

ASX & MEDIA RELEASE

New Hope delivers FY2013 net profit after tax before non-recurring items of \$125.0 million through ongoing focus on cost management

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Financial Overview

- FY2013 net profit after tax and before non-recurring items of \$125.0 million, as a result of ongoing focus on productivity and cost management
- Net profit after tax and after non-recurring items was \$74.1 million due to impairment to the carrying value of investments in Dart Energy Limited, Westside Corporation Limited and the Quantex group of companies
- Significant cost savings realised, with cost of sales reduced by \$36.0 million or 10.1% in comparison to FY2012 albeit on lower sales volumes; further cost saving initiatives planned for FY2014
- Successful acquisition and expansion of Bridgeport Energy through investment in development drilling and asset acquisitions;
- Balance sheet strength maintained, with \$1.25 billion in cash deposits which allows the company to fund current and future growth opportunities
- Ongoing focus on operational efficiency ensures New Hope is well positioned to weather the current soft pricing conditions facing Australian thermal coal producers
- Fully-franked final dividend of 5.0 cents and special dividend of 5.0 cents declared

	FY2013	FY2012
Revenue (\$m)	656.4	767.7
Net profit after tax, before non-recurring items (\$m)	125.0	171.1
Net profit after tax after non-recurring items (\$m)	74.1	167.1
Earnings (cents per share)	8.9	20.1
Total dividends declared for the year (cents per share)	16.0	31.0
ROM coal production (million tonnes)	11.4	12.3
Clean coal production (million tonnes)	5.8	6.3
Coal sold (million tonnes)	6.0	6.3

Diversified energy company New Hope Corporation Limited (ASX: NHC) ('New Hope' or 'the company') announces net profit after tax and before non-recurring items of \$125.0 million for the 2013 financial year (FY2013). The result was underpinned by management's ongoing focus on operational efficiency, ensuring New Hope continues to deliver shareholder returns despite the cyclical downturn in global coal markets.

Net profit after tax and non-recurring items for FY2013 was \$74.1 million, as a result of impairment to the carrying value of New Hope's investments in Dart Energy Limited, Westside Corporation Limited and the Quantex group of companies totalling \$51.4 million.

The operating result for FY2013 was lower than FY2012, in line with expectations, due to:

- Lower export coal prices
- A higher AUD:USD exchange rate for a majority of the financial year
- Slightly lower production due to lost sales from a three-week rail outage in early 2013
- Tapering of production from West Moreton operations due to current market conditions

New Hope Corporation has reinforced its constant focus on reducing costs and improving productivity. The company's core competency in operating low cost open-cut coal mines has enabled it to maximise margins during the current cyclical downturn in coal prices. Cost of sales reduced by \$36.0 million or 10.1% and administration costs reduced by \$9.9 million or 37.9% in comparison to FY2012, albeit on lower sales volumes. Further cost saving initiatives are planned for FY2014.

New Hope also improved its safety performance during FY2013, with the 'I-Safe/We-Safe' cultural change program assisting to deliver a reduction of 47% in total reportable injuries. Management is committed to lead further improvement in safety performance.

Directors have declared a final dividend of 5.0 cents per share and a special dividend of 5.0 cents per share (compared to 5.0 cents per share and 20 cents per share respectively in FY 2012), to be paid on 5 November 2013 to shareholders on the company register as at 22 October 2013.

New Hope Managing Director and CEO, Rob Neale, said: "Against a backdrop of difficult economic conditions for Australian coal producers, New Hope's focus on increased productivity, low-cost operations and tight management has driven a reasonable FY2013 result.

"As a vertically integrated and diversified energy company, New Hope is well positioned to withstand current coal market conditions and continue to deliver shareholder value, while being primed to take advantage of future growth opportunities as they arise."



Additional Detail

Operations

During FY2013, clean coal production totalled 5.8 million tonnes and total sales were 6.0 million tonnes, a decrease of 7 per cent and 4 per cent respectively.

FY2013 production and sales were adversely impacted by:

- Higher than normal rainfall across south east Queensland which culminated in localised flooding in early 2013, and resulted in the western rail line infrastructure being inoperative for 3 weeks;
- Cessation of mining at Oakleigh following the recovery of all economic coal reserves in the first quarter of 2013; and,
- The scaling back of operations at the high cost West Moreton operations due to difficult market conditions.

Despite these events, production and sales for the year were only marginally below management's internal forecasts.

The New Acland Coal Mine produced 4.7 million tonnes of product coal in FY2013, a 0.4 million tonne decrease from FY2012. This was as a result of the February 2013 rail outage, which caused a two-week mine closure during Easter due to stockpile capacity limitations.

The company's West Moreton operations, comprising the Jeebropilly and New Oakleigh open cut coal mines, produced 1.14 million tonnes of product coal in FY2013, compared to 1.20 million tonnes in FY2012.

The Queensland Bulk Handling (QBH) facility, New Hope's 100 per cent-owned coal terminal at the Port of Brisbane, exported 8.73 million tonnes of coal on 113 vessels in FY2013, in line with management expectations.

During FY2013, New Hope concluded successful negotiations with the Port of Brisbane for access to additional land for potential expansion should additional rail capacity become available. Engineering and other studies required to expand the port infrastructure also commenced.

Bridgeport Energy

New Hope Corporation Limited completed the acquisition of Bridgeport Energy Limited in August 2012.

New Hope has provided capital to Bridgeport to facilitate organic growth and acquisition activities. Five new development wells were successfully drilled, completed and placed on production at the Inland and Utopia fields during the year. A sixth well was drilled, cased and suspended in the Utopia field. A service rig was acquired and a number work-overs of existing wells were undertaken in order to boost production rates.

During the past year Bridgeport successfully executed the purchase of the conventional upstream exploration and production assets of Arrow Energy. This purchase remains subject to final government approvals. The company was also successful in a competitive bid for PELA 630 in the western flank of the Cooper/Eromanga Basin.

Bridgeport has achieved in excess of 600 days without a reportable safety incident. Management remains focussed on improving safety systems through standardisation of operating practices and procedures.

Planning is underway for an additional five wells plus three potential wells to occur from September 2013. New Hope plans to increase Bridgeport's conventional oil production, both from the development of existing fields and potentially through acquisitions.

Exploration

New Hope continued its exploration program in FY2013, focusing on resource definition in the Bowen Basin (Lenton, Bee Creek and Yamala), Surat Basin (MDL244 for the revised New Acland Coal Mine Stage 3 Project) and Maryborough Basin (Colton).

Development

New Hope progressed mining and environmental approvals at various development projects in FY2013. Highlights include:

- **New Acland:** Work on the Environmental Impact Statement (EIS) progressed, including a revised mine plan, coal preparation and handling plant and mine site infrastructure. Following the completion of the EIS and all supporting studies, the EIS is expected to be released in late 2013 for public comment.
- **Lenton:** In addition to the exploration program at Lenton, the company undertook further work on resource definition, mine planning, and regulatory approvals.
- **Colton:** Assessment of the Environmental Management Plan was progressed in FY2013, with a focus on water management.
- **Elimatta:** The EIS was submitted during FY2013 and work has commenced on a Supplementary EIS due for submission in early 2014.

Alternative Energy Activities

New Hope continued to investigate both direct and indirect liquefaction technologies through its coal-to-liquids projects during FY2013.

The construction of the 1.0 tonne per hour proof-of-concept plant at Jeebropilly continued. Most site infrastructure and the gasifiers are now in place; however delays have been incurred in delivery and installation of the liquefaction units. These delays will likely see the company undertake commissioning of the gasification process in late 2013, ahead of the liquefaction process in 2014.

While encouraging technical results have been achieved at the Quantex facilities, progress has been slow in identifying a potentially commercial configuration. Due to Quantex requiring additional capital to continue testing, management is currently re-assessing its options, with a view to either delivering a commercially viable business case within a defined period or ceasing investment in this venture. As a result of the uncertainty surrounding this investment, management has impaired the entire \$13.3 million carrying value of the Quantex investment.

Outlook

New Hope anticipates the weakness in global thermal coal markets will continue throughout FY2014. Demand for thermal coal remains firm, but oversupply is likely to limit any significant improvement to spot thermal coal prices over the immediate future.

Despite these market dynamics, New Hope's coal assets remain well positioned to weather the current soft conditions facing Australian thermal coal producers. Cost reduction initiatives across all sites have already delivered significant savings during the 2013 financial year and management remains focused on delivering further prudent savings during the 2014 financial year.

Production and sales in FY2014 are likely to be slightly lower due to the cessation of mining at Oakleigh (which contributed 273,000 tonnes in FY2013) and the scaling back of operations at Jeebropilly from the rate of approximately 1.0 million tonnes per annum to 0.7 million tonnes per annum. This will be slightly offset by New Acland producing at the maximum allowable rate of 4.8 million tonnes per annum compared to 4.7 million tonnes in FY2013.

Port operations at QBH are expected to achieve marginally increased exports in FY2014, nearing nameplate capacity of 10 million tonnes per annum.

As a vertically-integrated, low-cost Australian coal producer New Hope is well positioned to remain profitable, albeit at lower levels than those recorded in the previous financial year.

The company's strong balance sheet, which includes cash and cash equivalents and term deposits of \$1.25 billion, provides flexibility to take advantage of acquisition opportunities as they present themselves during the current soft market. At the same time, the company can take a longer-term view of coal markets and ensure that prudent expenditure continues on exploration and approvals work so that development can occur swiftly once market conditions improve.

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For further information, please contact:

Investors/Analysts

Robert Millner	Chairman, New Hope Corporation Limited	+61 7 9232 7166
Robert Neale	Managing Director, New Hope Corporation Limited	+61 7 3418 0500

Media

Lisa Backhouse	Manager – Corporate Affairs	+61 7 3418 0522 media@newhopegroup.com.au
Garry Nickson	Magnus Australia	+61 2 8999 1004 gnickson@magnus.net.au

