



**New Hope**  
Corporation Limited

A.B.N. 38 010 653 844

Directors' Annual Report  
and  
Financial Statements

2010

# New Hope Corporation Limited and Controlled Entities

## Financial Summary

	2010 \$000	2009 \$000	2008 \$000	2007 \$000
Total revenue	744,982	700,785	329,787	248,754
Profit before tax	244,583	2,772,114	128,729	92,579
Income tax expense	(60,751)	(821,722)	(38,045)	(23,270)
Profit after tax	183,832	1,950,392	90,684	69,309
Net profit attributable to NHCL members	183,832	1,950,392	90,684	69,309
Profit after tax from continuing operations	183,832	1,950,392	90,684	69,309
Total assets employed	2,652,498	3,743,342	990,561	849,329
Shareholders' funds	2,339,525	2,748,498	827,607	731,198
Dividends paid during the financial year	679,650	131,809	62,661	73,549

	2010	2009	2008	2007
Weighted average shares on issue	825,292,601	811,614,188	808,539,516	806,975,625
Net profit attributable to NHCL members as a % of shareholders' funds	7.86%	70.96%	10.96%	9.48%
Earnings per share (cents)	22.3	240.3	11.2	8.6
Earnings per share (cents) from continuing operations	22.3	240.3	11.2	8.6
Normal dividends per share (cents)	9.50	9.25	5.75	4.60
Special dividends per share (cents)	14.00	72.75	8.00	3.00
Net tangible asset backing per share (cents)	281.79	335.58	101.11	90.07

New Hope Corporation Limited and Controlled Entities  
Corporate Directory

DIRECTORS

**Robert D. Millner**  
Chairman of Directors

**Peter R. Robinson**  
Non Executive Director

**David J. Fairfull**  
Non Executive Director

**David C. Williamson**  
Non Executive Director

**William H. Grant**  
Non Executive Director

MANAGING DIRECTOR

**Robert C. Neale**

SECRETARY

**Matthew J. Busch**

AUDITORS

**PricewaterhouseCoopers**  
Level 15, Riverside Centre  
123 Eagle Street  
BRISBANE QLD 4000

PRINCIPAL ADMINISTRATION & REGISTERED OFFICE

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SHARE REGISTER

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ASX Code: NHC

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

Your Directors present their report on the consolidated entity consisting of New Hope Corporation Limited and the entities it controlled at the end of, or during, the year ended 31 July 2010.

### Directors

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

Mr R.D. Millner  
 Mr P.R. Robinson  
 Mr D.J. Fairfull  
 Mr D.C. Williamson  
 Mr W.H. Grant

Mr R.C. Neale was appointed Managing Director on 14 November 2008

Consolidated results	2010 \$000	2009 \$000	% Change
Total continuing revenue	744,982	700,785	+ 6.3%
Profit from continuing operations before income tax	244,583	2,772,114	- 91.2%
Profit from continuing operations after income tax	183,832	1,950,392	- 90.6%
Profit attributed to the members of New Hope Corporation Limited	183,832	1,950,392	- 90.6%
Earnings per share (cents)	22.3	240.3	- 90.7%
Final dividend (cents)	4.50	4.50	+ 0.0%
Interim dividend (cents)	5.00	4.75	+ 5.3%
Special dividend (cents)	14.00	72.75	- 80.8%
Total dividends (cents)	23.50	82.00	- 71.3%

### Principal activities

The principal continuing activities of the consolidated entity and associated companies consisted of:

- Coal mining - exploration, development, production, processing, associated transport infrastructure and ancillary activities
- Investments

### Dividends

Dividends paid to members during the financial year were:

	\$000
• A final ordinary dividend for the year ended 31 July 2009 of 4.5 cents per share paid on 10 November 2009	37,180
• A special dividend for the year ended 31 July 2009 of 72.75 cents per share paid on 10 November 2009	601,083
• An interim ordinary dividend for the year ended 31 July 2010 of 5.00 cents per share paid on 5 May 2010	41,387

In addition to the above dividends, since the end of the financial year, the Directors have declared a final ordinary dividend of 4.50 cents per share, and a special dividend of 14.00 cents per share. Both of these dividends are fully franked, to be paid on 9 November 2010 out of retained profits at 31 July 2010, the record date for such dividend to be 25 October 2010. This will provide shareholders of New Hope with total dividends for the year of 23.50 cents per share (5.00 cents interim) compared with total dividends for the 2009 year of 82.00 cents per share, including a special dividend of 72.75 cents per share.

### Review of operations

New Hope Corporation Limited (New Hope) has reported a net profit after tax (excluding non-recurring items) of \$183.8 million (\$112.6 million from operations and \$71.2 million from investments) for the year ended 31 July 2010 (2009: \$262.3 million - \$150.5 million from operations and \$111.8 million from investments), a 29.9% decrease from the previous corresponding period. The previous corresponding period also included a non-recurring profit after tax on the sale of the New Saraji coal assets of \$1.7 billion.

Basic earnings per share (excluding non-recurring items) for the year were 22.3 cents compared to 32.3 cents per share earned in the previous corresponding period.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

Directors have declared a final dividend of 4.5 cents per share (2009 - 4.5 cents per share) and a special dividend of 14.0 cents per share (2009 - 72.75 cents per share). Both of these dividends are fully franked and payable on 9 November 2010 to shareholders registered at 25 October 2010.

Compared to the previous corresponding period, the result for the full year ended 31st July 2010 benefited from:

- Continued saleable coal production growth, which was up 15.2% to 5.9 million tonnes – a new production record for the Group;
- Higher export sales volume of 4.9 million tonnes, up 26.2% (excluding traded coal sales) – a new export sales record for the Group; and
- Increased prices for domestic coal sales.

offset by:

- Lower sales volume of domestic coal due to the closure of two units at the CS Energy Swanbank Power Station;
- Lower export coal prices in \$US terms, compounded by higher \$A:\$US foreign exchange rates;
- Increased costs of production due to a greater proportion of production being sourced from the higher cost West Moreton operations;
- Increased rail and road haulage costs for transportation of product coal; and
- Reduced interest income from cash on deposit following the payment of the special dividend and tax on the New Saraji asset sale.

The sale of New Hope's shares in Arrow Energy was finalised on 23 August 2010 for a cash consideration of \$576 million. A profit after tax of \$326 million will be recognised in the 2011 financial year.

### **Mining Operations**

Total saleable coal production from New Hope's operations for the year ended 31st July 2010 was 5.9 million tonnes, 15.2% higher than the previous corresponding period. Increased production from the New Acland mine and the ramp up in production from the reactivation of the Jeebropilly mine were the main contributors to the higher production.

Total coal sold for the year was 18.3% higher at 5.9 million tonnes, compared with 5.0 million tonnes sold in the previous corresponding period. Coal export volumes rose by 1.0 million tonnes (or 26.2%) to 4.9 million tonnes while domestic sales were some 107,000 tonnes lower (or 9.7%) at 996,000 tonnes.

Sales revenues were increased by the sale of an additional 1.3 million tonnes of traded coal in order to meet customer demand in excess of contracted volumes. Cost of sales was also proportionately higher to account for the third party traded coal purchases.

Whilst rail issues due to track maintenance and train availability hampered export deliveries during the first half of the year, rail performance has improved during the second half. Further sales growth remains partly dependent on available rail capacity.

The expansion project at Queensland Bulk Handling (QBH) advanced in accordance with its construction schedule, with additional interim stockpile capacity being utilised during the construction program. This has allowed QBH to receive and stockpile additional coal in advance of the commissioning of fixed infrastructure.

CS Energy's announcement regarding the sequential closure of four coal fired units of its Swanbank Power Station has resulted in lower domestic coal sales. Two of the four units have now ceased operations, with the remaining two units due for shutdown in April 2011 and April 2012 respectively. New Hope will likely export some of its surplus domestic coal.

### New Acland Mine

The New Acland mine remains the Company's major production source with some 4.7 million tonnes produced during the full year, a 10.3% increase over the previous corresponding period.

Expansion of the New Acland mine to the production rate of 4.8 million tonnes per annum was completed during the year, ahead of time and on budget.

As a result of the successful expansion of New Acland's second coal handling plant, and in particular the installation of a higher capacity tertiary sizer, a decision has been taken to undertake a similar upgrade of the tertiary sizer for the first coal handling plant. This upgrade is scheduled to be completed by year end, which could provide an opportunity to incrementally increase production from some coal seams that have previously presented difficulties during coal processing.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

During the year the development of the south pit continued, with completion of the box cut excavation and commencement of back filling and out-of-pit waste dump rehabilitation. A major earthworks program was completed to construct two water storage dams and a flood protection levee as required by New Acland's environmental management plans.

Further exploration drilling was conducted during the year to provide mine planning data for the development of a Central Pit during 2010/11. Mine design, planning and scheduling is now well advanced for the Central Pit which will likely be commissioned in 2011.

The previously announced Wetalla pipeline project was completed during the year and treated waste water is successfully flowing through the 46 kilometres of pipeline from Toowoomba to the New Acland mine.

The application for a new mining lease over the bulk of the New Acland coal resource area to the south of the existing mining operations has progressed during the year, with a comprehensive Environmental Impact Statement (EIS) being issued to the Queensland State Government Co-ordinator General for assessment and released for public comment in November 2009. During the EIS assessment process, New Acland arranged consultation meetings with affected landholders and other interested parties, having conducted two public meetings to present the EIS.

The public comment period ended in early February 2010, with 51 submissions received. Since February, New Acland has been preparing a Supplementary EIS (SEIS) to address the issues raised in the submissions. The draft SEIS was submitted to the Queensland Co-ordinator General on 27 August 2010.

New Acland has also acquired additional land within the target mining lease application area and continues to manage its extensive landholding through its wholly owned subsidiary Acland Pastoral Co. (APC). APC manages over 9,200 hectares of land that has been acquired to support current and future mining operations. Currently, some 2,600 hectares are dedicated to mining and a mine buffer, with the balance being used for agriculture (4,200 hectares for cropping and 2,400 hectares for grazing) in advance and at the completion of mining activity.

### West Moreton Mines

The balance of New Hope's coal production of 1.2 million tonnes for the year ended 31st July 2010 came from the West Moreton region, an increase of 38.9% over the previous corresponding period. The New Oakleigh mine near Rosewood produced 286,000 tonnes and the Jeebropilly mine near Amberley produced 932,000 tonnes. Despite their higher cost, the West Moreton coals provide valuable blending opportunities for the group.

Production from New Oakleigh was 36.6% lower than the prior corresponding period due to higher strip ratios and limited overburden removal capacity, whilst the 119.6% increase in production from the Jeebropilly mine reflects the planned ramp up as a result of re-commencement of mining operations in mid 2008.

The New Oakleigh mine has reached a steady state production capacity of approximately 230,000 tonnes per year, with ongoing operations dependent on export coal sales prices and volume commitments. It is likely that the New Oakleigh mine will cease operations some time in 2012 as a result of the depletion of economic reserves.

The Jeebropilly mine is now operating six days per week, having achieved the ramp up to an annualised production rate of approximately 900,000 tonnes per annum; some 80% higher than the originally planned 500,000 tonnes per annum.

During the half year, the Jeebropilly mine completed the commissioning of a new fleet of Caterpillar 785 rear dump trucks, a new D10 Caterpillar dozer and a used but serviceable Hitachi EX1800 hydraulic excavator. A new, higher capacity spirals processing circuit was installed at the Jeebropilly coal handling & preparation plant, which has improved yield and quality control.

Further geological evaluations conducted at the Jeebropilly Mine during the year has resulted in an increased level of confidence on the extent of remnant coal resources within existing mining leases, and a new pit was developed to support the continued higher production rate from the mine. The mine life could be extended for another five to seven years, but will continue to be dependent on export coal sales prices and sales volume commitments.

### Queensland Bulk Handling

The QBH coal loading facility continued to operate effectively, with a record 6.7 million tonnes loaded during the year ended 31 July 2010, 9.0% higher than the previous corresponding period. The QBH facility continues to operate essentially demurrage free.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

Coal stockpile expansion work is continuing on schedule, with the following activities completed:

- All foundation piling;
- Bulk earthworks for the stockpile bases;
- Manufacturing, construction and installation of a new stacker;
- Manufacturing, construction and installation of four reclaim facilities, with another four well advanced;
- Conveyor installation works; and
- Electrical and PLC control system installation works.

The modifications to the coal receival and in-load system and new stacker have been commissioned, with final performance testing scheduled to occur in September 2010. Commissioning of the out-load system was well advanced at year end.

The final expansion works will increase stockpile capacity by 530,000 tonnes to 907,000 tonnes. At full capacity in late 2010, the port will be capable of handling up to a nominal 10 million tonnes per annum, subject to rail performance and shipping schedules.

The Queensland State Government has announced its intention to sell the Port of Brisbane to the private sector. The sale mechanism will be via a 99 year lease. Since the announcement, QBH has been in consultation with the Port to clarify the transfer arrangements for existing land leases and port regulations to which QBH is a party. It is not yet clear what impact, if any, may result at the conclusion of the sale process.

### New Hope Exploration

New Hope's exploration strategy continues to be directed toward evaluating open cut and underground coking coal resources in Central Queensland, open cut thermal coal in South East Queensland and evaluating coals as potential sources of gasification and liquefaction.

The Company's Central Queensland focus has been on the New Lenton Project with preparation of target areas and the deployment of drilling and geological assessment assets to the project area.

The remaining efforts have been directed at our operating mines in South East Queensland and exploration permit areas on the Darling Downs; primarily Ownaview West and Bringalilly. Additional drilling at New Acland has improved the accuracy of geological model interpretations ahead of mine planning for proposed future mine expansions.

Further resource definition drilling at Jeebropilly mine has supported the renewed mining operations at West Moreton. Similarly, we have continued drill evaluations of the potential remaining resources at New Oakleigh held under existing mining tenures.

A total of 27,710 metres of drilling was conducted during the year, within exploration tenements and existing mining leases around New Hope's three mines.

### *New Lenton*

Establishment of a site base and communication links were completed to facilitate drilling activities. Cultural heritage surveys, drilling, 2D seismic surveys and the first phase of a staged 3D seismic program were completed during the year.

Core drilling to obtain samples for Coal-to-Liquids laboratory analysis and pilot plant reactivity testing was completed.

Following delays as a result of rainfall, ground conditions improved enough to recommence exploration at New Lenton in the second half of May 2010. Access tracks and seismic lines were repaired and drilling has focussed on confirmation core drilling along the 2D seismic survey lines conducted during 2009. The 6.5 square kilometres of 3D seismic survey that was prepared during the quarter ended 30 April 2010 was completed mid-way through the July quarter. Overall, 32.8 kilometres of high quality 2-D seismic survey was completed at New Lenton (EPC766 and EPC865).

Approximately A\$3 million has been spent on the New Lenton exploration program during last year. The preliminary results of the seismic programs, together with the results of extensive drilling (approximately 38,000 meters in 298 holes since 2002), has resulted in further confidence in the extent of the coal measures within the existing Mining Lease and extending into the EPC area. As a result, the Company has committed to further expenditure on a multi-stage 3D seismic program, quality testing of large diameter cores and testing for coking characteristics.

This work is targeted at identifying a coal quantity of up to 200 million tonnes within the project area.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

### *New Acland - MDL 244*

A total of 12,097 metres of drilling was undertaken at New Acland during the year; 6,857 metres within the existing mining leases and 5,240 metres within the broader MLA area. The results of the drilling program provided coal samples for quality testing, improved confidence in the stratigraphy and reduced the spatial density of drill holes for geological modelling purposes.

The drilling results allowed New Hope to revise its resources and reserves estimates, with a subsequent increase in resources to 879 million tonnes (Inferred 11mt; Indicated 546mt; Measured 322mt).

### *Jeebropilly - ML 50093, 4677 & 4689*

Confirmation drilling of remnant coal resource areas was conducted at Jeebropilly and New Oakleigh mine areas during the year. 3,626 metres of chip drilling was conducted within Jeebropilly ML7186 and 258 metres of drilling was conducted within ML4584 at New Oakleigh. All drilling within existing mining leases at New Hope's West Moreton operations is designed to enhance the level of confidence of existing geological models, expand the geological database to include coal washability data, expand the pit limits of open cut mining and to provide data to support mine planning and coal processing.

The drilling results allowed New Hope to revise its resources and reserves estimates, with the subsequent reporting of resources of 8 million tonnes (Inferred 3mt; Indicated 2mt; Measured 3mt).

### *Ownaview West*

Activity at the Ownaview West Project included a total of 3,388 metres of chip drilling along with the finalisation of the rehabilitation of the initial program drill sites conducted in early 2009. The initial program of exploration concluded in June 2010. The results of the initial phase of the program of exploration are being reviewed.

### *New Projects – Tasmania*

Exploration Licences (EL) have been granted to New Hope for the Rosevale (EL 44/2007) and York Plains (EL 49/2007) tenements. A land ownership search was conducted to identify the landholders overlying both tenements to enable New Hope to prepare its stakeholder management plan prior to exploration activity commencing. Upon completion of the plan, various land access and compensation agreements were negotiated with landholders affected by the first stage exploration program. Recent rain has delayed the proposed exploration program.

### *New Projects – Coal and Minerals*

New Hope has continued the process of reviewing prospective tenements. Currently, New Hope has four areas under application for Exploration Permits for Minerals (EPM) in Northwest Queensland and two areas under application for Exploration Permits for Coal (EPC) in Central Queensland. The EPC applications are in the final phase of the approval process and grant is expected in the second half of the 2010 calendar year. Assessment of the EPM applications is ongoing, with notification of grant for one tenement received in July 2010 and the results of the other applications not expected until the first half of the 2011 calendar year.

### Land

New Hope has completed preliminary studies to identify the most appropriate future land use post mining at its West Moreton operations. For those landholdings around Rosewood and Amberley (approximately 2,700 hectares), various conceptual plans have been prepared for a combination of urban, commercial, recreational, industrial and ecological use and presented to both Ipswich City Council and the Queensland Department of Infrastructure and Planning to contribute to the review of the South East Queensland Regional Plan.

The conceptual post mining land development plans for the land associated with the West Moreton mines, which were undertaken during 2009, were recognised by the Planning Institute of Australia (Queensland Branch and Nationally) with the winning of three awards for planning excellence.

During the year, the Queensland State Government Department of Infrastructure and Planning announced the successful consortium bidders to undertake the preparation of a land development Structure Plan for the Ebenezer Regional Industrial Area, a 5,000 hectare site which encompasses approximately 1,800 hectares of the 2,700 hectares owned by New Hope in the West Moreton region of Queensland. The Plan is scheduled to be completed in late 2010.

New Hope's agricultural company, Acland Pastoral Co., continues to manage its extensive landholdings around the New Acland mine, north west of Oakey. The land is acquired for mining but is used for cropping and cattle grazing in advance of and at the completion of mining activity being undertaken.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

### Coal to Synfuels

New Hope is continuing its research and development coal-to-liquids project activity.

The planning and development of a small one tonne per hour "proof of concept" Coal to Liquids indirect gasification plant to be built at the Jeebropilly Coal Mine is well advanced. Discussions have been held with the various Queensland Government departments, with applications for a Petroleum Facility Licence and an Environmental Authority for Petroleum Activity currently being processed.

Negotiations continue with other technology holders in the USA with the intent of establishing access to other methodologies of converting coal into synthetic crude and other value added petroleum products. Test work continues on evaluating these other methodologies to determine which is more likely to be commercially viable.

The results of the previous syncrude reactor trials in South Africa have been evaluated. While technically successful, the technology is not as economically attractive as other technologies tested by New Hope and further work on the South African technology has been suspended for the time being.

Large bench scale testing of a range of New Hope coals progressed during the year to further refine the performance through a slurry reactor system in the USA at throughput rates of approximately 22kg per hour with promising conversion yields. Process emissions testing has been successfully completed and diesel fuel compliance testing is underway.

The "Proof of Concept" gasification plant engineering is about 90% complete with respect to the process flow and the piping-instrument drawing components.

Evaluation of a direct liquefaction process also from the USA has commenced using New Acland coal. Trials have been undertaken during the year to establish the yield and product performance, with promising initial results.

When the data from the above trials are complete, comparative economic assessments will be undertaken to evaluate the commercial viability of these alternative American technologies.

Subsequent to the year end, NHC has announced an investment to commercialise a direct coal liquefaction technology.

On the 14th September, New Hope Corporation Limited (NHC) announced it had agreed to acquire an initial 25% equity interest in a 25 year, exclusive worldwide, licensed technology creating high value carbon products using a direct coal liquefaction process. The process has superior environmental performance over many of the competitor technologies and can be upgraded to produce synthetic crude oil (SCO) and high grade synthetic coke with high carbon conversion rates from a range of coal types. NHC's initial equity investment will fund the commercialisation program and NHC has the right to acquire up to 51% equity in the technology at agreed costs.

The other shareholder in the technology company is Quantex Research Corporation (QRC), a private Canadian company which has acquired the technology rights with a license from the West Virginia University in the USA. NHC and QRC have undertaken to commercialise the technology over the next few years supported by an extensive research programme to provide even greater flexibility in coal use, maximising a range of alternative operating configurations and testing even higher quality product scenarios.

The process is essentially a closed loop system with the coal diluent being recycled without CO<sub>2</sub> gas production in the process itself. The pitch product produced by this exclusive technology is then able to be exported or upgraded by a number of known alternative technologies, to produce a range of different petroleum or petrochemical outputs including synthetic crude oil and synthetic metallurgical coke. A gasifier fuel is produced, which provides the fuel for the process after start up. It is likely the process may produce excess hydrogen and no water is consumed. Detailed engineering is underway and should be completed by the end of the year with the construction of a "proof of concept" plant in 2011 providing process results during 2012.

The process is already proven in making anode and needle grade coke for the aluminium and electric arc steel making industries. The SCO production process also has the potential to provide a by-product of high quality synthetic metallurgical coke. If successful, the scale of commercial plants is likely to be in the range of 10,000 to 50,000 barrels per day. The typical size of an Australian refinery is about 130,000 barrels per day.

### Arrow Energy Limited / Dart Energy Limited

As at 31 July 2010 New Hope held 122.6 million shares in Arrow Energy Limited, at an adjusted total cost of \$110.0 million, equivalent to 16.7% of the company.

During 2010, a company jointly owned by Royal Dutch Shell and PetroChina issued a proposal to acquire all shares in Arrow Energy for \$4.70 cash per share, plus a share in a new entity, Dart Energy Limited, comprised of Arrow Energy's international business and early stage Australian assets.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

In July 2010 Arrow Energy shareholders approved the demerger and acquisition schemes at extraordinary general meetings. As a result of the demerger and participation in an initial capital raising, New Hope now owns approximately 17% of the issued capital of Dart Energy Limited. Dart Energy's share price on 31 July 2010 was \$0.755, valuing the New Hope investment at \$53.8 million and representing an unrealised gain before tax of \$37.6 million. Dart Energy's share price on 16 September was \$1.00, representing an unrealised gain of \$55.1 million before tax.

The sale of the company's 16.7% interest in Arrow Energy settled on 23 August 2010, with New Hope receiving \$576 million from the sale. A profit after tax of \$326 million will be recognised in the 2011 financial year.

### Planet Gas Investment

As part of its diversified energy investment strategy, during the 1st quarter New Hope acquired a 13% interest in the ASX listed company, Planet Gas Limited. During the 2nd quarter the company acquired an additional 6.9% interest in Planet Gas for \$3.7 million, taking the total holding to 19.9% at a total cost of \$8.8 million, and making New Hope the company's single largest shareholder.

The investment by New Hope continues its involvement in the broader Australian energy sector.

### WestSide Corporation Investment

In April 2010 the company acquired an initial 7% interest in WestSide Corporation Limited (WestSide) for consideration of \$4.8 million, along with the right to participate on a priority basis in a planned entitlement offer.

The entitlement offer was completed in May 2010, which resulted in New Hope increasing its interest to 19.9% at a total cost of \$23.3 million.

WestSide is an ASX listed company with interests in coal seam gas (CSG) projects in Queensland's Bowen and Galilee Basins. WestSide has entered into agreements to purchase the Dawson CSG field assets from Anglo American and applied a portion of the funds raised from the entitlement offer to effect this transaction. The transaction was completed on 1 July 2010.

### Outlook

Planning is underway to take advantage of a new mining lease at the New Acland mine, which if granted in 2011, could enable production capacity to be incrementally increased up to 10 million tonnes per annum, subject to market conditions, rail and port capacity.

West Moreton operations will continue at a nominal production capacity of 1.1 million tonnes per annum during 2010/11 (Jeebropilly 900,000 tonnes per annum and New Oakleigh 230,000 tonnes per annum).

The QBH port expansion, which will provide a total nominal site throughput of up to 10 million tonnes per annum, is on schedule and within budget, with final completion due in December 2010.

Interest income from cash on deposit will continue to provide short term profit, with the proceeds from the sale of Arrow Energy shares adding further to cash on deposit post year end. Interest rates firmed during the second half of the year and although markets remain volatile, consensus estimates indicate that rates are unlikely to retract and may continue to firm over the next 12 months.

New Hope advises production guidance for 2011 of around 6.0 million tonnes, subject to finalisation of coal sale contract negotiations with major Asian customers over coming months and achievement of sufficient rail capacity.

In summary, New Hope Corporation:

- Remains a low cost producer;
- Continues to increase production and sales;
- Has current expansion projects on schedule and within budget;
- Has extensive exploration tenures with in-house exploration capability;
- Continues to develop coal to liquids, and other energy opportunities;
- Has an exceptionally strong balance sheet; and
- Is very well positioned for future opportunities.

#### JORC Declaration

The estimates of coal resources herein have been prepared in accordance with the guidelines of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources – The JORC Code". *These resources are inclusive of the reserves reported in the reserves statement.* The work has been undertaken internally by NHC and reviewed by Mr Wes Nichols, Geology Manager NHC and Member of AusIMM (no. 202058). Mr Nichols has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code.

Mr Nichols consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

### **Insurance of officers**

In accordance with the provisions of the Corporations Act, New Hope Corporation Limited has a Directors' and Officers' Liability policy covering Directors and Officers of the parent company and its controlled entities. The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

### **Proceedings on behalf of the Corporation**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Corporation, or to intervene in any proceedings to which the Corporation is a party, for the purpose of taking responsibility on behalf of the Corporation for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Corporation with leave of the Court under section 237 of the *Corporations Act 2001*.

### **Significant changes in the state of affairs**

Except as disclosed in the review of operations, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the parent entity, to affect substantially the operations or results of the consolidated entity in subsequent financial years.

### **Matters subsequent to the end of financial year**

Since the end of the financial year no matters or circumstances not referred to elsewhere in this report have arisen that have or will significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

### **Likely developments and expected results of operations**

The activities of the continuing operations in the consolidated entity in the next financial year are expected to be similar to those of the financial year just ended.

The consolidated entity will continue to pursue a policy of increasing its strength in its major business sectors including the development and operation of additional mineral resource projects in Australia and is regularly reviewing potential new opportunities.

The Company will disclose further information on likely developments in the operations of the consolidated entity and the expected results of operations as appropriate. However, Directors are mindful that premature release of information may be prejudicial to the best interests of the Company and its shareholders.

### **Environmental compliance**

The Company's Queensland mining operations and exploration tenements are regulated by the Queensland Department of Environment and Resource Management under Queensland's Environmental Protection Act 1994. The Company's coal export port facility, Queensland Bulk Handling (QBH), operates under a site-based Environmental Management Plan to meet the conditions of its Development Approval issued under the Integrated Planning Act 1997.

Each of the Company's operational sites (mines, exploration tenements and port facility) functions under a separate, site specific Environmental Authority/Development Approval.

An Environmental Impact Statement (EIS) for the New Acland Stage 3 Expansion Project was lodged with the Department of Infrastructure and Planning during October 2009 and was approved by Queensland's Coordinator General for public comment and submissions between 14 November 2009 and 3 February 2010. The Company is currently compiling a Supplementary EIS to address the submissions received about the EIS during the public comment period. The Supplementary EIS will be submitted to the Department of Infrastructure and Planning early in the 2010/11 financial year.

The company has continued its participation in the Commonwealth Energy Efficiency Opportunities (EEO) program. Baseline energy data was collated and analysed to give the company a detailed understanding of its energy use. Electricity and diesel opportunity workshops were held at all operational sites and potential projects were investigated to establish whether they would be viable for the business. The annual EEO Public Report was published on the company's website in December.

All three mine sites and QBH submitted reports as required under the National Pollutant Inventory program.

The Company meets the corporate threshold for participation under the National Greenhouse and Energy Reporting Act (2007). The 2008/09 report was submitted to the federal government by the 31 October 2009 deadline.

The Company developed and implemented an Environmental Management System (EMS) in accordance with ISO4001 during the 2009-2010 financial year. The EMS improves environmental performance by increasing environmental awareness, optimising operational control and monitoring compliance. The EMS demonstrates the commitment New Hope has to the continual improvement of environmental management.



**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

**Information on Directors (continued)**

**Mr D.J. FAIRFULL** - BCom, ACIS, CPA, ASIA (Non executive Director)

Experience

Mr Fairfull has extensive experience in finance, investment and merchant banking. He was appointed to the New Hope Corporation Board in 1997.

Other current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1997
Souls Private Equity Limited	Appointed 2004
KH Foods Limited	Appointed 2008
Hall Chadwick Chartered Accountants	Appointed 2009

Former Directorships in last 3 years

SP Telemedia Limited	Appointed 2000 Resigned 2008
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Special responsibilities

Member of the Audit Committee, and a member of the Remuneration and Nomination Committee.

Interests in shares and options

11,000 ordinary shares in New Hope Corporation Limited  
Nil options over ordinary shares in New Hope Corporation Limited

**Mr D.C. WILLIAMSON** - BCom, FCA, MAICD (Non executive Director)

Experience

Mr Williamson has been registered as a Chartered Accountant for approximately 30 years and is principal of his own firm, Williamson Chaseling Pty Ltd. He has been a Director of New Hope Corporation since 1999.

Other current Directorships

Australian Health & Nutrition Association Limited	Appointed 2001
Dart Energy Limited	Appointed 2010

Former Directorships in last 3 years

Arrow Energy Limited	Appointed 2006 Resigned 2010
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Special responsibilities

Chairman of the Audit Committee.

Interests in shares and options

20,000 ordinary shares in New Hope Corporation Limited  
Nil options over ordinary shares in New Hope Corporation Limited

**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

**Information on Directors (continued)**

**Mr W.H. GRANT** - FAICD, Assoc. Diploma in Local Government (Non executive Director)

Experience

Mr Grant has over 35 years experience in project management, corporate and fiscal governance, local government administration and strategic planning. He was the CEO of the South Bank Corporation in Brisbane from 1997 to 2005, and prior to that he was the General Manager/CEO of the Newcastle City Council from 1992 to 1997. He joined the Board of New Hope Corporation in 2006.

Other current Directorships

Life Without Barriers	Appointed 2002
Brisbane Development Association	Appointed 2006
Brisbane Airport Corporation	Appointed 2007
Queensland Performing Arts Centre Trust (QPAC)	Appointed 2006
Williams Hall Chadwick Chartered Accountants and Business Advisors	Appointed 2009

Former Directorships in last 3 years

Urban Land Development Authority	Appointed 2007	Resigned 2009
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Special responsibilities

Chairman of the Remuneration and Nomination Committee, and a member of the Audit Committee.

Interests in shares and options

20,000 ordinary shares in New Hope Corporation Limited  
Nil options over ordinary shares in New Hope Corporation Limited

**Mr R.C. NEALE** - BSc.(Hons) MAICD, MAIMM, (Managing Director)

Experience

Mr Neale has more than 40 years experience in the mining and exploration industries covering coal, base metals, gold, synthetic fuels, bulk materials shipping, and power generation. He joined New Hope in 1996 as General Manager, and has been Chief Executive Officer since 2005. He was appointed to the board in November 2008.

Other current Directorships

Australian Coal Association	Appointed 2005
Australian Coal Research Limited	Appointed 2005
Australian Coal Association Low Emissions Technologies Ltd	Appointed 2006
Planet Gas Limited	Appointed 2009
WestSide Corporation Limited	Appointed 2010
Queensland Resources Council	Appointed 2009

Former Directorships in last 3 years

Nil

Special responsibilities

Managing Director and Chief Executive Officer.

Interests in shares and options

2,005,500 ordinary shares in New Hope Corporation Limited  
Nil options over ordinary shares in New Hope Corporation Limited

**Company Secretary**

The Company Secretary is Mr Matthew Busch who was appointed to the position on 16 March 2009. Mr Busch has a Bachelor of Business from Queensland University of Technology and is a member of CPA Australia. He has more than 10 years of experience in the coal industry and holds the dual role of Financial Controller and Company Secretary.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2010

### Remuneration report

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

#### a. Remuneration Policies and Principles

The performance of the Group depends upon the quality of its Directors and executives. It is the Company's objective to attract and retain appropriately qualified and experienced Directors and executives.

The Remuneration and Nomination Committee is responsible for reviewing and setting the remuneration packages for Directors and executives on an annual basis. The Chief Executive Officer reports to the Committee on executive remuneration arrangements. Data from independent surveys and other market information and reports is reviewed to ensure that remuneration is consistent with current industry practices. The Remuneration and Nomination Committee also sets the Chief Executive Officer's package at that time.

The structure of non-executive Director and senior executive remuneration is separate and distinct.

#### Non-executive Director remuneration

It is intended that remuneration paid to non-executive Directors reflects the demands and responsibilities of Directors. Non-executive Directors receive a fixed fee that is paid within an aggregate limit as approved by the shareholders from time to time. The current maximum aggregate is set at \$1,000,000 (2009 - \$500,000) per annum.

#### Executive remuneration

The Company aims to ensure that remuneration packages properly reflect the person's duties, experience and responsibilities and are aligned so that management is rewarded in creating value for shareholders. Remuneration may comprise a mix of:

- Base salary and benefits including a motor vehicle;
- Short term incentive;
- Long term equity based compensation in the form of share options, issued in accordance with the Employee Share Option Plan;
- Other remuneration such as superannuation.

Short term incentives were paid during the year to executives due to the strong financial performance of the Company during the year. These incentives are not specified in employment contracts, and are paid at the discretion of the Remuneration and Nomination Committee from year to year.

Additionally, a one off special bonus was paid to all permanent employees during the 2009 year, reflecting the outstanding financial result on the sale of the Saraji Coal Project. In arriving at the quantum of the bonus, the Directors considered the significance of the contribution of all staff, and the financial benefits that flowed to shareholders as a result of the sale.

Long term incentives in the form of share options under the Employee Share Option Plan are granted to executives as an encouragement for executives to pursue the long term growth and success of the Company, and demonstrate a clear relationship between executive performance and remuneration. Options vest after three years from date of grant with the aim of acting as a retention incentive for executives. Options are issued at the discretion of the Remuneration and Nomination Committee from year to year.

#### b. Details of remuneration

Details of remuneration of Directors and the key management personnel of New Hope Corporation Limited and of the New Hope Group are set out below. The key management personnel of the Company and of the Group includes the Directors and the following executives:

Mr R.C. Neale, Managing Director and Chief Executive Officer (appointed MD 14 November 2008)  
Mr M.L. Bailey, Chief Operations Officer and Acting Chief Financial Officer (appointed acting CFO from 16 March 2009 to 31 August 2009)  
Mr S.O. Stephan, Chief Financial Officer (appointed 31 August 2009)  
Mr B.J. Garland, General Manager - Resource Development  
Mr D. Brown-Kenyon, General Manager - Corporate Development & Government Relations (resigned 19 March 2010)  
Mr C.C. Hopkins, General Manager - Marketing  
Mr C.W. Easton, General Manager - Business Improvement

In addition, Mr K.J. Jamieson, General Manager - New Acland, must be disclosed under the *Corporations Act 2001* as he is among the 5 highest remunerated Group executives. Mr Jamieson resigned with effect on 1 July 2009, so this disclosure is in relation to the prior period.

**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

Remuneration report (continued)

b. Details of remuneration (continued)

Key management personnel of the New Hope Group and other executives of the Company and the Group

	Short-term employee benefits			Long-term benefits	Post employment	Share based payments		Total
	Cash salary and fees	Cash bonus	Non cash benefits	LSL	Super-annuation	Termination Benefits	Options	
	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive Directors - 2010</b>								
Mr R.D. Millner	186,667	-	-	-	13,748	-	-	200,415
Mr P.R. Robinson	89,583	-	-	-	8,063	-	-	97,646
Mr D.J. Fairfull	89,583	-	-	-	8,063	-	-	97,646
Mr D.C. Williamson	114,583	-	-	-	8,063	-	-	122,646
Mr W.H. Grant	104,583	-	-	-	8,063	-	-	112,646
<b>Executive Directors - 2010</b>								
Mr R.C. Neale (1) (2)	802,065	432,000	29,726	14,418	14,523	-	-	1,292,732
<b>Other key management personnel - 2010</b>								
Mr M.L. Bailey (1) (2)	482,684	161,000	27,986	-	14,523	-	371,571	1,057,764
Mr S.O. Stephan (1) (2) (3)	373,625	-	-	-	14,523	-	-	388,148
Mr B.J. Garland (1) (2)	343,884	117,000	26,432	-	14,523	-	247,715	749,554
Mr D. Brown-Kenyon (1) (2) (4)	162,642	69,000	24,280	2,898	9,641	308,776	-	577,237
Mr C.C. Hopkins	272,426	134,000	27,681	4,605	14,523	-	-	453,235
Mr C.W. Easton	242,501	49,000	15,151	-	14,523	-	25,035	346,210
	<b>3,264,826</b>	<b>962,000</b>	<b>151,256</b>	<b>21,921</b>	<b>142,779</b>	<b>308,776</b>	<b>644,321</b>	<b>5,495,879</b>
<b>Non-executive Directors - 2009</b>								
Mr R.D. Millner	101,667	-	-	-	9,000	-	-	110,667
Mr P.R. Robinson	56,667	-	-	-	5,100	-	-	61,767
Mr D.J. Fairfull	56,667	-	-	-	5,100	-	-	61,767
Mr D.C. Williamson	64,584	-	-	-	5,813	-	-	70,397
Mr W.H. Grant	56,667	-	-	-	5,100	-	-	61,767
<b>Executive Directors - 2009</b>								
Mr R.C. Neale (1) (2) (5)	686,858	1,906,000	37,101	11,898	13,805	-	98,037	2,753,699
<b>Other key management personnel - 2009</b>								
Mr M.L. Bailey (1) (2)	460,208	579,000	29,424	-	13,805	-	371,572	1,454,009
Mr P.K. Mantell (1) (2) (6)	197,001	134,000	19,687	5,500	11,489	202,201	74,278	644,156
Mr B.J. Garland (1) (2)	327,833	453,000	25,160	-	13,805	-	247,714	1,067,512
Mr D. Brown-Kenyon (2)	246,917	507,000	27,356	4,200	13,805	-	61,898	861,176
Mr C.C. Hopkins	259,708	563,000	23,415	4,450	13,805	-	61,898	926,276
Mr C.W. Easton	234,417	86,000	16,573	-	13,805	-	102,113	452,908
<b>Other most highly remunerated officers - 2009</b>								
Mr K.J. Jamieson (1) (7)	259,750	93,000	19,462	-	13,805	241,864	58,657	686,538
	<b>3,008,944</b>	<b>4,321,000</b>	<b>198,178</b>	<b>26,048</b>	<b>138,237</b>	<b>444,065</b>	<b>1,076,167</b>	<b>9,212,639</b>

(1) denotes one of the five highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001.

(2) denotes one of the five highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001.

(3) Mr Stephan commenced as CFO on 31 August 2009.

(4) Mr Brown-Kenyon resigned with effect 19 March 2010.

(5) Mr Neale was appointed to the Board of Directors on 14 November 2008.

(6) Mr Mantell resigned with effect 16 March 2009.

(7) Mr Jamieson resigned with effect 1 July 2009.

**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

**Remuneration report (continued)**

**c. Employment Contracts**

Remuneration and other terms of employment for the executive officers are formalised in individual employment contracts. The agreements are of no fixed term. The contracts outline the components of remuneration paid to them but do not prescribe how remuneration levels are modified from year to year.

The agreements allow for salary, superannuation and a fully maintained motor vehicle. These officers have also been granted options under the New Hope Corporation Limited Employee Share Option Plan at the discretion of the Remuneration and Nomination Committee. The contracts with Messrs Neale, Mantell and Brown-Kenyon include provision for a separation allowance if their employment is terminated by the Company or on their retirement from full time employment. Messrs Bailey's and Stephan's contract include provision for a separation payment in the event of his termination as a result of a takeover or merger of the Company. The allowances are less than one years remuneration.

Contracts with executives may be terminated by either party giving notice as specified in their contract of employment. For Messrs Neale and Brown-Kenyon 2 months notice is required. Mr Hopkins' contract requires 4 weeks notice, Mr Easton's 8 weeks notice, and Messrs Bailey, Stephan and Garland's 10 weeks notice.

**d. Share based compensation - options**

Options are granted under the New Hope Corporation Limited Employee Share Option Plan. Membership of the Plan is open to those senior employees and those Directors of New Hope Corporation Limited, its subsidiaries and associated bodies corporate whom the Directors believe have a significant role to play in the continued development of the Group's activities.

Options are granted for no consideration. Options are granted for a five year period, and vest after the third anniversary of the date of grant.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a monte carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option.

The terms and conditions of each grant of options affecting remuneration of key management personnel in the previous, this or future reporting periods, and the associated pricing model inputs are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Value per option at grant date
3 January 2006	4 January 2009	2 January 2011	\$1.235	\$1.230	41.30%	4.57%	5.14%	\$0.346
8 May 2006	9 May 2009	7 May 2011	\$1.288	\$1.280	40.46%	3.83%	5.56%	\$0.384
19 January 2007	20 January 2010	18 January 2012	\$1.360	\$1.370	38.00%	6.43%	5.90%	\$0.318
13 August 2007	14 August 2010	12 August 2012	\$2.104	\$2.220	44.00%	4.02%	6.04%	\$0.745

**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

**Remuneration report (continued)**

**Share options granted to Directors and key management personnel**

Details of management options over ordinary shares in the Company as at 31 July 2010, provided as remuneration to each Director of New Hope Corporation Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share in New Hope Corporation Limited. Further information on the options is set out in note 32 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
	2010	2009	2010	2009
<b>Directors of New Hope Corporation Ltd</b>				
Mr R.C. Neale	-	-	-	2,000,000
<b>Other key management personnel of the Group</b>				
Mr M.L. Bailey	-	-	-	-
Mr P.K. Mantell	-	-	-	1,500,000
Mr B.J. Garland	-	-	-	-
Mr D. Brown-Kenyon	-	-	-	1,250,000
Mr C.C. Hopkins	-	-	-	1,250,000
Mr C.W. Easton	-	-	500,000	500,000
<b>Other most highly remunerated officers of the Group</b>				
Mr K.J. Jamieson	-	-	-	1,800,000

	Number of ordinary shares issued on the exercise of options during the year		Amount paid per share	
	2010	2009	2010	2009
<b>Directors of New Hope Corporation Ltd</b>				
Mr R.C. Neale	2,000,000	-	1.24	-
<b>Other key management personnel of the Group</b>				
Mr P.K. Mantell	-	1,500,000	-	1.24
Mr D. Brown-Kenyon	150,000	-	1.24	-
Mr D. Brown-Kenyon	250,000	-	1.24	-
Mr D. Brown-Kenyon	850,000	-	1.24	-
Mr C.C. Hopkins	1,250,000	-	1.24	-
Mr C.W. Easton	500,000	-	1.29	-
Mr C.W. Easton	500,000	-	1.36	-
Mr K.J. Jamieson	-	800,000	-	1.20
Mr K.J. Jamieson	-	1,000,000	-	1.24

No amounts are unpaid on any shares issued on the exercise of options.

**e. Additional information**

**Share based compensation: Options**

No options have been issued to R.D. Millner, P.R. Robinson, D.J. Fairfull, D.C. Williamson or W.H. Grant.

**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

**Remuneration report (continued)**

**e. Additional information (continued)**

Options issued to R.C. Neale, P.K. Mantell, D. Brown-Kenyon, K.J. Jamieson, C.W. Easton and C.C. Hopkins during the 2006 financial year vested during the 2009 financial year. Options issued to C.W. Easton during the 2007 financial year vested during the 2010 financial year. Options issued to M.L. Bailey and B.J. Garland during the 2008 financial year will vest during the 2011 financial year.

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
Mr R.C. Neale	0%	-	9,010,000	-	9,010,000
Mr M.L. Bailey	35%	-	-	-	-
Mr S.O. Stephan	0%	-	-	-	-
Mr B.J. Garland	33%	-	-	-	-
Mr D. Brown-Kenyon	0%	-	5,506,250	-	5,506,250
Mr C.C. Hopkins	0%	-	5,643,750	-	5,643,750
Mr C.W. Easton	7%	-	4,176,000	-	4,176,000

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C = The value at exercise date of the options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapsed date of options that were granted as part of remuneration and that lapsed during the year.

For the above options, the minimum value yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed, and is \$23,753 for the options issued in August 2007.

**Consequences of performance on shareholder wealth**

The Company's performance is not only impacted by market factors, but also by employee performance. The financial performance for the last five years is shown below.

Year ended 31 July	2010	2009	2008	2007	2006
Net profit attributable to shareholders (A\$000's)	183,832	1,950,392	90,684	69,309	68,695
Profit after tax from continuing operations (A\$000's)	183,832	1,950,392	90,684	69,309	68,695
Dividends paid during the year (cents / share)	82.25	16.25	7.75	9.10	18.00
Return of capital paid during the year (cents / share)	-	-	-	-	10.00
Share price as at 31 July (\$ / share)	4.71	5.34	4.69	2.13	1.28
Shareholders funds (A\$000's)	2,339,525	2,748,498	827,607	731,198	568,290

**Shares under option**

There were nil unlisted ordinary shares of New Hope Corporation Limited under option at the date of this report.

**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

**Shares issued on the exercise of options**

Since the end of the financial year, an additional 2,500,000 management options were exercised and converted to ordinary shares in the company. The options were granted on 13 August 2007 and had an exercise price of \$2.104. No amounts are unpaid on any of the shares.

**Loans to directors and executives**

There were no loans to directors and executives granted during the reporting period, nor were there any outstanding loans as at balance date.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position, and in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- the types of non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms (refer note 34):

	Consolidated	
	2010	2009
<b>Audit Services</b>		
PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	279,629	250,033
<b>Total remuneration for audit services</b>	<b>279,629</b>	<b>250,033</b>
<b>Non-audit services</b>		
<u>Taxation services</u>		
PricewaterhouseCoopers Australian firm:		
Transaction advisory services	421,822	833,922
General advisory services	144,371	73,311
Tax compliance services	249,899	311,150
Research and development compliance services	216,864	207,783
<b>Total remuneration for non-audit services</b>	<b>1,032,956</b>	<b>1,426,166</b>

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**New Hope Corporation Limited and Controlled Entities**  
**Directors Report - 31st July 2010**

**Meetings of Directors**

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 July 2010 and the number of meetings attended by each Director:

	Full meetings of Directors		Audit Committee		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr R.D. Millner	16	16				
Mr P.R. Robinson	16	16			3	3
Mr D.J. Fairfull	16	16	3	3	3	3
Mr D.C. Williamson	16	14	3	3		
Mr W.H. Grant	16	13	3	3	3	3
Mr R.C. Neale	16	15				

Signed at Sydney this 20th day of September 2010 in accordance with a resolution of Directors.

R.D. Millner  
Director

D.C. Williamson  
Director

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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#### Auditor's Independence Statement

As lead auditor for the audit of New Hope Corporation Limited for the year ended 31 July 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of New Hope Corporation Limited and the entities it controlled during the period.

M. Linz  
Partner  
PricewaterhouseCoopers

Sydney  
20 September 2010

# New Hope Corporation Limited

## Corporate Governance Statement

This Corporate Governance Statement has been summarised into sections in line with the 8 core corporate governance principles as specified in the Australian Securities Exchange (ASX) Corporate Governance Council's revised "Principles of Good Corporate Governance and Best Practice Recommendations".

### Role of the Board

The Board is ultimately responsible for the operations, management and performance of the Company. In discharging this responsibility, the Board delegates to senior management, whose role is to manage the Company in accordance with the directions and policies set by the Board. The Board monitors the activities of senior management in the performance of their delegated duties.

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations. Details of these policies can be accessed through the Company Secretary.

Responsibilities of the Board include the following:

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and the future;
- Monitoring the Company's overall performance and financial results, adopting annual budgets and approving New Hope Corporation Limited's financial statements;
- Accountability to shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

The performance of non-executive Directors is reviewed by the Remuneration and Nomination Committee with any unsatisfactory performance referred to the remainder of the Board. This review was undertaken during the year.

The efficiency, effectiveness and operations of the Board are continuously subjected to informal monitoring by the Remuneration and Nomination Committee and the Board as a whole.

The performance of senior management was reviewed by the Remuneration and Nomination Committee during the year in accordance with its established procedures.

### Board structure

- In accordance with the Company's Constitution, the Board should comprise no less than 3 or more than 10 Directors.
- The names of the Directors of the Company at the date of this statement are set out in the Directors' Report.
- At the date of this report the Board consists of 5 non-executive Directors and one executive Director. Directors' details are contained in the Directors' Report.
- The Chairman of the Board should be a non-executive Director.
- The non-executive Chairman and Chief Executive Officer roles are separate.
- The Company has not strictly complied with ASX Best Practice Recommendations in that not all of the non-executive Directors are independent. Mr Robert Millner (Chairman of Directors), Mr Peter Robinson and Mr David Fairfull are Directors of New Hope Corporation Limited's major shareholder, Washington H. Soul Pattinson and Company Limited. Mr David Williamson and Mr William Grant are considered independent.
- Whilst all the non-executive Directors cannot be considered "independent" in accordance with the ASX Best Practice Recommendations, all Directors are expected to bring their independent views and judgement to the Board and, in accordance with the *Corporations Act 2001*, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists, it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered. Also, the Board considers that due to the extensive experience and knowledge that these Directors have of the business, it would be contrary to shareholders' best interests if the Directors were precluded from holding the position of Director on these grounds.
- In the discharge of their duties and responsibilities, the Directors individually (as well as the Board) have the right to seek independent professional advice at the Company's expense. However, for advice to individual Directors, prior approval of the Chairman is required, which is not to be unreasonably withheld.
- The Remuneration and Nomination Committee consists of non-executive Directors who periodically review the membership of the Board having regard to the Company's particular needs, both present and future.
- Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting. Under the Constitution, one third of the Board (excluding any Managing Director) retire from office each year and if eligible submit themselves for re-election by shareholders at the Annual General Meeting.

# New Hope Corporation Limited

## Corporate Governance Statement

### Ethical Standards

The Company has an established code of conduct dealing with matters of integrity and ethical standards. The code is designed to comply with the legal and other obligations of legitimate stakeholders and other interested parties and to foster a culture of compliance. All Directors, executives and employees are expected to abide by the code of conduct and specific policies in place, and to bring to the attention of senior management or the Board instances of unethical practices. The code and policies cover:

- Professional conduct;
- Ethical standards;
- Standards of workplace behaviour and equal opportunity;
- Relationships with customers, suppliers and competitors;
- Confidentiality and continuous disclosure;
- Anti-discrimination and harassment;
- Trading in Company securities; and
- The environment.

A summary of the main principles of New Hope Corporation Limited's share trading policy is as follows:

- The policy relates to trading in shares of the Company;
- Trading is prohibited when Directors and employees are in possession of price sensitive information which is not available to the public;
- Trading is prohibited during the period of four weeks prior to the announcement of the Company's half year and full year results;
- The Company has established the following share trading windows each for a period of 6 weeks commencing from:
  1. The release of the Company's annual result to the Australian Securities Exchange;
  2. The release of the Company's half yearly result to the Australian Securities Exchange;
  3. The date of the Annual General Meeting; and
  4. The release of a prospectus;
- At times other than those referred to above, Directors and employees may trade after seeking approval from the Chairman of the Board, or in his absence, the Managing Director of New Hope Corporation Limited.

### Financial reporting

New Hope Corporation Limited has an established Audit Committee, which has its own charter outlining the committee's function, composition, authority, responsibilities and reporting. The current members of the Audit Committee are non-executive Directors Mr D.C. Williamson (Chairman), Mr W.H. Grant and Mr D.J. Fairfull. The Company's non-executive Chairman Mr R.D. Millner is not a member of the Audit Committee. The non-executive Chairman and other Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and the internal auditor may attend Audit Committee meetings by invitation.

Further details of the Directors' qualifications, terms of office, and attendance at audit committee meetings are set out in the Directors' report on pages 10 to 12 and 19.

The external auditors (PricewaterhouseCoopers) are requested by the Audit Committee to attend the appropriate meetings to report on the results of their review and audit for the half year and full year respectively.

The external and internal auditors both have direct access to the Audit Committee if required.

The function of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors. The Audit Committee regularly evaluates the performance of its external auditors, considers the appropriateness of the external audit engagement partners including their rotation, and considers the need and timing for putting the external audit role out to tender;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements; and
- The application and adequacy of risk management systems within the Company.

The Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board, by submission to the Audit Committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards.

# New Hope Corporation Limited

## Corporate Governance Statement

### ASX Listing Rules compliance

The Company has a Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX companies announcement platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Board is responsible for determining disclosure obligations and the Company Secretary is the nominated Continuous Disclosure Officer for the Company.

### Communication with shareholders

The Board is committed to ensuring that shareholders, the stock market and other interested parties are fully informed of all material matters affecting the Company. The dissemination of information is mainly achieved as follows:

- An annual report is available to be distributed to shareholders in October each year and is placed on the Company's website;
- Where possible, significant information is posted on the Company's internet website as soon as it is disclosed to the market; and
- The external auditor is requested to attend the Annual General Meeting to answer shareholders' questions about the conduct of their audit and the content of the auditor's report.

### Risk management

The Company is committed to identifying and managing areas of significant business risk to protect shareholders, employees, earnings and the environment. The framework to achieve this objective is promulgated in the Company's Risk Management policy. The Risk Management and Internal Audit function within the Company is responsible for the oversight and monitoring of performance of the policy. Arrangements in place, as set out in the company's Risk Management policy, include:

- Regular detailed financial, budgetary and management reporting;
- Procedures to manage financial, operational, strategic, market, and regulatory risks;
- Established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters;
- Comprehensive insurance and risk management programs;
- Procedures requiring Board approval for all borrowings and capital expenditure beyond minor levels; and
- Where applicable, the utilisation of specialised staff and external advisors.

The Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board, by submission to the audit committee, that the risk management and internal control compliance systems implemented by the Board are operating efficiently and effectively. The required statement has been received from the Chief Executive Officer and Chief Financial Officer relative to the year of income.

### Remuneration

The Remuneration and Nomination Committee consists of non-executive Directors who are responsible for reviewing and setting remuneration and other terms of employment for non-executive Directors. Details of the attendance at meetings of the Remuneration and Nomination Committee is included on page 19 of the Directors' report.

Non executive Directors' fees are reviewed annually after taking into consideration the Company's performance, market rates and level of responsibility. The aggregate amount of fees which may be paid to non-executive Directors is subject to the approval of shareholders at the Annual General Meeting and is currently set at \$1,000,000 (2009 - \$500,000) per annum.

Remuneration of senior executives is reviewed annually by the Remuneration and Nomination Committee, taking into consideration the Company's performance, market rates and levels of responsibility.

Further information of Directors' and executives' remuneration is set out in the Directors Report and in the Notes to the Financial Statements.

**New Hope Corporation Limited**  
**Annual Financial Report**  
**for the year ended 31st July 2010**

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The financial report is the consolidated financial statements of the consolidated entity consisting of New Hope Corporation Limited and its subsidiaries. The financial report is presented in the Australian currency.

New Hope Corporation Limited is a company limited by shares on the Australian Securities Exchange (ASX). The Company is incorporated and domiciled in Australia, and its registered office and principal place of business is:

New Hope Corporation Limited  
3/22 Magnolia Drive  
BROOKWATER QLD 4300

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 2 to 8, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 20 September 2010. The Company has the power to amend and reissue the financial report.

Through the use of the internet, the Company has ensured that corporate reporting is timely, complete and available globally at minimum cost to the Company. All financial reports and other announcements to the ASX are available on the Investor Relations pages of the website: [www.newhopecoal.com.au](http://www.newhopecoal.com.au).

New Hope Corporation Limited and Controlled Entities

Statements of Comprehensive Income  
for the year ended 31st July 2010

	Notes	2010 \$000	2009 \$000
Revenue from continuing operations	5	744,982	700,785
Other income	6	127	2,411,177
		<u>745,109</u>	<u>3,111,962</u>
Expenses			
Cost of sales		(362,471)	(231,669)
Marketing and transportation		(120,027)	(83,252)
Administration		(16,187)	(19,002)
Other expenses		(1,841)	(5,925)
<b>Profit before income tax</b>		<u>244,583</u>	<u>2,772,114</u>
Income tax expense	8	(60,751)	(821,722)
<b>Profit after income tax for the year</b>		<u>183,832</u>	<u>1,950,392</u>
<b>Profit attributable to New Hope shareholders</b>		<u>183,832</u>	<u>1,950,392</u>
Other comprehensive income			
Cash flow hedges, net of tax	29	3,268	5,099
Changes in the fair value of available for sale financial assets, net of tax	29	68,764	86,604
Other comprehensive income for the year, net of tax		<u>72,032</u>	<u>91,703</u>
<b>Total comprehensive income attributable to New Hope Shareholders</b>		<u>255,864</u>	<u>2,042,095</u>
<b>Earnings per share for profit attributed to ordinary equity holders of the Company</b>			
Basic earnings per share (cents / share)	36	22.3	240.3
Diluted earnings per share (cents / share)	36	22.2	236.7

The above income statements should be read in conjunction with the accompanying notes.

New Hope Corporation Limited and Controlled Entities

**Balance Sheets**  
as at 31st July 2010

	Notes	2010 \$000	2009 \$000
<b>Current assets</b>			
Cash and cash equivalents	10	103,608	220,348
Receivables	11	45,629	36,555
Inventories	12	45,115	39,057
Held to maturity investments	13	1,312,863	2,486,666
Derivative financial instruments	37	15,673	14,525
Other	14	118	124
Assets classified as held for sale	15	576,211	-
Total current assets		<u>2,099,217</u>	<u>2,797,275</u>
<b>Non-current assets</b>			
Receivables	16	4,284	4,507
Available for sale financial assets	17	89,185	527,985
Derivative financial instruments	37	11,675	8,157
Property, plant and equipment	18	438,023	394,358
Exploration and evaluation assets	19	3,030	2,572
Investment property	20	-	35
Intangible assets	22	7,084	8,453
Total non-current assets		<u>553,281</u>	<u>946,067</u>
<b>Total assets</b>		<u>2,652,498</u>	<u>3,743,342</u>
<b>Current liabilities</b>			
Accounts payable	23	57,053	35,724
Current tax liabilities		24,154	743,970
Provisions	26	18,393	17,219
Total current liabilities		<u>99,600</u>	<u>796,913</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	25	194,400	181,118
Provisions	27	18,973	16,813
Total non-current liabilities		<u>213,373</u>	<u>197,931</u>
<b>Total liabilities</b>		<u>312,973</u>	<u>994,844</u>
<b>Net assets</b>		<u>2,339,525</u>	<u>2,748,498</u>
<b>Equity</b>			
Contributed equity	28	81,426	63,427
Reserves	29(a)	406,304	337,458
Retained profits	29(b)	1,851,795	2,347,613
<b>Total equity</b>		<u>2,339,525</u>	<u>2,748,498</u>

The above balance sheets should be read in conjunction with the accompanying notes.

New Hope Corporation Limited and Controlled Entities

Statements of Changes in Equity  
for the year ended 31st July 2010

	Notes	Contributed Equity \$000	Reserves \$000	Retained Earnings \$000	Total \$000
<b>Balance at 1 August 2008</b>		<b>48,922</b>	<b>249,655</b>	<b>529,030</b>	<b>827,607</b>
<b>Total comprehensive income for the year</b>		-	91,703	1,950,392	2,042,095
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	28	14,505	-	-	14,505
Dividends provided for or paid	9	-	-	(67,018)	(67,018)
Special dividend paid	9	-	-	(64,791)	(64,791)
Net movement in share based payment reserve	29	-	(3,900)	-	(3,900)
		<u>14,505</u>	<u>(3,900)</u>	<u>(131,809)</u>	<u>(121,204)</u>
<b>Balance at 31 July 2009</b>		<b>63,427</b>	<b>337,458</b>	<b>2,347,613</b>	<b>2,748,498</b>
<b>Total comprehensive income for the year</b>		-	72,032	183,832	255,864
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	28	14,121	3,878	-	17,999
Dividends provided for or paid	9	-	-	(78,567)	(78,567)
Special dividend paid	9	-	-	(601,083)	(601,083)
Transfer from share based payment reserve to equity	29	3,878	(3,878)	-	-
Net movement in share based payment reserve	29	-	(3,186)	-	(3,186)
		<u>17,999</u>	<u>(3,186)</u>	<u>(679,650)</u>	<u>(664,837)</u>
<b>Balance at 31 July 2010</b>		<b>81,426</b>	<b>406,304</b>	<b>1,851,795</b>	<b>2,339,525</b>

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

New Hope Corporation Limited and Controlled Entities

**Cash Flow Statements**  
for the year ended 31st July 2010

	Notes	2010 \$000	2009 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers inclusive of GST		685,375	578,713
Receipt of GST on the sale of the Saraji coal project		-	245,000
Payments to suppliers and employees inclusive of GST		(476,151)	(323,151)
Payment of GST on the sale of the Saraji coal project		-	(245,000)
		<u>209,224</u>	<u>255,562</u>
Income taxes paid		(798,462)	(53,937)
<b>Net cash inflow / (outflow) from operating activities</b>	35	<u>(589,238)</u>	<u>201,625</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(81,280)	(113,781)
Payments for intangible assets		(6)	(438)
Payments for exploration and evaluation activities		(13,860)	(8,289)
Payments for available for sale financial assets		(39,672)	(8,414)
Proceeds from / (payments for) held to maturity investments		1,066,000	(2,187,036)
Proceeds from sale of property, plant and equipment		440	2,450,523
Costs incurred on disposal of the Saraji coal project		-	(29,670)
Interest received		209,589	32,631
<b>Net cash inflow / (outflow) from investing activities</b>		<u>1,141,211</u>	<u>135,526</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity		14,121	8,995
Dividends paid		(679,650)	(131,803)
<b>Net cash inflow / (outflow) from financing activities</b>		<u>(665,529)</u>	<u>(122,808)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(113,556)</b>	<b>214,343</b>
Cash and cash equivalents at the beginning of the financial year		220,348	9,691
Effects of exchange rate changes on cash and cash equivalents		(3,184)	(3,686)
<b>Cash and cash equivalents at the end of the financial year</b>	10	<u><u>103,608</u></u>	<u><u>220,348</u></u>

The above cash flow statements should be read in conjunction with the accompanying notes.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report covers New Hope Corporation Limited and its subsidiaries as the consolidated entity.

#### a. Basis of preparation of accounts

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

##### *(i) Compliance with International Financial Reporting Standards (IFRS)*

The consolidated financial statements of the New Hope Corporation Limited Group also comply with International Financial Reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### *(ii) Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and derivative instruments carried at fair value.

##### *(iii) Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

##### *(iv) Financial statement presentation*

The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group has had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### b. Principles of consolidation

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New Hope Corporation Limited ("Company" or "parent entity") as at 31st July 2010 and the results of all subsidiaries for the year then ended. New Hope Corporation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of New Hope Corporation Limited.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as comprising of the Board, Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO).

#### *Change in accounting policy*

The Group has adopted AASB 8 Operating Segments from 1 August 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

#### d. Foreign currency translation

##### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is New Hope Corporation Limited's functional and presentation currency.

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

##### *(iii) Group companies*

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rates at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on sale where applicable.

#### e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue where the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

- Coal sales revenue is recognised at the time the risks and benefits of ownership have been transferred to the customer in accordance with the sales terms. For export sales this is normally at the time of loading the shipment, and for domestic sales this is generally at the time the coal is delivered to the customer.
- Service fee income and management fee income is recognised as the services are performed.
- Interest income is recognised as it accrues using the effective interest method.
- Rental income is recognised on a straight line basis over the lease term.
- Dividend income is taken into profit when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence (note 1(i)).

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### f. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income, based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for the deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the company is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### *Investment allowances*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

#### *Tax consolidation legislation*

New Hope Corporation Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 August 2003.

The head entity, New Hope Corporation Limited, and the controlled entities in the tax consolidation Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation Group continues to be a stand alone tax payer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g. Exploration and evaluation expenditure

Exploration, evaluation and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. Costs are carried forward only if they relate to an area of interest for which rights of tenure are current and such costs are expected to be recouped through successful development and exploitation or from sale of the area.

Exploration and evaluation expenditure which does not satisfy these criteria is written off.

#### h. Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other 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 group's share 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 their 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.

#### *Change in accounting policy*

A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

#### i. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed annually for indications of impairment. Financial assets are reviewed annually to determine whether there is objective evidence that they are impaired. When there is an indication an asset is impaired, a formal assessment of the asset's recoverable amount is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment under value in use testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

#### j. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, excluding funds on deposit for which there is no short term identified use in the operating cashflows of the Group.

#### k. Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k. Trade receivables (continued)

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all of the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### l. Inventories

Coal stocks are valued at the lower of cost and net realisable value in the normal course of business. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Inventories of consumable supplies and spare parts expected to be used in production are valued at cost.

Work in progress is stated at the lower of cost and net realisable value.

#### m. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal Groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal Group) to fair value less cost to sell. A gain is recognised for any subsequent increases in fair value less cost to sell of an asset (or disposal Group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal Group) is recognised at the date of derecognition.

Assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale.

Assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from other assets in the balance sheet.

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

#### n. Investments and other financial assets

The Group classifies its financial assets in the following categories:

##### *(i) Available for sale financial assets*

Available for sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available for sale financial assets are initially recognised at fair value plus transaction costs. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity in the available for sale investments revaluation reserve. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### n. Investments and other financial assets (continued)

##### *(ii) Held to maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest method.

##### *(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, and subsequently at amortised cost less provisions for doubtful debts. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) and receivables (note 16) in the balance sheet.

#### o. Derivatives - Forward foreign exchange contracts

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

#### p. Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less the estimated credit adjustments of trade receivables and payables is assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### q. Property, plant and equipment

Property, plant and equipment, excluding investment property, is stated at historical cost less applicable depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### q. Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Depreciation is calculated so as to write off the cost of each item of property, plant and equipment during its expected economic life to the consolidated entity. Each item's useful life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources of the mine property at which the item is located. Estimates of residual values and remaining useful lives are made on an annual basis. Straight line method is predominately used. The expected useful life of plant and equipment is 4 to 20 years and buildings is 25 to 40 years. Land is not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### r. Mine properties, mine development costs, mining reserves and mining leases

Development expenditure incurred by the consolidated entity is accumulated separately for each area of interest in which economically recoverable mineral resources have been identified to the satisfaction of the Directors. Direct development expenditure, pre-operating mine start-up costs and an appropriate portion of related overhead expenditures are capitalised as mine development costs up until the relevant mine is in commercial production.

Mining reserves, leases and mine development costs are amortised over the estimated productive life of each applicable mine on either a unit of production basis or years of operation basis, as appropriate. Amortisation commences when a mine commences commercial production.

#### s. Investment property

The Investment property, principally comprising land, is held for long-term returns and is not occupied by the Group, and is carried at cost.

#### t. Intangible assets

##### *(i) IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised are external direct costs of materials and services. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

##### *(ii) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

#### u. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 45 days of recognition.

#### v. Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs for the construction of a qualifying asset are capitalised at the rate applicable for the facility used to construct the asset.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### w. Employee benefits

##### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability of annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### *(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *(iii) Share-based payments*

Share-based compensation benefits are provided to employees via the New Hope Corporation Limited Employee Share Option Plan. Information relating to this scheme is set out in note 38.

The fair value of options granted under the New Hope Corporation Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options. Options are exercisable by current employees during the nominated vesting period or by Directors' consent. Detailed vesting conditions are set out in the Directors' report.

The fair value at grant date is independently determined using a monte carlo option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect the market vesting condition, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity.

#### x. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds. The amounts of any capital returns are applied against contributed equity.

#### y. Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

#### z. Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

#### aa. Earnings per share

##### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus element in ordinary shares issued during the year.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### aa. Earnings per share (continued)

##### (ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### ab. Restoration, rehabilitation and environmental expenditure

Provisions are raised for restoration, rehabilitation and environmental expenditure as soon as an obligation exists, with the cost being charged to profit or loss in respect of ongoing rehabilitation. Where the obligation relates to decommissioning of assets and restoring the sites on which they are located, the costs are carried forward in the value of the asset and amortised over its useful life.

Provisions are measured at the present value of expected future cash outflows with future cash outflows reassessed on a regular basis. The present value is determined using an appropriate discount rate. The obligations include profiling, stabilisation and revegetation of the completed area, with cost estimates based on current statutory requirements and current technology.

#### ac. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### ad. Leases

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 income statement on a straight line basis over the period of the lease.

#### ae. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2010 reporting periods. The Group has elected not to early adopt these standards and interpretations. These standards and interpretations are not expected to have a material impact in future financial periods on any amounts recognised in the financial statements. A list of these standards and interpretations is as follows:

##### (i) AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 August 2010. As the Group has made no such transactions, there will be no impact on the Group's financial statements.

##### (ii) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The Group will apply the amended standard from 1 August 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ae. New accounting standards and interpretations (continued)

(iii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group has not yet decided when to adopt AASB 9.

#### af. Parent entity financial information

The financial information for the parent entity, New Hope Corporation Limited, disclosed in note 42 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial report of New Hope Corporation Limited. Dividends received from subsidiaries are recognised in the parent entity's income statement rather than being deducted from the carrying amount of these investments.

##### *Tax consolidation legislation*

New Hope Corporation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The head entity, New Hope Corporation Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, New Hope Corporation Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate New Hope Corporation Limited for any current tax payable assumed and are compensated by New Hope Corporation Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to New Hope Corporation Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out in accordance with written policies approved by the Board of Directors. These written policies cover specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of forward exchange contracts and investment of excess liquidity.

The Group holds the following financial instruments:	2010 \$000	2009 \$000
<b>Financial assets</b>		
Cash and cash equivalents	103,608	220,348
Trade and other receivables	49,913	41,062
Derivative financial instruments	27,348	22,682
Assets classified as held for sale	576,211	-
Available for sale financial assets	89,185	527,985
Held to maturity investments	1,312,863	2,486,666
Other financial assets	118	124
	<b>2,159,246</b>	<b>3,298,867</b>
<b>Financial liabilities</b>		
Trade and other payables	57,053	35,724
	<b>57,053</b>	<b>35,724</b>

#### a. Market risk

##### *(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from currency exposures to the US dollar.

Forward contracts are used to manage foreign exchange risk. Senior management is responsible for managing exposures in each foreign currency by using external forward currency contracts. Contracts are designated as cash flow hedges. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific future transactions.

The Group's risk management policy is to hedge up to 60% of anticipated transactions (export coal sales) in US dollars for the subsequent five years. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2010 USD \$000	2009 USD \$000
Cash and cash equivalents	50,494	12,219
Trade receivables	26,158	16,620
Forward exchange contracts - sell foreign currency (cash flow hedges)	239,000	257,000
Trade payables	9,415	-

##### *Group sensitivity*

Based on the trade receivables, cash and trade payables held at 31 July 2010, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by \$5,819,000/(\$4,761,000) (2009 - \$2,709,000/(\$2,216,000)), mainly as a result of foreign exchange gains/losses on translation of US dollar receivables and cash balances as detailed in the above table. The Group's equity as at balance date would have increased/(decreased) by the same amounts.

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 2. FINANCIAL RISK MANAGEMENT (continued)

##### a. Market risk (continued)

###### *(i) Foreign exchange risk (continued)*

Based on the forward exchange contracts held at 31 July 2010, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's equity would have increased/(decreased) by \$16,925,000/(\$20,686,000) (2009 - \$19,749,000/(\$24,138,000)). There is no effect on post-tax profits. Equity in 2010 is less sensitive to movements in the Australian dollar / USD exchange rates than in 2009 because of the decreased value of forward exchange contracts in 2010.

###### *(ii) Price risk*

The Group is exposed to equity securities price risk arising from certain investments held by the Group and classified on the balance sheet as available for sale.

The majority of the Group's equity investments are publicly traded and are included in the All Ordinaries Index. The table below summarises the impact of increases/decreases in the index on the Group's equity as at balance date. The analysis is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Index	Impact on post-tax profit		Impact on equity	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
All Ordinaries	-	-	49,380	40,288

The price risk for unlisted securities is immaterial in terms of the possible impact on total equity. It has therefore not been included in the sensitivity analysis.

###### *(iii) Fair value interest rate risk*

Refer to (e) below.

##### b. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to export and domestic customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The majority of customers, both export and domestic have long term relationships with the Group and sales are secured with long term supply contracts. Sales are secured by letters of credit when deemed appropriate. Derivative counterparties, held to maturity investments and cash transactions are limited to financial institutions with a rating of at least BBB. The Group has policies that limit the maximum amount of credit exposure to any one financial institution.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 24). Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The table below summarises the assets which are subject to credit risk.

	2010	2009
	\$000	\$000
Trade receivables	45,629	36,555
Cash at bank and short term bank	103,608	220,348
Held to maturity investments	1,312,863	2,486,666
Derivative financial instruments	27,348	22,682

##### c. Liquidity risk

Prudent liquidity risk management is adopted through maintaining sufficient cash and marketable securities, the ability to borrow funds from credit providers and to close-out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

###### *(i) Financing arrangements*

The Group has no current need of external funding lines.

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 2. FINANCIAL RISK MANAGEMENT (continued)

##### d. Maturity of financial liabilities

Non-derivative financial liabilities of the Group all mature within one year. The maturity Groupings of derivative financial instruments are detailed in note 37.

##### e. Cash flow and fair value interest rate risk

The Group currently has significant interest-bearing assets which are placed with reputable investment counterparties for up to 12 months. The company has a treasury investment policy approved by the Board which stipulates the maximum dollar exposure to each financial institution, and to the maximum percentage of funds that can be invested with an individual institution. Significant changes in market interest rates may have an effect on the Group's income and operating cash flows. The Group manages its cash flow interest rate risk by placing excess funds in term deposits and other fixed interest bearing assets. Refer to note 13 for details.

Based on the deposits held at balance date, the sensitivity to a 1% increase or decrease in interest rates would increase/(decrease) after tax profit by \$12,941,000 (2009 - \$16,048,000).

As the Group has no significant borrowings, its income statement and operating cash flows are substantially independent of changes in market interest lending rates.

##### f. Fair value measurements

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

As of 1 August 2009, New Hope Corporation Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b. 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) (level 2), and
- c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's assets measured and recognised at fair value at 31 July 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Assets</b>				
Derivatives used for hedging	-	27,348	-	27,348
Available for sale financial assets				
Equity securities	665,399	-	-	665,399
<b>Total assets</b>	665,399	27,348	-	692,747

The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the last sale price.

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provisions of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

##### a. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

###### *(i) Rehabilitation*

The Group makes estimates about the future cost of rehabilitating tenements which are currently disturbed, based on legislative requirements and current costs. Cost estimates take into account past experience and expectations of future events that are expected to alter past experiences. Any changes to legislative requirements could have a significant impact on the expenditure required to restore these areas.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### a. Critical accounting estimates and assumptions (continued)

##### (ii) *Determination of coal reserves and coal resources*

The Group estimates its coal reserves and coal resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the "JORC code"). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of decommissioning and restoration costs.

##### (iii) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(t). The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell or discounted cash flow calculation as appropriate. These calculations require the use of assumptions.

#### b. Critical judgements in applying the entity's accounting policies

##### (i) *Exploration and development expenditure*

During the year the entity capitalised various items of expenditure to the mine development and exploration expenditure asset account. The relevant items of expenditure were deemed to be part of the capital cost of developing future mining operations, which would then be amortised over the useful life of the mine. The key judgement applied in considering whether the costs should be capitalised, is that costs are expected to be recovered through either successful development or sale of the relevant mining interest.

##### (ii) *Investments in Planet Gas Limited and WestSide Corporation Limited*

The investments in Planet Gas Limited and WestSide Corporation Limited have been classified as "Available for sale financial assets" on the grounds that the Group does not exert significant influence over their operations.

### 4. FINANCIAL REPORTING SEGMENTS

#### **Business Segments (primary reporting format)**

The application of AASB 8 *Operating Segments* required the addition of new operating segments as described below. The comparative segment information has been restated and has been presented in conformity with the requirement of AASB 8 *Operating Segments*.

The Group has two reportable segments, namely coal mining - exploration, development, production, processing, associated transport infrastructure and ancillary activities; and investments (including cash, held to maturity investments and available for sale financial assets). Coal mining operations are managed as a single integrated coal chain including transportation and infrastructure.

The CODM is comprised of the Board, CEO, COO and CFO.

The reportable segments reflect how performance is measured, and decisions regarding allocations of resources are made by the CODM.

	Notes	Coal mining \$000	Investments \$000	Total \$000
<b>Year ended 31 July 2010</b>				
Total segment revenue	5	643,196	101,786	744,982
Reportable segment profit before income tax		142,797	101,786	244,583
Reportable segment assets		570,631	2,081,867	2,652,498
<b>Year ended 31 July 2009</b>				
Total segment revenue	5	540,834	159,951	700,785
Reportable segment profit before income tax		203,209	157,553	360,762
Reportable segment assets		508,343	3,234,999	3,743,342
		<b>2010 \$000</b>	<b>2009 \$000</b>	
Reconciliation of reportable segment profit and loss				
Total profit for reportable segments		244,583	360,762	
Non regular items		-	2,411,352	
Consolidated profit before income tax		244,583	2,772,114	

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010 \$000	2009 \$000
<b>5. REVENUE</b>		
<b>From continuing operations</b>		
Sales revenue		
Sale of goods	612,919	521,713
Services	13,822	14,475
	<u>626,741</u>	<u>536,188</u>
Other revenue		
Property rent	712	582
Interest	101,786	159,951
Sundry revenue	15,743	4,064
	<u>744,982</u>	<u>700,785</u>
<b>6. OTHER INCOME</b>		
<b>From continuing operations</b>		
Gain on sale of non-current assets (i)	<u>127</u>	<u>2,411,177</u>
Non regular items in Other Income includes:		
(i) Gain of sale of the New Saraji Project (note 39)	-	2,411,352
Tax expense	-	(723,266)
Profit after tax	<u>-</u>	<u>1,688,086</u>
<b>7. EXPENSES</b>		
Profit before income tax includes the following specific expenses:		
Foreign exchange gains and losses		
Net foreign exchange losses	<u>3,184</u>	<u>3,686</u>
Depreciation		
Buildings	252	126
Plant and equipment	28,085	20,454
	<u>28,337</u>	<u>20,580</u>
Amortisation		
Mining reserves and mine development	7,477	6,018
Port development	-	12
Software	2,169	2,012
	<u>9,646</u>	<u>8,042</u>
Other charges against assets		
Bad and doubtful debts	17	-
Impairment costs of held for sale investments	<u>-</u>	<u>2,398</u>
Exploration costs expensed	<u>13,402</u>	<u>7,693</u>
Defined contribution superannuation expense	<u>4,701</u>	<u>3,772</u>
Employee benefits expensed	<u>70,093</u>	<u>63,237</u>
Operating lease costs expensed	<u>2,011</u>	<u>1,641</u>

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 8. INCOME TAX EXPENSE

##### a. Tax consolidation legislation

New Hope Corporation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 August 2003. The accounting policy in relation to this legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, New Hope Corporation Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate New Hope Corporation Limited for any current tax payable assumed and are compensated by New Hope Corporation Limited for any tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to New Hope Corporation Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

	2010	2009
	\$000	\$000
<b>b. Income Tax Expense</b>		
Current tax	83,851	787,274
Deferred tax	(17,769)	39,011
Under / (over) provided in prior years	(5,331)	(4,563)
	<b>60,751</b>	<b>821,722</b>

Income tax expense is attributed to:

Profit from continuing operations	60,751	821,722
Aggregate income tax expense	<b>60,751</b>	<b>821,722</b>

Deferred income tax expense / (revenue) included in income tax expense comprises:

Decrease / (increase) in deferred tax assets	(1,471)	(1,340)
(Decrease) / increase in deferred tax liabilities	(16,298)	40,351
	<b>(17,769)</b>	<b>39,011</b>

##### c. Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax	244,583	2,772,114
Income tax calculated at 30% (2009 - 30%)	73,375	831,634
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payment expense	(6,315)	(4,808)
Investment allowance	(1,706)	(1,654)
Sundry items	728	1,113
	<b>66,082</b>	<b>826,285</b>
Under / (over) provided prior year	(5,331)	(4,563)
<b>Income tax expense</b>	<b>60,751</b>	<b>821,722</b>

##### d. Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

Net deferred tax - credited / (debited) directly to equity (note 25)	(31,051)	(39,191)
	<b>(31,051)</b>	<b>(39,191)</b>

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

	2010	2009
	\$000	\$000
<b>9. DIVIDENDS - New Hope Corporation Limited</b>		
<b>a. Ordinary dividend paid</b>		
2008 final dividend of 3.5 cents per share - 100% franked at a tax rate of 30% (paid on 11 Nov 2008)	-	28,346
2008 special dividend of 8.0 cents per share - 100% franked at a tax rate of 30% (paid on 11 Nov 2008)	-	64,791
2009 interim dividend of 4.75 cents per share - 100% franked at a tax rate of 30% (paid on 6 May 2009)	-	38,672
2009 final dividend of 4.5 cents per share - 100% franked at a tax rate of 30% (paid on 10 Nov 2009)	37,180	-
2009 special dividend of 72.75 cents per share - 100% franked at a tax rate of 30% (paid on 10 Nov 2009)	601,083	-
2010 interim dividend of 5.00 cents per share - 100% franked at a tax rate of 30% (paid on 5 May 2010)	41,387	-
<b>Total dividends paid</b>	<b>679,650</b>	<b>131,809</b>

### b. Proposed dividends

In addition to the above dividends, since the end of the financial year, the Directors have declared a final dividend of 4.50 cents and a special dividend of 14.00 cents per fully paid share, (2009 - 4.50 cents per share and 72.75 cents per share respectively). Both dividends are fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 9 November 2010 but not recognised as a liability at year end is \$153,592,652 (2009 - \$638,263,099).

### c. Franked dividends

The franked portions of the final dividends recommended after 31 July 2010 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2010

Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	544,271	757,030
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The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for franking credits that will arise from the payment of provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$65,825,422 (2009 - \$273,541,328).

### d. Dividend reinvestment plans

There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.

	2010	2009
	\$000	\$000
<b>10. CURRENT ASSETS - Cash and cash equivalents</b>		
Cash at bank and on hand	103,608	220,348
	<b>103,608</b>	<b>220,348</b>

### a. Cash at bank and on hand

Cash at bank and on hand includes deposits for which there is a short term identified use in the operating cashflows of the group, and attracts interest at rates between 0% and 4.8% (2009 - 0% to 3.6%).

### b. Risk exposure

Information about the group's exposure to foreign exchange risk and credit risk is detailed in note 2.

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2010**

	2010 \$000	2009 \$000
<b>11. CURRENT ASSETS - Receivables</b>		
Trade receivables	35,236	26,944
Provision for impairment of receivables (a)	(48)	(31)
	35,188	26,913
Other receivables (c)	7,408	7,086
Prepayments	3,033	2,556
	45,629	36,555
<b>a. Impaired trade receivables</b>		
Nominal value of impaired receivables	48	31
Provision for impairment	48	31

The individually impaired receivables relate to customers in receivership. Prior year amounts are fully provided for and current year amounts are 91% provided for. There were no impaired receivables in 2008 or 2007. The provisions above were raised in the 2006, 2007 and 2010 financial years.

The aging of these receivables is as follows:

1 to 3 months	-	-
4 to 6 months	29	-
Over 6 months	19	31
	48	31

Movements in the provision for impairment of receivables

Carrying amount at beginning of year	31	32
Provision for impairment recognised during year	29	-
Receivables written off during year as uncollectible	(12)	(1)
	48	31

**b. Past due but not impaired**

As of 31 July 2010, certain trade receivables were past due but not impaired. These relate to customers who have no recent history of default.

The aging of these receivables is as follows:

1 to 3 months	-	-
4 to 6 months	-	-
	-	-

**c. Other receivables**

These amounts relate to long service leave payments recoverable from the Coal Mining Industry Long Service Leave Fund, diesel fuel rebates receivable and GST refunds receivable.

**d. Foreign exchange and interest rate risk**

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

**e. Fair value and credit risk**

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Information about the group's exposure to fair value and credit risk in relation to trade and other receivables is provided in note 2.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010	2009
	\$000	\$000
<b>12. CURRENT ASSETS - Inventories</b>		
Coal stocks at cost	29,355	23,782
Raw materials and stores at cost	15,760	15,275
	45,115	39,057

**a. Inventory expense**

Inventories recognised as an expense during the year ended 31 July 2010 amounted to \$195,034,000 (2009 - \$134,897,000).

**13. CURRENT ASSETS - Held to maturity investments**

Term Deposits	1,312,863	2,486,666
	1,312,863	2,486,666

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 5.43% (2009 - 6.43%). Due to their short-term nature their carrying value is assumed to approximate their fair value. Information about the Group's exposure to credit risk is disclosed in note 2.

**14. CURRENT ASSETS - Other**

Security deposits	118	124
	118	124

**15. CURRENT ASSETS - Current assets classified as held for sale**

At beginning of year	-	-
Transfer from available for sale assets	576,211	-
At end of year	576,211	-

Listed securities

Equity securities *	576,211	-
	576,211	-

\* Comprises the investment in Arrow Energy Limited which at 31 July 2010 was valued at \$576,211,000 (2009 - nil).

Information about the group's exposure to price risk is included in note 2.

Information about the sale of the investment in Arrow Energy is included in note 40.

**16. NON-CURRENT ASSETS - Receivables**

Prepayments	2,789	3,305
Other receivables	1,495	1,202
	4,284	4,507

**a. Interest rate risk**

In both the current and prior year all non-current receivables are non-interest bearing.

**b. Fair value of receivables**

The fair value of receivables approximates their carrying amounts.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010 \$000	2009 \$000
<b>17. NON-CURRENT ASSETS - Available for sale financial assets</b>		
At beginning of year	527,982	398,335
Additions	39,177	8,414
Impairment of investment	-	(2,398)
Revaluation surplus transfer to equity	98,234	123,631
Transfer to assets held for sale	(576,211)	-
At end of year	<u>89,182</u>	<u>527,982</u>
Listed securities		
Equity securities	89,182	527,982
Unlisted securities		
Equity securities	3	3
	<u>89,185</u>	<u>527,985</u>
<b>18. NON-CURRENT ASSETS - Property, plant and equipment</b>		
Land and buildings - non-mining		
Freehold land at cost	1,049	1,049
Buildings at cost	5,607	5,603
Accumulated depreciation	(393)	(76)
	<u>5,214</u>	<u>5,527</u>
Total land and buildings - non-mining	<u>6,263</u>	<u>6,576</u>
Land and buildings - held for mining		
Freehold land at cost	102,722	96,251
Buildings at cost	5,161	4,921
Accumulated depreciation	(608)	(673)
	<u>4,553</u>	<u>4,248</u>
Total land and buildings - held for mining	<u>107,275</u>	<u>100,499</u>
Plant and equipment		
Plant and equipment at cost	406,229	335,270
Accumulated depreciation	(161,167)	(136,514)
	<u>245,062</u>	<u>198,756</u>
Motor vehicles		
Motor vehicles at cost	5,268	4,194
Accumulated depreciation	(2,168)	(1,841)
	<u>3,100</u>	<u>2,353</u>
Mining reserves and leases		
Mining reserves and leases at cost	9,813	9,813
Accumulated amortisation	(6,700)	(6,366)
	<u>3,113</u>	<u>3,447</u>
Mine properties, mine development		
Mine properties, mine development at cost	59,286	53,071
Accumulated amortisation	(31,170)	(24,027)
	<u>28,116</u>	<u>29,044</u>
Plant and equipment under construction	45,094	53,683
Total Property, plant and equipment	<u>438,023</u>	<u>394,358</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010 \$000	2009 \$000
<b>18. NON-CURRENT ASSETS - Property, plant and equipment (continued)</b>		
<b>Reconciliations</b>		
Land and buildings - non-mining		
Carrying amount at beginning of year	6,576	-
Additions	-	6,254
Depreciation	(149)	(76)
Transfers in/(out)	(164)	398
Carrying amount at end of year	<u>6,263</u>	<u>6,576</u>
Land and buildings - held for mining		
Carrying amount at beginning of year	100,499	92,538
Additions	6,428	7,251
Disposals	(1)	-
Depreciation	(103)	(62)
Transfers in/(out)	452	772
Carrying amount at end of year	<u>107,275</u>	<u>100,499</u>
Plant and equipment		
Carrying amount at beginning of year	198,756	178,256
Additions	3,965	41,125
Disposals	(204)	(256)
Depreciation	(27,075)	(19,607)
Transfers in/(out)	69,620	(762)
Carrying amount at end of year	<u>245,062</u>	<u>198,756</u>
Motor vehicles		
Carrying amount at beginning of year	2,353	2,097
Additions	45	1,251
Disposals	(279)	(148)
Depreciation	(1,010)	(847)
Transfers in/(out)	1,991	-
Carrying amount at end of year	<u>3,100</u>	<u>2,353</u>
Mining reserves and leases		
Carrying amount at beginning of year	3,447	4,077
Amortisation	(334)	(630)
Carrying amount at end of year	<u>3,113</u>	<u>3,447</u>
Mine properties and mine development		
Carrying amount at beginning of year	29,044	24,923
Additions	4,283	8,725
Disposals	(38)	-
Amortisation	(7,143)	(5,388)
Transfers in/(out)	1,970	784
Carrying amount at end of year	<u>28,116</u>	<u>29,044</u>
Plant and equipment under construction		
Carrying amount at beginning of year	53,683	7,857
Additions	66,568	47,038
Disposals	(492)	-
Transfers in/(out)	(74,665)	(1,212)
Carrying amount at end of year	<u>45,094</u>	<u>53,683</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010 \$000	2009 \$000
<b>19. NON-CURRENT ASSETS - Exploration and evaluation</b>		
Exploration and evaluation at cost	3,030	2,572
	3,030	2,572
<b>Reconciliation</b>		
Carrying amount at beginning of year	2,572	1,976
Additions	458	596
Carrying amount at end of year	3,030	2,572
<b>20. NON-CURRENT ASSETS - Investment property</b>		
Freehold land at cost	-	35
	-	35
<b>Reconciliation</b>		
Carrying amount at beginning of year	35	35
Disposals	(35)	-
Carrying amount at end of year	-	35
<b>a. Amounts recognised in profit and loss for Investment property</b>		
Rental income	-	12
Direct operating expenses from income generating properties	-	(2)
	-	10
<b>b. Contractual obligations</b>		
There are no contractual obligations to purchase, construct or develop Investment property or for any repairs, maintenance or enhancements.		
<b>21. NON-CURRENT ASSETS - Deferred tax assets</b>		
The balance comprises temporary differences attributed to :		
Amounts recognised in profit and loss		
Accrued expenses	197	312
Employee benefits	3,817	3,152
Mine site rehabilitation provision	5,926	5,376
Other	1,501	1,130
	11,441	9,970
Set-off of deferred tax liabilities pursuant to set-off provisions (note 25)	(11,441)	(9,970)
Net deferred tax assets	-	-
<b>Movements</b>		
Carrying amount at beginning of year	9,970	8,630
Credited / (charged) to the income statement	1,471	1,340
Carrying amount at end of year	11,441	9,970
Deferred tax assets to be recovered after more than 12 months	10,862	9,343
Deferred tax assets to be recovered within 12 months	579	627
	11,441	9,970

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010 \$000	2009 \$000
<b>22. NON-CURRENT ASSETS - Intangibles</b>		
Software		
Software at cost *	7,271	6,475
Accumulated amortisation	<u>(5,783)</u>	<u>(3,618)</u>
	<u>1,488</u>	<u>2,857</u>
Goodwill		
Goodwill at cost	<u>5,596</u>	<u>5,596</u>
	<u>5,596</u>	<u>5,596</u>
Total Intangibles	<u>7,084</u>	<u>8,453</u>

**Reconciliation**

Software *		
Carrying amount at beginning of year	2,857	4,418
Additions	6	438
Disposals	(2)	(7)
Transfers in/(out)	796	20
Amortisation **	<u>(2,169)</u>	<u>(2,012)</u>
Carrying amount at end of year	<u>1,488</u>	<u>2,857</u>

\* Software includes capitalised development costs, being an intangible asset.

\*\* Amortisation is included in cost of sales in profit or loss.

Goodwill		
Carrying amount at beginning of year	<u>5,596</u>	<u>5,596</u>
Carrying amount at end of year	<u>5,596</u>	<u>5,596</u>

Goodwill relates to the acquisition of a subsidiary from an independent third party in an arms length transaction based on the market value for the entity as at the date of acquisition. Since that date there have been no adverse movements in the key assumptions used in that market value, namely expected future throughput and revenues, and anticipated asset life.

**23. CURRENT LIABILITIES - Accounts payable**

Trade payables and accruals	<u>57,053</u>	<u>35,724</u>
	<u>57,053</u>	<u>35,724</u>

**24. CURRENT LIABILITIES - Borrowings**

**a. Financing arrangements**

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

Total facilities		
Other facilities (i)	<u>55,540</u>	<u>44,247</u>
	<u>55,540</u>	<u>44,247</u>
Used at balance date		
Other facilities	<u>36,748</u>	<u>28,219</u>
	<u>36,748</u>	<u>28,219</u>
Unused at balance date		
Other facilities	<u>18,792</u>	<u>16,028</u>
	<u>18,792</u>	<u>16,028</u>

(i) Other facilities are only in relation to bank guarantees, are unsecured, for no fixed term and bear variable rates.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010 \$000	2009 \$000
<b>24. CURRENT LIABILITIES - Borrowings (continued)</b>		
<b>b. Guarantees</b>		
The parent entity has given unsecured guarantees in respect of:		
(i) Mining restoration and rehabilitation	22,401	13,747
The liability has been recognised by the consolidated entity in relation to its rehabilitation obligations. See notes 26, 27 and 1(ab).		
(ii) Statutory body suppliers	14,347	14,470
No liability was recognised by the consolidated entity in relation to these guarantees as no losses are foreseen on these contingent liabilities.		
<b>25. NON-CURRENT LIABILITIES - Deferred tax liabilities</b>		
The balance comprises temporary differences attributed to:		
Amounts recognised in profit and loss		
Other accounts receivable	21,112	39,156
Inventories	4,754	4,410
Property plant and equipment	11,622	10,044
Mine reserves	934	1,034
Other	2,362	489
	<u>40,784</u>	<u>55,133</u>
Amounts recognised directly in equity		
Cash flow hedges	8,204	6,805
Property plant and equipment	7,160	7,160
Available for sale financial assets	149,693	121,990
	<u>205,841</u>	<u>191,088</u>
Set-off of deferred tax assets pursuant to set-off provisions (note 21)	(11,441)	(9,970)
Net deferred tax liabilities	<u>194,400</u>	<u>181,118</u>
Carrying amount at beginning of year	191,088	111,546
Charged / (credited) to the income statement	(16,298)	40,351
Charged / (credited) to equity	31,051	39,191
Carrying amount at end of year	<u>205,841</u>	<u>191,088</u>
Deferred tax liabilities to be settled after more than 12 months	179,975	147,522
Deferred tax liabilities to be settled within 12 months	25,866	43,566
	<u>205,841</u>	<u>191,088</u>

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

	2010	2009
	\$000	\$000
<b>26. CURRENT LIABILITIES - Provisions (continued)</b>		
Employee benefits (c)	15,940	14,766
Mining restoration and rehabilitation (note 1(ab))	2,453	2,453
	18,393	17,219
<b>a. Mining restoration and rehabilitation</b>		
Current	2,453	2,453
Non-current	17,299	15,466
	19,752	17,919
<b>Movements</b>		
Carrying amount at beginning of year	17,919	13,431
Additional provision recognised	1,833	4,488
Carrying amount at end of year	19,752	17,919
<b>b. Amounts not expected to be settled within the next 12 months</b>		
Long service leave obligations expected to be settled after 12 months	3,662	4,642

c. The current provision for employee benefits includes accrued annual leave, vested sick leave and long service leave for all unconditional settlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payment in certain circumstances. The entire amount is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

#### 27. NON-CURRENT LIABILITIES - Provisions

Employee benefits	1,674	1,347
Mining restoration and rehabilitation (note 1(ab))	17,299	15,466
	18,973	16,813

#### 28. CONTRIBUTED EQUITY

##### a. Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. As at 31 July 2010 there were 2,500,000 (2009 - 13,718,000) options (management and shareholder) over ordinary shares in the company.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

##### b. Options

Information relating to the New Hope Corporation Employee Share Option Plan (management options), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 38.

Ordinary options were issued to shareholders as part of the initial public offering in 2003. Options were exercisable until 10 September 2008 at an exercise price of \$0.35.

	2010	2010	2009	2009
	No. of shares	\$000	No. of shares	\$000
<b>c. Share Capital</b>				
Issued and paid up capital	827,730,549	81,426	816,512,549	63,427

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 28. CONTRIBUTED EQUITY (continued)

##### d. Movements in share capital

Date	Details	Number of Shares	Issue Price	\$000
1 August 2008	Opening Balance	808,634,679		48,922
18 September 2008	Exercise of ordinary options	471,548	\$0.35000	165
18 September 2008	Exercise of ordinary options	259,479	\$0.35000	91
26 September 2008	Exercise of ordinary options	64,843	\$0.35000	23
18 September 2008	Exercise of management options	200,000	\$1.19800	240
14 October 2008	Exercise of management options	237,500	\$1.19800	284
13 January 2009	Exercise of management options	250,000	\$1.23500	309
14 January 2009	Exercise of management options	1,500,000	\$1.23500	1,853
30 January 2009	Exercise of management options	250,000	\$1.23500	309
10 February 2009	Exercise of management options	170,000	\$1.23500	210
17 February 2009	Exercise of management options	150,000	\$1.23500	185
31 March 2009	Exercise of management options	350,000	\$1.23500	432
3 April 2009	Exercise of management options	290,000	\$1.23500	358
7 April 2009	Exercise of management options	400,000	\$1.23500	494
17 April 2009	Exercise of management options	87,500	\$1.19800	105
17 April 2009	Exercise of management options	510,000	\$1.23500	630
17 April 2009	Exercise of management options	312,000	\$1.23500	385
24 April 2009	Exercise of management options	150,000	\$1.23500	185
5 May 2009	Exercise of management options	50,000	\$1.23500	62
8 July 2009	Exercise of management options	90,000	\$1.23500	111
8 July 2009	Exercise of management options	275,000	\$1.19800	329
28 July 2009	Exercise of management options	300,000	\$1.23500	370
28 July 2009	Exercise of management options	600,000	\$1.23500	741
29 July 2009	Exercise of management options	910,000	\$1.23500	1,124
31 July 2009	Transfer of ESOP reserve to Equity			5,510
<b>31 July 2009</b>	<b>Balance</b>	<b>816,512,549</b>		<b>63,427</b>
13 August 2009	Exercise of management options	150,000	\$1.2350	185
17 August 2009	Exercise of management options	250,000	\$1.2350	309
28 August 2009	Exercise of management options	750,000	\$1.2350	926
14 September 2009	Exercise of management options	750,000	\$1.2350	926
23 September 2009	Exercise of management options	850,000	\$1.2350	1,050
28 September 2009	Exercise of management options	75,000	\$1.2350	93
30 September 2009	Exercise of management options	1,250,000	\$1.2350	1,544
2 October 2009	Exercise of management options	1,338,000	\$1.2350	1,652
5 October 2009	Exercise of management options	500,000	\$1.2880	644
8 October 2009	Exercise of management options	100,000	\$1.2350	123
9 October 2009	Exercise of management options	2,605,000	\$1.2350	3,217
14 October 2009	Exercise of management options	600,000	\$1.2350	741
20 October 2009	Exercise of management options	500,000	\$1.2350	618
31 January 2010	Transfer of ESOP reserve to Equity			3,381
9 February 2010	Exercise of management options	750,000	\$1.4130	1,060
23 February 2010	Exercise of management options	250,000	\$1.4130	353
7 April 2010	Exercise of management options	500,000	\$1.3600	680
31 July 2010	Transfer of ESOP reserve to Equity			497
<b>31 July 2010</b>	<b>Balance</b>	<b>827,730,549</b>		<b>81,426</b>

##### e. Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or source debt to fund growth projects.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010	2009
	\$000	\$000
<b>29. RESERVES</b>		
<b>a. Reserves</b>		
Capital profits	1,343	1,343
Capital redemption	2,800	2,800
Available-for-sale investments revaluation	353,615	284,851
Property, plant and equipment revaluation	27,412	27,412
Hedging	19,145	15,877
Share-based payments	1,989	5,175
	406,304	337,458
<b>Movements</b>		
<b>Capital profits</b>		
Carrying amount at beginning of year	1,343	1,343
Carrying amount at end of year	1,343	1,343
<b>Capital redemption</b>		
Carrying amount at beginning of year	2,800	2,800
Carrying amount at end of year	2,800	2,800
<b>Available for sale investments revaluation</b>		
Carrying amount at beginning of year	284,851	198,247
Revaluation - gross	98,234	123,720
Revaluation - deferred tax	(29,470)	(37,116)
Carrying amount at end of year	353,615	284,851
<b>Property, plant and equipment revaluation</b>		
Carrying amount at beginning of year	27,412	27,412
Carrying amount at end of year	27,412	27,412
<b>Hedging</b>		
Carrying amount at beginning of year	15,877	10,778
Transfer to net profit - gross	(28,151)	40,588
Transfer to net profit - deferred tax	8,445	(12,176)
Revaluation - gross	32,820	(33,304)
Revaluation - deferred tax	(9,846)	9,991
Carrying amount at end of year	19,145	15,877
<b>Share-based payment</b>		
Carrying amount at beginning of year	5,175	9,075
Option expense	692	1,610
Transfer to contributed equity	(3,878)	(5,510)
Carrying amount at end of year	1,989	5,175

**Nature and purpose of reserves**

Capital profits

This reserve represents amounts allocated from retained profits that were profits of a capital nature.

Capital redemption

This reserve represents amounts allocated from retained profits that were preserved for capital redemption.

Available for sale investments revaluation

Changes in the fair value of investments classified as available for sale financial assets are taken to this reserve, as described in note 1(n). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Property, plant and equipment revaluation

This reserve represents the revaluation arising on the fair value uplift of property, plant and equipment on the initial holding of Queensland Bulk Handling Pty Ltd further to the acquisition of the second 50% of this company.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2010

### 29. RESERVES (continued)

#### Nature and purpose of reserves (continued)

##### Hedging

The hedging reserve is used to record the gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

##### Share based payment reserve

The share based payment reserve is used to recognise the fair value of options issued, but not yet exercised.

	2010	2009
	\$000	\$000
<b>b. Retained profits</b>		
Carrying amount at beginning of year	2,347,613	529,030
Net profit after income tax	183,832	1,950,392
Dividends paid (note 9)	(679,650)	(131,809)
Carrying amount at end of year	1,851,795	2,347,613

### 30. CONTINGENT LIABILITIES

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

	2010	2009
	\$000	\$000
<u>Controlled entities</u>		
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.	14,454	14,528

No losses are anticipated in respect of any of the above contingent liabilities.

### 31. COMMITMENTS

#### a. Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

##### **Property plant and equipment**

	2010	2009
	\$000	\$000
Within one year	10,934	51,408
Later than one year but not later than five years	-	-
Later than five years	-	-
	10,934	51,408

#### b. Lease commitments: Group as lessee

##### (i) Non-cancellable operating leases

The Group leases port facilities under non-cancellable operating leases expiring within one to nineteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2010	2009
Within one year	2,888	2,496
Later than one year but not later than five years	13,085	12,423
Later than five years	60,368	53,001
	76,341	67,920

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 32. KEY MANAGEMENT PERSONNEL DISCLOSURES

##### a. Directors

The following persons were Directors of New Hope Corporation Limited during the financial year:

##### Chairman - non-executive

Mr R.D. Millner

##### Non executive Directors

Mr P.R. Robinson

Mr D.J. Fairfull

Mr D.C. Williamson

Mr W.H. Grant

##### Executive Directors

Mr R.C. Neale                      Chief Executive Officer and Managing Director

##### b. Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Mr M.L. Bailey (1)	Chief Operations Officer & Acting Chief Financial Officer	New Hope Corporation Limited
Mr S.O. Stephan (2)	Chief Financial Officer	New Hope Corporation Limited
Mr B.J. Garland	General Manager - Resource Development	New Hope Corporation Limited
Mr D. Brown-Kenyon (3)	General Manager - Corporate Development & Government Relations	New Hope Corporation Limited
Mr C.C. Hopkins	General Manager - Marketing	New Hope Corporation Limited
Mr C.W. Easton	General Manager - Business Improvement	New Hope Corporation Limited

(1) Mr Bailey was appointed acting Chief Financial Officer effective 16 March 2009 to 31 August 2009

(2) Mr Stephan was appointed Chief Financial Officer with effect 31 August 2009

(3) Mr Brown-Kenyon resigned with effect 19 March 2010

##### c. Key management personnel compensation

	2010	2009
	\$	\$
Short-term employee benefits	4,378,082	7,155,910
Long-term employee benefits	21,921	26,048
Post employment benefits	142,779	124,432
Termination benefits	308,776	202,201
Share based payment	644,321	1,017,510
	<u>5,495,879</u>	<u>8,526,101</u>

Detailed remuneration disclosures can be found in sections (a) to (e) of the remuneration report on pages 13 to 17.

##### d. Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options, can be found in section (d) of the remuneration report on pages 13 to 17.

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2010**

**32. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**d. Equity instrument disclosures relating to key management personnel (continued)**

*(ii)* Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of New Hope Corporation Limited and other key management personnel of the Group, including their personally related entities are as follows:

	Opening balance	Movements during the year			Closing balance	Vested & exercisable
		Granted	Purchased / (Sold)	Exercised		
<b>Directors of New Hope Corporation Ltd - 2010</b>						
Mr R.D. Millner	-	-	-	-	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	-	-	-	-	-	-
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
Mr R.C. Neale	2,000,000	-	-	(2,000,000)	-	-
<b>Other key management personnel of the Group - 2010</b>						
Mr M.L. Bailey	1,500,000	-	-	-	1,500,000	-
Mr S.O. Stephan	-	-	-	-	-	-
Mr B.J. Garland	1,000,000	-	-	-	1,000,000	-
Mr D. Brown-Kenyon	1,250,000	-	-	(1,250,000)	-	-
Mr C.C. Hopkins	1,250,000	-	-	(1,250,000)	-	-
Mr C.W. Easton	1,000,000	-	-	(1,000,000)	-	-
<b>Directors of New Hope Corporation Ltd - 2009</b>						
Mr R.D. Millner	-	-	-	-	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	1,000	-	-	(1,000)	-	-
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
Mr R.C. Neale	2,000,000	-	-	-	2,000,000	2,000,000
<b>Other key management personnel of the Group - 2009</b>						
Mr M.L. Bailey	1,500,000	-	-	-	1,500,000	-
Mr P.K. Mantell	1,500,000	-	-	(1,500,000)	-	-
Mr B.J. Garland	1,000,000	-	-	-	1,000,000	-
Mr D. Brown-Kenyon	1,250,000	-	-	-	1,250,000	1,250,000
Mr C.C. Hopkins	1,250,000	-	-	-	1,250,000	1,250,000
Mr C.W. Easton	1,000,000	-	-	-	1,000,000	500,000

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 32. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

##### d. Equity instrument disclosures relating to key management personnel (continued)

##### (iii) Share holdings

The number of shares in the company held during the financial year by each Director of New Hope Corporation Limited and other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation.

	Opening balance	Purchased / (sold)	Movements during the year		Closing balance
			Received from options exercised	Other	
<b>Directors of New Hope Corporation Ltd - 2010</b>					
Mr R.D. Millner	3,570,573	50,000	-	-	3,620,573
Mr P.R. Robinson	67,447	41,787	-	-	109,234
Mr D.J. Fairfull	11,000	-	-	-	11,000
Mr D.C. Williamson	20,000	-	-	-	20,000
Mr W.H. Grant	20,000	-	-	-	20,000
Mr R.C. Neale	1,005,500	(1,000,000)	2,000,000	-	2,005,500
<b>Other key management personnel of the Group - 2010</b>					
Mr M.L. Bailey	-	5,000	-	-	5,000
Mr S.O. Stephan	-	-	-	-	-
Mr B.J. Garland	-	-	-	-	-
Mr D. Brown-Kenyon	850,000	(2,100,000)	1,250,000	-	-
Mr C.C. Hopkins	-	(1,212,770)	1,250,000	-	37,230
Mr C.W. Easton	-	-	1,000,000	-	1,000,000
<b>Directors of New Hope Corporation Ltd - 2009</b>					
Mr R.D. Millner	3,190,573	380,000	-	-	3,570,573
Mr P.R. Robinson	57,357	10,090	-	-	67,447
Mr D.J. Fairfull	10,000	-	1,000	-	11,000
Mr D.C. Williamson	20,000	-	-	-	20,000
Mr W.H. Grant	20,000	-	-	-	20,000
Mr R.C. Neale	1,005,500	-	-	-	1,005,500
<b>Other key management personnel - 2009</b>					
Mr M.L. Bailey	-	-	-	-	-
Mr P.K. Mantell	927,500	-	1,500,000	-	2,427,500
Mr B.J. Garland	-	-	-	-	-
Mr D. Brown-Kenyon	850,000	-	-	-	850,000
Mr C.C. Hopkins	-	-	-	-	-
Mr C.W. Easton	-	-	-	-	-

The Directors and their related entities received dividends during the year in respect of their shareholdings in the Company consistent with other shareholders.

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 32. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

##### e. Other transactions of key management personnel

Mr D.J. Fairfull is a Director of New Hope Corporation Limited. Mr Fairfull also had an interest in Pitt Capital Partners Limited which acted as Financial Advisor to the Company for various corporate transactions during the 2010 and 2009 financial year. All transactions are based on normal commercial terms and conditions.

Mr K.P. Standish is a Director of certain subsidiaries of New Hope Corporation Limited. Mr Standish is a partner in the firm Campbell Standish Partners Solicitors which has provided legal services to New Hope Corporation Limited and its subsidiaries for several years. All transactions are based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with key management personnel were as follows:

	2010	2009
	\$	\$
Legal advice	997,499	920,771
Financial advice fees paid	685,239	31,900,000

##### f. Loans to key management personnel

No loans have been made available to the key management personnel of the Group.

#### 33. RELATED PARTY TRANSACTIONS

##### a. Parent entities

The parent entity within the Group is New Hope Corporation Limited. The ultimate Australian parent entity and controlling entity is Washington H. Soul Pattinson & Company Limited (WHSP) which at 31st July 2010 owned 59.89% (2009 - 60.71%) of the issued ordinary shares of New Hope Corporation Limited.

##### b. Key management personnel

Disclosures relating to key management personnel are set out in note 32.

##### c. Transactions with related parties

###### Other transactions

	2010	2009
	\$	\$
Dividends paid to ultimate Australian controlling entity (WHSP)	407,710,304	80,435,668

##### d. Outstanding balances arising from sales / purchases of goods and services

No provisions for doubtful debts have been raised to any outstanding balances. A bad debts expense of \$nil (2009 - \$436,699) has been recognised in the books of the parent entity in respect of amounts owing from subsidiaries. This has no effect on the Group result.

##### e. Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

	2010	2009
	\$	\$

#### 34. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

##### a. Audit services

PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the *Corporations Act 2001*

###### Total remuneration for audit services

	279,629	250,033
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	279,629	250,033
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##### b. Other services

PricewaterhouseCoopers Australian firm

Transaction advisory services

General advisory services

Tax compliance services

Research and development compliance services

###### Total remuneration for other services

	421,822	833,922
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	144,371	73,311
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	249,899	311,150
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	216,864	207,783
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	1,032,956	1,426,166
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New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

	2010	2009
	\$000	\$000
<b>35. RECONCILIATION OF NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX</b>		
<b>Profit after income tax</b>	183,832	1,950,392
Depreciation and amortisation	37,983	28,622
Non-cash employee benefit expense - share based payments	692	1,610
Impairment costs of held for sale assets	-	2,398
Net foreign exchange (gain) / loss	3,184	3,686
Net (profit) / loss on sale of non-current assets	(127)	(2,411,177)
Investment interest income	(101,786)	(159,951)
Exploration and evaluation expenses	13,402	7,693
Income taxes paid	(798,462)	(53,937)
Income tax expense in accounts	60,751	821,722
Changes in operating assets and liabilities		
(Increase) / decrease in debtors	(8,597)	(3,775)
Increase / (decrease) in creditors	22,862	18,670
(Increase) / decrease in other receivables	(293)	15
(Increase) / decrease in forward overburden and stripping costs	-	1,382
(Increase) / decrease in other assets	6	-
(Increase) / decrease in inventories	(6,058)	(12,443)
Increase / (decrease) in provisions and employee entitlements	3,334	6,279
(Increase) / decrease in prepayments	39	439
<b>Net cash provided by operating activities</b>	<u>(589,238)</u>	<u>201,625</u>
	<b>Earnings per share (cents)</b>	
<b>36. EARNINGS PER SHARE</b>	<b>2010</b>	<b>2009</b>
a. Basic earnings per share from continuing operations attributable to ordinary equity holders of the Company	22.3	240.3
b. Diluted earnings per share from continuing operations attributable to ordinary equity holders of the Company	22.2	236.7
	<b>Basic and Diluted</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>
c. <b>Reconciliation of adjusted profits</b>		
Profit from continuing operations attributable to the ordinary equity holders of the Company	183,832	1,950,392
	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
d. <b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares (basic)	825,292,601	811,614,188
Options	3,251,888	12,210,042
Weighted average number of ordinary shares (diluted)	<u>828,544,489</u>	<u>823,824,230</u>
e. Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 38.		

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

	2010	2009
	\$000	\$000
<b>37. DERIVATIVE FINANCIAL INSTRUMENTS</b>		
<b>CURRENT ASSETS</b>		
Forward foreign exchange contracts	15,673	14,525
<b>NON-CURRENT ASSETS</b>		
Forward foreign exchange contracts	11,675	8,157

#### a. Instruments used by the Group

New Hope Corporation Limited and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates. These instruments are used in accordance with the Group's financial risk management policies (refer to note 2).

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group reclassifies the gain or loss into the income statement.

At balance date these contracts were assets with fair value of \$27,348,000 (2009 - \$22,682,000).

At balance date the details of outstanding contracts are (Australian Dollar equivalents):

Sell US Dollars	Buy Australian Dollars		Average exchange rate	
	2010	2009	2010	2009
	\$000	\$000		
Maturity				
0 to 6 months	94,845	88,109	0.82239	0.74907
6 to 12 months	99,485	89,879	0.79409	0.74545
1 to 2 years	71,058	76,396	0.73179	0.74611
2 to 5 years	39,519	91,878	0.75913	0.72922
	304,907	346,262		

#### b. Credit risk exposures

Credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date \$304,907,000 (2009 - \$346,262,000) was receivable (AUD equivalents).

## 38. SHARE-BASED PAYMENTS

Options are granted under the New Hope Corporation Ltd Employee Share Option Plan. Membership of the Plan is open to those senior employees and those Directors of New Hope Corporation Limited, its subsidiaries and associated bodies corporate whom the Directors believe have a significant role to play in the continued development of the Group's activities.

Options are granted for no consideration. Options are granted for a 5 year period, and vest after the third anniversary of the date of grant. Total expense arising from options issued under the employee share option plan during the financial year was \$692,000 (2009 - \$1,610,000).

Set out below are the summaries of options granted under the plan:

#### 2010

Grant date	Expiry date	Exercise Price	Balance at beginning of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
3 Jan 2006	2 Jan 2011	\$1.235	9,218,000	-	(9,218,000)	-	-	-
8 May 2006	7 May 2011	\$1.288	500,000	-	(500,000)	-	-	-
2 Jan 2007	1 Jan 2012	\$1.413	1,000,000	-	(1,000,000)	-	-	-
19 Jan 2007	18 Jan 2012	\$1.360	500,000	-	(500,000)	-	-	-
13 Aug 2007	12 Aug 2012	\$2.104	2,500,000	-	-	-	2,500,000	-
<b>Total</b>			<b>13,718,000</b>	<b>-</b>	<b>(11,218,000)</b>	<b>-</b>	<b>2,500,000</b>	<b>-</b>
Weighted average exercise price			1.4128		1.2588		2.1040	

The weighted average share price at the date of exercise of options exercised during the 2010 year was \$5.45 (2009 - \$4.01).

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2010

38. SHARE-BASED PAYMENTS (continued)

2009

Grant date	Expiry date	Exercise Price	Balance at beginning of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
31 Aug 2005	30 Aug 2010	\$1.198 *	800,000	-	(800,000)	-	-	-
3 Jan 2006	2 Jan 2011	\$1.235	15,500,000	-	(6,282,000)	-	9,218,000	9,218,000
8 May 2006	7 May 2011	\$1.288	500,000	-	-	-	500,000	500,000
2 Jan 2007	1 Jan 2012	\$1.413	1,000,000	-	-	-	1,000,000	-
19 Jan 2007	18 Jan 2012	\$1.360	500,000	-	-	-	500,000	-
13 Aug 2007	12 Aug 2012	\$2.104	2,500,000	-	-	-	2,500,000	-
<b>Total</b>			<b>20,800,000</b>	<b>-</b>	<b>(7,082,000)</b>	<b>-</b>	<b>13,718,000</b>	<b>9,718,000</b>
Weighted average exercise price			1.3509		1.2308		1.4128	1.2377

\* In accordance with ASX guidelines, the option exercise price was reduced by 10 cents following the return of capital paid to shareholders on 16 December 2005. These prices are current exercise prices.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.1 years (2009 - 0.8 years).

The fair value at grant date is independently determined using a monte carlo option pricing model. The inputs and assumptions for each grant made during the year are as follows:

Grant date	Expiry date	Exercise Price	Share price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Assessed fair value at grant date
31 Aug 2005	30 Aug 2010	\$1.198	\$1.350	38.7%	4.6%	4.9%	\$0.372
3 Jan 2006	2 Jan 2011	\$1.235	\$1.230	41.3%	4.6%	5.1%	\$0.346
8 May 2006	7 May 2011	\$1.288	\$1.280	40.5%	3.8%	5.6%	\$0.384
2 Jan 2007	1 Jan 2012	\$1.413	\$1.430	38.0%	6.2%	5.9%	\$0.338
19 Jan 2007	18 Jan 2012	\$1.360	\$1.370	38.0%	6.4%	5.9%	\$0.318
13 Aug 2007	12 Aug 2012	\$2.104	\$2.220	44.0%	4.0%	6.0%	\$0.745

Expected volatility was estimated using the weekly (continuously-compounded) returns to NHC since its listing in 2003. There are no market related vesting conditions. Expenses arising from share based payment transactions are included in "Other costs" in the Income Statement.

39. SALE OF THE NEW SARAJI PROJECT

Settlement of the sale of the New Saraji Project to BHP Billiton Mitsubishi Alliance was completed on 10 September 2008. Details of the sale are as follows:

	2010 \$000	2009 \$000
Consideration received	-	2,450,000
Carrying value of assets disposed	-	(8,978)
Costs of disposal	-	(29,670)
Tax on disposal	-	(723,266)
<b>Gain on sale after tax</b>	<b>-</b>	<b>1,688,086</b>

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2010

#### 40. SALE OF INVESTMENT IN ARROW ENERGY LIMITED

The shareholders of Arrow Energy Limited have accepted an offer from CS CSG (Australia) Pty Ltd to purchase all of their shares in Arrow Energy Limited. The offer consisted of a scheme to move certain assets held by Arrow Energy Limited into a new entity, Dart Energy Limited, and for CS CSG (Australia) Pty Ltd to then purchase the shares of Arrow Energy Limited. This scheme was approved by the Federal Court of Australia on 16 July 2010. The Implementation Date for the Acquisition Scheme was 23 August 2010.

The issue of shares in Dart Energy Limited took place on 28 July 2010, with New Hope Corporation Limited receiving a total of 61,299,067 shares in Dart Energy Limited. New Hope Corporation Limited consequently transferred 7.79% of the cost base of its investment in Arrow Energy Limited to the cost base of its investment in Dart Energy Limited to reflect the portion of assets transferred. Dart Energy's share price on 31 July 2010 was \$0.755, valuing the New Hope investment at \$53.8 million and representing an unrealised gain before tax of \$40.4 million.

As at 31 July 2010 New Hope Corporation Limited held 122.6 million shares in Arrow Energy Limited at an adjusted total cost of \$110.0 million, equivalent to 16.7% of the company. Subsequent to balance date, New Hope Corporation Limited received \$4.70 for each of the shares in Arrow Energy Limited. Based on the settlement price of \$4.70 per share, the value of New Hope Corporation Limited's investment in Arrow Energy Limited as at 31 July 2010 was \$576.2 million, representing an unrealised gain before tax of \$466.2 million.

#### 41. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Subsequent to year end, on 14 September 2010, New Hope Corporation Limited announced that it had agreed to acquire an initial 25% equity interest in a 25 year licensed technology, creating high value carbon products using a direct coal liquefaction process. The other shareholder in the technology company is Quantex Research Corporation (QRC), a private Canadian company which has acquired the technology rights. As at 14 September 2010, through a wholly owned subsidiary company, New Hope Corporation Limited had made payments to the value of US \$5 million representing an initial 8.33% interest in QRC. Additionally, New Hope Corporation Limited has the right to acquire an interest of up to 51% at agreed prices.

#### 42. PARENT ENTITY FINANCIAL INFORMATION

	2010	2009
	\$000	\$000

##### a. Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

##### Balance Sheet

Current assets	1,758,987	3,821,785
Non-current assets	11,321	27,809
Total assets	1,770,308	3,849,594
Current liabilities	75,029	3,265,108
Non-current liabilities	20,010	38,511
Total liabilities	95,039	3,303,619
<i>Shareholders' equity</i>		
Issued capital	81,426	63,427
Reserves		
Capital redemption	2,800	2,800
Share-based payments	1,990	5,175
Retained earnings	1,589,053	474,573
	1,675,269	545,975
 Profit for the year	 1,794,128	 288,187
Total comprehensive income	1,794,128	288,187

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2010**

	2010	2009
	\$000	\$000

42. PARENT ENTITY FINANCIAL INFORMATION (continued)

**b. Guarantees entered into by parent entity**

Bank guarantees issued in relation to rehabilitation and utility obligations	22,401	13,747
	22,401	13,747

The parent entity has given unsecured guarantees in respect of mining restoration and rehabilitation. The liability has been recognised by the parent entity in relation to its rehabilitation obligations. See notes 26, 27 and 1(ab).

Further guarantees are provided in respect of statutory body suppliers with no liability being recognised by the parent entity as no losses are foreseen on these contingent liabilities.

**c. Contingent liabilities of the parent entity**

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

	2010	2009
	\$000	\$000
<u>Controlled entities</u>		
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.	14,454	14,528

No losses are anticipated in respect of any of the above contingent liabilities.

For information about guarantees given by the parent entity, please see above.

**d. Contractual commitments for the acquisition of property, plant and equipment**

As at 30 June 2010, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling \$163,000 (2009 - \$565,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

**New Hope Corporation Limited and Controlled Entities**  
**Directors Declaration**

In the Directors' opinion:

- a. the financial statements and notes set out on pages 24 to 65 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2010 and of their performance, for the financial 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; and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

R.D. Millner  
Director

D.C. Williamson  
Director

Sydney  
20 September 2010

**Independent auditor's report to the members of New Hope Corporation Limited**

**Report on the financial report**

We have audited the accompanying financial report of New Hope Corporation Limited (the company), which comprises the balance sheet as at 31 July 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the New Hope Corporation Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Independent auditor's report to the members of New Hope Corporation Limited (continued)**

*Auditor's responsibility (continued)*

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion,

- (a) the financial report of New Hope Corporation Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 13 to 17 of the directors' report for the year ended 31 July 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of New Hope Corporation Limited for the year ended 31 July 2010, complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers

M. Linz  
Partner

Sydney  
20 September 2010

**New Hope Corporation Limited**  
**Shareholder Information as at 16 September 2010**

As at 16 September 2010 there were 11,174 holders of ordinary shares in the Company.

Voting entitlement is one vote per fully paid ordinary share.

Distribution of equity securities	Number of shareholders	Fully paid ordinary shares	Number of optionholders	Ordinary options
1 - 1,000	2,833	1,606,361		
1,001 - 5,000	4,418	12,860,097		
5,001 - 10,000	2,426	17,084,953		
10,001 - 100,000	1,386	36,462,363		
100,001 and over	111	762,216,775		
	11,174	830,230,549	-	-
Holding less than a marketable parcel	285	8,041		

The names of substantial shareholders as disclosed in substantial shareholder notices received by the Company:

Shareholder	Number of shares	%
Washington H Soul Pattinson And Company Limited	495,696,418	59.71%
Mitsubishi Materials Corporation	91,490,000	11.02%
Perpetual Limited and subsidiaries	49,484,259	5.96%

20 largest shareholders as disclosed on the share register as at 16 September 2010

1	Washington H Soul Pattinson And Company Limited	495,696,418	59.71%
2	Mitsubishi Materials Corporation	93,240,000	11.23%
3	JP Morgan Nominees Australia Limited	28,625,560	3.45%
4	Domer Mining Co Pty Ltd	22,000,000	2.65%
5	National Nominees Limited	17,497,901	2.11%
6	RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/c)	16,827,593	2.03%
7	Farjoy Pty Ltd	15,200,000	1.83%
8	BKI Investment Company Limited	14,760,452	1.78%
9	Taiheiyō Kōhatsu Inc	5,654,000	0.68%
10	HSBC Custody Nominees (Australia) Limited	5,279,450	0.64%
11	Citicorp Nominees Pty Limited	4,081,950	0.49%
12	Pacific Custodians Pty Limited (New Hope Employee S/P A/c)	4,075,000	0.49%
13	UBS Nominees Pty Ltd	3,890,852	0.47%
14	Cogent Nominees Pty limited	2,853,666	0.34%
15	JS Millner Holdings Pty Limited	1,959,197	0.24%
16	Mr Murray Lewis Bailey	1,500,000	0.18%
17	RBC Dexia Investor Services Australia Nominees Pty Limited (PISELECT A/c)	1,225,954	0.15%
18	Dixson Trust Pty Limited	1,225,596	0.15%
19	Mr Mark Harris	1,200,000	0.14%
20	Mr Terence Peter Walsh	1,100,000	0.13%
		737,893,589	88.89%

Unquoted equity securities	Number on issue	Number of holders
Options issued under the New Hope Corporation Limited Employee Share Option Plan to take up ordinary shares	-	-