

# New Acland Coal Mine Stage 3 Project: Financial Impact Study

New Hope Group

27 September 2017



Ernst & Young ("**Consultant**") was engaged on the instructions of the New Hope Group ("**Client**", "you") to prepare this Impact Study in relation to the New Acland Coal Mine Stage 3 Project, in accordance with our engagement letter dated 16 June 2017 ("the **Engagement Agreement**").

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## Notes to the reader

### Key assumptions

In performing our analysis, we have relied on documents, financial models and assumptions prepared by New Hope. Key assumptions within these documents, which have a material impact on the reported amounts, include:

- ▶ That the New Acland Coal Mine Stage 3 Project will operate at 7.5 million tonnes per annum (“mtpa”) once operational. If the Mine operates at a lower rate of production, payments to stakeholders will be commensurately reduced.
- ▶ That New Acland operates as a standalone tax payer within the broader New Hope tax consolidated group. This methodology assumes New Acland’s income tax payments or losses are calculated with reference to its standalone income tax position including any relevant discounts/exemptions which apply only to the New Acland entity. Consistent with this accounting methodology, the model assumes that if the standalone New Acland entity earns taxable profits it is required to make an equivalent tax payment to New Hope. Conversely, if New Acland incurs a tax loss it receives a payment from New Hope in consideration for the transfer of its tax losses. The model has not considered whether the taxable profits of New Acland, transferred to New Hope, are offset or utilised by other members of New Hope’s tax consolidated group.
- ▶ The State’s share of royalties is calculated as 6.9% of total royalties paid. This is based on the area of State-owned land within the proposed Stage 3 mining lease area.
- ▶ The number of employees under each scenario; and associated salary, wages and superannuation payments were all provided by New Hope. New Hope generated employee numbers are based on an underlying mine model. We have not viewed this model.
- ▶ Coal pricing has been based on Wood Mackenzie’s June 2017 forecast. These prices are not consistent with the coal price model used within the Environmental Impact Statement (“EIS”). We considered that this was appropriate as an update to coal price forecasts for this project, whilst acknowledging that the resulting financial analyses will therefore be different to those presented in the EIS. Coal price forecasts are directly linked to many of the material payment streams, including corporate income tax and royalties, and are subject to market factors.
- ▶ We have reported all payments in real 2017 dollar terms, meaning we have not inflated the numbers in future years, presenting them in current dollar terms.
- ▶ Historical averages were used as the basis for the following items, and extrapolated over the life of the Mine:
  - ▶ Local community investment
  - ▶ Payments to suppliers
  - ▶ Rail and transport costs
  - ▶ Port costs
- ▶ New Acland pays council rates in two categories: mining, and pastoral. Under Scenario 1 (Expansion), rates have been forecasted based on mining rates. We have provided a 20% uplift in payments under Scenario 1, based on the increased capacity of the mining operation. Under Scenario 2 (no Expansion), we have applied the current rates until 2025, when it is estimated mining rights would be relinquished. From 2026, we have calculated rates at the pastoral rate.
- ▶ New Acland executed a water purchase agreement with the Toowoomba Regional Council which we have carried over the life of the Mine.
- ▶ We have used the contracted payments agreed between New Acland, QBH and the Port of Brisbane to estimate port and shipping payments over the life of the Mine. These numbers may be subject to change over the life of the Mine.

- ▶ Payments to suppliers were calculated using the payment schedule for the financial year of the Group, which runs from 1 August to 31 July. Accordingly, as only 11 months of data is available, we have annualised the supplier payments and carried this amount throughout the life of mine, factoring in the increased capacity.
- ▶ We have factored in the increased superannuation guarantee rate which was deferred to 2021. From 2021 the rate increases to 10% with an incremental increase of 0.5% to a maximum of 12% from 2025 onwards.

### **Prospective financial information**

The prospective financial information ("PFI") is based on judgemental estimates and assumptions made by Management about circumstances and events that have not yet taken place. In performing our analysis, EY has challenged management's assumptions, estimates, or cash flow projections with respect to the future performance of the company, which involve matters of opinion, projection, or forecast (whether or not expressly stated). The forecast of future developments is made solely for the purpose of the financial analysis.

We have not provided any opinion or any type of assurance about specific assumptions or components of the PFI or on the PFI as a whole. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievement of projected results, if any.

### **Reliance on information**

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading.

In preparing this Report, we have relied upon information supplied by Management believed to be reliable and accurate. We have no reason to believe that any material facts have been withheld from us, nor that any information supplied to us is false.

We do not imply and it should not be construed that we have verified any of the information provided to us, or that enquiries could have identified any matter that a more extensive examination might disclose. We have, however, evaluated the information provided to us by Management as well as other parties through enquiry, analysis and review and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Report.

Any financial projections used in the preparation of this Report reflect the judgment of Management based on circumstances and expectations as at the date this report was published as to both future business conditions and the course of action that it is most likely to take in response to those conditions. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the period of the projections will almost always differ from the projected results and such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

# 1. Executive summary

## 1.1 Project overview

New Hope Corporation Limited (“New Hope”) operates New Acland Mine (“the Mine”), located near Oakey in South-East Queensland. The coal reserves known to be economically viable within the current mining lease will be exhausted by mid-2020. The long-term future of the Mine is dependent on securing approval from the Queensland Government for a mine expansion, called New Acland Coal Mine Stage 3 Project (“NAC3”).

NAC3 involves the expansion of the current New Acland Mine in terms of surface area and operating life by approximately 12 years. Three new pits, namely Manningvale West, Manningvale East and Willeroo will be incorporated and progressed over the 12 year period and will increase the production capacity of thermal coal from 5.1 million tonnes per annum (“mtpa”) to 7.5 mtpa. The Coal Handling Preparation Plant (“CHPP”) will be upgraded to accommodate the increased coal production capacity. Further, the current Jondaryan Rail Loadout Facility will be decommissioned, and a new rail loadout facility constructed within the mining lease area, 10 kilometres (“km”) further away from the Jondaryan township. This will reduce the trucking currently required from the CHPP to the loadout facility, and require the construction of a new 8 km rail loop to link the facility with the existing rail network.

New Hope has navigated a number of regulatory conditions to secure approval for the expansion. Most recently, the Land Court of Queensland recommended that the expanded operations not proceed, based on its assessment of environmental impacts of the Mine, including on groundwater and noise. The advice of the Land Court of Queensland will be considered by the Queensland Government in making a final decision.

Over time, New Hope has invested significant resources in understanding the range of benefits and costs associated with the approval of NAC3. However, we understand that New Hope has not previously quantified the economic impacts associated with the failure of the Mine expansion to proceed, including, for example:

- ▶ Reduction in direct and indirect employment
- ▶ Loss of revenue to Toowoomba Regional Council
- ▶ Loss of revenue to state and federal governments
- ▶ Loss of above and below rail charges
- ▶ Reduced coal freight through the Port of Brisbane

New Hope has therefore undertaken to analyse the implications for key stakeholders in the local and regional economy if the project does not proceed. New Hope has requested that EY provide assistance in understanding the impacts of the failure of the New Acland Coal Mine Stage 3 Project to proceed, including conducting desktop research, compiling evidence, and preparing a report of findings.

## 1.2 Scenarios for analysis

Two scenarios, selected by New Hope, have been analysed for this report:

### Scenario 1 – (NAC3 expansion):

- ▶ New Acland Coal Mine Stage 3 Project proceeds in line with the plan set out in the EIS undertaken in 2014<sup>1</sup>
- ▶ Mine operates at 7.5 mtpa for a 12 year period
- ▶ Construction is over a 3 year period, commencing in 2019
- ▶ The Mine will operate from 2019 to 2031, with the planned construction allowing mining to occur at the same time

### Scenario 2 - (Mine closure in 2020):

- ▶ Closure of all New Acland operations by 2020, in line with depletion of the current resource
- ▶ The Mine will cease producing any coal after 2020

Closure of New Hope Group's Jeebropilly Mine in the near future has not been included in this assessment. Based on the financial data and contextual information provided by the Group, the payments to stakeholders are significantly different under each scenario, as summarised below.

## 1.3 Summary of payments to stakeholders

Through its New Acland operations, New Hope makes payments to a wide range of stakeholders, from government, suppliers and service providers through to employees. New Hope's forecast payments to each stakeholder group under both scenarios are summarised in Table 1, below.

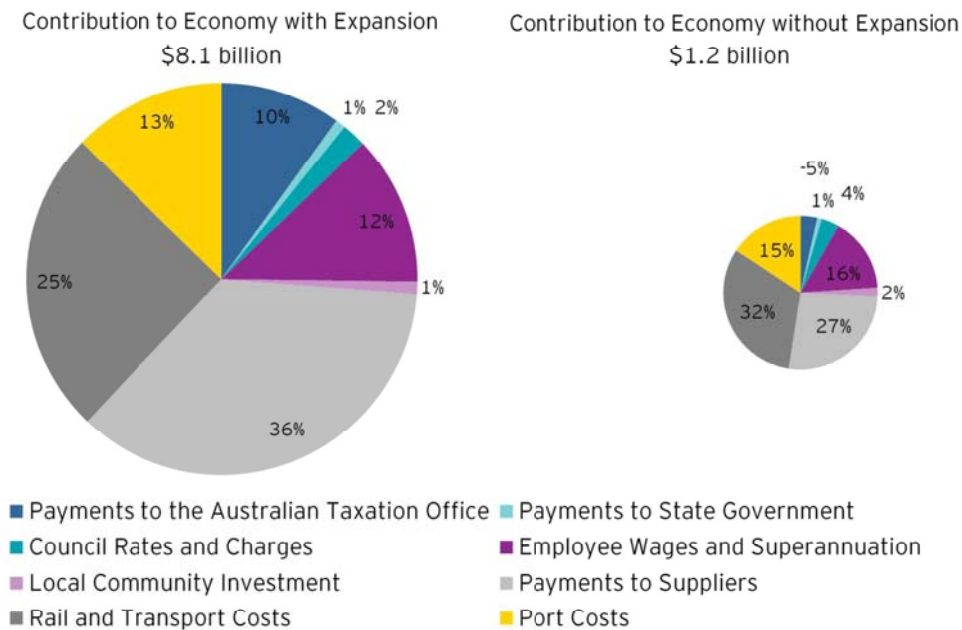
Stakeholder group	Existing operations FY2017	Scenario 1: with expansion	Scenario 2: without expansion
Federal Government	\$42.2 million	\$810.9 million	(\$47.3 million)
State Government	\$3.5 million	\$97.1 million	\$12.6 million
Local Government	\$11.3 million	\$163.0 million	\$50.5 million
Employees	\$70.9 million	\$1,003.7 million	\$212.6 million
Local Community Investment	\$5.8 million	\$67.9 million	\$24.3 million
Suppliers	\$120.2 million	\$2,906.8 million	\$360.5 million
Rail and Transport	\$138.6 million	\$2,048.4 million	\$430.4 million
Port	\$69.3 million	\$1,029.4 million	\$211.4 million
<b>Total payments to stakeholders under each scenario</b>	<b>\$461.8 million</b>	<b>\$8,127.1 million</b>	<b>\$1,255.0 million</b>

<sup>1</sup> Environmental Impact Statement, <http://www.statedevelopment.qld.gov.au/assessments-and-approvals/new-acland-coal-mine-stage-3-expansion.html>



The total payments by stakeholder group over the life of mine in each scenario are presented in Figure 1, below.

Figure 1: Comparison of payments to stakeholders over the life of the Mine, presented in 2017 real dollar terms.



Payments to stakeholders vary over the life of mine under each scenario. Under the expansion scenario in Figure 2, payments peak in 2020, closely associated with construction of the expansion project. In the 'no expansion scenario' in Figure 3, the most material payments are to stakeholders until mid-2020 when the current mining operations cease.

Figure 2: Payments to stakeholders over the life of mine, under Scenario 1 (assuming expansion project proceeds)

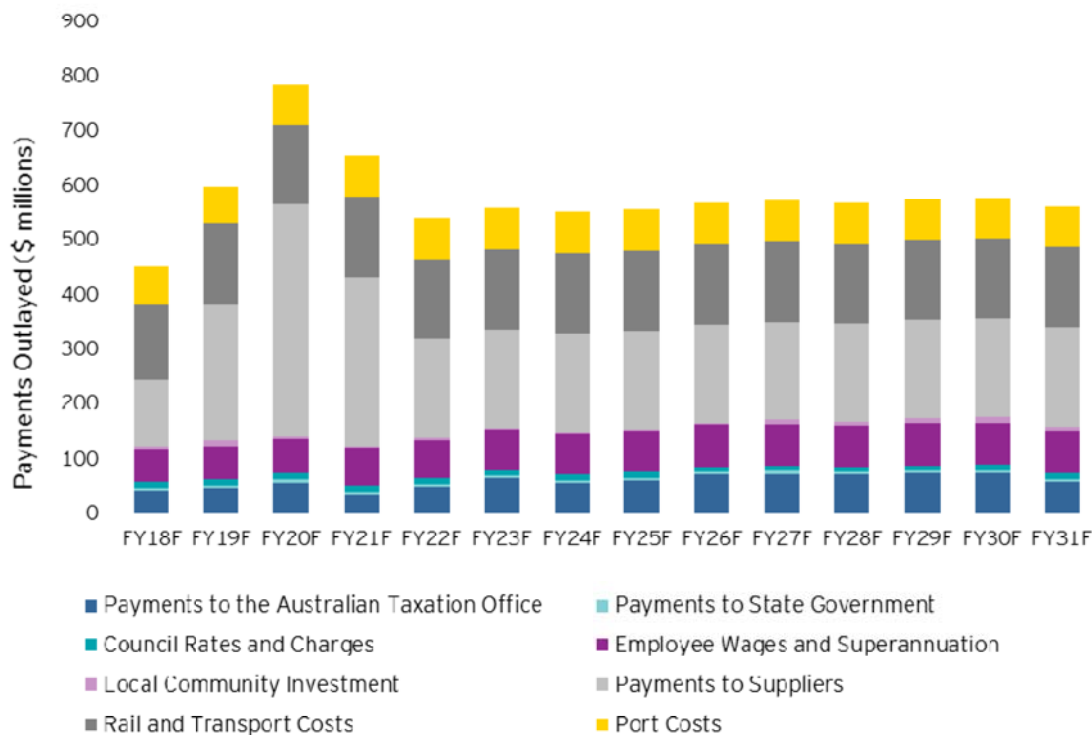


Figure 3: Payments to stakeholders over the life of mine, under Scenario 2 (without the expansion project)

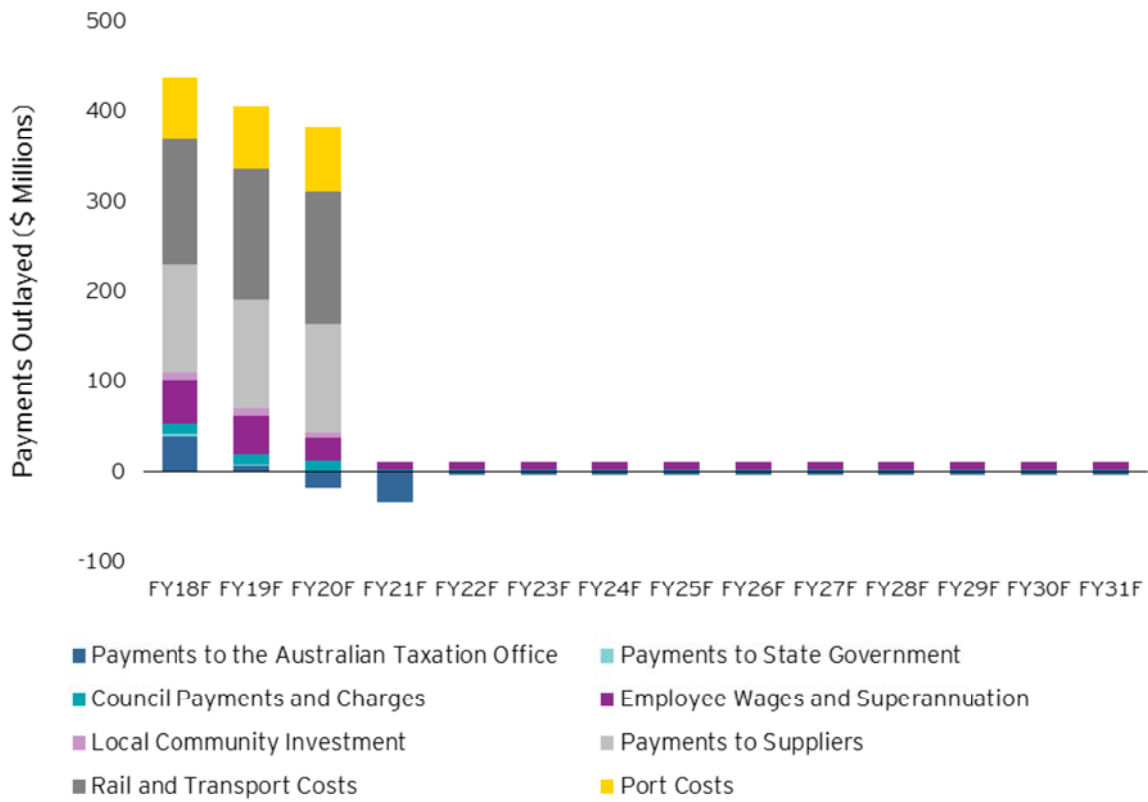


Figure 4: Cumulative payments to stakeholders over the life of mine, with and without the expansion project

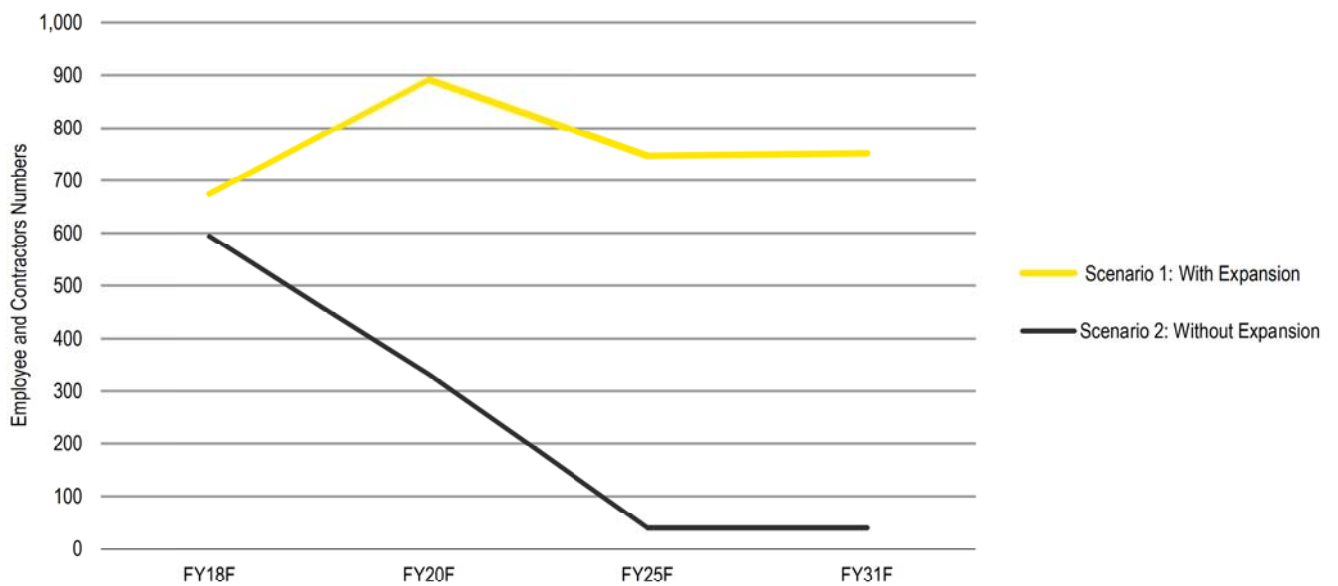


Employment numbers vary over the life of mine under each scenario. Table 2 illustrates the employee and contractor numbers across mining and port operations as well as the corporate office in each scenario. Under the expansion scenario, employee numbers gradually increase over the life of the Mine, peaking between 2025 and 2031, associated with the Mine operating at full capacity. In the no expansion scenario, employee numbers gradually decrease when the Mine ceases to operate mid-2020.

Table 2: Overview of the estimated employment numbers in each Scenario				
Employee and contractor numbers	2018	2020	2025	2031
Scenario 1: with expansion	654	871	726	731
Scenario 2: without expansion	574	312	35	35

Table 2 is shown below as a line graph in figure 5, illustrating the difference in each scenario.

Figure 5: Graph of the estimated employment numbers in each scenario



This study has focused on stakeholders who receive direct payments from New Acland Mine. Through our research and analysis, we have identified a number of other stakeholders who will also be impacted by a potential mine closure, including:

- ▶ Customers of New Acland
- ▶ Workers employed by local businesses that provide goods and services to mine employees
- ▶ The Inland Rail System
- ▶ Road transport suppliers
- ▶ Rail asset owners

## 2. Introduction

### 2.1 Work performed

#### 2.1.1 Scope of work

EY has assisted New Hope to prepare a paper on the financial impacts of the New Acland Coal Mine Stage 3 Project not proceeding, including impact on the following areas:

- ▶ Employment
- ▶ Infrastructure, including rail and ports
- ▶ Payments to government, including taxes and royalties
- ▶ Business opportunities
- ▶ Utilities
- ▶ Community investment

#### 2.1.2 Our approach

This engagement was conducted in three stages: planning, data collection and analysis, and reporting. Activities for each of these stages are outlined below.

##### 2.1.2.1 Planning

We conducted a workshop with relevant stakeholders from within New Hope to identify key areas of financial impact associated with New Acland Mine expansion not proceeding. We also agreed with New Hope the inputs and assumptions for our analysis. During the workshop, we also established the amount and type of financial data available from New Hope, and the amount of research required by EY.

##### 2.1.2.2 Data collection and analysis

For each of the areas for investigation confirmed with New Hope during the workshop, we:

- ▶ Aggregated data and information provided to us by New Hope
- ▶ Conducted additional interviews with key personnel as required
- ▶ Where gaps or further information was required, conducted desktop research
- ▶ Prepared a report framework, and agreed the framework with New Hope

##### 2.1.2.3 Reporting

EY prepared this paper describing our analysis of the financial impacts of New Acland Mine expansion not proceeding. Review and comments were received from New Hope, prior to finalisation.

## 2.2 Overview of New Hope Group and New Acland Mine

New Hope is a majority Australian owned and operated diversified energy company based in South East Queensland since 1952. New Hope Corporation Limited (“New Hope”) is the controlling entity of the Group and comprised of many entities, however this report will focus mainly on the following entities:

- ▶ New Acland Coal Pty Ltd (“New Acland Coal”)
- ▶ Acland Pastoral Co Pty Ltd (“Acland Pastoral”)
- ▶ Queensland Bulk Handling Pty Ltd (“QBH”)

New Acland Coal is a wholly owned subsidiary of the Group and owns and manages New Acland Mine (“the Mine”) which is located north-west of the town of Oakey in Queensland. The Mine has been operating since 2002, producing thermal coal for supply to both domestic and international customers.

The current coal production capacity is 5.1 mtpa. The Mine incorporates a multiple block extraction mining system to provide access to the coal, with the process allowing for blending of different qualities of coal to meet product specifications. The Mine obtains its coal from the Acland-Sabine sequence which is in the Clarence Moreton Basin and is 30 metres to 60 metres thick, containing six seam groups<sup>2</sup>.

## 2.3 The proposed expansion

NAC3 involves the extension of the current mine in terms of surface area and operating life by approximately 12 years. Three new pits, namely Manningvale West, Manningvale East and Willeroo will be incorporated and progressed over the 12 year period and will increase the production capacity of the Mine from 5.1 mtpa to 7.5 mtpa of thermal coal product. The CHPP will be upgraded to accommodate the increased coal production capacity.

The expansion works will include construction of an 8 km rail spur and Rail Loadout Facility within the new mining lease area, approximately 10 km from the Jondaryan Township. The Jondaryan Rail Loadout Facility will then be decommissioned.

## 2.4 Supply chain: from mine to port

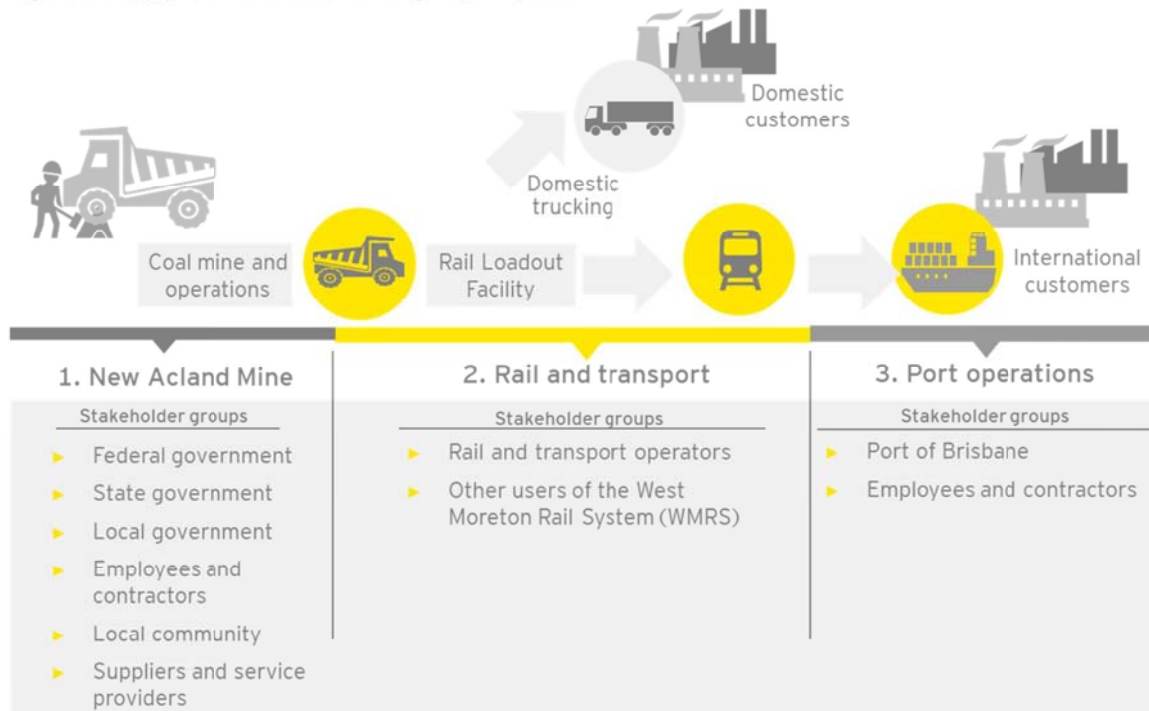
The current supply chain model is summarised in Figure 6, on page 8, and consists of the following processes:

- ▶ Removal of the coal deposits from the open cut mine and transporting via trucks to the Run-of-Mine ("ROM") stockpiles
- ▶ The coal is then fed into the Crushing and Screening Process and then conveyed into the CHPP where it goes through the coarse coal circuit and fine coal circuit
- ▶ The coal is then transported via trucks to stockpiles at the Rail Loadout Facility outside the town of Jondaryan
- ▶ The domestic customers organise their own transport through two different trucking companies
- ▶ The international customers' product is transported via rail to QBH where it is unloaded and stored in stockpiles
- ▶ The coal is then loaded onto coal ships and transported to the international customer

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<sup>2</sup> New Hope Group Website - <http://www.newhopegroup.com.au/content/projects/operations/new-acland-1/new-acland-current-operations>

Figure 6: Supply chain and stakeholder groups impacted



This report explores the direct impacts on stakeholders relating to the Mine, rail and transport operations and port operations sections of the supply chain for each of the scenarios described below. The flow on economic impact associated with each of the supply chain areas are also discussed.

## 2.5 Baseline of each scenario

For the purpose of this report, we have considered two scenarios:

### Scenario 1 – with expansion:

- ▶ New Acland Mine Stage 3 Expansion proceeds in line with the plan set out in the EIS from 2014<sup>3</sup>
- ▶ Mine operates at 7.5 mtpa for a 12 year period
- ▶ Construction is over a 3 year period, commencing in 2019
- ▶ The Mine will operate from 2019 to 2031, with the planned construction allowing mining to occur at the same time

### Scenario 2 - without expansion:

- ▶ Closure of all New Acland operations by 2020, in line with depletion of the current resource
- ▶ The Mine will cease producing coal after 2020

<sup>3</sup> Environmental Impact Statement, <http://www.statedevelopment.qld.gov.au/assessments-and-approvals/new-acland-coal-mine-stage-3-expansion.html>

### 3. New Acland Mine

#### 3.1 Overview of New Acland Mine operations

New Acland Mine began producing coal in 2002 as Stage 1 which has subsequently been exhausted and largely rehabilitated to allow cattle grazing under the related entity, Acland Pastoral. The current mine is Stage 2 and is due to be exhausted mid-2020. New Hope is currently in the process of obtaining approval for the Stage 3 expansion.

#### 3.2 Stakeholder groups

##### 3.2.1 Government

New Hope’s activities at New Acland contribute tax and other payments to local, state and federal governments, as shown in Figure 7 below.

Figure 7: Payments from New Acland Mine to federal, state and local government



##### 3.2.1.1 Federal government

New Hope contributes tax to the Australian Taxation Office, an agency of the Federal Government. The key payments include:

- ▶ **Corporate Income Tax (“CIT”)**: Tax paid on the profit of the business at a rate of 30%. It is calculated by deducting allowable expenses from revenues
- ▶ **PAYG Employee Withholding (“PAYG”)**: Tax withheld from employee salaries and wages, paid by New Hope on behalf of employees. The rate varies with income of each employee
- ▶ **Fringe Benefit Tax (“FBT”)**: Tax on non-salary or wages benefits paid to employees

The payments of each of these taxes to the federal government, in real terms, over the life of the Mine are presented in Table 3, below.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Corporate Income Tax	a	\$534.9 million	(\$105.0 million)
PAYG Employee Withholding	b	\$269.2 million	\$56.7 million
Fringe Benefit Tax	c	\$6.8 million	\$1.0 million
<b>Total payments to the Federal Government, in 2017 real terms</b>		<b>\$810.9 million</b>	<b>(\$47.3 million)</b>

Notes:

- a. Under Scenario 2, New Acland Mine will have reduced tax implications arising due to depreciation and writing off non-current assets and other tax implications
- b. PAYG tax will decrease under Scenario 2, as the Mine ceases operating mid-2020
- c. FBT payments with respect to employee benefits decrease under Scenario 2

### 3.2.1.2 State government

New Hope contributes royalties to the state government and remits payroll tax to the Office of State Revenue, a state government agency in relation to the New Acland mining activities. New Acland also pays workers compensation insurance to WorkCover Queensland, a state government agency. These payments include:

- ▶ **Royalties:** Queensland legislation requires that royalties are paid to the state government, or the legislated private beneficiary for certain freehold property granted prior to 1 March 1910. Where this is the case, royalties are payable directly to the private holder although, a royalty return form must still be lodged with the Queensland Office of State Revenue to disclose any private royalty payments.<sup>4</sup>
- ▶ **Payroll Tax:** Payroll tax is payable in Queensland when the total annual Australian taxable wages of an employer (or group of employers) exceeds \$1.1 million Australian taxable wages. Payroll tax is currently payable at a rate of 4.75% of Queensland taxable wages, minus any deduction.<sup>5</sup>
- ▶ **Worker's Compensation Insurance:** Employers in Queensland are required to purchase accident insurance for work-related injuries for their employees from WorkCover Queensland.<sup>6</sup>

The payments of each of these taxes to the State Government, in real terms, over the life of the Mine are presented in Table 4, below.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Royalties	a	\$37.7 million	Nil
Qleave Levy	b	\$2.6 million	Nil
Payroll Tax	c	\$47.7 million	\$10.1 million
Workers' Compensation Insurance	d	\$9.1 million	\$2.5 million
<b>Total payments to the State Government in 2017 real terms</b>		<b>\$97.1 million</b>	<b>\$12.6 million</b>

Notes:

- a. This relates to the state's share of royalties only. Queensland legislation requires that Royalties are paid to the State Government (or the legislated private beneficiary for certain freehold property granted prior to 1 March 1910). Note that other royalty payments are also made to landowners including Acland Pastoral Company, which is owned by New Hope
- b. This is in relation to construction insurance which will only be taken out in Scenario 1 which requires construction works for the expansion. Accordingly, this will be a nil cost in Scenario 2
- c. Payroll tax payments will decrease significantly, due to decrease in employee numbers post the 2020 mine closure under Scenario 2
- d. Workers' Compensation insurance paid to WorkCover will decrease in Scenario 2 due to decreased employee numbers post 2020

### 3.2.1.3 Local government

New Hope contributes the following payments to local governments, with respect to New Acland operations:

- ▶ **Council rates:** Rates are paid to Toowoomba Regional Council. Rate payments include the pastoral land and the Mine itself.
- ▶ **Water Acquisition:** Charges relating to the acquisition of recycled water from the Wetalla Water Treatment Facility which is owned and operated by the Toowoomba Regional Council.

<sup>4</sup> Mineral Resources Act 1989, <https://www.legislation.qld.gov.au/LEGISLTN/CURRENT/M/MineralReA89.pdf>

<sup>5</sup> Payroll Tax Act 1971, <https://www.legislation.qld.gov.au/LEGISLTN/CURRENT/P/PayrollTaxA71.pdf> and Business Queensland, <https://www.business.qld.gov.au/running-business/employing/payroll-tax/>

<sup>6</sup> Workers' Compensation and Rehabilitation Regulation 2014, <https://www.legislation.qld.gov.au/LEGISLTN/CURRENT/W/WorkersCompR14.pdf>



The total payments to local governments, in 2017 real dollar terms, over the life of the Mine are presented in Table 5, below.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Council rates and charges	a	\$163.0 million	\$50.5 million

Notes:

- a. Council Rates and charges includes council rates relating to mining and land ownership as well as the acquisition of recycled water from the Wetalla Water Treatment Plant, owned and operated by the Toowoomba Regional Council

## 3.2.2 Employees

New Hope's activities at New Acland contribute to the local and regional economy through the payment of wages, salaries and superannuation to employees, as shown in Figure 8 below. These employees, as well as contractors detailed in section 3.2.4, will also spend a portion of these wages and salaries within the region, further contributing to these local economies.

Figure 8: Payments from New Hope to employees and contractors



### 3.2.2.1 Employee wages, salaries and superannuation

These payments include:

- ▶ **Employee wages:** the amount paid to an employee on an hourly basis. This is a variable cost and is dependent upon the number of hours worked.
- ▶ **Employee salaries:** a fixed amount of pay per annum regardless of the number of hours worked.
- ▶ **Employee superannuation:** consists of contributions made by an employer to the superannuation fund. The superannuation rate is currently 9.5% of the employee's salary where it will remain until 2022. The rate is set to increase from 2023 where it will increase annually, rising to 12% in 2025 and remaining at 12% thereafter.

The total wages, salaries and superannuation paid to the Mine's workforce under each scenario is estimated in Table 6 below. Scenario 1 includes payments to employees over the 12 year expansion while Scenario 2 includes payments only to the exhaustion of the Mine in mid-2020.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Wages and Salaries	a	\$908.2 million	\$193.3 million
Superannuation	b	\$95.5 million	\$19.3 million
<b>Total payments to employees in 2017 real terms</b>		<b>\$1,003.7 million</b>	<b>\$212.6 million</b>

Notes:

- a. Wages and salaries of New Acland Mine, QBH and the Corporate Office will decrease in real terms in Scenario 2  
b. Similarly, superannuation contributions decrease proportionally

The number of employees at New Acland Mine, QBH and New Hope Corporate Office would decrease under Scenario 2.

### 3.2.2.2 Location of employees

Current New Hope employees live across South-East Queensland, centred around the key operations of New Acland Mine, the New Hope Corporate Office in Ipswich and QBH at the Port of Brisbane. New Acland Mine employees are mostly based in the local areas around Acland, Toowoomba and Dalby. The majority of Corporate Office employees are located in Ipswich and Brisbane.

The numbers of employees from each area as well as the annual wages paid are detailed in the below table:

Area	Number of employees	Total annual salaries and wages paid (\$)
Acland	44	\$ 5,715,410
Toowoomba	205	\$ 27,928,538
Dalby	13	\$ 1,683,306
Brisbane CBD	5	\$ 889,593
Inner Brisbane	45	\$ 10,103,428
South East Brisbane	25	\$ 4,835,910
South Brisbane	20	\$ 2,692,577
Ipswich	98	\$ 12,528,433
Other SE QLD	34	\$ 4,475,199
<b>Total salaries and wages</b>	<b>489</b>	<b>\$ 70,852,394</b>

Tables 8 and 9 below detail the estimated direct employment to support the expansion. The numbers show the staff levels with New Acland Mine, QBH and Corporate Office.

Employment numbers	2018	2020	2025	2031
New Acland Mine employees	288	325	428	433
QBH employees	36	36	36	36
Corporate Office employees	97	97	97	97
<b>Total employment</b>	<b>421</b>	<b>458</b>	<b>561</b>	<b>566</b>

If the expansion does not proceed, jobs will be lost within the local areas, and will most likely force these employees to move away from the area. There may be flow on effects in the local economy as well if families previously supported by income from the Mine move away from the local area. The table below shows the reduced employee numbers within New Acland, QBH and the Corporate Office, under Scenario 2:

Employment numbers	2018	2020	2025	2031
New Acland Mine employees	288	120	-	-
QBH employees	36	18	16	16
Corporate Office employees	97	97	23	23
<b>Total employment</b>	<b>421</b>	<b>235</b>	<b>39</b>	<b>39</b>

### 3.2.3 Local community

New Hope contributes to the local communities in which it operates through a range of payments, in-kind contributions and royalties to local land owners, as shown in Figure 9 below.

Figure 9: Payments from New Hope to the local community



Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Payments to the local community	a	\$67.9 million	\$24.3 million

Notes:

- a. The forecasts provided by New Hope in relation to Scenario 1 estimates \$67.9 million is paid by New Acland Mine to the local community in comparison to Scenario 2 where \$24.3 million is paid

Details of each of these payments and beneficiaries are outlined below.

#### 3.2.3.1 Community Investment Fund

New Hope established the Community Investment Fund (“CIF”) in March 2012 to provide the local community with long term investments and complement the existing sponsorship and donations programs. Community groups can apply to the CIF twice each year in March and September. The New Acland Community Reference Group (“NACRG”) reviews all applications and makes a recommendation as to which applications are supported. The NACRG is made up of representatives of the local community including:

- ▶ a health professional
- ▶ a principal from a local school
- ▶ a representative from Landcare
- ▶ representatives from different local townships
- ▶ a farmer
- ▶ a representative from the indigenous community
- ▶ a councillor from the Toowoomba Regional Council

The CIF has a current annual budget of \$250,000. The budget can increase or decrease based on the production quantity and revenue of the Mine. Table 11 below, shows the total amount spent per round since the inception of the CIF:

Round total	Month	Amount (\$)
Round 1	September 2013	69,622.00
Round 2	March 2014	140,584.50
Round 3	September 2014	106,150.34
Round 4	March 2015	100,985.70
Round 5	September 2015	87,639.34
Round 6	March 2016	62,032.82
Round 7	September 2016	39,456.00
Round 8	March 2017	77,716.00
<b>Total</b>		<b>\$684,186.70<sup>7</sup></b>

<sup>7</sup> In the last 18 months the NACRG has recommended that \$250,000 be held over from immediate grant with a view to undertaking a larger scale material community project

Appendix A details the recipients of the CIF and the amount paid. Total estimated CIF contribution to the community over the life of mine is provided in Table 12, below.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
CIF	a	\$3.5 million	\$0.8 million

Notes:

- a. The Group advised a budget of \$250,000 is allocated annually. We have carried this amount throughout the life of each scenario

### 3.2.3.2 Grants and direct payments

New Acland Mine initiated a sponsorship and donations program which includes a partnership with LifeFlight. The amounts estimated to be provided in each scenario is detailed below.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Sponsorships & Donations	a	\$1.8 million	\$0.4 million
LifeFlight Partnership	b	\$2.1 million	\$0.4 million
<b>Total grants and direct payments in 2017 real terms</b>		<b>\$3.9 million</b>	<b>\$0.8 million</b>

Notes:

- a. We have based the sponsorship and donations from the amount provided in the 2016 financial year. We have carried this amount throughout the life of each scenario
- b. Historically, New Acland have provided \$150,000 per annum towards the LifeFlight initiative and we have carried this average in Scenario 1 over the life of the Mine which totals \$2,100,000. In Scenario 2, a total of \$450,000 will be provided to the initiative

### 3.2.3.3 In-kind contribution

New Acland also contributes to the Toowoomba region through allocating personnel to support various community events each year.

For example, New Hope works with the Oakey Chamber of Commerce to plan and support the Oakey Santa Fair community event which occurs annually in December. The event draws crowds of 2,000 people and includes a parade with approximately 70 parade floats designed by the local community. Recently, New Hope worked with the Oakey Chamber of Commerce in support of its 'Seven-Day Makeover' campaign for the township of Oakey.

The total gross wages per annum contributed towards staff members attending these events is estimated at approximately \$372,000. These wages are factored into the head office wages which is detailed in the above section regarding employee wages paid in each scenario.

### 3.2.3.4 Private land owners

Along with the state government, there are also private land owners (other than New Hope related entities) who will collect royalties from New Acland Mine in relation to the mining activities, in line with state legislation. The forecasts provided by New Hope Group in relation to private royalty payments for each scenario are included in Table 14, below.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Royalties – private land owners	a	\$60.5 million	\$22.7 million

Notes:

- a. These are royalty payments to private land owners excluding New Hope related entities, in line with state legislation

### 3.2.4 Payments to suppliers, service providers and contractors

Through the operations of New Acland Mine, New Hope contributes to the region in which it operates through a range of payments to suppliers, service providers and contractors, as shown in Figure 10 below.

Figure 10: Payments to suppliers and other service providers



New Acland Mine currently has 512 contractors who have worked on site during the last 12 months. However based on the hours worked, this equates to 153 Full Time Equivalent (“FTE”) contractors. The estimated number of contractors required in each scenario is detailed in table 15.

New Acland Mine operators	2018F	2019F	2020F	2021F
Operations Contractors in Scenario 1: With Expansion	153	153	153	165
Construction Contractors in Scenario 1: With Expansion	80	170	260	30
<b>TOTAL contractors in Scenario 1</b>	<b>233</b>	<b>323</b>	<b>413</b>	<b>195</b>
Operations Contractors in Scenario 2: Without Expansion	153	153	77	-
Construction Contractors in Scenario 2: Without Expansion	-	-	-	-
<b>TOTAL contractors in Scenario 2</b>	<b>153</b>	<b>153</b>	<b>77</b>	<b>-</b>

Notes:

- b. The forecasts provided by New Hope in relation to Scenario 1 estimates 165 contractors per annum are required to operate the Mine for the period 2022 to 2031. There are no construction contractors in either scenario from 2022 onwards

The total payments made to suppliers and service providers in each scenario are detailed in the following table:

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Payments to suppliers and service providers	a	\$2,906.8 million	\$360.5 million

Notes:

- c. The forecasts provided by New Hope in relation to Scenario 1 estimates \$2,906.8 million is paid by New Acland Mine to all suppliers and service providers in comparison to Scenario 2 where \$360.5 million is paid

Details of each of these supplier payments are outlined on the following pages.

### 3.2.4.1 Payments to construction contractors

To enable the expansion to occur, New Acland Mine would need to outlay significant costs to construct the Stage 3 expansion. These costs are based on the initial construction listed in EIS with the construction period pushed from 2016 to 2019.

Table 17: Total payments to construction contractors over the life of mine, in 2017 real dollar terms			
Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Payment to construction contractors	a	\$563.5 million	Nil

Notes:

- a. Estimated construction costs to expand the Mine to a capacity of 7.5 mtpa. No construction costs required for Scenario 2

### 3.2.4.2 Electricity

Use of construction equipment during the construction phase as well as an increased energy requirement post expansion works would lead to significant payments to power and utility companies in Scenario 1. Under Scenario 2, power and utility requirements will slowly decrease as the Mine winds down.

Table 18: Total payments to electricity companies over the life of mine, in 2017 real dollar terms			
Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Electricity expenditure	a	\$265.8 million	\$40.9 million

Notes:

- a. Electricity is required to operate the Mine and will increase as the capacity of the Mine expands to 7.5 mtpa

### 3.2.4.3 Explosives

To access the coal seams in the pits, explosives are used. Accordingly, the forecast payments to explosives service providers will be far greater under the 12 year mine life in Scenario 1 compared to the 2.5 year mine life in Scenario 2.

Table 19: Total payments for explosives over the life of mine, in 2017 real dollar terms			
Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Explosives	a	\$177.5 million	\$27.3 million

Notes:

- a. Estimated explosives requirements to access coal seams in Scenario 1 and 2

### 3.2.4.4 Goods and services

To operate the Mine in an efficient manner, goods and services required include, for example, earthmoving contractors, drilling contractors, cleaning materials etc.

Table 20: Total payments for goods and services over the life of mine, in 2017 real dollar terms			
Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Goods and services	a	\$1,388.4 million	\$213.6 million

Notes:

- a. The forecasted payments for goods and services for Scenario 1 and 2

### 3.2.4.5 Fuel expenditure

To operate the Mine and retrieve the coal from each pit, fuel is used to operate the machinery and plant.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Fuel expenditure	a	\$507.3 million	\$78.0 million

Notes:

- a. The forecasted fuel payments in Scenario 1 and 2

### 3.2.4.6 Other miscellaneous supplier payments

This includes any other supplier payments which are not listed above and the smaller items required to operate the Mine.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Other miscellaneous supplier payments	a	\$4.3 million	\$0.7 million

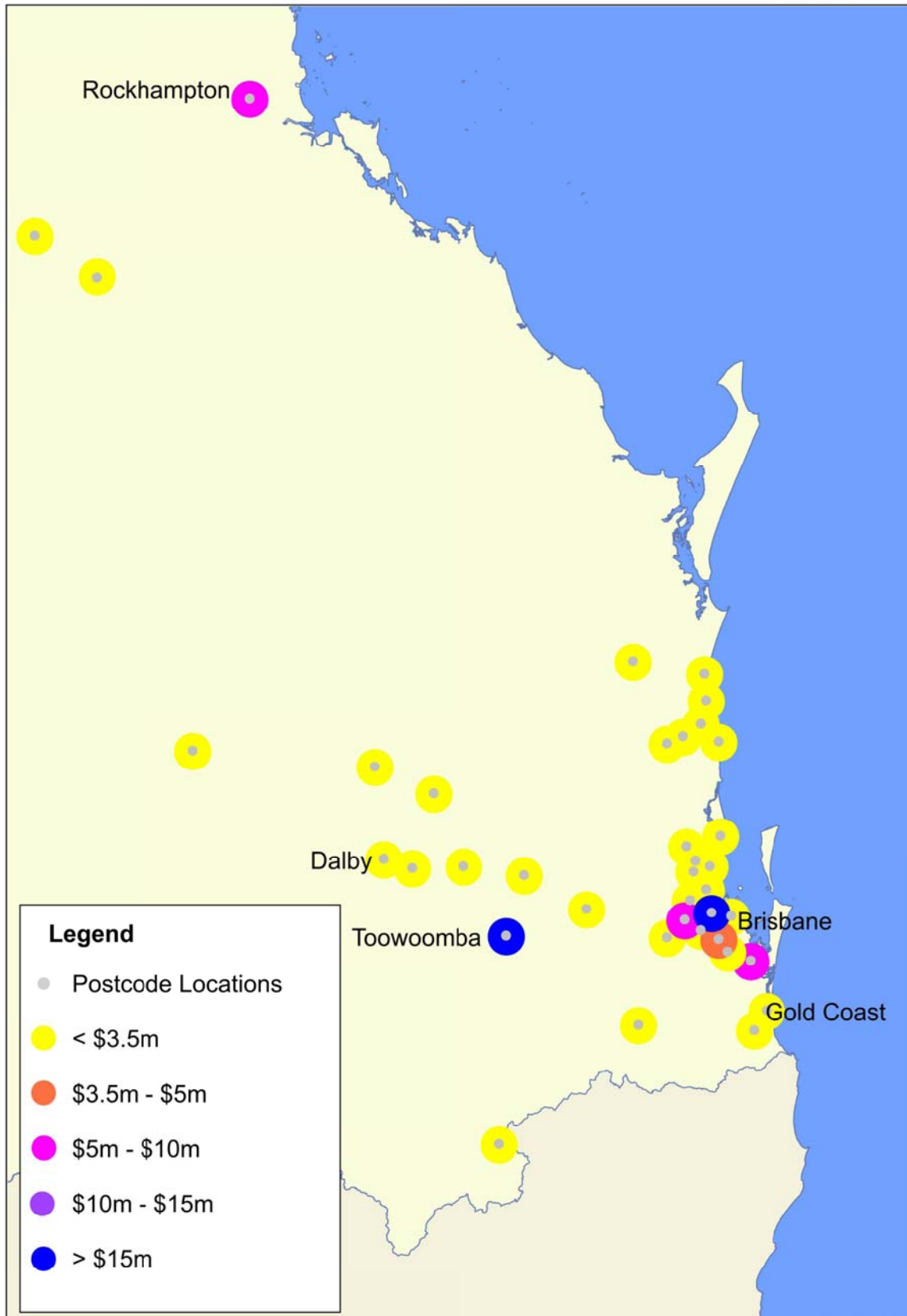
Notes:

- a. The forecasted miscellaneous supplier payments to operate the machinery in Scenario 1 and 2

### 3.2.4.7 Supplier spending areas

The map on the following page represents the zones where New Acland Mine makes payments to suppliers, with the majority being spent in South East Queensland. However there are minor payments nationwide, as well as minor payments to international suppliers, which are not shown on the map in Figure 11.

Figure 11: Supplier spend by postcode for the FY17 period



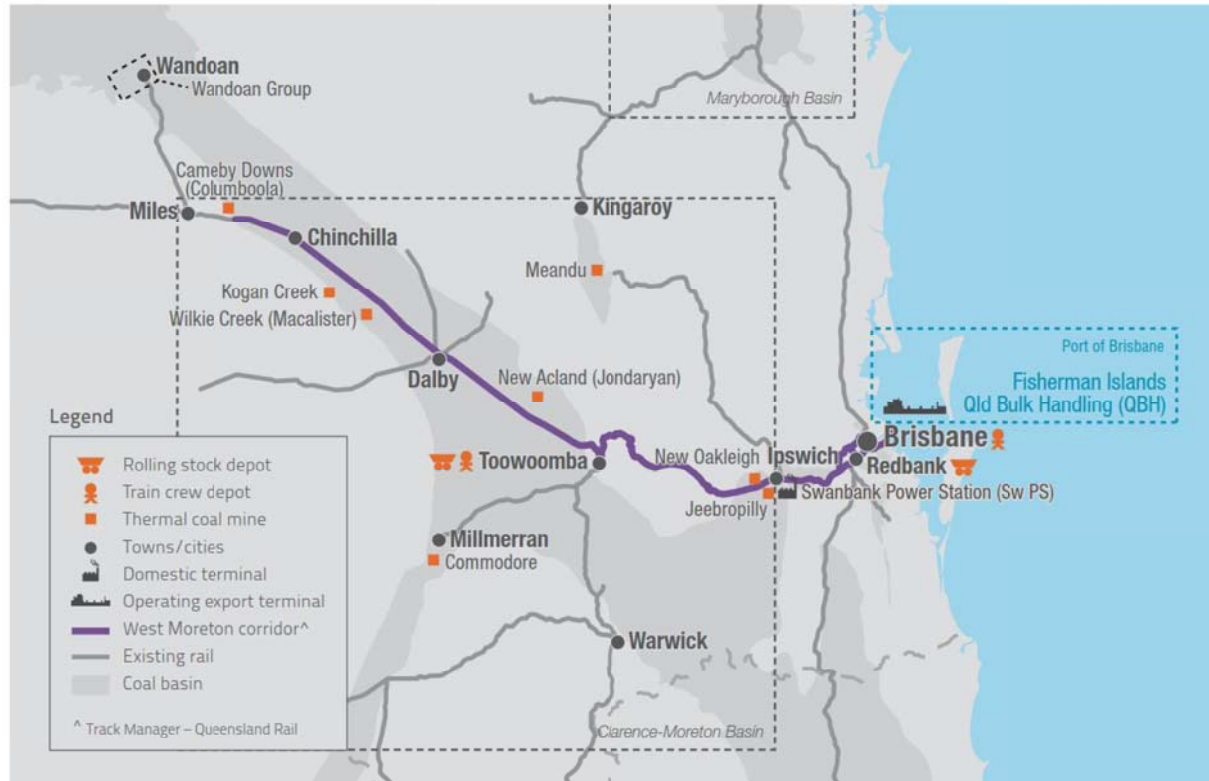


## 4. Rail and transport

### 4.1 Overview of rail and transport operations

Coal from New Acland Mine is transported to the Port of Brisbane via the West Moreton Rail System (“WMRS”). The WMRS runs over 314 km between Rosewood and Miles. The system adjoins south-east Queensland in the east of Rosewood and the far-east section of the western system at Miles. The WMRS transports 5% of Queensland’s thermal coal exports, with 60% of that coming from New Acland Mine. Thermal coal and grain are currently the main commodities transported on the WMRS.

Figure 12: Map of the West Moreton Rail System (from New Hope internal reporting)



### 4.2 Stakeholder groups

The following entities have been identified as having impacts on, or being impacted by the WMRS:

- ▶ Rail operators and providers
- ▶ Other users of the WMRS

The payments from New Acland to rail operators and providers are illustrated in Figure 13, and summarised in the sections below.

Figure 13: Payments to rail operators and providers, including socialisation with other rail users



## 4.2.1 Rail and transport operators and providers

Payments over the life of mine relate to below rail access charges paid to Queensland Rail (“QR”) as well as above rail charges paid to Aurizon Limited (“Aurizon”). New Acland has executed a ‘take or pay’ contract with its rail service providers, including fixed and variable components.

New Acland also uses road transport for haulage from the CHPP to the Rail Loadout Facility.

These charges, calculated on the basis of volume transported, are summarised in Table 23 below.

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Rail and Transport Costs	a	\$2,048.4 million	\$430.4 million

Notes:

- a. Under Scenario 2, payments to transport providers cease in 2020, when the current Mine reaches its end of life. Rail and transport costs include costs regarding above rail, below rail and trucking costs where coal is transported from the CHPP to the Rail Loadout Facility

### 4.2.1.1 Below rail costs

QR is the owner of the rail infrastructure that makes up the WMRS, which is regulated by the Queensland Competition Authority (QCA) Act. QR’s average annual revenue from coal services on the WMRS over the four years commencing 1 July 2017 is forecasted to be \$54 million per annum<sup>8</sup>, of which New Acland will contribute approximately 60%. The costs of maintaining the asset plus a regulated rate of return on coal freight capacity are socialised over the coal mines using the WMRS.

If the expansion is rejected, the below-rail tariff for the remaining users may increase significantly, as QR reforecasts its volumes and increases the tariff to compensate for the lower volume being transported. These increased transport costs for other non-coal rail users may have potential economic implications for those businesses.

A possible outcome is that the asset may become stranded if the cost of maintaining the system without a return on investment is not acceptable to the Government of the day.

### 4.2.1.2 Above rail costs

Aurizon receives payments from New Hope in relation to above-rail costs as the operator of the trains and wagons. Under Scenario 2, mine production would decrease in FY19 and coal reserves would be exhausted by mid-2020. With such a small quantity of coal left on the system, Aurizon may also re-assess its operations, with the potential for costs to increase.

## 4.2.2 Other users of WMRS

### 4.2.2.1 Coal

As noted above, thermal coal and grain producers are the main users of the WMRS. Another mining operation produces approximately 2 mtpa of thermal coal and uses the WMRS to transport their coal to the Port of Brisbane. This equates to 30% of the thermal coal transported via the WMRS. If New Acland was to cease using the WMRS, this may significantly increase rail freight costs for the other mine.

### 4.2.2.2 Grain operators

Grain operators use a combination of both rail and road transport solutions to deliver their product to the Port of Brisbane. Rail provides the grain operators with a viable alternative to trucking grain in peak season when trucking capacity is constrained. Without coal being railed on the WMRS, rail costs for grain are likely to increase significantly. Loss of rail as a transport alternative may also jeopardise future investment in upcountry receival depots that have rail access.

<sup>8</sup> Queensland Competition Authority Final Decision, June 2016, Appendix A

#### **4.2.2.3 Other freight**

A freight company recently invested more than \$200 million into a freight hub located 13 km west of Toowoomba. The facility is due to be completed by June 2018 and will be a logistics, warehousing and industrial estate with the intention of maximizing transportation and supply chain efficiencies. The facility will have 3 km of tracks built to link with the WMRS whereby it can link with the Port of Brisbane, Wellcamp Airport and eventually the proposed Inland Rail connecting Brisbane, Sydney, Melbourne, Darwin and Perth. Decrease in coal freight payments by New Acland for below rail use under Scenario 2 will impose additional costs on the rail transportation aspects of freighting and logistics for other users and therefor reduce rail's competitiveness.

## 5. Port and shipping

### 5.1 Overview of the port operations

QBH is a wholly-owned subsidiary of New Hope Group and has operated a coal train receiving station, coal stockpile facility and ship loading berth at the Port of Brisbane since 1983. QBH has a ship loading system with the capacity to load more than 48,000 tonnes per day, with a total processing capacity of 10 mtpa, and stockpile capacity of up to 909,000 tonnes. All coal managed by QBH is transported via rail to the port facility<sup>9</sup>.

The Port of Brisbane leases land and licences infrastructure to QBH comprising a coal export terminal. The coal export terminal includes the rail unloading facility, stockpile areas and the wharf. QBH owns and operates machinery and infrastructure for the purpose of operating the coal export facility.



Figure 14: QBH operations at the Port of Brisbane

### 5.2 Stakeholder groups

The following entities have been identified as having impacts on, or being impacted by, the port operations:

- ▶ Port of Brisbane
- ▶ Employees and contractors
- ▶ Other users of QBH port facility

The payments from New Acland to QBH, and through QBH to other stakeholders are illustrated in Figure 15, and summarised in the sections below.

Figure 15: Payments from New Acland to Port of Brisbane, via QBH



<sup>9</sup> Queensland Bulk Handling Pty Ltd, <http://www.qbh.com.au/>

## 5.2.1 Port costs

QBH and New Acland Mine are parties to a Coal Port Services Agreement in which New Acland Mine has a 'take or pay' arrangement which includes fixed and variable charges. The agreement requires payment of the annual amount regardless of whether coal is transported.

Table 24: Port costs over the life of mine, in 2017 real dollar terms

Payment type	Notes	Scenario 1: with expansion	Scenario 2: without expansion
Port Operations	a	\$1,029.4 million	\$211.4 million

Notes:

- a. Under Scenario 2, payments to QBH and port cease in 2020, when the current mine reaches its end of life. The port operations payments include static stockpile charges, coal shipping charges, rent of the port and wharfage charge

## 5.2.2 Other users of the port

QBH has entered into a Coal Port Services Agreement (CPSA) with another coal mine that operates an open cut mine 360 km northwest of Brisbane in the Surat Basin, which is connected to the Port of Brisbane via the WMRS. The Mine produces 2 mtpa.

## 6. Further implications of New Acland Mine closure

In preparing this report, we have focused on quantifying the direct payments from New Hope to stakeholders, including:

- ▶ Government
- ▶ Employees
- ▶ Local community
- ▶ Suppliers
- ▶ Rail and transport
- ▶ Port

In addition to those stakeholders receiving payments from New Hope, other entities will be impacted directly and indirectly by the closure of New Acland Mine.

Stakeholder	Description of stakeholder	Impacts
Domestic customers	New Hope sells thermal coal to 26 domestic customers (as described in Appendix B), located in SEQ and northern NSW. Coal is predominantly used in boilers, to provide process steam.	<ul style="list-style-type: none"> <li>▶ Source coal from an alternative domestic mine, requiring:               <ul style="list-style-type: none"> <li>▶ Additional transportation costs due to no local coal supplier</li> <li>▶ Investment in trialling and commissioning new coal types</li> <li>▶ Potential investment in new equipment to handle alternative coal</li> </ul> </li> <li>▶ Seek alternative fuel sources, such as natural gas, diesel, bagasse, together with additional capital expenditure, and potentially higher ongoing fuel prices</li> <li>▶ Greater exposure to fuel commodity price fluctuations, and potential domestic gas shortage.</li> </ul>
International customers	New Hope's coal customers are located predominantly in Asia.	<ul style="list-style-type: none"> <li>▶ Source alternative coal with equivalent specifications.</li> <li>▶ Customers may source their coal from another Australian coal mine, or from an alternative coal exporter, resulting in loss of Australia's market share.</li> </ul>
Indirect employment	New Acland's operations support many jobs indirectly. These include small businesses in the regions in which the Mine operates.	<ul style="list-style-type: none"> <li>▶ Salaries and wages of employees are spent in the regions in which they live and work. Decreased employment in each region will have flow on impact for businesses, through reduced revenue.</li> </ul>
Inland Rail System	The Inland Rail System, to be developed by the Australian Rail Track Corporation, connects regional Australia to domestic and international markets through a rail line from Brisbane to Melbourne.	<ul style="list-style-type: none"> <li>▶ Coal freight is forecasted to be the second largest contributor to the revenue of the Inland Rail System. Coal can underpin the investment in Inland rail by providing significant, reliable freight volume that will run year round, and is not subject to the seasonality of containers and agriculture.</li> <li>▶ Loss of coal freight on the WMRS has a negative impact on the investment case for Inland Rail.</li> </ul>
Road users	Transportation of commodities via rail directly offsets the use of trucks for road transport.	<ul style="list-style-type: none"> <li>▶ Grain transported by rail on the West Moreton System for the 12 months up to and including March 2017 equated to approximately 250 train services. If this was to be converted into trucks this is an additional 24,250 truck movements per annum.</li> <li>▶ If rail ceases to operate, or loses competitiveness with road transport, congestion would increase, and lead to road safety issues.</li> </ul>
Asset owners	Queensland Rail owns the WMRS.	<ul style="list-style-type: none"> <li>▶ Queensland Government subsidises the rail costs of certain industries including livestock freight. The Queensland Government is unlikely to be prepared to fully subsidise the WMRS, including incentivising an operator to continue providing services.</li> <li>▶ The WMRS is at risk of becoming a stranded asset.</li> </ul>

## Appendix A Community groups receiving payment from the Community Investment Fund

Table 26: Listing of community projects funded by CIF

Community group	Project
Oakey Ag, Pastoral and Rodeo Society	Upgrade power
Oakey State Primary School P&C	Steps into Prep
Oakey State High School	Audio system
Landcare	Computer courses
Toowoomba Clubhouse	Oakey Clubhouse
Maclagan Hall Committee	Hall upgrades
Goombungee Public Hall Inc	Hall upgrades
Haden State School P&C	Bus shelter
Oakey Historical Museum	BBQ area
Goombungee State School P&C Association	Pool upgrades
Oakey State High School	H Block A/C
Biddeston State School P&C	New school entrance
Goombungee/Haden Show Society	Pavilion roof
Oakey Pony Club	Portable yard panels
St Monica's P&F Association	LED noticeboard
Quinalow State School	Junior outdoor play structure
Maclagan Windermere Kindergarten	External painting and reroofing project
Jondaryan Rural Fire Brigade	Emergency power supply
Friends of McDonald Nursing Home	Palliative care room refurbish
Kingsthorpe and District War Memorial Hall	Hall chairs upgrade
World Karate & Kickboxing Association	Equipment upgrade project
Peranga & District Bowls Club	New air conditioning project
Haden Public Hall	Interior hall painting project
Oakey CWA House	New chairs project
Jondaryan Model Engineers & Live Streamers	Train wagon upgrade project
St Paul's Lutheran Church	Mobile air conditioning project
Girl Guides Qld – Goombungee District Support Group	Power upgrade and renew toilet facility project
Goombungee Public Hall Inc	Interior hall painting project
Darling Downs Soaring Club	Bunkhouse rebuild project
Brymaroo Rodeo Committee	Arena lights upgrade project
Boodua Public Hall Inc	Chair upgrade project
Jondaryan Public Hall	Exterior hall painting project
Oakey Men's Shed	Men's shed fitout project
Oakey Ag, Pastoral and Rodeo Society	Interior hall painting project
Goombungee State School P&C Association	Thermal blanket project
Oakey State High School	Data projector upgrade project
Oakey State School (Primary)	Shade shelter project
Rosalie Shire Historical Society Inc	Workman's restoration station project
Oakey Junior Rugby League	Legends of League project
St Monica's P&F Association	Shade sails project
Artius Pty Ltd	Social & Emotional Wellbeing Project

## Appendix B Domestic customer mix

Industry	Number of customers
Abattoir	12
Aquatic	1
Building Materials	2
Fertilisers	1
Floral	1
Food	3
Hospital	1
Nursery & Garden	1
Paper	1
Rendering – Animal By-products	3
<b>Total</b>	<b>26</b>



## Appendix C International customer mix

Table 28: International customer database				
Customer	Country	Contract basis	Quantity	Customer first supply date
Customer 1	Taiwan	Long Term		2007
Customer 2	China	Long Term		2009
Customer 3	Korea	Spot		2013
Customer 4	China	Spot		2011
<b>Taiwan/China/Korea total</b>			<b>4,000</b>	
Customer 5	Japan	Long Term		1996
Customer 6	Japan	Annual Long Term		1991
Customer 7	Japan	Long Term		1991
Customer 8	Japan	Annual Long Term		1987
Customer 9	Japan	Spot		1987
Customer 10	Japan	Spot		1983
Customer 11	Japan	Spot		1997
Customer 12	Japan	Spot		1988
Customer 13	Japan	Annual Long Term		2005
<b>Japan total</b>			<b>1,800</b>	
Customer 14	South America	Annual Long Term		2003
<b>South America total</b>			<b>100</b>	
<b>Total international coal export</b>			<b>5,900</b>	

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