



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:
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