



19 April 2010

ASX Release

The Manager  
Company Announcements Office  
Australian Stock Exchange

**TAKEOVER OF SOUTH AUSTRALIAN COAL LIMITED; EX-FELIX RESOURCES DIRECTORS TO JOIN WHITE ENERGY BOARD; INJECTION OF \$100 TO \$140 MILLION IN ADDITIONAL CASH; STRONG PLATFORM FOR PARTICIPATION IN FUTURE COAL SECTOR OPPORTUNITIES**

**Highlights:**

- **White Energy Company Limited ("White Energy") to acquire 100% of unlisted South Australian Coal Limited ("SACL") through a takeover bid. Ex-Felix Resources Limited ("Felix Resources") Board and management own a majority of SACL.**
- **Ex-Felix Resources Chairman, Travers Duncan, to become Chairman of White Energy.**
- **Brian Flannery, the Managing Director of Felix Resources, to assume the role of Chief Executive Officer of White Energy and join the Board as an executive director from August 2010.**
- **Former Felix Resources Board members Hans Mende and John Kinghorn to join the Board of White Energy in non-executive roles.**
- **Current Chairman John McGuigan, current Managing Director John Atkinson and current director Graham Cubbin to continue as non-executive directors of White Energy.**
- **SACL owns a large sub bituminous coal resource at Lake Phillipson, EL3386 in South Australia. SACL's coal resource is proximate to the Adelaide - Darwin rail line and has access to under-utilised ports at Darwin, Adelaide and Whyalla. White Energy's proprietary BCB technology upgrades sub-bituminous coal into export quality upgraded coal.**
- **White Energy's mainly scrip offer (with a limited cash alternative) is for an upfront consideration valued at \$39.3 million for 100% of SACL which will result in SACL shareholders receiving up to 15.7 million White Energy shares (based on a price of \$2.50 per White Energy ordinary share). In addition, SACL shareholders could receive up to a further 17.0 million White Energy ordinary shares (based on a \$2.80 and \$3.10 price per White Energy ordinary share) subject to future positive coal exploration results increasing the coal resources from 515 million tonnes to 1,515 million tonnes.**



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- **Interests associated with Travers Duncan, Brian Flannery and John Kinghorn have agreed to further invest in White Energy through a \$75 million share placement at \$2.50 per share. In addition, Hans Mende has stated his intention to invest \$19.3m in White Energy through an associated investment vehicle by way of the SACL subscription offer. The SACL subscription offer, which forms part of the bid for SACL and will be offered to all SACL shareholders, has the potential to raise an additional \$50.6 million.**
- **The Board views these transactions and appointments as a major step forward in the ongoing development of White Energy. As a result of the addition of the experienced ex Felix Resources Directors to the White Energy Board and the acquisition of SACL:**
  - **White Energy will immediately become a mid-tier coal company with cash reserves between \$200 million to \$250 million, a large sub-bituminous coal resource and a unique coal upgrading technology;**
  - **White Energy will be run by a highly regarded management team with an industry wide reputation for delivery and execution of major coal projects; and**
  - **White Energy will be ideally positioned to participate in industry consolidation in Australia and internationally and to take advantage of acquisition opportunities.**

**19 April 2010 - White Energy (ASX:WEC; OTCQX:WECFY)** today announced it has reached agreement with SACL to make an offer to acquire 100% of SACL through an off-market takeover bid, for an upfront consideration valued at \$39.3 million which will result in SACL shareholders receiving up to 15.7 million White Energy ordinary shares (based on a price of \$2.50 per White Energy ordinary share). In addition, SACL shareholders could receive up to a further 17.0 million White Energy ordinary shares (based on a \$2.80 and \$3.10 price per White Energy ordinary share) subject to future positive coal exploration results at EL3386 increasing the coal resource from 515 million tonnes to 1,515 million tonnes.

SACL is owned by ex-Felix Resources shareholders, and was separated from Felix upon the successful takeover by Yanzhou Coal Mining Company Limited in 2009. SACL's principal asset is a large sub bituminous coal deposit at Lake Phillipson in South Australia.

As part of the transaction, the Chief Executive Officer of Felix Resources, Brian Flannery, has agreed to assume the role of Chief Executive Officer of White Energy and will join the Board as an executive director commencing August 2010. Travers Duncan, ex-Chairman of Felix Resources, and current non executive director of White Energy will become Chairman of White Energy. Ex-Felix Resources Board members John Kinghorn and Hans Mende will join the White Energy Board in non-executive director roles. John Atkinson (current CEO) and John McGuigan (current Chairman), who have been integral in building the Company from concept to an ASX 300 company, will continue as non-executive directors of the Company and will also play an ongoing role with business development and relationship initiatives in key markets.

Chairman of White Energy, John McGuigan, said, "This is a game-changing deal for White Energy and its shareholders. Bringing the two companies together increases the size, scope and diversity of White Energy's operations and provides greater access to the execution skills required for White Energy to realize its significant potential in a growing global coal market.



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“White Energy’s opportunity is demonstrated by the ex-Felix Resources management and Board agreeing to join the company and invest their own capital into building a substantial coal company.”

CEO of White Energy, John Atkinson, said; “Bringing in house the combined coal industry expertise and project execution skills of the ex-Felix Resources management and Board significantly enhances White Energy’s ability to deliver on the platform it has built and expedite the roll-out of our coal upgrading technology across the globe.

“In one step White Energy becomes a coal company run by a world class management team, owning a large resource, with a proprietary upgrading technology and having the cash to not only grow its existing business, but to create additional value through the acquisition of strategic coal assets.”

#### **White Energy’s Offer to SACL Shareholders**

White Energy has agreed with SACL to make an off-market bid to acquire all of the shares of SACL (the “Offer”).

If 100% of SACL shareholders accept the scrip alternative under the Offer, they will in aggregate receive:

- (i) 15.7 million White Energy ordinary shares with a total value of \$39.3m based on the \$2.50 White Energy share price which places a base value of \$0.1996 on each SACL share; and
- (ii) In the event that additional coal resources of between 0 and 500 million tonnes are proven at EL3386 (i.e. up to 1,015 million tonnes of coal resources in total) SACL shareholders will also be entitled to receive between 0 and a maximum of an additional 8.9 million White Energy ordinary shares on a sliding scale, at an agreed price of \$2.80 per White Energy share; and
- (iii) In the event that additional coal resources of between 501 million tonnes and up to 1,000 million tonnes are proven at EL3386 (i.e. 1,515 million tonnes of coal resources in total) SACL shareholders will be further entitled to receive between 0 and a maximum of an additional 8.1 million White Energy ordinary shares on a sliding scale, at an agreed price of \$3.10 per White Energy share; and
- (iv) an opportunity to take up rights to subscribe for fully paid White Energy ordinary shares at a subscription price of \$2.50 per White Energy ordinary share under the “Subscription Offer” (representing subscription rights to 0.2034 White Energy ordinary shares per SACL share).

If 100% of SACL shareholders accept the scrip offer, they will initially be issued with 15.7 million performance shares as consideration which will convert to the 15.7 million ordinary shares referred to in paragraph (i) above. The performance shares will also include the entitlements which may result in the issue of the additional shares referred to in paragraphs (ii) and (iii) above. Subject to additional coal resources being proved, additional shares will be issued in 2 tranches expected to be issued in early 2011 and 2012 (unless issue is deferred in certain circumstances). If the ASX agrees to quote the performance shares as a separate class of White Energy shares, the conversion of the performance shares into ordinary shares is expected to occur once the 2nd tranche of additional shares has been issued. If the ASX does not agree to quote them, the performance shares will convert on the first business day of January 2011. This early conversion will not affect the entitlements to additional shares referred to in paragraphs (ii) and (iii) above.



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The number of additional White Energy ordinary shares referred to in paragraphs (ii) and (iii) above will be determined by no later than the last business day of December 2011. Further information about the White Energy performance shares and the subscription rights will be provided in White Energy's bidder's statement.

The independent directors of SACL have unanimously recommended that SACL shareholders accept the Offer by White Energy in the absence of a superior proposal.

The Offer is subject to a number of conditions including a 90% minimum acceptance condition. Refer to Annexure 1 for a description of the conditions. White Energy and SACL have entered into a bid implementation agreement which includes terms customary to such a transaction. Refer to Annexure 2 for a summary of the bid implementation agreement.

White Energy will offer a cash alternative to SACL shareholders on the following principal terms:

- SACL shareholders may elect to accept cash consideration of \$0.19962 per SACL share in respect of some or all of their holding.
- The cash alternative will be limited in aggregate to \$10 million. Acceptances in excess of \$10 million will be scaled-back on a pro rata basis.

### **SACL and White Energy – Complementary Businesses**

SACL owns a large deposit of sub-bituminous coal (Exploration Licence 3386 and associated retention leases), which contains the Lake Phillipson Coal Deposit with a JORC inferred, indicated and measured sub-bituminous coal resource of 515 million tonnes. EL 3386 has been subjected to significant exploration work over a number of years. Information derived from earlier exploration work provides a strong indication that the total coal inventory is in excess of 4 billion tonnes.

SACL is an unlisted company that was separated from Felix Resources upon the successful takeover of Felix Resources by Yanzhou Coal Mining Company Limited in 2009. The exploration license EL 3386 is due to expire on 8 August 2010. SACL has received written confirmation from the relevant government authorities that an extension of the licence will be forthcoming subject to a final assessment of the relevant application once lodged by SACL.

SACL is located very close to an existing under-utilised railway that could transport upgraded product to ports at Port Augusta, Adelaide or Darwin for export. The fact that White Energy's BCB technology upgrades sub-bituminous coal provides not only a potential revaluation of the reserves located at EL 3386 and obvious synergies for current White Energy and SACL shareholders but also provides the opportunity to upgrade the high in situ moisture coal for export or domestic consumption.

Further, there is likely to be domestic demand for SACL's sub-bituminous coal. The size of the SACL resource also provides coal gasification and coal to liquids opportunities. Finally, EL 3386 is within the Gawler Craton a major mineral province in South Australia which is host to the Olympic Dam iron-oxide-gold-uranium deposit as well as the Prominent



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Hill site. Independent analysis has confirmed that there is exploration potential for these other minerals in the tenement area.

The acquisition of SACL brings with it access to project management expertise which will assist White Energy in executing the various projects it has undertaken globally. These projects include:

- White Energy's joint venture with Bayan Resources to build up to a 15 million tonnes per annum coal upgrading operation in Indonesia;
- White Energy's agreement with Buckskin Mining Inc. to build up to an 8 million tonnes per annum coal upgrading operation in the Powder River Basin in the USA;
- White Energy's joint development arrangement with Peabody Energy Inc. to build up to a 20 million tonnes per annum coal upgrading operation in the Powder River Basin in the USA; and
- White Energy's joint venture with Black River (an associated company of the Cargill Group) to build and operate coal upgrading plants throughout the African continent.

### Capital Raising

Interests associated with Travers Duncan, Brian Flannery and John Kinghorn have agreed to invest in White Energy through a \$75m Placement at \$2.50 per share, subject to White Energy shareholders approving Travers Duncan's participation in the Placement.

Under the Subscription Offer, SACL shareholders will be offered rights to subscribe for White Energy ordinary shares at the same price as those provided to Messrs Duncan, Flannery and Kinghorn in the Placement. Messrs Duncan and Flannery, who are also shareholders of SACL, have agreed that they will not take up and exercise the subscription rights offered to them under the Subscription Offer as they will participate in the Placement.

Hans Mende has stated his intention to accept the Subscription Offer through AMCI Capital LP in respect of the whole of AMCI Capital LP's 19.14% stake in SACL, investing \$19.3m in White Energy.

If the other SACL shareholders take up and exercise all of their subscription rights an additional \$50.6 million could be raised by White Energy under the Subscription Offer.

The capital raised will be used to develop the coal mining opportunity and associated potential upgrading operation at SACL's Lake Phillipson deposit; further review and progress coal gasification and coal to liquids opportunities at the Lake Phillipson deposit; facilitate White Energy's participation in coal industry consolidation in Australia and take advantage of acquisition opportunities in other key coal markets; fund White Energy's obligations associated with the roll out of coal upgrading plants in various markets around the world in accordance with White Energy's business plan; and otherwise for general working capital purposes.



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### **Strong Platform for Participation in Future Opportunities in Coal Sector**

The combination of White Energy's upgrading technology, SACL's coal resource, the highly regarded management team and expected cash reserves in excess of \$200 million provides an outstanding platform for the future development of White Energy in key coal markets. In particular, the coal sector is characterised by significant consolidation activity, and White Energy will be well positioned to participate in such activity.

### **Common Shareholdings and Directorship**

Travers Duncan is a director and substantial shareholder of SACL and White Energy. Subject to the requirements of the ASX Listing Rules and Australian law, White Energy is likely to submit various resolutions to a vote of its shareholders in order to give effect to the Offer and Placement.

### **Transaction Timing**

It is intended that White Energy's bidder's statement will be dispatched to SACL shareholders in early June 2010.

### **Advisers**

Arthur Phillip are acting as White Energy's corporate and financial adviser, Deloitte as Independent Expert and tax adviser and Freehills as legal adviser. Wilson HTM are acting as SACL's corporate and financial advisers and Allens Arthur Robinson as its legal adviser.

### **For Further Information Call:**

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This press release contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In some cases, you may identify forward-looking statements by words such as "may," "should," "plan," "intend," "potential," "continue," "believe," "expect," "predict," "anticipate" and "estimate," the negative of these words or other comparable words. These statements are only predictions. One should not place undue reliance on these forward-looking statements. The forward-looking statements are qualified by their terms and/or important factors, many of which are outside the Company's control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made. The forward-looking statements are based on the Company's beliefs, assumptions and expectations of our future performance, taking into account information currently available to the Company. These beliefs, assumptions and



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expectations can change as a result of many possible events or factors, not all of which are known to the Company. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of these statements. The Company will update the information in this press release only to the extent required under applicable securities laws. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in the forementioned forward-looking statements.

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## ANNEXURE 1 CONDITIONS OF THE OFFER

**(a) Minimum acceptance condition**

At the end of the Offer Period, White Energy has a relevant interest in at least 90% of the SACL Shares.

**(b) No section 652C prescribed occurrences**

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) SACL converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) SACL or a subsidiary of SACL resolving to reduce its share capital in any way;
- (3) SACL or a subsidiary of SACL entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) SACL or a subsidiary of SACL making an issue of SACL Shares or granting an option over the SACL Shares or agreeing to make such an issue or grant such an option;
- (5) SACL or a subsidiary of SACL issuing, or agreeing to issue, convertible notes;
- (6) SACL or a subsidiary of SACL disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) SACL or a subsidiary of SACL charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) SACL or a subsidiary of SACL resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of SACL or of a subsidiary of SACL;
- (10) the making of an order by a court for the winding up of SACL or of a subsidiary of SACL;
- (11) an administrator of SACL or of a subsidiary of SACL being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) SACL or a subsidiary of SACL executing a deed of company arrangement; or
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of SACL or of a subsidiary of SACL.



**(c) No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no inquiry, action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by White Energy or any associate of White Energy),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the bidder's statement (including full, lawful, timely and effectual implementation of the intentions set out in the bidder's statement) or which requires the divestiture by White Energy of any SACL Shares or any material assets of any member of the SACL group or any member of the White Energy group.

**(d) Other regulatory approvals**

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

- (1) to permit the Offer to be lawfully made to and accepted by SACL Shareholders;
- (2) as a result of the Offer or White Energy's acquisition of SACL Shares;
- (3) for SACL and each other member of the SACL group to continue to carry on its business; or
- (4) to permit the transactions contemplated by the bidder's statement to be completed (including full, lawful and effectual implementation of the intentions set out in the bidder's statement),

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

**(e) No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), SACL does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

**(f) Acquisitions, disposals and expenditures**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither SACL nor any of its subsidiaries, without the prior written consent of White Energy:

- (1) acquires, offers to acquire, agrees to acquire or announces a bid or tenders for, one or more companies, businesses or assets (or any legal, beneficial or economic interest or right

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in one or more companies, business or assets) or makes an announcement in relation to such an acquisition, offer, agreement, bid or tender excluding the acquisition of services in the ordinary course of business;

- (2) disposes of, offers to dispose of, or agrees to dispose of one or more companies, businesses or assets (or any legal, beneficial or economic interest or right in one or more companies, business or assets including any legal, beneficial or economic interest or right in or in connection with any mining tenement) or makes any announcement in relation to such a disposition, offer or agreement;
- (3) enters into, or offers to enter into, any agreement, joint venture, partnership, farm-in agreement, management agreement, arrangement or commitment which would require expenditure, or the foregoing of revenue, by any member of the SACL group of an amount or value which, in aggregate, exceeds \$0.1 million or which involves any legal, beneficial or economic interest or right in or in connection with any mining tenement of any member of the SACL group or makes an announcement in relation to such an entry, offer or agreement;
- (4) enters into, or offers to enter into, a transaction that has the same economic effect as any of the things in paragraphs (1), (2) or (3) above; or

resolves to do any of the things in paragraphs (1), (2), (3) or (4) above.

**(g) Conduct of SACL's business**

Between the Announcement Date and the end of the Offer Period (each inclusive, neither SACL nor any of its subsidiaries, without the prior written consent of White Energy:

- (1) makes any changes to its constitution or passes any special resolution;
- (2) borrows or agrees to borrow any money;
- (3) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so, other than in the ordinary course of business;
- (4) appoints any additional director to its board of directors, whether to fill a casual vacancy or otherwise;
- (5) except as required by law, does any of the following:
  - enters or agrees to enter into any contract of service, or varies or agrees to vary any existing contract of service with any director or executive officer;
  - makes or agrees to make any substantial change in the basis or amount of remuneration of any director, executive officer or other employee; or
  - except as provided under any superannuation, provident or retirement scheme or contract in effect on the Announcement Date, pays or agrees to pay any retirement benefit or allowance to any director, executive officer or other employee;
- (6) conducts its business otherwise than in the ordinary course;



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- (7) enters into, amends, or offers to enter into or amend any contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act) of SACL;
- (8) releases, discharges or modifies any substantial obligation of it to any related party (as defined in section 228 of the Corporations Act) of SACL or agrees to do so;
- (9) has threatened or threatened against it any material claims or material proceedings in any court or tribunal, including a petition for winding up or an application for appointment of a receiver or receiver and manager); or
- (10) becomes subject to investigation under the Australian Securities and Investments Commission Act or any corresponding legislation

**(h) No persons entitled to exercise or exercising rights under certain agreements or instruments**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which SACL or any subsidiary of SACL is a party, or by or to which SACL or any subsidiary of SACL or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of SACL Group taken as a whole, in:

- (1) any moneys borrowed by SACL or any subsidiary of SACL being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of SACL or any subsidiary of SACL in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified;
- (4) the assets of SACL or any subsidiary of SACL being sold transferred or offered for sale or transfer, or the assets or shares in companies, joint ventures or other entities in which SACL or a subsidiary of SACL owns or has an interest being put to SACL or a subsidiary of SACL, including under any pre-emptive rights or similar provisions; or
- (5) the business of SACL or any subsidiary of SACL with any other person being adversely affected.

**(i) No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), any matter, event or circumstance which occurs, is announced or becomes known to White Energy (individually or when aggregated with all such matters, events or circumstances) has resulted in or is likely to result in:



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- (1) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the SACL group taken as a whole; or
- (2) without limiting the generality of paragraph (1) above, the effect of diminishing the value of the consolidated net assets of the SACL group by an amount of \$1 million or more, against what they would reasonably have been expected to have been but for the matters, events or circumstances,

but does not include:

- (3) any matter, event or circumstance arising from changes in economic or business conditions (including changes in coal prices or currency exchange rates) which impacts on SACL and its competitors in a similar manner;
- (4) any change in taxation rates or the law relating to taxation, interest rates or general economic conditions which impacts on SACL and its competitors in a similar manner; or
- (5) any change in accounting policy required by law which impacts on SACL and its competitors in a similar manner.

**(j) White Energy Shareholder Approval**

Before the end of the Offer Period, White Energy's shareholders pass all Required Resolutions at one or more shareholder meetings.

**(k) Cash balance and aggregate liabilities**

At all times between the Announcement Date and the end of the Offer Period (each inclusive), SACL has:

- (1) a minimum cash balance equal to \$9.5 million less:
  - the amount of any expenses reasonably incurred between the Announcement Date and the end of the Offer Period (each inclusive) in conducting mineral exploration activities on the land to which the Exploration Licence and Retention Leases relate or otherwise in the conduct of SACL operations; and
  - the amount of any expenses reasonably incurred by SACL after 12 April 2010 in relation to this agreement, any application to any Public Authority in connection with the Takeover Bid or the Takeover Bid;and
- (2) aggregate liabilities on a consolidated basis of less than \$0.5 million.



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## DEFINITIONS

**Announcement Date** means 19 April 2010.

**Bid Implementation Agreement** means the bid implementation agreement between SACL and White Energy dated 18 April 2010.

**Exploration Licence** means the exploration licence EL 3386, issued by the Minister for Mineral Resources Development of South Australia, due to expire on 8 August 2010.

**Offer** means the offer for SACL Shares which will be contained in the bidder's statement.

**Offer Period** means the period during which the Offer remains open for acceptance.

**Public Authority** means any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world and any stock exchange.

**Required Resolutions** means such resolutions of White Energy's shareholders as are required, whether under the Corporations Act, the ASX Listing Rules or otherwise, for White Energy to implement the takeover bid by White Energy and Offer, including resolutions required under ASX Listing Rule 10.1.

**Retention Leases** means the retention leases RL 100 and RL 104 issued by the Minister for Mineral Resources Development of South Australia, due to expire on 2 October 2011 and 26 February 2013 respectively.

**SACL Share** means an ordinary share in SACL, including shares on issue as at the end of the Offer Period.



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## ANNEXURE 2 SUMMARY BID IMPLEMENTATION AGREEMENT FOR THE SACL OFFER

White Energy and SACL have entered into an implementation agreement which provides the framework for proposing and implementing the Offer. A summary of the key provisions is set out below.

### Exclusivity arrangements

The agreement contains exclusivity obligations which apply to SACL until the earlier of the end of the offer period for the Offer.

During the exclusivity period SACL must ensure that neither it nor its representatives:

- a) directly or indirectly solicit or encourage the submission of any enquiries, negotiations or discussions which might lead to obtaining any expression of interest, offer or proposal from any other person for a third party proposal;
- b) directly or indirectly enter into or participate in any discussions or negotiations with any person regarding a third party proposal;
- c) grant any other person any right to conduct due diligence in respect of it or any of its related entities;
- d) enter to any arrangement which may lead to a third party proposal; or
- e) endorse or propose to endorse any third party proposal.

SACL has also agreed that it will notify White Energy of any approach, inquiry or proposal or any attempt to initiate discussions regarding any third party proposal.

The exclusivity obligations (except the No Shop Provision) do not restrain SACL to the extent that failure to engage in the relevant conduct would, in the opinion of the SACL Board, after receiving legal advice, constitute a breach of the SACL directors' fiduciary or statutory duties.

### Conduct of business

SACL agrees to carry on its business in the usual and ordinary course to the end of the offer period and consult with and inform White Energy regarding certain material business decisions.

### Promotion of Offer

SACL has certain standard obligations to promote the Offer, such as including statements in all public statements to the effect that SACL's independent directors recommend that SACL shareholders accept the Offer subject to no superior proposal.



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## Warranties

Each party warrants to the other:

- a) that it is not aware of any circumstances that would result in any of the conditions to the Offer being triggered;
- b) the accuracy of information provided to the other party in connection with the bid;
- c) material compliance with applicable laws.

SACL also warrants to White Energy its capital structure, the status of its interests in mining tenements and that its representatives have not been involved in any negotiations concerning competing proposals.

## Termination

Either party may immediately terminate the agreement if:

- a) the other party is in material breach of the agreement and the breach is not remedied within 10 business days;
- b) White Energy lawfully withdraws the takeover bid or the takeover bid lapses for any reason.