Statement on 2017 HPPL Annual Report: 31 October 2017, Perth

The Hancock Prospecting Group (**HPPL**) has recorded an improved underlying net profit after tax from operations for the year ended 30 June 2017. Taxes paid in the 2017 fiscal year amounted to nearly $700 million.

Profit from Operations

The analysis below provides a comparison of HPPL's consolidated underlying profit from operations with the previous year.

(Amounts in $million)	**2017**	**2016**
Revenue	4,450	1,725
Profit before tax from operations	1,753	634
Income tax (expense)/benefit from operations	(683)	(191)
Net Profit after tax	**1,070**	**443**

(Note: In addition there were other state taxes including royalties and payroll)

Production ramp-up at the Roy Hill project is well advanced with the project shipping at its 55mtpa nameplate capacity in September 2017. As a result, the Roy Hill project is now a contributor to HPPL's revenue and profit, and is largely responsible for the 160% increase in HPPL's revenue for the year, although HPPL has not yet received any dividends from Roy Hill.

The company's three Hope Downs mines continued to operate at 45mtpa nameplate capacity for the 2017 fiscal year, with shipments slightly lower by 3%.

HPPL's revenue and profits are significantly impacted by the iron ore price, given the major iron ore mines in which the company has invested over decades to develop. While the iron ore price reduced towards the end of the financial year, on average it was some 25% higher than the previous financial year.

HPPL increased its investment in the agricultural sector during the year, including with the acquisition of a 67% interest in the iconic business of S.Kidman & Co. HPPL's strategic partner in the investment, Shanghai CRED, is well placed to assist HPPL to develop the China market. HPPL also acquired several cattle stations and downstream assets during the fiscal year, increasing its spread over different climatic zones and is now one of Australia's largest pastoral businesses.

During the year HPPL entered into an agreement with the UK based Sirius Minerals, under which HPPL will acquire a royalty stream from the polyhalite product to be sold by Sirius upon development of its mine in Yorkshire in return for an investment of US$250 million, together with the purchase of equity in the company of US$50 million. The investment is subject to the satisfaction of various ongoing conditions.

Balance Sheet

HPPL's balance sheet continues to grow with acquisitions in the agriculture sector and other business development opportunities such as the Sirius Minerals transaction. HPPL is also evaluating various other potential investments in the resources sector, under its long held vision to diversify from "all eggs in the iron ore basket" when it was able to do so.

HPPL's debt based on current projects has peaked, and with lenders' completion testing for the Roy Hill project currently underway, debt levels are expected to be reduced with additional payments in 2018. As a result, the significant part of the Roy Hill project cashflow will be applied towards the reduction of debt and consequently gearing levels are expected to then decrease.

Under the Roy Hill syndicated finance facilities HPPL is currently required to maintain a minimum of $1,000 million of funds, and is also required to contribute up to US$1,000 million ($1,300 million) in subordinated loans under certain conditions. This total commitment of liquid funds by HPPL amounts to $2,300 million. In addition, under debt finance agreements $1,928 million of cash and deposits is currently restricted to developing and operating the Roy Hill project.

(Amounts in $million)	**2017**	**2016**	**2015**
Total assets	18,640	17,275	15,807
Borrowings	7,733	7,566	6,354
Other liabilities	1,963	1,326	1,018
Total liabilities	9,696	8,892	7,372
Net Equity	8,944	8,383	8,435
Gearing ratio (Debt : Equity)	86%	90%	75%

HPPL's financial position remains solid and the group remains one of the most successful private companies in Australia's history, however despite acquisitions in the agriculture sector the business remains highly leveraged to the iron ore price and so ongoing fluctuations in profitability from year to year are inevitable. As a result, HPPL intends to target a responsible level of gearing, given the lower outlook for iron ore pricing with China taking steps to reduce steel capacity at the same time as supply of high quality iron ore from the major producers is expected to continue to increase in the near term.

Returns to Shareholders - Dividends

HPPL's Board of Directors recognises the need to balance the efficient and prudent management of the company's operations in accordance with debt facility obligations and avoid exposing the company to significant risk, while undertaking worthwhile charitable endeavours, in the best interests of shareholders, with shareholders' desires for income in the form of dividends.

By deed dated 7 August 2006 (**Hope Downs Deed**) HPPL and all of its shareholders (including the beneficiaries and current trustee of The Hope Margaret Hancock Trust (**HMHT**)) agreed a regime for the distribution of a certain proportion of cashflow generated from the company's Hope Downs mines by way of dividend (this being in addition to other dividends stipulated under the HPPL Constitution), conditional upon there being no breaches of that deed. Subsequent breaches of the deed by certain of the older beneficiaries has resulted in a suspension of dividends payable under the deed. Arbitration proceedings have been commenced as mandated by the deed in order to determine the issue.

HPPL has provided in its financial statements for the payment of such dividends under the Hope Downs Deed up to 30 June 2017 in the amount of $826 million (which provision has increased to $923 million by 30 September 2017). The company will continue to provide in its financial statements for those dividends in accordance with the deed.

In addition to maintaining this obligation to provide for these significant dividends under the Hope Downs Deed, HPPL has sought to make dividend payments over and above those that are mandated in its Constitution. In the approximately two year period since June 2015, HPPL has paid discretionary dividends of some $643 million, of which the trustee and beneficiaries of HMHT have received some $151 million.

The table below demonstrates that for the 2017 fiscal year HPPL has paid or provided for dividends amounting to the large majority (72%) of its net profit after tax, and in fact given that profits from the Roy Hill project are currently not available for payment of dividends due to restrictions under the syndicated finance facilities, HPPL has in effect paid out more funds in dividends than is available from current year profits – some 110%. This has been done at the same time it has been developing the $10 billion Roy Hill project.

(Amounts in $million)	2017	2016
Dividends paid	337	185
Dividends provided, not yet paid	430	140
Total dividends provided or paid	767	325
Ratio of profits from operations provided or paid	72%	73%
Ratio excluding net profit from Roy Hill project	**110%**	**68%**

Ongoing Financial Commitments

HPPL is undertaking ongoing exploration and evaluation expenditure on wholly-owned iron ore projects as well as potential projects involving other minerals. In conjunction with its joint venture partner Rio Tinto, HPPL continues to advance the development of a fourth mine at Hope Downs. The development of this fourth mine will require a substantial financial commitment from HPPL.

Taxes

HPPL paid Australian federal and state taxes during fiscal 2017 of nearly $700 million, bringing the total taxes paid by HPPL for the last seven fiscal years to more than $4,000 million, averaging more than $570 million per year, as set out in the table below.

	Years ended 30 June:							
(Amounts in $ million)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Commonwealth and state taxes paid	528	648	562	569	637	394	698	**4,036**

Mrs Gina Rinehart, personally and through the HPPL private group, pays more tax than any other Australian, and her private company HPPL is amongst the ranks of Australia's largest corporate taxpayers, as reflected in the publications of the Australian Taxation Office.

Mrs Rinehart continues to primarily direct investment in Australia and pays substantial taxation in Australia, while providing employment and opportunities for many thousands of Australians, directly and indirectly.