



Contact

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25 February 2011

New Hope's Offer for Northern Energy Extended to 9 March 2011

Dear Northern Energy Shareholder,

New Hope Bidco is pleased to give notice that its voting power in Northern Energy increased to more than 50% on 23 February 2011. As a result of that increase, the period during which New Hope Bidco's Offers remain open for acceptance has been automatically extended by 14 days in accordance with section 624(2) of the *Corporations Act 2001* (Cth).

New Hope Bidco's Offer is now scheduled to close at 7.00pm (Sydney time) on 9 March 2011.

New Hope notes that the **Directors of Northern Energy¹ have recommended that all Northern Energy Shareholders accept New Hope's Offer** of \$1.85 in cash for their shares. All of Northern Energy's Directors (other than the Xinyang nominee director and his alternate) have indicated that they will accept New Hope's Offer for their Northern Energy shareholdings, in the absence of a superior offer. Please find enclosed a copy of the NEC directors' recommendation.

In recommending the Offer, the Northern Energy directors stated:

"...your directors consider that shareholders ought to carefully consider the risks and opportunities associated with retaining a shareholding in NEC, in circumstances where NHC may secure a shareholding which allows them to significantly influence NEC's affairs. In particular, the Board considers there is a risk that following the close of the NHC Offer, the NEC share price may fall below the NHC Offer price."

New Hope now has majority control of Northern Energy. New Hope wishes to highlight that if it does not proceed to compulsorily acquire the remaining Northern Energy shares, Northern Energy Shareholders that do not accept New Hope's Offer face the following issues:

- The Northern Energy share price may fall after the Offer closes
- There may be limited liquidity in Northern Energy shares after the Offer closes, which would limit Northern Energy Shareholders' opportunity to dispose of their shares
- Northern Energy's projects require significant development funding which Northern Energy shareholders may need to fund
- If Northern Energy has a limited spread of shareholders or low volume of trading following the Offer, New Hope Bidco may seek to procure the removal of Northern Energy from the official list of the ASX

¹ Other than Mr Geoff Lord who has declined to make a recommendation

HOW TO ACCEPT NEW HOPE'S OFFER

New Hope encourages all Northern Energy shareholders that have not yet accepted its Offer to now accept by validly completing your Acceptance Form and mailing it to Computershare so that it is received in advance of the closing time. Alternatively if your shares are CHESS sponsored you may contact your broker and instruct them to accept on your behalf.

For further details on how to accept the Offer you should follow the instructions on the Acceptance Form or call the Offer information line on 1800 351 644 (callers in Australia) or +61 2 8256 3381 (callers outside Australia).

Yours Sincerely

A handwritten signature in black ink, appearing to be 'R. Millner', with a long horizontal flourish extending to the right.

Robert Millner, Director

Unless the context requires otherwise, capitalised terms used in this notice have the meaning given to them in Arkdale Pty Ltd's (New Hope Bidco) replacement bidder's statement dated 25 October 2010.



ASX Announcement

NORTHERN ENERGY DIRECTORS' RECOMMENDATION ON NEW HOPE'S REVISED OFFER

On 10 February, 2011 New Hope Corporation (ASX: NHC) announced that it was varying its takeover Offer by increasing the price to \$1.85 per share for all the outstanding shares in Northern Energy Corporation (ASX: NEC) it does not already own. This was 10 cents above its revised Offer on 31 January 2011 of \$1.75 per share and 35 cents (+23%) above NHC's original Offer on 8 October 2010 of \$1.50 per share. The current NHC offer is a 94.7% premium to the pre-bid price of NEC.

Your directors have consistently stated throughout the period of this takeover offer that the value of NEC's assets is worth considerably more than that placed upon them by NHC. The Board is also cognisant of the fact that New Hope's final Offer of \$1.85 per share still fails to recognise NEC's growth potential which was clearly and verifiably established in the Reports of both the Technical Expert and the Independent Expert.

Your board has worked assiduously throughout the period of NHC's offer to seek an improved alternative transaction. Discussions with some parties reached an advanced stage prior to them withdrawing. As late as last night, advanced discussions were terminated by the final alternative contenders. As a result, no alternative transaction has been secured and it is unlikely that an alternative superior proposal will now be received prior to the closing date for the NHC Offer.

The Board and its advisers have, over the past two weeks, been engaging with both institutional and retail shareholders to understand shareholder intentions regarding NHC's final offer. Several major institutional shareholders have indicated they will accept New Hope's final offer in the absence of a higher bid.

Taking all of these intentions into consideration, the Board recognises that a significant number of shares are likely to be acquired by NHC in the absence of a higher bid.

Based on shareholder feedback, the Board considers it unlikely that NHC will be able to acquire more than 90% of NEC shares, the number required for compulsory acquisition. Depending on the Listing Rule requirements NEC could remain an ASX listed company with NHC as the major controlling shareholder. If NHC does acquire enough shares for control, however, they will have the capability of to influence Board membership, future equity funding, business strategy and the listed status of the company.

Whilst your directors maintain the confidence in the underlying value of NEC's assets, its development plans and management, your directors consider that shareholders ought to carefully consider the risks and opportunities associated with

retaining a shareholding in NEC, in circumstances where NHC may secure a shareholding which allows them to significantly influence NEC's affairs. In particular, the Board considers there is a risk that following the close of the NHC Offer, the NEC share price may fall below the NHC Offer price.

One Director, Mr Geoff Lord, has declined to make a recommendation with respect to the NHC Offer. Whilst Mr Lord intends to accept the Offer for all of his shares, he has declined to make a recommendation to shareholders as the NHC Offer is below the bottom of the Independent Expert's valuation range for NEC shares.

In consideration of the factors above, other than Mr Lord, **the Board recommends Northern Energy shareholders ACCEPT New Hope's final Offer of \$1.85 per share in the absence of a superior offer.**

Your Directors, Chris Rawlings, Kevin Maloney, Geoff Lord, Keith Barker and Sam Willis intend to accept into the New Hope offer for all their shareholdings in absence of a higher offer, or sell their NEC shares on market. Alternate Director Jie You, does not intend to accept into the New Hope offer in respect of the shares he owns.

If shareholders perceive that NHC's capacity to fund NEC's projects and that NHC's experience in developing and operating coal mines enhances the prospects for improved value in NEC, then shareholders may want to consider maintaining their shareholding in NEC. The Board suggests shareholders considering this option take into account the following:

- Your Board has undertaken an extensive process to seek an improved alternative transaction which has not resulted in a superior proposal
- Your Board wishes to highlight the risk that the price of NEC shares may fall below the \$1.85 NHC Offer price

Shareholders are encouraged to seek independent advice from their investment advisors on this matter.

A Northern Energy Information Line relating to the varied Offer is in operation.

Contact 1300 560 339 or +61 2 8011 0354 9 a.m. to 5 p.m. AEDST weekdays.

NEC has been advised by Hopgood Ganim and Merrill Lynch for and on behalf of the Board

Paul Marshall
Company Secretary

**For further information contact:
Keith Barker
Managing Director
Phone: (07) 3303 0695**