

## Statement on Hancock Prospecting's 2023 Annual Report

Hancock Prospecting Pty Ltd (**Hancock**) has recorded an outstanding net profit after tax for the year ended 30 June 2023.

Roy Hill is again the largest revenue and profit earner for Hancock.

Royalties from Rio Tinto accounted for a very minor part of Hancock's income, constituting less than 2% of total income.

Hancock maintains its place among Australia's largest corporate tax payers, with some \$3.7 billion in total taxes paid during the year.

### Profit from Operations

(Amounts in \$million)	2023	2022	2021	2020
Revenue	13,221	14,642	16,614	10,558
Profit before tax from operations	7,082	8,323	10,289	5,620
Income tax expense	(2,043)	(2,510)	(2,958)	(1,550)
<b>Net profit after tax</b>	<b>5,039</b>	<b>5,813</b>	<b>7,331</b>	<b>4,070</b>

Hancock has delivered consistent strong financial results over the past four years driven by iron ore sales from Hope Downs and Roy Hill, although iron ore prices are lower this year than in 2021 and 2022. Hancock continues to add to its project pipeline with multiple iron ore and other projects continuing through approval processes during the year. Approval timeframes and red tape have increased significantly over the recent years. The current policy environment, duplication of processes, overreach from all departments and delays to approvals is negatively impacting new investment into the mining industry and is reducing Australia's competitiveness in the international resource sector. The US, Canada and Europe, which have higher cost environments than developing economies, are providing significant support for resource development, in particular downstream processing for future metals. Australia's competitiveness when it comes to value add continues to decline against other developed economies and its higher cost environment is increasingly uncompetitive against developing economies. Australia can and needs to do much more to reduce regulatory burdens and make investment welcome and development easier for its essential resources and related industries.

Roy Hill shipped a record of 63.3 million tonnes of iron ore, delivering a strong profit after tax of \$2.7 billion in an environment of softer iron ore prices. A substantial proportion of Roy

Hill's product continues to be shipped to markets in Japan, South Korea and Taiwan under long-standing arrangements with Hancock's partners in Roy Hill.

Roy Hill's outstanding results enabled it to declare dividends totalling \$2,250 million to its shareholders in respect of the financial year, with a further dividend of \$800 million declared in September 2023.

The company's four joint venture Hope Downs iron ore mines shipped 46.5 million tonnes, and contributed net profit after tax of more than \$1.3 billion to Hancock's results for the year.

Atlas Iron continued to make a positive contribution to Hancock's results. Atlas shipped 8.9 million tonnes of iron ore from its Mt Webber, Sanjiv Ridge and Miralga mines, and delivered a net profit after tax of \$401 million. Atlas also paid its first dividend of \$225 million in December 2022.

Australian Outback Beef Pty Ltd, the 100% owner of S. Kidman & Co Pty Ltd, reported revenue of \$48.8 million for the year. Its operations incorporating backgrounding, feedlotting and branded beef products, coupled with the successful divestment of four properties, delivered a strong net profit after tax of \$84.8 million.

## **Growth and Ongoing Investment Commitments**

Roy Hill continues to improve its mining, processing, rail and port systems to enable consistent production above 60 Mtpa. This includes developing the McPhee Creek project, assuming approvals are granted, and progressing studies to upgrade low grade stockpiles.

In relation to the Hope Downs project, studies for the development of the Hope 2 and Bedded Hilltop deposits and the extension of Hope 4 are underway, to underpin production over the longer term.

Hancock is undertaking ongoing exploration, drilling and evaluation of its independent iron ore projects with approvals progressing for the Mulga Downs project. There are several headwinds including lengthening approvals timelines and regulatory uncertainty.

In February 2023, Hancock completed its acquisition of Warrego Energy Limited, securing exposure to West Australian gas assets, and securing the potential for future low-cost gas for Hancock's iron ore assets.

Senex Energy (acquired jointly by Hancock and POSCO last year) was forced to pause its planned \$1 billion expansion of its natural gas developments in the Surat Basin after the federal government's intervention in the east coast gas market. This investment, if it is able to progress, would triple Senex's gas production to 60 petajoules per year from the end of 2025. This is equivalent to more than 10% of the annual domestic gas requirements for

Australia’s east coast, and will produce enough electricity to power more than 2.7 million homes each year.

Following its entry into the energy sector, Hancock has made significant investments into future metals by acquiring strategic stakes of 19.9% in Liontown Resources Limited and 18.9% in Azure Minerals Limited, the majority of which was acquired subsequent to year end.

Hancock remains committed to increasing its investment in the agricultural sector. Several properties have been divested during the year after they had been upgraded and significantly improved. Proceeds are being re-invested in high quality properties as opportunities of value are identified.

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

Hancock’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.

Hancock’s overall gearing ratio has fallen from 55% to 1% since 2019, with all core debt repaid and only some relatively small lease liabilities remaining. This serves to minimise interest costs in the future.

Hancock’s total assets increased by 12% over the year.

(Amounts in \$million)	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total assets	38,021	33,885	29,167	21,053	22,278
Borrowings	363	413	286	561	6,516
Gearing ratio (Debt : Equity)	1%	1%	1%	4%	55%

Under its dedicated leadership, Hancock is the most successful private company in Australia’s history. Internationally, it is also one of the most successful private mining companies in the world. Our staff are rightly proud of being a part of such a successful company.

## **Taxes**

Hancock paid Australian federal and state taxes during the 2023 financial year of some \$3.7 billion. This brings the total taxes paid by Hancock over the last four fiscal years to \$13 billion, at an average of \$3.3 billion per year, as set out in the table below.

(Amounts in \$million)	Years ended 30 June:				Total
	2023	2022	2021	2020	
Commonwealth and State taxes paid	3,734	4,440	2,737	2,106	<u>13,017</u>

Hancock 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 Hancock, continues to direct investment primarily 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, facilitating both jobs and future tax revenue. Investment in Australia is essential to grow living standards.

### Returns to Shareholders – Dividends

As previously noted, Hancock 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 Hancock's Hope Downs project (**Deed**). This is in addition to other dividends required to be paid and paid on Cumulative Special shares pursuant to Hancock's Constitution. Due to claims arising under the Deed by two of the beneficiaries, 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. Confidential arbitration proceedings have been undertaken as mandated by the Deed. As of this date, the decision of the Martin Arbitration is pending.

As at 30 June 2023, Hancock has provided an amount of \$5,382 million in its financial statements for the payment of dividends, of which \$5,376 million relates to dividends provided for under the Deed. The provision for dividends has since increased to \$5,443 million at 30 September 2023. The company will continue to provide in its financial statements for those dividends in accordance with the Deed until the arbitrations are resolved.

Since June 2015, Hancock has paid discretionary dividends of some \$818 million to its shareholders. For the 2023 financial year, Hancock has paid or provided for dividends amounting to \$781 million. The dividends paid or provided for in the past three years are set out in the table below, the lower figures since 2021 evidencing the dependence on ore prices.

(Amounts in \$million)	2023	2022	2021
Total dividends provided or paid	781	1,099	1,258