



# White Energy Company Limited

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ASX RELEASE  
Thursday 22 October 2009

**WHITE ENERGY COMPANY LIMITED (“WEC”)  
SCHEME MEETING (OPTION HOLDERS)  
INDEPENDENT VALUATION OF OPTIONS**

Please find attached Option Valuation Report prepared by Grant Thornton dated 16 October 2009.

The number of votes each Option Holder will be entitled to a the Scheme Meeting of Option Holders will be determined by reference to the value of each Option the Option Holder holds as at the date of dispatch of the Scheme Booklet.

The value of Options has been determined by Grant Thornton using the widely accepted Cox-Ross-Rubenstein Binomial option valuation model and varies depending on the terms of the Options.

Enclosed with this letter is the option valuation report prepared by Grant Thornton. Option Holders will receive 1 vote for each \$1 value of their Options (as opposed to one vote for each Option held). The value of each Option Holders options will be calculated by Computershare on the day of the Scheme Meeting.

**For further information please contact:**

Enquiries  
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Company Secretary  
White Energy Company Limited  
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# White Energy Company Limited

Options Valuation

16 October 2009

The Directors  
White Energy Company Limited  
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16 October 2009

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Dear Sirs

## Valuations of options for White Energy Company Limited

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) has been requested by White Energy Company Limited (“WEC”) to assess the fair market value of 16,030,000 WEC options (“WEC options”) on issue as at 15 October 2009 for the purpose of determining the voting rights of WEC option holders in relation to the Proposed Option Scheme<sup>1</sup>.

Our assessment is in accordance with the Australian Equivalents to International Financial Reporting Standards (“A-IFRS”), particularly AASB 2 “Share Based Payments” (“AASB 2”) issued by the Australian Accounting Standard Board (“AASB”) in July 2004. Set out below is a summary of the fair market value of WEC Options.

WEC option valuation	Option Class						
	A	B	C	D			E
				Tranche A	Tranche B	Tranche C	
Expiry Date	30/08/10	30/11/11	12/10/10	30/11/11	30/11/11	30/11/11	7/10/13
Number of Options on Issue	4,010,000	350,000	1,250,000	2,806,667	2,806,667	2,806,667	2,000,000
Exercise price (\$)	1.20	1.20	2.50	3.50	3.50	3.50	3.65
Vesting Conditions	No	Yes	No	Yes	Yes	Yes	No
<b>Value per option</b>	1.618	1.777	0.930	0.925	0.098	0.524	1.240
Total Option Value (\$)	6,488,180	621,950	1,162,500	2,596,167	275,053	1,470,693	2,480,000

Should you have any questions in relation to this report, please do not hesitate to contact us.

Yours sincerely

GRANT THORNTON CORPORATE FINANCE PTY LTD



Andrea De Cian  
Director



Scott Griffin  
Director

<sup>1</sup> The proposed Option Scheme is in relation to the conversion of WEC Options into Asia Special Situation Acquisition Corp (“ASSAC”) options pursuant to the merger implementation agreement dated 17 August 2009 between WEC and ASSAC.

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## 1 Purpose and scope

Grant Thornton Corporate Finance has been requested by WEC to assess the fair market value of the following WEC Options as at 15 October 2009 for the purpose of determining the voting rights for WEC Option holders in relation to the Proposed Option Scheme.

	Option Class				
	A	B	C	D	E
Number of Options on Issue	4,010,000	350,000	1,250,000	8,420,000	2,000,000
Exercise price (A\$)	1.20	1.20	2.50	3.50	3.65
Expiry Date	30/08/10	30/11/11	12/10/10	30/11/11	7/10/13
Vesting Conditions	No	Yes	No	Yes	No

Source: WEC

Management of WEC have advised that Class B Options vested on 30 November 2008.

Of the 8,420,000 Class D Options, we note the following:

- management of WEC have advised that one third of the Class D Options vested on 30 November 2008 (Tranche A);
- one third of the Class D Options will vest if during the period between 30 November 2008 and 29 November 2009 the 30 days VWAP of WEC exceeds 125% of the 30 day VWAP of WEC as at 5 October 2007 of A\$2.88 per share (Tranche B); and
- one third of the Class D Options will vest if during the period between 30 November 2009 and 29 November 2010 the 30 days VWAP of WEC exceeds 130% of the 30 day VWAP of WEC as at 5 October 2007 of A\$2.88 per share (Tranche C).

Set out below is a summary of the vesting conditions of Class D Options.

Number of Class D Options	Vesting price (A\$)	Vested (Y?N?)
2,806,667 (Tranche A Options)	3.456	Yes
2,806,667 (Tranche B Options)	3.600	No
2,806,667 (Tranche C Options)	3.744	No

Source: WEC

With respect to the WEC Options, we note the following:

- each Option entitles the holder to receive one WEC Share (“WEC Share”) by paying the exercise price; and
- the share to be issued upon exercise of the Option will rank equally with other WEC Shares.

## 2 Methodology

There are a number of methodologies available to value options over shares in a company. The two most commonly used methodologies are the Black-Scholes Option Valuation Model (“Black-Scholes Model”) and the Cox-Ross-Rubenstein Binomial Model (“Binomial Model”). These models value options using a statistical analysis of the behaviour of the value of the asset (shares) over which options are held, at various points in time.

The main difference between the Black-Scholes and the Binomial Models is that the Black-Scholes Model does not take into account the ability of the option holder to exercise their options prior to expiry while Binomial Model does. Furthermore, the Black-Scholes Model does not allow for dividends payment over the life of the options. Accordingly, in our opinion the Binomial Model is more appropriate for the purpose of the valuation, and has therefore been used to value the Options.

The value of an option is then calculated as an output of the following fundamental determinants of option value:

- the market value of the underlying asset (share);
- the exercise price of the option;
- the time to expiry of the option;
- the prevailing level of the risk free interest rate;
- the expected volatility of the value of the underlying asset (share) over the period until the expiry of the option;
- the level of dividends expected to be paid on the asset (share) in the period until the expiry of the option and their timing; and
- the likelihood of the vesting conditions being achieved.

For the purpose of assessing the likelihood of the vesting conditions in relation to Tranche B and C Class D Options being achieved, we have used the Monte Carlo simulation to calculate a series of possible market prices of WEC Share between 30 November 2008 and 30 November 2009 for Tranche B Options and between 30 November 2009 to 29 November 2010 for Tranche C Options.

We have then compared the share prices estimated using the Monte Carlo simulation with the vesting condition to determine if Tranche B and Tranche C Options have vested at the different vesting dates listed above.

The Monte Carlo method is a class of computational algorithms widely used to simulate the behaviour of various physical and mathematical systems (such as share prices). They can be used to find solutions to mathematical problems with many variables by applying a large number of trials (using random numbers generated in accordance with a defined distribution) in order to converge on the most likely result.

## 2.1 Market value of the underlying asset – WEC Shares

The underlying assets of the Options are WEC Shares. For the purpose of this report, we have adopted the market value of WEC Shares at A\$2.70, being the five day volume weighted average price (“VWAP”) of WEC Shares as at 12 October 2009.

## 2.2 Option life

For the purpose of this report, we have assumed option life as the time period between the valuation date and the respective expiry date.

## 2.3 Volatility

Option pricing models require estimation of the future volatility of the value of the underlying assets (in this case WEC Shares).

The volatility is a measure of the level of fluctuation in the value of the underlying asset. The volatility is measured as the standard deviation of the underlying asset’s returns. The more volatile the underlying asset’s returns, the higher the value of the option. This is because the more volatile the underlying asset’s returns, the greater the probability there is of the option being in the money or having positive value on expiry.

In order to estimate the future volatility of a share, its historical volatility is often used as an appropriate surrogate measure of the future volatility over the term of the option. This surrogate is necessary as it is not possible to measure future volatility. However, volatility measured on an historical basis will not necessarily reflect future volatility and different investors may have different expectations about future volatility.

For the purpose of this report, we have compared the historical volatility of WEC to the volatility of a number of comparable companies as set out below:

Comparable Companies	Share Price Observation Period (years)			
	1	2	3	4
White Energy Limited	78%	69%	64%	65%
Centennial Coal Company Ltd	86%	75%	67%	61%
Coal & Allied Industries Limited	38%	43%	38%	36%
Felix Resources Limited	84%	80%	69%	64%
Gloucester Coal Limited	78%	74%	64%	59%
Macarthur Coal Limited	87%	78%	68%	62%
Whitehaven Coal Limited	73%	71%	n/a	n/a
Average	74%	70%	61%	56%
Median	81%	74%	67%	61%

*Source: Reuters and Calculations*

We have observed the share price volatility of the comparable companies based on publicly available information as at the date of this report. Furthermore, we note that the volatility of WEC is consistent with the volatility of the comparable companies as listed above. As a result, we have adopted the volatility of WEC for the purpose of assessing the fair market value of the options.

Set out below is the volatility we have adopted to value the difference classes of WEC Options:

Class	Option life remaining (nearest year)	Volatility
A	1	78%
B	2	70%
C	1	78%
D	2	70%
E	4	65%

*Source: Calculations*

## 2.4 Dividend

Having regard to the historical financial performance and based on the discussions with management of WEC, we have assumed that no dividend will be paid by WEC in the near future.

## 2.5 Risk free rate

For the purpose of assessing the risk free rate, we have selected the yield of the Australian Commonwealth Government bonds in accordance with the life of the Options as at the 12 October 2009.

The risk free rate adopted for our valuation is estimated based on the yield on one year, two year, and four year Australian Commonwealth Government Bond. We note that as at 12 October 2009 the yield on one year, two year and four year Australian Commonwealth Government Bond was 4.18%, 4.59% and 5.21% respectively. We further note that the fluctuations in the yield over the previous 15 days as at 12 October 2009 as below:

	Range	Daily Average
	%	%
<b>One year Australian Commonwealth Government Bond yields to 12 October 2009</b>		
Previous 5 trading days	4.00% - 4.18%	4.10%
Previous 10 trading days	3.78% - 4.18%	4.00%
Previous 15 trading days	3.69% - 4.18%	3.92%
<b>Two year Australian Commonwealth Government Bond yields to 12 October 2009</b>		
Previous 5 trading days	4.41% - 4.59%	4.53%
Previous 10 trading days	4.22% - 4.59%	4.44%
Previous 15 trading days	4.17% - 4.59%	4.37%
<b>Four year Australian Commonwealth Government Bond yields to 12 October 2009</b>		
Previous 5 trading days	5.02% - 5.21%	5.13%
Previous 10 trading days	4.86% - 5.21%	5.07%
Previous 15 trading days	4.86% - 5.21%	5.03%

*Source: Reuters*

Based on above, for the purpose of the valuation, we have adopted the following risk free rate to value the difference classes of the WEC Options:

Class	Risk Free Rate
A	4.18%
B	4.59%
C	4.18%
D	4.59%
E	5.21%

## 2.6 Likelihood of WEC achieving the vesting conditions

For the purpose of assessing the likelihood of WEC achieving the share price hurdles in relation to Tranches B and C of Class D WEC Options, Grant Thornton Corporate Finance has applied the Monte Carlo analysis to simulate the future price of WEC Shares having regard to the following:

- five days VWAP of WEC Share price of \$2.70 as at 12 October 2009 (section 2.1);
- option life of one years for Tranche B and Tranche C Options (section 2.2);
- our assessed volatility of Class D options of 70% (section 2.3);
- nil dividend yield of WEC Shares (section 2.4); and
- the yield of two year Australian Commonwealth Government Bond of 4.59% as at 12 October 2009 (section 2.5).

With respect to the Monte Carlo simulation, we have undertaken a large number of trials (10,000) involving randomly generated numbers conforming to a defined lognormal distribution and have determined the likely WEC Share price following each trial. We have then compared the likely WEC share price following each trial to the required WEC share price to derive the likelihood of WEC achieving the share price hurdles.

We note that the Monte Carlo simulation only considers the achievement of the relevant hurdle share price on a one-off basis (that is – the achievement of the hurdle share price for one market trade), as opposed to the achievement of a particular VWAP. The VWAP clearly represents a more difficult hurdle to achieve than a one-off trading price. Accordingly, we have applied a discount factor to our valuation assessment of the Tranche B and Tranche C D Class WEC Options to take into account the probability of the share price to achieve the required 30-day VWAP.

## 2.7 Summary of the valuation of the Options

Based on the above, we have assessed the fair market value of the Options as below:

WEC option valuation	Option Class						
	A	B	C	D			E
				Tranche A	Tranche B	Tranche C	
Grant Date	22/12/06	2/05/08	21/01/08			17/12/07	7/10/08
Expiry Date	30/08/10	30/11/11	12/10/10	30/11/11	30/11/11	30/11/11	7/10/13
Valuation Date	12/10/09	12/10/09	12/10/09	12/10/09	12/10/09	12/10/09	12/10/09
Number of Options on Issue	4,010,000	350,000	1,250,000	2,806,667	2,806,667	2,806,667	2,000,000
Exercise price (\$)	1.20	1.20	2.50	3.50	3.50	3.50	3.65
Underlying Share Price*	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Vesting Conditions	No	Yes	No	Yes	Yes	Yes	No
Volatility	77.5%	70.0%	77.5%	70.0%	70.0%	70.0%	65.0%
Risk free rate	4.18%	4.59%	4.18%	4.59%	4.59%	4.59%	5.21%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Value per option</b>	1.618	1.777	0.930	0.925	0.098	0.524	1.240
Total Option Value (\$)	6,488,180	621,950	1,162,500	2,596,167	275,053	1,470,693	2,480,000

\* five days volume weighted average price of WEC

Source: Calculations

### **3 Sources and information, disclaimer and consents**

#### **3.1 Sources of information**

In preparing this report Grant Thornton Corporate Finance has used various source of information, including:

- WEC Proposed Option Scheme;
- Reuters; and
- Other publicly available information.

#### **3.2 Limitations and reliance on information**

Grant Thornton Corporate Finance, a wholly owned subsidiary of Grant Thornton Australia Limited, provides advice in relation to all aspects of valuations and has extensive experience in the valuation of public and private companies.

This report has been prepared solely for the purpose set out in Section 1 of this report. In accordance with our normal practice, we hereby expressly disclaim liability to any persons other than the management and Directors of WEC. The information contained in this report may not be relied upon or used by anyone other than the management of WEC in any matter whatsoever without the prior written consent of Grant Thornton Corporate Finance.

In accordance with normal professional practice, neither Grant Thornton Corporate Finance, Grant Thornton Australia Limited, nor any member or employee thereof undertakes responsibility in any way whatsoever to any person other than the management of WEC in respect of this report. Neither the whole of this report or any part thereof or any reference thereto may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Our conclusions are based on the assumptions stated and on information provided by the management of WEC. Neither Grant Thornton Corporate Finance, Grant Thornton Australia Limited nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of errors in this report arising from incorrect information provided by the management of WEC.

The directors of WEC have provided an indemnity to us for any claims arising out of any mis-statement or omission in any material or information provided to us in the preparation of this report.

In the preparation of this report we have relied upon and considered information believed after due enquiry to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us.

We do not imply and it should not be construed that we have verified any of the information provided to us, or that our enquiries could have identified any matter which a more extensive examination might disclose. We have however evaluated the information provided to us by the management of WEC as well as other parties through enquiry and analysis in order to consider whether anything comes to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report.

The financial forecasts used in the preparation of this report reflect the judgment of the management of WEC, based on present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

## Appendix A – Comparable companies

Company	Description
Centennial Coal Company Limited	Centennial Coal Company Limited is engaged in mining and marketing of coal to Australian and export markets. The company supplies thermal and coking coal to the domestic and export markets. Centennial is a fuel supplier to the New South Wales energy industry. Centennial sells approximately 25-30% of its coal into the export market. Coal is exported through ports at Newcastle and Port Kemble in New South Wales. The company's customers include power stations and steel mills in Japan, Korea, Europe and South America.
Coal & Allied Industries Limited	Coal & Allied Industries Limited is engaged in coal mining and related coal preparation activities, and marketing of coal produced. The company has three operations in the Hunter Valley region of New South Wales, which include Mount Thorley Warkworth, Hunter Valley Operations and Bengalla. Mount Thorley Warkworth is an operation of two open cut mines located adjacent to each other, 15 kilometers southwest of Singleton in the Hunter Valley region. Hunter Valley Operations is a multi-seam, multi-pit open cut mining operation located in the Hunter Valley region, 24 kilometers northwest of Singleton and 110 kilometers from Newcastle.
Felix Resources Limited	Felix Resources Limited is an Australian based company. The company is engaged in identifying, developing and operating resource related projects. The company's operations include exploration for and extraction of coal resources, and is based in Australia. The company's subsidiaries include Auriada Limited, Balhoil Nominees Pty Ltd, SASE Pty Ltd, Minerva Coal Pty Ltd and Tonford Pty Ltd.
Gloucester Coal Ltd	Gloucester Coal Ltd is an Australian based company. The company is engaged in the production and marketing of Gloucester coking and thermal coal from the Stratford Mine comprising the Bowens Road North pit, Roseville pit and co-disposal, and from the Weismantel pit at the Duralie Mine. Gloucester Coal owns more than 5,500 hectares of land in the Gloucester Basin for prospective development. The company operates in the coal mining segment. The coal mining activity is conducted within the Gloucester Basin of New South Wales, Australia and the related revenue is derived from the sale of coal to overseas and domestic customers.
Macarthur Coal Limited	Macarthur Coal Limited is an Australian based company. The company is engaged in exploration, project evaluation, project development and coal mining activities in Queensland's Bowen Basin. The company is producer of seaborne low volatile pulverized injection coal used for steel making. As a supplier to the steel producers, Macarthur Coal exports its entire product worldwide. The company operates two mines in Queensland's Bowen Basin. Coal sales and marketing are undertaken globally. The company also produces thermal and coking coal.
Whitehaven Coal Limited	Whitehaven Coal Limited is engaged in the development and operation of coal mines in New South Wales. During the fiscal year ended June 30, 2009, the company completed the development of and began operating from the Rocglen and Sunnyside mines. The company operates five open cut mines, Canyon, Tarrawonga, Werris Creek, Rocglen and Sunnyside, and is developing the Narrabri North underground mine.

Source: Reuters