



Contact

Phone: +61 7 3418 0500

Fax: +61 7 3418 0355

22 March 2011

ASX & Media Release

New Hope interim profit up 265% following Arrow Energy divestment

- **Divestment of Arrow Energy in August 2010 generates a non-recurring NPAT of \$326.3 million**
- **Production levels maintained despite heavy rainfall and flooding in South East Queensland**
- **Export sales up 23% to 2.7 million tonnes for the period**
- **Exchange rates, weather conditions, transport costs cut operating profit by 27%**
- **Successful takeover offer for Northern Energy completed in March**
- **Continued investment in coal to liquids and broader energy market**

Diversified energy company New Hope Corporation (ASX: NHC) today announced a first half net profit after tax (NPAT) of \$407.4 million, which included a non-recurring gain on the divestment of Arrow Energy.

For the six months to January 31, 2011, New Hope's NPAT increased from \$111.6 million in the previous corresponding period following a net profit of \$326 million from the sale of Arrow Energy shares.

The company posted a net operating profit of \$81.1 million with mining operations contributed \$44.3 million to the result with \$36.8 million earned from investments. The result was 27.4% lower than the previous first half – largely due to higher exchange rates and increasing costs of transport and weather-related constraints in December and January.

Basic earnings per share (excluding non-recurring items) for the six months were 9.8 cents per share compared to 13.5 cents per share earned in the previous first half.

Directors have declared a fully franked interim dividend of 5.25 cents per share (2010 5 cents per share) payable on 4 May 2011 to shareholders registered at 15 April 2011.

New Hope Managing Director Rob Neale said the company remained a low-cost producer of thermal coal in South East Queensland and was well positioned to take advantage of firming coal prices.

“Recent acquisitions in both the coal and energy sector compliment a very strong balance sheet and provide New Hope with a solid platform for growth in the short to medium term,” Mr Neale said.

He said the company had successfully maintained coal production during recent flooding in South East Queensland, suffering little direct damage. It had also increased export sales during the first half by 23% to 2.7 million tonnes.

“As a result we are in a good position to take advantage of firming coal prices once transport infrastructure in the region has been repaired.”

Mr Neale said the first-half performance of the company’s coal operations was pleasing. However, the net operating result had been affected by the higher A\$:US\$ exchange rates, weather conditions and transport costs. There had also been reduced interest earnings from the company’s investments following the payment of special dividends to shareholders and tax on the New Saraji sale.

First half achievements included the completion of the expansion of the QBH coal export terminal under budget estimates in December 2010. The terminal now has a nominal annual throughput of 10 million tonnes with all capacity fully committed to existing customers. Total coal export throughput for the six months was 3.46 million tonnes, up 6% compared to the previous corresponding period.

The divestment of Arrow Energy was completed in August 2010, and was followed by a special dividend of 14 cents per share in November 2010.

Mr Neale said interest income from cash on deposit would continue to provide short-term profit. The sale of New Hope’s Arrow Energy shares contributed to post year end cash reserves. The sale of the shares was finalised on 23 August 2010 for a cash consideration of \$576 million resulting in a profit after tax of \$326 million to be recognised in the 2011 financial year.

The company also made significant progress with its coal to liquids initiatives with the advances made in plans for proof concept (POC) plants.

Following the end of the first half, New Hope in March concluded a successful takeover offer for Northern Energy Corporation Limited (NEC), acquiring 80.8% of the coal exploration and development company.

The company was also working closely with QR National to maximise railings from the New Acland mine once the Western Rail System is re-opened. The rail line was expected to be operational by the end of March. New Hope was also advancing exploration projects that had been planned for the first half but delayed due to continuing wet weather across Queensland.

For further information, please contact:

Investors

Robert Millner	Chairman, New Hope Corporation Limited	(02) 9232 7166
Robert Neale	Managing Director, New Hope Corporation Limited	(07) 3418 0500

Media

Rhyll Cronin	Three Plus	(07) 3503 5700
Paul Bird	Three Plus	(07) 3503 5700

Appendix: Detailed Commentary

Mining Operations

Total clean coal production from New Hope's operations in the half year ended 31st January 2011 was 2.77 million tonnes. This was 2% lower than for the corresponding period last year. Production was negatively impacted by heavy rain in late 2010 and particularly in January 2011.

Total sales for the same period were 3.04 million tonnes. Despite the flooding and loss of the Western Rail Line in mid January 2011, this was 8% above that achieved for the same period in 2010. Export sales were 23% up at 2.74 million tonnes while domestic sales were 48% down at 0.3 million tonnes. This is as a result of a planned decrease in off take from CS Energy.

While the heavy rainfall in December 2010 and January 2011 had only limited impact on mine operations, the Western Rail Line between the New Acland Mine and Ipswich was severely damaged by flooding in mid January 2011 preventing the shipment of Acland coal. QR National (QR) called Force Majeure in late January and railing from New Acland has been curtailed for an approximate 2.5 month period. Railing is expected to resume in late March.

In response to the above situation, New Hope has rescheduled mining operations. This will result in increased production from the West Moreton operations (from where railing is possible). Truck haulage levels from New Acland have been increased. Shipping has been rescheduled as appropriate with Force Majeure called on some customers.

The revised full year sales forecast is highly dependent upon the resumption of railing from New Acland mine, but is expected to be in the range of 4.8 to 5.2 million tonnes.

New Acland Mine

The New Acland mine produced 2.25 million tonnes of clean coal in the first half ended 31st January 2011. This was 1% increase over the same period last year.

Key activities at New Acland have included:

- Development of the mine into the South Pit;
- Introduction of increased levels of dozer push including the purchase of an additional dozer;
- Replacement of the tertiary sizer in No. 1 coal handling and preparation plant;
- Continuing negotiations on the new Employee Agreement;
- Completion of the design for a new environmental dam required for the forthcoming development into the Center Pit;
- Progression of the Mining Lease expansion with grant expected in late 2011 / early 2012.

Despite the temporary loss of the Western Rail Line the New Acland mine has continued to produce at full capacity, with resultant increases in in-pit, run of mine, and product inventories.

West Moreton Mines

The West Moreton operations comprising Jeebropilly and New Oakleigh, produced 0.52 million tonnes of clean coal in the first half ended 31st January 2011. This was a decrease of 13% compared to the same period last year. Of this tonnage Jeebropilly produced 0.40 and New Oakleigh 0.12 million tonnes.

Key activities at West Moreton operations included:

- Further development of both the Washplant and 7186 open cut pits at Jeebropilly.
- Purchase of a replacement Cat 994 loader and 3 Cat 785 trucks (not yet commissioned)

The Jeebropilly mine operations were rescheduled as a result of reduced railings from the New Acland operation in order to maximise group production during the rail outage.

Queensland Bulk Handling

New Hope's 100% owned port facility Queensland Bulk Handling located at the Port Of Brisbane continued to ship coal at high levels. Exported coal was 3.46 million tonnes for the first six months, up 6% compared to the same period last year. QBH continues to be essentially demurrage free.

Key activities included:

- Completion of the port expansion, under budget, in December 2010. This has increased the stockpile capacity from 377,000 to 909,000 tonnes;
- Completion of engineering upgrades to coal handling equipment; and
- Commencement of design and engineering for installation of a new sampler, upgrade of the ship loader and upgrade of electrical distribution systems.

QBH throughput has been impacted by reduced railings from all its customers due to the temporary closure of the Western Rail Line. This will remain the situation until the rail line reopens, expected in late March.

New Hope Exploration

New Hope's exploration strategy continues to include the evaluation of both open cut and underground coking coal resources in Central Queensland, open cut thermal coal in South East Queensland and evaluation of coals for conversion potential.

High rainfall and flooding in many exploration areas has severely impacted exploration programs during the first half of 2010/11. A total of 13,784 metres of drilling was completed during the period.

New Lenton

Exploration focused on confirmation drilling in the 3D seismic area. 11,351 metres of chip drilling and 854 metres of core drilling were completed.

Preliminary results for the 3D seismic surveys were received during the period and, while some structural features are evident, the results indicate that conditions are conducive to open cut and/or underground mining. Plans for a further two stages of 3D seismic surveys, totalling 15.2 square kilometres, are in progress. Cultural Heritage surveys for block clearance for all exploration activities within these additional two 3D seismic areas commenced in the latter half of the period.

New Acland

Exploration activities included confirmatory drilling on the existing Mining Lease (359 metres of chip and 15 metres of core) as well as 1206 metres of chip drilling on MDL 244 (Project Expansion area). The geological model for New Acland was updated in September 2010.

West Moreton

No exploration activities were undertaken during the period.

New Projects

Key activities included:

- Grant of EPC 1876 (Churchyard, near Blackwater) in November 2011
- Commencement of 212 gravity station surveys on EPM 18582
- New Hope has 3 EPM applications and 1 EPC application awaiting approval.
- Preparation for drilling on EL 44 (Rosevale) and EL 49 (York Plains) in Tasmania.

Land Development

Studies have been progressed regarding post mining land use at the West Moreton operations, Karalee and Chuwar sites. The intent is to where possible rehabilitate these properties to urban and industrial land use. Discussions with relevant state and local authorities are continuing.

Pastoral Operations

New Hope operates a pastoral operation (New Acland Pastoral) adjacent to the New Acland mine. This operation, covering some 6,600 hectares is used for grain growing as well as cattle production. While the operations were impacted by the unseasonal heavy rain in recent months, operations continue to expand with approximately 1000 head of cattle on site at the end of the period. Acland Pastoral is also assisting in the development of enhanced rehabilitation strategies at the mine.

Coal to Synfuels

During the period the company made significant progress on 2 separate technologies.

An initial 25% investment has been taken in Quantex Energy, a Canadian based company with interests in the research and development of direct liquefaction technologies. Subject to further technological and commercial viability New Hope has the option to increase its investment in Quantex up to 51% at agreed prices. The detailed design for a proof of concept (POC) unit is currently underway, with the unit likely to be built in Texas, USA.

In Australia, all necessary approvals have been received to construct a POC indirect liquefaction plant at the Jeebropilly mine site in South East Queensland which will process approximately 1 tonne of coal per hour. Orders were placed in March 2011 and commissioning is expected toward mid 2012 calendar year.

Northern Energy

Late in 2010 New Hope made an off market takeover offer for Northern Energy Limited (NEC), a company with various thermal and coking coal development projects in Queensland and New South Wales.

Subsequent to the end of the half year New Hope increased its offer to \$1.85 per NEC share, which resulted in the Directors of NEC recommending that shareholders accept New Hope's offer in the absence of a superior proposal. At the close of the offer on 9 March 2011, New Hope held approximately 80.8% of the equity in NEC.

Outlook

The result for the second half of 2011 will be negatively impacted by the unavailability of the Western Rail Line and the flow on effect to export sales revenues from the New Acland mine. The company is working closely with QR to maximise railings once the line is re-opened and to minimise the impact on the 2011 full year result.

The financial impacts of the rail outage cannot yet be determined with a sufficient degree of accuracy and are being compounded by ongoing uncertainty regarding the following key variables:

- When the Western Rail Line will become operational;
- Ramp up capacity of QR following recovery of the Western Rail Line;
- Confirmation of customer shipment schedules, especially following the recent earthquake damage and disruption to the Japanese markets; and
- Export contract pricing.

Prices for thermal coal are currently firm and expectations are that this will be maintained into the annual negotiations which will usually apply from April onwards. However the recent deferral of deliveries under existing contracts will likely result in these higher prices not being realised until late in the current financial year.

New Hope remains a low cost producer of thermal coal in South East Queensland whose operations suffered little direct damage from the recent devastating floods in the region, and as a result stands in good position to take advantage of firming coal prices once transport infrastructure has been repaired. Recent acquisitions in both the coal and energy sector compliment a very strong balance sheet and provide a solid platform for growth in short to medium term.