

Board of Directors
FLSmith Pty Ltd
5 Comerv Close, West Gosford
New South Wales 2250
+61 2 4320 4722



The Manager
Company Announcements Office
ASX Limited
By fax: 1300 135 638

21 December 2010
Matter 81740532

Dear Sir

Takeover bid by FLSmith Pty Ltd (FLSmith) for ESSA Australia Limited (ESSA Australia)

We attach, by way of service pursuant to subsection 647(1) of the *Corporations Act 2001* (Cth) and ASIC Class Order 00/344, the following documents from FLSmith:

- a copy of the replacement Bidder's Statement marked up to show changed from FLSmith's original Bidder's Statement; and
- a Supplementary Bidder's Statement dated 21 December 2010, which supplements FLSmith's Bidder's Statement dated 7 December 2010 (lodged with ASIC 7 December 2010), in relation to the off-market takeover bid by FLSmith for all of the shares in ESSA Australia,

A final clean version of the replacement Bidder's Statement will be released under a separate announcement (**Final Bidder's Statement**).

The enclosed documents and the Final Bidder's Statement were lodged with the Australian Securities and Investment Commission and given to ESSA Australia today.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Lou Stojanovski', written over a horizontal line.

Lou Stojanovski
Company Secretary

Bidder's Statement

FLSmith Pty Ltd (ABN 85 000 221 590) is pleased to present this

Recommended Cash Offer

to purchase all of your shares in
ESSA Australia Limited
at a price of AUD 0.73 per share*

"The Directors of Essa unanimously recommend that Shareholders accept
the Offer in the absence of a superior proposal"
– Geoff Donohue, Chairman, ESSA Australia Limited

*If a Dividend of up to AUD 0.13 per share is paid to Shareholders, the price will be reduced by the amount of the Dividend.

IMPORTANT NOTICE!

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your Broker, financial adviser or legal adviser immediately.

Important information

This replacement Bidder's Statement is issued by FLSmidth Pty Ltd ABN 85 000 221 590 (FLSmidth) (a wholly owned subsidiary of FLSmidth & Co. A/S (Company CVR No.58 18 09 12)) under Part 6.5 of the Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your Shares.

This replacement Bidder's Statement is dated 21 December 2010.

A copy of this replacement Bidder's Statement was lodged with ASIC on 21 December 2010. This Replacement Bidder's Statement replaces the Bidder's Statement lodged with ASIC on 7 December 2010. References in this Replacement Bidder's Statement to 'the date of this Bidder's Statement' should be read as references to 7 December 2010. A copy of this Bidder's Statement was lodged with ASIC on 7 December 2010. Neither ASIC nor its officers take any responsibility for the content of this Bidder's Statement.

Investment advice

In preparing this Bidder's Statement, FLSmidth has not taken into account the individual objectives, financial situation or needs of individual Shareholders. Accordingly, before making a decision whether or not to accept the Offer, you may wish to consult with your financial or other professional adviser.

Disclaimer as to forward looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. You should be aware that such statements including, among others, those relating to future business prospects, revenue and income of ESSA Australia are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which FLSmidth and ESSA Australia Limited ACN 007 944 569 (ESSA Australia), ESSA International Pty Ltd ACN 008 218 353 (ESSA International) and ESSA International's subsidiaries (together the ESSA Australia Group) operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of FLSmidth or its related bodies corporate, the officers of FLSmidth, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement. Except as may be required by law, none of FLSmidth or its related bodies corporate undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this Bidder's Statement, or to reflect the occurrence of unanticipated events.

Disclaimer as to ESSA Australia information

The information on ESSA Australia, ESSA Australia's securities and the ESSA Australia Group contained in this Bidder's Statement has been prepared by FLSmidth using publicly available information and limited information made available to FLSmidth by ESSA Australia.

Information in this Bidder's Statement concerning ESSA Australia's business has not been independently verified by FLSmidth. Accordingly FLSmidth does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to ESSA Australia's business may be included in ESSA Australia's Target's Statement which ESSA Australia must provide to its Shareholders in response to this Bidder's Statement.

Privacy

FLSmidth has collected your information from the ESSA Australia register of Shareholders for the purpose of making this Offer and, if accepted, administering acceptances over your Shares. The Corporations Act requires the name and address of Shareholders to be held on a public register. Your information may be disclosed on a confidential basis to FLSmidth's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of FLSmidth is 5 Comserv Close, West Gosford NSW 2250.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in clause 11 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Notice to foreign Shareholders

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of and observe these restrictions.

Internet sites

Both FLSmidth & Co A/S and ESSA Australia maintain internet sites. The FLSmidth & Co A/S internet site is at the URL (www.flsmidth.com). The ESSA Australia website is at the URL (www.essaaustralia.com). Information contained in or otherwise accessible through these internet sites is not part of this Bidder's Statement. References in this Bidder's Statement are for your ease of reference only.

Queries

If you have any questions about this Bidder's Statement, please contact the FLSmidth Information Line on +61 2 4320 4739, which is available Monday to Friday between 9am and 5pm (AEST). Calls to the FLSmidth Offer Information Line may be recorded.

Board of Directors

FLSmidth & Co. A/S

Vigerslev Alle 77 · 2500 Valby · Denmark · Tel +45 36181800 · Fax +45 36441830
www.flsmidth.com · DK reg.no. 58 18 09 12



7 December 2010

Dear ESSA Australia Shareholder,

It is with great pleasure that I present, on behalf of FLSmidth, this offer to purchase your shares in ESSA Australia Limited.

At FLSmidth, we feel confident that you will find the terms of this offer attractive, and the benefits – which include immediate value, certainty of cash, a generous premium and no brokerage fees – compelling.

I am happy to note that ESSA's board of directors have unanimously recommended our bid – and that all ESSA directors who own ESSA shares have now confirmed their plans to accept the offer for their shares.

As we see it, this offer represents not just an attractive offer for ESSA shareholders, but an extraordinary opportunity for both companies.

ESSA and FLSmidth both share a strong tradition in minerals and a similar set of values. And our businesses are highly complementary – with ESSA's products and footprint in Australia, Asia and South America fitting nicely with FLSmidth's portfolio and global presence.

As is often the case with such offers, however, time is of the essence. I must therefore ask that you review this Bidder's Statement at your very earliest convenience, and reply using the enclosed Acceptance Form.

If after reading the Bidder's Statement, you have any questions at all, please contact our special FLSmidth Offer Information Line on +61 2 4320 4739. The line is open Monday to Friday from 9am to 5pm (AEST).

I look forward to receiving what we sincerely hope will be your positive response to this offer.

Kind regards

Jørgen Worning
Chairman of the Board
FLSmidth & Co. A/S

Why you should accept the Offer

Summary

- The Offer is unanimously recommended by the ESSA Australia Board, in the absence of a Superior Proposal emerging
- Attractive Offer price
- Cash Offer
- Risks involved in remaining a Shareholder
- No brokerage costs

1.1 The Offer has the unanimous support of ESSA Australia Directors

After careful consideration of the options available, the directors of ESSA Australia have assessed the Offer is fair and reasonable to Shareholders and have unanimously recommended that, in the absence of a Superior Proposal, Shareholders accept the Offer.

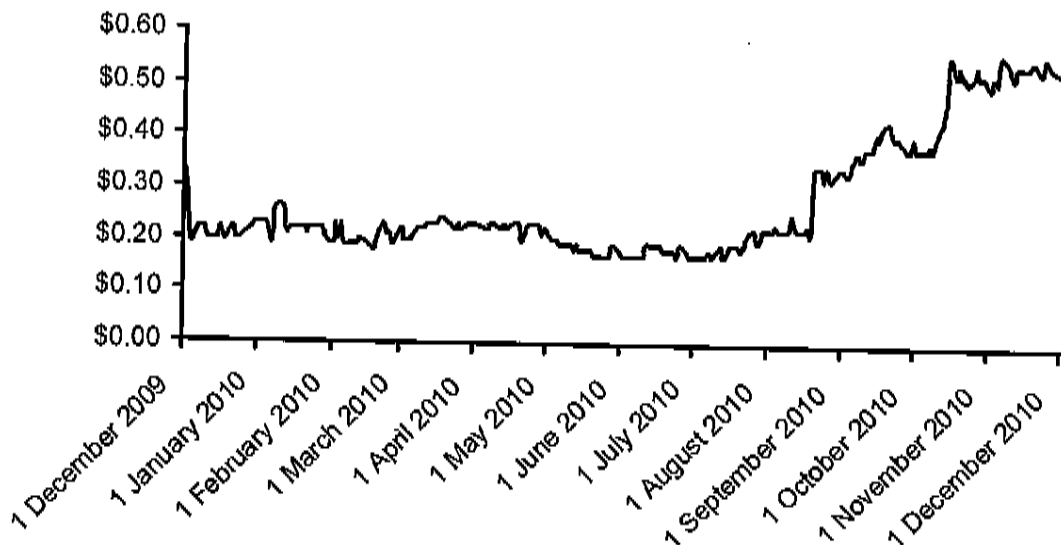
All of ESSA Australia's directors who hold Shares in ESSA Australia have indicated that they will be accepting the Offer in respect of their personal shareholdings, in the absence of a Superior Proposal.

1.2 You will benefit from an attractive cash price for your Shares

By accepting the Offer you will be paid \$0.73 per each Share held (which may include a fully franked Dividend of up to \$0.13 for each Share held (subject to the conditions of the Offer being satisfied or waived)).

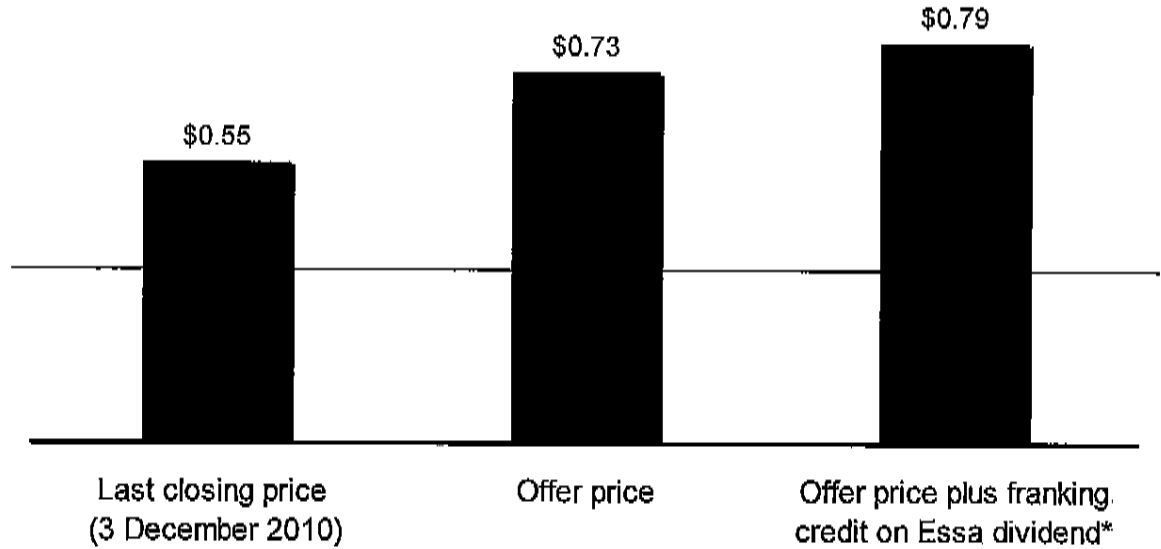
The franking credit will be approximately \$0.06 per Share and therefore the total value you will receive will be approximately \$0.79 per Share, assuming the full \$0.13 Dividend is paid and you are eligible to receive the full benefit of the franking credit.

Over the last 12 months the price of Shares has been volatile. Accepting the offer will ensure that you are no longer exposed to this Share price volatility.



The Offer represents:

- a 33% premium to the closing Share price on 3 December 2010 (the last trading day before the Offer was announced) of \$0.55;
- a premium of 36% over the volume weighted average Share price of the Shares in the one month period prior to 3 December 2010 of \$0.536; and
- a premium of 63% over the volume weighted average Share price of the Shares in the three month period prior to today's announcement of \$0.447.



* Assuming the full \$0.13 Dividend is paid and you are eligible to receive the full benefit of the franking credit.



1.3 The Offer provides you with 100% cash consideration

The Offer provides you with 100% cash consideration for your Shares at a substantial premium to recent trading levels. By accepting the Offer, you will be paid \$0.73 for each Share held (which may include a fully franked Dividend of up to \$0.13 per Share (subject to the conditions of the Offer being satisfied or waived)).

1.4 The Offer removes significant risks currently borne by you

The Offer provides you with an opportunity to sell your Shares at a significant premium to the price at which they were being traded before the Offer was announced. The Offer eliminates a range of risks associated with your shareholding in ESSA Australia.

Risks which you will avoid if you accept the Offer include stock market price and liquidity risk.

FLSmith believes that the Offer price is fair and reasonable. However, if you choose not to accept the Offer and retain your Shares, in the absence of a higher alternative offer or if the Offer is not successful, **there is a risk that the market value of your Shares may be significantly less than the Offer Price.**

If FLSmith does not achieve a level of shareholding in ESSA Australia of 100% (whether by Shareholders accepting the Offer, compulsory acquisition or in any other way), it is possible that ESSA Australia Shares could have a lower level of liquidity than they currently have, thereby exposing the remaining Shareholders to greater volatility. ASX requires a listed entity to maintain a sufficient spread of shareholders to ensure there is an orderly and liquid market in the listed entity's shares. ASX has the power to suspend the Shares from quotation on the ASX if the spread requirement is not met.

1.5 You will not incur any brokerage charges in accepting the Offer

By accepting the Offer you will not incur any brokerage charges if your Shares are registered in an Issuer Sponsored Holding.

You may incur brokerage costs if you choose to sell your Shares on the market or transaction fees if you instruct your Broker to accept the Offer on your behalf.

2 Overview of the Offer

2.1 Summary of the Offer

What FLSmith is offering to buy

FLSmith is offering to buy all of your Shares, including Shares that are issued during the Offer Period whether due to the conversion of ESSA Australia Options or other convertible securities, on the terms set out in this Bidder's Statement.

You may only accept this Offer in respect of all the Shares held by you.

What you will be paid if you accept the Offer

If you accept the Offer you will, subject to the satisfaction of the conditions to the Offer, be paid \$0.73 for each Share (which may include a fully franked Dividend of up to \$0.13 per Share).

When you will be

Generally, FLSmith will pay the consideration due to you under the

paid	<p>Offer on or before the earlier of:</p> <ul style="list-style-type: none"> • one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and • 21 days after the end of the Offer Period. <p>Full details of when payments will be made are set out in clause 10.6 of this Bidder's Statement.</p> <p>ESSA Australia has indicated it may declare a Dividend before the Offer is declared unconditional. Details in relation to the Dividend are set out in the Target's Statement.</p>
No brokerage on acceptances	<p>You will not pay brokerage if you accept the Offer.</p>
Close of the Offer	<p>The Offer closes at 4.00pm (Perth, Western Australia time) on [], unless it is extended under the Corporations Act.</p>
There are some conditions to the Offer	<p>The Offer is subject to the following conditions:</p> <ul style="list-style-type: none"> • acceptance of the Offer in respect of 90% of the Shares on issue; • that there be no Material Adverse Change in ESSA Australia; • that no material acquisitions or disposals be made by ESSA Australia; • that ESSA Australia pay no dividend other than the proposed Dividend; • that none of the specified 'Prescribed Occurrences' have occurred; and • that ESSA Australia maintain a certain net cash position. <p>Full terms of the conditions are set out in clause 10.7 of this Bidder's Statement.</p>
How you accept the Offer	<p>You may only accept the Offer for all your Shares.</p> <p>How you accept this Offer depends on whether your Shares are in an Issuer Sponsored Holding, or a CHESS Holding or whether you are a Participant.</p> <p>Issuer sponsored Shareholders</p> <p>If your Shares are held on ESSA Australia's issuer sponsored subregister (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form), to accept this Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form so it is received with any supporting documents before the Offer closes.</p> <p>CHESS sponsored Shareholders</p> <p>If your Shares are in a CHESS Holding (such holdings will be evidenced by an 'X' appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer by either:</p> <ul style="list-style-type: none"> • completing and signing the Acceptance Form enclosed with this

booklet and returning it to the address indicated on the form; or

- instructing your Broker to accept the Offer on your behalf,

so your acceptance is received before the end of the Offer Period.

Participants

If you are a Participant, acceptance of this Offer must be initiated in accordance with rule 14.14 of the ASX Settlement Operating Rules before the Offer Closes.

Full details on how to accept the Offer are set out in clause 10.3 of this Bidder's Statement.

Tax considerations

You will make a capital gain on the transfer of Shares acquired on or after 20 September 1985, to the extent that the capital proceeds from the disposal of the Shares are more than the cost base of those Shares. Conversely, you will make a capital loss to the extent that the capital proceeds are less than the reduced cost base of those Shares.

Full details on the tax considerations are set out in clause 8 of this Bidder's Statement.

Acceptance Facility

FLSmith has also established an Acceptance Facility to facilitate early acceptances of the Offer. The Acceptance Facility will only be open to Eligible Shareholders who have been invited to participate in the Acceptance Facility.

Full details on the Acceptance Facility are set out in clause 9.2 of this Bidder's Statement.

Where to go for further information

For queries on how to accept the Offer, see the enclosed Acceptance Form or call the FLSmith Offer Information Line on +61 2 4320 4739.

For queries in relation to your Shareholding, call Computershare Investor Services Pty Ltd on 1300 557 010.

Please note that calls to the above numbers may be recorded. Inquiries in relation to the Offer will not be received on any other telephone numbers of FLSmith or its advisers.

Important notice

The information provided in this clause 2 is a **summary only** of FLSmith's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement.

You should read the entire Bidder's Statement and the Target's Statement that ESSA Australia will shortly be sending to you, before deciding whether to accept the Offer.

2.2 Frequently asked questions in relation to the Offer

- 1 **What is the Offer?** FLSmith is offering to buy all of your Shares, by way of an off-market takeover bid. The Offer consideration is \$0.73 for each Share (which may include a fully franked Dividend of up to \$0.13 per Share).
Details in relation to the Dividend are set out in the Target's

Statement.

-
- 2 Who is FLSmidth?** FLSmidth is a member of the FLSmidth Group, a leading supplier of equipment and services to the global cement and minerals industries. FLSmidth supplies everything from single machinery to complete cement plants and minerals processing facilities including services before, during and after the construction. FLSmidth is headquartered in Copenhagen, Denmark with a local presence in over forty countries including Australia, the United States, and United Kingdom with project and technology centres located in Denmark, the United States and India.
- Clause 3 provides further information about the FLSmidth Group.
-
- 3 How do I accept the Offer?** To accept the Offer you should follow the instructions set out in clause 10.3 and on your Acceptance Form.
- Your acceptance must be received before the end of the Offer Period.
-
- 4 What choices do I have as a Shareholder?** As a Shareholder, you have the following choices in respect of your Shares:
- accept the Offer;
 - sell your Shares on the Australian Securities Exchange (unless you have previously accepted the Offer for your Shares); or
 - do nothing.
-
- 5 Can I accept the Offer for part of my holding?** No. You cannot accept the Offer for part of your holding. You may only accept the Offer for ALL of your Shares.
-
- 6 Can I withdraw my acceptance?** Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.
- Such a withdrawal right will arise if, after you have accepted the Offer, FLSmidth varies the Offer in a way that postpones, for more than one month, the time when FLSmidth has to meet obligations under the Offer (for example, if FLSmidth extends the Offer for more than one month while the Offer remains conditional).
-
- 7 What happens if I do not accept the Offer?** If you do not accept the Offer and FLSmidth acquires a Relevant Interest in at least 90% of ESSA Australia and the other conditions of the Offer are satisfied or waived, FLSmidth intends to proceed to compulsorily acquire your Shares. If this occurs, you will have to claim the Offer consideration at the conclusion of this process.
- You will be paid the Offer consideration sooner if you accept the Offer.
-
- 8 When does the Offer close?** The Offer is currently scheduled to close at 4.00pm (Perth, Western Australia time) on [], unless extended.
-

9 Can the Offer Period be extended?	Yes, the Offer Period can be extended at FLSmith's election or otherwise in accordance with the Corporations Act. FLSmith will give written notice of any extension of the Offer Period in accordance with the Corporations Act.
10 Will I need to pay brokerage or stamp duty if I accept the Offer?	You will not incur any brokerage charges by accepting the Offer. You may incur brokerage costs and GST on those costs, if you choose to sell your Shares on the Australian Securities Exchange.
11 What is the Bidder's Statement?	This Bidder's Statement was prepared by FLSmith for distribution to Shareholders. It sets out the terms of the Offer and information relating to the Offer and the Offer consideration you will be paid. This Bidder's Statement is an important document. If you are in any doubt as to how to deal with this document, you should consult your Broker or your legal, financial or other professional adviser as soon as possible.
12 Is there a number that I can call for queries in relation to the Offer?	If you have any further queries in relation to the Offer, you can call the FLSmith Information Line on +61 2 4320 4739, Monday to Friday between 9am and 5pm (AEST). For legal reasons, calls may be recorded.
13 Important notice	The table above answers some key questions that you may have about the Offer and should be read in conjunction with the remainder of this Bidder's Statement. You are encouraged to read the entire Bidder's Statement before deciding on how to deal with your Shares.

3 Information on FLSmith and FLSmith Group

3.1 Overview of Bidder

The bidder under the Offer is FLSmith, a member of the FLSmith Group.

FLSmith & Co A/S is the parent company of the FLSmith Group. FLSmith & Co A/S is listed on the Nasdaq OMX Nordic Exchange Copenhagen.

The FLSmith Group is an equipment and service supplier to the cement and mineral industries. FLSmith Group supplies a wide range of equipment from single machinery to complete cement plants and minerals facilities including services before, during and after construction.

The FLSmith Group has:

- a local presence in over forty countries including the United States, United Kingdom and Australia; and
- project and technology centres located in Denmark, the United States and India.

The FLSmith Group employs more than 10,500 people worldwide.

3.2 Directors

(a) Directors of FLSmidth

Brief profiles of the directors of FLSmidth as at the date of this Bidder's Statement are as follows:

David Williams, Managing Director, Australia and South East Asia

Mr Williams has been the Managing Director of FLSmidth's Australia and South East Asia Minerals division since 2009 with overall responsibility for minerals activities in Australia and South East Asia. Mr Williams holds an Assoc. Diploma in Mechanical Engineering.

Craig Dowling, Financial Controller / Director

Mr Dowling has been the Financial Controller of FLSmidth Pty Limited since 2008. He was previously financial controller for FLSmidth Dorr-Oliver Eimco (since 1998) and holds a Diploma of Business Administration.

Mr Dowling has been a director and company secretary of FLSmidth Pty Limited since June 2009 and a director and company secretary of FLSmidth Dorr-Oliver Eimco Pty Limited since November 2002.

Gautam Maitra, Regional Vice President APAC & Managing Director, India, Minerals

Mr Maitra has been the Regional Vice President APAC, Minerals since 2009 with overall responsibility of minerals activities in India and Asia Pacific. Mr Maitra holds a B.Tech (Engineering) and Diploma in Business Management.

(b) Directors of FLSmidth & Co. A/S

Brief profiles of the directors of FLSmidth & Co. A/S, the holding company of FLSmidth, as at the date of this Bidder's Statement are as follows:

Jørgen Worning, Chairman

Mr Worning was elected to the Board of FLSmidth & Co. A/S in 2002. Mr Worning holds a Master of Science (Engineering) and is also a member of the FLSmidth & Co. A/S Remuneration Committee.

Mr Worning also acts as Chairman of the Board of Directors of Alk-Abelló A/S.

Jens S. Stephensen, Vice Chairman

Mr Stephensen has been the Vice Chairman of the Board of Directors since 2002 and was elected as a member of the Board of Directors in 1995. Mr Stephensen is also a member of the FLSmidth & Co. A/S Remuneration Committee. Mr Stephensen holds a Master of Science (Engineering).

Mr Stephensen also acts as:

- Chairman of the Boards of Directors of BornholmsTrafikken A/S, Holm & Grut A/S and Danish Airlease ApS; and
- Vice Chairman of Nordic Ferry Service A/S.

Mr Stephensen is also a director of Hedgeforeningen Mermaid Nordic.

Martin Ivert, Director

Mr Ivert was elected to the Board of Directors in 2008 and holds a Master of Science (Metallurgy).

Mr Ivert is also:

- Chairman of the Swedish Society for Maintenance Management and Swedish Research Institute (Swerea); and
- a director of the Åkers Group and Ovako.

Torkil Bentzen, Director

Mr Bentzen was elected to the Board of Directors in 2002 and holds a Master of Science (Engineering). Mr Bentzen is a member of the FLSmidth & Co. A/S Remuneration Committee.

Mr Bentzen is also the Chairman of the Board of Directors of Boel Nentzen A/S, Burmeister & Wain Scandinavian Contractor A/S, EUDP (Energy Development and Demonstration Programme) and Klimakonsortiet (the Climate Consortium).

Jesper Ovesen, Director

Mr Ovesen was elected to the Board of Directors in 2005, is a state authorised public accountant (PMD) and holds a Master of Science in Business Economics and Auditing. Mr Ovesen is Senior Executive Vice President and Chief Financial Officer of TDC A/S.

Mr Ovesen is also the:

- Vice Chairman of YouSee A/S; and
- a director of Skandinaviska Enskilda Banken, Orkla ASA and Danisco A/S.

Vagn Ove Sørensen, Director

Mr Sørensen was elected to the Board of Directors in 2009 and holds a Master of Science (Economy and Business Administration).

Mr Sørensen is also:

- Chairman of the Boards of Directors of KMD A/S, Scandic Hotels AB (Sweden), Select Service Partner Plc (UK) and TDC A/S; and
- Vice Chairman of the Board of Directors of DFDS A/S and ST Global (Austria).

Mette Dobel, Employee-elected Director

Mrs Dobel was elected to the Board of Directors by the employees of FLSmidth A/S in 2009. Mrs Dobel holds a Master of Engineering (Commercial Engineering) and is a Global Product Manager for FLSmidth A/S.

Frank Lund, Employee-elected Director

Mr Lund was elected to the Board of Directors by the employees of FLSmidth A/S in 2006.

Mr Lund holds a Master of Science (Electrical Engineering) and a Graduate Diploma, Engineering and Business Administration. Mr Lund is Sales Engineer Manager, Automation for FLSmidth A/S.

Jens Palle Andersen, Employee-elected Director

Mr Andersen was elected to the Board of Directors by the employees of FLSmidth A/S in 2006. Mr Andersen holds a Bachelor of Science (Electrical Engineering) and is a Project Manager, Senior Engineer in Electrical Power & Drives for FLSmidth A/S.

3.3 History, structure and ownership of FLSmidth Group

(a) History

The FLSmidth Group was founded in 1882 and now operates in more than 40 countries, with main project centres in Denmark, the United States and India.

(b) Structure

FLSmidth & Co. A/S is the parent company of the FLSmidth Group, which comprises 83 operating subsidiaries.

(c) **Ownership**

As a public listed company, FLSmidth & Co. A/S is owned by the shareholders of FLSmidth & Co. A/S. As of 2 November 2010, FLSmidth & Co. A/S has two substantial shareholders. This was ATP (Danish Labour Market Supplementary Pension Fund) which held 6% and UBS AG which held 5.65% of the shares in FLSmidth & Co A/S.

3.4 Principal activities of FLSmidth and FLSmidth Group

(a) **FLSmidth**

FLSmidth is a wholly owned subsidiary of FLSmidth & Co. A/S with the purpose of developing the Australian business.

(b) **FLSmidth Group**

The FLSmidth Group operates through its international subsidiaries within three principal business areas:

- (1) **Cement business:** supplier of cement plants and technology for cement producers. From plant design and project management to commissioning, training and after market support, FLSmidth offers one source for everything it takes to design, build and operate profitable plants;
- (2) **Minerals business:** supplies full systems and plants to many of the mineral industries, covering the following processes; mining, comminution, pumps and valves, liquid-solid separation, material handling, pyroprocessing, process and quality control, pollution control, precious metal extraction, oil and gas processing and coking plant technology; and
- (3) **Fibre-cement business:** produces and distributes fibre-cement products through the company Cembrit.

3.5 Financial information on the FLSmidth Group

(a) **Basis of presentation**

The historical financial information below is a summary only and the full financial accounts for FLSmidth for the financial periods described below, which include the notes to the accounts, can be found in FLSmidth's annual and interim reports.

(b) **Statement of financial position**

As at 3 December 2010, FLSmidth's & Co A/S market capitalisation was approximately \$5 billion.

For the period 1 January 2010 to 30 September 2010, FLSmidth & Co A/S reported:

- profit of DKK 949 million;
- earnings before interest, tax, depreciation and amortisation (EBITDA): DKK 1 754 million;
- earnings before interest and tax (EBIT): DKK 1 454 million;
- revenue: DKK 14 666 million;
- the order intake (gross continuing activities): DKK 16 352 million;
- the order backlog (continuing activities): DKK 23 613 million;
- cash flow from operating activities: DKK 1 103 million; and
- net interest-bearing receivables by the end of the first half of 2010: DKK 1 489 million.

As at the date of this Bidder's Statement one Australian dollar is worth approximately 5.536 DKK.

3.6 Publicly available information about FLSmidth

FLSmidth & Co. A/S is listed on the Nasdaq OMX Nordic Exchange Copenhagen and is bound by the disclosure requirements of that exchange. Information about FLSmidth can be found at www.nasdaqomxnordic.com.

A substantial amount of information, including announcements and media releases, about FLSmidth is available in electronic form from: www.flsmidth.com.

3.7 Announcement by FLSmidth in relation to the Offer

On 6 December 2010, FLSmidth made a public announcement in relation to the Offer. A copy of that announcement is contained in Appendix 1 of this Bidder's Statement.

4 Information on ESSA Australia and ESSA Australia Group

4.1 Overview of ESSA Australia

ESSA Australia is the holding company of the ESSA Australia Group.

ESSA Australia is an Australian based company engaged in the design, manufacture, support and service of specialised equipment for the international mineral, mining, defence and maritime engineering industries.

The Company operates in two segments:

- manufacture, design and wholesaling of sampling and sample preparation equipment to the resource industry; and
- maritime repair and testing services and engineered fabrication.

ESSA Australia's products include crushers, such as jaw, roll and cone; pulverizing mills, such as batch, autobatch, continuous and micron; mills, such a hammer, disc, cross beater, and ring and spigot; sample dividers; drying ovens, and dust collection and extraction systems, including ducting and work stations. Its range of metallurgical laboratory and pilot plant equipment includes ball and rod mills, bond testing apparatus, bottle rolls, flotation test cells, attritioners, vibrating screens, pressure filters and vacuum filters.

4.2 Directors

As at the date of this Bidder's Statement, there are 4 directors of ESSA Australia. The directors of ESSA Australia are as follows:

Geoffrey Donohue, Non-executive Chairman

Geoff Donohue has more than 25 years' experience at both board and senior management level within public companies and the securities industry. Geoff was appointed Chairman on 17 August 2006.

Geoff holds a Bachelor of Commerce from James Cook University of North Queensland, Graduate Diploma in Financial Analysis from the Securities Institute of Australia and is a Certified Practising Accountant.

His prior experience includes eight years as a director of an investment banking organisation (where he was involved in management and corporate finance) and 11

years as a co-owner and director of a principal based investment and corporate management company.

Geoff is currently Non-executive Chairman of Atticus Resources Limited (since 5 April 2007). He is a former Director of Alphawest Limited (13 May 1999 to 10 April 2006), BacTech Mining Corporation (Canada)(13 February 1997 to 8 February 2007), Armada Gold Corporation (Canada)(12 January 1998 to 4 December 2000) and Bioteq Environmental Technologies Incorporated (Canada) (April 2001 to December 2002).

Darryl Stevens, CEO & Managing Director

Darryl Stevens holds a Bachelor of Science in Chemistry from Curtin University gained in 1976. He worked extensively as a chemist, laboratory manager and operations manager for major laboratory groups for some 15 years. This involvement included the installation and operation of laboratories within Australia and overseas.

In 1990, following a management buyout of Eng. & Sampling Systems Pty Ltd, Darryl was appointed Managing Director. On the formation of Labtech Essa Pty Ltd, after a merger with Labtechnics in 1997 which consolidated its operations in Perth, he was then appointed Chief Executive Officer and Managing Director. Darryl is currently a committee member of Standards Australia, Committee MN-002-01, Sampling of Iron Ores.

Graeme Beissel, Non Executive Director

Graeme Beissel holds a Master of Engineering Science from the University of Melbourne and has over 40 years' mining, civil engineering, corporate and project management experience, having held senior board and management positions in civil and mining engineering companies, both in Australia and overseas.

He is a Fellow of the Australian Institute of Company Directors. Graeme is currently Non-executive Chairman of Integra Mining Limited (since 26 April 2006). He is a former Managing Director of Macmahon Holdings Limited (1992 to 1999) and former Director of Henry Walker Group Limited (1986 to 1989).

Bert Blekkenhorst, Executive Director, CFO and Company Secretary

Bert Blekkenhorst has more than 25 years' financial and management experience, having held senior positions both in private and public companies. His experience includes financial, retail and manufacturing companies. Prior to joining ESSA Australia in 2003 he was Managing Director of Ultrak (Asia Pacific) Pty Ltd. and CFO of Ultrak Asia. Bert holds a Bachelor of Business Science in Business Finance from the University of Cape Town, a Graduate Certificate in Business from Edith Cowan University and is a Certified Practising Accountant.

4.3 History, structure and ownership

(a) History

The ESSA Group was established in Adelaide, South Australia in 1981.

It was listed on the Australian Securities Exchange in October 2004 (ASX ticker: ESS).

The ESSA Group currently employs approximately 100 people.

(b) Structure

ESSA Australia is the holding company of the ESSA Group. Through its wholly owned subsidiary, ESSA International Pty Ltd, ESSA Australia controls or is affiliated with the following entities:

- Stace Pty Ltd ACN 103 397 762 (Australia) – 75% interest;
- Labtechnics Pty Ltd ACN 095 149 376 (Australia) – 100% interest;
- ESSA Australasia Pty Ltd ACN 122 047 214 (Australia) – 100% interest;

- ESSA do Brazil (Brazil) – 99% interest;
- Labtech Africa Pty Ltd (South Africa) (affiliate) – 50% interest; and
- ESSA Europe GmbH (Germany) (in voluntary liquidation) – 100% interest

(c) **Ownership**

As a public listed company, ESSA Australia is owned by the Shareholders of ESSA Australia. As at the date of ESSA Australia's 2010 Annual Report, ESSA Australia had two substantial Shareholders. These were Perpetual Limited and Subsidiaries (which held 13.53% of issued capital) and Alonzo Pty Ltd (which held 6.12% of issued capital).

4.4 Principal activities of ESSA Australia and ESSA Group

The principal activities of ESSA Australia are:

- the design and manufacture of sampling and sample preparation equipment for the international minerals and mining industries; and
- maritime repair and testing services and engineering fabrication.

4.5 Publicly available information about ESSA Group

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

ASX maintains files containing publicly disclosed information about all listed companies. ESSA Australia's file is available for inspection at ASX during normal business hours.

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

A substantial amount of information about ESSA Australia is available in electronic form from: www.essaaustralia.com.

4.6 Announcement by ESSA in relation to the Offer

On 6 December 2010, ESSA Australia made a public announcement to ASX in relation to the Offer. A copy of that announcement is contained in Appendix 1 of this Bidder's Statement.

4.7 Disclaimer

The following information on ESSA Australia has been prepared by using publicly available information and limited information provided to FLSmidth, and has not been independently verified. Accordingly, FLSmidth does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on ESSA Australia in this Bidder's Statement should not be considered comprehensive. You should refer to ESSA Australia's website (www.essaaustralia.com) and the Target's Statement for more details in relation to ESSA Australia.

5 Information on ESSA Australia's securities

5.1 ESSA Australia's issued securities

According to documents provided by ESSA Australia to ASX, as at the date of this Bidder's Statement, ESSA Australia's issued securities consisted of 52,954,814 fully paid ordinary Shares.

5.2 ESSA Australia Dividend Reinvestment Plan

According to documents provided by ESSA Australia to ASX, as at the date of this Bidder's Statement, ESSA Australia currently operates a Dividend Reinvestment Plan, dated August 2008.

5.3 Interests in ESSA Australia securities

As at the date of this Bidder's Statement:

- FLSmidth had no voting power in ESSA; and
- FLSmidth had a Relevant Interest in no Shares;

As at the date of the Offer:

- FLSmidth had [] voting power in ESSA; and
- FLSmidth had a Relevant Interest in [] Shares.

5.4 Dealings in Shares

(a) Previous 4 months

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

(b) Period before Offer

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

5.5 Recent Share price performance of ESSA Australia

The latest recorded sale price of Shares on ASX before the Announcement Date was \$0.55 as at close of trading on ASX on 3 December 2010.

The latest recorded sale price of Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was \$0.72.

5.6 No pre-Offer benefits

During the period of 4 months before the date of this Bidder's Statement, neither FLSmidth nor any associate of FLSmidth gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or

- dispose of Shares,
and which is not offered to all holders of Shares under the Offer.

5.7 No escalation agreements

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

6 Sources of consideration

6.1 Total cash consideration

The consideration for the acquisition of the Shares to which the Offer relates will be satisfied wholly in cash.

The maximum amount of cash that FLSmidth would be required to pay under the Offer if acceptances are received in respect of Shares on issue as at the date of this Bidder's Statement (other than those Shares in which FLSmidth has a Relevant Interest) would be \$38,657,014.22.

ESSA Australia has indicated it may declare a Dividend before the Offer is declared unconditional. Full details in relation to the Dividend are set out in the Target's Statement.

6.2 Sources of cash consideration

(a) Identity of persons to provide cash consideration

The cash consideration payable under the Offer will be provided under the terms of an intra-group facility between FLSmidth and FLSmidth & Co. A/S, details of which are disclosed in clause 6.2(c) below.

(b) Particulars of internal cash reserves

As at the FLSmidth Group's last reporting date prior to the date of this Bidder's Statement, 30 September 2010, it had internal cash reserves of \$504 million (DKK 2,772 million).

(c) Particulars of intra-group facility

Under the terms of the intra-group facility, FLSmidth & Co. A/S will ensure that the funds are available to FLSmidth before FLSmidth is required to pay for any Shares acquired by it or to pay any fees, expenses and duties in relation to the Offers.

FLSmidth & Co. A/S will ensure that the funds remain available while FLSmidth has any outstanding obligation to pay for Shares acquired by it under the Offer or in exercise of rights of compulsory acquisition of Shares under the Corporations Act (**Commitment Period**) or to pay any such fees, expenses and duties.

In the event the funds are provided as loans:

- FLSmidth must pay interest on the principal outstanding from time to time at the rate (if any) specified from time to time by FLSmidth & Co. A/S. Interest (if any) will be calculated for the interest period agreed and payable at the end of the interest period, except during the Commitment Period, when interest will be capitalised. FLSmidth & Co. A/S may capitalise any interest that is not paid when demanded. Capitalised interest is treated as principal outstanding for all purposes, including the calculation of interest; and

- FLSmidth must repay the principal outstanding, together with all accrued but unpaid interest, upon demand by FLSmidth & Co. A/S. However, no demand for repayment may be made by FLSmidth & Co. A/S during the Commitment Period.

After the expiry of the Commitment Period, FLSmidth & Co. A/S may, by giving notice to FLSmidth, at any time and from time to time during the 5 years following the Commitment Period, elect to convert any part of the amount due to it from FLSmidth into fully paid ordinary shares in FLSmidth. Upon receipt of notice from FLSmidth & Co. A/S, FLSmidth must allot and issue to FLSmidth & Co. A/S or its nominee such number and class of fully paid ordinary shares as FLSmidth & Co. A/S and FLSmidth may agree for these purposes or, in the absence of agreement, such number of fully paid ordinary shares as the auditor of FLSmidth & Co. A/S may certify have a market value equal to the amount to be capitalised by the issue of shares. Upon allotment and issue of the shares, the amount capitalised by the issue of shares will be regarded as paid in full.

7 Bidder's intentions in relation to ESSA Australia

7.1 Introduction

This clause 7 sets out FLSmidth's intentions in relation to the following:

- the continuation of the business of ESSA Australia;
- any major changes to the business of ESSA Australia and any redeployment of the fixed assets of ESSA Australia; and
- the future employment of the present employees of ESSA Australia.

The intentions of FLSmidth in relation to ESSA Australia are the same as the intentions of FLSmidth & Co. A/S. Both are collectively referred to as 'FLSmidth' in this clause.

The intentions of FLSmidth are set out in this section of the Bidder's Statement. Those intentions have been formed on the basis of facts and information concerning ESSA Australia, and the general business environment, which are known to FLSmidth at the time of preparing this Bidder's Statement.

Final decisions will only be reached by FLSmidth in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this clause are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

7.2 Overview and rationale for the Offer

The proposed acquisition of ESSA Australia is aligned with FLSmidth's growth strategy. FLSmidth and ESSA Australia have to date operated as a strategic partnership in relation to automated mineral sampling and analysis systems. Under the proposed operation FLSmidth will be able to take advantage of synergies between the two companies and add significant additional value to ESSA Australia, improving the productivity and performance of the company.

7.3 Intentions for ESSA Australia as a wholly owned controlled entity

This clause 7.3 describes FLSmidth's intentions if FLSmidth and its associates acquire a Relevant Interest in 90% or more of the Shares, and so become entitled to proceed to compulsory acquisition of outstanding Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, FLSmidth's current intentions are as follows:

(a) **Corporate matters**

FLSmidth intends to:

- proceed with compulsory acquisition of the outstanding Shares in accordance with the provisions of Part 6A.1 of the Corporations Act;
- thereupon arrange for ESSA Australia to be removed from the official list of the ASX;
- replace the members of the ESSA Australia Board with an advisory board. Replacement board members have not yet been identified by FLSmidth and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be key members from FLSmidth and FLSmidth & Co. A/S;
- retain the existing Chief Executive Officer of ESSA Australia. FLSmidth recognises the efforts the CEO of ESSA Australia has invested in ESSA Australia since the foundation of the company and would like to have the Chief Executive Officer play an active role in managing the company going forward. FLSmidth's intentions in this regard have been conveyed to the CEO who has confirmed that he is willing to continue in the company and take active part in the implementation of FLSmidth's strategy for expansion into the minerals industry; and
- retain the existing Chief Financial Officer of ESSA Australia.

(b) **General operational review**

After the end of the Offer Period, FLSmidth intends to conduct an immediate, broad based review of ESSA Australia's operations on both a strategic and financial level to:

- evaluate ESSA Australia's performance, profitability and prospects;
- examine the strategic plans of ESSA Australia independently and how these fit into FLSmidth's strategy;
- evaluate ESSA Australia's project portfolio; and
- evaluate ESSA Australia's research and development level and capabilities.

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

- capability analysis and planning;
- future product development needs and opportunities;
- structuring and implementation of engineering, procurement and construction capabilities;
- utilisation of ESSA Australia's current channel structure to leverage FLSmidth product sales; and
- utilisation of FLSmidth global engineering resources and procurement setup.

(c) **Specific operational intentions**

FLSmidth intends to relocate ESSA Australia's assets into the planned FLSmidth Supercentre in Perth in order to harvest the benefits of being integrated in the FLSmidth organisation. This plan is currently in progress and is expected to be ready by year end 2011.

After the merger, ESSA Australia's activities will be coordinated by management of the Global FLSmidth Automation business unit. As a member of the Global FLSmidth Automation business unit, ESSA Australia's products and footprint in the minerals

industry can be leveraged to yield the expected synergies which will lead to growth and increased activity locally in Perth and globally.

(d) **Impact on employees**

A takeover by FLSmidth is not expected to result in redundancies. It is intended to relocate ESSA Australia's operations to the planned FLSmidth Supercentre in Perth when this has been finalised (expected by year end 2011). The relocation may result in some overlapping functions but it is expected that the affected personnel can be redeployed elsewhere in the FLSmidth operations in Perth, so as to best utilise their skills and competencies and avoid redundancies.

If redundancies do occur, the relevant employees will receive benefits in accordance with their contractual and other legal entitlements.

7.4 **Intentions for ESSA Australia as a part owned controlled entity**

FLSmidth reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) to the Offer. However, FLSmidth has not decided whether it will free the Offer from the 90% minimum acceptance condition (or any other condition).

This clause 7.4 describes FLSmidth's intentions if it were to declare the Offer free of the 90% minimum acceptance condition and if ESSA Australia becomes a controlled entity of FLSmidth, but FLSmidth is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, FLSmidth's current intentions are as follows:

(a) **Corporate matters**

After the end of the Offer Period, FLSmidth intends:

- (subject to the Corporations Act and the constitution of ESSA Australia) to seek to replace some of the members of the ESSA Australia Board with nominees of FLSmidth & Co. A/S, so that the proportion of such nominees is broadly similar to the voting power of FLSmidth. FLSmidth would consider the recommendations in the ASX Corporate Governance Guidelines when determining the composition of the board. Replacement board members have not yet been finally decided by FLSmidth and their identity will depend on the circumstances at the relevant time; however, it is expected that the majority of the replacement board members will be members of the FLSmidth management team; and
- (subject to continued compliance by ESSA Australia with the ASX Listing Rules) to maintain ESSA Australia's listing on the ASX (although Shareholders should be aware that in this circumstance the liquidity of Shares on ASX may be materially adversely affected).

It is possible that, even if FLSmidth is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act; for example, as a result of acquisitions of Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights of compulsory acquisition.

(b) **General operational review**

After the end of the Offer Period, FLSmidth intends to propose to the ESSA Australia Board that an immediate, broad-based review of ESSA Australia's operations be conducted on both a strategic and financial level, along similar lines to that described in clause 7.3(b).

FLSmith intends, subject to the approval of the ESSA Australia Board, to participate in this review.

(c) **Dividends and funding**

FLSmith will review the level of dividends payable by ESSA Australia to ensure that these dividends are appropriate, having regard to any capital funding requirements of ESSA Australia identified in FLSmith's strategic review.

The present intention of FLSmith is to seek to revise the dividend policy of ESSA Australia so that a greater proportion of the profits generated by ESSA Australia are retained in order to fund growth.

The above indication of the future dividend policy is, in addition to the strategic review, subject to the contingencies of future years and time limits.

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

The ability of FLSmith to implement the intentions set out in this clause 7.4, will be subject to the legal obligations of ESSA Australia's Directors to have regard to the interests of ESSA Australia and all Shareholders, and the requirements of the Corporations Act and the ASX Listing Rules relating to transactions between related parties. FLSmith will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements.

7.5 **Intentions for ESSA Australia if not controlled by FLSmith**

FLSmith reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) to the Offer. However, it has made no decision as to whether it will do so.

This clause 7.5 describes FLSmith's intentions if it were to declare the Offer free of the 90% minimum acceptance condition and if ESSA Australia does not become a controlled entity of FLSmith.

In that circumstance:

- FLSmith does not expect to be in a position to give effect to the intentions set out in clauses 7.3 or 7.4 of this Bidder's Statement; and
- FLSmith's current intention is to continue to hold any stake in ESSA Australia with a view to maximising returns for FLSmith & Co. AS's shareholders (this may result in FLSmith acquiring additional Shares, to the extent permitted by law).

7.6 **Other intentions**

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

- the business of ESSA Australia will be conducted in the same manner as at the date of this Bidder's Statement;
- there will be redeployment of the fixed assets of ESSA Australia; and
- the present employees of ESSA Australia will continue to be employed by ESSA Australia.

8 Taxation considerations

8.1 Introduction

(a) General

The following is a general description of the Australian income tax, including capital gains tax (CGT), consequences for Shareholders of accepting the Offer. The comments set out below are relevant only to those Shareholders who hold their Shares as capital assets for the purpose of investment. Shareholders who are tax residents of a country other than Australia (whether or not they are also not resident in Australia for tax purposes) should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

The following description is based upon the Australian law and administrative practice in effect at the date of this Bidder's Statement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Shareholder. Shareholders should seek independent professional advice in relation to their own particular circumstances.

8.2 Australian resident Shareholders

(a) Shareholders who accept the Offer

Acceptance of the Offer will involve the disposal by Shareholders of their Shares by way of transfer to FLSmidth. This change in ownership of the Shares will constitute a CGT event for Australian CGT purposes.

The date of disposal for CGT purposes will be the date the Offer is accepted.

(b) Calculation of capital gain or capital loss

Shareholders will make a capital gain on the transfer of Shares acquired on or after 20 September 1985, to the extent that the capital proceeds from the disposal of the Shares are more than the cost base (or in some cases indexed cost base – see below) of those Shares. Conversely, Shareholders will make a capital loss to the extent that the capital proceeds are less than the reduced cost base of those Shares.

The cost base of the Shares generally includes the cost of acquisition and any incidental costs of acquisition and disposal that are not deductible to the Shareholder. The capital proceeds of the CGT event is likely to include the full consideration price of \$0.73 per Share to be paid to Shareholders in respect of the disposal of their Shares, including if declared the Dividend of up to \$0.13 per Share.

The impact of the Dividend on the calculation of any capital gain or loss is explained below.

Individuals, complying superannuation entities or trusts that have held Shares for at least 12 months and do not choose to index the cost base of their Shares will be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Shares by 50% in the case of individuals and trusts or by 33 $\frac{1}{3}$ % for complying superannuation entities.

If the Shares were acquired at or before 11.45am on 21 September 1999 and held for at least 12 months before disposal, a Shareholder who is an individual, complying superannuation entity or trust can choose to increase the cost base of their Shares by applying an indexation factor (based on increases in the consumer price index up to September 1999). If indexation is applied the 50% or 33 $\frac{1}{3}$ % CGT discount described above will not be available. For companies that acquired Shares at or before that date, the indexation method must be used to calculate the capital gain. These indexation

adjustments are taken into account only for the purposes of calculating capital gains, they are ignored when calculating the amount of any capital loss.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains, subject to the satisfaction of certain tests in the case of companies.

(c) **Taxation consequences of the Dividend that ESSA Australia may pay to Shareholders**

The circumstances in which a Dividend may be paid to Shareholders are set out in the Target's Statement.

Shareholders who are Australian tax residents and who receive the Dividend (if it is declared and paid) should include the cash amount of the Dividend as assessable income in their tax return.

If the Dividend is fully franked, as is expected, and certain requirements are met the Shareholders who receive the Dividend will:

- be required to also include the amount of the attached franking credits in their assessable income; but will also
- be entitled to a tax offset equal to the amount of the franking credits attached to the Dividend.

The requirements include:

- the Shareholder must be a 'qualified person' in relation to the Dividend, meaning that the Shareholder has held Shares 'at risk' for a specified period; and
- whether certain dividend franking integrity measures apply.

If the capital proceeds exceed the cost base, the capital gain should be reduced to the extent that the capital proceeds include the cash amount of any Dividend that is paid because that amount will already have been assessed as discussed above. However, the inclusion of the cash component of the Dividend in the capital proceeds will reduce the amount of any capital loss that, but for the payment of the Dividend, would otherwise have arisen, notwithstanding that the Dividend will also be included in the assessable income of the Shareholder.

8.3 Non-resident Shareholders

Shareholders who are not resident in Australia for income tax purposes will not generally be subject to Australian income tax on the disposal of Shares if, together with their associates, they have not held 10% or more of the issued Shares at the time of disposal or for any continuous 12 month period within 2 years preceding the disposal.

Provided that the Dividend is fully franked, as anticipated, Shareholders that are not resident in Australia will not be subject to either income tax or withholding tax on the Dividend.

8.4 Goods and services tax

Holders of Shares should not be liable to GST in respect of a disposal of those Shares.

9 Other material information

9.1 Date for determining holders of Shares

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

9.2 Acceptance facility

(a) Acceptance facility

FLSmidth encourages all ESSA Australia Shareholders to accept the Offer now, but recognises that there may be some Shareholders who may not be willing or able to accept the Offer before it becomes unconditional.

Accordingly, in order to enable certain Shareholders to indicate their intentions to accept the Offer, FLSmidth proposes to establish an acceptance facility (**Acceptance Facility**) open to professional investors (as defined in section 9 of the Corporations Act) who hold at least 835,000 Shares (**Eligible Shareholders**). ESSA Australia Shareholders who are not Eligible Shareholders cannot participate in the Acceptance Facility.

FLSmidth believes the Acceptance Facility will facilitate an efficient and informed market in the Shares and encourages all Eligible Shareholders to take advantage of this facility.

(b) Facility Operator

Computershare Investor Services Pty Limited ACN 078 279 277 (**Facility Operator**) has been appointed to act as the operator of the Acceptance Facility.

(c) How the Acceptance Facility operates

- (a) Eligible Shareholders who wish to take advantage of the Acceptance Facility should:
- (1) lodge acceptance instructions with the Facility Operator in the form of Acceptance Forms and/or directions to custodians to accept the Offer (**Acceptance Instructions**); and
 - (2) complete and return to the Facility Operator the Appointment of Facility Operator Form (available upon request to Eligible Shareholders).
- (b) The Facility Operator will hold the Acceptance Instructions as collection and lodgement agent only and will not acquire a Relevant Interest in any of the Shares the subject of the Acceptance Instructions.
- (c) Eligible Shareholders who lodge Acceptance Instructions retain all rights in relation to and full control over their Shares and may withdraw their Acceptance Instructions at any time until the Facility Operator receives a Confirmation Notice (as defined in paragraph (d) below) from FLSmidth.
- (d) The Facility Operator must deliver (A) the Acceptance Forms to the Share Registrar (in the case of Issuer Sponsored Holdings) or the relevant Participants (in the case of CHESS Holdings) and (B) the custodian directions to the relevant custodians, if and when the Facility Operator receives a written notice (**Confirmation Notice**) from FLSmidth that:
- (1) FLSmidth has declared the Offer free from all conditions that have not been fulfilled;

- (2) the Offer will be free from all conditions that have not been fulfilled once all the delivered Acceptance Instructions are validly processed or implemented (as appropriate); or
- (3) FLSmidth will declare the Offer free from all conditions that have not been fulfilled once all the delivered Acceptance Instructions are validly processed or implemented (as appropriate).
- (e) If a Confirmation Notice is provided by FLSmidth on the basis that FLSmidth will make the declaration referred to in paragraph 2.3(d)(3) above, FLSmidth reserves the right to make a declaration before the processing or implementation of all of the Acceptance Instructions is complete.
- (f) FLSmidth will use its reasonable endeavours to ensure that the Acceptance Instructions are processed or implemented as soon as practicable following the issue of the Confirmation Notice.

(d) **Disclosure of Acceptance Instructions**

Before 8.30am (AEST) on each Business Day, the Facility Operator will inform FLSmidth of the number of Shares in respect of which Acceptance Instructions have been received as at 7.30pm (AEST) the previous day.

Following the receipt of this information from the Facility Operator, FLSmidth will disclose this information to the market by 9.30am (AEST) on the Business Day following any movement of at least 1% in the aggregate of the number of Shares subject to the Acceptance Facility and the number of Shares in which FLSmidth has a Relevant Interest, together with a breakdown of the aggregate amount between these two categories.

9.3 Consents

This Bidder's Statement contains statements made by, or statements said to be based on statements made by, FLSmidth & Co, Geoffrey Donohue and Computershare Investor Services Pty Ltd. Each of them have consented to the inclusion of:

- each statement it has made; and
- each statement which is said to be based on a statement it has made,

in the form and context in which the statements appear and has not withdrawn that consent as at the date of this Bidder's Statement.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, (free of charge), during the Offer Period, please contact FLSmidth on +61 2 4320 4739. Calls to this number may be recorded.

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

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

9.4 Social security and superannuation implications of Offer

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

9.5 ASIC declarations

FLSmidth has not obtained from ASIC any modifications or exemptions from the Corporations Act in relation to the Offer.

9.6 Other material information

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Shareholder whether or not to accept the Offer; and
- (b) known to FLSmidth, which has not previously been disclosed to Shareholders.

10 Terms and conditions of the Offer

10.1 Offer

- (a) FLSmidth is offering to acquire all of Your Shares on and subject to the terms and conditions set out in clause 10 of this Bidder's Statement.
- (b) The consideration under the Offer is \$0.73 per Share. If a dividend is declared and subsequently paid, the Offer will be reduced by the per Share cash amount of the dividend. ESSA Australia has indicated it may declare a Dividend before the Offer is declared unconditional.
- (c) By accepting this Offer, you undertake to transfer to FLSmidth not only the Shares to which the Offer relates, but also all Rights attached to those Shares (see clause 10.5(c)(6) and clause 10.6(c)).
- (d) This Offer is being made to each person registered as the holder of Shares in the register of Shareholders at open of business (Perth, Western Australia time) on the Register Date. It also extends to:
 - (1) holders of securities that come to be Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date; and
 - (2) any person who becomes registered as the holder of Your Shares during the Offer Period.
- (e) If, at any time during the Offer Period, another person is registered as the holder of some or all of the Shares to which this Offer relates:
 - (1) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Shares; and
 - (2) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other Shares you hold to which the Offer relates; and
 - (3) this Offer will be deemed to have been withdrawn immediately at that time.
- (f) If at any time during the Offer Period you are registered as the holder of one or more distinct parcels of Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate Offer on the same terms and conditions as this Offer had been made in relation to each of those distinct parcels and any distinct parcel

- (2) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
 - (3) Alternatively, to accept this Offer for Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at the address shown on the Acceptance Form.
 - (4) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASX Settlement Operating Rules.
- (d) **Acceptance Form and other documents**
- (1) The Acceptance Form forms part of the Offer.
 - (2) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by FLSmidth at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
 - (3) When using the Acceptance Form to accept this Offer in respect of Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) are received by FLSmidth in time for FLSmidth to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
 - (4) The postage and transmission of the Acceptance Form and other documents is at your own risk.

10.4 Validity of acceptances

- (a) Subject to this clause 10.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in clause 10.3.
- (b) FLSmidth will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. FLSmidth is not required to communicate with you prior to making this determination. The determination of FLSmidth will be final and binding on all parties.
- (c) Notwithstanding clause 10.3(b), clause 10.3(c) and clause 10.3(d), FLSmidth may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by FLSmidth.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, FLSmidth may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Shares but not the remainder.
- (e) FLSmidth will provide the consideration to you in accordance with clause 10.6, in respect of any part of an acceptance determined by FLSmidth to be valid.

10.5 The effect of acceptance

- (a) Once you have accepted this Offer, you will be able to revoke your acceptance at any time while the condition in clause 10.7 remains unfulfilled. When the condition in clause 10.7 has been fulfilled, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except as follows:
- (1) if, by the relevant times specified in clause 10.5(b), the conditions in clause 10.7 have not all been fulfilled or freed, this Offer will automatically terminate and Your Shares will be returned to you; or
 - (2) if the period for payment of the Offer price is extended for more than one month and, at the time, this Offer is subject to one or more of the conditions in clause 10.7, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of clause 10.5(a)(1) are:
- (1) in relation to the condition in clause 10.7(e), the end of the third business day after the end of the Offer Period; and
 - (2) in relation to all other conditions in clause 10.7, the end of the Offer Period.
- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to clause 10.3, you will be deemed to have:
- (1) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in clause 10.7 being fulfilled or freed, agreed to transfer to FLSmith, Your Shares (even if the number of Shares specified on the Acceptance Form differs from the number of Your Shares), subject to clause 10.1(e) and clause 10.1(f);
 - (2) represented and warranted to FLSmith, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any Rights) to FLSmith is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to FLSmith, and that you have paid to ESSA Australia all amounts which at the time of acceptance have fallen due for payment to ESSA Australia in respect of Your Shares;
 - (3) irrevocably authorised FLSmith (and any director, secretary or nominee of FLSmith) to alter the Acceptance Form on your behalf by inserting correct details of Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by FLSmith to make it an effective acceptance of this Offer or to enable registration of Your Shares in the name of FLSmith;
 - (4) if you signed the Acceptance Form in respect of Shares which are held in a CHESS Holding, irrevocably authorised FLSmith (or any director, secretary or agent of FLSmith) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
 - (5) if you signed the Acceptance Form in respect of Shares which are held in a CHESS Holding, irrevocably authorised FLSmith (or any director, secretary or agent of FLSmith) to give any other instructions in relation to Your Shares to

- your Controlling Participant, as determined by FLSmidth acting in its own interests as a beneficial owner and intended registered holder of those Shares;
- (6) irrevocably authorised and directed ESSA Australia to pay to FLSmidth, or to account to FLSmidth for, all Rights in respect of Your Shares, subject, if this Offer is withdrawn, to FLSmidth accounting to you for any such Rights received by FLSmidth;
 - (7) irrevocably authorised FLSmidth to notify ESSA Australia on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by FLSmidth in the notification;
 - (8) with effect from the date on which all the conditions to this Offer in clause 10.7 have been fulfilled or freed, to have irrevocably appointed FLSmidth (and any director, secretary or nominee of FLSmidth) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of ESSA Australia and to request ESSA Australia to register, in the name of FLSmidth or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
 - (9) with effect from the date on which all the conditions to this Offer in clause 10.7 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of ESSA Australia or to exercise or purport to exercise any of the powers and rights conferred on FLSmidth (and its directors, secretaries and nominees) in clause 10.5(c)(8);
 - (10) agreed that in exercising the powers and rights conferred by the powers of attorney granted under clause 10.5(c)(8), the attorney will be entitled to act in the interests of FLSmidth as the beneficial owner and intended registered holder of Your Shares;
 - (11) agreed to do all such acts, matters and things that FLSmidth may require to give effect to the matters the subject of this clause 10.5(c) (including the execution of a written form of proxy to the same effect as this clause 10.5(c) which complies in all respects with the requirements of the constitution of ESSA Australia) if requested by FLSmidth;
 - (12) agreed to indemnify FLSmidth in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of your Shares to FLSmidth being registered by ESSA Australia without production of your Holder Identification Number or your Securityholder Reference Number for Your Shares;
 - (13) represented and warranted to FLSmidth that, unless you have notified it in accordance with clause 10.1(f), Your Shares do not consist of separate parcels of Shares;
 - (14) irrevocably authorised FLSmidth (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer Your Shares to FLSmidth's Takeover Transferee Holding, or initiate a transfer of ownership of your Shares, if held in an issuer sponsored holding, into the name of FLSmidth, regardless of whether it has paid the consideration due to you under this Offer;
 - (15) agreed, subject to the conditions of this Offer in clause 10.7 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that FLSmidth may consider necessary or desirable to convey Your Shares registered in your name and Rights to FLSmidth;

- (d) The undertakings and authorities referred to in clause 10.5(c) will remain in force after you are paid the consideration for Your Shares and after FLSmidth becomes registered as the holder of Your Shares.

10.6 Payment of consideration

- (a) Subject to this clause 10.6 and the Corporations Act, FLSmidth will provide the consideration due to you for Your Shares on or before the earlier of:
- (1) one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and
 - (2) 21 days after the end of the Offer Period.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
- (1) if that document is given with your Acceptance Form, FLSmidth will provide the consideration in accordance with clause 10.6(a);
 - (2) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, FLSmidth will provide the consideration due to you on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
 - (3) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, FLSmidth will provide the consideration due to you on or before the earlier of one month after that document is given and 21 days after the end of this Offer period;
 - (4) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, FLSmidth will provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, FLSmidth will provide the consideration due to you within 21 days after the Offer becomes unconditional.
- (c) If you accept this Offer, FLSmidth is entitled to all Rights in respect of Your Shares. FLSmidth may require you to provide all documents necessary to vest title to those Rights in FLSmidth, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to FLSmidth, or if you have received the benefit of those Rights, FLSmidth will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by FLSmidth) of those Rights, together with the value (as reasonably assessed by FLSmidth) of the franking credits, if any, attached to the Rights.
- (d) The consideration payable by FLSmidth to you under the Offer will be paid to you by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas Shareholders, by airmail) at the address as shown on the register that will be provided from time to time by ESSA Australia.
- (e) If at the time you accept the Offer any of the following:
- (1) *Banking (Foreign) Exchange Regulations 1959 (Cth)*;
 - (2) *Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth)*;
 - (3) *Charter of the United Nations (Sanctions – Afghanistan) Regulations 2008 (Cth)*;
 - (4) *Charter of the United Nations (Sanctions – Iraq) Regulations 2008 (Cth)*; or
 - (5) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for FLSmidth to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by FLSmidth. As far as FLSmidth is aware, as at the date of this Bidder's Statement, the persons to whom this clause 10.6(e) will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or entities controlled by any of those persons); Usama bin Laden; the Taliban; members of the Al-Qaida organisation; and a person named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

10.7 Conditions of this Offer

The completion of this Offer and any contract that results from acceptance of the Offer are subject to the fulfilment or waiver of the following conditions:

(a) **Minimum acceptance**

During, or at the end of, the Offer Period, FLSmidth has Relevant Interests in at least 90% of the Shares.

(b) **Other regulatory approvals**

Before the end of the Offer Period, all approvals or consents that are required by law, or by any Public Authority, as are necessary to permit:

(1) the Offer to be lawfully made to and accepted by Shareholders; and

(2) the transaction contemplated by this Bidder's Statement to be completed,

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice of intention to revoke, suspend, restrict, modify or not renew the same.

(c) **No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), no matter, event, change, condition, circumstance or thing occurs, is announced or becomes known to FLSmidth which, individually or when aggregated with all such events, occurrences or matters, could reasonably be expected to:

(a) have an adverse effect on the consolidated assets or liabilities (including contingent liabilities as recognised in preparation of financial statements) of the ESSA Australia Group based on the financial year ended 30 June 2010, adjusted for final dividend of \$914,000, exceeding \$964,634; or

(b) have an adverse effect on the consolidated net profits after tax of ESSA Australia Group based on the financial year ended 30 June 2010 that exceeds \$77,221 per annum (after taking into account any matter which offset the impact of the event or occurrence giving rise to the adverse effect);

other than:

(c) matters that are required to be done in order to implement the Takeover Bid;

(d) matters which took place with the prior written consent of FLSmidth; and

(e) matters which ESSA Australia fully and fairly disclosed in an announcement made to the ASX prior to the Announcement Date.

(d) No material acquisitions and disposals

That outside the ordinary course of ordinary business or as otherwise agreed in writing between FLSmith and ESSA Australia there is no:

- (a) purchase or other acquisition, sale or other disposal of, or offer or agreement to purchase, acquire, sell or dispose of, any property or assets (or any right, title or interest in them) the total consideration for which, or value of which, exceeds or would exceed \$1,251,274 in aggregate;
- (b) entry into, or offer or agreement to enter into, any other agreement arrangement, joint venture, partnership or other commitment of any kind which would require expenditure, or the foregoing of revenue of any amount which exceeds or would exceed in aggregate \$77,221;
- (c) entry into, or offer or agreement to enter into, any other agreement, arrangement or other commitment of any kind that would result in fees payable to advisers, and any other transaction costs (excluding ex-gratia payments to Directors), in relation to the Takeover Bid exceeding \$826,000 (excluding GST); or
- (d) declaration of a dividend, other than the Dividend, by ESSA Australia or any Subsidiary which occurs, is discovered, announced, disclosed or otherwise becomes known to FLSmith between the Announcement Date and the end of the Offer Period.

(e) No prescribed occurrences

Between the Announcement Date and the date three business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) ESSA Australia converting all or any of the Shares into a larger or smaller number of Shares under section 254H of the Corporations Act;
- (2) ESSA Australia or a subsidiary of ESSA Australia resolving to reduce its Share capital in any way;
- (3) ESSA Australia or a subsidiary of ESSA Australia:
 - (a) entering into a buyback agreement; or
 - (b) resolving to approve the terms of a buyback agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (4) ESSA Australia or a subsidiary of ESSA Australia issuing Shares or granting an option over its Shares, or agreeing to make such an issue or grant such an option;
- (5) ESSA Australia or a subsidiary of ESSA Australia issuing, or agreeing to issue, convertible notes;
- (6) ESSA Australia or a subsidiary of ESSA Australia disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) ESSA Australia or a subsidiary of ESSA Australia charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) ESSA Australia or a subsidiary of ESSA Australia, except for Essa Europe GmbH, resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of ESSA Australia or a subsidiary of ESSA Australia, except for Essa Europe GmbH;
- (10) the making of an order by a court for the winding up of ESSA Australia or a subsidiary of ESSA Australia, except for Essa Europe GmbH;

- (11) an administrator of ESSA Australia, or a subsidiary of ESSA Australia, being appointed under section 436A, 436B or 436C of the Corporations Act;
 - (12) ESSA Australia or a subsidiary of ESSA Australia executing a deed of Company arrangement;
 - (13) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of ESSA Australia or of a subsidiary of ESSA Australia, except for Essa Europe GmbH.
- (f) **Maintenance of cash position**

At the end of the Offer Period, ESSA Australia must maintain cash assets (as classified in the balance sheet as at 30 June 2010 and adjusted to reflect pro-rata prepayments and taxes) of at least 13 cents minus the per Share Dividend paid (in cents) multiplied by \$530,000 minus \$200,000. For sake of clarity, the calculation shall be:

$$\text{cash assets} \geq ((13 - \text{per Share Dividend paid}) * 530,000) - 200,000$$

10.8 Nature and benefit of conditions

- (a) The conditions in clause 10.7 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the conditions in clause 10.7(e), until the end of the third business day after the end of the Offer Period), prevent a contract to sell Your Shares from arising, but entitles FLSmidth by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
- (b) Subject to the Corporations Act, FLSmidth alone is entitled to the benefit of the conditions in clause 10.7, or to rely on any non-fulfilment of any of them.
- (c) Each condition in clause 10.7 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

10.9 Freeing the Offer of conditions

FLSmidth may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in clause 10.7, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to ESSA Australia and to ASX declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:

- (a) in the case of the condition in clause 10.7(e), not later than 3 business days after the end of the Offer Period; and
- (b) in the case of all the other conditions in clause 10.7, not less than 7 days before the end of the Offer Period.

If, at the end of the Offer Period (or in the case of the conditions in clause 10.7(e), at the end of the third business day after the end of the Offer Period), the conditions in clause 10.7 have not been fulfilled and FLSmidth has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

FLSmidth has confirmed to ESSA Australia that it will give ESSA Australia at least 24 hours' prior notice before declaring the Offer free from the conditions subsequent in clause 10.7 and, if ESSA Australia declares a Dividend at any time during the Offer Period, FLSmidth will not declare the Offer free from the conditions subsequent in clause 10.7 until at least 8 business days after the date of declaration of the Dividend. ESSA Australia may waive these notice periods in its discretion.

10.10 Notice on status of conditions

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is [] (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

10.11 Withdrawal of this Offer

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, FLSmidth will give notice of the withdrawal to ASX and to ESSA Australia and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, all the conditions in clause 10.7 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in clause 10.7, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to clause 10.11 will be deemed to take effect:
 - (1) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date that consent in writing is given by ASIC; or
 - (2) if the withdrawal is subject to conditions imposed by ASIC, on and after the date those conditions are satisfied.

10.12 Variation of this Offer

FLSmidth may vary this Offer in accordance with the Corporations Act.

10.13 No stamp duty or brokerage

- (a) FLSmidth will pay any stamp duty on the transfer of Your Shares to it.
- (b) As long as Your Shares are registered in your name and you deliver them directly to FLSmidth, you will not incur any brokerage in connection with your acceptance of this Offer.

10.14 Governing laws

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.

11 Definitions and interpretation

11.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
\$	Australian dollars, the lawful currency of the Commonwealth of Australia.
Acceptance Facility	the acceptance facility established by FLSmidth for the purposes of the Offer and as described in clause 9.2 of this Bidder's Statement.
Acceptance Form	the acceptance form enclosed with this Bidder's Statement.
Announcement	the statement by ESSA Australia announcing the Offer to ASX on 6 December 2010.
Announcement Date	the date of the announcement of the Offer by ESSA Australia, being 6 December 2010.
ASIC	the Australian Securities and Investments Commission.
ASX Settlement Operating Rules	the operating rules of ASX Settlement which govern the administration of the Clearing House Electronic Subregister System.
ASX	ASX Limited ABN 98 008 624 691 or the financial products market it operates as the context requires.
ASX Listing Rules	the rules promulgated by ASX, which govern publicly listed companies.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532.
Bidder's Statement	this document, being the statement of FLSmidth under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
Broker	a person who is a share broker and a participant in CHESS.
Business Day	a day on which banks are open for business in Perth, Western Australia, excluding a Saturday, Sunday or public holiday.
CGT	capital gains tax.

Term	Meaning
CHESS Holding	a number of Shares which are registered on Share register being a register administered by the ASX Settlement and which records uncertificated holdings of Shares.
Competing Proposal	<p>any proposal or transaction (including but not limited to a bid, scheme, joint venture, dual listed company structure, purchase or disposal of a main undertaking, Share issue or other similar reorganisation), which, if agreed to, would mean a person (other than FLSmidth or any Associate of FLSmidth) would at any time:</p> <ol style="list-style-type: none"> <li data-bbox="511 716 1307 806">1 directly or indirectly acquire a legal, beneficial or economic interest in, or control of, 10% or more of ESSA Australia's Share capital or of the share capital of any of its subsidiaries; <li data-bbox="511 817 1323 918">2 acquire control of ESSA Australia, within the meaning of section 50AA of the Corporations Act, or all or a material part of ESSA Australia's business or assets or that of any of its subsidiaries; or <li data-bbox="511 929 1291 996">3 otherwise acquire or merge (including by a reverse takeover bid or dual listed ESSA Australia structure) with ESSA Australia. <p>For the purposes of paragraph 1, material means any business or assets which contribute 10% or more of the consolidated net profit after tax of ESSA Australia or represent more of the total consolidated assets of the party.</p>
Controlling Participant	in relation to Your Shares, has the same meaning as in the ASX Settlement Operating Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
DKK	Danish Krone, the lawful currency of the Kingdom of Denmark.
Dividend	a fully franked dividend of up to \$0.13 per Share to be paid by ESSA Australia to Shareholders as may be declared by the ESSA Australia Board in its absolute discretion.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Eligible Shareholders	Shareholders who are invited to participate in the Acceptance Facility under clause 9.2.
ESSA Australia	ESSA Australia Limited (ABN 59 007 944 569).
ESSA Australia Board	the board of directors of ESSA Australia.

ESSA Australia Directors	the directors of ESSA Australia referred to in clause 4.2 of this Bidder's Statement.
ESSA Australia Group	ESSA Australia and each of its subsidiaries.
FLSmith	FLSmith Pty Ltd ABN 85 000 221 590.
FLSmith & Co. A/S	FLSmith & Co. A/S, the ultimate holding company of FLSmith.
FLSmith Group	FLSmith & Co. A/S and all its subsidiaries.
GST	has the same meaning as in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Holder Identification Number	has the same meaning as in the ASX Settlement Operating Rules.
Implementation Agreement	implementation agreement between FLSmith and ESSA Australia dated 6 December 2010.
Issuer Sponsored Holdings	a holding of Shares on ESSA Australia issuer sponsored subregister.
Material Adverse Change	has the meaning as set out in section 10.7(c) of this Bidder's Statement.
Offer	the offer for Shares under the terms and conditions contained in clause 10 of this Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with clause 10.2 of this Bidder's Statement.
Options	options to subscribe for Shares issued to directors.
Participant	an entity admitted to participate in the Clearing House Electronic Subregister system under Rule 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.
Prescribed Occurance	has the meaning set out in section 10.7(e) of this Bidder's Statement.

Public Authority	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.
Register Date	the date set by FLSmith under section 633(2) of the Corporations Act, being Wednesday, 8 December 2010.
Relevant Interest	has the same meaning as in the Corporations Act.
Rights	all accreditations, rights or benefits of whatever kind attaching or arising from Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends (other than the Dividend, if the record date occurs before the Offer becomes unconditional) and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by ESSA Australia or any of its subsidiaries).
Securityholder Reference Number	has the same meaning as 'SRN' in the ASX Settlement Operating Rules.
Shares	fully paid ordinary shares in the capital of ESSA Australia.
Shareholder	a shareholder of ESSA Australia.
Superior Proposal	<p>a bona fide Competing Transaction of the kind referred to in any of paragraphs 1, 2 or 3 of the definition of Competing Proposal which the ESSA Australia Board, acting in good faith, and after taking advice from its legal and financial advisors, determines is:</p> <ol style="list-style-type: none"> 1 reasonably capable of being completed on a timely basis taking into account all aspects of the Competing Transaction and the person making it, including without limitation, having regard to legal, regulatory and financial matters including any conditions precedents; and 2 more favourable to Shareholders than the Takeover Bid, taking into account all terms and conditions of the Competing Transaction.
Takeover Bid	the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.
Takeover Transferee Holding	has the same meaning as in the ASX Settlement Operating Rules.
Target's Statement	the statement of ESSA Australia under Part 6.5 Division 3 of the Corporations Act relating to the Offer.

Your Shares

subject to clause 10.1(e) and clause 10.1(f), the Shares (a) in respect of which you are registered as holder in the register of Shareholders of ESSA Australia at the open of business Perth, Western Australia time) on the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

11.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a clause, attachment and schedule is a reference to a clause of and an attachment and schedule to this Bidder's Statement as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (h) a reference to time is a reference to time in Perth, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia unless otherwise indicated.

12 Approval of Bidder's Statement

This Bidder's Statement has been approved by a resolution passed by the directors of FLSmidth.

date 21 December 2010

Signed for and on behalf of
FLSmidth Pty Ltd
By

sign here ▶



David Williams – Managing Director

Appendix 1

Announcements in relation to the Offer

FLSmidth & Co. A/S
 Corporate Communications & Investor Relations
 Vigerslev Allé 77 · DK-2500 Valby · Copenhagen · Denmark
 Tel +45 36 18 18 00 · Fax +45 36 44 18 30 · corppr@flsmidth.com
www.flsmidth.com · CVR-No. DK 58180912



Message No.
35 - 2010

Our ref.
JøBL

Date
5 December 2010

Page
1/1

Danish Financial Supervisory Authority
 Gl. Kongevej 74 A
 DK-1850 Frederiksberg C

Company Announcement No. 35-2010:

FLSmidth makes offer for the acquisition of ESSA Australia

FLSmidth has today announced an offer for the acquisition of the Australian listed company ESSA Australia Limited (ESSA). FLSmidth's offer corresponds to an enterprise value of approximately DKK 170m. The offer is unanimously recommended by the Board of Directors of ESSA, in the absence of a superior offer.

The acquisition is conditional on the acceptance of at least 90 percent of the shares in ESSA and other customary conditions.

ESSA is a world leading specialist in the design, manufacture, support and service of sampling and sample preparation equipment for the international minerals and mining industry.

ESSA is active in a number of market segments including the following: mineral sample preparation, laboratory equipment, industrial solids preparation, mineral sizing, metallurgical testing, run of mine sampling, replacement parts and maintenance, laboratory and sampling automation.

ESSA's head office and production facilities are located in Perth, Australia and the ESSA group has approximately 100 employees.

"The technology and employees will perfectly fit FLSmidth's sampling and laboratory technology and further strengthen the company's product portfolio in the minerals industry", Group CEO Jørgen Huno Rasmussen comments.

A PDF-version of the Bidders Statement will be available on www.flsmidth.com from 7 December 2010.

Please address any questions regarding this announcement to Group Chief Executive Officer Jørgen Huno Rasmussen, FLSmidth & Co. A/S at +45 36 18 18 00.

For further information about FLSmidth, please visit www.flsmidth.com.

Yours faithfully
 Pernille Friis Andersen
 Corporate Communications & Investor Relations



Essa Australia Limited

Head Office
Level 1, 63-69 Abemethy Road
Belmont WA 6104
PO Box 362
Belmont WA 6984
AUSTRALIA

Production
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Bassendean WA 6054
AUSTRALIA

t +61 8 9475 3000
f +61 8 9477 3544
e mail@essa.com.au
w www.essa.com.au
ABN 59 007 944 569

ASX Announcement
6 December 2010

ESSA RECOMMENDS TAKEOVER OFFER BY FLSMIDTH

Essa Australia Limited ("Essa") is pleased to announce that it has reached an agreement with FLSmith & Co, A/S ("FLS"), a publicly listed company headquartered in Denmark, under which FLS will offer to acquire 100% of the fully paid ordinary shares in Essa by way of an off-market takeover (the "Offer").

The Offer

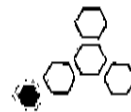
The Offer price is **\$0.73** cash per Essa share ("Offer Price") (subject to any dividend adjustment). If the Offer is declared unconditional, the Board of Essa will be entitled to declare and pay a fully franked dividend of up to **\$0.13** cash per Essa share ("Dividend"), in which case the Offer Price will be reduced by the cash amount of the Dividend.

The Offer Price values Essa at approximately **A\$38.7 million** and represents a **significant premium** to Essa's recent share price as follows:

- a premium of **33%** over the closing price of Essa's shares on the trading day prior to this announcement (3 December 2010) of \$0.55;
- a premium of **36%** over the volume weighted average share price of Essa's shares in the one month period prior to today's announcement of \$0.536; and
- a premium of **63%** over the volume weighted average share price of Essa's shares in the three month period prior to today's announcement of \$0.447.

The Offer is subject to an Implementation Agreement entered into by Essa and FLS on 5 December 2010 and will be conditional upon the satisfaction of certain conditions, including the requirement that FLS acquires a relevant interest in at least 90% of Essa's ordinary share capital on issue during, or at the end, of the Offer period. A full list of the conditions of the Offer is attached to this announcement as Appendix A.

The Implementation Agreement also includes a break fee of \$500,000 (excluding GST) payable to FLS in certain circumstances, as well as customary "lock-up" restrictions in connection with competing proposals. A summary of the key terms of the Implementation Agreement is attached to this announcement as Appendix B.





Recommendation

The Directors of Essa, with the assistance of its advisors, have carefully considered the Offer and **unanimously recommend that Shareholders accept the Offer in the absence of a superior proposal and advise that they will accept the Offer in respect of any shares in Essa that they own or control, subject in each case only to there being no superior proposal.** The Directors collectively have a relevant interest in approximately 12% of Essa's ordinary share capital.

Comment

Commenting on the Offer, the Chairman of Essa, Mr Geoff Donohue, said *"Essa provides an excellent fit with FLS's capabilities as a leading supplier of equipment, systems and services to the global cement and minerals Industries. The strategies and culture of both companies are complementary and the Board believes that the combination of the two businesses provides the best opportunities for future expansion"*.

"FLS has recognised in the value of its Offer the strength of Essa's business and its future prospects. In short, we believe the Offer is in the best interests of the Company and its stakeholders."

Mr Jørgen Huno Rasmussen, Group Chief Executive Officer of FLS, said *"We believe that this Offer maximises value for all Essa shareholders and are delighted that, in the absence of a superior proposal, Essa's Directors will recommend that Essa shareholders accept the Offer."*

"Essa is a high quality equipment provider to the global mining industry and will play an important role in FLSmith's international growth strategy. We intend to leverage Essa and its local management team to expand our existing Far East/Pacific Rim businesses and extend our footprint in the region. We believe the expertise within Essa's local management team, combined with the capital and management support of FLS, will provide a strong, long-term platform for growth."

"It has been our intention to structure a transaction that is acceptable to the Directors of Essa and which provides a clear, certain and value-based outcome for all Essa shareholders. I am very confident we have achieved those objectives."

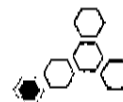
Timetable

Essa understands that the Bidder's Statement will be lodged with ASIC on or about 7 December 2010 and dispatched to Essa shareholders together with the Target's Statement on or about 21 December 2010. These documents will outline the full details of the Offer and the Offer process, as well as instructions on how to accept the Offer.

The Offer is expected to be open for acceptance by Essa shareholders until 28 January 2011, subject to FLS's right to extend the offer period in accordance with the Corporations Act.

Advisors

Essa is being advised by **TC Corporate** as financial advisor and **Norton Rose Australia** as legal advisor.



**About Essa**

Essa Australia Limited is a public company listed on ASX Limited. Essa specialises in the design and manufacture of proprietary sampling and sample preparation equipment for the international mineral and mining industries. Access to international markets is gained from associated companies in South America and Africa and through a number of distributors strategically located in major centres around the world. Further information on Essa can be found on the internet at www.essa.com.au.

About FLSmith

FLSmith A/S is a global public company listed on NASDAQ OMX Copenhagen and is among the top 20 most traded shares. FLS is the leading supplier of equipment, systems and services to the global cement and minerals industries. FLS supplies everything from single machinery to complete cement plants and minerals processing facilities including services before, during and after the construction. FLS invests heavily in developing new solutions to meet the important future energy and emissions challenges our customers. FLS employs more than 10,500 people world-wide. Further information on FLS can be found on the internet at flsmidth.com.

Contacts**Essa**

Geoff Donohue
Chairman
Ph: +61 (0) 9423 5902

Daryl Stevens
Chief Executive Officer
Ph: +61 (0) 8 9475 3000

Bert Blekkenhorst
Finance Director
Ph: +61 (0) 8 9475 3000

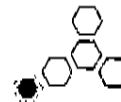
TC Corporate

Robert Fraser
Managing Director
Ph: +61 (0) 2 9377 1555

Keir Semmens
Executive Director
Ph: +61 (0) 2 9377 1555

Attachments

- A. Conditions of the Offer
- B. Summary of Key Terms of Implementation Agreement





Attachment A: Conditions of the Offer

The completion of the Offer and any contract that results from acceptance of the Offer are subject to fulfilment or waiver of the following conditions:

1 Minimum Acceptance

During, or at the end of, the Offer Period, FLS has a relevant interest in at least 90% of the Shares.

2 Other regulatory approvals

Before the end of the Offer Period, all approvals or consents that are required by law, or by any Public Authority, as are necessary to permit:

- (a) the Offer to be lawfully made to and accepted by Shareholders; and
- (b) the transaction contemplated by the Bidder's Statement to be completed,

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice of intention to revoke, suspend, restrict, modify or not renew the same.

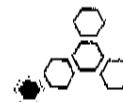
3 No material adverse change

Between the Announcement Date and the end of the Offer Period (each inclusive), no matter, event, change, condition, circumstance or thing occurs, is announced or becomes known to FLS which, individually or when aggregated with all such events, occurrences or matters, could reasonably be expected to:

- (a) have an adverse effect on the consolidated assets or liabilities (including contingent liabilities as recognised in preparation of financial statements) of the Essa group based on the financial year ended 30 June 2010, adjusted for final dividend of A\$914,000, exceeding A\$964,634; or
- (b) have an adverse effect on the consolidated net profits after tax of the Essa group based on the financial year ended 30 June 2010 that exceeds A\$77,221 per annum (after taking into account any matter which offset the impact of the event or occurrence giving rise to the adverse effect);

other than:

- (c) matters that are required to be done in order to implement the Takeover Bid;
- (d) matters which took place with the prior written consent of FLS; and
- (e) matters which Essa fully and fairly disclosed in an announcement made to the ASX prior to the Announcement Date.




4 No material acquisitions or disposals

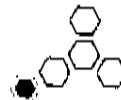
That outside the ordinary course of business or as otherwise agreed in writing between FLS and Essa there is no:

- (a) purchase or other acquisition, sale or other disposal of, or offer or agreement to purchase, acquire, sell or dispose of, any property or assets (or any right, title or interest in them) the total consideration for which, or value of which, exceeds or would exceed A\$1,251,274 in aggregate;
- (b) entry into, or offer or agreement to enter into, any other agreement, arrangement, joint venture, partnership or other commitment of any kind which would require expenditure, or the foregoing of revenue of any amount which exceeds or would exceed in aggregate A\$77,221;
- (c) entry into, or offer or agreement to enter into, any other agreement, arrangement or other commitment of any kind that would result in fees payable to advisers, and any other transaction costs (excluding ex-gratia payments to Directors), in relation to the Takeover Bid exceeding \$826,000 (excluding GST), or
- (d) declaration of a dividend, other than the Dividend, by Essa or any subsidiary which occurs, is discovered, announced, disclosed or otherwise becomes known to FLS between the Announcement Date and the end of the Offer Period.

5 No Prescribed Occurrences

Between the Announcement Date and the date which is three business days after the end of the Offer Period, none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (a) Essa converting all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Essa or a subsidiary of Essa resolving to reduce its share capital in any way;
- (c) Essa or a subsidiary of Essa:
 - (1) entering into a buy-back agreement; or
 - (2) resolving to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) Essa or a subsidiary of Essa issuing shares or granting an option over its shares, or agreeing to make such an issue or grant such an option;
- (e) Essa or a subsidiary of Essa issuing, or agreeing to issue, convertible notes;
- (f) Essa or a subsidiary of Essa disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) Essa or a subsidiary of Essa charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) Essa or a subsidiary of Essa, except for Essa Europe GmbH, resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Essa or a subsidiary of Essa, except for Essa Europe GmbH;



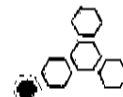


- (j) the making of an order by a court for the winding up of Essa or a subsidiary of Essa, except for Essa Europe GmbH;
- (k) an administrator of Essa, or a subsidiary of Essa, being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Essa or a subsidiary of Essa executing a deed of Company arrangement; or
- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of Essa or a subsidiary of Essa, except for Essa Europe GmbH.

6 Maintenance of cash position

At the end of the Offer Period, Essa must maintain cash assets (as clarified in the balance sheet as at 30 June 2010 and adjusted to reflect pro-rata prepayments and taxes) of at least 13 cents minus the per Share Dividend paid (in cents) multiplied by A\$530,000 minus A\$200,000. For sake of clarity, the calculation shall be:

$$\text{cash assets} \geq ((13 - \text{per Share Dividend paid}) * 530,000) - 200,000$$





Attachment B: Summary of the Implementation Agreement

The following is a summary of the key terms of the Implementation Agreement between Essa and FLS.

1 Exclusivity

1.1 Prohibition

Until the end of the Offer Period, Essa must not and must ensure that each of its related bodies corporate, officers, employees, agents, consultants, investment bankers, lawyers or other advisers (each a **Relevant Person**) does not, directly or indirectly:

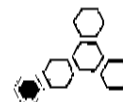
- (a) solicit or initiate or invite (including, without limitation, by the provision of non-public information) any inquiries, expression of interest, offer, proposal or discussions by any person to make a Competing Proposal (whether from a person with whom Essa has previously been in discussions or not);
- (b) participate in any negotiations or discussions or provide any information to any person with respect to any inquiry, expression of interest, offer or proposal by any person which may reasonably be expected to lead to the making of a Competing Proposal;
- (c) accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal; or
- (d) disclose any non-public information about the business or affairs of Essa to a third party (other than a Government Agency) with a view to obtaining or which may reasonably be expected to lead to receipt of a Competing Proposal, other than in the ordinary course of business or as required by law.

1.2 Fiduciary exception

Clause 1.1(b), 1.1(c), 1.1(d) (above) and 1.4 (below) does not prohibit any action or inaction by Essa or any director if compliance with the relevant clause would, or is likely to, in the opinion of the Board reasonably formed in good faith for a proper purpose (having received financial advice that the Competing Proposal is or is likely to be superior to the Takeover Bid), constitute a breach of any of the statutory or fiduciary duties of the directors of Essa (after taking advice from its legal advisers) provided that the approach by the third party was not facilitated by or as a result of a breach of clause 1.1 (above).

1.3 No existing negotiations or discussions

Essa represents and warrants to FLS that, at the date of the Implementation Agreement, it is not engaged in any negotiations or discussions with any entity or person in relation to the possible making of a Competing Proposal, and has not received any communication indicating that Essa will be approached to commence such

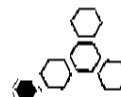




negotiations or discussions or is party to any arrangement or understanding that would prevent it from entering into the Implementation Agreement.

1.4 Notification

- (a) Until the end of the Offer Period or 3 months from the date of the indicative offer letter being 8 November 2010 (whichever is later), Essa must immediately notify FLS of any approach, inquiry, request for information, or attempt or intention to initiate discussions or negotiations, with respect to, or that could reasonably be expected to lead to a Competing Proposal, such notification to include the detailed nature of the approach, including the offered price and the identity of the party making the approach and whether unsolicited or otherwise.
- (b) Essa may only enter into any legally binding agreement in relation to a Competing Proposal or publicly recommend a Competing Proposal if:
 - (1) Essa has provided FLS with the identity of the person making the Competing Proposal, all the material terms of the Competing Proposal, and any material information provided to the person making the Competing Proposal that has not either been publicly disclosed or previously provided to FLS; and
 - (2) Essa has given FLS not less than three Business Days to consider the Competing Proposal and to amend the terms of the Takeover Bid (**Bidder Counterproposal**) so that the revised bid would provide an equivalent or superior outcome for the Shareholders than the applicable Competing Proposal.
- (c) Essa must procure that the Board consider any Bidder Counterproposal and if the Board, acting reasonably and in good faith, determines that the Bidder Counterproposal would provide an outcome that is an equivalent or superior outcome for the Shareholders than the Competing Proposal, taking into account all the terms and conditions of the Bidder Counterproposal, then Essa and FLS must use their best endeavours to agree the amendments to the Implementation Agreement which are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable.
- (d) Where Essa provides any information relating to Essa or any of its businesses or operations to any person in connection with or for the purposes of a current or future Competing Proposal, it must promptly provide FLS with a complete copy of that information and all relevant details of the relevant event, including the identity of the person or persons taking any action in 1.4(a) or 1.4(b) (above) and the terms and conditions of any proposed Competing Proposal.
- (e) This notification clause does not apply to the extent that the Board, acting in good faith, and after receiving legal advice from its external advisers, determines that the Board is required to respond to the Competing Proposal in order to comply with its fiduciary or statutory obligations.



2 Break Fee

Essa must pay the Break Fee to FLS, if at any time following FLS's announcement of the Takeover Bid and the earlier to occur of the end of the Offer Period and the termination of the Implementation Agreement by Essa referred to in clause 3(a) below:

- (a) any Director fails to recommend that Shareholders accept the Takeover Bid in the absence of a Superior Proposal or, having made such a recommendation, makes a public statement which withdraws, revises, revokes or qualifies that recommendation (other than in circumstances where Essa is entitled to terminate the Implementation Agreement under clause 3(a) below; or
- (b) any Director recommends that Shareholders accept or support or otherwise endorses a Competing Proposal (other than in circumstances where Essa is entitled to terminate this agreement under clause 3(a) below; or
- (c) Essa materially breaches the exclusivity provisions of the Implementation Agreement.

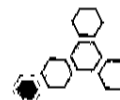
3 Termination Rights

This agreement may be terminated by a party by immediate notice to the other party if:

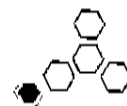
- (a) the other party is in material breach of this agreement and, to the extent that the breach is capable of remedy, that breach is not remedied by that other party within 10 Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate; or
- (b) FLS withdraws the Takeover Bid or the Takeover Bid lapses for any reason including non-satisfaction of a condition of the Takeover Bid.

4 Definitions

Term	Meaning
Announcement Date	the date of the first announcement of the Offer by FLS.
Associate	the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act includes a reference to this document.
Bidder's Statement	the bidder's statement to be prepared by FLS in relation to the Takeover Bid in compliance with Part 6.5 of the Corporations Act.
Board	the board of directors of Essa.
Break Fee	the amount of \$500,000.



Term	Meaning
Competing Proposal	<p>any proposal or transaction (including but not limited to a bid, scheme, joint venture, dual listed company structure, purchase or disposal of a main undertaking, share issue or other similar reorganisation), which, if agreed to, would mean a person (other than FLS or any Associate of FLS) would at any time:</p> <ol style="list-style-type: none"> 1 directly or indirectly acquire a legal, beneficial or economic interest in, or control of, 10% or more of Essa's share capital or of the share capital of any of its subsidiaries; 2 acquire control of Essa, within the meaning of section 50AA of the Corporations Act, or all or a material part of Essa's business or assets or that of any of its subsidiaries; or 3 otherwise acquire or merge (including by a reverse takeover bid or dual listed Essa structure) with Essa. <p>For the purposes of paragraph 2, material means any business or assets which contribute 10% or more of the consolidated net profit after tax of Essa or represent more of the total consolidated assets of the party.</p>
Government Agency	any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.
Offer	each offer to acquire Shares made in connection with the Takeover Bid.
Offer Period	the period that the Offer is open for acceptance.
Public Authority	any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.
Shareholder	a registered holder of Shares.
Share	An ordinary share in the capital of Essa, including all shares on issue at the end of the Offer Period.
Superior Proposal	<p>a bona fide Competing Transaction of the kind referred to in any of paragraphs 1, 2 or 3 of the definition of Competing Proposal which the Board, acting in good faith, and after taking advice from its legal and financial advisors, determines is:</p> <ol style="list-style-type: none"> 1 reasonably capable of being completed on a timely basis taking into account all aspects of the Competing Transaction and the person making it, including without limitation, having regard to legal, regulatory and financial matters including any conditions precedents; and 2 more favourable to Essa Shareholders than the Takeover Bid, taking into account all terms and conditions of the Competing Transaction.
Takeover Bid	a takeover bid made by PLS that satisfies the requirements as set out in the Implementation Agreement.



This document is the first supplementary bidder's statement (**First Supplement**) to the Bidder's Statement dated 7 December 2010 (**Original Bidder's Statement**) issued by FLSmidth Pty Ltd (ABN 85 000 221 590) (**FLSmidth**) and lodged with the Australian Securities and Investment Commission (**ASIC**) on 7 December 2010, in relation to the offer by FLSmidth for the shares in ESSA Australia Limited (**ESSA Australia**) (ACN 007 944 569).

This First Supplement supplements, and is to be read together with, the replacement bidder's statement dated 21 December 2010 (**Bidder's Statement**). Changes to the Original Bidder's Statement as supplemented by the First Supplement have been incorporated into the Bidder's Statement.

First Supplementary Bidder's Statement

21 December 2010

in respect of the Recommended Cash Offer by:

FLSmidth Pty Ltd (ABN 85 000 221 590)

to purchase all of the shares in

ESSA Australia Limited

IMPORTANT NOTICE!

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your Broker, financial adviser or legal adviser immediately.

1 Replacement of premium chart

The chart showing the premium of the Offer Price over the closing Share price on 3 December 2010 on page 6 of the Original Bidder's Statement is replaced with the following chart.



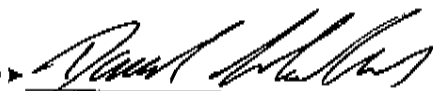
2 Other notices

Unless the context otherwise requires, terms defined in the Original Bidder's Statement have the same meaning as in this First Supplementary Bidder's Statement.

A copy of this First Supplementary Bidder's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Signed for and on behalf of FLSmidth Pty Ltd following a resolution of the directors of FLSmidth Pty Ltd.

sign here ▶



David Williams – Director

date

21 December 2010
