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New Hope Offer to acquire Northern Energy

- **New Hope announces a highly compelling cash offer for Northern Energy of \$1.50 per share**
- **Cash offer represents a 55.6% premium to the 1 month VWAP on 6 October 2010, the date prior to Northern Energy shares being placed in a trading halt**
- **Offer provides Northern Energy shareholders with certainty of value for their shares**
- **Offer subject to limited conditions**
- **New Hope can fund Northern Energy's project pipeline from cash reserves**

New Hope Corporation Limited ("New Hope") announces a **\$1.50** per share all-cash off-market takeover offer to acquire all the outstanding Northern Energy Corporation ("NEC") shares¹ ("NEC Shares") not already owned by New Hope² ("Offer").

The Offer values the total equity of NEC at \$193 million.

ATTRACTIVE PREMIUM AND CERTAINTY OF VALUE OFFERED

Based on the period up to 6 October 2010, being the day prior to Northern Energy Shares being placed in a trading halt, New Hope's highly compelling offer represents:

- A premium of 42.9% to \$1.05, the closing price for NEC Shares on 6 October 2010;
- A premium of 55.6% to \$0.96, the 1 month Volume Weighted Average Price ("VWAP") of NEC Shares up to 6 October 2010; and
- A premium of 48.1% to \$1.01, the 3 month VWAP of NEC Shares up to 6 October 2010.

New Hope notes that its Offer represents a premium of 57.9% to \$0.95, the closing price of NEC Shares on 29 September 2010, being the day prior to New Hope's formal approach to NEC.

New Hope Chairman Mr Robert Millner said: "We believe this to be a very attractive offer for NEC shareholders as it is at a substantial premium to NEC's recent trading history. Our offer also provides certainty of value in what has been a volatile period for NEC shareholders.

"Northern Energy is a coal exploration company and requires significant amounts of additional capital to develop its project pipeline. New Hope has a strong balance sheet and the capacity to

¹ The Offer extends to NEC Shares that may be issued on exercise of NEC options during the Offer period.

² New Hope has a relevant interest in 4.9% of the shares in NEC

develop NEC's projects from existing cash reserves. New Hope's Offer allows NEC shareholders the opportunity to exit at a highly attractive price without the need to contribute further cash to NEC."

"For New Hope, the proposed acquisition of NEC enables New Hope to gain further exposure to the metallurgical coal market as well as providing an additional thermal coal development pipeline," Mr Millner said.

LIMITED CONDITIONS

The offer is subject to minimal conditions. These include a 50.1% minimum acceptance condition; no prescribed occurrences; no material adverse changes; no specified index decline and certain confirmations being provided by NEC in its Target's Statement. Full details of the conditions of the offer are set out in the appendix to this announcement.

FUNDING – NO FINANCING RISK

New Hope intends to finance the acquisition from existing cash reserves.

Pitt Capital Partners is acting as financial advisor and Blake Dawson is acting as legal advisor to New Hope.

ENDS

MEDIA/FURTHER INFORMATION

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ABOUT NEW HOPE CORPORATION

New Hope is an independent, energy company which has open cut mines at Acland on the Darling Downs, and at Rosewood near Ipswich. The company focuses on niche marketing of its thermal coal and exports around 65% of coal production to Asia Pacific markets including Japan, Korea and Chile with the remainder being consumed by customers in south-east Queensland.

The company also holds various exploration tenements in central Queensland and on the Darling Downs in southern Queensland. New Hope's investments include a 100 per cent shareholding in Queensland Bulk Handling, a common user coal export terminal at the Port of Brisbane, and significant land holdings around Ipswich and near its mining operations at Acland.

Appendix – Conditions of the Offer

Conditions of the Offer

The Offer will be subject to the fulfilment of the following conditions:

(a) **Minimum acceptance condition**

During, or at the end of, the Offer Period, the number of NEC Shares in which New Hope and its associates together have relevant interests (disregarding any relevant interest that New Hope has merely because of the operation of section 608(3) of the Corporations Act) is at least 50.1% of all the NEC Shares (even if that number later becomes less than 50.1% as a result of the issue of further NEC Shares).

(b) **No material adverse affect**

That no specified event occurs that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of NEC and its subsidiaries, including as a result of making the Offer or the acquisition of NEC Shares pursuant to the Offer. For these purposes, a “specified event” is:

- (i) an event or occurrence that occurs during the Condition Period;
- (ii) an event or occurrence that occurs or circumstance that exists prior to the Offer Period but is only announced or publicly disclosed during or after the Announcement Date; or
- (iii) an event or occurrence that will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.

(c) **No prescribed occurrences**

During the Condition Period, none of the following events happens:

- (i) NEC converts all or any of its shares into a larger or smaller number of shares;
- (ii) NEC or a subsidiary of NEC resolves to reduce its share capital in any way;
- (iii) NEC or a subsidiary of NEC:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) NEC or a subsidiary of NEC issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) NEC or a subsidiary of NEC issues, or agrees to issue, convertible notes;
- (vi) NEC or a subsidiary of NEC disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) NEC or a subsidiary of NEC charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) NEC or a subsidiary of NEC resolves to be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of NEC or of a subsidiary of NEC;
- (x) a court makes an order for the winding up of NEC or of a subsidiary of NEC;

- (xi) an administrator of NEC, or of a subsidiary of NEC, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) NEC or a subsidiary of NEC executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of NEC or of a subsidiary of NEC.

(d) **Index decline**

Between the Announcement Date and the end of the Offer Period the S&P / ASX 200 Index does not fall to a level that is 90% or less of the level as at the close of trading on the business day immediately before the Announcement Date and remain at or below that 90% level for at least 3 business days or until the business day immediately prior to the end of the Offer Period.

(e) **Xinyang off-take agreement**

NEC's Target's Statement containing a statement, expressed to be made with the approval of the NEC board, confirming that the price at which coal will be purchased under the long-term off-take agreement with Xinyang referred to in NEC's announcement to ASX on 22 April 2010, is equivalent to the average quarterly price for Peak Downs, Saraji and Goonyella hard coking coal adjusted for quality variations and/or penalties.

(f) **No material failings in filings**

New Hope does not become aware, during the Condition Period, that any document filed by or on behalf of NEC with ASX or ASIC contains a statement which is incorrect or misleading in any material particular or from which there is a material omission.

(g) **No action by Public Authority adversely affecting the Offer**

During the Condition Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is instituted, or threatened by any Public Authority with respect to NEC or any subsidiary of NEC; or
- (iii) no application is made to any Public Authority (other than an application by New Hope or any company within the New Hope Group, an application under section 657G of the Corporations Act or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Offer),

in consequence of, or in conjunction with, the Offer, which:

- (iv) restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or may otherwise materially adversely impact upon:
 - (A) the making of the Offer;
 - (B) the completion of any transaction contemplated by New Hope's Bidder's Statement; or
 - (C) the rights of New Hope in respect of the NEC Shares to be acquired under the Offer or otherwise; or
- (v) seeks to require the divestiture by New Hope of any NEC Shares, or the divestiture of any assets by NEC or by any subsidiary of NEC or by any company within the New Hope Group.

(h) Approvals by Public Authorities

During the Condition Period New Hope receives all Approvals which are required by law or by any Public Authority:

- (i) to permit the Offers to be made to and accepted by NEC shareholders in all applicable jurisdictions; or
- (ii) as a result of the Offers or the successful acquisition of the NEC Shares and which are necessary for the continued operation of the business of NEC and its subsidiaries or of New Hope and its subsidiaries,

and those Approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

(i) No material acquisitions, disposals, etc.

During the Condition Period, none of NEC and any subsidiary of NEC:

- (i) acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$10 million or makes an announcement about such an acquisition;
- (ii) disposes (including by grant of an Encumbrance), offers to dispose or agrees to dispose of, or creates, offers to create or agrees to create an equity interest in, one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$10 million or makes an announcement about such a disposal;
- (iii) enters into, offers to enter into or announces that it proposes to enter into any joint venture, asset or profit sharing arrangements, off take arrangements, partnerships, merger of business (including through a dual listed companies structure) involving a commitment of greater than \$10 million; or
- (iv) incurs or commits to, or grants to another person a right the exercise of which would involve NEC or any subsidiary of NEC incurring or committing to incur, any capital expenditure or liability for one or more related items of greater than \$10 million or makes an announcement about such a commitment.

(j) No break/inducement fees

- (i) Subject to section (j)(ii) , during the Condition Period none of NEC, and any body corporate which is or becomes a subsidiary of NEC, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:
 - (A) a takeover offer for NEC or any body corporate which is or becomes a subsidiary of NEC; or
 - (B) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, NEC or any body corporate which is or becomes a subsidiary of NEC, or to operate NEC as a single economic entity with another body corporate.
- (ii) Section (j)(i) does not apply to a payment, benefit or agreement:
 - (A) for providing professional advisory services to NEC;

- (B) which is approved in writing by New Hope;
- (C) which is approved by a resolution passed at a general meeting of NEC; or
- (D) which is made to, provided to, owed by or made with New Hope.

(k) **Non-existence of certain rights**

No person has any right (whether subject to conditions or not) as a result of New Hope acquiring NEC Shares to:

- (i) acquire, or require NEC or a subsidiary of NEC to dispose of, or offer to dispose of, any material asset of NEC or a subsidiary of NEC; or
- (ii) terminate or vary any material agreement with NEC or a subsidiary of NEC.

(l) **Conduct of NEC's business**

During the Condition Period, none of NEC, or any body corporate which is or becomes a subsidiary of NEC, without the written consent of New Hope:

- (i) declares, or distributes any dividend, bonus or other share of its profits or assets;
- (ii) issues or grants options over, or agrees to issue or grant options over, or otherwise makes any commitments regarding any shares or other securities, or alters its capital structure or the rights attached to any of its shares or other securities, or issues or agrees to issue any convertible notes;
- (iii) makes any changes in its constitution or passes any special resolution;
- (iv) gives or agrees to give any Encumbrance over any of its assets otherwise than in the ordinary course of business;
- (v) borrows or agrees to borrow any money (except for temporary borrowing from its bankers in the ordinary course of business);
- (vi) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (vii) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (viii) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect prior to the Announcement Date);
- (ix) conducts its business otherwise than in the ordinary course;
- (x) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager); or
- (xi) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to investigation under the *Australian Securities and Investments Commission Act 2001* (Cth) or any corresponding legislation.

(m) **Restriction on others acquiring shares in NEC**

During the Condition Period, no person other than New Hope or an associate of New Hope (as defined in section 12(2) of the Corporations Act) gains 20% or more of voting power in NEC.

In these conditions:

Announcement Date means 8 October 2010.

Approval means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

Condition Period means the period beginning on the Announcement Date and ending at the end of the Offer Period.

Encumbrance means:

- (a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;
- (b) a notice under section 255 of the *Income Tax Assessment Act 1936* (Cth), subdivision 260-A in schedule 1 to the *Taxation Administration Act 1953* (Cth) or any similar legislation;
- (c) any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);
- (d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or

an agreement to create anything referred to above or to allow any of them to exist.

New Hope Group means New Hope and its related bodies corporate.

Public Authority means any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including the ACCC (but excluding the Takeovers Panel, ASIC and any court that hears or determines proceedings under section 657G or proceedings commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Offer). It also includes any self-regulatory organisation established under statute or any stock exchange.