

**Business Spectator**  
**Coal finds its energy**  
**May 14, 2009**

As exciting as it is, the stoush between Noble Group and Gloucester Coal is not the only game in charcoal town, with Linc Energy set to acquire a 92,059 acre coal tenement and White Energy Company signing a deal which will see US giant Peabody Energy taking a 15 per cent stake in the coal technology company.

Both deals centre on the Powder River Basin of Wyoming, where White Energy and Peabody, the world's largest non-government coal producer, will develop a coal upgrading plant. Under the terms of White Energy's agreement with the NYSE-listed firm, a number of other clean coal plants will be built in the US and China following the project at Powder River: a 20 million tonne per annum operation that White Energy says will be the world's largest such plant.

Linc Energy's purchase agreement will, meanwhile, see it acquire a 100 per cent interest of an estimated 7 billion to 8 billion tonne exploration target for \$US5 million. The purchase of the target, currently owned by Wyoming corporation GasTech, is subject to remaining due diligence enquiries, with settlement of the transaction expected in about 60 days, Linc said in an announcement.

There are also several developments in coal seam gas with Liquefied Natural Gas completing the placement of 17 million shares at 56 cents each, raising \$9.52 million. The capital raising, arranged by Paterson Securities as lead manager and Bell Potter Securities as co-manager, will give LNG extra funds to develop its Fisherman's Landing gas plant near the port of Gladstone.

LNG's largest shareholder, the NASDAQ and Oslo-listed Golar LNG, did not participate in the placement, but Arrow Energy, the company's second largest investor with 9.7 per cent of LNG's shares, is seeking approval from its investors to place 2 million shares.

It was rumoured in Breakfast Deals this morning that Arrow's 30 per cent shareholder Shell Australia may also be planning to build a four-train LNG facility at Gladstone. If true, it could herald the full takeover of a number of small and mid-tier coal seam gas companies that will ship to Gladstone, including Arrow Energy. Earlier this year, Arrow lost a bid for Pure Energy Resources to BG Group, which is building a two-train facility at Gladstone.

Finally, the stoush between Noble Group and Gloucester Coal continues to unfold with Gloucester, the target, reporting that rival bidder Whitehaven Coal has upped its stake from 10.6 per cent of issued capital to 26 per cent.

To be fair, Whitehaven is not really a bidder, but a peer that Gloucester seeks to merge with via a reverse takeover that effectively values Gloucester shares at \$4.83 each. The Whitehaven deal is much to the chagrin of Noble, which owns 21.7 per cent of Gloucester and had proposed an alternative \$6 per share all cash offer. A series of applications to the Takeovers Panel and, most recently, to the High Court, have seen Gloucester made to state its recommendation by a May 20 deadline.

And to add an extra twist there are persistent rumours that International Coal Ventures, a joint venture of ten leading Indian coal firms, is interested in Gloucester, along with a number of unnamed Chinese parties. International Coal Ventures has been looking to buy up coal assets across the world and has retained a panel of advisors from Merrill Lynch, Royal Bank of Canada, RBS, UBS, Citi and Deutsche Bank.

An independent expert's report by PricewaterhouseCoopers is due on Monday. Gloucester is otherwise being advised by Campbell Stewart at UBS and Tony Damian from Freehills, while Noble is receiving advice from Andrew Clarke and Chris Fraser of Citigroup and Karen Evans-Cullen and John Elliott from Clayton Utz. Whitehaven has retained Doug Bartlett and Atagün Bensan from Grant Samuel, along with Wayne Seabrook from Wilson HTM and Damien Clarke from McCullough Roberts.