

## Statement on HPPL 2020 Annual Report, Perth

The Hancock Prospecting Group (**HPPL**) has again recorded a strongly improved net profit after tax from operations for the year ended 30 June 2020, an increase of some 56% 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, a year after the passing of the former chairman, Lang Hancock.

Royalties are a minor part of HPPL's income and profits, constituting approximately 3% of total income.

Growth in the value of HPPL, under Mrs Rinehart's chairmanship, has been approximately 24,000%.

HPPL's taxes paid increased in the 2020 financial year amounting to some \$2.1 billion.

### Profit from Operations

(Amounts in \$million)	2020	2019
Revenue	10,558	8,402
Profit before tax from operations	5,620	3,720
Income tax expense	(1,550)	(1,103)
<b>Net profit after tax</b>	<b>4,070</b>	<b>2,617</b>

HPPL is continuing to add to its project pipeline with further iron ore and other projects under study.

HPPL's Roy Hill project achieved over 60mtpa equivalent of production for the fourth quarter of the 2020 financial year, (and continues to perform at the 60mtpa level), boosted by bringing the new Wet High Intensity Magnetic Separation (WHIMS) plant into operation. The WHIMS plant has the capacity to recover over 4mtpa of iron ore that previously reported to waste, while at the same time increasing product quality. Roy Hill's outstanding result has allowed the initial US\$7.2 billion debt facility to be repaid in full subsequent to year end, some four years ahead of plan. Roy Hill subsequently paid its first dividend of A\$475 million (shared between HPPL and all the owners of Roy Hill) on 28 October 2020.

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 47 million tonnes for the 2020 financial year.

The acquisition of Atlas Iron Limited has positively impacted results during the financial year, with Atlas contributing significantly to HPPL's net profit after tax in its first full year as part of the group.

Australian Outback Beef Pty Ltd, the 100% owner of S. Kidman & Co Pty Ltd, reported a 19% increase in revenue to \$74 million for the 2020 financial year. HPPL's rationale and strategy underpinning its decision to acquire S. Kidman & Co was demonstrated during the year, with flooding across the channel country notwithstanding the severe four-year drought. This together with the increased use of backgrounding, feedlotting and branding drove a strong net profit after tax result of \$27.8 million.

## **Growth and Ongoing Financial Commitments**

Roy Hill is now progressing approvals to be able to expand production. The Atlas business is complementary to 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 development opportunities at Bedded Hilltop and Hope Downs 2 to ensure production can continue at optimal levels.

HPPL is undertaking ongoing exploration, drilling and evaluation on its independent iron ore projects. The 95,000 metres of drilling completed at the Mulga Downs project over the year was successful in expanding the iron ore resource at Mulga Downs by 290 million tonnes.

During the year, the life of Atlas Iron operations was extended by five years through the approval of the Corunna Downs mine development.

Anglo American plc completed the acquisition of Sirius Minerals plc in March 2020, de-risking HPPL's US\$250 million polyhalite royalty investment. Construction of the 10mtpa project is continuing under Anglo's ownership with first ore on belt targeting 2024. Given the extent of this polyhalite resource, once the project commences production these royalties are expected to last longer than current iron ore royalties being received from Rio Tinto.

Funding for the Grassy Mountain metallurgical coking coal deposit in Alberta, Canada was focussed on supporting its permitting process.

HPPL is currently undertaking grass roots exploration on prospective copper and gold tenements in Ecuador as well as on the Four Eagles joint venture project (50% owned by HPPL and 50% owned by Catalyst Metals Limited) in the Victorian goldfields. After Catalyst released publicly available information in regard to numerous successful drill holes, HPPL increased its stake in Catalyst during the year to 15.16% at a cost of \$8.5 million.

HPPL continued to invest in the agricultural sector during the year, with targeted acquisitions to complement HPPL's growing presence in the Wagyu business under its outstanding and highly sought after 2GR brand. The HPPL Wagyu herd grew by 11% to over 26,000 head in FY2020, despite the drought, assisted by the dedicated efforts of our employees feeding cattle.

## Balance Sheet – 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.

Roy Hill used its cash flow to reinvest in the business for future growth, improved efficiency through automation and to reduce debt levels. Subsequent to year end its debt has been fully repaid.

The group's overall gearing ratio has fallen from 55% to 4%.

HPPL group's total assets have reduced as a result of the use of cash to repay debt which will serve to reduce interest costs in the future.

(Amounts in \$million)	2020	2019	2018
Total assets	21,053	22,278	19,208
Borrowings	561	6,516	6,959
Gearing ratio (Debt : Equity)	4%	55%	71%

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.

## Taxes

HPPL paid Australian federal and state taxes during fiscal 2020 of some \$2.1 billion, bringing the total taxes paid by HPPL for the last ten fiscal years to over \$8 billion, averaging more than \$800 million per year, as set out in the table below.

## HANCOCK PROSPECTING PTY LTD

(Amounts in \$million)	Years ended 30 June:										Total
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Commonwealth and State taxes paid	528	648	562	569	637	394	698	860	1,172	2,106	<b>8,174</b>

HPPL is amongst the ranks of Australia's largest corporate taxpayers, as reflected in the publications of the Australian Taxation Office. This is very different to the situation when Mrs Rinehart took over as chairman in 1992.

(Amounts in \$million)	Years ended 30 June:						Total
	1987	1988	1989	1990	1991	1992	
Income taxes paid	-	2	3	1	3	3	12

Mrs Rinehart, as Executive Chairman of the HPPL group, continues to primarily direct investment into Australia and pays substantial taxation in Australia, while providing employment and opportunities for many thousands of Australians, directly and even more 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 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 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 a result, HPPL has provided an amount of \$2.317 billion in its financial statements for the payment of such dividends under the Deed up to 30 June 2020. This provision has since increased to \$2.553 billion at 30 September 2020. The company will continue to provide in its financial statements for those dividends in accordance with the Deed until the various arbitrations are resolved.

In the approximately five-year period since June 2015, HPPL has paid discretionary dividends of some \$818 million to its shareholders.

The table below demonstrates that for the 2020 financial year HPPL has paid or provided for dividends amounting to \$710 million. After deducting Roy Hill profits (given no dividends from Roy Hill were paid to HPPL until 28 October 2020), HPPL's dividends paid or provided for was 40% of its after-tax profits from sources other than Roy Hill.

<b>(Amounts in \$million)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total dividends provided or paid	710	483	528
Ratio of net profits from operations provided or paid (excluding net profit from Roy Hill project)	40%	42%	70%