New Hope Corporation Limited

A.B.N. 38 010 653 844

APPENDIX 4D

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INTERIM REPORT
31 JANUARY 2019

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Directors' annual report and financial statements for the year ended 31 July 2018 and any public announcements made by New Hope Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* .

New Hope Corporation Limited and Controlled Entities
ABN 38 010 653 844
ASX Appendix 4D
for the half year ended 31 January 2019

Results for announcement to the market

	31 January 2019 $000	Restated* 31 January 2018 $000	% Change
Revenue from continuing operations	**616,690**	509,294	+ 21%
Profit before income tax from continuing operations	**177,158**	171,868	+ 3%
Profit before income tax and non regular items	**228,886**	171,868	+ 33%
Non regular items after tax	**(39,564)**	(4,701)	+ 742%
Profit after income tax before non regular items	**159,773**	120,293	+ 33%
Profit after income tax and non regular items	**120,209**	115,592	+ 4%
Profit after income tax and non regular items attributable to New Hope shareholders	**120,209**	115,592	+ 4%
Earnings per share before non regular items (cents)	**19.2**	14.5	+ 32%
Earnings per share (cents)	**14.4**	13.9	+ 4%
Net tangible asset backing per ordinary share	**224.4**	222.6	+ 1%
Interim dividend declared - 100% franked	**8.0**	6.0	+ 33%

The record date for the interim dividend declared is 23 April 2019.

Non regular items are not defined by IFRS and are a non-GAAP measure. A reconciliation can be found on page 2 of the Interim Report.

Highlights

- Strong export thermal coal prices during the period;
- An increase in profit after tax before non regular items of 33% compared to the prior corresponding period;
- The acquisition of an additional 30% interest in the Bengalla Joint Venture was completed on 3 December 2018. A binding agreement was reached to acquire up to an additional 10% interest in Bengalla Joint Venture with an expected settlement date in March 2019;
- Progression of New Acland Stage 3 approvals with a positive Land Court ruling and the amended project conditions being accepted by the Coordinator-General;
- The Queensland Government certified 349 hectares of progressively rehabilitated mined land at New Acland, the largest single area of certified rehabilitation for an open cut coal mine in the State.

On 17 October 2018, New Hope Corporation Limited ceased to have control of two subsidiaries, Northern Energy Corporation Limited and Colton Coal Pty Ltd, upon those entities being placed into voluntary administration. Refer to note 9 and 11 of the half year financial statements for further information relating to the voluntary administration.

* Comparative figures have been restated to present the impacts of the current year discontinued operations.

New Hope Corporation Limited and Controlled Entities
Directors' Report - 31 January 2019

The Directors present their report on the consolidated entity consisting of New Hope Corporation Limited (the Company) and its controlled entities (the Group).

Directors

The following persons were Directors of New Hope Corporation Limited during the whole of the half year and up to the date of this report.

Mr R.D. Millner
Mr T.J. Barlow
Mr W.H. Grant
Mr T.C. Millner
Ms S.J. Palmer
Mr I.M. Williams
Mr S.O. Stephan

	Note	January 2019 $000	Restated* January 2018 $000	% Change
Consolidated results				
Revenue from continuing operations		**616,690**	**509,294**	+ 21%
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**285,155**	**218,455**	+ 31%
Profit before income tax and non regular items^		228,886	171,868	+ 33%
Insurance proceeds from shiploader		2,370	-	
Gain / (loss) on discontinued operation		220	(6,716)	
Onerous contract expenses	11	(11,940)	-	
Acquisition costs expensed	8	(37,791)	-	
Transaction costs on guarantee facility	10(c)	(4,367)	-	
Profit before income tax (after non regular items)		**177,378**	**165,152**	+ 7%
Profit after income tax (before non regular items)^		159,773	120,293	+ 33%
Insurance proceeds from shiploader		1,659	-	
Gain / (loss) on discontinued operation		220	(4,701)	
Onerous contract expenses		(11,940)	-	
Acquisition costs expensed		(26,446)	-	
Transaction costs on guarantee facility		(3,057)	-	
Profit after income tax and non regular items		**120,209**	**115,592**	+ 4%
Profit attributable to New Hope Shareholders		**120,209**	**115,592**	

	January 2019	January 2018	
Basic earnings per share (cents) (before non regular items) *	19.2	14.5	+ 32%
Insurance proceeds from shiploader	0.2	-	
Gain / (loss) on discontinued operation	-	(0.6)	
Onerous contract expenses	(1.4)	-	
Acquisition costs expensed	(3.2)	-	
Transaction costs on guarantee facility	(0.4)	-	
Basic earnings per share (cents) (after non regular items)	**14.4**	**13.9**	+ 4%

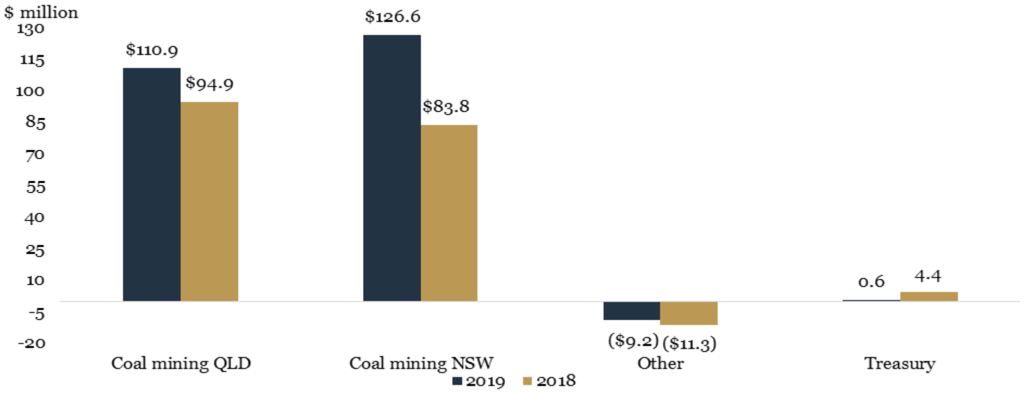
* Comparative figures have been restated to present the impacts of the current year discontinued operations.

^ The profit before non regular items and the earnings per share before non regular items contained within this Directors' Report have not been audited or reviewed in accordance with Australian Auditing Standards.

Review of Operations

New Hope Corporation Limited (New Hope) recorded a net profit after tax and before non regular items for the first half of the 2019 financial year of $159.8 million. This result represents an increase of 33% on the $120.3 million recorded in the six months to January 2018.

The contribution of the business operations to the profit before income tax and non regular items of $228.9 million (2018: $171.9 million) was:



Before non-regular items, basic earnings for the six months ended 31 January 2019 were 19.2 cents per share compared to 14.5 cents per share for the previous corresponding period. After non regular items, basic earnings per share for the six months ended 31 January 2019 were 14.4 cents against 13.9 cents.

During the six months ended 31 January 2019, New Hope generated a strong cash operating surplus of $283.1 million (before acquisition costs, interest and tax), an increase of 37%.

Directors have declared a fully franked interim dividend of 8.0 cents per share (2018: 6.0 cents per share) to be paid on 7 May 2019 to shareholders registered as at 23 April 2019.

The profit before non regular items for the first six months of the 2019 financial year was underpinned by:

- Strong thermal coal prices;
- Incremental production increase from Bengalla;
- Additional sales resulting from the acquisition of an increased interest in the Bengalla Joint Venture effective 1 December 2018; and
- Improved realised pricing on oil sales.

New Acland Coal Mine

The mine produced 1.9 million tonnes of clean coal, which is down 0.3 million tonnes on the prior corresponding period due to a combination of reduced feed tonnes available to the wash plant and a decrease in yield. This is due primarily to restricted access in West Pit caused by a tightening of noise constraints combined with the wind down of South Pit reducing flexibility in the operation. New Acland is maximising recoveries from the pit perimeters and the old workings of the Acland underground which is impacting product coal yield.

Key activities for the period included:

- Optimisation of accessible Stage 2 coal resource areas with a view to maximising Stage 2 operational timeframe and coal recovery;
- Improvements to train weighing system and loading systems to increase productivity;
- Rehabilitation progress on capping of in-pit tailing cells, reshaping, topsoiling and seeding; and
- The Queensland Government certified 349 hectares of progressively rehabilitated mined land at New Acland, the largest single area of certified rehabilitation for an open cut coal mine in the State.

New Acland Stage 3 Development (NAC03)

On 7 November the Queensland Land Court handed down a conditional recommendation to approve the New Acland Mine Stage 3 Mining Lease (ML) and Environmental Authority (EA) amendment applications. The Land Court recommendation was conditional on the Coordinator-General first amending the project's noise limit condition. The Coordinator General agreed to these amendments on 12 February 2019.

On 12 March 2019, the Group was advised by DES that they have granted the application to amend the EA for NAC03. The project now needs to secure MLs and an Associated Water Licence (AWL) from the Queensland government before it can proceed.

New Acland Exploration

Drilling was undertaken to delineate the near pit resources, with particular focus on fault delineation in the far north, north east and south east areas. The full geological model was updated with the latest coal quality and structural information.

West Moreton Operations

Jeebropilly produced 0.4 million tonnes during the period, an increase of 15% on the prior period. The operation continues to prepare for the end of mine life which will occur at the end of calendar year 2019. In preparing for the end of mine life, the following key activities have been completed during the period to ensure a successful end to mining operations:

- Reserve optimisation review
- Asset and infrastructure optimisation review
- Employee support including transition planning and education, initiation of a financial education program and associated activities; and
- Final landform design and execution planning.

Rehabilitation works have commenced at the Oakleigh East project.

Queensland Bulk Handling (QBH)

During the first six months of the financial year, 3.2 million tonnes of coal was exported through the QBH coal terminal at the Port of Brisbane, down marginally on the 3.6 million tonnes for the same period in 2018.

Key activities at QBH were:

- Continued focus on health and safety with the site now over six years lost time injury (LTI) free; and
- Significant concrete and cladding refurbished works on critical infrastructure.

Bengalla Joint Venture

New Hope completed its acquisition of an additional 30% interest in the Bengalla Joint Venture from Wesfarmers Limited on 3 December 2018 bringing New Hope ownership to 70%. New Hope has also reached a binding commitment with Mitsui to purchase its 10% interest in the Bengalla Joint Venture for $215 million. The Mitsui transaction is expected to be finalised in March 2019. The finalisation of the transaction and stake of 80% provides New Hope with a majority interest in a high quality asset which will continue to deliver significant benefits for the long term.

Bengalla produced a record 9.03 million tonnes of saleable production (100% basis) during calendar 2018. New Hope's equity share of production for the first half year to 31 January 2019 was 2.4 million tonnes, 23% above the prior corresponding period in 2018.

Key activities during the half year have included:

- Maximising the value from the resource through utilisation of its latent excavator capacity with the approval of an additional truck fleet to arrive on site during quarter two calendar 2019;
- Securing additional supply chain capacity to match increased coal production levels and de-risk site stockpile management; and
- Extending the community presence of the Bengalla Joint Venture more broadly across the Upper Hunter Region.

There was a tragic incident at Bengalla on 3 November, when a tyre contractor was fatally injured working in the heavy vehicle wash bay at the Bengalla mine. The NSW Department of Planning's Resource Regulator is still undertaking their investigations and Bengalla is cooperating with the authorities. Bengalla continues to offer support to the contractor's family and to all personnel who may have been affected by the tragedy.

Lenton Joint Venture Burton Mine

The Lenton Joint Venture Burton mine has progressed with its operational readiness activities during the first half of the 2019 financial year. The activities have been reduced during the half year pending finalisation of ongoing investigations into accessing the relevant supply chain capacity required to achieve an investment decision for the project.

Work on seam correlation, coal quality and coal structure continued, culminating in the finalisation of a new geological model in October to support detailed mine planning, including finalised analysis from the 2018 drilling campaign.

North Surat Project

Work continued throughout the period, with field activities taking place on the Taroom, Collingwood and Elimatta areas. Drilling activities focussed primarily on Taroom, with an additional water bore drilled on the Collingwood deposit. Database validations and seam correlation work for the Collingwood, Woori and Taroom areas have continued, to further extend our geological knowledge and modelling of the resource.

The pre-feasibility study advanced with completion of infrastructure options analysis and mine planning studies. A comprehensive pre-feasibility report is nearing completion.

Colton Exploration Project

On 17 October 2018, the Directors of Northern Energy Corporation Limited (NEC) and Colton Coal Pty Ltd (Colton) placed the entities into voluntary administration.

As announced on 1 February 2019 the Company and relevant subsidiaries have commenced proceedings in the Supreme Court of NSW (Proceedings) seeking, amongst other things, a declaration that the Company has not guaranteed the debts of NEC and Colton Coal. For further details please see the ASX release dated 1 February 2019 at this link: http://www.newhopegroup.com.au/content/investors/asx-announcements

The convening period for the second meeting of creditors of NEC and Colton has been extended and, unless further extended by the Court, the second meeting must be held on or before 19 July 2019 (or up to five business days after this date). In the context of the application to extend the convening period, WICET made an application to Court for special purpose administrators to be appointed to NEC and Colton to investigate a transaction that NEC entered into prior to its administration (being a corporate restructure undertaken in January 2016). Consequently, special purpose administrators have been appointed to NEC and Colton to prepare a report on their investigations (and any related matters) to be provided to the administrators by 28 June 2019.

The Company has put forward a conditional binding Term Sheet in respect of a Deed of Company Arrangement (DOCA) for NEC and Colton. The proposed DOCA will, subject to all conditions being met, require the Company to contribute $19,000,000 into trust for the purpose of distribution in accordance with the priorities and principles of the administration. The conditions for the DOCA to proceed, in the event that the creditors of NEC and Colton vote in favour of it, include that the Proceedings are concluded in favour of the Company in all aspects and WICET and others provide written confirmation that no appeal to that decision is filed and ultimately no appeal is filed in respect of the Proceedings.

Coal Development and Exploration

During the period, drilling activity focused on New Acland and the North Surat tenements, with 176 holes drilled for a total of 11,891 metres.

In addition to the drilling, new geological models for the New Acland and Burton mines were prepared, which incorporated new information from the 2018 and 2019 drilling campaigns.

Bridgeport Energy Limited

Oil production totalled 189,952 barrels for the half year, in line with the corresponding period in 2018. Well intervention work, repair activities and a five well infill drilling programme of development wells contributed to the steady production to 31 January 2019. A total of 127,390 work hours were undertaken with no Lost Time Injuries in Bridgeport Energy Limited (BEL) operations.

Improving oil prices over the period resulted in realised prices of A$99 per barrel, up 48% on the previous half year. As a consequence, revenue for the business was $17.0 million for the half year, an improvement of 33% on the corresponding 2018 period.

The principal focus for the half year was completing the upgrade of the Bridgeport drilling rig and the drilling of five operated wells (two at the Moonie field and three at the Utopia field) with four development wells drilled in non-operated field areas. The operated drilling campaign included 6,793 metres drilled across two fields with commissioning completed and production commencing towards the end of the half year on the development wells.

Additionally, the following key business activities were undertaken during the period:

- Two workovers at the BEL operated producing assets contributed to improved production;
- Acquisition of 103km of 2D seismic in ATP 948 proximal to the Bargie field (PL 256) in the Cooper Eromanga Basin;
- Grant of a Potential Commercial Area over tenements ATP 2025 and ATP 2026 encapsulating the Jundah Toolebuc Shale gas liquids project in the Cooper Eromanga Basin; and
- Award of tenement ATP 2036 near the Cabawin tenement (PL 1 (2)) in the Surat Basin which will now progress into native title negotiations along with recently awarded ATP 2022, ATP 2023 and ATP 2024.

Pastoral Operations

Acland Pastoral operations received well below average rainfall for the half year, negatively impacting grazing pastures and dry land cash crops.

As at 31 January 2019, breeder cattle numbers are at 2,281 head. A total of 1,682 calves have been branded to date, with additional branding expected over the second half of the financial year.

The pasture management and supplement feeding strategy, which includes use of rehabilitation areas for grazing, is ongoing. The irrigation network has been installed and commissioned allowing for 98 hectares of irrigated corn to be planted. Noxious weed removal, primarily boxthorn, continues with 2,200 acres cleared.

The Queensland Government certified 349 hectares of progressively rehabilitated mined land at New Acland, the largest single area of certified rehabilitation for an open cut coal mine in the State.

The majority of this land is being used by Acland Pastoral for cattle grazing.

OUTLOOK

Over the last three years the Company has executed a number of strategic acquisitions which have culminated in a valuable portfolio of high quality assets. The Company has also secured a five year debt financing package which delivers certainty of funding to underpin the Group's growth initiatives over the medium term whilst maintaining a conservatively geared balance sheet. Focus over the next twelve months will now turn to maximising the long term value of these assets.

After reaching agreement to acquire Mitsui's 10% share in the Joint Venture, New Hope will hold an 80% interest in the project with a view to transitioning to active management of the operation in the near term. The greater influence over the asset will enable synergies to be unlocked and efficiencies to be gained across the group. The first investigative phase of that project is nearing completion with implementation expected to commence shortly and continue over the coming year.

Acland will continue to progress approvals through the various regulatory processes which will, if successful, culminate in the grant of an Environmental Authority, Mining Lease and Associated Water License for the Stage 3 operations. Receipt of these approvals will provide the catalyst for development which in turn will provide continuity of employment for the workforce and supply of coal for our customers.

The Lenton Joint Venture has the necessary approvals in place to commence mining in the Burton mining leases and a decision on the recommencement of production from Burton will be made after supply chain capacity has been secured.

High quality thermal coal will play a critical role in improving the environmental credentials of South East Asia's energy portfolio without jeopardising reliability of supply or significantly increasing electricity generation costs. Limited availability of these high quality coals and the increasing regulatory barriers to the development of new mines wil constrain the supply side response from Australian coal producers. These fundamental market forces provide a strong foundation for prices of high quality thermal coal over the long term. Lower quality thermal coal pricing will continue to be heavily influenced by Chinese import levels and, in the longer term, Indian import demand. Our Asian customers are continuing to invest heavily in new High Efficiency Low Emission (HELE) coal fired power stations. These large and long term investment decisions provide a foundation of demand for our products into the future.

The Company has a portfolio of high quality assets, a conservative balance sheet and experienced workforce with enviable credentials of delivering socially responsible and profitable mining operations throughout the price cycle. These attributes present an exciting outlook for the Company and its stakeholders.

Signed in Sydney this 18th day of March 2019 in accordance with a resolution of Directors.

R.D. Millner
Director

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The Board of Directors
New Hope Corporation Limited
3 / 22 Magnolia Drive
Brookwater QLD 4300

18 March 2019

Dear Board Members

Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of New Hope Corporation Limited.

As lead audit partner for the review of the financial statements of New Hope Corporation Limited for the half-year ended 31 January 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

R D Wanstall
Partner
Chartered Accountants

New Hope Corporation Limited and Controlled Entities
Consolidated Statement of Comprehensive Income
for the half year ended 31 January 2019

	Note	31 January 2019 $000	Restated* 31 January 2018 $000
Revenue from continuing operations		616,690	509,294
Other income	2	2,984	260
		619,674	509,554
Expenses			
Cost of sales		(298,419)	(251,667)
Marketing and transportation		(76,658)	(79,159)
Administration		(6,576)	(5,721)
Other expenses	11	(11,940)	-
Financing expenses	10(c)	(11,132)	(1,139)
Acquisition costs expensed	8	(37,791)	-
Profit before income tax from continuing operations		**177,158**	**171,868**
Income tax expense	3	(57,169)	(51,575)
Profit from continuing operations		**119,989**	**120,293**
Profit / (loss) from discontinued operations	9	220	(4,701)
Profit for the half year		**120,209**	**115,592**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Changes to the fair value of cash flow hedges, net of tax		5,975	(162)
Transfer to profit and loss - cash flow hedges, net of tax		5,011	(9,834)
Changes to the fair value of equity investments, net of tax		(317)	(275)
Other comprehensive income for the half year, net of tax		10,669	(10,271)
Total comprehensive income		**130,878**	**105,321**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		**cents per share**	**cents per share**
Basic earnings per share		14.4	14.5
Diluted earnings per share		14.4	14.5
Earnings per share for profit attributable to the ordinary equity holders of the Company		**cents per share**	**cents per share**
Basic earnings per share		14.4	13.9
Diluted earnings per share		14.4	13.9

* Comparative figures have been restated to present the impacts of the current year discontinued operations (as outlined in note 9) as well as other reclassifications on the Statement of Comprehensive Income to better reflect the disclosures in the current year.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

New Hope Corporation Limited and Controlled Entities
Consolidated Balance Sheet
as at 31 January 2019

	Note	31 January 2019 $000	31 July 2018 $000
Current assets			
Cash and cash equivalents		106,508	274,975
Term deposits		-	205,000
Trade and other receivables		102,958	105,473
Inventories		96,229	61,175
Derivative financial instruments	6	12,350	-
Total current assets		318,045	646,623
Non current assets			
Receivables		1,404	1,499
Equity investments	6	1,530	1,845
Property, plant and equipment	7	1,963,955	1,350,057
Intangible assets		87,899	58,042
Exploration and evaluation assets		293,498	280,301
Total non current assets		2,348,286	1,691,744
Total assets		**2,666,331**	**2,338,367**
Current liabilities			
Accounts payable		130,165	78,753
Lease liabilities	10(b)	2,487	2,442
Current tax liabilities		33,611	81,091
Derivative financial instruments		-	3,344
Provisions	11	85,584	66,758
Total current liabilities		251,847	232,388
Non current liabilities			
Lease liabilities	10(b)	6,536	7,790
Borrowings	10(a)	201,901	-
Deferred tax liabilities		57,933	49,862
Provisions	11	194,945	159,927
Total non current liabilities		461,315	217,579
Total liabilities		**713,162**	**449,967**
Net assets		**1,953,169**	**1,888,400**
Equity			
Contributed equity	5	96,315	95,905
Reserves		4,407	21,617
Retained profits		1,852,447	1,770,878
Total equity		**1,953,169**	**1,888,400**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

New Hope Corporation Limited and Controlled Entities
Consolidated Statement of Changes in Equity
for the half year ended 31 January 2019

	Note	Contributed Equity $000	Reserves $000	Retained Earnings $000	Non-controlling Interests $000	Total $000
Balance as at 1 August 2018		**95,905**	**21,617**	**1,770,878**	**-**	**1,888,400**
Reclassify equity investments from retained earnings to FVOCI on initial adoption of AASB 9	13	-	(27,861)	27,861	-	-
Restated balance as at 1 August 2018		**95,905**	**(6,244)**	**1,798,739**	**-**	**1,888,400**
Profit for the half year		-	-	120,209	-	120,209
Other comprehensive income		-	10,669	-	-	10,669
Total comprehensive income for the half year		**-**	**10,669**	**120,209**	**-**	**130,878**
Transactions with owners in their capacity as owners						
Dividends provided for or paid	4	-	-	(66,501)	-	(66,501)
Transfer from share based payment reserve		410	(410)	-	-	-
Net movement in share based payments reserve		-	392	-	-	392
Balance as at 31 January 2019		**96,315**	**4,407**	**1,852,447**	**-**	**1,953,169**
Balance as at 1 August 2017		**95,772**	**36,518**	**1,721,114**	**20**	**1,853,424**
Profit for the half year		-	-	115,592	-	115,592
Other comprehensive income		-	(10,271)	-	-	(10,271)
Total comprehensive income for the half year		**-**	**(10,271)**	**115,592**	**-**	**105,321**
Transactions with owners in their capacity as owners						
Dividends provided for or paid		-	-	(49,869)	-	(49,869)
Transfer from share based payment reserve		133	(133)	-	-	-
Net movement in share based payments reserve		-	52	-	-	52
Share of non-controlling interests		-	-	-	(20)	(20)
Balance as at 31 January 2018		**95,905**	**26,166**	**1,786,837**	**-**	**1,908,908**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

New Hope Corporation Limited and Controlled Entities
Consolidated Cash Flow Statement
for the half year ended 31 January 2019

	Note	31 January 2019 $000	31 January 2018 $000
Cash flows from operating activities			
Receipts from customers inclusive of GST		671,939	527,197
Payments to suppliers and employees inclusive of GST		(388,840)	(320,656)
		283,099	206,541
Payment of acquisition costs		(701)	-
Net interest received		1,456	158
Income taxes paid		(101,087)	-
Net cash inflows from operating activities		182,767	206,699
Cash flows from investing activities			
Payments for property, plant and equipment		(30,259)	(34,465)
Payments for acquisition of business - Bengalla	8	(645,000)	-
Payments for intangibles		(69)	(1,115)
Payment for exploration and evaluation activities		(13,160)	(8,889)
(Payment) / refund for security and bond guarantees		(32)	8
Proceeds from term deposits		205,000	-
Proceeds from sale of property, plant and equipment		262	681
Dividends received		1	-
Interest received		648	2,002
Net cash outflow from investing activities		(482,609)	(41,778)
Cash flows from financing activities			
Proceeds from borrowings		465,000	-
Repayment of borrowings		(255,000)	-
Payments for debt establishment and transaction costs		(7,186)	-
Payments for guarantee establishment costs		(3,425)	-
Repayment of finance leases		(1,210)	(1,167)
Dividends paid	4	(66,501)	(49,869)
Net cash inflows / (outflows) from financing activities		131,678	(51,036)
Net increase / (decrease) in cash and cash equivalents		**(168,164)**	**113,885**
Cash and cash equivalents at the beginning of the period		274,975	236,885
Effects of exchange rate changes on cash and cash equivalents		(303)	2,314
Cash and cash equivalents at the end of the half year		**106,508**	**353,084**

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

BASIS OF PREPARATION OF HALF YEAR REPORT

This general purpose interim financial report for the half year reporting period ended 31 January 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001* .

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 July 2018 and any public announcements made by New Hope Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* .

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as disclosed in note 13.

1. FINANCIAL REPORTING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as comprising the Board, Managing Director (MD), Chief Operations Officer (COO), Chief Financial Officer (CFO) and Chief Development Officer (CDO).

The Group disaggregates revenue based on the geographical region to which goods and services are provided to customers. Outlined in note 1(c) is the disaggregation of the Group's revenue from contracts with customers, classified into each reportable segment. The Group recognises its revenue from coal and oil sales at a point in time, when the transfer of control passes to the customer as the product is loaded onto a vessel for delivery. Service fee income and management fee income is recognised as revenue over time as the services are performed.

(a) Description of segments

The Group has three reportable segments, namely Coal mining in Queensland (including mining related production, processing, transportation, port operations and marketing), Coal mining in New South Wales (including mining related production, processing, transportation and marketing) and Other (including coal exploration, oil and gas related exploration, development, production and processing, pastoral operations and administration). Treasury and income tax expense have not been allocated to an operating segment and are reconciliation items.

Operating segments have been determined based on the analysis provided in the reports reviewed by the Board, MD, COO, CFO and CDO (being the CODM). The reportable segments reflect how performance is measured, and decisions regarding allocations of resources are made by the CODM.

Other immaterial activities and related operations that do not meet the quantitative thresholds requiring separate disclosure in AASB 8 Operating Segments have been combined within the Other segment. Segment information is presented on the same basis as that used for internal reporting purposes.

1. FINANCIAL REPORTING SEGMENTS (continued)

b. Segment information

	Coal mining QLD $000	Coal mining NSW $000	Other $000	Total $000
Half year ended 31 January 2019				
Total segment revenue	289,995	304,188	29,234	623,417
Intersegment revenue	-	-	(11,212)	(11,212)
Revenue from external customers	289,995	304,188	18,022	612,205
Interest revenue				4,485
Total revenue from external customers				**616,690**
Group EBITDA from continuing operations				**285,155**
Segment EBITDA from continuing operations	**128,160**	**157,090**	**(4,055)**	**281,195**
Interest expense	(133)	(1)	-	(134)
Depreciation and amortisation	(17,159)	(30,539)	(5,090)	(52,788)
Segment profit / (loss) before tax and non regular items from continuing operations	**110,868**	**126,550**	**(9,145)**	**228,273**
Non regular items before tax	2,370	(37,791)	(11,940)	(47,361)
Segment profit / (loss) before tax (after non regular items) from continuing operations	**113,238**	**88,759**	**(21,085)**	**180,912**
Treasury loss before income tax				(3,754)
Profit before tax (after non regular items) from continuing operations				**177,158**
Income tax expense				(57,169)
Profit after tax and non regular items from continuing operations				**119,989**
Profit from discontinued operations				220
Profit after tax and non regular items				**120,209**
Reportable segment assets	**551,594**	**1,593,557**	**521,180**	**2,666,331**
Total segment assets includes:				
Additions to non-current assets	17,668	637,479	21,879	677,026

1. FINANCIAL REPORTING SEGMENTS (continued)

b. Segment information (continued)

	Coal mining QLD $000	Coal mining NSW $000	Other $000	Total $000
Half year ended 31 January 2018^				
Total segment revenue	283,923	209,058	24,726	517,707
Intersegment revenue	-	-	(10,549)	(10,549)
Revenue from external customers	283,923	209,058	14,177	507,158
Interest revenue				2,136
Total revenue from external customers				**509,294**
Group EBITDA from continuing operations				**218,455**
Segment EBITDA from continuing operations	**113,909**	**106,713**	**(6,242)**	**214,380**
Interest expense	(216)	(1)	-	(217)
Depreciation and amortisation	(18,822)	(22,863)	(5,062)	(46,747)
Segment profit / (loss) before tax and non regular items from continuing operations	**94,871**	**83,849**	**(11,304)**	**167,416**
Non regular items before tax	-	-	-	-
Segment profit / (loss) before tax (after non regular items) from continuing operations	**94,871**	**83,849**	**(11,304)**	**167,416**
Treasury profit before income tax				4,452
Profit / (loss) before tax (after non regular items) from continuing operations				**171,868**
Income tax expense				(51,575)
Profit / (loss) after tax (after non regular items) from continuing operations				**120,293**
Loss from discontinued operations				(4,701)
Profit after tax and non regular items				**115,592**
Reportable segment assets	**556,865**	**871,839**	**887,840**	**2,316,544**
Total segment assets includes:				
Additions to non-current assets	23,788	9,199	10,675	43,662

^ The prior period segment note has been restated due to the change in reporting in the current period to enhance comparability.

c. Other segment information

(i) Segment revenue

	2019 $000	2018 $000
Total segment revenue by geographical location		
Japan	262,937	188,200
China	11,845	78,660
Taiwan	164,662	85,654
Chile	14,833	5,798
Korea	58,105	19,093
Vietnam	1,890	11,779
India	10,231	7,218
Other	52,076	66,809
Australia	40,111	46,083
	616,690	509,294

2. OTHER INCOME

	Note	31 January 2019 $000	31 January 2018 $000
Profit from the half year includes the following items that are unusual because of their nature, size and incidence:			
Insurance proceeds		2,883	-
Gain / (loss) on sale of property, plant and equipment		101	(115)
Gain on sale of exploration assets		-	375
		2,984	260

3. INCOME TAX EXPENSE

	31 January 2019 $000	Restated 31 January 2018 $000
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	177,158	171,868
Profit / (loss) from discontinuing operations before income tax	220	(6,716)
	177,378	165,152
Income tax calculated at 30% (2018: 30%)	53,213	49,546
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible provisions	3,575	-
Non-taxable profit from discontinuing operations	(66)	-
Sundry items	320	96
	57,042	49,642
Under / (over) provided prior year	127	(82)
Income tax expense	57,169	49,560
Income tax expense is attributable to:		
Profit from continuing operations	57,169	51,575
Loss from discontinued operations	-	(2,015)
	57,169	49,560

4. DIVIDENDS

Dividends provided for or paid during the half year:

Ordinary dividend paid		
100% franked at a tax rate of 30% (2018: 100% franked)	66,501	49,869

Dividends not recognised at the end of the half year

Since the end of the half year the Directors have declared an interim dividend of 8.0 cents per fully paid ordinary share (2018: 6.0 cents), fully franked on tax paid at 30%. The aggregate of the dividend expected to be paid on 7 May 2019 out of retained profits at 31 January 2019, but not recognised as a liability at the end of the half year, is $66,501,000 (2018: $49,869,000).

	31 January 2019 No. of shares	31 January 2019 $000	31 July 2018 No. of shares	31 July 2018 $000
5. CONTRIBUTED EQUITY				
(a) Share Capital				
Issued and paid up capital	831,266,604	96,315	831,151,552	95,905
(b) Movements in share capital				
Vesting of performance rights	115,051	410	81,208	133

6. FINANCIAL RISK MANAGEMENT

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets measured and recognised at fair value:

2019	Level 1 $000	Level 2 $000	Total $000
Assets			
Derivatives used for hedging	-	12,350	12,350
Trade receivables - provisionally priced	-	7,633	7,633
Equity investments	1,530	-	1,530
Total assets	1,530	19,983	21,513

2018			
Assets / (Liabilities)			
Derivatives used for hedging	-	(3,344)	(3,344)
Trade receivables - provisionally priced	-	38,565	38,565
Equity investments	1,845	-	1,845
Total assets / (liabilities)	1,845	35,221	37,066

The fair value of financial instruments traded in active markets (such as equity investments) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by New Hope Corporation Limited is the last sale price.

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The fair value of trade receivables on provisionally priced sales is determined with reference to market pricing and contractual terms at the reporting date.

7. PROPERTY, PLANT AND EQUIPMENT

Impairment assessment

All property, plant and equipment must also be tested for impairment when impairment indicators are identified.

Judgement is involved in assessing whether there are indicators of impairment of property, plant and equipment including in relation to the impact of events or changes in circumstances.

New Acland Stage 3 approvals

A number of uncertainties associated with the approvals timeline and conditionality of the New Acland Coal Stage 3 project (NAC03) remain at 31 January 2019. Consistent with the position outlined in the financial report for the previous year ended 31 July 2018, the significant delays in the approval process, which have the potential to delay the commencement of NAC03, have been assessed to be an indicator of potential impairment of the QLD coal mining operations CGU assets.

In the financial report for the previous year ended 31 July 2018 it was disclosed that on 14 February 2018, the Chief Executive of DEHP made a decision to refuse the application for amendment of the Environmental Authority (EA), following the original decision of the Land Court to not recommend the granting of a mining lease for NAC03 on 31 May 2017. The Company, through its wholly-owned subsidiary New Acland Coal Pty Ltd (New Acland), was successful in a Judicial Review of the Land Court decision with a decision handed down by the Supreme Court of Queensland on 28 May 2018 in favour of New Acland with the key orders being:

- The decisions made by the Land Court on 31 May 2017 recommending rejection of the Mining Lease (ML) applications for NAC03, and for the refusal of the application for amendment of the EA, were set aside with effect from 31 May 2017;
- The decision of the Chief Executive of DEHP to refuse the application for an amendment of the EA was set aside with effect from 14 February 2018; and
- The recommendations of the Land Court in respect of groundwater and intergenerational equity (as it relates to groundwater) were held to be not relevant for consideration by the Land Court and that the matter of noise required further consideration by the Land Court.

In the half year since 31 July 2018, the following matters are relevant:

- A hearing of the Land Court, in accordance with the instructions of the Supreme Court from the Judicial Review, was held in early October 2018 with a decision handed down on 7 November 2018. The Land Court conditionally recommended that the ML and EA amendment be granted subject to certain conditions including the Coordinator-General first amending the noise limit conditions to 35 dBA in the evening and night with the Department of Environment and Science incorporating the changes in the amendment of the EA by 31 May 2019;
- On 15 February 2019, the Group was advised by the Department of Environment and Science that, after provision of the Coordinator General's change report on 12 February 2019 approving amendments to noise limit conditions recommended by the Land Court, the preconditions to the Land Court's recommendation to approve the application to amend the EA for NAC03 have now been satisfied. As a further result of the Coordinator General's change report, the preconditions to the Land Court's recommendation to approve the ML for NAC03 have also been satisfied;
- On 12 March 2019, the Group was advised by DES that they have granted the application to amend the EA for NAC03;
- New Acland is continuing to defend the Judicial Review decision of the Supreme Court of QLD in the Court of Appeal with a hearing finalised on 1 March 2019 with a decision expected in the next several months. A negative outcome from this court process, may displace the decision in the new Land Court hearing referred to above and require an appeal to the High Court by New Acland, depending on the implications of the Court of Appeal's decision (noting that there are various grounds for review under appeal). Equally, a positive outcome from the Court of Appeal process may still be appealed to the High Court by the appellant (the OCAA);
- The Associated Water License (AWL) application process re-started during July 2018 following engagement with the Department of Natural Resources, Mines and Energy (DNRM). On 19 January 2019, New Acland lodged an Amended AWL application. DNRM is currently preparing the Amended AWL application for the public notification phase of the application process. This approval is subject to potential Land Court challenge subsequent to granting as well as potential appeal processes.

The Company has undertaken an impairment assessment as required under AASB 136 for the half year ended 31 January 2019. The Company carefully considered the potential impact on future cash flows of recent developments in the legal and regulatory environment.

The fair value discounted cash flow models prepared for the CGU have confirmed the recoverable amount exceeds the carrying value. The updated models include assumptions relating to approval timelines and coal price as follows:

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Extensions of approvals timeline

The assessments assume that project approvals will be received in 2019 in the earliest instance, or in 2025 at the latest instance.

(ii) Coal price assumptions

Short term coal prices have improved slightly since 31 July 2018 and long term indications of pricing improved. The Company has acknowledged the wider pricing differential in high ash product pricing in its assessment to 31 January 2019. As a result the coal price range for assessments at 31 January 2019 is US$65 – US$125 per tonne (nominal basis).

Having due regard to all relevant information, the Company has concluded that none of these matters, either individually or in aggregate, result in the recoverable amount for the CGU being below its carrying value. As a result of the impairment assessment undertaken there are no impairments required in relation to the assets of the QLD mining operations CGU as at 31 January 2019.

The carrying value of the coal mining CGU's assets is set out below:	**31 January 2019 $000**	**31 July 2018 $000**
Property, plant and equipment		
Land and buildings	54,986	55,509
Plant and equipment	104,596	107,981
Mine reserves, leases and development assets	3,205	3,977
Plant under construction	48,939	50,978
Intangibles		
Software	1,045	1,207
Exploration and evaluation		
Exploration and evaluation at cost	40,346	37,873
Total carrying value	253,117	257,525

The Queensland coal mining CGU has take or pay agreements for rail, port and water supply. The rail agreement is generally aligned to the recovery of Stage 2 coal while the port and water agreements are longer term. The longer term rail and port arrangements are not of a sufficient amount to constitute a material impact on value unless approval delays extend beyond those currently foreseeable.

The QLD coal mining CGU is a customer of the Port operations CGU of the Group. As such in the event that there are circumstances which further impact the coal mining operations this may be relevant to the value of those operations (shown below) and will be a factor in any future impairment considerations.

	31 January 2019 $000	**31 July 2018 $000**
Property, plant and equipment		
Land and buildings	1,655	1,694
Plant and equipment	81,807	87,477
Port development	11,660	11,872
Plant under construction	856	284
Intangibles		
Software	127	142
Goodwill	5,596	5,596
Total carrying value	101,701	107,065

The financial statements have been prepared on the basis that approvals are granted within a reasonable time period, and as a result, there is no significant impact on the value recoverable from the project and therefore the QLD coal mining CGU at 31 January 2019. In the event that future events have a negative impact on the recoverable value of the QLD coal mining operations CGU, the assets of that CGU may be subject to impairment.

8. BUSINESS COMBINATION

Accounting policy

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Other unincorporated arrangements

As a result of the acquisition of an additional 30% interest in the Bengalla Joint Venture, the Group has identified another category of interest in other entities (in addition to those disclosed in note 22 Interests In Other Entities as at 31 July 2018) and provides below the updated accounting policy of that arrangement.

In some cases, the Group participates in unincorporated arrangements and has rights to its share of the assets and obligations rather than a right to a net return, but does not share joint control. In such cases, the Group recognises its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the unincorporated arrangement and its share of expenses. The Group measures these interests in accordance with the terms of the arrangement, which is usually in proportion to the Group’s ownership interest. These amounts are recorded in the Group’s financial statements on the appropriate lines.

8. BUSINESS COMBINATION (continued)

a. Summary of acquisition

On 3 December 2018, New Hope Corporation Limited's wholly owned subsidiary, New Hope Bengalla Pty Ltd, settled the acquisition of an additional 30% of the assets and liabilities of the Bengalla Joint Venture. This acquisition was effective on 1 December 2018. The Bengalla Joint Venture is a coal mining and extraction operation producing thermal coal in the Hunter Valley, New South Wales in which New Hope Bengalla Pty Ltd has held 40% since 1 March 2016.

Details of the purchase consideration and the net assets acquired are as follows:

	2019 $000
Purchase Consideration (refer b below)	
Cash Paid – Current Year	648,786
Purchase price adjustment receivable	(3,639)
Total Purchase Consideration	645,147
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	3,786
Receivables	13,721
Inventories	18,236
Property, Plant and Equipment	622,188
Intangibles	31,133
Accounts Payable & Accruals	(12,239)
Provisions	(31,678)
Net assets acquired	645,147

There were no acquisitions in the prior period.

New Hope has also reached a binding commitment with Mitsui to purchase its 10% interest in the Bengalla Joint Venture for $215,000,000. The Mitsui transaction is expected to be finalised in March 2019.

Revenue and profit contribution

The acquired business contributed revenues of $68,040,000 and profit before tax and non regular items since acquisition $30,162,000 to the Group for the period 1 December 2018 to 31 January 2019. The anticipated increase in production and sales tonnes annually are 2,700,000 tonnes.

b. Purchase Consideration

Outflow of cash to acquire subsidiary, net of cash acquired	
Total cash consideration	648,786
Less: Balances acquired	
Cash	(3,786)
Outflow of cash – investing activities	645,000

It is noted that incidental costs of acquisition have been incurred of $37,791,000 (stamp duty $32,574,000, financial advice $4,516,000 and other costs of $701,000) and these cash flows are recognised as outflows from operating activities.

Significant judgement and estimate - Acquisition fair value

The determination of the fair values of net identifiable assets acquired, and of any goodwill, involves significant judgment. The allocation of fair value between intangible assets, and the tangible assets with which they are used, is also judgmental. The Group engages third-party valuers to advise on the purchase price allocation for significant acquisitions.

9. DISCONTINUED OPERATIONS

Accounting policy

A discontinued operation is a component or subsidiary of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of Comprehensive Income.

a. Description

On 17 October 2018, two New Hope wholly owned subsidiaries, Northern Energy Corporation Limited (NEC) and Colton Coal Pty Ltd (Colton) were placed into voluntary administration. Effective on this date, the Group lost control over these subsidiaries. The financial information relating to the discontinued operations for the period to 17 October 2018 is set out below.

b. Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the period ended 17 October 2018 and the comparative balance for the half year ended 31 January 2018.

	31 January 2019 $000	31 January 2018 $000
Revenue	26	91
Expenses	(2,828)	(6,807)
Loss before income tax	(2,802)	(6,716)
Income tax benefit	-	2,015
Loss after income tax of discontinued operations	(2,802)	(4,701)
Profit on loss of control of subsidiary after income tax (see (c) below)	3,022	-
Profit / (loss) from discontinued operations	**220**	**(4,701)**
Other comprehensive income from discontinued operations	**-**	**-**
Net cash outflow from operating activities	(329)	(5,993)
Net cash inflow / (outflow) from investing activities	26	(2)
Net cash inflow / (outflow) from financing activities	303	(8,627)
Net cash inflow / (outflow) from discontinued operations	**-**	**(14,622)**
	Cents	**Cents**
Basic earnings per share from discontinued operations	0.03	(0.57)
Diluted earnings per share from discontinued operations	0.03	(0.57)

c. Details of the disposal of the subsidiaries

	31 January 2019 $000	31 January 2018 $000
Total consideration	-	-
Carrying amount of net liabilities	(3,022)	-
Profit before income tax	3,022	-
Income tax expense	-	-
Profit on loss of control of subsidiary after income tax	**3,022**	**-**

10. BORROWINGS

a. Interest-bearing loans

Accounting policy

Borrowings are initially recognised at fair value, net of any transactions costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the term of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the term of the facility to which it relates.

Borrowings are classified as current liabilities to the extent that the Group has no unconditional right to defer settlement of the liability for at least 12 months after the balance date.

	31 January 2019 $000	31 July 2018 $000
Current liabilities		
Finance lease liabilities	2,487	2,442
	2,487	2,442
Non-current liabilities		
Finance lease liabilities	6,536	7,790
Secured loans	201,901	-
	208,437	7,790
	210,924	10,232
Financing facilities	600,000	-
Facilities utilised at reporting date	210,000	-
Facilities not utilised at reporting date	390,000	-

The transaction costs incurred in obtaining the secured loans above are $8,436,000. Amortisation of the transaction costs during the period of $337,000 was recorded as financing expenses in the Statement of Comprehensive Income. As at 31 January 2019, the transaction costs balance was $8,099,000 and offset against the secured loans balance.

Financing activities during the period

During the current year, the Group entered into a secured loan facility with a syndicate of Australian and international banks. The facility is comprised of a $600,000,000 drawable amortising facility and a $300,000,000 credit support facility. The facility's drawable line for credit is for general corporate purposes and has a maturity of November 2023.

During the current half year, $255,000,000 of debt drawn under the facility was repaid.

The fair values of interest bearing liabilities materially approximate their respective carrying values as at 31 January 2019.

(i) Secured liabilities and assets pledged as security

As outlined above, the secured facility holds a fixed and floating charge over all assets held by the Group (with the exception of excluded subsidiaries). The excluded subsidiaries include the following controlled subsidiaries Bridgeport Energy Limited, Bridgeport Eromanga Pty Ltd, Bridgeport (Cooper Basin) Pty Ltd, Bridgeport (QLD) Pty Ltd, Bridgeport Surat Basin Pty Ltd, Oilwells Inc of Kentucky and Oilwells Sole Risk Pty Ltd as well as previously controlled subsidiaries Northern Energy Corporation Limited and Colton Coal Pty Ltd. Lessors hold first rights in respect of leased assets.

10. BORROWINGS (continued)

b. Lease liabilities

Accounting policy

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or (if there is no reasonable certainty that the group will obtain ownership at the end of the lease term), over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

The Group leases various plant and equipment with a carrying amount of $7,751,000 (2018: $9,108,000) under finance leases expiring within two to three years.

	31 January 2019 $000	31 July 2018 $000
Commitments in relation to finance leases are payable as follows:		
Within one year	2,767	2,767
Later than one year but not later than five years	6,737	8,120
Minimum lease payments	9,504	10,887
Future finance charges	(481)	(655)
Total lease liability	9,023	10,232
The present value of finance lease liabilities is as follows:		
Within one year	2,487	2,442
Later than one year but not later than five years	6,536	7,790
Minimum lease payments	9,023	10,232

Secured liability

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. No other assets are pledged as security for the lease liability.

10. BORROWINGS (continued)

c. Finance income and expense

Accounting policy

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, interest expenses in relation to finance leases. All finance expenses are recognised as expenses in the period in which they are incurred unless they relate to the construction of a qualifying asset and are then capitalised. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

	31 January 2019 $000	31 January 2018 $000
Recognised in the statement of comprehensive income		
Interest income	4,574	2,177
Finance income	4,574	2,177
Interest expense on finance lease liabilities	(173)	(216)
Interest on drawn debt facility	(2,973)	-
Amortisation of transaction costs on borrowings	(337)	-
Transaction costs of bank guarantees	(4,367)	-
Commitment fees on borrowings	(521)	-
Unwinding of discount on provisions	(2,628)	(1,298)
Other financing costs	(133)	375
Net financing expenses	(11,132)	(1,139)

d. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities for which no provisions are included in the accounts, are as follows:

	31 January 2019 $000	31 January 2018 $000
The bankers of the consolidated entity have issued undertakings and guarantees to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities.	11,031	10,295
The Company's share of security provided by the bankers of the Bengalla Joint Venture in respect of bank guarantees provided to rail and port suppliers.	11,184	6,391

No losses are anticipated in respect of any of the above contingent liabilities. There has been an onerous contract provision recognised for Wiggins Island Coal Export Terminal and as such is not included above.

Lines of credit

Unrestricted access was available at balance date to the following lines of credit:

	31 January 2019 $000	31 January 2018 $000
Guarantee facility - available	300,000	197,406
Guarantee facility - utilised	204,343	177,868
Unused at balance date	95,657	19,538

The parent entity has given unsecured guarantees in respect of:

	31 January 2019 $000	31 January 2018 $000
(i) Mining restoration and rehabilitation	178,655	153,457
The liability has been recognised by the Group in relation to its rehabilitation obligations.		
(ii) Statutory body suppliers, financiers and various other entities	36,872	30,803
No liability was recognised by the consolidated entity in relation to these guarantees as no losses are foreseen on these contingent liabilities with the exception of those identified relating to the take or pay contracts of the Colton exploration project which have been recognised as onerous contract provisions.		

11. PROVISIONS

	Employee benefits $000	Restoration / rehabilitation $000	Onerous contract $000	Total $000
2019				
Current	43,957	7,957	33,670	85,584
Non-current	6,513	188,432	-	194,945
	50,470	196,389	33,670	280,529
2018				
Current	38,870	12,912	14,976	66,758
Non-current	5,196	154,731	-	159,927
	44,066	167,643	14,976	226,685

a. Onerous contracts and other provisions

The Group has recognised provisions for onerous contracts in relation to take or pay agreements of the Colton exploration project and the administration process for NEC and Colton for $33,670,000 (2018: $14,976,000).

In line with 31 July 2018, the Group has determined that the long term take or pay agreements associated with the Colton exploration project are onerous contracts. There have been a number of developments arising since 1 August 2018 that relate to the Colton exploration project as outlined below:

• The Directors of NEC and Colton placed the companies into voluntary administration on 17 October 2018;

• In proceedings relating to those administrations, Wiggins Island Coal Export Terminal Pty Ltd (WICET) submitted that the debts of NEC and Colton are guaranteed by the Company and certain of its subsidiaries pursuant to a Deed of Cross Guarantee (DOCG). If WICET's claim is upheld, the Group will be exposed to a liability of approximately $130,000,000. The Group denies this claim;

• On 1 February 2019, the Company and relevant subsidiaries commenced proceedings in the Supreme Court of New South Wales (Proceedings) seeking orders confirming that the Company is not bound by the DOCG, in respect of the debts of certain subsidiaries, including NEC and Colton. A hearing date for these Proceedings has been set for 17 to 19 June 2019;

• The Company has put forward a conditional binding Term Sheet in respect of a proposed Deed of Company Arrangement (DOCA) for NEC and Colton. The proposed DOCA will, subject to all conditions being met, require the Company to contribute $19,000,000 into trust for the purpose of distribution to the creditors of NEC and Colton in accordance with the priorities and principles of the administration (Contribution). The conditions for the DOCA to proceed, in the event that the creditors of NEC and Colton vote in favour of entering into it, include that the Proceedings are determined in favour of the Company in all aspects and WICET and others provide written confirmation that no appeal to that decision will be filed and ultimately no appeal is filed in respect of the Proceedings;

• The Company has a secured loan receivable of $7,060,000 from NEC, representing the amount owing at the date of administration, which has been recognised on the Balance Sheet at 31 January 2019;

• On 15 March 2019, the Federal Court granted an extension to the convening period for the second meeting of creditors of NEC and Colton, with such meetings now required to be held on or before 19 July 2019 (or up to five business days after this date), unless the time for holding the meetings is further extended by the Court. The DOCA will be put to, and voted on by, the creditors at the second meetings of the creditors of NEC and Colton;

• In proceedings relating to the administrations of NEC and Colton, WICET made an application to the Court that special purpose administrators be appointed to investigate a transaction that NEC entered into prior to the administrations of NEC and Colton (being a corporate restructure undertaken in January 2016). Consequently, the Federal Court has appointed special purpose administrators to NEC and Colton who must provide a report on their investigations into the transaction (and any related matters) to the administrators by 28 June 2019. The appointment of the special purpose administrators has not changed the Group’s conclusion in respect of the provision for onerous contract.

11. PROVISIONS (continued)

a. Onerous contracts and other provisions (continued)

AASB 137 requires that a provision is recognised for the lowest unavoidable costs of an onerous contract. The lowest unavoidable cost is the lesser of:

• All costs to fulfil the obligations under the contract; or

• Any compensation or penalties from a failure to fulfil the contract.

The Group has determined that the lowest unavoidable cost is represented by a failure to fulfil the contracts and the settlement of administration through the proposed DOCA. The cost to the Group of failing to fulfil its obligations under the contracts is the value of the bank guarantees associated directly with the WICET take or pay contracts as well as settlement of the DOCA requirements, including the Contribution.

12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 15 February 2019, the Group was advised by the Department of Environment and Science (DES) that, after provision of the Coordinator General's change report on 12 February 2019 approving amendments to noise limit conditions recommended by the Land Court, the preconditions to the Land Court's recommendation to approve the application to amend the EA for NAC03 have now been satisfied. As a further result of the Coordinator General's change report, the preconditions to the Land Court's recommendation to approve the ML for NAC03 have also been satisfied.

On 12 March 2019, the Group was advised by DES that they have granted the application to amend the EA for NAC03. The project now needs to secure MLs and an AWL from the Queensland government before it can proceed.

There were events arising after the end of the reporting period in relation to the Colton exploration project as outlined in note 11(a).

13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of *AASB 9 Financial Instruments* and *AASB 15 Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 August 2018, where they are different to those applied in prior periods.

13(a) *AASB 9 Financial Instruments - impact on adoption*

AASB 9 Financial Instruments and the related consequential amendments to other Accounting Standards are applicable to the Group effective on 1 August 2018. AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

The adoption of *AASB 9 Financial Instruments* has resulted in changes to accounting policies and adjustments to amounts recognised in the financial statements. It is noted there have been no restatements of prior period comparatives as a result of the adoption of AASB 9. The accounting policies applicable to the Group are set out in note 13(b) below.

The total impact on the Group's retained earnings as at 1 August 2018 has been included in the Statement of Changes in Equity representing a transfer of previous impairment losses from retained earnings to be presented in reserves.

i) Classification and measurement

All recognised financial assets that are within the scope of *AASB 9 Financial Instruments* are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

On initial adoption at 1 August 2018, the Company has assessed the Group's existing financial assets and concluded that the initial application of AASB 9 has had the following impact on the Group's financial assets as regards to their classification and measurement:

- The Group elected to present in Other Comprehensive Income (OCI) changes in the fair value of all its equity investments previously classified as available for sale on the basis of the long term nature of the investments. As a result there was a reclassification of the available for sale financial assets to equity investments at Fair Value through Other Comprehensive Income (FVOCI) resulting in the change as reflected in the Statement of Changes in Equity from retained earnings to reserves as noted above.

13. CHANGES IN ACCOUNTING POLICIES (continued)

13(b) *AASB 9 Financial Instruments – Accounting policies applied from 1 August 2018*

ii) Impairment of financial assets

The Group has revised its impairment methodology under AASB 9 for financial assets under the new expected credit loss model for all its assets held at amortised cost. There has been no change in the impairment impacts on the financial statements as a result of this change in methodology.

i) Equity investments and other financial assets

From 1 August 2018, the Group classifies its financial assets as either subsequently measured at fair value or amortised cost and the classification is determined by the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded through profit and loss or OCI. For equity investments the Group must make an irrevocable election on initial recognition to account for any equity investment at FVOCI. At initial recognition the group measures a financial asset at its fair value plus transaction costs attributable to the acquisition (where the asset is not FVTPL). Transaction costs for financial assets that are FVTPL are expensed in the profit and loss.

Impairment

The Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses (ECL). Where the financial assets credit risk has not increased significantly since initial recognition, the Group will measure the loss allowance based on 12-months ECL. A simplified approach is taken to accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the lifetime ECL. In applying this simplified method, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL.

ii) Commodity hedging and forward foreign exchange contracts

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. The Group has confirmed that its current hedge relationships qualify as continuing hedges upon the adoption of AASB 9 on 1 August 2018. There is no rebalancing of any of the hedging relationships necessary on initial application as the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under AASB 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under AASB 9 that would not have met the qualifying hedge accounting criteria under AASB 139.

The accounting policy for hedging arrangements remains aligned to that adopted as at 31 July 2018.

13(c) *AASB 15 Revenue from Contracts with Customers – Impact on adoption*

In the current year, the Group has applied *AASB 15 Revenue from Contracts with Customers* from 1 August 2018. The Group has adopted the modified retrospective approach however there has been no change to the amounts recognised in the financial statements.

As the Group's revenue is derived primarily from the sale of coal on a free on board basis in which the transfer of the risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by AASB 15, there was no quantitative change in respect of the timing and amount of revenue the Group currently recognises.

13(d) *AASB 15 Revenue from Contracts with Customers – Accounting policies*

The Group recognises sales revenue related to the transfer of promised goods or services when the performance obligations under the contract have been satisfied. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled for satisfying the performance obligation.

Revenue is recognised for the major business activities as follows:

- Coal sales revenue is recognised at a the point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership has transferred. The title, risks and rewards, and therefore the fulfilment of performance obligations occurs normally at the time of loading the shipment for export sales, and generally at the time the coal is delivered to the customer for domestic sales.
- Oil sales revenue is recognised at the point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership have transferred. This is normally when the oil is delivered to the customer.
- Service fee income and management fee income is recognised as revenue over time as the services are performed.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 27 are in accordance with the *Corporations Act 2001* , including:

(I) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

R.D. Millner
Director

Sydney
18 March 2019

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Independent Auditor's Review Report to the Members of New Hope Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of New Hope Corporation Limited ("the entity"), which comprises the consolidated balance sheet as at 31 January 2019, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the entity and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 28.

Directors' Responsibility for the Half-Year Financial Report

The directors of the entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the entity's and consolidated entity's financial position as at 31 January 2019 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of New Hope Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of New Hope Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of New Hope Corporation Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the entity's and consolidated entity's financial position as at 31 January 2019 and of their performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Richard Wanstall
Partner
Chartered Accountants
Brisbane
18 March 2019