



## **FIRST HALF 2017 FINANCIAL RESULTS**

21 March 2017

### **Strong production volumes and coal prices deliver NPAT after non regular items of \$68.4 million**

#### **KEY HIGHLIGHTS**

- Revenue for the first half of \$374.6 million up 63% on the prior corresponding period (PCP)
- Profit before tax and before non regular items totals \$79.9 million (up 295% on PCP)
  - \$82.8 million from coal operations
  - \$2.9 million loss from oil and gas
- Net cash generated from operating activities of \$119.7 million (up 256% on PCP)
- EBITDA before non regular items of \$130.2 million
- NPAT before non regular items of \$54.9 million (up 265% on PCP)
- Fully franked interim dividend of 4.0 cents per share (up 100% on PCP)
- Bengalla delivers \$39.7 million profit after tax in the first half

New Hope's Managing Director, Shane Stephan, said: "This strong operating result is a culmination of several factors including increased sales of 4 million tonnes, improved spot coal prices and continued cost management efforts.

"Our strategic management of timing in terms of the acquisition of 40% of the Bengalla Joint Venture, combined with the underlining strong performance of our Acland and Jeebropilly mines has delivered".

"Our focus for the future remains on safe production and progressing State Government processes for the approval of the continuation of the Acland mine".

## FINANCIAL OVERVIEW

	1H FY2017	1H FY2016	CHANGE
Revenue from continuing operations	\$374.6 million	\$229.4 million	63%
Net profit after tax <sup>1</sup> before non-regular items	\$54.9 million	\$15.0 million	265%
Net profit after tax after non-regular items	\$68.4 million	\$2.7 million	2410%
Earnings per share before non-regular items <sup>1</sup>	6.6 cents	1.8 cents	267%
Earnings per share	8.2 cents	0.3 cents	2633%
Dividend	4.0 cents per share	2.0 cents per share	100%
ROM coal production	7.4 million tonnes	5.1 million tonnes	2.3 million tonnes
Saleable coal production	4.4 million tonnes	2.5 million tonnes	1.9 million tonnes
Coal sold (includes trade coal)	4.0 million tonnes	2.7 million tonnes	1.3 million tonnes

1. Please refer to the reconciliation of non-IFRS financial information at the end of this document.

Diversified energy company New Hope Corporation Limited (ASX: NHC) ('New Hope', 'the Company' or 'the Group') announces NPAT and before non regular items of \$54.9 million. This represents an increase of 265% above the \$15.0 million recorded in the six months to January 2016 and comprises;

- \$17.3 million from Queensland coal mining,
- \$39.7 million from New South Wales coal mining and,
- \$2.1 million net loss from oil and gas operations.

The result for the period also included non regular receipts of rail charges of \$13.9 million (after tax) and impairments of \$0.4 million (after tax) against the carrying value of certain assets in the Group's share investments.

This resulted in a net profit after tax and non regular items for the six months ended 31 January 2017 of \$68.4 million compared to a net profit after tax of \$2.7 million in the prior corresponding period.

After non regular items basic earnings per share for the six months ended 31 January 2017 were 8.2 cents compared to 0.3 cents earned in the previous corresponding period.

Directors have declared a fully franked interim dividend of 4.0 cents per share (2016: 2.0 cents per share) to be paid on 2 May 2017 to shareholders registered as at 18 April 2017.

The operating result before non regular items for the first six months of the 2017 financial year was positively impacted by:

- Strong production volumes from operated sites and the Bengalla Joint Venture;
- Significant increases in realised \$A thermal coal prices;
- Reduction in below rail tariff associated with the Queensland Competition Authority decision resulting in a recovery of \$19.9 million; and
- Increased oil production and improved realised pricing on oil sales; offset by:
- Coal sales were negatively impacted by the ship loader outage at Queensland Bulk Handling (QBH) in late 2016.

## **MINING OPERATIONS**

New Hope's two operated mines in South East Queensland (Jeebropilly and New Acland) produced 2.7 million tonnes of clean coal during the six months ended 31 January 2017.

Bengalla (New Hope's 40% interest) contributed 1.7 million tonnes for the six months, giving total group production of 4.4 million tonnes, an increase of 58% on the prior period.

Total sales for the six months to 31 January 2017 (including NSW operations) were 4.0 million tonnes, a 47% increase on the prior corresponding period.

## **QUEENSLAND BULK HANDLING (QBH)**

During the first six months of the financial year, 3.1 million tonnes of coal was exported through the QBH coal terminal at the Port of Brisbane (2016: 3.5 million tonnes).

Key activities at QBH were:

- Continued focus on health and safety with the site now over 4 years lost time injury (LTI) free;
- Settlement of an ongoing legal dispute with a former customer;
- Storm damage repair works (further detail below).

On 13 November 2016, a severe storm caused significant damage to the ship loading and stockyard infrastructure. With the assistance of New Hope's in-house Major Project's team, QBH was able to replace the damaged section of boom in under four weeks. This action, along with other operational flexibilities introduced, minimised the amount of production losses during this period. It is expected that shipping for the full year will not be materially impacted by this event.

## **NEW HOPE EXPLORATION AND DEVELOPMENT PROJECTS**

On 20 January 2017, following a recommendation by the Independent Expert Scientific Committee the New Acland Stage 3 Project received Environmental Protection and Biodiversity Conservation Act (EPBC) approval from the Federal Government. This is a significant step forward in the approvals process for Stage 3.

On 12 January 2017, the application for the Mining Leases and Environmental Authority for the New Acland Coal Mine Stage 3 Project was mentioned before the State Land Court to discuss a procedural matter and the Company's application to submit further evidence. As a result, the hearings will be reopened in April 2017.

Geological work on the North Surat Project area focused on reviewing the geological models and planning the future exploration programs to complete the Pre-Feasibility Study.

The Elimatta Mining Lease application is nearing completion with the final statutory requirements in progress.

An Environmental Authority for the Colton project was issued on 15 December 2016. Granting of the Mining Lease is pending.

## **PASTORAL OPERATIONS**

New management commenced at Acland Pastoral Company (APC) this reporting period. Herd numbers for the period were at 2,407 head with the breeding operation now well embedded and the continuation of cattle grazing trials.

The period saw the company reintroduce pivot operations to irrigate crops for forage and silage and the return of areas of rehabilitated land from mining activity into grazing.

## **OIL AND GAS OPERATIONS**

Oil production totaled 141,355 barrels for the period, a 55% increase on the corresponding half year of 91,150 barrels. This increase was primarily due to the acquisition of the Kenmore, Bodalla and associated fields completed in October 2016, but also improved production performance at other principal assets held by the Company.

An improvement in the oil price over the period resulted in realised prices of A\$65/bbl, an improvement of 27% on the corresponding half year.

Bridgeport responded to low oil prices throughout 2016 by reducing operating costs with significant cost reducing initiatives including the setup of a production hub at the Kenmore field; moving lower level producing fields to not normally manned operations and undertaking repair and intervention workovers to stabilise production.

During the period the following key activities were undertaken:

- Ten workovers across the company operated producing assets which improved production by 130 bopd;
- Five new development wells drilled, cased and suspended as producers in the Cuisinier non-operated asset;
- Financial closing of the acquisition of the Kenmore, Bodalla and associated fields which increased net production by 400 bopd;
- The award of three new exploration tenements in the Cooper Basin, (Queensland) proximal to existing BEL production centres;
- Interpretation and mapping of the 3D data sets in ATP 794 and PEL 630,
- Progress of an enhanced oil recovery scheme for the Moonie field in the Surat Basin.

## **OUTLOOK**

Demand for quality thermal coal is expected to remain strong for the foreseeable future. This demand is underpinned by a transition to new High Efficiency, Low Emission (HELE) power stations throughout Asia in order to meet their requirements for clean, reliable and low cost energy. Coal from New Hope's operations in South East Queensland and New South Wales is optimally suited to these new generators and is likely to attract ongoing premiums to alternative lower quality coals in the future.

At Bengalla, the focus remains on improving productivity from current resources and securing further cost efficiencies. Management is committed to securing necessary approvals for the New Acland mine to ensure continuity between current operations and the Stage 3 expansion.

Rehabilitation work will continue in the West Moreton area, with a view to optimizing future land development options for the groups substantial land portfolio in one of South East Queensland's most prospective growth corridors.

Development projects in Central Queensland and the North Surat are being progressed through the necessary approvals processes, with a strategy of ensuring that the mines are capable of being developed when justified by increased demand for additional seaborne coal.

Low oil prices in 2016 have provided the opportunity for Bridgeport to materially increase production capacity and reserves through targeted acquisitions. The increased scale and diversity of the Bridgeport business now provides New Hope with an opportunity to consider longer term strategic initiatives in this sector.

Having successfully navigated through the recent downturn, the Company is now well positioned to take advantage of improved prices with a suite of quality producing assets and near term development opportunities.

Reconciliation of Non-IFRS Financial Information	Six Months Ended 31 January (A \$M)	
	2017	2016
Net profit/(loss) after tax	68.4	2.7
Income Tax expense/(benefit)	31.0	(0.8)
Petroleum Resource Rent Tax expense/(benefit)	-	4.8
Profit before income tax	99.4	6.7
Non-regular items before tax	(19.5)	13.5
Profit before income tax and non-regular items	79.9	20.2
Interest Expense	0.6	-
Earnings before interest tax and non-regular items	80.5	20.2
Depreciation and Amortisation	49.7	29.0
Earnings before interest tax depreciation amortisation and non-regular items	130.2	49.2

*Earnings before interest tax and non regular items (EBIT) and earnings before interest depreciation amortisation and non regular items (EBITDA) figures referenced in this presentation are unaudited and unreviewed. The figures have been extracted from the reviewed financial statements and reconcile to the results presented in the Appendix 4D and Interim Report in the Consolidated Statement of Comprehensive Income.*

*The presentation of the EBIT and EBITDA is to provide a measure of New Hope's performance prior to the impact of financing and non-cash depreciation and amortisation.*

**RECONCILIATION OF NET PROFIT AFTER TAX BEFORE AND AFTER NON REGULAR ITEMS**

Six Months Ended 31 January (A\$m)	Coal Mining - QLD	Coal Mining - NSW	Oil and Gas	Total
<b>2017</b>				
Net profit/(loss) after tax	30.8	39.7	(2.1)	68.4
Non-regular items after tax				
Recovery of prior period below rail access charge	(13.9)	-	-	(13.9)
Impairment of available for sale financial assets	0.4	-	-	0.4
Total non-regular items after tax	(13.5)	-	-	(13.5)
Net profit/(loss) after tax before non-regular items	17.3	39.7	(2.1)	54.9
<b>2016</b>				
Net profit/(loss) after tax	18.7	-	(16.0)	2.7
Non-regular items after tax				
Impairment of oil producing and exploration assets	-	-	10.5	10.5
Petroleum Resource Rent Tax (de-recognition due to recoverability)	-	-	3.4	3.4
Land access compensation	(5.0)	-	-	(5.0)
Impairment of available for sale financial assets	3.4	-	-	3.4
Total non-regular items after tax	(1.6)	-	13.9	12.3
Net profit/(loss) after tax before non-regular items	17.1	-	(2.1)	15.0

Reconciliation of Non-IFRS Financial Information	Six Months Ended 31 January (cps)	
	2017	2016
<b>Basic earnings per share (cents) (before non regular items)</b>	<b>6.6</b>	<b>1.8</b>
Recovery of prior period below rail access charges	1.7	-
Impairment of available for sale investments	(0.1)	(0.4)
Land access compensation	-	0.6
Petroleum resource rent tax (derecognition due to recovery)	-	(0.4)
Impairment of available for sale investments	-	(1.3)
<b>Basic earnings per share (cents) (after non regular items)</b>	<b>8.2</b>	<b>0.3</b>

*Basic earnings per share before non regular items referenced in this presentation are unaudited and unreviewed. The figures have been extracted from the reviewed financial statements and reconcile to the results presented in the Appendix 4D and Interim Report in the Consolidated Statement of Comprehensive Income.*

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