

Statement on HPPL 2022 Annual Report, Perth

The Hancock Prospecting Group (**HPPL**) has again recorded an outstanding net profit after long term investment and after tax from operations for the year ended 30 June 2022.

Roy Hill is the largest revenue and profit earner for the HPPL group. The Roy Hill tenements were successfully applied for by HPPL in 1992, five months after Mrs Rinehart became the chairman of HPPL, after the passing of Mr Lang Hancock. The application was successful in 1993, being the year after Mr Lang Hancock's passing.

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

Taxes paid by HPPL increased in the 2022 financial year amounting to some \$4.4 billion.

Profit from Operations

(Amounts in \$million)	2022	2021	2020	2019
Revenue	14,642	16,614	10,558	8,402
Profit before tax from operations	8,323	10,289	5,620	3,720
Income tax expense	(2,510)	(2,958)	(1,550)	(1,103)
Net profit after tax	5,813	7,331	4,070	2,617

HPPL has delivered sustained growth in profits of more than 30% per annum on average primarily from its earlier iron ore operations, Hope Downs and Roy Hill, since 2019 and continues to add to its project pipeline, with multiple iron ore and other projects in its pipeline of projects.

Roy Hill shipped a record of 60.4 million tonnes of iron ore, delivering an impressive profit after tax of \$3.2 billion in an environment of lower iron ore prices. A substantial proportion of Roy Hill's product continues to be shipped to mature markets in Japan, South Korea and Taiwan under long-standing arrangements with HPPL's investment partners in Roy Hill.

Roy Hill's outstanding results enabled it to declare dividends totalling \$3.3 billion to its shareholders during the financial year, with a further dividend of \$400 million declared in September 2022.

The company's four joint venture Hope Downs iron ore mines operated at capacity to ship 51.7 million tonnes, and contributed net profit after tax of more than \$2 billion to the group results for the financial year.

HPPL's Atlas Iron subsidiary continued to make a positive contribution to the group's results. For FY 2022, Atlas shipped 9.8 million tonnes of iron ore from its Mt Webber, Sanjiv Ridge and newly-commissioned Miralga mines, and delivered a net profit after tax of \$302 million. It also declared its first ever dividend of \$225 million, which will be paid to shareholders in December 2022.

Australian Outback Beef Pty Ltd, the 100% owner of S. Kidman & Co Pty Ltd, reported revenue of \$84 million for the 2022 financial year. Its operations, incorporating backgrounding, feedlotting and branded beef products, delivered a significantly increased net profit after tax of \$42 million.

Growth and Ongoing Investment Commitments

Roy Hill continues to improve its mining, processing, rail and port systems to create the capacity needed to consistently produce volumes above 60 Mtpa. The expansion of the Wet High Intensity Magnetic Separation (**WHIMS**) plant was successfully completed during the 2022 financial year to recover 5 Mtpa of iron ore that previously reported to waste, and at the same time improve product quality.

The feasibility study for the 10 Mtpa McPhee Creek project was completed during the year, and the investment decision to develop the project for \$605 million has been approved by the Atlas board. This low alumina iron ore deposit is planned to be processed through the Roy Hill plant from 2024, assisting in extending the operating life of Roy Hill.

In relation to the Hope Downs project, studies for the development of the Hope 2 and Bedded Hilltop deposits are ongoing, and additional resource drilling is underway at Hope 4, to underpin optimal production over the longer term.

HPPL is also undertaking ongoing exploration, drilling and evaluation of its independent iron ore projects. In particular, for the Mulga Downs project, the approvals process is underway.

During FY 2022, HPPL entered into an agreement with Mineral Resources Limited (**MRL**) to jointly develop Stanley Point berth 3 (**SP3**), a new iron ore export berth at Port Hedland's South West Creek. Under the agreement, HPPL will also provide rail haulage and port services to MRL. The allocation of additional port capacity for the joint development of SP3 by HPPL and MRL has been endorsed by the WA Government. The project remains subject to a final investment decision by both parties, which is being targeted for early 2023, as well as other necessary approvals and agreements.

HPPL also entered into an agreement to lead a bankable feasibility study on the Hardey iron ore project in the West Pilbara owned by the Australian Premium Iron (**API**) Joint Venture (in which Baowu, Mineral Resources, AMCI and POSCO hold interests). The project is targeted to produce 10 Mtpa of iron ore using the Roy Hill rail, port and other infrastructure for export of ore. The project feasibility study and development approvals are in progress.

HPPL acquired a 49.9% interest in Senex Energy Limited for \$443 million in a joint acquisition with POSCO International (which acquired the remaining 50.1%). The transaction was completed in April 2022. Senex has since announced a \$1 billion expansion of its natural gas developments in the Surat Basin to increase its 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. Given the shortage of gas investment, gas prices have dramatically increased, so this has proven to be a very beneficial investment also for HPPL.

In FY 2021, HPPL established an equity investment portfolio with a focus on "future metals" including copper, rare earths and lithium. The cost of the investment holding at the end of the year was \$494 million. This strategy proved successful producing an overall gain of \$645 million over the past two years.

Anglo American plc continues to advance the development of the planned 10 Mtpa Woodsmith polyhalite mine in England. This progress continues after HPPL's initial US\$250 million investment, in return for royalties. Given the scale and resources of this polyhalite resource, once production commences the polyhalite royalties are expected to last many decades longer than the iron ore royalties due to be received from third parties.

HPPL continues to undertake grass roots exploration on prospective copper and gold tenements in Ecuador as well as at the Four Eagles joint venture gold 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 pastoral stations across the portfolio have been profitably sold after these properties had been upgraded and significantly improved through capital investment. Funds received from the divestments are being redeployed to purchase high quality east coast pastoral and cropping properties to support our wagyu operations.

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 has fallen from 55% to between 1% and 4% during the past three years, with all core debt repaid and only some relatively small lease liabilities remaining. This serves to minimise interest costs in the future.

HPPL group's total assets increased by 16% over the year.

(Amounts in \$million)	2022	2021	2020	2019
Total assets	33,885	29,167	21,053	22,278
Borrowings	413	286	561	6,516
Gearing ratio (Debt : Equity)	2%	1%	4%	55%

Under its dedicated leadership, HPPL 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 working for and their contributions to the HPPL group.

Taxes

HPPL paid Australian federal and state taxes during the 2022 financial year of some \$4.4 billion. This brings the total taxes paid by HPPL over the last five fiscal years to over \$11.3 billion, at an average of almost \$2.3 billion per year, as set out in the table below.

(Amounts in \$million)	Years ended 30 June:					Total
	2018	2019	2020	2021	2022	
Commonwealth and State taxes paid	860	1,172	2,106	2,737	4,440	11,315

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 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, enabling both jobs and future tax revenue. Investment in Australia is essential 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 and paid on Cumulative Special shares pursuant to HPPL'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. Various confidential arbitration proceedings have been commenced as mandated by the Deed.

As at 30 June 2022, HPPL has provided an amount of \$4,623 million in its financial statements for the payment of dividends, of which \$4,617 million relate to dividends provided for under the Deed. The provision for dividends has since increased to \$4,796 million at 30 September 2022. 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 2022 financial year, HPPL has paid or provided for dividends amounting to \$1,099 million. The dividends paid or provided for in the past three years are set out in the table below.

(Amounts in \$million)	2022	2021	2020
Total dividends provided or paid	1,099	1,258	710