

## Statement on HPPL 2021 Annual Report, Perth

The Hancock Prospecting Group (HPPL) has again recorded an outstanding and strongly improved net profit after tax from operations for the year ended 30 June 2021, an increase of some 80% over the previous year.

Roy Hill is the largest revenue and profit earner for the HPPL group by a significant margin. The Roy Hill tenements were applied for under the direction of Mrs Rinehart in 1992, five months after becoming the chairman of HPPL, after the passing of Lang Hancock. The application was successful in 1993.

Royalties are a very minor part of HPPL's income and profits, constituting approximately 2.5% of total income.

HPPL's taxes paid increased in the 2021 financial year amounting to some \$2.7 billion.

### Profit from Operations

(Amounts in \$million)	2021	2020	2019	2018
Revenue	16,614	10,558	8,402	5,773
Profit before tax from operations	10,289	5,620	3,720	1,974
Income tax expense	(2,958)	(1,550)	(1,103)	(600)
<b>Net profit after tax</b>	<b>7,331</b>	<b>4,070</b>	<b>2,617</b>	<b>1,374</b>

HPPL has delivered sustained growth in profits of 75% per annum on average since 2018 and is continuing to add to its project pipeline, with multiple additional iron ore and other projects under study.

HPPL's Roy Hill project shipped record volumes of 57.5 million tonnes, delivering a record profit after tax of \$4.4 billion. This result was achieved by maintaining production volumes notwithstanding the challenging COVID environment and also by ensuring costs were well controlled to be able to capitalise on the high iron ore prices.

Roy Hill's continuing outstanding results have allowed the initial US\$7.2 billion debt facility to be repaid in full, some four years ahead of plan. After retiring all debt, Roy Hill declared \$4.1 billion of dividends to its shareholders during the financial year (with a further dividend of \$1.5 billion declared on 30 September 2021).

A substantial proportion of Roy Hill's product continues to be shipped to mature markets in Japan, South Korea and Taiwan through long-standing arrangements with HPPL's investment partners in Roy Hill.

The company's four joint venture Hope Downs mines continued to operate at capacity producing 49.6 million tonnes for the 2021 financial year.

The acquisition of Atlas Iron Limited continues to positively impact results. Atlas' contribution to HPPL's net profit after tax increased significantly to \$938 million achieved by shipping 9.7 million tonnes of iron ore for the year. The Sanjiv Ridge development project was delivered on budget and on schedule. Additionally, all approvals were received to commence construction on the Miralga mine with first haulage targeted in FY 2022.

HPPL established an equity investment portfolio during the year with a focus on "future metals" including copper, rare earths and lithium. This strategy proved successful producing an overall return of more than 60% by year end, with the initial investment of \$669 million rising to a value of \$1,076 million by year end.

Australian Outback Beef Pty Ltd, the 100% owner of S. Kidman & Co Pty Ltd, reported revenue of \$67 million for the 2021 financial year. Its operations, incorporating backgrounding, feedlotting and product branding, delivered a net profit after tax of \$11.5 million.

## **Growth and Ongoing Investment Commitments**

Roy Hill continues to debottleneck its mining, processing, rail and port systems to create the capacity needed to produce volumes above 60 Mtpa. The WHIMS plant built to recover over 4 Mtpa of iron ore that previously reported to waste and at the same time to increase product quality, is currently under expansion.

Consistent with the strategic rationale for the acquisition of Atlas, the forecast 10 Mtpa McPhee Creek low alumina iron ore deposit is progressing through its feasibility study process and is being targeted to be brought to market leveraging low cost rail to underpin its sustainability through iron ore price cycles. Low costs including rail and port will be important, particularly when iron ore prices fall.

The Atlas resource base complements HPPL's existing business and will assist in extending the operating life of Roy Hill.

With respect to the Hope Downs project, studies are continuing on the Bedded Hilltop and Hope Downs 2 deposits to underpin optimal production over the long term.

HPPL is undertaking ongoing exploration, drilling and evaluation on its independent iron ore projects. A further 100,000 metres of drilling was completed at the Mulga Downs project over the year, taking cumulative drilling to more than 500,000 metres. This has been

successful in expanding the iron ore resource base at Mulga Downs to more than 1 billion tonnes. The pre-feasibility for the Mulga Downs project is underway and planned to be completed in FY 2022.

Anglo American plc continues to advance the development of the 10 Mtpa Woodsmith polyhalite mine in England, which is now more than one third complete. This progress continues to de-risk HPPL's US\$250 million royalty investment. Given the scale and expected life of this polyhalite resource, once production commences these polyhalite royalties are expected to last many decades longer than the iron ore royalties due to be received from third parties.

Approvals to develop the Grassy Mountain metallurgical coking coal deposit in Alberta, Canada have not yet been granted. HPPL is seeking a review and will continue to work on bringing this project to market. We are reviewing different options, including reduced tonnages.

HPPL is currently undertaking grass roots exploration on prospective copper and gold tenements in Ecuador as well as at the Four Eagles joint venture project (50% owned by HPPL and 50% owned by Catalyst Metals Limited - in which HPPL also has a holding) in the Victorian goldfields.

HPPL remains committed to increasing its investment in the agricultural sector. A number of stations in the north, acquired some time ago, have been profitably sold after they had been upgraded and improved through further capital investment. These funds are targeted to be redeployed into high quality east coast pastoral and cropping properties to support our wagyu operations. The first of these properties, Warra Warra, was purchased during FY 2022. The HPPL wagyu herd grew by 12% to over 29,000 head in FY 2021. Sales of our highly sought-after 2GR wagyu beef were up 41%, despite the challenges that COVID presented.

## **A Strong and Healthy Balance Sheet**

HPPL's balance sheet continues to strengthen with a substantial proportion of profits being re-invested in the business for the medium and long term benefit of shareholders.

The group's overall gearing ratio fell from 55% to 1% over the past three years, with all debt other than some relatively small lease liabilities repaid. This will serve to reduce interest costs in the future.

HPPL group's total assets increased by 39% over the year.

(Amounts in \$million)	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total assets	29,167	21,053	22,278

(Amounts in \$million)	2021	2020	2019
Borrowings	286	561	6,516
Gearing ratio (Debt : Equity)	1%	4%	55%

Under its dedicated leadership, HPPL is one of the most successful private companies in Australia's history, and the most successful private mining and agriculture company in Australia's history. It is also one of the most successful private mining companies in the world. Our staff are rightly proud of these achievements.

## Taxes

HPPL paid Australian federal and state taxes during fiscal 2021 of some \$2.7 billion, bringing the total taxes paid by HPPL over the last five fiscal years to over \$7.5 billion, averaging more than \$1.5 billion per year, as set out in the table below. Taxes paid over the last 10 years have averaged over \$1 billion per year, totalling more than \$10 billion over 10 years.

(Amounts in \$million)	Years ended 30 June:					Total
	2017	2018	2019	2020	2021	
Commonwealth and State taxes paid	698	860	1,172	2,106	2,737	<b>7,573</b>

HPPL is amongst the ranks of Australia's largest corporate taxpayers, as reflected in the publications of the Australian Taxation Office. Mrs Rinehart, as Executive Chairman of the HPPL group, continues to primarily direct investment into Australia and pays substantial taxation in Australia, while providing direct employment and opportunities for many thousands of Australians, and even more employment indirectly. After tax profits make this investment possible, enabling both jobs and future tax revenue. Investment in Australia is essential to underpin economic growth and to grow living standards.

## Returns to Shareholders – Dividends

As previously noted, HPPL entered into a binding deed with all of its beneficial owners, including the beneficiaries and current trustee of The Hope Margaret Hancock Trust (**HMHT**), in 2006 (and repeated in 2007) for the payment of agreed dividends from after tax cash flow generated by HPPL's Hope Downs project (**Deed**). This is in addition to other dividends required to be paid on Cumulative Special shares pursuant to HPPL's Constitution. Due to disputes arising under the Deed, the dividends (other than the dividends on the Cumulative Special shares) have not yet been able to be paid, and cannot be paid until those disputes are resolved. Various arbitration proceedings have been commenced as mandated by the Deed.

As at 30 June 2021, HPPL has provided an amount of \$3,553 million in its financial statements for the payment of dividends, of which \$3,544 million relate to dividends provided for under the Deed. The provision for dividends has since increased to \$3,976 million at 30 September 2021. The company will continue to provide in its financial statements for those dividends in accordance with the Deed until the various arbitrations are resolved.

Since June 2015, HPPL has paid discretionary dividends of some \$818 million to its shareholders. For the 2021 financial year, HPPL has paid or provided for dividends amounting to \$1,258 million. The dividends paid or provided for in the past three years are set out in the table below.

<b>(Amounts in \$million)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total dividends provided or paid	1,258	710	483