



## Cashed-up miner views future with renewed hope



Small-cap Spotlight

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**Company: New Hope Corporation (NHC)**  
**Market capitalisation: \$2.8 billion**

NEW Hope is a coal explorer and producer that operates open-cut mines in Acland on the Darling Downs, and at Rosewood near Ipswich, Queensland.

Investments include a 100 per cent shareholding in Queensland Bulk Handling (QBH), which is an export terminal at the Port of Brisbane, as well as significant land holdings at Ipswich and Acland.

Joshua Terlich, analyst at wise-owl.com, notes that under current market conditions, companies with little to no debt and fat bank accounts are viewed in a more favourable light.

“While most resource companies are tightening their purses, New Hope is ‘cashed up’ after selling the New Saraji coal project to the BHP Billiton Mitsubishi alliance at the ‘top of the market’ for \$2.5 billion,” Terlich says.

“A special dividend will be paid next year, after which New Hope should have around \$1.1 billion in the bank.” The cash has been flagged for expansions at the company’s remaining coal projects, two of which are producing. Others are at the exploration and feasibility level.

The biggest, Acland, produced 4.2 million tonnes in FY08 and a ramp-up will take it to 4.8 million tonnes.

At the smaller Jeebropilly project, mining operations recently recommenced in the light of previously higher sales prices. “Capacity at Jeebropilly was expected to ramp up to 500,000 tonnes a year over five to 10 years. However, being a higher-cost operation, a recent drop in coal prices may put a squeeze on these plans,” Terlich says.

While New Hope’s mines have been very

profitable in recent years, recent performance places them towards the higher end of the cost curve, at around \$50 a tonne.

Terlich highlights that benchmark Newcastle thermal coal spot prices are now trading at \$84/t after reaching record highs of \$192.50/t in June.

“So while the company can absorb further price weakness, margins could become uncomfortably thin if prices failed to stabilise.

“The company’s strong balance sheet should allow it to weather such storms. However, its investment appeal would decrease if its cash balance was needed to prop up mines.”

Therefore, Terlich sums up the stock as “one to watch”.

“We will be paying close attention to coal prices and the company’s efforts to reduce operating costs,” he says.

