

## **White's tough sell**

**David Symons, Sydney Morning Herald**

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CONTROVERSY is rarely far away when large related-party deals are attempted, and a \$500 million proposal for White Energy to acquire two New South Wales coal development properties controlled by five of the company's directors is no exception.

Under plans unveiled yesterday, White Energy's independent directors have been given 28 days to deliberate over an exclusive option to acquire Cascade Coal, which is 60 per cent owned by high-profile White Energy directors Travers Duncan, John McGuigan, John Atkinson, John Kinghorn and Brian Flannery.

McGuigan, Atkinson and Kinghorn made the news recently as backers of the failed Krispy Kreme doughnut venture.

The independent directors have not yet concluded whether to put the Cascade Coal acquisition to a shareholder vote, enlisting Citigroup to help with their deliberations. Deloitte will prepare an independent expert's report.

Notably, the initial market response suggests that the opportunity to purchase Cascade Coal hasn't filled shareholders with excitement.

White Energy shares closed down 2 per cent on news of the exclusive option, while MF Global Securities told clients that the Cascade proposal "is an expensive and questionable deal", and it urged shareholders to vote the deal down.

White Energy is being asked to pay \$2.87 a tonne of JORC resource at Mount Penny - pricing typically commanded by producing assets, while Cascade isn't expected to begin production until 2013.

The price tag compares unfavourably with the likes of Cockatoo Coal, which is valued by the market on similar metrics, despite production already being under way.

The deal is being marketed by White Energy as strengthening the company's "position as an emerging mid-tier coal company". But with most shareholders drawn to White Energy for its briquetting technology for upgrading waterlogged sub-bituminous coal, any acquisition of fully priced thermal coal development properties will be a tough sell.