

Deterra Royalties takes over Trident Royalties PLC for \$330m

Company/ASX Code	Deterra Royalties Limited / DRR
AGM time and date	2.00pm AWST, Thursday 24 October 2024
Location	Level 1, 140, St Georges Terrace, Perth
Registry	Computershare
Type of meeting	Physical with webcast
Monitor	Geoff Read
Pre-AGM Meeting	Yes with the Chair Jenny Seabrook and Graham Devlin, Audit and nominations committees chair.

The company monitor who prepared this report has a beneficial interest in this company.

1. How we intend to vote

No.	Resolution description	
1	Adopt the remuneration report	For
2	Re-election of a director Ms Jennifer Seabrook	For
3	Re-election of a director Ms Adele Stratton	For
4	Grant of securities to the managing director and CEO Julian Andrews.	For

2. Summary of issues and voting intentions for the AGM

DRR has a small head office. It is a well-run and well governed company. The results for 2024 were a little higher than the prior year due to increased iron ore shipments. This year there was no capacity payment received from BHP.

The operating costs are small and 100% of net profit after tax (NPAT) was paid out as a fully franked dividend. At year end the company had no debt.

In a big development the company announced in June 2024 that they proposed to acquire a UK company Trident Royalties PLC for approximately A\$276m by a scheme of arrangement.

At the time of writing this proposal had received both director and shareholder approval and it had just achieved UK court approval.

Trident has a portfolio of 21 royalties and similar contracts covering multiple commodities and many continents. We wait to see if Deterra will retain all of the royalties or will divest some.

The purchase of Trident will be achieved using borrowings from facilities which Deterra had already established. In anticipation of the repayment of these borrowings the board of Deterra has revised the dividend payout policy so that it becomes a minimum of 50% of NPAT. Previously it

was 100% of NPAT, and as a consequence the share price declined sharply, leading to a negative TSR for the financial year.

The company is substantially compliant with ASA guidelines. The board is diverse and directors standing for election are not overloaded and have adequate skin in the game.

3. Matters Considered

This was Deterra’s fourth year of operation (third full year) and NPAT was \$155m, prior year \$152m.

Operating costs were \$13m, prior year \$10.3m. The increase was substantially due to increased business development costs. Earnings per share were 29cps and dividends paid totalled 29cps. Royalty revenue from Mining Area C increased slightly. There was no capacity payment received from BHP this year.

The only personnel change of note was the retirement of a non-executive director Dr Joanne Warner in March 2024.

Financial performance

(As at FYE)	2024	2023	2022	2021 Part Year
NPAT (\$m)	155	152	178.5	94.3
UPAT (\$m)	155	152	178.5	94.3
Share price (\$)	3.99	4.6	4.24	4.5
Dividend (cents)	29.3	28.85	33.76	17.8
Simple TSR (%)	-6.8	13.7	0.15	19
EPS (cents)	29.3	28.85	33.77	17.8
CEO total remuneration, actual (\$m)	1.604	1.537	1.087	0.621

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Iluka (ILU) is the founder of Deterra and has retained a 20% stake in Deterra. ILU has nominated one director.

There are currently four directors plus the CEO. The board previously had 5 NEDs until one retired in 2024. There is adequate diversity and a good range of skills on the board.

4. Rationale for Voting Intentions

Resolution 1 Adopt the Remuneration Report. FOR

The report is clear and concise. The structure of the remuneration and the amounts paid are reasonable for a company of this size. The remuneration plan has a corporate scorecard. This year the CEO achieved 75%. The bulk of his incentive payment is by means of share rights which are measured and awarded in the LTI plan. The CEO received a small pay rise last year. This was his first pay increase since the company began. The remuneration of other executives and directors remained unchanged this year.

Resolution 2 Election of a Director Ms Jennifer Seabrook FOR

Ms Seabrook has been the chair of Deterra since its foundation in 2020. She is an independent director; Ms Seabrook has vast experience at an executive level in accounting finance and capital markets including mergers and acquisitions. She is also the chair of BGC Group Ltd and a non-executive director of HBF health. We support her re-election.

Resolution 3 Election of a Director Ms Adele Stratton FOR

Ms Stratton has been a director since 2020 when the company began. She is the CFO of Iluka Ltd and is their nominee on the Deterra board. Iluka owns 20% of Deterra. As a nominee of a substantial shareholder, she is not an independent director. Ms Stratton does not receive any remuneration for this role. We support her re-election.

Resolution 4 Grant of securities to the CEO and Managing Director Julian Andrews. FOR

The remuneration plan is reasonably structured with a bias towards the long term. The proposal is to award the CEO a maximum number of 219,644 LTI rights. This was calculated by dividing his maximum possible award by the VWAP of DRR shares in July 2024. There is also the possibility of awarding STI rights. The quantity cannot be determined at this time. It will be calculated in July 2025.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.

Appendix 1

Remuneration framework detail

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.9	59%	0.9	42%
STI - Cash	0.06	4%	.12	5%
STI - Equity	0.12	8%	.24	11%
LTI	0.45	29%	0.9	42%
Total	1.53	100.0%	2.16	100%