



white energy company

ASX Release

The Manager  
Company Announcements Office  
Australian Stock Exchange

## WHITE ENERGY SIGNS OPTION TO ACQUIRE TWO SIGNIFICANT COAL DEPOSITS IN NEW SOUTH WALES

### Highlights:

- Cascade Coal Pty Limited ("Cascade") has offered White Energy Company Limited ("White Energy") the exclusive right to acquire 100% of Cascade for \$486 million plus assumed liabilities of \$14 million. Cascade and White Energy have entered into a free 28 day option and exclusivity agreement to give White Energy time to fully evaluate the opportunity.
- In the event White Energy acquires Cascade, the consideration of \$486 million to be paid to the vendors will include no more than \$41 million payable in cash, with the balance in White Energy ordinary shares. White Energy will fund all cash components out of existing cash reserves and has no intention of raising capital (either equity or debt) to fund any aspect of this transaction.
- Cascade owns two coal development properties in New South Wales - a 173.7 million tonne thermal coal resource calculated in accordance with the JORC code at Mt Penny (EL7406) in the Western Coalfields which enjoys shallow cover suitable for open cut development; and a semi soft coking coal development area at Glendon Brook (EL7405) in the Hunter Valley.
- Mt Penny is anticipated to commence production in 2013 having recently received conceptual development plan approval for the project. Cascade has secured all necessary land and water rights required to develop Mt Penny's first open-cut pit and infrastructure and is confident it can access sufficient port capacity to enable it to sell its annual estimated saleable production from its first pit of approximately 3.5 to 4.0 million tonnes.
- Mt Penny has distinct infrastructure advantages with the Sandy Hollow-Ulan railway passing directly through its northern boundary. The rail allows for direct access to the Port of Newcastle and secondary rail access to Port Kembla.
- White Energy's position as an emerging mid tier coal company with its coal upgrading technology, its South Australia coal resource, its highly regarded management team and strong balance sheet, will be further strengthened by the acquisition of Cascade's two New South Wales development assets in the event the transaction proceeds.



30 November 2010

ASX Release

**30 November 2010 - White Energy (ASX:WEC; OTCQX:WECFY)** today announced that it has signed a free 28 day option and exclusivity agreement to acquire the entire issued share capital of Cascade. Cascade owns the highly regarded EL7406, which is known as the Mt Penny Coal Project, located in the Western Coalfields of New South Wales. Mt Penny is 60km northeast of Mudgee and 180km west of the Port of Newcastle. Cascade also owns EL7405, which is known as the Glendon Brook Coal Project, located 12km east of Singleton in the New South Wales Hunter Valley Coalfield.

In the event the transaction proceeds, total consideration to be paid for Cascade will be \$486 million, with a maximum of \$41 million payable in cash and the balance in White Energy ordinary shares. The White Energy ordinary shares will be issued at the lower of \$3.85 or the 15 trading day VWAP to the day prior to completion. White Energy will fund the cash component of the consideration, plus cash required to discharge Cascade's liabilities of \$14 million (being up to \$55 million in total) and transaction costs out of current cash reserves and has no intention of raising capital (either equity or debt) to fund any aspect of this transaction.

Chairman of White Energy, Travers Duncan, said; "Cascade has two promising coal assets. In particular, Mt Penny is a very exciting development property given its coal quality and unique infrastructure advantages. Because of the close involvement of a number of Cascade shareholders with White Energy, Cascade decided to offer White Energy the opportunity of owning and developing Cascades assets. The option arrangement provides White Energy with the first opportunity to acquire Cascade, but without any obligation on White Energy. In the event that the independent Directors of White Energy decide against proceeding with the acquisition then the Cascade owners will be free to develop the assets independently."

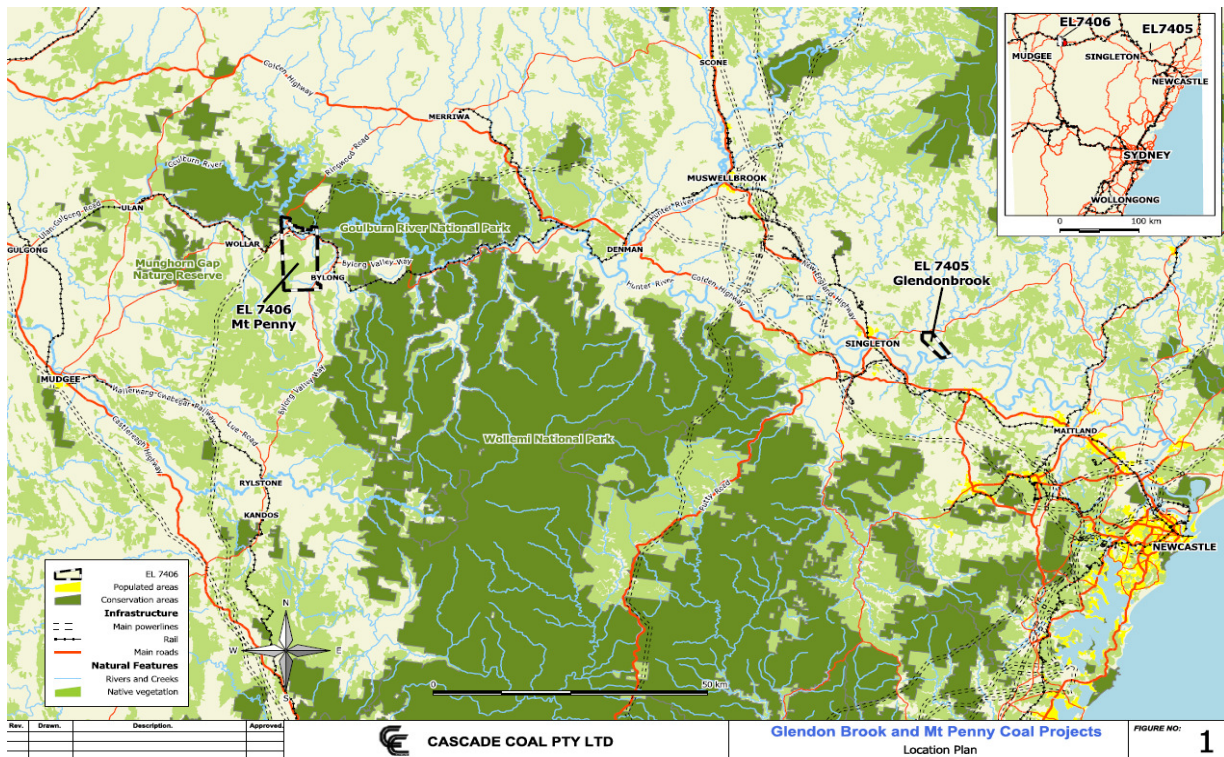
Graham Cubbin, Chair of the Independent Board Committee reviewing the proposed transaction on behalf of the Company, said; "The Independent Board Committee is pleased to have been granted a free 28 day option to consider acquiring Cascade. Both Mt Penny and Glendon Brook appear to be very attractive assets for White Energy. Obtaining an option and exclusivity for 28 days provides adequate time for the Independent Board Committee to undertake appropriate due diligence and agree definitive terms for the purchase of Cascade before reaching a conclusion as to whether the acquisition, on the terms available to White Energy, would be in the best interests of White Energy's non-associated Shareholders. To assist in this evaluation the Independent Board Committee has engaged Citi as its financial advisor, whilst Freehills have been engaged as the legal advisor on this matter. Should White Energy enter into definitive agreements for the purchase of Cascade prior to the expiry of the option and exclusivity period, White Energy will engage an independent expert to provide a report to assist non-associated Shareholders of the Company in voting on any applicable resolutions related to the acquisition."





### Cascade Coal Assets<sup>1</sup>

- Cascade owns EL7406 (known as “Mt Penny” or “The Mt Penny Coal Project”) which is located in the Western Coalfield of NSW 60km northeast of the town of Mudgee and 180km west of the Port of Newcastle.
- Cascade also owns EL7405 (known as “Glendon Brook” or “The Glendon Brook Coal Project”) which is located 12km east of Singleton in the NSW Hunter Valley Coalfield.



### Mt Penny and Glendon Brook’s location

#### Mt Penny

- Cascade’s exploration to date has confirmed the presence of a coal resource, calculated in accordance with the JORC code, comprising of:
  - 95.3 Million tonnes (“Mt”) of Measured Resources;
  - 22.3 Mt of Indicated Resources; and
  - 56.1 Mt of Inferred Resources.

<sup>1</sup> The description of Cascade’s Coal Assets (including the status of Cascade’s operations, land and water rights, approvals, strategy and intentions) in this press release is based on information that Cascade has provided to White Energy. During the 28 day option period, White Energy intends to review and confirm that information as part of its due diligence enquiries. In relation to the description of Coal Resources at EL7406 and EL7405, see also the Competent Person’s report at the end of this announcement.

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30 November 2010

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- Within Mt Penny the preserved coal measure sequence is typically between 40 and 180m thick. The coal seams identified in the sequence are in ascending order known as the Coggan Seam, Ulan Lower and Upper Coal and the Goulbourn River Seams. Cumulative coal thickness is in the order of 7–9m.
- The coal resources are capable of producing thermal and steam raising coals for export and domestic utility power generation. The coal which has high volatile content has the potential to enhance the combustion performance of blends with medium and low volatile thermal coals.
- The coal will require washing to achieve a product ash suitable for export. To improve washery performances and yield, parting material within the Ulan Coal Piles will be stripped and discarded as water during the mining operation. Run of Mine (“ROM”) coal from the Ulan Lower piles will be washed, and blended with lower ash coal recovered from the Upper piles, underlying Coggan seam and where preserved the Goulbourn River seam.
- Maximum recovery of the resource would be achieved by targeting a product in the order of between 17-20% ash. At this ash content yields generally better than 70%. This coal is suitable for Korea, China and Indian coal markets.
- Cascade intends to implement a processing strategy that will wash approximately 70% of the ROM coal. Washing the Mt Penny coal will allow Cascade to produce a lower ash, higher energy content thermal coal.
- To date 580 raw ply samples have been tested, producing the following results:
  - High Volatile Bituminous Coal;
  - Low Moisture generally less than 3% (Air Dry Basis);
  - High Volatile 35-37% (Dry Ash Free);
  - Fuel ratio between 1.6 and 1.7;
  - Low Sulphur generally less than 0.5%;
  - GCV 34.5Mj/kg (Dry Ash Free);
  - Ash Fusion Temperature ranges from 1,350 -1,550 degrees (reducing);
  - Low slagging Index -1,530 degrees; and
  - Low fouling Index- .02.
- The measured and indicated resources are preserved under relatively shallow cover and are suitable for open-cut development (“Open-cut 1”) in the central eastern part of the license area. Open-cut 1 is planned to produce 5 Million tonnes per annum (“Mtpa”) ROM coal which would result in a saleable capacity of between 3.5-4.0 Mtpa for 21 years, in accordance with the Conceptual Project Development Plan approved by the NSW

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30 November 2010

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Department of Industry and Investment. Cascade anticipates developing three additional open-cut areas and one underground operation at Mt Penny

- The existing Sandy Hollow–Ulan railway line is ideally situated and passes directly through Mt Penny close to the northern boundary. This provides primary rail access to the Port of Newcastle and secondary rail access to Port Kembla. Cascade has identified Port Waratah Coal Services Terminal as the likely port from which to export the coal.
- Cascade has already secured the rights to acquire the land and water rights necessary for the development of Open-cut 1.
- Cascade is progressing through the Government approval process required to be granted a Mining Lease for Mt Penny. To date Cascade has presented a Conceptual Project Development Plan to the NSW Department of Industry & Investment and has received formal support from the Department for the plan proposed.

The map on the following page sets out the location of Mt Penny relative to other coal areas and operations within the Western Coalfields.

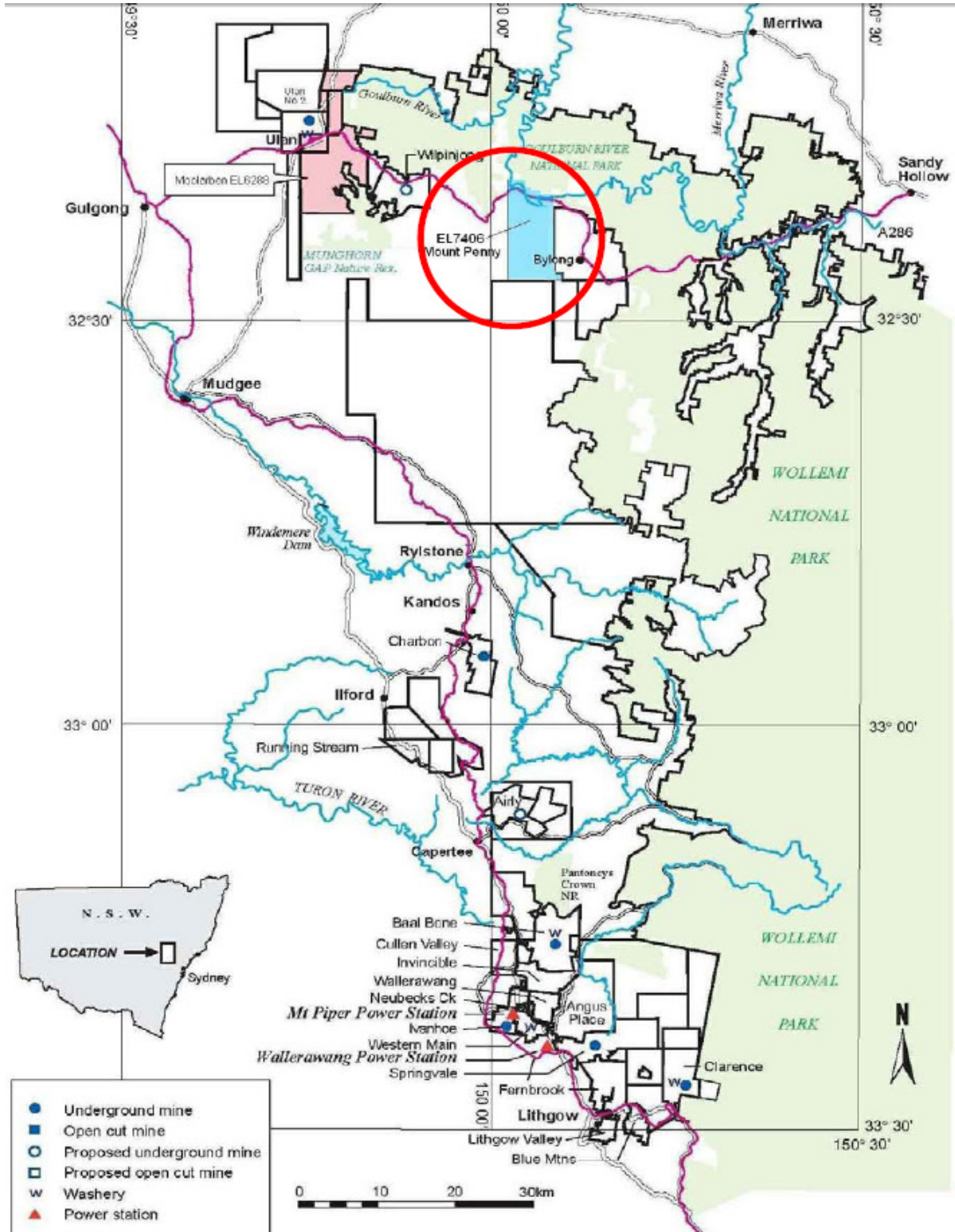




30 November 2010

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30 November 2010

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### Glendon Brook

- Cascade commenced exploration activities at Glendon Brook in September 2010, comprising a 263m deep fully cored stratigraphical hole in the central steep dipping zone of the EL. This hole was located up dip of earlier exploration holes drilled by the previous operator HWE.
- A total of 22 ply samples ranging from 0.3 to 2.1m thick were recovered from this borehole from what is believed to be the Foybrook Formation. Test-work on composite samples is in progress.
- This test hole along with the 7 bore-holes that have previously been drilled at Glendon Brook have all intersected coal at depths ranging from 11m to approximately 300m, with cumulative coal thicknesses of between 6.5m and 26m.
- Based on the exploration activity carried out by Cascade to date and previous work undertaken in respect of the area, Glendon Brook has potential to host a semi soft coking coal exploration “target” in the order of 50Mt. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

### **Common Shareholdings and Directorships**

Cascade is owned by a syndicate of investors including entities associated with current White Energy Directors as follows:

<b>White Energy Director</b>	<b>Associated Cascade Interest</b>
Travers Duncan	12.02%
John McGuigan	12.02%
John Atkinson	12.02%
John Kinghorn	12.02%
Brian Flannery	12.02%

Given that the majority of shares in Cascade are held by entities associated with the Directors and Shareholders of White Energy, the proposed transaction will be conditional on both independent Director and independent Shareholder approval. Further, due to the related party aspect of the proposed transaction certain protocols have been adopted involving the exclusion of any related party from being involved in assessment and finalisation of the proposed transaction. The independent Directors of both White Energy and Cascade will be responsible for effecting the transaction. In this regard, White Energy has established an Independent Board Committee (“IBC”) comprising of independent Directors Graham Cubbin (Chairman), Vincent O’Rourke and Hans Mende who will be responsible for the assessment and implementation of the proposed acquisition. The IBC has engaged Citi and Freehills to advise it in respect of the proposed transaction. If it is decided to proceed with the proposed transaction an independent expert will be engaged to provide a report to the independent Shareholders regarding the fairness and reasonableness of the transaction.



30 November 2010

ASX Release

### Proposed Transaction Terms if the Independent Board Committee Decide To Proceed With the Cascade Acquisition

White Energy’s wholly-owned subsidiary, White Energy Mining Pty Limited, has been given a free 28 day option and exclusivity period granting White Energy the right to acquire Cascade based on a valuation of Cascade’s equity of \$486 million (plus liabilities of \$14 million).

Each Cascade shareholder will be entitled to elect to receive their consideration solely in White Energy fully paid ordinary shares or, alternatively elect to accept up to 20% of the consideration in cash – subject to an overall cap on cash consideration of \$41 million – with the remainder of the consideration to be provided in White Energy fully paid ordinary shares (“WEC Shares”). White Energy will also fund Cascade so it can discharge its liabilities of \$14 million at about the time it completes the acquisition (bringing the total cash White Energy requires to up to \$55 million, excluding transaction costs).

As a consequence the acquisition will involve:

- payment of up to \$55m in cash (including \$14m to Cascade to meet assumed liabilities); and
- issue of \$445m in WEC Shares.

The number of WEC Shares to be issued will be calculated based on the lower of \$3.85 per WEC Share and the 15 trading day VWAP to the day prior to settlement of the transaction.

During the option and exclusivity period, White Energy, under the direction of the Independent Board Committee, will conduct appropriate due diligence and negotiate definitive terms for the purchase of Cascade. Cascade’s shareholders have agreed to deal with White Energy exclusively during that period and not initiate any sale to a third party.

Should the option be exercised and definitive agreements be executed, the purchase will be conditional on, among other matters, approval by non-associated Shareholders of the Company at an EGM, and any applicable regulatory and other third party approvals. Further details of the conditions will be provided once definitive agreements are finalised.

### Transaction Timing

An indicative timetable for completion of the transaction is as follows:

Execute Option & Exclusivity Agreement and announce to market	30 November 2010
Complete review of information and assessment	20 December 2010
Finalise terms of Sale and Purchase Agreement	24 December 2010
Meeting of Independent Board Committee to decide whether or not to approve the proposed transaction	24 December 2010
EGM to approve the transaction	March 2011
Completion of Cascade acquisition	March 2011



30 November 2010

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#### Forward Looking Statements

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 aforementioned forward-looking statements.

#### Competent Persons Statement

The information in this announcement concerning the proposed acquisition of Cascade Coal Pty Limited by White Energy, which relates to Coal Resources at EL7406 and EL7405 is based on information compiled by Mr Michael Johnstone, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Johnstone is the principal consultant of Minerva Geological Services PL.

Mr Michael Johnstone has 32 years of relevant mining and geological experience in coal. During this time he has either managed exploration programs or contributed significantly to mining studies related to the estimation and assessment of coal resources, and in the development of coal mining operations in Australia, India, Pakistan, Philippines and Vietnam. He was the project Geologist responsible for implementing the Ulan Stage 2 exploration program, and Exploration Manager for the Ashton and recently commissioned Moolarben Development. He has sufficient experience which is relevant to the style of coal occurrence and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Mineral Resources and Ore Reserves". Pursuant to the requirements of ASX Listing Rule 5.6, Mr Johnstone consents to the inclusion in the announcement of the matters based on their information in the form and context, which it appears.

Michael Johnstone - November 2010  
Member AIMM  
Principal Consultant  
Minerva Geological Services Pty Ltd