New Hope
Corporation Limited

A.B.N. 38 010 653 844

ANNUAL GENERAL MEETING

15 November 2012

NEW HOPE CORPORATION LIMITED

ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of New Hope Corporation Limited (**New Hope** or **the Company**) will be held at the Theatre Auditorium, Ipswich Civic Centre, Corner Limestone and Nicholas Streets, Ipswich on Thursday 15 November 2012 at 12 noon.

ORDINARY BUSINESS

1. **Financial Statements and Reports**

To receive and consider the Financial Statements of New Hope Corporation Limited and Controlled Entities, including the Directors' Report and the Auditor's Report in respect of the year ended 31 July 2012.

Note: The full year results of New Hope Corporation Limited are available either in the Directors' Annual Report and Financial Statements sent to those shareholders who elected to receive the annual report or on the Company's website (www.newhopecoal.com.au) in the Investor Relations section.

This item does not require voting by shareholders. It is intended to provide an opportunity for shareholders to raise questions on the reports and on the performance and management of the Company.

The auditors of the Company will be present at the meeting and available to answer questions. Shareholders may also address written questions to the Company's auditor PricewaterhouseCoopers, if the question is relevant to the content of the auditor's report, or the conduct of its audit of the annual financial report to be considered at the meeting.

Written questions for the auditor must be delivered by 5.00pm on Thursday 8 November 2012 to the address set out in this notice.

2. **Remuneration Report – Resolution 1**

To consider and, if thought fit, to pass the following resolution under section 250R(2) Corporations Act 2001 (Cth) (**Corporations Act**):

"That the remuneration report for the financial year ended 31 July 2012 as set out in the Directors' Annual Report and Financial Statements, be adopted."

Note: The Corporations Act requires listed companies to present their remuneration report for adoption by shareholders at the company's Annual General Meeting. The report can be found in the Annual Report of the Company as detailed in item 1 above.

The vote on this resolution is advisory only and does not bind the Directors of the Company.

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any member of the Company's key management personnel (being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director), details of whose remuneration are included in the Remuneration Report, or a closely related party of any such member, subject to certain limited exemptions where a person is appointed to vote as a proxy under section 250R(5) and section 250BD of the Corporations Act.

3. **Re-election of Mr David Fairfull as a Director – Resolution 2**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr David Fairfull, who retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

4. **Re-election of Mr Peter Robinson as a Director – Resolution 3**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr Peter Robinson, who retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

5. **Election of Ms Susan Palmer as a Director – Resolution 4**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Ms Susan Palmer who was appointed by the other Directors as a Director (commencing on 1 November 2012), retires in accordance with the Company's Constitution and, being eligible, offers herself for election, be elected as a Director of the Company."

6. Election of Mr Ian Williams as a Director – Resolution 5

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr Ian Williams who was appointed by the other Directors as a Director (commencing on 1 November 2012), retires in accordance with the Company's Constitution and, being eligible, offers himself for election, be elected as a Director of the Company."

7. Issue of Performance Rights to Mr R. C. Neale – Resolution 6

To consider and if thought fit, to pass the following as an ordinary resolution:

"That approval is given, for the purpose of the ASX Listing Rules (including Listing Rule 10.14), for the issue of 109,612 Performance Rights to the Managing Director of the Company, Robert Charles Neale, under the Employee Performance Rights Share Plan described in the Explanatory Memorandum, and for the issue of ordinary shares on the exercise of those Performance Rights."

Voting Exclusion Statement:

The Company will disregard any votes cast on this resolution by;

- Robert Charles Neale;
- any associate of Robert Charles Neale;
- any other Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- any associate of a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company).

However the Company will not disregard a vote if:

- It is cast by a person as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by a person chairing the meeting as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

In addition, the Company's key management personnel or a closely related party of any such member are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless the appointment of the proxy either:

- specifies the way the proxy is to vote on the resolution; or
- expressly authorises the Chairman of the meeting to exercise the undirected proxies.

8. Increase of Directors’ Fee Pool – Resolution 7

To consider and if thought fit, to pass the following as an ordinary resolution:

“In accordance with Listing Rule 10.17: That the maximum aggregate remuneration payable by New Hope to Non-Executive Directors of the Company for their services as Directors be increased by $750,000 per annum to $1,750,000 per annum.”

Voting Exclusion Statement:

The Company will disregard any votes cast on this resolution by a Director of the Company and their associates. However the Company will not disregard a vote if;

- It is cast by a person as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or,
- It is cast by a person chairing the Meeting as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

By order of the Board

Matthew Busch
Company Secretary
18th September 2012

EXPLANATORY MEMORANDUM
NEW HOPE CORPORATION LIMITED

ANNUAL GENERAL MEETING

15 November 2012

Resolution 1 – Remuneration report

The Corporations Act requires that the section of the Directors' report dealing with the remuneration of the Company's key management personnel be put to the vote of shareholders for adoption. The resolution of shareholders is not binding on the Company.

The Directors recommend you vote in favour of this resolution.

Resolutions 2, 3, 4 and 5 – re-election and election of Directors

Resolutions 2, 3 and 4 relate to the election of David Fairfull, Peter Robinson and Susan Palmer as Directors of the Company.

Election of David Fairfull

In accordance with the Company's constitution, David Fairfull retires at the end of this meeting and, being eligible, offers himself for re-election.

Mr Fairfull has extensive experience in finance, investment and merchant banking. He was appointed as a Director of the Company in 1997.

He is also currently a Director of Washington H. Soul Patterson and Company Limited, Souls Private Equity Limited, Shinewing Hall Chadwick National Association, and Drill Torque Limited.

The Directors recommend you vote in favour of this resolution.

Election of Peter Robinson

In accordance with the Company's constitution, Peter Robinson retires at the end of this meeting and, being eligible, offers himself for re-election.

Mr Robinson is an executive Director of Washington H. Soul Patterson and Company Limited. He commenced with Washington H. Soul Patterson and Company Limited in 1978 and was appointed Director in 1984. He was appointed a Director of the Company in 1997.

Mr Robinson is also a Director of Clover Corporation Limited and Australian Pharmaceutical Industries Limited.

The Directors recommend you vote in favour of this resolution.

Election of Susan Palmer

Susan Palmer was appointed a Director (commencing on 1 November 2012) by the other Directors. In accordance with the Company's constitution, Ms Palmer retires at this meeting and, being eligible, offers herself for election.

Ms Palmer is a Chartered Accountant who holds a Bachelor of Commerce from the University of Queensland. With a career spanning over 30 years, Ms Palmer brings an extensive and current knowledge to the Company's board in all aspects of accounting, finance, financial reporting, risk management and corporate governance.

Ms Palmer has held a range of senior executive financial roles with a diverse range of organisations including PriceWaterhouse, Incitec, CS Energy, Leighton Contractors, and most recently as CFO and Executive Director for Thiess Pty Ltd. Ms Palmer has also served as a Director and Audit Committee Chairperson for MSF Sugar, Port of Brisbane Corporation, and the Royal Blind Foundation of Queensland.

The Directors recommend you vote in favour of this resolution.

Election of Ian Williams

Ian Williams was appointed a Director (commencing on 1 November 2012) by the other Directors. In accordance with the Company's constitution, Mr Williams retires at this meeting and, being eligible, offers herself for election.

Mr Williams is a graduate of Sydney University and Oxford University. As a commercial lawyer with 25 years' experience in the energy & resources, infrastructure and industrial sectors, Mr Williams will be a valuable addition to the Board of Directors.

As a legal and strategic adviser to companies in the energy & resources sectors, Mr Williams has been involved in every aspect of the Australian coal industry, including government legislative and regulatory frameworks, project tenements, project approvals, infrastructure, commercial contracts, joint ventures, management arrangements, off-take and marketing arrangements, project financing and mergers & acquisitions.

Mr Williams is a former chairman of National Foods, a former director Hitachi Australia, vice-president of the Australia-Japan Business Cooperation Committee since 2007 and is currently a board member of Ashurst Australia.

The Directors recommend you vote in favour of this resolution.

Resolution 6 – Issue of performance rights to the Managing Director Robert Neale

Performance Rights (**Rights**) are being offered to Mr Neale under the Company's Employee Performance Rights Shares Plan (**Rights Plan**) as part of a Long Term Incentive (**LTI**) in respect of his performance during the 2011 financial year. The LTI in respect of Mr Neale's performance during the 2011 financial year was awarded by the board in October 2011, after distribution of the 2011 Annual General Meeting notice.

The Company seeks shareholder approval, under ASX Listing Rule 10.14 for the issue of Rights to Robert Neale under the Rights Plan and the issue of ordinary shares on conversion of the Rights. The number of Rights proposed aligns with the LTI awarded by the board for the 2011 financial year.

The Remuneration and Nomination Committee sets the maximum value of the LTI payable to Mr Neale at the start of the relevant period having due regard to the role, responsibility and the contribution to achieving the Company's strategic goals. LTI's are offered at the absolute discretion of the Remuneration and Nomination Committee.

At the end of each period the Remuneration and Nomination Committee awards a percentage of the maximum allowable LTI having regard to the performance of Mr Neale and the Company during the period. The value of the LTI is converted into Rights by reference to the 5 day volume weighted average share price of the company over the 5 days immediately preceding the award by the board.

Each right issued to Mr Neale will automatically convert to one ordinary share in the Company if Mr Neale continues to be an employee of the Company at the vesting date. There is no consideration payable by Mr Neale for the issue of the Rights or upon conversion of the Rights to shares.

Given the deferred award of the 2011 LTI noted above, the Remuneration and Nomination committee elected to align the service condition and vesting dates with the dates that would have prevailed had the Performance Rights been issued in the ordinary course.

The number of Rights proposed to be issued to Mr Neale and the relevant vesting dates for those Rights are set out below.

Performance Period to which LTI relates	Date Performance Rights will be issued	Vesting Date in the Ordinary Course	Amended Vesting Date	Number of Performance Rights
2011	Subject to shareholder approval the company will issue the above Rights to Mr Neale on or before 30 November 2012.	1 August 2012	1 December 2012	36,537
2011		1 August 2013	No change	36,537
2011		1 August 2014	No change	36,538
			Maximum number of Rights to be acquired by Mr Neale	**109,612**

No person referred to in ASX Listing Rule 10.14 has received securities under the Rights Plan since the last approval. The names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the Rights Plan are Robert Charles Neale, Robert Dobson Millner, David John Fairfull, Peter Raymond Robinson, William Hamilton Grant, and Susan Joy Palmer.

Details of any securities issued under the Employee Performance Rights Share Plan will be published in each annual report of the Company relating to a period in which Performance Rights have been issued, and that approval for the issue of Performance Rights was obtained under ASX Listing Rule 10.14. Any additional persons who become entitled to participate in the Employee Performance Rights Share Plan after the resolution was approved and who were not named in this notice of meeting will not participate until approval is obtained under ASX Listing Rule 10.14.

The Directors (with Robert Neale abstaining) recommend you vote in favour of this resolution.

Resolution 7 – Increase in Directors' Fee Pool

In accordance with ASX Listing Rule 10.17 and the Company's constitution, a proposed increase in the maximum aggregate remuneration payable by New Hope to Non-Executive Directors of the Company for their services as Directors (Directors' Fee Pool) requires shareholder approval. Shareholder approval is being sought to raise the Directors' Fee Pool from $1,000,000 per annum to $1,750,000 per annum, an increase of $750,000 per annum.

The Directors' Fee Pool was last approved by shareholders at the Company's Annual General Meeting in November 2009 and was set at $1,000,000 per annum. Fees paid to Non-Executive Directors (including statutory superannuation) during the year ended 31 July 2012 totalled $888,035.

The recent appointment of Susan Palmer and Ian Williams necessitated a review to the Directors' Fee Pool. The increase in the Directors' Fee Pool will provide the Board with the ongoing strategic flexibility to appoint additional Directors with requisite skills and experience as circumstances dictate.

At a meeting of the Remuneration Committee in September 2012, the fees paid to individual Non-Executive Directors was reviewed, and it was agreed that there is no intent to increase the base fees payable to individual Non-Executive Directors in the forthcoming year (excluding any changes to statutory superannuation).

As the Non-Executive Directors have a personal interest in the proposed resolution, the Directors make no recommendation as to how shareholders should vote on this resolution.

Annual General Meeting

Notes

Members entitled to attend and vote at the meeting

For the purposes of the meeting and in accordance with regulation 7.11.37 of the Corporations Regulations 2001, it has been determined that the members entitled to attend and vote at the meeting shall be those persons who are recorded in the register of members at 7.00 p.m. (Sydney time) on Tuesday 13 November 2012.

Admission to the Meeting

Shareholders who will be attending the meeting, and who will not be appointing a proxy, are requested to bring the proxy form to the meeting to facilitate the admission process. Shareholders who are entitled to attend and cast votes at the meeting are entitled to appoint a proxy and are encouraged to complete and return the proxy form to Computershare Investor Services or the Company as detailed on the proxy form. The proxy need not be a shareholder of the Company. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

Questions from Shareholders

The Chairman of the meeting will allow a reasonable opportunity for shareholders to ask questions or make comments on the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to shareholders, as a whole, to ask the Company's external auditor questions relevant to:

- The conduct of the audit;
- The preparation and content of the auditor's report;
- The accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- The independence of the auditor in relation to the conduct of the audit.

To assist the Board and the auditor of the Company in responding to any questions shareholders may have, please submit any questions by fax or to the address below by no later than 5:00pm on Thursday 8th November 2012:

The Company Secretary
New Hope Corporation Limited
3/22 Magnolia Drive
Brookwater QLD 4300

or by fax to (07) 3418 0355

New Hope
Corporation Limited
ABN 38 010 653 844

000001 000 NHC
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 552 270
(outside Australia) +61 3 9415 4000

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

☑ **Cast your proxy vote** ☑ **Access the annual report** ☑ **Review and update your securityholding**	***Your secure access information is:*** **Control Number: 999999** **SRN/HIN: I9999999999** **PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 12.00pm (Brisbane time) Tuesday 13 November 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark X to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of New Hope Corporation Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of New Hope Corporation Limited to be held at the Theatre Auditorium, Ipswich Civic Centre, Corner Limestone and Nicholas Streets, Ipswich on Thursday, 15 November 2012 at 12.00pm (Brisbane time) and at any adjournment or postponement of that Meeting.

Important for Items 1, 6 & 7 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default.
By marking this box, you are expressly authorising the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 1, 6 & 7 as set out in the Notice of Meeting. If you do not mark this box, and you have not otherwise directed your proxy how to vote on Items 1, 6 & 7 the Chairman of the Meeting will not cast your votes on Items 1, 6 & 7 and your votes will not be counted in computing the required majority if a poll is called on these items.
If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 6 & 7 by marking the appropriate box in step 2 below.

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

I/We expressly authorise the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 1, 6 & 7 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my/our proxy even though Items 1, 6 & 7 are connected directly or indirectly with the remuneration of a member of key management personnel (which includes the Chairman) and with respect to Items 6 & 7, even if the Chairman of the Meeting has an interest in the outcome of items 6 & 7, and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report			
Resolution 2	Re-election of Mr David Fairfull as a Director			
Resolution 3	Re-election of Mr Peter Robinson as a Director			
Resolution 4	Election of Ms Susan Palmer as a Director			
Resolution 5	Election of Mr Ian Williams as a Director			
Resolution 6	Issue of Performance Rights to Mr R. C. Neale			
Resolution 7	Increase of Directors' Fee Pool			

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________ Contact Daytime Telephone ____________ Date ___ / ___ / ___

NHC 999999A

Computershare

New Hope
Corporation Limited

ABN: 38 010 653 844

2012
ANNUAL REPORT & FINANCIAL STATEMENTS

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

William H. Grant
Non Executive Director

MANAGING DIRECTOR

Robert C. Neale

SECRETARY

Matthew J. Busch

AUDITORS

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

PRINCIPAL ADMINISTRATION & REGISTERED OFFICE

3/22 Magnolia Drive
BROOKWATER QLD 4300
Telephone: (07) 3418 0500
Facsimile: (07) 3418 0355

WEBSITE ADDRESS

www.newhopecoal.com.au

SHARE REGISTER

Computershare Investor Services Pty Limited
117 Victoria Street
WEST END QLD 4101
Telephone: 1300 552 270
www.computershare.com

ASX Code: NHC

CONTENTS

CHAIRMAN'S REVIEW

Dear Shareholders,

I am pleased to present the 2012 Annual Report for New Hope Corporation Limited on behalf of the Board of Directors of the Company.

The company produced a solid operational performance with a net profit after tax, before non-recurring items, for the year ended 31st July 2012 of $171.1 million. This included a net profit contribution of $113.1 million from operations, which is up 35.3% from $83.6 million achieved last year. Earnings per share totalled 20.6 cents.

New Hope has an enviable record of dividend payment to shareholders. Dividends paid or declared upon the performance of the 2012 financial year totalled 31.0 cents per share. Dividends paid during the financial year totalled $215.9 million. Over the past four years the company has paid a total of $1,224 million to shareholders in dividends - all fully franked at the 30% rate.

Due to approaches from a number of parties, the Board decided in early October 2011 to undertake a formal process to determine whether a proposal for New Hope was available on terms that were in the best interests of all shareholders. This process was concluded early in March 2012, as discussions with interested parties did not produce a definitive proposal which appropriately reflected the strategic value and growth prospects of the company. Northern Energy Corporation became a fully-owned subsidiary during the past financial year following a successful takeover.

The taxation and administrative burden placed upon the company by Government continues to increase. During the past year, two new taxes, the Mineral Resources Rent Tax and the Carbon Tax were added to the significant number of existing taxes and charges imposed on the company. Additionally, current labour laws and increasing green tape contribute to a continuing loss of competitiveness of investment in the coal industry in Australia. Through these actions, Australian governments are encouraging investments in foreign coal basins in Mongolia, Mozambique, and Indonesia that will, in future, reduce the national income available to Australians.

Although production performance from operations during the year was at record levels of 6.29 million tonnes, safety performance is not at a level acceptable to management or the Board. The Board, being fully aware of the importance of safety performance as part of our social licence to operate, is supportive of an increasing focus on safe operations, and a number of management initiatives are focused upon improvement in safety performance over the coming year.

The coming year will likely be challenging with a high exchange rate and lower coal prices, however New Hope is comparatively well positioned to weather the current downturn. The company has defensive investments in infrastructure through QBH and its largest mine, New Acland, is a low cost producer. In fact the current climate has the potential to create acquisition opportunities for the company at valuations more attractive than those available over the past several years.

It was with deep regret that I announced the passing in July of Mr David Williamson who had been a non-executive director of the company since 1999. David played an important role in the listing of New Hope in 2003 and, as Chairman of the Audit Committee, contributed to the company's governance and performance. David will be fondly remembered for his wise counsel, his keen interest in the company and in the welfare of its staff.

I thank my board colleagues for their efforts and commitment during the year. Also I take this opportunity on behalf of the Board, to thank the management and staff of the company for their efforts in achieving these results over the past year and finally I would also like to thank you, the Shareholders, for your continued support.

R D MILLNER
Chairman

FINANCIAL SUMMARY

	2012 $000	2011 $000	2010 $000	2009 $000
Total revenue	767,525	662,404	744,982	700,785
Profit before tax	198,819	719,097	244,583	2,772,114
Income tax expense	(31,694)	(215,998)	(60,751)	(821,722)
Profit after tax	167,125	503,099	183,832	1,950,392
Profit\(Loss) attributable to minority interests	(1)	(135)	-	-
Net profit attributable to NHCL members	167,126	503,234	183,832	1,950,392
Profit after tax from continuing operations	167,125	503,099	183,832	1,950,392
Total assets employed	2,459,419	2,749,248	2,652,498	3,743,342
Shareholders' funds	2,252,916	2,367,383	2,339,525	2,748,498
Dividends paid during the financial year	215,871	197,180	679,650	131,809

	2012	2011	2010	2009
Weighted average shares on issue	830,335,876	830,127,809	825,292,601	811,614,188
Net profit attributable to NHCL members as a % of shareholders' funds	7.42%	21.26%	7.86%	70.96%
Earnings per share (cents)	20.1	60.6	22.3	240.3
Earnings per share (cents) from continuing operations	20.1	60.6	22.3	240.3
Normal dividends per share (cents)	11.00	10.25	9.50	9.25
Special dividends per share (cents)	20.00	15.00	14.00	72.75
Net tangible asset backing per share (cents)	268.80	278.55	281.79	335.58

DIRECTORS' REPORT
31 JULY 2012

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 2012.

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 W.H. Grant
Mr R.C. Neale
Mr D.C. Williamson (ceased to be a director on 11 July 2012).

Consolidated results	**2012 $000**	**2011 $000**	**% Change**
Revenue from operations	**767,525**	**662,404**	+ 15.9%
Profit before income tax (before non recurring items)*	238,010	208,696	+ 14.0%
Gain on sale of Arrow Energy before income tax (refer to Note 6)	-	466,192	
Gain on sale of New Lenton Joint Venture before income tax (refer to Note 6)	-	57,740	
Impairment of available for sale investments (refer to Note 7)	(5,804)	(13,531)	
Impairment of goodwill (refer to Note 7)	(33,387)	-	
Profit before income tax (after non recurring items)	**198,819**	**719,097**	- 72.4%
Profit from ordinary activities after income tax (before non recurring items)*	171,080	146,947	+ 16.4%
Gain on sale of Arrow Energy after income tax	-	329,355	
Gain on sale of New Lenton Joint Venture after income tax	-	40,328	
Impairment of available for sale investments	(5,804)	(13,531)	
Impairment of goodwill	(33,387)	-	
Tax benefit from DTL recognised on acquisition	35,236	-	
Profit from ordinary activities after income tax (after non recurring items)	**167,125**	**503,099**	- 66.8%
Non-controlling interests	(1)	(135)	
Profit attributable to New Hope Shareholders	**167,126**	**503,234**	
Basic earnings per share (cents) (before non recurring items)*	20.6	17.7	+ 16.5%
Gain on sale of Arrow Energy	-	39.7	
Gain on sale of New Lenton Joint Venture	-	4.8	
Impairment of available for sale investments	(0.7)	(1.6)	
Impairment of goodwill	(4.0)	-	
Tax benefit from DTL recognised on acquisition	4.2	-	
Basic earnings per share (cents) (after non recurring items)	**20.1**	**60.6**	- 66.8%

* The profit before non recurring items and the earnings per share before non recurring items contained within this Directors' Report have not been reviewed in accordance with Australian Auditing Standards.

Principal activities
The principal continuing activities of the consolidated entity and associated companies consisted of:
- Coal mining - exploration, development, production, processing, associated transport infrastructure and ancillary activities
- Investments

Dividends

Dividends paid to members during the financial year were:

	$000
• A final ordinary dividend for the year ended 31 July 2011 of 5.0 cents per share paid on 8 November 2011	41,512
• A special dividend for the year ended 31 July 2011 of 15.0 cents per share paid on 8 November 2011	124,534
• An interim ordinary dividend for the year ended 31 July 2012 of 6.0 cents per share paid on 2 May 2012	49,825

In addition to the above dividends, since the end of the financial year, the Directors have declared a final ordinary dividend of 5.0 cents per share, and a special dividend of 20.0 cents per share. Both of these dividends are fully franked, to be paid on 6 November 2012 out of retained profits at 31 July 2012, the record date for such dividend to be 24 October 2012. This will provide shareholders of New Hope with total dividends for the year of 31.0 cents per share (6.0 cents interim) compared with total dividends for the 2011 year of 25.25 cents per share, including a special dividend of 15.0 cents per share.

Review of operations

New Hope Corporation Limited (New Hope) has reported a net profit after tax before non-recurring items for the year ending 31 July 2012 of $171.1 million. This included $113.1 million from coal and logistics operations and $58.0 million from investments. The corresponding performance in 2011 was a net profit of $146.9 million ($83.6 million from coal and logistics operations and $63.3 million from investments). The 2012 performance represented a 16% increase over that achieved in 2011.

Net profit after tax for the year ending 31 July 2012 was $167.1 million including non-recurring items. This compares to the 2011 result of $503.1 million and represents a reduction of 67%. The 2011 result included after tax gains totalling $369.7 million from the sale of interests in Arrow Energy and the Lenton project.

Basic earnings per share before non-recurring items for 2012 were 20.6 cents compared to 17.7 cents earned in the previous corresponding period (including non-recurring items 20.1 and 60.6 respectively).

Directors have declared a final dividend of 5.0 cents per share (2011 - 5.0 cents per share) and a special dividend of 20.0 cents per share (2011 - 15.0 cents per share). Both of these dividends are fully franked and payable on 6 November 2012 to shareholders registered as at 24 October 2012.

Compared to the previous corresponding period, the 2012 full year result was impacted by:

- Increased clean coal production (up 11%)
- Increased total sales (up 11%)
- Increased operating costs, predominantly offsite (up 4%)
- Increased USD coal prices offset by higher AUD:USD exchange rate
- No major operational impact from rain or flooding as was the case in 2011.

Mining Operations

Total clean coal production from New Hope's operations in 2012 was a record 6.29 million tonnes. This was 11% higher than the flood impacted performance in 2011. Rain impacts at all operations in 2012 were minimal. On site operating costs were well controlled being less than 0.5% above that of 2011.

Total sales for 2012 were at a record level of 6.25 million tonnes (5.83 million tonnes export and 0.42 million tonnes domestic). This compared to 5.65 million tonnes in 2011. Delivery of coal to CS Energy's Swanbank power station concluded in May 2012. This coal has been placed in the export market.

<u>New Acland Mine</u>

The New Acland open cut mine produced 5.09 million tonnes of product coal in 2012. This was 12% above that achieved in 2011 and represented an excellent recovery from the flood events of that year.

Key activities undertaken in 2012 have included:

- Increased levels of overburden removal and ROM coal production through improved availability of key equipment.
- Record Coal Handling and Preparation Plant performance at over 8000 operating hours per year.
- Completion of a new Environmental Dam allowing development of the mine into Centre Pit.
- Satisfactory negotiation of a new 3 year Enterprise Bargaining Agreement.
- Rehabilitation of over 64 hectares of land in addition to the 190 hectares already completed and returned to cattle grazing.
- Completion of Stage 1 Cattle Trials which indicate improved productivity on rehabilitated land.
- Introduction of "Life Rules" to enhance mine site safety performance.

West Moreton Mines

The West Moreton operations comprising Jeebropilly and New Oakleigh open cut mines produced 1.20 million tonnes of product coal in 2012 (Jeebropilly 0.85 million tonnes and Oakleigh 0.35 million tonnes). This compared to 1.10 million tonnes in 2011, a 9% increase.

Key activities at the West Moreton operations in 2012 have included:

- Further development of the Washplant Pit at Jeebropilly. Current curtailment of mining in 7186 Pit due to a rain induced geotechnical failure.
- Final development of the West Pit at New Oakleigh. New Hope has recently announced that mining at New Oakleigh will conclude in January 2013 due to resource depletion. Plans are well underway to commence rehabilitation of the site.
- Introduction of a vehicle proximity detection system for major mobile mining fleet.

Queensland Bulk Handling

QBH, New Hope's 100% owned coal export terminal located at the Port of Brisbane, exported a record 8.67 million tonnes on 120 vessels during 2012. This represented a 33% increase over the 6.52 million tonnes on 88 vessels exported in a rain impacted 2011. QBH continues to be an essentially demurrage free port.

Key activities in 2012 included:

- Further upgrade of electrical systems, train unloader and ship loader.
- Successful negotiation of a 4 year Enterprise Bargaining Agreement.
- Commencement of discussions to further expand QBH capacity.

New Hope Exploration

New Hope continues an active exploration program utilising three New Hope drilling rigs plus contract rigs as required. The exploration focus during 2012 has been on resource definition in the Bowen Basin (Lenton) and Surat Basin (MDL244 for the continuation of New Acland Mine). Exploration on the mineral tenures has been focused on the eastern edge of the Mount Isa block.

The exploration programs consisted of seismic survey, aeromagnetic survey, gravity survey in addition to drilling. The drilling program consisted of 397 open holes and 152 core holes totalling 69,929 metres (2011 - drilling total 25,408 metres).

The programs undertaken were very successful in improving the resource base of New Hope Group. New Hope announced in August that JORC compliant resources have increased by 64% to 2,511 million tonnes, while reserves have increased by 38% to 753 million tonnes. The increases relate predominantly to the inclusion of the newly acquired Northern Energy deposits as well as the identification of additional resources at Lenton as tabled below.

		Coal Resources (million tonnes) (Coal resources are inclusive of the reserves reported below)			
Deposit	**Status**	**Inferred**	**Indicated**	**Measured**	**Total**
New Acland	Mine	8	438	411	857
Jandowae	Exploration	38	119		157
West Moreton	Mine	11	72	46	129
Lenton (1)	Exploration	472	146	75	693
Bee Creek	Exploration	104			104
Elimatta	Exploration	50	101	108	259
Yamala (2)	Exploration	187	23	13	223
Maryborough (Colton)	Exploration	60	16		76
Ashford (3)	Exploration	5	8	0	13
Total		**935**	**923**	**653**	**2,511**

Notes:

(1) Figures shown are 100% of total resources. New Hope share is 90%.

(2) Figures shown are 100% of total resources. New Hope share is 83%.

(3) Figures shown are 100% of total resources. New Hope share is 50%.

Deposit	Status	Coal Resources (million tonnes) Probable	Proved	Total
New Acland (1)	Mine	185	309	494
Lenton (2)	Exploration	31	21	52
Elimatta	Exploration	77	114	191
Maryborough (Colton)	Exploration	15		15
Total		**308**	**444**	**752**

Notes:

(1) Current uncertainty surrounding the State Government's intended application of Strategic Cropping Legislation and / or statutory land use planning may cast some doubt over whether all of the reported Acland reserves are capable of being mined. This may result in a reduction in the quoted reserves for Acland of between zero and 23.9%.

(2) Figures shown are 100% of total resources. New Hope share is 90%

For the full ASX Coal Reserves and Resources Statement please refer to our website.

Details of the 2012 exploration program are as follows:

Lenton (EPC 766, EPC 865 and ML 70337)

Exploration throughout the period focused on coal quality, infill drilling and fault delineation. A total of 112 holes were drilled comprising of 101 open holes and 11 core holes for a total of 22,700 metres and 188 metres respectively. A further 8 kilometres of 2D seismic survey was undertaken to better define the Burton Thrust in the region.

Coal quality analysis was undertaken to better understand both the Rangal coals and Fort Cooper Coal measures that are present within the Open Cut footprint. Pilot scale coke oven testing was successfully carried out on both the Vermont and Burton Rider seams. The Lenton geological model was updated in February 2012.

New Acland (MDL 244, ML 50216)

While wet weather had a minor impact on drilling on the Darling Downs, 237 open holes and 58 core holes were drilled during the year totalling 29,511 metres (2011 - drilling total 6,482 metres). This allowed better resource definition for the New Acland Mine continuation. The introduction of Strategic Cropping Land and Urban Restricted Areas has influenced New Hope Exploration to reassess the holding of some tenure on the Darling Downs. The New Acland geological model was updated in February 2012.

Maryborough (EPC 923)

Wet weather (1,718 millimetres of rain) combined with the low topographic relief and poor drainage of the Maryborough area had major impacts on drilling in the Maryborough Basin. Forty four open holes and 68 core holes were drilled during the year totalling 13,040 metres. Exploration throughout the period focused on geotechnical, coal quality and large diameter core for coke oven testing and coal preparation plant design.

Churchyard Creek (EPC 1876)

The 2012 program consisted of 15 open holes and 28 kilometres of 2D seismic survey. The geological data collected confirms the presence of several coal seams, however the structural complexity and sparse data allow for several potential geological interpretations. Currently none of these models indicate the tenure to be economically viable at this time.

Mineral Tenures

New Hope currently has four mineral exploration permits granted and a further two under application. New Hope Exploration continues to investigate other prospective open ground for new tenure.

- EPM 18582 Yanko (Granted): A programme of five drill holes is planned based on a 50 square kilometre gravity survey completed in 2011. Cultural heritage clearance for this work is in progress and drilling is expected to commence later this calendar year.
- EPM 18589 Moonamarra (Granted): A 350 point gravity survey has been completed covering 150 square kilometres. Based on these results a five hole drilling programme is planned and drilling is expected to commence later this calendar year.
- EPM 18592 Sherwood (Granted): A review of previous exploration has been completed. A gravity survey of 267 points covering 200 square kilometres is planned for September 2012. A drilling program is anticipated for the 2013 field season if results are favourable.
- EPM 18581 Courtenay (Granted): A review of previous exploration has been completed. A gravity survey of 217 points covering 45 square kilometres has been planned for September 2012. A drilling program is anticipated for the 2013 field season if results are favourable.
- EPM 19508 Courtenay West: Grant pending and is expected in calendar year 2012. Courtenay West is a small extension to Courtenay (EPM18581).
- EPM 19342 Laura: Grant pending and is expected in calendar year 2012.

Pastoral Operations

The New Acland Pastoral Company continues to play an important role supplementing mining operations at Acland. Major activities include cattle grazing as well as grain and pasture growing. New Acland Pastoral plays a key role in the enhanced rehabilitation of previously mined land at Acland.

Key activities in 2012 included:

- Sale of 2,138 and purchase of 2,336 head of stock during the year. At year end 1,996 head of stock were grazing on 3,752 hectares of land.
- Sale of 2,129 tonnes of grain occurred during the year. At year end 586 hectares of land was under cultivation.

An assessment of the commercial productivity of rehabilitated mining land was undertaken during the past year by a recognised third party agricultural expert, Outcross Pty Ltd. This assessment involved monitoring the weight gain performance of cattle on a rehabilitated area of the mine site in comparison to a control site that had not been disturbed by mining activity. Further third party supervised trials will be undertaken during the 2013 financial year in order to verify the viability of rehabilitated land and optimise rehabilitation practice.

Development Projects

New Hope continues to develop a solid portfolio of coal projects. These include the brownfield project at New Acland and greenfield projects at Lenton, Colton and Elimatta. Project development continues to be hampered by State Government requirements and uncertainty of legislative changes possibly to be introduced by the new Queensland Government. The current status of these projects is discussed below:

New Acland Continuation Plan

Project work has included studies on a revised mine plan, coal preparation and handling plant and mine site infrastructure.

The introduction of Statutory Regional Planning by the new Queensland State Government has impacted the process and timing of the Supplementary EIS for the New Acland Continuation Plan. Significant dialogue has been undertaken with all key stakeholders regarding a revised development plan.

Lenton

In addition to the further exploration program (discussed under Exploration) work on Lenton has included further understanding both coal and coke quality, mine planning (including geotechnical considerations), submission of the EPBC referral, preparation of the EIS Terms of Reference and EIS baseline studies (for MLA 70456).

Colton

Exploration and project development work on the Colton open cut coking coal project has continued during 2012. The Environmental Management Plan has been submitted with assessment awaiting clarification on the applicability of the Queensland Biodiversity Offset Policy. This policy is currently under review by the new State Government. Infrastructure and coal preparation plant design is well advanced.

Elimatta

During 2012 work on the Elimatta Project including reworking the mine plan increasing JORC Reserves by 19% to 191 million tonnes (see JORC Statement), continued studies on the infrastructure corridor for the Environmental Impact Statement, negotiations with infrastructure suppliers and landowners. The EIS is planned for submission by the end of 2012.

Carbon Conversion Projects

The Coal to Liquids (CTL) research and development activities have continued with success. The manufacture of the indirect 1 tonne per hour CTL "Proof of Concept" (POC) plant is well advanced with the pyrolysis gasifiers on site at the Jeebropilly mine location. The prime purpose of this process is to produce diesel and jet fuel as well as minor electricity generation. As anticipated, the scale up from 25kg per hour to 1 tonne per hour has encountered some difficulties. The issues with the gasifiers have been resolved, with good performance during the pre-commissioning trials.

The liquefaction process scale up design encountered some difficulties requiring some modifications involving additional equipment with long lead times necessitating some project delay. All parts of the process should be shipped to Jeebropilly by year end, subject to supplier performance. Some electrical plant modifications will be needed to meet Australian standards.

Progress with the direct coal liquefaction process continues with the commissioning of the 1 tonne per day POC plant underway in the USA. This process generates products suitable for high strength plastics and pharmaceutical industries. A high grade synthetic metallurgical grade coke is produced as a valuable by product of the process. Diesel production from the liquids will be evaluated over the next six months.

The performance of these technologies is dependent on the individual coal types used which also impacts the product types and project yields. Ultimately these factors will influence the commercialisation of the technologies. To date the technology developments remain on budget despite some delay.

Outlook

New Hope's mining operations ran at record levels in 2012. New Acland has demonstrated its capability in running at design capacity and is well placed to achieve similar levels in 2013. Production from West Moreton in 2013 will be similar to that achieved in 2012, with the closure of New Oakleigh in January 2013 offset by increased production from Jeebropilly.

QR National continues to perform rail services at or above contract levels.

The port facility at QBH also ran at record levels in 2012 and has the capacity and demonstrated monthly performance to handle up to 10 million tonnes in 2013.

All New Hope budgeted 2013 production is contracted under multi-year long term contracts. The current market is however under significant negative pricing pressure which is seen as a normal cyclical supply/demand feature of the industry. New Hope is well placed to ride out this phase of the cycle being a comparative low cost producer.

New Hope is currently reviewing its suite of development projects in light of current and predicted coal prices and exchange rates. It should be noted that New Hope's large cash reserves of $1.5 billion allows for development of these projects when economic conditions improve.

New Hope continues to review the industry for further acquisition opportunities which are becoming more prevalent in the current depressed market.

JORC Declaration

The estimates of coal resources herein (except for Ashford and Maryborough) have been prepared in accordance with the guidelines of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources – The JORC Code:. These resources are inclusive of the reserves reported in the reserves statement. The work has been undertaken internally and externally and reviewed by Mr Phillip Bryant, Project Manager – Lenton NHC and Member of AusIMM (no. 210566). Mr Bryant has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Bryant consents to the inclusion in this report of the matter based on this information in the form and context in which it appears.

JORC Declaration – Ashford Resources

The estimates of coal resources for Ashford have been prepared in accordance with the guidelines of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources – The JORC Code". These resources are inclusive of the reserves reported in the reserves statement. The work has been undertaken internally and externally and reviewed by Mr Mark Benson, Senior Geologist NEC and Member of AusIMM (no. 309403). Mr Benson has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Benson consents to the inclusion in this report of the matter based on this information in the form and context in which it appears.

JORC Declaration – Maryborough (Colton) Resources

The estimates of coal resources for Maryborough have been prepared in accordance with the guidelines of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources – The JORC Code". These resources are inclusive of the reserves reported in the reserves statement. The work has been undertaken externally and reviewed by Mr Lyndon Pass of Encompass Mining and Member of AusIMM (no. 208403). Mr Pass has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Pass consents to the inclusion in this report of the matter based on this information in the form and context in which it appears.

JORC Declaration – Coal Reserves

The information in this Coal Reserves Statement that relates to coal reserves (except for Elimatta and Maryborough) is based on information compiled by Dr Warren Seib, who is a Fellow of AusIMM and a full time employee of the company. Dr Seib has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Dr Seib consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

JORC Declaration – Maryborough (Colton) Coal Reserves

The information in this Coal Reserves Statement that relates to coal reserves for Maryborough (Colton) is based on information compiled by Mr Fred Parker, who is a Member of AusIMM and a full time employee of Runge. Mr Parker has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Parker consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

JORC Declaration – Elimatta Coal Reserves

The information in this Coal Reserves Statement that relates to coal reserves for Elimatta is based on information compiled by Mr Jeff Jamieson, who is a Fellow of AusIMM and a self-employed consultant and a Member of The Minserve Group Pty Ltd. Mr Jamieson has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Dr Jamieson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

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

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

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

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

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

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

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

Environmental compliance
The majority of the Company's operations are regulated by the Queensland Department of Environment and Heritage Protection. Environmental management of coal mining operations and exploration tenements is regulated under Queensland's *Environmental Protection Act 1994* while the Queensland Bulk Handling (QBH) coal export port facility and Jondaryan rail loading facility are regulated under the *Sustainable Planning Act 2009* .

During the 2012 financial year, the Company experienced one environmental incident involving a non compliant discharge of stormwater from the QBH site. The Company promptly developed a number of corrective actions in response to the incident while maintaining regular consultation with the regulator. The Company received a "Warning Notice" from the Queensland Department of Environment and Heritage Protection in relation to the incident.

The Company's operational sites submit reports during September each year under the National Pollutant Inventory program.

For the purposes of National Greenhouse and Energy Reporting and the Energy Efficiency Opportunities program the Company reports as part of the corporate group of Washington H Soul Pattinson.

The Company continued to implement its Environmental Management System (EMS) in accordance with ISO14001 during the 2012 financial year. The EMS assists the Company to improve its environmental performance by increasing environmental awareness, optimising operational control, monitoring compliance and facilitating continuous improvement.

Information on Directors

Mr R.D. MILLNER (Non executive Chairman)

Experience

Mr Millner is Chairman of the Company's holding Company, Washington H. Soul Pattinson and Company Limited. Mr Millner joined the Board of New Hope Corporation in 1995 and was appointed Chairman in 1998.

Other current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1984
TPG Telecom Limited	Appointed 2000
Brickworks Limited (including Bristile Limited)	Appointed 1997
BKI Investment Company Limited (incl PSI Limited)	Appointed 2003
Australian Pharmaceutical Industries Limited	Appointed 2000
Milton Corporation Limited	Appointed 1998

Former Directorships in last 3 years

Choiseul Investments Limited	Appointed 1995	Resigned 2010
Souls Private Equity Limited	Appointed 2004	Resigned 2012
Northern Energy Corporation Limited	Appointed 2011	Resigned 2012

Special responsibilities

Chairman of the Board.

Interests in shares and options

3,681,962 ordinary shares in New Hope Corporation Limited
Nil options or rights 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
Clover Corporation Limited	Appointed 1997
Australian Pharmaceutical Industries Limited	Appointed 2000

Former Directorships in last 3 years

KH Foods Limited	Appointed 2008	Resigned 2009
Northern Energy Corporation Limited	Appointed 2011	Resigned 2012

Special responsibilities

Member of the Remuneration and Nomination Committee.

Interests in shares and options

109,234 ordinary shares in New Hope Corporation Limited
Nil options or rights over ordinary shares in New Hope Corporation Limited

Information on Directors (continued)

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

Experience

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

Other current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1997	
Souls Private Equity Limited	Appointed 2004	
Shinewing Hall Chadwick National Association	Appointed 2009	
Drill Torque Limited	Appointed 2011	

Former Directorships in last 3 years

KH Foods Limited	Appointed 2008	Resigned 2009
Northern Energy Corporation Limited	Appointed 2011	Resigned 2012

Special responsibilities

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

Interests in shares and options

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

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

Experience

Mr Williamson ceased to be a Director of the Company on 11 July 2012. Mr Williamson was registered as a Chartered Accountant for approximately 30 years and was principal of his own firm, Williamson Chaseling Pty Ltd.

Former Directorships in last 3 years

Australian Health & Nutrition Association Limited	Appointed 2001	Ceased 2012
Dart Energy Limited	Appointed 2010	Ceased 2012
Northern Energy Corporation Limited	Appointed 2011	Ceased 2012
Drill Torque Limited	Appointed 2011	Ceased 2012
Arrow Energy Limited	Appointed 2006	Resigned 2010

Special responsibilities

Chairman of the Audit Committee between 1 August 2011 and 11 July 2012.

Interests in shares and options

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

Information on Directors (continued)

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

Experience

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

Other current Directorships

Brisbane Development Association	Appointed 2006
Brisbane Airport Corporation	Appointed 2007
Queensland Performing Arts Centre Trust (QPAC)	Appointed 2006
Northern Energy Corporation Limited	Appointed 2011

Former Directorships in last 3 years

Urban Land Development Authority	Appointed 2007	Resigned 2009
Life Without Barriers	Appointed 2002	Resigned 2011
Williams Hall Chadwick Chartered Accountants and Business Advisors	Appointed 2009	Resigned 2011

Special responsibilities

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

Interests in shares and options

30,000 ordinary shares in New Hope Corporation Limited
Nil options or rights over ordinary shares in New Hope Corporation Limited

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

Experience

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

Other current Directorships

Australian Coal Association	Appointed 2005
Australian Coal Research Limited	Appointed 2005
Australian Coal Association Low Emissions Technologies Ltd	Appointed 2006
Planet Gas Limited	Appointed 2009
WestSide Corporation Limited	Appointed 2010
Queensland Resources Council	Appointed 2009
Northern Energy Corporation Limited	Appointed 2011
Bridgeport Energy Limited	Appointed 2011

Former Directorships in last 3 years

Nil

Special responsibilities

Managing Director and Chief Executive Officer.

Interests in shares and options

2,171,425 ordinary shares in New Hope Corporation Limited
262,783 rights over ordinary shares in New Hope Corporation Limited

Company Secretary

The Company Secretary is Mr Matthew Busch who was appointed to the position on 16 March 2009. Mr Busch has a Bachelor of Business from Queensland University of Technology and is a member of CPA Australia. He has more than 15 years of experience in the coal industry and holds the dual role of Financial Controller and Company Secretary.

Remuneration report

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

a. Remuneration Policies and Principles

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

The Remuneration and Nomination Committee is responsible for reviewing and setting the remuneration packages for Directors and executives on an annual basis. The Remuneration and Nomination Committee engages independent consultants, utilises data from independent surveys and reviews other market information and reports 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 Chief Executive Officer reports to the Committee on executive performance and remuneration arrangements.

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

<u>Non-executive Director remuneration</u>

It is intended that remuneration paid to non-executive Directors reflects the demands and responsibilities of Directors. Non-Executive Directors fees are reviewed annually after taking into consideration the Company's performance, market rates and level of responsibility.

Non-executive Directors receive a fixed fee that is paid within an aggregate limit as approved by the shareholders from time to time. The current maximum aggregate is set at $1,000,000 (2011 - $1,000,000) per annum.

<u>Executive remuneration</u>

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 of senior executives is reviewed annually after taking into consideration the Company's performance, market rates and level of responsibility.

Executive remuneration may comprise a mix of base remuneration, short term incentives (STIs), long term incentives (LTIs) and retention payments. The detail of each component is as follows:

Base remuneration

Base remuneration for senior executives is fixed annually by the Remuneration and Nomination Committee. It comprises a cash salary, superannuation, and other non-cash benefits such as a company vehicle. Executives may elect to take a vehicle allowance in lieu of a company vehicle and may salary sacrifice a portion of their cash salary into superannuation or other benefits.

Short Term Incentives

STIs are designed to motivate and reward senior executives to achieve the short term goals of the Company as set by the board.

STIs are not provided for in senior executive employment contracts. The Remuneration and Nomination Committee sets the maximum STI payable to each senior executive at the start of the relevant period having due regard to each executives role, responsibility and contribution to achieving the Company's goals. STIs are offered at the absolute discretion of the Remuneration and Nomination Committee.

At the end of each period the Remuneration and Nomination Committee will award executives a percentage of their maximum allowable STI having regard to the performance of the executive and the Company during the period.

STIs are paid in the form of a cash bonus, with 50% payable immediately and 50% being deferred for 12 months. Payment of the deferred component is conditional upon the executive remaining an employee of the company until the vesting date.

Long Term Incentives

LTI are designed to motivate and reward senior executives to achieve the strategic goals set by the board, align shareholder and executive objectives, and to retain the services of senior executives.

LTIs are not provided for in senior executive employment contracts. The Remuneration and Nomination Committee sets the maximum value of the LTI payable to each senior executive at the start of the relevant period having due regard to the each executives role, responsibility and contribution to achieving the Company's strategic goals. LTIs are offered at the absolute discretion of the Remuneration and Nomination Committee.

Remuneration report (continued)

a. Remuneration Policies and Principles (continued)

At the end of each period the Remuneration and Nomination Committee will award executives a percentage of their maximum allowable LTI having regard to the performance of the executive and the Company during the period.

LTIs may be paid in the form of Share Options or Performance Rights at the discretion of the Remuneration and Nomination Committee. The value of an executive's LTI is converted into Share Options or Performance Rights by reference to the 5 day volume weighted average share price of the company over the 5 days immediately preceding issue, and the terms of the equity instrument issued.

Performance Rights and Share Options are issued subject to a service condition. Performance Rights and Share Options vest in equal annual tranches over the period of the service condition. Upon satisfaction of the service conditions Performance Rights automatically convert to ordinary shares, and Share Options will vest and be convertible into ordinary shares at the discretion of the employee for a period of up to 2 years from the vesting date.

Retention Payments

Retention payments are not provided for in senior executive employment contracts. The Remuneration and Nomination Committee may offer Retention Payments to senior executives during periods of unusual corporate activity where there exists a material risk of increased staff turnover. The recipients, quantum, timing and delivery of the retention payments are directly linked to the underlying event that has elicited the need for the retention payment.

b. CEO Remuneration

CEO employment contract

Remuneration and other terms of employment for Mr Neale are governed by an individual employment contract. The agreement is of no fixed term. The contract outlines the components of remuneration paid to Mr Neale but does not prescribe how remuneration levels are modified from year to year.

The agreement with the Mr Neale provides for a cash salary, superannuation and a fully maintained motor vehicle. The CEO may elect to take a vehicle allowance in lieu of a company vehicle and may salary sacrifice a portion of their cash salary into superannuation or other benefits. The contract provides that Mr Neale is eligible to participate in the Company's STI and LTI programme at the sole discretion of the Remuneration and Nomination Committee.

Either party may terminate the agreement by giving the other party 2 months notice.

The contract provides for the payment of a separation allowance upon retirement or if the contract is terminated by the Company. The separation allowance is for a sum of $200,000 (indexed annually at CPI from the employment commencement date in 1996).

The Company may terminate the agreement without notice at any time for cause. No payment in lieu of notice, nor any payment in respect of STI or LTI is payable under the agreement in this circumstance.

Deferred award of outstanding LTI entitlements

At the Company's Annual General Meeting in November 2011, shareholders approved the issue of Performance Rights to Mr Neale in respect of outstanding LTI performance payments relating to the 2008, 2009 and 2010 years. The payments had previously been deferred pending finalisation of the Employee Performance Rights Share Plan which governs the administration of the Performance Rights and subsequent approval of the issue of the Performance Rights at the Annual General Meeting.

Performance Rights issued to the CEO will automatically convert to ordinary shares in the company upon the satisfaction of a service condition. However, given the deferral noted above, the Remuneration and Nomination committee elected to align the service condition and vesting dates with the dates that would have prevailed had the Performance Rights been issued in the ordinary course.

Remuneration report (continued)

b. CEO Remuneration (continued)

The deferral of the Performance Right issue and re-alignment of vesting conditions has had an effect on the quantum of Share Based Payment Expense recognised in this year's remuneration report, and is summarised as follows:

Performance Period to which LTI relates	Date Performance Rights Issued	Number of Performance Rights Issued	Vesting Date in the Ordinary Course	Amended Vesting Date	Impact on 2012 Share Based Payment Expense $
2008	September 2011	30,775	1 August 2009	1 January 2012	159,107
2008	September 2011	30,775	1 August 2010	1 January 2012	159,107
2008	September 2011	30,775	1 August 2011	1 January 2012	159,107
2008	September 2011	30,775	1 August 2012	No change	159,107
2009	September 2011	24,601	1 August 2010	1 January 2012	127,187
2009	September 2011	24,601	1 August 2011	1 January 2012	127,187
2009	September 2011	24,601	1 August 2012	No change	127,187
2009	September 2011	24,601	1 August 2013	No change	57,812
2010	September 2011	24,398	1 August 2011	1 January 2012	126,138
2010	September 2011	24,398	1 August 2012	No change	126,138
2010	September 2011	24,398	1 August 2013	No change	57,335
2010	September 2011	24,398	1 August 2014	No change	37,099
2011	Pending approval at	36,537	1 August 2012	1 December 2012	146,635
2011	the 2012 Annual	36,537	1 August 2013	No change	87,981
2011	General Meeting	36,538	1 August 2014	No change	54,990
					1,712,117

Retention Payment offered in 2012

During the 2012 financial year the company announced that the Board of Directors had received a number of preliminary and incomplete proposals from third parties in relation to potential change of control transactions. As a result of this interest, the Board decided it was appropriate to undertake a formal sale process to determine whether a proposal for New Hope was available at a price, and on terms, that were in the best interests of all shareholders.

In order to prevent the loss of key executive personnel during the offer period the Board offered a retention payment to Mr Neale equating to approximately 60% of his base remuneration. The terms of the Retention Payment stipulated that payment would trigger at the earliest of:

- Mr Neale being retrenched before 31 July 2012; or
- at the time of the transaction completion date plus 90 days; or
- at the time of the Company withdrawing from the formal sale process plus 90 days; or
- 31 July 2012.

On 1 March 2012 the company announced that the formal sale process had been concluded. Mr Neale was subsequently paid the Retention Payment in June 2012, being still employed by the Company 90 days from the conclusion of the sale process.

The Retention Payment to Mr Neale has been classified as a Cash Bonus in the Remuneration Note for 2012 and is aggregated with other cash bonuses paid in accordance with normal STI entitlements.

Remuneration report (continued)

c. Executive Remuneration

Executive employment contracts

The agreements with the senior executives provide for a cash salary, superannuation and a fully maintained motor vehicle. Executives may elect to take a vehicle allowance in lieu of a company vehicle and may salary sacrifice a portion of their cash salary into superannuation or other benefits.

Contracts with executives may be terminated by either party giving notice as specified in their contract of employment. The contract with Mr Denney contracts require 2 months notice, the contract with Mr Stephan requires 10 weeks notice, and the contract with Mr Busch requires one months notice

The contracts with Mr Denney and Mr Stephan include provision for a separation payment in the event of their termination as a result of a takeover or merger of the Company. The allowances are for less than one year's remuneration.

The Company may terminate the agreements without notice at any time for cause. No payment in lieu of notice, nor any payment in respect of STI or LTI is payable under the agreement in this circumstance.

Retention Payments offered in 2012

During the 2012 financial year the company announced that the Board of Directors had received a number of preliminary and incomplete proposals from third parties in relation to potential change of control transactions. As a result of this interest, the Board decided it was appropriate to undertake a formal sale process to determine whether a proposal for New Hope was available at a price, and on terms, that were in the best interests of all shareholders.

In order to prevent the loss of key executive personnel during the offer period the Board offered a retention payment to certain senior executives (including Messrs Denney, Stephan and Busch) equating to approximately 60% of their base remuneration. The terms of the Retention Payment stipulated that payment would trigger at the earliest of:

- The executive being retrenched before 31 July 2012; or
- at the time of the transaction completion date plus 90 days; or
- at the time of the Company withdrawing from the formal sale process plus 90 days; or
- 31 July 2012.

On 1 March 2012 the company announced that the formal sale process had been concluded. Executives were subsequently paid the Retention Payment in June 2012, being still employed by the Company 90 days from the conclusion of the sale process.

The Retention Payment to Messrs Denney, Stephan and Busch has been classified as a Cash Bonus in the Remuneration Note for 2012 and is aggregated with other cash bonuses paid in accordance with normal STI entitlements.

d. Details of Remuneration

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

Mr R.C. Neale, Managing Director and Chief Executive Officer
Mr B.D. Denney, Chief Operations Officer (appointed 2 November 2010)
Mr S.O. Stephan, Chief Financial Officer
Mr M.J. Busch, Financial Controller and Company Secretary

Comparatives are also disclosed for the 2011 year for:

Mr M.L. Bailey, Chief Operations Officer (resigned 10 September 2010)
Mr C.C. Hopkins, General Manager - Marketing
Mr C.W. Easton, General Manager - Business Improvement
Mr J.R. Randell, General Manager – Acland
Mr P. Stringer, General Manager - West Moreton
Mr K. Palfrey, General Manager – Projects
Mr B.J. Garland, General Manager - Resource Development (resigned 30 September 2010)

Remuneration report (continued)
d. Details of Remuneration (continued)

	Short-term employee benefits			Long-term benefits	Post employment benefits		Share based payments		
	Cash salary and fees $	Cash bonus $	Non cash benefits $	LSL $	Super-annuation $	Termination Benefits $	Options and Rights $	Total $	Performance related %
2012									
Non-Executive Directors									
Mr R.D. Millner	276,334	-	-	-	15,833	-	-	292,167	0%
Mr P.R. Robinson	126,667	-	-	-	11,400	-	-	138,067	0%
Mr D.J. Fairfull	126,667	-	-	-	11,400	-	-	138,067	0%
Mr D.C. Williamson	151,667	-	-	-	13,650	-	-	165,317	0%
Mr W.H. Grant	141,667	-	-	-	12,750	-	-	154,417	0%
Executive Directors									
Mr R.C. Neale	1,340,213	1,368,000	47,169	24,074	15,833	-	1,712,117	4,507,406	68%
Key Management Personnel									
Mr B.D. Denney	568,124	450,875	18,948	-	15,833	-	88,331	1,142,111	47%
Mr S.O. Stephan	564,801	557,000	2,398	-	15,833	-	235,659	1,375,691	58%
Mr M.J. Busch	374,055	321,750	21,487	6,747	15,833	-	115,502	855,374	51%
Total Remuneration - 2012	**3,670,195**	**2,697,625**	**90,002**	**30,821**	**128,365**	**-**	**2,151,609**	**8,768,617**	
2011									
Non-Executive Directors									
Mr R.D. Millner	239,250	-	-	-	15,247	-	-	254,497	0%
Mr P.R. Robinson	108,750	-	-	-	9,788	-	-	118,538	0%
Mr D.J. Fairfull	108,750	-	-	-	9,788	-	-	118,538	0%
Mr D.C. Williamson	133,750	-	-	-	9,788	-	-	143,538	0%
Mr W.H. Grant	123,750	-	-	-	9,788	-	-	133,538	0%
Executive Directors									
Mr R.C. Neale	1,057,108	675,000	31,034	19,905	15,247	-	-	1,798,294	38%
Key Management Personnel									
Mr B.D. Denney	391,751	-	12,147	-	11,399	-	-	415,297	0%
Mr M.L. Bailey	96,436	-	10,784	-	2,474	33,122	14,252	157,068	9%
Mr S.O. Stephan	484,712	112,500	3,183	-	15,247	-	-	615,642	18%
Mr M.J. Busch	262,555	50,500	18,129	5,334	15,247	-	-	351,765	14%
Mr C.C. Hopkins	282,747	115,000	25,139	4,789	15,247	-	-	442,922	26%
Mr C.W. Easton	250,717	40,000	16,859	-	15,247	-	-	322,823	12%
Mr J.R. Randell	323,578	123,000	27,029	-	15,247	-	-	488,854	25%
Mr P. Stringer	257,094	109,000	23,857	-	15,247	-	-	405,198	27%
Mr K. Palfrey	304,049	114,000	-	-	15,247	-	-	433,296	26%
Mr B.J. Garland	87,200	-	7,525	-	3,800	33,116	9,501	141,142	7%
Total Remuneration - 2011	**4,512,197**	**1,339,000**	**175,686**	**30,028**	**194,048**	**66,238**	**23,753**	**6,340,950**	

Remuneration report (continued)

e. Information in respect of share based compensation

Share based compensation – options

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

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

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

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

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Value per option at grant date
13 August 2007	14 August 2010	12 August 2012	$2.104	$2.220	44.00%	4.02%	6.04%	$0.745

Share options granted to Directors and key management personnel

Details of unlisted management options over ordinary shares in the Company as at 31 July 2012, 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 30 to the financial statements.

	Number of options granted during the year		Number of options vested during the year		Number of ordinary shares issued on the exercise of options during the year		Amount paid per share ($)	
	2012	2011	2012	2011	2012	2011	2012	2011
Key Management Personnel								
Mr M.L. Bailey	-	-	-	1,500,000	-	1,500,000	-	2.10
Mr B.J. Garland	-	-	-	1,000,000	-	1,000,000	-	2.10

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

There were no unlisted ordinary shares of New Hope Corporation Limited under option at the date of this report.

Share based compensation – rights

Rights are granted under the New Hope Corporation Limited Employee Performance Share Rights Plan (Rights Plan). Membership of the Rights 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.

Rights will be granted for no consideration. Rights to be granted in accordance with the Rights Plan will be allotted at the sole discretion of the Directors of the Company and in accordance with the Group's reward and retention strategy. Rights will vest and automatically convert to ordinary shares in the company following the satisfaction of the relevant service conditions. Service conditions applicable to each issue of Rights are determined by the board at the time of grant.

The assessed fair value at grant date of Rights granted to the individuals is allocated equally over the period from grant date to vesting date and the amount will be included in the remuneration of the executive. Fair values at grant date are determined by reference to the relevant volume weighted average price as determined by the Directors.

Remuneration report (continued)

e. Information in respect of share based compensation (continued)

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

Performance Period to which LTI relates	Grant Date	Vesting Date	Right at Grant Date
2008	October 2011	January 2012	$5.17
2008	October 2011	August 2012	$5.17
2009	October 2011	January 2012	$5.17
2009	October 2011	August 2012	$5.17
2009	October 2011	August 2013	$5.17
2010	October 2011	January 2012	$5.17
2010	October 2011	August 2012	$5.17
2010	October 2011	August 2013	$5.17
2010	October 2011	August 2014	$5.17
2011	December 2011	August 2012	$6.02
2011	December 2011	December 2012	$6.02
2011	December 2011	August 2013	$6.02
2011	December 2011	August 2014	$6.02
2011	December 2011	August 2015	$6.02

Share Rights granted to Directors and key management personnel

Details of Rights over ordinary shares in the Company as at 31 July 2012, 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. Upon satisfaction of the performance conditions each right will automatically vest and convert into one ordinary share in New Hope Corporation Limited. Further information on the Rights is set out in note 30 to the financial statements.

	Number of rights granted during the year		Number of rights vested during the year		Number of ordinary shares issued on the vesting of rights during the year	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Directors						
Mr R.C. Neale	428,708	-	165,925	-	165,925	-
Key Management Personnel						
Mr B.D. Denney	32,040	-	-	-	-	-
Mr S.O. Stephan	73,888	-	10,040	-	10,040	-
Mr M.J. Busch	36,100	-	5,020	-	5,020	-

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

There were 274,470 rights issued over ordinary shares of New Hope Corporation Limited at the date of this report.

Remuneration report (continued)

f. Additional information

Other information relating to equity based compensation

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	38%	2,309,591	924,883	-	3,234,474
Mr B.D. Denney	8%	192,818	-	-	192,818
Mr S.O. Stephan	17%	410,670	55,964	-	466,634
Mr M.J. Busch	14%	200,254	27,982	-	228,236

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

B = The value at grant date calculated in accordance with AASB2 Share Based Payment of rights granted during the year as part of remuneration.

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

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

Consequences of performance on shareholder wealth

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

	Year ended 31 July				
	2012	**2011**	**2010**	**2009**	**2008**
Net profit attributable to shareholders (A$000's)	167,126	503,234	183,832	1,950,392	90,684
Profit after tax from continuing operations (A$000's)	167,125	503,099	183,832	1,950,392	90,684
Dividends paid during the year (cents / share)	26.00	23.75	82.25	16.25	7.75
Share price as at 31 July ($ / share)	4.07	5.37	4.71	5.34	4.69
Shareholders funds (A$000's)	2,252,916	2,367,383	2,339,525	2,748,498	827,607

Shares issued on the vesting of rights

Since the end of the financial year 115,281 rights have been granted and converted to ordinary shares in the company.

Loans to directors and executives

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

Non-audit services

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

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

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

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

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms (refer note 32):

	Consolidated 2012	2011
Audit Services		
PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the *Corporations Act 2001*	279,232	302,447
Non PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	10,000
Total remuneration for audit services	**279,232**	**312,447**
Non-audit services		
PricewaterhouseCoopers Australian firm:		
Transaction tax & advisory services	908,441	429,509
General advisory services	266,971	100,611
Tax compliance services	217,272	315,726
Tax compliance services - MRRT	419,498	-
Research and development compliance services	282,984	208,777
Non PricewaterhouseCoopers firms:		
Taxation services	-	6,130
Total remuneration for non-audit services	**2,095,166**	**1,060,753**
Total auditors remuneration	**2,374,398**	**1,373,200**

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 23.

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.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 July 2012 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	17	17				
Mr P.R. Robinson	17	16			1	1
Mr D.J. Fairfull	17	16	3	3	1	1
Mr D.C. Williamson	16	16	3	3		
Mr W.H. Grant	17	16	3	3	1	1
Mr R.C. Neale	17	16				

Signed at Sydney this 17th day of September 2012 in accordance with a resolution of Directors.

R.D. Millner
Director

D.J. Fairfull
Director

Auditor's Independence Declaration

As lead auditor for the audit of New Hope Corporation Limited for the year ended 31 July 2012, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Simon Neill
Partner
PricewaterhouseCoopers

Sydney
17 September 2012

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CORPORATE GOVERNANCE STATEMENT

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

Foundations for management and oversight

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

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

Responsibilities of the Board include the following:

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

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

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

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

Board structure

At the date of this report the Board consists of 4 non-executive Directors and one executive Director. Details of the Directors of the Company, their experience, expertise, qualifications, and attendance at meetings are set out in the Directors' Report.

Key elements of the Board composition include:

- In accordance with the Company's Constitution, the Board should comprise no less than 3 or more than 10 Directors.
- The Chairman of the Board is a non-executive Director.
- The non-executive Chairman and Chief Executive Officer roles are separate.
- The Board comprises a mix of Directors from different backgrounds with complementary skills and experience.
- The size of the Board and membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external perspective.

The Company has not strictly complied with ASX Best Practice Recommendations in that not all of the non-executive Directors are independent. Mr Robert Millner (Chairman of Directors), Mr Peter Robinson and Mr David Fairfull are Directors of New Hope Corporation Limited's major shareholder, Washington H. Soul Pattinson and Company Limited. Mr David Williamson and Mr William Grant are considered independent.

Whilst all the non-executive Directors cannot be considered "independent" in accordance with the ASX Best Practice Recommendations, all Directors are expected to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists, it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered. Also, the Board considers that due to the extensive experience and knowledge that these Directors have of the business, it would be contrary to shareholders' best interests if the Directors were precluded from holding the position of Director on these grounds.

In the discharge of their duties and responsibilities, the Directors individually (as well as the Board) have the right to seek independent professional advice at the Company's expense. However, for advice to individual Directors, prior approval of the Chairman is required, which is not to be unreasonably withheld.

The Remuneration and Nomination Committee consists of non-executive Directors who periodically review the membership and performance of the Board having regard to the Company's particular needs, both present and future. These periodic reviews are conducted at least annually or more frequently if deemed appropriate.

The Board sets goals and objectives for the Board, its Committees and Directors. Performance is measured against these goals and objectives in such manner deemed appropriate by the Board. The performance of the Board and its Committees was reviewed during the year in accordance with established procedures.

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 and responsible decision making

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

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

The Company's diversity policy is contained in the *Code of Conduct*, the Equal Employment Opportunity Policy, and the Recruitment and Selection Policy. Through these principles based documents the Company aims to foster a workplace where employees feel that they are a valued member of the organisation; that they are treated fairly and that inappropriate behaviour does not take place. The company is also committed to ensuring that employees and all other individuals involved in its operations are provided with equal opportunity in all aspects of recruitment, selection and employment.

It is the Company’s policy that when recruiting and selecting staff that the best person for the position is chosen in each case. This is achieved by basing selection decisions on the merit principle whereby individuals shall be selected based on their capability to meet the requirements of the position and who have the right position related attributes. Unlawful discrimination of either a positive or negative bias (including gender) is not tolerated.

The Company is an equal opportunity employer and is committed to ensuring that all applicants for selection (employees, Officers and Directors) are not unlawfully discriminated against. The Company seeks to attract and retain employees across a broad experience base relevant to the Company. The Company aims to remunerate people fairly and provide opportunities for all individuals to reach their full potential, whilst understanding the need to be flexible to each individual’s personal circumstances.

The Company believes that the most appropriate measurable objectives in addressing gender diversity will deliver outcomes that are aligned to the principles outlined above. The following table outlines the Company's measurable objectives in achieving diversity.

Measurable Objective	Progress Achieved
Develop a culture that embraces diversity that is supported by corporate policy.	Policies are in place and readily available to all employees at all times. Policies are formally communicated to employees during their induction and periodic formal refresher training is also conducted.
The Company's recruitment processes and documents ensure the Company appeals to, and targets, a diverse pool of potential employees.	Formal recruitment procedures are in place that necessitates the involvement of the Human Resources Department in all stages of the recruitment process which ensures that corporate policy is adhered to and that the recruitment and selection process is free from unlawful bias.
Ensure policies, procedures and guidelines support the delivery of a flexible, tolerant and accommodating work environment.	Through various policies and guidelines (Education Assistance, Training and Development, Leave, Parental Leave, Salary Packaging, Flexibility and Wellbeing) the Company has acknowledged the need for, and provides opportunities for employees to achieve, flexibility in their work environment. The company has also successfully implemented a unique "Tuckshop Roster". This roster runs from 9am to 3pm and provides employees the opportunity to work in the mining industry operating heavy machinery whilst the permanent operators take scheduled breaks. This roster has been particularly appealing to parents with school age children.
A commitment to pay equity whereby remuneration is set based on the market based data and each individual's qualifications and experience.	Remuneration is initially set (and reviewed at least annually) by reference to independent market data which accounts for both the skills required for the role, the industry, and employment location. This is further linked to each employee's qualifications and experience. Procedures dictate that the Human Resources Department are involved in all steps of the remuneration setting process, including the final executive review and annual "norming" process which ensures that all employees are remunerated fairly, reasonably and without fear of undue bias.

The following table shows the proportion of women employed by the Company.

Role	Number of women	Number of men	Total employees	Female percentage
Directors *	0	5	5	0%
Senior executives	2	12	14	14%
Total employees	69	532	601	11%

* On 7 September 2012 the Company announced that Ms Sue Palmer had been appointed to the position of non-executive Director and Chairperson of the Audit Committee.

Integrity in 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 W.H. Grant and Mr D.J. Fairfull (Acting Chairman). 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.

On 7 September 2012 the Company announced that Ms Sue Palmer would assume the role of non-executive Director and Audit Committee Chairperson with effect from 1 November 2012. Ms Palmer's appointment follows the sad passing of Mr David Williamson (independent non-executive Director and Audit Committee Chairperson) in July 2012.

During the period from July 2012 to 1 November 2012 the Company notes that it has not complied with the best practice recommendations in that the Audit Committee:

- Did not consist of a majority of independent Directors;
- Did not have at least three members; and
- The acting Chairperson was not an independent Director.

Despite these non-compliances, the Company believes that the integrity of the Audit Committee and the governance of the Company have been fully maintained at all times.

Further details of the Directors' qualifications, terms of office, and attendance at audit committee meetings are set out in the Directors' report on pages 10 to 12 and 22.

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

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

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

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

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

Timely and balanced disclosure

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 company 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.

Respect the rights of shareholders

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

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

Risk recognition and management

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

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

The Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board, by submission to the audit committee, that the risk management and internal control compliance systems implemented by the Board are operating efficiently and effectively and that the directors declaration given under section 259A Corporations Act 2001 (Cth) is founded on a sound system of risk management and control. The required statement has been received from the Chief Executive Officer and Chief Financial Officer relative to the year of income.

Remunerate fairly and responsibly

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 22 of the Directors' report.

Non executive Directors' fees are reviewed annually after taking into consideration the Company's performance, market rates and level of responsibility. The aggregate amount of fees which may be paid to non-executive Directors is subject to the approval of shareholders at the Annual General Meeting and is currently set at $1,000,000 (2011 - $1,000,000) 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.

The Company's Share Trading Policy has been disclosed to the market via the ASX Company Announcement Platform. The policy provides that:

- 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:
    - o The release of the Company's annual result to the Australian Securities Exchange;
    - o The release of the Company's half yearly result to the Australian Securities Exchange;
    - o The date of the Annual General Meeting; and
    - o The release of a prospectus;
- At times other than those referred to above, Directors and employees may trade after seeking approval from the Chairman of the Board, or in his absence, the Managing Director of New Hope Corporation Limited.

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 JULY 2012

Contents

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 2 to 9, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 17 September 2012. The Company has the power to amend and reissue the financial report.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 $000	2011 $000
Revenue from continuing operations	5	767,525	662,404
Other income	6	149	524,127
		767,674	1,186,531
Expenses			
Cost of sales		(355,901)	(304,003)
Marketing and transportation		(140,932)	(127,356)
Administration		(26,101)	(17,464)
Other expenses		(6,083)	(4,633)
Impairment of assets	7	(39,191)	(13,531)
Share of net profit / (loss) of associates	38	(647)	(447)
Profit before income tax		**198,819**	**719,097**
Income tax expense	8	(31,694)	(215,998)
Profit after income tax for the year		**167,125**	**503,099**
Profit attributable to:			
New Hope Shareholders		167,126	503,234
Non-controlling interests		(1)	(135)
		167,125	**503,099**
Other comprehensive income			
Changes to the fair value of cash flow hedges, net of tax	27	10,708	39,526
Transfer to the P&L - cashflow hedges, net of tax	27	(17,934)	(30,190)
Changes to the fair value of available for sale financial assets, net of tax	27	(11,242)	(17,712)
Transfer to the P&L - available for sale financial assets, net of tax	27	-	(312,804)
Other comprehensive income for the year, net of tax		(18,468)	(321,180)
Total comprehensive income for the year		**148,657**	**181,919**
Total comprehensive income attributable to:			
New Hope Shareholders		148,658	182,054
Non-controlling interests		(1)	(135)
		148,657	**181,919**
Earnings per share for profit attributed to ordinary equity holders of the Company			
Basic earnings per share (cents / share)	34	20.1	60.6
Diluted earnings per share (cents / share)	34	20.1	60.6

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET
AS AT 31 JULY 2012

	Notes	2012 $000	2011 $000
Current assets			
Cash and cash equivalents	10	70,990	75,149
Receivables	11	17,124	110,962
Inventories	12	59,560	63,408
Held to maturity investments	13	1,446,975	1,599,552
Derivative financial instruments	35	20,393	31,880
Other	14	299	2,802
Total current assets		1,615,341	1,883,753
Non-current assets			
Receivables	15	9,208	5,440
Investments accounted for using the equity method	38	32,530	31,825
Available for sale financial assets	16	73,140	92,389
Derivative financial instruments	35	9,971	8,807
Property, plant and equipment	17	659,202	664,201
Exploration and evaluation assets	18	39,228	8,085
Intangible assets	20	20,799	54,748
Total non-current assets		844,078	865,495
Total assets		**2,459,419**	**2,749,248**
Current liabilities			
Accounts payable	21	40,460	51,639
Current tax liabilities		18,490	166,270
Provisions	24	28,845	19,254
Total current liabilities		87,795	237,163
Non-current liabilities			
Deferred tax liabilities	23	82,917	122,566
Provisions	25	35,791	22,136
Total non-current liabilities		118,708	144,702
Total liabilities		**206,503**	**381,865**
Net assets		**2,252,916**	**2,367,383**
Equity			
Contributed equity	26	92,509	91,500
Reserves	27(a)	50,570	73,851
Retained profits	27(b)	2,109,104	2,157,849
Capital and reserves attributable to New Hope Shareholders		2,252,183	2,323,200
Non-controlling interests		733	44,183
Total equity		**2,252,916**	**2,367,383**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2012

	Notes	Contributed Equity $000	Reserves $000	Retained Earnings $000	Non-controlling Interests $000	Total $000
Balance at 1 August 2010		**84,226**	**403,504**	**1,851,795**	**-**	**2,339,525**
Profit for the year		-	-	503,234	(135)	503,099
Other comprehensive income		-	(321,180)	-	-	(321,180)
Total comprehensive income for the year		**-**	**(321,180)**	**503,234**	**(135)**	**181,919**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	26	5,260	-	-	-	5,260
Dividends provided for or paid	9	-	-	(80,948)	-	(80,948)
Special dividend paid	9	-	-	(116,232)	-	(116,232)
Transfer from share based payment reserve to equity	27	2,014	(2,014)	-	-	-
Net movement in share based payment reserve	27	-	25	-	-	25
Elimination on acquisition of subsidiary	27	-	(6,484)	-	-	(6,484)
Non controlling interests on acquisition of subsidiary		-	-	-	44,318	44,318
		7,274	(8,473)	(197,180)	44,318	(154,061)
Balance at 31 July 2011		**91,500**	**73,851**	**2,157,849**	**44,183**	**2,367,383**
Profit for the year		-	-	167,126	(1)	167,125
Other comprehensive income		-	(18,468)	-	-	(18,468)
Total comprehensive income for the year		**-**	**(18,468)**	**167,126**	**(1)**	**148,657**
Transactions with owners in their capacity as owners						
Dividends provided for or paid	9	-	-	(91,337)	-	(91,337)
Special dividend paid	9	-	-	(124,534)	-	(124,534)
Transfer from share based payment reserve to equity	27	1,009	(1,009)	-	-	-
Net movement in share based payment reserve	27	-	2,225	-	-	2,225
Premium paid on acquisition of non-controlling interest	27	-	(6,029)	-	-	(6,029)
Acquisition of non-controlling interests	37	-	-	-	(44,177)	(44,177)
Share of non-controlling interests equity contributions		-	-	-	728	728
		1,009	(4,813)	(215,871)	(43,449)	(263,124)
Balance at 31 July 2012		**92,509**	**50,570**	**2,109,104**	**733**	**2,252,916**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 $000	2011 $000
Cash flows from operating activities			
Receipts from customers inclusive of GST		718,050	569,090
Payments to suppliers and employees inclusive of GST		(466,509)	(439,705)
		251,541	129,385
Income taxes paid		(208,516)	(66,652)
Net cash inflow / (outflow) from operating activities	33	43,025	62,733
Cash flows from investing activities			
Payments for property, plant and equipment		(39,045)	(49,305)
Payments for exploration and evaluation activities		(31,143)	(5,355)
Payments for purchase of subsidiary, net of cash acquired		-	(171,960)
Payments for available for sale financial assets		(5,305)	(33,492)
Payments for investments in associates		(2,008)	(29,813)
Refunds of / (payments for) security and bond guarantees		864	(2,293)
Proceeds from / (payments for) held to maturity investments		137,486	(270,000)
Proceeds from sale of property, plant and equipment		58,748	252
Proceeds from sale of investment		-	576,211
Interest received		101,741	94,005
Net cash inflow / (outflow) from investing activities		221,338	108,250
Cash flows from financing activities			
Proceeds from issue of equity		1,736	5,260
Payments for purchase of non-controlling interest, net of cash acquired		(50,207)	-
Dividends paid		(215,871)	(197,180)
Net cash inflow / (outflow) from financing activities		(264,342)	(191,920)
Net increase / (decrease) in cash and cash equivalents		**21**	**(20,937)**
Cash and cash equivalents at the beginning of the financial year		75,149	103,608
Effects of exchange rate changes on cash and cash equivalents		(4,180)	(7,522)
Cash and cash equivalents at the end of the financial year	10	**70,990**	**75,149**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation of accounts

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

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

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

(iii) Critical accounting estimates
The preparation of financial statements 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 2012 and the results of all subsidiaries for the year then ended. New Hope Corporation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

(ii) Associates
Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 38).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

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 other unsecured long-term 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 associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

As the group only has significant influence, it is unable to obtain reliable information at year end on a timely basis. The results of associates are equity-accounted from their most recent audited annual financial statements or unaudited interim financial statements, all within three months of the year end of the group. Adjustments are made to the associates' financial results for material transactions and events in the intervening period.

(iii) Joint Ventures

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 39.

c. Segment reporting

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

d. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

e. Revenue recognition

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Revenue recognition (continued)

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

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

f. Income tax

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

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

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

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

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

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

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

Investment allowances

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

Tax consolidation legislation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Income tax (continued)

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

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

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

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

g. Exploration and evaluation expenditure

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

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

h. Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

i. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment under value in use testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 thirty 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 by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all of the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

l. Inventories

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

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

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

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

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

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

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

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

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

n. Investments and other financial assets

The Group classifies its financial assets in the following categories:

(i) Available for sale financial assets

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

Available for sale financial assets are initially recognised at fair value. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Investments and other financial assets (continued)

(ii) Held to maturity investments

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

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, and subsequently at amortised cost less provisions for doubtful debts. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) and receivables (note 15) in the balance sheet.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets classified as available for sale

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

o. Derivatives - Forward foreign exchange contracts

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are charged to profit or loss during the financial period in which it is incurred.

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

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

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

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

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

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

The cost of acquiring mineral reserves and mineral resources are capitalised on the statement of financial position as incurred.

s. Intangible assets

(i) IT development and software

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

(ii) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Trade and other payables

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

u. Borrowing costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised as expenses in the period in which they are incurred.

v. Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the New Hope Corporation Limited Employee Share Option Plan and the New Hope Corporation Ltd Employee Performance Rights Share Plan. Information relating to these schemes is set out in note 36.

The fair value of options granted under the New Hope Corporation Limited Employee Share Option Plan and the New Hope Corporation Ltd Employee Performance Rights Share 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 or rights. Options and rights 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 of rights at grant date is calculated as the number of rights offered at the share price at offer date. The fair value of options at grant date is independently determined using a monte carlo option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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

w. Contributed equity

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

x. Dividends

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y. Rounding of amounts

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

z. Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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 profit or loss in respect of ongoing rehabilitation. Where the obligation relates to decommissioning of assets and restoring the sites on which they are located, the costs are carried forward in the value of the asset and amortised over its useful life.

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

ab. Goods and Services Tax (GST)

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

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

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

ac. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

ad. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 July 2014.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ad. New accounting standards and interpretations (continued)

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities and revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The group is currently assessing the full impact upon adopting this standard.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the group and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investments in the separate parent entity financial statements.

(iii) AASB 13 Fair Value Measurement (effective 1 January 2013)

AASB 13 was released in September 2011. AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Int 20 Accounting for stripping costs and AASB 2011-12 (effective 1 January 2013)

Production phase stripping costs will be attributed to an identifiable component of an ore body and amortised over the useful life of the identified component. On transition, existing production phase stripping costs will be written off to retained earnings if they cannot be attributed to an identifiable component of an ore body. Entities will no longer be able to amortise production phase stripping costs over the life of mine. Entities may need to make significant changes to processes, procedures and systems in order for the accounting to mirror the mining activity. Entities will need to directly attribute its carried forward stripping cost to components of ore bodies to avoid a write-off on adoption of the interpretation. The group is currently assessing the full impact upon adopting this standard.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ae. Parent entity financial information

The financial information for the parent entity, New Hope Corporation Limited, disclosed in note 41 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint ventures

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

Tax consolidation legislation

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

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

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

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

af. Comparative Figures

When required, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. FINANCIAL RISK MANAGEMENT

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

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

2. FINANCIAL RISK MANAGEMENT (continued)

The Group holds the following financial instruments:

	2012 $000	2011 $000
Financial assets		
Cash and cash equivalents	70,990	75,149
Trade and other receivables	26,332	116,402
Derivative financial instruments	30,364	40,687
Available for sale financial assets	73,140	92,389
Held to maturity investments	1,446,975	1,599,552
Other financial assets	299	303
	1,648,100	**1,924,482**
Financial liabilities		
Trade and other payables	40,460	51,639
	40,460	**51,639**

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 65% of anticipated transactions (export coal sales) in US dollars for the subsequent year, up to 57% of anticipated revenue beyond a year but less than two years and up to 50% for revenue beyond two years but less than three years. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

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

	2012 USD $000	2011 USD $000
Cash and cash equivalents	37,590	17,265
Trade receivables	-	37,306
Forward exchange contracts - sell foreign currency (cash flow hedges)	275,000	309,000
Trade payables	750	1,500

Group sensitivity

Based on the trade receivables, cash and trade payables held at 31 July 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by $2,833,000/($2,318,000) (2011 - $3,981,000/($3,257,000)), mainly as a result of foreign exchange gains/losses on translation of US dollar receivables and cash balances as detailed in the above table. The Group's equity as at balance date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's equity would have increased/(decreased) by $23,751,000/($26,126,000) (2011 - $25,644,000/($28,209,000)). There is no effect on post-tax profits. Equity in 2012 is less sensitive to movements in the Australian dollar / USD exchange rates than in 2011 because of the decreased value of forward exchange contracts in 2012.

2. FINANCIAL RISK MANAGEMENT (continued)

a. Market risk (continued)

(ii) Price risk

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

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

	Impact on post-tax profit		**Impact on equity**	
Index	**2012**	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
All Ordinaries - 10% increase	-	-	5,335	9,936
All Ordinaries - 10% decrease	(2,295)	(2,443)	(3,041)	(7,493)

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

During the current year, an equity security has been transferred from level 1 to level 2 as this is a better representation of the fair value of the equity security.

(iii) Fair value interest rate risk

Refer to (e) below.

b. Credit risk

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

Credit risk further arises in relation to financial guarantees given to certain parties (see note 22). Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

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

	2012	**2011**
	$000	**$000**
Trade receivables	17,124	110,962
Cash at bank and short term bank deposits	70,990	75,149
Held to maturity investments	1,446,975	1,599,552
Derivative financial instruments	30,364	40,687

c. Liquidity risk

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

(i) Financing arrangements

The Group has no current need of external funding lines.

2. FINANCIAL RISK MANAGEMENT (continued)

d. Maturity of financial liabilities

Non-derivative financial liabilities of the Group all mature within one year. The maturity groupings of derivative financial instruments are detailed in note 35.

e. Cash flow and fair value interest rate risk

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

Based on the deposits held at balance date, the sensitivity to a 1% increase or decrease in interest rates would increase/(decrease) after tax profit by $10,968,000 (2011 - $12,300,000).

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

f. Fair value measurements

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's assets measured and recognised at fair value at 31 July 2012 and 31 July 2011.

2012	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Assets				
Derivatives used for hedging	-	30,364	-	30,364
Available for sale financial assets				
Equity securities	26,659	46,481	-	73,140
Total assets	26,659	76,845	-	103,504

2011	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Assets				
Derivatives used for hedging	-	40,687	-	40,687
Available for sale financial assets				
Equity securities	92,392	-	-	92,392
Total assets	92,392	40,687	-	133,079

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

During the current year, an equity security has been transferred from level 1 to level 2 as the quoted market price has not been deemed to represent fair value.

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates and assumptions

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

(i) Rehabilitation

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

(ii) Determination of coal reserves and coal resources

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

(iii) Mineral Resource Rent Tax (MRRT)

During the year, as a result of the MRRT legislation that was substantively enacted on 19 March 2012 and that is effective from 1 July 2012, additional and offsetting deferred tax balances have been recognised. Judgement is required in assessing whether deferred tax assets and deferred tax liabilities arising from MRRT are recognised on the balance sheet.

Deferred tax assets are recognised only when it is considered probable that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These in turn depend on estimates of future sales volumes, operating costs, capital expenditure and government royalties' payable.

Judgements are also required about the application of the MRRT tax legislation for example in relation to the hypothetical valuation point.

The judgements and assumptions made by management are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

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

(i) Exploration and development expenditure

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

(ii) Impairment of available for sale financial assets

In the 2012 financial statements, the Group made a significant judgement about the impairment of a number of its available for sale financial assets.

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available for sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

4. FINANCIAL REPORTING SEGMENTS

a. Description of segments

The Group has three reportable segments, namely Coal mining (including exploration, development, production and processing), Marketing and logistics (transport infrastructure and marketing activities) and Treasury and investments (including cash, held to maturity investments and available for sale financial assets).

Operating segments have been determined based on the analysis provided in the reports reviewed by the Board, CEO, COO and CFO (being the Chief Operating Decision Maker, "CODM"). The reportable segments reflect how performance is measured, and decisions regarding allocations of resources are made by the CODM.

Other immaterial coal mining and related operations that do not meet the quantitative thresholds requiring separate disclosure in AASB 8 *Operating Segments* have been combined with the current coal mining operations.

Segment information is presented on the same basis as that used for internal reporting purposes. Sales between segments are carried out at arm's length and are eliminated on consolidation.

For the year ended 31 July 2012, new segments have been identified, resulting in the segment data for 31 July 2011 being restated to reflect these new segments.

b. Segment information	Notes	Coal mining $000	Marketing & Logistics $000	Treasury & Investments $000	Total $000
Year ended 31 July 2012					
Total segment revenue		385,734	676,691	86,697	1,149,122
Inter-segment revenue		(381,597)	-	-	(381,597)
Total segment revenue - external customers	5	**4,137**	**676,691**	**86,697**	**767,525**
Reportable segment profit before income tax		**91,935**	**62,084**	**83,991**	**238,010**
Total segment profit before income tax includes:					
Interest revenue	5	-	-	86,650	86,650
Depreciation and amortisation	7	35,008	9,036	-	44,044
Share of net profit / (loss) of associate	38	-	-	(647)	(647)
Reportable segment assets		**634,659**	**201,125**	**1,623,635**	**2,459,419**
Total segment assets includes:					
Investments accounted for using the equity method	38	-	-	32,530	32,530
Additions to non-current assets		61,551	8,444	-	69,995
Year ended 31 July 2011					
Total segment revenue		337,398	559,645	100,457	997,500
Inter-segment revenue		(335,096)	-	-	(335,096)
Total segment revenue - external customers	5	**2,302**	**559,645**	**100,457**	**662,404**
Reportable segment profit before income tax		**91,897**	**23,356**	**93,443**	**208,696**
Total segment profit before income tax includes:					
Interest revenue	5	-	-	100,457	100,457
Depreciation and amortisation	7	33,032	6,489	-	39,521
Share of net profit / (loss) of associate	38	-	-	(447)	(447)
Reportable segment assets		**698,576**	**251,757**	**1,798,915**	**2,749,248**
Total segment assets includes:					
Investments accounted for using the equity method	38	-	-	31,825	31,825
Additions to non-current assets		254,175	19,048	-	273,223

4. FINANCIAL REPORTING SEGMENTS (continued)

b. Segment information (continued)

	2012 $000	2011 $000
Reconciliation of reportable segment profit and loss		
Total profit for reportable segments	238,010	208,696
Non regular items		
Gain of sale of Arrow Energy Limited Investment	-	466,192
Gain on sale of New Lenton Joint Venture	-	57,740
Impairment of available for sale investments	(5,804)	(13,531)
Impairment of goodwill	(33,387)	-
Consolidated profit before income tax	198,819	719,097

c. Other segment information

(i) Segment revenue

	2012 $000	2011 $000
Total segment revenue		
Japan	218,443	192,613
Taiwan / China	390,250	287,748
Chile	13,432	17,860
Hawaii	-	2,163
Australia	58,703	61,563
	680,828	561,947
Investment income - Australia	86,697	100,457
	767,525	662,404

Included within revenue for the marketing and logistics segment are customers that represent more than 10 per cent of the Group's total revenue. For the year ended 31 July 2012, one customer contributed $353,001,000 in sales revenue (2011 - $202,153,00) whilst another customer contributed $193,095,000 in sales revenue (2011 - $156,786,000).

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue reported from external parties is measured in a manner consistent with that in the income statement.

(ii) Segment assets

The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. All non-current assets are located in Australia.

	2012 $000	2011 $000
5. REVENUE		
From continuing operations		
Sales revenue		
Sale of goods	650,318	537,412
Services	25,286	21,008
	675,604	558,420
Other revenue		
Property rent	778	768
Interest	86,650	100,457
Sundry revenue	4,493	2,759
	767,525	662,404
6. OTHER INCOME		
From continuing operations		
Gain on sale of non-current assets (i) (ii)	149	524,127
Significant items in Other Income include:		
(i) Gain of sale of Arrow Energy Limited Investment	-	466,192
(ii) Gain on sale of New Lenton Joint Venture	-	57,740
	-	523,932
7. EXPENSES		
Profit before income tax includes the following specific expenses:		
Foreign exchange gains and losses		
Net foreign exchange losses	4,180	7,522
Depreciation		
Buildings	420	291
Plant and equipment	36,142	32,245
	36,562	32,536
Amortisation		
Mining reserves and mine development	6,408	6,024
Software	1,074	961
	7,482	6,985
Other charges against assets		
Bad and doubtful debts	-	29
Impairment of available for sale investments	5,804	13,531
Impairment of goodwill	33,387	-
	39,191	13,560
Exploration costs expensed	11,338	16,294
Defined contribution superannuation expense	6,118	5,354
Employee benefits expensed	98,004	79,431
Operating lease costs expensed	3,556	3,106

8. INCOME TAX EXPENSE

a. Tax consolidation legislation

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

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

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

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

	2012 $000	2011 $000
b. Income Tax Expense		
Current tax	63,897	208,850
Deferred tax	(29,134)	9,351
Under / (over) provided in prior years	(3,069)	(2,203)
	31,694	**215,998**
Deferred income tax expense / (revenue) included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 19)	(9,331)	(1,864)
(Decrease) / increase in deferred tax liabilities (note 23)	(19,803)	11,215
	(29,134)	**9,351**
c. Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	198,819	719,097
Income tax calculated at 30% (2011 - 30%)	59,646	215,729
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Net capital gains	75	(3,020)
Share based payment expense	365	7
Impairment expense	11,757	4,059
Sundry items	1,094	1,426
	72,937	218,201
Under / (over) provided in prior year	(3,069)	(2,203)
Tax consolidation benefit	(38,174)	-
Income tax expense	**31,694**	**215,998**
d. Tax expense relating to items of other comprehensive income		
Cash flow hedges (note 27(a))	3,097	(4,001)
Available for sale financial assets (note 27(a))	7,418	142,168
	10,515	**138,167**

	2012 $000	2011 $000
9. DIVIDENDS - New Hope Corporation Limited		
a. Ordinary dividend paid		
2010 final dividend of 4.50 cents per share - 100% franked at a tax rate of 30% (paid on 9 Nov 2010)	-	37,361
2010 special dividend of 14.00 cents per share - 100% franked at a tax rate of 30% (paid on 9 Nov 2010)	-	116,232
2011 interim dividend of 5.25 cents per share - 100% franked at a tax rate of 30% (paid on 4 May 2011)	-	43,587
2011 final dividend of 5.00 cents per share - 100% franked at a tax rate of 30% (paid on 8 Nov 2011)	41,512	-
2011 special dividend of 15.00 cents per share - 100% franked at a tax rate of 30% (paid on 8 Nov 2011)	124,534	-
2012 interim dividend of 6.00 cents per share - 100% franked at a tax rate of 30% (paid on 2 May 2012)	49,825	-
Total dividends paid	**215,871**	**197,180**

b. Proposed dividends

In addition to the above dividends, since the end of the financial year, the Directors have declared a final dividend of 5.0 cents and a special dividend of 20.0 cents per fully paid share, (2011 - 5.0 cents per share and 15.0 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 6 November 2012 but not recognised as a liability at year end is $207,631,704 (2011 - $166,046,110).

c. Franked dividends

The franked portions of the final dividends recommended after 31 July 2012 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 2012.

	2012 $000	2011 $000
Franking credits available for subsequent financial years based on a tax rate of 30% (2011 - 30%)	632,772	664,461

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 $88,985,016 (2011 - $71,162,618).

d. Dividend reinvestment plans

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

	2012 $000	2011 $000
10. CURRENT ASSETS - Cash and cash equivalents		
Cash at bank and on hand	70,990	75,149
	70,990	75,149

a. Cash at bank and on hand

Cash at bank and on hand includes deposits for which there is a short term identified use in the operating cashflows of the group, and attracts interest at rates between 0% and 3.7% (2011 - 0% to 5.1%).

b. Risk exposure

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

	2012 $000	2011 $000
11. CURRENT ASSETS - Receivables		
Trade receivables	4,017	30,741
Provision for impairment of receivables (a)	-	-
	4,017	30,741
Other receivables (c)	10,104	75,813
Prepayments	3,003	4,408
	17,124	110,962
a. Impaired trade receivables		
Nominal value of impaired receivables	-	-
Provision for impairment	-	-
Movements in the provision for impairment of receivables		
Carrying amount at beginning of year	-	48
Provision for impairment recognised during year	-	3
Receivables written off during year as uncollectible	-	(51)
	-	-

b. Past due but not impaired

As of 31 July 2012, no trade receivables were past due but not impaired. These relate to customers who have no recent history of default.

c. Other receivables

These amounts relate to long service leave payments recoverable from the Coal Mining Industry Long Service Leave Fund, diesel fuel rebates receivable and GST refunds receivable. In the prior year, $58,040,000 was included in other receivables for the sale of a 10% interest in the Lenton Project and formation of the Lenton Joint Venture. None of these receivables are impaired or past due but not impaired.

d. Foreign exchange and interest rate risk

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

e. Fair value and credit risk

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

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

	2012 $000	2011 $000
12. CURRENT ASSETS - Inventories		
Coal stocks at cost	39,924	45,228
Raw materials and stores at cost	19,636	18,180
	59,560	63,408

a. Inventory expense

Inventories recognised as an expense during the year ended 31 July 2012 amounted to $239,961,000 (2011 - $218,524,000).

	2012 $000	2011 $000
13. CURRENT ASSETS - Held to maturity investments		
Term Deposits	1,446,975	1,599,552
	1,446,975	1,599,552

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 5.10% (2011 - 5.94%). Due to their short-term nature their carrying value is assumed to approximate their fair value. Information about the Group's exposure to credit risk is disclosed in note 2.

	2012 $000	2011 $000
14. CURRENT ASSETS - Other		
Security deposits	299	303
Securities subscription	-	2,499
	299	2,802

The subscription for securities relates to payments made in relation to Northern Energy Corporation Limited's required subscription for preference shares to be issued as part of the project financing for the development of stage 1 of the Wiggins Island Port Development Project. The securities were issued on financial close for stage 1.

During the current financial year, financial close has occurred and the securities have been issued. The securities have been disclosed as non-current other receivables (note 15).

	2012 $000	2011 $000
15. NON-CURRENT ASSETS - Receivables		
Prepayments	1,759	2,275
Other receivables	7,449	3,165
	9,208	5,440

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. None of the non-current receivables are impaired or past due but not impaired.

	2012 $000	2011 $000
16. NON-CURRENT ASSETS - Available for sale financial assets		
Listed securities		
Equity securities	73,137	92,386
Unlisted securities		
Equity securities	3	3
	73,140	92,389

An impairment expense of $5,804,000 (2011 - $13,531,000) has been recognised on listed equity securities held and is included in other expenses at note 7.

	2012 $000	2011 $000
17. NON-CURRENT ASSETS - Property, plant and equipment		
Land and buildings - non-mining		
Freehold land at cost	1,049	1,049
Buildings at cost	8,957	8,069
Accumulated depreciation	(838)	(574)
	8,119	7,495
Total land and buildings - non-mining	9,168	8,544
Land and buildings - held for mining		
Freehold land at cost	127,770	110,804
Buildings at cost	5,620	5,574
Accumulated depreciation	(874)	(718)
	4,746	4,856
Total land and buildings - held for mining	132,516	115,660
Plant and equipment		
Plant and equipment at cost	478,725	450,279
Accumulated depreciation	(217,010)	(184,298)
	261,715	265,981

	2012 $000	2011 $000
17. NON-CURRENT ASSETS - Property, plant and equipment (continued)		
Motor vehicles		
Motor vehicles at cost	5,717	5,255
Accumulated depreciation	(2,951)	(2,602)
	2,766	2,653
Mining reserves and leases		
Mining reserves and leases at cost	228,297	228,297
Accumulated amortisation	(7,379)	(7,017)
	220,918	221,280
Mine properties, mine development		
Mine properties, mine development at cost	59,286	59,286
Accumulated amortisation	(42,923)	(36,877)
	16,363	22,409
Plant and equipment under construction	15,756	27,674
Total Property, plant and equipment	659,202	664,201
Reconciliations		
Land and buildings - non-mining		
Carrying amount at beginning of year	8,544	6,263
Depreciation	(264)	(181)
Transfers in / (out)	888	2,462
Carrying amount at end of year	9,168	8,544
Land and buildings - held for mining		
Carrying amount at beginning of year	115,660	107,275
Additions	16,966	8,108
Depreciation	(156)	(110)
Transfers in / (out)	46	387
Carrying amount at end of year	132,516	115,660
Plant and equipment		
Carrying amount at beginning of year	265,981	245,062
Additions	89	38
Disposals	(27)	(16)
Depreciation	(34,992)	(31,185)
Transfers in / (out)	30,664	52,082
Carrying amount at end of year	261,715	265,981
Motor vehicles		
Carrying amount at beginning of year	2,653	3,100
Additions	53	42
Disposals	(342)	(145)
Depreciation	(1,150)	(1,060)
Transfers in / (out)	1,552	716
Carrying amount at end of year	2,766	2,653

	2012 $000	2011 $000
17. NON-CURRENT ASSETS - Property, plant and equipment (continued)		
Reconciliations (continued)		
Mining reserves and leases		
Carrying amount at beginning of year	221,280	3,113
Additions	-	218,484
Amortisation	(362)	(317)
Carrying amount at end of year	220,918	221,280
Mine properties and mine development		
Carrying amount at beginning of year	22,409	28,116
Amortisation	(6,046)	(5,707)
Carrying amount at end of year	16,363	22,409
Plant and equipment under construction		
Carrying amount at beginning of year	27,674	45,094
Additions	21,744	41,196
Transfers in / (out)	(33,662)	(58,616)
Carrying amount at end of year	15,756	27,674

18. NON-CURRENT ASSETS - Exploration and evaluation

Exploration and evaluation at cost	39,228	8,085
	39,228	8,085
Reconciliation		
Carrying amount at beginning of year	8,085	3,030
Additions	31,143	5,355
Disposals	-	(300)
Carrying amount at end of year	39,228	8,085

19. NON-CURRENT ASSETS - Deferred tax assets

The balance comprises temporary differences attributed to :		
Amounts recognised in profit and loss		
Accrued expenses	90	89
Employee benefits	6,047	4,835
Mine site rehabilitation provision	11,408	5,945
Other	5,091	2,436
	22,636	13,305
Set-off of deferred tax liabilities pursuant to set-off provisions (note 23)	(22,636)	(13,305)
Net deferred tax assets	-	-
Movements		
Carrying amount at beginning of year	13,305	11,441
Credited / (charged) to the income statement (note 8(b))	9,331	1,864
Carrying amount at end of year	22,636	13,305
Deferred tax assets to be recovered after more than 12 months	21,942	12,733
Deferred tax assets to be recovered within 12 months	694	572
	22,636	13,305

Following the substantive enactment of the Minerals Resource Rent Tax (MRRT) on 19 March 2012, the group has had a market value uplift to the tax base of the starting base assets relating to mining. Based on New Hope's MRRT Implementation Project and current guidance from the ATO, the amount of unrecognised deferred tax asset is $529.0 million.

	2012 $000	2011 $000
20. NON-CURRENT ASSETS - Intangibles		
Software		
Software at cost (i)	10,246	9,818
Accumulated amortisation	(7,314)	(6,324)
	2,932	3,494
Goodwill		
Goodwill at cost	17,867	51,254
	17,867	51,254
Total Intangibles	20,799	54,748
Reconciliation		
Software (i)		
Carrying amount at beginning of year	3,494	1,488
Disposals	-	(2)
Transfers in / (out)	512	2,969
Amortisation (ii)	(1,074)	(961)
Carrying amount at end of year	2,932	3,494

(i) Software includes capitalised development costs, being an intangible asset.
(ii) Amortisation is included in cost of sales in profit or loss.

	2012 $000	2011 $000
Goodwill		
Carrying amount at beginning of year	51,254	5,596
Acquisition of subsidiary	-	45,658
Impairment expense (i)	(33,387)	-
Carrying amount at end of year	17,867	51,254

(i) Impairment relates to goodwill previously recognised on the acquisition of Northern Energy Corporation Limited (refer to note 37).

Brought forward goodwill relates to the acquisition of a subsidiary from an independent third party in an arms length transaction. The increase in goodwill in the prior year relates to the acquisition of Northern Energy Corporation Limited (NEC) in an arm's length transaction. The recoverable amount of the cash generating units (being the mining tenements in NEC) are determined based on value in use calculations. These calculations use post-tax cash flow projections based on constant annual coal production over the life of the mines (12-30 years) discounted using a post-tax real discount rate, coal prices of US$85-US$145 per tonne and a AUD/USD exchange rate of $0.80. The equivalent pre-tax discount rate is 10%. These assumptions are consistent with external sources of information.

	2012 $000	2011 $000
21. CURRENT LIABILITIES - Accounts payable		
Trade payables and accruals	40,460	51,639
	40,460	51,639

	2012 $000	2011 $000
22. CURRENT LIABILITIES - Financing Arrangements		
a. Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
Other facilities (i)	85,317	55,000
	85,317	55,000
Used at balance date		
Other facilities	61,635	37,578
	61,635	37,578
Unused at balance date		
Other facilities	23,682	17,422
	23,682	17,422

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

b. Guarantees

The parent entity has given unsecured guarantees in respect of:

	2012 $000	2011 $000
(i) Mining restoration and rehabilitation	37,474	23,526
The liability has been recognised by the consolidated entity in relation to its rehabilitation obligations. See notes 24, 25 and 1(aa).		
(ii) Statutory body suppliers	24,161	14,052
No liability was recognised by the consolidated entity in relation to these guarantees as no losses are foreseen on these contingent liabilities.		

23. NON-CURRENT LIABILITIES - Deferred tax liabilities

	2012 $000	2011 $000
The balance comprises temporary differences attributed to:		
Amounts recognised in profit and loss		
Other accounts receivable	7,257	14,223
Inventories	5,170	4,979
Capitalised exploration	4,542	-
Property plant and equipment	14,401	14,220
Mine reserves	730	839
Other	96	17,738
	32,196	51,999
Amounts recognised relating to deferred tax liabilities from acquisition of subsidiary		
Mine reserves	65,545	65,545
Other	(8,563)	(8,563)
	56,982	56,982
Amounts recognised directly in other comprehensive income		
Cash flow hedges	9,109	12,206
Property plant and equipment	7,160	7,160
Available for sale financial assets	106	7,524
	16,375	26,890
Total deferred tax liabilities	105,553	135,871
Set-off of deferred tax assets pursuant to set-off provisions (note 19)	(22,636)	(13,305)
Net deferred tax liabilities	82,917	122,566

	2012 $000	2011 $000
23. NON-CURRENT LIABILITIES - Deferred tax liabilities (continued)		
Carrying amount at beginning of year	135,871	205,841
Charged / (credited) to the income statement (note 8(b))	(19,803)	11,215
Charged / (credited) to other comprehensive income (note 8(d))	(10,515)	(138,167)
Amounts recognised on acquisition of subsidiary	-	56,982
Carrying amount at end of year	105,553	135,871
Deferred tax liabilities to be settled after more than 12 months	93,126	116,669
Deferred tax liabilities to be settled within 12 months	12,427	19,202
	105,553	135,871

24. CURRENT LIABILITIES - Provisions

Employee benefits (c)	22,830	17,331
Mining restoration and rehabilitation (note 1(aa))	6,015	1,923
	28,845	19,254

a. Mining restoration and rehabilitation

Current	6,015	1,923
Non-current	32,012	17,895
	38,027	19,818
Movements		
Carrying amount at beginning of year	19,818	19,752
Additional provision recognised	18,209	66
Carrying amount at end of year	38,027	19,818

b. Amounts not expected to be settled within the next 12 months

Long service leave obligations expected to be settled after 12 months	4,931	2,712

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

	2012 $000	2011 $000
25. NON-CURRENT LIABILITIES - Provisions		
Employee benefits	3,779	4,241
Mining restoration and rehabilitation (note 1(aa))	32,012	17,895
	35,791	22,136

26. 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 2012 there were nil (2011 - nil) options (management and shareholder) over ordinary shares in the company.

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

b. Options

Information relating to the New Hope Corporation Employee Share Option Plan (ESOP or 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 36.

c. Rights

Information relating to the New Hope Corporation Employee Performance Rights Share Plan, including details of rights granted, vested and lapsed during the financial year and rights outstanding at the end of the financial year, is set out in note 36.

	2012 No. of shares	2012 $000	2011 No. of shares	2011 $000
d. Share Capital				
Issued and paid up capital	830,411,534	92,509	830,230,549	91,500

e. Movements in share capital

Date	Details	Number of Shares	Issue Price	$000
1 August 2010	Opening Balance	827,730,549		84,226
16 August 2010	Exercise of management options	2,500,000	$2.1040	5,260
31 July 2011	Transfer of ESOP reserve to Equity			2,014
31 July 2011	**Balance**	**830,230,549**		**91,500**
1 January 2012	Vesting of performance rights	180,985	$0.0000	-
31 July 2012	Transfer from SBP reserve to Equity (note 27(a))			1,009
31 July 2012	**Balance**	**830,411,534**		**92,509**

f. Capital risk management

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

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

27. RESERVES

	2012 $000	2011 $000
a. Reserves		
Capital profits	1,343	1,343
Available-for-sale investments revaluation	5,373	16,615
Property, plant and equipment revaluation	27,412	27,412
Hedging	21,255	28,481
Share-based payments	1,216	-
Premium paid on non-controlling interest acquisition	(6,029)	-
	50,570	73,851

27. RESERVES (continued)

a. Reserves (continued)

	Note	2012 $000	2011 $000
Movements			
Capital profits			
Carrying amount at beginning of year		1,343	1,343
Carrying amount at end of year		1,343	1,343
Available for sale investments revaluation			
Carrying amount at beginning of year		16,615	353,615
Revaluation - gross		(18,660)	(20,023)
Revaluation - deferred tax	8(d)	7,418	2,311
Transfer to profit or loss, impairment expense		-	13,531
Transfer to profit or loss, sale of Arrow Energy Limited - gross	6	-	(466,192)
Transfer to profit or loss, sale of Arrow Energy Limited - deferred tax	8(d)	-	139,857
Elimination on acquisition of subsidiary - Northern Energy Corporation Limited		-	(6,484)
Carrying amount at end of year		5,373	16,615
Property, plant and equipment revaluation			
Carrying amount at beginning of year		27,412	27,412
Carrying amount at end of year		27,412	27,412
Hedging			
Carrying amount at beginning of year		28,481	19,145
Transfer to net profit - gross		(25,620)	(43,129)
Transfer to net profit - deferred tax	8(d)	7,686	12,939
Revaluation - gross		15,297	56,466
Revaluation - deferred tax	8(d)	(4,589)	(16,940)
Carrying amount at end of year		21,255	28,481
Share-based payment			
Carrying amount at beginning of year		-	1,989
Share based payment expense	30(c)	2,225	25
Transfer to contributed equity	26(d)	(1,009)	(2,014)
Carrying amount at end of year		1,216	-
Premium paid on non-controlling interest acquisition			
Carrying amount at beginning of year		-	-
Acquisition of subsidiary - Northern Energy Corporation Limited		(6,029)	-
Carrying amount at end of year		(6,029)	-

27. RESERVES (continued)

a. Reserves (continued)

Nature and purpose of reserves

Capital profits

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

Available for sale investments revaluation

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

Property, plant and equipment revaluation

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

Hedging

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

Share based payment reserve

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

Premium paid on non-controlling interest acquisition

The premium paid on non-controlling interest acquisition is used to recognise any excess paid on the acquisition of a non-controlling interest in a subsidiary.

	2012 $000	2011 $000
b. Retained profits		
Carrying amount at beginning of year	2,157,849	1,851,795
Net profit after income tax	167,126	503,234
Dividends paid (note 9)	(215,871)	(197,180)
Carrying amount at end of year	2,109,104	2,157,849

28. CONTINGENT LIABILITIES

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

	2012	2011
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.	14,857	15,017
The bankers of the consolidated entity have issued undertakings and guarantees in relation to stages 1 and 2 of the Wiggins Island Coal Export Terminal expansion project and expansion of rail facilities.	10,317	11,892

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

29. COMMITMENTS

a. Capital commitments

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

	2012	2011
Property plant and equipment		
Within one year	7,334	13,263
Later than one year but not later than five years	-	-
Later than five years	-	-
	7,334	13,263

	2012 $000	2011 $000

29. COMMITMENTS (continued)

b. Lease commitments: Group as lessee

(i) Non-cancellable operating leases

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

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

	2012 $000	2011 $000
Within one year	3,095	3,268
Later than one year but not later than five years	14,491	14,029
Later than five years	52,141	57,795
	69,727	75,092

30. 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 (ceased to be a Director on 11 July 2012)
Mr W.H. Grant

Executive Directors

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

b. Other key management personnel

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

Name	Position	Employer
Mr S.O. Stephan	Chief Financial Officer	New Hope Corporation Limited
Mr B.D. Denney	Chief Operations Officer	New Hope Corporation Limited
Mr M. J. Busch	Financial Controller and Company Secretary	New Hope Corporation Limited

c. Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	6,457,823	6,026,883
Long-term employee benefits	30,821	30,028
Post employment benefits	128,365	194,048
Termination benefits	-	66,238
Share based payment	2,151,608	23,753
	8,768,617	6,340,950

Detailed remuneration disclosures can be found in sections (a) to (f) of the remuneration report on pages 13 to 20.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

d. Equity instrument disclosures relating to key management personnel

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

Details of options and rights provided as remuneration and shares issued on the exercise of such options and rights, together with the terms and conditions, can be found in section (d) of the remuneration report on pages 13 to 20.

(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:

		Movements during the year				
	Opening balance	Granted	Purchased / (Sold)	Exercised	Closing balance	Vested & exercisable
Directors of New Hope Corporation Ltd - 2012						
Mr R.D. Millner	-	-	-	-	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	-	-	-	-	-	-
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
Mr R.C. Neale	-	-	-	-	-	-
Other key management personnel of the Group - 2012						
Mr S.O. Stephan	-	-	-	-	-	-
Mr B.D. Denney	-	-	-	-	-	-
Mr M.J. Busch	-	-	-	-	-	-
Directors of New Hope Corporation Ltd - 2011						
Mr R.D. Millner	-	-	-	-	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	-	-	-		-	-
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
Mr R.C. Neale	-	-	-	-	-	-
Other key management personnel of the Group - 2011						
Mr M.L. Bailey	1,500,000	-	-	(1,500,000)	-	-
Mr S.O. Stephan	-	-	-	-	-	-
Mr B.J. Garland	1,000,000	-	-	(1,000,000)	-	-
Mr D. Brown-Kenyon	-	-	-	-	-	-
Mr C.C. Hopkins	-	-	-	-	-	-
Mr C.W. Easton	-	-	-	-	-	-
Mr B.D. Denney	-	-	-	-	-	-
Mr M.J. Busch	-	-	-	-	-	-
Mr J.R. Randell	-	-	-	-	-	-
Mr P. Stringer	-	-	-	-	-	-
Mr K. Palfrey	-	-	-	-	-	-

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

(iii) Rights holdings

The numbers of rights 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:

		Movements during the year				
	Opening balance	**Granted**	**Purchased / (Sold)**	**Exercised**	**Closing balance**	**Vested & exercisable**
Directors of New Hope Corporation Ltd - 2012						
Mr R.D. Millner	-	-	-	-	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	-	-	-	-	-	-
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
Mr R.C. Neale	-	428,708	-	(165,925)	262,783	-
Other key management personnel of the Group - 2012						
Mr S.O. Stephan	-	73,888	-	(10,040)	63,848	-
Mr B.D. Denney	-	32,040	-	-	32,040	-
Mr M.J. Busch	-	36,100	-	(5,020)	31,080	-
Directors of New Hope Corporation Ltd - 2011						
Mr R.D. Millner	-	-	-	-	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	-	-	-		-	-
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
Mr R.C. Neale	-	-	-	-	-	-
Other key management personnel of the Group - 2011						
Mr M.L. Bailey	-	-	-	-	-	-
Mr S.O. Stephan	-	-	-	-	-	-
Mr B.J. Garland	-	-	-	-	-	-
Mr D. Brown-Kenyon	-	-	-	-	-	-
Mr C.C. Hopkins	-	-	-	-	-	-
Mr C.W. Easton	-	-	-	-	-	-
Mr B.D. Denney	-	-	-	-	-	-
Mr M.J. Busch	-	-	-	-	-	-
Mr J.R. Randell	-	-	-	-	-	-
Mr P. Stringer	-	-	-	-	-	-
Mr K. Palfrey	-	-	-	-	-	-

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

(iv) 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.

		Movements during the year			
	Opening balance	Purchased / (sold)	Received from rights or options exercised	Other	Closing balance
Directors of New Hope Corporation Ltd - 2012					
Mr R.D. Millner	3,670,573	11,389	-	-	3,681,962
Mr P.R. Robinson	109,234	-	-	-	109,234
Mr D.J. Fairfull	11,000	-	-	-	11,000
Mr D.C. Williamson	20,000	-	-	-	20,000
Mr W.H. Grant	30,000	-	-	-	30,000
Mr R.C. Neale	2,005,500	-	165,925	-	2,171,425
Other key management personnel of the Group - 2012					
Mr S.O. Stephan	-	-	10,040	-	10,040
Mr B.D. Denney	-	-	-	-	-
Mr M.J. Busch	650,000	-	5,020	-	655,020
Directors of New Hope Corporation Ltd - 2011					
Mr R.D. Millner	3,620,573	50,000	-	-	3,670,573
Mr P.R. Robinson	109,234	-	-	-	109,234
Mr D.J. Fairfull	11,000	-	-	-	11,000
Mr D.C. Williamson	20,000	-	-	-	20,000
Mr W.H. Grant	20,000	10,000	-	-	30,000
Mr R.C. Neale	2,005,500	-	-	-	2,005,500
Other key management personnel - 2011					
Mr S.O. Stephan	-	-	-	-	-
Mr B.D. Denney	-	-	-	-	-
Mr M.J. Busch	675,000	(25,000)	-	-	650,000
Mr M.L. Bailey	-	(885,000)	1,500,000	-	615,000
Mr B.J. Garland	-	(1,000,000)	1,000,000	-	-
Mr C.C. Hopkins	37,230	-	-	-	37,230
Mr C.W. Easton	1,000,000	(166,921)	-	-	833,079
Mr J.R. Randell	-	-	-	-	-
Mr P. Stringer	-	-	-	-	-
Mr K. Palfrey	-	-	-	-	-

e. Other transactions of key management personnel

Mr D.J. Fairfull is a Director of New Hope Corporation Limited. Mr Fairfull also had an interest in Pitt Capital Partners Limited which acted as Financial Advisor to the Company for various corporate transactions during the 2012 and 2011 financial years. All transactions are at prices similar to those with other customers.

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 at prices similar to those with other customers.

30. 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:

	2012 $	2011 $
Legal advice	984,556	895,561
Financial advice fees paid	1,120,870	2,126,424

f. Loans to key management personnel

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

31. 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 2012 owned 59.69% (2011 - 59.71%) of the issued ordinary shares of New Hope Corporation Limited.

b. Key management personnel

Disclosures relating to key management personnel are set out in note 30.

	2012 $	2011 $
c. Transactions with related parties		
Other transactions		
Dividends paid to ultimate Australian controlling entity (WHSP)	128,881,069	117,727,899

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

No provision for impairment of receivables has been raised to any outstanding balances. An impairment expense of $nil (2011 - $nil) has been recognised in the books of the parent entity in respect of amounts owing from subsidiaries. This has no effect on the Group result.

e. Terms and conditions

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

32. 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:

	2012 $	2011 $
a. Audit services		
PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the *Corporations Act 2001*	279,232	302,447
Non PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	10,000
Total remuneration for audit services	279,232	312,447
b. Other services		
PricewaterhouseCoopers Australian firm		
Transaction tax & advisory services	908,441	429,509
General advisory services	266,971	100,611
Tax compliance services	217,272	315,726
Tax compliance services - MRRT	419,498	-
Research and development compliance services	282,984	208,777
Non PricewaterhouseCoopers firms		
Taxation services	-	6,130
Total remuneration for other services	2,095,166	1,060,753
Total auditors' remuneration	2,374,398	1,373,200

33. RECONCILIATION OF NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX

	2012 $000	2011 $000
Profit after income tax	167,125	503,099
Depreciation and amortisation	44,044	39,521
Non-cash employee benefit expense - share based payments	1,216	25
Impairment costs of available for sale assets	5,804	13,531
Impairment costs of goodwill	33,387	-
Net foreign exchange (gain) / loss	4,180	7,522
Net (profit) / loss on sale of non-current assets	(149)	(524,127)
Investment interest income	(86,650)	(100,457)
Income taxes paid	(208,516)	(66,652)
Income tax expense in accounts	31,694	215,998
Share of (profits) / losses of associates	647	447
Changes in operating assets and liabilities		
(Increase) / decrease in debtors	36,144	(665)
Increase / (decrease) in creditors	(4,696)	(6,111)
(Increase) / decrease in other receivables	(7,906)	(1,670)
(Increase) / decrease in other assets	1,186	(2,519)
(Increase) / decrease in inventories	3,848	(18,293)
Increase / (decrease) in provisions and employee entitlements	22,752	3,917
(Increase) / decrease in prepayments	(1,085)	(834)
Net cash provided by operating activities	43,025	62,733

34. EARNINGS PER SHARE

	Earnings per share (cents) 2012	2011
a. Basic earnings per share from continuing operations attributable to ordinary equity holders of the Company	20.1	60.6
b. Diluted earnings per share from continuing operations attributable to ordinary equity holders of the Company	20.1	60.6

	Basic and Diluted 2012 $000	2011 $000
c. Reconciliation of adjusted profits		
Profit from continuing operations attributable to the ordinary equity holders of the Company	167,126	503,234

	Consolidated 2012	2011
d. Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares (basic)	830,335,876	830,127,809
Rights	349,853	-
Weighted average number of ordinary shares (diluted)	830,685,729	830,127,809

e. Rights granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in note 36.

	2012 $000	2011 $000
35. DERIVATIVE FINANCIAL INSTRUMENTS		
CURRENT ASSETS		
Forward foreign exchange contracts	20,393	31,880
NON-CURRENT ASSETS		
Forward foreign exchange contracts	9,971	8,807

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 $30,364,000 (2011 - $40,687,000).

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

Sell US Dollars	**Buy Australian Dollars**		**Average exchange rate**	
	2012	**2011**	**2012**	**2011**
Maturity	**$000**	**$000**		
0 to 6 months	106,225	112,572	0.93198	0.95050
6 to 12 months	83,397	182,283	0.91130	0.94359
1 to 2 years	29,483	39,519	0.91579	0.75913
2 to 5 years	84,568	-	0.86321	-
	303,673	334,374		

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 $303,673,000 (2011 - $334,374,000) was receivable (AUD equivalents).

36. SHARE-BASED PAYMENTS

Options and rights are granted under the New Hope Corporation Ltd Employee Share Option Plan and the New Hope Corporation Ltd Employee Performance Rights Share Plan. Membership of the Plans 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.

Performance rights and share options are issued subject to a service condition. Performance rights and share options vest in equal annual tranches over the period of the service condition. Upon satisfaction of the service conditions, performance rights automatically convert to ordinary shares and share options will vest and be convertible into ordinary shares at the discretion of the employee for a period of up to two years from the vesting date.

Rights are granted for no consideration. Rights will vest and automatically convert to ordinary shares in the company following the satisfaction of the relevant service conditions. Service conditions applicable to each issue of rights are determined by the board at the time of grant. Total expense arising from rights issued under the employee performance share rights plan during the financial year was $2,225,000 (2011 - $nil).

Options are granted for no consideration. Options are granted for a 5 year period, and vest after the third anniversary of the date of grant. Total expense arising from options issued under the employee share option plan during the financial year was $nil (2011 - $25,000).

36. SHARE-BASED PAYMENTS (continued)

Rights

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

Grant date	Vesting Date	Value of Right at Grant Date	Balance at beginning of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Balance at the end of the year Number
2012							
27 Oct 2011	1 Jan 2012	$5.170	-	180,985	(180,985)	-	-
27 Oct 2011	1 Aug 2012	$5.170	-	94,834	-	-	94,834
27 Oct 2011	1 Aug 2013	$5.170	-	64,059	-	-	64,059
27 Oct 2011	1 Aug 2014	$5.170	-	39,458	-	-	39,458
17 Dec 2011	1 Aug 2012	$6.020	-	20,447	-	-	20,447
17 Dec 2011	1 Dec 2012	$6.020	-	36,537	-	-	36,537
17 Dec 2011	1 Aug 2013	$6.020	-	56,984	-	-	56,984
17 Dec 2011	1 Aug 2014	$6.020	-	56,985	-	-	56,985
17 Dec 2011	1 Aug 2015	$6.020	-	20,447	-	-	20,447
Total			**-**	**570,736**	**(180,985)**	**-**	**389,751**
Weighted average exercise price				5.4551	5.1700		5.5874
2011							
No rights were granted during 2011			-	-	-	-	-
Total			**-**	**-**	**-**	**-**	**-**

The weighted average share price at the date of exercise of rights vested during the 2012 year was $5.57 (2011 - $nil). The weighted average remaining contractual life of share rights outstanding at the end of the period was 1.7 years (2011 - 0.0 years).

Options

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

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
2012								
No options were granted during 2012			-	-	-	-	-	-
Total			**-**	**-**	**-**	**-**	**-**	**-**
2011								
13 Aug 2007	12 Aug 2012	$2.104	2,500,000	-	(2,500,000)	-	-	-
Total			**2,500,000**	**-**	**(2,500,000)**	**-**	**-**	**-**
Weighted average exercise price			2.1040		2.1040			

The weighted average share price at the date of exercise of options exercised during the 2012 year was $nil (2011 - $4.79).

36. SHARE-BASED PAYMENTS (continued)

For the rights granted during the current year, the fair value at grant date is calculated as the number of rights offered at the five day volume weighted average share price at offer date. For the prior year's options the fair value is independently determined using a monte carlo option pricing model. The inputs and assumptions for the grant made during prior period is 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
13 Aug 2007	12 Aug 2012	$2.104	$2.220	44.0%	4.0%	6.0%	$0.745

Expected volatility was estimated using the weekly (continuously-compounded) returns to New Hope Corporation Limited since its listing in 2003. There are no market related vesting conditions. Expenses arising from share based payment transactions are included in other expenses in the Statement of Comprehensive Income.

37. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 11 November 2011 Northern Energy Corporation Limited (Northern Energy) became 100% owned by New Hope Corporation Limited (New Hope), with the remaining interest of 19.17% purchased for $50,207,000. The acquisition was recognised by the Group as a decrease in non-controlling interests of $44,177,000 and a decrease in equity reserves attributable to the owners of the parent of $6,029,000.

As a result of 100% ownership being attained, Northern Energy became part of the New Hope tax consolidated group.

Upon joining the tax consolidated group, Northern Energy tax bases were reset which resulted in a reduction of $38,348,000 in the deferred tax position. This indicator of impairment led to a reassessment of the carrying value of Goodwill and a subsequent impairment charge of $33,387,000.

The overall impact on the Group profit after income tax was an increase of $4,961,000. This amount is primarily attributable to the recognition of prior period losses that have become usable upon Northern Energy joining the New Hope tax consolidated group.

38. INVESTMENTS IN ASSOCIATES

a. Movements in carrying amounts

	2012 $000	2011 $000
Carrying amount at the beginning of the financial year	31,825	-
Additions	1,352	32,272
Share of profits after income tax	(647)	(447)
Carrying amount at the end of the financial year	32,530	31,825

b. Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets and liabilities are as follows:

	Ownership Interest %	Company's share of: Assets $000	Liabilities $000	Revenues $000	Profit / (Loss) after income tax $000
2012					
Quantex Energy Inc.	25	524	1,624	-	(955)
Quantex Research Corporation	25	2,918	(4)	-	(86)
Bridgeport Energy Limited	36	12,691	662	2,325	394
		16,133	2,282	2,325	(647)
2011					
Quantex Energy Inc.	25	531	700	163	(185)
Quantex Research Corporation	25	2,813	(4)	1	(244)
Bridgeport Energy Limited	35	10,293	599	2,188	(18)
		13,637	1,295	2,352	(447)

Quantex Energy Inc. and Quantex Research Corporation's unaudited financial statements as at 30 June 2012 (2011 - 31 July 2011) have been used to account for the Group's investment. Bridgeport Energy Limited's unaudited financial statements as at 30 April 2012 (2011 - 30 June 2011) have been used to account for the Group's investment. It has been deemed impractical to use financial statements of Quantex Energy Inc., Quantex Research Corporation and Bridgeport Energy Limited as at 31 July 2012 (2011 - 31 July 2011).

39. INTERESTS IN JOINT VENTURES

a. Lenton Joint Venture

A subsidiary of New Hope Corporation Limited has entered into a joint venture to develop the Lenton project. The subsidiary has a 90% participating interest in this joint venture and is entitled to 90% of the output of the Lenton project. The group's interests employed in the joint venture are included in the balance sheet, in accordance with the accounting policy described in note 1(b).

b. Taroom-Yamala Joint Venture

In March 2006, Northern Energy Corporation Limited, entered into a joint venture in relation to its Yamala (EPC927) project on the following terms:

An external company will earn a 30% Joint Venture interest in the Yamala project (EPC927) through sole funding a three-stage $5.30 million exploration and evaluation programme designed to take the project from its current status as an exploration target to completion of a bankable feasibility study for establishment of a mine within the tenement. On completion of the funding of the $5.30 million farm-in, the external company will have the option to acquire a further 19% joint venture interest for $6.65 million. As at 31 July 2012 the first two stages had been completed by funding of $3.00 million and had earned a 17% interest in the project. At 31 July 2012 $nil is carried as exploration expenditure in relation to EPC927.

c. Ashford Joint Venture

In February 2005, Northern Energy Corporation Limited (Northern Energy), entered into a joint venture in relation to the Ashford project. This project allows for the exploration and evaluation, and if warranted, development and exploitation of the tenements and all of the minerals within the tenements. Northern Energy acquired a 50% participating interest in the tenements with an option to acquire a further 25% participating interest in the tenements by sole funding certain expenditure.

40. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Bridgeport Energy Limited Takeover Offer

On the 26 July 2012, New Hope Corporation Limited (New Hope) announced that, through one of its subsidiaries, it intended to make an off market takeover bid for all the shares it did not currently hold in Bridgeport Energy Limited (Bridgeport). The offer was for $0.41 cash per Bridgeport share equivalent to $45.49 million. Subsequent to year end, New Hope has acquired 100% of the equity in Bridgeport.

Bridgeport Energy Limited's unaudited management accounts as at 31 July 2012 reported the following assets and liabilities:

	$000
Estimated consideration payable	45,488
Fair Value of previous interest in acquiree	18,876
	64,364
Cash	2,101
Receivables	1,009
Inventory	87
Plant and equipment	1,020
Oil producing assets	27,897
Accounts payable	(969)
Provisions	(1,651)
Net assets acquired	29,494
Difference on acquisition (net asset fair value adjustment, identifiable intangibles, goodwill, etc.)	34,870

Acquisition related costs of $385,000 are included in other expenses in profit and loss and in operating cash flows in the statement of cash flows.

As at 31 July 2012, the initial acquisition accounting is incomplete and the above amounts are only provisional. The business combination accounting will be finalised during the 2013 financial year.

41. PARENT ENTITY FINANCIAL INFORMATION

a. Summary financial information

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

	2012 $000	2011 $000
Balance Sheet		
Current assets	1,963,160	1,997,129
Non-current assets	13,932	14,221
Total assets	1,977,092	2,011,350
Current liabilities	229,613	463,040
Non-current liabilities	6,164	13,368
Total liabilities	235,777	476,408
Shareholders' equity		
Issued capital	92,509	91,500
Reserves		
Share-based payments	1,216	-
Retained earnings	1,647,590	1,443,442
	1,741,315	**1,534,942**
Profit for the year	**375,019**	**51,568**
Total comprehensive income	**375,019**	**51,568**

b. Guarantees entered into by parent entity

	2012 $000	2011 $000
Bank guarantees issued in relation to rehabilitation and utility obligations	37,474	23,526
	37,474	**23,526**

The parent entity has given unsecured guarantees in respect of mining restoration and rehabilitation. The liability has been recognised by the parent entity in relation to its rehabilitation obligations. See notes 24, 25 and 1(aa).

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

c. Contingent liabilities of the parent entity

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

	2012 $000	2011 $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.	14,857	15,017

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

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

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

As at 31 July 2012, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $74,000 (2011 - $nil). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

42. DEED OF CROSS GUARANTEE

During 2012, a number of entities within the group entered into a deed of cross guarantee. New Hope Corporation Limited, Jeebropilly Collieries Pty Ltd, Acland Pastoral Co. Pty Ltd, New Oakleigh Coal Pty Ltd, New Acland Coal Pty Ltd, New Lenton Coal Pty Ltd, Andrew Wright Holdings Pty Ltd, Arkdale Pty Ltd and Queensland Bulk Handling Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

As the deed was only entered into during the current financial year, no comparatives have been presented.

a. Consolidated statement of comprehensive income

The above companies represent a "closed group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by New Hope Corporation Limited, they also represent the "extended closed group".

Set out below is the consolidated statement of comprehensive income for the year ended 31 July 2012 for the closed group consisting of New Hope Corporation Limited, Jeebropilly Collieries Pty Ltd, Acland Pastoral Co. Pty Ltd, New Oakleigh Coal Pty Ltd, New Acland Coal Pty Ltd, New Lenton Coal Pty Ltd, Andrew Wright Holdings Pty Ltd, Arkdale Pty Ltd and Queensland Bulk Handling Pty Ltd.

	2012 $000
Revenue from continuing operations	739,883
Other income	151
	740,034
Expenses	
Cost of sales	(335,587)
Marketing and transportation	(140,846)
Administration	(26,101)
Other expenses	(1)
Profit before income tax	**237,499**
Income tax expense	(64,616)
Profit after income tax for the year	**172,883**
Other comprehensive income	
Changes to the fair value of cash flow hedges, net of tax	10,708
Transfer to the P&L - Cashflow Hedges, net of tax	(17,934)
Other comprehensive income for the year, net of tax	(7,226)
Total comprehensive income for the year	**165,657**

42. DEED OF CROSS GUARANTEE (continued)

b. Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 July 2012 of the closed group consisting of New Hope Corporation Limited, Jeebropilly Collieries Pty Ltd, Acland Pastoral Co. Pty Ltd, New Oakleigh Coal Pty Ltd, New Acland Coal Pty Ltd, New Lenton Coal Pty Ltd, Andrew Wright Holdings Pty Ltd, Arkdale Pty Ltd and Queensland Bulk Handling Pty Ltd.

	2012 $000
Current assets	
Cash and cash equivalents	69,025
Trade and other receivables	218,913
Inventories	59,560
Held to maturity investments	1,435,961
Derivative financial instruments	20,392
Other	116
Total current assets	1,803,967
Non-current assets	
Receivables	4,181
Other financial assets	248,183
Derivative financial instruments	9,971
Property, plant and equipment	370,715
Exploration and evaluation assets	17,148
Intangible assets	8,525
Total non-current assets	658,723
Total assets	**2,462,690**
Current liabilities	
Trade and other payables	58,952
Current tax liabilities	54,345
Provisions	27,592
Total current liabilities	140,889
Non-current liabilities	
Deferred tax liabilities	23,699
Provisions	32,246
Total non-current liabilities	55,945
Total liabilities	**196,834**
Net assets	**2,265,856**
Equity	
Contributed equity	88,413
Reserves	58,941
Retained earnings	2,118,502
Total equity	**2,265,856**

DIRECTORS' DECLARATION

In the Directors' opinion:

a. the financial statements and notes set out on pages 29 to 76 are in accordance with the *Corporations Act 2001* , including:
   (i) complying with *Accounting Standards* , the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2012 and of their performance, for the financial year ended on that date; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts, as and when they become due and payable; and

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

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

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

R.D. Millner
Director

D.J. Fairfull
Director

Sydney
17 September 2012

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

Report on the financial report

We have audited the accompanying financial report of New Hope Corporation Limited (the company), which comprises the balance sheet as at 31 July 2012, and the statement of comprehensive income, statement of changes in equity and cashflow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the New Hope Corporation Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* , that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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pwc

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* ; and

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 20 of the directors' report for the year ended 31 July 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001* . Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of New Hope Corporation Limited for the year ended 31 July 2012, complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers

Simon Neill	Sydney
Partner	17 September 2012

SHAREHOLDER INFORMATION AS AT 14 SEPTEMBER 2012

As at 14 September 2012 there were 9,823 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 rights holders	Ordinary rights
1 - 1,000	2,450	1,335,585	4	274,470
1,001 - 5,000	3,857	11,377,407	-	-
5,001 - 10,000	2,164	15,237,356	-	-
10,001 - 100,000	1,264	31,242,955	-	-
100,001 and over	88	771,333,512	-	-
	9,823	830,526,815	4	274,470
Holding less than a marketable parcel	375	17,780		

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

Shareholder	Number of shares	%
Washington H Soul Pattinson And Company Limited	495,696,418	59.68%
Mitsubishi Materials Corporation	91,490,000	11.02%
Perpetual Limited and subsidiaries	67,674,630	8.15%

20 largest shareholders as disclosed on the share register as at 14 September 2012

1	Washington H Soul Pattinson And Company Limited	495,696,418	59.68%
2	Mitsubishi Materials Corporation	93,240,000	11.23%
3	J P Morgan Nominees Australia Limited	27,148,649	3.27%
4	RBC Investor Services Australia Nominees Pty Limited (Pi Pooled A/C)	26,766,997	3.22%
5	Domer Mining Co Pty Limited	22,000,000	2.65%
6	National Nominees Limited	20,295,028	2.44%
7	Farjoy Pty Ltd	15,500,000	1.87%
8	BKI Investment Company Limited	14,760,452	1.78%
9	HSBC Custody Nominees (Australia) Limited	5,841,985	0.70%
10	JP Morgan Nominees Australia Limited (Cash Income A/C)	5,368,175	0.65%
11	Citicorp Nominees Pty Limited	4,951,963	0.60%
12	Taiheiyo Kouhatsu Inc	4,054,000	0.49%
13	Pacific Custodians Pty Limited (New Hope Employee S/P A/C)	3,750,000	0.45%
14	BNP Paribas Noms Pty Ltd (Master Cust DRP)	2,683,110	0.32%
15	UBS Nominees Pty Ltd	2,437,850	0.29%
16	RBC Investor Services Australia Nominees Pty Limited (PIIC A/C)	2,155,794	0.26%
17	J S Millner Holdings Pty Limited	2,009,197	0.24%
18	RBC Investor Services Australia Nominees Pty Limited (Piselect A/C)	1,857,947	0.22%
19	Milton Corporation Limited	1,290,107	0.16%
20	Dixson Trust Pty Limited	1,225,596	0.15%
		753,033,268	90.67%

Unquoted equity securities	Number on issue	Number of holders
Rights issued under the New Hope Corporation Limited Employee Performance Rights Share Plan to take up ordinary shares	274,470	4

ABN: 38 010 653 844