



MACARTHUR COAL (ASX: MCC) NOTES PROPOSAL FROM NEW HOPE CORPORATION LIMITED

MACARTHUR BOARD ADVISES SHAREHOLDERS TO TAKE NO ACTION

9 April 2010

The Board of Macarthur Coal Limited ("Macarthur") today advises that it has received a proposal from New Hope Corporation Limited ("New Hope") under which New Hope would acquire all the shares in Macarthur for scrip consideration of 2.7 New Hope shares for every 1 fully paid ordinary share in Macarthur under a scheme of arrangement ("New Hope Proposal"). The full terms and conditions of the New Hope Proposal are attached.

The New Hope Proposal is subject to a number of conditions, including but not limited to:

- the negotiation and entry into a merger implementation agreement;
- Macarthur's takeover bid for Gloucester lapsing;
- the recommendation of the Macarthur Board; and
- if the above conditions are satisfied, approval by Macarthur shareholders (75% of votes cast and 50% of shareholders voting by number at a scheme meeting).

The Macarthur Directors are assessing the merits of New Hope's Proposal. Shareholders are advised to **Take No Action** in relation to it or any documentation received from New Hope until they receive the Directors' formal recommendation. The Directors are meeting today to consider New Hope's Proposal and whether there is any basis for postponing the EGM scheduled for 11.00 am on Monday 12 April 2010.

Macarthur notes that:

- shareholders are entitled to amend their proxies at any time up to 11 am on Saturday 10 April 2010 and even if the proxies have been lodged, shareholders can still attend in person or by corporate representative and vote at the meeting; and
- should the shareholder meeting be postponed or adjourned for any reason, shareholders would be given an opportunity to withdraw or replace their proxies.

The Board also notes certain media reports in relation to a potential bid by Xstrata Coal and confirms that it has not received any approach from Xstrata or its representatives.

The Macarthur Board is committed to being in regular contact with shareholders and will keep you informed of future developments. In the interim, the Macarthur Board urges shareholders to not have any regard to public statements issued by New Hope or any other third party. Should you have any queries, please contact Macarthur's shareholder enquiry line on 1300 160 409 (or +61 3 9415 4147).



For further information, please contact:

Nicole Hollows
Managing Director and Chief Executive Officer
Macarthur Coal Limited
+61 (0) 7 3221 7210

David Saba
Investor Relations Officer
Macarthur Coal Limited
+61 (0) 7 3221 7210

For media enquiries, please contact:

Genevieve Fraser
Manager – Communication
Macarthur Coal Limited
+61 (0) 7 3239 7608
+61 (0) 409 585 421

Alasdair Jeffrey
Rowland
+ 61 404 926 768

About Macarthur Coal

Macarthur Coal (ASX: MCC) is the world's largest producer of seaborne low volatile pulverized coal injection coal (LV PCI) used for steel making. As a supplier to the world's leading steel producers, Macarthur exports its entire product around the globe.

The Company currently operates two mines in Queensland's Bowen Basin and plans to double its production capacity in the next five years through the development of the Middlemount Mine project and an additional mine from its extensive project portfolio.



Attachment

Letter from New Hope dated 8 April 2010



ABN 38 010 653 844

Contact

Phone: +61 7 3418 0500

Fax: +61 7 3418 0355

8 April 2010

Hon. Keith De Lacy
Chairman
Macarthur Coal Limited
100 Melbourne St
SOUTH BRISBANE, QLD 4001

Dear Mr De Lacy

Superior Proposal to acquire 100% of the issued shares of Macarthur Coal Limited

New Hope Corporation Limited (**NHC**) is pleased to submit this proposal whereby, subject to the satisfaction of certain limited conditions, it proposes to acquire 100% of the ordinary shares in Macarthur Coal Limited (**Macarthur**) for scrip consideration to Macarthur Shareholders of 2.7 NHC shares for every 1 fully paid Macarthur share (**Offer**).

NHC believes the Offer would provide Macarthur shareholders with significant additional value beyond the Gloucester and Middlemount transactions and constitutes a Superior Proposal pursuant to the Bid Implementation Agreement between Macarthur and Gloucester Coal Ltd dated 22 December 2009.

This Offer values each Macarthur share at \$14.58 per share¹ and represents a total consideration of \$3.71 billion².

Based on the closing share prices of NHC and Macarthur of \$5.40 and \$14.31 respectively on 7 April 2010, the Offer represents:

- a premium of 50% to \$9.70 per share, the Macarthur share price used to determine the alternative cash consideration to Gloucester minority shareholders under the Gloucester takeover offer;
- a premium of 31% to \$11.17, the mid-point valuation of Macarthur determined by the Independent Expert for a 100% controlling interest in its report dated 26 February 2010;
- a premium of 12% to \$13.04, the 1 month VWAP³ of Macarthur shares; and
- a premium of 25% to \$11.66, the 3 month VWAP³ of Macarthur shares.

In addition to a significant premium to the historical trading price of Macarthur shares, the Offer provides Macarthur shareholders with the following key benefits:

- the Offer is subject to limited conditions;
- the opportunity to continue to be a shareholder in a major Australian coal company with an increased reserve and resource base, enhanced scale and diversified geographical, product and infrastructure assets. The combined entity will have a market capitalisation of over \$8 billion⁴;
- Macarthur shareholders will receive a high quality, liquid stock;
- a share in the significant operational synergies created by merging Macarthur with NHC;

¹ Based on NHC's and Macarthur's share price at the close of trade on 7 April 2010 being \$5.40 and \$14.31, respectively.

² This is the estimated market capitalisation of Macarthur based on Macarthur shares currently on issue at the Offer price.

³ Volume Weighted Average Price calculated as at close of trading on 7 April 2010.

⁴ The combined market capitalisation of NHC and Macarthur based on NHC's closing price as at 7 April 2010.

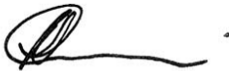
- ability to benefit from the expected future growth of the combined Macarthur/NHC entity and the significantly improved outlook for the resources sector;
- ability to manage individual exposure to capital gains tax through capital gains tax rollover relief; and
- ability to receive a significantly higher value per Macarthur share than the value being offered through the Gloucester and Middlemount transactions.

It is proposed the Offer would be implemented by way of a scheme of arrangement recommended by the Macarthur Board in which NHC would offer to acquire 100% of the issued ordinary shares in Macarthur. Accordingly, NHC will need to negotiate and agree with Macarthur a mutually satisfactory merger implementation agreement (**MIA**) containing terms typical for a transaction of this kind. We envisage the conditions to the MIA would be those summarised in the Annexure to this letter.

Subject to the Macarthur Board confirming that the Offer constitutes a Superior Proposal (as defined in the Bid Implementation Agreement dated 22 December 2009), we are in a position to work quickly with Macarthur in negotiating and agreeing the MIA and note that we do not need to undertake due diligence on Macarthur.

The Board of NHC believes that the Offer is in the best interests of both NHC and Macarthur shareholders and an outstanding opportunity for the Macarthur Board to deliver significant value to Macarthur shareholders. As such we look forward to your favourable response to our Offer. Should you have any queries in regard to the foregoing please do not hesitate to contact me.

Yours sincerely



R.D. Millner
Chairman
New Hope Corporation Limited
Phone (02) 9224 6701
Mobile 0408 414 295

Annexure

Offer Conditions

- (a) **(Gloucester Offer Lapses)** the proposed off-market takeover by Macarthur for all of the issued shares in Gloucester Coal Ltd lapses with no binding, unconditional contracts for acceptance coming into existence;
- (b) **(No Prescribed Occurrence)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, none of the occurrences specified in Section 652C(1) or (2) of the Corporations Act occur in relation to Macarthur or any of its subsidiaries;
- (c) **(No Dividends)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, Macarthur does not declare or distribute any dividend (excluding the 2010 fully franked interim dividend of eight cents per Macarthur Share as announced on 24 February 2010), bonus or other share of its profits or assets;
- (d) **(No Material Transactions)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, no material acquisitions or disposals by Macarthur outside the ordinary course of business (provided that this condition will not be triggered if Macarthur completes the acquisition of the joint venture interests of CITIC Resources Holdings Limited and its related Bodies Corporate in the Coppabella and Moorvale joint venture);
- (e) **(Approvals and Consents)** any material third party consent or approval in respect to the Offer that may be required under any key commercial arrangements of Macarthur is obtained;
- (f) **(No Material Adverse Change)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, no change occurs, is discovered or becomes public or becomes known to NHC (whether or not it becomes public) which has, or could reasonably be expected to have, a materially adverse effect on the business, assets, liabilities, financial or trading position, performance, profitability or prospects of Macarthur and its subsidiaries taken as a whole or of any of them, including (but not limited to):
 - (i) any creditor demanding repayment of a debt of \$500,000 or more;
 - (ii) any act or omission which would adversely impact upon any title, licence, permit or other authority remaining, in good standing and in full force and effect; and
 - (iii) a diminution or prospective diminution in value of the aggregate assets of Macarthur and its subsidiaries in aggregate of \$2,500,000 or more or an increase or prospective increase in actual or contingent liabilities in aggregate of \$2,500,000 or more, with such diminution or prospective diminution to be calculated against the results set out in the half year report of Macarthur for the six months ended 31 December 2009 (released to the ASX on 24 February 2010 by way of an Appendix 4D);
- (g) **(No action by Governmental Agency Adversely Affecting the Offer)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, there is not in effect any preliminary or final decision, order or decree issued by a governmental agency (provided that this condition will not be triggered by any order or action by the Takeovers Panel or the Australian Securities and Investments Commission), no action or investigation is instituted or threatened by any governmental agency and no application is made to any governmental agency which restrains, prohibits or may otherwise materially adversely impacts upon the completion of the Offer;
- (h) **(Approvals by Governmental Agency)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, Macarthur and NHC receive all approvals and consents which are required by law or by any governmental agency;

- (i) to permit the Offer to be made to and accepted by Macarthur shareholders;
- (ii) as a result of the Offer or the successful acquisition of the Macarthur shares by NHC; and
- (iii) which are necessary for the continued operation of the business of Macarthur as currently conducted,

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 or restrict such approvals;

- (i) **(Independent Expert's Report)** the report to be prepared by any independent expert appointed by Macarthur does not conclude that the Offer is neither fair nor reasonable to Macarthur shareholders;
- (j) **(Rights under Certain Agreements or Instruments)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, no person exercises or purports or threatens to exercise, any rights under any provision of any agreement or other instrument to which Macarthur is a party, or by which Macarthur or any of its assets or businesses may be bound or be subject, which results, or which could be reasonably expected to result, in:
 - (i) any moneys borrowed by Macarthur becoming repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
 - (ii) any such agreement or other such instrument being terminated or modified;
 - (iii) Macarthur's interest in any firm, joint venture, trust corporation or other entity being terminated or modified;
 - (iv) any material assets of Macarthur being sold transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions; or
 - (v) the business of Macarthur with any other person being adversely affected;
- (k) **(Conduct of Macarthur's business)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, without the written consent of NHC, Macarthur conducts its business otherwise than in the ordinary course or takes certain actions outside the ordinary course of business including:
 - (i) makes any change in its constitution or passes any special resolution;
 - (ii) borrows or agrees to borrow any money (except in the ordinary course of business);
 - (iii) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
 - (iv) accepts as a settlement or compromise of any matter an amount that is at least \$350,000 less than the amount claimed by Macarthur;
 - (v) has threatened or commenced against it any claims or proceedings in any court or tribunal which may result in damages or compensation payable greater than \$500,000 in aggregate;
 - (vi) pays any of its non-executive directors, senior executives or employees a termination or retention payment (otherwise than in accordance with an existing contract);
 - (vii) makes any change to its accounting practices or policies, other than to comply with generally accepted Australian accounting standards and any domestically accepted international accounting standards or electing to form a consolidated group for the purposes of the Income Tax Assessment Act 1997 (Cth); and

- (viii) materially breaching its obligations pursuant to Chapter 3 of the listing rules of the Australian Stock Exchange or disclosing information to the Australian Stock Exchange which is not true and correct in all material respects;
- (l) **(No Resolution)** the resolution proposed in the notice of meeting of Macarthur shareholders dated 26 February 2010 is not passed at the meeting convened for 12 April 2010 or at any adjournment of that meeting and no resolution in similar terms is passed by the Macarthur shareholders prior to the scheme of arrangement to acquire all Macarthur shares becoming effective; and
- (m) **(Termination of Incentive Plans)** prior to the scheme of arrangement to acquire all Macarthur shares becoming effective, Macarthur takes all actions requested by NHC to terminate all existing employee and director equity incentive plans and procure the vesting of all existing awards under those plans.