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ASX Release

New Hope Corporation Limited to Commercialise New Coal to Liquids Technology with Superior Environmental Performance

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

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

The process is essentially a closed loop system with the coal diluent being recycled without CO₂ gas production in the process itself. The pitch product produced by this exclusive technology is then able to be exported or upgraded by a number of known alternative technologies, to produce a range of different petroleum or petrochemical outputs including synthetic crude oil and synthetic metallurgical coke. A gasifier fuel is produced, which provides the fuel for the process after start up. It is likely the process may produce excess hydrogen and no water is consumed. Detailed engineering is underway and should be completed by the end of the year with the construction of a "proof of concept" plant in 2011 providing process results in 2012.



Carbon Anode

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

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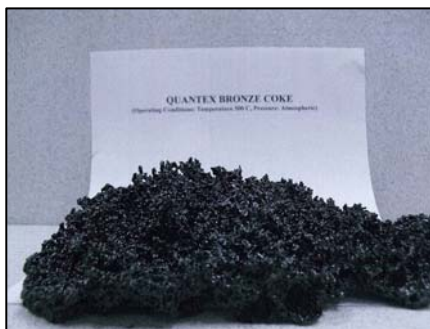
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Our objective is to maximise the flexibility of the process with the main economic driver being the capacity for SCO production. We are engaging refining and upgrading expertise to evaluate the best mix of existing technologies and product value. It is likely that specific coal properties, geographical location, infrastructure and local refinery capabilities will determine the optimal technology mix to maximise financial returns.



Synthetic Crude Oil



Synthetic Coke

The demand for high grade metallurgical coals is growing, driven by the growth of Chinese and Indian markets supported by strong demand from Korea and Japan. At the same time, mining costs are increasing as are transportation costs, while the average quality of worldwide metallurgical coal is deteriorating.

The steel mills are increasing their efforts in developing technological changes to counter these increasing cost trends. Carbon by-products from the NHC-QRC process will be targeted for use in blast furnaces. A research and development objective is to develop new synthetic coke, which would have ultra low volatiles, negligible ash, and exceptionally low phosphorous, sulphur and trace metals. This technology also has the potential to lower the carbon footprint of conventional coke and steel making processes.

In summary, the wide global distribution of existing coal types and reserves provides the opportunity for this NHC-QRC process to replace a portion of the global crude oil supply, especially in high growth areas of Asia, China and India, the high energy consumers in Japan and Korea and in the mature markets rich in coal resources and infrastructure, such as North America. The process is compatible with conventional oil industry refining techniques, and offers the opportunity to provide a secure, cost competitive crude supply to refineries.

The commercialisation of any new technology always has unknown and significant risks and this process is no exception. While the process technology is proven at laboratory and large bench test scale, there are risks associated with the scale up of the technology. These scale up issues will be evaluated through the construction and operation of the "Proof of Concept" plant proposed for 2011.

For further information, please contact:

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