



## **MEDIA RELEASE**

### **XSTRATA COAL ANNOUNCES BID FOR AUSTRAL COAL LIMITED**

Sydney, 17 September 2007

Xstrata Coal Pty Limited ("Xstrata Coal") today announced its intention to make an off-market takeover cash bid to acquire 100% of shares in Austral Coal Limited ("Austral") for A\$1.83 per share, valuing Austral at approximately A\$557M on a fully diluted basis ("Offer").

Under Xstrata Coal's proposal, Helios Australia Pty Limited ("Helios"), a subsidiary of Xstrata Coal, will offer to acquire all of the shares in Austral.

Xstrata Coal, Austral and Helios have signed a bid implementation agreement under which standard exclusivity arrangements have been agreed. The Offer is subject to limited conditions, including an 80% minimum acceptance condition and regulatory approval. The conditions are described in Appendix A.

The Offer is unanimously recommended by the Austral Board of Directors, (with Mr Robert Cameron abstaining), subject to the absence of a superior proposal and an independent expert concluding that the Offer is fair and reasonable for Austral shareholders. Austral has commissioned KPMG Corporate Finance as an independent expert.

Mr Cameron will excuse himself from consideration by the Company's Board of the Helios Offer, due to his position as the Managing Director of Centennial Coal Company Limited, the Company's 85.85% shareholder.

Peter Coates said, "Xstrata Coal's offer to acquire 100% of Austral is fair and in the interests of shareholders.

"The acquisition of Austral's Tahmoor underground mine will increase Xstrata Coal's exposure to hard coking coal at a time of significant growth within the market. It will also facilitate the Company's entry into the southern coalfields and allow immediate access to an unconstrained port.

"Xstrata Coal takes its responsibility for the communities which neighbour its operations seriously and we look forward to working with the Tahmoor community to achieve our long-term production, environmental and sustainability goals. Today's announcement also demonstrates our continuing commitment to investment within NSW."

Austral's Tahmoor mine is an underground longwall hard coking coal operation in the southern coalfields of NSW, producing approximately 2.3Mt (ROM) in the last financial year. Tahmoor exports via Port Kembla, near Wollongong.

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In accordance with the Corporations Act 2001 (Cwlth), Helios expects to dispatch a bidder's statement to all Austral shareholders containing detailed information relevant to the Offer within a month. Austral, Xstrata Coal and Helios will continue to keep shareholders informed of any further developments in relation to the proposal.

END

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## **APPENDIX A**

### **Conditions**

#### **Minimum acceptance**

That during, or at the end of, the offer period Helios has acquired a relevant interest in at least 80% (by number) of Austral Shares.

#### **Foreign Acquisitions and Takeovers Act**

The Treasurer of the Commonwealth of Australia consents, on an unconditional basis or on conditions which are acceptable to Helios acting reasonably, under the Foreign Acquisitions and Takeovers Act 1975 (Cwlth) ("Act") to the proposed acquisition by Helios of Austral and the Treasurer is taken to have so consented:

- (a) if Helios receives written advice from or on behalf of the Treasurer to the effect that the acquisition of Austral is not inconsistent with the Australian Government's foreign investment policy or is not objected to under the Act; or
- (b) if notice of the proposed acquisition of Austral is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the Act in relation to the proposed acquisition because of lapse of time.

#### **No material adverse effect**

That no specified event occurs that causes a material delay in longwall operations or 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 Austral and its Subsidiaries, or that will restrain or prohibit Helios from making the Offers or acquiring and holding Austral Shares, excluding: (i) any matters publicly disclosed by Austral prior to the date of this agreement; (ii) any matter referred to in the Due Diligence Material; (iii) any change in the market price for coal or market conditions generally; and (iv) any matter within the control of, or resulting from action by, or concerning the financial position of, Helios or its Related Bodies Corporate. Delays or refusals of regulatory approvals are not excluded.

For these purposes, a "specified event" is:

- (a) an event or occurrence that occurs during the period from the Announcement Date to the End Date;
- (b) an event or occurrence that occurs after 30 June 2007 and before the Announcement Date but is only announced or publicly disclosed between the Announcement Date and the End Date; or
- (c) an event or occurrence becomes apparent prior to the End Date that will or is reasonably likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.

#### **Prescribed occurrences**

That during the period commencing on the date of the Offer and ending on the End Date, none of the following events happen:

- (a) Austral converts all or any of its shares into a larger or smaller number of shares;
- (b) Austral or a Subsidiary resolves to reduce its share capital in any way;

- (c) Austral or a Subsidiary:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
- (d) Austral or a Subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) Austral or a Subsidiary issues, or agrees to issue, convertible notes;
- (f) Austral or a Subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Austral or a Subsidiary resolves to be wound up;
- (h) a liquidator or provisional liquidator of Austral or of a Subsidiary is appointed;
- (i) a court makes an order for the winding up of Austral or of a Subsidiary;
- (j) an administrator of Austral or of a Subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (k) Austral or a Subsidiary executes a deed of company arrangement; or
- (l) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Austral or of a subsidiary.

### **Distributions and capital reductions**

That between the Announcement Date and the end of the Offer Period Austral does not make or declare or announce an intention to make or declare any distribution (whether by way of dividend, special dividend, capital reduction or otherwise and whether in cash or in specie) other than:

- (a) a half-yearly dividend or annual dividend in the ordinary course, in an amount consistent with previous periodical dividends; or
- (b) any distribution which has been publicly announced by Austral, before the Announcement Date.