

**YOUR INDEPENDENT DIRECTORS  
UNANIMOUSLY RECOMMEND THAT  
YOU**

**Accept**

**THE BHUSHAN OFFER**

**in the absence of a superior proposal**

## **TARGET'S STATEMENT**

In response to an unconditional on-market offer by:

**Bhushan Steel (Australia) Pty Limited**

ACN 125 970 372

to acquire all of your ordinary shares in

**Bowen Energy Limited**

ACN 120 965 095

**THIS DOCUMENT CONTAINS IMPORTANT INFORMATION AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT HOW TO DEAL WITH THIS DOCUMENT YOU SHOULD CONSULT YOUR STOCKBROKER, LEGAL OR FINANCIAL ADVISER.**

**If you have any questions please do not hesitate to contact the shareholder information line on 1800 727 617 (for callers within Australia) or on +61 2 8256 3392 (for callers outside Australia) Monday to Friday between 9am and 5pm (Sydney Time).**

## Important Notices

### Nature of this document

This document is a Target's Statement issued by Bowen under Part 6.5 Division 3 of the Corporations Act in response to a Bidder's Statement issued by Bhushan and is dated 24 July 2009.

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission (**ASIC**) and was sent to the ASX on 24 July 2009. Neither ASIC, ASX nor any of their officers take any responsibility for the content of this Target's Statement.

If you are in any doubt about how to deal with this document, you should consult your stockbroker, legal, financial or other professional adviser as soon as possible.

### Shareholder information

To make a fully informed decision, you should read this Target's Statement in full. If you have any questions, please call the shareholder information line on 1800 727 617 (for callers within Australia) or on +61 2 8256 3392 (for callers outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday. Alternatively, please email [cossec@bowenenergy.com.au](mailto:cossec@bowenenergy.com.au) or visit our website at [www.bowenenergy.com.au](http://www.bowenenergy.com.au).

The Directors are committed to ensuring Shareholders are kept informed of developments. Important developments under the control of Bowen will be notified direct to Shareholders.

### Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in the Definitions in section 9.

### Forward looking statements

This Target's Statement contains forward looking statements. The forward looking statements in this Target's Statement reflect the current expectations of Bowen concerning future results and events and generally may be identified by the use of forward looking words or phrases such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimated', 'potential', or other similar words and phrases. Similarly, statements that describe Bowen's objectives, plans, goals or expectations are, or may be, forward looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause Bowen's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these statements. Deviations in future results, performance and achievements are normal and to be expected. Shareholders should review carefully all of the information, including the financial information, included in this Target's Statement. The forward looking statements included in this Target's Statement are made only as of the date of this Target's Statement. None of Bowen, any of its officers, or any person named in this Target's Statement with their consent or involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied), as to the likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

### No investment advice and no account of personal circumstances

The information in this Target's Statement does not constitute financial product advice. It is not possible for the Directors to take into account the personal circumstances of each Shareholder. Accordingly, this Target's Statement has been prepared without reference to the investment objectives, taxation position and financial situation of any particular Shareholder. The Directors recommend that Shareholders read this Target's Statement and the Bidder's Statement in full prior to making any decision relating to the Bhushan Offer. Shareholders are encouraged to consult their own professional advisers regarding investment, taxation and financial matters relevant to their particular situation.

### Privacy statement

Bowen has collected your information from the register of Shareholders. 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 Bowen's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. If you would like more details of information about you held by Bowen, please contact us.

# Letter from the Chairman

24 July 2009

Dear Shareholder

## Accept the Bhushan Offer

On 10 July 2009, Bhushan Steel (Australia) Pty Limited (**Bhushan**), a wholly owned subsidiary of Bhushan Steel Limited, announced an on-market takeover bid for all of the ordinary shares in Bowen Energy Limited (**Bowen**).

You should, as well as having received this Target's Statement, have received the Bidder's Statement from Bhushan containing an offer to acquire all the ordinary shares in Bowen for \$0.14 for each fully paid ordinary share in Bowen (**Bhushan Offer**).

Following the announcement of the Bhushan Offer, the Board of Bowen established a sub-committee to respond to the Bhushan Offer. This sub-committee consists of Bowen's Independent Directors, Neil Stuart and Mark Sheppard, together with representatives of Bowen's advisers. This Target's Statement sets out your Independent Directors' formal response to the Bhushan Offer and contains the unanimous recommendation of your Independent Directors that you accept the Bhushan Offer in the absence of a superior proposal.

The key reasons for the Independent Directors' recommendation are:

- (a) the Independent Expert considers the Bhushan Offer to be both fair and reasonable and the Offer Price is considerably higher than the range of values of Bowen Shares determined by the Independent Expert;
- (b) the Bhushan Offer is an unconditional 100 per cent cash offer;
- (c) there is a risk of being a minority shareholder; and
- (d) no superior proposal has emerged.

The reasons and rationale for accepting the Bhushan Offer, as recommended by the Independent Directors, are set out in more detail on page 7 of this Target's Statement.

Each Independent Director intends to **ACCEPT** the Bhushan Offer in respect of Bowen Shares held by them or on their behalf, in the absence of a superior proposal.

The purpose of this Target's Statement is to provide you with all the information you need to make an informed decision about whether to accept the Bhushan Offer, including the findings of the Independent Expert and details about Bhushan.

The Bidder's Statement details the bid process and describes how to accept the Bhushan Offer. Please read it and this Target's Statement carefully and ensure you understand all of their respective terms and conditions. You are encouraged to seek independent investment, financial and tax advice before making your decision.

The Bhushan Offer is open for your acceptance until the close of trading on 26 August 2009, unless extended or withdrawn.

If you have any queries about the Bhushan Offer, please call the shareholder information line on 1800 727 617 (for callers within Australia) or on +61 2 8256 3392 (for callers outside Australian) between 9.00am and 5.00pm (Sydney time) Monday to Friday. Alternatively, please email [cosec@bowenenergy.com.au](mailto:cosec@bowenenergy.com.au) or visit our website at [www.bowenenergy.com.au](http://www.bowenenergy.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil Stuart', with a large, sweeping flourish that loops back under the name.

**Neil Stuart**  
**Chairman**

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## What should you do?

- 1 You should read this Target's Statement, which contains your Independent Directors' unanimous recommendation to accept the Bhushan Offer and their reasons for this recommendation.
- 2 To accept the Bhushan Offer, you will need to follow the instructions set out in the Bidder's Statement.
  - If your Bowen shareholding is CHESS sponsored, you will need to instruct your stockbroker to sell your Bowen Shares.
  - If your holding is an Issuer Sponsored Holding, you may sell your Bowen Shares through a stockbroker of your choice, including Bhushan's broker.
  - If you are a beneficial holder whose Bowen Shares are held in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for assistance in accepting the Bhushan Offer.
- 3 If you have any questions about the Bhushan Offer, please call the shareholder information line on 1800 727 617 (for callers within Australia) or on +61 2 8256 3392 (for callers outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday. Alternatively, please email [cosec@bowenenergy.com.au](mailto:cosec@bowenenergy.com.au) or visit our website at [www.bowenenergy.com.au](http://www.bowenenergy.com.au).

## Your choices as a Bowen Shareholder

### 1. ACCEPT THE BHUSHAN OFFER

You can accept the Bhushan Offer. **Each of the Independent Directors of Bowen recommends that you accept the Bhushan Offer, in the absence of a superior proposal.**

If you accept the Offer, you will lose the ability to sell your Bowen Shares to anyone else, including: selling them on the ASX or accepting any superior proposal that might emerge.

For further information please refer to Section 4.

### 2. SELL YOUR BOWEN SHARES ON MARKET

During a takeover, shareholders in a target company can still sell their shares on the ASX for cash provided that they have not accepted the takeover offer.

If you sell your shares on-market you will lose the ability to accept the Bhushan Offer or any other proposal that may emerge and you may receive more or less for your Bowen Shares than the offer price of \$0.14 cash per Bowen Share.

For further information please refer to Section 4.

### 3. DO NOTHING

If you do not wish to accept the Bhushan Offer and do not wish to sell your Bowen Shares on market you should do nothing. However, you should note that if Bhushan acquires:

- at least 90% of the Bowen Shares, Bhushan will be entitled to compulsorily acquire the Bowen Shares that it does not already own (see section 2.10 of the Bidder's Statement for further details); or
- more than 50% and less than 90% of the Bowen Shares, shareholders who do not accept the Bhushan Offer will become minority shareholders in Bowen.

For further information please refer to Section 4.

# Why the Independent Directors recommend that you should accept the Bhushan Offer

Your Independent Directors unanimously recommend that you accept the Bhushan Offer in the absence of a superior proposal because:

- (a) the Independent Expert considers the Bhushan Offer to be both fair and reasonable and the Offer Price is considerably higher than the range of values of Bowen Shares determined by the Independent Expert;
- (b) the Bhushan Offer is an unconditional 100 per cent cash offer;
- (c) there is a risk of being a minority shareholder; and
- (d) no superior proposal has emerged.

Neeraj Singal, Brij Bhushan Singal, Nittin Johari and Anil Ahuja, Bowen's Non Independent Directors, will not be making a recommendation to Bowen Shareholders in relation to the Bhushan Offer due to their relationships with Bhushan.

The more detailed reasons for your Independent Directors' recommendation are set out below.

## **The Independent Expert considers the Bhushan Offer to be both fair and reasonable**

The Independent Expert's Report, prepared by WHK Horwath Corporate Finance Limited, has valued the Bowen Shares at between 3.53 cents and 5.51 cents per Bowen Share and concluded that the Bhushan Offer is both fair and reasonable.

The Bhushan Offer of 14 cents per Bowen Share is well above the Independent Expert's valuation range.

A complete copy of the Independent Expert's Report is included in Annexure A. The Directors encourage you to read the full report, including the reasons for the Independent Expert's conclusions.

## **The Bhushan Offer is an unconditional 100 per cent cash offer**

The Bhushan Offer is an unconditional 100 per cent cash offer. The Bhushan Offer provides immediate and certain value for your Bowen Shares with settlement occurring three trading days after your acceptance (T+3), in accordance with the usual rules for settlement of on-market transactions on ASX.

## **Risk of being a minority Shareholder**

If Bhushan does not obtain sufficient acceptances to move to compulsory acquisition, Shareholders who do not accept the Bhushan Offer will remain minority shareholders in Bowen. If only a limited number of minority Shareholders remain, it is possible that the market for your Bowen Shares may become less liquid, making it more difficult to sell your Bowen Shares in the future.

There is also the possibility, that ASX may seek to de-list Bowen on the basis that there is an inadequate spread of Bowen Shares, resulting in further reduced liquidity and marketability of your Bowen Shares.

## **No superior proposal has emerged**

At the date of this Target's Statement, no offer superior to the Bhushan Offer has been announced and your Independent Directors have no knowledge of the existence of such an offer.

Your Independent Directors believe that it is unlikely that a superior offer will be received.

You should note that the recommendation by your Independent Directors of the Bhushan Offer is subject to the absence of a superior offer for your Bowen Shares. Should such an offer arise, the Independent Directors will consider their recommendation of the Bhushan Offer and inform you accordingly.

# Frequently asked questions about the Bhushan Offer

The process governing takeovers is complex. This section of the Target's Statement is designed to help you understand some of the issues relating to the Bhushan Offer.

Question	Answer	Further Information
What is the Bhushan Offer?	Bhushan has made an on-market offer of <b>\$0.14 cash</b> for each Bowen Share.  The entity offering to acquire Bowen Shares is Bhushan Steel (Australia) Pty Limited, a wholly-owned subsidiary of Bhushan Steel Limited.	Section 2
What do your Independent Directors recommend?	The Independent Directors unanimously recommend that you <b>accept</b> the Bhushan Offer.  The reasons for this recommendation are set out in this Target's Statement.  If there is any material development in relation to the Bhushan Offer, Bowen will issue a supplementary target's statement and advise you accordingly.	Section 1.2
Who are Bhushan?	Bhushan is a wholly owned subsidiary of Bhushan Steel Limited. Bhushan Steel Limited is a steel manufacturing company based in India involved predominately in the manufacture of a variety of value-added steel products.	Refer to the Bidder's Statement
When does the Bhushan Offer close?	The Bhushan Offer will close on 26 August 2009, unless it is extended or withdrawn.	Section 2.3
When will I be paid?	If you accept the Bhushan Offer, you will be paid three trading days after your acceptance (T+3), in accordance with usual rules of settlement of on-market transactions on the ASX.	Section 2.8
What do I do to accept the Bhushan Offer?	Details of how to accept the Bhushan Offer are set out in section 1.4 of the Bidder's Statement and section 4.2 of this Target's Statement.	Section 4.2
What choices do I have as a Shareholder?	You have the following choices:  (a) If you want to accept the Bhushan Offer, you should follow the instructions in section 1.4 of the Bidder's Statement or section 4.2 of this Target's Statement.  (b) If you do not want to accept the Bhushan Offer, you need not do anything.  (c) You may sell your Bowen Shares to any other person (unless you have previously accepted the Bhushan Offer).	Section 4
What are the consequences of accepting the Bhushan Offer now?	If you accept the Bhushan Offer and Bhushan subsequently raises its Offer Price, you will not receive the higher price.	Section 2.7
When do I have to decide?	If you want to follow the recommendation of your Independent Directors and accept the Bhushan Offer, you must do so before the end of the Offer Period. Bhushan has stated that the Bhushan Offer will remain open until 26 August 2009, unless extended or withdrawn.	Section 2.3



Question	Answer	Further Information
	If you do not want to accept the Bhushan Offer, you need not do anything.	
Is the Bhushan Offer conditional?	No.	Section 2.4
What happens if I do nothing?	<p>You will remain a Shareholder unless Bhushan can compulsorily acquire your Bowen Shares.</p> <p>The Bidder's Statement indicates that at this point in time, Bhushan intends to proceed to compulsory acquisition of the remaining Bowen Shares if it acquires a relevant interest in at least 90% of Bowen Shares.</p>	Sections 4.4 and 2.10
Can I be forced to sell my Bowen Shares?	<p>You cannot be forced to sell your Bowen Shares unless Bhushan proceeds to compulsory acquisition of your Bowen Shares. Bhushan will need to acquire a relevant interest in at least 90% of Bowen Shares.</p> <p>In this event, you will be paid the same consideration as is payable by Bhushan under the Bhushan Offer, although the consideration would be paid later than if you had accepted the Bhushan Offer.</p> <p>As at 23 July 2009, Bhushan held a relevant interest in 22.23% of Bowen Shares.</p>	Section 2.10
What are the tax implications of accepting the Bhushan Offer?	You may be liable for tax. You should consult your financial or taxation adviser for individual advice.	Section 5
Can Bhushan vary the Bhushan Offer?	Yes. Bhushan can vary the Bhushan Offer by extending the Offer Period or increasing the consideration under the Bhushan Offer.	Section 2.9
If Bhushan acquires at least 50.1% but less than 90% of the Bowen Shares, will I still be able to sell my Bowen Shares?	<p>If you retain your Bowen Shares, you will still be able to sell them.</p> <p>As at 23 July 2009, Bhushan held a relevant interest in 22.23% of Bowen Shares.</p>	Section 2.11
How do I reject the Offer?	If you do not wish to accept the Offer, you do not need to do anything in respect of the documents sent to you by Bhushan.	Section 4.4
Do I have to accept the Bhushan Offer for all of my shares?	You may accept the Bhushan Offer in relation to some or all of your Bowen Shares.	Section 2.2
What is a Bidder's Statement?	The documents sent to you by Bhushan include a document called a bidder's statement which contains information about the Bhushan Offer. A supplementary bidder's statement was also provided which updates, and is to be read together with, the bidder's statement.	
What is a Target's Statement?	This document is a target's statement. It contains information prepared by your Independent Directors to help you determine whether to accept the Bhushan Offer.	

Question	Answer	Further Information
<p>What if I have other questions in relation to the Bhushan Offer?</p>	<p>If you have any questions about the Bhushan Offer, please call the shareholder information line on 1800 727 617 (for callers within Australia) or on +61 2 8256 3392 (for callers outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday. Alternatively, please email <a href="mailto:cosec@bowenenergy.com.au">cosec@bowenenergy.com.au</a>.</p> <p>Announcements made by Bowen and other information relating to the Bhushan Offer can be obtained from Bowen's website at <a href="http://www.bowenenergy.com.au">www.bowenenergy.com.au</a>.</p>	

# Target's Statement

## 1 Directors' recommendation

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### 1.1 Directors

The Directors as at the date of this Target's Statement are:

- (a) Mark Sheppard;
- (b) Neil Stuart;
- (c) Neeraj Singal;
- (d) Brij Bhushan Singal;
- (e) Nittin Johari; and
- (f) Anil Ahuja.

The Independent Board Committee consists of Neil Stuart, Mark Sheppard and representatives from Bowen's advisers.

### 1.2 Independent Directors' recommendation

After taking into account the terms of the Bhushan Offer (set out in the Bidder's Statement) and the matters in this Target's Statement (including the Independent Expert's Report), your Independent Directors unanimously recommend that you **accept** the Bhushan Offer, in the absence of a superior proposal.

The Non Independent Directors consisting of Neeraj Singal, Brij Bhushan Singal, Nittin Johari and Anil Ahuja have declined to make a recommendation given their association with Bhushan.

A summary of the reasons for the recommendation of the Independent Directors is set out at the beginning of this Target's Statement in the section entitled 'Why you should accept the Bhushan Offer'.

Your choices as a Shareholder in relation to the Bhushan Offer are set out in section 4. It is not possible for the Directors to take into account the personal circumstances of each Shareholder. Accordingly, before you make your decision whether or not to accept the Bhushan Offer, each of the Directors encourages you to:

- (a) read this Target's Statement and the Bidder's Statement in full;
- (b) consider your personal circumstances such as individual risk profile, investment strategy, tax position and financial circumstances;
- (c) ensure you understand the consequences of accepting the Bhushan Offer; and
- (d) obtain financial advice from your broker or other advisers in relation to the Bhushan Offer and your particular circumstances.

### 1.3 Directors' acceptance of the Bhushan Offer

Each Independent Director intends to accept the Bhushan Offer in respect of Bowen Shares held by them or on their behalf, in the absence of a superior proposal.

Details of the relevant interests of each Director in Bowen Shares are set out in section 6.

#### **1.4 What other considerations should you be aware of?**

As part of considering the recommendation of the Independent Directors, the following disadvantages to the Bhushan Offer should be noted:

- (a) Shareholders who accept the Bhushan Offer will be precluded from accepting a superior offer from a third party, if such an offer were to eventuate;
- (b) if you accept the Bhushan Offer and Bhushan subsequently raises its Offer Price, you will not receive the higher price; and
- (c) the share price of Bowen may rise (or fall) after the closure of the Bhushan Offer.

#### **1.5 Risks**

There are always a multitude of risks associated with investments and the buying and selling of shares.

Shareholders should carefully read and consider these risks, together with other information contained in the Bidder's Statement and this Target's Statement, prior to accepting or rejecting the Bhushan Offer. You may also wish to discuss these risks with your investment or professional adviser.

##### **(a) Economic risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Bowen's exploration activities, as well as on its ability to fund those activities.

##### **(b) Market conditions**

The market price of Bowen Shares can fall as well as rise and may trade below or above the Offer Price. Neither Bowen nor the Directors warrant the future performance of Bowen or any return on an investment in Bowen.

##### **(c) Operation and development risks**

By its nature, the business of exploration contains inherent risks. Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of Bowen. Profitability depends on successful exploration, competent operation and management and proficient financial management.

##### **(d) Government policy risks**

The Queensland Government presently does not allow mining of uranium in the state. Companies exploring for uranium are hoping that this policy will be reversed in the future, but such an outcome is not assured.

The Federal Government is presently placing before parliament an emissions trading bill (CO2 emissions), which could have the effect of an extra tax on coal miners and increase their costs of production thus squeezing profits and potentially making some operations unviable. There is also the possibility of the Government imposing a straight "carbon tax" with similar results.

## **2 Key terms of the Bhushan Offer**

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### **2.1 History**

On 10 July 2009, Bhushan Steel (Australia) Pty Limited, a wholly owned subsidiary of Bhushan Steel Limited, announced that it would make an on-market takeover bid for all of the ordinary shares in Bowen and a bidder's statement was issued.

On 14 July 2009, Bhushan issued a Supplementary Bidder's Statement amending the bidder's statement of 10 July 2009. The Supplementary Bidder's Statement is to be read together with the bidder's statement of 10 July 2009.

The Supplementary Bidder's Statement noted the variation to Bhushan's broker. From 14 July 2009, UBS Securities Australia Limited, on behalf of Bhushan, has offered to buy Bowen Shares on-market at the Offer Price.

### **2.2 Summary of the Bhushan Offer**

Bhushan has appointed UBS Securities Australia Limited to acquire Bowen Shares on market at \$0.14 for each fully paid ordinary share in Bowen. The Bhushan Offer is unconditional.

You may accept the Bhushan Offer in relation to some or all of your Bowen Shares.

If you accept the Bhushan Offer, you will be liable for any brokerage charged by your broker.

### **2.3 Offer Period and extension**

The Bhushan Offer period commences on 27 July 2009 and will end on 26 August 2009, unless extended or withdrawn in accordance with the Corporations Act. If you choose to accept the Bhushan Offer, your acceptance must be received by Bhushan before the end of the Offer Period.

Bhushan may extend the Offer Period. The extension must be announced to the ASX at least five trading days before the end of the Offer Period. However, the announcement may be made up to the end of the Offer Period if during those five trading days:

- (a) another person lodges with ASIC a bidder's statement for a takeover bid of Bowen Shares;
- (b) another person announces a takeover bid for Bowen Shares;
- (c) another person makes offers under a takeover bid for Bowen Shares; or
- (d) the consideration for offers under another takeover bid for Bowen Shares is improved.

The Offer Period is extended by having the extension announced to the ASX.

In addition, there will be an automatic extension of the Offer Period, in accordance with section 624 of the Corporations Act, if, within the last seven days of the Offer Period the voting power of Bhushan in Bowen increases to more than 50%. If this event occurs, the Offer Period will be automatically extended so that it ends 14 days after the relevant event above occurs.

### **2.4 No conditions**

The Bhushan Offer is not subject to any conditions.

### **2.5 Withdrawal of the Bhushan Offer**

The Bhushan Offer can only be withdrawn in limited circumstances, and only in the cases of offers which have not yet been accepted. Those circumstances are:

- (a) with the written consent of ASIC, which consent may be given subject to certain conditions;
- (b) if Bhushan's voting power in Bowen is at or below 50% when the following events happen during the Offer Period:
- (i) Bowen converts all or any of its shares into a larger or smaller number of shares;
  - (ii) Bowen resolves to reduce its share capital in any way;
  - (iii) Bowen enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;
  - (iv) Bowen issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (v) Bowen issues, or agrees to issue, convertible notes;
  - (vi) Bowen disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (vii) Bowen charges, or agrees to charge, the whole, or a substantial part, of its business or property; or
  - (viii) Bowen resolves to be wound up; or
- (c) if one of the following happens during the Offer Period:
- (i) a liquidator or provisional liquidator of Bowen is appointed;
  - (ii) a court makes an order for the winding up of Bowen;
  - (iii) an administrator of Bowen is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (iv) Bowen executes a deed of company arrangement; or
  - (v) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Bowen.

## 2.6 Key dates

Key dates	Key events
10 July 2009	Announcement Date of the Bhushan Offer
10 July 2009	Bidder's Statement sent to ASIC and Bowen
14 July 2009	Supplementary Bidder's Statement sent to ASIC and Bowen
22 July 2009	Bidder's Statement sent to Shareholders
10 July 2009	Date for acquisitions prior to Offer Period
27 July 2009	Offer Period commences
24 July 2009	Target's Statement sent to Shareholders
26 August 2009	End of Offer Period

You should note that the date of the end of the Offer Period is subject to change in accordance with the issues noted in section 2.3 above.

## 2.7 Effect of acceptance

If you accept the Bhushan Offer, you will forfeit the opportunity to benefit from any superior offer made by another bidder for your Bowen Shares, if such an offer were to eventuate.

## 2.8 Payment of consideration

If you accept the Bowen Offer, you will be paid three trading days after your acceptance (T+3), in accordance with usual rules of settlement of on-market transactions on the ASX.

## 2.9 Changes to the Bhushan Offer

Bhushan can vary the Bhushan Offer by:

- (a) extending the Offer Period; or
- (b) increasing the amount offered under the Bhushan Offer.

If you accept the Bhushan Offer and Bhushan subsequently increases its Offer Price, you will not be entitled to receive the higher price.

## 2.10 Compulsory acquisition

Bhushan has indicated in section 3.2 of the Bidder's Statement that if Bhushan acquires a relevant interest in at least 90% of Bowen Shares and is entitled to proceed to compulsory acquisition:

- (a) Bhushan would seek to have persons nominated by it appointed to the board of directors of Bowen to replace some of the current members of the board of directors of Bowen;
- (b) Bhushan would continue with Bowen's exploration activities and may seek further opportunities in the coal exploration sector;
- (c) Bhushan would conduct a review of Bowen's business, assets and operations to identify the most effective means of exploring and developing Bowen's projects;
- (d) Bhushan would review the future employment of the present employees of Bowen after the close of the Bhushan Offer, having regard to its specific plans for Bowen's business and upon completing a review of the business, assets and operations of Bowen. At the date of the Bidder's Statement, Bhushan indicated that they did not anticipate any forced redundancies of Bowen's employees; and
- (e) Bhushan would make an application to ASX for removal of Bowen from the official list of the ASX. Bhushan may also seek to change the status of Bowen from that of a public company limited by shares to a proprietary company limited by shares.

Under section 661A of the Corporations Act, Bhushan will be entitled to compulsorily acquire any Bowen Shares in respect of which it has not received an acceptance of the Bhushan Offer on the same terms as the Bhushan Offer if, during or at the end of the Offer Period:

- (a) Bhushan and its associates have a relevant interest in at least 90% (by number) of Bowen Shares; and
- (b) Bhushan and their associates have acquired at least 75% (by number) of the securities that the bidder offered to acquire under the bid (whether the acquisitions happened under the bid or otherwise).

If the 90% threshold is met, Bhushan will have one month after the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Bhushan Offer.

Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the Shareholders to establish to the satisfaction of a court that the terms of the Bhushan Offer do not represent 'fair value' for the Bhushan Shares.

Alternatively, the general compulsory acquisition power under Part 6A.2 of the Corporations Act may be used where Bhushan holds full beneficial interest in at least 90% (by number) of Bowen Shares.

### **2.11 Bhushan's intention if 90% threshold not met**

Bhushan has indicated in section 3.3 of the Bidder's Statement that where Bhushan acquires in excess of 50.1% but less than 90% of Bowen Shares:

- (a) Bhushan would review the composition of the board of directors of Bowen and consider whether it is necessary to make any changes having regard to the present position;
- (b) Bhushan would continue with Bowen's exploration activities and may seek further opportunities in the coal exploration sector;
- (c) Bhushan would conduct a review of Bowen's business, assets and operations to identify the most effective means of exploring and developing Bowen's projects; and
- (d) Bhushan would review the future employment of the present employees of Bowen after the close of the Bhushan Offer, having regard to its specific plans for Bowen's business and upon completing a review of the business, assets and operation of Bowen. At the date of the Bidder's Statement, Bhushan anticipated no forced redundancies of Bowen's employees.

As noted in section 3.3 of the Bidder's Statement it would be for the board of directors of Bowen to determine the extent to which the above intentions are implemented (if at all). Further the directors of Bowen must act in the best interests of Bowen Shareholders in determining whether to implement these intentions.

Bhushan's intentions if they assume less than 50.1% of Bowen Shares are set out in section 3.4 of the Bidder's Statement.

### **2.12 The options**

As indicated in the Bidder's Statement in section 3.7, the Bhushan Offer does not extend to options (listed or unlisted) other than to the extent that those securities are exercised and quoted by ASX prior to expiry of the Offer Period. Bhushan has indicated that they will bid for any Bowen Shares which are issued and quoted by ASX as a result of any options being exercised prior to the expiry of the Offer Period.

Bowen currently has 55,486,170 listed options on issue. The listed options are each exercisable for one Bowen Share at \$0.20 cash at any time before 27 November 2009.

Bowen also has 7,500,000 unlisted options on issue exercisable at \$0.20 per Bowen Share with an expiry date of 8 July 2010. All of the unlisted options are held by Bhushan.



### 3 Profile of Bowen

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This section contains more detailed information on Bowen's businesses, financial outlook and the management of Bowen.

#### 3.1 Overview

Bowen is an Australian coal and minerals exploration company, focused on the exploration and development of coal and mineral resource projects in Australia. Bowen was incorporated late in 2006 and successfully listed on the ASX on 15 February 2007.

On listing, Bowen had a portfolio of prospective coal exploration projects in the Bowen and Tarong Basins in Queensland and several uranium prospect areas in Queensland. The main focus for Bowen was the coal projects in the Bowen Basin, which already hosts numerous, very substantial coal operations – for both coking and thermal coals.

During 2007 and early 2008 Bowen acquired and worked several extra projects for coal and uranium within Australia, but with the onset of the Global Financial Crisis in late 2008, Bowen had to rationalize its portfolio of projects and reduce expenditure. Several exploration tenements were relinquished, but the main, more advanced coal projects are still being actively explored. Current tenements are presented in figure 1 and table 1.

Presently there is a drilling program progressing on EPC 1045 in the Bowen Basin and results are being released to the market as they become available. At this stage the drilling suggests that there are two coal seams existing at depths from 370m to in excess of 520m (in the east and south). Gross seam thickness appears to vary from 0.9m to about 2.5m and may include a number of shale partings.

At East Middlemount, interpretation of Bowen drilling results and that of previous explorers indicates the presence of a possible coal seam of approximately 4.5 metres thick. It is interpreted that this is potentially the equivalent of the Leichhardt Coal seam and a second lower seam the Upper Vermont Coal seam of the Rangal Coal Measures. Geological and geophysical loggings also indicate significant vertical displacements and potential faulting with this project. From seismic interpretation the Rangals Coal measures appear to extend at depth (200-400m) below significant areas of EPC1085 and EPC1014. Analysis so far returned for chip samples is consistent with results returned from adjacent properties which indicate a potential PCI coal product. Again additional drilling including a number of cored holes will be required to advance this project; this will require further substantial funding.

Two of the four holes completed on EPC1002 at the West Rolleston Project have intersected minor coal seams within the Bandana Formation at shallow depth. Further drilling is required to determine if there are any coal seams higher in the stratigraphy that maybe of economic significance and amenable for open cut mining.

Bowen's main source of funding is provided by Bhushan. Bhushan has provided \$6,632,000 to Bowen by way of share subscriptions and loan funds. Of that amount, \$4,236,000 is required to be applied towards exploration expenditure under the Joint Venture Agreements between Bhushan and Bowen's subsidiaries.

Figure 1

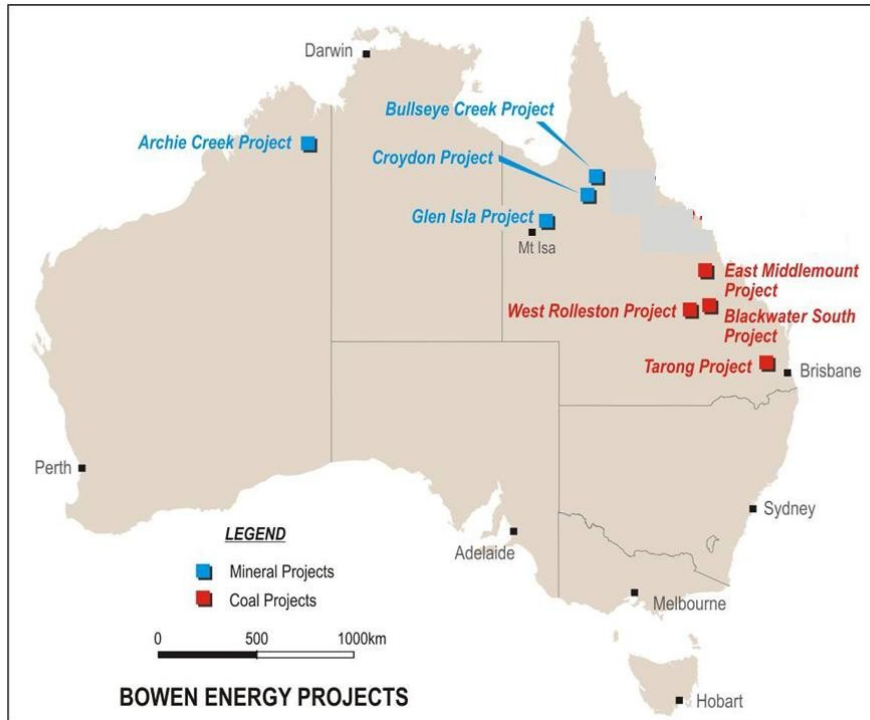


Table 1

Coal Tenements Held				
Project	Tenement	Holder	Interest	Area (sub-blocks)
Blackwater South	EPC1045	Kondor Holdings Pty Limited	15%	222
	EPC1206	Bowen Energy	15%	54
	EPCA1259	Bowen Energy	100%	18
East Middlemount	EPC930	Bowen Coal Pty Limited	40%	240
	EPC1014	Golden Country Resources (Australia) P/L	100%	26
	EPC1085	Bowen Energy	100%	3
West Rolleston	EPC1001	Golden Country Resources (Australia) P/L	10%	35
	EPC1002	Golden Country Resources (Australia) P/L	10%	63
	EPC1084	Bowen Energy	100%	26
	EPCA1187	Bowen Energy	100%	300
Tarong	EPCA1083	Bowen Energy	100%	213
<b>Total</b>				<b>1,200</b>

Bowen Energy				
Non-Coal Tenements Held				
Project	Tenement	Holder	Interest	Area (sub-blocks)
Glen Isla	EPM14910	Bowen Energy	100%	10
Archie Creek	EL 80/3537	Bowen Energy	100%	47
	ELA 80/3898	Bowen Energy	100%	90
Croydon	EPM 16267	Bowen Energy	100%	100
	EPM 16272	Bowen Energy	100%	100
	EPM 16274	Bowen Energy	100%	100
	EPM17364	Bowen Energy	100%	26
Bullseye Creek	EPMA 16269	Bowen Energy	100%	98
	EPMA 16270	Bowen Energy	100%	99
<b>Total</b>				<b>670</b>

### 3.2 Summary historical financial information

The following summary historical financial information below has been extracted from Bowen's audited financial statements for the half-year ended 31 December 2008 and does not take into account the effects of the Bhushan Offer.

Copies of Bowen's annual reports from which the financial information was extracted can be found on Bowen's website at [www.bowenenergy.com.au](http://www.bowenenergy.com.au). These reports also contain details of Bowen's accounting policies.

**BOWEN ENERGY LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Note	31 December 2008 \$	31 December 2007 \$
<b>Revenue</b>			
Interest		<u>35,679</u>	<u>87,958</u>
		<u>35,679</u>	<u>87,958</u>
<b>Expenses</b>			
Consultancy fees		(497,845)	(164,942)
Directors Remuneration		(16,125)	-
Professional fees		(493,373)	(414,093)
Impairment Losses		(3,127,053)	-
Travel and related expenses		(9,295)	(2,486)
Insurance		(8,779)	-
Operating lease rentals		(35,174)	(15,000)
Communications		(26,680)	(15,587)
Finance costs		(7,817)	(7,757)
Other		<u>( 49,895)</u>	<u>(96,887)</u>
<b>Loss before income tax</b>	5	<u>(4,272,036)</u>	<u>(716,752)</u>
		<u>(4,236,357)</u>	<u>(628,794)</u>
Income tax benefit		<u>-</u>	<u>55,221</u>
<b>Loss for the period</b>		<u>(4,236,357)</u>	<u>(573,573)</u>
<b>Earnings per share</b>			
		<b>Cents</b>	Cents
Basic (loss)	12	(0.05)	(0.98)
Diluted (loss)	12	(0.05)	(0.98)

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

**BOWEN ENERGY LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	Note	31 December 2008 \$	30 June 2008 \$
<b>Current assets</b>			
Cash and cash equivalents		72,697	1,977,698
Trade and other receivables		308,958	585,777
Other assets		<u>5,505</u>	<u>492,611</u>
Total current assets		<u>387,160</u>	<u>3,056,086</u>
<b>Non-current assets</b>			
Other receivables		-	630,000
Available-for-sale financial assets	6	74,675	946,250
Exploration and evaluation assets	7	10,616,780	7,785,543
Other assets		<u>2,307</u>	<u>657,290</u>
Total non-current assets		<u>10,693,761</u>	<u>10,019,083</u>
Total assets		<u>11,080,921</u>	<u>13,075,169</u>
<b>Current liabilities</b>			
Trade and other payables		710,015	630,835
Financial liabilities	8	<u>1,350,000</u>	<u>-</u>
Total current liabilities		<u>2,060,015</u>	<u>630,835</u>
Total liabilities		<u>2,060,015</u>	<u>630,835</u>
Net assets		<u><b>9,020,906</b></u>	<u><b>12,444,334</b></u>
<b>Equity</b>			
Contributed equity	9	14,745,588	13,614,588
Reserves	10	1,026	319,098
Accumulated losses		<u>(5,725,708)</u>	<u>(1,489,352)</u>
Total equity		<u><b>9,020,906</b></u>	<u><b>12,444,334</b></u>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

## BOWEN ENERGY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	<b>31 December 2008 \$</b>	<b>31 December 2007 \$</b>
<b>Total equity at the beginning of the half-year</b>	12,444,334	8,020,753
Changes in fair value of available-for-sale financial assets, net of tax	(319,098)	128,850
Changes in fair value of other assets, net of tax	1,027	-
Loss for the period	<u>(4,236,357)</u>	<u>(573,573)</u>
Total recognised income and expense for the period	(4,554,428)	(444,723)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	1,131,000	2,668,715
<b>Total equity at the end of the half-year</b>	<u><b>9,020,906</b></u>	<u><b>10,244,745</b></u>

The above condensed consolidated statement of recognised income and expenses should be read in conjunction with the accompanying notes.

## BOWEN ENERGY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 \$	31 December 2007 \$
<b>Cash flows from operating activities</b>			
Interest received		71,554	58,619
Payments to suppliers and employees		(1,197,290)	(668,830)
Finance costs		(7,817)	(7,757)
Net cash outflow from operating activities		<u>(1,133,553)</u>	<u>(617,968)</u>
<b>Cash flows from investing activities</b>			
Exploration and evaluation expenditure		(3,487,237)	(547,233)
Payments for subsidiaries, net of cash acquired		-	(204,809)
Payment for formation of subsidiaries		(2,307)	-
Reimbursement of drilling cost		57,557	-
Reimbursement of 2KD drilling		139,006	-
Payments for available-for-sale financial assets		-	(334,229)
Loan repayment		11,533	-
Net cash outflow from investing activities		<u>(3,281,448)</u>	<u>(1,086,271)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares	9	1,152,000	899,415
Proceeds from selling of available-for-sale financial assets	6	29,000	-
Prepaid share issue costs		(21,000)	-
Loan from Bhushan Steel Australia		1,350,000	-
Net cash inflow from financing activities		<u>2,510,000</u>	<u>899,415</u>
Net (decrease) in cash and cash equivalents		(1,905,001)	(804,824)
Cash and cash equivalents at the beginning of the period		1,977,698	4,850,918
Cash and cash equivalents at end of the period		<u>72,697</u>	<u>4,046,094</u>

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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**1. Basis of preparation of half-year report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Australian 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 2008 and any public announcements made by Bowen Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and computations are consistent with those of the previous financial year.

**2. Segment information**

The Consolidated Entity operates predominantly in the one business segment. It operates in Australia only and its principal activity is coal and uranium exploration.

**3. Dividends**

No dividends were declared or paid during the period of this report or since the end of the half-year (2007 \$Nil).

**4. Going concern**

The consolidated entity made an operating loss of \$4,236,357 for the half-year ended 31 December 2008 [2007: (\$573,573)]. The carrying value of the consolidated entity's non-current assets is \$10,693,761 (2007: \$10,019,083).

This condition indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ongoing viability of the consolidated entity and the recoverability of its non-current assets are dependent on the successful development or sale of its exploration assets.

The Directors believe that the development of the assets will ultimately be successful and that the non-current assets are included in the Financial Report at less than their recoverable amount.

The Financial Report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the consolidated entity will be able to fund future operations through debt finance, equity raising and sale or joint venturing of interests held in mineral tenements and projects. The consolidated entity currently has a \$5m loan facility with Bhushan Steel, continued funding from Bhushan Steel under this agreement is contingent on the approval of the Share Subscription Agreement.

The Directors believe that they will be successful in raising sufficient funds to ensure that the consolidated entity can continue to meet its debts as and when they become due and payable. However, if additional funds are not raised, the going concern basis may not be appropriate with the result that the consolidated entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report. No allowance for such circumstances has been made in the Financial Report.



**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<u>31 Dec 2008</u>	<u>30 June 2008</u>
	\$	\$
<b>5. Significant transaction and event during the period</b>		
The following items affecting assets, liabilities, equity, profit and loss and cash flows are considered significant to an understanding of current interim period because of their nature, size and incidence.		
<i>(a) Significant expense items during the period</i>		
<i>(i) Movement in the mark to market value of financial assets and liabilities</i>		
During the period, the Consolidated entity recorded the net movement in the mark to market of available for sale financial assets	842,575	-
<i>(ii) Write down and impairment loss</i>		
During the period, the Consolidated Entity recorded write downs and impairment losses on receivables, investments and exploration expenditure	3,127,053	-
<i>(b) Related Parties</i>		
Transaction with directors		
During the interim period, the group has paid director fees including superannuation to:		
Sydney W Hayes	16,125	-
Consulting fee paid/payable to the companies controlled by the directors:-		
Mark J Sheppard - Geochem Solution	120,000	15,808
Neil Stuart - Australian Geoscientists	26,000	13,333
Kevin Nichol (former director) - Ascot Vale Enterprises	125,000	91,000
Kevin Nichol (former director) – Contract fee paid by Bowen Asia Ltd	144,000	-
<b>6. Available-for-sale financial assets</b>		
Shares in listed company – at fair value	64,925	800,000
Options in listed company – at fair value	9,750	146,250
	<u>74,675</u>	<u>946,250</u>
<i>Movement in available-for-sale financial assets</i>		
Balance at 1 July 2008	946,250	-
Addition/(Disposals)	(29,000)	490,395
Impairment loss – transfer out from equity	(319,098)	455,855
Impairment loss – transfer to profit and loss account	(523,477)	-
Balance at 31 December 2008	<u>74,675</u>	<u>946,250</u>

As at 31 December 2008, the listed securities consisted of 1,855,000 ordinary shares and 812,500 options in Vector Resources Limited which were valued at the market bid price at 31 December 2008 of 3.5 cents and 1.2 cents respectively. There were 2 million ordinary shares and 812,500 options in Vector Resources Limited available-for-sale financial assets at 30 June 2008.

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<u>31 Dec 2008</u>	<u>30 June 2008</u>
	<u>\$</u>	<u>\$</u>
<b>7. Exploration and evaluation expenditure</b>		
Exploration and evaluation expenditure – at cost	10,616,780	7,785,543
<i>Movement in exploration and evaluation expenditure:</i>		
Balance at 1 July 2008	7,785,543	3,163,656
Acquired by acquisition of subsidiary: - Kondor Holdings Pty Ltd	-	2,769,300
Other additions	3,487,237	1,852,587
Impairment loss	<u>(656,000)</u>	<u>-</u>
Balance at 31 December 2008	<u>10,616,780</u>	<u>7,785,543</u>

The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

**8. Financial liabilities**

Loan from Bhushan Steel (Australia) Pty Limited	<u>1,350,000</u>	<u>-</u>
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This loan is unsecured, interest is charged at prime + 3% and is repayable at the earlier of

- i) the date that the first tranche of the 12.5 million shares under clause 2.1(a) of the Subscription Agreement dated 11 September 2008 between the parties, as varied, is subscribed for and \$4 million paid by the Lender; or
- ii) the date of termination of that Subscription Agreement without any subscription moneys being paid by the Lender

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>31 Dec 2008</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
<b>9. Contributed equity</b>		
Ordinary shares (fully paid)	14,183,988	11,452,988
Options	561,600	561,600
Other equity	-	1,600,000
	<b>14,745,588</b>	<b>13,614,588</b>

**Ordinary shares**

Movements in ordinary share capital:

	<b>Notes</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>Amount \$</b>
Subscriber share issue		4	1.00	4
Issue to founders	(i)	9,930,000	0.01	99,300
Issue to seed investors	(ii)	7,500,000	0.08	600,000
Public offer	(iii)	25,000,000	0.20	5,000,000
Acquisition of subsidiaries	(iv)	12,730,000	0.20	2,546,000
Acquisition of exploration permit	(v)	500,000	0.20	100,000
Acquisition of exploration permit	(vi)	500,000	0.38	190,000
Issue to Bhushan Steel (Australia) Limited	(x)	5,000,000	0.32	1,600,000
Exercise of options	(xi)	160,000	0.20	32,000
Issue to Bhushan Steel (Australia) Limited	(xii)	1,750,000	0.32	560,000
Issue to Bhushan Steel (Australia) Limited	(xiii)	1,750,000	0.32	560,000
Less: Transaction costs				(21,000)
Balance as at 31 December 2008		<b>78,666,504</b>		<b>14,080,543</b>
Less: Transaction costs arising on initial public offer				(555,061)
Issue to Bhushan Steel (Australia) Limited	(vii)	5,000,000	0.32	1,600,000
Conversion of convertible notes	(viii)	8,846,500	0.20	1,769,300
Exercise of options	(ix)	634,834	0.20	126,967
Less: Transaction costs				(23,522)
Balance at 31 December 2008		<b>79,301,338</b>		<b>14,183,988</b>

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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**9. Contributed equity (con't)**

**Ordinary shares**

Notes on movement in share capital:

- (i) During November and December 2006, 9,930,000 ordinary shares were issued to the founders for 1 cent each raising \$99,300 cash.
- (ii) During November and December 2006, 7,500,000 ordinary shares were issued to seed investors for 8 cents each raising \$600,000 cash.
- (iii) Pursuant to a prospectus dated 14 December 2006, 25,000,000 ordinary shares were issued in February 2007 at 20 cents each to raise \$5,000,000 cash.
- (iv) In February 2007, 10,230,000 ordinary shares were issued as consideration for the acquisition of all the issued shares in Golden Country Resources (Australia) Pty Ltd and 2,500,000 ordinary shares were issued as consideration for the acquisition of all the issued shares in Bowen Coal Pty Ltd.
- (v) In February 2007, 500,000 ordinary shares were issued for the acquisition of EPM 14910.
- (vi) In March 2007, 500,000 ordinary shares were issued for the acquisition of EL 80/3537.
- (vii) Pursuant to an investment agreement with Bhushan Steel (Australia) Limited dated 13 August 2007 on 21 August 2007, 2,500,000 ordinary shares and 625,000 options were issued for total cash consideration of \$800,000. Additionally, pursuant to the amended investment agreement with Bhushan Steel (Australia) Limited dated December 2007 on 15 January 2008 a further 2,500,000 ordinary shares and 625,000 options were issued for a total cash consideration of \$800,000.
- (viii) On 30 November 2007, 2 convertible notes were issued for \$1,769,300 (\$884,650 each note) as part consideration for the purchase of Kondor Holdings Pty Ltd. Each note was convertible to 4,423,250 ordinary shares (total of 8,846,500 ordinary shares) in the parent entity. The convertible notes were converted to ordinary shares on 3 March 2008.
- (ix) Issue of 634,384 ordinary shares on exercise of listed options for an exercise price of 20 cents per share to raise \$126,967 cash.
- (x) On 8 July 2008, pursuant to the amended investment agreement with Bhushan Steel, Bhushan Steel paid Bowen Energy Limited additional funds of \$1,600,000 during the year for an additional 5 million ordinary shares and 1,250,000 listed options and 7,500,000 unlisted options.
- (xi) Issue of 160,000 ordinary shares on exercise of listed options for an exercise price of 20 cents per share to raise \$32,000 cash.
- (xii) On 1 September 2008, 1,750,000 were issued to Bhushan Steel (Australia) Limited for \$560,000.
- (xiii) On 16 September 2008, 1,750,000 were issued to Bhushan Steel (Australia) Limited for \$560,000.

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**Options**

As at balance date the number of options to purchase ordinary shares in the parent entity was as follows:

	<b>31 Dec 2008 No.</b>	<b>30 June 2008 No.</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Listed options	55,365,170	55,525,170	20 cents	27 November 2009
Listed options - Bhushan Steel (Australia) Limited	2,500,000	1,250,000	20 cents	27 November 2009
Unlisted options	7,500,000	-	20 cents	8 July 2010

Pursuant to a prospectus dated 21 March 2007, Bowen Energy issued 56,160,004 options at an issue price of 1 cent per option raising \$561,600 cash. The share options are each exercisable for one ordinary share at 20 cents cash on or before 27 November 2009. Of these listed options, 160,000 were exercised during the half year (2008: 634,834).

The Bhushan Steel options were granted on 21 August 2007 (625,000 options) and 15 January 2008 (625,000 options) as part of the investment agreement. The options are exercisable for one ordinary share and have the same terms and conditions as the existing listed options.

**Other Equity**

Pursuant to the amended investment agreement with Bhushan Steel, Bhushan Steel paid Bowen Energy Limited the amount as of \$1,600,000 during the year for an additional 5 million ordinary shares and 1,250,000 listed options and 7,500,000 unlisted options. These securities, however, were not issued until 8 July 2008 due to the requirement for shareholder approval, which was obtained on 4 July 2008.

**Capital Risk Management**

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements.

In order to maintain or adjust the capital structure, the Consolidated entity may seek to issue new shares.

Consistent with others in the industry, the Consolidated entity and the parent entity monitor capital on the basis of forecast exploration and exploration expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. Total capital is calculated as 'equity' as shown in the balance sheets.

	<b>31 Dec 2008</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
<b>10. Reserves</b>		
Available-for-sale financial asset revaluation reserve	-	319,098
<i>Movement in reserve:</i>		
Balance at 1 July 2008	319,098	-
Impairment loss on Vector Resources Ltd	(319,098)	-
Change in fair value of listed securities	-	455,855
Tax effect thereon	-	(136,757)
Balance at 31 December 2008	-	319,098

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

<b>10. Reserves (cont'd)</b>		1,026	
Foreign Currency Translation reserve		1,026	
<i>Movement in reserve:</i>			
Balance at 1 July 2008		-	-
Bowen Asia Pte Ltd translation		1026	-
Balance at 31 December 2008		1026	-

**11. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of shares	Equity holding 31 Dec 2008	Equity holding 30 June 2008
Golden Country Resources (Australia) Pty Ltd	Australia	Ordinary	100%	100%
Bowen Coal Pty Ltd	Australia	Ordinary	100%	100%
Capricorn Metals Ltd	Australia	Ordinary	100%	100%
Kondor Holdings Pty Ltd (***)	Australia	Ordinary	100%	100%
Bowen Consolidated Pty Ltd (***)	Australia	Ordinary	100%	100%
Bowen Asia Pte Ltd (**)	Singapore	Ordinary	100%	100%
Capricorn Resources Australia Ltd (*)	Australia	Ordinary	100%	-

\* Incorporated 10 July 2008

\*\* Incorporated 18 February 2008

\*\*\* Refer below for acquisition details

**Acquisition of controlled entities**

On 5 February 2007, the parent entity purchased 100% of the issued capital of Golden Country Resources (Australia) Pty Ltd ("GCR"). The purchase consideration was 10,230,000 ordinary shares in the parent entity valued at \$2,046,000. GCR holds the mining tenements EPC 1001 (granted) EPC 1002 and EPC1014 (granted). The company had no other significant assets or liabilities.

On 5 February 2007, the parent entity purchased 100% of the issued capital of Bowen Coal Pty Ltd. The purchase consideration was \$200,000 cash and 2,500,000 ordinary shares in the parent entity valued at \$500,000. Bowen Coal Pty Ltd has a 40% interest in the mining tenement EPC930 (granted). The company had no other significant assets or liabilities.

On 8 November 2007, the parent entity purchased 100% of the issued capital of Kondor Holdings Pty Ltd (Kondor). The purchase consideration was \$1,000,000 cash and 2 convertible notes. Each note was convertible to 4,423,250 ordinary shares (total of 8,846,500 ordinary shares) in the parent entity and had a maturity date of 18 months from issue. Interest was payable quarterly based on a rate of 5% per annum. The convertible notes were converted to ordinary shares on 3 March 2008.

On 3 January 2008 the parent entity purchased 100% of the shares in Bowen Consolidated Pty Ltd for \$3. The net assets at that time were \$3.

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	31 Dec 2008 \$	31 Dec 2007 \$
<b>12. Earnings per share</b>		
Basic earnings/(loss) per share	(0.05)	(0.98)
Diluted earnings/(loss) per share	(0.05)	(0.98)

Information concerning earnings per share:

- (a) Earnings for the purpose of calculating basic and diluted earnings per share is the net loss.
- (b) Options granted are considered to be potential ordinary shares. Details relating to options are set out in note 9. In 2008 given the circumstances of the consolidated entity, the options are not considered dilutive and are therefore not included in the calculation of diluted earnings per share.
- (c) Reconciliation of weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

	31 Dec 2008 \$	31 Dec 2007 \$
Number used in calculating basic earnings per share	<b>77,768,947</b>	58,253,570
Number used in calculating diluted earnings per share	<b>77,768,947</b>	58,253,570

### 13. Subsequent events

#### **Subscription Agreement – Bhushan Steel (Australia) Pty Limited**

The company has entered into a Subscription Agreement with Bhushan Steel (Australia) Pty Limited that is required to be approved by shareholders. Voting on the Subscription Agreement was deferred at the 2008 Annual General Meeting under threat of legal action from a major shareholder. The Board is currently addressing these issues with a view to calling a general meeting of shareholders to once again vote on the agreement.

The subscription provides for the issuing of 100 million shares to Bhushan Steel (Australia) Pty Limited at a cost of 32 cents each for a total value of \$32 million dollars. The principal subscription shares will cover the first 50 million shares issued. Once these have been issued a further 50 million shares can be issued and they will be known as Additional Subscription Shares.

The investment is to be made in tranches in order to coincide with the company's exploration and drilling program. In addition to the shares the company will also issue 1 option for every 4 shares issued at an exercise price of 20 cents. The total number of options expected to be issued will be 25,000,000 (\$25 million).

The options issued under the Principal Subscription Shares will have a 5 year expiry period.

The option issued under the Australian Subscription Shares will have a 3 year expiry period.

#### **Bhushan Steel (Australia) Pty Limited – Conversion of Options**

On 19 February, 2009, Bhushan Steel (Australia) Pty Limited converted 2,379,000 listed 20c options at a total cost of \$475,800. After the conversion, Bhushan Steel (Australia) Pty Limited now holds 18,158,020 shares in the company representing 22.23% of the issued capital. The company also holds 121,000 listed options at an exercise price of 20c expiring on 27 November, 2009 and 7,500,000 unlisted options at an



exercise price of 20c expiring on 8 July, 2010.

**BOWEN ENERGY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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**14. Contingent Liabilities**

There has been no significant change in contingent liabilities since the last annual report.

**15. Commitments**

The Consolidated entity is required to incur the following amounts with regards to its tenements:

<b>Tenement</b>	<b>Required Minimum Expenditure Within 12 months</b>
	\$
EPC 1084 – West Rolleston	53,333
EPC 1085 – East Middlemount	23,333
EPC 1001 – West Rolleston	90,000
EPC 1014 – East Middlemount	75,000
EL 80/357 – Archie Creek	-
EPMA16272,16267,16274 Croydon Uranium	45,000
EPMA16114,16275,16268 Blackbraes Uranium	45,000
EPCA 1120 – Cape River	28,333
EPC 1002 – West Rolleston	55,000
EPCA 1083 – Tarong	66,667
EPMA 15917 – Pinnacle	50,000
EPC 1045 – South Blackwater	-
E80/3898 – Sabrina	-
EPC 1206- South Blackwater	-
	-----
<b>Total</b>	<b>531,666</b>
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### **3.3 Continuously disclosing entity**

Bowen is subject to regular reporting and continuous disclosure obligations of ASX and the Corporations Act. Bowen's recent announcements are available on the ASX website at [www.asx.com.au](http://www.asx.com.au).

Further information about Bowen can also be found on Bowen's website at [www.bowenenergy.com.au](http://www.bowenenergy.com.au).

### **3.4 Material litigation**

As at the date of this Target's Statement, Bowen is currently involved in two litigation matters, which are set out in more detail below. Bowen is not aware of any other current or proposed material litigation involving Bowen.

#### **(a) First proceedings**

Bowen was served with a creditor's statutory demand dated 5 May 2009 by 2KD Drilling Pty Ltd. On 26 May 2009, Bowen commenced proceedings in the Federal Court seeking orders setting aside the statutory demand. The statutory demand has been set aside by consent and the only outstanding issue in these proceedings is the question of costs.

#### **(b) Second proceedings**

On 26 May 2009, Bowen also commenced separate Federal Court proceedings against 2KD Drilling Pty Ltd and Kevin Newman seeking various declarations and damages. These proceedings relate to a drilling contract entered into between Bowen and 2KD Drilling Pty Ltd on 7 April 2008 (**agreement**). Under the agreement, Bowen purchased a drilling rig and associated equipment and 2KD Drilling Pty Ltd was to acquire the rig over a period of time and also provide drilling services to Bowen. Bowen suspended the operation of the agreement on 10 October 2008.

Bowen claims that it would not have entered into the agreement had certain misrepresentations not been made by 2KD Drilling Pty Ltd and Mr Newman. It also claims that 2KD Drilling is in breach of the agreement.

The drilling rig and associated equipment are currently in the possession of 2KD Drilling Pty Ltd. Bowen obtained an interlocutory injunction on 9 June 2009 restraining 2KD Drilling Pty Ltd from using the drilling rig and associated equipment pending further order.

### **3.5 Issued capital**

As at the date of this Target's Statement, Bowen's issued capital consisted of 81,680,338 Bowen Shares.

### 3.6 Substantial holders

The following entities have (together with any of their associates) relevant interests in 5% or more of Bowen Shares:

<b>Name</b>	<b>Bowen Shares</b>	<b>Relevant interest in Bowen Shares (%)</b>
Bhushan Steel (Australia) Pty Ltd	18,158,020	22.23%
Savni Holdings Ltd	13,607,654	16.660%
Sydney William Hayes & Prudence Firth <the Hayes Super Fund A/C>	4,423,250	5.415%
Albert Ludwig Stahr & Anna Stahr <Stahr Family Super Fund>	4,423,250	5.415%

### 3.7 Transaction costs

The total fees payable in connection with the preparation and distribution of this Target's Statement and for services provided in connection with the Bhushan Offer including legal, taxation, financial advisers and consultants, printing and registry fees are in the range of \$70,000 to \$90,000 on the basis that the Bhushan Offer is successful.

## 4 Your choices as a Shareholder

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### 4.1 Your Independent Directors recommend that you accept the Bhushan Offer.

As a Shareholder, you can respond to the Bhushan Offer in three ways:

- (a) accept the Bhushan Offer;
- (b) sell your Bowen Shares on-market to a person other than Bhushan; or
- (c) not sell your Bowen Shares.

### 4.2 Accept the Bhushan Offer

If you choose to accept the Bhushan Offer, you should follow the instructions in the General Information section and in section 1.4 of the Bidder's Statement.

Before accepting the Bhushan Offer you should:

- (a) **read** the Bidder's Statement and Target's Statement in full;
- (b) **consider** the information provided in each of the Bidder's Statement and the Target's Statement; and
- (c) **consult** your broker, financial or other professional adviser if you are in any doubt about how to accept the Bhushan Offer. If you have any queries about the Bhushan Offer you may also call the shareholder information line on 1800 727 617 (for callers within Australia) or on +61 2 8256 3392 (for callers outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Bhushan has stated that the Bhushan Offer remains open until 26 August 2009, unless extended. See section 2.3 of this Target's Statement for more information regarding the way in which Bhushan can extend the Offer Period.

Your Independent Directors unanimously recommend that you accept the Bhushan Offer, in the absence of a superior proposal.

If you choose to accept the Bhushan Offer, you should follow the instructions in this Target's Statement.

#### **CHESSE Holdings**

If your Bowen shareholding is CHESSE sponsored, you will need to instruct your stockbroker to sell your Bowen Shares before the end of the Offer Period.

#### **Issuer Sponsored Holdings**

If your Bowen shareholding is an Issuer Sponsored Holding, you may sell your Shares through a stockbroker of your choice, including through Bhushan's broker.

Bhushan has appointed UBS Securities Australia Limited to be its broker in relation to the Bhushan Offer.

#### **Nominee holdings**

Beneficial owners whose Bowen Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting the Bhushan Offer.

### **4.3 Sell your Bowen Shares on market**

During the Offer Period, you can still sell your Bowen Shares on market for cash to a person other than Bhushan, provided you have not already accepted the Bhushan Offer for those Bowen Shares.

If you choose to sell your Bowen Shares, you should be aware that you:

- (a) will lose the ability to accept the Bhushan Offer and any higher offer for your Bowen Shares (which may or may not occur);
- (b) will lose the opportunity to receive future returns from Bowen; and
- (c) may be liable for tax on the sale (refer to section 5 for further details).

### **4.4 Reject the Bhushan Offer and do not sell your Bowen Shares**

The Independent Directors unanimously recommend that you accept the Bhushan Offer. However, if you wish to reject the Bhushan Offer and do not wish to sell your Bowen Shares, you should do nothing.

You should note that:

- (a) if Bhushan acquires a relevant interest in 90% of the Bowen Shares it may be entitled to compulsorily acquire your Bowen Shares (notwithstanding that you did not accept the Bhushan Offer (see section 2.10 for further details)); and
- (b) if Bhushan acquires more than 50% but less than 90% of the Bowen Shares you will be a minority Shareholder.

## 5 Taxation consequences

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### 5.1 Introduction

The following is a summary of the potential Australian income tax consequences generally applicable to a Shareholder who disposes of Bowen Shares under the Bhushan Offer.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Shareholder. In particular the summary is only applicable to Shareholders that hold their Bowen Shares on capital account for income tax purposes. It does not address all tax considerations applicable to Shareholders that may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, superannuation funds or Shareholders who acquired their Bowen Shares as part of an employee shares scheme operated by Bowen.

The summary is based on the law and practice in effect on the date this Target's Statement was lodged with ASIC and does not take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account the tax laws of any country other than Australia.

This summary does not constitute tax advice. All Shareholders are recommended to seek independent professional advice regarding their particular circumstances and non-resident Shareholders should seek their own advice on the Australian and foreign taxation consequences associated with any sale of the Bowen Shares.

### 5.2 Taxation on disposal of Bowen Shares

If you accept the Bhushan Offer you will be treated as having disposed of your Bowen Shares for tax purposes and the following consequences may apply to you.

You will make a capital gain on your Bowen Shares equal to the amount by which the Bhushan Offer consideration exceeds the cost base for your Bowen Shares. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount will be included in your assessable income.

Alternatively, you will make a capital loss on your Bowen Shares to the extent that the Bhushan Offer consideration is less than your reduced cost base for your Bowen Shares. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

The cost base of your Bowen Shares would generally be equal to the amount the relevant Shareholder paid to acquire the Bowen Shares which includes certain incidental costs (such as brokerage) associated with your acquisition and disposal of those shares. The reduced cost base of your Bowen Shares is typically determined in a similar, but not identical, manner.

However, there are special rules that may affect the way your cost base or reduced cost base is determined and we recommend that you obtain independent tax advice regarding the cost base or reduced costs base for your Bowen Shares.

A Shareholder who is an individual, the trustee of a trust or a complying superannuation fund may be entitled to claim a discount (**CGT Discount**) in calculating any capital gain if they have held their Bowen Shares for at least 12 months (excluding the date of acquisition and the day of disposal). Where the CGT Discount is available, the capital gain may be reduced by 50% for a Shareholder who is an individual or the trustee of a trust or by 33 1/3% for a Shareholder that is a complying superannuation fund. The CGT discount is not available to a Shareholder that is a company and holds Bowen Shares legally and beneficially.

There are special rules that limit the availability of the CGT Discount and rules that may affect the time when you are taken to have acquired your Bowen Shares. You should seek your own advice as to whether you are entitled to the CGT Discount.

The above comments do not apply to you if you buy and sell shares in the ordinary course of business, or if you acquired your Bowen Shares for resale at a profit. In those cases, any gain you make may be taxed as ordinary income and you should obtain your own advice as to the tax consequences of accepting the Bhushan Offer.

In addition, the above consequences will not apply to you if you are deemed to have acquired your Bowen Shares on or before 19 September 1985. We recommend that you obtain independent tax advice as to whether you were deemed to have acquired your Bowen Shares on or before 19 September 1985.

### **5.3 Non-resident Shareholder**

If you are not a resident of Australia for tax purposes, you may not have to pay tax in Australia on any capital gain when you dispose of your Bowen Shares. However, the position may be different if you hold, or have held, your Bowen Shares as assets of a permanent establishment of yours in Australia. You should obtain independent tax advice if that is the case. The following comments are only applicable if you have never held your Bowen Shares as assets of a permanent establishment in Australia.

Generally, if you are a non-resident shareholder you should not be taxed in Australia on any capital gain when you dispose of your Bowen Shares under the Bhushan Offer, unless:

- (a) you hold a 'non-portfolio interest' in Bowen; and
- (b) your Bowen Shares pass the 'principal asset test'.

Broadly, you will hold a 'non-portfolio interest' in Bowen if you (together with your associates) own, or owned, throughout a 12 months period during the two years preceding the disposal of your Bowen Shares, at least 10% of Bowen's share capital.

Your Bowen shares will pass the 'principal asset test' if, at the time you accept the Bhushan Offer, the market value of Bowen's direct and indirect interests in Australian land (including leases and mining rights) is more than the market value of its other assets. This may require detailed calculations. If you hold a 'non-portfolio interest', you should contact Bowen to determine whether its interests in land exceed that threshold.

If you buy and sell shares in the ordinary courses of business, or you acquired your Bowen Shares for resale at a profit, any gain could be taxed in Australia as ordinary income and not as a capital gain (subject to any relief under a double tax treaty in force between Australia and your country of residence). You should seek your own advice in this regard.

We recommend that you obtain independent professional advice regarding the tax implications of accepting the Bhushan Offer in your country of residence.

### **5.4 Stamp duty**

If stamp duty is payable in any Australian State or Territory on the transfer of your Bowen Shares to Bhushan under the Bhushan Offer, it will be paid by Bhushan.

### **5.5 Obtain your own taxation advice**

You should not rely on the comments or the statements contained in this Target's Statement or the Bidder's Statement as advice in relation to your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Target's Statement and the Bidder's Statement.

Accordingly you should consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, Bowen does not accept any responsibility for tax implications for individual Shareholders.



## 6 Directors' interests

### 6.1 Directors' interests in Bowen Shares

At the date of this Target's Statement, the Directors hold relevant interests in the following Bowen Shares (including indirect holdings):

Director	Bowen Shares	% of Issued Capital
Neil Stuart	1,880,001	2.3%
Mark Sheppard	1,291,201	1.581%
Nittin Johari	0	0%
Brij Bhushan Singal	0	0%
Neeraj Singal	0	0%
Anil Ahuja	0	0%

Each Independent Director intends to accept the Bhushan Offer in respect of the Bowen Shares held or controlled by him in the absence of a superior offer.

Neil Stuart and Mark Sheppard respectively also hold 1,835,000 and 1,041,200 options in Bowen.

### 6.2 Directors' recent dealings in Bowen Shares

No Director has acquired or disposed of a relevant interest in any Bowen Shares in the four month period immediately preceding the date of this Target's Statement.

### 6.3 Independent Board Committee

The board of Directors of Bowen established the Independent Board Committee to oversee the process of the Bhushan Offer. The Independent Board Committee established protocols to ensure that the Bhushan Offer occurs in an efficient, competitive and informed market, and to ensure that Shareholders have the required information to make an informed decision. In particular, the protocols of the Independent Board Committee attempt to protect Bowen from potential conflicts of interest by "insiders" (**Insiders**). Insiders of Bowen include those people who are officers or advisers of Bhushan or Bhushan Steel Limited who are in a position to influence Bowen's consideration of the Bhushan Offer, or people who may have significant inside or non-public information concerning Bowen, gained by virtue of being an officer or adviser of Bowen.

Neeraj Singal, Brij Bhushan Singal, Nittin Johari and Anil Ahuja are directors of Bowen and are also directors of Bhushan and/or Bhushan Steel Limited. They are therefore an Insider of Bhushan. While Neeraj Singal, Brij Bhushan Singal, Nittin Johari and Anil Ahuja will not benefit from Bhushan making a successful bid, Neeraj Singal, Brij Bhushan Singal, Nittin Johari and Anil Ahuja are not members of the Independent Board Committee to avoid any potential or perceived conflict. The Independent Board Committee has adopted, amongst others, the following protocols:

- (a) informing the common directors or Insiders and Bhushan that the Independent Board Committee will control any process and the degree of any involvement by the common directors or the Insiders;
- (b) advising the common directors or Insiders that they must not provide any corporate information to anyone without the express approval of the Independent Board Committee and requiring the common directors to enter into an appropriate confidentiality agreement with Bowen (represented by the Independent Board Committee);

- (c) requiring that the common directors or Insiders do not discuss the Bhushan Offer with customers, suppliers or other employees of Bowen unless specifically requested to do so by the Independent Board Committee; and
- (d) requiring the common directors or Insiders to disclose to Bowen any material "non public" information about Bowen which they have provided to Bhushan.

#### **6.4 Benefits and agreements**

As a result of the Bhushan Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board of Bowen or related body corporate of Bowen.

## **7 Additional information**

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### **7.1 Consents**

Each of the parties referred to below:

- (a) has not authorised or caused the issue of this Target's Statement;
- (b) does not make, or purport to make, any statement in this Target's Statement, nor is any statement in this Target's Statement based on any statement by any of those parties, other than as specified in this section; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and any statement which has been included in this Target's Statement with the consent of that party as specified in this section.

Gadens Lawyers has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as legal adviser to Bowen in the form and context in which it is named. However Gadens Lawyers has not verified the accuracy of the statements in this Target's Statement or conducted due diligence on this Target's Statement.

WHK Horwath Corporate Finance Limited has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as Independent Expert to Bowen in the form and context in which it is named.

PKF Chartered Accountants & Business Advisers has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as auditors to Bowen in the form and context in which it is named.

### **7.2 Publicly available information**

This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC by Bhushan.

As permitted by ASIC class order 01/1543, the consent of Bhushan is not required for the inclusion of such statements in this Target's Statement. Any Shareholder who would like to receive a copy of those documents may obtain a copy free of charge during the Offer Period by contacting Bowen's Company Secretary on + 61 2 9392 8686 or at cosec@bowenenergy.com.au.

As permitted by ASIC class order 03/635, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or

- (b) from a public official document or published book, journal or comparable publication, and the consent of the persons to whom such statements are attributed is not required to be included in this Target's Statement.

### **7.3 Independent Expert's Report**

This Target's Statement includes, in Annexure A, a copy of a report by WHK Horwath Corporate Finance Limited (an independent expert not associated with either Bhushan or Bowen) stating whether, in its opinion, the Bhushan Offer is fair and reasonable and giving reasons for forming that opinion. The Directors encourage you to read the report in full.

By way of summary, the Independent Expert has concluded that the Bhushan Offer is fair and reasonable and has valued your Bowen Shares at between 3.53 cents and 5.51 cents per Bowen Share. The Offer Price of 14 cents per Bowen Share is well above the Independent Expert's valuation range.

### **7.4 No other material information**

This Target's Statement is required to include all of the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Bhushan Offer, but:

- (a) only to the extent to which it is reasonable for Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

The Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Bhushan Offer is:

- (a) the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) Bowen's annual reports and releases to the ASX, and documents lodged by Bowen with ASIC prior to the date of this Target's Statement;
- (c) the Independent Expert's Report; and
- (d) this Target's Statement.

The Directors have assumed, for the purpose of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of Bowen Shares;
- (b) the matters Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may be expected to be known to the professional advisers of Shareholders; and
- (d) the time available to Bowen to prepare this Target's Statement.

## **7.5 Directors intentions**

Each of the Independent Directors who has an interest in Bowen Shares (as set out in section 6.1) intends to accept the Bhushan Offer in relation to their Bowen Shares in the absence of a superior proposal.

## 8 Approval of Target's Statement

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This Target's Statement has been approved by a resolution passed by the Directors on 23 July 2009. No Director voted against the resolution authorising this Target's Statement.

Dated 24 July 2009

A handwritten signature in black ink, appearing to read 'Neil Stuart', written in a cursive style.

**Neil Stuart**  
Chairman

## 9 Definitions and interpretation

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### 9.1 Definitions

**Announcement Date** means the date Bhushan announced its intention to make the Bhushan Offer, being 10 July 2009.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or, where appropriate, the securities exchange operated by it.

**Bidder's Statement** means the bidder's statement dated 10 July 2009 as amended by the Supplementary Bidder's Statement dated 14 July 2009 which were served on Bowen in relation to the on-market offer pursuant to section 635 of the Corporations Act and which contains the Bhushan Offer.

**Bhushan** means Bhushan Steel Australia Pty Limited ACN 125 970 372.

**Bhushan Offer** means the offer by Bhushan to acquire Bowen Shares, set out in section 1 of the Bidder's Statement.

**Bowen** means Bowen Energy Limited ACN 120 965 095.

**Bowen Share** means a fully paid ordinary share in Bowen.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means all of the directors of Bowen.

**Independent Board Committee** means Neil Stuart and Mark Sheppard together with representatives of Bowen's advisers.

**Independent Directors** means Neil Stuart and Mark Sheppard.

**Independent Expert** means WHK Horwath Corporate Finance Limited.

**Independent Expert's Report** means the report of the Independent Expert which is included as Annexure A of this Target's Statement.

**Insider** has the meaning given to that term in section 6.3 of this Target's Statement.

**Issuer Sponsored Holding** means a holding of Bowen Shares on Bowen's issuer sponsored subregisters.

**Offer Period** means the period during which the Bhushan Offer will remain open for acceptance in accordance with section 1 of the Bidder's Statement.

**Offer Price** means \$0.14 cash per Bowen Share.

**Shareholder** means a holder of one or more Bowen Shares.

**Target's Statement** means this document, prepared by Bowen in response to the Bidder's Statement.

### 9.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) headings are for convenience and do not affect the interpretation;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- (c) words importing the singular include the plural and vice versa;
- (d) a reference to a section is a reference to a section of this Target's Statement;
- (e) where a term is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a person includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated association and a government or statutory body or authority;
- (g) a reference to a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- (h) '\$' or 'dollars' is a reference to the lawful currency of Australia.

# Corporate Directory

## **Bowen Energy Limited**

ACN 120 965 095

Address:

c/- Mitchell & Partners  
Level 7, 10 Barrack Street  
SYDNEY NSW 2000

Telephone: 61 2 9392 8686

Facsimile: 61 2 9299 8195

## **Directors**

Chairman: Neil Stuart

Director: Mark Sheppard

Director: Neeraj Singal

Director: Brij Bhushan Singal

Director: Nittin Johari

Director: Anil Ahuja

## **Executive Management**

Company Secretary: Glenn Merchant

Managing Director: Nittin Johari

Executive Director Exploration: Mark Sheppard

## **Lawyers**

Gadens Lawyers

Address:

Level 16, Skygarden Building  
77 Castlereagh Street  
SYDNEY NSW 2000

Telephone: 02 9931 4999

Facsimile: 02 9931 4888

[www.gadens.com.au](http://www.gadens.com.au)

## **Auditors/Tax Adviser**

PKF Chartered Accountants & Business  
Advisers

ABN 83 236 985 726

Address:

Level 10, 1 Margaret Street  
SYDNEY NSW 200

Telephone: 61 2 9251 4100

Facsimile: 61 2 9240 9821

[www.pkf.com.au](http://www.pkf.com.au)

## **Share Registry**

Registries Limited

Address:

Level 7, 207 Kent Street  
SYDNEY NSW 2000

Telephone: 61 2 9290 9646

Facsimile: 61 2 9279 0664

[www.registries.com.au](http://www.registries.com.au)



# Annexure A

Independent Expert's Report

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**BOWEN ENERGY LIMITED**  
**ACN 120 965 095**

**INDEPENDENT EXPERT'S REPORT**

On the on-market bid by Bhushan Steel (Australia) Pty Limited  
as required under Section 640 of the  
Corporations Act 2001 (Cth)

**Prepared by**

**WHK Horwath Corporate Finance Limited**

**July 2009**

23 July 2009

The Independent Directors  
Bowen Energy Limited  
PO Box 523  
SPRING HILL QLD 4004

Dear Sirs,

## INDEPENDENT EXPERT'S REPORT

### 1 Introduction

On 10 July 2009, Bhushan Steel (Australia) Pty Limited ("**Bhushan**") announced its intention to make a takeover offer for all of the issued ordinary shares in Bowen Energy Limited ("**Bowen Energy**" or the "**Company**") that it does not already own at a price of \$0.14 cash per share (the "**Bhushan Offer**").

Bhushan issued a bidder's statement dated 10 July 2009 ("**Original Bidder's Statement**") which has been subsequently varied by a supplementary bidder's statement lodged with the Australian Securities Exchange ("**ASX**") on 14 July 2009 ("**Supplementary Bidder's Statement**"), (together the "**Bidder's Statement**"). The Bhushan Offer is unconditional and is open during the period commencing 27 July 2009 and ending 26 August 2009, unless extended or withdrawn (the "**Offer Period**").

The terms of the Bhushan Offer are set out in the Bidder's Statement. This Report forms part of the Target Statement.

As at the date of this Report, Bhushan has a relevant interest of 22.23% in Bowen Energy. Mr Anil Ahuja is a common director of both Bhushan and Bowen Energy, additionally, Mr Rajiv Argarwal is an alternate director of Bowen Energy and a director of Bhushan. Accordingly, under Section 640 of the Corporations Act 2001 (Cth) ("**Corporations Act**" or the "**Act**"), Bowen Energy is required to include in its Target Statement an independent expert's report in relation to the Bhushan Offer. The directors of Bowen Energy not associated with Bhushan have engaged WHK Horwath Corporate Finance Limited ("**WHK Horwath Corporate Finance**") to prepare an independent expert's report setting out whether, in its opinion, the Bhushan Offer is fair and reasonable to the shareholders of Bowen Energy.

WHK Horwath Corporate Finance advises that the Company has undertaken (or intended to undertake) previous transactions as disclosed to the market. For the avoidance of doubt, this Report will address the current Bhushan Offer and is not required to address and assess previous transactions or resolutions voted on by the Company's shareholders. For further details regarding the purpose of this Report and our scope, please refer to sections 4 and 5 of the Report.

WHK Horwath Corporate Finance is independent of Bowen Energy and Bhushan and has no involvement with, or interest in, the outcome of the Bhushan Offer other than the preparation of this Report.

*Total Financial Solutions*

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A WHK Group Firm

Bowen Energy is an Australian public company listed on the ASX. Bowen Energy is a mining company whose principal activity is the exploration and evaluation of coal and uranium energy resources in Central Queensland.

Bhushan is a proprietary company incorporated in Australia. Bhushan is a wholly owned subsidiary of Bhushan Steel Limited, a public company listed on the Bombay Stock Exchange and National Stock Exchange of India. Bhushan Steel Limited is a steel manufacturing company based in India.

## **2 Summary Conclusion**

### **2.1 The Bhushan Offer is Fair & Reasonable**

#### **2.1.1 The Bhushan Offer is Fair**

In our opinion the consideration being offered to the Bowen Energy shareholders under the Bhushan Offer of 14.0 cents per share is greater than the assessed value of each Bowen Energy share, being in the range of 3.53 cents per share and 5.51 cents per share with a midpoint of 4.52 cents per share as set out in section 9.2 of our Report, representing a premium in the range of 154% to 296%.

Accordingly, in our opinion, the Bhushan Offer is fair to the Bowen Energy shareholders.

#### **2.1.2 The Bhushan Offer is Reasonable**

After forming an opinion that the Bhushan Offer is fair and after considering the advantages and disadvantages of the Bhushan Offer for the shareholders of Bowen Energy, as set out in section 10 of our Report, we are of the opinion that the Bhushan Offer is also reasonable to the Bowen Energy shareholders.

## **3 Other**

The ultimate decision of acceptance or rejection of the Bhushan Offer should be based on each Bowen Energy shareholder's assessment of their own circumstances. The factors which Bowen Energy shareholders should have regard to in making this assessment include (but are not limited to) their risk profile, liquidity preference and expectations as to the value of stock and future stock market conditions.

Bowen Energy shareholders should read the Bidder's Statement issued by Bhushan and the Target Statement issued by Bowen Energy in relation to the Bhushan Offer. If Bowen Energy shareholders are in doubt about the action they should take in relation to the Bhushan Offer, Bowen Energy shareholders should seek independent professional advice.

This letter is a summary of WHK Horwath Corporate Finance's opinion on the Bhushan Offer. This letter should be read in conjunction with the detailed report and appendices as attached. Unless the context requires otherwise, references to "we", "our" and similar terms refer to WHK Horwath Corporate Finance.

Yours faithfully  
**WHK HORWATH CORPORATE FINANCE LIMITED**



*WHK Horwath Corporate Finance*

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## **4 The Bhushan Offer Details**

### **4.1 The Bhushan Offer**

On 10 July 2009, Bhushan announced its intention to make a takeover offer for all of the issued ordinary shares in Bowen Energy that it does not already own at a price of \$0.14 cash per share. Bhushan issued the Original Bidder's Statement dated 10 July 2009 which has been subsequently varied by the Supplementary Bidder's Statement lodged with the ASX on 14 July 2009.

The Bhushan Offer is unconditional and is open during the period commencing 27 July 2009 and ending 26 August 2009, unless extended or withdrawn. Bhushan has appointed UBS Securities Australia Limited ("**UBS Securities**") to purchase Bowen Energy shares on its behalf on market during official trading days of the ASX during the Offer Period. The Bhushan Offer does not extend to Bowen Energy options but does extend to any Bowen Energy shares that are issued and quoted by the ASX prior to the end of the Offer Period following the exercise of Bowen Energy options.

Based on documents lodged with the ASX by Bowen Energy as at the date of the Bidder's Statement, the Company has 55,486,170 listed options on issue. These options expire on 27 November 2009. Each Option is a right in favour of the Optionholder to subscribe for one Bowen Energy share with an exercise price of 20 cents. Bhushan holds 121,000 listed Bowen Energy options at the date of the Bidder's Statement. The Company has 7,500,000 unlisted options on issue exercisable at 20 cents which expire on 8 July 2010, all of which are held by Bhushan at the date of the Bidder's Statement.

Bhushan's intentions in relation to the Bhushan offer as disclosed in section 3 of the Bidder's Statement are summarised as follows:

- If 90% ownership is assumed, Bhushan would:
  - a) Seek to have persons nominated by it appointed to the board of directors of the Company to replace some of the current members of the board of directors of the Company;
  - b) Continue with the Company's exploration activities and may seek further opportunities in the coal exploration sector;
  - c) Conduct a review of the Company's business, assets and operations to identify the most effective means of exploring and developing the Company's projects;
  - d) Review the future employment of the present employees of the Company after the close of the Bhushan Offer, having regard to its specific plans for the Company's business; and
  - e) Make an application to the ASX for removal of the Company from the official list of the ASX and may also seek to change the status of the Company to a proprietary company limited by shares.
- If 50.1% but less than 90% ownership is assumed, Bhushan would undertake the steps b) to d) outlined above and additionally, would review the composition of the board of directors of the Company and consider whether it is necessary to make any changes. It would be for the board of directors of the Company to determine the extent to which these intentions are implemented (if at all).
- If less than 50.1% ownership is assumed, Bhushan would maintain its representation on the Company board of directors and then gain a more detailed understanding of all the businesses, assets and operations of the Company.
- Compulsorily acquire shares in Bowen Energy, if it is entitled to pursuant to Part 6A.1 or Part 6A.2 of the Corporations Act.
- Not oppose a request by the ASX to de-list the Company for not meeting its shareholder spread requirements. Additionally, depending on the number of Bowen Energy shareholders accepting the Bhushan Offer, Bhushan may seek to cause the Company to be de-listed.
- Bid for any Bowen Energy shares which are issued and quoted by the ASX as a result of any Bowen Energy options being exercised prior to the expiry of the Offer Period.

The terms of the Bhushan Offer are set out in the Bidder's Statement and the Target Statement. This Report forms part of the Target Statement.

## **5 Scope of Our Report**

### **5.1 Purpose of the Report**

Section 640 of the Corporations Act provides that an independent expert report stating whether the takeover offer is fair and reasonable, is required to be included in a target's statement, in accordance with Section 638 of the Act if:

- (a) the bidder's voting power in the target is 30% or more; or
- (b) for a bidder who is, or includes, an individual – the bidder is a director of the target; or
- (c) for a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target.

In this case, Mr Anil Ahuja is a director of the Company and is also a director of Bhushan. Additionally, Mr Rajiv Agarwal is an alternate director of the Company and is also a director of Bhushan. We also note that Mr Neeraj Singal, Mr Brij Bhushan Singal are directors of the Company and are nominees of Bhushan. Mr Glenn Merchant is the company secretary of the Company and is also a director of Bhushan. The directors of Bowen Energy not associated with Bhushan are Mr Neil Stuart and Mr Mark Sheppard.

Accordingly, the directors of Bowen Energy not associated with Bhushan have engaged WHK Horwath Corporate Finance to prepare an independent expert's report for the purpose of Section 640 of the Corporations Act. The Report is to set out WHK Horwath Corporate Finance's opinion as to whether the Bhushan offer is fair and reasonable and to state reasons for that opinion.

The ultimate decision of acceptance or rejection of the Bhushan Offer should be based on each Bowen Energy shareholder's assessment of their own circumstances. The factors which Bowen Energy shareholders should have regard to in making this assessment include (but are not limited to) their risk profile, liquidity preference and expectations as to the value of stock and future stock market conditions.

Bowen Energy shareholders should read the Bidder's Statement issued by Bhushan and the Target Statement issued by Bowen Energy in relation to the Bhushan Offer. If Bowen Energy shareholders are in doubt about the action they should take in relation to the Bhushan Offer, Bowen Energy shareholders should seek independent professional advice.

### **5.2 Basis of Evaluation**

The basis of our evaluation, our valuation approach, our decision criteria and evaluation process are set out in this section and sections 6, 9 and 11.

In evaluating the fairness and reasonableness of the Bhushan Offer, we have considered the requirements of the Corporations Act and relevant Regulatory Guides issued by ASIC, which provide guidance on interpretation.

This Report takes into account the provisions of Regulatory Guide 111 which distinguishes "fair" from "reasonable" and considers:

- (a) An offer to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. This comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the "bidder" or its associates in the target when making this comparison.
- (b) An offer to be "reasonable" if it is fair. It might also be reasonable if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

For the purposes of this Report, WHK Horwath Corporate Finance has treated "fair" and "reasonable" as separate concepts. Under the Bhushan Offer, if the offer price is at a premium to the value of Bowen Energy shares, there will be a benefit to the shareholders of Bowen Energy and as such the Bhushan Offer would be fair.

Conversely, if the value of the offer price is at a discount to the value of Bowen Energy shares, there will be a dilution in value to the shareholders of Bowen Energy and as such the Bhushan Offer would be unfair.

In forming our opinion on whether or not the Bhushan Offer is fair and reasonable for Bowen Energy's shareholders we have compared the:

- offer price per the Bhushan Offer;
- our assessment of the value of Bowen Energy shares subject to the Bhushan Offer; and
- the likely advantages and disadvantages of the Bhushan Offer for Bowen Energy and its shareholders.

We have also given due consideration to relevant matters in other guidelines, including Regulatory Guide 112, Independence of Experts.

### **5.3 Disclosure of Information**

In preparing this Report, Bowen Energy requested WHK Horwath Corporate Finance to limit the disclosure of some financial information relating to Bowen Energy's operations and financial performance. This request has been made due to the commercially sensitive nature of the financial and operational information which WHK Horwath Corporate Finance has had access to in the course of this assignment. The disclosure in this Report has been limited to the type of information that is publicly available.

### **5.4 Limitations and Reliance on Information**

WHK Horwath Corporate Finance's opinion is based on economic, share market, business and trading conditions prevailing at the date of the announcement and any material subsequent events to the date of this Report. These conditions can change significantly over relatively short periods. If they did change materially, the valuation and our opinion could vary significantly.

This Report is based upon financial and non-financial information provided by Bowen Energy, its advisors and the technical expert engaged to value the exploration tenements. WHK Horwath Corporate Finance has considered and relied upon this information and has no reason to believe that any material facts have been withheld. The information provided to WHK Horwath Corporate Finance has been evaluated through analysis, inquiry and review for the purposes of forming an opinion as to whether the Bhushan Offer is fair and reasonable to the Bowen Energy shareholders. WHK Horwath Corporate Finance does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or due diligence investigation might disclose.

An important part of the information used in forming an opinion as to fairness and reasonableness is comprised of the opinions and judgement of management. This type of information was evaluated through analysis, inquiry and review. However, such information is often not capable of external verification or validation and has not been independently verified.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, continuous disclosure rules, regulations, and policies, WHK Horwath Corporate Finance:

- assumes no responsibility and offers no legal opinion or interpretation on any issue; and
- has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no legal proceedings, other than as publicly disclosed.



## **6 Valuation Methodology**

### **6.1 Overview**

The best determinant of value is the price at which the business or a comparable business or an equity interest in that business has been bought or sold in an arms length transaction. In its absence, estimates of value are made using methodologies that infer value from other available evidence.

In order to calculate the fair market value of Bowen Energy shares, we have considered the following generally accepted valuation methodologies.

### **6.2 Asset Based Methods**

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- net assets on a going concern basis;
- orderly realisation of assets; and
- liquidation of assets.

The **net assets on a going concern basis method** is based on the value of the assets of the business less certain liabilities, at book values, adjusted to market value.

The **orderly realisation of assets method** estimates fair market value by determining the amount that would be distributed to shareholders assuming the Company is wound up in an orderly manner realising a reasonable market value for assets.

The **liquidation of assets method** is similar to the orderly realisation of assets method except for the fact that the liquidation of assets method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable, not actively trading or a significant proportion of a company's assets are liquid.

### **6.3 Market Based Methods**

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value and valuation metrics of comparable companies. Market based methods include:

- capitalisation of maintainable earnings;
- analysis of a company's recent share trading history; and
- industry specific methods.

The **capitalisation of maintainable earnings method** estimates fair market value by multiplying the company's future maintainable earnings by an appropriate capitalisation multiple. An appropriate earnings multiple is derived from price earnings multiples and market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures and growth profiles.

The **most recent share trading history** provides strong evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

**Industry specific methods** estimate market value using industry benchmarks. These methods generally provide less persuasive evidence on the market value of a company, as they may not account for company specific factors. Industry specific methods should only be used as a cross check to the primary valuation methodology.

#### **6.4 Discounted Cash Flow Method**

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least 5 years. The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

#### **6.5 Selection of Methodology**

In selecting our methodology for the valuation of Bowen Energy shares, we have considered the following:

- the nature of the Bhushan Offer;
- specific characteristics of the exploration operations of Bowen Energy;
- the nature of the assets held by Bowen Energy;
- availability and reliability of forecast cash flow information; and
- access to publicly available valuation benchmarks, comparable company information and comparable company transactions.

We have selected the fair market value of underlying net assets on a going concern basis as our primary methodology.

As a cross-check to our primary methodology we have also performed a review of the market value of the shares of Bowen Energy as quoted on the ASX during the period prior to the date of this Report. We find the market value of the Bowen Energy shares less persuasive due to the lack of liquidity in respect of trading of these shares and as such, have not placed reliance on this methodology in forming our opinion. This is discussed further in section 9.3 of this Report.

We do not consider the discounted cash flow and capitalisation of future maintainable earnings methodologies to be appropriate for valuing the shares in Bowen Energy due to the Company not being able to make reliable forecasts based on current projects and due to the Company not having a history of trading profits.

## **7 Industry Overview**

Bowen Energy operates in the mineral and energy exploration industry in the Australian market. In the 12 months to 30 June 2009, expenditure on exploration in Australia's mineral and energy industry is estimated at \$5.6 billion, greater than twice the annual average expenditure of the past 25 years.<sup>1</sup>

Investment in mineral exploration affects the ability of Australia's mineral and energy sector to grow and expand its contribution to national economic performance over the medium and longer term. It represents an investment in knowledge about the potential size, location and quality of mineral deposits, and the decision to make this investment depends on the probability of discovering an economic deposit, or extending the resource base of a known deposit.

A range of factors influence the decision to invest in mineral exploration, including (but not limited to):

- Current and expected future prices;
- Mining and processing technologies;
- Input costs (labour, fuel and other inputs);
- Availability of, and access to, land; and
- Government policies.

Whilst Bowen Energy holds tenements which are prospective of a number of minerals, the Company's principally explores:

- Coal; and
- Uranium

The remainder of this section is a high-level overview of the above segments of the Australian mineral exploration industry. It is not intended to be a comprehensive review, but rather provide an outline of the industry conditions Bowen Energy is exposed to both currently and in the foreseeable future.

### **7.1 Overview – Coal Exploration**

Black coal resources are located in most states of Australia, with significant quantities of high quality black coal in Queensland and New South Wales. These two states have 53% and 42% of Australia's black coal economic demonstrated resources respectively. Australia's brown coal deposits are located in South Australia, Victoria, Western Australia and Tasmania.<sup>2</sup>

For the quarter ended 31 March 2009, approximately \$404 million was spent on mineral exploration in Australia, of which coal accounted for approximately \$69 million (or 17%). This represents a decrease of 38% of total expenditure from the prior quarter.

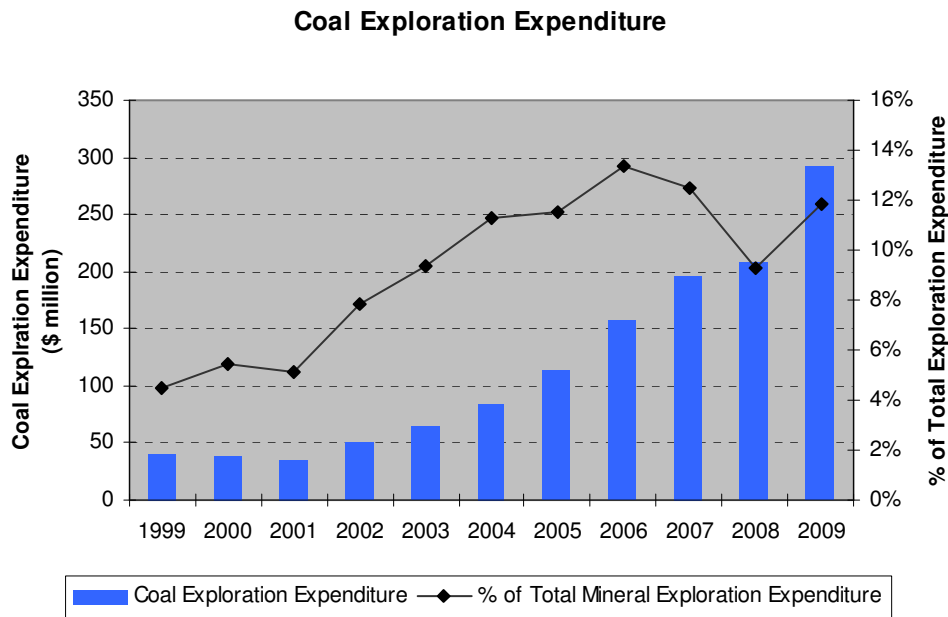
The decrease is largely as a result of the turmoil in global capital markets in the later half of 2008, which has influenced mineral prices and investor's willingness to spend on exploration activities. Coal exploration has been more resilient to this decline than other minerals on average.

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<sup>1</sup> ABARE – Minerals and Energy, Major Development Projects – April 2009 Listing Publication

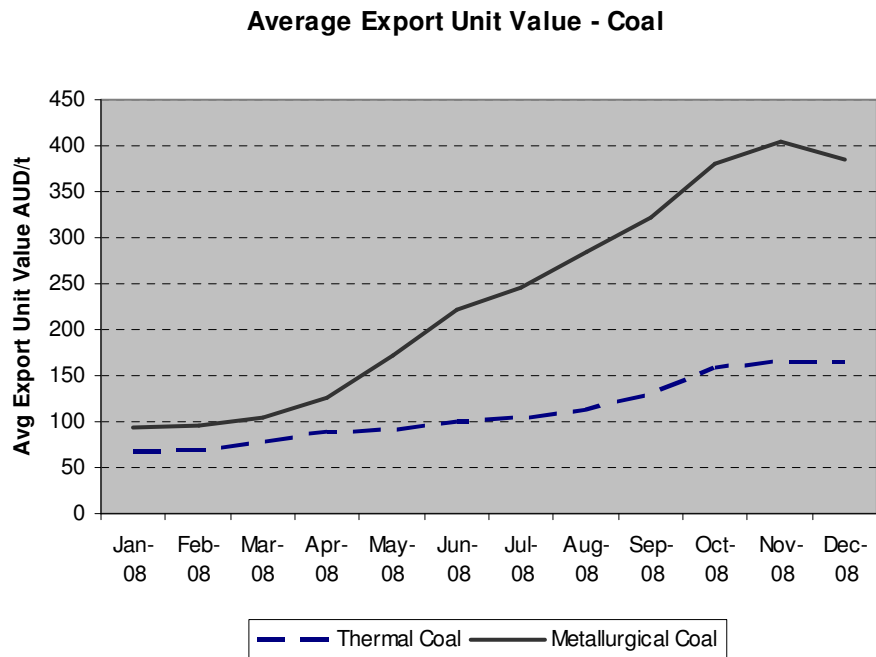
<sup>2</sup> ABARE – Energy in Australia 2009 Publication

The graph below depicts coal exploration expenditure in Australia from 1999 to 2009.



Source: Australian Bureau of Statistics  
 NB: Years ended 31 March

The graph below depicts the average coal export unit value for the 12 months to December 2008 for thermal coal<sup>3</sup> and metallurgical coal<sup>4</sup>.



Source: ABARE Australian Mineral Statistics 2009 Publication  
 NB: Years ended 31 March

The above graph represents a compound annual growth (“CAGR”) of 13.7% and 8.4% for the average export unit value of metallurgical coal and thermal coal respectively, over the 12 months to December 2008.

<sup>3</sup> A term used to describe coal which is used primarily to generate heat. Also referred to as steam coal.

<sup>4</sup> A term used to describe varieties of bituminous coal that are converted into coke for use in the steelmaking process.

**7.2 Overview – Uranium Exploration**

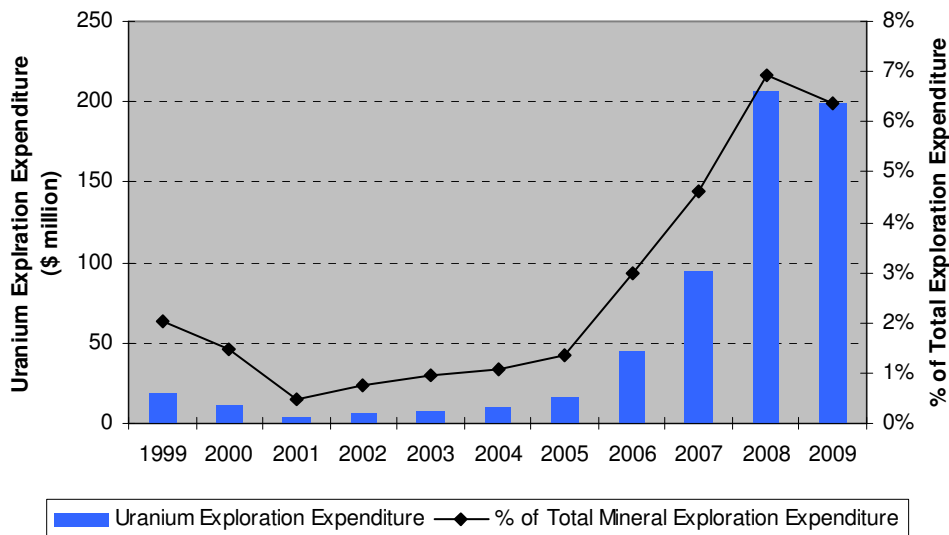
Australia's identified uranium resources have more than doubled over the past two decades, with the majority of these resources located in South Australia, the Northern Territory and Western Australia.<sup>5</sup>

For the quarter ended 31 March 2009, approximately \$28 million was spent on uranium exploration in Australia (or 7% of total exploration expenditure). This represents a decrease of 46% from the prior quarter.

As mentioned in section 7.1 of this Report, the decrease is largely as a result of the turmoil in global capital markets in the later half of 2008, which has influenced mineral prices and investor's willingness to spend on exploration activities. Uranium exploration expenditure has been more sensitive to this change than other minerals on average. This can be seen as a stabilisation of growth, as this segment has experienced annual growth in excess of 75% between the years ended 31 March 2005 to 2008.

The graph below depicts uranium exploration expenditure in Australia from 1999 to 2009.

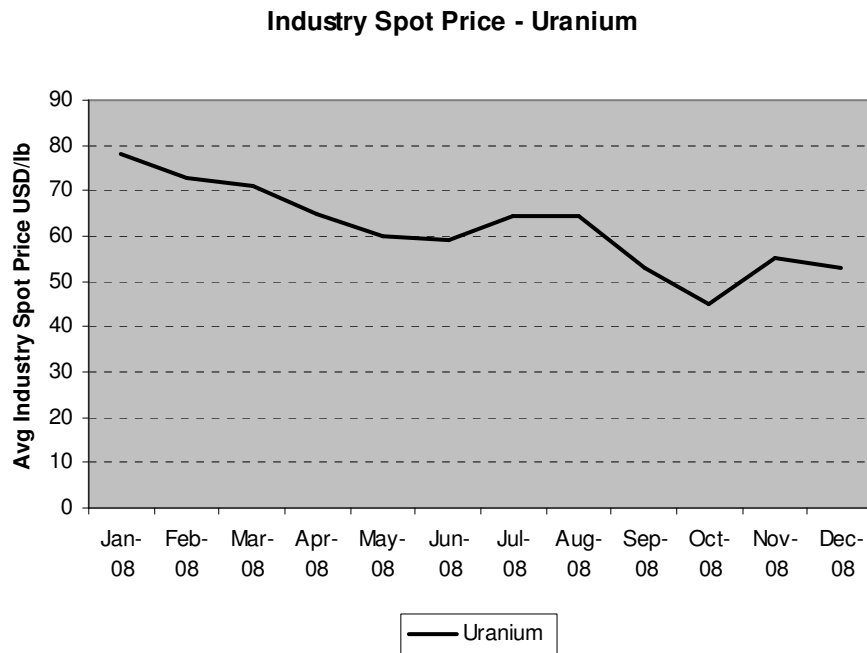
**Uranium Exploration Expenditure**



Source: Australian Bureau of Statistics  
 NB: Years ended 31 March

<sup>5</sup> ABARE – Energy in Australia 2009 Publication

The graph below depicts the uranium industry spot price for the 12 months to December 2008.



Source: ABARE Australian Mineral Statistics 2009 Publication  
NB: Years ended 31 March

### **7.3 Concluding Comments on the Coal and Uranium Exploration Segments**

The Australian coal and uranium exploration segments have historically experienced a higher demand and increasing mineral prices which have resulted in increased exploration expenditure, however growth has begun to decline due to the effect of the turmoil in global capital markets in the later half of 2008, which has influenced mineral prices and investor's willingness to spend on exploration activities amid a heavily regulated environment.

Future exploration expenditure is dependent on current and expected future prices, mining and processing technologies, input costs (labour, fuel and other inputs), availability of and access to land and government policies.

The critical success factors required to gain a competitive advantage in these segments includes diversity in operations, downstream interests, the ability to adjust operations to market demand, access to multi-skilled staff and obtaining the appropriate exploration licences from relevant regulatory bodies.

## 8 Profile of Bowen Energy

### 8.1 Background

Bowen Energy is an Australian public mining company listed on the ASX. Its principal activity is the exploration and development of coal and uranium energy resources in the Bowen and Tarong Basins in Queensland and the East Kimberley in Western Australia

### 8.2 History / Milestones

Detailed below is a summary of the company history and key milestones of Bowen Energy since listing on the ASX in February 2007.

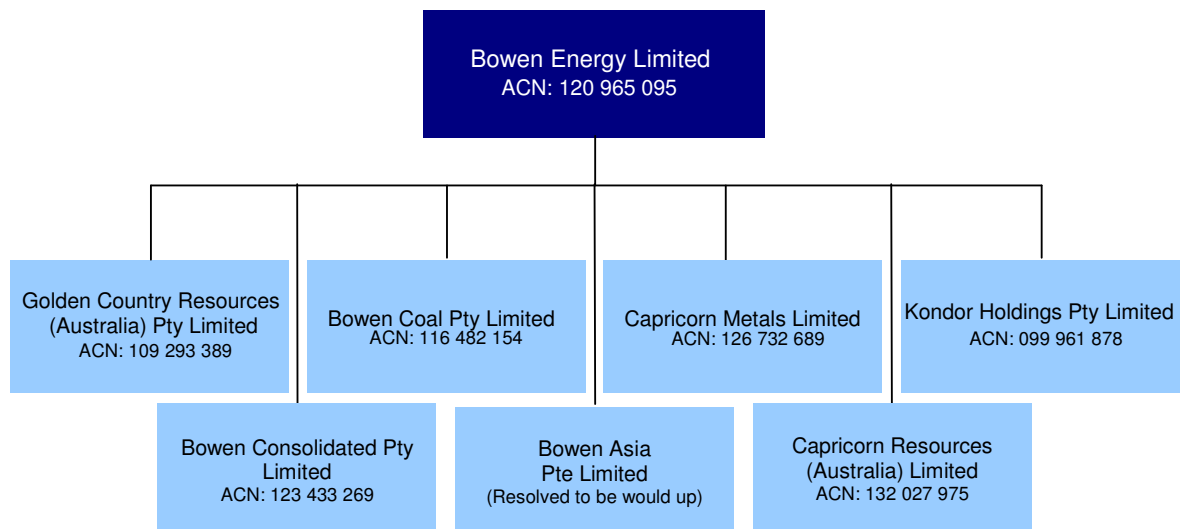
<b>Bowen Energy History / Milestones</b>	
Date Announced	Description
15-Feb-2007	Bowen Energy lists on the ASX.
19-Feb-2007	Secures a drilling rig for the Glen Isla Uranium project.
12-Mar-2007	Purchase of a Uranium / Fluorite prospect in the East Kimberly.
22-Mar-2007	Issue of a prospectus to raise \$561,600 for working capital purposes and the exploration of the new Archie Creek Uranium and Fluorite Project.
15-May-2007	Signing of Memorandum of Understanding with Bhushan Steel Limited to source working capital to pursue uranium deposit projects in Queensland and Western Australia and fund potential future business acquisitions.
2-Aug-2007	Capricorn Metals Limited incorporated by Bowen Energy.
13-Aug-2007	Execution of an Investment Agreement with Bhushan Steel Limited to raise up to \$4.5 million.
8-Nov-2007	Bowen Energy enters into an agreement to acquire 100% of Kondor Holdings Pty Limited the holder of EPC 1045.
20-Dec-2007	Execution of a revised Investment Agreement with Bhushan Steel Limited.
15-Jan-2008	Placement of 2.5 million shares and 625,000 options with Bhushan Steel Limited to raise \$800,000 pursuant to the Investment Agreement.
20-Feb-2008	Bowen Energy enters into an arrangement with JD Drilling for the purpose of drilling on Bowen Energy's East Middlemount, West Rolleston and Blackwater South Coal Projects.
25-Feb-2008	Bowen Energy signs two Joint Venture Agreements with Bhushan Steel Limited in relation to the coal tenements EPC 1045, EPCA 1206, EPC 1001 and EPC 1002.
26-Feb-2008	Bowen Energy enters into a Memorandum of Understanding with 2KD Drilling Pty Limited to conduct Bowen's drilling program over 4 years.
27-Feb-2008	A subsidiary of Bowen Energy enters into a Memorandum of Understanding with Asia Pacific Coalindo to jointly acquire and explore a thermal coal project in Kalimantan, Indonesia.
26-May-2008	Bowen Energy announces its intention to divest a considerable portfolio of non-coal (metals) projects.
27-Aug-2008	Placement of 1.75 million shares with Bhushan Steel Limited to raise \$560,000.
12-Sep-2008	Subscription Agreement executed with Bhushan Steel Limited to raise \$32 million via the issue of 100 million shares and 25 million options.
9-Oct-2008	Mr Brij Bhushan Singal appointed to the Board as a Non-Executive Director.
22-Oct-2008	Mr Kevin Nichol and Mr Andrew Bald resign as Managing Director and Company Secretary respectively. Mr Mark Sheppard and Mr Neeraj Singal appointed as directors and Mr Glenn Merchant appointed as Company Secretary. Board decides to suspend spin-off of non-coal assets due to volatility in equity markets.
4-Nov-2008	Bhushan agreed to lend up to \$2 million to the Company for working capital purposes.

<b>Bowen Energy History / Milestones (cont)</b>	
<b>Date Announced</b>	<b>Description</b>
23-Dec-2008	The specific resolution at the General Meeting regarding the Subscription Agreement with Bhushan was deferred.  Bhushan increased the existing loan to the Company to \$5 million for exploration programs and working capital purposes. Mr Nittin Johari appointed as Managing Director.
31-Mar-2009	Based on an adjustment to the valuation report, coupled with the pressures of the global financial crisis on funding, the third proposed joint venture agreement and Proposed Subscription Agreement with Bhushan were terminated and replaced with a loan facility for up to \$4 million for working capital and exploration on non-joint venture tenements.
24-Apr-2009	Request by members to hold a General Meeting to remove the Board of Directors (excluding Mr Bill Hayes and Mr Sydney Hayes), appoint Mr Kevin Nichol and Mr John Yin to the Board and issue 55.4 million options. The resolution in relation to the options was subsequently removed.
29-Apr-2009	EPC 1120 Cape River, EPM 15917 Pinnacle, EPM 16268 Blackbraes South and EPM 16275 Blackbraes projects abandoned as a result of down-graded exploration potential and limited funding.
1-May-2009	Mr Bill Hayes resigns as Director.
23-Jun-2009	Results of the General Meeting: It was resolved that the Board not be removed and the two representatives of the shareholder group not be appointed as directors. Request by members to hold another General Meeting to remove the Board of Directors (excluding Mr Sydney Hayes), appoint Dr Ian MacLeod-Carey, Mr Kevin Nichol and Mr John Yin to the Board and issue 55.4 million options. The resolution in relation to the options was subsequently removed.
10-Jul-2009	Bhushan announces on-market unconditional takeover bid for all the issued capital in the Company at \$0.14 cash per share.

Source: ASX announcements

### 8.3 Corporate Structure

The diagram below illustrates the corporate structure of Bowen Energy. All subsidiaries are 100% owned by the Company.



Source: Half-yearly Report for the Six Months Ended 31 December 2008

- **Golden Country Resources (Australia) Pty Limited:** This subsidiary was acquired for \$2.046 million via the issue of 10.23 million ordinary Bowen Energy shares. It holds the EPC1014, EPC1001 and EPC1002 tenements.
- **Bowen Coal Pty Limited:** This entity was acquired for \$700,000 via the issue of 2.5 million ordinary Bowen Energy shares. It holds the EPC 930 tenement.



- **Capricorn Metals Limited:** This entity was incorporated by Bowen Energy on 2 August 2007 with the view to it raising up to \$2.5 million in capital via an Initial Public Offer on the ASX, to fund on-going metal exploration and development. The entity is responsible for the exploration of copper, uranium and gold.
- **Kondor Holdings Pty Limited:** This entity was purchased on 8 November 2007 for a cash consideration of \$1 million and the issue of two convertible notes at \$0.885 million per note. This entity holds the mining tenement EPC1045 (granted).
- **Bowen Consolidated Pty Limited:** This entity was acquired on 3 January 2008 for \$3 which was equal to the net assets at completion.
- **Bowen Asia Pte Limited:** This entity was incorporated in Singapore on 18 February 2008 and has since been resolved to be wound up.
- **Capricorn Resources (Australia) Limited:** This entity was incorporated by Bowen Energy on 10 July 2008.

#### 8.4 Coal Tenements Held

The table hereunder outline the Company's coal tenements held as at 23 July 2009.

<b>Bowen Energy</b>				
<b>Coal Tenements Held</b>				
Project	Tenement	Holder	Interest	Area (sub-blocks)
Blackwater South	EPC 1045	Bowen Energy	15%	222
Blackwater South	EPC 1206	Bowen Energy	15%	54
Blackwater South	EPC 1259	Bowen Energy	100%	18
East Middlemount	EPC 930	Rocklands Richfield Limited	40%	240
East Middlemount	EPC 1014	Golden Country Resources (Australia) P/L	100%	26
East Middlemount	EPC 1085	Bowen Energy	100%	3
West Rolleston	EPC 1001	Golden Country Resources (Australia) P/L	10%	35
West Rolleston	EPC 1002	Golden Country Resources (Australia) P/L	10%	63
West Rolleston	EPC 1084	Bowen Energy	100%	26
West Rolleston	EPC 1187	Bowen Energy	100%	300
Tarong	EPC 1083	Bowen Energy	100%	213

*Source: Independent Valuation of the Coal Tenements held by Bowen Energy prepared by Minnelex Pty Limited dated 23 July 2009*

##### 8.4.1 Joint Venture Agreements with Bhushan

It should be noted that following coal tenements are subject to joint venture agreements between the Company and Bhushan:

- EPC 1045: 15% Bowen Energy and 85% Bhushan. The Company retains a 15% free carried interest up until the commissioning of a mine;
- EPC 1206: 15% Bowen Energy and 85% Bhushan. The Company retains a 15% free carried interest up until the commissioning of a mine;
- EPC 1001: 10% Bowen Energy and 90% Bhushan. The Company retains a 10% free carried interest up until the commissioning of a mine; and
- EPC 1002: 10% Bowen Energy and 90% Bhushan. The Company retains a 10% free carried interest up until the commissioning of a mine.

We note that with respect to the coal tenements referred to in this sub-section, Bhushan holds a call option to acquire and the Company a put option to sell to Bhushan, the Company's interest in the tenements for a consideration calculated using a pre-determined formula, based on JORC<sup>6</sup> compliant Indicated and Measured resources. Refer to section 9.2.4 of this Report for further details.

#### 8.4.2 Joint Ownership of Coal Tenements with Other Parties

EPC 930 is jointly owned, 40% Bowen Energy and 60% Rocklands Richfield Limited.

#### 8.5 Non-Coal Tenements Held

The table hereunder outline the Company's non-coal tenements held as at 23 July 2009.

<b>Bowen Energy Non-Coal Tenements Held</b>				
<b>Project</b>	<b>Tenement</b>	<b>Minerals</b>	<b>Interest</b>	<b>Area (square km)</b>
Glen Isla	EPM 14910	Uranium, Silver, Copper and Gold	100%	30
Archie Creek	EL 80/3537 and EL 80/3898	Copper, Gold, Iron and Vanadium	100%	410
Croydon	EPM 16267, EPM 16272, EPM 16274 and EPM 17364	Copper, Uranium, Nickel and Platinum Group Elements	100%	980
Bullseye Creek	EPMA 16269 and EPMA 16270	Gold, Silver and Uranium	100%	591

*Source: Independent Valuation of the Non Coal Mineral Properties held by Bowen Energy prepared by Minnelex Pty Limited dated 23 July 2009*

*NB: All tenements are held by the head company*

<sup>6</sup> The Code for Reporting of Minerals and Ore Reserves (the JORC Code) of the Australasian Joint Ore Reserves Committee.

## 8.6 Financial Performance

The Company's financial performance for the financial years ended 30 June 2007, 30 June 2008 and half-year ended 31 December 2008 is summarised in the table below.

<b>Bowen Energy</b>				
<b>Financial Performance (\$'000)</b>				
		<b>Year Ended</b>	<b>Year Ended</b>	<b>Half-year Ended</b>
	<i>Notes</i>	<b>30-Jun-07</b>	<b>30-Jun-08</b>	<b>31-Dec-08</b>
<b>Revenue</b>				
Interest income	1	94	186	36
<b>Total Revenue</b>		<b>94</b>	<b>186</b>	<b>36</b>
<b>Expenses</b>				
Consultancy fees	2	206	283	498
Directors remuneration		-	-	16
Professional fees	2	148	677	493
Impairment loss	3	-	-	3,127
Travel and related expenses		51	36	9
Insurance		21	3	9
Operating lease rentals		30	36	35
Communications		20	16	27
Finance costs		9	28	8
Other		130	211	50
<b>Total Expenses</b>		<b>615</b>	<b>1,290</b>	<b>4,272</b>
<b>Net Profit Before Tax</b>		<b>(521)</b>	<b>(1,104)</b>	<b>(4,236)</b>
Income tax benefit		-	137	-
<b>Net Profit After Tax</b>		<b>(521)</b>	<b>(967)</b>	<b>(4,236)</b>

Source: Half-yearly Report for the Six Months Ended 31 December 2008 and 2008 Annual Report

### Notes:

1. *Interest income:* This balance is a result of the significant cash reserves of the Company which are required to fund the capital intensive exploration activities. As the Company is currently undergoing green-field mineral exploration, interest revenue is currently the only source of income; and
2. *Consultancy and professional fees:* These expenses relate to costs incurred prior to obtaining the legal rights to explore an area.
3. *Impairment loss:* These expenses include write-downs of:
  - \$0.523 million in relation to available-for-sale financial assets;
  - \$0.656 million in relation to exploration and evaluation expenditure; and
  - \$1.948 million in relation to prepayments and other receivables in relation to drillings costs (refer to notes 4 and 5 of section 8.7 of this Report).

## 8.7 Cash Flows

The Company's cash flows for the financial years ended 30 June 2007, 30 June 2008 and half-year ended 31 December 2008 is summarised in the table below.

<b>Bowen Energy</b>				
<b>Cash Flows (\$'000)</b>				
		<b>Year Ended</b>	<b>Year Ended</b>	<b>Half-year</b>
	<i>Notes</i>	<b>30-Jun-07</b>	<b>30-Jun-08</b>	<b>Ended</b>
				<b>31-Dec-08</b>
<b>Cash Flows from Operating Activities</b>				
Interest received	1	94	186	72
Payments to suppliers and employees		(613)	(1,445)	(1,197)
Finance costs		(9)	(28)	(8)
<b>Net Cash Flows from Operating Activities</b>		<b>(528)</b>	<b>(1,287)</b>	<b>(1,133)</b>
<b>Cash Flows from Investing Activities</b>				
Exploration and evaluation expenditure	2	(128)	(1,254)	(3,487)
Payments for formation of subsidiaries		-	-	(2)
Payments for AFS financial assets	3	-	(490)	-
Prepayment of drilling costs	4	-	(1,124)	-
Payments (recoverable)/received from 2KD	5	-	(1,020)	197
Payments for subsidiaries, net of cash	6	(200)	(1,000)	-
Loan repayment		-	-	12
<b>Net Cash Flows from Investing Activities</b>		<b>(328)</b>	<b>(4,888)</b>	<b>(3,280)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from issues of shares	7	5,699	1,727	1,152
Proceeds from issue of options	8	562	-	-
Proceeds from future share issues	9	-	1,600	-
Proceeds from sale of AFS fin. assets		-	-	29
Share issue costs	10	(555)	(24)	(21)
Loan from Bhushan	11	-	-	1,350
<b>Net Cash Flows from Financing Activities</b>		<b>5,706</b>	<b>3,303</b>	<b>2,510</b>
Net increase in cash and cash equivalents		4,850	(2,872)	(1,903)
Cash at the beginning of the period		-	4,850	1,978
Cash at the end of the period		4,850	1,978	75

Source: Half-yearly Report for the Six Months Ended 31 December 2008 and 2008 Annual Report

### Notes:

- Interest received:* Refer to Section 8.6.
- Exploration and evaluation expenditure:* This relates to exploration expenditure capitalised. These costs were incurred post obtaining the appropriate licences to explore an area.
- Payments for available-for-sale financial assets:* The amount for FY08 relates to 2 million ordinary shares and 812,500 listed options in Vector Resources Limited acquired during the year.
- Prepayment of drilling costs:* In FY08, the Company secured the exclusive use of a drilling rig and associated equipment for four years operated by 2KD Drilling Pty Limited ("2KD Drilling"). These costs comprise the cost of acquisition and modification, less the receivable owing by 2KD Drilling as set out in Note 5. Effective control of the drilling rig and associated equipment was transferred to 2KD Drilling on acquisition even though ownership is to transfer on a pro-rata basis as the fixed repayments are made. The net cost had been taken up as a prepayment which was later written off as an impairment loss in the subsequent period (refer to section 8.6 of this Report).

5. *Payments recoverable from 2KD Drilling:* The amount in FY08 related to the amount paid on behalf of 2KD Drilling (refer Note 4). 2KD Drilling could terminate the contract prior to the final fixed instalment payment and had the option to purchase the equipment for the remaining balance of the fixed instalments. This balance was partially written off in the subsequent period, with the remainder written off as an impairment loss in the subsequent period (refer to section 8.6 of this Report).
6. *Payments for subsidiaries:* The amount for FY07 relates to the acquisition of Bowen Coal Pty Limited. Refer to Section 8.8 for the scrip consideration paid. The amount for FY08 relates to the cash consideration paid in the acquisition of Kondor Holdings Pty Limited. As part of the acquisition two convertible notes were also issued.
7. *Proceeds from issues of shares:*
  - For FY07, this amount included:
    - \$5 million in relation to the funds raised from the public offer pursuant to the prospectus dated 14 December 2006 in exchange for 25 million ordinary Bowen Energy shares;
    - \$600,000 raised from seed investors during November and December 2006 in exchange for 7.5 million ordinary Bowen Energy shares; and
    - \$99,000 raised from the founders of the Company during November and December 2006 in exchange for 9.93 million ordinary Bowen Energy shares.
  - For FY08, this amount included:
    - \$800,000 raised from Bhushan on 21 August 2007 in exchange for 2.5 million ordinary shares and 625,000 options in Bowen Energy;
    - \$800,000 raised from Bhushan on 15 January 2008 in exchange for 2.5 million ordinary shares and 625,000 options in Bowen Energy; and
    - \$127,000 for the exercise of 634,384 listed options at an exercise price of 20 cents per share.
  - For the half-year to 31 December 2008, this amount included:
    - \$32,000 raised for the exercise of 160,000 listed options at an exercise price of 20 cents per share;
    - \$560,000 raised from Bhushan on 1 September 2008 in exchange for 1.75 million ordinary shares in Bowen Energy; and
    - \$560,000 raised from Bhushan on 16 September 2008 in exchange for 1.75 million ordinary shares in Bowen Energy.
8. *Proceeds from issue of options:* Pursuant to a prospectus dated 21 March 2007, Bowen Energy issued 56.16 million options at an issue price of 1 cent per option and an exercise price of 20 cents per option.
9. *Proceeds from future share issues:* Bhushan Steel paid \$1.6 million during the year for an additional 5 million ordinary shares and 8.75 million options. These securities, however were not issued until 8 July 2008 due to the requirement for shareholder approval, which was obtained on 4 July 2008.
10. *Share issue costs:* The balance for FY07 relates to transaction costs arising from the initial public offer.
11. *Loan from Bhushan:* This represents an unsecured loan facility for working capital purposes granted on 4 November 2008.

## 8.8 Financial Position

The Company's financial position as at 30 June 2007, 30 June 2008 and 31 December 2008 is summarised in the table below.

<b>Bowen Energy</b>				
<b>Financial Position (\$'000)</b>				
	<i>Notes</i>	<b>Year Ended</b>	<b>Year Ended</b>	<b>Half-year</b>
		<b>30-Jun-07</b>	<b>30-Jun-08</b>	<b>Ended</b>
				<b>31-Dec-08</b>
<b>Current Assets</b>				
Cash at bank and on hand	1	4,851	1,978	73
Other receivables		121	586	309
Other assets	2	-	493	6
<b>Total Current Assets</b>		<b>4,972</b>	<b>3,057</b>	<b>388</b>
<b>Non-Current Assets</b>				
Other receivables		-	630	-
Available for sale financial assets	3	-	946	75
Exploration and evaluation expenditure	4	3,164	7,786	10,617
Other assets	2	-	657	2
<b>Total Non-Current Assets</b>		<b>3,164</b>	<b>10,019</b>	<b>10,694</b>
<b>Total Assets</b>		<b>8,136</b>	<b>13,076</b>	<b>11,082</b>
<b>Current Liabilities</b>				
Trade payables and accruals		115	631	710
Financial liabilities	5	-	-	1,350
<b>Total Current Liabilities</b>		<b>115</b>	<b>631</b>	<b>2,060</b>
<b>Total Liabilities</b>		<b>115</b>	<b>631</b>	<b>2,060</b>
<b>Net Assets</b>		<b>8,021</b>	<b>12,445</b>	<b>9,022</b>

Source: Half-yearly Report for the Six Months Ended 31 December 2008 and 2008 Annual Report

### Notes

1. *Cash at bank and on hand*: The Company has significant cash reserves which are required to fund the capital intensive exploration activities.
2. *Other assets*: As at 30 June 2008, these balances included:
  - \$1.12 million (\$0.467 million current and \$0.657 million non-current) relating to prepaid drilling costs (refer to Section 8.6); and
  - \$26,000 relating to other prepayments.
3. *Available for sale financial assets*: This balance as at 30 June 2008 relates to ordinary shares in Vector Resources Limited (refer to Section 8.1), which includes:
  - \$490,000 paid for acquiring these assets; and
  - \$456,000 incremental fair value adjustment at year end in relation to these assets as they were "market to market".

This investment was subsequently impaired as at 31 December 2008, with a portion sold.
4. *Exploration and evaluation expenditure*:

As at 30 June 2007, this balance included:

  - \$2.046 million in relation to the acquisition of Golden Country Resources (Australia) Pty Limited via the issue of 10.23 million ordinary Bowen Energy shares;

- \$700,000 for the acquisition of Bowen Coal Pty Limited, via the issue of 2.5 million ordinary Bowen Energy shares;
- \$290,000 for the acquisition of the EPM 14910 and EL 80/3537 permits, via the issue of \$1 million ordinary Bowen Energy shares; and
- \$128,000 costs in relation to exploration expenditure. Refer to Section 8.6.

As at 30 June 2008, the additions from the prior period balance included:

- \$2.769 million in relation to the acquisition of Kondor Holdings Pty Limited via the issue of two convertible notes which were each convertible to 4.423 million ordinary shares and subsequently converted on 3 March 2008;
- \$1.853 million costs in relation to exploration expenditure. Note in relation to the agreement with 2KD Drilling, part of the cash outflows have been pre-paid.

As at 31 December 2008, the movements from the prior period balance includes:

- \$3.487 million costs in relation to exploration expenditure.
- \$0.656 million written off as an impairment loss for the period.

For the avoidance of doubt, this balance does not include costs incurred prior to obtaining the legal rights to explore an area as these items are expensed. Additionally, we note that this asset may be impaired as at 30 June 2009. Refer to section 9.2.4 of this Report for the assessed value of these tenements.

5. *Financial liabilities:* This relates to the loan granted from Bhushan for working capital purposes (refer to section 8.7 of this Report).

## 8.9 Bowen Energy Ownership Details

### 8.9.1 Shares Outstanding

The top 10 shareholders of Bowen Energy at 15 July 2009 are summarised in the table below.

<b>Bowen Energy</b>			
<b>Top 10 Shareholders</b>			
<b>Rank</b>	<b>Shareholder</b>	<b>No. of Shares ( '000)</b>	<b>% of Total</b>
1	Bhushan Steel (Australia) Pty Ltd	18,158	22.23%
2	Savni Holding Ltd	13,607	16.66%
3	The Hayes Super Fund A/c	4,423	5.42%
4	Stahr Family Super Fund	4,423	5.42%
5	Canerave Pty Ltd	2,500	3.06%
6	Mr Benny Manuru	2,000	2.45%
7	The Sheppard Family A/c	1,291	1.58%
8	Fairpark Pty Ltd	1,250	1.53%
9	Fairground Pty Ltd	1,120	1.37%
10	Mr Kevin Nichol	1,049	1.28%
<b>Total Top 10</b>		<b>49,821</b>	<b>61.00%</b>
Balance		31,859	39.00%
<b>Total Shares Outstanding</b>		<b>81,680</b>	<b>100.00%</b>

Source: Bowen Energy

## 8.9.2 Options Outstanding

### *Listed Options*

The top 10 listed option holders of Bowen Energy at 15 July 2009 are summarised in the table below.

<b>Bowen Energy</b>			
<b>Top 10 Listed Option Holders</b>			
<b>Rank</b>	<b>Listed Option Holder</b>	<b>No. of Options ('000)</b>	<b>% of Total</b>
1	Savni Holding Ltd	2,470	4.45%
2	Mr Frengky Manuru	2,345	4.23%
3	Mr Beny Manuru	2,000	3.60%
4	Mrs Baoxian Ji	1,550	2.79%
5	Mr Peter Hordov & Mrs Natalie Hordov	1,365	2.46%
6	Mr Darryl Bressow	1,100	1.98%
7	The Sheppard Family A/c	1,041	1.88%
8	Robert Allan Super A/c	944	1.70%
9	Ms Susan Tuon	936	1.69%
10	IFTCBrokingServices Ltd A/c	930	1.68%
<b>Total Top 10</b>		<b>14,681</b>	<b>26.46%</b>
Balance		40,805	73.54%
<b>Total Listed Options Outstanding</b>		<b>55,486</b>	<b>100.00%</b>

Source: Bowen Energy

### *Unlisted Option Holders*

In addition to the above listed options, the Company has:

- 7.5 million unlisted options outstanding held by Bhushan at an exercise price of 20 cents per option; and
- Potentially an additional 6.5 million unlisted options to be issued to Bhushan under the investment agreement dated 19 December 2007 at an exercise price of 20 cents per option, should Bhushan exercise at least 6.5 million options.

## 8.9.3 Total Diluted Capital

Accordingly, the Company's total diluted share capital (including all shares, listed and unlisted options outstanding if exercised) is 151,166,508.

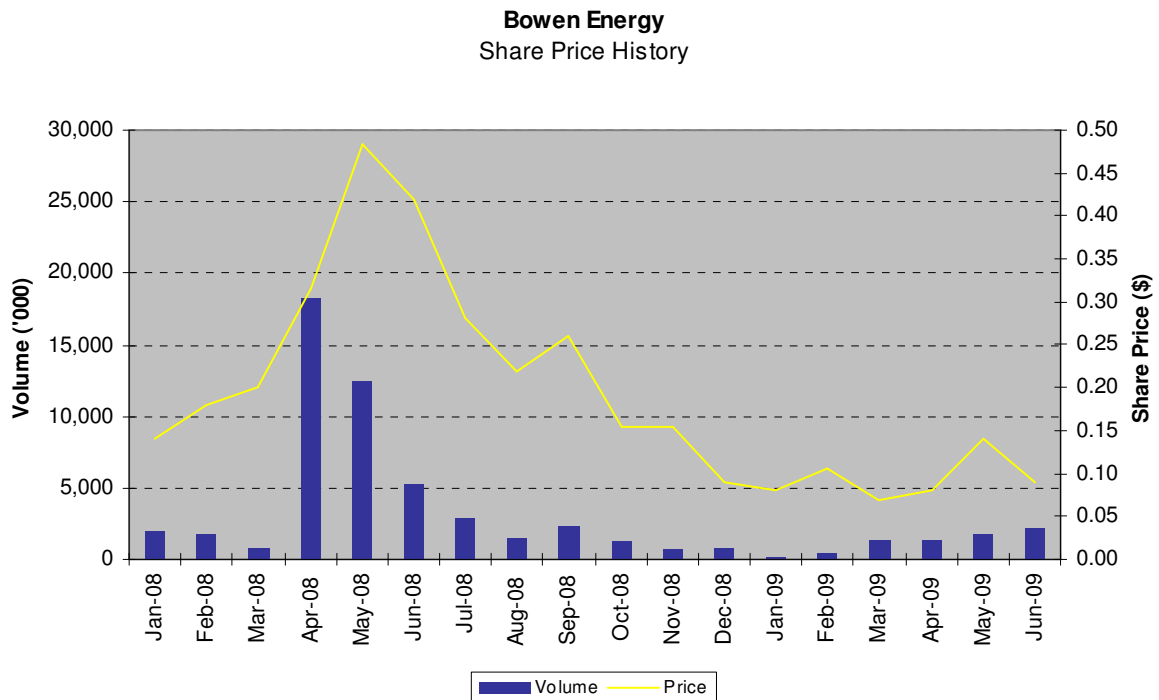
## 8.9.4 Bhushan Interest

Bhushan's undiluted interest in Bowen Energy at the date of this report is 22.23%. Additionally, Bhushan holds 121,000 listed options and 7.5 million unlisted options in the Company exercisable at \$0.20 per share and will be entitled to an additional 6.5 million unlisted options exercisable at \$0.20 per share should Bhushan exercise at least 6.5 million options.



### 8.10 Share Price History<sup>7</sup>

The following graph illustrates the Company's monthly closing share price and trading volumes from 1 January 2008.



Since 1 January 2008 through to 16 July 2009, Bowen Energy has traded between 5.0 cents and 49.5 cents, with a VWAP over this period of 26.7 cents.

The sharp increase in share price during April and May 2008 coincided with the commencement of drilling on EPC1045 and the announcement of divestment of a considerable portfolio of the Company's non-coal (metals) projects. The share price has since continued to decline in recent months which is correlated with the deterioration in the Company's working capital position and the decline in the market (with the exception of September 2008, which coincided with the proposed subscription agreement with Bhushan). The closing share price quoted immediately prior to the announcement of the Bhushan Offer on 10 July 2009 was 12.5 cents implying a market capitalisation for Bowen Energy of \$10.21 million.

An analysis of Bowen Energy's liquidity is outlined in the table below.

<b>Bowen Energy</b>			
<b>Liquidity of Trading Activity</b>			
	Period	Volume ('000)	% of Current Issued Capital
Yearly Volume	FY09	16,805	20.57%
Average Monthly Volume	Jul-08 to Jun-09	3,185	3.90%
Average Weekly Volume	Jan-09 to Jun-09	271	0.33%

Source: Capital IQ

As the above table shows, the shares are thinly traded with an average of approximately 3.185 million shares traded per month, which equates to approximately 3.90% of the total current shares outstanding being traded on a monthly basis.

<sup>7</sup> Source: Bloomberg

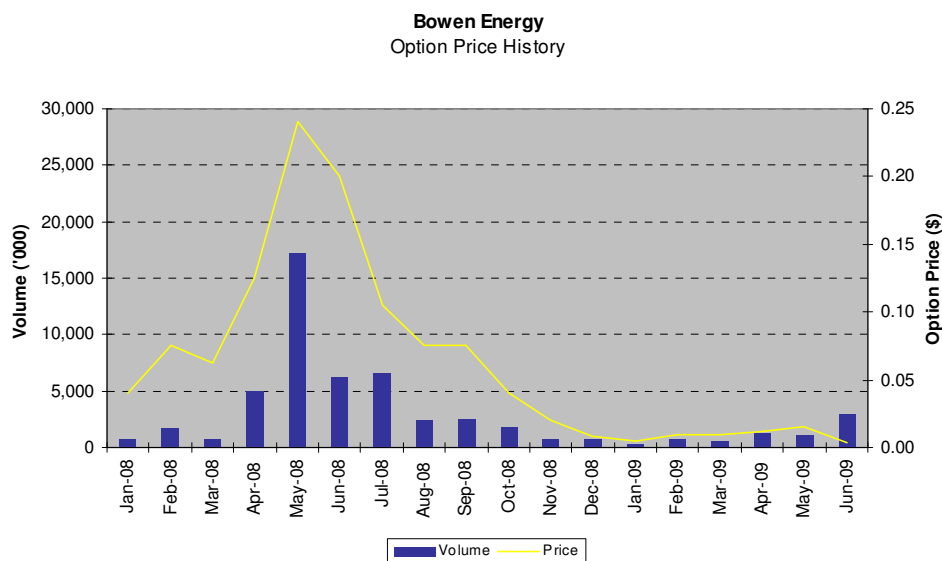
The following table summarises Bowen Energy's share price, trading volumes and VWAP.

<b>Bowen Energy</b>						
<b>Recent Share Price History</b>						
		<b>Share Price (\$)</b>			<b>Volume</b>	<b>VWAP</b>
		<b>Close</b>	<b>High</b>	<b>Low</b>	<b>(no.)</b>	<b>(\$)</b>
<b>Yearly:</b>	FY09	0.090	0.440	0.050	16,805,440	0.197
<b>Monthly:</b>	Jul-08	0.280	0.440	0.270	2,922,720	0.343
	Aug-08	0.220	0.285	0.190	1,574,010	0.233
	Sep-08	0.260	0.320	0.220	2,334,010	0.279
	Oct-08	0.155	0.260	0.145	1,204,120	0.187
	Nov-08	0.155	0.170	0.120	652,600	0.146
	Dec-08	0.090	0.155	0.090	829,000	0.113
	Jan-09	0.080	0.105	0.080	196,000	0.090
	Feb-09	0.105	0.110	0.050	379,930	0.080
	Mar-09	0.070	0.100	0.070	1,313,410	0.078
	Apr-09	0.080	0.130	0.080	1,317,230	0.110
	May-09	0.140	0.140	0.076	1,827,590	0.112
	Jun-09	0.090	0.190	0.086	2,254,820	0.163
<b>Weekly:</b>	1/05/09	0.080	0.115	0.076	404,520	0.092
	8/05/09	0.080	0.100	0.080	310,910	0.094
	15/05/09	0.087	0.087	0.080	58,120	0.082
	22/05/09	0.100	0.115	0.100	657,500	0.105
	29/05/09	0.140	0.140	0.110	684,160	0.136
	5/06/09	0.180	0.190	0.145	1,417,670	0.181
	12/06/09	0.165	0.190	0.160	113,000	0.168
	19/06/09	0.150	0.160	0.140	378,400	0.156
	26/06/09	0.088	0.150	0.086	237,100	0.103
	3/07/09	0.100	0.100	0.086	135,150	0.091

Source: Capital IQ

### 8.11 Option Price History<sup>8</sup>

The following graph illustrates the Company's monthly closing listed option price and trading volumes from 1 January 2008.



Source: Bloomberg

<sup>8</sup> Source: Bloomberg

Since 1 January 2008 through 16 July 2009, Bowen Energy's listed options have traded between 0.2 cents and 28.0 cents (which was above the closing price for that month), with a VWAP over this period of 12.0 cents. The exercise price on these options is 20.0 cents.

Historically, the listed option price had steadily declined until a sharp increase during April and May 2008 which correlates to the movement in the underlying share price. The listed option price has since continued to decline in recent months (with the exception of September 2008) which also correlates to the underlying share price. The closing listed option price per option at 16 July 2009 was 1.0 cent.

An analysis of Bowen Energy's listed option volume traded is outlined in the table below.

<b>Bowen Energy Options Liquidity of Trading Activity</b>			
	Period	Volume ( <sup>'000</sup> )	% of Current Issued Options
Yearly Volume	FY09	21,753	39.20%
Average Monthly Volume	Jul-08 to Jun-09	1,813	3.27%
Average Weekly Volume	Jan-09 to Jun-09	266	0.48%

Source: Bloomberg

As can be seen from the above table, that an average of approximately 1.813 million listed options were traded per month, which equates to approximately 3.27% of the total current options issued at the date of this Report.

The following table summarises Bowen Energy's option price, trading volumes and VWAP.

<b>Bowen Energy Recent Option Price History</b>						
		Option Price (\$)			Volume	VWAP
		Close	High	Low	(no.)	(\$)
<b>Yearly:</b>	FY09	0.004	0.225	0.002	21,752,657	0.079
<b>Monthly:</b>	Jul-08	0.040	0.056	0.040	704,400	0.052
	Aug-08	0.075	0.080	0.030	1,747,666	0.057
	Sep-08	0.063	0.069	0.053	653,100	0.062
	Oct-08	0.125	0.150	0.060	4,891,497	0.101
	Nov-08	0.240	0.280	0.090	17,239,700	0.163
	Dec-08	0.200	0.250	0.165	6,268,899	0.205
	Jan-09	0.105	0.225	0.100	6,664,371	0.156
	Feb-09	0.075	0.110	0.070	2,404,500	0.086
	Mar-09	0.076	0.120	0.072	2,497,665	0.094
	Apr-09	0.040	0.080	0.030	1,846,081	0.060
	May-09	0.020	0.050	0.020	655,765	0.035
	Jun-09	0.008	0.020	0.007	699,235	0.014
<b>Weekly:</b>	1/05/09	0.012	0.014	0.012	91,666	0.013
	8/05/09	0.011	0.012	0.009	100,000	0.010
	15/05/09	0.011	n/a	n/a	0	n/a
	22/05/09	0.011	n/a	n/a	0	n/a
	29/05/09	0.015	0.015	0.010	991,025	0.010
	5/06/09	0.025	0.030	0.020	1,067,319	0.029
	12/06/09	0.017	0.017	0.017	10,000	0.017
	19/06/09	0.016	0.018	0.011	1,705,000	0.016
	26/06/09	0.004	0.004	0.002	177,000	0.003
	3/07/09	0.004	0.004	0.004	98,000	0.004

Source: Bloomberg, n/a = not applicable

## 9 Valuation of Bowen Energy

### 9.1 Valuation Methodology

Bowen Energy's principal assets are its exploration tenements in the Bowen and Tarong Basins in Queensland and the East Kimberley in Western Australia. These tenements are still at the exploration and evaluation stages and are yet to generate revenue from development or exploitation of minerals. Due to the early stage of the exploration and evaluation activities, and the fact that no earnings projections are prepared by Management, we have determined the most appropriate primary valuation method for the shares in Bowen Energy to be an assessment of the fair market value of its underlying net assets on a going concern basis.

In accordance with Regulatory Guide 112, if specialist advice is required on a particular matter for the purposes of an Independent Expert Report, the expert should retain an independent specialist to provide this advice. Therefore an independent technical expert has been engaged to prepare a valuation of Bowen Energy's exploration assets. A copy of the Independent Technical Expert's Reports are attached in Appendix 3.

The Independent Technical Expert's Reports were prepared in accordance with the Australian Institute of Mining & Metallurgy's Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (known as the "ValMin Code").

We have assessed and satisfied ourselves as to the Independent Technical Expert's professional competency, qualifications and objectivity regarding Bowen Energy and have placed reliance on their reports. The valuation reports and methodologies adopted by Minnelex Pty Limited are outlined in Appendix 3. Accordingly, the valuations ascribed by Minnelex Pty Limited to the coal and non-coal tenements/exploration assets of Bowen Energy have been adopted in our calculations.

### 9.2 Valuation Summary

We have assessed the fair market value of Bowen Energy shares to be in the range of 3.53 cents per share and 5.51 cents per share on an undiluted basis.

Bowen Energy's net assets are summarised below, together with the range of values at which the net assets have been assessed.

<b>Bowen Energy Valuation Summary</b>					
	<i>Section Ref.</i>		<b>Book Value at 31 Dec 08</b>	<b>Low</b>	<b>High</b>
Cash at bank and on hand	9.2.1	(\$'000)	192	192	192
Other receivables	9.2.2	(\$'000)	309	309	309
Other assets	9.2.2	(\$'000)	8	8	8
Available for sale financial assets	9.2.3	(\$'000)	75	120	120
Exploration Assets	9.2.4	(\$'000)	10,617	5,900	7,120
<b>Total Assets</b>		<b>(\$'000)</b>	<b>11,201</b>	<b>6,529</b>	<b>7,749</b>
Trade payables and accruals	9.2.2	(\$'000)	710	710	710
Loan from Bhushan	9.2.1	(\$'000)	1,350	1,835	1,835
<b>Total Liabilities</b>		<b>(\$'000)</b>	<b>2,060</b>	<b>2,545</b>	<b>2,545</b>
<b>Unadjusted Net Assets</b>		<b>(\$'000)</b>	<b>9,141</b>	<b>3,984</b>	<b>5,204</b>
Working Capital Adjustment	9.2.5	(\$'000)		(1,100)	(700)
<b>Adjusted Net Assets</b>		<b>(\$'000)</b>		<b>2,884</b>	<b>4,504</b>
Number of shares on issue		<i>million</i>		81.68	81.68
<b>Net Assets per Share (Undiluted)</b>		<i>cents</i>		<b>3.53</b>	<b>5.51</b>

### 9.2.1 Cash at Bank and Loan from Bhushan

Having regard to the nature of these balance sheet items, we have adjusted these balances for the book value as disclosed in the Company's Appendix 5B as at 31 March 2009 in our assessment of fair market value.

The loan from Bhushan represents an unsecured loan facility for working capital purposes granted on 4 November 2008. Any movements in this balance between 1 April 2009 and the date of this Report has been factored into our working capital adjustment and not reflected in the adjustment to the loan from Bhushan (refer to section 9.2.5 of this Report).

We have been advised by the Company that there has been no material movements in these balances as at the date of this Report.

### 9.2.2 Other Receivables and Other Assets

Having regard to the nature of these balance sheet items, they have been included at book value as disclosed in the audited half-yearly report for the six months ended 31 December 2008 in our assessment of fair market value. We have been advised by the Company that there has been no material movements in these balances as at the date of this Report.

### 9.2.3 Available for Sale Financial Assets

Available for sale financial assets include 1.855 million shares and 0.813 million options held in Vector Resources Limited (refer to Section 8.7). We have applied ASX quoted stock prices and option prices in our assessment of fair market value for these assets. The ASX quoted closing price for the ASX quoted stock and option price for Vector Resources Limited as at 21 July 2009 was 5.7 cents and 1.8 cents respectively.

We have reviewed the liquidity of the Vector Resources Limited stock and formed the view that if Bowen Energy were to realise their holding, a discount may need to be applied due to lack of liquidity. In our view, this discount would have negligible impact to our valuation assessment.

### 9.2.4 Exploration Assets

The Independent Technical Expert has valued Bowen Energy's exploration assets. The values that the Independent Technical Expert has assessed for each of Bowen Energy's exploration assets are set out in the table below.

<b>Bowen Energy</b>		
<b>Exploration Assets Valuation</b>		
<b>Project</b>	<b>Tenement</b>	<b>(\$'000)</b>
<b>Coal Tenements</b>		
Blackwater South	EPC 1045	163
Blackwater South	EPC 1206	78
Blackwater South	EPC 1259	36
East Middlemeount	EPC 930	929
East Middlemeount	EPC 1014	312
East Middlemeount	EPC 1085	36
West Rolleston	EPC 1001	19
West Rolleston	EPC 1002	35
West Rolleston	EPC 1084	143
West Rolleston	EPC 1187	1,650
Tarong	EPC 1083	1,171
<b>Total Coal Tenements</b>		<b>4,572</b>

*Source: Independent Valuation reports for the Coal Tenements held by Bowen Energy prepared by Minnalex Pty Limited dated 23 July 2009*

<b>Bowen Energy</b>		
<b>Exploration Assets Valuation (cont)</b>		
<b>Project</b>	<b>Tenement</b>	<b>(\$'000)</b>
<b>Non-Coal Tenements</b>		
Glen Isla	EPM 14910	340
Archie Creek	EL 80/3537 and EL 80/3898	350
Croydon	EPM 16267, EPM 16272, EPM 16274 and EPM 17364	250
Bullseye Creek	EPMA 16269 and EPMA 16270	400
<b>Total Non-Coal Tenement Value</b>		<b>1,340</b>

*Source: Independent Valuation reports for the Non-Coal Mineral Properties held by Bowen Energy prepared by Minnelex Pty Limited dated 23 July 2009*

As stated in the Independent Technical Expert's Report on the **coal** tenements held by Bowen Energy (refer to Appendix 3):

*"At the current stage of exploration the most likely valuation is in the vicinity of \$4.6 million +/- 20%".*

Conservatively we have adopted the high end of the range and applied a valuation range of \$4.60 million to \$5.52 million for the coal tenements held by the Company.

As stated in the Independent Technical Expert's Report on the **non-coal** mineral properties held by Bowen Energy (refer to Appendix 3):

*"The table gives the project a value in the vicinity of \$1.3 million within a range extending from \$1.1 million to \$1.6 million".*

Conservatively we have adopted the high end of the range and applied a valuation range of \$1.3 million to \$1.6 million for the non-coal tenements.

With respect to the coal tenements referred to in section 8.4.1 of this Report, Bhushan holds a call option to acquire and the Company a put option to sell to Bhushan, the Company's interest in the tenements for a consideration calculated using a pre-determined formula, based on JORC compliant Indicated and Measured resources.

As stated in the Independent Technical Expert's Report on the coal tenements held by the Company (refer to Appendix 3):

*"Given that no coal resources have yet been defined, it is not possible to determine a value of Bowen Energy's coal assets without incorporating speculative figures and assumptions."*

Accordingly, without speculation, and given the uncertain outcome and considerable further drilling costs to be incurred for resources to be Indicated and Measured under JORC, it is not possible for us to quantify the valuation impact of the mechanisms that are part of the Joint Venture Agreements. This asset and respective value is discussed further in section 10 of our Report.

Based on the above, the total assessed value of Bowen Energy's exploration assets is in the range of \$5.90 million and \$7.12 million.

### **9.2.5 Working Capital Adjustment**

This adjustment relates to the working capital that is expected to have been utilised during the period 1 April 2009 to the date of this Report and is consistent with the level of outgoings disclosed in prior quarterly cash flows disclosed to the market.

### **9.2.6 Off Balance Sheet Items and Contingent Liabilities**

As at 30 June 2008, Bowen Energy had accumulated temporary differences and tax losses (at 30%) of approximately \$525,000. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which Bowen Energy can utilise the benefits from the deferred tax assets.

We have been advised by the Company that there has been no material movements in this balance as at the date of this Report. Additionally, Bowen Energy has advised that it has no known contingent liabilities at the date of this Report.

### **9.2.7 Options on Issue**

We have assessed the options on issue as at the date of this Report as summarised in section 8.9.2 of this Report and are of the view that they are 'out of the money'<sup>9</sup>, and as such would have a negligible impact on value in our assessment of the value of Bowen Energy shares.

### **9.2.8 Resultant Valuation of Equity of Bowen Energy**

We have assessed the fair market value of Bowen Energy shares to be in the range of 3.53 cents per share and 5.51 cents per share on an undiluted basis.

## **9.3 Cross Check**

As a cross check to our valuation, we have reviewed the market value of the shares quoted on the ASX to support our primary valuation methodology as detailed below.

### **9.3.1 Market Value of Shares Quoted on ASX**

As discussed in Section 8.9, we have reviewed the market value of Bowen Energy shares quoted on the ASX. This methodology relies on the market price of the shares reflecting all available information given a knowledgeable and willing buyer and a knowledgeable and willing seller acting at arms length.

Market value of listed shares on the ASX is influenced by many factors. These include but are not limited to:

- The value of the underlying assets of the company including intangibles;
- The industry in which the company operates;
- Managerial skills within the company;
- Future expectations for the company; and
- The prevailing market and economic conditions.

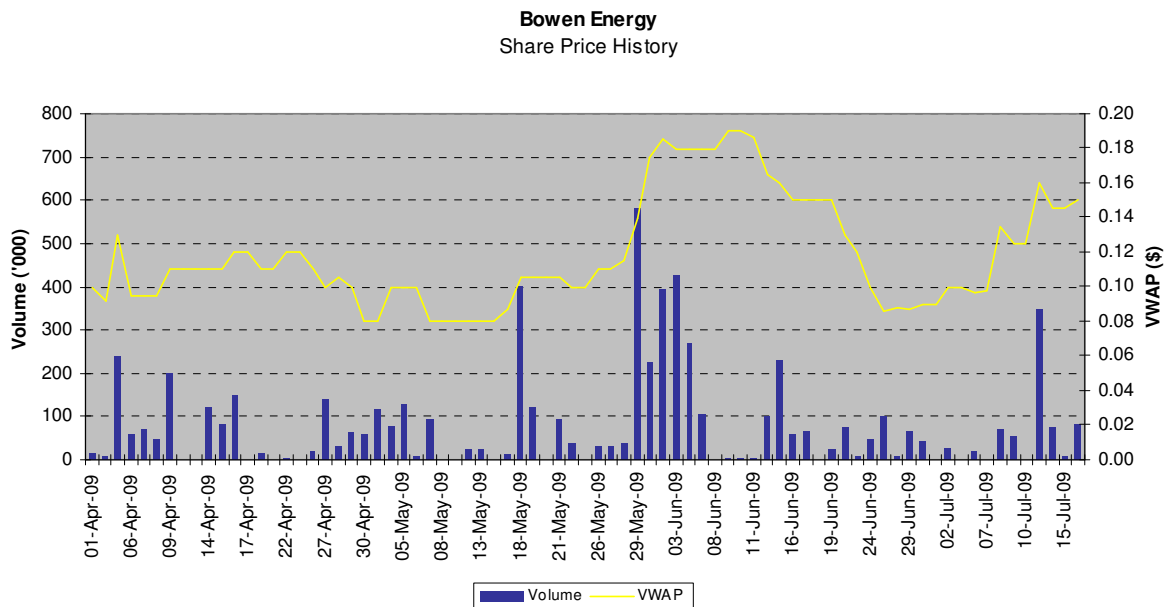
A change in the perception of these factors can significantly affect share value over a relatively short period. Share value is also influenced by supply and demand for the shares, or liquidity of that stock. Although Bowen Energy shares are traded on the ASX, given the relatively low volume of shares traded, we have only used this method as a cross-check, as the share price of thinly traded shares often does not necessarily represent the underlying business assets and liabilities because the illiquidity results in share trades at irrational share prices.

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<sup>9</sup> The exercise price is greater than the underlying share price.

**9.3.2 Historical Trading**

Illustrated below is the historical daily volume weighted average share price of Bowen Energy from 1 April 2009 to 16 July 2009, relative to its volume traded.



Source: Capital IQ

The following table summarises share price, trading volumes, liquidity and VWAP of Bowen Energy shares to 10 July 2009 (last trading day immediately prior to the announcement of the Bhushan Offer).

<b>Bowen Energy</b>						
<b>Recent Share Trading Activity</b>						
Period to	Share Price (\$)			Volume (No.)	% of Shares on Issue	VWAP (\$)
	Close	High	Low			
<b>10 July 2009</b>						
<b>1 week</b>	0.125	0.150	0.096	142,790	0.17%	0.126
<b>2 week</b>	0.125	0.150	0.086	277,940	0.34%	0.109
<b>1 month</b>	0.125	0.190	0.086	996,440	1.22%	0.131
<b>3 month</b>	0.125	0.190	0.076	4,929,830	6.04%	0.135
<b>6 month</b>	0.125	0.190	0.050	7,421,770	9.09%	0.119
<b>12 month</b>	0.125	0.320	0.050	14,940,930	18.29%	0.172

The above table shows that the VWAP over the various periods to 10 July 2009 ranged between 10.9 cents to 17.2 cents. Approximately 9.1% of the Company's shares on issue were traded during the six months prior to 10 July 2009 and in our view based on the above statistics, the Bowen Energy stock is relatively illiquid.

As mentioned above, the share price of thinly traded shares often does not necessarily represent the fair market value of the underlying business assets and liabilities.

Although we have not relied on this methodology as a primary methodology, we note that the recent share trading history supports our conclusion.



## **10 Evaluation of the Bhushan Offer**

### **10.1 Approach**

In evaluating whether the Bhushan Offer is fair and reasonable to the shareholders of Bowen Energy, we have compared the value of the Bowen Energy shares subject to the Bhushan Offer with the cash consideration being offered by Bhushan.

In assessing if the Bhushan Offer is reasonable we have first considered whether the Bhushan Offer is fair. Additionally, we have compared the potential advantages and disadvantages to Bowen Energy's shareholders in relation to the Bhushan Offer, and we have determined whether the advantages outweigh the disadvantages.

### **10.2 The Bhushan Offer is Fair**

In assessing whether or not the Bhushan Offer is fair, we have compared:

- The offer price per the Bhushan Offer; and
- Our assessed value of Bowen Energy shares subject to the Bhushan Offer.

In our opinion the offer price per the Bhushan Offer being 14.0 cents per share is at a premium of 210% to the midpoint of our assessed value of Bowen Energy shares being in a range of 3.53 cents per share and 5.51 cents per share with a midpoint of 4.52 cents per share. We are of the opinion that such a premium provides a significant strategic and control premium to the shareholders of Bowen Energy.

Accordingly, we are of the opinion that the Bhushan Offer is fair to the Bowen Energy shareholders.

### **10.3 The Bhushan Offer is Reasonable**

After comparing the advantages and disadvantages of the Bhushan Offer (as detailed below), we are of the opinion that the Bhushan Offer is reasonable to the Bowen Energy shareholders.

#### **10.3.1 Advantages of the Bhushan Offer**

The primary advantages to the Bowen Energy shareholders in relation to the Bhushan Offer are as follows:

- ***The Bhushan Offer is Fair***  
Based on our assessment in section 10.2 of this Report, the Bhushan Offer is fair to the Bowen Energy shareholders.
- ***Unconditional and Offer is 100% Cash***  
The Bhushan Offer is an unconditional 100 per cent cash offer. The Bhushan Offer provides immediate and certain value for Bowen Energy shareholders with settlement occurring three trading days after acceptance (T+3), in accordance with the usual rules for settlement of on-market transactions on the ASX.
- ***Opportunity to Realise Investment***  
The Bhushan Offer gives Bowen Energy shareholders who would otherwise be disposing of their shares on market in a thinly traded security, an opportunity to realise their investment at a fixed price and thereby creating a floor price for their investment. As set out in Section 9.3.2, the volume of share trading in Bowen Energy has been low. In our view, this is an illiquid stock and any Bowen Energy shareholders looking to realise their investment in an on-market transaction may need to sell their shares at a discount to the quoted share price. The Bhushan Offer provides Bowen Energy shareholders, regardless of the size of their investment, with an ability to realise their investment without requiring any discount to current prices and at a price that is in excess of our assessed fair market value and a premium to the VWAP for the majority of the past twelve months prior to the announcement of the Bhushan Offer.

▪ **No Superior Proposal Has Emerged**

At the date of this Report, no offer superior to the Bhushan Offer has been announced and the Directors of the Company have no knowledge of the existence of such an offer.

▪ **Crystallising Potential Value for Mechanisms of Coal JV's**

In our opinion the premium being paid over and above the assessed fair market price provides compensation for the potential value of the mechanisms relating to the coal joint venture agreements (discussed at Section 9.2.4). As stated by the Independent Technical Expert, the value (if any) relating to these assets is not possible to be assessed due to the highly speculative nature of the assets and the large levels of capital required to be spent for further exploration and development. The offer is advantageous as it provides realisable value in respect of these assets.

▪ **Further Capital Required**

Based on recently announced financial statements, Bowen Energy has a monthly net cash outflow position in the vicinity of \$300,000 per month being funded by a loan from Bhushan. Accordingly in the absence of continued support or any other takeover offer, Bowen Energy would be required to raise significant further capital to ensure solvency which would be dilutive to existing shareholders. We consider this to be a precarious and uncertain alternative given current market conditions.

### 10.3.2 Disadvantages of the Bhushan Offer

The primary disadvantages to the Bowen Energy shareholders in relation to the Bhushan Offer are as follows:

▪ **Cessation of Ownership and Forgoing Participation in Future Benefits**

Existing Bowen Energy shareholders who elect to participate in the Bhushan Offer will cease to receive the benefit of any income or capital growth that may be received if they continue to be a shareholder of the Company. Accepting the Bhushan Offer will result in Bowen Energy shareholders not participating in any possible long term growth and opportunity in relation their current shareholding in the Company.

▪ **Potential Tax Impacts of Accepting the Bhushan Offer**

By Bowen Energy shareholders accepting the Bhushan Offer, there may be potential capital gains tax implications in relation to the sale of their shares. Further advice should be sought by individual Bowen Energy shareholders to quantify this potential impact.

▪ **Potential for Bhushan to Take Control**

At the date of this report Bhushan has a relevant interest of 22.23% in Bowen Energy. The Bhushan Offer may facilitate Bhushan to take a controlling interest in Bowen Energy. Should Bhushan take a controlling interest, Bhushan has described its intentions as detailed in the Bidders Statement and summarised in Section 4.1 of our Report.

▪ **Potential Value Associated with Mechanisms of Coal JV's**

As indicated in Section 9.2.4 there may be potential value associated with the mechanisms of the coal joint ventures that the technical expert has not been able to value due to the speculative nature of the assets. It is possible that such assets could provide value to the Company's shareholders in the future, however we consider this disadvantage to mitigated by:

- i. the premium being paid by Bhushan over the assessed market value; and
- ii. any potential value being highly speculative and requiring further significant capital to be spent to determine if there indeed is any value associated with the mechanisms of the joint venture agreements.

▪ **Current Market Conditions**

The takeover offer is being made during a global economic crisis, which in turn has the following impacts on the Company and the proposed transaction:

- i. Global share markets have been trading at significant discounts to the recent historic high levels of 2007 and 2008, which in turn directly impacts Australian share prices and potentially reduces the value paid under takeovers;
- ii. There is a general lack of liquidity which inhibits shareholders ability to sell shares on an open market and in turn makes takeovers such as Bhushan's more attractive than they may ordinarily be;
- iii. The lack of available capital to fund the Company (and in particular speculative mining companies) limits viable alternatives to accepting Bhushan's takeover offer; and
- iv. The lack of merger and acquisition activity and reduced number of funded acquirers reduces potential alternative bidders that could have created competitive tension to assist in demanding a higher strategic premium than those that are currently being paid.

As such the impact of the timing of the bid in the current economic climate could be considered as a disadvantage to the Bowen Energy shareholders, however without any present superior proposal this disadvantage is not significant.

## **11 Qualifications, Declarations & Consents**

### **11.1 Qualifications**

WHK Horwath Corporate Finance provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert reports concerning mergers and acquisitions, takeovers and capital reconstructions.

The persons responsible for preparing this Report on behalf of WHK Horwath Corporate Finance are Mr Brad Higgs, B.Bus, CA, F.Fin and Mr Andrew Fressl, B.Com, CA, F.Fin. Brad and Andrew have significant experience in relevant corporate advisory matters. Brad and Andrew are acting as Representatives in accordance with the Australian Financial Services Licence No. 239170 held by WHK Horwath Corporate Finance Limited under the Corporations Act 2001 (Cth).

### **11.2 Disclaimers**

It is not intended that this Report be used or relied upon for any purpose other than as an expression of WHK Horwath Corporate Finance's opinion as to whether the Bhushan Offer is fair and reasonable to the shareholders of Bowen Energy. WHK Horwath Corporate Finance expressly disclaims any liability to any person who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose.

This Report has been prepared by WHK Horwath Corporate Finance with care and diligence and statements and opinions given by WHK Horwath Corporate Finance in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by WHK Horwath Corporate Finance or any of its officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve WHK Horwath Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

### **11.3 Declarations**

WHK Horwath Corporate Finance does not have at the date of this Report nor has had any shareholding in or other relationship with Bowen Energy or Bhushan that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Bhushan Offer. WHK Horwath Corporate Finance had no part in the formulation of the Bhushan Offer. Its only role has been the preparation of this Report. WHK Horwath Corporate Finance considers itself independent in terms of Regulatory Guide 112 issued by ASIC on 30 October 2007.

WHK Horwath Corporate Finance will receive a fee based on time costs of approximately \$17,500 (plus GST). This fee is not contingent on the outcome of the Bhushan Offer. WHK Horwath Corporate Finance will receive no other benefit for the preparation of this Report.

Bowen Energy has agreed that to the extent permitted by law that it will indemnify WHK Horwath Corporate Finance employees and officers in respect of any liability suffered or incurred as a result of or arising out of the preparation of this Report. This indemnity will not apply in respect of any conduct involving negligence or wilful misconduct. Bowen Energy has also agreed to indemnify WHK Horwath Corporate Finance and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where WHK Horwath Corporate Finance or its employees and officers are found liable for or guilty of conduct involving negligence or wilful misconduct in which case WHK Horwath Corporate Finance shall bear such costs.

Advance drafts of this Report (and parts of it) were provided to Bowen Energy and its advisors. Certain changes were made to this Report as a result of the circulation of the draft Report. There was no alteration to the methodology, valuation of the business operations of Bowen Energy, conclusions or recommendations made to Bowen Energy shareholders as a result of issuing the drafts.

#### **11.4 Consents**

WHK Horwath Corporate Finance consents to the issuing of this Report in the form and context in which it is to be included in the Bowen Energy Target Statement to be sent to Bowen Energy shareholders. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without the prior written consent of WHK Horwath Corporate Finance as to the form and context in which it appears.

## **Appendix 1 – Financial Services Guide**

*Date of Issue: 3 October 2008*

The Corporations Act 2001 requires WHK Horwath Corporate Finance to provide this Financial Services Guide (“FSG”) in connection with its preparation and provision of an Independent Expert's Report which is included in the Target Statement provided to members by the company or other entities (“Entity”).

The matters covered by the FSG include:

- who we are and how we can be contacted;
- what services and types of products we are authorised to provide;
- how we are remunerated;
- independence; and
- complaints handling.

### **WHK Horwath Corporate Finance & Contacts**

WHK Horwath Corporate Finance carries on business at Level 15, 309 Kent Street, Sydney NSW 2000. WHK Horwath Corporate Finance holds an Australian Financial Services Licence (No. 239170). WHK Horwath Corporate Finance is a public company and is a wholly owned subsidiary of WHK Group Limited. WHK Group Limited is a listed Australian company (ASX code WHG) and provides services primarily in accounting, tax, audit, business and corporate advisory and wealth management.

### **Services**

We are authorised to:

- provide financial product advice for securities and derivatives; and
- deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and derivatives to wholesale and retail clients.

WHK Horwath Corporate Finance does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

For the specific purposes of preparing and providing the Independent Expert's Report, WHK Horwath Corporate Finance has not and does not accept instructions from retail clients, and has not and will not receive any remuneration from retail clients.

The preparation and provision of this Independent Expert's Report is known as “general” advice because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

### **Remuneration**

When providing Reports, WHK Horwath Corporate Finance's client is the Entity to which it provides the Report. WHK Horwath Corporate Finance receives its remuneration from the Entity. In respect of the Report for Bowen Energy, WHK Horwath Corporate Finance will receive a fixed fee for the preparation of the Report.

No related body corporate of WHK Horwath Corporate Finance, or any of the officers or employees of WHK Horwath Corporate Finance or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

### **Independence**

WHK Horwath Corporate Finance is required to be independent of the Entity in order to provide a report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities and Investments Commission on 30 October 2007.

The following information in relation to the independence of WHK Horwath Corporate Finance is stated in Section 11.3 of the Report:

*“WHK Horwath Corporate Finance does not have at the date of this Report nor has had any shareholding in or other relationship with Bowen Energy or Bhushan that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Bhushan Offer. WHK Horwath Corporate Finance had no part in the formulation of the Bhushan Offer. Its only role has been the preparation of this Report. WHK Horwath Corporate Finance considers itself independent in terms of Regulatory Guide 112 issued by ASIC on 30 October 2007.*

*WHK Horwath Corporate Finance will receive a fee based on time costs of approximately \$17,500 (plus GST). This fee is not contingent on the outcome of the Bhushan Offer. WHK Horwath Corporate Finance will receive no other benefit for the preparation of this Report.”*

### **Complaints Handling**

WHK Horwath Corporate Finance has internal complaints-handling mechanisms which are designed to facilitate responses to your complaints fairly and quickly. Please address your complaint in writing to:

Head of Compliance  
WHK Horwath Corporate Finance Limited  
Level 15, 309 Kent Street  
SYDNEY NSW 2000

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## **Appendix 2 – Sources of Information**

Sources of information include but are not limited to:

- Bowen Energy 2007 and 2008 Annual Reports;
- Bowen Energy Half-yearly Report for the Six Months Ended 31 December 2008;
- Management accounts for Bowen Energy for the year ended 30 June 2009;
- Australian Institute of Mining & Metallurgy's Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (known as the "ValMin Code");
- Independent Valuation of the Non Coal Mineral Properties Held by Bowen dated 23 July 2009 by Minnelex Pty Limited;
- Independent Valuation of the Coal Tenements Held by Bowen dated 23 July 2009 by Minnelex Pty Limited;
- The Australian Bureau of Statistics website: [www.abs.gov.au](http://www.abs.gov.au);
- The Australian Bureau of Agricultural and Resource Economics (ABARE) website: [www.abare.gov.au](http://www.abare.gov.au);
- Financial and stock market information sourced from Bloomberg and CapitalIQ;
- Bowen Energy Limited website: [www.bowenenergy.com.au](http://www.bowenenergy.com.au) ;
- Other financial and non-financial information provided by the management of Bowen Energy; and
- Discussions with management of Bowen Energy.



## **Appendix 3 – Independent Technical Expert's Reports**

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## **MINNELEX PTY. LTD.**

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283 Huntingdale Street  
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23 July 2009

The Directors  
Bowen Energy Limited  
PO Box 523  
Spring Hill  
Qld 4004

Dear Sirs

### **REVISED INDEPENDENT VALUATION OF THE COAL TENEMENTS HELD BY BOWEN ENERGY LIMITED**

This report updates the Independent Valuation of Bowen Energy Limited's (Bowen Energy's) coal assets previously submitted in March 2009. The status and tenure of the tenements have not been independently reviewed in this valuation.

Since this previous valuation one area has been relinquished and other areas reduced in size and coal seam interpretation has been revised with some positive results. Open hole drilling results demonstrate that a number of thin coal seams possibly exist within the South Blackwater Project. At East Middlemount, the Leichardt and Upper Vermont coal seams are present at depths from 200m – 400m below the surface and a seam 4.5m thick has been intersected, although structural complexity is apparent.

The most likely value of Bowen Energy's coal tenements is now estimated to be in the vicinity of \$4.6 million, +/- 20%.

The following valuation criteria were considered:

- Status of the tenements and percent interest
- Area of tenement package, currently 1250 sub-blocks#
- Risk factors

- Prospectivity, based on geology and exploration progress on each EL.
- Past exploration effectiveness
- Proposed two year budget
- Cost to determine resource potential of target areas
- JV agreement with Kondor Holdings Pty Limited

.The report has been prepared by R C Pyper, BSc. FAusIMM. GAICD. Consultant Geologist.

The information used to prepare the report is drawn from reports prepared or supplied by Bowen Energy and from ASX releases; these are listed in the References. We do not doubt the authenticity or substance of these reports and we have not carried out a total audit of the available information.

This report is prepared in accordance with the relevant requirements and listing rules of the Australian Stock Exchange Limited, the VALMIN Code of the Australasian Institute of Mining & Metallurgy and the Australian Securities Investment Commission [ASIC] Regulatory Guide 111 and 112. The VALMIN Code sets out the principles and matters, which should be taken into account in preparation of an expert report concerned with mining assets. Regulatory Guide 111 provides guidance on how an expert can help security holders make informed decisions about transactions. Regulatory Guide 112 explains how ASIC interprets the requirement that an expert is independent of the party that commissions the expert report (commissioning party) and other interested parties.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'R Pyper', is written on a light-colored rectangular background.

## ***Introduction***

Bowen Energy holds a significant land position, principally within the Bowen Basin and is exploring for Coking, PCI and Thermal coal deposits. The company also holds exploration leases for base metals, uranium and precious metals (Figure 1). In 2008 the company completed several programs of open hole drilling but no diamond drilling. The work was sufficient to define some promising areas for follow-up drilling.

Queensland is a major world producer of coal and has in excess of 11 billion tonnes of coking coal resources of which about 4 billion tonnes is suitable for open cut mining. The Bowen Basin is its most important source of export coal, comprising metallurgical coal – coking coal, PCI coals and some thermal coal. The Callide, Tarong, Surat and Clarence Moreton coal basins supply mainly thermal coal for domestic power. Infrastructure for the coal fields is continually being expanded and upgraded to meet growing demand and new mine projects. Bowen Energy's main projects are well located for transport, workforce and for quality coal

## ***Location***



**Figure 1.** Coal Mines and Access around the Bowen coal tenements

### ***Tenement Summary July 2009***

The exploration interests described in this report are as listed below. Bowen Energy has a 40% interest in EPC 930-Richfield, and retains a 10% interest in EPC1001 and EPC1002, a 15% interest in EPC1045 and EPC1206 in Joint Venture with Bhushan Steel (Australia) Ltd. The location of the tenement boundaries as defined are shown in the project maps accompanying this report.

**Table 1.** Bowen Energy Tenements subject to this Valuation

<b>Project</b>	<b>Tenement</b>	<b>Name</b>	<b>Holder.</b>	<b>Status. % Interest Bowen</b>	<b>Sub- blocks</b>	<b>Drilling completed</b>	<b>Coal Type</b>
Blackwater South 200Mt?	EPC1045	Shotover	Bowen Energy	Granted 15% \$2.4M spent	222	39 holes drilled Rangal Measures. Multiple seams to 2.5m	Blackwater-type Soft-hard coking
	EPC1206	Planet Downs	Bowen Energy	Granted 15%	54	1 hole, Underground mining	Blackwater
	EPCA1259	Glen Idle	Bowen Energy	Application 100%	18	Underground mining	Blackwater
E Middle- mount 40Mt?	EPC 930	Richfield	Rocklands	Granted 40% \$0.5M spent	240	Drilling intersected multiple seams	Rangal Coal Measures German Creek Formation
	EPC 1014	Cockatoo	Golden Country	Granted 100%	26	Underground mining	Rangal Coal Measures
	EPC 1085	North Middlemount	Bowen Energy	Granted 100%	3	Underground mining	Rangal Coal Measures
West Rolleston	EPC 1001	Mt Cheops	Golden Country	Granted 10%	35	Opencut mining	Bandanna Formation
	EPC 1002	Kia Ora	Golden Country	Granted 10%	63	Opencut 4 holes drilled	Bandanna
	EPC 1084	Springsure South	Bowen Energy	Granted 100%	26	Opencut mining	Bandanna
	EPCA 1187	Buckland	Bowen Energy	Application 100%	300	Opencut mining	Bandanna
Tarong	EPC 1083	Cooyar	Bowen Energy	Granted 100%	213	Opencut mining	Tarong Coal Basin
					1250		

## Geology of Coal Projects

### *South Blackwater Project (Coking/PCI/Thermal Coal)*

EPC 1045 Shotover (222 sub-blocks)  
EPC 1206 Planet Downs (47 sub-blocks).  
EPCA 1259 Glen Idle (18 sub-blocks)

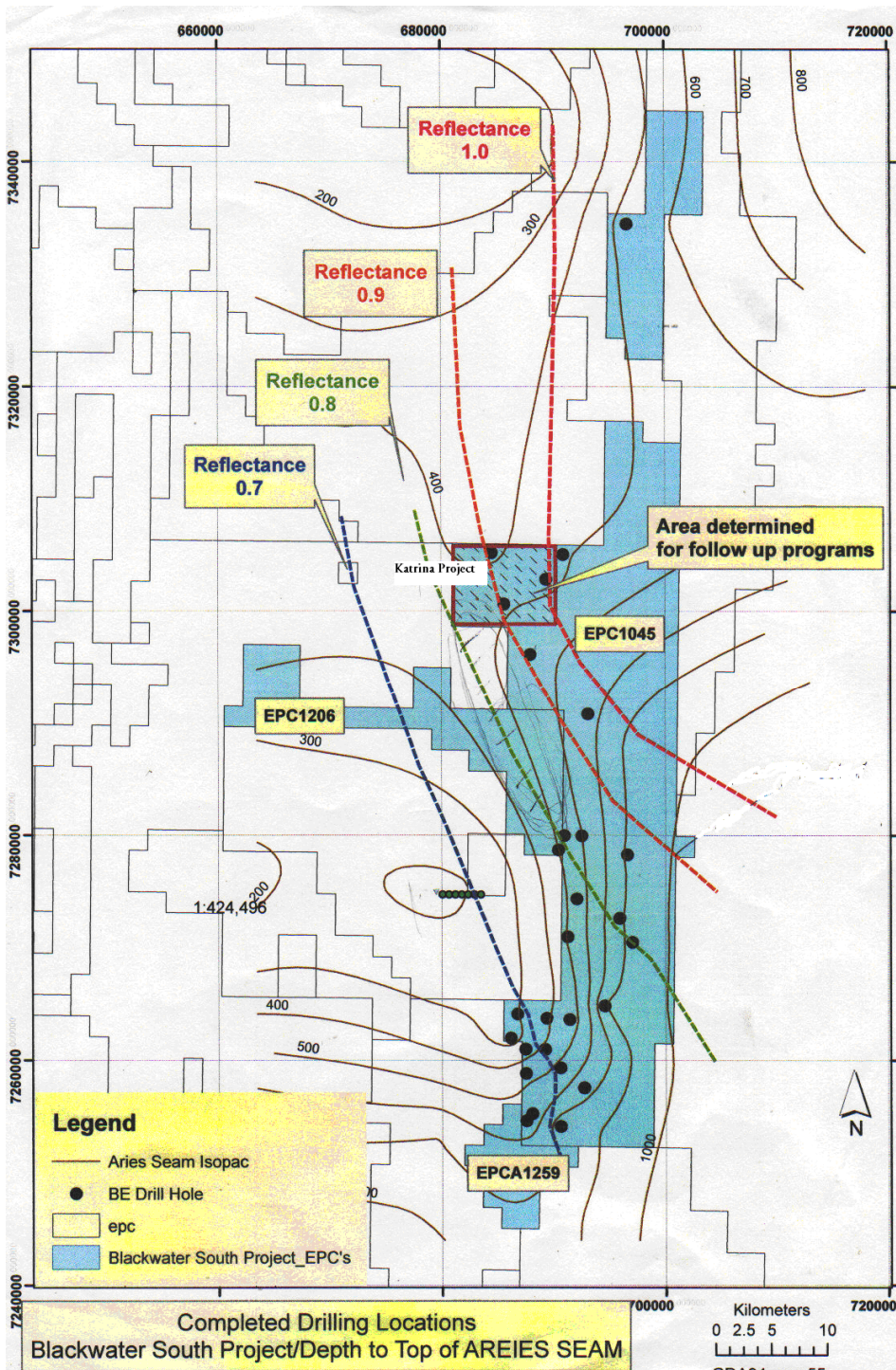
A total of 32 open holes were drilled on EPC 1045 up to the end of 2008 and one hole on EPC1206. Only 12 were wireline logged successfully due to hole subsidence and other problems. After the purchase of EPC1045, Bowen Energy built on its South Blackwater project area by applying for the adjacent “Planet Downs” EPC1206 and “Glen Idle”, EPCA1259. These were considered prospective for extensive but deep Blackwater-type soft to hard coking coals within the Late Permian Rangel Coal Measures or Bandanna Formation.

The South Blackwater project, was taken out to cover extensive areas of prospective underground coking coal, based on extrapolation from adjacent coal mines and exploration areas, from the petroleum and CBM exploration wells and from the geological setting, which is well understood.

The Bandana Formation (Rangel Coal Measure equivalents) are the formation of interest as they contain the main coal seams worked elsewhere, including the Blackwater, South Blackwater and Cook Mines, for high quality medium to low ash coals suitable for prime coking coal, high quality PCI coal, anthracite and semi-anthracite, and high energy thermal coals. The Bandana Formation is overlain by the outcropping Rewan Formation.

EPC 1045 was expected to include coal that falls within the prime coking coal range of 1.0 to 1.2% coal reflectance zone and 300 to 800 metres (m) depth range. Much of the southern area of EPC1045 has thermal and some soft coking coal potential but it is below 400m depth and with low reflectance. Towards the north, the hard coking coal potential rises as the reflectance increases. An area of around 68 sq. km. (23 sub blocks) has higher reflectance approaching 1.0% at depths of between 400 and 500m (Figure 2). This area had only been tested by four holes to the end of 2008. Further drilling and geotechnical work was completed in 2009 and by late July a further seven holes had been completed in a proposed 10 hole program with some positive results obtained.





**Figure 2.** South Blackwater Project Location with 1% reflectance line. Depth contours from top of the Aries Seam

### Current Status

In 2009, seven bore holes were completed to mid July 2009 at the Katrina Project, where three holes the previous year had given positive results. This is part of a proposed 10 hole program. Two of these were cored holes. Correlation of the logging is still required but present indications are that two coal seams are present below 370m from surface on the western side, increasing to in excess of 520m in the east and south. Correlation is affected by partings and splitting, however both seams appear to vary from 0.9m to 2.5m gross thickness.



To date 14 samples have been sent for coal quality analysis and the results returned from hole KTDH01 appear have established that the coal properties are a potential soft coking coal. Further work is required to decide if a beneficiated soft-hard coking coal product is possible. With the depth constrained to 500m isopach below surface there appears to be an area of sufficient size for the development of a longwall mining operation.

***East Middlemount Project (Coking/ PCI/Thermal Coal)***

EPC 930 40%, 240 sub-blocks. Richfield

EPC1014 100%, 26 sub-blocks. Cockatoo

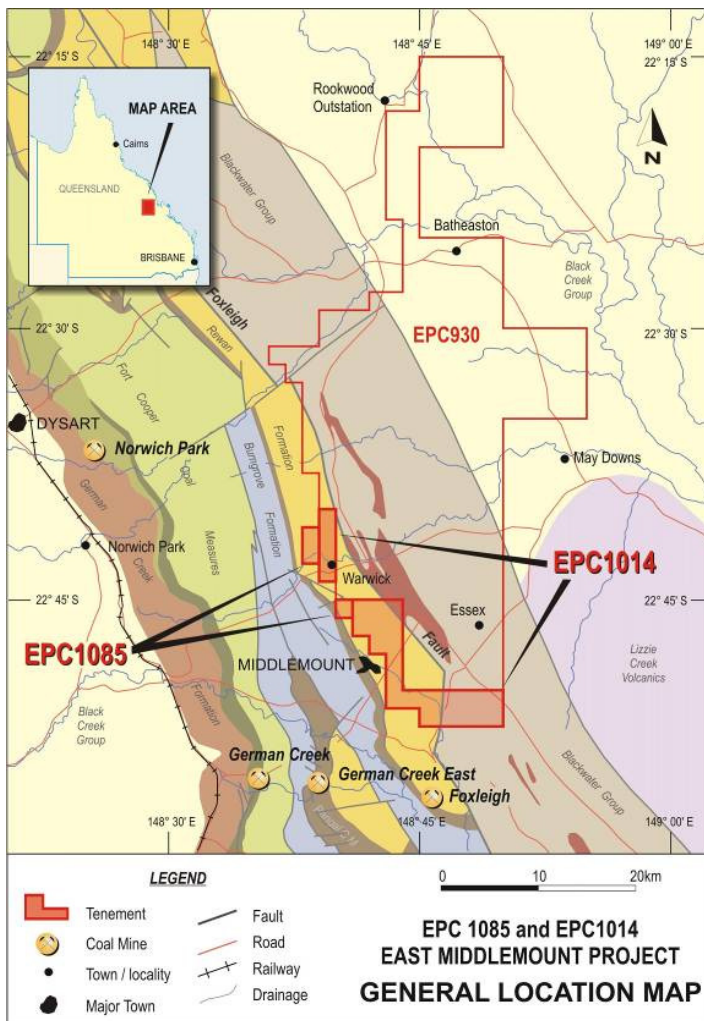
EPC1085 100%, 3 sub-blocks. North Middlemount

EPC's 1014 and 1085 in the northern Bowen Basin (Figure 3) were acquired to enhance coal exploration in the northern Bowen Basin. They are adjacent to EPC930-Richfield, a Bowen Energy joint venture undertaken by Rocklands Richfield Ltd (Rocklands). The town of Middlemount is close by and nearby operating coal mines include Norwich Park, Foxleigh, German Creek and Oaky Creek. The Picardy Coal Deposit announced by BHP Mitsubishi Alliance (BMA), lies near the boundary of EPC1014N. A major rail line and associated coal loader rail loops service these mines. Coal shipping terminals are located at Dalrymple Bay and Hay Point. The Fitzroy Development Road runs near the EPC's.

The Blackwater Group in EPC's 1014 & 1085 contains the targeted Rangal Coal Measures (RCM) The Back Creek Group contains the German Creek Formation that has up to four economic seams. The RCM has two economic seams, Middlemount, 4-6m thick generally semi anthracite coal, and Pisces, 3m thick, which are mined nearby at Norwich Park, and at Foxleigh, and will be mined at the proposed Lake Lindsay Mine. Middlemount is a low ash, low volatile, non-coking bituminous coal suitable for PCI. Seismic interpretation indicates that these seams are continuous and dip east in EPC1085

The Back Creek Group contains the German Creek Formation (GCF), which contains multiple economic seams that are mined nearby at German Creek, Norwich Park and potentially at Lake Lindsay. The non-economic, high ash, Fort Cooper Coal Measures occur between the RCM and GCF.

An initial drilling program of 10 open holes in 2008 was completed, of which nine holes were geophysically logged. The work showed that two coal seams of the RCM, the Leichardt ( Middlemount equivalent) , with an average thickness of 4-5m and the Upper Vermont (Pisces equivalent) (2-3m), persist through 1014 and 1085; these are at depths of 200-400m and deepen eastwards. Chip analysis indicates a coal of PCI quality, as is found on adjacent properties. Hole EM008 encountered interpreted GCF coal measures in the east of EPC1014. There is known structural complexity in the area that will affect coal seam continuity



**Figure 3.** Location of East Middlemount tenements

## Current Status

In the 2008 exploration-drilling program, 10 chip drill holes were completed of which one is located in EPC 1085 and nine have been geophysically logged. The results acquired from the East Middlemount Project (EPC's 1014 and 1085) have been encouraging, suggesting a potentially mineable underground PCI coal resource. EPC 1085 – North Middlemount constitutes an important part of any future mining plans at the East Middlemount Project and of Bowen Energy Ltd future in the Middlemount region

Recent evaluation (2009) of the results confirmed that the Leichhardt and Upper Vermont coal seams of the Rangal Coal Measures exist at depths ranging from 200m – 400m below surface and a coal seam of 4.5m thickness is present, with evidence of another seam below it about 3m thick.. Significant disturbance exists throughout the area which potentially can fracture any sequence of seams that are present. It is a PCI of low volatile or thermal quality with little apparent underground mine potential.

### ***West Rolleston Project (Thermal Coal)***

EPC 1001 100% (35 sub-blocks) Mt Cheops  
EPC 1002 100% (63 sub-blocks) Kia Ora  
EPC 1084 100% (26 sub-blocks) Springsure South  
EPCA 1187 100% (300 sub-blocks) Buckland

Tenements EPC1001, EPC1002 and EPC1084 were acquired to explore for coal in the southern Bowen Basin. A fourth tenement, Buckland, EPC1187, is under application. A major cultural heritage agreement was signed with the Bidjara#3 Native Title claimant Group covering all licence and application areas of the Project.

Rail distance to the major coal loading port of Gladstone is approximately 400 km. A rail line from Emerald to Springsure is being upgraded to service the new Minerva Coal Mine (Felix Resources Ltd) to connect with the main coal hauling line through Emerald to the port of Gladstone. A new rail line to the east is being constructed to service Xstrata's Rolleston Coal Mine. Rural roads service the area of the Project.

This tenements are prospective for shallow Rolleston-type coals within the Late Permian Bandanna Formation, a corollary of the RCM. The Bandanna Formation is found in the southern Bowen and Galilee Basins and comprises siltstone, shale, coal and oil shale. Historically, early drilling was not encouraging as most holes were collared below the upper coal-bearing sequence, which was later found to contain multiple economic seams. In the adjacent Freitag Creek Coal Deposit (Macarthur Coal, EPC786), four seams, ranging from 1-4m thick, are recognized within the upper Bandanna Formation and some 80 Mt of insitu coal including open cut high quality thermal coal (low ash and sulphur) to measured resource status has already been defined. Their deposit is adjacent to EPC 1084 and 1001.

The Bandanna Formation is correlative to the RCM and its coal seams comprise the A seam, 3m thick. The B seam, 4m thick. The C seam, 1m thick and the D seam, 1.5m thick. They are predominantly in the top 20m of the Bandanna Formation

The non-carbonaceous Permo-Triassic Rewan and Clematis Groups overlie the Bandanna Formation, while the Permian Black Alley Shale and Peawaddy Formation underlie it. Thick Tertiary basalt covers part of the region whilst Cainozoic alluvium occurs in watercourses.

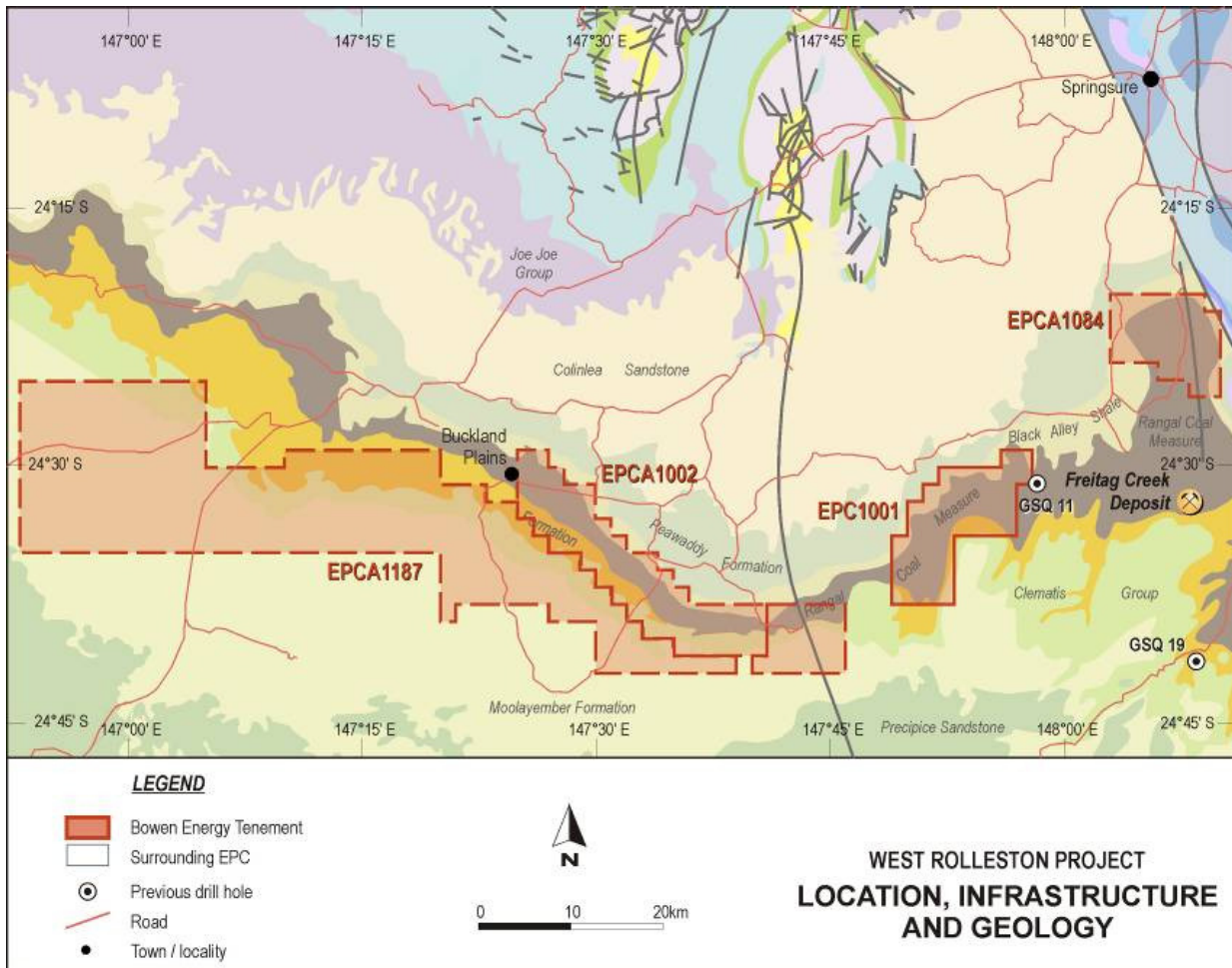
The Merivale Thrust and strong folding of the Denison Trough dominates the structure to the east of the tenements. The Rolleston Coal Deposit occurs on relatively flat lying BF over the Comet Platform to the east of the Denison Trough.

The tenements lie on the Springsure Shelf, west of the Merivale Thrust. Broad N-S axial folding of the sediments is overprinted by a shallow regional dip to the south. In the nearby Freitag Creek Coal Deposit, relatively steep dips are associated with the Wealwandangie Syncline, adjacent to the Merivale Thrust.

Mapping in EPC1084 located the crucial boundary of the Bandanna Formation with the overlying Rewan Group, which has a shallow dip to the southwest, with Freitag Creek occupying a synform in the sedimentary rocks. Mapping within EPC1001 has located a 2m thick seam of clean coal with a number associated thinner coal seams observed in outcrop. These may be a continuation of the

multi-seams found in the nearby Freitag Creek deposit. Interpretation of earlier drilling indicates that up to 4 seams will have continuity within all four tenements.

Since then four holes have been drilled, all on EPC1002. Two of these intersected minor coal seams. The holes are possibly collared below the main seam.



**Figure 4.** Regional Geology of West Rolleston tenements

## Current Status

No additional work has been carried out since the last valuation

## Tarong Project (Thermal Coal)

EPC 1083 'Cooyar' of 213 sub-blocks, is located on the south Tarong Coal Basin in Southeast Queensland. It extends southwards some 50 km from the margins of Tarong energy's coal mining leases at Kunioon and Meandu. The basin is some 75 km long and 10-20 km wide

Geological interpretation and reconnaissance programs have been carried out and exploration programs will target both domestic and possible export quality thermal coal. Bowen Energy is also investigating the potential for Coal Seam gasification. These studies indicate that the southern part of the Tarong Basin remains under-explored. The extrapolation of a deposition model for the northern half of the basin indicates that additional exploration is warranted southwards of the Blackbutt Range.

Most stratigraphic information derives from drilling and subsequent open cut mining operations within the Meandu and Kunioon mining leases to the north of the project area. The main rock types within the basin are conglomerate and sandstone, with relatively minor siltstone, mudstone and coal. The conglomeratic sequences are interpreted as high energy alluvial fan deposits that were widely spread throughout the basin during the early phases of its development. During the later stages of basin development localised areas of relatively low energy allowed conditions suitable for the formation of coal deposition. Lithological variations are characteristically complex on a small scale, both vertically and laterally.

The eastern margin of the basin appears to be less well defined than it is in the vicinity of the Meandu and Kunioon mining leases to the north. The western side on the other hand is hidden beneath on-lapping Jurassic-age sediments of the north Clarence Basin

Some 10 km of strike length of prospective Tarong beds, partly overlain by a thin veneer of 'on-lapping' Jurassic-age sediments, extends from the foothills of the Blackbutt Range to the south. A first-stage scout drilling program has been proposed for these prospective areas within this project .

## **Valuation**

### ***Valuation Methodology***

The range of values which can be estimated for tenements where no defined resources exist, can be ascertained approximately by using a number of different criteria such as:

- The geological potential of the properties taking into account the possibility of outlining potential resources, and the probability of deriving present value from recognised areas of mineralisation and production.
- Previous and planned expenditure and commitments.
- Current market prices for equivalent properties
- Joint venture commitments on similar ground

The range of values estimated for each project attempts to allow for the sensitivity of the project to expected variations in commodity prices and exchange rates, and for the changes in property market value with changing investment expectations,. Where possible it includes valuations estimated for acquisition and listing for similar projects in the same geological environment.

For this valuation the appraised value and the comparable transaction have been examined as there are no suitable farm-ins and there is no in-situ mineralisation that can be quantified.

### ***Appraised Value Method***

The Appraised Value Method is one of the methods most applicable for valuing exploration properties that have neither viable ore reserves nor any imminent commercial production possibilities on which to establish a value. Its value is related to its potential for the existence of an economically viable ore body and it is relevant to consider the intention of the current owners regarding their exploration plans for the property. In this regard any funds committed to exploration work in the future budget period can be taken into account when arriving at an appraised value.

### ***Comparable Transaction Method***

Comparison of recent transactions of equivalent properties provides one of the better yardsticks to measure the value of the property because it relates price, to that which an informed investor would be willing to pay to obtain a similar property. In those cases where the transactions are not directly comparable, either a premium or a discount to the value is made as deemed appropriate.

This method conducts comparable transaction analyses with other recent transactions on equivalent properties, preferably within similar geographic and geological environments, with the same exploration potential and style of mineralisation, and at the same stage of development. Such a transaction should be between parties dealing at arms length. The date of the comparable transactions should be as close as possible to the property's valuation date as the time-related factors can affect the value. These transactions can be through a direct cash payment, a farm-in or option agreement or a combination of the above. Similar transactions can be compared and expressed in a number of ways, for instance, dollars per unit area, price paid per unit of mineral commodity in the ground, or on expenditure commitments.

### ***Estimation Risks***

Estimation of risk needs to be taken into account in assessing mineral projects and is allowed for in the range of values about the most likely value.

## **Valuation Criteria**

In the valuation of the projects, the following valuation criteria have been considered:

- Status of the tenements and percent interest
- Area of tenement package (1250 sub-blocks)
- Risk factors
- Prospectivity, based on geology and exploration progress on each EL.
- Past exploration effectiveness
- Proposed two year budget
- JV agreement with Kondor Holdings Pty Limited

## **Blackwater South Valuation Factors**

EPC1045, EPC1206, EPCA1259

### **Conclusions**

- These EPCs are prospective for extensive but deep Blackwater-type soft to hard coking coals within the Late Permian Rangal Coal Measures (RCM) or Bandanna Formation.
- The RCM in the area contain the main coal seams worked in the Blackwater region (including the Blackwater, South Blackwater and Cook Mines) for high quality medium to low ash coals suitable for prime coking coal, high quality PCI coal, anthracite and semi-anthracite, and high energy thermal coals.
- Blackwater annual production is >12Mt. Cook, an underground mine, is projected to produce >1Mt/a. Other deposits nearby include Sirius Creek and Humboldt
- There is no opencut potential
- Current drilling has located an area of around 68 sq. km. has high reflectance at depths of between 400 and 500m (Figure 2). This area has now been tested by 11 holes and will be followed up with further drilling and geotechnical work.

## **East Middlemount Valuation Factors**

EPC 930, EPC 1014, EPC 1085

### **Conclusions**

- These EPCs, are prospective for soft to hard coking coals in the RCM of the Blackwater Group and the GCF of the Back Creek Group
- The RCM has two economic seams, Middlemount and Pisces, which are mined nearby at Norwich Park, Foxleigh and the proposed Lake Lindsay Mine.
- The GCF of the Back Creek Group contains multiple economic seams that are mined nearby at German Creek, Norwich Park and potentially at Lake Lindsay.
- Nearby operating coal mines include Norwich Park (>5Mt/a), Foxleigh (>2Mt/a), German Creek (0.4Mt/a, and Oaky Creek (>6Mt/a) The undeveloped Picardy Coal Deposit lies near the boundary of EPC1014N
- The project is well located with respect to rail and road.
- Previous drilling by Rocklands in 2007 intersected a 4.6m Leichardt seam that reportedly contains high quality PCI coal. This intersection occurs at 400m depth and is located near the EPC1085 EPC930 boundary approximately 1.5km north of EM007.
- A program of 10 open holes in 2008 showed that two coal seams of the RCM, the Leichardt, with an average thickness of 4-5m and the Upper Vermont (2-3m), persist through EPC1014 and 1085; these are at depths of 200-400m and deepen eastwards. Chip analysis indicates a



coal of PCI quality, as is found on adjacent properties. Hole EM008 encountered interpreted GCF coal measures in the east of EPC1014.

- Intrusives, probably associated with the Cretaceous Middlemount igneous complex, affect coal seams in various sites and there is known structural complexity in the area that will affect coal seam continuity and impact on any underground potential.
- There is no open cut potential

### ***West Rolleston Project Valuation Factors***

EPC 1001 Mt Cheops, EPC 1002 Kia Ora, EPC 1084 Springsure South, EPCA 1187 Buckland

### **Conclusions**

- This Greenfield exploration area is prospective for shallow Rolleston-type thermal coals within the Late Permian Bandanna Formation, a corollary of the RCM. Over 100 km of Bandanna Formation strike is covered. The coal is predominantly in the top 20m of the Formation.
- Mapping in EPC1084 has located the crucial boundary of the Bandanna Formation with the overlying Rewan Group and has located a 2m thick seam of clean coal with a number associated thinner coal seams observed in outcrop. These may be a continuation of the multi-seams found in the nearby Freitag Creek deposit. Interpretation of earlier drilling indicates that up to 4 seams will have continuity within all four tenements.
- Drilling on adjacent properties to the east and northwest by Macarthur Coal, Alpha Coal and Waratah Coal has confirmed the potential for extensions of the coal seams on EPC1001
- In the adjacent Freitag Creek Coal Deposit (Macarthur Coal, EPC786), four seams, ranging from 1-4m thick, are recognized within the upper Bandanna Formation and some 80 Mt of insitu coal including open cut high quality thermal coal (low ash and sulphur) to measured resource status has already been defined. Their deposit is adjacent to EPC 1084 and 1001.
- Infrastructure is not as good for these areas.
- Only four holes have been drilled to date, all on EPC1002. Two of these intersected minor coal seams. The holes are possibly collared below the main seam.

### ***Tarong Project Valuation Factors***

- EPC 1083 is located on the south Tarong Coal Basin and extends southwards some 50 km from the margins of Tarong energy's coal mining leases at Kunioon and Meandu.
- The area is prospective for both domestic and possible export quality thermal coal.
- There is also potential for coal seam gas
- Only interpretation and reconnaissance programs have been undertaken to date, however there is good stratigraphic information from drilling and subsequent open cut mining operations within the Meandu and Kunioon mining leases to the north of the project area.
- Some 10 km of strike length of prospective Tarong beds, partly overlain by a thin veneer of 'on-lapping' Jurassic-age sediments are present.

### ***Joint Venture Valuation***

In the JV between Rocklands and Bowen Energy over EPC930, Rocklands can spend \$527,000 to earn 60% equity; this indicates a tenement value greater than \$1M as it would get more expensive to increase beyond 60%.

### ***Appraised Value Valuation***

An objective way to value a property's exploration potential is to equate it to the cost of exploration work that is warranted to assess that potential and to include the cost of past work that has saved expenditure in the future. Since the initial valuation, about \$4M has been spent on direct exploration which has included close to 60 bore holes. A minimum \$1-2M would be needed at Blackwater South before a resource could either be defined or the possibility of finding one written off. The minimum testing of all the extensive coal projects currently held by Bowen Energy could require around between \$10 and 20M before adequate knowledge on more detailed target selection could be obtained, however this assumes positive results from all areas. An indicative value of the whole project would therefore fall between \$4M and \$8M using this approach.

### ***Comparable Transaction Valuation***

The comparable transaction would be a most reliable estimate of value. In November 2007, Bowen Energy entered into an agreement with Kondor Holdings Pty Limited (Kondor) to acquire all the issued shares in that company. Kondor was the holder of EPC1045 in the Bowen Basin. The cash and convertible note was worth approximately \$2.7M and valued the original 279 sub-block tenement covering prime coking coal territory at around \$9677/sub-block. The agreement came with a consultancy arrangement and a seat on the board.

For thermal coal an appropriate figure would be around half this at \$5,500/sub block. Drilling results that have been reported have been positive for EPC 1014 and EPC 1085 and the value of these areas has been increased by approximately 25% to \$12,000/ sub-block

Since the first valuation, Blackwater South tenements EPC1045 and EPC 1259 have been reduced in effective area by negative drilling, however recent interpretative work has been quite positive with a 68 sq. km area defined (23 sub-blocks), in which a number of coking coal seams appear to be present within mineable depths. On this basis the 23 sub-blocks have been increased in value \$30,000 per sub-block and the remainder reduced in value by approximately 80% to \$2000/ sub-block

The value of Bowen Energy's holding using this method is approximately \$4.5M, as set out in the accompanying table. The value range about this figure would be about 20% as there has been very little drilling considering the size of the tenement package and no resources have yet been defined.

**Table 2 Comparable Transaction 2009**

Project	Holding	Status. % Interest Bowen	Value Factor/Sub	Value Bowen's Share \$x1000
Blackwater South	EPC1045	Granted 15%, 199 Subs	\$2,000	60
	EPC1045	Granted 15%, 23 Subs	\$30,000	103
"	EPC1206	Granted 15%, 54 Subs	\$9,677	78
"	EPC1259	Granted 100%, 18 Subs	\$2000	36
East Middlemount	EPC 930	Granted 40%, 240 Subs	\$9,677	929
"	EPC 1014	Granted 100%, 26 Subs	\$12,000	312
"	EPC 1085	Granted 100%, 3 Subs	\$12,000	36
West Rolleston	EPC 1001	Granted 10%, 35 Subs	\$5,500	19
"	EPC 1002	Granted 10%, 63 Subs	\$5,500	35
"	EPC 1084	Granted 100%, 26 Subs	\$5,500	143
"	EPC 1187	Granted 100%, 300 Subs	\$5,500	1650
Tarong	EPC 1083	Granted 100%, 213 subs	\$5,500	1171
TOTAL				4573

### **Conclusions**

Given that no coal resources have yet been defined, it is not possible to determine a value of Bowen Energy's coal assets without incorporating speculative figures and assumptions. The total tenement package is well located with respect to both coking and thermal coals. A coal seam with a thickness of 2.5m over an area of 50 sq km amounts to 175 Mt (density 1.4). As drilling has indicated multiple seams in some areas, there would seem to be an excellent chance of finding in excess of 200 Mt of underground coal, however considerable drilling would be required. At the current stage of exploration the most likely valuation is in the vicinity of \$4.6 million +/- 20%.

### **QUALIFICATIONS**

Minnelex is a long-established geological consulting company. Minnelex is qualified to provide this valuation on the basis that its principal activity is to provide a range of advice to corporations on technical and valuation matters relating to geological activities pertaining to exploration projects.

The person responsible for the preparation of this report is:

**R C Pyper**

**BSc, FAusIMM, GAICD  
Consulting Geologist**

Mr Pyper the person responsible for preparing and issuing this report is a geologist with 47 years of industry experience and twenty-five years of consulting practice in precious metals, base metals, gemstones, coal, clays, dimension stone, and mineral sands. He has had extensive experience in resource assessment and the valuation of mining operations and mineral exploration properties.

## ***DECLARATION***

The statements and opinions contained in this report are given in good faith but, in the preparation of this report, Minnelex has relied substantially on geological information provided by the Directors of Bowen Energy. We do not have reason to doubt the information so provided.

Minnelex consents to the inclusion of this report in the form and context in which it is included. Apart from that, neither the whole nor any part of this report, nor any references thereto, may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of Minnelex.

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Robert Pyper, who is a Fellow of the Australasia Institute of Mining and Metallurgy. Mr Pyper has sufficient experience which is relevant to the style of mineralisation and the 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pyper consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

## ***DISCLAIMER OF INTERESTS***

At the date of this report, Minnelex does not have, nor has had any relationship with Bowen Energy other than as may have occurred as a result of providing consultancy services in the ordinary course of business.

Minnelex and Mr Pyper have neither relevant interest in, nor any interest in the acquisition or disposal of, any securities of Bowen Energy. Minnelex and Mr Pyper have no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the acquisition of the mineral interests of Bowen Energy.

Neither Minnelex nor Mr Pyper has received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

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July 23, 2009

The Directors  
Bowen Energy Limited  
PO Box 523  
Spring Hill  
Qld 4004

Dear Sirs

### **INDEPENDENT VALUATION OF NON COAL MINERAL PROPERTIES HELD BY BOWEN ENERGY LIMITED**

At the request of Bowen Energy Mines Pty Ltd (Bowen Energy) the valuation of Bowen Energy's non coal assets last completed in October 2008 has been revised. No work has been undertaken since the previous valuation but the total tenement package has changed and some areas have been relinquished.

This valuation differs from previous valuations in that it reflects projects that have a budget and on-going exploration program as against a pure cash value to a potential purchaser to raise money for a float. The Exploration Licences (ELs) are tabulated below. The tenements, which have been selected for their gold, uranium and base metal potential, are in the northern part of Queensland and WA and cover a combination of structural geophysical and geological features.

In the valuation, the following valuation criteria have been considered:

- Status of the tenements. All are granted.
- Area of tenement package is about 4174 sq. km
- Past and present expenditure, which has added value to the tenements
- The prospectivity, based on geology and the geological model.

The status and tenure of the tenements have not been independently reviewed in this valuation.

Based on the above, the Bowen Energy properties have a value in the vicinity of \$1.3 million (M) within a range extending from \$1.1M to \$1.6M

The report has been prepared by R C Pyper, BSc. FAusIMM. GAICD. Principal of Minnelex Pty Ltd.

The information used to prepare the report is drawn from reports prepared or supplied by Bowen Energy; these are listed in the References. We do not doubt the authenticity or substance of these reports and we have not carried out a total audit of the available information.

This report is prepared in accordance with the relevant requirements and listing rules of ASX Limited, the VALMIN Code of the Australasian Institute of Mining & Metallurgy and the Australian Securities and Investments Commission [ASIC] Regulatory Guides, 111 and 112. The VALMIN Code sets out the principles and matters, which should be taken into account in preparation of an expert report concerned with mining assets. Regulatory Guide 111 provides guidance on how an expert can help security holders make informed decisions about transactions. Regulatory Guide 112 explains how ASIC interprets the requirement that an expert is independent of the party that commissions the expert report (commissioning party) and other interested parties.

Yours faithfully

A handwritten signature in blue ink, reading "R Pyper". The signature is written in a cursive style with a large, stylized 'R' and 'P'.



## ***Introduction***

Bowen Energy Limited, holds exploration tenements in Queensland and Western Australia which are tabulated below and which have been taken out principally to explore for uranium but which are also prospective for gold and base metals.

**Table 1 Projects**

Tenement Name	Tenement	Area sub-blocks	Minerals
Glen Isla	EPM 14910	10	U/Ag, Cu/Au
Archie Creek	EL 80/3537, 80/3898	137	Cu/Au/F/V/U
Croydon	EPM16267,16272, 16274, 17364	326	Cu+U,Ni,PGE
Bullseye Creek	EPMA 16269, 16270,	197	Au/Ag/U

The tenement areas, some of which include a number of old workings and anomalous mineralised zones, have been selected using available data sets such as magnetics, radiometrics, gravity, digital elevations and satellite images to better interpret the geology and structure and define target zones for mineralisation such as intrusive contacts.

## ***Glen Isla***

### **Introduction**

EPM14910 was acquired in order to explore for uranium in sedimentary palaeochannel environments and Ernest Henry style hydrothermal-iron oxide-copper-gold deposits. The Ernest Henry Mine, with original resources of some 167Mt @ 1.1% Cu, 0.5 g/t Au is located only 24 km ESE from EPM 14910

### **Geology and Mineralisation**

Outcrop of Proterozoic and Mesozoic rocks in the tenement is minimal due to the widespread cover of Quaternary alluvium and soil development. The area is essentially flat with an average elevation of 160m above sea level. The climate is semi-arid and vegetation is sparse.

The Precambrian basement rocks in the EPM include the Middle Proterozoic Corella Creek Formation (quartzites, meta-basalts, schists etc.) which are intruded by the Naraku Granite, medium grained pink granite with associated pegmatites and aplites. Scattered outcrop of basement rocks occur surrounding the margins of the tenement. General mapping of these outcrops found them to be a mix of Corella Creek Formation and Naraku Granite. Moderate radioactive levels were detected in basement but are thought to be associated with feldspar in the granite.

The Mesozoic sequence is mostly known from historical borehole data and is part of Carpentaria Basin deposition. The oldest unit is the Late Jurassic-Early Cretaceous Gilbert River Formation (GRF) which lies unconformably on the basement rocks. It is largely a sequence of clayey quartz sandstone, sub-labile glauconitic sandstone and minor ferruginised shale deposited in the

palaeochannel. Drilling data indicates the palaeo-surface on the basement had considerable relief. The unconformity zone is marked with 10m or so of weathered basement.

### **Previous Work**

Chevron Exploration Corporation encountered low grade uranium mineralisation during exploration drilling on Authority to Prospect (A to P) 1441M in 1974 and further work was completed by Mines Administration Pty. Ltd. (MINAD) and Teton Exploration Drilling Co. Pty. Ltd. during 1977-1980. This resulted in the discovery and definition of significant uranium mineralisation within the Gilbert River Formation of the Glen Isla area (now within EPM 14910).

Two palaeochannels were found to be mineralised - the "Main Channel" and the "Western Channel" with uranium mineralisation located within a basal sand unit of the Gilbert River Formation at a depth of around 30 m. MINAD-Teton calculated that the "Main Channel" deposit had an average width of the 2.2 m grading 0.058% equivalent (e)  $U_3O_8$ , giving it an estimated 101.7 tonnes (t) of contained uranium (227,800 pounds), however no resource estimate has yet been made for this mineralisation. An estimation of contained uranium for the western channel was not made, although ore grade mineralisation was encountered. The tenement was relinquished in 1983 due largely to the Federal Governments anti-uranium policies.

### **Current Status**

A field reconnaissance program was completed in May 2006 by Bowen Energy to plan for future work programs. Geological interpretation indicated that additional paleochannels and extensions to the existing mineralised paleochannel were present. Analysis of aero-magnetic and gravity data delineated two target zones that had similar trends to the paleochannels detected by MINAD. A similar target to the north-west was also thought to be prospective.

Bowen Energy completed a drilling program of 56 aircore holes for 2528m in 2007, with boreholes drilled to basement refusal; the interpretation of results is still on-going. Table 1 displays significant analytical results that demonstrate that potentially economic uranium mineralisation is present and that the prospective palaeochannels extend northward into the tenement. Previous results indicate that the economic mineralisation occurs in zones of 20-80m wide within the Main and Western channel.

A zone of significant silver mineralisation was also intersected in three adjacent holes with the best intersection in drill hole BE04-09 with an average grade of 4.79g/t Ag intersected over an interval of 21m from 41m. This intersection includes 2m at 23.15g/t from 44m and 1 m at 7.0 g/t from 61m. The style and significance of this mineralisation is not known at this stage.

Drilling data indicates the palaeo-surface on the basement had considerable relief. The unconformity zone is marked with 10m or so of weathered basement.

Reconnaissance helicopter supported field work, data compilation has been completed and the company filed for an Exploration Permit renewal on the 26 may 2008. Once notification of the acceptance of this renewal by the Department of mines and Energy Queensland is issued Bowen Energy plans to follow-up key results by closing in the drill spacing from 100m to 25m.

## **Archie Creek Project (WA)**

### **Introduction**

EL 80/3537 and 80/3898 lie within the Halls Creek Mobile Block and the Kimberley Mineral Field. The project area is prospective for a range of commodities including uranium, base metals, gold, heavy mineral sands, tin, rare earths, diamonds, fluorite and barite. Known mineralisation encompasses several uranium and fluorite occurrences including the Speewah Fluorite prospect, and the Archie Creek prospect.

Significant high grade gold/silver values and uranium mineralisation has recently been reported by Northern Star Resources (NSR) at the nearby Dunham uranium and epithermal gold prospect, which includes the Frog uranium prospect (3,800 ppm U<sub>308</sub>). The project area is immediately north along strike of the Archie Creek Project in a similar host rocks. To the south along strike, NSR have also reported epithermal gold mineralisation at its Range prospect and uranium at its Antares prospect. Historical data coupled with recent results in neighbouring tenements also show that there is potential for vanadium (V<sub>2</sub>O<sub>6</sub>) and PGE mineralisation.

### **Geology and Mineralisation**

The project is centered on the Proterozoic, Speewah Group rocks, – porphyritic and rhyolitic volcanic and pyroclastic rocks overlain by a sequence of arkosic sediments. It is a geologically complex region in which three major tectonic units, the Kimberley Basin, the Halls Creek Mobile Zone and the King Leopold Mobile Zone are present. In this tectonic setting the area of the project is flanked to the west by the King Leopold Mobile Zone which borders the Greenvale Fault Zone, while at the northwest partition of the tenement, units of the Kimberley Basin block – (Speewah Group) occur adjacent to the Greenvale Fault.

The main unit covering the Archie Creek tenement is regarded as part of the Halls Creek Mobile Zone and consists of porphyritic lavas and tuffs of the Whitewater Volcanics. These eruptives are probably associated with members of the Lamboo Complex, the Gordon's Gorge Granite and the Castlereagh Hill Porphyry. A northeast trending transgressional fault zone – the Greenvale Fault, intersects the project area.

Kimberley group sediments Pkl, are represented by the King Leopold Sandstone, found in the western part of the tenement where it is faulted against the Whitewater Volcanics, Cainozoic and Proterozoic sediments. In 1971 Planet Management and Research reported a radiometric anomaly (west of the project area) in a conglomerate unit within the King Leopold Sandstone.

The Hart Dolerite Pdh, is an extensive Proterozoic sill carries zones of anomalous copper (Planet Management and Resources) and these anomalies have been tentatively correlated with a grain size variation within the sill at intersecting faults. Planet also reported that Vanadium occurred within the titano-magnetite lattice of fluvial sands in an area southwest of Archie Creek, presumably derived from the Hart Dolerite. More recently, NiPlats reported a Vanadium (V<sub>2</sub>O<sub>6</sub>) anomaly on a gabbroic zone of the Hart Dolerite, with values up to 0.29% V<sub>2</sub>O<sub>6</sub> in the dolerite drill intercepts.

The Whitewater Volcanics cover the main part of the project area. They are thought to be associated with the Gordon's Gorge Granite and are associated with uranium and copper anomalies in the area. They comprise ash-flow tuffaceous zones, porphyritic rhyolitic lavas, dacitic lavas, agglomerates quartz feldspar porphyry, greywackes, siltstone, shale and cherts.

The Gordon Gorge Granite occurs on the southeast part of the tenement and contacts the Greenvale Fault Zone. The granite, formerly named the Bow River Granite, has a distinct radiometric signature and has been tentatively put forward as the source region for remobilised uranium mineralisation. The granite is described as occasionally porphyritic, varying from coarse grained granite to granodiorite

### **Previous Work**

1970 – 1971, Planet Management and Research located copper anomalies in the Hart Dolerite to the south of Archie Creek and found anomalous vanadium within the lattice of oxidised fluvial sands probably derived from the dolerite. A radiometric anomaly (west of the Archie Creek Project) was located in a conglomerate unit within the King Leopold Sandstone and a base metal occurrence was located in quartz reefs within the Speewah – Hart Dolerite contact zone.

1980 – 1982 - Uranerz Australia Limited defined the Antares anomaly ( U, Cu, Pb, Mo), 40 km south of the Archie Creek. The Uranium occurs in a potassic – hematitic altered stockwork within a shear that intersected silicified, argillaceous and tuffaceous units. Metasomatic K-alteration was present as thin coatings on joint surfaces. Antares lies on a northeast anomalous trend in which other uranium anomalies were detected during earlier exploration. These anomalous areas are closely coincident to structure and occur on a trend parallel with the Greenvale Fault Zone, which bisects the Project

2007 - NiPlats Australia Limited reported Vanadium oxide ( $V_2O_6$ ), platinum group elements (PGE) and gold mineralisation intercepts in the Hart Dolerite, with assays ranging up to 0.29%  $V_2O_6$ ; (0.2% cut-off values). Mineralisation was reportedly observed in a 3.5 km by 1.6 km magnetite enriched gabbroic outcrop of the Hart Dolerite.

### **Current Status**

The Archie Creek Project is well placed in relation to structurally controlled uranium and other commodities. Current interpretation has also identified the regional unconformity between the Kimberly and Speewah Groups, that juxtaposes lithologies prospective for unconformity related uranium mineralisation and major structures. In particular, the reactive units adjacent to splays from the Greenvale Fault are highlighted as high potential to host uranium, base metal and gold mineralisation types.

These structural zones with observed trends of elevated geochemistry indicate potential for mineralisation along strike and at depth below the weathered horizons. While results are generally subdued they are clearly above regional background for the target elements. The structural zones also host hematitic breccias and laminated multiphase quartz veins. Regionally these zones are known to be elevated in uranium, as found at the Antares Prospect currently being explored by NSR to the south along the Greenvale fault zone.

Historical work has demonstrated that the potential for uranium, gold, base metals and PGE mineralisation is not restricted to regional structures and may have a stratigraphic or lithological control regionally. Early defined target units include the Whitewater Volcanics, the Hart Dolerite and specific units of the Speewah and King Leopold Formations.

## ***Croydon (Qld)***

### **3. Introduction**

EPMs 16267, 16272, 16274, 17364, target potential roll front or palaeochannel style uranium mineralisation within the on-lapping Mesozoic and Jurassic sequences of the Eulo and Eromanga basins. Additional potential exists for gold, tin and base metal occurrences within units of Proterozoic Croydon Volcanic Group and other Igneous Units of the Georgetown block in North Queensland. Significant multi-commodity potential exists under +100m cover in undetermined basement indicated by regional magnetic interpretations and discrete magnetic anomalies.

A prominent magnetic complex is evident in regional magnetic images located in the SW corner of the project area. This magnetic complex is interpreted from magnetic and gravity images to coincide with a regional structural triple point junction and may represent a significant Cu-Ni-PGE target. Additional Potential remains in project area for base metal and uranium mineralisation within reduced units of the Upper Etherage group which extend under cover into the Bowen Energy Leases in the South eastern parts of the project.

### **Geology and Mineralisation**

The application falls over portions of the Middle Proterozoic Croydon Volcanic Group and the Esmeralda Granite complex within the Georgetown block of North Queensland. Within the outcropping portions of the Croydon Volcanic Group, past exploration focused towards epithermal and vein hosted gold deposits, hydrothermal and igneous related tin and to a lesser extent porphyry copper and uranium mineralisation.

Elevated radiometric backgrounds for uranium and potassium are indicated locally within the application area based on interpretation of available airborne geophysical (radiometric) data, indicating generally elevated radiogenic backgrounds in the rocks. These units provide a large primary source region capable of the generating secondary palaeochannel or roll front uranium occurrences within the on-lapping Basins.

The main volcanic lithologies in the lease area are relatively flat lying dacitic to rhyolitic ignimbrites or ash-flow tuffs. The volcanics have been intruded by similarly aged igneous rocks belonging to the Esmeralda Supersuite of S-type granitic rocks at depths of between 1-3 km. Contact thermal and hydrothermal alteration is extensive in the volcanic rocks adjacent to the eastern margin of the Esmeralda Granite, the main igneous rock in the lease area. This is often manifested as zones of greisenisation, chlorite-tourmaline alteration and tin mineralisation.

The Nonda Granite outcrops in the lease area with granite, granodiorite and microgranite components. In places it displays intense sericite alteration.

The vast majority of the tenement is covered by on-lapping westerly to southwesterly dipping sediments of the Carpentaria and Karumba Basins. These range from Jurassic to Quaternary age and are separated from the Proterozoic by a major unconformity with significant unconformities separating some of the sedimentary units as well.

The oldest rocks of Middle to Late Jurassic age belong to the Eulo Queen Group comprising Hampstead Sandstone and Loth Formation. Both formations are considered to have formed in fluvial channel and flood plain environments.

Late Jurassic to Early Cretaceous sediments are represented by the Yappar Member and Coffin Hill Member of the Gilbert River Formation. Basal conglomerates of these units can locally contain gold and/or tin mineralisation.

### **Base metal and Cu-Ni (PGM) Prospectivity**

In the SW corner of the Croydon project area a prominent magnetic complex is evident in the Government regional airborne magnetic data.

This area is considered by Bowen Energy to be prospective for magmatic nickel-copper-PGE mineralisation (e.g. Jinchuan, Voiseys Bay, Norilsk, Pechenga). Empirically key features of these deposit types are present in the Project area.

Initial interpretation indicates that the magnetic feature resembles the magnetic signature of a layered igneous complex and associated feeder systems and related volcanics. This may represent a gabbroic-ultramafic intrusive that contained serpentinised olivine-bearing, gabbro to peridotite type rocks.

Proterozoic mafic to ultramafic rocks, suitable for this style of deposit are known to occur on the along eastern margin of the Georgetown province with the Greenvale deposit the best known of these. However no known mafic-ultramafic intrusive occurrences are known in the covered areas of the western margin of this Proterozoic province this is excluding the dead horse meta-basalt and dolerite sills of the Etheridge Group to the immediate east of the magnetic feature. Magnetite associated with the serpentinisation of olivine-pyroxene bearing units often gives rise to the magnetic character of ultramafic units.

The magnetic complex occurs where regional scale structural lineaments intersect forming a triple point junction separating three distinctly different geological provinces interpreted from their respective magnetic character.

Immediately to the northwest and west of the complex and again under shallow to moderate cover sequences, the airborne magnetic images reveal trends that are interpreted to be the upturned margins of essentially flat lying and extensive mafic-volcanics with potential co-magmatic dyke swarms in interpreted Proterozoic basement north of the magnetic complex.

Queensland Metals in 1984, in A to P 3689M tested a large magnetic dipole 150km NNW of Richmond in NQ with two vertical percussion holes. The exploration approach was to find the source of high fluorine levels in groundwater of the Gilbert River Formation. High fluorine levels in ground water are empirically related to known mineralized districts of Australia.

Following detailed ground and airborne magnetic surveys, the magnetic anomaly was interpreted to be a flat lying and potentially layered body. The first hole targeted the magnetic high and the second a magnetized low zone (dipole low to the south of magnetic high feature).

Both holes intersect mafic rock types interpreted to be altered basalt. Hole CCH01 reached basement at 134m intersecting weakly chloritised magnetic basalt. Hole CCH02 reached interpreted basement at 125m and intersected chloritised non magnetic and layered basalt. Both

holes were affected by major water inflow and sample recovery was low with probable high sample contamination

### **Previous Work**

Chevron Exploration Ltd reported on drilling of several targets in its search for roll front type mineralisation in Jurassic Hamstead Sandstone of the Loth Formation and in the Lower Cretaceous Gilbert River Formation. Anomalous radioactivity was noted in sediments slightly above the sediment/basement contact, and also in weathered granites, and in minor thin carbonaceous clays of the Loth Formation. Highest core assay was 1 foot of 0.1 lb/ton U<sub>3</sub>O<sub>8</sub>.

Afmeco Pty. Ltd, 1982 produced only a few radiometric anomalies; these were associated with weakly sericitised Croydon Volcanics close to the contact with the Olsen Granite.

PNC Explorations Australia Pty. Ltd, 1984-86, targeted uranium mineralisation associated with the Middle Proterozoic Olsen Granite and Croydon Volcanics and in particular radiometric anomalies associated with greisen alteration in the southwest of their tenement (which lies to the east of the Bowen application area). The main anomaly consisted of rhyolite intruded by a small greisenised granite vein a few metres below the Idalia Rhyolite / Gilbert River Formation boundary and had a maximum assay of 130 ppm U. Other anomalies are greisen style uranium occurrences associated with Sn mineralisation with a maximum assay of 440 ppm U associated with green uranium secondaries. They concluded that the tin potential of the greisenised granites remain significant.

## ***Bullseye Creek (Qld)***

### **Introduction.**

EPM applications 16269, 16270, cover portion of the Proterozoic Croydon Volcanic Group and the Esmeralda Granite complex within the Georgetown Block of North Queensland.

Past exploration has been focused within outcropping portions of the Proterozoic Croydon Volcanic Group and was directed towards epithermal and vein hosted gold deposits, hydrothermal and igneous related tin mineralisation and to a lesser extent porphyry copper and uranium mineralisation.

The tenement area contains a number of igneous related Au-Ag-base metal veins with potential for Kidston style sub-volcanic breccia systems. Elevated radiometric responses for uranium and potassium are apparent locally within the application area although no uranium occurrences have been documented. The geology and past work indicate prospectivity for Maureen style hydrothermal uranium, thorium and fluorine mineralisation.

### **Geology and Mineralisation**

Exposures of igneous rocks from cauldron subsidence are mainly restricted to the western and south central part of the lease area. They include both intrusive Esmeralda Supersuite granitic bodies and related volcanic deposits belonging to the Croydon Province lying along and near the faulted eastern boundary of the huge Croydon cauldron subsidence area.

The volcanics are intruded by similarly aged igneous rocks belonging to the Esmeralda Supersuite of S-type granitic rocks at depths of between 1-3 km. These are generally restricted to the eastern and western margins of the cauldron. In the lease area the main intrusives are the larger Olsen's Granite in the southeast with smaller stocks of Macartney's Granite along the eastern edge, spatially associated with northerly trending faults. Both granites display gently westward dipping roofs and the Olsen's Granite displays contact metamorphism (greisenisation) and propylitic alteration along its western margin. Minor tin mineralisation is associated with the greisenisation in places.

The Kennedy Province is a major late Paleozoic post-orogenic igneous suite comprising a broad diffuse suite of volcanic rocks and spatially associated granites. In the lease area Early Permian Bullseye Rhyolite and Goat Creek Andesite of the Mount Little Volcanic Group represent the igneous suite.

Disconformably overlying the Croydon Volcanic Group are Inorunie Group sediments of Paleozoic age. They are preserved in a small partly fault bounded elliptical basinal structure, 20 by 15 km in size, the majority of which occupies the western part of the lease. The sediments are probably of fluvial origin and subdivided into 4 formations, of which at least 3 outcrop in the lease area.

Jurassic to Quaternary age sedimentary rocks of the Carpentaria and Karumba Basins are separated from the Proterozoic basement by a major unconformity with significant unconformities separating some of the sedimentary units as well. The oldest units are Late Jurassic to Early Cretaceous sediments of the Carpentaria Basin and are represented by the Yappar and Coffin Hill Members of the Gilbert River Formation. The Yappar Member consists of commonly pebbly quartzose sandstone with minor conglomerate and siltstone while the Coffin Hill Member is comprised of glauconitic and bio-turbated clayey sandstone and siltstone and contains marine fossils.

The Karumba Basin is superimposed on the Carpentaria Basin with a significant unconformity and is represented in the lease area by Bulimba Formation sediments of Tertiary age. These are poorly indurated quartzose to feldspathic poorly sorted granite conglomerate and sandy claystone and are commonly ferruginised.

Extensive areas of colluvium are also present consisting of soil, sand and silt including outwash fan deposits and lag gravels, some of which are lateritic.

## **Previous Work**

Afmeco Pty. Ltd, 1981, carried out a helicopter radiometric survey with ground follow up and sampling but no significant anomalies were located. The initial anomalies were largely attributed to contrast effects between varying lithologies, topographic effects and lateritic accumulations (Anomalies 25, 26).

Amdex Mining Ltd./ Dolphin Exploration Co.1977, reported on exploration in ground adjacent to that held in Dolphin's name. This was limited to photogeological studies. Results were disappointing with only an area in the SE of the lease attributed to hydrothermal alteration in Forsayth Granite considered of interest.



## Valuation Methodology

The valuation methodology has already been described in the previous valuation of June 2008 that attempted to determine a pure cash value for the tenements as against a value as a going concern with a funded exploration program in place, which is the value determined here. This is summarised in Table 3.

A range of values which can be estimated for tenements where no defined resources exist, can be ascertained approximately by using a number of different criteria such as:

- The geological potential of the properties taking into account the possibility of outlining potential resources, and the probability of deriving present value from recognised areas of mineralisation and production.
- Previous and planned expenditure and commitments.
- Current market prices for equivalent properties
- Joint venture commitments on similar ground

The range of value estimated for each project attempts to allow for the sensitivity of the project values to expected variations in commodity prices and exchange rates, and for the changes in property market value with changing investment expectations, and valuations estimated for acquisition and listing for similar projects in the same geological environment.

The valuation of exploration tenements, particularly those without any quantifiable resource, is highly subjective but a number of value indicator methods have been developed, these can include the:

Appraised Value Method  
Comparable Transaction Method  
Farm-In Commitment Method  
In-situ Mineral Valuation.

For this valuation, only the first is relevant as there are no comparable transactions, there are no farm-ins and no in-situ mineralisation that can be quantified.

### ***Appraised Value Method***

The Appraised Value Method is one of the methods most applicable for valuing exploration properties that have neither viable ore reserves nor any imminent commercial production possibilities on which to establish a value. Its value is related to its potential for the existence of an economically viable ore body. An objective way to value a property's exploration potential is to equate it to the cost of exploration work that is warranted to assess that potential. Departmental expenditure requirements are useful here as they are well understood, and by being up-front they relate the exploration ground to a dollar value, as this money must be spent within one to two years and controls are in place to monitor such expenditure.

Past and planned expenditures on a property of merit can also be used to give a current dollar value for that property. Any expenditures considered as contributing to the value of the property are those, which are judged to be relevant, prudent, and which were incurred in accordance with normally accepted industry practices.

Evaluating the results of a previous exploration program and its relevance to the appraisal process involves assessing such parameters as:

- the geological environment of the property and its exploration potential
- the exploration program planning and implementation.
- the exploration procedures used and their applicability to the style of mineralisation being sought or expected
- the overall scope of the work performed
- the effectiveness of the work conducted
- the depth and experience of the management team involved.

As a result of this evaluation process, the valuer must decide as to what degree the exploration efforts have enhanced or diminished the value of the property. Only those expenditures deemed relevant to the overall value of the property are retained and used in the valuation process. In cases where inconclusive results are obtained, a subjective judgement may be made by the appraiser either on the basis of his own experience or in consultation with other technical experts. It is relevant to consider the intention of the current owners regarding their exploration plans for the property and in this regard any funds committed to exploration work in the future budget period can be taken into account when arriving at an appraised value.

The expenditure on a project considered effective in terms of advancing the prospectivity of the areas is used, in conjunction with a subjective prospectivity enhancement multiplier, (P.E.M) to derive a value of the project, which takes into account the valuer's judgment of prospectivity and the value of the database. Future planned committed expenditure may also be considered as a measure of the estimated investment value of the property, to which a future exploration multiplier (F.E.M) can be applied. In this review, we take into account expenditure of previous explorers and their joint venture partners and the required expenditure needed to explore the tenements for one year.

The multiples generally range from 0.5 to 3.0 with values greater than one applying where exploration has upgraded the property.

The Prospectivity Enhancement Multiplier [PEM] is applicable to the BEL projects are considered as follows:

Table 2 PEM Factors

1.0	Existing data is sufficient to warrant further exploration
1.25	Further work is expected to define interesting targets.
1.5	There is direct evidence of an interesting target. Further work is warranted to evaluate the target.
1.75	The tenements contain a defined drill target with significant geochemical intersections

Estimation of risk needs to be taken into account in assessing mineral projects and is incorporated into the valuation by allowing for a variation about the preferred value.

## ***Prospectivity of Project Areas***

### **Glen Isla**

- The Project is within a known uranium occurrence close to major developments (15 km from Xstrata's Ernest Henry) and close to required infrastructure.
- Universal Resources have located two uranium prospects in paleochannels immediately to the south of Glen Isla. (0.047%U from 34-37m) and (0.014%U from 32-35m). These channels extend into the tenement.
- Two paleo channels have been located within the tenement and recent drilling confirmed the economic tenure of roll front uranium mineralisation within the Western Channel. Maximum analytical result of 1metre at 1705 ppm U returned from drill-hole BE22. The palaeochannels extend north from these deposits but are yet to be tested.
- A zone of significant silver mineralisation is present in three adjacent holes in the Western Channel, with the best intersection in drill hole BE04-09 with an average grade of 4.79 g/t Ag intersected over an interval of 21m from 41m. This intersection includes 2m at 23.15 g/t from 44m and 1 m at 7.0 g/t from 61m.

### **Archie Creek**

- A number of target zones based on geological and structural interpretation have been identified in GIS studies of the project.
- The project is centered over prospective Proterozoic acid volcanics within a geologically complex region in which three major tectonic units, the Kimberley Basin, the Halls Creek Mobile Zone and the King Leopold Mobile Zone are present in association with major faulting.
- The area is an emerging epithermal gold province.
- The area is also prospective for a wide range of minerals, particularly uranium, gold, copper, fluorite and vanadium. Current prospects that are close to the Archie's Creek tenement include:
  - Archie's Fluorite Prospect
  - The Speewah Fluorite mine
  - The Dunham uranium and epithermal gold mineralisation
  - The Range epithermal gold mineralisation
  - The Antares uranium mineralisation.
  - The Frog Uranium Prospect (3,800ppm U<sub>3</sub>O<sub>8</sub>)

### **Croydon**

- Elevated radiometric backgrounds for uranium and potassium are indicated locally within the application area due to generally elevated radiogenic backgrounds in rocks of the Proterozoic Croydon Volcanic Group and the Esmeralda Granite. Localised greisens occurrences associated with some tin mineralisation may also represent a direct primary uranium targets.
- These units provide a large primary source region capable of generating secondary palaeochannel or roll front style uranium occurrences within the on-lapping Basins.
- Reduced horizons that are permissive for trapping secondary uranium are present in units of the Gilbert River, Hamstead and Loth Formations and within reactive host rock types in the basement.

- In the southwest corner, a prominent and magnetic complex lies on a regional structural triple point junction and may represent a significant Cu-Ni-PGE target. This area is considered to be prospective for magmatic nickel-copper mineralisation (e.g. Jinchuan, Voiseys Bay, Norilsk, Pechenga). The magnetic feature may resemble a layered igneous complex and an associated potential feeder systems.
- Regionally the airborne magnetic images reveal zones with responses that resemble those of flat lying mafic volcanics. The three major structural zones evidenced in Regional airborne magnetic images include a WNW trending zone extending from the southern Georgetown block, under cover towards the Gulf of Carpentaria. A SW trending structural zone extending from and defining the contact under-cover between the Southern end of the Croydon volcanics and the overlying Etheridge Group Meta-sediments (Langdon River Mudstone) and a NS structural zone extending from the magnetic complex in undetermined basement again under laying younger cover rocks.

### **Bullseye**

- Elevated radiometric responses are apparent locally and geology and past work indicate good prospectivity for Maureen style hydrothermal uranium, thorium and fluorine mineralisation.
- Igneous related Au-Ag-base metal veins indicate potential for Kidston style sub-volcanic breccia systems.

### **Valuation Criteria**

In the valuation of the projects, the following valuation criteria have been considered:

- Status of the tenements:  
*All tenements have been granted. Bowen has 100% interest.*
- The minimum commitment expenditures:
- Budgets totalling around \$2M are planned over the first two years
- Area of tenement package is around 2000 sq. km
- Prospectivity, based on geology and exploration progress on each EL.

Since the previous valuation the size of the tenement holdings has changed due in part to necessary departmental reductions. As this is generally allowed for when taking out tenements so that key ground is not lost before sufficient work is undertaken, the overall value is unlikely to be significantly affected in the first reduction.

**Table 3 Valuation Criteria**

Tenement	Sq. km	Budget x\$1000	Useful past and present expenditure \$x1000	PEM	Previous mid value x \$1000	% change in area	2009 mid value x \$1000
Glen Isla	30	450	200	1.75	350	-17	340
Archie's Creek	410	350	350	1.5	525	-6	350
Croydon	980	550	350	1.35	475	-70	250
Bullseye Creek	591	220	220	1.25	275	+90	400
<b>Totals</b>	<b>4174</b>	<b>1570</b>					<b>1340</b>

The table gives the projects a value in the vicinity of \$1.3 million within a range extending from \$1.1M to \$1.6M

## ***Declarations***

### **Sources of Information**

The statements and opinion contained in this report are given in good faith but, in the preparation of this report, Minnelex has relied on information sourced from open file reports from the Queensland Department of Mines and Energy and from geophysical interpretations by Bowen Energy Mines staff. Minnelex has no reason to doubt the authenticity or substance of these reports.

### **Qualifications and Experience**

Minnelex is a geological consultancy that has had considerable experience in the evaluation of exploration properties. The person responsible for this report is:  
R.C.W. Pyper. BSc. (geol.). GAICD. FAusIMM. Consulting Geologist.

Mr Pyper is the Principal of Minnelex. He has wide experience in the mining and exploration industry over 45 years, the last 24 years of which have been as a consultant to the industry.

### **Independence**

At the date of this report, Minnelex and Robert Pyper do not have, nor has had any relationship with Bowen Energy other than a normal consultancy relationship.

Minnelex has no relevant interest in, nor any interest in the acquisition or disposal of any securities of Bowen Energy. Minnelex have no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the value of the interest by Bowen Energy.

Neither Minnelex nor Mr. Pyper has received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'R Pyper', is written over a light blue grid background.

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## Glossary

acid volcanic	Volcanic rock with high content of quartz.
aeromagnetic	Magnetic survey by aircraft
alluvium	Water-lain sediments
alteration	Change in mineral composition of a rock, usually from weathering or hydrothermal solutions
andesite	A fine grained igneous rock with intermediate silica content.
anomaly	Usually soil or rock assay or geophysical result considered to be different from the norm.
auriferous	Gold bearing.
AusIMM	The Australian Institute of Mining and Metallurgy.
basalt	A fine grained dark basic igneous rock.
basemetal	A term generally confined to copper, lead and zinc.
basic	An igneous rock with a low silica content.
Batholith	An igneous intrusion <100 sq km in area
breccia	Rock fragments in a finer grained matrix.
calcareous	Carbonate rich
calc-silicates	A metamorphic rock with calcium rich minerals present
carbonate	Carbon and oxygen in the ratio 1:3
Carboniferous	345-280 million years ago
chalcopyrite	Copper and iron sulphide
conglomerate	Coarse grained sediment with fragments generally much larger than 2mm set in finer matrix
dacite	A volcanic rock intermediate between andesite and rhyolite.
Devonian	The period 400 - 345 million years ago.
diorite	A plutonic rock intermediate in composition between acid and basic
EM.	Electromagnetic survey Measures magnetic fields from artificially introduced currents.
epithermal	Low temperature hydrothermal processes.
EPM	Exploration Permit for Minerals.
fault	A fracture in a rock mass, with the movement of one side past the other.
ferruginous	Iron rich
geochemistry	Study of the values and relationships of elements in soils and rocks
geophysics	Study of the earth by quantitative physical methods.
gossan	Iron rich weathered product overlying sulphide deposit
grade	The quantity of ore or metal present relative to other constituents of the rock or ore.
granite	Coarse grained acid igneous rock containing quartz and feldspar
granitoid	Granitic
granodiorite	Similar rock to granite but with less silica
hydrothermal	Circulation of hot water through rocks with leaching and deposition of minerals
igneous	Rocks formed from a molten state.
intrusive	A body of hot igneous rock which invades the overlying rocks
IP	A geophysical technique which measures the induced potential between two electrodes.
kaolinised	Turned to clay
limonite	Hydrous iron oxide.
lineament	A linear topographical feature of regional extent thought to reflect crustal structure.
Ma	Million years
magnetic low	Magnetic readings which are low compared to nearby areas.
magnetite	A magnetic oxide of iron.
meta-	Refers to alteration
metallurgical	Concerned with the production of raw metals from ores.
metamorphic	Alteration of rocks by heat and pressure.
micro-	Small.
olivine	A common rock mineral in ultramafic rocks such as dunite, rich in magnesium or iron.
palaeo	Old or ancient



percussion	Rock drilling using a pneumatically driven drill bit.
Permian	280-225 Ma
petrology	Examination of rocks by microscope.
pluton	Generally deep seated igneous intrusion
porphyritic	Large crystals set in a fine groundmass
Proterozoic	Around 3000-600 Ma
ppb	Parts per billion
ppm	Parts per million
pyritic	Containing pyrite.
pyroxenite	Ultramafic plutonic rock
quartz	Crystalline silica.
RAB	Rotary airblast drilling
radiometric	Measurement of uranium, thorium and potassium radiation.
RC drilling	Reverse circulation drilling. Gives a less contaminated sample than open hole drilling.
rhyolite	Light coloured extrusive volcanic rock
stockworks	Three dimensional network of irregular veinlets.
stream sediment	Sample taken of stream gravels and assayed.
sulphide	A mineral compound linked to sulphur.
tenement	Ground granted for exploration or mining purposes.
Tertiary	65-2 Ma
tuffaceous	Rich in tuff.
volcanic	Related to volcanoes or volcanism.