

Market Outlook

June 2021

Presenter: Jason Clery

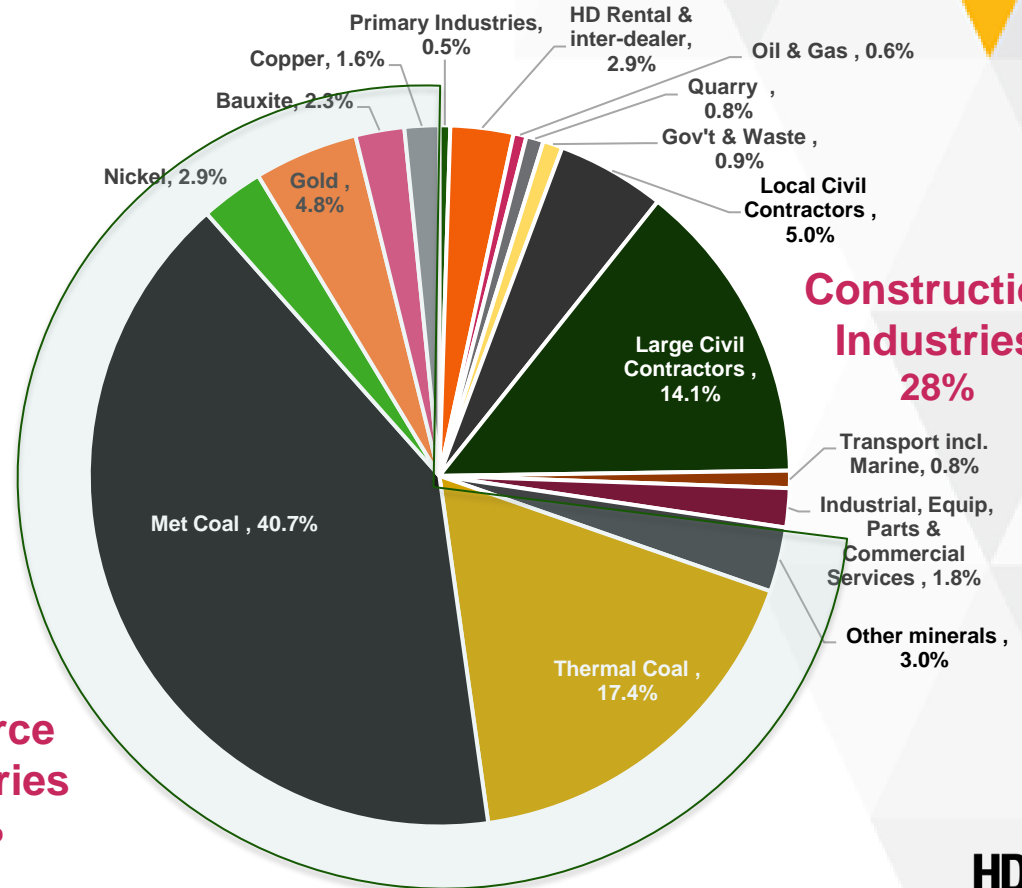


Hastings Deering

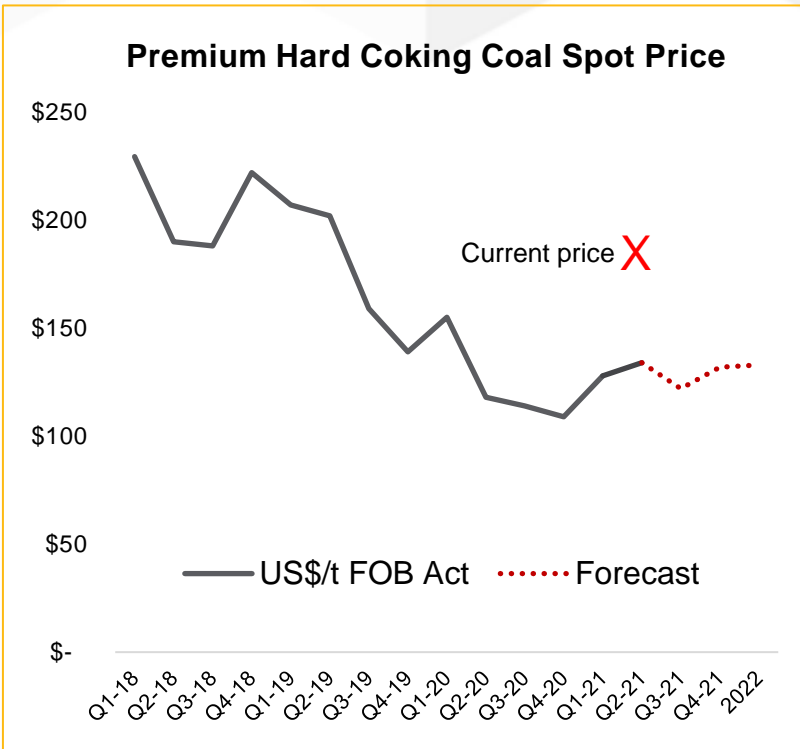


HD Group FY20 Revenue segmented by market

Hastings Deering is primarily impacted by the Resource Industries sector, Met coal in particular



Met Coal - High steel demand - new customers replace China



Price @ 15/6/21 @ US\$173 /t FOB QLD – up US\$63 /t on mid April – good price for now – will settle back US\$30-\$40 /t as depleted supply chains replenished

Working around China's Australia coal bans

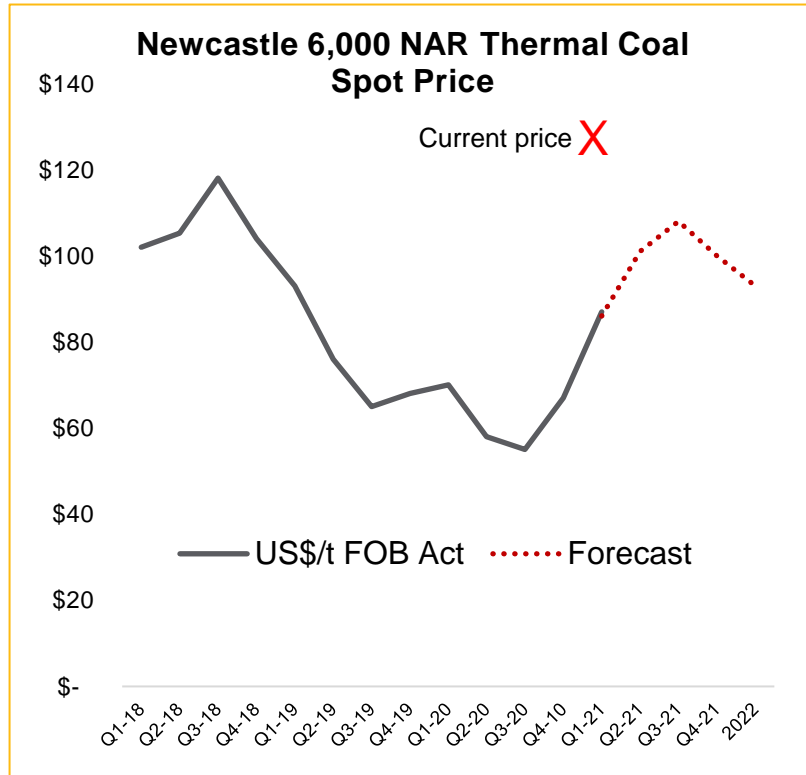
- QLD coal finding new customers. Prices lower than they would otherwise be (\$US60-\$100 /t FOB). Volumes still down ~ 5% on CY19
- Unknown as to when bans will be lifted

Global stimulus exiting COVID19 driving steel demand

- Recovery underway – Gov'ts worldwide have pledged >US\$15Trillion stimulus
- India's development and steel-make growth is new demand for QLD met coal long term

Source: Wood Mackenzie – Global Metallurgical Coal Long & Short Term Outlooks – Dec '20 & May '21

Thermal Coal - improved global demand & prices



Source: Wood Mackenzie – Global Thermal Coal Long & Short Term Outlooks – Dec '20 & May '21

Price @ 15/4/21 @ US\$125 /t FOB N'cle - historically good – up US\$35/t since Mid Apr

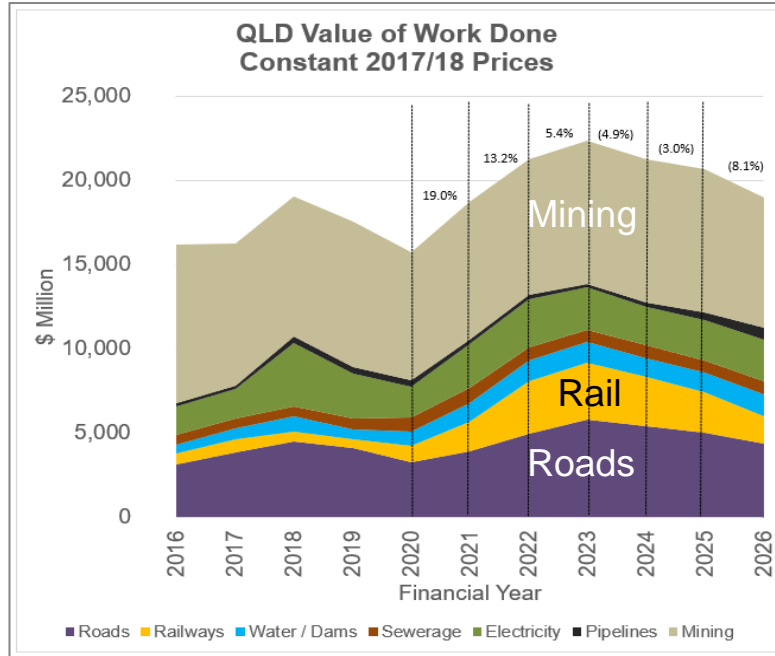
China Coal Bans barely impacting QLD

- Miners quickly found new customers to replace China – QLD not as reliant on China in Thermal as in Met
- Global demand up a/c reduced production in China, reduced hydro gen in Taiwan a/c drought, JKT entering summer, tight gas supply globally and high cement sector demand

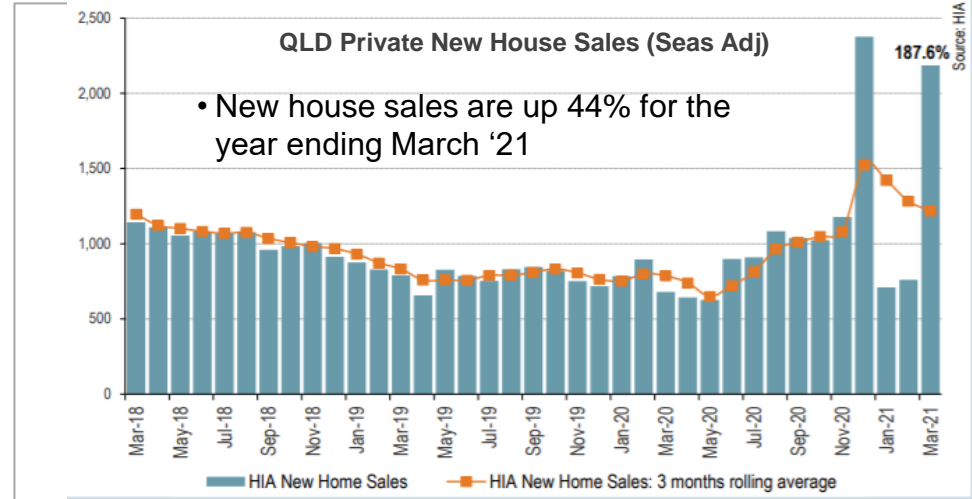
Thermal Coal Demand peaks in 2030

- Low emission Australian coals will grow market share for decades vs. high emission coals
- Thermal coal use globally 7B /t. QLD produces ~80M /t
- Renewable energy will displace some coal; however, energy coal demand is still forecast to be 6B /t in 2050

QLD Construction activity spurred by Government Stimulus



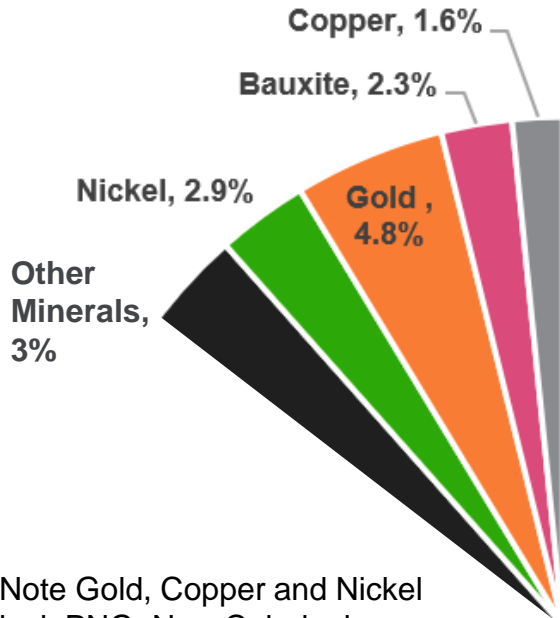
- Publicly funded **Roads and Railways** driving expenditure increase
 - Inland Rail, X-River R, Beerburum R, Bruce H'way, Coomera Connector, Tugun - Varsity



...however, the NT outlook is weak short term

- Population decline post build of Ichthys LNG
- Relatively high unemployment
- Construction *work done* 65% below the 10 year average
- Bright spots incl. Beetaloo Gas and possible Mining Projects

Commodity Metals – strong demand exiting COVID19



Note Gold, Copper and Nickel incl. PNG, New Caledonia revenues



Gold & Copper Mining (incl. PNG)*

- Gold **strong** @ US\$1855 oz– uncertain times – hedge
- Copper **highs** @US\$9553 /t - urbanisation, electrification, infrastructure stimulus, e-vehicles



Manganese (Mn)*

- **OK prices** @ US\$5.12 /t , good demand from the steel sector globally – COVID stimulus recovery
- S32's GEMCO - their most profitable business



Zinc*

- **Very strong** @US\$2987 /t – global construction & infrastructure stimulus



Bauxite

- **Ordinary** – prices not transparent but <US\$50 /t – low a/c competition from African Guinea

*Cash LME prices as at 15/6/21

Summary

Hastings Deering is most exposed to Resource Industries, metallurgical coal in particular

The impact of the China coal bans is waning as QLD miners find new global customers. Demand prospects for high quality QLD coal into Asia & India are good long-term

Government stimulus measures are having a measurable impact on Construction in QLD – new houses, roads and rail investment over next 2 years. NT has some way to go to return to normal with the completion of the Ichthys LNG build

In Resources, the metals we are exposed to are doing well, with Gold, Nickel and Copper the stand-outs, that last two due to the global *Electrification* trend

There are still risks to the global recovery from COVID19. None-the-less we are cautiously optimistic.

Parts and Service Update

June 2021

Presenter: Peter Martin



Hastings Deering



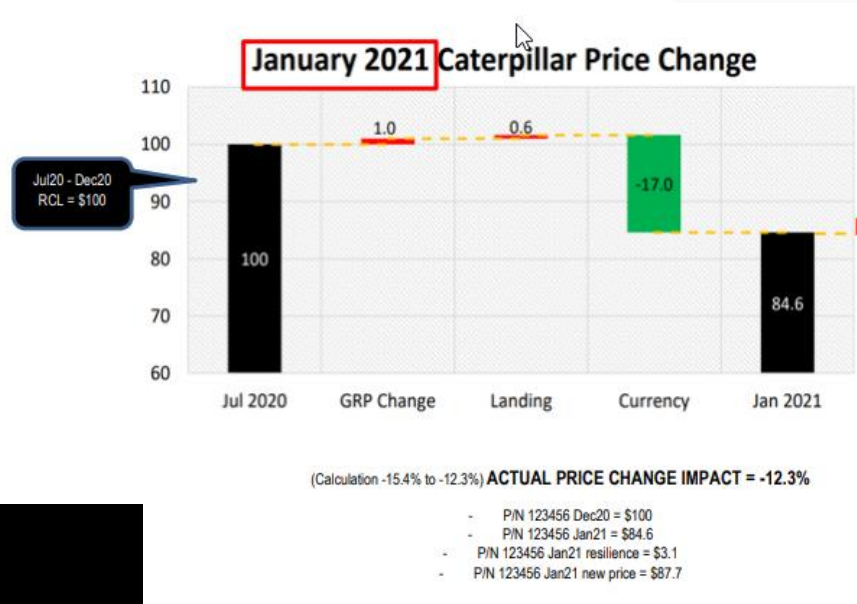
Parts Price Effect on business performance

Parts Price Movement is calculated by Caterpillar using 3 factors

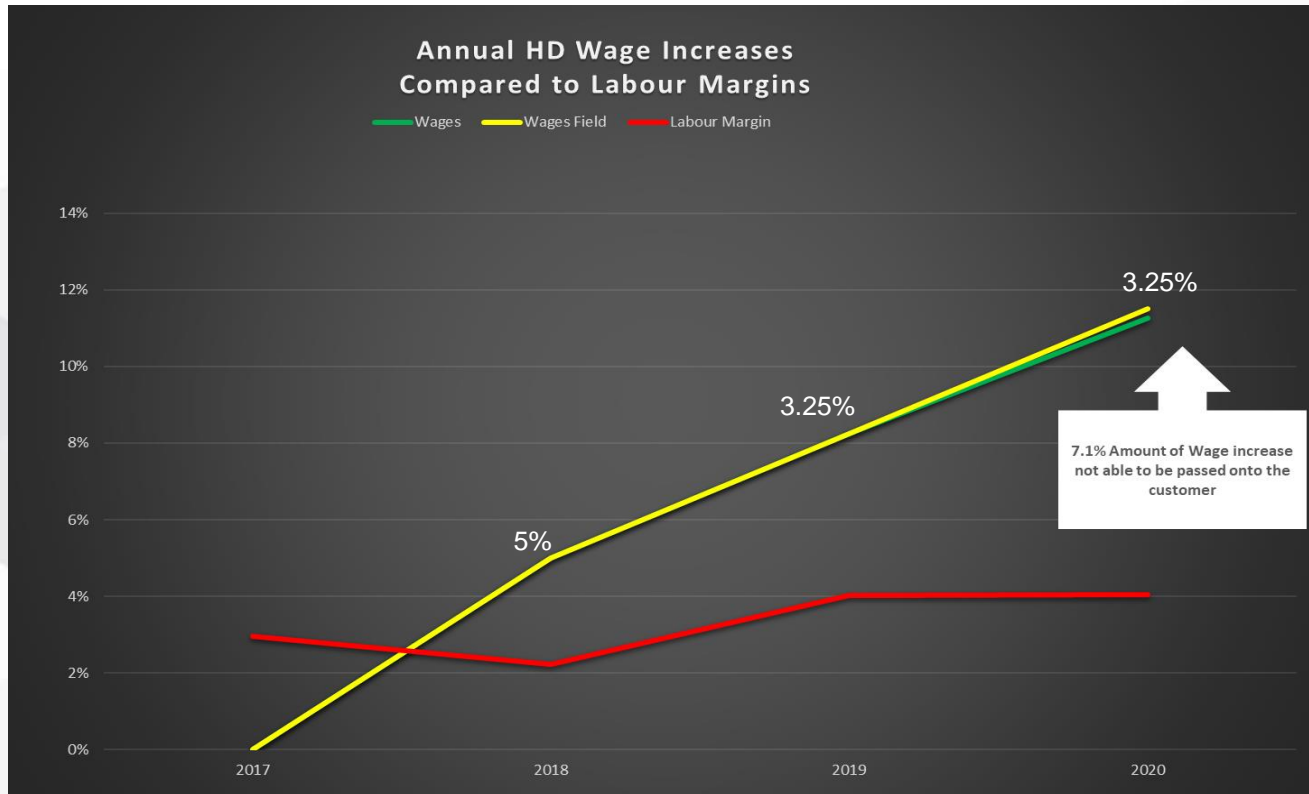
- GRP Price → Cost of raw materials and manufacturing costs
Caterpillar research and development
New Product introduction changes
Sourcing strategies for lowest cost providers
- Landing Cost → Costs of Distribution and transport
Renegotiation of transport contracts
- Currency → Movement in currency exchange between the AUD and USD

AUD : USD June 30,2020 1 : 0.6914
Dec 31, 2020 1 : 0.7692

AUD has strengthened against USD by 11.26% over 6 month period



Wage Trends Compared to Labour Margins



Wages Comparison Update

June 2021

Presenter: Jake Fraser

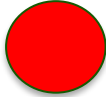


Hastings Deering



Definitions

CPI



The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

WPI



The Wage Price Index (WPI) measures changes in the price of labour in the Australian labour market. In a similar manner to the CPI, the WPI follows price changes in a fixed "basket" of jobs and is therefore not affected by changes in quality and quantity of work.

Labour Margin



Sales of labour vs the cost of that labour. Sales is what we charge the customer and the cost is what we pay the employee (wages only, no oncosts like superannuation)

Wage Trends

Annual HD Wage Increases
Compared Against CPI and WPI

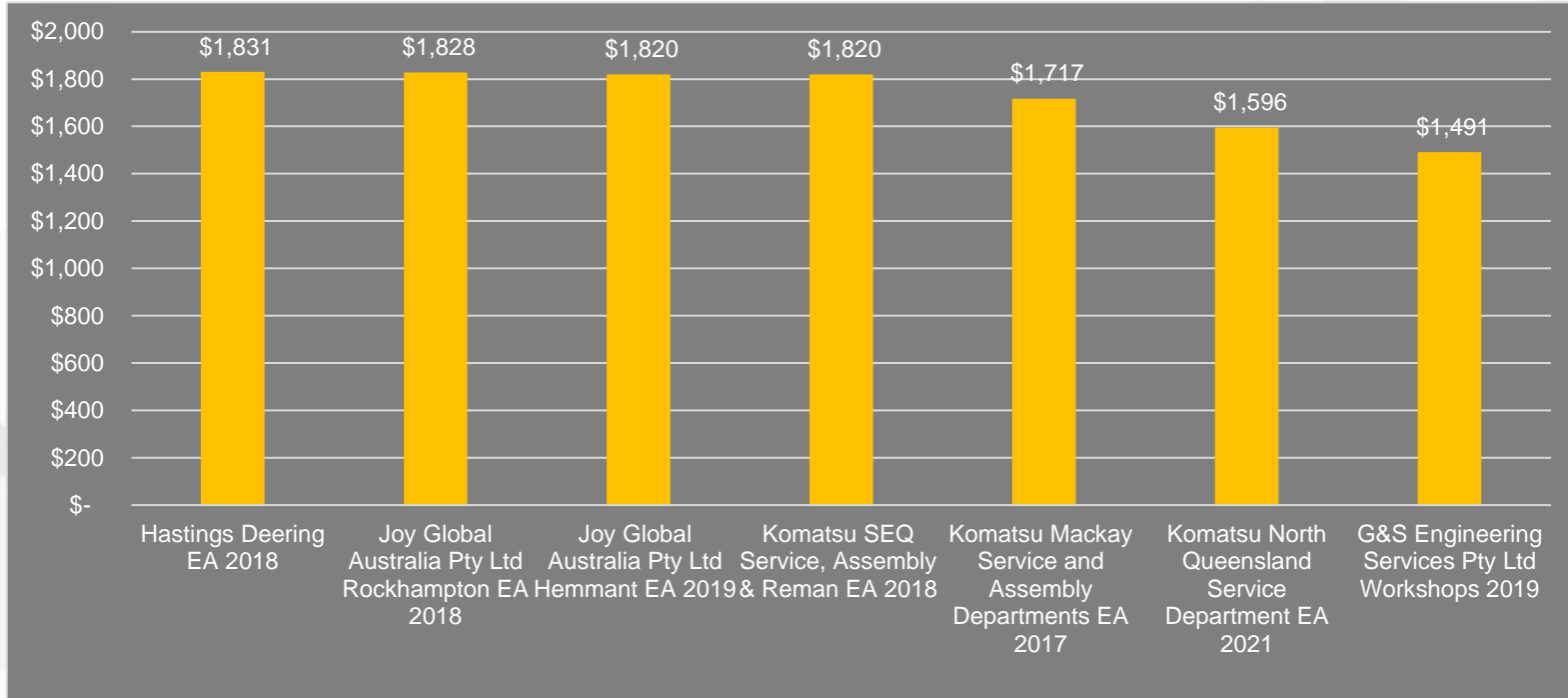


	CPI Increase	WPI Increase
March 2021 Quarter (Jan/Feb/March)	0.6%	0.6%
Annual Increase (Mar 20 – Mar 21)	1.1%	1.5%

Source: Australian Bureau of Statistics

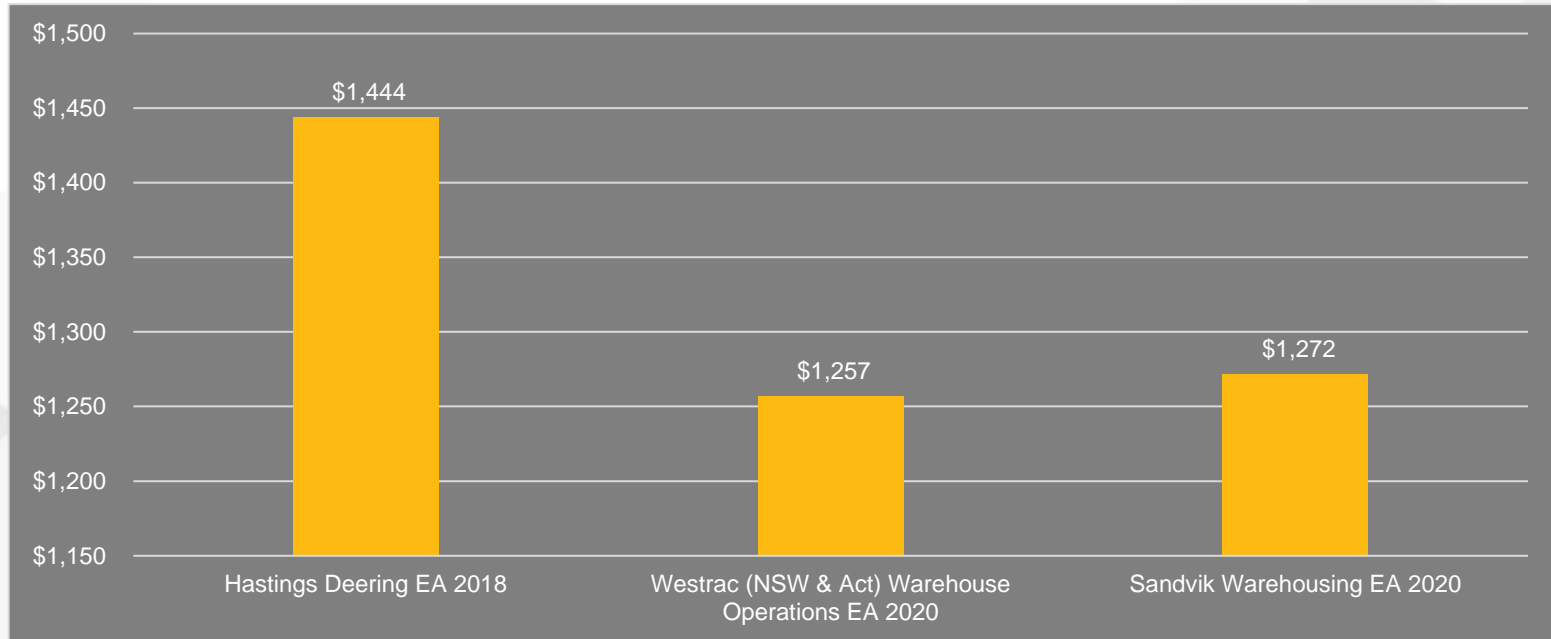


Comparison of Competitor Weekly Earnings – Workshop



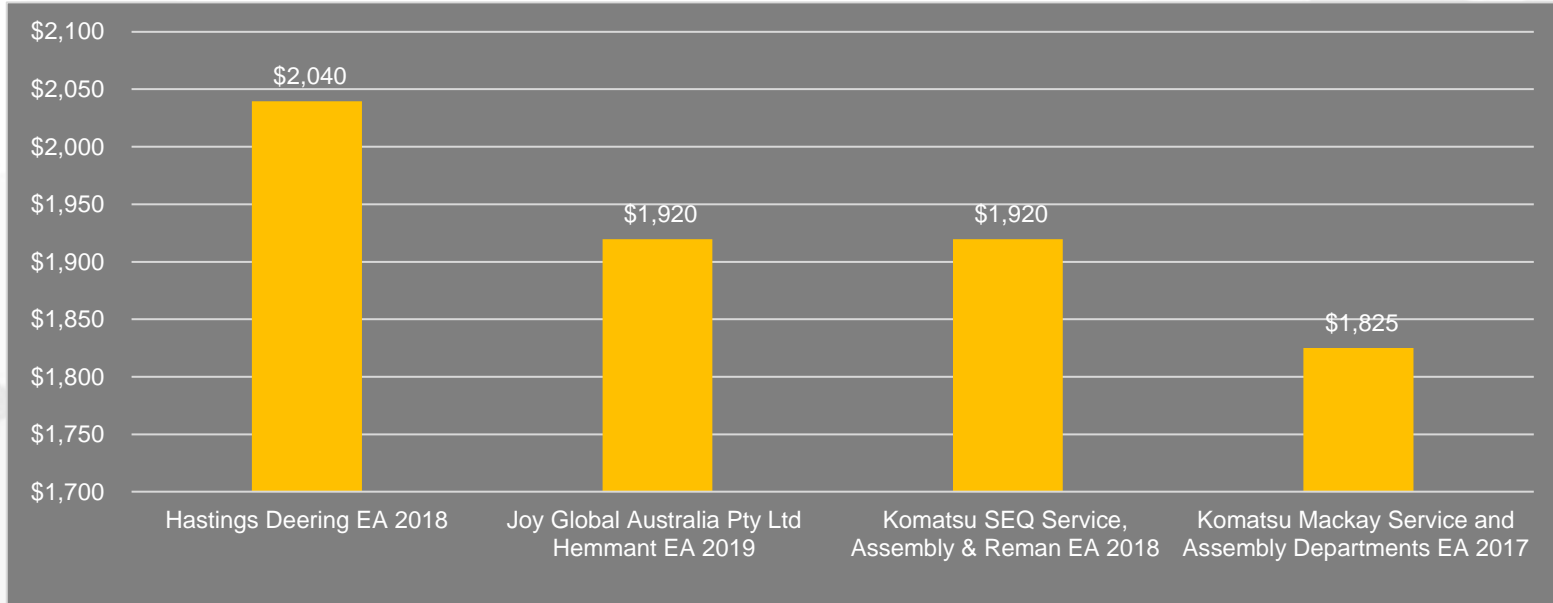
Based on level 7 Tradesperson, 38 hour week with 4 hours overtime

Comparison of Competitor Weekly Earnings – Warehouse



Based on level 4 Partsperson, 38 hour week with 4 hours overtime

Comparison of Competitor Weekly Earnings – Field Service



Based on level 7 Tradesperson, 38 hour week with 4 hours overtime

Trends in Enterprise Bargaining

Agreements in process

Agreement	Duration	Wage Increases
Komatsu Australia North Queensland Service Department EA 2021	2 years	3%,2%
Batchfire Callide EA 2021	3 years	2%,1.5%,1.5%
Middlemount Coal EA 2021	3 years	2% each year

Sources: Fair Work Commission