratton is the Iluka nominee on the DRR board. (Iluka holds 20% of the shares in DRR as a long term investment.) She is the CFO at Iluka and was appointed to the board of DRR in 2020. Her background is in accounting and finance in the resources industry. Due to her association with the major shareholder Iluka she is not considered to be an independent director. Ms Stratton does not receive fees from DRR as she is salaried by Iluka for her work. Ms Stratton holds shares in DRR to a value in excess of one years board fees. We support the re-election of Ms Stratton.

Item 4	Approval of grant of securities to CEO/Managing Director Julian Andrews
ASA Vote	For

Summary of ASA Position

This resolution covers the grant of performance rights to the CEO for the 2022 STI and LTI plans.

The board has an open mind about whether to buy shares on market to satisfy these schemes or whether to issue new shares. They will decide on the appropriate strategy closer to the issue date. This resolution gives the board maximum flexibility.

The rights will be granted a market value. We have described the LTI plan in the commentary on the remuneration report. The STI plan is new this year and it operates as follows.

The maximum possible STI award is $330k. One third is paid as cash subsequent to 30 June 2022, one third is paid as shares tested on 30 June 2023 and the remaining third is paid as shares and tested on 30 June 2024. The CEO has four objectives to meet under this STI plan, market engagement 40%, shareholder returns 20%, ESG measures 20%, and investment processes, systems and procedures 20%.

Item 5	Appointment of PWC as the company's auditor
ASA Vote	For

Summary of ASA Position

PWC were selected after tenders for the audit work were called. PWC were and remain the auditors of Iluka. It is reasonable to assume that they are familiar with the underlying operations of DRR. There is no reason to object to this appointment.

Appendix 1
Remuneration framework detail

CEO rem. Framework for FY2022	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	0.825	53	0.825	42
STI- Cash	0.11	7	0.11	5
STI - Equity	0.22	14	0.22	11
LTI	0.413	26	0.825	42
Total	1.57	100.0%	1.98	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.