


Roy Hill mine helps drive Hancock Prospecting to \$1.3bn profit

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Gina Rinehart's Hancock Prospecting recorded a \$1.3 billion profit last financial year as it began harvesting cash from its expanded iron ore business.

The private company, which owns a 70 per cent stake in the Roy Hill iron ore mine and a 50 per cent interest in the Hope Downs iron ore mine, reported a 28 per cent increase in profit and a 36 per cent jump in revenue as Roy Hill continued to hit its straps.

The annual accounts filed by Hancock showed the company's strong cash flows helped it make significant inroads into its debt position, while also supporting a string of new investments, dividends and a big tax bill.

In a statement posted to Hancock's website, the company said the performance of the Roy Hill mine had been a big driver of the result. Iron ore prices were largely flat year on year.

"Hancock's Roy Hill project achieved its 55 million tonnes per annum capacity in September 2017 and has been a strong contributor to the year's results, driving increased revenue and profitability for the group," the company said.

It noted cash flow from Roy Hill was being used to pay down the debt used to build the \$10bn project. Roy Hill's project debt fell by almost \$800 million over the year.

Amid the increase in profits for the year, Hancock's income tax bill fell — from \$683m in the 2017 financial year to \$600m in 2018.

But the company noted total taxes paid by the group came to \$860m, taking the total amount of tax paid over the past eight financial years to almost \$5bn.

“Gina Rinehart, personally and through the Hancock Prospecting private group, pays more tax than any other Australian,” the company said.

Hancock also made provisions for dividends to Mrs Rinehart and her family of \$528m for the year, down from \$767m in 2017.

The cash generation has allowed Hancock to keep its eye out for acquisitions and investments, with the group recently wrapping up its \$418m takeover of Atlas and pumping another \$US250m (\$350m) into its investment deal with British fertiliser play Sirius Minerals. It also spent \$70m on a 19.9 per cent stake in Canadian coking coal company Riversdale Resources.

The Atlas acquisition, Hancock said, was “expected to assist in substantially extending the operating life of Roy Hill”.

The company said it would continue to review value-accretive acquisitions in the mining and agricultural sectors.

While Hancock’s iron ore business went from strength to strength, the company’s Australian Outback Beef subsidiary, which owns the S. Kidman & Co business acquired in 2017 for \$387m, felt the impact of a weaker beef market. The cattle business posted an underlying net profit before tax of \$10.1m, not including a \$39.8m drop in the fair value of livestock due to lower beef prices.

“Under its dedicated leadership, Hancock Prospecting 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,” the company said.

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Paul Garvey has been writing about the resources industry for more than 14 years. Prior to joining The Australian's Perth bureau, he spent two years writing for the paper out of Hong Kong. He has also been a mi... [Read more](#)