

# New Hope Corporation Limited

ABN 38 010 653 844



## Contact

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31 January 2011

Dear Northern Energy Shareholder,

## **ACCEPT New Hope's increased Offer of \$1.75 cash per Northern Energy Share**

As Chairman of New Hope Corporation Limited, I am pleased to inform you of a material increase in New Hope Bidco's Offer for Northern Energy Corporation Limited to **\$1.75 cash per Northern Energy Share**.

**The increased Offer values the total equity of Northern Energy at approximately \$225 million and represents a premium of 84.2%** to the closing price of \$0.95 per Northern Energy Share on 29 September 2010, being the day before New Hope's formal approach to Northern Energy.

Importantly for Northern Energy Shareholders, New Hope Bidco is **waiving many of the conditions** attached to its Offer for Northern Energy. The Offer is now only subject to a 50.1% minimum acceptance condition, no material adverse affect condition and no "prescribed occurrences" condition. Such conditions are customary with this type of transaction.

New Hope encourages Northern Energy shareholders to accept the Offer and believes that there continues to be significant risks associated with holding Northern Energy Shares, particularly in relation to the funding and development of Northern Energy's project pipeline. In New Hope's opinion, these risks have not been appropriately taken into account by the Independent Expert and as a result the Board of Northern Energy continues to rely on a flawed valuation as a basis for the rejection of New Hope Bidco's Offer.

Currently New Hope Bidco's Offer for Northern Energy remains the only offer open for acceptance and allows shareholders an opportunity to realise certain cash value for their shares at what New Hope believes is a generous premium. New Hope believes that there is a risk that the price of Northern Energy Shares may fall to pre-takeover approach levels if the Offer does not succeed and no other takeover offer is made for Northern Energy.

I encourage you to read the attached Supplementary Bidder's Statement carefully and then accept the Offer as soon as possible. To accept the Offer you should follow the instructions on the enclosed Acceptance Form. If you have any questions, please contact the Offer information line on 1800 351 644 (from within Australia) or +61 2 8256 3381 (if calling from outside Australia), or contact your financial or other professional adviser.

**The increased Offer will close at 7.00pm (Sydney time) on 22<sup>nd</sup> February 2011, unless extended.**

On behalf of the New Hope and New Hope Bidco boards, thank you for considering the increased Offer and we look forward to receiving your acceptance.

Yours sincerely

Robert Millner  
**Chairman**  
New Hope Corporation Limited

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# REASONS WHY YOU SHOULD ACCEPT NEW HOPE BIDCO'S INCREASED OFFER:

**1** Material increase in Offer price represents a significant premium for your Northern Energy Shares

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**2** New Hope Bidco's increased Offer continues to provide cash certainty for your Northern Energy Shares

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**3** New Hope Bidco is waiving many of the conditions attaching to its Offer

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**4** There are **NO** competing proposals for Northern Energy

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**5** Northern Energy requires \$664m in capital to fund its development pipeline. To date, Northern Energy has failed to demonstrate that it has secured the funding to bring its various projects into production

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**6** There continues to be significant risks associated with holding your Northern Energy Shares

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**7** Northern Energy has failed to adequately justify rejecting New Hope Bidco's Offer

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## **FOURTH SUPPLEMENTARY BIDDER'S STATEMENT BY ARKDALE PTY LTD ABN 99 118 299 522**

This statement is the fourth supplementary bidder's statement (**Fourth Supplementary Bidder's Statement**) to the bidder's statement (**Original Bidder's Statement**) of Arkdale Pty Ltd ABN 99 118 299 522 (**New Hope Bidco**) dated 22 October 2010 given in connection with a takeover bid by New Hope Bidco for ordinary shares in Northern Energy Corporation Limited ABN 90 081 244 395.

This Fourth Supplementary Bidder's Statement must be read together with the Original Bidder's Statement, the first supplementary bidder's statement dated 25 October 2010, the replacement bidder's statement dated 25 October 2010 (**Replacement Bidder's Statement**), the second supplementary bidder's statement dated 9 December 2010 and the third supplementary bidder's statement dated 18 January 2011.

A copy of this Fourth Supplementary Bidder's Statement was lodged with the Australian Securities and Investments Commission (**ASIC**) on 31 January 2011. Neither ASIC nor its officers takes any responsibility for the contents of this Fourth Supplementary Bidder's Statement.

Unless the context requires otherwise, terms not defined in this Fourth Supplementary Bidder's Statement have the same meaning given to them in the Replacement Bidder's Statement.

### **REASONS WHY YOU SHOULD ACCEPT NEW HOPE BIDCO'S INCREASED OFFER**

#### **1. Material increase in Offer price represents a significant premium for your Northern Energy Shares**

The increased Offer price of **\$1.75 cash** per Northern Energy Share values the total equity of Northern Energy at approximately \$225 million and represents an attractive premium to a range of trading prices of Northern Energy Shares.

In particular the increased Offer price represents:

- a premium of 84.2% to the closing price of \$0.95 per Northern Energy Share on 29 September 2010 being the day before New Hope's formal approach to Northern Energy;
- a premium of 66.7% to the closing price of \$1.05 per Northern Energy Share on 6 October 2010 being the day before Northern Energy Shares were placed in a trading halt pending release of an announcement concerning New Hope's takeover approach to Northern Energy; and
- a premium of 16.7% to New Hope Bidco's original Offer price of \$1.50 cash per Northern Energy Share.

The increased Offer price also represents a significant premium to the following Northern Energy corporate events:

- a premium of 24.1% to the most directly comparable transaction, the acquisition of a 12.7% blocking stake in Northern Energy by Xinyang at \$1.41 per share. This transaction also delivered a strategic off-take agreement to Xinyang as well as the right to nominate for a board seat; and
- a premium of 53.0% to \$1.144, being the exercise price of Northern Energy options that were approved to be issued to certain Northern Energy management at the company's Annual General Meeting held on 24 November 2010.

New Hope also wishes to highlight that Northern Energy's shares have not traded higher than the increased Offer price during the period of New Hope Bidco's Offer.

#### **2. New Hope Bidco's increased Offer price continues to provide certain value for your Northern Energy Shares**

The Offer delivers certain value through 100% cash consideration and removes your exposure to the risks<sup>1</sup> associated with continuing to hold your Northern Energy Shares (summarised in point 6).

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<sup>1</sup> Please refer to the attached Supplementary Bidder's Statement as well as New Hope Bidco's Replacement Bidder's Statement for further details on the key risks facing Northern Energy and its projects.

### **3. New Hope Bidco is waiving many of the conditions attaching to its Offer**

Importantly for Northern Energy Shareholders, New Hope Bidco is waiving many of the conditions attaching to its Offer for Northern Energy. The Offer is now only subject to a 50.1% minimum acceptance condition, no material adverse affect condition and no "prescribed occurrences" condition. These conditions, which are set out in sections 8.10(a) to 8.10(d) of New Hope Bidco's Replacement Bidder's Statement, are customary with this type of transaction.

### **4. There are NO competing proposals for Northern Energy**

To date, New Hope Bidco's Offer is the only Offer available for your Northern Energy Shares. New Hope is not aware of any other party intending to make an offer for Northern Energy Shares and believes the likelihood of a superior competing proposal emerging is low given the passage of time from the announcement of the Offer. There is a risk that the price of Northern Energy Shares may fall to pre-takeover approach levels<sup>2</sup> if the Offer does not succeed and no other takeover offer is made for Northern Energy.

### **5. Northern Energy requires \$664m in capital to fund its development pipeline**

Northern Energy's projects are currently unfunded with the company needing to raise \$664 million which equates to over five (5) times its pre-takeover approach market capitalisation. To date, Northern Energy has failed to demonstrate that it has secured the substantial capital required to fund its development pipeline:

***"Presently, Northern Energy has not secured the funding required to bring its various projects into production."*** - Northern Energy Supplementary Target's Statement dated 20 January 2011, page i.

### **6. There continues to be significant risks associated with holding your Northern Energy Shares**

In New Hope Bidco's Replacement Bidder's Statement, New Hope identified a number of material risks associated with holding your Northern Energy Shares. These include the following:

- Northern Energy as a company has no history of operating coal mining assets and is likely to be reliant on third parties to develop and operate its projects;
- Northern Energy's projects are subject to significant development risk, including access to rail and port capacity, environmental concerns, government approvals and lack of funding;
- Northern Energy is totally reliant on investment decisions by external parties in order to gain access to infrastructure for its Elimatta project and its Maryborough expansion project;
- Northern Energy is yet to secure numerous crucial government approvals for its projects; and
- Maryborough has been the subject of a number of environmental concerns.

New Hope believes that the factors mentioned above have not been fully factored into the valuation of Northern Energy relied upon by its board.

### **7. Northern Energy has failed to adequately justify rejecting New Hope Bidco's Offer**

Northern Energy has failed to provide its shareholders with a compelling argument for not accepting New Hope Bidco's Offer. It is also New Hope's belief that Northern Energy's directors have relied on a fundamentally flawed valuation in recommending rejection of New Hope Bidco's Offer.

On 18 January 2011, the Takeovers Panel accepted an enforceable undertaking from Northern Energy to correct significant information deficiencies in its Target's Statement, including deficiencies in Lonergan Edwards' Independent Expert's report and the Technical Report by John T Boyd. Although New Hope welcomed the additional disclosure, it still considers the Independent Expert's valuation to be flawed for the following key reasons:

- Lonergan Edwards' 'higher' and 'lower' valuation ranges have not been appropriately risk weighted for all of the risks<sup>1</sup> currently facing Northern Energy and its projects. The 'lower' valuation range suffers from the same defects as the 'higher valuation range' and is simply the 'higher valuation

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<sup>2</sup> The 3 month VWAP of Northern Energy Shares for the period up to and including 29 September 2010 (being the day before New Hope's formal approach to Northern Energy) was \$1.01

range' adjusted to take into account a \$60 million dilutionary capital raising to only partially fund its Maryborough Project;

- Lonergan Edwards' capital raising analysis assumes that Northern Energy is able to raise \$60 million in equity at prices ranging from \$1.00 to \$1.50 per share. However, that amount is approximately 50% of Northern Energy's market capitalisation prior to New Hope's approach. At that time Northern Energy Shares were trading at \$0.95;
- Lonergan Edwards' valuation does not take into account the \$580 million of capital required to develop Northern Energy's Elimatta Project; and
- the assumed coal produced at Maryborough exceeds stated JORC reserves by 93.1 million tonnes<sup>3</sup>.

New Hope believes that a number of statements provided by Northern Energy during the course of the Offer have been made selectively and are inadequate. New Hope believes that these deficiencies may be material to your decision to accept the Offer. These deficiencies primarily relate to the risks associated with developing Northern Energy's projects and Northern Energy's reliance upon a fundamentally flawed Independent Expert's Report in justifying its rejection of New Hope Bidco's Offer. New Hope Bidco has sought to address Northern Energy's information deficiencies through its own supplementary disclosure and strongly recommends shareholders seriously consider the issues that we have raised in our communications with you to date.

## HOW TO ACCEPT NEW HOPE BIDCO'S INCREASED OFFER

New Hope encourages all Northern Energy Shareholders to **ACCEPT** New Hope Bidco's increased Offer of \$1.75 cash for each of their Northern Energy Shares.

The Offer is open for your acceptance until 7.00pm (Sydney time) on 22 February 2011 (unless extended). To accept the Offer you should follow the instructions on the enclosed Acceptance Form.


## FURTHER INFORMATION ON THE OFFER

For further details on the Offer, please refer to New Hope Bidco's Replacement Bidder's Statement dated 25 October 2010, its Second Supplementary Bidder's Statement dated 9 December 2010 and its Third Supplementary Bidder's Statement dated 18 January 2011.

If you have any questions or would like to request a copy of any of the documents mentioned above, please contact the Offer information line on 1800 351 644 (from within Australia) or +61 2 8256 3381 (if calling from outside Australia), or contact your financial or other professional adviser.

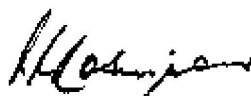
**DATED** 31 January 2011

**Signed** on behalf of Arkdale Pty Ltd by Robert Millner and Peter Robinson who are authorised to sign by a resolution passed at a meeting of the directors of Arkdale Pty Ltd.



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Robert Millner, Director



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Peter Robinson, Director

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<sup>3</sup> Northern Energy's Maryborough Project has 5.9Mt of JORC Compliant Reserves (Northern Energy Supplementary Target's Statement dated 20 January 2011 page iii)

Annexure A

Corporations Act 2001 (Cth)  
Section 650D(1)

**Notice of variation of takeover offer for bid class securities in  
Northern Energy Corporation Limited ABN 90 081 244 395**

To: Australian Securities and Investments Commission (**ASIC**)

Northern Energy Corporation Limited (**Northern Energy**)

Each person to whom offers were made under the takeover bid by Arkdale Pty Ltd ABN 99 118 299 522 (a wholly owned subsidiary of New Hope Corporation Limited ABN 38 010 653 844) (**New Hope Bidco**) for fully paid ordinary shares in Northern Energy (**Offers**)

**VARIATION OF OFFER – INCREASED CONSIDERATION**

New Hope Bidco gives **NOTICE** under section 650D(1) of the *Corporations Act 2001* (Cth) that it varies the Offer dated 9 November 2010 contained in its replacement bidder's statement dated 25 October 2010 (**Bidder's Statement**) by substituting the amount of "\$1.75" for the amount of "\$1.50" in section 8.1(c) in the Offer terms in the Bidder's Statement (**Increased Offer**) and also:

- on the cover page of the Bidder's Statement; and
- in all other places in the Bidder's Statement where the number "1.50" appears in describing the amount of cash which will be received by a Northern Energy Shareholder for each Northern Energy Share accepted into the Offer.

The Increased Offer will apply to all Northern Energy Shareholders who accept New Hope Bidco's Offer, including those Northern Energy Shareholders who have already accepted the Offer.

Unless the context requires otherwise, words defined in the Bidder's Statement have the same meaning when used in this notice.

A copy of this notice was lodged with ASIC on 31 January 2011. ASIC takes no responsibility for the contents of this notice.


**Dated:** 31 January 2011

**Signed** on behalf of Arkdale Pty Ltd by Robert Millner and Peter Robinson who are authorised to sign by a resolution passed at a meeting of the directors of Arkdale Pty Ltd.



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Robert Millner, Director



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Peter Robinson, Director

Annexure B

Corporations Act 2001 (Cth)  
Section 650F(1)

**Notice freeing takeover offer for bid class securities in  
Northern Energy Corporation Limited from defeating conditions**

TO: ASX Limited

Northern Energy Corporation Limited (ABN 90 081 244 395) (**Northern Energy**)

**BY THIS NOTICE**, Arkdale Pty Ltd ABN 99 118 299 522 (a wholly owned subsidiary of New Hope Corporation Limited ABN 38 010 653 844) (**New Hope Bidco**) **DECLARES** the offers dated 9 November 2010 (**Offers**) made by it under an off-market takeover bid for ordinary shares in Northern Energy and the contracts (if any) formed by the acceptance of any of the Offers are free from the conditions set out in the offer terms in sections 8.10(e), 8.10(f), 8.10(g), 8.10(h), 8.10(i), 8.10(j), 8.10(k), 8.10(l), 8.10(m) and 8.10(n) of the replacement bidder's statement dated 25 October 2010 issued by New Hope Bidco (**Waived Conditions**)

The Offers and each contract formed by the acceptances of those Offers are now free of the Waived Conditions.

New Hope Bidco's voting power in Northern Energy as at the time of giving this notice is 4.97%.


**DATED** 31 January 2011

**For and on behalf of Arkdale Pty Ltd:**



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Robert Millner, Director



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Peter Robinson, Director