



This is an important document and requires your immediate attention. If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

## Bidder's Statement

relating to the offer by

**White Energy Mining Pty Limited (ACN 143 472 502)**

a wholly-owned subsidiary of

**White Energy Company Limited (ACN 071 527 083)**

to purchase all of your shares in

**South Australian Coal Limited (ACN 000 865 869)**

The independent directors of SAC unanimously recommend that you **ACCEPT** the Offer, in the absence of a superior proposal

Financial adviser to White Energy

**arthurphillip**

Australian Legal adviser to White Energy

**Freehills**

## IMPORTANT NOTICES

### Nature of this document

This Bidder's Statement is issued by White Energy Mining Pty Limited (ACN 143 472 502) (the **Bidder**), a wholly-owned subsidiary of White Energy Company Limited (ACN 071 527 083) (**White Energy**) under Part 6.5 of Chapter 6 of the Corporations Act.

A copy of this Bidder's Statement was lodged with ASIC and filed with the ASX on 7 June 2010. Neither ASIC, nor the ASX nor any of their respective officers take any responsibility for the content of this Bidder's Statement.

### Responsibility statements

Subject to the next two paragraphs:

- (a) the information in this Bidder's Statement has been prepared by the Bidder and is the sole responsibility of the Bidder; and
- (b) neither South Australian Coal Limited (ACN 000 865 869) (**SAC**) nor any of its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information in this Bidder's Statement.

The pro forma financial information concerning the Merged Group contained in section 8.2 (the **Pro Forma Financial Information**) includes information that SAC has provided to the Bidder, with the Pro Forma Financial Information being prepared by the Bidder. SAC takes responsibility for the information about SAC which SAC has provided to the Bidder for the purpose of preparing the Pro Forma Financial Information and the Bidder otherwise takes responsibility for the Pro Forma Financial Information.

### No account of your personal circumstances

This Bidder's Statement and the recommendations contained in this Bidder's Statement, should not be taken as personal financial advice, as they do not take into account your individual objectives, financial and tax situation or particular needs. Accordingly, before making a decision whether or not to accept the Offer, you should obtain independent financial and tax advice.

### Social security and superannuation implications of Offer

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

### Disclaimer as to forward looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. You should be aware that such statements are either statements of current expectation or only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which SAC and White Energy and the members of the White Energy Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of the Bidder, SAC, the respective officers and employees of each White Energy Group member and SAC, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of

fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

## **Disclaimer as to information**

The information about SAC, SAC's assets and SAC's securities contained in this Bidder's Statement has been prepared by the Bidder using publicly available information and limited non-public information made available to the Bidder by SAC. Information in this Bidder's Statement about SAC has not been independently verified by the Bidder. Accordingly the Bidder does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on the Merged Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on SAC, has also been prepared using publicly available information and limited non-public information made available to the Bidder by SAC. Accordingly, information in relation to the Merged Group is subject to the foregoing disclaimer to that extent.

Further information relating to SAC may be included in the target's statement which SAC must provide to holders of shares in the ordinary capital of SAC (**SAC Shareholders**) in accordance with the Corporations Act in response to this Bidder's Statement (**Target's Statement**).

## **Foreign jurisdictions**

The release, publication or distribution of this Bidder's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Bidder's Statement has been prepared in accordance with Australian law and the information contained in this Bidder's Statement may not be the same as that which would have been disclosed if this Bidder's Statement had been prepared in accordance with the laws and regulations outside Australia. The availability of the Offer to persons who are not resident in and citizens of Australia may be affected by the laws of the relevant jurisdictions in which they are located. This Bidder's Statement does not constitute an offer of securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify White Energy or to otherwise permit a public offering of White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) outside Australia.

This Bidder's Statement is not a prospectus for the purposes of Article 3 of the Directive 2003/71/EC (the **Prospectus Directive**) and has not been approved by any regulator in the European Union (including the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*)). This Bidder's Statement may not contain all the information that a prospectus under Dutch law is required to contain. White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) are being offered in the Netherlands under the Offer in reliance on certain exemptions under the Prospectus Directive.

This Bidder's Statement does not constitute a prospectus for the purposes of the Prospectus Rules published by the Financial Services Authority of the United Kingdom (the **FSA**). Accordingly, this Bidder's Statement has not been, and will not be, approved by the FSA. No action has been or is intended to be taken by White Energy that would

permit a public offer of White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) to be made in the United Kingdom and which would require an approved prospectus to be made available to the public in the United Kingdom (in accordance with the United Kingdom Financial Services and Markets Act 2000 (**FSMA**) and the Prospectus Rules) before such an offer was made.

Accordingly, as regards SAC Shareholders resident in, or receiving the Offer in, the United Kingdom (**UK Shareholders**), the Offer is only being made to or directed at a UK Shareholder who: (a) is, and is, if required to do so by White Energy, able to establish to the satisfaction of White Energy that it is: (i) a Qualified Investor acting as principal; (ii) a Qualified Investor which operates in the financial markets acting on behalf of a person, not being a Qualified Investor, on a discretionary basis concerning the acceptance of offers on that person's behalf; or (iii) acting on behalf, and on the instructions, of a Qualified Investor (in which case the Offer is made to or directed at that Qualified Investor); or (b) is a person to whom the Offer may otherwise be made or at whom the Offer may otherwise be directed in the United Kingdom without an approved prospectus having been made available to the public in the United Kingdom before the Offer is made.

A "Qualified Investor" is (i) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (ii) a legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (iii) a person entered on the register of Qualified Investors maintained by the FSA for this purpose pursuant to section 87R of FSMA; or (iv) an investor authorised by an EEA State other than the United Kingdom to be considered as a qualified person.

Accordingly, any UK Shareholder who accepts the Offer and who does not, in their Acceptance Form, represent and warrant to the Bidder and White Energy that they satisfy the above condition will be treated as an Ineligible Foreign Shareholder and the Bidder shall be entitled to deal with such UK Shareholder's acceptance accordingly.

The White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) offered as consideration for SAC Shares pursuant to the Offer have not been and will not be registered under the US Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state of the United States. The White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) are not being offered in the United States. The Offer is made for the securities of SAC (a foreign company for the purposes of the Securities Act and the Exchange Act). The Offer is subject to disclosure requirements of Australia which are different from those of the United States. Financial statements included in this Bidder's Statement have been prepared in accordance with accounting standards applicable in Australia which may not be compatible with the financial statements of US companies.

This Bidder's Statement does not constitute a prospectus within the meaning of Art. 652a of the Swiss Code of Obligations. White Energy Shares are not being offered to the public in Switzerland.

## **Privacy**

The Bidder has collected your information from the register of SAC Shareholders (the **Register**) for the purpose of making the Offer and, if accepted, administering acceptances relating to your holding of SAC Shares. The type of information the Bidder has collected about you includes your name, contact details and information on Your Shares. Without this information, the Bidder would be hindered in its ability to carry out the Offer. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to the Bidder's related bodies corporate and external service providers (including

Computershare Investor Services Pty Limited (**Computershare**), Arthur Phillip Pty Limited (**Arthur Phillip**), Radar Group Pty Limited and print and mail service providers) and may be required to be disclosed to regulators such as ASIC and, if you are an Ineligible Foreign Shareholder, to the Nominee. If you would like details of information about you held by the Bidder, please contact Computershare at the address shown below.

## Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears or the context requires otherwise, such terms are defined in section 13. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

## Diagrams

Diagrams appearing in this Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables appearing in this Bidder's Statement is based on information available at the date of this Bidder's Statement.

## Key dates

Date of this Bidder's Statement	7 June 2010
Date of the Offer	15 June 2010
Offer closes (unless extended or withdrawn)	5:00 pm on 21 July 2010

## Other key contacts

Share registrar for the Offer Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney, New South Wales 2000 Australia	Offer information line 1800 632 680 (for callers in Australia) +61 2 8256 3394 (for international callers)
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## White Energy Company Limited

ABN 62 071 527 083

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info@whiteenergyco.com  
www.whiteenergyco.com

7 June 2010

Dear SAC Shareholders,

### **Acquisition of South Australian Coal Limited by White Energy Mining Pty Limited**

On behalf of the board of White Energy Company Limited (**White Energy**), I am pleased to present to you the details of the proposed acquisition of South Australian Coal Limited (**SAC**) by White Energy Mining Pty Limited, a wholly-owned subsidiary of White Energy.

The proposed acquisition is to be effected by way of a friendly off-market takeover bid. In this regard, the independent directors of SAC unanimously support the transaction.

### **Consideration you will receive**

If you accept the Offer and elect to receive the Share Alternative, you will receive an effective price of 19.96<sup>1</sup> cents for each SAC Share you hold based on the prevailing traded share price of White Energy Ordinary Shares on the ASX when the bid was announced in April 2010<sup>2</sup>. In addition, you will receive Performance Shares which may give rise to you receiving further value of 21.62<sup>3</sup> cents for each SAC Share you hold (based on the prevailing traded share price of White Energy Ordinary Shares on the ASX when the bid was announced in April 2010) if certain performance hurdles are met. Accepting the Share Alternative also entitles you to the right to subscribe for shares in White Energy at an exercise price of \$2.50.

The consideration value of 19.96 cents reflects an attractive premium of in excess of 96% over the value of 10.17 cents attributed to each SAC Share by Felix Resources Limited in October 2009. Since the announcement of the bid in April 2010, the share price of White Energy Ordinary Shares on the ASX has increased significantly<sup>4</sup>, further enhancing the value proposition of the Share Alternative to SAC Shareholders. Please refer to Section 12 of this Bidder's Statement for further information regarding the Share Alternative.<sup>5</sup>

If you accept the offer and elect to receive the Cash Alternative, you will receive 19.96 cents for each SAC Share, subject to a scale-back if SAC Shareholders elect (or are taken to have elected) to receive more than \$10 million in aggregate. The Cash Alternative Offer offers a premium of 96%<sup>6</sup> for your SAC Shares.

For a summary of the consideration you will receive if you accept the Offer please refer to the diagram at page 6.

For a more detailed outline of the terms of the Offer please refer to the Summary of the Offer at page 9.

### **Why you should accept the offer**

SAC's coal resource is comprised of a low energy, high moisture sub-bituminous coal. These features combine to make the SAC resource a relatively low value coal resource. However the SAC resource is of the coal type that is capable of being enhanced by White Energy's unique, proprietary coal upgrading technology. The acquisition of SAC by White Energy therefore creates a highly complementary mix of assets which has the potential to create significant value for shareholders.

Other compelling reasons for accepting White Energy's offer are:

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<sup>1</sup> 19.96 cents is the value of 0.07985 White Energy Ordinary Shares at a price of \$2.50 per share.

<sup>2</sup> The 10 day, 20 day and 100 day volume weighted average prices of White Energy Ordinary Shares traded on the ASX prior to the bid being announced in April 2010 are \$2.55, \$2.52 and \$2.43 per share respectively. The prevailing traded share price of \$2.50 reflects the average of the three volume weighted average prices. See section 1.1 for more information about the value of White Energy Ordinary Shares.

<sup>3</sup> 21.62 cents is the value of the maximum 0.08646 White Energy Ordinary Shares that the Performance Shares may convert to in the future at a price of \$2.50 per share.

<sup>4</sup> White Energy Ordinary Shares closed at a price of \$3.48 on the ASX on 4 June 2010 being the last trading day prior to the date of this Bidder's Statement.

<sup>5</sup> See section 1.1 for more information about the value of SAC Shares.

<sup>6</sup> Relative to a value of 10.17 cents attributed to each SACL Share in the Information Memorandum to shareholders of Felix Resources Limited dated 30 September 2009.





- The Offer provides an attractive premium for your SAC Shares.
- The Offer provides a certain timeframe for liquidity of your SAC holding.
- The Merged Group will be managed by members of the same highly regarded Board and management team that built, controlled and operated Felix Resources.
- The Merged Group will have significant balance sheet strength with a pro forma net cash position of between \$219 million and \$270 million.
- The size of the Merged Group will enable its participation in the coal industry consolidation in Australia and allow it to take advantage of acquisition opportunities in other key coal markets.

### **White Energy Offer**

White Energy is offering to buy all of the SAC Shares on the terms set out in the Bidder's Statement. The proposed takeover is conditional on, amongst other things, White Energy obtaining a relevant interest in at least 90% of SAC shares.

### **Capital Raising**

Contemporaneously with the Offer, White Energy intends to raise \$75 million by issuing 10 million White Energy Ordinary Shares to interests associated with each of Mr Travers Duncan, Mr Brian Flannery and Mr John Kinghorn for a subscription price of \$2.50 per share.

In addition, as part of consideration offered pursuant to the Offer, SAC shareholders have been given the right to subscribe for shares in White Energy on the same terms as the Placement. Mr Hans Mende, a substantial shareholder in SAC, has indicated that he intends to take-up his full subscription right under the Subscription Offer, which will amount to an investment of approximately \$19.1 million. Mr Travers Duncan and Mr Brian Flannery, who are also shareholders of SAC, have publicly stated that they will not take-up the subscription right offered under the Subscription Offer as they will participate in the Placement as outlined above. If all SAC shareholders (excluding Mr Travers Duncan and Mr Brian Flannery) were to take-up the Subscription Offer, White Energy will raise further capital of \$69.8million.

The funds raised through the Placement and Subscription Offer will be used to:

- develop the coal mining opportunity and associated potential coal upgrading operation and to further review and progress coal gasification and coal to liquids opportunities at SAC's coal resource;
- facilitate White Energy's participation in coal industry consolidation in Australia and take advantage of acquisition opportunities in other key coal markets; and
- fund White Energy's obligations associated with the roll out of coal upgrading plants around the world and for general working capital purposes.

### **New management appointments**

White Energy proposes that following completion of the acquisition of SAC, the former Chairman of Felix Resources, Mr Travers Duncan, will become the Chairman of the Merged Group. Further, Mr Brian Flannery, the Managing Director of Felix Resources will become the Chief Executive Officer of White Energy, and will be appointed to its board as an executive director. In addition, former Felix Resources Board members, Mr Hans Mende and Mr John Kinghorn, will be appointed as non-executive directors of White Energy joining John Atkinson (the current CEO), Graham Cubbin and myself on White Energy's board.

### **About White Energy**

White Energy is an Australian coal company listed on the ASX. White Energy's shares are currently included in the All Ordinaries, S&P ASX 300 and S&P ASX 300 Resources indices. White Energy's shares will also be included in the S&P ASX 200 index after the close of trading on 18 June 2010. White Energy is the exclusive worldwide licensee of a



patented process which upgrades high moisture, low energy value coals into a high energy content, high value thermal coal with operations in Australia, Indonesia, the United States, Africa and China.

White Energy has:

- a market capitalisation of \$823 million as at 4 June 2010;
- consolidated total assets of \$323 million at 31 December 2009; and
- consolidated total equity of \$190 million as at 31 December 2009.

In summary, I believe the acquisition of SAC by White Energy on the terms outlined is compelling for the shareholders of both SAC and White Energy. Combining White Energy's unique coal upgrading technology with the Coal Resources is a very attractive value creating opportunity. Reuniting the former Felix Resources Board and management in a company with expected cash reserves in excess of \$200 million provides an outstanding platform for the future development of the Merged Group.

On behalf of the directors of White Energy, I encourage you to:

- read this Bidder's Statement in full. The Bidder's Statement contains a full description of the proposed takeover; and
- accept this offer and participate in this exciting opportunity.

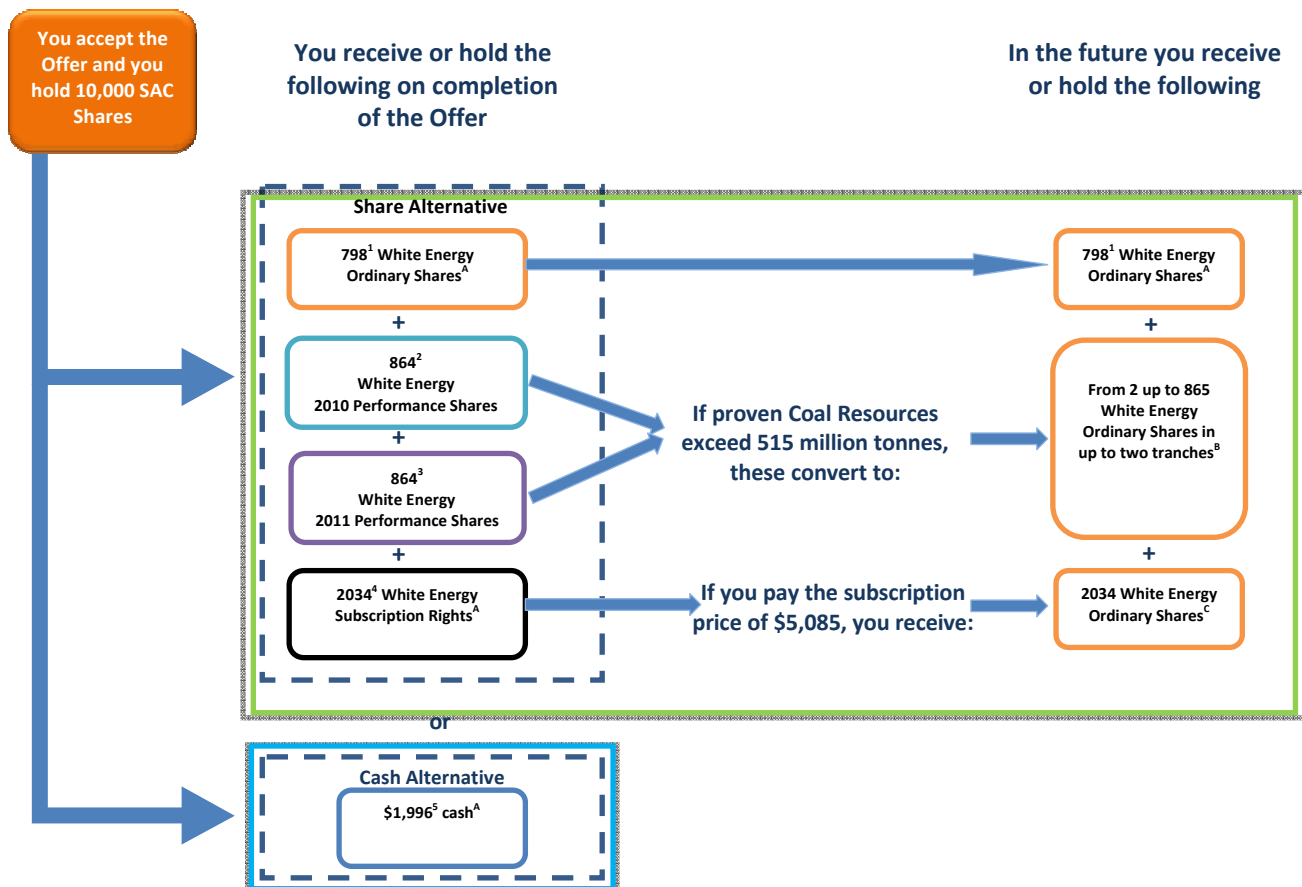
I look forward to welcoming you as a shareholder of White Energy.

John McGuigan

Chairman

## The Offer at a glance

### What you receive if you accept the Offer and you hold 10,000 SAC Shares



- 1 10,000 x 0.07985 rounded down to the nearest whole number
- 2 10,000 x 0.08646 rounded down to the nearest whole number
- 3 10,000 x 0.08646 rounded down to the nearest whole number
- 4 10,000 x 0.2034 rounded down to the nearest whole number
- 5 10,000 x \$0.1996 rounded down to the nearest cent

A Currently expected to be issued in August 2010

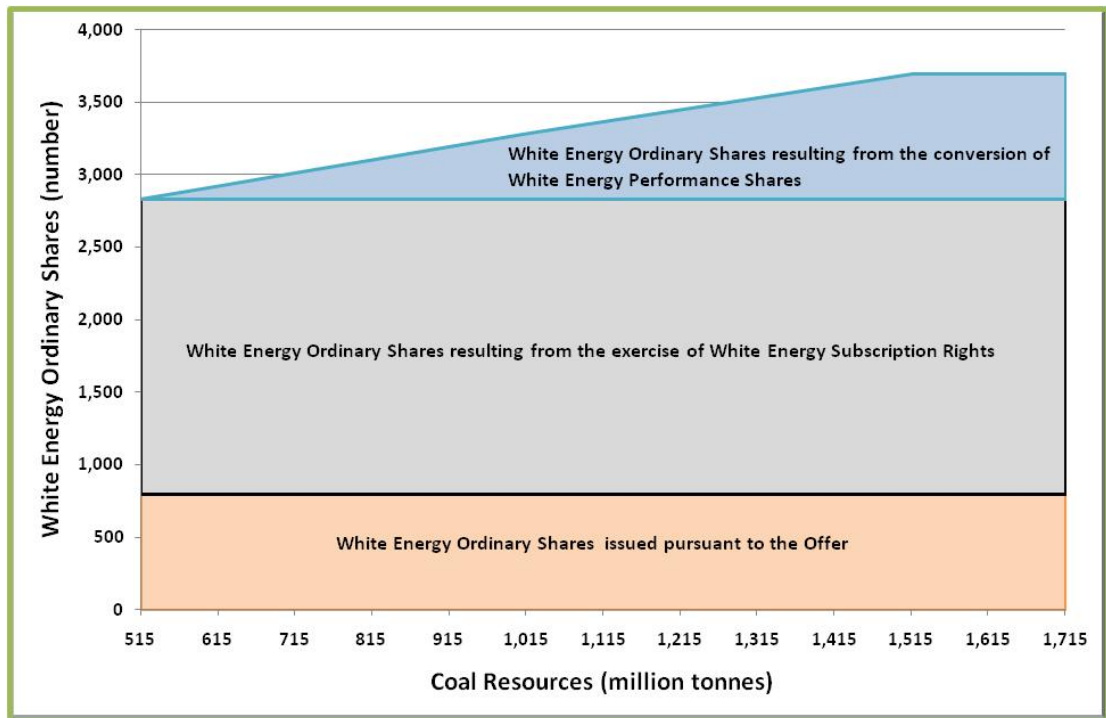
B Currently expected to be issued in respect of the White Energy 2010 Performance Shares on 31 March 2011 and in respect of the White Energy 2011 Performance Shares on 30 March 2012

C Currently expected to be issued in October 2010

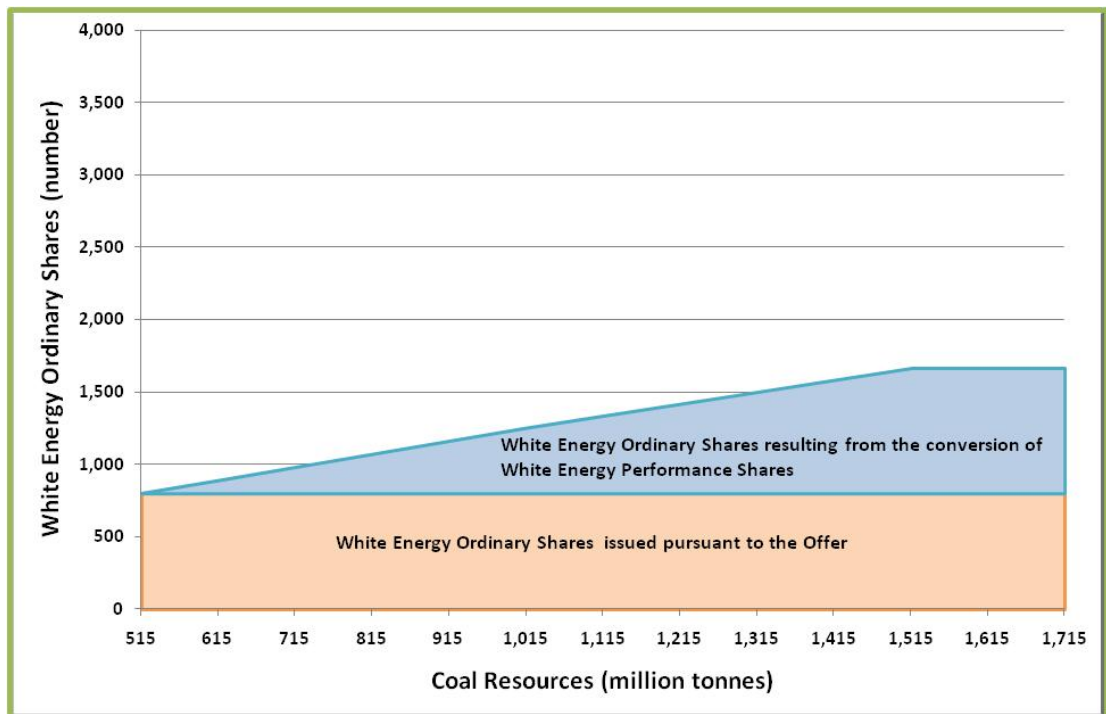
You should note that the dates for assessment of Coal Resources and conversion of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares into White Energy Ordinary Shares may be deferred if access to the SAC Exploration Area is restricted. A holder's entire holding of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares will convert into a nominal number of White Energy Ordinary Shares if Coal Resources only exceed 515 million tonnes after the Second Assessment. Any White Energy Subscription Rights you receive under the Offer must be taken up before the Exercise Deadline and any White Energy Subscription Rights that are not taken up expire immediately after the Exercise Deadline. Even if you elect to receive the Cash Alternative for all of your SAC Shares, you could receive the Share Alternative for some of your SAC Shares if the Cash Alternative is scaled-back.

This diagram, and the two diagrams set out below, are intended only to provide an overview of the consideration you will receive under the Offer. More detailed descriptions of the consideration you will receive and the terms on which you will receive it are set out in section 12. You should not rely only on this diagram but should read this Bidder's Statement in full before deciding whether to accept the Offer.

**Number of White Energy Ordinary Shares you will ultimately receive or hold if you accept the Offer and hold 10,000 SAC Shares and if you take-up White Energy Subscription Rights under the Offer**



**Number of White Energy Ordinary Shares you will ultimately receive or hold if you accept the Offer and hold 10,000 SAC Shares but you do not take-up White Energy Subscription Rights under the Offer**



## Summary of the Offer

<p><b>What the Bidder is offering to buy</b></p>	<p>The Bidder is offering to buy all of the SAC Shares on the terms set out in this Bidder's Statement.</p>
<p><b>What you will receive if you accept the Offer</b></p>	<p>SAC Shareholders who validly accept the Offer and validly elect to receive 'share consideration' will receive:</p> <ul style="list-style-type: none"> <li>• 0.07985 White Energy Ordinary Shares;</li> <li>• 0.08646 White Energy 2010 Performance Shares;</li> <li>• 0.08646 White Energy 2011 Performance Shares; and</li> <li>• 0.2034 White Energy Subscription Rights,</li> </ul> <p>for each SAC Share (the <b>Share Alternative</b>).</p> <p>SAC Shareholders who validly accept the Offer and elect to receive 'cash consideration', make no election or make an unclear election, will receive \$0.1996 for each SAC Share (the <b>Cash Alternative</b>), subject to a scale-back if SAC Shareholders elect (or are taken to have elected) to receive more than \$10 million in aggregate.</p> <p>You must accept the Offer for all of Your Shares. However, you can elect to receive the Cash Alternative for some or all of Your Shares. If you elect to receive the Cash Alternative for only some of Your Shares, you will receive the Share Alternative for the remainder of Your Shares.</p>
<p><b>Why is White Energy issuing White Energy 2010 Performance Shares and White Energy 2011 Performance Shares?</b></p>	<p>White Energy is issuing the White Energy 2010 Performance Shares and the White Energy 2011 Performance Shares to provide additional value to SAC Shareholders who accept the Offer and elect to receive the Share Alternative if Coal Resources exceed 515 million tonnes.</p>
<p><b>What are White Energy 2010 Performance Shares?</b></p>	<p>White Energy 2010 Performance Shares are non-voting, non-transferable converting shares issued by White Energy which convert into White Energy Ordinary Shares in certain circumstances.</p> <p>White Energy 2010 Performance Shares consolidate and convert into White Energy Ordinary Shares on 31 March 2011 as follows. If Coal Resources as at 31 December 2010 are assessed as:</p> <ul style="list-style-type: none"> <li>• 515 million tonnes or less, each holder's entire holding of White Energy 2010 Performance Share will convert into 1 White Energy Ordinary Share;</li> <li>• between 515 million tonnes and 1,515 million tonnes (non-inclusive), each White Energy 2010 Performance Share will convert into between 0 and 1 White Energy Ordinary Shares (non-inclusive) on the basis of a sliding scale formula (with each holder's holding of White Energy 2010 Performance Shares being converted into at least 1 White Energy Ordinary Share); or</li> <li>• 1,515 million tonnes or more, White Energy 2010 Performance Shares will convert into White Energy Ordinary</li> </ul>

	<p>Shares on a 1 for 1 basis.</p> <p>The effect of the conversion is that, for example, a holder of 1,000 White Energy 2010 Performance Shares will hold between 1 and 1,000 additional White Energy Ordinary Shares depending on Coal Resources assessed as at 31 December 2010. For information about the basis for conversion and the number of White Energy Ordinary Shares holders of White Energy 2010 Performance Shares may hold if Coal Resources exceed 515 million tonnes, see section 3.7.</p> <p>The date on which Coal Resources are assessed and the date on which White Energy 2010 Performance Shares convert may be deferred in certain circumstances if access to the SAC Exploration Area is restricted.</p> <p>The White Energy 2010 Performance Share terms of issue are set out in Attachment 4.</p>
<p><b>What are White Energy 2011 Performance Shares?</b></p>	<p>White Energy 2011 Performance Shares are also non-voting, non-transferable converting shares issued by White Energy which convert into White Energy Ordinary Shares in certain circumstances.</p> <p>White Energy 2011 Performance Shares consolidate and convert into White Energy Ordinary Shares in the same way as White Energy 2010 Performance Shares except that:</p> <ul style="list-style-type: none"> <li>• conversion will be based on Coal Resources assessed as at 31 December 2011 and will occur on 30 March 2012;</li> <li>• where more than 515 million tonnes of Coal Resources are assessed at 31 December 2010, to avoid double-counting, conversion will be based on the amount by which Coal Resources assessed as at 31 December 2011 exceed those assessed as at 31 December 2010.</li> </ul> <p>The effect of the conversion is that, for example, a holder of 1,000 White Energy 2011 Performance Shares will hold between 1 and 1,000 additional White Energy Ordinary Shares depending on Coal Resources assessed as at 31 December 2011.</p> <p>Also, the number of White Energy Ordinary Shares a holder of White Energy 2011 Performance Shares will hold following conversion of the White Energy 2010 Performance Shares is taken into account so that a holder of 1,000 White Energy 2010 Performance Shares and 1,000 White Energy 2011 Performance Shares will hold no more than 1,001 White Energy Ordinary Shares in total following conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares. For information about the basis for conversion and the number of White Energy Ordinary Shares holders of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares may hold if Coal Resources exceed 515 million tonnes, see section 3.7.</p> <p>The date on which Coal Resources are assessed and the date on which White Energy 2011 Performance Shares convert may be deferred in certain circumstances if access to the SAC Exploration Area is restricted.</p> <p>The White Energy 2011 Performance Shares also provide for acceleration of conversion if a change of control of White Energy occurs under a takeover bid or scheme, or if White</p>

	<p>Energy fails to use commercial best endeavours to explore the SAC Exploration Area. In this situation, conversion will occur as if the maximum 1,515 million tonnes of Coal Resource was assessed (unless, in the case of a change of control of White Energy under a takeover bid or scheme, Coal Resources have already been assessed as at 31 December 2011 to be less than the greater of 515 million tonnes or the Coal Resources assessed as at 31 December 2010).</p> <p>The White Energy 2011 Performance Share terms of issue are set out in Attachment 5.</p>
<p><b>Will White Energy 2010 Performance Shares and White Energy 2011 Performance Shares be quoted for trading?</b></p>	<p>No.</p> <p>White Energy 2010 Performance Shares and White Energy 2011 Performance Shares will be non-transferable and will not be quoted for trading on any securities exchange.</p>
<p><b>Where can I find out more about White Energy 2010 Performance Shares and White Energy 2011 Performance Shares?</b></p>	<p>For more details about the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares, and for worked examples, see section 3.7.</p>
<p><b>What are White Energy Subscription Rights?</b></p>	<p>A White Energy Subscription Right is an offer by White Energy to subscribe for 1 White Energy Ordinary Share at a subscription price of \$2.50 in accordance with section 12.2.</p> <p>The offer comprising a White Energy Subscription Right is personal to the SAC Shareholder who receives the Share Alternative and cannot be transferred or accepted by another person (except as required by law).</p> <p>The deadline for taking up the White Energy Subscription Rights (and paying the subscription amount) will be 5:00 pm on the 30th Business Day after the end of the Offer Period unless, the Bidder proceeds to compulsory acquisition of outstanding SAC Shares following the Offer, in which case the deadline will be 5:00 pm on the 30th Business Day after completion of the compulsory acquisition (the <b>Exercise Deadline</b>).</p> <p>White Energy Ordinary Shares will be issued to SAC Shareholders who have validly taken up their White Energy Subscription Rights within 5 Business Day after the Exercise Deadline.</p> <p>Any White Energy Subscription Rights not taken up expire immediately after the Exercise Deadline.</p>
<p><b>Will White Energy Ordinary Shares be quoted for trading?</b></p>	<p>White Energy will apply to the ASX for quotation of:</p> <ul style="list-style-type: none"> <li>• the White Energy Ordinary Shares that it will issue to SAC Shareholders who accept the Offer and elect to receive the Share Alternative; and</li> <li>• the White Energy Ordinary Shares that it will issue to SAC Shareholders who take-up White Energy Subscription</li> </ul>



	<p>Rights offered under the Offer, within 7 days after the date of this Bidder's Statement.</p> <p>White Energy will also apply to the ASX for quotation of any White Energy Ordinary Shares that may arise on conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares in due course.</p> <p>White Energy expects that the White Energy Ordinary Shares will be quoted for trading and, as at the date of this Bidder's Statement, the ASX has not indicated otherwise to White Energy.</p>
<p><b>Can I elect to receive the Cash Alternative for only some of my SAC Shares</b></p>	<p>Yes, you can elect to receive the Cash Alternative for only some of Your Shares.</p> <p>If you elect to receive the Cash Alternative for only some of Your Shares, you will receive the Share Alternative for the remainder of Your Shares.</p>
<p><b>What happens if I make no election?</b></p>	<p>If you make no election in your Acceptance Form, or if you make an unclear election, you will be taken to have elected to receive the Cash Alternative for all of Your Shares.</p>
<p><b>How does the Cash Alternative scale-back work?</b></p>	<p>The Bidder has made available \$10 million to provide the Cash Alternative to SAC Shareholders who would prefer to receive cash rather than White Energy Shares. If SAC Shareholders elect (or are taken to have elected) to receive more than \$10 million in cash in aggregate:</p> <ul style="list-style-type: none"> <li>• the amount of cash that each such SAC Shareholder receives in respect of their SAC Shares will be reduced on a sliding scale so that: <ul style="list-style-type: none"> <li>– all SAC Shareholders who have elected (or are taken to have elected) to receive the Cash Alternative receive an amount of cash that is proportional to the number of SAC Shares that they hold; and</li> <li>– the Bidder does not have to pay more than \$10 million in aggregate; and</li> </ul> </li> <li>• to the extent that the cash that each such SAC Shareholder receives is reduced, the SAC Shareholder will receive the Share Alternative to cover the shortfall.</li> </ul> <p>The scale-back will only apply if SAC Shareholders elect to receive the Cash Alternative for 25.5% or more of the total number of SAC Shares on issue. Therefore, if SAC Shareholders elect to receive the Share Alternative for 74.5% or more of SAC Shares on issue, SAC Shareholders who elect have received the Cash Alternative for some or all of their SAC Shares will not be subject to the scale-back. As at the date of this Bidder's Statement, holders of at least 69% of the SAC Shares (including interests associated with Mr Travers Duncan, Mr Brian Flannery and Mr Hans Mende) have indicated that, if they accept the Offer, they will elect to receive the Share Alternative for all of their SAC Shares.</p> <p>For more details about the Cash Alternative scale-back, see</p>

	<p>section 12.3.</p>
<p><b>How to accept the Offer</b></p>	<p>You may only accept the Offer for all Your Shares.</p> <p>To accept the Offer, you must complete and sign the Acceptance Form and return the Acceptance Form to the return address on the Acceptance Form before the Offer closes.</p> <p>Details on how to accept the Offer are set out in section 12.5 of this Bidder's Statement and in the Acceptance Form.</p>
<p><b>How to take-up White Energy Subscription Rights</b></p>	<p>If you receive White Energy Subscription Rights under the Offer, the Bidder will post an Exercise Form, or arrange for an Exercise Form to be posted to you by pre-paid post to your address as it appears in the Register at close of business on the Register Date.</p> <p>To take-up the White Energy Subscription Rights, you must complete and sign the Exercise Form and return the Exercise Form, together with payment of the total subscription amount for the White Energy Ordinary Shares for which you are subscribing, to the return address on the Exercise Form before the Exercise Deadline.</p> <p>You can take-up some or all of your White Energy Subscription Rights (although you cannot take-up fractions of a White Energy Subscription Right).</p> <p>Details on how to take-up White Energy Subscription Rights will be set out in the Exercise Form.</p>
<p><b>When you will receive your consideration</b></p>	<p>Generally, if you accept the Offer, the Bidder will provide White Energy Shares and Exercise Forms for White Energy Subscription Rights for the Share Alternative, and a cheque for the Cash Alternative (as applicable) on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and</li> <li>• 21 days after the end of the Offer Period.</li> </ul> <p>Details of when consideration will be provided are set out in section 12.8.</p>
<p><b>If I elect to receive the Cash Alternative for only some of my SAC Shares, can I credit the cash to the subscription amount I would need to pay to take-up White Energy Subscription Rights?</b></p>	<p>No.</p> <p>Payment of any cash to which you are entitled under the Offer will be made by cheque only.</p> <p>Cash to which you may become entitled under the Offer cannot be credited towards your payment of the subscription amount for any additional White Energy Ordinary Shares that you may wish to subscribe for on taking up your White Energy Subscription Rights.</p>
<p><b>No brokerage on acceptances</b></p>	<p>Unless you are an Ineligible Foreign Shareholder, you will not pay brokerage or stamp duty if you accept the Offer. For all SAC Shareholders other than Ineligible Foreign Shareholders,</p>

	any such costs will be borne by the Bidder.
<b>Close of the Offer</b>	The Offer closes at 5:00pm on 21 July 2010, unless it is extended by the Bidder or otherwise in accordance with the Corporations Act.
<b>Conditions to the Offer</b>	<p>In summary, the Offer is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• the Bidder obtains a relevant interest in at least 90% of the SAC Shares;</li> <li>• the absence of any Prescribed Occurrence;</li> <li>• the absence of any regulatory action;</li> <li>• all required regulatory approvals or consents required to implement the Offer having been received and remaining in full force and effect;</li> <li>• no distributions being announced, made, declared or paid by SAC</li> <li>• SAC not acquiring or disposing of any interest in any company, business or asset, entering into an agreement requiring expenditure of more than \$0.1 million or dealing with any SAC Mining Tenement or announcing its intention to do any of these things;</li> <li>• SAC conducting its business subject to certain restrictions;</li> <li>• no persons being entitled to exercise, or exercising, rights under certain agreements or instruments;</li> <li>• no material adverse change occurring in relation to SAC;</li> <li>• all White Energy Shareholder approvals required to implement the Offer; and</li> <li>• SAC maintaining a minimum cash balance of \$9.5 million (less certain expenses) and aggregate liabilities on a consolidated basis of less than \$0.5 million.</li> </ul> <p>The conditions of the Offer are set out in section 12.10.</p> <p>White Energy has convened an extraordinary general meeting of its shareholders to approve the acquisition of SAC Shares from interests associated with Mr Travers Duncan for 12 July 2010 (the <b>General Meeting</b>). White Energy will announce the results of the General Meeting promptly after close of the meeting.</p>
<b>Risk factors</b>	<p>Various risk factors relating to the Offer, White Energy, White Energy Shares, the Merged Group and the proposed activities of the Merged Group are set out in section 9.</p> <p>It is important that you read those risk factors in full before deciding whether to accept the Offer.</p>
<b>Placement and new appointments</b>	At the same time as it announced the Offer, White Energy announced that it intends to raise \$75 million by issuing 10 million White Energy Ordinary Shares each to interests associated with each of Mr Travers Duncan, Mr Brian Flannery

	<p>and Mr John Kinghorn for a subscription price of \$2.50 per White Energy Ordinary Share (the <b>Placement</b>).</p> <p>As interests associated with Mr Travers Duncan and Mr Brian Flannery will be participating in the Placement, they will not take-up any of the White Energy Subscription Rights that they may receive if they accept the Offer.</p> <p>White Energy proposes that, in August 2010:</p> <ul style="list-style-type: none"> <li>• Mr Brian Flannery will become the CEO of White Energy, and will be appointed to its board as an executive director. Mr John Atkinson, the current CEO will remain on the White Energy Board as an executive director.</li> <li>• Mr Hans Mende and Mr John Kinghorn will be appointed as non-executive directors of White Energy.</li> <li>• Mr Travers Duncan will become the non-executive Chairman of White Energy. Mr John McGuigan, the current chairman, will remain on the White Energy Board as a non-executive director.</li> </ul>
<p><b>Where to go for further information</b></p>	<p>If you have questions about how to accept the Offer, see the enclosed Acceptance Form or call the Offer Information Line on 1800 632 680 (for callers within Australia) or +61 2 8256 3394 (for callers outside Australia).</p>
<p><b>Important notice</b></p>	<p>The information in this section is only a summary of the Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement.</p> <p>You should read the entire Bidder's Statement and Target's Statement, before deciding whether to accept the Offer.</p>

# 1 Why you should accept the Offer

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## 1.1 The Offer provides a premium for Your Shares

The Offer values SAC Shares at:

- between 19 and 20 cents per SAC Share if you receive the Share Alternative (based on values for White Energy estimated in the Independent Expert's Report prepared for SAC by BDO Corporate Finance (QLD) Limited (**BDO**), which has not quantified the value of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares and has attributed no value to White Energy Subscription Rights for the purposes of its assessment); and
- 19.96 cents per SAC Share if you receive the Cash Alternative.

This represents:

- a premium of between 18% and 25% to the midpoint value of 16 cents per share for SAC Shares estimated by BDO and a premium of between 86% and 96% to the value of 10.17 cents per share attributed to SAC Shares at the time of its demerger from Felix Resources Limited (**Felix Resources**) in the Information Memorandum issued by Felix Resources dated 30 September 2009 (the **Demerger Information Memorandum**) for the Share Alternative; and
- a premium of 24% to the midpoint value of 16 cents per share for SAC Shares estimated by BDO and a premium of 96% to the value of 10.17 cents per share attributed to SAC Shares in the Demerger Information Memorandum.

## 1.2 The Offer provides a certain timeframe for liquidity

The Offer provides SAC Shareholders with a certain timeframe for achieving liquidity for their investment.

Although at the time of demerger, Felix Resources announced that SAC intended to seek admission to the official list of the ASX in early to mid 2010, the ASX has indicated that SAC is currently unlikely to meet the requirements for ASX listing because SAC is a single asset company (exploration licence EL 3386 (the **Exploration Licence**) and the retention leases associated with the Exploration Licence, RL 100 and RL 104 (the **Retention Leases**) are SAC's only asset) and because of uncertainty regarding SAC's current and future access to the area covered by this licence.

White Energy will apply to the ASX for quotation of the White Energy Ordinary Shares that it will issue to SAC Shareholders who accept the Offer and elect to receive the Share Alternative and the White Energy Ordinary Shares that it will issue to SAC Shareholders who take-up White Energy Subscription Rights offered under the Offer.

White Energy will also apply to the ASX for quotation of any White Energy Ordinary Shares that may arise on conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares in due course.

White Energy expects that these White Energy Ordinary Shares will be quoted for trading and, as at the date of this Bidder's Statement, the ASX has not indicated otherwise to White Energy.

SAC Shareholders who accept the Offer and elect to receive the Cash Alternative will receive liquidity for their SAC Shares in the form of cash on the date that they receive their consideration under the Offer and, if the ASX agrees to quote White Energy

Ordinary Shares issued under the Offer, SAC Shareholders who accept the Offer and elect to receive the Share Alternative will receive liquidity for their SAC Shares in the form of White Energy Ordinary Shares quoted for trading, on the same date.

### 1.3 You can become a shareholder in White Energy

The Offer provides SAC Shareholders (other than Ineligible Foreign Shareholders) with an opportunity to become a shareholder in White Energy. White Energy is a public listed Australian clean coal technology company that has a record of financial and operational performance and growth and White Energy Ordinary Shares are currently included in the All Ordinaries, S&P ASX 300 and S&P ASX 300 Resources indices. White Energy Ordinary Shares will also be included in the S&P ASX 200 index after the close of trading on 18 June 2010.

White Energy has:

- a market capitalisation of \$823 million as at 4 June 2010;
- consolidated total assets of \$323 million at 31 December 2009; and
- consolidated total equity of \$190 million as at 31 December 2009.

For more details, see section 2.

If the Offer and the Placement are successfully completed and all SAC Shareholders elect to receive the Share Alternative for all their SAC Shares, the Merged Group will have:

- consolidated total assets of \$565 million; and
- consolidated total equity of \$370 million.

based on pro forma consolidated accounts as at 31 December 2009. For details, see sections 8.2 and 8.3.

As a White Energy Shareholder, you will remain an investor in the Australian natural resources sector and will become an investor in the Australian and international energy and technology sector.

### 1.4 White Energy will have a highly regarded management team

White Energy will be run by a highly regarded management team with an industry wide reputation for delivery and execution of major coal projects. The former Chairman of Felix Resources, Mr Travers Duncan, has agreed to become the Chairman of White Energy and the former Managing Director of Felix Resources, Mr Brian Flannery, has agreed to assume the role of CEO of White Energy and join the White Energy Board as an executive director from August 2010.

Former Felix Resources board members, Mr Hans Mende and Mr John Kinghorn have also agreed to join the White Energy Board as non-executive directors: for more details, see section 8.1.

The former Felix Resources board members' and CEO's project management expertise will significantly enhance the ability of White Energy to execute the various projects it has undertaken globally. For more details, see sections 2.5 and 7.3 to 7.7.

### 1.5 White Energy is ideally positioned to take advantage of commercialisation opportunities for sub-bituminous coal in Australia and internationally

Global energy demand is forecast to increase by 44% by 2030.

White Energy is the exclusive world-wide licensee of the Binderless Coal Briquetting process (**BCB Process**), a low cost mechanical process that upgrades sub-bituminous coal into export quality coal. Therefore it is ideally placed to realise the value inherent in SAC's large sub-bituminous coal resources.

White Energy's BCB Process may be deployed to over 465 billion tonnes of lignite and sub-bituminous coals around the world and the inter-changeability of upgraded coal with other high ranking coals will allow White Energy to take advantage of the significant price difference between lignite and sub-bituminous coals and bituminous coal.

White Energy has also developed strategic relationships with, amongst others, Bayan Resources, Peabody Energy Inc, Black River Asset Management and Kiewit Corporation and has or intends to establish operations in Australia, Indonesia, the United States, Africa and China: for more details, see section 2.5.

On completion of the Offer and the Placement, White Energy expects to have cash reserves of between \$219 million and \$270 million available to invest in development of the Merged Group's business. For more details and a description of the assumptions made in calculating these values, see sections 8.2 and 8.3.

## 1.6 You will hold additional White Energy Ordinary Shares if SAC's Coal Resources exceed 515 million tonnes

White Energy has committed up to \$10 million to exploring the land to which the Exploration Licence and Retention Leases (the **SAC Mining Tenements**) relate (the **SAC Exploration Area**) with a view to proving a total of 1,515 million tonnes of coal resources by the end of 2011 (subject it having continued access to the SAC Exploration Area and it remaining practical for it to conduct exploration activities).

If you accept the Offer and receive the Share Alternative for some or all of Your Shares, and the amount of coal resources (comprising resources which are 'Inferred Mineral Resources', 'Indicated Mineral Resources' and 'Measured Mineral Resources' within the meaning of the JORC Code) located in the SAC Exploration Area (**Coal Resources**) exceed 515 million tonnes, your White Energy 2010 Performance Shares and White Energy 2011 Performance Shares will convert into White Energy Ordinary Shares and you will hold additional White Energy Ordinary Shares following conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares. Therefore, you will have an opportunity to participate directly in the results of the additional exploration activities that White Energy intends to undertake.

Coal Resources will be assessed as at the end of 2010 and 2011 (subject to deferral in certain circumstances) and, depending on the amount of Coal Resources assessed, White Energy 2010 Performance Shares will consolidate and convert into White Energy Ordinary Shares on 31 March 2011 and White Energy 2011 Performance Shares will consolidate and convert into White Energy Ordinary Shares on 30 March 2012) (subject to deferral in certain circumstances): for more details, see section 3.7.

## 1.7 Your board and an independent expert recommends that you accept the Offer and the independent expert has concluded that it is fair and reasonable

The independent SAC Directors (that is, SAC Directors other than Mr Travers Duncan who is a White Energy Director) recommend that you accept the Offer in the absence of a superior proposal.

In the independent expert's report prepared by BDO for SAC (the **Independent Expert's Report**), BDO values the SAC Share at between 14 cents and 18 cents and has concluded that the Offer is both fair and reasonable. A copy of the Independent Expert's report can be obtained from SAC's website ([www.sacoal.com.au](http://www.sacoal.com.au)) or from the

announcements made to the ASX by White Energy on the ASX website ([www.asx.com.au](http://www.asx.com.au)).

SAC has announced that SAC Shareholders who together hold 69% of SAC Shares, including interests associated with Mr Travers Duncan, Mr Hans Mende and Mr Brian Flannery, have each indicated that they will accept the Offer in respect of their SAC Shares in the absence of a superior proposal.



## 2 The Bidder and the White Energy Group

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### 2.1 Overview of the Bidder

The Bidder was incorporated specifically for purposes of making the Offer and is a wholly-owned subsidiary of White Energy.

White Energy is a public, technology enabled, natural resource company with business operations in Australia, Indonesia, the United States, Africa and China.

White Energy was incorporated in Victoria in October 1995 and listed on the ASX on 23 July 1999. White Energy currently trades on the ASX under the ASX Code WEC. White Energy's American Depository Receipt program was listed for over-the-counter trading on the International OTCQX (New York) on 23 July 2008 (OTCQX: WECFY).

White Energy's head office is in Sydney, Australia.

As at 4 June 2010, White Energy had approximately 3400 shareholders and a market capitalisation of approximately \$823 million.

### 2.2 Directors

Brief profiles of the directors of the Bidder and White Energy, as at the date of this Bidder's Statement, are set out below. All of the White Energy Directors, other than Mr Travers Duncan, are also directors of the Bidder (and the Bidder has no other directors).

#### **Mr John McGuigan**

*Chairman and Non-Executive Director*

Mr McGuigan has both an accounting and legal background, having commenced his career with Price Waterhouse. Mr McGuigan was a partner with Baker & McKenzie for more than 20 years. He was Executive Chairman of that firm, based in Chicago, where he was responsible for Baker & McKenzie worldwide operations. Upon leaving the law, Mr McGuigan co-founded Hunter Bay Partners Pty Ltd, a boutique investment house. Mr McGuigan has been on the board of a number of public and private companies. In addition, Mr McGuigan has maintained an active involvement in charitable and civic organisations.

Mr McGuigan has been a White Energy Director since 1998 (and a director of the Bidder since May 2010).

#### **Mr John Atkinson**

*Managing Director and Executive Director*

Mr Atkinson has a legal background having worked in Australia as a lawyer and then with Baker & McKenzie for eleven years in Hong Kong and New York. Mr Atkinson principally practiced as a merger and acquisitions lawyers advising a number of leading multi-national corporations on their corporate activities in Asia. He also played an active role in the management of Baker & McKenzie in Hong Kong and globally through his chair of one of Baker & McKenzie's global business units.

Mr Atkinson left Baker & McKenzie to co-found Hunter Bay Partners Pty Ltd, a boutique investment house. He has been on the board of a number of public and private companies.

Mr Atkinson has been an active investor and participant in the coal industry for a number of years and a White Energy Director since 1999 (and a director of the Bidder since May 2010). Mr Atkinson has been the Managing Director of White Energy since 2003.

#### **Mr Travers Duncan**

##### *Non-Executive Director*

Mr Duncan is a Civil Engineer and Fellow of Engineers Australia. He has extensive experience in management, developing and financing of large mining and infrastructure projects in Australia, Indonesia, Papua New Guinea, Singapore and India. Mr Duncan has played a key role in the White group of companies, most recently as Chairman of White Mining Limited with a particular focus on advancing mining projects and development of the Ultra Clean Coal technology. He has been on the board of a number of public and private companies. He was formerly Chairman and a major shareholder of Felix Resources. Mr Duncan is a member of the NSW Government Clean Coal Council.

Mr Duncan has been a White Energy Director since 2008.

#### **Mr Graham Cubbin**

##### *Independent Director*

Mr Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, Mr Cubbin held senior finance positions with a number of major companies, including Capita Financial Group and Ford Motor Company. He has 15 years experience as a director and audit committee member of public companies in Australia and the US.

Mr Cubbin is a director of the ASX listed Challenger Financial Services Group Limited, STW Communications Group Limited and Bell Financial Group Limited, and serves on the Audit Committee for each of these companies.

Mr Cubbin has been a White Energy Director since February 2010.

## **2.3 Proposed board changes and new directors**

White Energy proposes to appoint Mr Brian Flannery as the CEO and an executive director of White Energy in August 2010, and to appoint Mr Hans Mende and Mr John Kinghorn to its board as non-executive directors following completion of the Offer and the Placement. Also, it is proposed that, at that time:

- White Energy's current Chairman, Mr John McGuigan will resign as Chairman (but remain on the board as a non-executive director);
- Mr Travers Duncan will assume the role of Chairman of White Energy; and
- White Energy's current Managing Director, Mr John Atkinson will resign as Managing Director (but remain on the board as an executive director and play a role in various of White Energy's business development initiatives).

Mr Graham Cubbin will remain on the White Energy Board as an independent director.

Brief profiles of the proposed new directors are set out below.

#### **Mr Brian Flannery**

##### *Proposed CEO and Executive Director*

Mr Flannery is a mining engineer with over 35 years' experience in the development, engineering, construction and management of open-cut and underground mining projects in Australia and overseas. He was managing director of White Mining Limited prior to its merger with Felix Resources and subsequently served as managing director and CEO of Felix Resources.

#### **Mr Hans Mende**

*Proposed Non-Executive Director*

Mr Mende has been president and chief operating officer of AMCI (USA) since he co-founded the company in 1986, and remains one of its largest shareholders. He is also a director of MMX Mineracao, New World Resources and Excel Maritime. On 3 May 2007 he was appointed as a director of Whitehaven Coal Limited, an ASX listed company.

Prior to starting AMCI (USA), Mr Mende was employed by the Thyssen group of companies in various senior executive positions. He was responsible for the worldwide raw material trading activities of the consolidated entity where he developed strong international marketing skills and overall management expertise. When he left Thyssen in 1986 he was president of their international trading company which had revenues in excess of US\$1 billion.

**Mr John Kinghorn**

*Proposed Non-Executive Director*

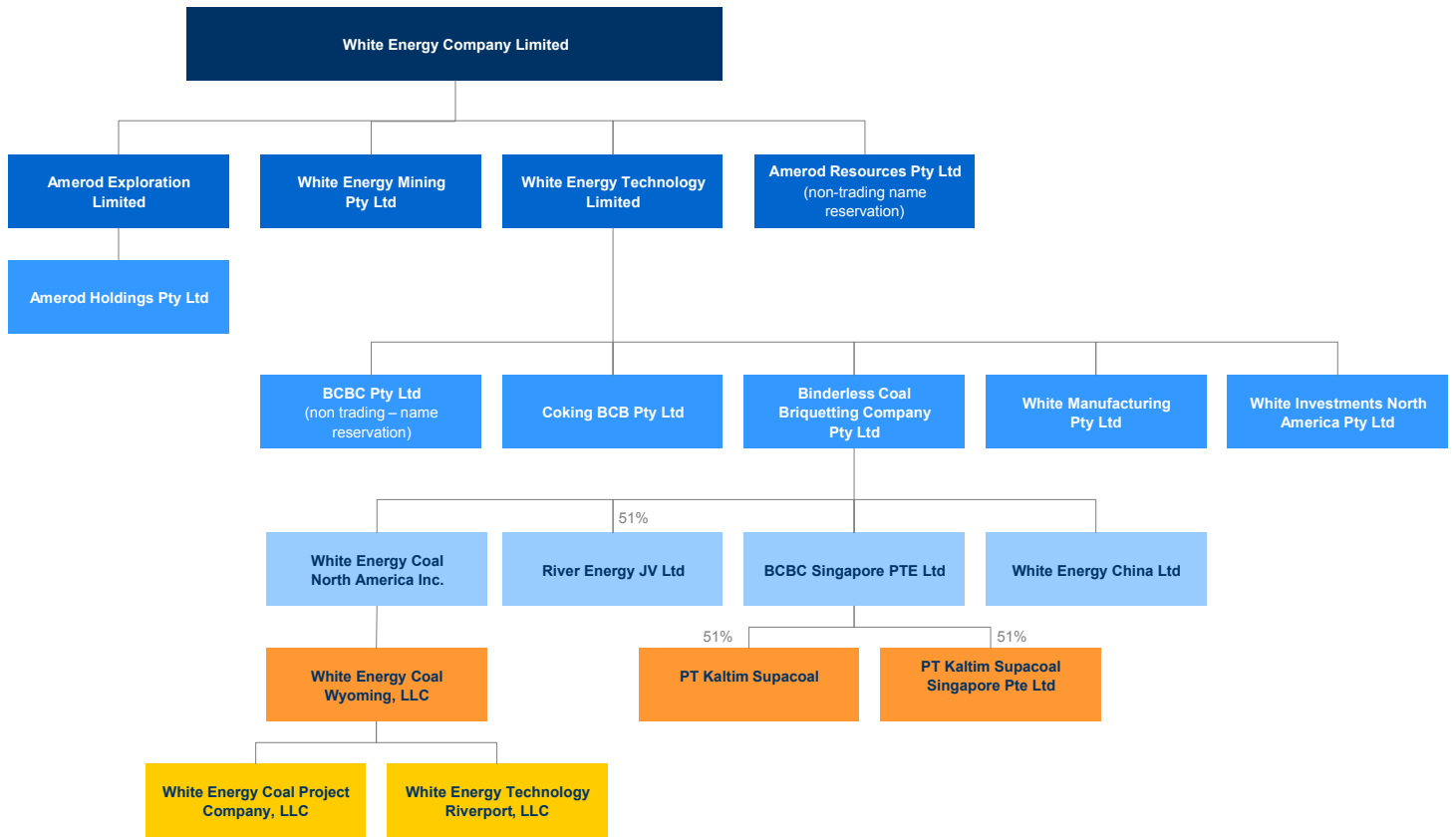
Mr Kinghorn qualified as a Chartered Accountant with Price Waterhouse & Co and was then joint general manager of Development Finance Corporation Limited. He left Development Finance Corporation Limited to found the Allco Finance Group. Mr Kinghorn subsequently founded the RentWorks Limited group and the RAMS Home Loans Group. He has over 35 years' experience in finance. Mr Kinghorn is presently chairman of RentWorks India Private Limited and was appointed chairman of the ASX listed entity RHG Limited on 3 June 1992. He is a director of Orbian Corporation Limited, Krispy Kreme Australia Pty Limited and a trustee of The Kinghorn Foundation and was formerly a director of Felix Resources.

## **2.4 Structure and ownership of the White Energy Group**

(a) **Structure**

White Energy has a number of subsidiaries through which it conducts its operations.

The structure of the White Energy Group as at the date of this Bidder's Statement, is set out diagrammatically below.



Note: Ownership 100% unless otherwise stated

(b) **Ownership**

White Energy Shares are widely held (as at 4 June 2010, White Energy had approximately 3400 shareholders) and to the best of the White Energy Group's knowledge, the White Energy Group is not directly or indirectly controlled by another corporation or any person or foreign government, and there are no arrangements which may at a subsequent date result in a change in control of the White Energy Group.

Details of the substantial holders of White Energy Shares are set out in section 3.2.

## 2.5 Principal activities of the White Energy Group

(a) **White Energy coal upgrading technology**

White Energy, through its wholly-owned subsidiary, Binderless Coal Briquetting Company Pty Limited, holds the exclusive world-wide licence to the patented binderless coal briquetting clean coal upgrading technology (the **BCB Technology**).

White Energy acquired the exclusive licence to commercialise the BCB Technology in January 2006 from a consortium lead by the Commonwealth Scientific and Industrial Research Organisation.

The BCB Technology has been developed over the past 15 years from pilot scale through to commercial-scale application.

The BCB Technology is designed to upgrade high moisture, low rank, low value sub-bituminous and lignite coals through a proprietary patented process of dehydration and compaction to transform them into stable, higher energy content coal.

The upgrading process produces upgraded coal with an energy content similar to high rank bituminous coal (**WEC Coal**).

WEC Coal has been shown to meet high rank thermal coal quality specifications for power utilities while retaining the typically lower pollutant emission profile of the feedstock coal. WEC Coal can be used interchangeably with high rank thermal coal for a number of applications, including power generation, and other advanced processes such as coal gasification and coal-to-liquids processes. The BCB Technology can also be applied to the processing of unwanted, undersized fractions of high energy bituminous coal waste into transportable briquettes, and integration with coal gasification systems.

(b) **Coal as a source of fuel**

Global economic growth is closely correlated to energy consumption, with total world consumption of marketed energy projected to increase significantly in the near future. The largest projected increase in energy demand is for the non-OECD economies with energy demand from China and India expected to double in the next twenty years.

Amongst the major energy sources, coal is one of the most rapidly growing fuels on a global basis due to its low cost and broad accessibility. Coal currently fuels about 40% of electricity worldwide, and in many countries this figure is much higher. Rapidly developing countries, such as China and India, are building new power plants continuously to satisfy population growth and economic advancement. Large coal consumers such as China, India and the United States have begun to seek out new sources of supply and identify ways to improve efficiency of coal consumption.

Despite its vast abundance and low cost to mine, there are a number of negative aspects associated with the use of coal:

- coal combustion releases carbon dioxide into the atmosphere;
- coal is a major source of other pollutants such as sulphur dioxide and nitrogen oxides;

- dust from coal transportation causes environmental, economic and logistic problems; and
- due to its high carbon content the use of coal will increasingly attract penalties and associated taxes.

To address these challenges new technologies and clean coal processes are needed to drive innovation in the production, combustion and emissions control of coal. White Energy aims to improve the environmental profile of coal while maintaining and expanding its role as a prime fuel for electrical power generation. Coal technologies will need to be harnessed to ensure the continued supply of affordable energy while conforming to more stringent environmental regulations and standards.

(c) **White Energy Coal**

A number of converging factors suggest a very significant market opportunity for technologies that upgrade high moisture coal, including the following:

- increasing aggregate demand for energy from coal;
- increasingly constrained availability of high rank / low moisture thermal coals;
- environmental concerns and emissions regulation; and
- significant price spreads between low moisture and high moisture coal.

White Energy addresses these factors by upgrading lower quality abundant coal reserves into higher energy briquettes. The chemical composition of WEC Coal remains virtually unchanged from the feedstock coal despite its higher energy content.

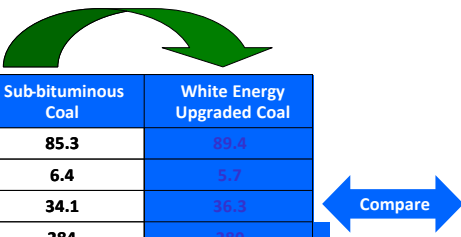
Key characteristics of WEC Coal are summarised in the table below which shows the upgrade that may be achieved at the Tabang Plant in Indonesia.

Sample	Tabang Sub-Bituminous Coal	KSC Upgraded Coal
<b>Proximate Analysis (as received basis)</b>		
Total Moisture (%)	32.3	7.8
Ash (%)	3.9	5.3
Volatile Matter (%)	33.5	44.0
Fixed Carbon (%)	30.3	42.9
Fixed Sulfur (%)	0.23	0.32
<b>Ultimate Analysis (dried basis)</b>		
Carbon (%)	68.3	69.0
Hydrogen (%)	5.2	5.2
Nitrogen (%)	0.9	0.9
Sulfur (%)	0.1	0.1
<b>Gross Calorific Value (as received basis)</b>		
Kcal/Kg (BTU/lb)	4,472 (8,049)	6,122 (11,020)
HGI	81	90

Source: Coal analysis performed by CCI Australia Pty Ltd

Note: This is an example only. Feedstock coal from other sources and WEC Coal produced at different White Energy coal upgrading plants may have different characteristics.

As illustrated by the table below, WEC Coal compares favourably with higher priced bituminous coal when combusted at the power plant and it is this comparable performance of WEC Coal at the point of combustion that provides White Energy with the price arbitrage opportunity when upgrading sub-bituminous coal to WEC Coal.



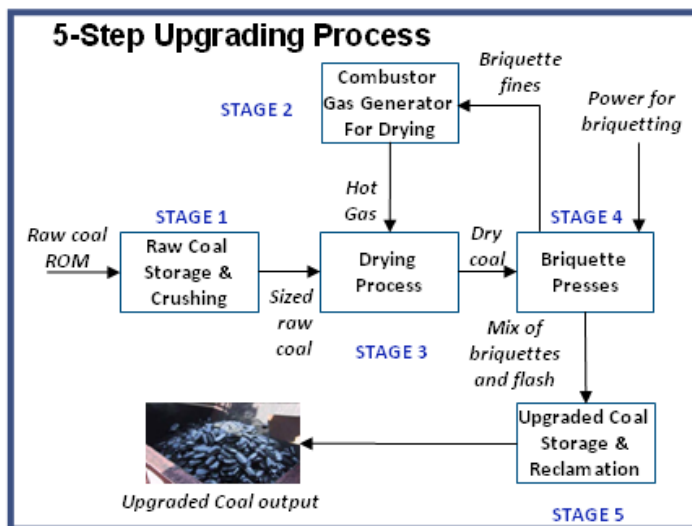
Parameter	Sub-bituminous Coal	White Energy Upgraded Coal	Australian Bituminous Coal 14% ash
Boiler Efficiency (%)	85.3	89.4	89.5
Parasitic Load (%)	6.4	5.7	5.9
Overall Efficiency (%)	34.1	36.3	36.1
NOx (mg/Nm3)	284	280	454
SOx (mg/Nm3)	223	169	1404
Ash Generation (Kg/MWh)	21.3	17.3	57.6

(d) White Energy coal upgrading process

White Energy’s BCB Technology is a technology that enables the exploitation of a large number of low quality, high moisture coal deposits.

White Energy’s coal upgrading process is a mechanical five-step process. Its main components have been tested in several industrial applications.

The diagram below illustrates White Energy’s coal upgrading process.



White Energy’s coal upgrading process involves the crushing and drying of lower energy value, higher moisture coals resulting in the removal of a proportion of the coal water content. Compaction then generates close bonding between the dried coal particles forming a high density, higher energy coal product with very low permeability – a key factor in providing stability against spontaneous combustion. The upgraded coal is held together by the natural bonding mechanisms of coal – they do not require the binders that are normally used to agglomerate coal.

(e) **Benefits of the BCB Technology**

- **Simple mechanical process:** The BCB Technology uses a simple mechanical process. It does not require expensive binding agents to stabilise the upgraded product which would otherwise impact its combustion characteristics or marketability;

- **Low upgrading costs:** The White Energy upgrading process has demonstrated an ability to convert low cost, low rank coals to bituminous quality thermal coal at a competitive price;
- **Time to market:** The White Energy process possesses first mover advantage over potential competitors in the field of industrial scale clean coal upgrading;
- **Modular system and deployment strategy:** White Energy's technology is designed for deployment in 1 MTPA modules. This design allows the deployment to be staged on a module-by-module basis which minimises operating and financial risk, optimises capital management as well as allowing for geographic and site diversity;
- **Flexible feedstock:** White Energy's upgrading process is effective for both the upgrading of high moisture coals as well as high energy discard coal fines into a stable transportable briquette product;
- **Broad geographic application:** Coals from around the world have been successfully upgraded using the BCB Technology, including coals from Indonesia, China, the USA, South America, Africa and Russia; and
- **Integrate into coal gasification / polygeneration systems:** White Energy's upgrading process produces an ideal feedstock that is suitable for integration into coal gasification / polygeneration systems.

(f) **Benefits of WEC Coal**

The upgraded coal produced by the White Energy upgrading process has the following characteristics:

- **Higher energy content:** increased energy content as compared to low rank feedstock coal by between 30% and 200% (depending on the original moisture content of the feedstock coal);
- **Reduced carbon dioxide emissions:** in comparison to sub-bituminous feedstock, WEC Coal has lower carbon dioxide emissions and other pollutants at combustion;
- **Reduced pollutants:** WEC Coal maintains the positive attributes of low rank feedstock such as lower ash and sulphur oxides content as compared to high rank bituminous thermal coals;
- **Reduced levels of coal dust:** WEC Coal has significantly lower dust quantities when compared to unprocessed sub-bituminous coal which increases railway efficiency;
- **Lower spontaneous combustion risk:** WEC Coal is physically and chemically stable, and can be handled, stored and transported in a similar manner as high rank bituminous thermal coal; and
- **Lower transportation costs:** the upgrading process reduces moisture, resulting in up to 30% decrease in load volumes and concomitant transportation costs.

In addition, there are a number of benefits to power utilities arising from burning WEC Coal with its low sulphur and low ash characteristics, as opposed to similar energy value high ash coals. These benefits include:

- increased power output and improved heat rate;
- enables higher capacity utilisation;
- enables increases life expectancy of assets;
- increased boiler efficiency;
- improved environmental performance;



- reduced residual waste for disposal; and
- solution to meeting stricter environmental and emissions regulations.

(g) **White Energy's strategy to date**

In its initial phase of development, White Energy adopted a joint venture strategy to maximise its economic return and to protect the BCB Technology. The joint development model has ensured White Energy's economic participation in coal upgrading operations by direct participation in the profitability of the joint venture company and through receipt of a royalty based on the total tonnage of upgraded coal produced at the coal upgrading plant. White Energy has focused on developing a series of coal upgrading facilities at strategic locations throughout the world that are located at or near large low rank coal deposits which have appropriate transportation infrastructure.

White Energy has aimed to maximise the commercialisation opportunities presented by the BCB Technology. To date, White Energy has been focussing primarily on the development of coal upgrading plants in the following key markets:

- Indonesia – Indonesia is one of the leading exporters of sub-bituminous coal which represents the bulk of Indonesian coal production. Of total coal resources in Indonesia, 86% is considered to be of low rank. Indonesia is also strategically located to supply key markets such as China, India and Japan.
- The United States – the Powder River Basin area is currently the largest sub-bituminous coal-producing region in the world producing 479 million tonnes in 2007. The area contains 40% of the United States' proven reserves.
- China – China is the largest coal producer in the world and one of the major energy consumers. China is predicting its energy sector will grow by around 3% per annum each year up to 2030 and is expanding its coal powered electricity grid accordingly. Large deposits of sub-bituminous coal are located in Northern China and Inner Mongolia creating a significant opportunity for the application of the BCB Technology in upgrading plants and coal gasification.
- Africa – it is estimated that approximately 60 million tonnes of discard coal fines are generated each year from mining operations in South Africa. The BCB Technology can be used as a means of producing stable and transportable lump coal from the high energy bituminous coal fines.

White Energy will continue to evaluate opportunities in other markets that hold large amounts of low rank sub-bituminous and lignite coal such as Russia, Eastern Europe and Central Asia.

For information about White Energy's strategy and intentions in relation to SAC and the Merged Group for the future, see section 7.

(h) **White Energy joint venture & strategic partners**

White Energy has varying forms of agreements in place with the following parties to develop coal upgrading plants.

**Indonesia**

(1) **PT Bayan Resources Tbk**

White Energy's first commercial joint venture is with PT Bayan Resources Tbk (**Bayan**). Bayan is one of the largest coal mining companies in Indonesia and has the right to mine a large sub-bituminous deposit in Tabang, East Kalimantan.

White Energy and Bayan have established a joint venture company, PT Kaltim Supacoal (**KSC**), which is owned 51% by White Energy, through its wholly-owned subsidiary BCBC Singapore Pte Ltd, and 49% by Bayan.

The key terms of the joint venture are as follows:

- construction and operation of a coal upgrading plant at the site of the sub-bituminous deposit in Tabang (the **Tabang Plant**).
- Bayan (through a subsidiary) supplies KSC with the feedstock coal required for processing at the Tabang Plant.
- White Energy provides ongoing operational and maintenance support to KSC and provides all associated technical expertise and know-how for the Tabang Plant.
- The upgraded coal produced at the Tabang Plant is intended to be sold to power utilities, primarily in Asia.
- White Energy has agreed to develop up to 15 MTPA of plant capacity in conjunction with Bayan at either Tabang or some other location in priority to projects with other parties in Indonesia.

KSC has completed construction of the initial 1 MTPA module of the Tabang Plant and production of upgraded coal at the Tabang Plant has commenced. KSC is currently processing feedstock coal with an energy content of approximately 4,200 Kcal/Kg (GAR) and producing upgraded coal with an energy content of approximately 5,800 Kcal/Kg (GAR). KSC is working on improving production rates and the quality of coal produced at the Tabang Plant and is targeting production of upgraded coal with an energy content of approximately 6,100 Kcal/Kg (GAR). KSC's strategy is to now focus on producing upgraded coal for sale whilst continuing to prudently ramp up production at the Tabang Plant. KSC expects to sell test burn quantities of its upgraded coal to customers as soon as possible following necessary maritime certification and completion of appropriate stockpiling, handling and transportation tests.

#### (1) **PT Alam Tri Abadi and Itochu Corporation**

White Energy has entered into a joint venture agreement with PT Alam Tri Abadi (**Adaro**), a related company of PT Adaro Indonesia, one of Indonesia's largest coal companies, and Itochu Corporation (**Itochu**), a major Japanese trading house.

The key terms of the joint venture are as follows:

- White Energy, Adaro and Itochu to establish a joint venture company which is owned 51% by White Energy, 29% by Adaro and 20% by Itochu.
- The joint venture company will build and operate coal upgrading plants, with an initial capacity of 1MTPA to be ultimately expanded to 8 MTPA at the site of Adaro's coal mines in East Kalimantan, Indonesia.
- Itochu will market the upgraded coal produced at the joint venture company's coal upgrading plants on behalf of the joint venture to power utilities worldwide.
- The commencement of the joint venture is subject to a number of conditions, including completion of feasibility studies by each party.

#### **United States**

##### (1) **Buckskin Mining Company**

White Energy's wholly-owned subsidiary, White Energy Coal North America, Inc. (**WECNA**), has entered into agreement with Buckskin Mining Company (**Buckskin**), a wholly-owned subsidiary of Kiewit Group, to enable WECNA to develop coal upgrading plants at Buckskin's mine in Gillette, Wyoming (the **Buckskin Joint Venture**).

The key terms of the Buckskin Joint Venture are as follows:

- the first 1 MTPA coal upgrading plant built at the Buckskin mine (the **First Buckskin Plant**) will be financed and owned by WECNA.
- Buckskin has agreed to lease the land required to construct the First Buckskin Plant and will provide ancillary site related services.

- WECNA and Buckskin have entered into a long term coal supply contract, under which Buckskin will supply the feedstock coal to be upgraded at the First Buckskin Plant.
- the First Buckskin Plant will have an installed capacity of 1 MTPA however WECNA and Buckskin intend to ultimately expand the capacity of the Buckskin Joint Venture to 8 MTPA.

WECNA is currently in the process of preparing an application for the air permit required in respect of the First Buckskin Plant and expects that the application will be made during August 2010. Based on this schedule, commercial operation of the First Buckskin Plant is expected to begin in July 2013.

## (2) Peabody Energy Inc

White Energy and Peabody Energy Inc (**Peabody**) have entered into a development agreement to pursue the development of coal upgrading opportunities in the Powder River Basin (**Development Agreement**).

The Development Agreement outlines the commercial framework under which White Energy and Peabody will jointly explore developing coal upgrading projects.

The key terms of the Development Agreement are set out below:

- The parties will establish a joint venture company to be owned 55% by White Energy and 45% by Peabody (the **Powder River Joint Venture**).
- The Powder River Joint Venture will operate a coal upgrading plant to be built by White Energy and Peabody utilising White Energy's BCB Technology in the Powder River Basin (the **First Powder River Joint Venture Plant**) which will have an installed capacity of 1 MTPA, with total facility capacity to be increased in phases up to 20 MTPA.
- White Energy is to supply the Powder River Joint Venture with technical, construction and engineering expertise.
- Peabody is to supply feedstock coal and marketing expertise.
- Peabody has the first right to participate in developing new coal upgrading opportunities in North America, Mexico and China with White Energy, subject to certain conditions, however, Peabody does not have the right to participate in the Buckskin Joint Venture or any project entered into by White Energy in China prior to the execution of all transaction documents in respect of the Powder River Joint Venture.

In connection with the Development Agreement, White Energy and Peabody have also entered into a subscription agreement (**Conditional Subscription Agreement**) under which Peabody has the right to acquire up to 14.9% of the fully diluted share capital of White Energy (**Subscription Right**). The issue of shares to Peabody pursuant to the Subscription Right is subject to White Energy obtaining White Energy Shareholder approval and to a number of milestones in respect of the Powder River Joint Venture being met. Further details of the terms of the Conditional Subscription Agreement are set out below.

Pursuant to the Conditional Subscription Agreement, White Energy has granted Peabody the following rights:

- within 30 Business Days from the satisfaction of the First Tranche Conditions Precedent (described below), Peabody may, subscribe for the number of shares representing 4.9% of the current fully diluted share capital (**First Tranche Placement Shares**); and
- for one year following the satisfaction of the Second Tranche Conditions Precedent (described below), Peabody may, subscribe for the number of shares representing 10% of the current fully dilute share capital (**Second Tranche Placement Shares**).

The First Tranche Conditions Precedent are:

- execution of the “Transaction Documents” including various agreements relating to the development of coal upgrading opportunities by Peabody and White Energy);
- a notice to proceed being issued in relation to the First Powder River Joint Venture Plant in accordance with the engineering, procurement and construction agreement (**EPC Agreement**); and
- White Energy having received White Energy Shareholder approval to issue the First Tranche Placement Shares.

The Second Tranche Conditions Precedent are:

- execution of the Transaction Documents by all relevant parties;
- completion of commissioning of the First Powder River Joint Venture Plant (which will be deemed to have occurred where the First Powder River Joint Venture Plant operates continuously, uninterrupted, for a period of 5 consecutive days (120hrs), at 75% or more of the plant’s maximum capacity); and
- White Energy having received White Energy Shareholder approval to issue the Second Tranche Placement Shares.

WECNA plans to submit applications for necessary air permits in respect of the First Powder River Joint Venture Plant in August 2010 and White Energy currently expects commercial operation of the First Powder River Joint Venture Plant to begin in August 2013.

### (3) **Jefferson Riverport Project**

WECNA is considering pursuing a project to develop a coal upgrading plant at Jefferson Riverport, Kentucky. WECNA submitted an air permit application for the plant in March 2010. The relevant authorities in Kentucky have accelerated the air permit review process with the result that WECNA expects that the air permit to be granted in July 2010, at which point WECNA will decide whether to proceed with the project.

## **Africa**

### **Black River Asset Management**

In addition to the traditional application of the BCB Technology to upgrade sub-bituminous and lignite coals, Africa represents a further market for the application of BCB Technology with respect to discarded bituminous coal fines.

White Energy has entered into a joint venture with a financial partner, Black River Asset Management (**Black River**) which is a wholly-owned subsidiary of the Cargill Group.

The key elements of the joint venture are as follows:

- White Energy and Black River have established a joint venture company, River Energy JV Limited (**River Energy**), which is indirectly owned 51% by White Energy, through a wholly-owned subsidiary, and 49% by Black River.
- Notwithstanding the equity ownership percentage, River Energy will be funded 66% by Black River and 34% by White Energy.
- Subject to certain milestones, Black River has committed US\$70 million for its 49% interest in River Energy. The majority of these funds together with White Energy’s equity contribution of approximately US\$31 million over time, will be used to develop coal upgrading opportunities in Africa according to agreed investment criteria.
- River Energy holds the exclusive license to use the BCB Technology in the Africa.

River Energy is currently in advanced discussions with a number of coal producers in Africa who are interested in utilising the BCB Technology.

## **China**

### **Guodian Inner Mongolian Energy Sources Co Limited**

White Energy, through its wholly-owned subsidiary, White Energy China Limited (**White Energy China**), has entered into a non-binding Heads of Agreement with Guodian Inner Mongolian Energy Sources Co Limited (**Guodian**) regarding the development of an initial 1 MTPA coal upgrading plant in China, with expected capacity to ultimately be increased to 5 MTPA. Negotiation of the project documents remains subject to both parties completing a technical and financial feasibility study, and a subsequent decision to proceed being made by both parties.

The key terms of the non-binding Heads of Agreement are:

- White Energy China will hold a 35% equity interest in the joint venture and Guodian will hold a 65% equity interest in the joint venture.
- White Energy China will contribute the BCB Technology to the joint venture and will provide the know-how for each coal upgrading plant while Guodian will contribute all capital costs for the construction of each coal upgrading plant.
- Working capital will be funded in accordance with (and in the same proportion as) the equity interest held by each party.
- Feedstock coal will be supplied by a related Guodian mine, with the upgraded coal produced at the plant to be sold to Guodian power stations and other Chinese power utilities.

#### **(i) White Energy's other business activities**

White Energy has the following additional assets:

- the exclusive license to a coking coal technology which is designed to produce metallurgical coke from binderless coal briquettes (being the product produced using the BCB Technology); and
- Mining tenements in Western Australia.

## **2.6 Financial information on the White Energy Group**

### **(a) Basis of presentation of historical financial information**

The historical financial information below has been extracted from the White Energy Group's audited financial statements for the financial year ended 30 June 2009 and the financial statements for the half-year ended 31 December 2009, which have been the subject of an auditor's review. The information in this section is a summary only of the White Energy Group's audited and reviewed financial statements.

A copy of White Energy's audited financial statements for the financial year ending 30 June (including all notes) has been published in White Energy's annual report, which can be accessed through White Energy's announcements at [www.asx.com.au](http://www.asx.com.au). A copy of White Energy's financial results for the half year ended 31 December 2009, as released in its interim report to the ASX on 12 March 2010, is attached to this Bidder's Statement at Attachment 1.

### **(b) Historical financial information of the White Energy Group**

#### **(1) Income statement for the half-year ended 31 December 2009**

**Consolidated statement of comprehensive income**

	\$
<b>Revenue from continuing operations</b>	<b>1,400,782</b>
Gain/(Loss) on foreign exchange	460,015
Accounting and audit fees	(42,574)
Employee benefits expense	(2,817,257)
Depreciation and amortisation	(2,801,726)
Finance costs	(1,138,766)
External advisory fees	(4,605,599)
Write-off of deferred exploration costs	(10,000)
Occupancy expenses	(647,731)
Travel	(523,923)
Terminated merger fee	(3,466,445)
Other expenses	(1,488,917)
	<hr/>
<b>(Loss) before income tax</b>	<b>(15,682,141)</b>
Income tax expense	-
	<hr/>
<b>Net (loss) for the half year</b>	<b>(15,682,141)</b>
	<hr/>
<b>Loss is attributable to:</b>	
Owners of White Energy Company Ltd	(14,716,075)
Non-controlling interest	(966,066)
	<hr/>
	<b>(15,682,141)</b>
	<hr/>
	Cents
Basic and diluted earnings per share	(7.39)
<b>Other Comprehensive Income</b>	
Exchange differences on translation of foreign operations	2,867,166
	<hr/>
<b>Total other comprehensive income for the half year</b>	<b>2,867,166</b>
	<hr/>
<b>Total Comprehensive income for the year</b>	<b>(12,814,975)</b>

*The above consolidated statement of comprehensive income should be read in conjunction with the notes to the White Energy Interim Financial Report as at 31 December 2009 set out in Attachment 1.*

(2) **Income statement for the year ended 30 June 2009**

**Consolidated statement of comprehensive income**

	\$
<b>Other Income</b>	<b>2,854,644</b>
Accounting and audit fees	(270,385)
Employee benefits expense	(8,876,138)
Depreciation, amortisation and write-off of tenement expenditure	(4,468,438)
Finance costs	(4,620,021)
External advisory fees	(7,355,828)

Travel	(950,420)
Occupancy expenses	(1,168,187)
Write-down of investment	(1,278,878)
Gain/(Loss) on foreign exchange	-
Other expenses	(1,486,408)
<b>(Loss) before income tax</b>	<b>(27,620,059)</b>
Income tax expense	-
<b>Net (loss) for the year</b>	<b>(27,620,059)</b>
<b>Loss is attributable to:</b>	
Equity holders of White Energy Company Ltd	(26,739,145)
Minority interest	(880,914)
	<b>(27,620,059)</b>
	<b>Cents</b>
Basic and diluted earnings per share	(18.4)

*The above consolidated statement of comprehensive income statement should be read in conjunction with the notes to the White Energy Annual Financial Report as at 30 June 2009 which can be obtained from the ASX website([www.asx.com.au](http://www.asx.com.au)) or from the Bidder on request.*

(3) **Balance sheet as at 31 December 2009**

<b>Consolidated statement of financial position</b>	
\$	
<b>Current assets</b>	
Cash and cash equivalents	119,479,204
Trade and other receivables	10,797,913
<b>Total current assets</b>	<b>130,277,117</b>
<b>Non-current assets</b>	
Property, plant and equipment	140,010,786
Exploration assets	1,161,330
Intangible assets	51,143,467
<b>Total non-current assets</b>	<b>192,315,583</b>
<b>Total assets</b>	<b>322,592,700</b>
<b>Current liabilities</b>	
Trade and other payables	22,493,195
Borrowings	51,123,407
<b>Total current liabilities</b>	<b>73,616,602</b>
<b>Non-current liabilities</b>	
Other payables	53,450,742
Borrowings	5,143,380
<b>Total non-current liabilities</b>	<b>58,594,122</b>
<b>Total liabilities</b>	<b>132,210,724</b>

<b>Net assets</b>	<b>190,381,976</b>
<hr/>	
<b>Equity</b>	
Contributed equity	254,025,778
Reserves	6,462,689
Accumulated losses	(68,417,921)
Total equity attributable to owners of the company	192,070,546
	<hr/>
Non-controlling interest	(1,688,570)
	<hr/>
<b>Total Equity</b>	<b>190,381,976</b>
	<hr/> <hr/>

*The above consolidated statement of financial position should be read in conjunction with the notes to the White Energy Interim Financial Report as at 31 December 2009 set out in Attachment 1.*

(4) **Balance Sheet as at 30 June 2009**

	<b>Consolidated statement of financial position</b>
	<b>\$</b>
<b>Current assets</b>	
Cash and cash equivalents	26,283,781
Trade and other receivables	13,155,827
Total current assets	39,439,608
	<hr/>
<b>Non-current assets</b>	
Property, plant and equipment	127,807,975
Exploration assets	1,124,789
Intangible assets	53,194,983
Total non-current assets	182,127,747
	<hr/>
<b>Total assets</b>	<b>221,567,355</b>
	<hr/>
<b>Current liabilities</b>	
Trade and other payables	29,579,793
Borrowings	752,019
Total current liabilities	30,331,812
	<hr/>
<b>Non-current liabilities</b>	
Other payables	51,683,285
Borrowings	57,218,463
Total non-current liabilities	108,901,748
	<hr/>
<b>Total liabilities</b>	<b>139,233,560</b>
	<hr/>
<b>Net assets</b>	<b>82,333,795</b>
	<hr/> <hr/>
<b>Equity</b>	
Contributed equity	131,931,145
Reserves	6,890,583
Accumulated losses	(53,701,846)
	<hr/>



Total equity attributable to owners of the company	85,119,882
Non-controlling interest	<u>(2,786,087)</u>
<b>Total Equity</b>	<b><u>82,333,795</u></b>

*The above consolidated statement of financial position should be read in conjunction with the notes to the White Energy Annual Financial Report as at 30 June 2009 which can be obtained from the ASX website ([www.asx.com.au](http://www.asx.com.au)) or from the Bidder on request.*

(c) **Management commentary on results**

(1) Income statement for the half-year ended 31 December 2009

Revenue for the period mainly consists of interest received of \$1.0 million and revenue of \$0.3 million pertaining to coal sample tests conducted at White Energy's Cessnock coal upgrading facility.

Depreciation and amortisation expenses increased due to the amortisation of plant design costs commencing on 1 July 2009. Exploration tenements to the value of \$10,000 were written off during this period.

Employee expenses have remained stable over the last 6 months due to similar headcount across all White Energy offices.

Other expenses for the 6 months to 31 December 2009 included foreign exchange losses of \$0.5 million, write-off of \$0.2 million in fixed assets, the inclusion of a \$0.7 million withholding tax expense and \$4.9 million cost in relation to the termination of the merger transaction with Asia Special Situation Acquisition Corp. (**ASSAC**).

(2) Balance sheet as at 31 December 2009

In November 2009, White Energy successfully raised \$100 million through the placement of 41.67 million new White Energy Ordinary Shares at \$2.40 per share to local and overseas institutions. A related share purchase plan resulted in White Energy Shareholders taking up 593,423 White Energy Ordinary Shares and raising \$1.4 million in new capital.

This capital raising program significantly enhanced White Energy's balance sheet.

(3) Income statement for the year ended 30 June 2009

Revenue mainly consists of foreign exchange gains of \$1.6 million. White Energy received government grants (export market development grant and commercial ready grant) of approximately \$260,000 during the year.

Depreciation and amortisation expenses increased mainly due to:

- Amortisation of BCB Technology of \$3.1 million;
- Amortisation of costs of a White Energy Convertible Notes issue of \$0.3 million;
- Write off of exploration tenements of \$1.8 million.

Employee expenses increased due to the recruitment of additional staff in Australia, the United States and Indonesia and share based payments of approximately \$2 million for employee options.

Other expenses include foreign exchange losses of \$1.1 million and research and development costs associated with the construction of the demonstration coal upgrading plant in Cessnock.

(4) Balance sheet as at 30 June 2009

Cash and cash equivalents increased as a result of the placement of approximately 36.67 million White Energy Ordinary Shares in May 2009, which resulted in a total of approximately \$31.6 million being received as at 30 June 2009. The balance of approximately \$22.2 million was received subsequent to the balance date as the associated issue of White Energy Ordinary Shares was subject to approval by White Energy Shareholders which was obtained in July 2009. Furthermore, approximately \$2.6 million was received in July 2009 as a result of a share purchase plan offer initiated during May 2009.

Other payables increase as a result of additional amounts borrowed from Bayan for the construction of the Tabang plant.

## 2.7 Publicly available information about the White Energy Group

White Energy is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, White Energy is subject to the Listing Rules which require continuous disclosure of any information White Energy has that a reasonable person would expect to have a material effect on the price or value of its securities.

The ASX maintains files containing publicly disclosed information about all listed companies. White Energy's ASX announcements for the last 3 years are available from the ASX website ([www.asx.com.au](http://www.asx.com.au)).

In addition, White Energy has to lodge various documents with ASIC. Copies of documents lodged with ASIC by White Energy may be obtained from, or inspected at, an ASIC office.

On request to White Energy, and free of charge, SAC shareholders may obtain a copy of:

- the annual financial report of White Energy for the year ended 30 June 2009 (being the annual financial report most recently lodged with ASIC before the lodgement of this Bidder's Statement with ASIC); and
- any continuous disclosure notice given to ASX by White Energy after the lodgement by White Energy of the 2009 annual report referred to above and before the lodgement of this Bidder's Statement with ASIC.

A list of announcements made by White Energy to the ASX since 22 October 2009 (being the date on which White Energy lodged its 2009 annual report with ASIC) is contained in Attachment 2.

More information about White Energy can be obtained from White Energy's website ([www.whiteenergyco.com.au](http://www.whiteenergyco.com.au)).

## 2.8 Announcement by White Energy in relation to the Offer

A public announcement to the ASX in relation to the Offer was made by White Energy on 19 April 2010 (the **Announcement**). A copy of the Announcement is contained in Attachment 3.

Although the Announcement contemplated the issue of a single class of White Energy performance shares to SAC Shareholders as consideration for SAC Shares, after consultation with the ASX, which indicated that the ASX would not quote the White Energy performance shares as contemplated in the announcement, White Energy and SAC agreed that White Energy should offer White Energy Ordinary Shares, White Energy 2010 Performance Shares and White Energy 2011 Performance Shares to SAC Shareholders as consideration for SAC Shares instead.

The issue of White Energy Ordinary Shares, White Energy 2010 Performance Shares and White Energy 2011 Performance Shares to SAC Shareholders who elect to receive

the Share Alternative for some or all of their SAC Shares provides those SAC Shareholders with liquidity in the form of quoted White Energy Ordinary Shares from the time that they receive their consideration under the Offer and the consideration provided under the Offer is not otherwise substantially less favourable to SAC Shareholders than the offer of White Energy performance shares initially proposed by White Energy.

## 3 White Energy's securities

### 3.1 Securities on issue

As at the date of this Bidder's Statement, White Energy's issued securities consist of:

- 236,366,184 White Energy Ordinary Shares described in section 3.6;
- 14,650,001 White Energy Options described in section 3.1(a); and
- 180 White Energy Convertible Notes described in section 3.1(b).

White Energy currently has no White Energy 2010 Performance Shares or White Energy 2011 Performance Shares on issue and, except as set out below, has not agreed or offered to issue any other securities.

#### (a) White Energy Options

The exercise prices and expiry dates for the White Energy Options on issue as at the date of this Bidder's Statement are set out in the following table:

Exercise price	Expiry date and vesting conditions	Number of White Energy Options
\$1.20	<ul style="list-style-type: none"> <li>• options expire on 30 August 2010</li> <li>• options vested immediately on issue</li> </ul>	1,200,000
\$1.20	<ul style="list-style-type: none"> <li>• options expire on 30 August 2010</li> <li>• options vested on 31 August 2007</li> </ul>	1,200,000
\$1.20	<ul style="list-style-type: none"> <li>• options expire on 30 August 2010</li> <li>• options vested on 31 August 2008</li> </ul>	1,210,000
\$2.50	<ul style="list-style-type: none"> <li>• options expire on 12 October 2010</li> <li>• no vesting conditions apply</li> </ul>	400,000
\$3.50	<ul style="list-style-type: none"> <li>• options expire on 30 November 2011</li> <li>• options have vested</li> </ul>	2,806,666
\$3.50	<ul style="list-style-type: none"> <li>• options expire on 30 November 2011</li> <li>• options vest in equal portions if the weighted average share price for White Energy Ordinary Shares exceeds (for a 30 day period): <ul style="list-style-type: none"> <li>– \$3.456 between 30 November 2007 and 29 November 2008;</li> <li>– \$3.600 between 30 November 2008 and 29 November 2009; and</li> <li>– \$3.744 between 30 November 2009 and 29 November 2010.</li> </ul> </li> </ul>	2,806,668

<b>Exercise price</b>	<b>Expiry date and vesting conditions</b>	<b>Number of White Energy Options</b>
\$3.50	<ul style="list-style-type: none"> <li>options expire on 31 March 2014</li> <li>Vesting if the weighted average share price for White Energy Ordinary Shares exceeds \$3.600 for a period of 30 days up to 31 March 2013.</li> </ul>	806,667
\$3.50	<ul style="list-style-type: none"> <li>options expire on 31 March 2014</li> <li>Vesting if the weighted average share price for White Energy Ordinary Shares exceeds \$3.456 for a period of 30 days between 1 April 2010 and 31 March 2011.</li> </ul>	489,997
\$3.50	<ul style="list-style-type: none"> <li>options expire on 31 March 2014</li> <li>Vesting if the weighted average share price for White Energy Ordinary Shares exceeds \$3.600 for a period of 30 days between 1 April 2011 and 31 March 2012.</li> </ul>	489,999
\$3.50	<ul style="list-style-type: none"> <li>options expire on 31 March 2014</li> <li>Vesting if the weighted average share price for White Energy Ordinary Shares exceeds \$3.744 for a period of 30 days between 1 April 2012 and 31 March 2013.</li> </ul>	490,004
\$3.65	<ul style="list-style-type: none"> <li>options expire 7 October 2013</li> <li>no vesting conditions apply</li> </ul>	2,000,000
\$3.65	<ul style="list-style-type: none"> <li>options expire on 31 October 2013</li> <li>no vesting conditions apply</li> </ul>	750,000

(b) **White Energy Convertible Notes**

In 2007, White Energy raised \$45 million by issuing convertible notes. Each White Energy Convertible Note has an initial principal amount of \$250,000, bears interest at a rate of 7.90% per annum and matures on 12 October 2012.

The principal amount of each White Energy Convertible Note is convertible into White Energy Ordinary Shares at any time up to 10 days prior to maturity, by the holder of the White Energy Convertible Note delivering a conversion notice to White Energy. The White Energy Ordinary Share conversion price for this purpose is about \$3.32 per White Energy Ordinary Share as at 31 May 2010 (although the conversion price is subject to certain anti-dilutionary adjustments).

Holders of White Energy Convertible Notes also have a put option right enabling them to require White Energy to repay the principal and accrued interest on some or all of their White Energy Convertible Notes on 12 October 2010.

(c) **Placement**

To implement the Placement, White Energy has entered into subscription agreements with interests associated with each of Mr Travers Duncan, Mr Brian Flannery and Mr John Kinghorn under which, subject to satisfaction of certain conditions (including White Energy Shareholder approval of the issue of White Energy Ordinary Shares to interests

associated with Mr Travers Duncan), White Energy has agreed to issue each of them 10 million White Energy Ordinary Shares at a subscription price of \$2.50 per share.

Further information about the Placement is set out in section 8.1(b).

(d) **Effect of share issue commitments**

The following table sets out the maximum number of White Energy Ordinary Shares that White Energy may issue pursuant to the Offer, the number of White Energy Ordinary Shares that White Energy has already committed to issue and the impact of such White Energy Ordinary Share issues on the total number of White Energy Ordinary Shares on issue (assuming no adjustments to the numbers of White Energy Ordinary Shares to be issued in respect of the various commitments). The Subscription Right granted to Peabody under the Conditional Subscription Agreement (which if taken up by Peabody would require White Energy to issue White Energy Ordinary Shares equal to up to 14.9% of the fully diluted share capital of White Energy to Peabody) is not included in the table because of the conditions of the Conditional Subscription Agreement have not yet been satisfied and because the exact number of White Energy Ordinary Shares required to be issued to Peabody if the Subscription Right is taken up will not be known unless and until the Subscription Right is taken up: for more details, see section 2.5.

<b>Commitment</b>	<b>Maximum number of White Energy Ordinary Shares to be issued</b>	<b>Total number of White Energy Ordinary Shares on issue</b>
White Energy Ordinary Shares currently on issue		236,366,184
White Energy Options	14,650,001	251,016,185
White Energy Convertible Notes*	13,554,216	264,570,401
Placement	30,000,000	294,570,401
White Energy Shares		
• on completion of the Offer	15,700,000	310,270,401
• on take-up of White Energy Subscription Rights**	27,908,000	338,178,401
• on conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares	17,000,000	355,178,401

\* Assumes that no adjustments are required to the number of White Energy Ordinary Shares to be issued on conversion of White Energy Convertible Notes.

\*\* Assumes that interests associated with Mr Travers Duncan and Mr Brian Flannery receive the Share Alternative for all their SAC Shares and do not take-up the White Energy Subscription Rights for 6,091,566 and 5,990,130 White Energy Ordinary Shares which they may respectively receive if they accept the Offer.

### 3.2 Substantial holders of White Energy Ordinary Shares

As at the date of this Bidder's Statement, so far as known to White Energy based on publicly available information, there are no substantial holders in respect of White Energy Shares, except as set out below:

Substantial holder	Number of White Energy Ordinary Shares	Percentage of total White Energy Ordinary Shares
M & G Investment Management Limited	23,577,048	9.97%
Matthew J Szulik	19,187,050	8.12%
Newton Investment Management Limited	15,984,072	6.76%
Gaffwick Pty Limited <sup>7</sup>	14,016,697	5.93%
Ganra Pty Limited <sup>8</sup>	13,390,492	5.67%

### 3.3 Securities held by White Energy Directors and proposed White Energy Directors

The issued securities and options held by White Energy directors and proposed directors as at the date of this Bidder's Statement are set out in the table below:

Director	Number of White Energy Ordinary Shares	Number of White Energy Options
John McGuigan	5,217,837 <sup>9</sup>	<ul style="list-style-type: none"> <li>• 1,200,000 options with an exercise price of \$1.20, which expire on 31 August 2010 and have vested.</li> <li>• 800,000 options with an exercise price of \$3.50, which expire on 30 November 2011 and which vest in equal portions if the weighted average share price for White Energy Ordinary Shares exceeds (for a 30 day period): <ul style="list-style-type: none"> <li>– \$3.456 between 30 November 2007 and 29 November 2008; and</li> <li>– \$3.744 between 30 November 2009 and 29 November 2010.</li> </ul> </li> </ul>
John Atkinson	5,224,503 <sup>10</sup>	<ul style="list-style-type: none"> <li>• 1,200,000 options with an exercise price of</li> </ul>

<sup>7</sup> Gaffwick Pty Limited is associated with Travers Duncan.

<sup>8</sup> Ganra Pty Limited is associated with Brian Flannery.

<sup>9</sup> Interests held by Andrew McGuigan (son), Fiona McGuigan (daughter), James McGuigan (son), Marjorie McGuigan (mother), Stephanie McGuigan (daughter), Sanjur Pty Limited, Matko Investments Pty Limited, Atima Holdings Pty Ltd, Flowgold Pty Ltd, Minipa Pty Ltd and Silver Zone Pty Ltd.

<sup>10</sup> Interests held by Susan Hanrahan (wife), Matko Investments Pty Limited, Sanjur Pty Limited and Riverbend Investments Pty Limited.

Director	Number of White Energy Ordinary Shares	Number of White Energy Options
		<p>\$1.20, which expire on 31 August 2010 and have vested.</p> <ul style="list-style-type: none"> <li>• 800,000 options with an exercise price of \$3.50, which expire on 30 November 2011 and which vest in equal portions if the weighted average share price for White Energy Ordinary Shares exceeds (for a 30 day period): <ul style="list-style-type: none"> <li>– \$3.456 between 30 November 2007 and 29 November 2008; and</li> <li>– \$3.744 between 30 November 2009 and 29 November 2010.</li> </ul> </li> </ul>
Travers Duncan	14,016,697 <sup>11</sup>	<ul style="list-style-type: none"> <li>• 1,200,000 options with an exercise price of \$1.20, which expire on 31 August 2010 and have vested.</li> <li>• 800,000 options with an exercise price of \$3.50, which expire on 30 November 2011 and which vest in equal portions if the weighted average share price for White Energy Ordinary Shares exceeds (for a 30 day period): <ul style="list-style-type: none"> <li>– \$3.456 between 30 November 2007 and 29 November 2008; and</li> <li>– \$3.744 between 30 November 2009 and 29 November 2010.</li> </ul> </li> </ul>
Graham Cubbin	Nil	Nil
Brian Flannery	13,390,492 <sup>12</sup>	Nil
Hans Mende	Nil	Nil
Mr John Kinghorn	Nil <sup>13</sup>	Nil

### 3.4 Recent trading in White Energy Ordinary Shares

The latest recorded sale price of White Energy Ordinary Shares on the ASX on 16 April 2010, the last trading day before the Announcement Date, was \$2.70.

<sup>11</sup> Interests held by Gaffwick Pty Limited. Gaffwick Pty Limited also has a right to subscribe for an additional 10 million White Energy Ordinary Shares at \$2.50 under a subscription agreement for the Placement: see section 3.1(c) of this Bidder's Statement.

<sup>12</sup> Interests held by Ganra Pty Limited. Ganra Pty Limited also has a right to subscribe for an additional 10 million White Energy Ordinary Shares at \$2.50 under the Placement: see section 3.1(c) of this Bidder's Statement.

<sup>13</sup> J A Kinghorn & Co Pty Limited, an entity associated with Mr John Kinghorn, has a right to subscribe for an additional 10 million White Energy Ordinary Shares at \$2.50 under a subscription agreement for the Placement: see section 3.1(c) of this Bidder's Statement.

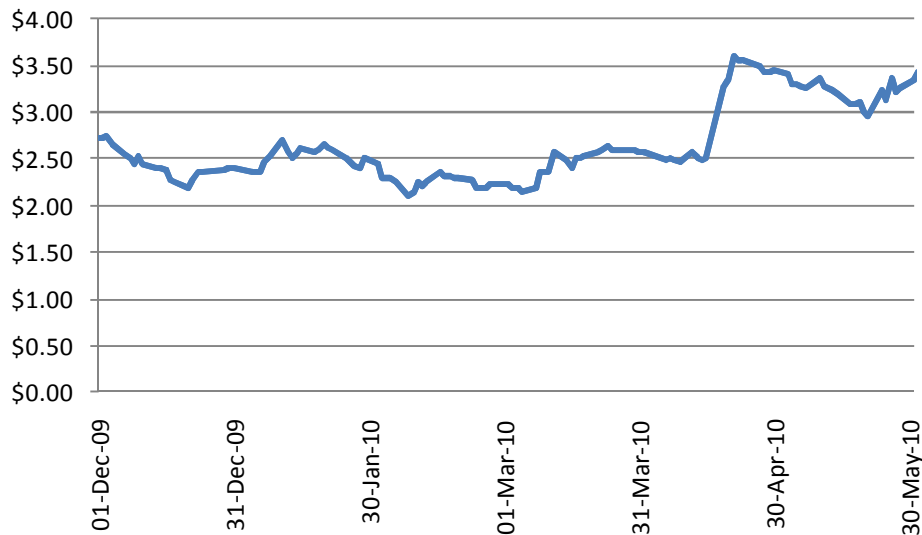


The latest recorded sale price of White Energy Ordinary Shares on the ASX on 4 June 2010, the last trading day before this Bidder's Statement was lodged with ASIC was \$3.48.

The highest recorded sale price of White Energy Ordinary Shares on ASX in the last 6 months before this Bidder's Statement was lodged with ASIC was \$3.69.

The lowest recorded sale price of White Energy Ordinary Shares on ASX in the last 6 months before this Bidder's Statement was lodged with ASIC was \$1.95.

The following chart shows the last sale price of White Energy Ordinary Shares on ASX in the 6 months before this Bidder's Statement was lodged with ASIC:



Source: IRESS Market Technology

Please note that IRESS Market Technology has not consented to data and information attributed to it in this Bidder's Statement. This data and information have been accurately reproduced and, so far as White Energy and the Bidder are aware, and so far as White Energy and the Bidder are able to ascertain from information published by IRESS Market Technology, no facts have been omitted which would render the reproduced data and information inaccurate or misleading.

### 3.5 Dividend history

White Energy has not paid any dividends since its incorporation.

### 3.6 Rights and liabilities attaching to White Energy Ordinary Shares

#### (a) Introduction

The rights and liabilities attaching to the White Energy Ordinary Shares being offered as consideration under the Offer are set out in White Energy's constitution (the **Constitution**) and in the Corporations Act. A copy of the Constitution can be obtained from White Energy's website ([www.whiteenergyco.com.au](http://www.whiteenergyco.com.au)) or from White Energy on request (free of charge).

The main rights and liabilities attaching to the White Energy Ordinary Shares are summarised below.

#### (b) Meetings of shareholders and voting rights

Subject to any rights or restrictions for the time being attached to any class of White Energy Shares, at meetings of members or classes of members:

- each registered holder of White Energy Ordinary Shares at the time prescribed for this purpose in the relevant notice of meeting (**Eligible Member**) entitled to vote may vote in person or by proxy or representative;
- on a show of hands, every Eligible Member present in person or by proxy or representative has one vote;
- on a poll, every Eligible Member present in person or by proxy or Representative has one vote for each White Energy Ordinary Share held.

(c) **Dividends**

The White Energy Board may determine that a dividend be paid to holders of White Energy Ordinary Shares and may fix the dividend amount, the time and date for determining entitlements to the dividend, and the date and method of payment. Interest is not payable by White Energy in respect of any dividend. The White Energy Board may also authorise the payment of interim dividends.

For uncertificated holdings, entitlements to dividends will be determined in accordance with the ASTC Settlement Rules. Subject to the ASTC Settlement Rules, a transfer of shares registered after the relevant record date for a dividend but before the dividend is paid will not pass the right to the dividend.

For certificated holdings, the persons entitled to be paid a dividend will be those who are the registered holders of the shares at the time and date fixed by the White Energy Board for determining entitlements to dividends.

Subject to the Listing Rules and the rights of any persons entitled to shares with special rights as to dividends, White Energy's profits are to be divided among members in proportion to the aggregate amounts paid up on their shares.

White Energy may pay any part of a dividend by the distribution of specific assets including paid up shares in, or securities of, White Energy or any other corporation.

White Energy may otherwise use dividends unclaimed for one year for its own benefit until claimed or dealt with under any Act relating to unclaimed money.

(d) **Winding up**

If White Energy is wound up, the liquidator may, with the sanction of a special resolution:

- divide among the members the whole or any part of White Energy's property, and may for that purpose set such value as the liquidator considers fair on any property to be divided and may determine how the division is to be carried out as between members or different classes of members; and
- vest the whole or any part of White Energy's property in trustees on such trusts for the benefit of members as the liquidator thinks fit.

(e) **Transfer**

A member may transfer all or any of his or her White Energy Ordinary Shares by:

- a proper ASTC transfer or any other method of transferring or dealing in White Energy Ordinary Shares introduced by the ASX, operated in accordance with the ASTC Settlement Rules or the Listing Rules, and recognised by the Corporations Act; or
- an instrument in writing in any usual or common form, or in any other form that the White Energy Board or the ASX approves.

White Energy must not prevent, delay or interfere with the registration of a proper ASTC transfer except as permitted by the Corporations Act, the Listing Rules or the ASTC Settlement Rules.

White Energy may only register a transfer of White Energy Ordinary Shares where an instrument is delivered to it at its office, is executed by or on behalf of both the transferor

and the transferee, and is accompanied by the original share certificate(s) for the White Energy Ordinary Shares the subject of the transfer together with such other evidence as the White Energy Board may require to prove the title of the transferor or the transferor's right to transfer the shares.

A transferor of shares remains the registered holder of the shares transferred until a proper ASTC transfer has taken effect in accordance with the ASTC Settlement Rules, or the transfer is registered and the name of the transferee is entered in the register in respect of the shares to be transferred.

White Energy can, sell the White Energy Ordinary Shares of a member who has less than a Marketable Parcel of White Energy Ordinary Shares if:

- the member has been notified in writing of White Energy's intention to sell those White Energy Ordinary Shares;
- the member has been given at least 6 weeks to advise White Energy that the member wishes to retain the holding of White Energy Ordinary Shares and the member has not notified White Energy that it wishes to retain the holding of White Energy Ordinary Shares; and
- a takeover bid has not been made in respect of White Energy or, if one has, the offers under that takeover bid have closed.

The White Energy Board may, in its absolute discretion, decline to register a transfer of White Energy Ordinary Shares (other than a proper ASTC transfer) where to do so would not contravene the Corporations Act, Listing Rules or ASTC Settlement Rules. The White Energy Board must decline to register a transfer of White Energy Ordinary Shares where required by the Corporations Act, the Listing Rules or the ASTC Settlement Rules.

If the White Energy Board declines to register a paper-based transfer of White Energy Ordinary Shares, White Energy must notify the transferee (and the broker (if any)) of the refusal to register and the reason for the refusal within 5 Business Days after the day on which the transfer was lodged with White Energy. Failure to provide such notice will not invalidate the decision of the White Energy Board.

White Energy may apply a holding lock to securities where permitted to do so under the Listing Rules and ASTC Settlement Rules. If White Energy asks for a holding lock to be applied in accordance with the Listing Rules and ASTC Settlement Rules, it must notify the holder of those securities of the holding lock and the reason for its application within 5 Business Days after asking for the holding lock.

(f) **Alteration of capital and share buy-back**

A general meeting of White Energy's shareholders may increase, divide, consolidate or reduce White Energy's share capital if such an alteration complies with the Corporations Act and the Listing Rules.

White Energy may buy shares in itself on terms and at times determined by the White Energy Board in accordance with the Corporations Act and the Listing Rules.

(g) **Directors control unissued shares**

Subject to the Constitution, the Corporations Act, the Listing Rules and any rights for the time being attached to any special class of shares, the White Energy Board may issue and allot, grant options over or otherwise deal with or dispose of unissued shares with such rights and privileges and on such terms and conditions as the White Energy Board determines.

Holders of White Energy Ordinary Shares do not have a general (pre-emptive) right to participate in any new issue of shares.

(h) **Directors**

A person may be appointed as a White Energy Director, by a resolution passed by members at a general meeting.

White Energy Directors may at any time appoint any person to be a director either to fill a casual vacancy on the White Energy Board or as an additional director. Any director appointed in this manner (other than the managing director) must retire at White Energy's next annual general meeting and will then be eligible for re-election.

### 3.7 **Rights and liabilities attaching to White Energy 2010 Performance Shares and White Energy 2011 Performance Shares**

(a) **Introduction**

The rights and liabilities attaching to the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares being offered as consideration under the Offer are set out in the White Energy 2010 Performance Share terms of issue and the White Energy 2011 Performance Share terms of issue respectively, as well as the Constitution and the Corporations Act.

The White Energy 2010 Performance Share terms of issue are set out in Attachment 4 and the White Energy 2011 Performance Share terms of issue are set out in Attachment 5.

A copy of the Constitution can be obtained from White Energy on request (free of charge).

The main rights and liabilities attaching to the White Energy Performance Shares are summarised below.

(b) **Voting, dividend, capital and rights**

White Energy 2010 Performance Shares and White Energy 2011 Performance Shares have no voting, dividend or capital rights other than a right to payment of \$0.0001 (ranking equally in priority with White Energy Ordinary Shares) on winding up of White Energy.

(c) **Transfer and quotation**

White Energy 2010 Performance Shares and White Energy 2011 Performance Shares will be non-transferable except as required by law, including to the extent required to enable the Nominee to sell the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares that the Ineligible Foreign Shareholders would otherwise receive under the Offer, in accordance with section 619(3) of the Corporations Act.

Accordingly, neither White Energy 2010 Performance Shares nor White Energy 2011 Performance Shares will be quoted by the ASX or any other securities exchange.

(d) **Consolidation and conversion into White Energy Ordinary Shares**

White Energy will use reasonable endeavours to ensure that an appropriately qualified consultant (who is a 'Competent Person' for the purposes of the JORC Code) is engaged to assess and report as to the amount of Coal Resources as at 31 December 2010 (the **First Assessment Date**) and 31 December 2011 (the **Second Assessment Date**).

White Energy 2010 Performance Shares will consolidate and convert into White Energy Ordinary Shares on 31 March 2011 (the **First Conversion Date**) as follows. If Coal Resources as at the First Assessment Date are assessed as:

- 515 million tonnes or less, each holder's entire holding of White Energy 2010 Performance Share will convert into 1 White Energy Ordinary Share;
- between 515 million tonnes and 1,515 million tonnes (non-inclusive), each White Energy 2010 Performance Shares will convert into between 0 and 1 White Energy Ordinary Shares (non-inclusive) on the basis of a sliding scale formula; or
- 1,515 million tonnes or more, White Energy 2010 Performance Shares will convert into White Energy Ordinary Shares on a 1 for 1 basis.

White Energy 2011 Performance Shares will consolidate and convert into White Energy Ordinary Shares in the same way as White Energy 2010 Performance Shares except that:

- conversion will be based on Coal Resources assessed as at the **Second Assessment Date**) and conversion will occur on 30 March 2012 (the **Second Conversion Date**);
- where more than 515 million tonnes of Coal Resources are assessed as at the First Assessment Date, to avoid double-counting, conversion will be based on the amount by which Coal Resources assessed at the Second Assessment Date exceed those assessed at the First Assessment Date.

On conversion, if a holder's entire holding of White Energy 2010 Performance Shares or White Energy 2011 Performance Shares (as the case may be) would otherwise convert into less than 1 White Energy Ordinary Share, their entitlement will be rounded up so that they hold at least 1 additional White Energy Ordinary Share following conversion of White Energy 2010 Performance Shares and at least 1 White Energy Ordinary Share following conversion of White Energy 2011 Performance Shares (even if Coal Resources are assessed as less than 515 million tonnes). Otherwise any fractional entitlement to White Energy Ordinary Shares that a holder may have on conversion will be rounded to the nearest whole number of shares (with 0.5 being rounded up).

The operation of the consolidation and conversion formulas in various scenarios is illustrated below. See also, the 'Offer at a Glance' section on pages 5 and 6.

#### **Examples**

The following examples show the number of additional White Energy Ordinary Shares into which White Energy 2010 Performance Shares and White Energy 2011 Performance Shares will convert depending on the amount of Coal Resources assessed at the First Assessment Date and Second Assessment Date.

The examples are based on a hypothetical SAC Shareholder (the Shareholder) who accepts the Offer and receives the Share Alternative for their 10,000 SAC Shares.

Accordingly, in each example, the Shareholder starts with:

- 798<sup>14</sup> White Energy Ordinary Shares (received on completion of the Offer);
- 864<sup>15</sup> White Energy 2010 Performance Shares;
- 864<sup>16</sup> White Energy 2011 Performance Shares; and
- 2,034<sup>17</sup> White Energy Subscription Rights.

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<sup>14</sup> 0.07985 × 10,000

<sup>15</sup> 0.08646 × 10,000

<sup>16</sup> 0.08646 × 10,000

<sup>17</sup> 0.2034 × 10,000

### **Example 1**

#### *Facts*

Coal Resources are assessed at 750 million tonnes as at the First Assessment Date and 1,250 million tonnes as at the Second Assessment Date.

#### *White Energy Ordinary Shares held by Shareholder*

Each of the Shareholder's White Energy 2010 Performance Shares converts into 0.2461<sup>18</sup> White Energy Ordinary Shares based on 750 million tonnes of Coal Resources at the First Assessment Date. The Shareholder's holding of White Energy 2010 Performance Shares will, therefore, convert into 213 White Energy Ordinary Shares on the First Conversion Date.

Each of the Shareholder's White Energy 2011 Performance Shares converts into 0.5014<sup>19</sup> White Energy Ordinary Shares based on 1,250 million tonnes of Coal Resources at the Second Assessment Date. The Shareholder's holding of White Energy 2011 Performance Shares will, therefore, convert into 433 White Energy Ordinary Shares on the Second Conversion Date.

The Shareholder will hold a total of 646 additional White Energy Ordinary Shares in respect of the Shareholder's 864 White Energy 2010 Performance Shares and 864 White Energy 2011 Performance Shares.

### **Example 2**

#### *Facts*

Coal Resources are assessed at 1,215 million tonnes as at the First Assessment Date and 1,800 million tonnes as at the Second Assessment Date.

#### *White Energy Ordinary Shares held by Shareholder*

Each of the Shareholder's White Energy 2010 Performance Shares converts into 0.7141 White Energy Ordinary Shares based on 1,215 million tonnes of Coal Resources at the First Assessment Date. The Shareholder's holding of White Energy 2010 Performance Shares will, therefore, convert into 617 White Energy Ordinary Shares on the First Conversion Date.

Each of the Shareholder's White Energy 2011 Performance Shares converts into 0.2859 White Energy Ordinary Shares based on more than 1,515 million tonnes of Coal Resources at the Second Assessment Date. The Shareholder's holding of White Energy 2011 Performance Shares will, therefore, convert into 247 White Energy Ordinary Shares on the Second Conversion Date.

The Shareholder will hold a total of 864 additional White Energy Ordinary Shares in respect of the Shareholder's 864 White Energy 2010 Performance Shares and 864 White Energy 2011 Performance Shares.

### **Example 3**

#### *Facts*

Coal Resources are assessed at 1,800 million tonnes as at the First Assessment Date.

#### *White Energy Ordinary Shares held by Shareholder*

Each of the Shareholder's White Energy 2010 Performance Shares converts into 1 White Energy Ordinary Share based on more than 1,515 million tonnes of Coal Resources at the First Assessment Date. The Shareholder's holding of White Energy 2010 Performance Shares will, therefore, convert into 864 White Energy Ordinary Shares on the First Conversion Date.

As the White Energy 2010 Performance Shares converted into White Energy Ordinary Shares on a 1 for 1 basis based on the Coal Resources as at the First Assessment Date, no assessment will be conducted on the Second Assessment Date and the Shareholder's entire holding of White Energy 2011 Performance Shares will convert into 1 White Energy Ordinary Share.

The Shareholder will hold a total of 865 (as a result of rounding) additional White Energy Ordinary Shares in respect of the Shareholder's 864 White Energy 2010 Performance Shares and 864 White

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<sup>18</sup> Applying the formula in rule 3.1 of the White Energy 2010 Performance Share terms of issue

<sup>19</sup> Applying the formula in rule 3.1 of the White Energy 2011 Performance Share terms of issue.

Energy 2011 Performance Shares.

#### **Example 4**

##### *Facts*

Coal Resources are assessed at 515 million tonnes as at the First Assessment Date and 1,515 million tonnes as at the Second Assessment Date.

##### *White Energy Ordinary Shares held by Shareholder*

The Shareholder's entire holding of White Energy 2010 Performance Shares converts into a single White Energy Ordinary Share based on 515 million tonnes of Coal Resources at the First Assessment Date.

Each of the Shareholder's White Energy 2011 Performance Shares converts into 1 White Energy Ordinary Share based on more than 1,515 million tonnes of Coal Resources at the Second Assessment Date. The Shareholder's holding of White Energy 2011 Performance Shares will, therefore, convert into 864 White Energy Ordinary Shares on the Second Conversion Date.

The Shareholder will hold a total of 865 (as a result of rounding) additional White Energy Ordinary Shares in respect of the Shareholder's 864 White Energy 2010 Performance Shares and 864 White Energy 2011 Performance Shares.

#### **Example 5**

##### *Facts*

Coal Resources are assessed at 515 million tonnes as at both the First Assessment Date and Second Assessment Date.

##### *White Energy Ordinary Shares held by Shareholder*

The Shareholder's entire holding of White Energy 2010 Performance Shares converts into a single White Energy Ordinary Share based on 515 million tonnes of Coal Resources at the First Assessment Date.

The Shareholder's entire holding of White Energy 2011 Performance Shares converts into a single White Energy 2011 Performance Share based on 515 million tonnes of Coal Resources at the Second Assessment Date.

The Shareholder will hold a total of 2 (as a result of rounding) additional White Energy Ordinary Shares in respect of the Shareholder's 864 White Energy 2010 Performance Shares and 864 White Energy 2011 Performance Shares.

(e) **Deferral of assessment, consolidation and conversion dates**

The First Assessment Date and First Conversion Date may be deferred up to 8 August 2012 and 8 November 2012 respectively and the Second Assessment Date and Second Conversion Date may be deferred up to 8 August 2013 and 8 November 2013 respectively, if access to the SAC Exploration Area is restricted.

(f) **Acceleration of consolidation and conversion of White Energy 2010 Performance Shares**

If a change of control of White Energy occurs under a takeover bid or scheme, before the Second Conversion Date, each White Energy 2011 Performance Share will convert into the number of White Energy Ordinary Shares that it would have converted into had Coal Resources as at the Second Assessment Date been assessed as 1,515 million tonnes. Conversion will occur on such date as White Energy determines so that, to the extent reasonably practicable, the resulting White Energy Ordinary Shares are able to participate in the bid or scheme.

However, if Coal Resources as at the Second Assessment Date have already been assessed as not exceeding the higher of 515 million tonnes and the Coal Resources as

at the First Assessment Date, each holder's entire holding of White Energy 2011 Performance Shares will convert into 1 White Energy Ordinary Share.

If before the Second Assessment Date, White Energy has not used all reasonable commercial endeavours (subject to it not having to spend more than \$10 million) to conduct mineral exploration activities in the SAC Exploration Area with a view to proving Coal Resources of 1,515 million tonnes on or before the Second Assessment Date, each White Energy 2011 Performance Share will convert into of the number of White Energy Ordinary Shares that it would have converted into had Coal Resources as at the Second Assessment Date been assessed as 1,515 million tonnes.

(g) **Adjustment of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares**

The number of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares on issue will be adjusted to take into account the effect of bonus issues of White Energy Ordinary Shares and capital reorganisation.

### **3.8 White Energy Subscription Rights**

A White Energy Subscription Right is an offer by White Energy to subscribe for 1 White Energy Ordinary Share for a subscription price of \$2.50 per White Energy Ordinary Share.

The offer comprising a White Energy Subscription Right is personal to the SAC Shareholder who receives the Share Alternative and cannot be transferred or accepted by another person. However, the Nominee will be able to transfer an equivalent right to subscribe for White Energy Ordinary Shares in accordance with section 619(3) of the Corporations Act.

The offer comprising a White Energy Subscription Right may be accepted by sending White Energy a validly completed and executed Exercise Form, together with payment of the subscription amount for the White Energy Subscription Rights taken up by the SAC Shareholder before the Exercise Deadline.

A SAC Shareholder who receives White Energy Subscription Rights will be able to take-up some or all of their White Energy Subscription Rights (but cannot take-up fractions of a White Energy Subscription Right).

White Energy Ordinary Shares will be issued to SAC Shareholders who have validly taken up their White Energy Subscription Rights within 5 Business Day after the Exercise Deadline. All White Energy Subscription Rights not taken up expire immediately after the Exercise Deadline.

40 million White Energy Ordinary Shares would be issued if all SAC Shareholders accepted the Offer, received the Share Alternative for all of their SAC Shares and took up all the White Energy Subscription Rights received by them under the Offer. However interests associated with Mr Travers Duncan and Mr Brian Flannery, which hold 30.23% of SAC Shares between them have indicated that they will not be taking up any White Energy Subscription Rights they may receive under the Offer. Accordingly, a maximum of approximately 27.9 million White Energy Ordinary Shares will be issued on take-up of White Energy Subscription Rights offered under the Offer.



## 4 South Australian Coal Limited

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### 4.1 Important information

The following information about SAC is based on public information and limited non-public information made available to the Bidder by SAC and has not been independently verified. Accordingly, White Energy does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. This information should not be considered comprehensive.

Further information about SAC is included in the Target's Statement. You should read the Target's Statement in full before deciding whether to accept the Offer.

Information about the Merged Group is set out in section 8 of this Bidder's Statement.

### 4.2 Overview

On 30 October 2009, SAC was demerged from Felix Resources. The demerger was implemented by a fully franked in specie dividend of SAC Shares to Felix shareholders on a 1:1 basis.

SAC has a 100% interest in the SAC Mining Tenements.

Apart from exploration of the SAC Exploration Area, SAC does not currently have any operations.

### 4.3 Directors

As at the date of this Bidder's Statement, the directors of SAC are as follows:

Director	Position
Mr Travers Duncan	Chairman
Mr John Cooper	Non-executive director
Mr Vincent O'Rourke	Non-executive director

### 4.4 Structure and ownership

As at 30 October 2009, SAC's shareholders were the same as Felix Resources' shareholders. SAC Shares remain widely held and to the best of White Energy's knowledge, SAC is not directly or indirectly controlled by another corporation or any person or foreign government, and there are no arrangements which may at a subsequent date result in a change in control of SAC.

SAC does not have any Subsidiaries.

## 4.5 Overview of SAC's assets

### (a) Details of the SAC Mining Tenements and SAC Exploration Area

Details of the SAC Mining Tenements are listed in the table below.

Title	Area (km <sup>2</sup> )	Expiry
Exploration Licence	1,367	8 August 2010
RL 100	2.4	2 October 2011
RL 104	2.4	26 February 2013

The Exploration Licence was granted on 9 August 1995 and has been renewed to 8 August 2010. SAC has applied for a subsequent exploration licence in respect of the SAC Exploration Area and Primary Industries and Resources South Australia (**PIRSA**) has indicated that, subject to its final assessment of SAC's application, it is prepared to grant SAC a subsequent exploration licence in respect of the SAC Exploration Area for an initial term of 3 years.

The Retention Leases were excised from the Exploration Licence in 1996 and 2000. They are located in the south eastern portion of the SAC Exploration Area and are adjacent to one another. The Retention Leases were taken up to undertake trial mining to assess geotechnical conditions and to obtain a bulk coal sample for testing.

The SAC Exploration Area is located about 765 kilometres north of Adelaide and 70 kilometres south west of the township of Coober Pedy. The SAC Exploration Area is approximately 1,367 square kilometres and it contains the Lake Phillipson coal deposit. SAC has a JORC Code compliant coal resource of approximately 515 million tonnes within the SAC Exploration Area which was certified in July 2009. The coal located within the Lake Phillipson coal deposit can be classified as sub-bituminous coal.

The following table summarises the coal resources in the SAC Exploration Area:

Sub-basin	Inferred Mt	Indicated Mt	Measured Mt	Total Mt
Main	192.2	20.8	14.7	227.7
West	162.3	124.9	0.0	287.2
Total	354.6	145.6	14.7	514.9

The SAC Exploration Area is also thought to be prospective for minerals as it is located in a world class mineral province with Challenger Gold Mine 90 kilometres north east, Prominent Hill 210 kilometres west and Olympic Dam 280 kilometres to the north west. Preliminary exploration activity has delineated potential for copper, gold, lead, zinc, uranium and iron ore.

### (b) Woomera Prohibited Area

The entire SAC Exploration Area is located in the WPA which has been declared a prohibited area under Part VII of the *Defence Force Regulations 1952* (Cth) and is used for the testing of war material.

Access to a large part of the SAC Exploration Area is subject to SAC obtaining relevant permissions from the Department of Defence. Pursuant to a deed of access dated 29 June 2008, the Department of Defence authorised SAC to enter and carry out exploratory operations in the SAC Exploration Area. However this deed of access expired on 28 June 2009.

A new deed of access, authorising SAC to enter and carry out exploratory operations in part of the SAC Exploration Area from the date of the deed until 8 August 2010 has been negotiated by SAC and the Department of Defence but has not yet been signed by the Department of Defence. SAC is involved in ongoing discussions with the Department of Defence and the South Australian government regarding access to the SAC Exploration Area.

On 17 May 2010, the Minister for Defence issued a public statement which sets out the process and considerations that apply to applications to access the WPA and announced that the Government would be “examining the future of the WPA with a view to maximising its value to the nation for Defence and economic development for the next 20 to 30 years. The review, which is led by Dr Allan Hawke, is expected to provide its report to Government by the end of 2010. SAC Directors met with Dr Hawke on 31 May 2010.

(c) **Native title**

The Antakirinja Matu-Yankunytjatjara People have a registered native title claim over the SAC Exploration Area. The Antakirinja Matu-Yankunytjatjara People’s native title claim is currently proceeding through the Federal Court of Australia (the **Federal Court**), however a determination of native title is yet to be obtained. Native title claims may limit the ability of SAC and others to explore and develop the SAC Exploration Area.

The Antakirinja Matu-Yankunytjatjara People and SAC are party to a Native Title Mining Agreement which authorises SAC to access the SAC Exploration Area for the purpose of carrying out exploration activities. However, if SAC applies for a production tenement, for example a mining licence, it will need to negotiate and enter into a new agreement with the Antakirinja Matu-Yankunytjatjara People.

#### **4.6 Other information about SAC**

Further material information relating to SAC may be contained in the Target’s Statement, which you should read in its entirety before deciding whether to accept the Offer.

SAC is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by SAC may be obtained from, or inspected at, an ASIC office.

## 5 SAC's securities

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### 5.1 Securities on issue

According to information provided by SAC to the Bidder, as at the date of this Bidder's Statement, SAC's issued securities consisted of 196,625,038 SAC Shares.

### 5.2 Substantial holders in respect of SAC Shares

As at the date of this Bidder's Statement, so far as known to the Bidder based on publicly available information, there are no substantial holders in respect of SAC Shares, except as set out below:

Substantial holder	Number of SAC Shares	Percentage of total SAC Shares
AMCIC Sabeltand Holdings BV <sup>20</sup>	37,601,724	19.12%
Gaffwick Pty Limited <sup>21</sup>	29,948,706	15.23%
Ilwella Pty Limited <sup>22</sup>	29,450,000	14.98%
Fibora Pty Limited	14,550,000	7.40%

### 5.3 Bidder's interest in SAC

As at the date of this Bidder's Statement:

- the Bidder's voting power in SAC was 0%; and
- the Bidder did not have a relevant interest in any SAC Shares.

As at the date of the Offer:

- the Bidder's voting power in SAC was 0%; and
- the Bidder did not have a relevant interest in any SAC Shares.

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<sup>20</sup> AMCIC Sabeltand Holdings BV is associated with Hans Mende.

<sup>21</sup> Gaffwick Pty Limited is associated with Travers Duncan.

<sup>22</sup> Ilwella Pty Limited is associated with Brian Flannery.

## **5.4 Dealings in SAC Shares**

### **(a) Four months before the date of this Bidder's Statement**

Neither the Bidder nor any associate of the Bidder has provided, or agreed to provide, consideration for SAC Shares under any purchase or agreement during the 4 months before the date of this Bidder's Statement.

### **(b) Period between the date of this Bidder's Statement and the date immediately before the date of the Offer**

Neither the Bidder nor any associate of the Bidder has provided, or agreed to provide, consideration for SAC Shares under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer.

## **5.5 No escalation agreements**

Neither the Bidder nor any associate of the Bidder has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

## 6 Sources of consideration

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The consideration for the acquisition of the SAC Shares to which the Offer relates will be satisfied by:

- the issue of White Energy Shares and the provision of White Energy Subscription Rights; and
- the payment of up to \$10 million in cash to SAC Shareholders who elect to receive the Cash Alternative, make no election or make an unclear election.

### 6.1 Share Alternative

Subject to the fulfilment or waiver of the conditions to the Offer, there is no restriction on the ability of White Energy to issue the maximum number of White Energy Ordinary Shares, White Energy 2010 Performance Shares and White Energy 2011 Performance Shares or provide the maximum number of White Energy Subscription Rights which it may be required to issue or provide under the Offer.

The maximum numbers of White Energy Ordinary Shares, White Energy 2010 Performance Shares and White Energy 2011 Performance Shares that White Energy may be required to issue (on completion of the Offer, take-up of White Energy Subscription Rights and conversion of the White Energy Performance Shares) and the maximum number of White Energy Subscription Rights that White Energy may be required to provide under the Offer are set out in section 3.1(d).

### 6.2 Cash Alternative

White Energy has committed to provide the Bidder with up to \$10 million (drawn from White Energy's existing cash reserves of \$103 million, held on deposit with White Energy's Australian banks) and available for withdrawal, to fund the Cash Alternative offered as part of the Offer.

## 7 Rationale for the merger and White Energy's intentions in relation to SAC

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### 7.1 Introduction

This section sets out White Energy's (and the Bidder's) intentions in relation to the Merged Group. Those intentions have been formed on the basis of facts and information regarding the White Energy Group and SAC, and the general business environment, which are known at the time of preparing this Bidder's Statement. Final decisions will only be reached in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

The articulation and formulation of the Bidder's and White Energy's intentions are necessarily limited because it has only had access to publicly available information, and limited non-public information made available to the Bidder by SAC, about SAC and its affairs.

### 7.2 Rationale for the merger

The rationale for the Offer is as follows:

- **Complementary assets** – the acquisition of SAC and the Coal Resources provides the Merged Group with a complementary mix of assets, matching a large deposit of sub-bituminous coal with White Energy's BCB Technology.
- **Industry leading board and management team** – the Merged Group will have a highly respected board and management team with a proven track record of asset development and major project execution and delivery.
- **Strong balance sheet** – the Merged Group will have significant balance sheet strength with a pro forma net cash position following completion of the Offer and the Placement of between \$219 million (if only AMCIC Sabeland Holdings BV, the interest associated with Hans Mende, takes up White Energy Subscription Rights under the Offer) and approximately \$270 million (if each SAC Shareholder takes up White Energy Subscription Rights under the Offer). This cash position should allow for the Merged Group to continue with its planned capital investment program.
- **Mid-tier company positioned for growth** – the size of the Merged Group will enable its participation in the coal industry consolidation in Australia and allow it to take advantage of acquisition opportunities in other key coal markets.

### 7.3 Intentions for SAC as a wholly-owned controlled entity

This section 7.3 describes White Energy's and the Bidder's intentions if the Bidder and its associates acquire a relevant interest in 90% or more of the SAC Shares, and the Bidder therefore becomes entitled to proceed to compulsory acquisition of outstanding SAC Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, White Energy's (and the Bidder's) current intentions are as follows:

(a) **Corporate matters**

The Bidder will proceed with compulsory acquisition of the outstanding SAC Shares in accordance with Part 6A.1 of the Corporations Act. All holders of SAC Shares not already acquired by the Bidder will be taken to have elected to receive the Cash Alternative as consideration for their SAC Shares (unless holders elect otherwise in accordance with section 661C of the Corporations Act).

White Energy intends to maintain the consultancy and contract arrangements currently in place at SAC to allow for the continued development of SAC. The Merged Group's relevant senior management team will ultimately be responsible for managing and developing SAC.

Mr Travers Duncan, Mr John Cooper and Mr Vincent O'Rourke will remain on the SAC Board and the Bidder will appoint Mr Brian Flannery as another SAC Director.

(b) **General operational review**

After completion of the Offer and the Placement, White Energy intends to conduct, together with representatives from SAC, a broad-based review of the Merged Group's operations on both a strategic and financial level to:

- evaluate the Merged Group's performance, profitability and prospects;
- evaluate the strategy of the Merged Group; and
- identify additional opportunities for revenue enhancement and operating synergies derived from a larger portfolio of assets.

In the course of this review, White Energy intends to focus on a number of key specific areas including (but not limited to):

- new market opportunities;
- operating and reporting opportunities;
- availability and optimisation of rail and port resources;
- review and optimisation of the capital expenditure program of the Merged Group;
- possible domestic and export markets for hydro-carbon fuels generated using the Coal Resources;
- other assets that are complementary to the Merged Group;
- the opportunity to optimise the profile of the Merged Group relative to White Energy and SAC operating as stand alone entities; and
- the management structure of the Merged Group.

(c) **Specific intentions**

White Energy intends that the Merged Group explore the SAC Exploration Area with a view to proving a total of 1,515 million tonnes of Coal Resources by 31 December 2011 (subject to it having continued access to the SAC Exploration Area and it remaining practical for it to conduct exploration activities).

White Energy has committed \$10 million for such exploration activity and intends to principally use SAC's current cash reserves for this purpose. The Merged Group will continue to use the contractors, consultants and mining experts that have been involved with the development and management of the SAC Exploration Area to date. Following completion of the planned exploration program, the Merged Group intends to submit a mine plan and apply for a mining lease in respect of the SAC Exploration Area.

White Energy has identified several commercial opportunities for SAC with respect to the SAC Exploration Area and the surrounding mineral area:



- **Upgraded coal for export markets** – following the evaluation of the responsiveness of the SAC feed coal to White Energy’s BCB Technology, and the commencement of coal mining operations in the SAC Exploration Area, White Energy intends to construct coal upgrading plants in the SAC Exploration Area and produce high energy content coal. The sale of the upgraded coal will be targeted at Asian export markets such as India, China and South East Asia.
- **In-situ coal for domestic consumption** – White Energy will seek to sell the Coal Resources domestically targeting South Australia’s forecast growth in demand for base load capacity. The growth in South Australia’s mining industry necessitates the need for a reliable fuel supply to be available at remote mining sites, as well as at the Port Augusta power stations.
- **Application of new coal technologies** – White Energy will identify and evaluate new coal technologies that may be utilised in the SAC Exploration Area, such as gasification and coal to liquids technology, which are designed to create value added hydro-carbon products.
- **Minerals and base metals** – SAC is located in the Gawler Craton mineral province which has an attractive mix of minerals and base metals. This prospective site for minerals and metals compliments White Energy’s existing exploration division.

#### 7.4 Intentions for SAC as a part-owned controlled entity

The Offer is conditional on the Bidder acquiring a relevant interest in at least 90% of the SAC Shares. The Bidder has no current intention of waiving that condition, but reserves the right to do so.

This section 7.4 describes the Bidder’s intentions if SAC becomes a controlled entity of the Bidder, but the Bidder is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, White Energy’s (and the Bidder’s) current intentions are as follows:

##### (a) Corporate matters

After completion of the Offer and the Placement, White Energy intends:

- to implement White Energy’s intentions described in section 7.3 to the extent that it is able to do so;
- to the extent that activities and functions presently carried out by the White Energy Group and SAC will be duplicated, such duplication will be eliminated where it is economically efficient to do so.

It is possible that, even if the Bidder is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.2 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act, for example, as a result of acquisitions of SAC Shares in reliance on the ‘3% creep’ exception in item 9 of section 611 of the Corporations Act. If so, the Bidder currently intends to exercise those rights; however, it reserves the right not to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act if it becomes entitled to do so.

##### (b) General operational review

After the end of the Offer Period, White Energy intends to propose to the SAC Board that an immediate, broad-based review of SAC’s operations be conducted on both a strategic and financial level, along similar lines to that described in section 7.3(b).

(c) **Limitations in giving effect to intentions**

The ability of White Energy to implement the intentions set out in this section 7.4, will be subject to the legal obligations of SAC Directors to have regard to the interests of SAC and all SAC shareholders, and the requirements of the Corporations Act. White Energy will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements.

**7.5 Intentions for SAC if the Bidder does not control SAC**

If the Bidder waives its 90% minimum acceptance condition and acquires less than 50.1% of the SAC Shares, the interest in SAC will become an investment of the White Energy Group which would be reviewed by White Energy in accordance with its usual investment policies.

**7.6 Dividends and funding**

On completion of the Offer, SAC will have a cash balance of at least \$9.5 million. This amount will be used to fund the day to day activities of SAC and to carry out the intended exploration activity referred to in section 7.3(c). After completion of the Offer, SAC will have access to the broader funding structure and available cash reserves of the Merged Group.

Given the nature of the Merged Group's business and the fact that, for a number of years following completion of the Offer, the Merged Group will be in a growth phase, White Energy does not expect to pay a dividend for a period of at least three years from completion of the Offer. Thereafter, depending on the Merged Group's financial results and funding requirements, White Energy will pay dividends to the extent permitted by law subject to prudent business practice. The future payment of dividends is and will remain at the discretion of the White Energy Board.

**7.7 Other intentions for SAC**

Subject to the matters described above in this section 7 and elsewhere in this Bidder's Statement and, in particular, the completion of the strategic review of operations of the Bidder and SAC, it is the intention of White Energy (and the Bidder), on the basis of the facts and information concerning SAC that are known to it and the existing circumstances affecting the assets and operations of SAC at the date of this Bidder's Statement, that:

- the business of SAC will be conducted in the same manner as at the date of this Bidder's Statement;
- there will be no redeployment of the fixed assets of SAC; and
- White Energy does not currently intend to rename SAC or remove or redeploy any of its employees.

## 8 Profile of the Merged Group

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### 8.1 Corporate activities

#### (a) Changes to the White Energy Board and CEO

White Energy proposes to appoint Mr Brian Flannery as CEO and an executive director of White Energy in August 2010.

Following completion of the Placement (see section 8.1(b) below):

- Mr Hans Mende and Mr John Kinghorn will be appointed as non-executive directors of White Energy.
- Mr John McGuigan, the current Chairman of White Energy, will resign as Chairman but will remain on the White Energy Board as a non-executive director.
- Mr Travers Duncan will assume the role of Chairman of White Energy; and
- Mr John Atkinson, the current CEO and Managing Director of White Energy, will resign as CEO and Managing Director but will remain on the White Energy Board as an executive director and will play a role in various of White Energy's business development initiatives.

Mr Graham Cubbin will remain on the White Energy Board as an independent director.

The proposed changes to the White Energy Board and appointment of the proposed new directors of White Energy are conditional on completion of the Offer and the Placement.

#### (b) Placement

At the same time as it announced the Offer, White Energy announced its intention to raise \$75 million by issuing White Energy Ordinary Shares to Gaffwick Pty Limited, Ganra Pty Limited and J A Kinghorn & Co Pty Limited (the **Placees**)<sup>23</sup>. The Placees will each be issued with 10,000,000 White Energy Ordinary Shares under the Placement.

To implement the Placement White Energy has entered into subscription agreements with each of the Placees under which, subject to satisfaction of certain conditions (including White Energy Shareholder approval of the issue of White Energy Ordinary Shares to Gaffwick Pty Limited), White Energy has agreed to issue each of the Placees 10 million White Energy Ordinary Shares at a subscription price of \$2.50 per White Energy Ordinary Share.

White Energy's shareholders will be asked to approve the issue of White Energy Ordinary Shares to Gaffwick Pty Limited at its General Meeting. If approval is not obtained, the Placement may not proceed. White Energy will announce the results of the General Meeting promptly after close of the meeting.

White Energy Ordinary Shares will be issued under the subscription agreements 10 Business Days after the end of the Offer Period. However, the Placees' rights to subscribe for White Energy Ordinary Shares under the subscription agreement for the Placement are not conditional on completion of the Offer (or the Placees or any of their associates accepting the Offer).

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<sup>23</sup> Gaffwick Pty Limited is associated with Travers Duncan. Ganra Pty Limited is associated with Mr Brian Flannery and J A Kinghorn & Co Pty Limited is associated with Mr John Kinghorn.

As Gaffwick Pty Limited and Ganra Pty Limited will be participating in the Placement, Mr Travers Duncan and Mr Brian Flannery have stated that they will not take-up any of the White Energy Subscription Rights they may receive under the Offer. Mr John Kinghorn does not have any interest in any SAC Shares and therefore will not be participating in the Offer.

## 8.2 Pro forma consolidated financial statements for the Merged Group

WHITE ENERGY COMPANY LIMITED / SOUTH AUSTRALIAN COAL LIMITED - MERGED ENTITY									Presented in AUD
PRO-FORMA CONSOLIDATED BALANCE SHEET									
	White Energy Company Limited 31 December 2009 Unaudited financial information	South Australia Coal Limited 14 April 2010	Pro forma adjustments		Merged Entity Consolidated Proforma Pre-Adjustments	Pro forma adjustments			Pro forma Balance Sheet (Post Completion of the Offer)
			1 Base consideration & consolidation adjustments	2 Contingent consideration		2 Share Placement	3 Subscription Rights Proceeds	4 Transaction Costs	
<b>ASSETS</b>									
<b>Current assets</b>									
Cash and cash equivalents	119,479,204	9,746,596	-	-	129,225,800	75,000,000	69,800,000	(3,250,000)	270,775,800
Trade and other receivables	10,797,913	354,732	-	-	11,152,645	-	-	-	11,152,645
Other assets	-	21,425	-	-	21,425	-	-	-	21,425
<b>Total current assets</b>	<b>130,277,117</b>	<b>10,122,753</b>	<b>-</b>	<b>-</b>	<b>140,399,870</b>	<b>75,000,000</b>	<b>69,800,000</b>	<b>(3,250,000)</b>	<b>281,949,870</b>
<b>Non-current assets</b>									
Property, plant and equipment	140,010,786	106,142	-	-	140,116,928	-	-	-	140,116,928
Investment in SACL	-	-	-	-	-	-	-	-	-
Exploration assets	1,161,330	2,634,767	25,677,836	41,650,000	71,123,933	-	-	-	71,123,933
Goodwill	-	-	7,703,351	12,495,000	20,198,351	-	-	-	20,198,351
Intangible assets	51,143,467	-	-	-	51,143,467	-	-	-	51,143,467
<b>Total non-current assets</b>	<b>192,315,583</b>	<b>2,740,909</b>	<b>33,381,186</b>	<b>54,145,000</b>	<b>282,582,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>282,582,678</b>
<b>Total assets</b>	<b>322,592,700</b>	<b>12,863,662</b>	<b>33,381,186</b>	<b>54,145,000</b>	<b>422,982,548</b>	<b>75,000,000</b>	<b>69,800,000</b>	<b>(3,250,000)</b>	<b>564,532,548</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Trade and other payables	22,493,195	80,148	-	-	22,573,343	-	-	-	22,573,343
Other financial liabilities	-	-	-	20,825,000	20,825,000	-	-	-	20,825,000
Borrowings	51,123,407	-	-	-	51,123,407	-	-	-	51,123,407
<b>Total current liabilities</b>	<b>73,616,602</b>	<b>80,148</b>	<b>-</b>	<b>20,825,000</b>	<b>94,521,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,521,750</b>
<b>Non-current liabilities</b>									
Other financial liabilities	53,450,742	-	-	20,825,000	74,275,742	-	-	-	74,275,742
Deferred tax	-	-	7,703,351	12,495,000	20,198,351	-	-	-	20,198,351
Borrowings	5,143,380	-	-	-	5,143,380	-	-	-	5,143,380
<b>Total non-current liabilities</b>	<b>58,594,122</b>	<b>-</b>	<b>7,703,351</b>	<b>33,320,000</b>	<b>99,617,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,617,473</b>
<b>Total liabilities</b>	<b>132,210,724</b>	<b>80,148</b>	<b>7,703,351</b>	<b>54,145,000</b>	<b>194,139,223</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,139,223</b>
<b>Net assets</b>	<b>190,381,976</b>	<b>12,783,514</b>	<b>25,677,836</b>	<b>-</b>	<b>228,843,326</b>	<b>75,000,000</b>	<b>69,800,000</b>	<b>(3,250,000)</b>	<b>370,393,326</b>
<b>EQUITY</b>									
Contributed equity	254,025,778	12,783,514	25,677,836	-	292,487,128	75,000,000	69,800,000	(475,000)	436,812,128
Reserves	6,462,689	-	-	-	6,462,689	-	-	-	6,462,689
Accumulated losses	(68,417,921)	-	-	-	(68,417,921)	-	-	(2,775,000)	(71,192,921)
Parent entity interest	192,070,546	12,783,514	25,677,836	-	230,531,896	75,000,000	69,800,000	(3,250,000)	372,081,896
Minority interest	(1,688,570)	-	-	-	(1,688,570)	-	-	-	(1,688,570)
<b>Total equity</b>	<b>190,381,976</b>	<b>12,783,514</b>	<b>25,677,836</b>	<b>-</b>	<b>228,843,326</b>	<b>75,000,000</b>	<b>69,800,000</b>	<b>(3,250,000)</b>	<b>370,393,326</b>

\* Notes on pro forma balance sheet adjustments:

- |   |   |   |  |
|---|---|---|--|
| 1 | Base consideration and consolidation adjustments to eliminate the intercompany investment in SAC.   | 3 | Share Placement.   |
|   | Fair Value adjustment for exploration assets to reflect portion of upfront consideration paid for EL 3386.  | 4 | Subscription Rights – assumes 100% take-up of Subscription Rights offered to SAC Shareholders. |
| 2 | Adjustment to exploration assets to reflect the estimated fair value of the contingent consideration payable based on White Energy's assessment of future positive exploration results. | 5 | Transaction Costs  |

## 8.3 Basis of preparation of Pro Forma Balance Sheets

### (a) Basis of preparation of the White Energy balance sheet

The unaudited White Energy balance sheet as at 31 December 2009 has been extracted from the reviewed consolidated financial statements of White Energy as at 31 December 2009.

The historical consolidated financial statements of White Energy for the year ended 30 June 2009 including the respective reports in relation to those financial statements by White Energy's auditor, can be obtained from White Energy's website ([www.whiteenergyco.com.au](http://www.whiteenergyco.com.au)) or from White Energy on request (free of charge).

### (b) Basis of preparation of the SAC balance sheet

The unaudited SAC balance sheet as at 14 April 2010 has been extracted from the unaudited management accounts of SAC as at 14 April 2010. The 14 April 2010 balance sheet is assumed to be equivalent to the SAC balance sheet as at 31 December 2009.

### (c) Basis of the Pro Forma Balance Sheet

The combined unaudited pro forma balance sheets of White Energy and SAC as at 31 December 2009 (the **Pro Forma Balance Sheet**) has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards as issued by the Australian Accounting Standards Board (**Australian Accounting Standards**). The Pro Forma Balance Sheets have been prepared for illustrative purposes only and reflects the proposed transactions as described in section 12.

The Pro Forma Balance Sheets have been presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The Pro Forma Balance Sheet has been prepared on the historical cost basis and has been presented in Australian dollars.

### (d) Basis of the Pro Forma Balance Sheet adjustments

The Pro Forma Balance Sheet has been adjusted to reflect the proposed acquisition of SAC and for the following transactions which are contemplated by the proposed acquisition:

- (1) The acquisition of 100% of the issued share capital of SAC on the assumption that 100% of SAC Shareholders elect to receive the Share Alternative for all of their SAC Shares. The issue of 15.7 million White Energy Ordinary Shares which equates to a deemed base consideration of \$38.5 million (based on a price of \$2.45 per White Energy Ordinary Share which is the mid-point valuation assessed by the independent expert engaged by White Energy for the purposes of the General Meeting whose report is included in the notice of meeting for the General Meeting filed with the ASX on 7 June 2010), for 100% of SAC. This base consideration may be subject to change to the extent that the price per White Energy Ordinary Share at the date that control of SAC is obtained differs to the mid-point valuation assessed by the Independent Expert. A preliminary estimate of the excess of the fair value of the deemed base purchase consideration over the fair value of SAC's recognised assets and liabilities as at 14 April 2010 has been undertaken. The excess of \$25.7 million has been allocated to the SAC Mining Tenements. This preliminary purchase allocation exercise will be finalised within the next 12 months as required by AASB3 Revised Business Combinations. A deferred tax liability of \$ 7.7 million on the SAC Mining Tenements is calculated at the Australian company tax rate of 30% and a corresponding goodwill amount recognised.

- (2) The initial estimate of the fair value of the contingent consideration. The fair value will reflect the probability at the date of acquisition of conversion to White Energy Ordinary Shares of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares in the event that additional Coal Resources of at least 1 billion tonnes are considered likely to be assessed by 31 December 2011 as described in section 3.7. In accordance with AASB 132 Financial Instruments: Presentation (AASB132), the estimated fair value of this element of the purchase consideration has been classified as a financial liability. The contingent consideration is classified as a liability because the number of White Energy Ordinary Shares that will be issued on conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares is variable and will be determined based on a sliding scale of Coal Resources as described in section 3.7. White Energy will not receive any further consideration upon conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares into White Energy Ordinary Shares.

The fair value of the contingent consideration is assumed to be \$2.45 for each White Energy 2010 Performance Share and White Energy 2011 Performance Share totalling \$41.7 million based on the estimated number of 17 million White Energy Ordinary Shares that will arise on conversion of the maximum possible number of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares. Based on the preliminary purchase price allocation a corresponding asset has been recognised within exploration assets. As noted in (1) above, this preliminary purchase allocation exercise will be finalised within 12 months of obtaining control of SAC as required by AASB3 Revised Business Combinations. A deferred tax liability of \$12.5 million on the exploration asset is calculated at the Australian company tax rate of 30% and a corresponding goodwill amount recognised.

The fair value of the contingent consideration is likely to differ from \$2.45 on initial recognition based on the price of SAC Shares at the date of obtaining control and the assessed probability at that date of different quantities of Coal Resources being assessed. The financial liability will be remeasured at each balance date in accordance with Australian Accounting Standards and any changes in fair value recognised in the income statement. If the White Energy 2011 Performance Shares convert to White Energy Ordinary Shares the balance of the financial liability will be reduced by the fair value of the White Energy Ordinary Shares on the date of conversion with a corresponding amount being recorded in share capital. Any difference between the liability balance and the total fair value of the White Energy Ordinary Shares eventually arising on conversion at each measurement date will be recorded in the income statement.

The difference between the assessed fair value of the contingent consideration at the date of the acquisition and the fair value of any shares ultimately issued under the contingent consideration arrangement will be charged or credited to the income statement. If no additional tonnes of Coal Resources were assessed there would be total credits to the income statement between the date of the acquisition and 31 December 2011 equivalent to the fair value of the liability initially recognised. If, the total fair value of the White Energy Ordinary Shares eventually issued on conversion exceeds the initial fair value of the liability an expense would be recognised. This might occur, for example, if the price of White Energy Ordinary Shares is greater than \$2.45 at the relevant date of conversion.

- (3) The issue of 30 million White Energy Ordinary Shares (at a subscription price of \$2.50 per White Energy Ordinary Share) under the Placement as described in section 8.1(b), to interests associated with Travers Duncan, Brian Flannery and John Kinghorn.



- (4) Take-up of the maximum number of White Energy Subscription Rights to subscribe for 27.9 million White Energy Ordinary Shares at a subscription price of \$2.50 as described in section 3.8; and
- (5) Transaction costs of \$3.25 million incurred in the acquisition. Of these costs, \$0.45 million relate directly to the equity issuances and have therefore been offset against contributed equity. The remaining \$2.8 million of these costs have been expensed.

## **8.4 Forecast financial information for the Merged Group**

The White Energy Directors have carefully considered whether they have a reasonable basis to produce reliable and meaningful forecast information for the Merged Group. They have concluded that they do not have a reasonable basis to provide forecast financial information that is sufficiently meaningful and reliable for SAC Shareholders.

The Merged Group's performance in any period will reflect a number of factors that cannot be predicted with a high level of confidence and are outside the Merged Group's control. These factors include the amount of Coal Resources, access to the SAC Exploration Area, the development and construction of new coal upgrading plants, demand for WEC Coal and the contract prices that will be settled for WEC Coal and exchange rate risk and hedging.

All of the above factors might have significant impacts on assumptions relating to the Merged Group revenue, cost and impairment drivers which are subject to significant volatility and uncertainty. For these reasons, the risk that SAC Shareholders may be misled by such information outweighs the potential value of that information to SAC Shareholders.

For further discussion of risk factors impacting the Merged Group, refer to section 9.

## **8.5 Prospects and strategy for the Merged Group**

### **(a) General**

The Merged Group will be a mid-tier company well positioned for growth. The proposed transactions provide the Merged Group with an industry-leading board and management team capable of driving the current business strategy as well as developing new value accretive opportunities.

The Merged Group will have an improved skill set to deliver on the current business strategy associated with the deployment of the BCB Technology with key industry partners in Indonesia, the United States, Australia, Africa and China. The Placement will strengthen the Merged Group's cash position and assist with the development of its business.

The value creation opportunity associated with the acquisition of SAC and access to the sub-bituminous coal resource in the SAC Exploration Area was identified as it allows the Merged Group to control a greater portion of the coal value chain, and capture a higher proportion of economic returns associate with a coal upgrading project. Access to the SAC Exploration Area and Coal Resources will provide the Merged Group with several options with respect to commercialisation, including sales to both the domestic and export market.

The acquisition of SAC will provide a platform to identify other coal assets which match the Merged Group's asset portfolio or strategy.

Prospects for White Energy and the White Energy Group are outlined in section 2.5(g).

### **(b) Use of funds**

White Energy expects to raise \$75 million under the Placement.

Mr Hans Mende has stated that interests associated with him will take-up White Energy Subscription Rights received by them under the Offer to subscribe for an additional \$19.1 million of White Energy Ordinary Shares.

If all other SAC Shareholders receive the Share Alternative for all of their SAC Shares and take-up all White Energy Subscription Rights they receive under the Offer, White Energy will raise an additional \$50.6 million.

Accordingly, on completion of the Offer and Placement, White Energy will have cash reserves of between \$219 million and \$270 million available to invest in the development of its business.

These funds will be used:

- to develop the coal mining opportunity and associated potential upgrading operation in the SAC Exploration Area;
- to further review and progress coal gasification and coal to liquids opportunities in the SAC Exploration Area;
- to take advantage of acquisition opportunities in Australia and internationally and to otherwise facilitate White Energy's participation in consolidation of the coal industry in Australia;
- to fund White Energy's obligations associated with the construction and launch of coal upgrading plants in various markets around the world in accordance with White Energy's current business plan; and
- otherwise, for general working capital purposes.

## **8.6 Interests of the Placees and other substantial holders in the Merged Group**

Based on the following assumptions:

- White Energy acquires 100% of the SAC Shares under the Offer;
- SAC Shareholders elect to receive or are taken to have elected to receive a total of \$10 million in cash under the Cash Alternative, but the substantial holders in SAC receive the Share Alternative for all of their SAC Shares and only substantial holders in SAC (other than those associated with Mr Travers Duncan and Mr Brian Flannery, who have publicly announced an intention not to do so) take-up White Energy Subscription Rights offered under the Offer;
- the Placement is completed; and
- none of the existing holders of White Energy Options or White Energy Convertible Notes exercise their White Energy Options or White Energy Convertible Notes,

immediately after completion of the Offer, Placement and take-up of White Energy Subscription Rights, the Placees and other substantial holders in White Energy and SAC are expected to have the following holdings in the Merged Group:

Substantial holder	Number of White Energy Ordinary Shares	Percentage of total White Energy Ordinary Shares
Gaffwick Pty Limited <sup>24</sup>	26,408,101	9.15%
Ganra Pty Limited and Ilwella Pty Limited <sup>25</sup>	25,742,074	8.92%
M & G Investment Management Limited	23,577,048	8.17%
Matthew J Szulik	19,187,050	6.65%
Newton Investment Management Limited	15,984,072	5.54%
AMCIC Sabeltand Holdings BV <sup>26</sup>	10,650,687	3.69%
J A Kinghorn & Co Pty Limited <sup>27</sup>	10,000,000	3.46%
Fibora Pty Limited <sup>28</sup>	4,121,287	1.43%

It is likely that other SAC Shareholders will take-up White Energy Subscription Rights, accordingly the percentage voting power that the Placees and substantial holders could have immediately after completion of the Offer, Placement and take-up of White Energy Subscription Rights is likely to be lower.

<sup>24</sup> Gaffwick Pty Limited is associated with Travers Duncan. Gaffwick Pty Limited will also hold 2,589,265 White Energy 2010 Performance Shares and 2,589,265 White Energy 2011 Performance Shares.

<sup>25</sup> Both Ganra Pty Limited and Ilwella Pty Limited are associated with Brian Flannery. 13,390,492 White Energy Ordinary Shares are held by Ganra Pty Limited and 12,351,582 White Energy Ordinary Shares are held by Ilwella Pty Limited. Together, Ganra Pty Limited and Ilwella Pty Limited hold 8.93% of total White Energy Ordinary Shares. Ilwella Pty Limited will also hold 2,546,247 White Energy 2010 Performance Shares and 2,546,247 White Energy 2011 Performance Shares.

<sup>26</sup> AMCIC Sabeltand Holdings BV is associated with Hans Mende. AMCIC Sabeltand Holdings BV will also hold 3,251,045 White Energy 2010 Performance Shares and 3,251,045 White Energy 2011 Performance Shares.

<sup>27</sup> J A Kinghorn & Co Pty Limited is associated with John Kinghorn.

<sup>28</sup> Fibora Pty Limited will also hold 1,257,993 White Energy 2010 Performance Shares and 1,257,993 White Energy 2011 Performance Shares.

## 9 Risk factors

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### 9.1 Risk generally

There are risks relating to the Offer, the White Energy Shares, the Merged Group and the proposed activities of the Merged Group.

If the Offer becomes unconditional, SAC Shareholders who receive the Share Alternative for some or all of their SAC Shares, will become White Energy Shareholders, and White Energy will acquire an indirect interest in SAC through its wholly-owned subsidiary the Bidder. In that event, those SAC Shareholders will continue to be indirectly exposed to the risks associated with having an interest in SAC. However those SAC Shareholders will also be exposed to the risks associated with having an interest in White Energy as well as general economic, share market and industry risks.

Additional risks and uncertainties not currently known to White Energy may also have a material adverse effect on White Energy's business and that of the Merged Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting White Energy or the Merged Group.

### 9.2 Risks relating to the Offer and White Energy Shares

#### (a) Issue of shares as consideration

SAC Shareholders are being offered consideration under the Offer that consists of a specified number of White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and White Energy Subscription Rights, rather than a number of White Energy Ordinary Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the value of White Energy Ordinary Shares.

Pursuant to the Offer and the Placement up to a maximum of 90.6 million new White Energy Ordinary Shares may be issued.

Given the number of White Energy Ordinary Shares White Energy intends to issue under the Offer (on completion of the Offer, take-up of White Energy Subscription Rights and conversion of White Energy Performance Shares) and the Placement, there is a risk that if a significant number of White Energy Shareholders will seek to sell their White Energy Ordinary Shares. This may adversely affect the price of White Energy Ordinary Shares.

#### (b) White Energy Ordinary Shares if Coal Resources exceed 515 million tonnes

If Coal Resources exceed 515 million tonnes on or before the Second Assessment Date, the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares received by SAC Shareholders who accept the Offer and receive the Share Alternative will convert into White Energy Ordinary Shares. However, if coal resources only exceed 515 million tonnes after the Second Assessment Date, SAC Shareholders who accept the Offer and receive the Share Alternative will only end up holding 2 additional White Energy Ordinary Shares on conversion of their entire holding of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares.

(c) **Quotation of additional White Energy Ordinary Shares**

White Energy has been admitted to the official list of ASX and White Energy Ordinary Shares are quoted by the ASX.

White Energy will apply to the ASX for quotation of the White Energy Ordinary Shares that it will issue to SAC Shareholders who accept the Offer and elect to receive the Share Alternative for some or all of their SAC Shares and the White Energy Ordinary Shares that it will issue to SAC Shareholders who take-up White Energy Subscription Rights offered under the Offer within 7 days after the date of this Bidder's Statement.

White Energy will also apply to the ASX for quotation of any White Energy Ordinary Shares that may arise on conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares in due course.

While official quotation is not granted automatically on application, White Energy expects that the White Energy Ordinary Shares will be quoted for trading and, as at the date of this Bidder's Statement, the ASX has not indicated otherwise to White Energy.

(d) **Scale-back**

SAC Shareholders who accept the Offer and elect to receive the Cash Alternative could receive the Share Alternative for some of their SAC Shares if the Cash Alternative is scaled-back. The number of SAC Shares for which a SAC Shareholder who has elected to receive the Cash Alternative will receive the Share Alternative if the Cash Alternative is scaled-back will vary depending on the extent to which the Cash Alternative is scaled-back.

The Cash Alternative will only be scaled-back if SAC Shareholders elect to receive the Cash Alternative for 25.5% or more of the total number of SAC Shares on issue. As at the date of this Bidder's Statement, holders of at least 69% of the SAC Shares (including interests associated with Mr Travers Duncan, Mr Brian Flannery and Mr Hans Mende) have indicated that, if they accept the Offer, they will elect to receive the Share Alternative for all of their SAC Shares.

(e) **Placement**

White Energy has convened an extraordinary general meeting of White Energy Shareholders to be held on 12 July 2010 (the **General Meeting**). White Energy Shareholders will be asked at the General Meeting to approve the issue of White Energy Ordinary Shares to Gaffwick Pty Limited under the Placement, pursuant to Listing Rule 10.11. White Energy is required to obtain this approval because Gaffwick Pty Limited is associated with Mr Travers Duncan.

If the approval is not obtained, the issue of White Energy Ordinary Shares to Gaffwick Pty Limited may not proceed. The issue of White Energy Ordinary Shares to other Placees under the Placement is conditional on all approvals required to implement the Placement being obtained. If the approval is not obtained, White Energy may therefore lose the opportunity to raise \$75 million of new capital under the Placement.

### 9.3 Risks relating to the Merged Group

(a) **Limited operating history**

White Energy has a limited operating history with respect to commercialising its BCB Technology, which makes it difficult to evaluate White Energy's future prospects and likelihood of success. White Energy's business and future prospects should be considered in light of the risks and difficulties typically encountered by a company with a limited operating history.

(b) **Integration risks**

There are risks that integration between the businesses of the White Energy Group and SAC may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated, particularly if SAC becomes a controlled entity of the Bidder, but the Bidder is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

(c) **Construction of future coal upgrading plants**

The development and construction of White Energy's coal upgrading plants can involve lengthy permitting and construction processes. Each jurisdiction in which White Energy intends to construct such facilities has varying requirements and expected durations with respect to obtaining necessary permits and approvals. After obtaining the necessary permits and approvals, construction of a facility with a capacity of approximately 1 MTPA of WEC Coal could take an estimated further period of approximately 15 to 18 months, not including the time required to commission the coal upgrading plant, depending on the local market working practices and the geography of the site. Such variables could potentially increase costs.

The Merged Group would be required to obtain substantial amounts of funds to undertake any such project and there can be no assurance that such funds would be available to it. Inability to construct additional facilities to produce WEC Coal, or to finance the construction thereof on acceptable terms, will adversely affect the Merged Group's financial condition.

(d) **Suitability of the Coal Resources to the BCB Technology**

Although preliminary analysis has been performed to assess the suitability of the Coal Resources to the BCB Technology, there is a risk that the Coal Resources will not be able to be processed as expected using the BCB Technology or that the performance of a physical sample test on the Coal Resources will not produce the same results as the preliminary analysis. High sodium levels in the Coal Resources, due to saline ground water in the SAC Exploration Area, mean that the Coal Resources will likely require treatment to be suitable for power generation. On completion of the Offer and the Placement, White Energy intends to complete a salt reduction study to determine the extent of salination and different options for treatment.

(e) **International risk**

White Energy has primarily operated its business from Australia with a view to commercialising the BCB Technology in various international regions, including Indonesia, the United States, Mongolia and China. Doing business in foreign countries may expose the Merged Group to many risks that are not present domestically. The Merged Group may lack significant experience dealing with such risks, including political, military, privatisation, technology piracy, currency exchange and repatriation risks, and higher credit risks associated with customers. In addition, in many of these jurisdictions it may be more difficult for it to enforce legal obligations, and the Merged Group may be at a disadvantage in any legal proceeding within the local jurisdiction. Local laws in these various jurisdictions may also limit the Merged Group's ability to hold a majority interest in the projects that the Merged Group develops.

(f) **Current and future finance**

No assurance can be given that any refinancing required from time to time will be available on terms favourable to the Merged Group. In such circumstances, if the Merged Group is unable to secure refinancing on favourable terms, this may have a material adverse effect on the Merged Group.

The Merged Group's ability to service its debt will depend on its future performance, which will be affected by many factors, certain of which are beyond the Merged Group's

control. Any inability of the Merged Group to service its existing debt would have a material adverse effect on the Merged Group.

Existing credit facilities and internally-generated funds may not be sufficient for expenditure that might be required for acquisitions, new projects, further exploration and feasibility studies. The Merged Group is likely to need to raise additional debt or equity funds in the future. There is no assurance that the Merged Group will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be acceptable to the Merged Group and this may have a material adverse effect on the Merged Group.

(g) **Exchange rate risk**

The Merged Group will sell the majority of its coal product overseas, and the majority of sales will be priced in United States dollars. A significant portion of the Merged Group's expenditure will also be denominated in United States dollars. If sales or expenditure are denominated in currencies other than United States dollars, exchange rate fluctuations may have an adverse affect on the cash flow and earnings which the Merged Group will realise from its operations. For example, exchange rate fluctuations are likely to have an adverse affect on cash flow and earnings realised from the Merged Group's Indonesian operations (KSC and the proposed joint venture with Adaro and Itochu). Exchange rate fluctuations may also affect the ability of the Merged Group to repatriate profits made overseas to Australia.

(h) **Reliance on key personnel**

The Merged Group will have a small management team and will rely on a number of key employees. The loss of a key individual or the Merged Group's inability to attract suitably qualified personnel in the future could affect the Merged Group's business.

(i) **Reliance on third parties**

Through the Merged Group's participation in joint ventures and its use of contractors and other third parties for exploration, mining and other services, it is reliant on a number of third parties for the success of its current operations and for the development of its exploration projects. While the situation is normal for the mining and exploration industry, problems caused by third parties may arise which have the potential to impact on the performance and operations of the Merged Group. Any failure by counterparties to perform their obligations may have a material adverse effect on the Merged Group and there can be no assurance that the Merged Group would be successful in attempting to enforce any of its contractual rights through legal action.

(j) **Litigation**

The Merged Group is exposed to risks of litigation which may have a material adverse effect on the Merged Group.

As at the date of this Bidder's Statement, White Energy is not aware of any material litigation in respect of the White Energy Group, or any matters which could give rise to material litigation in respect of the White Energy Group. However, White Energy is aware of a three native title claims involving SAC which are currently pending in the Federal Court. Only one of these claims, the Antakirinja Matu-Yankunytjatjara People's claim (SAD6007/1998) overlaps the SAC Exploration Area: for more details see section 9.5(b).

(k) **Competition**

The industry in which the Merged Group will be involved is subject to domestic and global competition. While the Merged Group undertakes all reasonable due diligence in its business decisions and operations, White Energy will have no influence or control over

the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Merged Group's projects and business.

Larger companies, in particular, may have access to greater resources than the Merged Group, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

(l) **Share market conditions and dividends**

There are risks associated with investing in financial products and securities quoted on a stock exchange. Share price movements could affect the value of consideration provided under the Offer and the value of any investment in White Energy.

The value of White Energy Ordinary Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, prices of the Merged Group's products, variations in the operating costs and costs of capital replacement which the Merged Group may in the future require.

Similarly, the level of dividends which will be paid in respect of White Energy Ordinary Shares can move either up or down and it is possible that White Energy may not be able to pay any dividends.

The value of White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and White Energy Subscription Rights will also fluctuate depending upon the value of the White Energy Ordinary Shares.

(m) **Economic conditions**

Factors including Australian and international economic conditions, political developments, Australian and international equity markets, recommendations by brokers and analysts, changing customer preferences, interest rates, exchange rates, inflation levels, changing fiscal, monetary and regulatory policy (including trade barriers, environmental and taxation laws), commodity prices, industrial disruption, environmental impacts, Australian and international competition, may all have an adverse impact on the Merged Group's operating costs, profit margins and White Energy's Share price.

Events may occur within or outside Australia that could impact upon the world economy, the market for coal, the operations of the Merged Group and the price of the White Energy Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and poor weather affecting roadways, mining and transport of coal.

These factors are beyond the control of the Merged Group and White Energy cannot, to any degree of certainty, predict how they will impact on the Merged Group.

## **9.4 Risks relating to White Energy's BCB Technology**

(a) **Development and Commercialisation of Intellectual Property**

White Energy is relying on the Merged Group's ability to develop and commercialise the intellectual property subsisting in the BCB Technology. A failure to continue to successfully develop and commercialise the intellectual property could lead to a loss of opportunities and adversely impact on the Merged Group's operating results and financial position.

(b) **Intellectual Property Rights**



Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others will not be infringed or that competitors will not develop competing intellectual property that circumvents such patents. The Merged Group's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

There can be no assurance that any patents the Merged Group may own, control or licence now and in the future will afford the Merged Group commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial applications.

Although White Energy has and will continue to implement all reasonable endeavours to protect its intellectual property, there can be no assurance that these measures will be sufficient.

If the BCB Technology and other intellectual property required for the Merged Group's business are not adequately protected, there may be a material adverse impact on the Merged Group's financial condition, results of operations, cash flows and future prospects.

(c) **Technology risk**

Although the BCB Technology has been carefully developed over a period of more than 15 years from pilot to commercial scale, there is a risk that the BCB Technology may not perform as expected or anticipated and that the Merged Group's coal upgrading plants may not perform as designed or at intended production capacity rates. In addition, fluctuations and variances in the quality of the feedstock coal may have an impact on the quality of the WEC Coal produced at the Merged Group's coal upgrading plants.

(d) **Contract risk**

Agreements between the White Energy Group and its customers may be subject to conditions (such as each party completing feasibility studies or other due diligence and the results of the studies or due diligence being favourable to each party) the occurrence of which may be outside the Merged Group's control.

## 9.5 Risks relating to the exploration and production of SAC's coal

(a) **Resource and reserve estimates**

Resource and reserve estimates (including those contained in this Bidder's Statement) are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. Often these estimates were appropriate when made, but may change significantly when new information becomes available. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from the estimates. Resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resources and reserves could have a material adverse effect on the Merged Group's development and mining plans.

(b) **Native Title**

A search obtained from the NNTT on 15 June 2009 in relation to the SAC Exploration Area indicates that the SAC Exploration Area is currently overlapped by only one native title claim, the Antakirinja Matu-Yankunyjtjara People's claim (SAD6007/1998).

The Antakirinja Matu-Yankunytjatjara People's claim is currently proceeding through the Federal Court. The primary respondent in the proceedings, the State of South Australia, has indicated that a consent determination may be reached in respect of the proceedings in November 2010. The current draft consent determination recognises native title rights and interests in the SAC Exploration Area but states that, to the extent native title rights and interests are inconsistent with rights and interests granted by the State of South Australia or Commonwealth Government pursuant to statute, including the Mining Act, (which would include the rights and interests SAC has under the SAC Mining Tenements and possibly any rights SAC has under the Deed of Access), native title rights and interests have no effect.

The Native Title Mining Agreement to which SAC is a currently a party will impose certain additional obligations on the Merged Group, for example, the obligation to obtain clearance the Antakirinja Matu-Yankunytjatjara People before accessing any part of the SAC Exploration Area. The current Native Title Mining Agreement is also limited to exploration activities. As a result, if the Merged Group applies for a production tenement, for example a mining lease, the Merged Group will need to negotiate and enter into a new Native Title Mining Agreement with the Antakirinja Matu-Yankunytjatjara People or any other people who have a native title claim in respect of the SAC Exploration Area.

The negotiation of a new Native Title Mining Agreement could delay the grant of a mining lease and may involve additional cost in the form of compensation to the native title claimants.

The Merged Group will also be required to comply with legislation aimed at minimising the impact of exploration and mining activities on land which is or may be the subject of a native title claim and/or recognising and protecting Aboriginal artefacts and culture, for example the *Aboriginal Heritage Act 1988* (SA).

(c) **Subsequent exploration licence in respect of the SAC Exploration Area**

On 5 February 2010, SAC applied to the Minister for Mineral Resources Development of South Australia for a subsequent exploration licence in respect of the SAC Exploration Area. In a letter to SAC dated 11 February 2010, PIRSA indicated that, subject to its final assessment of SAC's application, PIRSA was prepared to grant SAC a subsequent exploration licence in respect of the SAC Exploration Area for an initial term of 3 years. However, if PIRSA does not grant SAC a subsequent exploration licence in respect of the SAC Exploration Area, the Merged Group will not be able to explore or develop coal deposits in a large part of the SAC Exploration Area.

(d) **Access to the WPA**

The SAC Exploration Area is located within the Woomera Prohibited Area (**WPA**).

Pursuant to a deed of access between SAC and the Department of Defence dated 29 June 2008, SAC was authorised to enter and carry out exploratory operations in the SAC Exploration Area. However, this deed of access expired on 28 June 2009. A new deed of access between SAC and the Department of Defence authorising SAC to enter and carry out exploratory operations on part of the SAC Exploration Area from the date of the deed until 8 August 2010 has been negotiated but has not yet been signed by the Department of Defence.

In the letter from PIRSA to SAC dated 11 February 2010, PIRSA indicated that discussions are taking place between the South Australian Government, the South Australian Chamber of Mines and Energy and the Department of Defence in relation to the coexistence of exploration and defence activities within the WPA.

On 17 May 2010, the Minister for Defence issued a public statement which sets out the process and considerations that apply to applications to access the WPA and announced that the Commonwealth Government would be "examining the future of the WPA with a view to maximising its value to the nation for Defence and economic development for the next 20 to 30 years. The review, which is led by Dr Allan Hawke, is expected to provide

its report to the Commonwealth Government by the end of 2010. SAC Directors met with Dr Hawke on 31 May 2010.

The public statement issued by the Minister of Defence on 17 May 2010 suggests that the Government will consider operational compatibility, safety and national security issues relevant to compatibility in determining whether a particular mining activity (including exploration activities) can coexist with the Department of Defence's activities.

If a new deed of access is not signed, the Merged Group will not be able to explore or develop coal deposits in the SAC Exploration Area. In any case, the term of the new deed of access will need to be extended or another deed of access negotiated and entered into by SAC and the Department of Defence if PIRSA grants SAC a subsequent exploration licence in respect of the SAC Exploration Area.

(e) **Exploration, development and marketing risk**

Any discovery of a coal deposit does not guarantee that the mining of that deposit would be commercially viable, the size of the deposit, quality and other attributes of the coal, location of the deposit, development and operating costs, commodity process and recovery rates all being key factors in determining commercial viability.

If coal deposits are successfully developed, the marketing of the Merged Group's prospective production of coal (including WEC Coal) from such deposits will be dependent on market fluctuations and the availability of processing and storage and transportation infrastructure, including access to ports and shipping facilities, which the Merged Group may have limited or no control. The right to export coal may depend on obtaining licences and quotas, the granting of which may be at the discretion of the relevant regulatory authorities. There may be delays in obtaining such licences and quotas leading to the income receivable by the Merged Group being adversely affected, and it is possible that from time to time export licences may be refused.

(f) **New mining operations**

It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-ups which delay the commencement of mineral production. Accordingly, there is no assurance that the Merged Group's future explorations and development activities will develop into profitable mining operations.

(g) **Competition**

A number of other coal companies operate, and are allowed to bid for, exploration and production licences and other services in Australia, as well as competing for customers, thereby providing competition to the Merged Group.

(h) **Coal price volatility**

The demand for, and price of, coal is highly dependent on a variety of factors, including international supply and demand, the price and availability of alternative fuels, actions taken by governments, and global economic and political developments. International coal prices have fluctuated in recent years and may continue to fluctuate significantly in the future.

(i) **Changes in Government regulations and Government imposts**

Risks relating to changes in government regulations (including those relating to environmental taxes, industrial relations, mine developments, restrictions on operations (such as those relating to noise, dust and water) and climate change) and government imposts such as royalties, rail freight charges and taxes are outside the control of the Merged Group.

(j) **Environmental Risks**

Environmental and safety legislation may change in a manner that may require standards in addition to those now in effect, and a heightened degree of responsibility for companies and their directors and employees. There may also be unforeseen environmental liabilities resulting from coal related activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential abandonment costs and obligations for which the Merged Group may become liable as a result of its activities may be impossible to assess against the current legal framework.

(k) **Emissions trading scheme**

The Federal Government has proposed the establishment of a carbon emissions trading scheme in Australia. Given the current delays in establishing a carbon emissions trading scheme it is not possible to quantify its potential impact on the operations, performance, profitability, prospects or value of the Merged Group.

There are also significant uncertainties relating to the accurate measurement of carbon emissions of underground coal operations. This uncertainty relates to a range of factors including initial quantum of carbon gases and the rate and timing of release of gases (during exploration, development/mining, processing, rail transport, port operations and shipping).

(l) **RSPT**

The Federal Government has recently proposed introducing the Resources Super Profits Tax (**RSPT**) on the Australian resource sector commencing from 1 July 2012. As currently proposed, the RSPT will have a 40% tax rate and will apply to all “super” profits earned by the mining sector. It is also proposed that a refundable company income tax offset (at the company level) will be introduced for exploration expenditure incurred on or after 1 July 2011.

Full details of the proposed RSPT and exploration expenditure rebate remain unclear. For example, the “super” profit upon which RSPT will be calculated is not yet defined although, broadly speaking, the aim is for the RSPT to be calculated based on the difference between the sales proceeds or market value of the resources at the extraction point and the operating costs associated with extracting those resources (including an allowance for capital invested in the project). Also, there is no guarantee that either the RSPT or exploration expenditure rebate will become law (particularly as this is an election year and the Australian resources sector strongly opposes the RSPT).

The potential impact on the Merged Group of the RSPT and the exploration expenditure rebate is unclear. There is potentially a negative value impact in relation to the RSPT, but for a single project explorer like the Merged Group, the rebate could provide cash benefits in the short term.

(m) **Transport and infrastructure**

Coal produced from the Merged Group's mining operations will be transported to its coal upgrading plants and to customers by a combination of road, rail and sea. A number of factors could disrupt these transport services, including weather-related problems, rail or port capacity constraints, key equipment and infrastructure failures and industrial action, impairing the Merged Group's ability to supply coal to customers which may have a materially adverse effect on the Merged Group.

## 10 Tax considerations

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### 10.1 Scope

The following description is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every SAC Shareholder.

The information contained in this section is a general outline of the Australian taxation consequences based on the Income Tax Assessment Act 1936 (**ITAA 1936**), the Income Tax Assessment Act 1997 (**ITAA 1997**), the *A New Tax System (Goods and Services Tax) Act 1999* (the **GST Act**), applicable case law and published Australian Taxation Office (**ATO**) rulings, determinations and other ATO guidance at the date of this Bidder's Statement. Australian tax law may be amended at any time and therefore the taxation consequences may alter if there is a change in the taxation law after the date of this Bidder's Statement.

This section does not consider the Australian tax consequences for:

- SAC Shareholders who hold their SAC Shares as trading stock or as revenue assets;
- financial institutions, insurance companies, partnerships, tax exempt organisations, trusts, superannuation funds or temporary residents of Australia;
- dealers in securities;
- SAC Shareholders who hold the shares as part of an enterprise carried on, at or through a permanent establishment in a foreign country;
- SAC Shareholders who change their tax residence while holding SAC Shares; or
- SAC Shareholders who participate in the Placement.

Taxation issues are only one of the matters that SAC Shareholders should consider when deciding whether to accept the Offer.

SAC Shareholders who are not Australian residents should consider the taxation consequences of accepting the Offer under the laws of their country of residence, as well as under Australian taxation law.

The taxation consequences of accepting the Offer may vary depending on the particular circumstances of a SAC Shareholder. Accordingly, the information contained in this section is general in nature and should not be relied upon by SAC Shareholders as tax advice.

You should obtain your own professional taxation advice on the taxation consequences of accepting the Offer, acquiring and holding White Energy Shares, disposing of Your Shares and selling or transferring any White Energy Shares you receive under the Offer.

### 10.2 Australian income tax considerations: Australian residents

The Australian tax issues relevant for SAC Shareholders who are Australian residents are considered below.

#### (a) Transfer of SAC Shares

The transfer of the SAC Shares to the Bidder under the Offer will give rise to an Australian capital gains tax (**CGT**) event for SAC Shareholders who accept the Offer.

Subject to the operation of the scrip for scrip rollover provisions (discussed in section 10.2(d)) SAC Shareholders will:

- make a capital gain if the capital proceeds on transfer of their SAC Shares to the Bidder are greater than the cost base of their SAC Shares; and
- make a capital loss if the reduced cost base of their SAC Shares is greater than the capital proceeds from the transfer of their SAC Shares to the Bidder.

The terms of the Offer mean that SAC Shareholders who accept the Offer and receive the Share Alternative for some or all of their SAC Shares under the Offer will receive White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and White Energy Subscription Rights as consideration for their SAC Shares. The capital proceeds will be the market value of the White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and the White Energy Subscription Rights provided as consideration for the SAC Shares at the time of the transfer.

For CGT purposes, the date of disposal will depend on whether the SAC Shares are acquired by the Bidder as a result of the SAC Shareholder accepting the Offer or as a result of the Bidder proceeding to compulsory acquisition under Part 6A.1 of the Corporations Act. If a SAC Shareholder accepts the Offer, the date of disposal will be the date on which that SAC Shareholder accepts the Offer. If the SAC Shares are acquired by the Bidder as a result of the Bidder proceeding to compulsory acquisition under Part 6A.1 of the Corporations Act under compulsory acquisition, the date of disposal will be the date that the SAC Shares are compulsorily acquired by the Bidder.

The cost base (or reduced cost base) of the SAC Shares to a SAC Shareholder will be the acquisition cost (including incidental costs) of the SAC Shares. For SAC Shareholders who acquired their SAC Shares as a result of the in specie dividend issued by Felix Resources in October 2009, the acquisition date is the date of payment of the in specie dividend reported by Felix Resources as 30 October 2009 and the cost base should be the market value of the SAC Shares as assessed by the directors of Felix Resources on that date.

However, there are special rules in the Australian tax legislation which determine how to calculate the cost base (or reduced cost base) of assets in particular circumstances. You should seek your own taxation advice on whether the cost base (or reduced cost base) of Your Shares is affected by these rules.

(b) **CGT discount**

Broadly, the CGT discount rules provide that shareholders who have held shares for at least 12 months may reduce their capital gain (after the application of any current year or prior year capital losses) by 50% of the gain for individuals and trusts and 33.33% for complying superannuation funds (the 12 month holding rule). The CGT discount is not available to shareholders who are companies, or are treated as such for tax purposes.

However, SAC Shareholders who acquired their SAC Shares as a result of the in specie dividend issued by Felix Resources in October 2009, have held, or will be deemed for tax purposes to have held their SAC Shares since 30 October 2009. Accordingly, SAC Shareholders who elect the Cash Alternative or are taken to have elected to receive the Cash Alternative may not meet the 12 month holding period rule. Such SAC Shareholders should therefore seek their own taxation advice as to the most appropriate steps that they should take in relation to accepting the Offer.

You should seek your own taxation advice on whether the CGT discount may be available to you.

(c) **Capital losses**

Capital gains and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in

assessable income and is subject to income tax at the taxpayer's marginal tax rate. A CGT discount may be available to reduce the capital gain for certain shareholders: see 10.2(b).

Net capital losses may not be offset against other income for tax purposes, but may be carried forward to offset future capital gains. Specific loss utilisation rules apply to trusts and companies. Shareholders should seek their own tax advice in relation to the operation of these rules.

(d) **Scrip for scrip rollover**

SAC Shareholders who would otherwise make a capital gain from the disposal of their SAC Shares may elect to obtain scrip for scrip rollover relief if the arrangement satisfies the following conditions:

- White Energy Shares are received in exchange for SAC Shares;
- the Bidder acquires the SAC Shares as the result of a single arrangement under which: the Bidder acquires an interest in 80% or more of total SAC Shares on completion of the Offer and all SAC shareholders are able to participate in the Offer on substantially identical terms; and
- the Bidder and SAC Shareholders deal with each other at arm's length (which should be the case under the Offer) or certain additional conditions are satisfied.

If the 80% threshold is not satisfied, SAC Shareholders will be subject to the general CGT consequences discussed in section 10.2(a) and section 10.2(b). However, as the Offer is conditional on the Bidder acquiring a relevant interest in at least 90% of SAC Shares, unless this 90% minimum acceptance condition is waived by the Bidder, the 80% threshold should be satisfied.

Where something other than White Energy Shares is received as consideration for SAC Shares, any rollover relief available will be proportionately reduced, and to the extent that rollover relief is reduced, SAC Shareholders will be subject to the general CGT consequences. Accordingly, to the extent that SAC Shareholders receive White Energy Subscription Rights in exchange for their SAC Shares, any rollover relief will be proportionately reduced.

(e) **Effect of scrip for scrip rollover**

Broadly, where a SAC Shareholder elects to receive scrip for scrip rollover relief, the effect is as follows:

- the value of consideration received in exchange for SAC Shares will be apportioned between White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and White Energy Subscription Rights depending on the relative fair values of each of these components of the consideration;
- to the extent that any value is apportioned to White Energy Subscription Rights that the SAC Shareholder receives in exchange for SAC Shares, any rollover relief available in respect of the exchange of their SAC Shares will be proportionately reduced and that value will be assessable to the SAC Shareholder;
- to the extent of the value apportioned to White Energy Shares that the relevant SAC Shareholder receives in exchange for SAC Shares, any capital gain arising from the exchange of SAC Shares for White Energy Shares on acceptance of the Offer is deferred until a CGT event (e.g. a sale) occurs in respect of the relevant White Energy Shares;
- a portion of the cost base and reduced cost base of the SAC Shares will be attributed to White Energy Subscription Rights to determine the capital gain or

loss arising in respect of that form of consideration. The remaining cost base and reduced cost base will be attributed to the White Energy Shares (the **Remaining Cost Base**);

- the cost base and the reduced cost base of the White Energy Ordinary Shares, White Energy 2010 Performance Shares and White Energy 2011 Performance Shares acquired by SAC Shareholders under the Offer is determined on the basis of the Remaining Cost Base which is apportioned between the White Energy Ordinary Shares, White Energy 2010 Performance Shares and White Energy 2011 Performance Shares depending on the relative fair values of each of these components of the consideration; and
- The White Energy Shares acquired by SAC Shareholders under the Offer are treated as having been acquired at the time that the SAC Shares were acquired by the SAC Shareholder.

For more information about the CGT treatment of White Energy Subscription Rights, see section 10.2(h). Section 7 of the Target's Statement contains additional information about apportionment of value between White Energy Shares and White Energy Subscription Rights.

(f) **Scrip for Scrip Rollover Election**

In order to choose scrip for scrip rollover relief, SAC Shareholders will be required to make an election prior to lodging their income tax return for the income year in which the CGT event occurred.

As the benefit of electing for rollover relief to apply will depend on your particular circumstances, you should seek your own taxation advice as to whether you should elect for rollover relief to apply. The eligibility for scrip for scrip rollover relief will not be impacted if one or more of the SAC Shareholders do not elect for rollover relief to apply.

SAC Shareholders who do not elect for rollover relief to apply may be subject to CGT in respect of the transfer of their SAC Shares and may not be able to satisfy the 12 month holding rule to be eligible for any CGT discount discussed in section 10.2(b).

(g) **Is rollover relief available for the Cash Alternative**

Where a SAC Shareholder accepts the Offer and receives the Cash Alternative for all of their SAC Shares, no rollover relief will be available as no White Energy Shares will be received in exchange for the SAC Shares. Where a SAC Shareholder receives the Cash Alternative for only some of their SAC Shares, any rollover relief that is available will be proportionately reduced.

The above comments in relation to scrip for scrip rollover relief are general in nature and will differ depending on your particular circumstances.

(h) **Take-up and expiry of White Energy Subscription Rights**

The amount for which a SAC Shareholder is assessed in respect of any White Energy Subscription Rights that the SAC Shareholder receives will form part of the cost base of the White Energy Subscription Rights for CGT purposes.

Consequently, if a SAC Shareholder takes up any White Energy Subscription Rights that they receive under the Offer, the cost base for CGT purposes of the White Energy Ordinary Shares received on take-up of the White Energy Subscription Rights will be equal to the cost base of the White Energy Subscription Right plus the \$2.50 subscription price paid on take-up of the White Energy Subscription Right as well as any transactional costs incurred.

Should a SAC Shareholder allow White Energy Subscription Rights to expire without being taken up, a capital loss will arise, being the amount previously assessed at the time of acquisition.



## 10.3 Australian tax consequences of owning White Energy Shares

### (a) Dividends from White Energy

Any dividends and franking credits received from White Energy should be included in the assessable income of the White Energy Shareholder. Where the White Energy Shareholder is an individual who is an Australian resident or a complying superannuation fund, and the White Energy Shareholder has excess franking credits available for the income year, those excess franking credits may be refunded by the ATO to the White Energy Shareholder.

While White Energy Shareholders who are companies may not receive such a refund of excess franking credits, they may be entitled to convert any excess into a loss that may be utilised in future years (subject to the loss utilisation rules).

It is noted that shareholders are generally required to have held their shares “at risk” for 45 days in order to be eligible for the franking benefits outlined above.

You should obtain your own taxation advice on whether these rules apply to you.

### (b) Disposal of White Energy Ordinary Shares

For SAC Shareholders who elect for scrip for scrip rollover relief to apply, the cost base or reduced cost base of their White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and White Energy Subscription Rights will reflect the Remaining Cost Base. The Remaining Cost Base will be apportioned between each of these components of the consideration based on the relative fair values of each component.

The cost base or reduced cost base of White Energy Ordinary Shares subscribed on take-up of White Energy Subscription Rights is set out in section 10.2(h).

For the purposes of determining the availability of the CGT discount, SAC Shareholders who elect for scrip for scrip rollover relief to apply must treat the acquisition date of the White Energy Ordinary Shares (other than those received on take-up of White Energy Subscription Rights), White Energy 2010 Performance Shares and White Energy 2011 Performance Shares as being the date that they acquired their SAC Shares. For SAC Shareholders who acquired their SAC Shares as a result of the in specie dividend paid by Felix Resources, the acquisition date is 30 October 2009.

For SAC Shareholders who receive White Energy Ordinary Shares on taking up White Energy Subscription Rights, the acquisition date of those White Energy Ordinary Shares will be the date that they are issued to the relevant SAC Shareholders (which is expected to occur in September 2010).

### (c) White Energy 2010 Performance Shares and White Energy 2011 Performance Shares

The consolidation and conversion of White Energy 2010 Performance Shares and White Energy 2011 Performance Shares into White Energy Ordinary Shares will not give rise to an assessable amount to the relevant holder of those shares. The aggregate cost base initially allocated to the White Energy 2010 Performance Shares (or to the White Energy 2011 Performance Shares) that a SAC Shareholder receives under the Offer will apply to any subsequent disposal of the White Energy Ordinary Shares resulting from the consolidation and conversion of those White Energy 2010 Performance Shares (or White Energy 2011 Performance Shares, as the case may be).

## 10.4 Goods and Services Tax (GST)

The sale of SAC Shares to the Bidder by existing SAC Shareholder as contemplated under the Offer will not attract GST. Similarly, no GST will be payable on the acquisition

of White Energy Shares and White Energy Subscription Rights or the take-up of White Energy Subscription Rights by SAC Shareholders.

Where shareholders are registered or required to be registered for GST, any GST incurred on expenses that relate to the sale of existing shares or acquisition of new shares may not be recoverable if the individual shareholder exceeds the financial acquisitions threshold as defined under Division 189 of the GST Act. However, a Reduced Input Tax Credit equal to 75% of the GST incurred may still be available if the acquisition constitutes a reduced credit acquisition as defined under Division 70 of the GST Act.

Where shareholders are not registered, or required to be registered for GST, they are unable to recover GST incurred on expenses that relate to the sale of existing shares or acquisition of new shares that they may otherwise be entitled to claim if they were registered or required to be registered

## 11 Additional information

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### 11.1 Takeover Bid Implementation Agreement

(a) **Introduction**

White Energy and SAC have entered into a takeover bid implementation agreement dated 18 April 2010 in relation to the Offer (the **Takeover Bid Implementation Agreement**).

(b) **Conduct of business**

SAC has agreed that, from the date of the Takeover Bid Implementation Agreement until the end of the Offer Period, it must conduct its business in the ordinary and usual course consistent with the manner in which the business was conducted immediately before the date of the Takeover Bid Implementation Agreement.

In addition, SAC has agreed to make all reasonable efforts to:

- maintain and preserve its relationships with customers, suppliers, licensors, licensees and others having business dealings with SAC; and
- not enter into any lines of business or other activities in which it was not engaged as at the date of the Takeover Bid Implementation Agreement.

(c) **Dividends**

White Energy and SAC have agreed that they will not, from the date of the Takeover Bid Implementation Agreement until the end of the Offer Period, announce, pay or declare any dividends without the prior written consent of the other party.

(d) **Actions which may trigger conditions**

SAC has agreed that, subject to the duties of its directors, it will not do, or omit to do, anything which will, or is likely to, result in any of the conditions to the Offer being breached, or not being, or not being capable of being satisfied.

(e) **Exclusivity arrangements**

White Energy and SAC have agreed to mutual exclusivity provisions, which apply from the date of the Takeover Bid Implementation Agreement until the end of the Offer Period including:

- (*no-talk*) an obligation not to participate in any discussions or negotiations, provide any information or enter into any agreement, arrangement or understanding or communicate any intention or agreement to do any of these things in relation to a Third Party Proposal. However, a party may respond to an unsolicited Third Party Proposal where the party's board determines that not undertaking the relevant act would reasonably be likely to involve a breach of any director's duties or be unlawful;
- (*no-shop obligations*) an obligation not to solicit a Third Party Proposal or communicate any intention or agreement to solicit a Third Party Proposal; and
- (*notification of approaches*) SAC must notify White Energy of any unsolicited approaches in relation to a Third Party Proposal.

Further details on the exclusivity arrangements appear in Annexure 2 of the Announcement which is contained in Attachment 3 to this Bidder's Statement.

(f) **Promotion of the Offer**

SAC has agreed to promote the Offer in the absence of a superior proposal by, for example, including statements in all public statements made by SAC, to the effect that independent SAC Directors recommend that SAC Shareholders accept the Offer in the absence of a superior proposal.

(g) **Conduct of exploration activities**

White Energy has agreed that upon White Energy acquiring an interest in 100% of the SAC Shares pursuant to the Offer, it must use all reasonable commercial endeavours to conduct mineral exploration activities in the SAC Exploration Area, and to incur such expenses as are reasonably required in conducting such activities, with a view to proving Coal Resources of 1,515 Mt by 30 December 2011 (subject to deferral in certain circumstances). However, White Energy does not have to conduct such activities if it is or becomes impractical to do so for reasons outside its reasonable control, and is not required to incur expenses exceeding \$10 million in conducting such activities.

(h) **Warranties**

Each party warrants to the other:

- that it is not aware of any circumstances that would result in any of the conditions to the Offer being triggered;
- the accuracy of information provided to the other party in connection with the Takeover Bid Implementation Agreement; and
- that it has necessary power, authority and ability to enter into and perform the Takeover Bid Implementation Agreement.

(i) SAC also warrants to White Energy its capital structure, the status of its interests in the SAC Mining Tenements, disclosure of all information that a prospective bidder would reasonably require for the purpose of deciding whether to make the Offer and that at the date of the Takeover Bid Implementation Agreement there are no continuing discussions in relation to any competing proposal.

(j) **Termination**

Both White Energy and SAC may terminate the Takeover Bid Implementation Agreement if the other party is in material breach of the Takeover Bid Implementation Agreement and has not remedied that breach within 10 Business Days of that party being given notice of the breach or if White Energy lawfully withdraws the Offer or the Offer lapses for any reason.

(k) **Variation**

On 7 June 2010, White Energy and SAC agreed to vary the terms of the Takeover Bid Implementation Agreement to enable the Offer to proceed on the terms set out in this Bidder's Statement.

## 11.2 Confidentiality undertaking

On or about 9 April 2010, each of SAC and White Energy signed a confidentiality undertaking for the purpose of facilitating discussions, negotiations and exchange of information in relation to the potential acquisition of SAC by White Energy. Each party has agreed to keep confidential all information provided to the other and use it only for

the purpose of considering the potential acquisition of SAC by White Energy for a period of one year from the date of the confidentiality undertaking.

The Takeover Bid Implementation Agreement releases each of SAC and White Energy from any confidentiality obligations owed to each other, to the extent necessary to make all disclosures required to comply with their disclosure obligations under the Corporations Act or Listing Rules, which arise from, or relate to, the Offer.

### **11.3 White Energy Shareholder approval**

White Energy has convened the General Meeting to consider approval (by simple majority vote, subject to certain voting exclusions) of the following ordinary resolutions:

- (a) Approval of the acquisition of 29,948,706 SAC Shares held by interests associated with Mr Travers Duncan under the Offer for the purposes of Listing Rule 10.1. As interests associated with Mr Travers Duncan hold more than 10% of the SAC Shares, and the Offer is subject to a 90% minimum acceptance condition, the Offer is conditional on this resolution being passed.
- (b) Approval of the issue of 10 million White Energy Ordinary Shares to interests associated with Mr Travers Duncan for the purposes of Listing Rule 10.11.
- (c) Approval of the issue of 20 million White Energy Ordinary Shares under the Placement to interests associated with Brian Flannery and John Kinghorn for the purposes of Listing Rule 7.1. Neither the Offer nor the Placement is conditional on this resolution being passed, however, if it is not passed, the issue of shares pursuant to the Placement will be counted towards the 15% of share capital that White Energy may issue in any 12 month period.
- (d) Approval of the issue of the White Energy 2010 Performance Shares and the White Energy 2011 Performance Shares for the purposes of the ASX's approval under Listing Rule 6.2 and for all other purposes. The Offer is conditional on this resolution being passed.
- (e) Approval for consolidation of the White Energy 2010 Performance Shares and the White Energy 2011 Performance Shares by White Energy for the purposes of section 254H of the Corporations Act. The Offer is also conditional on this resolution being passed as it is required to give effect to the consolidation and conversion mechanism for the White Energy 2010 Performance Shares and the White Energy 2011 Performance Shares.

Resolutions (a), (d) and (e) above are required to implement the Offer.

### **11.4 ASIC modification**

If White Energy considers that, because of the operation of the scale-back to the Cash Alternative, it will not be able to determine how much cash it will need to pay to each SAC Shareholder who elect or are taken to have elected to receive the Cash Alternative for some or all of their SAC Shares so that the Bidder can make payment within the earlier of:

- one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and
- 21 days after the end of the Offer Period,

(as specified in section 620 of the Corporations Act), White Energy intends to request that ASIC modify section 620 to allow the Bidder to pay consideration to SAC Shareholders who elect or are taken to have elected to receive the Cash Alternative in two tranches, one which will be paid later than the date specified in section 620.

This will only occur if SAC Shareholders elect or are taken to have elected to receive the Cash Alternative for more than 25.5% of the SAC Shares.

## **11.5 Listing Rules**

White Energy has provided details of the Offer to the ASX.

The ASX has confirmed to White Energy that the proposed acquisition of SAC does not require the approval of White Energy's shareholders in accordance with Listing Rule 11.

If White Energy determines, after the General Meeting has been held, that, because the Bidder needs to extend the Offer Period, it will only issue White Energy Ordinary Shares to interests associated with Mr Travers Duncan pursuant to the Placement more than one month after approval at the General Meeting, White Energy intends to request that the ASX waive Listing Rule 10.13.3 to enable it proceed with the issue after that date.

## **11.6 Foreign Investment Review Board approval**

The Bidder's acquisition of SAC Shares pursuant to the Takeover Bid will not require Foreign Investment Review Board approval.

## **11.7 90% minimum acceptance condition**

The Offer and any contract formed on acceptance of the Offer are conditional on the Bidder acquiring a relevant interest in at least 90% of SAC Shares.

## **11.8 Date for determining holders of SAC Shares**

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

## **11.9 Broker handling fee**

The Bidder does not intend to pay a commission to brokers for acceptances of the Offer by retail Shareholders. However, the Bidder reserves its rights in this regard.

## **11.10 Ineligible Foreign shareholders**

SAC Shareholders who are Ineligible Foreign Shareholders will not be entitled to receive White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) as consideration for their SAC Shares pursuant to the Offer, unless the Bidder otherwise determines in its absolute discretion.

However, SAC Shareholders who are Ineligible Foreign Shareholders may accept the Offer and elect to receive the Share Alternative for some or all of their SAC Shares.

To the extent that Ineligible Foreign Shareholders receive the Share Alternative, the White Energy Shares and White Energy Subscription Rights that they would otherwise have been received by the Ineligible Foreign Shareholder will be provided to the Nominee who will sell the White Energy Shares (and rights equivalent to the White Energy Subscription Rights) in accordance with section 619(3) of the Corporations Act and distribute to each Ineligible Foreign Shareholder their proportion of the proceeds of the sale (net of expenses).

To the extent that Ineligible Foreign Shareholders receive the Cash Alternative, Ineligible Foreign Shareholders will receive cash consideration under the Offer in accordance with section 12.3.

A SAC Shareholder is an Ineligible Foreign Shareholder for the purposes of the Offer if their address as it appears in the Register at close of business on the Register Date is in a jurisdiction other than Australia or its external territories or the Netherlands. However, such a person will not be an Ineligible Foreign Shareholder if the Bidder is satisfied, in its sole discretion, that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a SAC Shareholder in the relevant jurisdiction and to issue White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) to such a SAC Shareholder on acceptance of the Offer, and that it is not unlawful for such a SAC Shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything else in this Bidder's Statement, the Bidder is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

### **11.11 Competent Person statement**

The information in section 4.5 which relates to Exploration Results, Mineral Resources or Ore Reserves in the SAC Exploration Area, for coal, is based on information compiled by Jonathan Barber, who is a member of the Australasian Institute of Mining and Metallurgy.

Jonathan Barber is employed as a consultant to SAC. Jonathan Barber has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Jonathan Barber consents to the inclusion in section 4.5 of the matters based on his information in the form and context in which it appears.

### **11.12 Consents**

Freehills has given, and not withdrawn before the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as White Energy's legal advisers in the form and context it is so named. Freehills has not advised on the laws of any foreign jurisdiction including the Netherlands and the United Kingdom. Freehills has not caused or authorised the issue of this Bidder's Statement, does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based and takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Arthur Phillip has given, and not withdrawn before the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as White Energy's financial advisers in the form and context it is so named and to the inclusion in this Bidder's Statement of, or this Bidder's Statement being accompanied by, all statements made by, or said to be based upon statements by Arthur Phillip, in the form and context in which they appear.

Computershare has given, and not withdrawn before the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as the Bidder's share registrar in the form and context it is so named. Computershare takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

BDO has given, and not withdrawn before the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as an Independent Expert in the form and context it is so named and to the inclusion in this Bidder's Statement of, or this Bidder's Statement being accompanied by, all statements made by,

or said to be based upon statements by BDO, in the form and context in which they appear.

Mr Jonathan Barber has given, and not withdrawn before the lodgement of this Bidder's Statement with ASIC, his written consent to be named in this Bidder's Statement as a Competent Person in the form and context he is so named and to the inclusion in this Bidder's Statement of, or this Bidder's Statement being accompanied by, all statements made by, or said to be based upon statements by Mr Jonathan Barber, in the form and context in which they appear.

Each of Mr John McGuigan, Mr John Atkinson, Mr Travers Duncan, Mr Graham Cubbin, Mr Brian Flannery, Mr Hans Mende and Mr John Kinghorn, has given, and not withdrawn before the lodgement of this Bidder's Statement with ASIC, his written consent to be named in this Bidder's Statement in the form and context he is so named and to the inclusion in this Bidder's Statement of, or this Bidder's Statement being accompanied by, all statements made by, or said to be based upon statements by him, in the form and context in which they appear.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX, including the announcement listed in Attachment 2 and the Demerger Information Memorandum. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement.

If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements, (free of charge), during the bid period, please contact the Offer Information Line on 1800 632 680 (for callers in Australia) or +61 2 8256 3394 (for international callers). Calls to this number may be recorded.

In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

### **11.13 Disclosure of fees and benefits received by certain persons**

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to a director or proposed director of the Bidder to induce them to become, or to qualify as, a director of the Bidder; and
- for services provided by an Interested Person in connection with the formation or promotion of White Energy or the Offer.

Arthur Phillip has acted as financial adviser to White Energy in relation to the Offer and is entitled to receive professional fees on a commercial basis for these services. Freehills has acted as legal adviser to White Energy in relation to the Offer and will be entitled to receive professional fees in accordance with their normal basis for charging.

### **11.14 Disclosure of interests of certain persons**

#### **(a) Interests in White Energy and SAC securities**

As at the date of this Bidder's Statement, the interests of White Energy Directors and proposed White Energy Directors:



- in White Energy Ordinary Shares and White Energy Options are as set out in section 3.3;
- in SAC Shares are set out in section 5.2.

(b) **Indemnity and insurance**

The Constitution and the Bidder's constitution permit the grant of an indemnity (to the maximum extent permitted by law) in favour of each director, the company secretary, past directors and secretaries and all past and present executive officers.

White Energy has entered into deeds of indemnity and access with all of the current directors. White Energy maintains an insurance policy in respect of certain present and future officers against certain liability incurred in that capacity.

(c) **No other interests**

Other than as set out elsewhere in this Bidder's Statement, no:

- director or proposed director of the Bidder;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- promoter of the Bidder,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:

- the formation or promotion of White Energy or the Bidder; or
- property acquired or proposed to be acquired by the Bidder or White Energy in connection with its formation or promotion, or the Offer.

### 11.15 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

### 11.16 Other material information

Except as disclosed elsewhere in this Bidder's Statement, neither the Bidder's board or the White Energy Board is aware of any other information that is:

- material to the making of a decision by a SAC shareholder whether or not to accept the Offer; and
- known to the Bidder; and
- related to the value of White Energy Shares; and
- not previously disclosed to the SAC Shareholders.

## 12 The terms and conditions of the Offer

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### 12.1 Offer

- (a) The Bidder offers to acquire all of Your Shares on and subject to the terms and conditions set out in this section of this Bidder's Statement.
- (b) Subject to section 12.2, the consideration under the Offer is:
- (1) 0.07985 White Energy Ordinary Shares;
  - (2) 0.08646 White Energy 2010 Performance Shares;
  - (3) 0.08646 White Energy 2011 Performance Shares; and
  - (4) 0.2034 White Energy Subscription Rights,  
for each SAC Share (the **Share Alternative**).
- (c) Any entitlement under the Offer to a fraction of a cent, a White Energy Ordinary Share, a White Energy 2010 Performance Share or a White Energy 2011 Performance Share, other than on conversion of the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares, will be rounded down.
- (d) If you accept the Offer and receive the Share Alternative in respect of some or all of Your Shares, but at the time this Offer is made to you, you are an Ineligible Foreign Shareholder, you will not receive White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares or White Energy Subscription Rights. Instead, you are offered and will be paid a cash amount determined in accordance with section 12.9 for the SAC Shares in respect of which you receive the Share Alternative.
- (e) The White Energy Ordinary Shares offered under the Offer have the rights summarised in section 3.6.
- The White Energy 2010 Performance Shares and White Energy 2011 Performance Shares offered under the Offer have the rights summarised in section 3.7.
- The White Energy Subscription Rights offered under the Offer have the rights set out in section 12.2.
- (f) By accepting this Offer, you undertake to transfer to the Bidder not only Your Shares to which the Offer relates, but also all Rights attached to those shares (see sections 12.7(c)(4) and 12.8(b)).
- (g) This Offer is being made to each person registered as the holder of SAC Shares in the Register at close of business on the Register Date. It also extends to:
- (1) holders of securities that come to be SAC Shareholders during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date; and

- (2) any person who becomes registered as the holder of Your Shares during the Offer Period.
- (h) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is registered as the holder of some or all of Your Shares, then:
  - (1) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those SAC Shares; and
  - (2) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other SAC Shares you hold to which the Offer relates; and
  - (3) this Offer will be deemed to have been withdrawn immediately at that time.
- (i) If, at any time during the Offer Period, you are registered as the holder of one or more parcels of SAC Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call the Offer information line on 1800 632 680 (for callers in Australia) or on +61 2 8256 3394 (for international callers) to request those additional copies.
- (j) If Your Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.
- (k) The Offer is dated 15 June 2010.

## **12.2 White Energy Subscription Rights**

- (a) Each White Energy Subscription Right that you receive as consideration under the Offer is an offer to subscribe for 1 White Energy Ordinary Share for a subscription price of \$2.50 per White Energy Ordinary Share on the terms set out in this section 12.2.
- (b) The offer to subscribe for a White Energy Ordinary Share comprising a White Energy Subscription Right is a personal offer to you and may not be accepted by, or transferred to, any other person.
- (c) To accept an offer to subscribe for White Energy Ordinary Shares comprising White Energy Subscription Rights, you must:
  - (1) give White Energy a properly completed and validly executed Exercise Notice in a form and manner approved by White Energy Directors specifying the number of White Energy Ordinary Shares for which you wish to subscribe; and
  - (2) pay White Energy by Cheque, BPAY or Money Order, or in such other manner as White Energy Directors approve, the aggregate subscription amount for the number of White Energy Ordinary Shares for which you wish to subscribe, by the Exercise Deadline. In this regard, if you receive the Cash Alternative for some of Your Shares, the cash amount to which you are entitled under the Offer cannot be credited to the subscription amount payable under this section 12.2(c).

- (d) You may accept the offer comprising some or all of your White Energy Subscription Rights, but may only accept such offer to subscribe for a whole number of White Energy Ordinary Shares.
- (e) Subject to the White Energy Directors being satisfied that you have validly accepted the offer comprising some or all of your White Energy Subscription Rights, White Energy will issue you the number of White Energy Ordinary Shares for which you subscribed within 5 Business Days after the Exercise Deadline (or on such other date as may be specified by the ASX).
- (f) The White Energy Directors may determine, in their sole discretion, all questions as to the form and manner of acceptance and whether a person has validly accepted the offer comprising White Energy Subscription Rights.
- (g) White Energy Subscription Rights that have not been taken up expire immediately after the Exercise Deadline.

### 12.3 Cash Alternative and scale-back

- (a) You may elect to receive the Cash Alternative for some or all of Your Shares. To the extent that you validly elect to receive the Cash Alternative for only some of Your Shares, you will be taken to have elected to receive the Share Alternative for the remainder of Your Shares.
- (b) You will only be provided the Share Alternative for all of Your Shares if you validly accept the Offer and validly elect to receive the Share Alternative for all of Your Shares.
- (c) If you validly accept the Offer but do not validly elect to receive the Share Alternative for all of Your Shares, make no election or make an unclear election, you will be taken to have elected to receive the Cash Alternative for all of Your Shares.
- (d) If you validly accept the Offer and either validly elect to receive the Cash Alternative for some or all of Your Shares, or are taken to have elected to receive the Cash Alternative for all of Your Shares in accordance with section 12.3(c), you will be provided the following consideration for each SAC Share in respect of which you have elected or are taken to have elected to receive the Cash Alternative:

- (1) the **Cash Component** which, subject to section 12.3(e), is a cash sum equal to the lesser of:

- \$0.1996; or
- the amount calculated in accordance with the following formula:

$$\frac{\$10,000,000}{\text{Total SAC Shares - All Share Acceptances (2)}}$$

where:

**Total SAC Shares** means the total number of SAC Shares on issue on the Register Date; and

**All Share Acceptances (2)** means the number of SAC Shares for which the Bidder has received valid acceptances validly electing to receive the Share Alternative (whether under the Offer or in any compulsory acquisition under Part 6A.1 of the Corporations Act), as at the First Calculation Date (if the Bidder can ascertain all the acceptances electing to receive the Share Alternative on that date) and otherwise as at the Second Calculation Date; and

(2) the **Share Component** which, subject to section 12.3(e)(2) and section 12.9, is:

- the fraction of a White Energy Ordinary Share, White Energy 2010 Performance Share, White Energy 2011 Performance Share and White Energy Subscription Right calculated in accordance with the following formula:

$$\frac{\$0.1996 - \text{Cash Component}}{\$0.1996} \times \text{Fraction}$$

where:

**Cash Component** is determined in accordance with section 12.3(b)(1); and

**Fraction** is:

- 0.07985 for a White Energy Ordinary Share;
- 0.08646 for a White Energy 2010 Performance Share;
- 0.08646 for a White Energy 2011 Performance Share; and
- 0.2034 for a White Energy Subscription Right.

(e) If you validly accept the Offer and either validly elect to receive the Cash Alternative for some or all of Your Shares or are taken to have elected to receive the Cash Alternative for some or all of Your Shares in accordance with section 12.3(c) above:

(1) if the Bidder can ascertain the number of SAC Shares for which the Bidder has received valid acceptances validly electing to receive the Cash Alternative or that are taken to be electing to receive the Cash Alternative on the First Calculation Date, the Bidder will provide consideration to you as determined under section 12.3(d) on the Standard Payment Date; and

(2) otherwise, the Bidder will provide consideration to you as follows:

On the Standard Payment Date, the Bidder will pay you an amount calculated as at the First Calculation Date in accordance with the following formula for each SAC Share:

$$\frac{\$10,000,000}{\text{Total SAC Shares - All Share Acceptances(1)}}$$

(the **First Tranche Payment**)

where:

**Total SAC Shares** means the total number of SAC Shares on issue on the Register Date; and

**All Share Acceptances (1)** means the number of SAC Shares for which the Bidder has received acceptances validly electing the Share Alternative as at the First Calculation Date.

On or before the Second Payment Date, the Bidder will provide the following consideration to you for each SAC Share:

- the Cash Component calculated in accordance with section 12.3(d) as at the Second Calculation Date, less the First Tranche Payment which you have been paid; and
- the Share Component calculated in accordance with section 12.3(d).

(the **Second Tranche Payment**)

- (f) For the purposes of the Offer, to the extent that you receive a Share Component under sections 12.3(d) or (e), you will be taken to have elected to receive the Share Alternative.

## **12.4 Offer Period**

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5:00 pm on the later of:
  - (1) 21 July 2010; or;
  - (2) any date to which the Offer Period is extended.
- (b) The Bidder reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
  - (1) the Offer is varied to improve the consideration offered; or
  - (2) the Bidder's voting power in SAC increases to more than 50%,then the Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

## **12.5 How to accept this Offer**

### **(a) General**

- (1) Subject to sections 12.1(h) and 12.1(i), you may accept this Offer only for all of Your Shares.
- (2) You may accept this Offer at any time during the Offer Period.

### **(b) SAC Shares held in your name on the Register**

To accept this Offer for SAC Shares held in your name on the Register (or for SAC Shares not held in your name, but of which you are entitled to be registered as holder) you must:

- (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received by the Bidder before the end of the Offer Period, at the address indicated on the Acceptance Form.

### **(c) Returning the Acceptance Form and other documents by post**

- (1) The Acceptance Form forms part of the Offer.
- (2) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned to the address indicated on the Acceptance Form by post, for your acceptance to be valid you must ensure that they are received by the Bidder before the end of the Offer

Period, at the address indicated on the Acceptance Form before the end of the Offer Period.

- (3) The postage and transmission of the Acceptance Form (including any other document required by the terms of this Offer and the instructions on the Acceptance Form) is at your own risk.

## **12.6 Validity of acceptances**

- (a) Subject to this section, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 12.5.
- (b) The Bidder will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. The Bidder is not required to communicate with you prior to or after making this determination. The determination of the Bidder will be final and binding on all parties.
- (c) Notwithstanding sections 12.5 and 12.6(a), the Bidder may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by the Bidder.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, the Bidder may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Shares but not the remainder.
- (e) The Bidder will provide the consideration to you in accordance with section 12.8, in respect of any part of an acceptance determined by the Bidder to be valid.

## **12.7 The effect of acceptance**

- (a) Once you have accepted the Offer you will be unable to revoke your acceptance. The contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except as follows:
  - (1) if, by the relevant times specified in section 12.7(b), the conditions in section 12.10 have not all been fulfilled or freed, this Offer will automatically terminate and Your Shares will be returned to you; or
  - (2) if the Offer Period is extended and the Offer is subject to one or more of the conditions in section 12.10, such that the date on which you are due to receive consideration under the Offer is postponed for more than one month, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of section 12.7(a)(1) are:
  - (1) in relation to the condition in section 12.10(b), the end of the third business day after the end of the Offer Period; and
  - (2) in relation to all other conditions in section 12.10, the end of the Offer Period.

- (c) By signing and returning the Acceptance Form pursuant to section 12.5, you will be deemed to have:
- (1) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in section 12.10 being fulfilled or freed, agreed to transfer to the Bidder, Your Shares (even if the number of SAC Shares specified on the Acceptance Form differs from the number of Your Shares), subject to sections 12.1(h) and 12.1(i);
  - (2) represented and warranted to the Bidder, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any Rights) to the Bidder is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to the Bidder, and that you have paid to SAC all amounts which at the time of acceptance have fallen due for payment to SAC in respect of Your Shares;
  - (3) irrevocably authorised the Bidder (and any director, secretary, agent or nominee of the Bidder) to alter the Acceptance Form on your behalf by inserting correct details relating to Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by the Bidder to make it an effective acceptance of this Offer or to enable registration of Your Shares in the name of the Bidder;
  - (4) irrevocably authorised and directed SAC to pay to the Bidder, or to account to the Bidder for, all Rights in respect of Your Shares, subject, if this Offer is withdrawn, to the Bidder accounting to you for any such Rights received by the Bidder;
  - (5) irrevocably authorised the Bidder to notify SAC on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by the Bidder in the notification;
  - (6) with effect from the time and date on which all the conditions to this Offer in section 12.10 have been fulfilled or freed, to have irrevocably appointed the Bidder (and any director, secretary or nominee of the Bidder) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Shares, including powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings and all court-convened meetings of SAC and to request SAC to register, in the name of the Bidder or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
  - (7) with effect from the date on which all the conditions to this Offer in section 12.10 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting or any court-convened meeting of SAC or to exercise or purport to exercise any of the powers and rights conferred on the Bidder (and its directors, secretaries and nominees) in section 12.7(c)(6);
  - (8) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 12.7(c)(6), the attorney will be entitled to act in



the interests of the Bidder as the beneficial owner and intended registered holder of Your Shares;

- (9) agreed to do all such acts, matters and things that the Bidder may require to give effect to the matters the subject of this section 12.7(c) (including the execution of a written form of proxy to the same effect as this section 12.7(c) which complies in all respects with the requirements of SAC's constitution) if requested by the Bidder;
  - (10) represented and warranted to the Bidder that, unless you have notified it in accordance with section 12.1(i), Your Shares do not consist of separate parcels of Shares;
  - (11) agreed, subject to the conditions of this Offer in section 12.10 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that the Bidder may consider necessary or desirable to convey Your Shares registered in your name and Rights to the Bidder; and
  - (12) agreed to accept the White Energy Shares to which you have become entitled by acceptance of this Offer subject to the Constitution and the terms of issue for the White Energy 2010 Performance Shares and White Energy 2011 Performance Shares and have authorised White Energy to place your name on its register of shareholders in respect of those White Energy Shares.
- (d) The undertakings and authorities referred to in section 12.7(c) will remain in force after you receive the consideration for Your Shares and after the Bidder becomes registered as the holder of Your Shares.

## **12.8 Provision of consideration**

- (a) Subject to sections 12.3, 12.6(b) and 12.9 and the Corporations Act:
- (1) if you return the Acceptance Form to the Bidder together with any other document required to be returned to the Bidder with your Acceptance Form (such as a power of attorney), the Bidder will provide the consideration due to you for Your Shares on or before the earlier of:
    - one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and
    - 21 days after the end of the Offer Period;
  - (2) if you return any document required to be returned to the Bidder with your Acceptance Form, after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, the Bidder will provide the consideration due to you for Your Shares on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
  - (3) if you return any document required to be returned to the Bidder with your Acceptance Form, after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, the Bidder will provide the consideration due to you on or before the earlier of one month after that document is given and 21 days after the end of the Offer Period; or

- (4) if you return any document required to be returned to the Bidder with your Acceptance Form, after the end of the Offer Period, and the Offer is not subject to a defeating condition, the Bidder will provide the consideration within 21 days after that document is returned to the Bidder. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, the Bidder will provide the consideration due to you for Your Shares within 21 days after the Offer becomes unconditional.
- (b) If you accept this Offer, the Bidder is entitled to all Rights in respect of Your Shares. The Bidder may require you to provide all documents necessary to vest title to those Rights in the Bidder, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to the Bidder, or if you have received the benefit of those Rights, the Bidder will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by the Bidder) of those Rights, together with the value (as reasonably assessed by the Bidder) of the franking credits, if any, attached to the Rights. Any such deduction will be made from any cash otherwise due to you, or, if no cash is due to you, from any White Energy Ordinary Shares due to you on the basis that one White Energy Ordinary Share is worth \$2.70 (being the last recorded sale price of White Energy Ordinary Shares on the ASX on the date before the Announcement Date).
- (c) If you have accepted the Offer and have received the Share Alternative in respect of some or all of Your Shares and you are an Ineligible Foreign Shareholder, you will be paid your share of the proceeds from the sale of the White Energy Shares and the Transferable Share Rights in accordance with section 12.9.
- (d) Payment of any cash amount to which you are entitled under the Offer will be made by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) to your address as it appears in the Register at close of business on the Register Date.
- (e) Under no circumstances will interest be paid on any cash amount to which you are entitled under the Offer, regardless of any delay in remitting the cash amount to you.
- (f) The obligation of White Energy to issue any White Energy Shares to which you are entitled will be satisfied by White Energy:
- (1) entering your name on the register of members of White Energy; and
  - (2) dispatching or procuring the dispatch to you by pre-paid post to your address as it appears in the Register at close of business on the date set by the Bidder under section 633(2) of the Corporations Act, an uncertificated holding statement for the White Energy Ordinary Shares, a share certificate for the White Energy 2010 Performance Shares and a share certificate for the White Energy 2011 Performance Shares, in your name. If Your SAC Shares are held in a joint name, the uncertificated holding statement and share certificates will be issued in the name of, and forwarded to, the holder whose name appears first in the Register on the date set by the Bidder under section 633(2) of the Corporations Act.

The White Energy Subscription Rights to which you are entitled will automatically come into existence at the time White Energy issues to you any White Energy Shares to which you are entitled. At the same time that White Energy issues to you any White Energy Shares to which you are entitled, the Bidder will dispatch or procure the dispatch to you by pre-paid post to your address as it appears in the Register at close of business on the Register Date, an Exercise Form. If Your SAC Shares are held in a joint name, the Exercise Form will be issued in the name of, and forwarded to, the holder whose name appears first in the Register at close of business on the Register Date.

- (g) The obligation of White Energy to issue White Energy Ordinary Shares to you under section 12.2(e) in respect of your acceptance of the offer comprising any White Energy Subscription Rights that you receive under the Offer, will be satisfied by White Energy:
- (1) entering your name on the register of members of White Energy; and
  - (2) dispatching or procuring the dispatch to you by pre-paid post to your address as it appears in the register of members of White Energy at the close of business on the Exercise Deadline date an uncertificated holding statement in your name. If White Energy Subscription Rights are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in the register of members of White Energy at the close of business on the Exercise Deadline date.
- (h) If at the time you accept the Offer, or accept any offer comprising any White Energy Subscription Rights, any of the following:
- (1) *Banking (Foreign) Exchange Regulations 1959* (Cth);
  - (2) *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth);
  - (3) *Charter of the United Nations (Sanctions – Afghanistan) Regulations 2008* (Cth);
  - (4) *Charter of the United Nations (Sanctions – Iraq) Regulations 2008* (Cth); or
  - (5) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the ATO or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for the Bidder to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by the Bidder. As far as the Bidder is aware, as at the date of this Bidder's Statement, the persons to whom this section 12.8(h) will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or an entities controlled by any of those persons); Osama bin Laden; the Taliban; members of the Al-Qaida organisation; and a person named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

## 12.9 Ineligible Foreign Shareholders

- (a) If you are an Ineligible Foreign Shareholder, you will not be entitled to receive White Energy Shares or White Energy Subscription Rights as the consideration for Your Shares as a result of accepting this Offer, and, to the extent that you receive the Share Alternative, the Bidder will in accordance with s 619(3) of the Corporations Act:
- (1) arrange for the transfer to the Nominee of the number of White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and the right to acquire the number of White Energy Ordinary Shares offered to you pursuant to White Energy Subscription Rights (such right being exercisable on the same terms as the White Energy Subscription Rights) (each such right being a **Transferable Share Right**), to which you and all other Ineligible Foreign Shareholders would have been

entitled but for section 12.1(d) and the equivalent provision in each other offer under the Offer;

- (2) cause the White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and Transferable Share Rights so transferred to be offered for sale by the Nominee as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
- (3) cause the Nominee to pay to you the amount ascertained in accordance with the formula:

$$\frac{N \times YS}{TS}$$

where:

**N** is the amount which is received by the Nominee upon the sale of all White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and Transferrable Share Rights under this section 12.9 less brokerage and sale expenses;

**YS** is the number of White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and White Energy Subscription Rights which would, but for section 12.1(d), otherwise have been issued or provided to you; and

**TS** is the total number of White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and Transferrable Share Rights transferred to the Nominee under this section 12.9.

- (b) You will be paid your share of the proceeds of the sale of White Energy Ordinary Shares, White Energy 2010 Performance Shares, White Energy 2011 Performance Shares and Transferrable Share Rights by the Nominee in Australian currency.
- (c) Subject to section 12.8(h), payment will be made by cheque posted to you at your risk by ordinary mail (or, in the case of overseas shareholders, by airmail) to your address as it appears in the Register from time to time within the period required by the Corporations Act.
- (d) Under no circumstances will interest be paid on your share of the proceeds of the sale of White Energy Ordinary Shares, White Energy Performance Shares and Transferable Share Rights by the Nominee, regardless of any delay in remitting these proceeds to you.

## 12.10 Conditions of this Offer

The Offer is subject to the conditions set out below:

- (a) **Minimum acceptance condition**

At the end of the Offer Period, the Bidder has a relevant interest in at least 90% of the SAC Shares.
- (b) **No section 652C prescribed occurrences**

Between the Announcement Date and the date 3 Business Days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) SAC converting all or any of the SAC Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) SAC resolving to reduce its share capital in any way;
- (3) SAC entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) SAC making an issue of SAC Shares or granting an option over the SAC Shares or agreeing to make such an issue or grant such an option;
- (5) SAC issuing, or agreeing to issue, convertible notes;
- (6) SAC disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) SAC charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) SAC resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of SAC;
- (10) the making of an order by a court for the winding up of SAC;
- (11) an administrator of SAC being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) SAC executing a deed of company arrangement; or
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of SAC.

(c) **No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no inquiry, action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by White Energy or any Associate of White Energy (including the Bidder)),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by this Bidder's Statement (including full, lawful, timely and effectual implementation of the intentions set out in this Bidder's Statement) or which requires the divestiture by White Energy of any SAC Shares or any material assets of SAC or any member of the White Energy Group.

(d) **Other regulatory approvals**

Before the end of the Offer Period, all approvals or consents that are required by law, or by any Public Authority, as are necessary:

- (1) to permit the Offer to be lawfully made to and accepted by SAC Shareholders;
- (2) as a result of the Offer or the Bidder's acquisition of SAC Shares;
- (3) for SAC to continue to carry on its business; or
- (4) to permit the transactions contemplated by this Bidder's Statement to be completed (including full, lawful and effectual implementation of the intentions set out in this Bidder's Statement),

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

(e) **No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), SAC does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

(f) **Acquisitions, disposals and expenditures**

Between the Announcement Date and the end of the Offer Period (each inclusive), SAC, without the prior written consent of the Bidder, does not:

- (1) acquire, offer to acquire, agree to acquire or announce a bid or tender for, one or more companies, businesses or assets (or any legal, beneficial or economic interest or right in one or more companies, business or assets) or make an announcement in relation to such an acquisition, offer, agreement, bid or tender excluding the acquisition of services in the ordinary course of business;
- (2) dispose of, offer to dispose of, or agree to dispose of one or more companies, businesses or assets (or any legal, beneficial or economic interest or right in one or more companies, business or assets including any legal, beneficial or economic interest or right in or in connection with any SAC Mining Tenement) or make any announcement in relation to such a disposition, offer or agreement;
- (3) enter into, or offer to enter into, any agreement, joint venture, partnership, farm-in agreement, management agreement, arrangement or commitment which would require expenditure, or the foregoing of revenue, by SAC of an amount or value which, in aggregate, exceeds \$0.1 million or which involves any legal, beneficial or economic interest or right in or in connection with any SAC Mining Tenement or make an announcement in relation to such an entry, offer or agreement;
- (4) enter into, or offer to enter into, a transaction that has the same economic effect as any of the things in paragraphs (1), (2) or (3) above; or
- (5) resolve to do any of the things in paragraphs (1), (2), (3) or (4) above.

(g) **Conduct of SAC's business**

Between the Announcement Date and the end of the Offer Period (each inclusive), SAC, without the prior written consent of the Bidder, does not:

- (1) make any changes to SAC's constitution or pass any special resolution;

- (2) borrow or agree to borrow any money;
- (3) release, discharge or modify any substantial obligation to it of any person, firm or corporation or agrees to do so, other than in the ordinary course of business;
- (4) appoint any additional director to the SAC Board, whether to fill a casual vacancy or otherwise;
- (5) except as required by law, do any of the following:
  - enter or agree to enter into any contract of service, or vary or agree to vary any existing contract of service with any director or executive officer;
  - make or agree to make any substantial change in the basis or amount of remuneration of any director, executive officer or other employee; or
  - except as provided under any superannuation, provident or retirement scheme or contract in effect on the Announcement Date, pay or agree to pay any retirement benefit or allowance to any director, executive officer or other employee;
- (6) conduct its business otherwise than in the ordinary course;
- (7) enter into, amend, or offer to enter into or amend any contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act) of SAC;
- (8) release, discharge or modify any substantial obligation of it to any related party (as defined in section 228 of the Corporations Act) of SAC or agree to do so;
- (9) have threatened or threatened against it any material claims or material proceedings in any court or tribunal, including a petition for winding up or an application for appointment of a receiver or receiver and manager); or
- (10) become subject to investigation under the *Australian Securities and Investments Commission Act 2001* (Cth) or any corresponding legislation.

(h) **No persons entitled to exercise or exercising rights under certain agreements or instruments**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which SAC is a party, or by or to which SAC or any of its assets or businesses may be bound or be subject, which results, or could result, in:

- (1) any money borrowed by SAC being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of SAC in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified;

- (4) the assets of SAC being sold transferred or offered for sale or transfer, or the assets or shares in companies, joint ventures or other entities in which SAC owns or has an interest being put to SAC, including under any pre-emptive rights or similar provisions; or
- (5) the business of SAC with any other person being adversely affected.

(i) **No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no matter, event or circumstance which occurs, is announced or becomes known to the Bidder which (individually or when aggregated with all such matters, events or circumstances) has resulted in or is likely to result in:

- (1) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of SAC; or
- (2) without limiting the generality of paragraph (1) above, the effect of diminishing the value of the consolidated net assets of SAC by an amount of \$1 million or more, against what they would reasonably have been expected to have been but for the matters, events or circumstances,

but does not include:

- (3) any matter, event or circumstance arising from changes in economic or business conditions (including changes in coal prices or currency exchange rates) which impacts on SAC and its competitors in a similar manner;
- (4) any change in taxation rates or the law relating to taxation, interest rates or general economic conditions which impacts on SAC and its competitors in a similar manner; or
- (5) any change in accounting policy required by law which impacts on SAC and its competitors in a similar manner.

(j) **White Energy Shareholder Approval**

Before the end of the Offer Period, White Energy's Shareholders pass all Required Resolutions at one or more shareholder meetings.

(k) **Cash balance and aggregate liabilities**

At all times between the Announcement Date and the end of the Offer Period (each inclusive), SAC has:

- (1) a minimum cash balance equal to \$9.5 million less:
  - the amount of any expenses reasonably incurred between the Announcement Date and the end of the Offer Period (each inclusive) in conducting mineral exploration activities in the SAC Exploration Area or otherwise in the conduct of SAC operations; and
  - the amount of any expenses reasonably incurred by SAC after 12 April 2010 in relation to this agreement, any application to any Public Authority in connection with the Takeover Bid or the Takeover Bid,

and

- (2) aggregate liabilities on a consolidated basis of less than \$0.5 million.



### **12.11 Nature and benefit of conditions.**

- (a) The conditions in section 12.10 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the conditions in section 12.10(b), until the end of the third business day after the end of the Offer Period), prevent a contract to sell Your Shares from arising, but entitles the Bidder by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
- (b) Subject to the Corporations Act, the Bidder alone is entitled to the benefit of the conditions in section 12.10, or to rely on any non-fulfilment of any of them.
- (c) Each condition in section 12.10 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

### **12.12 Freeing the Offer of conditions**

- (a) The Bidder may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions in section 12.10, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to SAC and to ASIC declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:
  - (1) in the case of the condition in section section 12.10(b), not later than 3 Business Days after the end of the Offer Period; and
  - (2) in the case of all the other conditions in section 12.10, not less than 7 days before the end of the Offer Period.
- (b) If, at the end of the Offer Period (or, in the case of the conditions in section 12.10(b), at the end of the third business day after the end of the Offer Period), the conditions in section 12.10 have not been fulfilled and the Bidder has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

### **12.13 Official quotation of White Energy Performance Shares and White Energy Ordinary Shares**

- (a) White Energy has been admitted to the official list of the ASX and White Energy Ordinary Shares are quoted for trading on the ASX.
- (b) An application will be made to the ASX for the granting of official quotation of the White Energy Ordinary Shares to be issued in under the Offer within 7 days after the date of this Bidder's Statement. However, quotation is not granted automatically on application
- (c) Pursuant to the Corporations Act, this Offer and any contract that results from you acceptance of it are subject to a condition that permission for admission to quotation by the ASX of the White Energy Ordinary Shares included in the consideration provided under the Offer being granted no later than 7 days after the end of the bid period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will become automatically void.

- (d) White Energy 2010 Performance Shares and White Energy 2011 Performance Shares will not be quoted on the ASX, or any other securities exchange, on issue.

#### **12.14 Notice on status of conditions**

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is 13 July 2010 (subject to extension in accordance with section 630(2) if the Offer Period is extended).

#### **12.15 Withdrawal of this Offer**

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, the Bidder will give notice of the withdrawal to the ASX and to SAC and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, all the conditions in section 12.10 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 12.10, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to section 12.15 will be deemed to take effect:
  - (1) if the withdrawal is not subject to conditions imposed by ASIC, on the date after the date on which that consent in writing is given by ASIC; or
  - (2) if the withdrawal is subject to conditions imposed by ASIC, on the date after the date on which those conditions are satisfied.

#### **12.16 Variation of this Offer**

The Bidder may vary this Offer in accordance with the Corporations Act.

#### **12.17 No stamp duty or brokerage**

- (a) The Bidder will pay any stamp duty on the transfer of Your Shares to it.
- (b) As long as Your Shares are registered in your name and you deliver them directly to The Bidder, you will not incur any brokerage in connection with your acceptance of this Offer.

#### **12.18 Governing laws**

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in New South Wales, Australia.

## 13 Definitions and interpretation

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### 13.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

<b>Term</b>	<b>Meaning</b>
<b>\$ or A\$</b>	Australian dollars, the lawful currency of the Commonwealth of Australia.
<b>Acceptance Form</b>	the acceptance form enclosed with this Bidder's Statement.
<b>Announcement</b>	the public announcement to the ASX in relation to the Offer made by White Energy on 19 April 2010.
<b>Announcement Date</b>	the date of the announcement of the Offer by White Energy, being 19 April 2010.
<b>Arthur Phillip</b>	Arthur Phillip Pty Limited (ACN 100 908 101).
<b>Associate</b>	has the meaning given in section 12 of the Corporations Act.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).
<b>ASTC Settlement Rules</b>	the operating rules of the ASTC which govern the administration of the Clearing House Electronic Sub-register System.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691), or the market known as the Australian Securities Exchange, as the case may be.
<b>ATO</b>	Australian Taxation Office.

<b>Term</b>	<b>Meaning</b>
<b>BCB Technology</b>	the patented binderless coal briquetting clean coal upgrading technology.
<b>BDO</b>	BDO Corporate Finance (QLD) Ltd (ACN 010 185 725).
<b>Bidder</b>	White Energy Mining Pty Limited (ACN 143 472 502).
<b>Bidder Director</b>	a director of the Bidder.
<b>Bidder's Statement</b>	the bidder's statement of the Bidder relating to the Offer issued by the Bidder in accordance with the Corporations Act.
<b>Business Day</b>	a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.
<b>Cargill Group</b>	Cargill, Incorporated and each of its Subsidiaries.
<b>Cash Alternative</b>	the cash alternative offered under the Offer, comprising \$0.1996 per SAC Share, subject to a scale-back as set out in section 12.3.
<b>Cash Component</b>	has the meaning given in section 12.3(d)(1).
<b>CEO</b>	Chief Executive Officer.
<b>CGT</b>	Australian capital gains tax.
<b>Claim</b>	includes actions, suits, causes of action, debts, dues, costs, claims, liabilities, demands, damages, losses, costs and expenses of any description, decisions, judgments and orders either at law or in equity or arising under any statute.
<b>Coal Resources</b>	the amount of coal resources (comprising resources which are 'Inferred Mineral Resources', 'Indicated Mineral Resources' and 'Measured Mineral Resources' within the meaning of the JORC Code) located in the SAC Exploration Area.

<b>Term</b>	<b>Meaning</b>
<b>Competent Person</b>	has the meaning set out in the JORC Code.
<b>Computershare</b>	Computershare Investor Services Pty Limited (ACN 078 279 277).
<b>Constitution</b>	the constitution of White Energy.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Demerger Information Memorandum</b>	information memorandum prepared by Felix Resources for shareholders of Felix Resources in relation to the demerger of SAC from Felix Resources given to the ASX on 30 September 2009.
<b>Exercise Deadline</b>	5:00 pm on the 30th Business Day after the end of the Offer Period unless, at the end of the Offer Period, the Bidder proceeds to compulsory acquisition under Part 6A.1 of the Corporations Act, in which case the deadline will be the 30th Business Day after completion of the compulsory acquisition.
<b>Exercise Form</b>	the form for acceptance of offers comprising White Energy Subscription Rights.
<b>Exploration Licence</b>	the exploration licence EL 3386, issued by the Minister for Ministerial Resources Development of South Australia, due to expire on 8 August 2010.
<b>FATA</b>	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
<b>Federal Court</b>	Federal Court of Australia.
<b>Felix Resources</b>	Felix Resources Limited (ACN 000 754 174).
<b>Financial Adviser</b>	any financial adviser retained by a party in relation to the Takeover Bid or Offers from time to time.
<b>FIRB</b>	the Foreign Investment Review Board.

<b>Term</b>	<b>Meaning</b>
<b>First Assessment Date</b>	31 December 2010, unless deferred in accordance with rule 3.7 of the White Energy 2010 Performance Shares terms of issue.
<b>First Calculation Date</b>	the date that is 5 Business Days before the Standard Payment Date.
<b>First Conversion Date</b>	31 March 2011, unless deferred in accordance with rule 3.7 of the White Energy 2010 Performance Shares terms of issue.
<b>First Tranche Payment</b>	has the meaning given in section 12.3(e).
<b>General Meeting</b>	the extraordinary general meeting of White Energy's shareholders convened to be held on 12 July 2010 (subject to any adjournment or deferral).
<b>GST</b>	Australian goods and services tax.
<b>GST Act</b>	the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Indicated Resources</b>	has the meaning set out in the JORC Code.
<b>Ineligible Foreign Shareholder</b>	a SAC Shareholder whose address, as it appears in the Register at close of business on the Register Date, is in a jurisdiction other than Australia or its external territories or the Netherlands. However, such a person will not be an Ineligible Foreign Shareholder if the Bidder is satisfied, in its sole discretion, that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a SAC Shareholder in the relevant jurisdiction and to issue White Energy Shares (including those issued under the Offer and on take up of White Energy Subscription Rights) to such a SAC Shareholder on acceptance of the Offer, and that it is not unlawful for such a SAC Shareholder to accept the Offer in such circumstances in the relevant jurisdiction.
<b>Inferred Resources</b>	has the meaning set out in the JORC Code.
<b>ITAA 1936</b>	the <i>Income Tax Assessment Act 1936</i> (Cth).

<b>Term</b>	<b>Meaning</b>
<b>ITAA 1997</b>	the <i>Income Tax Assessment Act 1997</i> (Cth).
<b>JORC</b>	Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
<b>JORC Code</b>	2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves prepared by JORC.
<b>Kcal/Kg (GAR)</b>	kilocalories per kilogram (gross as received).
<b>Listing Rules</b>	the Official Listing Rules of ASX, as amended and waived by ASX from time to time.
<b>Marketable Parcel</b>	in relation to securities that are listed for quotation on the stock market of a securities exchange means a marketable parcel of those securities within the meaning of the relevant business rules or listing rules of that securities exchange.
<b>Measured Resources</b>	has the meaning set out in the JORC Code.
<b>Merged Group</b>	the group of companies resulting from the combination of the White Energy Group and SAC following the acquisition of control by the Bidder of SAC.
<b>Mining Act</b>	<i>Mining Act 1971</i> (South Australia).
<b>Mining Operations</b>	all operations carried on in the course of prospecting, exploring or mining for minerals, or quarrying, and includes operations by means of which minerals are recovered from the sea or a natural water supply, but does not include any investigation or survey undertaken by the Minister for Mineral Resources Development (South Australia) or the Director of Mines or any person authorised in writing by the Minister for Mineral Resources Development (South Australia) or the Director of Mines, or fossicking.
<b>MTPA</b>	million tonnes per annum.
<b>Native Title Mining</b>	an agreement between the holder of an exploration authority or

<b>Term</b>	<b>Meaning</b>
<b>Agreement</b>	production tenement and native title parties who are claimants to or registered holders of native title land authorising Mining Operations on native title land pursuant to Part 9B of the <i>Mining Act 1971</i> (South Australia).
<b>Nominee</b>	the nominee for Ineligible Foreign Shareholders approved by ASIC.
<b>NTTT</b>	National Native Title Tribunal.
<b>Offer</b>	the offer for SAC Shares under the terms and conditions contained in section 12.
<b>Offer Period</b>	the period during which the Offer will remain open for acceptance in accordance with section 12.4.
<b>PIRSA</b>	Primary Industries and Resources South Australia.
<b>Placee</b>	each of Gaffwick Pty Limited, Ganra Pty Limited and J A Kinghorn & Co Pty Limited.
<b>Placement</b>	White Energy's raising of \$75 million by issuing 10,000,000 White Energy Ordinary Shares each to interests associated with each of Mr Travers Duncan, Mr Brian Flannery and Mr John Kinghorn for a subscription price of \$2.50 per White Energy Ordinary Share.
<b>Prescribed Occurrence</b>	any of the following: <ol style="list-style-type: none"> <li>1 SAC converting all or any of the SAC Shares into a larger or smaller number of shares under section 254H of the Corporations Act;</li> <li>2 SAC resolving to reduce its share capital in any way;</li> <li>3 SAC entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;</li> <li>4 SAC making an issue of SAC Shares or granting an option over the SAC Shares;</li> <li>5 SAC issuing, or agreeing to issue, convertible notes;</li> <li>6 SAC disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;</li> <li>7 SAC charging, or agreeing to charge, the whole, or a</li> </ol>



<b>Term</b>	<b>Meaning</b>
	<p>substantial part, of its business or property;</p> <p>8 SAC resolving that it be wound up;</p> <p>9 the appointment of a liquidator or provisional liquidator of SAC;</p> <p>10 the making of an order by a court for the winding up of SAC;</p> <p>11 an administrator of SAC being appointed under section 436A, 436B or 436C of the Corporations Act;</p> <p>12 SAC executing a deed of company arrangement; or</p> <p>13 the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of SAC.</p>
<b>Public Authority</b>	<p>any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.</p>
<b>Register</b>	<p>register of SAC Shareholders established and maintained by Computershare on behalf of SAC as an issuer-sponsored register.</p>
<b>Register Date</b>	<p>the date set by the Bidder under section 633(2) of the Corporations Act, being 7 June 2010.</p>
<b>Regulatory Approvals</b>	<p>such authorisations, consents, exemptions, modifications and approvals as may be required from any Public Authority (including ASIC and ASX) to enable the party to perform its obligations under this Agreement and implement the Takeover Bid in accordance with applicable law.</p>
<b>Required Resolutions</b>	<p>such resolutions of White Energy's shareholders as are required, whether under the Corporations Act, the ASX Listing Rules or otherwise, for White Energy to implement the Takeover Bid and Offer.</p>
<b>Retention Leases</b>	<p>the retention leases RL 100 and RL 104 issued by the Minister for Mineral Resources Development of South Australia, due to expire on 2 October 2011 and 26 February 2013 respectively.</p>

<b>Term</b>	<b>Meaning</b>
<b>Rights</b>	all accreditations, rights or benefits of whatever kind attaching or arising from SAC Shares directly or indirectly at or after the Announcement Date (including all dividends of other distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by SAC).
<b>SAC</b>	South Australian Coal Limited (ACN 000 865 869).
<b>SAC Board</b>	the board of directors of SAC.
<b>SAC Director</b>	a director of SAC.
<b>SAC Exploration Area</b>	land to which the SAC Mining Tenements relate.
<b>SAC Mining Tenements</b>	the Exploration Licence and Retention Leases
<b>SAC Shareholder</b>	a person holding SAC Shares.
<b>SAC Share</b>	a fully paid ordinary shares in the capital of SAC.
<b>Second Assessment Date</b>	31 December 2011, unless deferred in accordance with rule 3.7 of the White Energy 2011 Performance Shares terms of issue.
<b>Second Calculation Date</b>	the 5th Business Day after the end of the Offer Period unless, at the end of the Offer Period, the Bidder proceeds to compulsory acquisition under Part 6A.1 of the Corporations Act, in which case the date will be the 5th Business Day after completion of the compulsory acquisition.
<b>Second Conversion Date</b>	30 March 2012, unless deferred in accordance with rule 3.7 of the White Energy 2011 Performance Shares terms of issue.
<b>Second Payment Date</b>	the 10th Business Day after the end of the Offer Period unless, at the end of the Offer Period, the Bidder proceeds to compulsory acquisition under Part 6A.1 of the Corporations Act, in which case the date will be the 10th Business Day after completion of the compulsory acquisition.

<b>Term</b>	<b>Meaning</b>
<b>Second Tranche Payment</b>	Has the meaning given in section 12.3(e)(2).
<b>Share Alternative</b>	the share consideration offered under the Offer comprising: <ul style="list-style-type: none"> <li>• 0.07985 White Energy Performance Shares;</li> <li>• 0.08646 White Energy 2010 Performance Shares;</li> <li>• 0.08646 White Energy 2011 Performance Shares; and</li> <li>• 0.2034 White Energy Subscription Rights,</li> </ul> for each SAC Share.
<b>Share Component</b>	has the meaning given in section 12.3(d)(2).
<b>Standard Payment Date</b>	the date on which you are entitled to receive consideration for Your Shares under section 12.8(a).
<b>Subsidiary</b>	has the meaning given in section 9 of the Corporations Act.
<b>Takeover Bid</b>	the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.
<b>Takeover Bid Implementation Agreement</b>	the takeover bid implementation agreement between White Energy and SAC dated 18 April 2010, a summary of which appears in section 11.1.
<b>Target's Statement</b>	the target's statement which SAC must provide to SAC Shareholders in accordance with the Corporations Act in response to this Bidder's Statement.
<b>Tax</b>	any tax, levy, charge, impost, fee, deduction, goods and services tax, compulsory loan or withholding, that is assessed, levied, imposed or collected by any Public Authority and includes, any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of any of the above but excludes Duty.
<b>Third Party</b>	a party other than White Energy, SAC and any Subsidiary of White Energy.
<b>Third Party Proposal</b>	a transaction or arrangement pursuant to which a Third Party will, if the transaction or arrangement is entered into or

<b>Term</b>	<b>Meaning</b>
	<p>completed:</p> <ol style="list-style-type: none"> <li>1 acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of SAC ;</li> <li>2 acquire a relevant interest in, become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in 10% or more of SAC Shares ;</li> <li>3 acquire control (as determined in accordance with section 50AA of the Corporations Act) of SAC ;</li> <li>4 otherwise acquire or merge with SAC ; or</li> <li>5 enter into any agreement, arrangement or understanding requiring SAC to abandon, or otherwise fail to proceed with, the Takeover Bid,</li> </ol> <p>whether by way of takeover offer, scheme of arrangement, merger, shareholder approved acquisition, capital reduction or buy back, sale or purchase of shares or other securities or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement.</p>
<b>Transferable Share Rights</b>	has the meaning given in section 12.9(a).
<b>Unacceptable Circumstances</b>	has the meaning given in section 657A of the Corporations Act.
<b>US\$</b>	the lawful currency of the United States of America.
<b>Voting Power</b>	has the meaning given in section 610 of the Corporations Act.
<b>WEC Coal</b>	stable, higher energy content coal arising from transformation of high moisture, low rank, low value sub-bituminous and lignite coals through a proprietary patented process of dehydration and compaction.
<b>White Energy</b>	White Energy Company Limited (ACN 071527083).
<b>White Energy Board</b>	the board of directors of White Energy.
<b>White Energy Convertible Notes</b>	the convertible notes issued by White Energy and described in section 3.1(b).

<b>Term</b>	<b>Meaning</b>
<b>White Energy Director</b>	a director of White Energy.
<b>White Energy Group</b>	White Energy and each of its Subsidiaries, including the Bidder.
<b>White Energy Options</b>	the options to subscribe for White Energy Ordinary Shares described in section 3.1(a).
<b>White Energy Ordinary Share</b>	a fully paid ordinary share in the capital of White Energy.
<b>White Energy 2010 Performance Share</b>	a fully paid converting share in the capital of White Energy issued, or to be issued, on the terms set out in Attachment 4.
<b>White Energy 2011 Performance Share</b>	a fully paid converting share in the capital of White Energy issued, or to be issued, on the terms set out in Attachment 5.
<b>White Energy Shareholder</b>	the registered holder of a White Energy Share.
<b>White Energy Shares</b>	fully paid shares in the capital of White Energy including White Energy Ordinary Shares, White Energy 2010 Performance Shares and White Energy 2011 Performance Shares.
<b>White Energy Subscription Right</b>	the right to subscribe for 1 White Energy Ordinary Share for a subscription price of \$2.50 per White Energy Ordinary Share on the terms set out in section 12.2.
<b>WPA</b>	the Woomera Prohibited Area, a prohibited area under Part VII of the <i>Defence Force Regulations 1952</i> (Cth) ) and is used for the testing of war material.
<b>Your Shares</b>	subject to section 12.1(h) and section 12.1(i), the SAC Shares: <ol style="list-style-type: none"> <li>1 in respect of which you are registered, or entitled to be registered, as holder in the Register at close of business on the Register Date; or</li> <li>2 to which you are able to give good title at the time you accept this Offer during the Offer Period.</li> </ol>

## 13.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Bidder's Statement have a corresponding meaning;
- (e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (f) a reference to any thing (including any right) includes a part of that thing but nothing in this section 13.2(f) implies that performance of part of an obligation constitutes performance of the obligation;
- (g) a reference to a section or attachment is a reference to a section of and an attachment to this Bidder's Statement as relevant;
- (h) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (i) an expression defined in, or given a meaning for the purpose of, the Corporations Act in a context similar to that in which the expression is used in this Bidder's Statement has the same meaning or definition;
- (j) specifying anything in this Bidder's Statement after the words "including" or "for example" or similar expressions does not limit what else is included unless there is express wording to the contrary;
- (k) headings and bold type are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (l) a reference to time is a reference to time in Sydney, Australia; and
- (m) a reference to dollars, \$, A\$, cent or currency is a reference to the lawful currency of the Commonwealth of Australia.

## 14 Approval of Bidder's Statement

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This Bidder's Statement has been approved by a unanimous resolution passed by the Bidder's Directors.

7 June 2010

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Signed for and on behalf of  
**White Energy Mining Pty Limited**  
by



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John McGuigan, Chairman

White Energy Group's half yearly results – 31 December 2009

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## White Energy Company Limited

ABN 62 071 527 083

### Interim Financial Report

As at 31 December 2009

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by White Energy Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**These consolidated financial statements incorporate the assets and liabilities of all subsidiaries of White Energy as at 31 December 2009 and the results of all subsidiaries for the half-year then ended. White Energy and its subsidiaries together are referred to in this financial report as the consolidated entity or group.**

**This means that the financial report incorporates 100% of the assets and liabilities and results of the following subsidiaries for the half-year:**

- **PT Kaltim Supacoal – 51% owned by White Energy**
- **River Energy Company JV Limited – 51% owned by White Energy**



**Directors' report**  
**31 December 2009**

**Directors' report**

The directors present their report on the consolidated entity, consisting of White Energy Company Limited (“**the Company**” or “**White Energy**”) and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

**Directors**

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

J.V. McGuigan

J.C. Atkinson

I.T. Khan (resigned 17 February 2010)

T.W. Duncan

G.A. Cubbin (appointed 17 February 2010)

**Review of Operations**

During the half-year the Company, through its 51% owned Indonesian subsidiary PT Kaltim Supacoal (KSC), completed practical commissioning of its first commercial coal upgrading facility at the Tabang coal mine in Indonesia. The core elements of KSC's BCB coal upgrading plant have now been trialled, are functional and at this stage are able to produce upgraded coal at approximately 300,000 tonnes per annum (30% of nameplate capacity).

It has been determined that services ancillary to the operation of the core elements of the plant, principally the plant's dust extraction system, require some modification and upgrading to enhance the overall performance of the plant and enable the plant to run at its nameplate capacity. Solutions have been identified and are currently in the process of being implemented. However, prior to installation of the necessary modifications, it has been decided that the critical goal for KSC is to sell and ship its upgraded product into the market. In this regard it has been decided to continue to run the plant at its current capacity (approximately 30%) for the balance of the financial year. This approach minimises any disruption to current operations and will enable KSC to complete necessary stockpile, handling and transportation testing of its upgraded coal product and then sell test burn quantities of coal into the Asian market. Thereafter the plant will be shut down for a three week period to complete the modification work to the dust extraction system. Once the upgrading of the dust extraction system is completed, there will be an incremental build up to full production thereafter.

The Company continues to focus considerable attention on its North American business development initiatives, including work on developing permits for both the Buckskin and Peabody Energy projects in the Powder River Basin, Wyoming, U.S.A.. Permits for both these projects are expected to be submitted by mid-2010. In addition, the Company is working with the State of Kentucky in analysing the possibility of building a BCB plant in that State. The necessary permit application work has been completed and will be filed by the Company in mid-March 2010. If, as expected, a permit is granted to the Company's satisfaction, it will then determine whether it proceeds with this initiative. Critical to this decision will be any financial incentives offered to the Company and the final economic feasibility of the proposed venture.

The consolidated entity's loss for the half-year ended 31 December 2009 was \$15,682,141 (2008: \$14,050,929). The cash loss for the period was \$8,769,881, after taking into account the following non-cash and one-off items of expenditure included in the overall result: amortisation of coal technology licence fee \$1,572,480, amortisation of plant design costs \$332,337, amortisation of costs of convertible note issue \$179,681, interest accrued on convertible notes \$752,019, depreciation \$714,443, withholding tax accrued \$682,293, loss on disposal of fixed assets \$168,934, write-off exploration assets \$10,000 and costs in relation to the terminated merger transaction of \$4,932,713.

This was partly offset by non-cash items of revenue as follows: unrealised foreign exchange gains \$460,015, reversal of share based payments expense \$914,986, reversal of over-accrued interest expense in the prior reporting period of \$650,650 and interest accrued on cash deposits \$406,989.

As referenced above, if the non-cash and one-off items are added back the relevant cash loss is \$8,769,881. This net cash loss includes costs related to capital raising and business development activities, costs associated with the management

**Directors' report (Continued)**

of specific projects, research activities on related cleaner coal technologies and interest expense on convertible notes.


Comments on the operations and the results of those operations are set out below:

- a) Revenue includes \$1,026,271 interest earned on the consolidated entity's cash deposits.
- b) Practical commissioning of the 1,000,000 tonne per annum Binderless Coal Briquetting Plant at Bayan's Tabang Mine in East Kalimantan Indonesia is now complete, including integration of the plant to the adjoining 10 megawatt power station.
- c) During September 2009 the Company, through its 51% owned Indonesian subsidiary KSC, mandated Standard Chartered Bank (SCB) to provide a project financing facility to underpin the expansion of the Tabang project from 1 million tonnes per annum to 5 million tonnes per annum. Whilst SCB is currently conducting due diligence in respect of this project financing facility, it has agreed to provide KSC with an interim US\$10 million limited recourse working capital facility. KSC has drawn down US\$9 million on this facility as at the date of this report.
- d) During the half-year the Company continued its research and development activities at its Cessnock production plant, including the processing of coal samples from a number of potential business partners.
- e) In July 2009, following Shareholder Approval at an Extraordinary General Meeting, the Company placed 15.592 million shares which represented tranche two of the \$55 million capital raising conducted in May 2009. In addition, a further 1.748 million shares were placed as a result of the Share Purchase Plan Offer established by the Directors. These initiatives resulted in \$26 million in cash proceeds during July 2009.
- f) In November 2009 the Company successfully raised a further \$100 million through the placement of 41.67 million new shares at \$2.40 per share to local and overseas institutions. Also, a related Share Purchase Plan Offer resulted in shareholders taking up 593,423 shares and raising \$1.424 million in new capital. This capital raising program significantly enhanced the Company's balance sheet.
- g) Further to the capital raising outlined above, the Company agreed with Asia Special Situation Acquisition Corp. (ASSAC) to terminate the proposed merger transaction on mutually acceptable terms.
- h) The Company continued work on its exploration project at Bridgetown in Western Australia during the half year.

**Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of the directors.



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John Atkinson

Managing Director

Sydney  
12<sup>th</sup> March 2010

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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## **Auditor's Independence Declaration**

As lead auditor for the review of White Energy Company Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of White Energy Company Limited and the entities it controlled during the period.

Brett Entwistle

Partner  
PricewaterhouseCoopers

Sydney  
12th March 2010

**White Energy Company Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2009**

	Notes	Half-year 2009 \$	2008 \$
<b>Revenue from continuing operations</b>		<b>1,400,782</b>	1,587,617
Gain/(Loss) on foreign exchange		<b>460,015</b>	(1,121,304)
Accounting and audit fees		<b>(42,574)</b>	(74,764)
Employee benefits expense		<b>(2,817,257)</b>	(4,842,269)
Depreciation and amortisation		<b>(2,801,726)</b>	(1,798,116)
Finance costs		<b>(1,138,766)</b>	(2,110,669)
External advisory fees	3	<b>(4,605,599)</b>	(3,490,997)
Write-off of deferred exploration costs		<b>(10,000)</b>	(298,376)
Occupancy expenses		<b>(647,731)</b>	(520,007)
Travel		<b>(523,923)</b>	(518,266)
Terminated merger fee		<b>(3,466,445)</b>	-
Other expenses		<b>(1,488,917)</b>	(863,778)
<b>(Loss) before income tax</b>		<b>(15,682,141)</b>	(14,050,929)
Income tax expense		-	-
<b>Net (loss) for the half year</b>		<b>(15,682,141)</b>	(14,050,929)
<b>Loss is attributable to:</b>			
Owners of White Energy Company Limited		<b>(14,716,075)</b>	(13,990,024)
Non-controlling interest		<b>(966,066)</b>	(60,905)
		<b>(15,682,141)</b>	(14,050,929)
		<b>Cents</b>	Cents
Basic and diluted earnings per share		<b>(7.39)</b>	(11.0)
<b>Other Comprehensive Income</b>			
Exchange differences on translation of foreign operations		<b>2,867,166</b>	15,479,153
<b>Total other comprehensive income for the half year</b>		<b>2,867,166</b>	15,479,153
<b>Total Comprehensive income for the year</b>		<b>(12,814,975)</b>	1,428,224

*The above consolidated statement of comprehensive income statement should be read in conjunction with the accompanying notes*

**White Energy Company Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2009**

	Notes	31 December 2009 \$	30 June 2009 \$
<b>Current assets</b>			
Cash and cash equivalents		119,479,204	26,283,781
Trade and other receivables		10,797,913	13,155,827
<b>Total current assets</b>		<b>130,277,117</b>	<b>39,439,608</b>
<b>Non-current assets</b>			
Property, plant and equipment		140,010,786	127,807,975
Exploration assets		1,161,330	1,124,789
Intangible assets		51,143,467	53,194,983
<b>Total non-current assets</b>		<b>192,315,583</b>	<b>182,127,747</b>
<b>Total assets</b>		<b>322,592,700</b>	<b>221,567,355</b>
<b>Current liabilities</b>			
Trade and other payables	4	22,493,195	29,579,793
Borrowings	5	51,123,407	752,019
<b>Total current liabilities</b>		<b>73,616,602</b>	<b>30,331,812</b>
<b>Non-current liabilities</b>			
Other payables	6	53,450,742	51,683,285
Borrowings	7	5,143,380	57,218,463
<b>Total non-current liabilities</b>		<b>58,594,122</b>	<b>108,901,748</b>
<b>Total liabilities</b>		<b>132,210,724</b>	<b>139,233,560</b>
<b>Net assets</b>		<b>190,381,976</b>	<b>82,333,795</b>
<b>Equity</b>			
Contributed equity	8	254,025,778	131,931,145
Reserves		6,462,689	6,890,583
Accumulated losses		(68,417,921)	(53,701,846)
<b>Total equity attributable to owners of the company</b>		<b>192,070,546</b>	<b>85,119,882</b>
Non-controlling interest		(1,688,570)	(2,786,087)
<b>Total Equity</b>		<b>190,381,976</b>	<b>82,333,795</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**White Energy Company Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2009**

<b>Consolidated</b>	<b>Attributable to owners of White Energy Company Limited</b>				<b>Minority interest</b>	<b>Total equity</b>
	<b>Contributed equity</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total</b>		
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	<b>97,130,925</b>	<b>2,866,309</b>	<b>(26,962,701)</b>	<b>73,034,533</b>	<b>(2,038,969)</b>	<b>70,995,564</b>
Loss for the half-year	-	7,956,654	(13,990,024)	(6,033,370)	7,461,594	1,428,224
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>7,956,654</b>	<b>(13,990,024)</b>	<b>(6,033,370)</b>	<b>7,461,594</b>	<b>1,428,224</b>
Contributions of equity, net of transaction costs	6,574,255	-	-	6,574,255	-	6,574,255
Interest payable on convertible notes	-	-	(223,123)	(223,123)	-	(223,123)
Share based payment	-	1,276,163	-	1,276,163	-	1,276,163
<b>Balance at 31 December 2008</b>	<b>103,705,180</b>	<b>12,099,126</b>	<b>(41,175,848)</b>	<b>74,628,458</b>	<b>5,422,625</b>	<b>80,051,083</b>

<b>Consolidated</b>	<b>Attributable to owners of White Energy Company Limited</b>				<b>Minority interest</b>	<b>Total equity</b>
	<b>Contributed equity</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total</b>		
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2009</b>	<b>131,931,145</b>	<b>6,890,583</b>	<b>(53,701,846)</b>	<b>85,119,882</b>	<b>(2,786,087)</b>	<b>82,333,795</b>
Loss for the half-year	-	803,583	(14,716,075)	(13,912,492)	1,097,517	(12,814,975)
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>803,583</b>	<b>(14,716,075)</b>	<b>(13,912,492)</b>	<b>1,097,517</b>	<b>(12,814,975)</b>
Contributions of equity, net of transaction costs	122,094,633	-	-	122,094,633	-	122,094,633
Share based payment	-	(1,231,477)	-	(1,231,477)	-	(1,231,477)
<b>Balance at 31 December 2009</b>	<b>254,025,778</b>	<b>6,462,689</b>	<b>(68,417,921)</b>	<b>192,070,546</b>	<b>(1,688,570)</b>	<b>190,381,976</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**White Energy Company Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2009**

	Half-year	
	31 December 2009 \$	31 December 2008 \$
<b>Cash flow from operating activities</b>		
Receipts from customers (inclusive of goods & services tax)	4,129,144	87,190
Payments to suppliers and employees (inclusive of goods & services tax)	(26,490,481)	(8,441,469)
Interest received	616,576	1,054,192
<b>Net cash outflows from operating activities</b>	<b>(21,744,761)</b>	<b>(7,300,087)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration assets	(36,541)	(70,653)
Payments for property, plant and equipment	(12,009,427)	(51,069,080)
Payments for intangibles – detailed design	-	(1,216,280)
Payment for development costs	(129,243)	-
<b>Net cash outflows from investing activities</b>	<b>(12,175,211)</b>	<b>(52,356,013)</b>
<b>Cash flows from financing activities</b>		
Loans from related entities	2,600,647	18,132,519
Proceeds from shares issued	126,469,142	6,574,255
Repayment of loans	(1,703,695)	-
Proceeds from borrowings	6,689,709	11,399,223
Borrowing costs	(1,789,416)	(1,777,500)
Cost of equity issue	(4,690,977)	-
<b>14.1 Net cash inflows from financing activities</b>	<b>127,575,410</b>	<b>34,328,497</b>
<b>14.2 Net increase in cash and cash equivalents</b>	<b>93,655,438</b>	<b>(25,327,603)</b>
Cash and cash equivalents at the beginning of the half-year	26,283,781	34,955,888
Effect of exchange rate changes on cash and cash equivalents	(460,015)	1,121,304
<b>Cash and cash equivalents at the end of the half-year</b>	<b>119,479,204</b>	<b>10,749,589</b>

*The above consolidated cash flow statement should be read in conjunction with the accompanying notes*

**White Energy Company Limited**  
**Notes to the financial statements**  
**31 December 2009**

**1. Basis of preparation of half-year report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by White Energy Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**2. Segment Information**

**(a) Primary reporting format – business segments**

Half year 2009	Coal Technology \$	Mining \$	Unallocated \$	Total \$
Total segment revenue	664,180	-	736,602	1,400,782
Total segment expenses	(7,030,997)	(14,150)	(10,037,776)	(17,082,923)
Loss before tax	(6,366,817)	(14,150)	(9,301,174)	(15,682,141)

Half year 2008	Coal Technology \$	Mining \$	Unallocated \$	Total \$
Total segment revenue	-	9	1,587,608	1,587,617
Total segment expenses	(4,090,483)	(307,901)	(11,240,162)	(15,638,546)
Loss before tax	(4,090,483)	(307,892)	(9,652,554)	(14,050,929)



**White Energy Company Limited**  
**Notes to the financial statements**  
**31 December 2009**

**3. Expenses – External advisory fees**

	<b>31 December 2009</b>	31 December 2008
	\$	\$
Consulting fees	(866,179)	(1,468,120)
Legal and other professional fees	(2,273,152)	(2,022,877)
Terminated merger transaction costs	(1,466,268)	-
	<u>(4,605,599)</u>	<u>(3,490,997)</u>

**4. Current liabilities – Trade and other payables**

	<b>31 December 2009</b>	30 June 2009
	\$	\$
Trade Creditors	2,072,525	4,468,999
Loans from shareholders - Black River	9,688,256	10,146,994
Other creditors - KSC	9,039,315	11,825,867
Other creditors	1,258,196	2,703,030
Deferred income - government grant	434,903	434,903
	<u>22,493,195</u>	<u>29,579,793</u>

**5. Current liabilities – Borrowings**

	<b>31 December 2009</b>	30 June 2009
	\$	\$
Interest accrued on convertible notes	-	752,019
BHP Facility	6,341,810	-
Convertible notes	45,000,000	-
Less: cost of convertible notes issue	(925,000)	-
Amortisation of costs of notes issue	706,597	-
	<u>51,123,407</u>	<u>752,019</u>

As disclosed in the 2009 Annual Report, during August 2009 White Energy renegotiated the terms of the BHP Billiton (BHP) finance facility, whereby the outstanding convertible notes and accrued interest were restructured into a commercial loan repayable over the 2010 and 2011 financial years. As part of this arrangement, White Energy agreed to an early release from escrow of the 3,193,831 shares that BHP owns in the company. As at the date of this report, BHP still owns 3,193,831 shares in the Company.

During October 2007 the company raised \$45,000,000 of funds through a convertible notes issue as approved by shareholders at the Annual General Meeting on 30 November 2007. The Notes are convertible into ordinary shares at \$3.44 per share. The Convertible Notes are unsecured with an annual yield of 7.90% maturing in October 2012. Noteholders can elect to redeem some or all of their notes at the end of the third year, which is in October 2010.

Costs relating to the convertible notes issue are being amortised over a 3 year period. Interest expense is calculated by applying the effective interest rate of 7.9% to the liability component.

**White Energy Company Limited**  
**Notes to the financial statements**  
**31 December 2009**

**6. Non-current liabilities – Other Payables**

	<b>31 December 2009</b>	30 June 2009
	\$	\$
Loan from shareholders - Bayan	<b>49,862,786</b>	47,877,877
Deferred income - government grant	<b>3,587,956</b>	3,805,408
	<b><u>53,450,742</u></b>	<u>51,683,285</u>

In accordance with the principles of consolidation accounting, the loans made by Bayan Resources to PT Kaltim Supacoal (KSC), in its capacity as 49% shareholder in KSC, are shown as an external liability in the consolidated financial statements.

**7. Non-current liabilities – Borrowings**

	<b>31 December 2009</b>	30 June 2009
	\$	\$
Convertible notes	-	45,000,000
Less: cost of convertible notes issue	-	(925,000)
Amortisation	-	526,736
BHP Facility	<b>5,143,380</b>	12,616,727
	<b><u>5,143,380</u></b>	<u>57,218,463</u>

**8. Equity securities issued**

	<b>31 December 2009</b>	30 June 2009	<b>31 December 2009</b>	30 June 2009
	Shares	Shares	\$	\$
Opening balance at 30 June:	<b>174,937,261</b>	128,200,392	<b>131,931,145</b>	88,921,191
Issues of ordinary shares during the half-year:				
Issue of shares, net of transaction costs	<b>60,178,923</b>	46,736,869	<b>122,094,633</b>	43,009,954
	<b><u>235,116,184</u></b>	<u>174,937,261</u>	<b><u>254,025,778</u></b>	<u>131,931,145</u>

**White Energy Company Limited**  
**Directors' Declaration**  
**31 December 2009**

**9. Events occurring after the balance sheet date**

On 29 January 2010 the Company surrendered two mining tenements at Bridgetown which were part of its exploration business in Western Australia, and sold mining information referable to these two tenements to a third party purchaser for a consideration of \$100,000.

On 12 March 2010 the Company announced that its wholly-owned subsidiary, White Energy China Limited, had entered into a non-binding Heads of Agreement with Guodian Inner Mongolian Energy Sources Co Limited (Guodian), regarding the development of a coal upgrading facility in China. Negotiation of the detailed project documents remains subject to both parties completing a technical and financial feasibility study, and a subsequent decision to proceed being made by both White Energy China and Guodian.

No other matter or circumstance has arisen since 1 January 2010 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

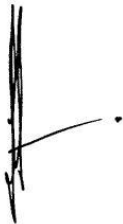
**White Energy Company Limited**  
**Directors' Declaration**  
**31 December 2009**

**Directors' Declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that White Energy Company Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



.....  
John Atkinson, Managing Director

Sydney  
12<sup>th</sup> March 2010

**PricewaterhouseCoopers**  
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## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**to the members of White Energy Company Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of White Energy Company Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the White Energy Company Limited Group (the consolidated entity). The consolidated entity comprises both White Energy Company Limited (the company) and the entities it controlled during that period.

#### ***Directors' Responsibility for the Half-Year Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of White Energy Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of White Energy Company Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Brett Entwistle  
Partner

12<sup>th</sup> March 2010  
Sydney

## Attachment 2

### List of ASX announcements made by White Energy since its 2009 Annual Report

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<b>Date</b>	<b>Announcement</b>
4 June 2010	Appendix 3B
4 June 2010	S&P announce June SP/ASX Index Rebalance
27 May 2010	ASX conference Singapore - Presentation
20 May 2010	Appendix 3B
4 May 2010	Morgan Stanley conference presentation
30 April 2010	Appendix 5B - Quarterly Activities and Cashflow Report
30 April 2010	Appendix 3B
19 April 2010	Additional information – Takeover of SAC
19 April 2010	Takeover of SAC / cash injection / directors
19 April 2010	Trading halt request
19 April 2010	Trading halt
1 April 2010	Appendix 3B

<b>Date</b>	<b>Announcement</b>
19 March 2010	Change in Substantial Holding
17 March 2010	Change in Substantial Holding
16 March 2010	Change in Substantial Holding
12 March 2010	Half-year accounts
12 March 2010	Heads of agreement entered with Guodian Inner Mongolian Energy
8 March 2010	White Energy to enter ASX Top 300
5 March 2010	Appendix 3B
5 March 2010	S&P announces March S&P/ASX index rebalance
5 March 2010	Change in Substantial Holding
17 February 2010	Change in Substantial Holding
17 February 2010	Becoming a Substantial Holder
17 February 2010	Changes to board composition
17 February 2010	Initial Director's Interest Notice
17 February 2010	Final Director's Interest Notice
12 February 2010	Change of Director's Interest Notice



<b>Date</b>	<b>Announcement</b>
8 February 2010	Change of Director's Interest Notice
29 January 2010	Appendix 5B - Quarterly Activities and Cashflow Report
29 December 2009	Change in Substantial Holding
29 December 2009	Change in Substantial Holding
22 December 2009	Change of Director's Interest Notice × 4
22 December 2009	Change in Substantial Holding × 2
22 December 2009	Section 708A Certificate
22 December 2009	Appendix 3B
18 December 2009	Results of Meeting
18 December 2009	Chairman's address to Shareholders
15 December 2009	Appendix 3B
3 December 2009	Change of Director's Interest Notice
1 December 2009	Share Purchase Plan Details
27 November 2009	Appendix 3B
23 November 2009	Results of Meeting

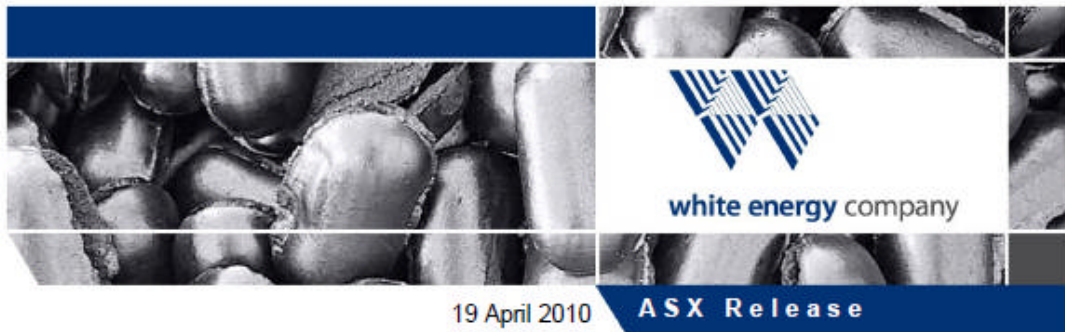
<b>Date</b>	<b>Announcement</b>
23 November 2009	AGM Broadcast Details
23 November 2009	Managing Director's address to Shareholders
23 November 2009	Chairman's address to Shareholders
23 November 2009	Notice of Initial Substantial Holder
19 November 2009	Cancellation of Scheme Meetings to consider ASSAC
18 November 2009	Notice of General Meeting / Proxy Form
18 November 2009	Appendix 3B
18 November 2009	Section 708A Certificate
13 November 2009	Release of Restricted Securities
11 November 2009	Reinstatement to official quotation
11 November 2009	Completion of \$100 million Capital Raising
11 November 2009	Change in Substantial Holding
10 November 2009	Suspension from Official Quotation
6 November 2009	Trading halt
30 October 2009	Appendix 5B - Quarterly Activities and Cashflow Report

<b>Date</b>	<b>Announcement</b>
28 October 2009	Business Update for Investor Presentations
22 October 2009	Annual Report to Shareholders

## Attachment 3

ASX announcement made by White Energy in relation to the  
Offer

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The Manager  
Company Announcements Office  
Australian Stock Exchange

**TAKEOVER OF SOUTH AUSTRALIAN COAL LIMITED; EX-FELIX RESOURCES DIRECTORS TO JOIN WHITE ENERGY BOARD; INJECTION OF \$100 TO \$140 MILLION IN ADDITIONAL CASH; STRONG PLATFORM FOR PARTICIPATION IN FUTURE COAL SECTOR OPPORTUNITIES**

**Highlights:**

- White Energy Company Limited ("White Energy") to acquire 100% of unlisted South Australian Coal Limited ("SACL") through a takeover bid. Ex-Felix Resources Limited ("Felix Resources") Board and management own a majority of SACL.
- Ex-Felix Resources Chairman, Travers Duncan, to become Chairman of White Energy.
- Brian Flannery, the Managing Director of Felix Resources, to assume the role of Chief Executive Officer of White Energy and join the Board as an executive director from August 2010.
- Former Felix Resources Board members Hans Mende and John Kinghorn to join the Board of White Energy in non-executive roles.
- Current Chairman John McGuigan, current Managing Director John Atkinson and current director Graham Cubbin to continue as non-executive directors of White Energy.
- SACL owns a large sub bituminous coal resource at Lake Phillipson, EL3386 in South Australia. SACL's coal resource is proximate to the Adelaide - Darwin rail line and has access to under-utilised ports at Darwin, Adelaide and Whyalla. White Energy's proprietary BCB technology upgrades sub-bituminous coal into export quality upgraded coal.
- White Energy's mainly scrip offer (with a limited cash alternative) is for an upfront consideration valued at \$39.3 million for 100% of SACL which will result in SACL shareholders receiving up to 15.7 million White Energy shares (based on a price of \$2.50 per White Energy ordinary share). In addition, SACL shareholders could receive up to a further 17.0 million White Energy ordinary shares (based on a \$2.80 and \$3.10 price per White Energy ordinary share) subject to future positive coal exploration results increasing the coal resources from 515 million tonnes to 1,515 million tonnes.



- Interests associated with Travers Duncan, Brian Flannery and John Kinghorn have agreed to further invest in White Energy through a \$75 million share placement at \$2.50 per share. In addition, Hans Mende has stated his intention to invest \$19.3m in White Energy through an associated investment vehicle by way of the SACL subscription offer. The SACL subscription offer, which forms part of the bid for SACL and will be offered to all SACL shareholders, has the potential to raise an additional \$50.6 million.
- The Board views these transactions and appointments as a major step forward in the ongoing development of White Energy. As a result of the addition of the experienced ex Felix Resources Directors to the White Energy Board and the acquisition of SACL:
  - White Energy will immediately become a mid-tier coal company with cash reserves between \$200 million to \$250 million, a large sub-bituminous coal resource and a unique coal upgrading technology;
  - White Energy will be run by a highly regarded management team with an industry wide reputation for delivery and execution of major coal projects; and
  - White Energy will be ideally positioned to participate in industry consolidation in Australia and internationally and to take advantage of acquisition opportunities.

19 April 2010 - White Energy (ASX:WEC; OTCQX:WECFY) today announced it has reached agreement with SACL to make an offer to acquire 100% of SACL through an off-market takeover bid, for an upfront consideration valued at \$39.3 million which will result in SACL shareholders receiving up to 15.7 million White Energy ordinary shares (based on a price of \$2.50 per White Energy ordinary share). In addition, SACL shareholders could receive up to a further 17.0 million White Energy ordinary shares (based on a \$2.80 and \$3.10 price per White Energy ordinary share) subject to future positive coal exploration results at EL3386 increasing the coal resource from 515 million tonnes to 1,515 million tonnes.

SACL is owned by ex-Felix Resources shareholders, and was separated from Felix upon the successful takeover by Yanzhou Coal Mining Company Limited in 2009. SACL's principal asset is a large sub bituminous coal deposit at Lake Phillipson in South Australia.

As part of the transaction, the Chief Executive Officer of Felix Resources, Brian Flannery, has agreed to assume the role of Chief Executive Officer of White Energy and will join the Board as an executive director commencing August 2010. Travers Duncan, ex-Chairman of Felix Resources, and current non executive director of White Energy will become Chairman of White Energy. Ex-Felix Resources Board members John Kinghorn and Hans Mende will join the White Energy Board in non-executive director roles. John Atkinson (current CEO) and John McGuigan (current Chairman), who have been integral in building the Company from concept to an ASX 300 company, will continue as non-executive directors of the Company and will also play an ongoing role with business development and relationship initiatives in key markets.

Chairman of White Energy, John McGuigan, said, "This is a game-changing deal for White Energy and its shareholders. Bringing the two companies together increases the size, scope and diversity of White Energy's operations and provides greater access to the execution skills required for White Energy to realize its significant potential in a growing global coal market.



"White Energy's opportunity is demonstrated by the ex-Felix Resources management and Board agreeing to join the company and invest their own capital into building a substantial coal company."

CEO of White Energy, John Atkinson, said; "Bringing in house the combined coal industry expertise and project execution skills of the ex-Felix Resources management and Board significantly enhances White Energy's ability to deliver on the platform it has built and expedite the roll-out of our coal upgrading technology across the globe."

"In one step White Energy becomes a coal company run by a world class management team, owning a large resource, with a proprietary upgrading technology and having the cash to not only grow its existing business, but to create additional value through the acquisition of strategic coal assets."

#### White Energy's Offer to SACL Shareholders

White Energy has agreed with SACL to make an off-market bid to acquire all of the shares of SACL (the "Offer").

If 100% of SACL shareholders accept the scrip alternative under the Offer, they will in aggregate receive:

- (i) 15.7 million White Energy ordinary shares with a total value of \$39.3m based on the \$2.50 White Energy share price which places a base value of \$0.1996 on each SACL share; and
- (ii) In the event that additional coal resources of between 0 and 500 million tonnes are proven at EL3386 (i.e. up to 1,015 million tonnes of coal resources in total) SACL shareholders will also be entitled to receive between 0 and a maximum of an additional 8.9 million White Energy ordinary shares on a sliding scale, at an agreed price of \$2.80 per White Energy share; and
- (iii) In the event that additional coal resources of between 501 million tonnes and up to 1,000 million tonnes are proven at EL3386 (i.e. 1,515 million tonnes of coal resources in total) SACL shareholders will be further entitled to receive between 0 and a maximum of an additional 8.1 million White Energy ordinary shares on a sliding scale, at an agreed price of \$3.10 per White Energy share; and
- (iv) an opportunity to take up rights to subscribe for fully paid White Energy ordinary shares at a subscription price of \$2.50 per White Energy ordinary share under the "Subscription Offer" (representing subscription rights to 0.2034 White Energy ordinary shares per SACL share).

If 100% of SACL shareholders accept the scrip offer, they will initially be issued with 15.7 million performance shares as consideration which will convert to the 15.7 million ordinary shares referred to in paragraph (i) above. The performance shares will also include the entitlements which may result in the issue of the additional shares referred to in paragraphs (ii) and (iii) above. Subject to additional coal resources being proved, additional shares will be issued in 2 tranches expected to be issued in early 2011 and 2012 (unless issue is deferred in certain circumstances). If the ASX agrees to quote the performance shares as a separate class of White Energy shares, the conversion of the performance shares into ordinary shares is expected to occur once the 2nd tranche of additional shares has been issued. If the ASX does not agree to quote them, the performance shares will convert on the first business day of January 2011. This early conversion will not affect the entitlements to additional shares referred to in paragraphs (ii) and (iii) above.



The number of additional White Energy ordinary shares referred to in paragraphs (ii) and (iii) above will be determined by no later than the last business day of December 2011. Further information about the White Energy performance shares and the subscription rights will be provided in White Energy's bidder's statement.

The independent directors of SACL have unanimously recommended that SACL shareholders accept the Offer by White Energy in the absence of a superior proposal.

The Offer is subject to a number of conditions including a 90% minimum acceptance condition. Refer to Annexure 1 for a description of the conditions. White Energy and SACL have entered into a bid implementation agreement which includes terms customary to such a transaction. Refer to Annexure 2 for a summary of the bid implementation agreement.

White Energy will offer a cash alternative to SACL shareholders on the following principal terms:

- SACL shareholders may elect to accept cash consideration of \$0.19962 per SACL share in respect of some or all of their holding.
- The cash alternative will be limited in aggregate to \$10 million. Acceptances in excess of \$10 million will be scaled-back on a pro rata basis.

#### SACL and White Energy – Complementary Businesses

SACL owns a large deposit of sub-bituminous coal (Exploration Licence 3386 and associated retention leases), which contains the Lake Phillipson Coal Deposit with a JORC inferred, indicated and measured sub-bituminous coal resource of 515 million tonnes. EL 3386 has been subjected to significant exploration work over a number of years. Information derived from earlier exploration work provides a strong indication that the total coal inventory is in excess of 4 billion tonnes.

SACL is an unlisted company that was separated from Felix Resources upon the successful takeover of Felix Resources by Yanzhou Coal Mining Company Limited in 2009. The exploration license EL 3386 is due to expire on 8 August 2010. SACL has received written confirmation from the relevant government authorities that an extension of the licence will be forthcoming subject to a final assessment of the relevant application once lodged by SACL.

SACL is located very close to an existing under-utilised railway that could transport upgraded product to ports at Port Augusta, Adelaide or Darwin for export. The fact that White Energy's BCB technology upgrades sub-bituminous coal provides not only a potential revaluation of the reserves located at EL 3386 and obvious synergies for current White Energy and SACL shareholders but also provides the opportunity to upgrade the high in situ moisture coal for export or domestic consumption.

Further, there is likely to be domestic demand for SACL's sub-bituminous coal. The size of the SACL resource also provides coal gasification and coal to liquids opportunities. Finally, EL 3386 is within the Gawler Craton a major mineral province in South Australia which is host to the Olympic Dam iron-oxide-gold-uranium deposit as well as the Prominent





Hill site. Independent analysis has confirmed that there is exploration potential for these other minerals in the tenement area.

The acquisition of SACL brings with it access to project management expertise which will assist White Energy in executing the various projects it has undertaken globally. These projects include:

- White Energy's joint venture with Bayan Resources to build a 15 million tonnes per annum coal upgrading operation in Indonesia;
- White Energy's agreement with Buckskin Mining Inc. to build an 8 million tonnes per annum coal upgrading operation in the Powder River Basin in the USA;
- White Energy's joint development arrangement with Peabody Energy Inc. to build a 20 million tonnes per annum coal upgrading operation in the Powder River Basin in the USA; and
- White Energy's joint venture with Black River (an associated company of the Cargill Group) to build and operate coal upgrading plants throughout the African continent.

#### Capital Raising

Interests associated with Travers Duncan, Brian Flannery and John Kinghorn have agreed to invest in White Energy through a \$75m Placement at \$2.50 per share, subject to White Energy shareholders approving Travers Duncan's participation in the Placement.

Under the Subscription Offer, SACL shareholders will be offered rights to subscribe for White Energy ordinary shares at the same price as those provided to Messrs Duncan, Flannery and Kinghorn in the Placement. Messrs Duncan and Flannery, who are also shareholders of SACL, have agreed that they will not take up and exercise the subscription rights offered to them under the Subscription Offer as they will participate in the Placement.

Hans Mende has stated his intention to accept the Subscription Offer through AMCI Capital LP in respect of the whole of AMCI Capital LP's 19.14% stake in SACL, investing \$19.3m in White Energy.

If the other SACL shareholders take up and exercise all of their subscription rights an additional \$50.6 million could be raised by White Energy under the Subscription Offer.

The capital raised will be used to develop the coal mining opportunity and associated potential upgrading operation at SACL's Lake Phillipson deposit; further review and progress coal gasification and coal to liquids opportunities at the Lake Phillipson deposit; facilitate White Energy's participation in coal industry consolidation in Australia and take advantage of acquisition opportunities in other key coal markets; fund White Energy's obligations associated with the roll out of coal upgrading plants in various markets around the world in accordance with White Energy's business plan; and otherwise for general working capital purposes.



#### Strong Platform for Participation in Future Opportunities in Coal Sector

The combination of White Energy's upgrading technology, SACL's coal resource, the highly regarded management team and expected cash reserves in excess of \$200 million provides an outstanding platform for the future development of White Energy in key coal markets. In particular, the coal sector is characterised by significant consolidation activity, and White Energy will be well positioned to participate in such activity.

#### Common Shareholdings and Directorship

Travers Duncan is a director and substantial shareholder of SACL and White Energy. Subject to the requirements of the ASX Listing Rules and Australian law, White Energy may submit various resolutions to a vote of its shareholders in order to give effect to the Offer and Placement.

#### Transaction Timing

It is intended that White Energy's bidder's statement will be dispatched to SACL shareholders in early June 2010.

#### Advisers

Arthur Phillip are acting as White Energy's corporate and financial adviser, Deloitte as Independent Expert and tax adviser and Freehills as legal adviser. Wilson HTM are acting as SACL's corporate and financial advisers and Allens Arthur Robinson as its legal adviser.

#### For Further Information Call:

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This press release contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In some cases, you may identify forward-looking statements by words such as "may," "should," "plan," "intend," "potential," "continue," "believe," "expect," "predict," "anticipate" and "estimate," the negative of these words or other comparable words. These statements are only predictions. One should not place undue reliance on these forward-looking statements. The forward-looking statements are qualified by their terms and/or important factors, many of which are outside the Company's control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made. The forward-looking statements are based on the Company's beliefs, assumptions and expectations of our future performance, taking into account information currently available to the Company. These beliefs, assumptions and



expectations can change as a result of many possible events or factors, not all of which are known to the Company. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of these statements. The Company will update the information in this press release only to the extent required under applicable securities laws. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in the forementioned forward-looking statements.



ANNEXURE 1  
CONDITIONS OF THE OFFER

(a) **Minimum acceptance condition**

At the end of the Offer Period, White Energy has a relevant interest in at least 90% of the SACL Shares.

(b) **No section 652C prescribed occurrences**

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) SACL converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) SACL or a subsidiary of SACL resolving to reduce its share capital in any way;
- (3) SACL or a subsidiary of SACL entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) SACL or a subsidiary of SACL making an issue of SACL Shares or granting an option over the SACL Shares or agreeing to make such an issue or grant such an option;
- (5) SACL or a subsidiary of SACL issuing, or agreeing to issue, convertible notes;
- (6) SACL or a subsidiary of SACL disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) SACL or a subsidiary of SACL charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) SACL or a subsidiary of SACL resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of SACL or of a subsidiary of SACL;
- (10) the making of an order by a court for the winding up of SACL or of a subsidiary of SACL;
- (11) an administrator of SACL or of a subsidiary of SACL being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) SACL or a subsidiary of SACL executing a deed of company arrangement; or
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of SACL or of a subsidiary of SACL.



(c) **No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no inquiry, action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by White Energy or any associate of White Energy),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the bidder's statement (including full, lawful, timely and effectual implementation of the intentions set out in the bidder's statement) or which requires the divestiture by White Energy of any SACL Shares or any material assets of any member of the SACL group or any member of the White Energy group.

(d) **Other regulatory approvals**

Before the end of the Offer Period, all approvals or consents that are required by law, or by any Public Authority, as are necessary:

- (1) to permit the Offer to be lawfully made to and accepted by SACL Shareholders;
- (2) as a result of the Offer or White Energy's acquisition of SACL Shares;
- (3) for SACL and each other member of the SACL group to continue to carry on its business; or
- (4) to permit the transactions contemplated by the bidder's statement to be completed (including full, lawful and effectual implementation of the intentions set out in the bidder's statement),

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

(e) **No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), SACL does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

(f) **Acquisitions, disposals and expenditures**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither SACL nor any of its subsidiaries, without the prior written consent of White Energy:

- (1) acquires, offers to acquire, agrees to acquire or announces a bid or tenders for, one or more companies, businesses or assets (or any legal, beneficial or economic interest or right



in one or more companies, business or assets) or makes an announcement in relation to such an acquisition, offer, agreement, bid or tender excluding the acquisition of services in the ordinary course of business;

- (2) disposes of, offers to dispose of, or agrees to dispose of one or more companies, businesses or assets (or any legal, beneficial or economic interest or right in one or more companies, business or assets including any legal, beneficial or economic interest or right in or in connection with any mining tenement) or makes any announcement in relation to such a disposition, offer or agreement;
- (3) enters into, or offers to enter into, any agreement, joint venture, partnership, farm-in agreement, management agreement, arrangement or commitment which would require expenditure, or the foregoing of revenue, by any member of the SACL group of an amount or value which, in aggregate, exceeds \$0.1 million or which involves any legal, beneficial or economic interest or right in or in connection with any mining tenement of any member of the SACL group or makes an announcement in relation to such an entry, offer or agreement;
- (4) enters into, or offers to enter into, a transaction that has the same economic effect as any of the things in paragraphs (1), (2) or (3) above; or

resolves to do any of the things in paragraphs (1), (2), (3) or (4) above.

(g) **Conduct of SACL's business**

Between the Announcement Date and the end of the Offer Period (each inclusive, neither SACL nor any of its subsidiaries, without the prior written consent of White Energy:

- (1) makes any changes to its constitution or passes any special resolution;
- (2) borrows or agrees to borrow any money;
- (3) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so, other than in the ordinary course of business;
- (4) appoints any additional director to its board of directors, whether to fill a casual vacancy or otherwise;
- (5) except as required by law, does any of the following:
  - enters or agrees to enter into any contract of service, or varies or agrees to vary any existing contract of service with any director or executive officer;
  - makes or agrees to make any substantial change in the basis or amount of remuneration of any director, executive officer or other employee; or
  - except as provided under any superannuation, provident or retirement scheme or contract in effect on the Announcement Date, pays or agrees to pay any retirement benefit or allowance to any director, executive officer or other employee;
- (6) conducts its business otherwise than in the ordinary course;



- (7) enters into, amends, or offers to enter into or amend any contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act) of SACL;
- (8) releases, discharges or modifies any substantial obligation of it to any related party (as defined in section 228 of the Corporations Act) of SACL or agrees to do so;
- (9) has threatened or threatened against it any material claims or material proceedings in any court or tribunal, including a petition for winding up or an application for appointment of a receiver or receiver and manager); or
- (10) becomes subject to investigation under the Australian Securities and Investments Commission Act or any corresponding legislation

**(h) No persons entitled to exercise or exercising rights under certain agreements or instruments**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which SACL or any subsidiary of SACL is a party, or by or to which SACL or any subsidiary of SACL or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of SACL Group taken as a whole, in:

- (1) any moneys borrowed by SACL or any subsidiary of SACL being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of SACL or any subsidiary of SACL in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified;
- (4) the assets of SACL or any subsidiary of SACL being sold transferred or offered for sale or transfer, or the assets or shares in companies, joint ventures or other entities in which SACL or a subsidiary of SACL owns or has an interest being put to SACL or a subsidiary of SACL, including under any pre-emptive rights or similar provisions; or
- (5) the business of SACL or any subsidiary of SACL with any other person being adversely affected.

**(i) No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), any matter, event or circumstance which occurs, is announced or becomes known to White Energy (individually or when aggregated with all such matters, events or circumstances) has resulted in or is likely to result in:



- (1) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the SACL group taken as a whole; or
- (2) without limiting the generality of paragraph (1) above, the effect of diminishing the value of the consolidated net assets of the SACL group by an amount of \$1 million or more, against what they would reasonably have been expected to have been but for the matters, events or circumstances,

but does not include:

- (3) any matter, event or circumstance arising from changes in economic or business conditions (including changes in coal prices or currency exchange rates) which impacts on SACL and its competitors in a similar manner;
- (4) any change in taxation rates or the law relating to taxation, interest rates or general economic conditions which impacts on SACL and its competitors in a similar manner; or
- (5) any change in accounting policy required by law which impacts on SACL and its competitors in a similar manner.

**(j) White Energy Shareholder Approval**

Before the end of the Offer Period, White Energy's shareholders pass all Required Resolutions at one or more shareholder meetings.

**(k) Cash balance and aggregate liabilities**

At all times between the Announcement Date and the end of the Offer Period (each inclusive), SACL has:

- (1) a minimum cash balance equal to \$9.5 million less:
  - the amount of any expenses reasonably incurred between the Announcement Date and the end of the Offer Period (each inclusive) in conducting mineral exploration activities on the land to which the Exploration Licence and Retention Leases relate or otherwise in the conduct of SACL operations; and
  - the amount of any expenses reasonably incurred by SACL after 12 April 2010 in relation to this agreement, any application to any Public Authority in connection with the Takeover Bid or the Takeover Bid;

and

- (2) aggregate liabilities on a consolidated basis of less than \$0.5 million.





#### DEFINITIONS

**Announcement Date** means 19 April 2010.

**Bid Implementation Agreement** means the bid implementation agreement between SACL and White Energy dated 18 April 2010.

**Exploration Licence** means the exploration licence EL 3386, issued by the Minister for Mineral Resources Development of South Australia, due to expire on 8 August 2010.

**Offer** means the offer for SACL Shares which will be contained in the bidder's statement.

**Offer Period** means the period during which the Offer remains open for acceptance.

**Public Authority** means any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world and any stock exchange.

**Required Resolutions** means such resolutions of White Energy's shareholders as are required, whether under the Corporations Act, the ASX Listing Rules or otherwise, for White Energy to implement the takeover bid by White Energy and Offer, including resolutions required under ASX Listing Rule 10.1.

**Retention Leases** means the retention leases RL 100 and RL 104 issued by the Minister for Mineral Resources Development of South Australia, due to expire on 2 October 2011 and 26 February 2013 respectively.

**SACL Share** means an ordinary share in SACL, including shares on issue as at the end of the Offer Period.



**ANNEXURE 2  
SUMMARY BID IMPLEMENTATION AGREEMENT FOR THE SACL OFFER**

White Energy and SACL have entered into an implementation agreement which provides the framework for proposing and implementing the Offer. A summary of the key provisions is set out below.

**Exclusivity arrangements**

The agreement contains exclusivity obligations which apply to SACL until the earlier of the end of the offer period for the Offer.

During the exclusivity period SACL must ensure that neither it nor its representatives:

- a) directly or indirectly solicit or encourage the submission of any enquiries, negotiations or discussions which might lead to obtaining any expression of interest, offer or proposal from any other person for a third party proposal;
- b) directly or indirectly enter into or participate in any discussions or negotiations with any person regarding a third party proposal;
- c) grant any other person any right to conduct due diligence in respect of it or any of its related entities;
- d) enter to any arrangement which may lead to a third party proposal; or
- e) endorse or propose to endorse any third party proposal.

SACL has also agreed that it will notify White Energy of any approach, inquiry or proposal or any attempt to initiate discussions regarding any third party proposal.

The exclusivity obligations (except the No Shop Provision) do not restrain SACL to the extent that failure to engage in the relevant conduct would, in the opinion of the SACL Board, after receiving legal advice, constitute a breach of the SACL directors' fiduciary or statutory duties.

**Conduct of business**

SACL agrees to carry on its business in the usual and ordinary course to the end of the offer period and consult with and inform White Energy regarding certain material business decisions.

**Promotion of Offer**

SACL has certain standard obligations to promote the Offer, such as including statements in all public statements to the effect that SACL's independent directors recommend that SACL shareholders accept the Offer subject to no superior proposal.



#### Warranties

Each party warrants to the other:

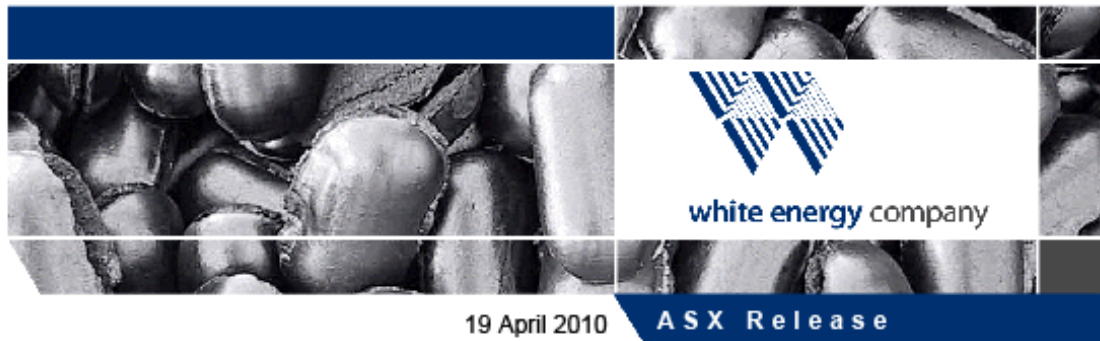
- a) that it is not aware of any circumstances that would result in any of the conditions to the Offer being triggered;
- b) the accuracy of information provided to the other party in connection with the bid;
- c) material compliance with applicable laws.

SACL also warrants to White Energy its capital structure, the status of its interests in mining tenements and that its representatives have not been involved in any negotiations concerning competing proposals.

#### Termination

Either party may immediately terminate the agreement if:

- a) the other party is in material breach of the agreement and the breach is not remedied within 10 business days;
- b) White Energy lawfully withdraws the takeover bid or the takeover bid lapses for any reason.



The Manager  
Company Announcements Office  
Australian Stock Exchange

## ADDITIONAL INFORMATION

The ASX has requested additional information regarding the Company's takeover bid announcement made today regarding South Australian Coal Limited. Accordingly we advise as follows:

### 1. Details of JORC coal resources referred to in the Takeover Bid Announcement

EL 3386 – JORC coal resources:

Sub-basin	Inferred Mt	Indicated Mt	Measured Mt	Total Mt
Main	192.2	20.7	14.7	277.6
West	162.4	124.9	0.0	287.3
Total	354.6	145.6	14.7	514.9

### 2. Details of the 4 Billion tonne plus coal inventory referred to in the Takeover Bid Announcement

EL 3386 is a low rank sub-bituminous coal deposit with an approximate moisture content of 35%, approximate ash content of 11% and approximate calorific value of 3,850 kcal/kg. During July 2009 a report on EL 3386 was prepared by Gemcom Software Australia Pty Ltd for South Australian Coal Limited. This report indicates that the total potential coal quantity is in the range of 515 million tonnes to 4,100 million tonnes. The potential quality and grade of EL 3386 is conceptual in nature and, apart from the coal referred to in 1. above, there has been insufficient exploration to define a Mineral Resource and that it is uncertain that further exploration will result in the determination of a Mineral Resource.

### 3. Competent Person Statement

The information in this announcement and the Takeover Bid Announcement made earlier today in connection with the potential acquisition of South Australian Coal Limited by White Energy, which relates to Exploration Results, Mineral Resources or Ore Reserves at EL 3386 is based on information compiled by Jonathan Barber, who is a member of the Australasian Institute of Mining and Metallurgy. Jonathan Barber is employed as a consultant to South Australian Coal Limited. Jonathan Barber has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Jonathan Barber consents to the inclusion in both this announcement and the Takeover Bid Announcement of the matters based on his information in the form and context in which it appears in both.



#### 4. Performance Shares

The terms of the Performance Shares are subject to ASX approval.

**For Further Information Call:**

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## Attachment 4

### White Energy 2010 Performance Share terms of issue

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#### 1 Glossary

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Terms used in these terms of issue are defined in the glossary at the end of these terms of issue.

#### 2 General

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##### 2.1 Issue

Each 2010 Performance Share will be issued by the company fully paid as part of the consideration for the acquisition of shares in South Australian Coal Limited (ACN 000 865 869) (**SAC**) pursuant to a takeover bid by the company or a wholly-owned subsidiary of the company for all of the ordinary shares in SAC (the **Bid**).

##### 2.2 Rights attaching to 2010 Performance Shares

Save as set out in these terms of issue, each 2010 Performance Share confers on its holder:

- (a) no right to attend or vote (either on a show of hands or on a poll) at any general meeting of the company;
- (b) no right to receive dividends;
- (c) a right to repayment of \$0.0001 (ranking equally in priority with ordinary shares), but otherwise no right to participate in surplus assets and profits, on a winding up;
- (d) subject to rule 5.22.2(c), no right to repayment of capital; and
- (e) no right to receive notices of meetings, accounts or reports of the company.

##### 2.3 Transfer

- (a) Subject to rule 5.22.3(b) and except as required by law, 2010 Performance Shares are non-transferable.
- (b) If any 2010 Performance Shares are issued to a nominee for foreign holders of SAC ordinary shares who have accepted the Bid, the nominee may transfer such 2010

Performance Shares as contemplated by section 619(3) of the Corporations Act, and otherwise in accordance with, and subject to, the company's constitution.

## 2.4 Variation of rights

- (a) The rights, powers and privileges attaching to 2010 Performance Shares can only be varied or cancelled as permitted by the company's constitution and the Corporations Act.
- (b) The rights, powers and privileges attaching to 2010 Performance Shares will not be taken to be varied or abrogated by:
  - (1) the issue of any preference or other shares, or the conversion of any securities into any preference or other shares, which rank equally or in priority to Performance Shares;
  - (2) any variation or cancellation of the rights, powers or privileges attaching to shares in other classes, or other classes of shares;
  - (3) any redemption, repurchase or cancellation of shares, or any class of shares;
  - (4) any consolidation or split of any shares, or class of shares, including any 2010 Performance Shares;
  - (5) any exercise of any right or discretion by the company in relation to 2010 Performance Shares as permitted or contemplated by these terms of issue; or
  - (6) any variation of the terms of any options to subscribe for shares, or other securities convertible into shares.

## 2.5 Terms of issue prevail

- (a) To the extent that these terms of issue are inconsistent with the general provisions of the company's constitution, these terms of issue prevail.
- (b) The rights, powers, remedies, discretions and privileges conferred on holders of 2010 Performance Shares are subject to the Corporations Act.

# 3 Consolidation and conversion

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## 3.1 Consolidation

If the Coal Resources as at the First Assessment Date exceed 515 million tonnes, subject to rules 3.2 and 3.3, on the First Conversion Date each 2010 Performance Share consolidates into the following number of 2010 Performance Shares:

$$NS_{2010} = 0.001047059 \times (PR1_{2010} - 515) + 0.0009529412 \times (PR2_{2010} - 1015)^*$$

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\* '0.001047059' is based on an ordinary share price of \$2.80 per share, and '0.0009529412' is based on an ordinary share price of \$3.10 per share.

Where:

**NS<sub>2010</sub>** is the number of 2010 Performance Shares into which each 2010 Performance Share is consolidated

**PR1<sub>2010</sub>** is the lower of 1,015 and the Coal Resources as at the First Assessment Date in millions of tonnes

**PR2<sub>2010</sub>** is the lower of 1,515 and the Coal Resources as at the First Assessment Date in millions of tonnes; however, if the Coal Resources as at the First Assessment Date do not exceed 1,015 million tonnes, **PR2<sub>2010</sub>** is 1,015.

For the avoidance of doubt, it is intended that the minimum number that each of (**PR1<sub>2010</sub> – 515**) and (**PR2<sub>2010</sub> – 1015**) can result in is 0 such that if, for any reason, (**PR1<sub>2010</sub> – 515**) or (**PR2<sub>2010</sub> – 1015**) might otherwise result in a negative number, it shall be taken to result in 0.

### **3.2 Maximum share entitlement**

Despite anything else in this rule 3, 2010 Performance Shares cannot be subdivided, such that at no stage will one 2010 Performance Share convert into more than one 2010 Performance Share.

### **3.3 Minimum share entitlement**

- (a) If consolidation would result in a holder's aggregate holding being less than one 2010 Performance Share, the holder's entire holding will be consolidated into 1 share.
- (b) For the avoidance of doubt, if the Coal Resources as at the First Assessment Date do not exceed 515 million tonnes, each holder's entire holding of 2010 Performance Shares will be consolidated into 1 share. This is so whether or not that amount is in fact subsequently exceeded.

### **3.4 Fractional entitlements**

Subject to rule 3.3(a), if consolidation would result in a holder's aggregate holding including a fraction of a 2010 Performance Share, that fraction is rounded up or down to the nearest whole share (with fractional entitlements equal to or greater than 0.5 being rounded up).

### **3.5 Conversion**

- (a) Immediately after consolidation under rule 5.23.1, each 2010 Performance Share will convert into one fully-paid ordinary share in the capital of the company.
- (b) Each of the ordinary shares into which 2010 Performance Shares convert under rule 5.23.5(a):
  - (1) is of the same class, and ranks equally with, other fully-paid ordinary shares; and
  - (2) only carries an entitlement to receive dividends with a record date after the date on which the 2010 Performance Share converted.



- (c) If at the time of conversion ordinary shares are quoted for trading on any securities exchange, then subject to the listing rules of the relevant securities exchange the company must apply for quotation of all ordinary shares resulting from conversion of 2010 Performance Shares promptly after conversion.
- (d) Despite anything else in these terms of issue, if the company becomes aware that conversion of a holder's 2010 Performance Shares into ordinary shares may contravene, or cause a contravention by any person, of section 606 of the Corporations Act:
  - (1) the holder's 2010 Performance Shares do not automatically convert into ordinary shares;
  - (2) on the date on which 2010 Performance Shares would otherwise convert into ordinary shares under this rule 3.5, the company will convert such number of the holder's 2010 Performance Shares into ordinary shares as the company determines (acting reasonably) that it can convert without contravening, or causing a contravention of, section 606 of the Corporations Act; and
  - (3) if the company subsequently becomes aware that conversion of any or all of the remaining 2010 Performance Shares into ordinary shares will no longer contravene, or cause a contravention by any person, of section 606 of the Corporations Act, promptly after becoming so aware, the company will convert such of the remaining 2010 Performance Shares into ordinary shares as it may do so without contravening, or causing a contravention of, section 606 of the Corporations Act.
- (e) The conversion of, and the associated variation of rights attaching to, a 2010 Performance Share does not constitute redemption, cancellation or buy-back of a 2010 Performance Share or an issue, allotment or creation of a new share.

### **3.6 Assessment of Coal Resources**

The company must use reasonable endeavours to ensure that an appropriately qualified consultant (who is a 'Competent Person' for the purposes of the JORC Code) is engaged to assess and report as to the amount of the coal resources (comprising resources which are 'Inferred Mineral Resources', 'Indicated Mineral Resources' and 'Measured Mineral Resources' within the meaning of the JORC Code) in tonnes which are the subject of the Exploration Licence or Retention Leases:

- (a) at least once before the First Conversion Date; and
- (b) in any event so that a report is prepared reporting those resources as at the First Assessment Date.

### **3.7 Deferral of assessment and conversion dates**

If, for a particular period after 8 August 2010, SAC is not lawfully entitled to access a portion of the land covered by the Exploration Licence and Retention Leases at least equal in area to the portion which SAC was lawfully entitled to access under the Deed of Access, the First Assessment Date and First Conversion Date will be deferred for an equal period, except that:

- (a) the First Assessment Date will not be deferred beyond 8 August 2012; and

- (b) the First Conversion Date will not be deferred beyond 8 November 2012 or, if that day is not a Business Day, the last Business Day before that day.

## 4 Adjustment of entitlements in certain circumstances

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### 4.1 Bonus issues

If there is a bonus issue of ordinary shares to holders of ordinary shares, the company will conduct a bonus issue of 2010 Performance Shares so that, for each 2010 Performance Share held, a holder of 2010 Performance Share receives a number of bonus 2010 Performance Shares that is proportionate to the number of ordinary shares a holder of ordinary shares receives for each ordinary share held.

### 4.2 Reorganisation

If the company implements a reorganisation of its capital, from the record date of the relevant reorganisation (or the date of the reorganisation if there is no record date):

- (a) in a consolidation of capital — the number of 2010 Performance Shares will be consolidated in the same ratio as the ordinary capital;
- (b) in a subdivision of capital — the number of 2010 Performance Shares will be subdivided in the same ratio as the ordinary capital;
- (c) in any other case — the company will take all reasonable steps so that the number of 2010 Performance Shares is adjusted as the directors reasonably consider appropriate or necessary in the circumstances having regard to the effect of the reorganisation on its ordinary shares.

### 4.3 General

- (a) The company may vary these terms and change holders' rights and liabilities, to the extent necessary to comply with the Listing Rules applying to reorganisations of capital at the time of the reorganisation.
- (b) Subject to the Listing Rules, the company and a holder may by agreement vary the terms applicable to any consolidation or conversion of 2010 Performance Shares.

## 5 Interpretation

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### 5.1 General

- (a) In these terms of issue:
  - (1) a reference to a rule is a reference to a rule in these terms of issue;

- (2) a reference to time is to Sydney time;
  - (3) a reference to any notice, approval, consent or agreement is a reference to a notice, approval, consent or agreement in writing unless otherwise expressly stated; and
  - (4) use of the expressions 'include' and 'in particular' does not limit the generality of the preceding words, or exclude anything not expressly included or particularised, unless these terms expressly provide otherwise.
- (b) If an event under these terms of issue must occur on a stipulated day which is not a Business Day, the stipulated day for the event will be taken to be the next Business Day.
- (c) If the JORC Code ceases to be in force or is superseded as the principal reporting standard in respect of the reporting of mineral resources, references in these terms to the JORC Code or to terms defined in it are to be taken to be references to the standard and/or terms which in the opinion of the directors of the company are most appropriate in the circumstances having regard to the original intended operation of these terms of issue.

## **5.2 Calculations**

The directors of the company may make any calculations or adjustments that are required in relation to the 2010 Performance Shares attached to them (including as to the number of shares into which a 2010 Performance Shares is consolidated and any adjustments required under rule 4). In the absence of manifest error such calculations or adjustments are conclusive and binding on all holders of 2010 Performance Shares.

## 2010 Performance Share terms glossary

Term	Meaning
<b>2010 Performance Share</b>	a share issued on these terms of issue
<b>ASX</b>	ASX Limited ACN 008 624 691.
<b>Bid</b>	has the meaning given in rule 5.22.1.
<b>Business Day</b>	a day banks are open for business in Sydney, other than a Saturday, Sunday or public holiday.
<b>Coal Resources</b>	<p>as at any given date the aggregate amount of:</p> <ul style="list-style-type: none"> <li>• coal resources which are 'Inferred Mineral Resources';</li> <li>• coal resources which are 'Indicated Mineral Resources'; and</li> <li>• coal resources which are 'Measured Mineral Resources',</li> </ul> <p>(in each case within the meaning of the JORC Code) which are the subject of the Exploration Licence or Retention Leases, as reported for that date in the relevant report commissioned by the company under rule 3.6.</p>
<b>company</b>	White Energy Company Limited ACN 071 527 083.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Deed of Access</b>	the Deed of Access (Exploration) between The Commonwealth of Australia and SAC dated 29 June 2008.
<b>Exploration Licence</b>	exploration licence EL 3386, issued by the Minister for Mineral Resources Development of South Australia, due to expire on 8 August 2010, any renewal or extension of that exploration licence or any subsequent exploration licence to that exploration licence.
<b>First Assessment Date</b>	31 December 2010, subject to any deferral pursuant to rule 3.7.
<b>First Conversion Date</b>	the last Business Day in March 2011, subject to any deferral pursuant to rule 3.7.

<b>Term</b>	<b>Meaning</b>
<b>JORC Code</b>	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as amended, supplemented or replaced from time to time.
<b>Listing Rules</b>	the listing rules of ASX from time to time.
<b>ordinary shares</b>	ordinary shares in the capital of the company.
<b>Retention Leases</b>	the retention leases RL 100 and RL 104 issued by the Minister for Mineral Resources Development of South Australia, due to expire on 2 October 2011 and 26 February 2013 respectively, any renewal or extension of those retention leases or any subsequent retention leases to those retention leases.
<b>SAC</b>	has the meaning given in rule 5.22.1.

## White Energy 2011 Performance Share terms of issue

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### 1 Glossary

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Terms used in these terms of issue are defined in the glossary at the end of these terms of issue.

### 2 General

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#### 2.1 Issue

Each 2011 Performance Share will be issued by the company fully paid as part of the consideration for the acquisition of shares in South Australian Coal Limited (ACN 000 865 869) (**SAC**) pursuant to a takeover bid by the company or a wholly-owned subsidiary of the company for all of the ordinary shares in SAC (the **Bid**).

#### 2.2 Rights attaching to 2011 Performance Shares

Save as set out in these terms of issue, each 2011 Performance Share confers on its holder:

- (a) no right to attend or vote (either on a show of hands or on a poll) at any general meeting of the company;
- (b) no right to receive dividends;
- (c) a right to repayment of \$0.0001 (ranking equally in priority with ordinary shares), but otherwise no right to participate in surplus assets and profits, on a winding up;
- (d) subject to rule 2.2(b), no right to repayment of capital; and
- (e) no right to receive notices of meetings, accounts or reports of the company.

#### 2.3 Transfer

- (a) Subject to rule 2.3(b)5.22.3(b) and except as required by law, 2011 Performance Shares are non-transferable.
- (b) If any 2011 Performance Shares are issued to a nominee for foreign holders of SAC ordinary shares who have accepted the Bid, the nominee may transfer such 2011 Performance Shares as contemplated by section 619(3) of the Corporations Act, and otherwise in accordance with, and subject to, the company's constitution.

## 2.4 Variation of rights

- (a) The rights, powers and privileges attaching to 2011 Performance Shares can only be varied or cancelled as permitted by the company's constitution and the Corporations Act.
- (b) The rights, powers and privileges attaching to 2011 Performance Shares will not be taken to be varied or abrogated by:
  - (1) the issue of any preference or other shares, or the conversion of any securities into any preference or other shares, which rank equally or in priority to Performance Shares;
  - (2) any variation or cancellation of the rights, powers or privileges attaching to shares in other classes, or other classes of shares;
  - (3) any redemption, repurchase or cancellation of shares, or any class of shares;
  - (4) any consolidation or split of any shares, or class of shares, including any 2011 Performance Shares;
  - (5) any exercise of any right or discretion by the company in relation to 2011 Performance Shares as permitted or contemplated by these terms of issue; or
  - (6) any variation of the terms of any options to subscribe for shares, or other securities convertible into shares.

## 2.5 Terms of issue prevail

- (a) To the extent that these terms of issue are inconsistent with the general provisions of the company's constitution, these terms of issue prevail.
- (b) The rights, powers, remedies, discretions and privileges conferred on holders of 2011 Performance Shares are subject to the Corporations Act.

# 3 Consolidation and conversion

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## 3.1 Consolidation

If the Coal Resources as at the Second Assessment Date exceed the higher of 515 million tonnes and the Coal Resources as at the First Assessment Date, subject to rules 3.2 and 3.3, on the Second Conversion Date each 2011 Performance Share consolidates into the following number of 2011 Performance Shares:

$$NS_{2011} = 0.001047059 \times (PR1_{2011} - HPR1_{2010}) + 0.0009529412 \times (PR2_{2011} - HPR2_{2010})^*$$

Where:

**NS<sub>2011</sub>** is the number of 2011 Performance Shares into which each 2011 Performance Share is consolidated

**PR<sub>2011</sub>** is the lower of 1,015 and the Coal Resources as at the Second Assessment Date in millions of tonnes

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\* '0.001047059' is based on an ordinary share price of \$2.80 per share, and '0.0009529412' is based on an ordinary share price of \$3.10 per share.

**HPR1<sub>2010</sub>** is the higher of 515 and the Coal Resources as at the First Assessment Date in millions of tonnes; however, if the Coal Resources as at the First Assessment Date exceed 1,015 million tonnes, **HPR1<sub>2010</sub>** is 1,015

**PR2<sub>2011</sub>** is the lower of 1,515 and the Coal Resources as at the Second Assessment Date in millions of tonnes; however, if the Coal Resources as at the Second Assessment Date do not exceed 1,015 million tonnes, **PR2<sub>2011</sub>** is 1,015

**HPR2<sub>2010</sub>** is the higher of 1,015 and the Coal Resources as at the First Assessment Date in millions of tonnes; however, if the Coal Resources as at the First Assessment Date exceed 1,515 million tonnes, **HPR2<sub>2010</sub>** is 1,515

For the avoidance of doubt, it is intended that the minimum number that each of (**PR1<sub>2011</sub> – HPR1<sub>2010</sub>**) and (**PR2<sub>2011</sub> – HPR2<sub>2010</sub>**) can result in is 0 such that if, for any reason, (**PR1<sub>2011</sub> – HPR1<sub>2010</sub>**) or (**PR2<sub>2011</sub> – HPR2<sub>2010</sub>**) might otherwise result in a negative number, it shall be taken to result in 0.

### **3.2 Maximum share entitlement**

Despite anything else in this rule 3:

- (a) but subject to rule 3.3(a), the number of 2011 Performance Shares into which each 2011 Performance Share is consolidated under rule 3.1, when added to the number of 2010 Performance Shares into which each 2010 Performance Share is consolidated under rule 3.1 of the terms of issue for the 2010 Performance Shares, will not exceed 1; and
- (b) 2011 Performance Shares cannot subdivided, such that at no stage will one 2011 Performance Share convert into more than one 2011 Performance Shares.

### **3.3 Minimum share entitlement**

- (a) If consolidation would result in a holder's aggregate holding being less than one 2011 Performance Share, the holder's entire holding will be consolidated into 1 share.
- (b) For the avoidance of doubt, if the Coal Resources as at the Second Assessment Date do not exceed the greater of 515 million tonnes and the Coal Resources as at the First Assessment Date, each holder's entire holding of 2011 Performance Shares will be consolidated into 1 share. This is so whether or not that amount is in fact subsequently exceeded.

### **3.4 Fractional entitlements**

Subject to rule 3.3(a), if consolidation would result in a holder's aggregate holding including a fraction of a 2011 Performance Share, that fraction is rounded up or down to the nearest whole share (with fractional entitlements equal to or greater than 0.5 being rounded up).

### **3.5 Conversion**

- (a) Immediately after consolidation under rule 3.1, each 2011 Performance Share will convert into one fully-paid ordinary share in the capital of the company.
- (b) Each of the ordinary shares into which 2011 Performance Shares convert under rule 3.5(a):
  - (1) is of the same class, and ranks equally with, other fully-paid ordinary shares; and



- (2) only carries an entitlement to receive dividends with a record date after the date on which the 2011 Performance Share converted.
- (c) If at the time of conversion ordinary shares are quoted for trading on any securities exchange, then subject to the listing rules of the relevant securities exchange the company must apply for quotation of all ordinary shares resulting from conversion of 2011 Performance Shares promptly after conversion.
- (d) Despite anything else in these terms of issue, if the company becomes aware that conversion of a holder's 2011 Performance Shares into ordinary shares may contravene, or cause a contravention by any person, of section 606 of the Corporations Act:
  - (1) the holder's 2011 Performance Shares do not automatically convert into ordinary shares;
  - (2) on the date on which 2011 Performance Shares would otherwise convert into ordinary shares under this rule 3.5, the company will convert such number of the holder's 2011 Performance Shares into ordinary shares as the company determines (acting reasonably) that it can convert without contravening, or causing a contravention of, section 606 of the Corporations Act;
  - (3) the remaining 2011 Performance Shares will not be subject to any further consolidation pursuant to rule 5; and
  - (4) if the company subsequently becomes aware that conversion of any or all of the remaining 2011 Performance Shares into ordinary shares will no longer contravene, or cause a contravention by any person, of section 606 of the Corporations Act, promptly after becoming so aware, the company will convert such of the remaining 2011 Performance Shares into ordinary shares as it may do so without contravening, or causing a contravention of, section 606 of the Corporations Act.
- (e) The conversion of, and the associated variation of rights attaching to, a 2011 Performance Share does not constitute redemption, cancellation or buy-back of a 2011 Performance Share or an issue, allotment or creation of a new share.

### **3.6 Assessment of Coal Resources**

The company must use reasonable endeavours to ensure that an appropriately qualified consultant (who is a 'Competent Person' for the purposes of the JORC Code) is engaged to assess and report as to the amount of the coal resources (comprising resources which are 'Inferred Mineral Resources', 'Indicated Mineral Resources' and 'Measured Mineral Resources' within the meaning of the JORC Code) in tonnes which are the subject of the Exploration Licence or Retention Leases:

- (a) at least once between the First Conversion Date and the Second Conversion Date; and
- (b) in any event so that a report is prepared reporting those resources as at the Second Assessment Date.

However, if the Coal Resources as at the First Assessment Date were 1,515 million tonnes or more, the company does not have to engage a consultant to assess and report as to the amount of coal resources as contemplated by this rule 3.6, and the Coal Resources as the Second Date will be taken to be 1,515 million tonnes for purposes of the application of this rule 3.

### **3.7 Deferral of assessment and conversion dates**

If, for a particular period after 8 August 2010, SAC is not lawfully entitled to access a portion of the land covered by the Exploration Licence and Retention Leases at least

equal in area to the portion which SAC was lawfully entitled to access under the Deed of Access, the Second Assessment Date and Second Conversion Date will be deferred for an equal period, except that:

- (a) the Second Assessment Date will not be deferred beyond 8 August 2013; and
- (b) the Second Conversion Date will not be deferred beyond 8 November 2013 or, if that day is not a Business Day, the last Business Day before that day.

## 4 Adjustment of entitlements in certain circumstances

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### 4.1 Bonus issues

If there is a bonus issue of ordinary shares to holders of ordinary shares, the company will conduct a bonus issue of 2011 Performance Shares so that, for each 2011 Performance Share held, a holder of 2011 Performance Share receives a number of bonus 2011 Performance Shares that is proportionate to the number of ordinary shares a holder of ordinary shares receives for each ordinary share held.

### 4.2 Reorganisation

If the company implements a reorganisation of its capital, from the record date of the relevant reorganisation (or the date of the reorganisation if there is no record date):

- (a) in a consolidation of capital — the number of 2011 Performance Shares will be consolidated in the same ratio as the ordinary capital;
- (b) in a subdivision of capital — the number of 2011 Performance Shares will be subdivided in the same ratio as the ordinary capital;
- (c) in any other case — the company will take all reasonable steps so that the number of 2011 Performance Shares is adjusted as the directors reasonably consider appropriate or necessary in the circumstances having regard to the effect of the reorganisation on its ordinary shares.

### 4.3 General

- (a) The company may vary these terms and change holders' rights and liabilities, to the extent necessary to comply with the Listing Rules applying to reorganisations of capital at the time of the reorganisation.
- (b) Subject to the Listing Rules, the company and a holder may by agreement vary the terms applicable to any consolidation or conversion of 2011 Performance Shares.

## 5 Acceleration

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### 5.1 Acceleration on a change of control

- (a) Subject to rule 5.1(b), if either of the following occurs before the Second Conversion Date:

- (1) at any time any person makes a takeover bid in respect of all of the company's ordinary shares under Chapter 6 of the Corporations Act and each of the following is satisfied:
  - acceptances of that bid are received from the holders of at least 50% of the ordinary shares; and
  - the relevant bid becomes unconditional; or
- (2) at any time a scheme of arrangement in respect of the company's ordinary shares is approved under Part 5.1 of the Corporations Act as a result of the implementation of which a person who did not previously have control (within the meaning of section 50AA of the Corporations Act) of the company will acquire control of the company,

each 2011 Performance Share will (subject to rule 3.5(d)) be consolidated into the number of 2011 Performance Shares that it would have been consolidated into under rule 3.1 had Coal Resources as at the Second Assessment Date been assessed at 1,515 million tonnes, and each resulting 2011 Performance Share will convert into one ordinary share in accordance with rule 3.5 on such date as the company determines so that to the extent reasonably possible the resulting ordinary shares are able to participate in the bid or scheme.

- (b) If by the date for consolidation and conversion under rule 5.1(a), a report commissioned by the company under rule 3.6 has already stated that the Coal Resources as at the Second Assessment Date do not exceed the higher of 515 million tonnes and the Coal Resources as at the First Assessment Date, each holder's entire holding of 2011 Performance Shares will be consolidated into one 2011 Performance Share in accordance with rule 3.3, and each resulting 2011 Performance Share will convert into one ordinary share in accordance with rule 3.5 on such date as the company determines so that to the extent reasonably possible the resulting ordinary shares are able to participate in the bid or scheme.

## **5.2 Acceleration where exploration activities not conducted**

If, between the date 2011 Performance Shares are first issued and the Second Assessment Date, the company has not used all reasonable commercial endeavours to conduct mineral exploration activities on the land to which the Exploration Licence and Retention Leases relate, and to incur such expenses as are reasonably required in conducting such activities, with a view to proving Coal Resources of 1,515 million tonnes by the Second Assessment Date (other than for reasons outside the company's reasonable control, and subject to the company not being required to incur expenses exceeding \$10 million in conducting such activities), on the Second Conversion Date each 2011 Performance Share will (subject to rule 3.5(d)) be consolidated into the number of 2011 Performance Shares that it would have been consolidated into under rule 3.1 had Coal Resources as at the Second Assessment Date been assessed at 1,515 million tonnes, and each resulting 2011 Performance Share will convert into one ordinary share in accordance with rule 3.5.

## **6 Interpretation**

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### **6.1 General**

- (a) In these terms of issue:
  - (1) a reference to a rule is a reference to a rule in these terms of issue;

- (2) a reference to time is to Sydney time;
  - (3) a reference to any notice, approval, consent or agreement is a reference to a notice, approval, consent or agreement in writing unless otherwise expressly stated; and
  - (4) use of the expressions 'include' and 'in particular' does not limit the generality of the preceding words, or exclude anything not expressly included or particularised, unless these terms expressly provide otherwise.
- (b) If an event under these terms of issue must occur on a stipulated day which is not a Business Day, the stipulated day for the event will be taken to be the next Business Day.
- (c) If the JORC Code ceases to be in force or is superseded as the principal reporting standard in respect of the reporting of mineral resources, references in these terms to the JORC Code or to terms defined in it are to be taken to be references to the standard and/or terms which in the opinion of the directors of the company are most appropriate in the circumstances having regard to the original intended operation of these terms of issue.

## **6.2 Calculations**

The directors of the company may make any calculations or adjustments that are required in relation to the 2011 Performance Shares attached to them (including as to the number of shares into which a 2011 Performance Shares is consolidated and any adjustments required under rule 4). In the absence of manifest error such calculations or adjustments are conclusive and binding on all holders of 2011 Performance Shares.

# 2011 Performance Share terms glossary

<b>Term</b>	<b>Meaning</b>
<b>2010 Performance Share</b>	a share issued on the terms of issue for 2010 Performance Shares as attached to the bidder's statement for the Bid.
<b>2011 Performance Share</b>	a share issued on these terms of issue
<b>ASX</b>	ASX Limited ACN 008 624 691.
<b>Bid</b>	has the meaning given in rule 2.1.
<b>Business Day</b>	a day banks are open for business in Sydney, other than a Saturday, Sunday or public holiday.
<b>Coal Resources</b>	as at any given date the aggregate amount of: <ul style="list-style-type: none"><li>• coal resources which are 'Inferred Mineral Resources;</li><li>• coal resources which are 'Indicated Mineral Resources; and</li><li>• coal resources which are 'Measured Mineral Resources',</li></ul> (in each case within the meaning of the JORC Code) which are the subject of the Exploration Licence or Retention Leases, as reported for that date in the relevant report commissioned by the company under rule 3.6.
<b>company</b>	White Energy Company Limited ACN 071 527 083.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Deed of Access</b>	the Deed of Access (Exploration) between The Commonwealth of Australia and SAC dated 29 June 2008.
<b>Exploration Licence</b>	exploration licence EL 3386, issued by the Minister for Mineral Resources Development of South Australia, due to expire on 8 August 2010, any renewal or extension of that exploration licence or any subsequent exploration licence to that exploration licence.
<b>First Assessment Date</b>	31 December 2010, subject to any deferral pursuant to rule 3.7 of the terms of issue for the 2010 Performance Shares.

<b>Term</b>	<b>Meaning</b>
<b>First Conversion Date</b>	the last Business Day in March 2011, subject to any deferral pursuant to rule 3.7 of the terms of issue for the 2010 Performance Shares.
<b>JORC Code</b>	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as amended, supplemented or replaced from time to time.
<b>Listing Rules</b>	the listing rules of ASX from time to time.
<b>ordinary shares</b>	ordinary shares in the capital of the company.
<b>Retention Leases</b>	the retention leases RL 100 and RL 104 issued by the Minister for Mineral Resources Development of South Australia, due to expire on 2 October 2011 and 26 February 2013 respectively, any renewal or extension of those retention leases or any subsequent retention leases to those retention leases.
<b>SAC</b>	has the meaning given in rule 2.1.
<b>Second Assessment Date</b>	31 December 2011, subject to any deferral pursuant to rule 3.7.
<b>Second Conversion Date</b>	the last Business Day in March 2012, subject to any deferral pursuant to rule 3.7.