

Hancock Agriculture Portfolio

An investment scale global beef production opportunity

Elders Ltd (ASX: ELD) has been appointed by Hancock Agriculture and its S. Kidman and Co joint venture partner to market a significant portfolio of Northern Australian beef production assets.

Hancock Agriculture is the agricultural division of the Hancock Prospecting group. With over 30 properties in its portfolio, Hancock Agriculture is the second largest producer of beef in Australia.

The portfolio to be offered to market comprises seven individual stations occupying approximately 1,876,000 hectares across Western Australia and the Northern Territory, and presently carrying a beef cattle herd of approximately 108,500 head, plus progeny. It also includes a strategically located feeding, export depot and farming operation located near Katherine in the Northern Territory. The portfolio has the capacity to turn off up to 45,000 head of cattle per annum.

The individual stations are all highly regarded beef production properties with rich histories in the Australian beef industry. Since acquiring each of the assets, Hancock Agriculture has undertaken an extensive and comprehensive capital works program to further improve them. This has focused on water storage and distribution infrastructure, deploying innovative technology (including digital communication networks and improved connectivity) employee safety, animal welfare and improving cattle herd quality (particularly through the significant reduction in the age profile of the breeder herd). With this development process now significantly advanced or completed, Hancock Agriculture is now looking to complete its investment cycle and focus on other areas of growth in its agricultural operations.

“This represents a rare opportunity to acquire a strategically constructed portfolio of assets at scale during a period of unprecedented growth in demand for quality Australian protein”, said Elders’ General Manager Real Estate, Tom Russo.”.

“The geographic locations of the individual stations, coupled with the completion of an extensive and high-quality capital improvements program and a refinement of the breeder herd, allows for the operation of an efficient beef production enterprise which enjoys economies of scale and operational flexibility. This ultimately results in higher productivity and returns. The addition of the Phoenix Park feedlot and export depot is highly strategic, assisting with the wet season growing program, providing flexible market timing options and allowing for sale weights to be maximised.”

The portfolio is also being offered to the market during very favorable seasonal conditions for northern cattle producers. “The return of a normalised wet season in the Northern NT has been a significant confidence boost for the industry”, said Elders NT and Northern Queensland Area Manager, Paul McCormick. “This, coupled with better than average rain fall in Northern Queensland, continues to drive unprecedented livestock demand and an increasingly favorable outlook for producers”.

The portfolio will be offered to market by way of a staged expression of interest process commencing in early March. Parties will be invited to submit offers for all or part of the portfolio.

“Given the strategic advantages and operational efficiencies that can be achieved by operating the portfolio as an integrated beef production enterprise, we anticipate receiving offers for a whole of portfolio sale from both domestic and international investors”, said Elders’ Head of Agribusiness Investment Services, Mark Barber. “Having said that, there will undoubtedly be strong interest from parties looking to acquire individual assets or larger components of the portfolio, particularly from

existing operators seeking to expand their holdings or achieve geographic diversification. The flexible EOI structure will therefore allow all interested parties, from single asset buyers to whole of portfolio investors, to participate in the process”.

Hancock Agriculture is committed to Australian agriculture and intends to retain and grow its remaining substantial portfolio, which includes operations in Queensland, South Australia, New South Wales and the Northern Territory. Across these operations, Hancock will continue to be an industry leader in the application of innovative technology, and in identifying and incorporating ways to improve employee safety and animal welfare.

Hancock will continue to invest in its numerous cattle stations, maintaining its management basis, “happy healthy cattle are the best cattle” and strategically targeting technical and genetic improvements. Hancock’s east coast wagyu operations, which currently form the largest Fullblood and Pure Bred Wagyu herd in the world, will continue to grow through additional production and broadacre cropping properties. Its multiple branded premium beef product lines, including the premium 2GR Wagyu, are sold both domestically and internationally in many of the world’s finest high-class restaurants and the scrumptious Kidman cocktail pies with tender Kidman beef, are available across Australia.

Through its majority ownership in the iconic S. Kidman and Co Pty Ltd, there is a focus on improving productivity through genetic improvement and expanding its backgrounding and feeding capacity to deliver a range of branded beef grain fed and grass-fed products.

It has also partnered with the multi-award winning Bannister Downs Dairy, which has won over 360 awards to date, including being awarded the highly coveted Australian Grand Dairy Award for Champion Cream. Bannister Downs has recently completed a production expansion to achieve a five-fold increase and is expanding its sales program into Australian and overseas markets.

Hancock Agriculture will continue to be one of the largest beef producers and agricultural companies in Australia.

“The growth of the Hancock Agriculture portfolio in such a small space of time, and its huge investment, is nothing short of astonishing”, said Mr Russo. “This sale is a refinement of the overall portfolio following a period of value creation through further investment and strong management and our client’s intention is to reinvest in the growth and improvement of their larger agricultural enterprise, continue to focus on innovation and maintaining high standards throughout the supply chain for employee safety and animal welfare”.

Detailed summary of the portfolio

The portfolio comprises:

	Area (hectares)	Carrying Capacity	Overview
NORTHERN TERRITORY			
Aroona Station (Neighbouring Willeroo)	147,510	14,423 three year average	The close proximity of Aroona to Willeroo essentially allows for the stations to be operated as a single unit with significant scale. Located approximately 90kms from Katherine in a high and reliable rainfall area, it is considered to be excellent breeding country.

	Area (hectares)	Carrying Capacity	Overview
			The Aroona channels flow south to north from the headlands on Willeroo. It comprises mainly black soil with some areas of red country. Victoria Highway frontage allows for all year access. Since acquisition, the vendor has invested significantly in improving all infrastructure, with a particular focus on water storage and distribution, cattle handling infrastructure and connectivity and communications systems.
Willeroo (Neighbouring Aroona)	171,000	18,752 three year average	<p>Located adjacent to Aroona and in close proximity to Phoenix Park.</p> <p>An iconic pastoral holding located just 120km from Katherine, with 40km of highway dissecting the property and providing excellent access. This allows both Willeroo and Aroona to take advantage of wet season market access.</p> <p>Since acquisition, the vendor has invested significantly in improving all infrastructure, with a particular focus on water storage and distribution, and cattle handling infrastructure.</p>
Riveren Station (Neighbouring Inverway) Inverway Station (Neighbouring Riveren)	555,400	42,624 three year average	<p>These adjoining properties are considered “iconic” and were developed extensively by the Underwood family who moved to the territory in the 1950s. The properties are located in the sought after Victoria River Downs district. Typical of the district, the properties feature open black soil plains with a variety of pastures and grasses in the red country. The property enjoys an abundance of reliable water. Since acquisition, the vendor has invested significantly in improving all infrastructure, with a particular focus on water storage and distribution, cattle yards, cattle handling infrastructure and connectivity and communications systems.</p> <p>The balance of land, coupled with the abundant natural water supply, has resulted in them being considered coveted assets.</p>
WESTERN AUSTRALIA			
Nerrima Station	203,142.75	Pastoral Land Board rating 9,776 CU	<p>Located in the West Kimberley and adjoining the Fitzroy River.</p> <p>Since being acquired, significant improvements have been made to the holding, including expanding water distribution infrastructure,</p>

	Area (hectares)	Carrying Capacity	Overview
		<p>Three year actual average 15,445</p> <p>(Please Note: The Pastoral Land Board specifies that PLB stocking ratings are a “guide to long term productive potential and are not intended to be rigidly applied by managers or used as a basis for legislative controls. The actual grazing value and appropriate stocking of a particular pasture at any time varies with seasonal conditions, perennial pasture condition and the degree of recent use”).</p>	subdividing paddocks, vastly improving the cattle yards and installing new infrastructure and connectivity and communications systems.
Ruby Plains and Sturt Creek Stations	796,134	<p>Pastoral Land Board rating</p> <p>24,458 CU</p> <p>Three year actual average 25,636</p>	<p>Adjoining leases located south of Halls Creek. Excellent breeding stations within a reliable rainfall area and boasting high quality flood plains, flats and range country. Major river and creek systems flood out across expansive fertile flats and there is abundant natural water storage.</p> <p>Significant recent investment has been made in improving water capture and distribution infrastructure, livestock handling infrastructure and connectivity and communications systems.</p>
STRATEGIC FEEDING, EXPORT DEPOT AND FARMING OPERATION			
Phoenix Park	3,443	20,000	<p>A freehold property located 10km west of Katherine in a 1,000mm average annual rainfall district. The property has multiple uses, including dryland cultivation, pivot irrigation and grazing.</p> <p>The property has extensive improvements, including a 20,000 head feeding facility, four centre pivots, and irrigation bores.. Ongoing work has been completed to upgrade fencing, install new pivots, increase pen shade and improve cleared areas.</p>

	Area (hectares)	Carrying Capacity	Overview
			The property has the potential for further development for high value cropping.

About the Northern Australia beef production industry

Australia is the second largest beef exporter in the world and has an estimated national cattle herd of approximately 24.7 million head. The beef production industry represents the largest economic land use (c60%) in northern Australia and is a major component of northern Australia's economy.

The industry is export focused, with the value of Australian beef exports estimated to be \$10.8 billion annually and growing. It is one of the fastest growing segments of the Australian agricultural industry. Australian beef producers enjoy strong global competitive advantages due to its proximity to key growth markets in South East Asia, disease free status and farming practices. The industry is ideally placed to benefit from the expected long term growth in global demand for beef, particularly from the Asian and the Middle Eastern markets where populations and wealth are forecast to continue to grow rapidly. This will drive demand for Australian beef, as growing middle classes seek to access quality sources of protein.

About the Hancock Group

Under the leadership of its Executive Chairman Mrs Gina Rinehart, the Hancock Prospecting Group's world-class agribusiness is currently one of the country's largest cattle operators, indeed one of the largest in the world.

The Hancock Group has a long and proud history in agriculture. Prior to mining exploration, the family owned and operated for decades a number of iconic cattle stations in WA including Ashburton Downs and later Mulga Downs and Hamersley Station and on Mrs Gina Rinehart's mother's side of the family, James Nicholas, the father of Hope Hancock, owned many stations, including one on Dirk Hartog island, and 2 in partnership with Sidney Kidman.

Today, the Hancock Group pastoral properties stretch across most states in Australia, plus the Northern Territory. The Group is committed to its leading management culture of "happy healthy cattle are better cattle", developing and implementing innovative, industry-leading farming practices and driving quality and growth.

For further comment, please contact:

Tom Russo
Elders Real Estate General Manager
0409 873 837
tom.russo@elders.com.au