



New Hope
Corporation Limited

A.B.N. 38 010 653 844

DIRECTORS' ANNUAL REPORT
and
FINANCIAL STATEMENTS

2007

New Hope Corporation Limited and Controlled Entities

Financial Summary

	2007 \$000	2006 \$000	2005 \$000
Total revenue	248,754	251,317	241,879
Profit before tax	92,579	94,688	520,916
Income tax expense	(23,270)	(25,993)	(65,192)
Profit after tax	69,309	68,695	455,724
Net profit attributable to NHCL members	69,309	68,695	447,790
Profit after tax from continuing operations	69,309	68,695	53,127
Total assets employed	849,329	627,800	809,034
Shareholders' funds	731,198	568,290	697,862
Dividends paid during the financial year	73,549	144,003	32,077

	2007	2006	2005
Weighted average shares on issue	806,975,625	798,043,955	736,543,424
Net profit attributable to NHCL members as a % of shareholders funds	9.48%	12.09%	64.17%
Earnings per share (cents)	8.6	8.6	60.8
Earnings per share (cents) from continuing operations	8.6	8.6	7.2
Normal dividends per share paid during the financial year (cents)	4.60	5.00	4.25
Special dividends per share paid during the financial year (cents)	4.50	13.00	-
Return of capital per share paid during the financial year (cents)	-	10.00	-
Net tangible asset backing per share (cents)	90.07	70.57	90.41

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 15, Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

PRINCIPAL ADMINISTRATION & REGISTERED OFFICE

17 Lowry Street
IPSWICH QLD 4305
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SHARE REGISTER

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New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

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 2007.

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

Consolidated results	2007 \$000	2006 \$000	% Change
Total continuing revenue	248,754	251,317	- 1.0%
Profit from continuing operations before income tax	92,579	94,688	- 2.2%
Profit from continuing operations after income tax	69,309	68,695	+ 0.9%
Profit attributed to the members of New Hope Corporation Limited	69,309	68,695	+ 0.9%
Earnings per share (cents)	8.6	8.6	+ 0.0%
Dividends per share paid during the year (cents)	9.1	18.0	- 49.4%

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
- Investment 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 2006 of 2.5 cents per share paid on 14 November 2006	20,205
• A special dividend for the year ended 31 July 2006 of 4.5 cents per share paid on 14 November 2006	36,369
• An interim ordinary dividend for the year ended 31 July 2007 of 2.1 cents per share paid on 3 May 2007	16,975

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 3.0 cents per share. Both of these dividends are fully franked, to be paid on 13 November 2007 out of retained profits at 31 July 2007, the record date for such dividend to be 29 October 2007. This will provide shareholders of New Hope with total dividends for the year of 7.6 cents per share (2.1 cents interim) compared with total dividends for the 2006 year of 9.0 cents per share, including a special dividend of 4.5 cents per share.

Review of operations

New Hope Corporation Limited (New Hope) has reported a profit after tax from its coal mining and port operations of \$69.309 million for the year ended 31st July 2007 compared with \$68.605 million recorded last year.

The 2007 result benefited from:

- Continued saleable coal production growth, which was up 4% to 3.838 million tonnes for the year;
- Lower Group average production costs due to increased production from the lower cost New Acland operations, and the closure of the higher cost Jeebropilly Mine;
- Higher coal sales revenue due to higher coal sales tonnages and higher selling prices in US dollar terms, somewhat offset by a strengthening Australian dollar against the US dollar; and
- A \$6.6 million profit after tax from the sale of various land holdings during the year.

offset by:

- Lower interest revenue due to expenditure on acquiring the investment in Arrow Energy N.L. (18.3%), New Acland Stage 2 expansion costs and ongoing exploration and project expenditures; and
- Lower contribution from the port operations. The 2006 result included a profit on sale of the woodchip export business.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

Basic earnings per share for the year ended 31st July 2007 were 8.6 cents which is equivalent to last year's performance.

Mining Operations

Australian mining operations remain at full capacity. Coal sales increased to 3.868 million tonnes, some 2% above last years 3.775 million tonnes. This increase is despite the closure of the Jeebropilly Mine in February this year, which last year contributed sales of 524,000 tonnes.

Coal export volumes rose by 139,000 tonnes (or 6%) to 2.602 million tonnes while domestic sales were some 46,000 tonnes lower (or 4%) at 1.266 million tonnes.

The New Acland Mine remains as the Company's major production source and is currently operating at approximately 3.65 million tonnes per year production. The mine is located 16km north west of Oakey on the Darling Downs in South East Queensland.

The increased New Acland coal production is due to the early completion of the Stage 2 mine and wash plant expansion (end February 2007) which was completed some 5% below budget cost forecasts. The expanded operation is operating at full capacity on current operating shift arrangements. The expansion involved an additional coal wash plant, additional mobile mining fleet and site infrastructure in the form of an expanded workshop, tailings dams and water access.

The balance of the 2006-2007 saleable coal production of 849,000 tonnes came from the West Moreton mines (New Oakleigh and Jeebropilly) and was 19% lower than last years figure of 1.051 million tonnes. The New Oakleigh Mine had saleable production of 506,000 tonnes; marginally higher than last years 473,000 tonnes. In contrast, the Jeebropilly Mine saleable production was down 41% to 343,000 tonnes due to the mine closure after the depletion of economic coal reserves. The Jeebropilly wash plant continues to operate on a reduced roster basis processing the raw coal from the New Oakleigh Mine for both export and domestic markets.

On 10 September 2007, Tarong Energy Corporation Limited (Tarong) notified New Hope Corporation that it will not exercise its option to purchase coal from the New Acland mine commencing in 2011 despite New Hope meeting all the conditions precedent for the Coal Supply Agreement option. Coal supply to Tarong was one of a number of alternative growth opportunities New Hope has been actively evaluating for the New Acland mine. New Acland coal is well accepted in the export market as one of the cleanest burning coals in the world in terms of greenhouse gas emissions. Since New Hope commenced negotiations with Tarong, the price of coal on the world market has doubled in US Dollar terms. Tonnages previously reserved for Tarong can now be redirected to the more profitable export market. Negotiations are underway with Queensland Rail to obtain additional rail capacity from New Acland to the Port of Brisbane, and preliminary design work on the future expansion of the port coal loading facilities has commenced.

Port Operations

New Hope's associate company Queensland Bulk Handling (QBH) maintained a sales history performance with coal throughput up 7% to 4.526 million tonnes compared to last year. Unlike other ports on the eastern seaboard QBH operated with little disruption during the year with only one New Hope export shipment incurring a very small demurrage charge during the year under review.

As was reported on 1st August 2007, New Hope purchased the remaining 50% equity in Queensland Bulk Handling and now owns 100%. Preliminary design work on a potential future expansion of the port coal loading facilities has commenced. The expansion is looking at a nominal 50% increase in capacity to 6.0 to 6.5 million tonnes per annum which could be completed by early 2010.

New Hope Exploration

New Hope continued its increased exploration emphasis, spending \$7.166 million during the financial year. The majority of these funds were spent on evaluating the New Saraji project, formally known as Saraji East, and proving up reserves associated with New Acland tenements and other related activities.

New Hope's exploration strategy is directed toward evaluating open cut and underground coking coal resources in Central Queensland; open cut thermal coal in South East Queensland and evaluating coals as potential sources of gasification and liquefaction. Exploration has been somewhat hampered this year due to unseasonable rainfall. Additional contractor drilling rigs continue to support New Hope's own drilling rigs.

EPC 837 - New Saraji

The New Saraji project is located approximately 25 kilometres to the north of Dysart, within the Bowen Basin of Central Queensland. The project area lies approximately 220 kilometres south west of the Hay Point coal export terminal, adjacent to and east of the BHP Billiton-Mitsubishi Alliance' (BMA's) Saraji open cut coal mine. The BMA Saraji operations mine the Dysart seam, which lies within the Moranbah Coal Measures, ranging from 4 metres to 6 metres in thickness. Any potential New Hope production within the New Saraji tenement will be from an underground operation.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

EPC 837 - New Saraji (continued)

The New Hope target seams within the New Saraji tenement are the Dysart Seams and the overlying Harrow Creek Seam and 'P' Seams. Exploration since the tenement was granted in 2003 has focused on these seams. The current JORC compliant Inferred Resource for New Saraji is 678 million tonnes of metallurgical coal – including hard coking coal.

Exploration during the reporting period has concentrated on defining the geographical extent, quantity, indicative quality and other technical properties of the metallurgical coal resource and overburden strata. A total of 8,034 metres of open hole and 996 metres of diamond and conventional coring has been completed on the project during the reporting period. Sufficient information on the properties and boundaries of a metallurgical coal resource within the central portion of the tenement will permit the calculation of a JORC compliant Indicated Resource. This will provide sufficient information for the Company to make an informed decision on whether to proceed to a full feasibility study in 2008. Data is being collected on lithology, structure, rock strength, coal quality, washability, gas contents, stress regimes, underground water flows and spontaneous combustion. Several lengthy delays to the exploration programme have been caused by wet weather during the reporting period.

In addition to in-house expertise, a range of specialist consultants are utilised for resource, geotechnical, washability and coal quality advice.

Using the latest exploration data and resource modeling, a conceptual mine plan has been devised to extract metallurgical coal from the two most attractive seams using underground methods. The coal is believed to be of a quality that will be attractive to coke manufacturers.

Mine scale, mining methodology, capital and operating costs are currently being derived so that financial projections and sensitivities can be evaluated. Access to rail transport and export port capacity is being assessed. Background environmental and land tenure studies have commenced. A stakeholder management plan is being prepared.

Specialist management and technical staff have been engaged within New Hope to continue the evaluation and optimization of the underground potential of this project.

EPC 766 & EPC 865 - Lenton

The Lenton project is located approximately 140 kilometres southwest of Mackay, within the Bowen Basin of Central Queensland. The Burton Coal Mine, owned by Peabody, is located to the immediate southeast of the project area. The Peabody Burton Coal Mine produces hard coking and thermal coal products from seams within the Rangal Coal Measures. The Lenton project could produce similar products and has both open cut and underground potential.

The Vermont Upper and Vermont Lower Seams have the potential to produce thermal and coking coal products respectively. A resource which is partially suitable for open cut mining has been defined towards the southern end of the tenements. The deposit is situated within the nose and eastern limb of a north dipping syncline. A Mining Lease application has been lodged over the area which contains the potential for a modest open cut deposit. The current JORC compliant combined Indicated and Inferred Resource stands at 68 million tonnes of coal. Of this, 17.5 million tonnes is considered recoverable from an open cut operation. The potential economic value of these resources has yet to be evaluated.

The target seams of the Rangal Coal Measures contain two coal horizons - the 1.5 metres thick Rider Seam and the lower Burton Seam, which can be subdivided into Leichhardt and Vermont Seams.

A recent seismic traverse to the north of the open cut resource has indicated that the target seams within the syncline are flat lying, contrary to previous interpretations, where the seams were depicted as dipping moderately to the west. This new interpretation of the nature of the target seams has enhanced the underground potential of the tenement.

The exploration programme during the reporting period has been targeted at increasing the confidence in the open cut resource and drill testing the underground coking coal potential of the Lower Vermont Seam. Coal quality, washability and coking properties test-work have been carried out on selected samples. A total of 4,164 metres of open hole including 100 metres of large diameter (150mm) coring has been completed during the reporting period. All holes have been surveyed and logged by geophysics.

A trial geophysical "TSIM" survey, or surface impedance method, was carried out over 14 line kilometres to help delineate structure and limit of oxidation on selected areas of the open cut resource.

At the time of reporting, two drill holes had been completed on the underground resource. Stratigraphic and geophysical borehole log interpretation indicates the Burton Seam, including the target coking coal seam, the Lower Vermont Seam, extending at a shallow dip to the west and north from the open cut resource. Coal quality results are yet to be received on these holes.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

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EPC 777 - Bee Creek

The Bee Creek project is located approximately 100 kilometres southwest of Mackay, within the Bowen Basin of Central Queensland. The tenement occurs between the Hail Creek Mine to the north (Rio Tinto) and the South Walker Creek Mine to the south (BMA). Products from these mines include premium hard coking, PCI and thermal coals. The BHP Mitsui Nebo West anthracite deposit occurs in the central southern portion of the tenement area.

Of more immediate significance to the tenement area is a small resource known as the Broughton deposit (Eastern Corporation Limited) containing approximately 30 million tonnes of coking coal. The Broughton deposit is located within the Rangal Coal Measures and it occurs adjacent to the northern boundary of the New Hope tenement.

Detailed work by BHP Mitsui on the Nebo West anthracite deposit showed that the more intensely folded stratigraphy within the Bee Creek area can lead to potential repeats of the Rangal and Moranbah Coal Measures, occurring as the limbs of northwest plunging synclines and anticlines.

The current exploration programme is designed to extend the historic BHP Mitsui detailed stratigraphic mapping by using hyperspectral methods and ground geological mapping to delineate the folds and prospective coal bearing horizons. A HYMAP survey over a portion of the Bee Creek tenement has been flown with preliminary interpretations completed. This work will be extended during the next twelve months from which drill targets are expected to be defined and tested.

The exploration programme during the reporting period completed 1,272 metres of open hole and 55 metres of conventional core drilling. The open holes were designed as scout holes to test for the occurrence of Moranbah Coal Measures in the western part of the lease; however no intersections of Moranbah coal were encountered. The core holes targeted the known coal resources of the Elphinstone and Hynds seams (Rangal Coal Measures) extending south from the Broughton Deposit.

MDL 244 - Acland

Exploration work continued in support of the mining operation at New Acland. A total of 13,648 metres of open hole and 1,335 metres of conventional core drilling were completed. Coal quality and geophysical data was entered into the database and a new resource model for the mine generated. A new total Inferred Coal Resource of 793 million tonnes, including 236 million tonnes of Marketable Reserves, was published in June 2007. Mining studies have been focused on the optimization of open cut extraction and coal processing to produce both export and domestic thermal coal products from New Acland.

Infrastructure studies have reviewed the location for potential future infrastructure required to support an expansion. The future expansion at Acland has State government endorsement as a "Project of State significance", which is expected to facilitate integration between government departments and decision making by the statutory authorities in due course.

An application for a Mining Lease overlying the target coal measures has been submitted to the relevant Queensland State government authorities.

The draft terms of reference for the Environmental Impact Statement (EIS) have now been released for public comment, and background studies are well advanced.

Downs Project

The Downs Project consists of nine non-contiguous Exploration Permits for Coal (EPC's) that cover an area from Toowoomba, northwest to Jimbour and south to Inglewood, southeast Queensland; the target stratigraphy being coal seams of the Lower Walloon Coal Measures within the Surat Basin.

The aim of the Downs Project is to locate a thermal coal resource to supplement the existing New Acland Mine resource and to extend the life of existing Acland infrastructure.

The exploration programme for the Downs Project has focused on completing a compilation and review of all the existing data in an attempt to define exploration targets which show potential for containing the target seams at shallow depths.

A regional airborne magnetic survey comprising 10,976 line kilometres at 100 metre line spacing and a more detailed survey over the New Acland Mine consisting of 2,522 line kilometres at 50 metre line spacing was completed. The survey has been used to delineate the margins of the flow basalts and the extent of some small intrusive basalts in the Acland area. Further processing of the regional and detailed survey areas will be used to better define structural features within the EPC's and the New Acland Mining Lease.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

EPC 758 - Mt Maria

Exploration drilling near the town of Mt Tyson found the Kogan/Wilkie Creek equivalent coal measures to be poorly developed. 4,304 metres of open hole drilling were completed.

EPC 762 - Wellcamp

A total of 3,290 metres of open hole drilling was carried out. Waipanna and Acland coal seams were found to be in close proximity to each other to the south of Jondaryan.

Further open hole exploration drilling totalling 1,162 meters showed a small southeast extension of the Acland MDL 244 reserve into EPC 762.

EPC 763 - Cecil Plains

A total of 484 metres were drilled in two open holes. The targeted Kogan/Wilkie Creek coal seams were poorly developed in this area.

New Projects

A watching brief has been maintained throughout the year on any potential farm-in or acquisition opportunities for metallurgical coal, thermal coal and coal suitable for other energy conversion processes. This activity has been limited to Australia.

Two Exploration Licence (EL) applications have been lodged in Tasmania. The "Rosevale" and "York Plains" projects will be assessed for their economic potential.

Coal to Diesel Project

New Hope has continued its R&D evaluation of a coal to diesel project.

A concept testing unit has confirmed the project technology is feasible and detailed design engineering and process testing activities have commenced. Should this work be successful, then New Hope would consider constructing a pilot plant near the New Acland Mine which would process some 185,000 tonnes per year of coal into about 75 million litres of transportation fuels (primarily diesel). This project will need to successfully complete the detailed engineering phase and will be subject to Government approvals prior to initiating construction activities.

Overall, the proposal envisages a niche sized, manageable, smart engineered project and is not a multi billion dollar mega project being considered elsewhere in the world. The project is likely to be of low impact with a small footprint and have significant upside potential by converting low value resources into high value products. The process and products can use existing infrastructure of road, rail, pipelines and service stations.

The project is targeting excellent environmental credentials and plans to be a great example of clean coal technology. The design targets CO₂ equivalent emissions of less than 10% of that generated by the equivalent amount of coal burnt in a conventional power station, or less than 20% of the CO₂ generated by the equivalent energy of natural gas consumed in a power station. In oil equivalent terms this equates to less than 100kg of CO₂ per barrel of oil (159 litres). This outcome, if achieved is significantly improved upon a commonly held perception that CTL processes can create up to one tonne of CO₂ per barrel of oil equivalent.

The environmental performance of the diesel product will likely be better than that of conventionally refined diesel based on European test data.

Initial testing shows the gassified coal (char) to be inert and will be transported for burial in mine dumps. Leachate tests on this material also demonstrate it is benign. Slag, ash and slurry process waste material are not expected.

Land

New Hope has spent some \$23.7 million to acquire land for future mining operations at Acland during the past year, as part of a long term strategy for development of the mine.

Some surplus land in Ipswich was sold during the year which delivered an after tax profit of \$6.6 million. The Company continues to monitor its significant land holdings in Ipswich, particularly at its older mining areas of Oakleigh and Jeebropilly, and has commenced investigations into possible development or sale of these holdings once mining completes.

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(Continued)

Arrow Energy N.L.

New Hope invested in Arrow Energy N.L. in July 2006, initially purchasing 82.7 million shares and 16.5 million options at a cost of \$49.4 million. During the 2006/07 financial year, New Hope exercised the options at a cost of \$12.4 million and purchased a further 12.8 million shares at cost of \$25.9 million.

As at 31 July 2007, New Hope held 112,024,549 shares in Arrow Energy at a total cost of \$87.6 million equivalent to 18.3% of the company. Arrow Energy's closing share price on 31 July 2007 was \$2.85; therefore New Hope's investment in Arrow Energy was valued at \$319.2 million, representing an unrealised gain before tax of \$231.6 million.

Outlook

Thermal coal prices have recovered from an annual low in November 2006 with spot prices recently testing new highs. New Hope's expectation is that coal prices will likely remain firm to strong over the coming year. This is supported by broking community and global expert reports that are predicting further price increases in 2008. However the Australian Dollar has also strengthened against the US dollar in the last year, and has the capacity to further strengthen in the next 12 months. A higher A\$:US\$ exchange rate could offset much of this pricing benefit. Port congestion in many of Australia's export facilities will continue to constrain supply capacity and support firmer coal prices. QBH should remain an essentially demurrage free port facility, however rail capacity constraints may limit export sales growth in the short term.

New Hope's saleable coal production in 2008 will likely be a little higher than the 2007 period. Overall sales will be dependant on the rail capacity provided by Queensland Rail, as New Hope meets its contracted capacity limitations.

Expected cost increases are likely to continue to put pressure on operational margins with the combination of price increases offset by higher foreign exchange maintaining flat export prices in Australian dollar terms. Despite these issues, with operational improvement opportunities we expect that the New Acland mine will retain its position in the lowest quartile of FOB costs of Australian coal producers.

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

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

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.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

Environmental compliance

The Company's mining operations are regulated by the Queensland EPA under the Environmental Protection Act 1994. The Company's mining activities are authorised by a series of site based environmental authorities.

For the majority of the 2007 financial year, the Company maintained a proficient standard of environmental management across all coal operations. A number of significant positive environmental outcomes were achieved by the Company during a unique period involving the mine closure at Jeebropilly and the mine expansion at New Acland.

However, the Company's environmental management highs were interrupted by two non compliant sediment discharges at the New Oakleigh Mine during late 2006 due to flash flooding following extreme rainfall events. Importantly, no environmental harm occurred to the downstream aquatic environment (Western Creek) and the resultant sediment discharges remained contained within a well grassed gully system on Company-owned land. The EPA was well informed following both discharge events and was satisfied with the Company's prompt remedial actions on both occasions. As a result of these discharges, the Company received two penalty infringement notices which incurred fines of \$1,500 each.

New Hope responded by undertaking a voluntary Environmental Management Program to minimise the risk of this situation arising in the future.

Subsequently, New Hope has received positive feedback from the EPA on the general standard of environmental management and the status of progressive rehabilitation at its Jeebropilly and New Oakleigh Mines following two major compliance audits during early 2007.

The Company's New Acland Mine received environmental and tenure approvals during late 2006 to allow the Stage 2 expansion of the mine during early-mid 2007. These approvals were awarded to the Company following successful completion of an Environmental Impact Statement under the Environmental Protection Act 1994. Extensive consultation and environmental impact assessment was undertaken as part of this process.

During the 2007 financial year, the Company joined the Commonwealth's Greenhouse Challenge Plus program and registered with the Commonwealth's Energy Efficiency Opportunities program to reduce its operational greenhouse emissions and energy use. The Company is a financial member of Coal21, which is currently investigating clean coal technology. The Company is aware of the significance of this emerging environmental issue and continues to investigate possible operational improvements to ensure it meets its corporate responsibilities.

Environmental management is an important aspect of the Company's business that continues to evolve to keep pace with operational expansion, increasing public expectations and growing regulatory requirements.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

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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 Bristile 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

Nil

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
Clover Corporation Limited	Appointed 1997
Australian Pharmaceutical Industries Limited	Appointed 2000

Former Directorships in last 3 years

KH Foods Limited Appointed 1987 Retired 2006

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

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Directors Report - 31st July 2007

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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 Executive 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

Former Directorships in last 3 years

Gazal Corporation Limited	Appointed 1987 Resigned 2004
Australian Pharmaceutical Industries Limited	Appointed 2000 Resigned 2007
Stockland Limited	Appointed 1990 Retired 2006
B Digital Limited	Appointed 2005 De-listed 2007

Special responsibilities

Member of the Audit Committee, and the Remuneration and Nomination 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 approximately 30 years and is principal of his own firm, Williamson Chaseling Pty Ltd. He has been a Director of New Hope Corporation since 1999.

Other current Directorships

Australian Health & Nutrition Association Limited	Appointed 2001
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

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Directors Report - 31st July 2007

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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 2007

(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
Mr C.W. Easton, General Manager - Business Improvement

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:

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Mr C.C. Hopkins, General Manager - Marketing
Mr C.W. Easton, General Manager - Business Improvement

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

Remuneration report (continued)

b. Details of remuneration (audited) (continued)

	Short-term employee benefits			Long-term	Post	Share based	Total
	Cash salary	Cash	Non cash	benefits	employment	payments	
	and fees	bonus	benefits	LSL	Super-	Options	
	\$	\$	\$	\$	annuation	\$	\$
Key management personnel of the New Hope Group							
Non-executive Directors - 2007							
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	35,010	-	-	-	3,151	-	38,161
Mr W.H. Grant	30,010	-	-	-	2,701	-	32,711
Other key management personnel - 2007							
Mr R.C. Neale	552,510	140,000	33,242	9,833	12,492	244,175	992,252
Mr P.K. Mantell	283,560	48,000	23,629	4,913	12,492	185,337	557,931
Mr D. Brown-Kenyon	222,393	38,000	29,789	3,880	12,492	153,771	460,325
Mr C.C. Hopkins	222,093	38,000	26,237	-	12,492	149,708	448,530
Mr C.W. Easton	204,591	30,000	15,881	-	12,492	91,730	354,694
Other most highly remunerated officers - 2007							
Mr K.J. Jamieson	229,177	40,000	20,488	-	12,492	219,356	521,513
	<u>1,899,374</u>	<u>334,000</u>	<u>149,266</u>	<u>18,626</u>	<u>91,607</u>	<u>1,044,077</u>	<u>3,536,950</u>
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	4,463	34,975	192,062	508,981
Mr D. Brown-Kenyon	132,243	16,000	20,030	3,463	79,937	155,066	406,739
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>7,926</u>	<u>272,626</u>	<u>866,725</u>	<u>2,662,993</u>
Key management personnel of New Hope Corporation Ltd							
Non-executive Directors - 2007							
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	35,010	-	-	-	3,151	-	38,161
Mr W.H. Grant	30,010	-	-	-	2,701	-	32,711
Other key management personnel - 2007							
Mr R.C. Neale	552,510	140,000	33,242	9,833	12,492	244,175	992,252
Mr P.K. Mantell	283,560	48,000	23,629	4,913	12,492	185,337	557,931
Mr D. Brown-Kenyon	222,393	38,000	29,789	3,880	12,492	153,771	460,325
Mr C.C. Hopkins	222,093	38,000	26,237	-	12,492	149,708	448,530
Mr C.W. Easton	204,591	30,000	15,881	-	12,492	91,730	354,694
	<u>1,670,197</u>	<u>294,000</u>	<u>128,778</u>	<u>18,626</u>	<u>79,115</u>	<u>824,721</u>	<u>3,015,437</u>

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

Remuneration report (continued)

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.

Contracts with executives may be terminated by either party giving notice as specified in their contract of employment. For Messers Neale, Mantell, and Brown-Kenyon 2 months notice is required. Mr Hopkin's contract requires 4 weeks notice, Mr Easton's 8 weeks, and Mr Jamieson's contract specifies 12 weeks notice.

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 Group's activities.

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

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

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

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Value per option at grant date
5 September 2003	6 September 2006	5 September 2008	\$0.350 *	\$0.400	42.00%	6.25%	4.75%	\$0.088
5 September 2003	6 September 2006	5 September 2008	\$0.375 *	\$0.400	42.00%	6.25%	4.75%	\$0.082
5 September 2003	6 September 2006	5 September 2008	\$0.400 *	\$0.400	42.00%	6.25%	4.75%	\$0.077
5 September 2003	6 September 2006	5 September 2008	\$0.450 *	\$0.400	42.00%	6.25%	4.75%	\$0.068
3 January 2006	4 January 2009	2 January 2011	\$1.235	\$1.230	41.30%	4.57%	5.14%	\$0.346
8 May 2006	9 May 2009	7 May 2011	\$1.288	\$1.280	40.46%	3.83%	5.56%	\$0.384
19 January 2007	20 January 2010	18 January 2012	\$1.360	\$1.370	38.00%	6.43%	5.90%	\$0.318

* 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.

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

Remuneration report (continued)

Share options granted to Directors and key management personnel

Details of management options over ordinary shares in the Company as at 31 July 2007, 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 31 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
	2007	2006	2007	2006
Other key management personnel of the Group				
Mr R.C. Neale	-	2,000,000	1,200,000	-
Mr P.K. Mantell	-	1,500,000	1,090,000	-
Mr D. Brown-Kenyon	-	1,250,000	850,000	-
Mr C.C. Hopkins	-	1,250,000	500,000	-
Mr C.W. Easton	500,000	500,000	-	-
Other most highly remunerated officers of the Group				
Mr K.J. Jamieson	-	1,800,000	-	-
Directors of New Hope Corporation Ltd				
Nil	-	-	-	-

	Number of ordinary shares issued on the exercise of options during the year		Amount paid per share	
	2007	2006	2007	2006
Other key management personnel of the Group				
Mr R.C. Neale	300,000	-	0.350	-
Mr R.C. Neale	300,000	-	0.375	-
Mr R.C. Neale	300,000	-	0.400	-
Mr R.C. Neale	300,000	-	0.450	-
Mr P.K. Mantell	272,500	-	0.350	-
Mr P.K. Mantell	272,500	-	0.375	-
Mr P.K. Mantell	272,500	-	0.400	-
Mr P.K. Mantell	272,500	-	0.450	-
Mr D. Brown-Kenyon	212,500	-	0.350	-
Mr D. Brown-Kenyon	212,500	-	0.375	-
Mr D. Brown-Kenyon	212,500	-	0.400	-
Mr D. Brown-Kenyon	212,500	-	0.450	-
Mr C.C. Hopkins	125,000	-	0.350	-
Mr C.C. Hopkins	125,000	-	0.375	-
Mr C.C. Hopkins	125,000	-	0.400	-
Mr C.C. Hopkins	125,000	-	0.450	-
Directors of New Hope Corporation Ltd				
Nil	-	-	-	-

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

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

Remuneration report (continued)

e. Additional information - unaudited

Share based compensation: Options

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

Options issued to R.C. Neale, P.K. Mantell, D. Brown-Kenyon and C.C. Hopkins during the 2004 financial year vested 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, C.W. Easton and K.J. Jamieson will vest in the 2009 financial year. Options issued to C.W. Easton during the 2007 financial year will vest during the 2010 financial year.

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
Mr R.C. Neale	25%	-	1,267,500	-	1,267,500
Mr P.K. Mantell	33%	-	987,813	-	987,813
Mr D. Brown-Kenyon	33%	-	897,813	-	897,813
Mr C.C. Hopkins	33%	-	528,125	-	528,125
Mr C.W. Easton	26%	158,750	-	-	158,750
Mr K.J. Jamieson	42%	-	-	-	-

A = The percentage of the value of remuneration consisting of options expensed based on the value at grant date.

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 has been determined as the amount of the grant date fair value of the options that is yet to be expensed, and is \$113,658 for the options issued in August 2005, \$1,154,699 for the options issued in January 2006, \$113,267 for the options issued in May 2006, and \$130,820 for the options issued in January 2007.

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	1,185,401
Management Options	31 August 2005	30 August 2010	\$1.198	800,000
Management Options	3 January 2006	2 January 2011	\$1.235	15,500,000
Management Options	8 May 2006	7 May 2011	\$1.288	500,000
Management Options	2 January 2007	1 January 2012	\$1.413	1,000,000
Management Options	19 January 2007	18 January 2012	\$1.360	500,000
Management Options	13 August 2007	12 August 2012	\$2.104	2,500,000

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 2007 on the exercise of options granted under the New Hope Corporation Limited Employee Share Option Plan. No further 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	\$0.350	1,722,500
5 September 2003	\$0.375	1,722,500
5 September 2003	\$0.400	1,722,500
5 September 2003	\$0.450	1,722,500

New Hope Corporation Limited and Controlled Entities

Directors Report - 31st July 2007

(Continued)

Remuneration report (continued)

e. Additional information - unaudited (continued)

Consequences of performance on shareholder wealth

The Company's performance is not only impacted by market factors, but also by employee performance. The financial performance for 2005, 2006 and 2007 is included in the financial summary of this report. The results for 2003 and 2004 were significantly impacted by the overseas operations, which were sold during the year ended 31 July 2005. The shareholders funds at 31 July 2005 reflect the wealth created as a result of that investment.

Non-audit services

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

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

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

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

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

	Consolidated	
	2007	2006
Audit Services		
PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	281,959	192,541
Total remuneration for audit services	281,959	192,541
Non-audit services		
<u>Taxation services</u>		
PricewaterhouseCoopers Australian firm:		
Transaction advisory services	310,624	284,983
General advisory services	65,698	128,128
AIFRS implementation	-	70,037
Tax compliance services	345,810	168,211
Research and development compliance services	229,031	209,397
Total remuneration for non-audit services	951,163	860,756

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 19.

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 2007

(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 2007 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	9			3	3
Mr P.R. Robinson	10	10			3	3
Mr D.J. Fairfull	10	8	3	1	2	2
Mr D.C. Williamson	10	10	3	3		
Mr W.H. Grant	10	10	3	3		

Signed at Sydney this 24th day of September 2007 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 2007

(Continued)

Auditor's Independence Statement

As lead auditor for the audit of New Hope Corporation Limited for the year ended 31 July 2007, I declare that, to the best of my knowledge and belief, there have been:

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

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

M. Linz
Partner
PricewaterhouseCoopers

Brisbane
24 September 2007

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 9 to 11 and 18.

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 18 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 2007

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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 7, which is not part of this financial report.

The financial report was authorised for issue by the Directors on the 24 September 2007. 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 2007

	Notes	Consolidated		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Revenue from continuing operations	4	248,754	251,317	442,970	36,929
Other income	5	7,981	2,213	1,290	1,636
		<u>256,735</u>	<u>253,530</u>	<u>444,260</u>	<u>38,565</u>
Expenses					
Cost of sales		(101,711)	(103,174)	(5,681)	(4,194)
Marketing and transportation		(55,317)	(52,852)	(729)	(698)
Administration		(6,830)	(6,207)	(6,830)	(6,207)
Finance costs		(3)	(1)	(2)	-
Other expenses		(4,853)	(2,891)	(3,521)	(10,724)
Share of profits of associates and partnerships using the equity method	35,36	4,558	6,283	-	-
Profit before income tax		<u>92,579</u>	<u>94,688</u>	<u>427,497</u>	<u>16,742</u>
Income tax expense	7	(23,270)	(25,993)	(1,900)	(8,231)
Profit after income tax for the year		<u>69,309</u>	<u>68,695</u>	<u>425,597</u>	<u>8,511</u>

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

Basic earnings per share (cents / share)	38	8.6	8.6
Diluted earnings per share (cents / share)	38	8.6	8.5

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 2007

	Notes	Consolidated		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current assets					
Cash and cash equivalents	9	56,892	19,207	56,890	19,207
Receivables	10	19,292	16,011	228,657	111,639
Inventories	11	18,866	15,538	-	-
Held to maturity investments	12	189,548	344,559	189,548	344,559
Derivative financial instruments	39	7,361	8,060	-	-
Other	13	187	125	2	2
Total current assets		<u>292,146</u>	<u>403,500</u>	<u>475,097</u>	<u>475,407</u>
Non-current assets					
Receivables	14	1,713	1,451	-	-
Investments accounted for using the equity method	15,37	3,366	5,582	-	-
Available for sale financial assets	16	319,272	49,417	-	-
Other financial assets	17	-	-	17,117	17,117
Derivative financial instruments	39	5,122	4,314	-	-
Property, plant and equipment	18	224,585	159,117	1,491	2,179
Investment property	19	35	1,559	35	35
Deferred tax assets	20	-	-	402	453
Intangible assets	21	3,090	2,860	3,059	2,826
Total non-current assets		<u>557,183</u>	<u>224,300</u>	<u>22,104</u>	<u>22,610</u>
Total assets		<u>849,329</u>	<u>627,800</u>	<u>497,201</u>	<u>498,017</u>
Current liabilities					
Accounts payable	22	18,743	20,383	1,584	1,848
Borrowings	23	-	-	49,508	396,482
Current tax liabilities		8,715	19,349	8,715	19,349
Provisions	25	4,617	5,333	489	486
Total current liabilities		<u>32,075</u>	<u>45,065</u>	<u>60,296</u>	<u>418,165</u>
Non-current liabilities					
Deferred tax liabilities	24	74,311	3,499	-	-
Provisions	26	11,745	10,946	70	14
Total non-current liabilities		<u>86,056</u>	<u>14,445</u>	<u>70</u>	<u>14</u>
Total liabilities		<u>118,131</u>	<u>59,510</u>	<u>60,366</u>	<u>418,179</u>
Net assets		<u>731,198</u>	<u>568,290</u>	<u>436,835</u>	<u>79,838</u>
Equity					
Contributed equity	27	48,834	46,028	48,834	46,028
Reserves	28(a)	181,357	17,015	9,153	7,010
Retained profits	28(b)	501,007	505,247	378,848	26,800
Total equity		<u>731,198</u>	<u>568,290</u>	<u>436,835</u>	<u>79,838</u>

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

New Hope Corporation Limited and Controlled Entities
Statements of Recognised Income and Expense
for the year ended 31st July 2007

	Notes	Consolidated		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Total equity at the beginning of the year		568,290	697,862	79,838	278,256
Adjustment on adoption of AASB 132 & AASB 139, net of tax - reserves	28	-	14,190	-	-
Restated total equity at the beginning of the financial year		<u>568,290</u>	<u>712,052</u>	<u>79,838</u>	<u>278,256</u>
Recognised income and expense for the year (net of tax)					
Cash flow hedges	28	76	(5,528)	-	-
Changes in fair value of available for sale financial assets	28	162,123	-	-	-
Net income recognised directly in equity		<u>162,199</u>	<u>(5,528)</u>	<u>-</u>	<u>-</u>
Profit for the year		<u>69,309</u>	<u>68,695</u>	<u>425,597</u>	<u>8,511</u>
Total recognised income and expense		<u>231,508</u>	<u>63,167</u>	<u>425,597</u>	<u>8,511</u>
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of transaction costs	27	2,806	15,326	2,806	15,326
Dividends provided for or paid	8	(37,180)	(40,020)	(37,180)	(40,020)
Special dividend paid	8	(36,369)	(103,983)	(36,369)	(103,983)
Return of capital paid	27	-	(80,108)	-	(80,108)
Share based payment reserve	28	2,143	1,856	2,143	1,856
		<u>(68,600)</u>	<u>(206,929)</u>	<u>(68,600)</u>	<u>(206,929)</u>
Total equity at the end of the year		<u>731,198</u>	<u>568,290</u>	<u>436,835</u>	<u>79,838</u>
Total recognised income and expense for the year is attributable to:					
Members of New Hope Corporation Limited		231,508	63,167	425,597	8,511
		<u>231,508</u>	<u>63,167</u>	<u>425,597</u>	<u>8,511</u>

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

New Hope Corporation Limited and Controlled Entities

**Cash Flow Statements
for the year ended 31st July 2007**

	Notes	Consolidated		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash flows from operating activities					
Receipts from customers inclusive of GST		230,045	235,944	614	267
Payments to suppliers and employees inclusive of GST		(160,896)	(158,102)	(13,755)	(10,371)
		<u>69,149</u>	<u>77,842</u>	<u>(13,141)</u>	<u>(10,104)</u>
Dividends received		3,500	300	-	-
Interest received		19,490	25,770	19,418	25,770
Interest and other costs of finance		(2)	(1)	(2)	-
Income taxes paid		(32,605)	(63,125)	(32,605)	(63,125)
Net cash inflow / (outflow) from operating activities	37	<u>59,532</u>	<u>40,786</u>	<u>(26,330)</u>	<u>(47,459)</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(84,892)	(44,219)	(836)	(584)
Payments for intangible assets		(382)	(961)	(371)	(947)
Payments for available-for-sale financial assets	16	(38,252)	(48,458)	-	-
Proceeds from / (payments for) held to maturity investments		155,011	(315,917)	155,011	(315,917)
Proceeds from sale of property, plant & equipment		13,247	1,000	2,140	66
Proceeds from sale of other financial assets		-	2,468	-	950
Funds received from associated entities		4,210	3,100	-	-
Loans to related parties		-	-	(268,480)	(239,917)
Repayment of loans by related parties		-	-	247,338	241,678
Net cash inflow / (outflow) from investing activities		<u>48,942</u>	<u>(402,987)</u>	<u>134,802</u>	<u>(314,671)</u>
Cash flows from financing activities					
Proceeds from issue of equity		2,806	15,330	2,806	15,330
Return of capital		-	(80,108)	-	(80,108)
Repayment of borrowings		-	(79)	-	-
Dividends paid		(73,549)	(144,003)	(73,549)	(144,003)
Net cash inflow / (outflow) from financing activities		<u>(70,743)</u>	<u>(208,860)</u>	<u>(70,743)</u>	<u>(208,781)</u>
Net increase / (decrease) in cash and cash equivalents		37,731	(571,061)	37,729	(570,911)
Cash and cash equivalents at the beginning of the financial year		19,207	590,499	19,207	590,349
Effects of exchange rate changes on cash and cash equivalents		(46)	(231)	(46)	(231)
Cash and cash equivalents at the end of the financial year	9	<u>56,892</u>	<u>19,207</u>	<u>56,890</u>	<u>19,207</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 2007

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 Accounting Standards, 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 Australian equivalents to International Financial Reporting Standards (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*.

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 2007 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.

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.

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

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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation (continued)

(ii) Associates (continued)

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) 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. Details relating to the partnership are set out in note 36.

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.

(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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 temporary differences, and to unused tax losses.

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the 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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Exploration and evaluation expenditure

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

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

h. Business combinations

The 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 asset's recoverable amount is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment under value in use testing, assets are grouped at the lowest levels for which there are separately identifiable cash 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.

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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 the Company 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

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

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

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

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

q. Property, plant and equipment

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

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 2007

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. Intangible assets - IT development and software

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

u. 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.

v. Borrowing costs

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

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

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.

x. Contributed equity

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

y. Dividends

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

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. 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.

aa. 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.

ab. 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.

ac. 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.

ad. New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 July 2007 reporting periods. The group has elected not to early adopt these standards and interpretations. These standards and interpretations are not expected to have a material impact in future financial periods on any amounts recognised in the financial statements. A list of these standards and interpretations is as follows:

(i) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 121, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007.

(ii) *AASB-I 10 Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006

(iii) *UIG611 Share-based Payment: Accounting for Group Schemes.*

UIG 611 is applicable to annual reporting periods beginning on or after 1 March 2007

(iv) *AASB 8 Operating Segments*

AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

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 2007

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

	Consolidated 2007 \$000	2006 \$000	Parent Entity 2007 \$000	2006 \$000
Sales revenue				
Sale of goods	222,562	218,957	-	-
Services	-	-	9,168	8,974
	222,562	218,957	9,168	8,974
Other revenue				
Dividends	-	-	415,117	-
Property rent	707	657	4	2
Interest	18,386	27,688	18,314	27,683
Management and service fees	250	250	-	-
Sundry revenue	6,849	3,765	367	270
	248,754	251,317	442,970	36,929

5. OTHER INCOME

From continuing operations

Profit on sale of non-current assets (i)	7,981	1,137	1,290	558
Foreign exchange gains	-	1,076	-	1,078
	7,981	2,213	1,290	1,636

Non regular items in Other Income includes:

(i) Profit of sale of land and buildings originally purchased and used in the normal operations of the Group	7,925	-	635	-
Tax Expense	(1,329)	-	(111)	-
Profit after tax	6,596	-	524	-

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
6. EXPENSES				
Profit before income tax includes the following specific expenses:				
Foreign exchange gains and losses				
Net foreign exchange losses	949	-	949	-
Depreciation				
Buildings	59	78	12	21
Plant and equipment	13,969	12,150	701	635
	14,028	12,228	713	656
Amortisation				
Mining reserves and mine development	2,203	4,603	-	-
Software	152	174	138	162
	2,355	4,777	138	162
Other charges against assets				
Bad and doubtful debts	12	34	-	8,868
Finance Costs				
Bank charges	3	1	2	-
Loss on disposal of non-current assets	-	-	-	-
Exploration costs expensed	7,166	9,029	-	-
Defined contribution superannuation expense	1,595	1,332	381	303
Employee benefits expensed	33,300	30,554	8,457	6,812

7. INCOME TAX EXPENSE

(a) Tax consolidation legislation

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

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

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

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

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
7. INCOME TAX EXPENSE (continued)				
(b) Income Tax Expense				
Current tax	24,257	29,289	3,940	7,668
Deferred tax	1,299	(1,065)	51	451
Under / (over) provided in prior years	(2,286)	(2,231)	(2,091)	112
	<u>23,270</u>	<u>25,993</u>	<u>1,900</u>	<u>8,231</u>
Income tax expense is attributed to:				
Profit from continuing operations	23,270	25,993	1,900	8,231
Aggregate income tax expense	<u>23,270</u>	<u>25,993</u>	<u>1,900</u>	<u>8,231</u>
Deferred income tax expense / (revenue) included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets	51	(1,309)	145	432
(Decrease) / increase in deferred tax liabilities	1,248	244	(94)	19
	<u>1,299</u>	<u>(1,065)</u>	<u>51</u>	<u>451</u>
(c) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax	92,579	94,688	427,497	16,742
Income tax calculated at 30% (2006 - 30%)	27,774	28,406	128,249	5,023
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Rebateable dividends	-	-	(124,535)	-
Share of net profits of associates	(385)	(914)	-	-
Net capital gains	-	335	-	(2)
Book profit on sale of investment	(2,383)	(256)	(381)	(153)
Share based payment expense	642	557	642	557
Intercompany debt written off	-	-	-	2,660
Sundry items	(92)	96	16	34
	<u>25,556</u>	<u>28,224</u>	<u>3,991</u>	<u>8,119</u>
Under / (over) provided prior year	(2,286)	(2,231)	(2,091)	112
Income tax expense	<u>23,270</u>	<u>25,993</u>	<u>1,900</u>	<u>8,231</u>
(d) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - credited / (debited) directly to equity (note 24)	(69,513)	2,368	-	-
	<u>(69,513)</u>	<u>2,368</u>	<u>-</u>	<u>-</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

	Parent Entity	
	2007	2006
	\$000	\$000
8. DIVIDENDS - New Hope Corporation Limited		
(a) Ordinary dividend paid		
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
2006 final dividend of 2.5 cents per share - 100% franked at a tax rate of 30% (paid on 14 Nov 2006)	20,205	-
2006 special dividend of 4.5 cents per share - 100% franked at a tax rate of 30% (paid on 14 Nov 2006)	36,369	-
2007 interim dividend of 2.1 cents per share - 100% franked at a tax rate of 30% (paid on 3 May 2007)	16,975	-
Total dividends paid	73,549	144,003

(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 3.0 cents per fully paid share, (2006 - 2.5 cents per share and 4.5 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 2007 but not recognised as a liability at year end is \$44,461,000 (2006 - \$56,568,000).

(c) Franked dividends

The franked portions of the final dividends recommended after 31 July 2007 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 2007.

Franking credits available for subsequent financial years based on a tax rate of 30% (2006 - 30%)	20,089	29,639
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The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for franking credits that will arise from the payment of provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$19,055,000 (2006 - \$24,243,000).

(d) Dividend reinvestment plans

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
9. CURRENT ASSETS - Cash and cash equivalents				
Cash at bank and on hand	56,892	19,207	56,890	19,207
	56,892	19,207	56,890	19,207

(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	56,892	19,207	56,890	19,207
Balances per statement of cash flows	56,892	19,207	56,890	19,207

(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 6.25% (2006 0% to 5.38%).

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2007**

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
10. CURRENT ASSETS - Receivables				
Trade receivables	13,367	9,305	64	60
Provision for impairment of receivables	(32)	(20)	-	-
	<u>13,335</u>	<u>9,285</u>	<u>64</u>	<u>60</u>
Other receivables	4,571	5,070	2,274	2,263
Owing by controlled entities	-	-	226,180	109,181
Prepayments	1,386	1,656	139	135
	<u>19,292</u>	<u>16,011</u>	<u>228,657</u>	<u>111,639</u>

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

11. CURRENT ASSETS - Inventories

Coal stocks at cost	11,372	12,972	-	-
Raw materials and stores at cost	7,494	2,566	-	-
	<u>18,866</u>	<u>15,538</u>	<u>-</u>	<u>-</u>

(a) Inventory expense

Inventories recognised as an expense during the year ended 31 July 2007 amounted to \$79,300,000 (2006 - \$69,686,000).

12. CURRENT ASSETS - Held to maturity investments

Term Deposits	189,548	344,559	189,548	344,559
	<u>189,548</u>	<u>344,559</u>	<u>189,548</u>	<u>344,559</u>

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 6.42%. (2006 - 6.02%)

13. CURRENT ASSETS - Other

Prepaid forward overburden and stripping costs	66	-	-	-
Security deposits	121	125	2	2
	<u>187</u>	<u>125</u>	<u>2</u>	<u>2</u>

14. NON-CURRENT ASSETS - Receivables

Advances to associates	667	393	-	-
Other receivables	1,046	1,058	-	-
	<u>1,713</u>	<u>1,451</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.

15. NON-CURRENT ASSETS - Investments accounted for using the equity method

Shares in associated companies - equity accounted amount (note 35)	3,366	5,582	-	-
	<u>3,366</u>	<u>5,582</u>	<u>-</u>	<u>-</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
16. NON-CURRENT ASSETS - Available for sale financial assets				
At beginning of year	49,417	-	-	-
Adjustment on adoption of AASB 132 and AASB 139 (note (a))	-	3	-	-
Additions	38,251	49,414	-	-
Revaluation surplus transfer to equity	231,604	-	-	-
At end of year	319,272	49,417	-	-
 Listed securities				
Equity securities	319,269	49,414	-	-
 Unlisted securities (note (b))				
Equity securities	3	3	-	-
	319,272	49,417	-	-

Correction in classification of available for sale financial assets.

An investment acquired in Arrow Energy N.L. (Arrow) at the end of July 2006 was initially classified as an equity accounted investment as at 31 July 2006 on the basis that New Hope Corporation had significant influence over this company at that date. It has subsequently been determined that significant influence did not exist at that date, thus requiring the investment in Arrow to be reclassified as an available for sale financial asset. This correction has reduced the consolidated equity accounted investments by \$49,414,000 and increased the available for sale financial assets by \$49,414,000 as at 31 July 2006. The prior year comparative figures have been restated to reflect this correction. There was no impact on the income statement for the year ended 31 July 2006 and thus no impact on the basic and diluted earnings per share for the year then ended.

(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. For further information please refer to our annual report for the year ending 31 July 2006.

- 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).

(b) Unlisted securities

Unlisted securities are traded in inactive markets.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
17. NON-CURRENT ASSETS - Other financial assets				
(a) Unlisted investments				
Controlled entities at cost	-	-	17,117	17,117
	-	-	17,117	17,117

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2007**

17. NON-CURRENT ASSETS - Other financial assets (continued)

(b) At cost are ordinary shares and comprise:

Name of Entity	Country of Incorporation	Class of share	%	Parent Entity		
				2007	2006	
				\$000	%	\$000
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 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	100	1
New Lenton Coal Pty Ltd *	Australia	Ordinary	100	1	100	1
Tivoli Coal (Hawaii) Pty Ltd *	Australia	Ordinary	100	1	100	1
				17,117		17,117

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
18. NON-CURRENT ASSETS - Property, plant and equipment				
Land and buildings - non-mining				
Freehold land at cost	-	552	-	318
Buildings at cost	-	1,236	-	842
Accumulated depreciation	-	(453)	-	(346)
	-	783	-	496
Total land and buildings - non-mining	-	1,335	-	814
Land and buildings - held for mining				
Freehold land at cost	83,236	61,841	-	-
Buildings at cost	3,701	3,125	-	-
Accumulated depreciation	(319)	(289)	-	-
	3,382	2,836	-	-
Total land and buildings - held for mining	86,618	64,677	-	-
Plant and equipment				
Plant and equipment at cost	210,731	163,805	2,800	2,491
Accumulated depreciation	(101,204)	(92,190)	(2,059)	(1,606)
	109,527	71,615	741	885
Motor vehicles				
Motor vehicles at cost	2,768	2,310	931	725
Accumulated depreciation	(902)	(700)	(271)	(245)
	1,866	1,610	660	480
Mining reserves and leases				
Mining reserves and leases at cost	9,813	9,813	-	-
Accumulated amortisation	(5,001)	(4,439)	-	-
	4,812	5,374	-	-

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
18. NON-CURRENT ASSETS - Property, plant and equipment (continued)				
Mine properties, mine development				
Mine properties, mine development at cost	34,510	27,499	-	-
Accumulated amortisation	(14,634)	(12,993)	-	-
	<u>19,876</u>	<u>14,506</u>	<u>-</u>	<u>-</u>
Plant and equipment under construction	1,886	-	90	-
Total Property, plant and equipment	<u>224,585</u>	<u>159,117</u>	<u>1,491</u>	<u>2,179</u>
Reconciliations				
Land and buildings - non-mining				
Carrying amount at beginning of year	1,335	1,432	814	834
Disposals	(1,323)	(70)	(802)	-
Depreciation	(12)	(27)	(12)	(20)
Carrying amount at end of year	<u>-</u>	<u>1,335</u>	<u>-</u>	<u>814</u>
Land and buildings - held for mining				
Carrying amount at beginning of year	64,677	39,385	-	-
Additions	23,793	25,317	-	-
Disposals	(1,709)	-	-	-
Depreciation	(30)	(25)	-	-
Transfers In/(Out)	(113)	-	-	-
Carrying amount at end of year	<u>86,618</u>	<u>64,677</u>	<u>-</u>	<u>-</u>
Plant and equipment				
Carrying amount at beginning of year	71,615	66,310	885	968
Additions	56,111	17,919	339	429
Disposals	(35)	(755)	-	(4)
Depreciation	(13,383)	(11,859)	(483)	(508)
Transfers In/(Out)	(4,781)	-	-	-
Carrying amount at end of year	<u>109,527</u>	<u>71,615</u>	<u>741</u>	<u>885</u>
Motor vehicles				
Carrying amount at beginning of year	1,610	1,234	480	467
Additions	985	775	445	153
Disposals	(143)	(106)	(47)	(14)
Depreciation	(586)	(293)	(218)	(126)
Carrying amount at end of year	<u>1,866</u>	<u>1,610</u>	<u>660</u>	<u>480</u>
Mining reserves and leases				
Carrying amount at beginning of year	5,374	6,695	-	-
Amortisation	(562)	(1,321)	-	-
Carrying amount at end of year	<u>4,812</u>	<u>5,374</u>	<u>-</u>	<u>-</u>
Mine properties and mine development				
Carrying amount at beginning of year	14,506	17,582	-	-
Additions	2,117	207	-	-
Transfers in / (out)	4,894	-	-	-
Amortisation	(1,641)	(3,283)	-	-
Carrying amount at end of year	<u>19,876</u>	<u>14,506</u>	<u>-</u>	<u>-</u>
Plant and equipment under construction				
Carrying amount at beginning of year	-	-	-	-
Additions	1,886	-	-	-
Carrying amount at end of year	<u>1,886</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 2007**

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
19. NON-CURRENT ASSETS - Investment property				
Freehold land at cost	35	866	35	35
Buildings at cost	-	1,097	-	-
Accumulated depreciation	-	(404)	-	-
	<u>35</u>	<u>1,559</u>	<u>35</u>	<u>35</u>
Reconciliation				
Carrying amount at beginning of year	1,559	1,586	35	35
Additions	-	-	-	-
Disposals	(1,507)	-	-	-
Depreciation	(17)	(27)	-	-
Carrying amount at end of year	<u>35</u>	<u>1,559</u>	<u>35</u>	<u>35</u>
(a) Amounts recognised in profit and loss for Investment property				
Rental income	707	676	4	2
Direct operating expenses from income generating properties	(241)	(655)	(1)	-
	<u>466</u>	<u>21</u>	<u>3</u>	<u>2</u>

(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. These properties were sold during the year and realised a profit on sale.

(c) Contractual obligations

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
20. NON-CURRENT ASSETS - Deferred tax assets				
The balance comprises temporary differences attributed to :				
Amounts recognised in profit and loss				
Accrued expenses	-	412	-	67
Employee benefits	2,093	2,005	444	328
Mine site rehabilitation provision	3,691	3,489	-	-
IPO costs	128	322	128	322
Other	271	6	-	-
	<u>6,183</u>	<u>6,234</u>	<u>572</u>	<u>717</u>
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 24)	(6,183)	(6,234)	(170)	(264)
Net deferred tax assets	<u>-</u>	<u>-</u>	<u>402</u>	<u>453</u>
Movements				
Carrying amount at beginning of year	6,234	6,744	717	1,149
Credited / (charged) to the income statement	(51)	(510)	(145)	(432)
Carrying amount at end of year	<u>6,183</u>	<u>6,234</u>	<u>572</u>	<u>717</u>
Deferred tax assets to be recovered after more than 12 months	2,364	2,423	444	395
Deferred tax assets to be recovered within 12 months	3,819	3,811	128	322
	<u>6,183</u>	<u>6,234</u>	<u>572</u>	<u>717</u>

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2007**

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
21. NON-CURRENT ASSETS - Intangibles				
Software				
Software at cost	3,972	3,590	3,510	3,139
Accumulated amortisation	(882)	(730)	(451)	(313)
	<u>3,090</u>	<u>2,860</u>	<u>3,059</u>	<u>2,826</u>
Reconciliation				
Software				
Carrying amount at beginning of year	2,860	2,073	2,826	2,042
Additions	382	961	371	947
Amortisation *	(152)	(174)	(138)	(163)
Carrying amount at end of year	<u>3,090</u>	<u>2,860</u>	<u>3,059</u>	<u>2,826</u>

* Amortisation of \$152,000 (2006 - \$174,000) is included in cost of sales in the income statement.

22. CURRENT LIABILITIES - Accounts payable				
Trade payables and accruals	11,984	13,863	629	1,256
Other payables	309	321	33	-
Employee entitlements	6,450	6,199	922	592
	<u>18,743</u>	<u>20,383</u>	<u>1,584</u>	<u>1,848</u>

23. CURRENT LIABILITIES - Borrowings				
Current				
Loans from controlled entities - unsecured	-	-	49,508	396,482
	<u>-</u>	<u>-</u>	<u>49,508</u>	<u>396,482</u>

(a) Loans from controlled entities - unsecured

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

(b) Financing arrangements

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

Total facilities				
Other facilities (i)	25,000	25,000	25,000	25,000
	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Used at balance date				
Other facilities	14,942	13,673	14,942	13,673
	<u>14,942</u>	<u>13,673</u>	<u>14,942</u>	<u>13,673</u>
Unused at balance date				
Other facilities	10,058	11,327	10,058	11,327
	<u>10,058</u>	<u>11,327</u>	<u>10,058</u>	<u>11,327</u>

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

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2007**

23. CURRENT LIABILITIES - Borrowings (continued)

(c) 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.

2007 - \$000	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	-	-	-	-	11,984	11,984
Other payables	-	-	-	-	309	309
Employee entitlements	-	-	-	-	6,450	6,450
	-	-	-	-	18,743	18,743
Weighted average interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	

2006 - \$000	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%	

(d) Fair value

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

24. NON-CURRENT LIABILITIES - Deferred tax liabilities	Consolidated		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Other accounts receivable	361	180	-	-
Inventories	2,349	1,010	-	-
Property plant and equipment	2,806	2,979	167	264
Mine reserves	1,444	1,612	-	-
Other	309	240	3	-
	<u>7,269</u>	<u>6,021</u>	<u>170</u>	<u>264</u>
Amounts recognised directly in equity				
Cash flow hedges	3,744	3,712	-	-
Available for sale financial assets	69,481	-	-	-
	<u>80,494</u>	<u>9,733</u>	<u>170</u>	<u>264</u>
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 20)	(6,183)	(6,234)	(170)	(264)
Net deferred tax liabilities	<u>74,311</u>	<u>3,499</u>	<u>-</u>	<u>-</u>
Movements				
Carrying amount at beginning of year	9,733	5,777	264	245
Change on adoption of AASB 132 and AASB 139	-	6,080	-	-
Charged / (Credited) to the income statement	1,248	244	(94)	19
Charged / (Credited) to equity	69,513	(2,368)	-	-
Carrying amount at end of year	<u>80,494</u>	<u>9,733</u>	<u>170</u>	<u>264</u>
Deferred tax liabilities to be settled after more than 12 months	75,576	3,380	170	231
Deferred tax liabilities to be settled within 12 months	4,918	6,353	-	33
	<u>80,494</u>	<u>9,733</u>	<u>170</u>	<u>264</u>

New Hope Corporation Limited and Controlled Entities

**Notes to the financial statements
for the year ended 31st July 2007**

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
25. CURRENT LIABILITIES - Provisions				
Employee benefits	2,884	3,518	489	486
Mining restoration and rehabilitation (note 1(aa))	1,733	1,815	-	-
	<u>4,617</u>	<u>5,333</u>	<u>489</u>	<u>486</u>
Mining restoration and rehabilitation				
Current	1,733	1,815	-	-
Non-current	10,571	9,814	-	-
	<u>12,304</u>	<u>11,629</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	11,629	11,070	-	-
Additional provision recognised	675	559	-	-
Carrying amount at end of year	<u>12,304</u>	<u>11,629</u>	<u>-</u>	<u>-</u>
26. NON-CURRENT LIABILITIES - Provisions				
Employee benefits	1,174	1,132	70	14
Mining restoration and rehabilitation (note 1(aa))	10,571	9,814	-	-
	<u>11,745</u>	<u>10,946</u>	<u>70</u>	<u>14</u>

27. CONTRIBUTED EQUITY

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. As at 31 July 2007 there were 19,493,195 (2006 - 25,895,562) options (management and shareholder) over ordinary shares in the Company.

(b) Options

Information relating to the New Hope Corporation Employee Share Option Plan (management options), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 40.

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 2007**

	Parent Entity		Parent Entity	
	2007	2007	2006	2006
	No. of shares	\$000	No. of shares	\$000
27. CONTRIBUTED EQUITY (continued)				
(c) Share Capital				
Issued and paid up capital	<u>808,378,603</u>	<u>48,834</u>	<u>801,226,236</u>	<u>46,028</u>

(d) Movements in share capital

Date	Details	Number of Shares	Issue Price	\$000
1 August 2005	Opening 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	\$0.45000	242
31 October 2005	Exercise of ordinary options	4,175,846	\$0.45000	1,879
30 November 2005	Exercise of ordinary options	1,235,209	\$0.45000	556
31 December 2005	Exercise of ordinary options	86,290	\$0.35000	30
31 January 2006	Exercise of ordinary options	14,540	\$0.35000	5
28 February 2006	Exercise of ordinary options	16,285	\$0.35000	6
31 March 2006	Exercise of ordinary options	18,291	\$0.35000	6
30 April 2006	Exercise of ordinary options	17,107	\$0.35000	6
31 May 2006	Exercise of ordinary options	2,109	\$0.35000	1
30 June 2006	Exercise of ordinary options	1,000	\$0.35000	-
31 July 2006	Exercise of ordinary options	500	\$0.35000	-
	Return of capital (i)			(80,108)
31 July 2006	Balance	<u>801,226,236</u>		<u>46,028</u>
31 August 2006	Exercise of ordinary options	3,429	\$0.35000	1
22 September 2006	Exercise of ordinary options	500	\$0.35000	-
22 September 2006	Exercise of management options	3,990,000	\$0.39375	1,571
30 September 2006	Exercise of management options	500,000	\$0.39375	197
30 September 2006	Exercise of ordinary options	500	\$0.35000	-
31 October 2006	Exercise of management options	2,400,000	\$0.39375	945
31 October 2006	Exercise of ordinary options	74,168	\$0.35000	26
30 November 2006	Exercise of ordinary options	1,563	\$0.35000	1
31 December 2006	Exercise of ordinary options	13,882	\$0.35000	5
31 March 2007	Exercise of ordinary options	10,000	\$0.35000	4
30 April 2007	Exercise of ordinary options	133,926	\$0.35000	47
31 May 2007	Exercise of ordinary options	10,666	\$0.35000	4
30 June 2007	Exercise of ordinary options	2,541	\$0.35000	1
31 July 2007	Exercise of ordinary options	11,192	\$0.35000	4
31 July 2007	Balance	<u>808,378,603</u>		<u>48,834</u>

(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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
28. RESERVES				
(a) Reserves				
Capital profits	1,343	1,343	-	-
Capital redemption	2,800	2,800	2,800	2,800
Available-for-sale investments revaluation	162,123	-	-	-
Hedging reserve	8,738	8,662	-	-
Share-based payments reserve	6,353	4,210	6,353	4,210
	<u>181,357</u>	<u>17,015</u>	<u>9,153</u>	<u>7,010</u>
Movements				
Capital profits				
Carrying amount at beginning of year	1,343	1,343	-	-
Carrying amount at end of year	<u>1,343</u>	<u>1,343</u>	<u>-</u>	<u>-</u>
Capital redemption				
Carrying amount at beginning of year	2,800	2,800	2,800	2,800
Carrying amount at end of year	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>
Available-for-sale investments revaluation				
Carrying amount at beginning of year	-	-	-	-
Revaluation - gross	231,604	-	-	-
Revaluation - deferred tax	(69,481)	-	-	-
Carrying amount at end of year	<u>162,123</u>	<u>-</u>	<u>-</u>	<u>-</u>
Hedging reserve				
Carrying amount at beginning of year	8,662	-	-	-
Adjustment on adoption of AASB 132 and AASB 139 (net of tax)	-	14,190	-	-
Transfer to net profit - gross	(10,270)	(9,215)	-	-
Transfer to net profit - deferred tax	3,081	2,764	-	-
Revaluation - gross	10,379	1,319	-	-
Revaluation - deferred tax	(3,114)	(396)	-	-
Carrying amount at end of year	<u>8,738</u>	<u>8,662</u>	<u>-</u>	<u>-</u>
Share-based payment reserve				
Carrying amount at beginning of year	4,210	2,354	4,210	2,354
Option expense	2,143	1,856	2,143	1,856
Carrying amount at end of year	<u>6,353</u>	<u>4,210</u>	<u>6,353</u>	<u>4,210</u>

Nature and purpose of reserves

Capital profits

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

Capital redemption

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

Available-for-sale investments revaluation

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

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.

Share based payment reserve

The share based payment reserve is used to recognise the fair value of options issued.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
28. RESERVES (continued)				
(b) Retained profits				
Carrying amount at beginning of year	505,247	580,555	26,800	162,292
Net profit after income tax	69,309	68,695	425,597	8,511
Dividends paid (note 8)	(73,549)	(144,003)	(73,549)	(144,003)
Carrying amount at end of year	<u>501,007</u>	<u>505,247</u>	<u>378,848</u>	<u>26,800</u>

29. CONTINGENT LIABILITIES

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

2007	2006
\$000	\$000

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

6,602	5,425
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No losses are anticipated in respect of any of the above contingent liabilities.

30. COMMITMENTS FOR EXPENDITURE

Aggregate capital expenditure contracted for at balance date but not recognised as a liability is as follows:

Consolidated		Parent Entity	
2007	2006	2007	2006
\$000	\$000	\$000	\$000

Property plant and equipment

Within 1 year	7,595	30,916	-	-
Within 2 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	<u>7,595</u>	<u>30,916</u>	<u>-</u>	<u>-</u>

Intangibles

Within 1 year	1,724	283	1,724	283
Within 2 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	<u>1,724</u>	<u>283</u>	<u>1,724</u>	<u>283</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

31. 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

(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
Mr C.W. Easton	General Manager - Business Improvement	New Hope Corporation Limited

(c) Key management personnel compensation	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	2,092,975	1,292,960	2,092,975	1,292,960
Long-term employee benefits	18,626	7,926	18,626	7,926
Post employment benefits	79,115	245,066	79,115	245,066
Share based payment	824,721	706,696	824,721	706,696
	3,015,437	2,252,648	3,015,437	2,252,648

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 12 to 17.

(d) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options, can be found in section (d) of the remuneration report on pages 12 to 17.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

31. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

(ii) Option holdings

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

	Opening balance	Movements during the year			Closing balance	Vested & exercisable
		Granted	Purchased / (Sold)	Exercised		
Directors of New Hope Corporation Ltd - 2007						
Mr R.D. Millner	1,206	-	372	(1,578)	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	1,000	-	-	-	1,000	1,000
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
Other key management personnel of the group - 2007						
Mr R.C. Neale	3,200,000	-	-	(1,200,000)	2,000,000	-
Mr P.K. Mantell	2,590,000	-	-	(1,090,000)	1,500,000	-
Mr D. Brown-Kenyon	2,100,000	-	-	(850,000)	1,250,000	-
Mr C.C. Hopkins	1,750,000	-	-	(500,000)	1,250,000	-
Mr C.W. Easton	500,000	500,000	-	-	1,000,000	-
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	-
Mr C.W. Easton	-	500,000	-	-	500,000	-

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

31. 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 - 2007					
Mr R.D. Millner	2,535,276	3,719	1,578	-	2,540,573
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	-	-	-	-	-
Other key management personnel of the group - 2007					
Mr R.C. Neale	5,500	-	1,200,000	-	1,205,500
Mr P.K. Mantell	13,000	-	1,090,000	-	1,103,000
Mr D. Brown-Kenyon	-	-	850,000	-	850,000
Mr C.C. Hopkins	-	(500,000)	500,000	-	-
Mr C.W. Easton	-	-	-	-	-
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 - 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)	-	-	-
Mr C.W. Easton	-	-	-	-	-

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

(e) Other transactions of key management personnel

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 2006, and various corporate transactions during 2007. 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.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

31. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

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

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Dividends paid	561,194	739,515	561,194	739,515
Legal advice	469,471	874,542	282,790	629,585
Financial advice fees paid	97,500	534,796	97,500	-

(f) Loans to key management personnel

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

32. 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 2007 owned 61.07% (2006 - 61.62%) of the issued ordinary shares of New Hope Corporation Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 17.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 31.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(d) Transactions with related parties				
Sale of goods and services				
Management and supervision fees - subsidiaries	-	-	8,880,490	8,543,186
Management and supervision fees - associates	250,000	250,000	-	-
Financial services - subsidiaries	-	-	288,000	430,400
Tax consolidation legislation				
Current tax payable assumed from tax consolidated entities	-	-	22,363,257	24,180,543
Tax losses assumed from tax consolidated entities	-	-	(2,241,386)	(2,773,682)
Dividend revenue				
Subsidiaries	-	-	415,117,049	-
Associates	3,500,000	300,000	-	-
Other transactions				
Dividends paid to ultimate Australian controlling entity (WHSP)	44,926,374	88,865,355	44,926,374	88,865,355
Capital return paid to ultimate Australian controlling entity (WHSP)	-	49,369,642	-	49,369,642
Handling and commission expense - associates	10,730,059	9,477,274	-	-
Management and service fees received - associates	-	250,000	-	-
Partnership income received	3,273,767	3,238,610	-	-

(e) Outstanding balances arising from sales / purchases of goods and services

No provisions for doubtful debts have been raised to any outstanding balances. No bad debts expense (2006 - \$8,868,288) has been recognised in the books of the parent entity in respect of amounts owing from subsidiaries. This had no effect on the Group result in the prior year.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
32. RELATED PARTIES (continued)				
(f) Loans to / from related parties				
Loans to subsidiaries				
Beginning of year	-	-	109,180,971	116,761,186
Loans advanced	-	-	381,581,809	153,762,474
Loan repayments received	-	-	(264,582,780)	(152,474,401)
Bad debts written off	-	-	-	(8,868,288)
End of year	-	-	226,180,000	109,180,971
Loans to other related parties				
Beginning of year	393,481	254,871	-	-
Loans advanced	3,273,767	3,238,610	-	-
Loan repayments received	(3,000,000)	(3,100,000)	-	-
End of year	667,248	393,481	-	-
Loans from subsidiaries				
Beginning of year	-	-	396,482,408	419,312,506
Loans advanced	-	-	237,564,806	387,247,951
Loan repayments received	-	-	(584,539,214)	(410,078,049)
End of year	-	-	49,508,000	396,482,408

(g) 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
33. 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	281,959	192,541	281,959	192,541
Non PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	-	-	-
Total remuneration for audit services	281,959	192,541	281,959	192,541
(b) Other services				
PricewaterhouseCoopers Australian firm				
Transaction advisory services	310,624	284,983	310,624	229,906
General advisory services	65,698	128,128	49,094	128,128
AIFRS implementation	-	70,037	-	70,037
Tax compliance services	345,810	168,211	345,810	132,761
Research and development compliance services	229,031	209,397	229,031	209,397
Total remuneration for other services	951,163	860,756	934,559	770,229

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

34. 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.

Australian sales to external customers includes coal sales to the Asia-Pacific region which originated from Australian companies. For the year ended 31 July 2007 this amounted to \$166,232,822 (2006 \$155,357,635).

35. 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, which is a controlled entity of New Hope Corporation Limited. Information relating to the associates is as follows:

	Name of company	Year end	Principal activity	Ownership interest		Consolidated	
				2007	2006	2007	2006
Unlisted				%	%	\$000	\$000
	Queensland Bulk Handling Pty Ltd	June	Coal handling	50.00	50.00	3,366	5,582
						<u>3,366</u>	<u>5,582</u>

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

Carrying amount at the beginning of the financial year	5,582	3,740
Adjustment from the disposal of the interest in an equity investment	-	(903)
Share of profits after income tax	1,284	3,045
Dividends received / receivable	(3,500)	(300)
Carrying amount at the end of the financial year	<u>3,366</u>	<u>5,582</u>

(b) Share of associates' profits

Profit before income tax	1,836	4,444
Income tax expense	(552)	(1,399)
Profit after income tax	<u>1,284</u>	<u>3,045</u>

The associate is incorporated and domiciled in Australia.

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

Lease Commitments	<u>5,298</u>	<u>4,567</u>
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(d) Contingent liabilities of associates

For which the Company is severally liable	<u>-</u>	<u>-</u>
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(e) Subsequent events

On 1 August 2007, Andrew Wright Holdings Pty Ltd (a wholly owned subsidiary of New Hope) acquired the other 50% equity in Queensland Bulk Handling Pty Ltd (QBH) and the Bulk Terminal Services partnership (BTS) for \$42.5 million. This transaction results in QBH and BTS becoming wholly owned members of the New Hope Group. With effect from 1 August 2007, the operations of QBH and BTS will be fully consolidated in the group financial statements.

In the current financial year the Company has equity accounted the results of QBH for the 13 months to July 2007.

(f) Summarised financial information of associates

	Group's Share of :			
	Assets	Liabilities	Revenues	Profit / (Loss)
2007				
Queensland Bulk Handling Pty Ltd	4,531	1,165	10,063	1,284
	<u>4,531</u>	<u>1,165</u>	<u>10,063</u>	<u>1,284</u>
2006				
Queensland Bulk Handling Pty Ltd	8,233	2,650	11,245	2,936
	<u>8,233</u>	<u>2,650</u>	<u>11,245</u>	<u>2,936</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

35. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Correction in classification of investments in associated companies

An investment acquired in Arrow Energy N.L. (Arrow) at the end of July 2006 was initially classified as an equity accounted investment as at 31 July 2006 on the basis that New Hope Corporation had significant influence over this company at that date. It has subsequently been determined that significant influence did not exist at that date, thus requiring the investment in Arrow to be reclassified as an available for sale financial asset. This correction has reduced the consolidated equity accounted investments by \$49,414,000 and increased the available for sale financial assets by \$49,414,000 as at 31 July 2006. The prior year comparative figures have been restated to reflect this correction. There was no impact on the income statement for the year ended 31 July 2006 and thus no impact on the basic and diluted earnings per share for the year then ended.

36. INTEREST IN PARTNERSHIP

During the year Andrew Wright Holdings Pty Ltd, a controlled entity of New Hope Corporation Limited held 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 \$4,945,000 (2006 - \$4,432,000).

Consolidated

	2007	2006
	\$000	\$000

Contribution of the partnership to operating profit of the consolidated entity	3,274	3,238
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Refer to note 35(e) for information in relation to a change in the partnership interest on 1 August 2007.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
37. RECONCILIATION OF NET CASH INFLOW / OUTFLOW FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX				
Profit after income tax	69,309	68,695	425,597	8,511
Depreciation and amortisation	16,383	17,005	851	818
Net (profit) / loss on sale of investment	-	(666)	-	(510)
Non-cash employee benefit expense - share based payments	2,143	1,856	2,143	1,856
Dividend received (non-cash)	-	-	(415,117)	-
Net foreign exchange (gain) / loss	1,091	(1,257)	949	(1,257)
Net (profit) / loss on sale of non-current assets	(7,981)	(470)	(1,290)	(48)
Share of (profits) / losses of associates not received as dividends	2,217	(2,745)	-	-
Partnership income	(3,274)	(3,238)	-	-
Interest, guarantee and management fees	(2,538)	(3,643)	(8,538)	(3,643)
Income taxes paid	(32,606)	(63,125)	(32,605)	(63,125)
Income tax expense in accounts	23,270	25,993	1,900	8,231
Changes in operating assets and liabilities				
(Increase) / decrease in debtors	(3,803)	(319)	(8)	596
Increase / (decrease) in creditors and employee entitlements	(2,230)	2,046	(208)	(444)
(Increase) / decrease in other receivables	-	-	-	1,502
(Increase) / decrease in forward overburden and stripping costs	(66)	13	-	-
(Increase) / decrease in inventories	(3,328)	(392)	-	-
Increase / (decrease) in accrued restoration costs	675	559	-	-
(Increase) / decrease in prepayments	270	474	(4)	54
Net cash provided by operating activities	59,532	40,786	(26,330)	(47,459)

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements
for the year ended 31st July 2007

38. EARNINGS PER SHARE	Earnings per share (cents)	
	2007	2006
(a) Basic earnings per share	8.6	8.6
(b) Diluted earnings per share	8.6	8.5
	Basic and Diluted	
	2007	2006
	\$000	\$000
(c) Reconciliation of adjusted profits		
Profit from continuing operations attributable to the ordinary equity holders of the Company	69,309	68,695
	Consolidated	
	2007	2006
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares	806,975,625	798,043,955
Options	3,191,762	8,347,745
Weighted average number of ordinary shares	810,167,387	806,391,700

39. DERIVATIVE FINANCIAL INSTRUMENTS	Consolidated		Parent Entity	
CURRENT ASSETS	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Forward foreign exchange contracts	7,361	8,060	-	-
NON-CURRENT ASSETS				
Forward foreign exchange contracts	5,122	4,314	-	-

(a) **Instruments used by the Group**

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

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

At balance date these contracts were assets with fair value of \$12,483,000 (2006 -\$12,374,000).

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

Sell US Dollars	Buy Australian Dollars		Average exchange rate	
	2007	2006	2007	2006
	\$000	\$000		
Maturity				
0 to 6 months	21,601	33,027	0.69441	0.66613
6 to 12 months	18,871	27,719	0.68889	0.64938
1 to 2 years	29,092	40,472	0.72185	0.69184
2 to 5 years	13,997	43,089	0.71442	0.71944
	83,561	144,307		

(b) **Credit risk exposures**

Credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date \$83,561,000 (2006 - \$144,307,000) was receivable (AUD equivalents).

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

40. 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 - 2007

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	4 Sept 2008	\$0.350 *	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	\$0.375 *	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	\$0.400 *	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	\$0.450 *	1,722,500	-	(1,722,500)	-	-	-
31 Aug 2005	30 Aug 2010	\$1.198 *	800,000	-	-	-	800,000	-
3 Jan 2006	2 Jan 2011	\$1.235	16,250,000	-	-	(750,000)	15,500,000	-
8 May 2006	7 May 2011	\$1.288	500,000	-	-	-	500,000	-
2 Jan 2007	1 Jan 2012	\$1.413	-	1,000,000	-	-	1,000,000	-
19 Jan 2007	18 Jan 2012	\$1.360	-	500,000	-	-	500,000	-
Total			24,440,000	1,500,000	(6,890,000)	(750,000)	18,300,000	-

Weighted average exercise price	0.9977	1.3953	0.3938	1.2350	1.2480
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The weighted average share price at the date of exercise of options exercised during the year was \$1.52 (2006 - \$1.31).

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	4 Sept 2008	\$0.350 *	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	4 Sept 2008	\$0.375 *	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	4 Sept 2008	\$0.400 *	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	4 Sept 2008	\$0.450 *	8,100,000	-	(6,377,500)	-	1,722,500	-
31 Aug 2005	30 Aug 2010	\$1.198 *	-	800,000	-	-	800,000	-
3 Jan 2006	2 Jan 2011	\$1.235	-	17,000,000	-	(750,000)	16,250,000	-
8 May 2006	7 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
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* In accordance with ASX guidelines, the option exercise price was reduced by 10 cents following the return of capital paid to shareholders on 16 December 2005. These prices are current exercise prices.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.5 years (2006 - 1.8 years).

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements for the year ended 31st July 2007

40. SHARE-BASED PAYMENTS (continued)

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

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

Expected volatility was estimated using the weekly (continuously-compounded) returns to NHC since its listing in 2003.

41. 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.

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 61 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 2007 and of their performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts, as and when they become due and payable ; and
- (c) the remuneration disclosures set out on pages 12 to 17 of the Directors' report comply with *Accounting Standards AASB 124 Related Party Disclosures* and the *Corporations Regulations 2001*.

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
24 September 2007

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

Report on the financial report and the AASB 124 Remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of New Hope Corporation Limited (the Company), which comprises the balance sheet as at 31 July 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration for both New Hope Corporation Limited and the New Hope Corporation Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at the year's end.

We have also audited the remuneration disclosures contained in the Directors' report. As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of Directors and Executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 12 to 15 of the Directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the Directors' report

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

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

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

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

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of New Hope Corporation Limited (the company) for the financial year ended 31 July included on the New Hope Corporation Limited web site. The company's Directors are responsible for the integrity of the New Hope Corporation Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of New Hope Corporation Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 July 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 12 to 15 of the Directors' report comply with Accounting Standard AASB 124.

M. Linz
Partner

Brisbane
25 September 2007

New Hope Corporation Limited
Shareholder Information as at 20 September 2007

As at 20 September 2007 there were 4,898 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	858	379,578	2,616	776,554
1,001 - 5,000	1,928	7,742,801	32	71,227
5,001 - 10,000	1,033	7,373,518	10	76,749
10,001 - 100,000	987	30,057,536	6	260,871
100,001 and over	92	762,832,964	-	-
	<u>4,898</u>	<u>808,386,397</u>	<u>2,664</u>	<u>1,185,401</u>
Holding less than a marketable parcel	272	27,581		

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	61.07%
Mitsubishi Materials Corporation	91,490,000	11.32%
Perpetual Limited and subsidiaries	44,738,198	5.53%

20 largest shareholders as disclosed on the share register as at 20 September 2007

1	Washington H Soul Pattinson And Company Limited	493,696,418	61.07%
2	Mitsubishi Materials Corporation	91,990,000	11.38%
3	Domer Mining Co Pty Limited	40,000,000	4.95%
4	PJ Morgan Nominees Australia Limited	27,291,781	3.38%
5	Farjoy Pty Ltd	18,000,000	2.23%
6	RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/c)	14,883,302	1.84%
7	Brickworks Investment Company Limited	14,060,452	1.74%
8	Taiheiyo Kouhatsu Inc	9,154,000	1.13%
9	RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/c)	8,979,227	1.11%
10	Citicorp Nominees Pty Limited	7,679,716	0.95%
11	National Nominees Limited	3,970,350	0.49%
12	HSBC Custody Nominees (Australia) Limited	2,777,265	0.34%
13	ANZ Nominees Limited (Cash Income A/c)	2,115,466	0.26%
14	UBS Nominees Pty Ltd	1,434,402	0.18%
15	Cogent Nominees Pty Limited	1,201,460	0.15%
16	Mr Robert Charles Neale	1,200,000	0.15%
17	Dixson Trust Pty Limited	1,175,596	0.15%
18	JS Millner Holdings Pty Limited	1,129,197	0.14%
19	Mrs Margret Ann Mantell	1,095,500	0.14%
20	Boda Investments Pty Ltd	1,000,000	0.12%
		<u>742,834,132</u>	<u>91.90%</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	20,800,000	23