



New Hope Corporation Limited

A.B.N. 38 010 653 844

DIRECTORS' ANNUAL REPORT and FINANCIAL STATEMENTS

2006

New Hope Corporation Limited and Controlled Entities

Financial Summary

	2006 \$000	2005 \$000	2004 \$000
Total revenue	251,317	241,879	190,946
Profit before tax	94,688	520,916	107,994
Income tax expense	(25,993)	(65,192)	(27,425)
Profit after tax	68,695	455,724	80,569
Net profit attributable to NHCL members	68,695	447,790	59,406
Profit after tax from continuing operations	68,695	53,127	21,951
Total assets employed	627,800	809,034	442,083
Shareholders' funds	568,290	697,862	253,214
Dividends paid during the financial year	144,003	32,077	5,311

	2006	2005	2004
Weighted average shares on issue	798,043,955	736,543,424	705,526,985
Net profit attributable to NHCL members as a % of shareholders funds	12.09%	64.17%	23.46%
Earnings per share (cents)	8.6	60.8	8.4
Earnings per share (cents) from continuing operations	8.6	7.2	3.1
Normal dividends per share paid during the financial year (cents)	5.00	4.25	0.75
Special dividends per share paid during the financial year (cents)	13.00	-	-
Return of capital per share paid during the financial year (cents)	10.00	-	-
Net tangible asset backing per share (cents)	70.57	90.41	35.76

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

CHIEF EXECUTIVE OFFICER

Robert C. Neale

SECRETARY

Paul K. Mantell

AUDITORS

PricewaterhouseCoopers
Level 17, Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

PRINCIPAL ADMINISTRATION & REGISTERED OFFICE

17 Lowry Street
IPSWICH QLD 4305
Telephone : (07) 3810 0500
Facsimile : (07) 3810 0555

WEBSITE ADDRESS

www.newhopecoal.com.au

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
BRISBANE QLD 4000
Telephone : 1300 552 270
Website : www.computershare.com

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

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 2006.

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 was appointed a Director on 25 May 2006 and continues in office at the date of this report.

Consolidated results	2006 \$000	2005 \$000	% Change
Total continuing revenue	251,317	198,606	+ 26.5%
Profit from continuing operations before income tax	94,688	71,876	+ 31.7%
Profit from continuing operations after income tax	68,695	53,127	+ 29.3%
Profit attributed to the members of New Hope Corporation Limited	68,695	447,790	- 84.7%
Earnings per share (cents)	8.6	60.8	- 85.9%
Dividends per share paid during the year (cents)	18.00	4.25	+ 323.5%

Principal activities

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

- Mining and sale of coal
- Investment in bulk material coal handling operations
- Exploration and land management activities

During the year the consolidated entity invested in coal seam gas operations.

Dividends

Dividends paid to members during the financial year were:

	\$000
• A final ordinary dividend for the year ended 31 July 2005 of 3.0 cents per share paid on 16 November 2005	23,996
• A special dividend for the year ended 31 July 2005 of 13.0 cents per share paid on 16 November 2005	103,983
• An interim ordinary dividend for the year ended 31 July 2006 of 2.0 cents per share paid on 4 May 2006	16,024

In addition to the above dividends, since the end of the financial year, the Directors have declared a final ordinary dividend of 2.5 cents per share, and a special dividend of 4.5 cents per share. Both of these dividends are fully franked, to be paid on 14 November 2006 out of retained profits at 31 July 2006, the record date for such dividend to be 30 October 2006. This will provide shareholders of New Hope with total dividends for the year of 9.0 cents per share (2.0 cents interim) compared with total dividends for the 2005 year of 18.75 cents per share, including a special dividend of 13.0 cents per share.

Review of operations

New Hope, in its first full year since the sale of the overseas assets in 2005, earned a profit after tax and outside equity interests of \$68.695 million from its Australian coal production of 3.691 million saleable tonnes and from its related investments.

The profit from the Australian operations increased by \$15.57 million or 29% compared with the 2005 year's equivalent result of \$53.127 million. Coal sales increased by 9% to 3.774 million tonnes which is 325,000 tonnes above the previous year of 3.449 million tonnes. Higher earnings from investment of surplus funds in interest bearing deposits were partially offset by higher exploration expenditures during the year.

Basic earnings per share for the year ended 31 July 2006 were 8.6 cents which are 19% above last year's Australian operations component of 7.2 cents per share.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006 (Continued)

Mining Operations

Australian mining operations which are at full capacity benefited from improved prices offset to some extent by higher costs of tyres, fuel and explosives. Coal export volumes rose by 364,000 tonnes (or 17%) to 2.463 million tonnes while domestic sales were some 39,000 tonnes lower (or 3%) at 1.311 million tonnes.

The major production source was the New Acland Mine which produced some 2.64 million tonnes in the year even though the plant design capacity is 2.0 million tonnes per annum. The New Acland Mine is located 16km north west of Oakey on the Darling Downs and is about 65km's south of the Tarong Power Station.

The balance of the Australian coal production for 2006 of 1.051 million tonnes was from the Jeebropilly and New Oakleigh Mines located in the Ipswich region of South East Queensland. It is expected that the Jeebropilly Mine will cease operations in January 2007 due to no remaining economic coal reserves, with the loss of some 500,000 tonnes per annum production capacity. The Jeebropilly wash plant will continue to process New Oakleigh mine coal for export and domestic markets.

The New Acland Stage 2 mine expansion is underway and on schedule for completion by 1 April 2007. Specifically, an additional wash plant module is under construction, new mining equipment has been ordered for delivery over the next 4-5 months and additional site infrastructure construction has commenced. When the New Acland Mine Stage 2 expansion is completed, the total mine capacity will increase up to 4 million tonnes per year.

Port Operations

New Hope's associate company Queensland Bulk Handling maintained satisfactory and profitable performance with a record throughput of 4.15 million tonnes and incurred no demurrage. New Hope sold its equity in the woodchip business managed through Queensland Commodity Exports Pty Ltd to Midway Pty Ltd and GrainCorp Limited for a modest profit during the year.

Tarong Energy Project

In June of this year, New Hope announced that the New Acland Mine had entered into an option agreement for coal supply to Tarong Energy Corporation. If Tarong Energy Corporation exercises the option on or before 30 June 2007, the New Acland Mine would initiate a Stage 3 expansion taking total production to about 8.7 million tonnes per annum by end 2010, with 5.7 million tonnes per annum being delivered to the Tarong Power Station for up to 25 years. The option agreement is subject to several conditions precedent that need to be satisfied prior to exercising the agreement.

New Hope Exploration

New Hope has substantially increased its exploration efforts in the Bowen Basin of Central Queensland and the Clarence-Moreton Basin on the Darling Downs with a 115% increase in expenditures to \$9.029 million. New Hope owns 3 drill rigs which it operates and has 3 contractor drilling rigs operating in these coal basins. New Hope's geological capacity has developed several exploration models which are being tested by geological, geophysical (including mini-SOSIE seismic) drilling and down hole logging procedures. This methodology has identified several prospective areas containing drill hole intercepts of coal.

Central Queensland Exploration

The major areas of interest in Central Queensland are targeting potential open cut and underground coking coal resources are as follows:

EPC 837 - Saraji East

Exploration within EPC 837 Saraji East has been the main priority for Central Queensland exploration. The programme is aimed at defining hard coking coal resources over a possible strike length of some 10 – 15 kms within the target seams of the Harrow Creek Upper and Dysart main seams of the Moranbah Coal Measures.

To date exploration efforts at Saraji East have been targeting the down dip extensions of the coal seams at the Saraji Mine currently operated by BMA. New Hope's cumulative exploration efforts to date at Saraji East include:

- 30 line kilometres of mini-SOSIE seismic surveying have been completed.
- Drilling of 32 open holes and 20 partially cored holes for a total of 14,048 open metres of drilling and 858 metres of cored drilling.
- Samples from 10 coal quality cored holes (within the 20 stated above) have been forwarded for analysis and the results from seven holes have been received.
- Geotechnical studies of cored material representing possible underground roof and floor conditions have commenced.

Based on the data available on 1 May 2006 the inferred insitu resource for Saraji East is some 452 million tonnes of hard coking coal.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006 (Continued)

EPC 865 & 766 - Lenton North & Lenton

New Hope's exploration activities at Lenton have been targeting open cut and underground resources within the Rangal Coal Measures. These resources are likely to contain a range of coal qualities between thermal coal and coking coal. The Company's cumulative exploration efforts to date at Lenton include:

- 22 line kilometres of mini-SOSIE seismic surveying have been completed.
- Drilling of 131 open holes and 29 partially cored holes for a total of 17,908 metres of open drilling and 543 metres of core drilling.
- Samples from all the coal quality cored holes have been forwarded for analyses with results under review.

Further drilling to better define the coal resources in the northern part of the project area will be undertaken later this year dependant on drill availability.

Based on the data available on 1 May 2006 the combined indicated and inferred insitu resources are 68 million tonnes.

EPC 777 - Bee Creek

The first three exploration drill holes have been completed and have intersected the targeted coal horizons along the known coking coal occurrences within the Rangal Coal measures which are located along the western margin of the Bee Creek Syncline. The target coal seams are the Elphinstone and Hynds seams. These are stratigraphically equivalent to the coal seams at the Hail Creek Mine and to the Leichardt and Vermont seams within the Lenton project area.

At Bee Creek, the average thickness for the Elphinstone seam is 3 metres to 4 metres, while the Hynds seam is split into the Hynds Upper, Middle and Lower which are all around 1 metre to 2 metres thick. Coal quality samples have been sent for analysis.

A Hyper-Spectral co-operative mapping study was flown during July 2006 with the results currently being interpreted.

South East Queensland Exploration

Exploration in South East Queensland is aimed at identifying potential open cut thermal coal resources. There are two major objectives of the Company's exploration programmes in this region. The first is to prove up coal resources around the New Acland Mine within the Mineral Development Licence which surrounds the New Acland Mine so as to move forward if the Tarong Energy Corporation exercises its Coal Supply Agreement option with New Acland. The second objective is to identify areas of additional future coal supply above those already known in the Acland region.

Acland MDL 244

Significant drilling activities around the New Acland Mine have identified 109 million tonnes of recoverable coal reserves and some 679 million tonnes of insitu coal resources. These resource estimates have been based upon the geological data established for geophysical logging and the analytical coal quality data acquired from:

851 Open holes – 72,883 metres

119 Cored holes – 3,543 metres

Analytical data from half the drill samples is still awaited

The results are currently under review as the geological computer models are established ahead of the initial mine planning and scheduling required to meet the conditions of the Tarong Coal Sales Agreement option.

Darling Downs Regional Exploration

The regional exploration covers a number of project areas covering the Darling Downs region west of Toowoomba. The project areas consist of 8 contiguous EPC's numbered 758, 759, 760, 761, 762, 763, 918 and 919. A review of the recently released magnetic, gravity and radiometric data covering these exploration targets has commenced. Drilling in these areas is ongoing and the results to date are given below.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006 (Continued)

EPC 761 - Pittsworth

Exploration drilling has identified potential open cut steaming coal resources which occur within the Acland seam equivalents and appear to be similar to the Commodore (Millmerran Deposit). A total of 15,219 metres of drilling have been completed in 143 open holes and two core holes in the EPC 761. New Hope has further exploration targets in the eastern regions of the EPC which have yet to be assessed. An aggregate insitu resource of 97 million tonnes has been estimated.

EPC 760 - Jimbour Creek

A total of 29 drill sites were selected to explore six target areas. A preliminary interpretation of drilling results have identified coal seams as being the stratigraphic equivalent of the Acland/Sabine and Balgowan coal measures. The combined Acland seams are approximately 5 metres thick and are separated by 20 metres from the combined Sabine seams which are approximately 7 metres thick. The Balgowan seams comprise 10 to 15 thin seams over a 45 metre interval with a maximum individual seam thickness of 0.5 metres. A possible strike length of more than 4 kilometres is indicated.

EPC 918 - Jimbour East

Drilling results have been disappointing and the EPC is now considered to have limited possibilities for shallow coal.

EPC 763 - Cecil Plains

A total of 16 open holes have been drilled in an area located west and south west of Cecil Plains township. Only one hole has encountered deep sporadic thin coal seams equivalent to that found in the Acland-Sabine area. The drilling results are being evaluated.

EPC 758 - Mt Maria

Drilling will commence later this year.

Arrow Energy N.L.

As previously announced New Hope has acquired a substantial equity share in Arrow Energy N.L. which at 31 July was 18.85%. This acquisition is consistent with New Hope's stated strategic direction of diversification with an expanded energy portfolio which is complimentary to the Company's domestic coal energy business. The new Arrow Energy company is a merger of the previous Arrow Energy and CH4 Gas Ltd. The merged entity is a major independent coal seam gas group with:

- two producing projects (Moranbah Gas Project and the Kogan North Project);
- two development projects (Tipton West Project and Daandine Project); and
- several development projects.

New Hope is represented on the Arrow Board of Directors by Mr David Williamson.

Outlook

Thermal coal prices have recovered from a downturn at the end of last calendar year and have generally remained firm. New Hope's overall market position remains reasonable as a contractual coal supplier with the majority of tonnage fixed at acceptable US dollar price levels for 2006/07.

New Hope's annual coal production in 2007 is likely to be marginally below that of the current year at about 3.6 million tonnes. The actual monthly production rate will likely decline over the December - March period, due to two factors. Firstly, the Jeebropilly mine is planned to close in January 2007 as all the economically recoverable coal reserves will be mined out. Secondly, equipment will need to be moved from Jeebropilly to Acland for the Stage 2 expansion and to complete the Acland mine's additional production facilities and site infrastructure facilities which are scheduled to be completed in April 2007. This period of somewhat lower production rates will be offset by the higher Acland Stage 2 production rate during the April to July 2007 period.

Cost pressures are squeezing New Hope's pricing margins, which appears to be a common experience shared across all of the mining industry. High fuel and explosives cost pressures continue, tyre supply remains difficult and infrastructure providers are increasing charges. New Hope is evaluating its operational procedures and processes to determine cost efficiency improvements in an attempt to offset these higher operating costs.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Indemnification of officers

The Company's Constitution provides for an indemnity of Directors, Secretaries and Executive Officers (as defined in the Corporations Act 2001), where liability is incurred in the performance of their duties in those roles, other than conduct involving a wilful breach of duty in relation to the Company. The Constitution further provides for an indemnity in respect of any costs and expenses incurred in defending proceedings in which judgement is given in their favour, they are acquitted, or the Court grants them relief under the Corporations Act 2001.

Insurance of officers

Directors and officers of the Group are included in an insurance policy held by the parent entity. The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

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 is conscious of its environment responsibilities and remains committed to maintaining a sound environmental performance record.

The Company's operations are subject to regulation under the Environmental Protection Act 1994, administered by the Environmental Protection Agency. The Company's activities are authorised by a series of environmental authorities and the Company must comply with the conditions of these authorities to maintain compliance.

There were no fines or prosecutions incurred by the Company under environmental laws and regulations during the year. A small number of non-compliant monitoring results were identified during the year by the Company's environmental monitoring program. Follow-up investigations by the Company either resolved the matter or demonstrated that it was not responsible for the non-compliant result. No actions were taken by the regulatory authorities in relation to any of the non-compliant environmental monitoring results.

The Company is committed to continually improving its environmental management processes to eliminate the possibility of non-compliance and to minimise the risk of adverse environmental impact. As part of this commitment, the Company regularly monitors its operations in an effort to proactively manage its environmental responsibilities. This monitoring extends across a broad spectrum of environmental impacts, including but not limited to air quality, noise emissions, blasting, water quality and rehabilitation. The results of this monitoring are used by the Company to assess its state of environmental compliance and identify possible adverse environmental impacts that may require amelioration.

During the latter part of the year, the Company commenced negotiations with the Australian Greenhouse Office to join the Greenhouse Challenge Plus program. Membership of the program is in line with the Company's aim of measuring and monitoring its greenhouse gas emissions, and to continuously improve management of greenhouse gas emissions in its operations.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Information on Directors

Mr R.D. MILLNER (Non executive Chairman)

Experience

Mr Millner is a grazier-Director and Chairman of the Company's holding Company, Washington H. Soul Pattinson and Company Limited. Mr Millner joined the Board in 1995 and was appointed Chairman in 1998.

Other current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1984
SP Telemedia Limited	Appointed 2000
Souls Private Equity Limited	Appointed 2004
Brickworks Limited (including Bristle Limited)	Appointed 1997
Brickworks Investment Company Limited (incl PSI Limited)	Appointed 2003
Australian Pharmaceutical Industries Limited	Appointed 2000
Milton Corporation Limited	Appointed 1998
Choiseul Investments Limited	Appointed 1995

Former Directorships in last 3 years

KH Foods Limited	Appointed 1994 Retired 2004
------------------	-----------------------------

Special responsibilities

Chairman of the Board and a member of the Remuneration and Nomination Committee.

Interests in shares and options

2,535,276 ordinary shares in New Hope Corporation Limited
1,206 options over ordinary shares in New Hope Corporation Limited

Mr P.R. ROBINSON - BCom (Non executive Director)

Experience

Mr Robinson is Executive Director of Washington H. Soul Pattinson and Company Limited. He commenced with Washington H. Soul Pattinson and Company Limited in 1978 and was appointed as a Director in 1984. He joined the Board of New Hope Corporation in 1997.

Other current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1984
SP Telemedia Limited	Appointed 2000
KH Foods Limited	Appointed 1987
Clover Corporation Limited	Appointed 1997
Australian Pharmaceutical Industries Limited	Appointed 2000

Former Directorships in last 3 years

Nil

Special responsibilities

Member of the Remuneration and Nomination Committee.

Interests in shares and options

57,357 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 2006

(Continued)

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 is joint Managing Director of Pitt Capital Partners Limited. He was appointed to the New Hope Corporation Board in 1997.

Other current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1997
SP Telemedia Limited	Appointed 2000
Souls Private Equity Limited	Appointed 2004
Australian Pharmaceutical Industries Limited	Appointed 2000
Stockland Limited	Appointed 1990
B Digital Limited	Appointed 2005

Former Directorships in last 3 years

Gazal Corporation Limited	Appointed 1987	Resigned 2004
KH Foods Limited	Appointed 1997	Retired 2004
Clover Corporation Limited	Appointed 2002	Resigned 2004

Special responsibilities

Member of the Audit Committee.

Interests in shares and options

10,000 ordinary shares in New Hope Corporation Limited
1,000 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 29 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
Arrow Energy NL	Appointed 2006

Former Directorships in last 3 years

Nil

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 2006

(Continued)

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.

Other current Directorships

Life Without Barriers	Appointed 2002
Wesley West Pty Ltd	Appointed 2006
Napier Blakeley Consulting	Appointed 2006
Brisbane Development Association	Appointed 2006

Former Directorships in last 3 years

Brisbane Marketing	Appointed 2003	Resigned 2006
Griffith University - Conservatorium of Music Council	Appointed 2002	Resigned 2006
South Bank Business Association	Appointed 2002	Resigned 2005

Special responsibilities

Member of the Audit Committee.

Interests in shares and options

Nil

Company Secretary

The Company Secretary is Mr Paul Mantell who was appointed to the position in December 1995. Mr Mantell has a Bachelor of Commerce from the University of Queensland and is a Fellow of CPA Australia. He has more than 25 years of experience in the coal industry and holds the dual role of Chief Financial Officer and Company Secretary.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Remuneration report

a. Remuneration Policies and Principles (audited)

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 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 \$300,000 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 bonus
- Long term equity based compensation in the form of share options, issued in accordance with the Employee Share Option Plan, and
- Other remuneration such as superannuation

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

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 (audited)

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, Chief Executive Officer
Mr P.K. Mantell, Chief Financial Officer and Company Secretary
Mr D. Brown-Kenyon, General Manager - Corporate Development & Government Relations
Mr C.C. Hopkins, General Manager - Marketing

The 5 highest paid executives of the Group are:

Mr R.C. Neale, Chief Executive Officer
Mr P.K. Mantell, Chief Financial Officer and Company Secretary
Mr D. Brown-Kenyon, General Manager - Corporate Development & Government Relations
Mr C.C. Hopkins, General Manager - Marketing
Mr K.J. Jamieson, General Manager - New Acland

The 5 highest paid executives of the Company are:

Mr R.C. Neale, Chief Executive Officer
Mr P.K. Mantell, Chief Financial Officer and Company Secretary
Mr D. Brown-Kenyon, General Manager - Corporate Development & Government Relations
Mr C.C. Hopkins, General Manager - Marketing
Mr B.L. Richardson, Exploration and Planning Manager

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Remuneration report (continued)

b. Details of remuneration (audited) (continued)

Key management personnel of the New Hope Group	Short-term employee benefits			Post employment		Share based payments	Total
	Cash salary and fees	Cash bonus	Non cash benefits	Super- annuation	Termination	Options	
	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors - 2006							
Mr R.D. Millner	60,010	-	-	5,401	-	-	65,411
Mr P.R. Robinson	30,010	-	-	2,701	-	-	32,711
Mr D.J. Fairfull	30,010	-	-	2,701	-	-	32,711
Mr D.C. Williamson	31,677	-	-	2,851	-	-	34,528
Mr W.H. Grant (from 25th May 2006)	5,579	-	-	502	-	-	6,081
Key management personnel - 2006							
Mr R.C. Neale	389,793	36,000	35,684	94,975	-	234,425	790,877
Mr P.K. Mantell	234,593	20,000	22,888	34,975	-	192,062	504,518
Mr D. Brown-Kenyon	132,243	16,000	20,030	79,937	-	155,066	403,276
Mr C.C. Hopkins	191,212	16,000	21,231	21,023	-	125,143	374,609
Other most highly remunerated officers - 2006							
Mr K.J. Jamieson	183,864	16,000	22,892	27,560	-	160,029	410,345
	<u>1,288,991</u>	<u>104,000</u>	<u>122,725</u>	<u>272,626</u>	<u>-</u>	<u>866,725</u>	<u>2,655,067</u>
Non-executive Directors - 2005							
Mr R.D. Millner	50,000	-	-	4,500	-	-	54,500
Mr P.R. Robinson	25,000	-	-	2,250	-	-	27,250
Mr D.J. Fairfull	25,000	-	-	2,250	-	-	27,250
Mr D.C. Williamson	25,000	-	-	2,250	-	-	27,250
Mr G.L. Robertson (up to 13th July 2005)	50,000	-	19,274	4,500	253,846	230,096	557,716
Key management personnel - 2005							
Mr R.C. Neale	244,613	20,000	32,278	100,450	-	31,520	428,861
Mr P.K. Mantell	210,010	15,000	32,118	34,150	-	28,631	319,909
Mr D. Brown-Kenyon	146,107	9,000	29,666	40,550	-	22,327	247,650
Mr C.C. Hopkins	178,497	9,000	20,954	11,350	-	13,133	232,934
Mr A.C. Buckler (up to 13th July 2005)	50,000	-	59,996	4,500	253,846	166,793	535,135
Mr M.T. Smith (up to 13th July 2005)	25,000	-	29,563	2,250	251,923	166,793	475,529
Other most highly remunerated officers - 2005							
Mr C.J. Vorias (up to 3rd June 2005)	182,028	9,500	29,194	20,914	31,545	21,013	294,194
	<u>1,211,255</u>	<u>62,500</u>	<u>253,043</u>	<u>229,914</u>	<u>791,160</u>	<u>680,306</u>	<u>3,228,178</u>

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Remuneration report (continued)

b. Details of remuneration (audited) (continued)

Key management personnel of New Hope Corporation Ltd	Short-term employee benefits			Post employment		Share based payments	Total
	Cash salary and fees	Cash bonus	Non cash benefits	Super- annuation	Termination	Options	
Non-executive Directors - 2006	\$	\$	\$	\$	\$	\$	\$
Mr R.D. Millner	60,010	-	-	5,401	-	-	65,411
Mr P.R. Robinson	30,010	-	-	2,701	-	-	32,711
Mr D.J. Fairfull	30,010	-	-	2,701	-	-	32,711
Mr D.C. Williamson	31,677	-	-	2,851	-	-	34,528
Mr W.H. Grant (from 25th May 2006)	5,579	-	-	502	-	-	6,081
Other key management personnel - 2006							
Mr R.C. Neale	389,793	36,000	35,684	94,975	-	234,425	790,877
Mr P.K. Mantell	234,593	20,000	22,888	34,975	-	192,062	504,518
Mr D. Brown-Kenyon	132,243	16,000	20,030	79,937	-	155,066	403,276
Mr C.C. Hopkins	191,212	16,000	21,231	21,023	-	125,143	374,609
Other most highly remunerated officers - 2006							
Mr B.L. Richardson	145,903	10,700	473	12,850	-	92,183	262,109
	1,251,030	98,700	100,306	257,916	-	798,879	2,506,831

c. **Employment Contracts (audited)**

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. The allowance is less than one years remuneration.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Remuneration report (continued)

d. Share based compensation - options (audited)

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

Grant Date	Expiry Date	Exercise price	Value per option	
			at grant date	Date exercisable
5 September 2003	5 September 2008	\$0.350 *	\$0.088	100 % after 6 September 2006
5 September 2003	5 September 2008	\$0.375 *	\$0.082	100 % after 6 September 2006
5 September 2003	5 September 2008	\$0.400 *	\$0.077	100 % after 6 September 2006
5 September 2003	5 September 2008	\$0.450 *	\$0.068	100 % after 6 September 2006
3 January 2006	2 January 2011	\$1.235	\$0.346	100 % after 4 January 2009

* 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.

No further options have been granted since the end of the financial year.

Share options granted to Directors and key management personnel

Details of management options over ordinary shares in the Company as at 31 July 2006, 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 34 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
	2006	2005	2006	2005
Key management personnel of the Group				
Mr R.C. Neale	2,000,000	-	-	-
Mr P.K. Mantell	1,500,000	-	-	-
Mr D. Brown-Kenyon	1,250,000	-	-	-
Mr C.C. Hopkins	1,250,000	-	-	-
Mr A.C. Buckler	-	-	6,350,000	-
Mr M.T. Smith	-	-	6,350,000	-
Other most highly remunerated officers of the Group				
Mr K.J. Jamieson	1,800,000	-	-	-
Other most highly remunerated officers of the Company				
Mr B.L. Richardson	750,000	-	-	-
Directors of New Hope Corporation Ltd				
Mr G.L. Robertson	-	-	8,760,000	-

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Remuneration report (continued)

Share options granted to Directors and key management personnel (continued)

Key management personnel of the Group	Number of ordinary shares issued on the exercise of options during the year		Amount paid per share	
	2006	2005	2006	2005
	Mr A.C. Buckler	1,587,500	-	0.450
Mr A.C. Buckler	1,587,500	-	0.475	-
Mr A.C. Buckler	1,587,500	-	0.500	-
Mr A.C. Buckler	1,587,500	-	0.550	-
Mr M.T. Smith	1,587,500	-	0.450	-
Mr M.T. Smith	1,587,500	-	0.475	-
Mr M.T. Smith	1,587,500	-	0.500	-
Mr M.T. Smith	1,587,500	-	0.550	-
Directors of New Hope Corporation Ltd				
Mr G.L. Robertson	2,190,000	-	0.450	-
Mr G.L. Robertson	2,190,000	-	0.475	-
Mr G.L. Robertson	2,190,000	-	0.500	-
Mr G.L. Robertson	2,190,000	-	0.550	-

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

In August 2005, following the sale of the overseas operations, the Directors allowed for the full vesting of management options held by Messrs G.L. Robertson, A.C. Buckler, M.T. Smith and certain employees of the overseas operations. Vesting terms of management options held by employees of the continuing Australian operations remain unchanged, however, the option exercise price was reduced by 10 cents following the return of capital paid to shareholders on 16 December 2005.

e. Additional information - unaudited

Share options

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

During the year ended 31 July 2006, no options have vested to, or been forfeited by R.C. Neale, P.K. Mantell, D. Brown-Kenyon, C.C. Hopkins or K.J. Jamieson

Options issued to R.C. Neale, P.K. Mantell, D. Brown-Kenyon, C.C. Hopkins and B.L. Richardson during the 2004 financial year will vest during the 2007 financial year. Options issued during the 2006 financial year to R.C. Neale, P.K. Mantell, D. Brown-Kenyon, C.C. Hopkins, B.L. Richardson and K.J. Jamieson will vest in the 2009 financial year.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Remuneration report (continued)

e. Additional information - unaudited

Share based compensation: Options

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	30%	692,000	-	-	692,000
Mr P.K. Mantell	38%	519,000	-	-	519,000
Mr D. Brown-Kenyon	38%	432,500	-	-	432,500
Mr C.C. Hopkins	33%	432,500	-	-	432,500
Mr K.J. Jamieson	39%	643,600	-	-	643,600
Mr B.L. Richardson	35%	259,500	-	-	259,500

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

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.

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 amount yet to vest is nil. The maximum value of the options yet to vest assuming the share price on the date the options are exercised will not exceed \$1.28 (being the closing share price on 31 July 2006), is \$6,106,263 for the options issued in September 2003, \$65,600 for the options issued in August 2005 and \$731,250 for the options issued in January 2006.

Shares under option

Unissued ordinary shares of New Hope Corporation Limited under option at the date of this report are as follows:

Type of Option	Date option granted	Expiry date	Issue price of shares	Number under option
Shareholder Options	10 September 2003	9 September 2008	\$0.350	1,451,633
Management Options	5 September 2003	4 September 2008	\$0.350	725,000
Management Options	5 September 2003	4 September 2008	\$0.375	725,000
Management Options	5 September 2003	4 September 2008	\$0.400	725,000
Management Options	5 September 2003	4 September 2008	\$0.450	725,000
Management Options	31 August 2005	30 August 2010	\$1.198	800,000
Management Options	3 January 2006	2 January 2011	\$1.235	16,250,000
Management Options	8 May 2006	7 May 2011	\$1.288	500,000

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares issued on the exercise of options

The following ordinary shares of New Hope Corporation Ltd were issued during the year ended 31 July 2006 on the exercise of options granted under the New Hope Corporation Limited Employee Share Option Plan. A further 3,990,000 shares have been issued since that date. No amounts are unpaid on any of the shares.

Date option granted	Issue price of shares	Number of Shares issued
5 September 2003	\$0.450	6,377,500
5 September 2003	\$0.475	6,377,500
5 September 2003	\$0.500	6,377,500
5 September 2003	\$0.550	6,377,500

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

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 in relation to non-audit services:

	Consolidated	
	2006	2005
Assurance Services		
PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the Corporations Act 2001	192,541	140,590
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	22,417
Total remuneration for audit services	192,541	163,007
Taxation services		
PricewaterhouseCoopers Australian firm:		
Transaction advisory services	284,983	518,896
General advisory services	128,128	5,888
AIFRS implementation	70,037	8,636
Tax compliance services	168,211	398,889
Research and development compliance services	209,397	189,955
Total remuneration for non-audit services	860,756	1,122,264

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 18.

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 2006

(Continued)

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 July 2006 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	10	10			1	1
Mr P.R. Robinson	10	10			1	1
Mr D.J. Fairfull	10	10	2	2		
Mr D.C. Williamson	10	10	2	2		
Mr W.H. Grant	3 *	2	0 *	0		

* denotes number of meetings held while a Director

Signed at Sydney this 26th day of September 2006 in accordance with a resolution of Directors.

R.D. Millner
Director

D.C. Williamson
Director

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2006

(Continued)

Auditor's Independence Statement

As lead auditor for the audit of New Hope Corporation Limited for the year ended 31 July 2006, 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 for the reporting period other than a contravention covered by ASIC class order 05/910; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit for the reporting period.

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

R.A. Baker
Partner
PricewaterhouseCoopers

Brisbane
26 September 2006

New Hope Corporation Limited

Corporate Governance Statement

This Corporate Governance Statement has been summarised into sections in line with the 10 essential corporate governance principles as specified in the Australian Stock Exchange (ASX) Corporate Governance Council's "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.

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.

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. 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.
- Whilst 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.

Ethical Standards

The Company has an established Code of Conduct dealing with matters of integrity and ethical standards. All Directors, executives and employees are expected to abide by the code of conduct and specific policies in place which 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.

New Hope Corporation Limited

Corporate Governance Statement (continued)

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 Stock Exchange;
 2. The release of the Company's half yearly result to the Australian Stock 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 senior executives may trade after giving the required notice to the Chairman, or in his absence, two Directors. Other employees may trade after giving the required notice to the Company Secretary, or in his absence the Chief Executive Officer.

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 7 to 17.

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 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.

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 distributed to shareholders in October each year;
- 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.

New Hope Corporation Limited

Corporate Governance Statement (continued)

Risk management

The Company is committed to identifying and managing areas of significant business risk to protect shareholders, employees, earnings and the environment. Arrangements in place include:

- Regular detailed financial, budgetary and management reporting;
- Procedures to manage financial and operational 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.

Board performance

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.

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.

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 17 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 \$300,000 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.

Code of Conduct

In this Corporate Governance Statement, reference has already been made to the Code of Conduct under which the Company operates. 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.

New Hope Corporation Limited
Annual Financial Report
for the year ended 31st July 2006

Contents	Page
Financial Report	
Income Statements	23
Balance Sheets	24
Statements of Changes in Equity	25
Cash Flow Statements	26
Notes to the financial statements	27
Directors' declaration	76
Independent audit report to the members	77

The financial report covers both New Hope Corporation Limited as an individual entity and the consolidated entity consisting of New Hope Corporation Limited and its subsidiaries. The financial report is presented in Australian currency.

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

New Hope Corporation Limited
17 Lowry Street
IPSWICH QLD 4305

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 5, which is not part of this financial report.

The financial report was authorised for issue by the Directors on the 26 September 2006. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our 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 our website: www.newhopecoal.com.au.

New Hope Corporation Limited and Controlled Entities

**Income Statements
for the year ended 31st July 2006**

	Notes	Consolidated		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue from continuing operations	4	251,317	198,606	36,929	62,028
Other income	5	2,213	1,244	1,636	-
		<u>253,530</u>	<u>199,850</u>	<u>38,565</u>	<u>62,028</u>
Expenses					
Cost of sales		(103,174)	(78,993)	(4,194)	(4,702)
Marketing and transportation		(52,852)	(43,685)	(698)	(600)
Administration		(6,207)	(5,847)	(6,207)	(5,847)
Finance costs		(1)	(548)	-	-
Other expenses		(2,891)	(2,395)	(10,724)	(1,566)
Share of profits of associates and partnerships using the equity method	39,40	6,283	3,494	-	-
Profit before income tax		<u>94,688</u>	<u>71,876</u>	<u>16,742</u>	<u>49,313</u>
Income tax expense	7	(25,993)	(18,749)	(8,231)	(1,266)
Profit from continuing operations		<u>68,695</u>	<u>53,127</u>	<u>8,511</u>	<u>48,047</u>
Profit from discontinued operations	9	-	402,597	-	136,677
Profit for the year		<u>68,695</u>	<u>455,724</u>	<u>8,511</u>	<u>184,724</u>
Profit attributable to minority interests		-	(7,934)	-	-
Profit attributable to New Hope shareholders		<u>68,695</u>	<u>447,790</u>	<u>8,511</u>	<u>184,724</u>

Earnings per share for profit from continuing operations attributed to ordinary equity holders of the Company

Basic earnings per share (cents / share)	42	8.6	7.2
Diluted earnings per share (cents / share)	42	8.5	6.8

Earnings per share for profit attributed to ordinary equity holders of the Company

Basic earnings per share (cents / share)	42	8.6	60.8
Diluted earnings per share (cents / share)	42	8.5	57.1

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 2006

	Notes	Consolidated		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current assets					
Cash and cash equivalents	10	19,207	590,499	19,207	590,349
Receivables	11	16,011	50,897	111,639	144,871
Inventories	12	15,538	15,146	-	-
Held to maturity investments	13	344,559	-	344,559	-
Derivative financial instruments	43	8,060	-	-	-
Other	14	125	132	2	2
		<u>403,500</u>	<u>656,674</u>	<u>475,407</u>	<u>735,222</u>
Non-current assets held for sale	15	-	233	-	-
Total current assets		<u>403,500</u>	<u>656,907</u>	<u>475,407</u>	<u>735,222</u>
Non-current assets					
Receivables	16	1,451	11,120	-	-
Investments accounted for using the equity method	17,39	54,996	3,740	-	-
Available for sale financial assets	18	3	-	-	-
Other financial assets	19	-	3	17,117	17,116
Derivative financial instruments	43	4,314	-	-	-
Property, plant and equipment	20	159,117	132,638	2,179	2,269
Investment property	21	1,559	1,586	35	35
Deferred tax assets	22	-	967	453	904
Intangible assets	23	2,860	2,073	2,826	2,042
Total non-current assets		<u>224,300</u>	<u>152,127</u>	<u>22,610</u>	<u>22,366</u>
Total assets		<u>627,800</u>	<u>809,034</u>	<u>498,017</u>	<u>757,588</u>
Current liabilities					
Accounts payable	24	20,383	28,040	1,848	2,343
Borrowings	25	-	79	396,482	419,313
Current tax liabilities		19,349	57,241	19,349	57,241
Provisions	27	5,333	5,626	486	435
Total current liabilities		<u>45,065</u>	<u>90,986</u>	<u>418,165</u>	<u>479,332</u>
Non-current liabilities					
Deferred tax liabilities	26	3,499	-	-	-
Provisions	28	10,946	9,728	14	-
Other	29	-	10,458	-	-
Total non-current liabilities		<u>14,445</u>	<u>20,186</u>	<u>14</u>	<u>-</u>
Total liabilities		<u>59,510</u>	<u>111,172</u>	<u>418,179</u>	<u>479,332</u>
Net assets		<u>568,290</u>	<u>697,862</u>	<u>79,838</u>	<u>278,256</u>
Equity					
Contributed equity	30	46,028	110,810	46,028	110,810
Reserves	31(a)	17,015	6,497	7,010	5,154
Retained profits	31(b)	505,247	580,555	26,800	162,292
Total equity		<u>568,290</u>	<u>697,862</u>	<u>79,838</u>	<u>278,256</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 2006**

	Notes	Consolidated		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Total equity at the beginning of the year		697,862	294,964	278,256	96,555
Adjustment on adoption of AASB 132 & AASB 139, net of tax - reserves	31	14,190	-	-	-
Restated total equity at the beginning of the financial year		<u>712,052</u>	<u>294,964</u>	<u>278,256</u>	<u>96,555</u>
Recognised income and expense for the year					
Cash flow hedges, net of tax		(5,528)	-	-	-
Exchange differences on translation of foreign operations		-	(1,912)	-	-
Net income recognised directly in equity		<u>(5,528)</u>	<u>(1,912)</u>	<u>-</u>	<u>-</u>
Profit for the year		68,695	455,724	8,511	184,724
Total recognised income and expense		<u>63,167</u>	<u>453,812</u>	<u>8,511</u>	<u>184,724</u>
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of transaction costs	30	15,326	27,488	15,326	27,488
Dividends provided for or paid	8	(40,020)	(32,077)	(40,020)	(32,077)
Special dividend paid	8	(103,983)	-	(103,983)	-
Return of capital paid	30	(80,108)	-	(80,108)	-
Employee share option reserve	31	1,856	1,566	1,856	1,566
Minority interest on disposal of subsidiary		-	(47,891)	-	-
		<u>(206,929)</u>	<u>(50,914)</u>	<u>(206,929)</u>	<u>(3,023)</u>
Total equity at the end of the year		<u>568,290</u>	<u>697,862</u>	<u>79,838</u>	<u>278,256</u>
Total recognised income and expense for the year is attributable to:					
Members of New Hope Corporation Limited		63,167	449,923	8,511	184,724
Minority interest		-	3,889	-	-
		<u>63,167</u>	<u>453,812</u>	<u>8,511</u>	<u>184,724</u>

The above statements of changes in equity 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 2006**

	Notes	Consolidated		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash flows from operating activities					
Receipts from customers inclusive of GST		235,944	256,850	267	18,219
Payments to suppliers and employees inclusive of GST		(158,102)	(154,357)	(10,371)	(10,429)
		<u>77,842</u>	<u>102,493</u>	<u>(10,104)</u>	<u>7,790</u>
Dividends received		300	48,088	-	-
Interest received		25,770	3,787	25,770	3,509
Interest and other costs of finance		(1)	(976)	-	-
Income taxes paid		(63,125)	(19,279)	(63,125)	(10,489)
Net cash inflow / (outflow) from operating activities	41	<u>40,786</u>	<u>134,113</u>	<u>(47,459)</u>	<u>810</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(44,217)	(19,342)	(582)	(2,542)
Payments for intangible assets		(961)	-	(947)	-
Payments for investments in associates		(48,458)	-	-	-
Payments for held to maturity investments		(315,917)	-	(315,917)	-
Payments for term deposits		-	(14,544)	-	(25,000)
Proceeds from sale of property, plant & equipment		1,000	1,699	66	41
Proceeds from sale of other financial assets		2,468	477,008	950	175,099
Repayment of loans on sale of other financial assets		-	26,887	-	-
Funds received from associated entities		3,100	3,677	-	-
Loans to related parties		-	-	(239,917)	(150,690)
Repayment of loans by related parties		-	-	241,678	577,724
Net cash inflow / (outflow) from investing activities		<u>(402,985)</u>	<u>475,385</u>	<u>(314,669)</u>	<u>574,632</u>
Cash flows from financing activities					
Proceeds from issue of equity		15,330	27,760	15,330	27,760
Costs on issue of equity		-	(272)	-	(272)
Return of capital		(80,108)	-	(80,108)	-
Repayment of borrowings		(79)	(57,992)	-	-
Dividends paid		(144,005)	(32,077)	(144,005)	(32,077)
Net cash inflow / (outflow) from financing activities		<u>(208,862)</u>	<u>(62,581)</u>	<u>(208,783)</u>	<u>(4,589)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(571,061)</u>	<u>546,917</u>	<u>(570,911)</u>	<u>570,853</u>
Cash and cash equivalents at the beginning of the financial year		590,499	44,989	590,349	18,766
Effects of exchange rate changes on cash and cash equivalents		(231)	(1,407)	(231)	730
Cash and cash equivalents at the end of the financial year	10	<u>19,207</u>	<u>590,499</u>	<u>19,207</u>	<u>590,349</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 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report 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 as the parent entity and 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 equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of New Hope Corporation Limited comply with IFRS. The parent entity financial statements and notes also comply with IFRS except that the entity has elected to apply relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first New Hope Corporation Limited financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of New Hope Corporation Limited until 31 July 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing New Hope Corporation Limited's 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 August 2005.

The Company has elected to apply the exemption available under AASB 1 not to restate any past business combinations under AASB 3 that occurred before the date of transition.

Reconciliations and descriptions of the effects of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 46.

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.

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.

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 2006 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation (continued)

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.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the holding entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint venture operations

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 38.

(iv) Partnerships

The interest in a partnership is accounted for in the consolidated financial statements using the equity accounting method. This percentage of the partnership's result for the period is recognised in the Group's income statement.

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign currency translation (continued)

(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 item 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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are taken to shareholders' equity. When a foreign operation is sold, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale.

e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

- Coal sales revenue is recognised at the time title has 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.
- Dividend income is taken into profit when the right to receive payment is established.
- Rental income is recognised on a straight line basis over the lease term.

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 the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for the temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Income tax (continued)

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 parent entity 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

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 7.

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.

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 purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

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.

i. Impairment of assets

Assets that are subject to amortisation are reviewed annually for indications of impairment. When there is an indication an asset is impaired, a formal assessment of the assets 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 flows.

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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established 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 provision is recognised in the income statement.

l. Inventories

Coal stocks are valued at the lower of cost, including an appropriate proportion of fixed and variable mining overheads, and net realisable value in the normal course of business.

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. 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.

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

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 writedown 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 on the face of the income statement.

n. Investments and other financial assets

From 1 August 2004 to 31 July 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 August 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, are brought to account at cost and dividend income is recognised in the income statement when receivable.

Adjustments on transition date: 1 August 2005

The nature of the main adjustments required to make this information comply with AASB 132 and AASB 139 is that shares in other companies will be classified as 'Available for sale financial assets' and measured at fair value. Fair value is inclusive of transaction costs. Additionally term deposits have been reclassified from receivables to held to maturity investments.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Investments and other financial assets (continued)

From 1 August 2005

The group classifies its investments 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.

(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.

o. Derivatives - Forward foreign exchange contracts

From 1 August 2004 to 31 July 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 August 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from remeasurement of those contracts by reference to movements in spot exchange rates are deferred in the balance sheet from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

Adjustments on transition date: 1 August 2005

The nature of the main adjustments required to make this information comply with AASB 132 and AASB 139 is that derivatives will be classified as 'Derivative financial instruments' and measured at fair value. Fair value is exclusive of transaction costs. At the date of transition (1 August 2005) changes to carrying amounts are taken to reserves.

From 1 August 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. 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 the income statement.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Derivatives (continued)

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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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 nominal value less the estimated credit adjustments of trade receivables and payables is assumed to approximate their fair values. 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.

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 is charged to the income statement 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 the income statement.

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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Investment property

The Investment property, principally comprising freehold commercial buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is accounted for using the historical cost model. Buildings are depreciated on a straight line basis over 40 years.

t. Trade and other creditors

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.

u. 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.

v. Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and vested sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and are recognised and measured at the amounts expected to be paid when the liabilities are settled, including related on costs, in respect of employees' services up to that date.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, including related on costs, experience of employee departures and periods of service. Expected future payments are discounted using appropriate risk free rates as applicable to the estimated future cash outflows.

Share-based payments

Share-based payments are provided to employees via the New Hope Corporation Limited Employee Share Option Plan. All options have been granted after 7 November 2002 and vest after 1 January 2005.

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 binomial 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.

At each balance sheet 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.

w. 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.

x. 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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y. Earnings per share

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.

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.

z. 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 the income statement 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.

aa. Benching and forward overburden removal

The costs of overburden removed in advance and establishment of work benches have been deferred and will be charged to the income statement in subsequent years on the basis of saleable tonnes produced. Costs have not been deferred in operations where uncertainty exists as to their recoverability as a result of either remaining mine life or technical conditions within the mine.

ab. 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

ac. Intangible assets

Software is stated at historical cost less applicable amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of software. Amortisation is calculated so as to write off the cost of each item of software during its expected economic life to the consolidated entity. Straight line method is used. The expected useful life of software 3 to 5 years.

ad. New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 July 2006 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:

AASB 119 Employee Benefits: Accounting for actuarial gains and losses and group plans

AASB 2005-1 Amendments to AASB 139: Cash flow hedge accounting of forecast intra-group transactions

AASB 2005-4 Amendments to AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038: Fair value option

UIG 4 Determining whether an Asset Contains a Lease

AASB 2005-9 Amendments to AASB 4, AASB 1023, AASB 139 and AASB 132: Accounting for financial guarantee contracts

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038

AASB 2005-6 Amendments to AASB 121

AASB 2006-1 Amendments to AASB 121

UIG 8 Scope of AASB 2

UIG 9 Reassessment of embedded derivatives

UIG 5 Rights to interests arising from decommissioning restoration and environmental rehabilitation funds

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate 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.

Risk management is carried out in accordance with policies approved by the Board of Directors. The 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.

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 50% of anticipated transactions (export coal sales) in US dollars for the subsequent 5 years. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

(ii) Price risk

The Group is exposed to equity securities price risk arising from certain investments held by the group.

(iii) Fair value interest rate risk

Refer to (d) below.

b. Credit risk

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. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

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.

d. 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. Significant changes in market interest rates may have an effect on the Group's income and operating cash flows. The Group manages its cashflow interest rate risk by placing excess funds in term deposits and other fixed interest bearing assets.

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

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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.

(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 close down and restoration costs.

4. REVENUE

From continuing operations

Sales revenue

- Sale of goods
- Services

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Sale of goods	218,957	189,523	-	-
Services	-	-	8,974	8,643
	218,957	189,523	8,974	8,643

Other revenue

- Dividends received
- Property rent received
- Interest received
- Management and service fees received
- Sundry revenue

Dividends received	-	-	-	46,500
Property rent received	657	651	2	6
Interest received	27,688	5,741	27,683	5,289
Management and service fees received	250	-	-	1,377
Sundry revenue	3,765	2,691	270	213
	251,317	198,606	36,929	62,028

From discontinued operations

- Services
- Management and service fees received
- Sundry revenue

Services	-	41,144	-	-
Management and service fees received	-	1,611	-	1,611
Sundry revenue	-	518	-	-
	-	43,273	-	1,611

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
5. OTHER INCOME				
From continuing operations				
Profit on sale of non-current assets	1,137	1,244	558	-
Foreign exchange gains	1,076	-	1,078	-
	<u>2,213</u>	<u>1,244</u>	<u>1,636</u>	<u>-</u>
6. EXPENSES				
Profit before income tax expense includes the following specific expenses:				
Foreign exchange gains and losses				
Net foreign exchange losses	-	803	-	648
Depreciation				
Buildings	78	87	21	20
Plant and equipment	12,150	15,484	635	520
	<u>12,228</u>	<u>15,571</u>	<u>656</u>	<u>540</u>
Amortisation				
Mining reserves and mine development	4,603	5,792	-	-
Port development	-	1,039	-	-
Software	174	84	162	46
	<u>4,777</u>	<u>6,915</u>	<u>162</u>	<u>46</u>
Other charges against assets				
Bad and doubtful debts	34	-	8,868	-
Finance Costs				
Interest	1	548	-	-
Loss on disposal of non-current assets	-	-	-	6
Exploration costs expensed	9,029	4,191	-	-
Defined contribution superannuation expense	1,332	1,265	303	281
Employee benefits expensed	30,554	26,615	6,812	5,271

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
7. INCOME TAX EXPENSE				
(a) Income Tax Expense				
Current tax	29,289	72,915	7,668	41,188
Deferred tax	(1,065)	(5,359)	451	(44)
Under / (over) provided in prior years	(2,231)	(2,363)	112	60
	<u>25,993</u>	<u>65,193</u>	<u>8,231</u>	<u>41,204</u>
Income tax expense is attributed to:				
Profit from continuing operations	25,993	18,749	8,231	1,266
Profit from discontinued operations	-	46,444	-	39,938
Aggregate income tax expense	<u>25,993</u>	<u>65,193</u>	<u>8,231</u>	<u>41,204</u>
Deferred income tax expense / (revenue) included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets	(1,309)	(1,199)	432	(150)
(Decrease) / increase in deferred tax liabilities	244	(4,160)	19	106
	<u>(1,065)</u>	<u>(5,359)</u>	<u>451</u>	<u>(44)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax	94,688	71,876	16,742	49,313
Profit from discontinued operations before income tax	-	449,040	-	176,615
	<u>94,688</u>	<u>520,916</u>	<u>16,742</u>	<u>225,928</u>
Income tax calculated at 30% (2005 - 30%)	28,406	156,275	5,023	67,778
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Rebateable dividends	-	-	-	(13,950)
Share of net profits of associates	(914)	(11,116)	-	-
Net capital gains	335	39,429	(2)	39,455
Book profit on sale of investment	(256)	(117,480)	(153)	(52,501)
Share based payment expense	557	470	557	470
Intercompany debt written off	-	-	2,660	-
Sundry items	96	(22)	34	(108)
	<u>28,224</u>	<u>67,556</u>	<u>8,119</u>	<u>41,144</u>
Under / (over) provided prior year	(2,231)	(2,363)	112	60
Income tax expense	<u>25,993</u>	<u>65,193</u>	<u>8,231</u>	<u>41,204</u>
(c) 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 - debited directly to equity (note 26)	2,368	-	-	-
	<u>2,368</u>	<u>-</u>	<u>-</u>	<u>-</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

7. INCOME TAX EXPENSE (continued)

(d) 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 tax funding agreement was revised in the current reporting period to permit the entities in the tax consolidated group to apply the transitional provisions in UIG 1052 paragraph 65.

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.

8. DIVIDENDS - New Hope Corporation Limited

(a) Ordinary dividend paid

	Parent Entity	
	2006	2005
	\$000	\$000
2004 final dividend of 1.5 cents per share - 65% franked at a tax rate of 30% (paid on 16 Nov 2004)	-	10,917
2005 interim dividend of 2.75 cents per share - 65% franked at a tax rate of 30% (paid on 5 May 2005)	-	21,160
2005 final dividend of 3.0 cents per share - 100% franked at a tax rate of 30% (paid on 16 Nov 2005)	23,996	-
2005 special dividend of 13.0 cents per share - 100% franked at a tax rate of 30% (paid on 16 Nov 2005)	103,983	-
2006 interim dividend of 2.0 cents per share - 100% franked at a tax rate of 30% (paid on 4 May 2006)	16,024	-
Total dividends paid	144,003	32,077

(b) Proposed dividends

In addition to the above dividends, since the end of the financial year, the Directors have declared a final dividend of 2.5 cents and a special dividend of 4.5 cents per fully paid share, (2005 - 3.0 cents per share and 13 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 14 November 2006 but not recognised as a liability at year end is \$56,568,000 (2005 - \$127,979,000).

(c) Franked dividends

The franked portions of the final dividends recommended after the 31 July 2006 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 2006.

Franking credits available for subsequent financial years based on a tax rate of 30% (2005 - 30%)	29,639	65,684
---	--------	--------

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 \$24,243,000 (2005 - \$54,848,000).

(d) Dividend reinvestment plans

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

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

9. DISCONTINUED OPERATIONS

(a) Description

During the year ended 31 July 2005, the Company disposed of its 40.83% interest in the Adaro coal mine in Indonesia, its 50% interest in PT Indonesia Bulk Terminal and its 40.83% interest in Vindoor Investments (Mauritius) Limited. Settlement of the transaction occurred on 22 June 2005, with total proceeds received by the Company on settlement of US\$406 million.

Financial information relating to the discontinued operation for the period to the date of the disposal is set out below. Further information is set out in note 37 - segment information.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented is for the eleven months ended 30 June 2005 in the 2005 column.

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue	-	43,273	-	1,611
Share of profits of associates accounted for using the equity method	-	36,441	-	-
Expenses	-	(22,764)	-	-
Profit before income tax	-	56,950	-	1,611
Income tax expense	-	(6,988)	-	(483)
Profit after income tax of discontinued operations	-	49,962	-	1,128
Gain on sale of division before income tax	-	392,090	-	175,004
Income tax expense	-	(39,455)	-	(39,455)
Gain on sale of the division after income tax	-	352,635	-	135,549
Profit from discontinued operations	-	402,597	-	136,677
Profit attributable to outside equity interests	-	(7,934)	-	-
Profit attributable to New Hope Shareholders	-	394,663	-	136,677
Cash inflow / (outflow) from ordinary activities	-	13,631	-	1,128
Cash inflow / (outflow) from investing activities	-	488,569	-	175,099
Cash inflow / (outflow) from financing activities	-	(23,200)	-	-
Net increase / (decrease) in cash held	-	479,000	-	176,227

(c) Details of the sale of the overseas assets

Cash consideration received	-	521,751	-	177,404
Repayment of loans	-	(26,887)	-	-
Carrying amount of net assets disposed	-	(82,348)	-	(101)
Exchange differences on translation of foreign operations	-	(13,995)	-	-
Costs on sale	-	(6,431)	-	(2,299)
Gain on sale of overseas assets before tax	-	392,090	-	175,004
Tax on sale	-	(39,455)	-	(39,455)
Gain on sale of overseas assets after tax	-	352,635	-	135,549

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
10. CURRENT ASSETS - Cash and cash equivalents				
Cash at bank and on hand	19,207	590,499	19,207	590,349
	19,207	590,499	19,207	590,349

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	19,207	590,499	19,207	590,349
Balances per statement of cash flows	19,207	590,499	19,207	590,349

(b) 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 5.38% (2005 0% to 5.60%).

11. CURRENT ASSETS - Receivables

Trade receivables	9,305	9,696	60	1,889
Provision for doubtful debts	(20)	(73)	-	-
	9,285	9,623	60	1,889
Other receivables	5,070	4,326	2,263	1,032
Owing by controlled entities	-	-	109,181	116,761
Deferred hedge receivable	-	9,812	-	-
Term deposits	-	25,000	-	25,000
Prepayments	1,656	2,136	135	189
	16,011	50,897	111,639	144,871

With the exception of term deposits which bear interest at the rate of 5.78%, all current receivables are non-interest bearing. For details of the changes in accounting policy on adoption of AASB 132 and AASB 139 refer to note 43(a) and 43(b) for deferred hedge receivables and note 1(n) for term deposits.

12. CURRENT ASSETS - Inventories

Coal stocks at cost	12,972	13,363	-	-
Raw materials and stores at cost	2,566	1,678	-	-
Work in progress at cost	-	105	-	-
	15,538	15,146	-	-

(a) Inventory expense

Inventories recognised as an expense during the year ended 31 July 2006 amounted to \$69,686,000 (2005 - \$64,223,000).

13. CURRENT ASSETS - Held to maturity investments

Term Deposits	344,559	-	344,559	-
	344,559	-	344,559	-

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 6.02%.

14. CURRENT ASSETS - Other

Prepaid forward overburden and stripping costs	-	13	-	-
Security deposits	125	119	2	2
	125	132	2	2

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
15. CURRENT ASSETS - Non-current assets classified as held for sale				
Plant and equipment at cost	-	617	-	-
Accumulated depreciation	-	(384)	-	-
	<u>-</u>	<u>233</u>	<u>-</u>	<u>-</u>
16. NON-CURRENT ASSETS - Receivables				
Deferred hedge receivable	-	10,458	-	-
Advances to associates	393	256	-	-
Other receivables	1,058	406	-	-
	<u>1,451</u>	<u>11,120</u>	<u>-</u>	<u>-</u>

(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.

For details of the changes in accounting policy on adoption of AASB 132 and AASB 139 refer to note 43(a) and 43(b) for deferred hedge receivables.

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
17. NON-CURRENT ASSETS - Investments accounted for using the equity method				
Shares in associated companies - equity accounted amount (note 39)	54,996	3,740	-	-
	<u>54,996</u>	<u>3,740</u>	<u>-</u>	<u>-</u>
18. NON-CURRENT ASSETS - Available for sale financial assets				
Shares in other companies at cost (unlisted)	3	-	-	-
	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group has taken the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 August 2005. At the date of transition to these standards of 1 August 2005:

- shares in other companies with a carrying amount of \$3,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as available-for-sale financial assets; and
- no adjustment was required as a result of remeasurement to fair value.

For more information refer to note 1(n).

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

Name of Entity	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
19. NON-CURRENT ASSETS - Other financial assets				
(a) Unlisted investments				
Controlled entities at cost	-	-	17,117	17,116
Shares in other companies at cost	-	3	-	-
	<u>-</u>	<u>3</u>	<u>17,117</u>	<u>17,116</u>

Name of Entity	Country of Incorporation	Class of share	Parent Entity			
			2006 %	2006 \$000	2005 %	2005 \$000
(b) At cost are ordinary shares and comprise:						
New Hope Collieries Pty Ltd *	Australia	Ordinary	100	1,448	100	1,448
Tivoli Collieries Pty Ltd *	Australia	Ordinary	100	806	100	806
Andrew Wright Holdings Pty Ltd *	Australia	Ordinary	100	160	100	160
and its controlled entity - Tetard Holdings Pty Ltd *	Australia	Ordinary	100	-	100	-
Acland Pastoral Co. Pty Ltd *	Australia	Ordinary	100	3,935	100	3,935
Jeebropilly Collieries Pty Ltd	Australia	Ordinary	100	200	100	200
Fowlers Engineering Pty Ltd *	Australia	Ordinary	100	325	100	325
Consolidated Bulk Handling Pty Ltd *	Australia	Ordinary	100	1,000	100	1,000
New Hope Finance Pty Ltd *	Australia	Ordinary	100	2	100	2
New Hope Energy Pty Ltd *	Australia	Ordinary	-	-	100	1
New Oakleigh Coal Pty Ltd	Australia	Ordinary	100	1	100	1
New Hope Exploration Pty Ltd *	Australia	Ordinary	100	1	100	1
Seven Mile Coal Pty Ltd *	Australia	Ordinary	100	-	100	-
New Acland Coal Pty Ltd	Australia	Ordinary	100	9,236	100	9,236
Arkdale Pty Ltd *	Australia	Ordinary	100	1	-	-
New Lenton Coal Pty Ltd *	Australia	Ordinary	100	1	-	-
Tivoli Coal (Hawaii) Pty Ltd *	Australia	Ordinary	100	1	100	1
				<u>17,117</u>		<u>17,116</u>

* Entity is a small proprietary company and therefore audited individual accounts have not been prepared.

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
20. NON-CURRENT ASSETS - Property, plant and equipment				
Land and buildings - non-mining				
Freehold land at cost	552	552	318	318
Buildings at cost	1,236	1,237	842	842
Accumulated depreciation	(453)	(357)	(346)	(326)
	<u>783</u>	<u>880</u>	<u>496</u>	<u>516</u>
Total land and buildings - non-mining	<u>1,335</u>	<u>1,432</u>	<u>814</u>	<u>834</u>
Land and buildings - held for mining				
Freehold land at cost	61,841	36,707	-	-
Buildings at cost	3,125	3,012	-	-
Accumulated depreciation	(289)	(334)	-	-
	<u>2,836</u>	<u>2,678</u>	<u>-</u>	<u>-</u>
Total land and buildings - held for mining	<u>64,677</u>	<u>39,385</u>	<u>-</u>	<u>-</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
20. NON-CURRENT ASSETS - Property, plant and equipment (continued)				
Plant and equipment				
Plant and equipment at cost	163,805	149,641	2,491	2,347
Accumulated depreciation	(92,190)	(83,331)	(1,606)	(1,379)
	<u>71,615</u>	<u>66,310</u>	<u>885</u>	<u>968</u>
Motor vehicles				
Motor vehicles at cost	2,310	1,879	725	700
Accumulated depreciation	(700)	(645)	(245)	(233)
	<u>1,610</u>	<u>1,234</u>	<u>480</u>	<u>467</u>
Mining reserves and leases				
Mining reserves and leases at cost	9,813	9,813	-	-
Accumulated amortisation	(4,439)	(3,118)	-	-
	<u>5,374</u>	<u>6,695</u>	<u>-</u>	<u>-</u>
Mine properties, mine development				
Mine properties, mine development at cost	27,499	27,292	-	-
Accumulated amortisation	(12,993)	(9,710)	-	-
	<u>14,506</u>	<u>17,582</u>	<u>-</u>	<u>-</u>
Total Property, plant and equipment	<u>159,117</u>	<u>132,638</u>	<u>2,179</u>	<u>2,269</u>
Reconciliations				
Land and buildings - non-mining				
Carrying amount at beginning of year	1,432	1,692	834	829
Additions	-	26	-	25
Disposals	(70)	(278)	-	-
Depreciation	(27)	(8)	(20)	(20)
Carrying amount at end of year	<u>1,335</u>	<u>1,432</u>	<u>814</u>	<u>834</u>
Land and buildings - held for mining				
Carrying amount at beginning of year	39,385	37,459	-	-
Additions	25,317	2,189	-	-
Disposals	-	(211)	-	-
Depreciation	(25)	(52)	-	-
Carrying amount at end of year	<u>64,677</u>	<u>39,385</u>	<u>-</u>	<u>-</u>
Plant and equipment				
Carrying amount at beginning of year	66,310	159,137	968	872
Additions	17,919	14,669	429	492
Assets held for sale	-	(233)	-	-
Disposals	(755)	(108)	(4)	(7)
Depreciation	(11,859)	(14,918)	(508)	(389)
Foreign exchange differences	-	(7,784)	-	-
Disposal of controlled entity	-	(84,453)	-	-
Carrying amount at end of year	<u>71,615</u>	<u>66,310</u>	<u>885</u>	<u>968</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
20. NON-CURRENT ASSETS - Property, Plant and Equipment (continued)				
Reconciliations (continued)				
Motor vehicles				
Carrying amount at beginning of year	1,234	1,081	467	408
Additions	775	480	153	231
Disposals	(106)	(48)	(14)	(40)
Depreciation	(293)	(279)	(126)	(132)
Carrying amount at end of year	<u>1,610</u>	<u>1,234</u>	<u>480</u>	<u>467</u>
Mining reserves and leases				
Carrying amount at beginning of year	6,695	7,996	-	-
Amortisation	(1,321)	(1,301)	-	-
Carrying amount at end of year	<u>5,374</u>	<u>6,695</u>	<u>-</u>	<u>-</u>
Mine properties and mine development				
Carrying amount at beginning of year	17,582	21,878	-	-
Additions	207	158	-	-
Amortisation	(3,283)	(4,454)	-	-
Carrying amount at end of year	<u>14,506</u>	<u>17,582</u>	<u>-</u>	<u>-</u>
Port development and infrastructure				
Carrying amount at beginning of year	-	36,044	-	-
Disposals	-	(69)	-	-
Amortisation	-	(1,842)	-	-
Foreign exchange differences	-	(2,005)	-	-
Disposal of controlled entity	-	(32,128)	-	-
Carrying amount at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(a) Non-current assets pledged as security				
Refer to note 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.				
21. NON-CURRENT ASSETS - Investment property				
Freehold land at cost	866	866	35	35
Buildings at cost	1,097	1,097	-	-
Accumulated depreciation	(404)	(377)	-	-
	<u>1,559</u>	<u>1,586</u>	<u>35</u>	<u>35</u>
Reconciliation				
Carrying amount at beginning of year	1,586	1,613	35	35
Depreciation	(27)	(27)	-	-
Carrying amount at end of year	<u>1,559</u>	<u>1,586</u>	<u>35</u>	<u>35</u>

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
21. NON-CURRENT ASSETS - Investment property (continued)				
(a) Amounts recognised in profit and loss for Investment property				
Rental income	676	658	2	6
Direct operating expenses from income generating properties	(655)	(491)	-	(1)
	21	167	2	5

(b) Valuation

As at March 2004, the fair value of the Investment property was \$2,800,000. This is based upon a valuation performed by a registered valuer. It is estimated that these properties have an estimated value of \$3,000,000 at 31 July 2006.

(c) Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the parent entity or its controlled entities.

(d) Contractual obligations

There are no contractual obligations to purchase, construct or develop Investment property or for any repairs, maintenance or enhancements.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
22. NON-CURRENT ASSETS - Deferred tax assets				
The balance comprises temporary differences attributed to :				
Amounts recognised in profit and loss				
Accrued expenses	412	232	67	346
Employee benefits	2,005	1,851	328	286
Mine site rehabilitation provision	3,489	3,321	-	-
IPO costs	322	467	322	467
Other	6	873	-	50
	6,234	6,744	717	1,149
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 26)	(6,234)	(5,777)	(264)	(245)
Net deferred tax assets	-	967	453	904
Movements				
Carrying amount at beginning of year	6,744	5,545	1,149	999
Credited / (charged) to the income statement	(510)	1,199	(432)	150
Carrying amount at end of year	6,234	6,744	717	1,149
Deferred tax assets to be recovered after more than 12 months	2,423	2,956	395	682
Deferred tax assets to be recovered within 12 months	3,811	3,788	322	467
	6,234	6,744	717	1,149

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
23. NON-CURRENT ASSETS - Intangibles				
Software				
Software at cost	3,590	2,692	3,139	2,255
Accumulated amortisation	(730)	(619)	(313)	(213)
	<u>2,860</u>	<u>2,073</u>	<u>2,826</u>	<u>2,042</u>
Reconciliation				
Software				
Carrying amount at beginning of year	2,073	337	2,042	294
Additions	961	1,820	947	1,794
Amortisation *	(174)	(84)	(163)	(46)
Carrying amount at end of year	<u>2,860</u>	<u>2,073</u>	<u>2,826</u>	<u>2,042</u>

* Amortisation of \$174,000 (2005 - \$84,000) is included in cost of sales in the income statement.

24. CURRENT LIABILITIES - Accounts payable

Trade payables and accruals	13,863	12,096	1,256	1,766
Other payables	321	408	-	58
Employee entitlements	6,199	5,724	592	519
Deferred exchange gains	-	9,812	-	-
	<u>20,383</u>	<u>28,040</u>	<u>1,848</u>	<u>2,343</u>

For details of the changes in accounting policy on adoption of AASB 132 and AASB 139 refer to note 43(a) for deferred exchange gains.

25. CURRENT LIABILITIES - Borrowings

Current				
Bank loans - secured	-	79	-	-
Loans from controlled entities - unsecured	-	-	396,482	419,313
	<u>-</u>	<u>79</u>	<u>396,482</u>	<u>419,313</u>

(a) Bank loans - secured

In the prior year bank loans are repayable at call and bear interest at 4.08%.

(b) Loans from controlled entities - unsecured

Loans from controlled entities have no fixed term of repayment and bear no interest.

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

25. CURRENT LIABILITIES - Borrowings (continued)

(c) Financing arrangements

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

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Total facilities				
Other facilities (i)	25,000	11,700	25,000	-
Bank loan facilities (ii)	-	29,750	-	-
	25,000	41,450	25,000	-
Used at balance date				
Other facilities	13,673	2,833	13,673	-
Bank loan facilities	-	7,014	-	-
	13,673	9,847	13,673	-
Unused at balance date				
Other facilities	11,327	8,867	11,327	-
Bank loan facilities	-	22,736	-	-
	11,327	31,603	11,327	-

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

(ii) The bank loan facilities were repaid during the year and the fixed and floating charge over the assets was subsequently released during the year. These facilities had been able to be drawn at any time in either Australian or United States currency. Interest rates on facilities had been both fixed and variable. Bank loans had been secured by a fixed and floating charge over the assets, uncalled capital and undertakings of various entities in the consolidated entity.

(d) Interest rate exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets to maturity.

2006 - \$000	Note	Floating interest rate	Fixed interest maturing in			Non-interest bearing	Total
			1 year or less	over 1 to 5 years	more than 5 years		
Trade payable and accruals		-	-	-	-	13,863	13,863
Other payables		-	-	-	-	321	321
Employee entitlements		-	-	-	-	6,199	6,199
		-	-	-	-	20,383	20,383
Weighted average interest rate		0.00%	0.00%	0.00%	0.00%	0.00%	

2005 - \$000	Note	Floating interest rate	Fixed interest maturing in			Non-interest bearing	Total
			1 year or less	over 1 to 5 years	more than 5 years		
Trade payable and accruals		-	-	-	-	12,096	12,096
Other payables		-	-	-	-	408	408
Employee entitlements		-	-	-	-	5,724	5,724
Bank loans - secured		-	79	-	-	-	79
		-	79	-	-	18,228	18,307
Weighted average interest rate		0.00%	4.08%	0.00%	0.00%	0.00%	

(e) Fair value

The fair value of borrowings is considered to be equal to the carrying amounts.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
26. NON-CURRENT LIABILITIES - Deferred tax liabilities				
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Other accounts receivable	180	204	-	-
Inventories	1,010	682	-	-
Property plant and equipment	2,979	2,572	264	245
Mine reserves	1,612	2,009	-	-
Other	240	310	-	-
	<u>6,021</u>	<u>5,777</u>	<u>264</u>	<u>245</u>
Amounts recognised directly in equity				
Cash flow hedges	3,712	-	-	-
	<u>9,733</u>	<u>5,777</u>	<u>264</u>	<u>245</u>
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 22)	(6,234)	(5,777)	(264)	(245)
Net deferred tax liabilities	<u>3,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movements				
Carrying amount at beginning of year	5,777	9,937	245	139
Change on adoption of AASB 132 and AASB 139	6,080	-	-	-
Credited / (charged) to the income statement	244	(4,160)	19	106
Credited / (charged) to equity	(2,368)	-	-	-
Carrying amount at end of year	<u>9,733</u>	<u>5,777</u>	<u>264</u>	<u>245</u>
Deferred tax liabilities to be settled after more than 12 months	3,380	1,769	231	214
Deferred tax liabilities to be settled within 12 months	6,353	4,008	33	31
	<u>9,733</u>	<u>5,777</u>	<u>264</u>	<u>245</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
27. CURRENT LIABILITIES - Provisions				
Employee benefits	3,518	3,680	486	435
Mining restoration and rehabilitation (note 1(z))	1,815	1,946	-	-
	<u>5,333</u>	<u>5,626</u>	<u>486</u>	<u>435</u>
Mining restoration and rehabilitation				
Current	1,815	1,946	-	-
Non-current	9,814	9,124	-	-
	<u>11,629</u>	<u>11,070</u>	<u>-</u>	<u>-</u>
Movement in the total mining restoration and rehabilitation provision during the financial year is set out below :				
Carrying amount at beginning of year	11,070	9,844	-	-
Additional provision recognised	559	1,226	-	-
Carrying amount at end of year	<u>11,629</u>	<u>11,070</u>	<u>-</u>	<u>-</u>
28. NON-CURRENT LIABILITIES - Provisions				
Employee benefits	1,132	604	14	-
Mining restoration and rehabilitation (note 1(z))	9,814	9,124	-	-
	<u>10,946</u>	<u>9,728</u>	<u>14</u>	<u>-</u>
29. NON-CURRENT LIABILITIES - Other				
Deferred exchange gains	-	10,458	-	-
	<u>-</u>	<u>10,458</u>	<u>-</u>	<u>-</u>

For details of the changes in accounting policy on adoption of AASB 132 and AASB 139 refer to note 43(a) for deferred exchange gains.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

		Parent Entity 2006		Parent Entity 2005	
		No. of shares	\$000	No. of shares	\$000
30. CONTRIBUTED EQUITY					
(a) Share Capital					
Issued and paid up capital		801,226,236	46,028	769,611,156	110,810
(b) Movements in share capital					
Date	Details	Number of Shares	Issue Price	\$000	
1 August 2004	Opening Balance	708,168,031		83,322	
25 October 2004	Exercise of ordinary options	18,714,296	\$0.45	8,421	
29 November 2004	Exercise of ordinary options	1,242,948	\$0.45	559	
21 January 2005	Exercise of ordinary options	3,421,936	\$0.45	1,540	
28 February 2005	Exercise of ordinary options	3,442,526	\$0.45	1,549	
18 April 2005	Exercise of ordinary options	34,522,181	\$0.45	15,535	
30 June 2005	Exercise of ordinary options	15,738	\$0.45	7	
29 July 2005	Exercise of ordinary options	83,500	\$0.45	38	
	Transaction costs arising on share issues			(161)	
31 July 2005	Balance	769,611,156		110,810	
11 August 2005	Exercise of management options	6,350,000	\$0.49375	3,135	
12 August 2005	Exercise of management options	8,350,000	\$0.49375	4,123	
29 August 2005	Exercise of management options	2,050,000	\$0.49375	1,012	
2 September 2005	Exercise of management options	2,190,000	\$0.49375	1,081	
13 September 2005	Exercise of management options	6,570,000	\$0.49375	3,244	
30 September 2005	Exercise of ordinary options	537,903	\$0.45	242	
31 October 2005	Exercise of ordinary options	4,175,846	\$0.45	1,879	
30 November 2005	Exercise of ordinary options	1,235,209	\$0.45	556	
31 December 2005	Exercise of ordinary options	86,290	\$0.35	30	
31 January 2006	Exercise of ordinary options	14,540	\$0.35	5	
28 February 2006	Exercise of ordinary options	16,285	\$0.35	6	
31 March 2006	Exercise of ordinary options	18,291	\$0.35	6	
30 April 2006	Exercise of ordinary options	17,107	\$0.35	6	
31 May 2006	Exercise of ordinary options	2,109	\$0.35	1	
30 June 2006	Exercise of ordinary options	1,000	\$0.35	-	
31 July 2006	Exercise of ordinary options	500	\$0.35	-	
	Return of capital (i)			(80,108)	
31 July 2006	Balance	801,226,236		46,028	

(i) Following approval from shareholders at the Annual General Meeting held in November 2005, a return of capital was paid to shareholders in December 2005. Each shareholder was entitled to 10 cents per share held.

(c) 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 2006 there were 25,895,562 (2005 - 39,960,642) options over ordinary shares in the Company.

(d) 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 45.

Ordinary options were issued to shareholders as part of the initial public offering in 2003. Options are exercisable until 9 September 2008 at an exercise price of \$0.35.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
31. RESERVES				
(a) Reserves				
Capital profits	1,343	1,343	-	-
Capital redemption	2,800	2,800	2,800	2,800
Hedging reserve	8,662	-	-	-
Share-based payments reserve	4,210	2,354	4,210	2,354
	17,015	6,497	7,010	5,154
Movements				
Capital profits				
Carrying amount at beginning of year	1,343	1,343	-	-
Carrying amount at end of year	1,343	1,343	-	-
Capital redemption				
Carrying amount at beginning of year	2,800	2,800	2,800	2,800
Carrying amount at end of year	2,800	2,800	2,800	2,800
Hedging reserve				
Carrying amount at beginning of year	-	-	-	-
Adjustment on adoption of AASB 132 and AASB 139 (net of tax)	14,190	-	-	-
Transfer to net profit - gross	(9,215)	-	-	-
- deferred tax	2,764	-	-	-
Revaluation - gross	1,319	-	-	-
- deferred tax	(396)	-	-	-
Carrying amount at end of year	8,662	-	-	-
Share-based payment reserve				
Carrying amount at beginning of year	2,354	788	2,354	788
Option expense	1,856	1,566	1,856	1,566
Carrying amount at end of year	4,210	2,354	4,210	2,354
Foreign currency translation reserve (FCTR)				
Carrying amount at beginning of year	-	(2,133)	-	-
Net exchange difference on translation of foreign controlled entity and associates	-	(11,862)	-	-
Transfer to net profit as part of sale of foreign controlled entity and associates (note 9)	-	13,995	-	-
Carrying amount at end of year	-	-	-	-

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.

Foreign currency translation

The foreign currency reserve recorded the foreign currency differences which arise from the translation of self-sustaining foreign operations, and foreign exchange movements in USD loans designated as effective hedges in the net investment of those operations. This reserve was transferred to retained profits as a result of the sale of the overseas operations.

Hedging reserve

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.

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
31. RESERVES (continued)				
Nature and purpose of reserves (continued)				
<u>Share based payment reserve</u>				
The share based payment reserve is used to recognise the fair value of options issued.				
(b) Retained profits				
Carrying amount at beginning of year	580,555	164,842	162,292	9,645
Net profit after income tax	68,695	447,790	8,511	184,724
Dividends paid (note 8)	(144,003)	(32,077)	(144,003)	(32,077)
Carrying amount at end of year	505,247	580,555	26,800	162,292

32. CONTINGENT LIABILITIES

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

	2006	2005
	\$000	\$000

New Hope Corporation Limited

Bank advances made from time to time to related companies are secured by a charge over the assets and undertakings of the parent entity for an amount not to exceed

	-	79
--	---	----

Controlled entities

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

	5,425	9,768
--	-------	-------

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

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
33. COMMITMENTS FOR EXPENDITURE				
Aggregate capital expenditure contracted for at balance date but not recognised as a liability is as follows:				
Property plant and equipment				
Within 1 year	30,916	204	-	204
Within 2 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	30,916	204	-	204
Intangibles				
Within 1 year	283	1,953	283	1,953
Within 2 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	283	1,953	283	1,953

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

34. 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 (appointed 25th May 2006)

(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 R.C. Neale	Chief Executive Officer	New Hope Corporation Limited
Mr P.K. Mantell	Chief Financial Officer and Company Secretary	New Hope Corporation Limited
Mr D. Brown-Kenyon	General Manager - Corporate Development & Government Relations	New Hope Corporation Limited
Mr C.C. Hopkins	General Manager - Marketing	New Hope Corporation Limited

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short-term employee benefits	1,292,960	1,306,076	1,292,960	1,306,076
Post employment benefits	245,066	968,615	245,066	968,615
Share based payment	706,696	659,293	706,696	659,293
	2,244,722	2,933,984	2,244,722	2,933,984

The Company has taken advantage of the relief provided by ASIC class order 06/50 and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in sections (a) to (d) of the remuneration report on pages 10 to 14.

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

34. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(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 10-14.

(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 / (Sold)	Exercised	Other		
Directors of New Hope Corporation Ltd - 2006						
Mr R.D. Millner	1,206	-	-	-	1,206	1,206
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	1,000	-	-	-	1,000	1,000
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant (from 25th May 2006)	-	-	-	-	-	-
Other key management personnel of the group - 2006						
Mr R.C. Neale	1,200,000	2,000,000	-	-	3,200,000	-
Mr P.K. Mantell	1,090,000	1,500,000	-	-	2,590,000	-
Mr D. Brown-Kenyon	850,000	1,250,000	-	-	2,100,000	-
Mr C.C. Hopkins	500,000	1,250,000	-	-	1,750,000	-
Directors of New Hope Corporation Ltd - 2005						
Mr R.D. Millner	194,136	-	(192,930)	-	1,206	1,206
Mr P.R. Robinson	3,000	-	(3,000)	-	-	-
Mr D.J. Fairfull	1,000	-	-	-	1,000	1,000
Mr D.C. Williamson	10,000	-	(10,000)	-	-	-
Mr G.L. Robertson (up to 13th July 2005) note (a)	9,662,750	-	(901,750)	-	8,761,000	1,000
Other key management personnel of the group - 2005						
Mr R.C. Neale	1,200,500	-	(500)	-	1,200,000	-
Mr P.K. Mantell	1,091,000	-	(1,000)	-	1,090,000	-
Mr D. Brown-Kenyon	851,500	(1,500)	-	-	850,000	-
Mr C.C. Hopkins	500,500	-	(500)	-	500,000	-
Mr A.C. Buckler (up to 13th July 2005)	6,520,000	(84,000)	(86,000)	-	6,350,000	-
Mr M.T. Smith (up to 13th July 2005)	6,575,000	-	(225,000)	-	6,350,000	-

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

34. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Equity instrument disclosures relating to key management personnel

(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	
Directors of New Hope Corporation Ltd - 2006					
Mr R.D. Millner	2,134,287	400,989	-	-	2,535,276
Mr P.R. Robinson	57,357	-	-	-	57,357
Mr D.J. Fairfull	10,000	-	-	-	10,000
Mr D.C. Williamson	20,000	-	-	-	20,000
Mr W.H. Grant (from 25th May 2006)	-	-	-	-	-
Other key management personnel of the group - 2006					
Mr R.C. Neale	5,500	-	-	-	5,500
Mr P.K. Mantell	13,000	-	-	-	13,000
Mr D. Brown-Kenyon	-	-	-	-	-
Mr C.C. Hopkins	19,900	(19,900)	-	-	-
Directors of New Hope Corporation Ltd - 2005					
Mr R.D. Millner	1,941,357	-	192,930	-	2,134,287
Mr P.R. Robinson	30,000	24,357	3,000	-	57,357
Mr D.J. Fairfull	10,000	-	-	-	10,000
Mr D.C. Williamson	10,000	-	10,000	-	20,000
Mr G.L. Robertson (up to 13th July 2005) - note (a)	9,033,000	382,485	901,750	-	10,317,235
Other key management personnel - 2005					
Mr R.C. Neale	5,000	-	500	-	5,500
Mr P.K. Mantell	13,000	(1,000)	1,000	-	13,000
Mr D. Brown-Kenyon	15,000	(15,000)	-	-	-
Mr C.C. Hopkins	5,000	14,400	500	-	19,900
Mr A.C. Buckler (up to 13th July 2005)	4,505,625	(425,614)	86,000	-	4,166,011
Mr M.T. Smith (up to 13th July 2005)	2,250,000	(207,012)	225,000	-	2,267,988

Note (a) Option holdings and share holdings listed above for Mr G.L. Robertson exclude options and shares held by Mr Robertson's father and brother, and their related entities. Details of option holdings of Mr Robertson's father and brother and their related entities during the prior year were as follows - opening balance 3,672,768, net sold 15,141, closing balance 3,657,627, vested and exercisable 3,657,627. Details of share holdings of Mr Robertson's father and brother and their related entities during the prior year were as follows - opening balance 27,192,472, net sold 7,049,331, closing balance 20,143,141.

(e) Other transactions of key management personnel

Mr G.L. Robertson was a Director of New Hope Corporation Limited during the prior year. He had an interest in an entity which has had transactions with New Hope Corporation Limited. These transactions are for the reimbursement of costs. All transactions are based on normal commercial terms and conditions. Mr Robertson's father is Governing Director of Farjoy Pty Ltd. New Hope Corporation Limited has had transactions with Farjoy Pty Ltd which include payment of dividends and repayment of loans. All transactions with Farjoy Pty Ltd are based on normal commercial terms and conditions.

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 2006

34. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) Other transactions of key management personnel (continued)

Mr D.J. Fairfull is a Director of New Hope Corporation Limited. Mr Fairfull also has an interest in Pitt Capital Partners Limited which acted as Financial Advisor to the Company for the acquisition of an investment in Arrow Energy NL during the period and in 2005 for the sale of the overseas assets. 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:

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Dividends paid	739,515	1,553,335	739,515	1,553,335
Reimbursement of costs	-	168,927	-	168,927
Legal advice	874,542	343,149	629,585	343,149
Financial advice fees paid	534,796	5,772,297	-	5,772,297

(f) Loans to key management personnel

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

35. 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 2006 owned 61.62% (2005 - 61.16%) of the issued ordinary shares of New Hope Corporation Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 34.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(d) Transactions with related parties				
Sale of goods and services				
Management and supervision fees - subsidiaries	-	-	8,543,186	9,632,828
Management and supervision fees - associates	250,000	-	-	-
Financial services	-	-	430,400	620,000
Tax consolidation legislation				
Current tax payable assumed from tax consolidated entities	-	-	24,180,543	21,361,903
Tax losses assumed from tax consolidated entities	-	-	(2,773,682)	(3,924,614)
Dividend revenue				
Subsidiaries	-	-	-	46,500,000
Associates	300,000	-	-	-

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
35. RELATED PARTIES (continued)				
(d) Transactions with related parties (continued)				
Other transactions				
Dividends paid to ultimate Australian controlling entity (WHSP)	88,865,355	20,588,875	88,865,355	20,588,875
Capital return paid to ultimate Australian controlling entity (WHSP)	49,369,642	-	49,369,642	-
Handling and commission received - associates	-	31,427,041	-	-
Interest received - associates	-	15,451	-	-
Handling and commission expense - associates	9,477,274	6,501,032	-	-
Management and service fees received - associates	250,000	2,637,348	-	1,201,674
Partnership income received	3,238,610	2,882,417	-	-
(e) 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 \$8,868,288 (2005 - nil) 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.				
(f) Loans to / from related parties				
Loans to subsidiaries				
Beginning of year	-	-	116,761,186	91,669,888
Loans advanced	-	-	153,762,474	257,468,864
Loan repayments received	-	-	(152,474,401)	(232,377,566)
Bad debts written off	-	-	(8,868,288)	-
End of year	-	-	109,180,971	116,761,186
Loans to other related parties				
Beginning of year	254,871	322,454	-	-
Loans advanced	3,238,610	2,882,417	-	-
Loan repayments received	(3,100,000)	(2,950,000)	-	-
End of year	393,481	254,871	-	-
Loans from subsidiaries				
Beginning of year	-	-	419,312,506	34,118,256
Loans advanced	-	-	387,247,951	825,595,333
Loan repayments received	-	-	(410,078,049)	(440,401,083)
End of year	-	-	396,482,408	419,312,506

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

35. RELATED PARTIES (continued)

(g) Guarantees

The guarantees given are set out in note 32.

(h) Terms and conditions

The terms and conditions of the tax funding agreement are set out in note 7.

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

All other transactions were made on normal commercial terms and conditions and at market rates, except that there were no fixed terms for the repayment of loans between parties. These loans are non-interest bearing.

Outstanding balances are unsecured and are repayable in cash.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
36. 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	192,541	140,590	192,541	140,590
Non PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	22,417	-	-
Total remuneration for audit services	192,541	163,007	192,541	140,590
(b) Other services				
PricewaterhouseCoopers Australian firm				
Transaction advisory services	284,983	518,896	229,906	518,896
General advisory services	128,128	5,888	128,128	5,888
AIFRS implementation	70,037	8,636	70,037	8,636
Tax compliance services	168,211	398,889	132,761	398,889
Research and development compliance services	209,397	189,955	209,397	189,955
Total remuneration for taxation services	860,756	1,122,264	770,229	1,122,264

37. FINANCIAL REPORTING BY SEGMENTS

During the year the Company operated substantially in one industry segment being coal mining and support activities and one geographical segment of Queensland, Australia. In the previous year, the Group also operated in the geographical segment being the Asian region. These operations were sold during the 2005 financial year.

Australian sales to external customers includes coal sales to Japan which originated from Australian companies. For the year ended 31 July 2006 this amounted to \$83,263,670 (2005 \$109,398,000).

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

	Continuing Operations Australia \$000	Discontinued Operation Asia \$000	Consolidated \$000
37. FINANCIAL REPORTING BY SEGMENTS			
Primary reporting format - geographical segments (continued)			
2006			
Sales to external customers	251,317	-	251,317
Other income	2,213	-	2,213
Total revenue / income	<u>253,530</u>	<u>-</u>	<u>253,530</u>
Segment result before tax	94,688	-	94,688
Income tax			<u>(25,993)</u>
Profit after income tax			<u>68,695</u>
Segment assets	627,800	-	627,800
Segment liabilities	59,510	-	59,510
Acquisition of fixed assets	(45,178)	-	(45,178)
Depreciation and amortisation	17,005	-	17,005
Other non-cash expenses	559	-	559
Share of net profits of associates and partnerships	6,283	-	6,283
Carrying value of equity accounted investments	54,996	-	54,996
2005			
Sales to external customers	198,606	43,273	241,879
Other income	1,244	-	1,244
Total revenue / income	<u>199,850</u>	<u>43,273</u>	<u>243,123</u>
Segment result before tax	71,876	449,040	520,916
Income tax			<u>65,192</u>
Profit after income tax			<u>455,724</u>
Segment assets	809,034	-	809,034
Segment liabilities	111,172	-	111,172
Acquisition of fixed assets	18,863	479	19,342
Depreciation and amortisation	16,747	5,739	22,486
Other non-cash expenses	1,081	-	1,081
Profit on sale of division before income tax	-	392,090	392,090
Share of net profits of associates and partnerships	3,494	36,441	39,935
Carrying value of equity accounted investments	3,740	-	3,740

38. JOINT VENTURE OPERATION

During the year the Group sold its interest in a joint venture operation called Reorganic Energy Swanbank, that operated a landfill gas project. The controlled entity had a 33.33% participating interest in the joint venture and was entitled to 33.33% of its output. The consolidated entity's interests in the assets employed in the joint venture is included on the consolidated statement of financial position.

	Consolidated		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current assets				
Cash	-	50	-	-
Other	-	318	-	-
	<u>-</u>	<u>368</u>	<u>-</u>	<u>-</u>
Non-current assets				
Plant and equipment at cost	-	581	-	-
Accumulated depreciation	-	(171)	-	-
	<u>-</u>	<u>410</u>	<u>-</u>	<u>-</u>
Share of assets employed in the joint venture	<u>-</u>	<u>778</u>	<u>-</u>	<u>-</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

39. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. These investments are held by Andrew Wright Holdings Pty Ltd and Arkdale Pty Ltd, both of which are controlled entities of New Hope Corporation Limited. Information relating to the associates is as follows:

Name of company	Year end	Principal activity	Ownership interest		Consolidated	
			2006	2005	2006	2005
Unlisted			%	%	\$000	\$000
Queensland Bulk Handling Pty Ltd	June	Coal handling	50.00	50.00	5,582	2,946
Queensland Commodity Exports Pty Ltd	June	Woodchip handling	-	33.33	-	794
Listed						
Arrow Energy NL *	June	Gas exploration and development	18.85	-	49,414	-
					54,996	3,740

* The Company classes this investment as an associate on the grounds that significant influence is achieved through board representation.

(a) Movements in the carrying amounts of investments in associates

Carrying amount at the beginning of the financial year	3,740	55,603
Acquisition of interest in an equity investment	49,414	-
Adjustment from the disposal of the interest in an equity investment	(903)	(35,635)
Share of profits after income tax	3,045	612
Share of profits after income tax - discontinued operations	-	36,441
Dividends received / receivable	(300)	(48,088)
Share of foreign currency translation reserve	-	(5,193)
Carrying amount at the end of the financial year	54,996	3,740

(b) Share of associates' profits

Profit before income tax	4,444	52,981
Income tax expense	(1,399)	(15,928)
Profit after income tax	3,045	37,053

Both associates are incorporated and domiciled in Australia.

(c) Fair value of listed investments in associates

Arrow Energy NL	48,805	-
-----------------	--------	---

(d) Share of associates' expenditure commitments, other than for the supply of inventories

Lease Commitments	4,567	3,419
-------------------	-------	-------

(e) Contingent liabilities of associates

For which the Company is severally liable	-	-
---	---	---

(f) Reserves attributable to associates

Foreign currency translation reserve		
Balance at the beginning of the financial year	-	(16,483)
Net exchange differences on translation of foreign associate entities	-	(5,193)
Transfer to income statement on disposal of foreign associate entities	-	21,676
Balance at the end of the financial year	-	-

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

39. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

(g) Summarised financial information of associates

	Group's Share of :			
	Assets	Liabilities	Revenues	Profit / (Loss)
2006				
Queensland Bulk Handling Pty Ltd	8,233	2,650	11,245	2,936
Arrow Energy NL	40,503	4,988	-	-
	<u>48,736</u>	<u>7,638</u>	<u>11,245</u>	<u>2,936</u>
2005				
Queensland Bulk Handling Pty Ltd	4,519	1,573	7,188	628
Queensland Commodity Exports Pty Ltd	1,231	438	4,290	(16)
	<u>5,750</u>	<u>2,011</u>	<u>11,478</u>	<u>612</u>

Note - As at the date of this report Arrow Energy N.L. had not released audited accounts for the year ended 30th June 2006. The Group's share of the assets and liabilities of Arrow Energy have been sourced from Arrow Energy's media release dated 31st May 2006. The Group has been unable to include its share of capital commitments and contingent liabilities as at 30th June 2006 due to the unavailability of current information. The Group's share of revenues and profits for the current period is immaterial for inclusion as Arrow Energy has only been equity accounted for 1 day in the current year.

40. INTEREST IN PARTNERSHIP

Andrew Wright Holdings Pty Ltd, a controlled entity of New Hope Corporation Limited holds a 50% interest in a partnership named Bulk Terminal Services, whose principal activity is supply of services. The partnership's year end is 30 June. The consolidated entity did not receive any products or services directly from the partnership. The Group's share of the partnership's revenue was \$4,432,000 (2005 - \$4,092,000).

Consolidated

2006 2005
\$000 \$000

Contribution of the partnership to operating profit of the consolidated entity	3,238	2,882
--	-------	-------

**41. RECONCILIATION OF NET CASH INFLOW / OUTFLOW
FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME
TAX**

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Profit after income tax	68,695	455,724	8,511	184,724
Depreciation and amortisation	17,005	22,481	818	586
Net (profit) / loss on sale of investment	(666)	(392,090)	(510)	(175,004)
Non-cash employee benefit expense - share based payments	1,856	1,566	1,856	1,566
Dividend received (non-cash)	-	-	-	(46,500)
Net foreign exchange (gain) / loss	(1,257)	(2,560)	(1,257)	-
Net (profit) / loss on sale of non-current assets	(470)	(1,323)	(48)	6
Share of (profits) / losses of associates not received as dividends	(2,745)	11,035	-	-
Partnership income	(3,238)	(2,882)	-	-
Interest, guarantee and management fees	(3,643)	-	(3,643)	(1,848)
Income taxes paid	(63,125)	(19,279)	(63,125)	(10,489)
Income tax expense in accounts	25,993	65,193	8,231	41,204
Changes in operating assets and liabilities				
(Increase) / decrease in debtors	(319)	8,339	596	20
Increase / (decrease) in creditors and employee entitlements	2,046	(10,960)	(444)	680
(Increase) / decrease in other receivables	-	-	1,502	6,054
(Increase) / decrease in forward overburden and stripping costs	13	1,088	-	-
(Increase) / decrease in inventories	(392)	(5,128)	-	-
Increase / (decrease) in accrued restoration costs	559	1,226	-	-
(Increase) / decrease in prepayments	474	1,683	54	(189)
Net cash provided by operating activities	<u>40,786</u>	<u>134,113</u>	<u>(47,459)</u>	<u>810</u>

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

42. EARNINGS PER SHARE

During the 2005 financial year the Company completed the sale of its overseas operations. Details of the sale are contained in note 9 to the accounts.

	Earnings per share (cents)	
	2006	2005
(a) Basic earnings per share		
Continuing operations	8.6	7.2
Discontinued operations	-	53.6
	8.6	60.8
(b) Diluted earnings per share		
Continuing operations	8.5	6.8
Discontinued operations	-	50.3
	8.5	57.1
(c) Reconciliation of adjusted profits		
Profit from continuing operations	68,695	53,127
Profit from discontinued operations	-	402,597
Profit from discontinued operations attributable to minority interests	-	(7,934)
Profit from continuing operations attributable to the ordinary equity holders of the Company	68,695	447,790
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating the basic earnings per share	798,043,955	736,543,424
Options	8,347,745	47,869,643
Weighted average number of ordinary shares used as the denominator in calculating the diluted earnings per share	806,391,700	784,413,067

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
43. DERIVATIVE FINANCIAL INSTRUMENTS				
CURRENT ASSETS				
Forward foreign exchange contracts	8,060	-	-	-
NON-CURRENT ASSETS				
Forward foreign exchange contracts	4,314	-	-	-

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 August 2005. At the date of transition to these standards at 1 August 2005, there were no impacts to retained earnings.

On the date of transition to AASB 132 and AASB 139 (1 August 2005) the deferred foreign exchange gains were reclassified from liabilities to equity (net of tax). For the group, this resulted in a decrease to current liabilities of \$9,812,000, a decrease to non-current liabilities of \$10,458,000, and increase to deferred tax liabilities of \$6,080,000, and an increase to hedging reserve of \$14,190,000.

(b) 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 \$12,374,000 (2005 - the amount of \$20,270,000 was included in other receivables).

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

Sell US Dollars	Buy Australian Dollars		Average exchange rate	
	2006	2005	2006	2005
	\$000	\$000		
Maturity				
0 to 6 months	33,027	23,681	0.66613	0.63343
6 to 12 months	27,719	30,897	0.64938	0.61494
1 to 2 years	40,472	39,937	0.69184	0.62599
2 to 5 years	43,089	41,621	0.71944	0.69677
	144,307	136,136		

(c) 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 the following amounts are receivable (AUD equivalents):

	Consolidated	
	2006	2005
	\$000	\$000
Australian Dollars	144,307	136,136

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

44. EVENTS OCCURRING AFTER BALANCE SHEET DATE

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.

45. 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.

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

Consolidated and parent entity - 2006

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
5 Sept 2003	5 Sept 2008	\$0.350 *	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	5 Sept 2008	\$0.375 *	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	5 Sept 2008	\$0.400 *	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	5 Sept 2008	\$0.450 *	8,100,000	-	(6,377,500)	-	1,722,500	-
31 Aug 2005	31 Aug 2010	\$1.198 *	-	800,000	-	-	800,000	-
3 Jan 2006	3 Jan 2011	\$1.235	-	17,000,000	-	(750,000)	16,250,000	-
8 May 2006	8 May 2011	\$1.288	-	500,000	-	-	500,000	-
Total			32,400,000	18,300,000	(25,510,000)	(750,000)	24,440,000	-
Weighted average exercise price			0.4938	1.2348	0.4938	1.2350	0.9977	

The weighted average share price at the date of exercise of options exercised during the year was \$1.31 (2005 - nil)

* 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.

Consolidated and parent entity - 2005

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
5 Sept 2003	5 Sept 2008	\$0.450	8,300,000	-	-	(200,000)	8,100,000	-
5 Sept 2003	5 Sept 2008	\$0.475	8,300,000	-	-	(200,000)	8,100,000	-
5 Sept 2003	5 Sept 2008	\$0.500	8,300,000	-	-	(200,000)	8,100,000	-
5 Sept 2003	5 Sept 2008	\$0.550	8,300,000	-	-	(200,000)	8,100,000	-
Total			33,200,000	-	-	(800,000)	32,400,000	-
Weighted average exercise price			0.4938			0.4938	0.4938	

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

45. SHARE-BASED PAYMENTS (continued)

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.8 years (2005 - 1.1 years).

The fair value at grant date is independently determined using a binomial 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

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 August 2004

	Notes	Previous AGAAP \$000	Consolidated Effect of transition to AIFRS \$000	AIFRS \$000	Parent Entity Effect of transition to AIFRS \$000	AIFRS \$000
Current assets						
Cash and cash equivalents		26,818	-	26,818	18,766	18,766
Receivables	h,j,f	46,862	5,321	52,183	76,304	77,345
Inventories		10,593	-	10,593	-	-
Other	h	4,029	(2,828)	1,201	2	2
Total current assets		88,302	2,493	90,795	95,072	96,113
Non-current assets						
Receivables	j	25,446	(2,493)	22,953	37,374	37,374
Investments accounted for using the equity method		55,603	-	55,603	-	-
Investments		3	-	3	17,217	17,217
Property, plant and equipment	a,c,i	266,595	(1,792)	264,803	2,438	2,109
Investment property	c	-	1,613	1,613	35	35
Deferred tax assets	f	6,134	(6,134)	-	6,121	860
Intangible assets	i	-	337	337	294	294
Total non-current assets		353,781	(8,469)	345,312	63,150	57,889
Total assets		442,083	(5,976)	436,107	158,222	154,002
Current liabilities						
Accounts payable	j	21,007	5,405	26,412	1,202	1,202
Borrowings		39,214	-	39,214	-	-
Current tax liabilities		10,412	-	10,412	7,577	7,577
Provisions	j,l	6,209	(2,088)	4,121	785	785
Other	l	1,053	(824)	229	47,883	47,883
Total current liabilities		77,895	2,493	80,388	57,447	57,447
Non-current liabilities						
Borrowings		31,818	-	31,818	-	-
Deferred tax liabilities	f	8,116	(3,724)	4,392	4,762	-
Provisions	j,l	3,622	6,527	10,149	-	-
Other	l	23,416	(9,020)	14,396	-	-
Total non-current liabilities		66,972	(6,217)	60,755	4,762	-
Total liabilities		144,867	(3,724)	141,143	62,209	57,447
Net assets		297,216	(2,252)	294,964	96,013	96,555
Equity						
Contributed equity	f	82,391	931	83,322	82,391	83,322
Reserves	b,k	7,841	(5,043)	2,798	2,800	3,588
Retained profits	a,b,f,g,k	162,982	1,860	164,842	10,822	9,645
Equity attributable to members of New Hope Corporation Limited		253,214	(2,252)	250,962	96,013	96,555
Outside equity interest in controlled entity		44,002	-	44,002	-	-
Total equity		297,216	(2,252)	294,964	96,013	96,555

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS) (continued)

(b) At the end of the last reporting period under previous AGAAP: 31 July 2005

	Notes	Previous AGAAP \$000	Consolidated Effect of transition to AIFRS \$000	AIFRS \$000	Previous AGAAP \$000	Parent Entity Effect of transition to AIFRS \$000	AIFRS \$000
Current assets							
Cash and cash equivalents		590,499	-	590,499	590,349	-	590,349
Receivables	f,h,j	45,941	4,956	50,897	141,794	3,077	144,871
Inventories		15,146	-	15,146	-	-	-
Other	h	2,268	(2,136)	132	191	(189)	2
		<u>653,854</u>	<u>2,820</u>	<u>656,674</u>	<u>732,334</u>	<u>2,888</u>	<u>735,222</u>
Assets classified as held for sale	d	-	233	233	-	-	-
Total current assets		<u>653,854</u>	<u>3,053</u>	<u>656,907</u>	<u>732,334</u>	<u>2,888</u>	<u>735,222</u>
Non-current assets							
Receivables	j	13,940	(2,820)	11,120	-	-	-
Investments accounted for using the equity method		3,740	-	3,740	-	-	-
Other financial assets		3	-	3	17,116	-	17,116
Property, plant and equipment	a,c,d,i	136,404	(3,766)	132,638	4,346	(2,077)	2,269
Investment property	c	-	1,586	1,586	-	35	35
Deferred tax assets	f	6,643	(5,676)	967	6,643	(5,739)	904
Intangible assets	i	-	2,073	2,073	-	2,042	2,042
Total non-current assets		<u>160,730</u>	<u>(8,603)</u>	<u>152,127</u>	<u>28,105</u>	<u>(5,739)</u>	<u>22,366</u>
Total assets		<u>814,584</u>	<u>(5,550)</u>	<u>809,034</u>	<u>760,439</u>	<u>(2,851)</u>	<u>757,588</u>
Current liabilities							
Payables	j	22,316	5,724	28,040	1,824	519	2,343
Borrowings	n	79	-	79	-	419,313	419,313
Current tax liabilities		57,241	-	57,241	57,241	-	57,241
Provisions	j,l	6,584	(958)	5,626	954	(519)	435
Other	l,n	1,946	(1,946)	-	419,313	(419,313)	-
Total current liabilities		<u>88,166</u>	<u>2,820</u>	<u>90,986</u>	<u>479,332</u>	<u>-</u>	<u>479,332</u>
Non-current liabilities							
Deferred tax liabilities	f	3,366	(3,366)	-	3,366	(3,366)	-
Provisions	j,l	3,424	6,304	9,728	-	-	-
Other	l	19,582	(9,124)	10,458	-	-	-
Total non-current liabilities		<u>26,372</u>	<u>(6,186)</u>	<u>20,186</u>	<u>3,366</u>	<u>(3,366)</u>	<u>-</u>
Total liabilities		<u>114,538</u>	<u>(3,366)</u>	<u>111,172</u>	<u>482,698</u>	<u>(3,366)</u>	<u>479,332</u>
Net assets		<u>700,046</u>	<u>(2,184)</u>	<u>697,862</u>	<u>277,741</u>	<u>515</u>	<u>278,256</u>
Equity							
Contributed equity	f	109,879	931	110,810	109,879	931	110,810
Reserves	b,k	9,974	(3,477)	6,497	2,800	2,354	5,154
Retained profits	a,b,f,g,k	580,193	362	580,555	165,062	(2,770)	162,292
Total equity		<u>700,046</u>	<u>(2,184)</u>	<u>697,862</u>	<u>277,741</u>	<u>515</u>	<u>278,256</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2006

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(2) Reconciliation of profit for the year ended 31 July 2005

	Notes	Previous AGAAP \$000	Consolidated Effect of transition to AIFRS \$000	AIFRS \$000	Previous AGAAP \$000	Parent Entity Effect of transition to AIFRS \$000	AIFRS \$000
Revenue from continuing operations	e,m	230,667	(32,061)	198,606	10,254	51,774	62,028
Other income	e,m	507,776	(506,532)	1,244	230,836	(230,836)	-
Cost of sales	a,e	(100,908)	21,915	(78,993)	(4,702)	-	(4,702)
Marketing and transportation		(43,685)	-	(43,685)	(600)	-	(600)
Administration		(5,847)	-	(5,847)	(5,847)	-	(5,847)
Borrowing costs	e	(955)	407	(548)	-	-	-
Costs on disposal of assets	e,m	(89,644)	89,644	-	(2,447)	2,447	-
Other expenses	b	(829)	(1,566)	(2,395)	-	(1,566)	(1,566)
Share of profits of associates and partnerships	e	39,935	(36,441)	3,494	-	-	-
Profit before income tax		536,510	(464,634)	71,876	227,494	(178,181)	49,313
Income tax expense	e,f	(65,293)	46,544	(18,749)	(41,177)	39,911	(1,266)
Profit from continuing operations		471,217	(418,090)	53,127	186,317	(138,270)	48,047
Profit from discontinued operations	e	-	402,597	402,597	-	136,677	136,677
Profit for the year		471,217	(15,493)	455,724	186,317	(1,593)	184,724
Net profit attributable to minority interests		(7,934)	-	(7,934)	-	-	-
Profit attributable to New Hope shareholders		463,283	(15,493)	447,790	186,317	(1,593)	184,724

(3) Reconciliation of cash flow statement for the year ended 31 July 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(4) Notes to the reconciliations

(a) Rehabilitation provision

New Hope Corporation Limited and its subsidiaries have certain obligations to rehabilitate sites at the conclusion of mining. Some of these obligations relate to capitalised plant and equipment. Under AASB 116, the initial estimate of costs to dismantle and remove the item and restore the site must be capitalised into the cost of the item and depreciated over the items' useful life.

Provisions had previously been raised and fully expensed. At the date of transition, the cost less applicable accumulated depreciation is reversed out of retained earnings and capitalised into the cost of the asset.

(i) At 1 August 2004

For the Group, there has been an increase of \$642,000 in cost of plant, an increase of \$484,000 in accumulated depreciation and an increase in retained earnings of \$158,000. There is no effect on the parent entity.

(ii) At 31 July 2005

For the Group, there has been an increase of \$642,000 in cost of plant, an increase of \$516,000 in accumulated depreciation and an increase of \$126,000 in retained earnings. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

For the Group, there has been an increase of \$32,000 in depreciation expense. There is no effect on the parent entity.

(b) Share-based payments

Under AASB 2 Share-based payments, from 1 August 2004 the Group is required to recognise an expense for those options that were issued to employees under the New Hope Corporation Limited Employee Share Option Plan after 7 November 2002 but had not vested by 1 January 2005. The effect of this is:

(i) At 1 August 2004

For the Group there has been a decrease in retained earnings of \$788,000 and a corresponding increase in reserves. The effect is the same for the parent entity.

(ii) At 31 July 2005

For the Group there has been a decrease in retained earnings of \$2,354,000 and a corresponding increase in reserves. The effect is the same for the parent entity.

(iii) For the year ended 31 July 2005

For the Group and the parent entity there has been an increase in employee benefits expense of \$1,566,000.

(c) Investment property

Under previous AGAAP, the Group measured Investment property on a cost basis. At the date of transition the Group has elected to continue to apply the cost model in accounting for Investment property. As a result, there was no change in net assets, however the carrying amount of Investment property must be disclosed separately on the face of the balance sheet.

(i) At 1 August 2004

For the Group, there has been a decrease of \$1,613,000 in carrying value of Property, plant and equipment and a corresponding increase in Investment property. For the parent entity there has been a decrease of \$35,000 in Property, plant and equipment and a corresponding increase in Investment property.

(ii) At 31 July 2005

For the Group, there has been a decrease of \$1,586,000 in carrying value of Property, plant and equipment and a corresponding increase in Investment property. For the parent entity there has been a decrease of \$35,000 in Property, plant and equipment and a corresponding increase in Investment property.

(iii) For the year ended 31 July 2005

For the Group and parent, there has been no change to the income statement.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(4) Notes to the reconciliations (continued)

(d) Assets held for sale

Under AASB 5 Non-current Assets Held for Sale and Discontinued Operations, assets that are designated as held for sale must be disclosed separately as a current asset on the face of the balance sheet. In July 2005 the decision was made to sell the operational assets of one of the wholly owned subsidiaries within the group.

(i) At 1 August 2004

There is no effect on the Group or the parent entity.

(ii) At 31 July 2005

For the Group, \$233,000 of Property, plant and equipment has been reclassified as assets held for sale. This results in an increase in current assets and a decrease in non-current assets of \$233,000. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There is no effect on the income statement for the Group or the parent entity.

(e) Discontinued operations

Under AASB 5 Non-current Assets Held for Sale and Discontinued Operations, an entity must disclose the post tax profit or loss from discontinued operations and post tax gain or loss on sale of assets of discontinued operations as a single amount on the face of the income statement. Under AASB 121 the balance in the Foreign currency translation reserve, relating to a foreign operation shall be recognised in profit and loss when the gain or loss on sale of the operation occurs.

(i) At 1 August 2004

There is no effect on the Group or the parent entity.

(ii) At 31 July 2005

There is no effect on the Group or the parent entity.

(iii) For the year ended 31 July 2005

For the Group there is a decrease in revenue of \$41,144,000, decrease in other income of \$496,994,000, decrease in cost of sales of \$21,947,000, decrease in borrowing costs of \$407,000, decrease in cost of disposal of non-current assets of \$89,189,000, decrease in share of profits of associates of \$36,441,000, decrease in income tax expense of \$46,444,000, increase in profit from discontinued operations of \$402,597,000. There is a decrease in net profit attributable to New Hope shareholders of \$13,995,000.

For the parent entity there is a decrease in revenue of \$1,611,000, a decrease in other income of \$177,404,000, decrease in cost of disposal of non-current assets of \$2,400,000, decrease in income tax expense of \$39,938,000 and an increase in profit from discontinued operations of \$136,677,000.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(4) Notes to the reconciliations (continued)

(f) Deferred taxes

Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Under AASB 112 *Income Taxes*, the income tax expense consists of current tax expense and deferred tax expense. Current tax expense is calculated by reference to taxable income and deferred tax expense is calculated using the balance sheet method. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 has resulted in the recognition of a deferred tax liability on fair value adjustments on the acquisition of a controlled entity and the tax effect of costs recognised directly in equity. In addition, the application of AASB 112 requires deferred tax assets and liabilities to be offset.

(i) At 1 August 2004, and at 31 July 2005

The effects on the deferred tax asset of the adoption of AIFRS are as follows:

Notes	Consolidated		Parent	
	1 August 2004	31 July 2005	1 August 2004	31 July 2005
	\$000	\$000	\$000	\$000
Adjustments arising from the adoption of AASB 112	(6,134)	(5,676)	(5,261)	(5,739)
Increase / (decrease) in deferred tax asset	(6,134)	(5,676)	(5,261)	(5,739)

The effects on the deferred tax liability of the adoption of AIFRS are as follows:

Adjustments arising from the adoption of AASB 112	(3,772)	(3,404)	(4,762)	(3,366)
Application of AASB 112 to adjustments arising from adoption of other AASB's				
Rehabilitation provision	(a) 48	38	-	-
Increase / (decrease) in deferred tax liability	(3,724)	(3,366)	(4,762)	(3,366)

As at 1 August 2004, and 31 July 2005, there was also an increase to contributed equity of \$931,000 for the group and parent for the tax effect of costs associated with equity raising in prior years, which was recognised directly in equity in the year incurred. The net impact of changes to retained earnings is disclosed in note (g) below.

Tax Consolidation

New Hope Corporation limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 August 2002. Under previous AGAAP, the parent entity recognised current and deferred tax amounts relating to transactions, events and balances of the tax consolidated entities as if those transactions, events and balances were its own.

Under AIFRS, the parent entity only recognises the current tax payable and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. This resulted in increases to receivables of \$1,041,000 as at 1 August 2004 and \$2,888,000 as at 31 July 2005, with corresponding movement in deferred tax assets and liabilities.

(ii) For the year ended 31 July 2005

For the Group this has decreased tax expense by \$100,000.

For the Parent this has increased tax expense by \$27,000.

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2006**

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(4) Notes to the reconciliations (continued)

(g) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

	Notes	Consolidated		Parent	
		1 August 2004 \$000	31 July 2005 \$000	1 August 2004 \$000	31 July 2005 \$000
Rehabilitation provision	(a)	158	126	-	-
Share based payment	(b)	(788)	(2,354)	(788)	(2,354)
Deferred taxes	(f)	(3,341)	(3,241)	(389)	(416)
Asset revaluation reserve	(k)	5,831	5,831	-	-
Total adjustment		1,860	362	(1,177)	(2,770)
Attributable to:					
Equity holders of the parent		1,860	362	(1,177)	(2,770)
		1,860	362	(1,177)	(2,770)

(h) Prepayments

Under AIFRS, prepayments are to be included in Receivables on the face of the balance sheet. Previously under AGAAP, prepayments were included under Other current assets.

(i) At 1 August 2004

For the Group, there has been an increase of \$2,828,000 in Receivables and a corresponding decrease in Other current assets. For the parent there has been no changes to the balance sheet.

(ii) At 31 July 2005

For the Group, there has been an increase of \$2,136,000 in Receivables and a corresponding decrease in Other current assets. For the parent entity, there has been an increase of \$189,000 in Receivables and a corresponding decrease in Other current assets.

(iii) For the year ended 31 July 2005

For the Group and parent, there has been no change to the income statement.

(i) Software

Under AIFRS, Software is to be included in Intangibles on the face of the balance sheet. Previously under AGAAP, software was included under Property, plant and equipment.

(i) At 1 August 2004

For the Group, there has been an increase of \$337,000 in Intangibles and a corresponding decrease in Property, plant and equipment. For the parent entity, there has been an increase of \$294,000 in Intangibles and a corresponding decrease in Property, plant and equipment.

(ii) At 31 July 2005

For the Group, there has been an increase of \$2,073,000 in Intangibles and a corresponding decrease in Property, plant and equipment. For the parent entity, there has been an increase of \$2,042,000 in Intangibles and a corresponding decrease in Property, plant and equipment.

(iii) For the year ended 31 July 2005

For the Group and parent, there has been no change to the income statement.

(j) Employee benefits

Under AIFRS, vested long service leave is to be included in current provisions, which under AGAAP was previously recorded in both Current and Non-current provisions based on expected payment dates. The related receivables in relation to the vested long service leave has also been transferred from non-current to current. In addition, short term employee benefits previously included in provisions have been reclassified to payables.

(i) At 1 August 2004

For the Group, there has been an increase of \$5,405,000 in Accounts payable, a decrease in Current provisions of \$2,912,000, a decrease in Non-current provisions of \$2,493,000, an increase in Current receivables of \$2,493,000 and a decrease in Non-current receivables of \$2,493,000. For the parent there has been no changes to the balance sheet.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2006

46. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(4) Notes to the reconciliations (continued)

(j) Employee benefits (continued)

(ii) At 31 July 2005

For the Group, there has been an increase of \$5,724,000 in Accounts payable, a decrease in Current provisions of \$2,904,000, a decrease in Non-current provisions of \$2,820,000, an increase in Current receivables of \$2,820,000 and a decrease in Non-current receivables of \$2,820,000. For the parent entity, there has been an increase of \$519,000 in Accounts payable, a decrease in Current provisions of \$519,000.

(iii) For the year ended 31 July 2005

For the Group and parent, there has been no change to the income statement.

(k) Reserves

On transition to AIFRS, the Group has elected to use the AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards exemption that allows a previous revaluation to be the asset's deemed cost and a balance of \$5,831,000 has been transferred to retained earnings.

(l) Rehabilitation

Under AIFRS, the rehabilitation provision is to be included in Provisions on the face of the balance sheet. Previously under AGAAP, accrued rehabilitation charges were included under Other liabilities. For the parent there has been no changes to the balance sheet.

(i) At 1 August 2004

For the Group, there has been an increase of \$824,000 in Current provisions, and an increase of \$9,020,000 in Non-current provisions, with a corresponding decrease in Other current liabilities and Other non-current liabilities. There has been no impact on the parent balance sheet.

(ii) At 31 July 2005

For the Group, there has been an increase of \$1,946,000 in Current provisions, and an increase of \$9,124,000 in Non-current provisions, with a corresponding decrease in Other current liabilities and Other non-current liabilities. For the parent there has been no changes to the balance sheet.

(iii) For the year ended 31 July 2005

For the Group and parent, there has been no change to the income statement.

(m) Reclassification of other income

Under AIFRS, costs on disposal of Non-current assets has been transferred to Other income and certain items of Other income have been reclassified as Revenue.

(i) At 1 August 2004

For the Group and parent, there has been no change to balance sheet items.

(ii) At 31 July 2005

For the Group and parent, there has been no change to balance sheet items.

(iii) For the year ended 31 July 2005

For the Group, there is an increase to Revenue of \$9,083,000, a decrease to costs on disposal of non-current assets of \$455,000, and a decrease to Other income of \$9,538,000. For the parent, there is an increase to Revenue of 53,385,000, a decrease to costs on disposal of Non-current assets of \$47,000, and a decrease to Other income of \$53,432,000.

(n) Borrowings

Loans from controlled entities - unsecured have been reclassified to Borrowings on the face of the balance sheet. Previously, loans from controlled entities - unsecured were included under Other current liabilities.

(i) At 1 August 2004

For the Group and the parent entity, there has been no change to balance sheet items.

(ii) At 31 July 2005

For the Group, there has been no change to balance sheet items. For the parent entity, there has been an increase of \$419,313,000 in Current liabilities - borrowings and a decrease in Current liabilities - other of \$419,313,000.

New Hope Corporation Limited and Controlled Entities
Directors Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 23 to 75 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 Company's and consolidated entity's financial position as at 31 July 2006 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, 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
- (c) the audited remuneration disclosures set out on pages 10 to 14 of the Directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

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
26 September 2006

New Hope Corporation Limited and Controlled Entities

Financial Statements - 31st July 2006

Independent Audit Report to the members of New Hope Corporation Limited

Audit opinion

In our opinion:

1. the financial report of New Hope Corporation Limited:
 - gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of New Hope Corporation Limited and the New Hope Group (defined below) as at 31 July 2006, and of their performance for the year ended on that date; and
 - is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001; and
2. the audited remuneration disclosures that are contained on pages 10 to 14 of the Directors' report comply with Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and Directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for both New Hope Corporation Limited (the Company) and the New Hope Group (the consolidated entity), for the year ended 31 July 2006. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 10 to 14 of the Directors' report, as permitted by the Corporations Regulations 2001.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the Directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

New Hope Corporation Limited and Controlled Entities
Financial Statements - 31st July 2006

Independent Audit Report to the members of New Hope Corporation Limited (continued)
Audit approach (continued)

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

R.A. Baker
Partner

Brisbane
26 September 2006

New Hope Corporation Limited
Shareholder Information as at 22 September 2006

As at 22 September 2006 there were 4,995 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	866	370,689	2,946	893,791
1,001 - 5,000	2,055	8,456,183	41	97,595
5,001 - 10,000	1,088	7,818,005	11	81,126
10,001 - 100,000	907	24,968,113	12	379,121
100,001 and over	73	763,607,175	-	-
	<u>4,989</u>	<u>805,220,165</u>	<u>3,010</u>	<u>1,451,633</u>
Holding less than a marketable parcel	443	74,026		

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	493,696,418	61.31%
Mitsubishi Materials Corporation	91,490,000	11.36%
Domer Mining Co Pty Limited	45,306,374	5.63%
Perpetual Trustees Australia Limited	47,319,070	5.88%

20 largest shareholders as disclosed on the share register as at 22 September 2006

1	Washington H Soul Pattinson And Company Limited	493,696,418	61.31%
2	Mitsubishi Materials Corporation	91,490,000	11.36%
3	Domer Mining Co Pty Limited	45,300,000	5.63%
4	RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled A/C)	18,569,182	2.31%
5	J P Morgan Nominees Australia Limited	18,019,201	2.24%
6	Farjoy Pty Ltd	18,000,000	2.24%
7	Brickworks Investment Company Limited	14,060,452	1.75%
8	RBC Dexia Investor Services Australia Nominees Pty Limited (Piic A/C)	10,607,297	1.32%
9	Taiheiyu Kouhatsu Inc	9,154,000	1.14%
10	National Nominees Limited	8,217,931	1.02%
11	ANZ Nominees Limited (Cash Income A/C)	7,388,643	0.92%
12	Citicorp Nominees Pty Limited	5,391,192	0.67%
13	Westpac Custodian Nominees Limited	4,731,068	0.59%
14	Dixson Trust Pty Limited	1,175,596	0.15%
15	J S Millner Holdings Pty Limited	1,129,197	0.14%
16	Mrs Margret Ann Mantell	1,095,500	0.14%
17	RBC Dexia Investor Services Australia Nominees Pty Limited (Bkcust A/C)	1,049,582	0.13%
18	Boda Investments Pty Ltd (RCM Staff Superannuation A/C)	800,000	0.10%
19	Mr Mark Harris	800,000	0.10%
20	Milton Corporation Limited	600,000	0.07%
		<u>751,275,259</u>	<u>93.33%</u>

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	20,450,000	21