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White Energy (WEC)

Game-changing transaction

Analyst

Fleur Grose 612 8224 2845

Authorisation

Peter Chapman 612 8224 2847

Recommendation

Spec Buy

Price

\$3.29

Target (12 months)

\$4.50

WEC has announced changes which will see it become a 'coal' company rather than a 'coal technology' company, led by a proven management team, with a stronger balance sheet. WEC is now well positioned to grow its existing business and potentially acquire further coal resources. We have increased our target price to \$4.50 due to an expected re-rating.

Expected Return

Capital growth **37%**

Dividend yield **0%**

Total expected return **37%**

Company Data & Ratios

Enterprise value **\$713m**

Market cap **\$775m**

Issued capital **236m**

Free float **70%**

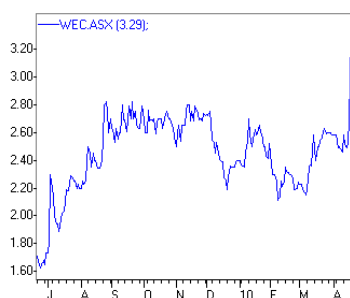
12 month price range
\$1.40-3.29

GICS sector

Materials

Disclosure: SCE acted as a manager of a placement of 36.7m shares to raise A\$55m in May 2009, and 416 shares to raise A\$100m in November 2009 and received a fee.

Absolute Price



SOURCE: IRESS

Becoming a coal miner through offer for ex-FLX assets

WEC has made a take-over offer for South Australian Coal (SACL), the assets spun out of FLX, and still held by FLX shareholders. SACL has a resource of 515Mt of sub-bituminous coal, which is suitable for WEC's briquetting technology, and could be exported as high quality thermal coal through Adelaide. Through this transaction WEC will for the first time directly own coal resources. WEC has offered the equivalent of 20cps via a scrip offer which could increase to 45cps if 1Bt of additional resources are proven up by December 2011. WEC can afford to pay above the 10cps value of the SACL dividend, as its upgrading technology can increase the value of the resource.

Ex-FLX management to lead WEC to the next level

Travers Duncan and Brian Flannery, ex-FLX, will become Chairman and CEO respectively, and the current incumbents will become non-exec directors. Other FLX directors Hans Mende and John Kinghorn will also join the board. The new board is one of the most experienced and successful coal management teams globally. Through a placement at \$2.50, the new directors will invest \$94.3m into WEC, a further sign of their commitment.

Earnings Forecast

Year end June	2009a	2010e	2011e	2012e
NPAT (reported) (A\$m)	-27.6	-12.6	17.1	70.1
NPAT (adjusted) (A\$m)	-27.6	-12.6	17.1	70.1
EPS (adjusted) (cps)	-16.9	-4.8	5.3	18.3
EPS growth (%)	13.3	-0.7	-2.1	2.5
PER (x)	na	na	60.6	17.4
P/CFPS (x)	na	na	57.6	16.9
EV/EBITDA (x)	na	na	55.6	11.1
Dividend (¢ps)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	-33.5	-3.9	4.3	11.5

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Potential to become a major Aussie miner

Potential 4Bt coal resource in South Australia

Offer for South Australian Coal spun out of FLX

WEC has announced an offer for South Australian Coal (SACL), the entity spun out of FLX after the other assets were acquired by Yanzhou Coal in 2009. The company owns a large deposit of sub-bituminous coal on EL 3386. The Lake Phillipson Coal deposit has JORC resources of 515Mt (majority inferred), but earlier work suggests the size of the deposit could be 4Bt. The area is also prospective for minerals.

There are several risks associated with EL 3386 but we do not see this as an impediment to further development. The EL is located within the Woomera Prohibited Area, and special permission from the Department of Defence is required for access, but this is also the case for other mines in the precinct including Challenger and Prominent Hill. The EL expires in August 2010, but SACL has applied to extend the licence. There is a native title claim over the area and there is a significant site listed on the register of Aboriginal Site and Objects.

Coal suitable for WEC upgrading process

Complementary to WEC business

WEC's coal upgrading process is designed specifically for sub-bituminous coal like that at Lake Phillipson. Hence there is the potential to mine and upgrade this coal to export quality. Located on the Adelaide–Darwin railway, it would be possible to export through Adelaide, Darwin or Whyalla. There is also the potential to sell coal in the domestic market as the nearby Leigh Creek mine is in decline, and power requirements in the area are expected to increase with growing mining activity. With resource potential expected to be up to 4Bt, there would be enough coal for other gasification or coal to liquids applications.

SACL is worth more to WEC than any other miner

Positive for SACL shareholders

SACL shareholders have been offered WEC scrip which is equivalent to **20cps** for each SACL share. There is potential to increase the offer if additional resources are defined by December 2011. If the resource increases by a further 500Mt, SACL shareholders will receive further WEC shares to the value of **13c** for each SACL share. If the resource increases by a further 500Mt again, SACL shareholders will receive further WEC shares to the value of **13c** for each SACL share. If the resource increases are less, shares will be offered on a pro-rata basis. The total potential offer is therefore **45cps**.

This is greater than the independent expert's valuation determined in September 2009 of **8.3cps - 11.1cps**, and the value of the SACL dividend of **c.10cps**. This was derived using the \$10m of cash, plus a resource multiple of \$0.029/t, (the range for comparable companies of \$0.013 – 0.108/t) and a discount of 20-50% to account for the limited marketability of the sub-bituminous coal.

We believe that WEC should be offering SACL shareholders a premium to the dividend value as a) coal equities have risen and the comparable range is now \$0.016 – 0.194/t, and b) the resource is worth more to WEC as it has the technology to upgrade the coal to export quality. SACL shareholders will probably accept this attractive offer.

SACL shareholders have the option to accept cash rather than shares but only up to a value of \$10m for all shareholders. With WEC shares trading above the offer price, it would be more valuable to accept the scrip.

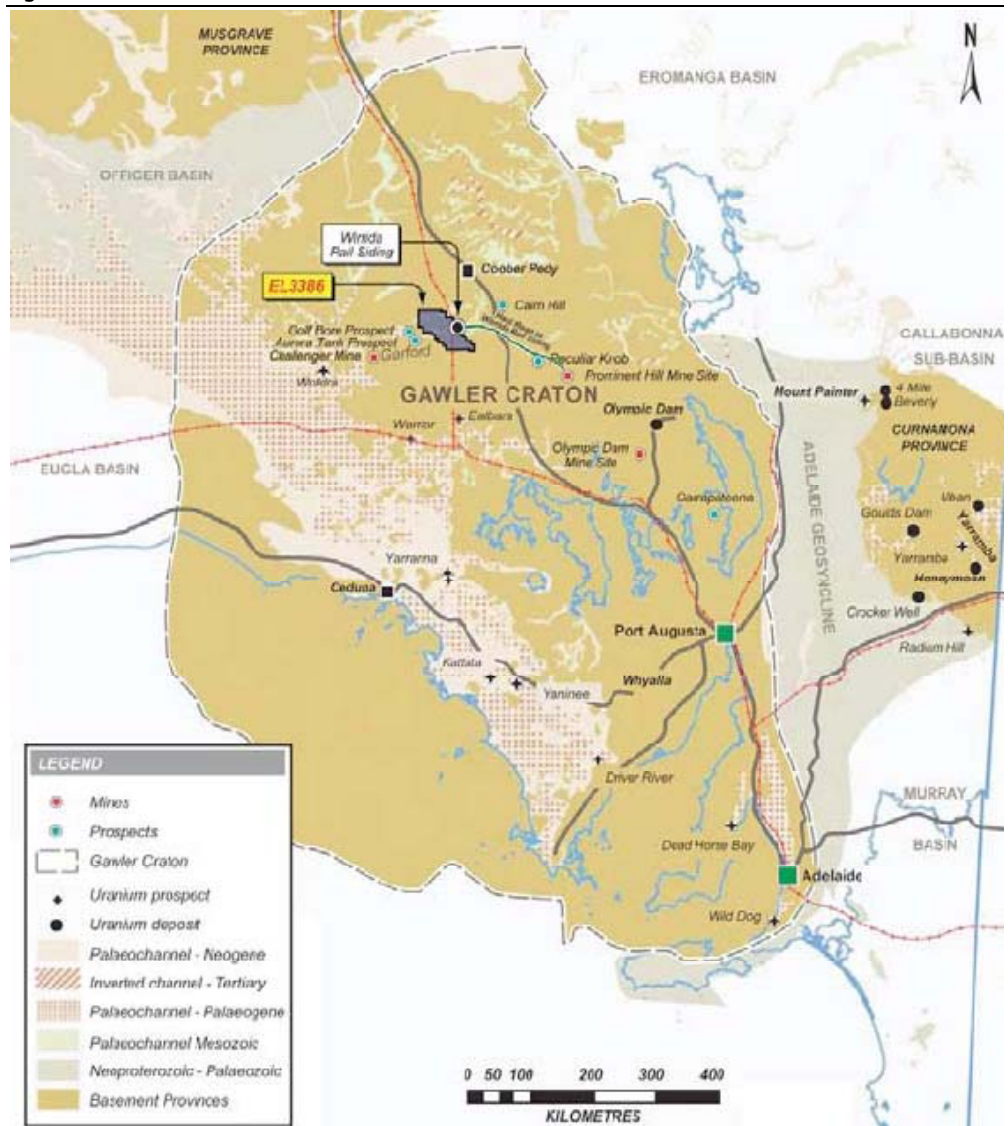
WEC owns its own resources

Positive for WEC shareholders

The benefit of the transaction to WEC shareholders is that the company then owns its own resource, and has the potential to become a miner in its own right. The current resource could support 15x1Mtpa modules for >20 years to produce export quality thermal coal. In one transaction WEC has the potential to become one of Australia’s largest independent coal producers, with potential attributable coal production in Australia alone of 15Mtpa, the same as CEY. With additional resources expected to be identified, this potential production could increase, or other applications could be found like gasification or coal to liquids.

The SACL shareholders are the same as the FLX shareholders, and with directors and management accounting for 69%, we would expect the >90% acceptance requirement to be achieved.

Figure 1 – Location of EL 3386



SOURCE: SACL INFORMATION MEMORANDUM

Figure 2 – Offer summary

	Resource	SAC value	WEC share price	New WEC shares	SACL shares	SAC share value
	Mt	A\$m	A\$/sh	m	m	A\$/sh
Initial offer	515	39.25	2.50	15.7	196.6	0.1996
Potential upgrade	1015	24.92	2.80	8.9	196.6	0.1267
Potential upgrade	1515	25.11	3.10	8.1	196.6	0.1277
		89.28		32.7		0.4541

SOURCE: COMPANY

Proven coal managers to lead WEC

Former Felix Directors to take Chairman and MD role

Several management changes will be made to equip WEC for its next phase of growth. Travers Duncan, current non-executive director, and former FLX Chairman will become Chairman of WEC. Brian Flannery, former MD of FLX, will become CEO and executive director of WEC. Mr Flannery resigned from his current position with Yanzhou Coal last week, and will assume his new role in August 2010. Ex FLX board members, John Kinghorn and Hans Mende will also join the WEC board in non-executive roles. Current Chairman John McGuigan, current MD John Atkinson, and current director Graham Cubbin will remain on the Board in non-executive roles.

Brian Flannery, Travers Duncan and Hans Mende all have extensive experience in the coal industry and an enviable history of value creation throughout their respective careers. We believe their decision to join WEC in these new roles highlights the potential of WEC's opportunity, and their association with the company should attract the additional talent required for the company's next phase of growth.

Travers Duncan, 76, is a civil engineer with over thirty five years experience in project management of large mining and infrastructure development projects in Australia, Indonesia, Papua New Guinea and India.

Brian Flannery, 58, is a mining engineer with more than thirty five years experience in the development, engineering, construction and management of open-cut and underground mining projects in Australia and overseas.

Hans Mende, 65, has been President and CEO of AMCI (USA), since he co-founded the company in 1986, and remains one of its largest shareholders. He is also a director of several mining companies globally including Whitehaven Coal.

John Kinghorn, 68, a qualified Chartered Accountant, founded the Allco Finance group, RentWorks Limited group and the RAMS Home Loans group. He is presently Chairman and director of several publically listed companies.

New board members invest \$94.3m in WEC

In addition to joining the board, interests associated with Travers Duncan, Brian Flannery and John Kinghorn have agreed to invest in WEC through a \$75m placement at \$2.50.

SACL shareholders will be offered the right to subscribe to additional WEC shares at \$2.50. Major shareholders Travers Duncan and Brian Flannery will not take up their rights as they are participating in the placement. Hans Mende who acts for AMCI Capital which owns 19.14% of SACL, has stated its intention to accept the offer, investing \$19.3m in WEC. If the other SACL shareholders take up all their rights, an additional \$50.6m could be raised by WEC.

Figure 3 Brian Flannery, Travers Duncan, Hans Mende, John Kinghorn Figure 4 – Board Changes



Existing Board		New Board	
John McGuigan	Ch.	Travers Duncan	Ch.
John Atkinson	MD	Brian Flannery	MD
Travers Duncan	Non Exec.	Hans Mende	Non Exec.
Graham Cubbin	Non Exec.	John Kinghorn	Non Exec.
		John McGuigan	Non Exec.
		John Atkinson	Non Exec.
		Graham Cubbin	Non Exec.

The new look WEC

An owner of resources and potential aussie production

With the acquisition of SACL, WEC will become the owner of a substantial coal resource. It therefore becomes more like a coal company than a technology company, and that should drive a re-rating.

Substantial cash balance

The initial cash injection from the new board members will enable work to be progressed on the Lake Phillipson resource, support the current global roll-out plan, and provide the flexibility for potential acquisitions of other sub-bituminous coal resources suitable for the upgrading technology.

Figure 5 – Cash

	A\$m
WEC existing cash	113.0
Initial cash injection	94.3
Sub Total	207.3
Further potential cash from subscription offer	50.6
Potential cash from SACL offer	10.0
Total	267.9

SOURCE: COMPANY AND SCE ESTIMATES

Existing shareholdings diluted

We note that the current WEC shareholders will be diluted by the SACL transaction, with the exception of Gaffwick and Ganra which represent the interests of Travers Duncan and Brian Flannery respectively. However, we expect greater share price appreciation.

Figure 6 – Significant shareholders

WEC existing significant shareholders			New significant shareholders		
M&G Group	23,577,048	10.0%	Gaffwick Pty Ltd	28,791,109	8.8%
Bank of New York Mellon	19,957,501	8.5%	Ganra Pty Ltd	28,288,215	8.7%
Matthew and Kylie Szulik	19,187,050	8.1%	M&G Group	23,577,048	7.2%
National Nominees Limited	18,362,387	7.8%	Bank of New York Mellon	19,957,501	6.1%
Citicorp Nominees Pty	13,311,949	5.7%	Matthew and Kylie Szulik	19,187,050	5.9%
Gaffwick Pty Ltd	13,810,448	5.9%	National Nominees Limited	18,362,387	5.6%
Ganra Pty Ltd	13,390,492	5.7%	AMCI Capital LP	13,902,838	4.3%
Total issued shares	235,516,184		Citicorp Nominees Pty	13,311,949	4.1%
			John Kinghorn	10,000,000	3.1%
			Assumed total issued shares	326,132,548	

SOURCE: COMPANY AND SCE ESTIMATES

Significant potential valuation upside

To calculate the impact on our WEC valuation, we have assumed 37.2m additional shares issued as part of the total SACL offer and 58m additional shares issued as part of the placement, and \$145m is raised through the offer. We have also added a nominal \$40m value for SACL.

As new shares have been issued at \$2.50, well below our valuation, the transaction appears dilutive. Our new 7 plant valuation is \$4.42, 9% lower than previously, and our new 45 plant valuation is \$13.55, 22% lower than previously.

This apparent dilution is offset by the valuation of SACL which should grow substantially over time, and has the potential even without resource increases to support 15Mt of upgraded coal for >20 years. A quick calculation suggests that this could be worth \$7.70ps, but we will look at the Bidders Statement before adding a higher value.

Figure 7 – DCF valuation - initial target of 7 plants

WEC	A\$m	A\$/sh	A\$/sh +1yr	A\$/sh +2yr
Bayan 5Mt (51%)	763	1.94	2.22	2.60
Buckskin 1Mt (100%)	451	1.15	1.12	1.22
Peabody 1Mt (55%)	106	0.27	0.30	0.39
SACL	40	0.10	0.10	0.10
Corporate	-145	-0.37	-0.36	-0.35
Options	316	0.81	0.81	0.81
Net Cash	207	0.53	0.44	0.34
Total	1738	4.42	4.61	5.10

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Figure 8 – DCF valuation - current 5 year development concept

WEC	A\$m	A\$/sh	A\$/sh +1yr	A\$/sh +2yr
KSC 15Mt (51%)	2064	5.25	5.87	6.61
Peabody 20Mt (55%)	1585	4.04	4.44	4.95
Buckskin 8Mt (100%)	1050	2.67	2.94	3.36
Black River 2Mt (51%)	204	0.52	0.57	0.63
SACL	40	0.10	0.10	0.10
Sub Total	4944	12.58	13.92	15.65
Corporate	-145	-0.37	-0.36	-0.35
Options	316	0.81	0.81	0.81
Net Cash	207	0.53	0.44	0.34
Total	5322	13.55	14.81	16.44

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Pricing like a coal stock becomes more relevant

In our last note we considered what WEC could be worth if it delivered on a conceptual roll out of 45 upgrading plants over 5 years, had attributable coal production of 27Mt, and was priced like a coal stock. Some readers questioned if that was justified as WEC doesn't own its own resources. Now that this is likely to change, we have included and updated this analysis.

Figure 9 – WEC implied share price using coal comps

Production Level	Attrib. Sales Mt	EBITDA A\$m	Production Multiple	Implied EV A\$bn	Implied Price A\$/sh	Cash Multiple	Implied EV A\$bn	Implied Price A\$/sh	Average Implied Price A\$/sh
5 at Tabang	2.60	130	0.43	1.11	2.81	12	1.56	3.97	3.39
7 funded plants	4.10	205	0.43	1.74	4.43	12	2.46	6.26	5.35
"5 year" plan	27.15	1358	0.43	11.54	29.36	12	16.29	41.45	35.41
SACL potential	15.00	844	0.43	6.38	16.22	12	10.13	25.77	21.00
"5 year plan" + SACL	42.15	2202	0.43	17.91	45.58	12	26.42	67.22	56.40

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Investment View

WEC has underperformed its coal peers. Specifically we believe this is due to the delay in getting to full production at Tabang, and making the first coal sales, which would demonstrate the commerciality of the technology. However it is also likely due to the structure of the company, matters which have been addressed in today's announcement. We therefore expect the changes to be a key catalyst for a re-rating. As such we have increased our price target to \$4.50 which is supported by our base valuation, and our coal comparables analysis.

Catalysts

Over the next 12 months we expect the following milestones

- First sales of KSC Tabang product in May 2010
- KSC Tabang plant at full capacity July 2010
- Brian Flannery takes over as MD in August 2010
- Decision by KSC to expand Tabang to 5 plants to be made by July 2010 and commencement of construction in H2 2010
- Submission of permits for US plants July 2010

White Energy

Company Description

White Energy Company is the exclusive worldwide license holder of the patented White Coal Technology, a mechanical process which uses drying and briquetting to convert poor quality coal into a higher value, cleaner product. The low cost process allows WEC and its partners to take advantage of the price differential between low and high quality coals.

White Energy has reached agreements with major coal producers globally to commercialise the technology. A 1Mtpa module has been constructed in Indonesia in a JV with Bayan Resources (WEC 51%). Agreements have been reached to build an initial 1Mtpa module in partnership with Peabody in the US, Adaro/Itochu in Indonesia, Datang in China, and Buckskin in the US. All partners have expressed interest in growing capacity rapidly beyond the initial level. The current priorities are expanding the Bayan capacity to 5Mtpa, obtaining permits for the first module at Buckskin, and finalising arrangements with Peabody by mid 2010.

Investment Strategy

We rate White Energy a Speculative Buy with a target price of A\$4.50. The Bayan module is due to be in full production by end July 2010, and the first coal sale is expected to be a key catalyst for the stock's performance over the next 12 months.

Valuation

Our valuation for 7 Mtpa of capacity is A\$4.42, and for 45Mtpa of capacity is A\$13.55.

Risks

Risks include, but are not limited to:

- **Protection of Intellectual Property.** White Energy has patent protection over the drying and briquetting (mechanical) technology which is valid for another 16 years. However we do acknowledge that this does not provide guaranteed protection over intellectual property. We believe WEC has a five year window in which to establish the White Coal Technology in the market place before competitors may emerge, and capitalising quickly on the first mover advantage should be the best defence.
- **Funding.** WEC has funding to support 7Mtpa of capacity. Thereafter, debt equity, and cash flow funding are options.
- **Technology.** We believe the process risks are minimal given that a 90kt commercial scale plant is already operating in Cessnock and this is representative of the design and construction of a full scale plant. The upsize to a 1Mtpa plant involves adding a larger number of discrete briquetting units in parallel which minimises any upscale risk.
- **Altering the coal supply/demand dynamics.** The size of the seaborne thermal coal market is currently 700Mt, hence the planned 14Mt capacity should have a minimal impact on the supply dynamics and prices. Product from the US plant is for the domestic market.

WEC Chart Pack

Figure 10 – Simplistic comparison of coals

	Bituminous Coal	Sub-bituminous Coal	White Coal
Age	Older	Younger	
Moisture Content	Lower	Higher	Lower
Energy Content	Higher	Lower	Higher
Pollutants	Higher	Lower	Lower
Price	Higher	Lower	Higher
Market	Export	Domestic	Export

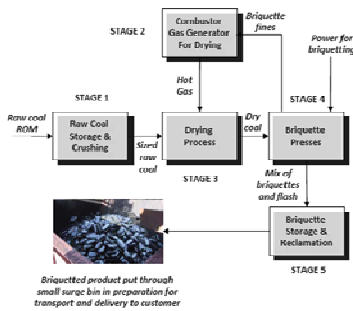
SOURCE: SCE

Figure 11 – Tabang Plant commissioned



SOURCE: COMPANY

Figure 12 – White Coal process



SOURCE: COMPANY

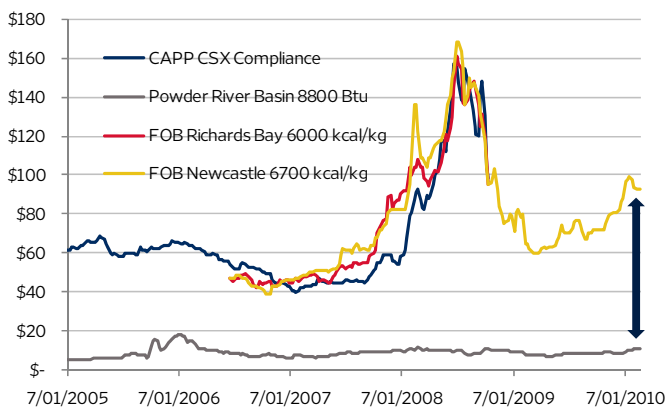
Figure 13 – White Coal Economics in US\$

	Indonesia	Buckskin	Peabody
Capex US\$m*	55.00	80.00	80.00
Input cost coal / upgraded tonne	12.60	18.50	18.50
Processing Cost	6.00	10.00	10.00
Transport/Maintenance	15.00	6.00	6.00
Total Cost	33.60	34.50	34.50
Margins at Sales price US\$/t			
50	16.40	15.50	15.50
60	26.40	25.50	25.50
70	36.40	35.50	35.50
80	46.40	45.50	45.50
90	56.40	55.50	55.50
100	66.40	65.50	65.50
EBITDA Margin at current prices	168%	103%	103%
Years payback at current prices	0.98	2.25	2.25
WEC share	51%	100%	55%

* Inc. power plant for Indonesia

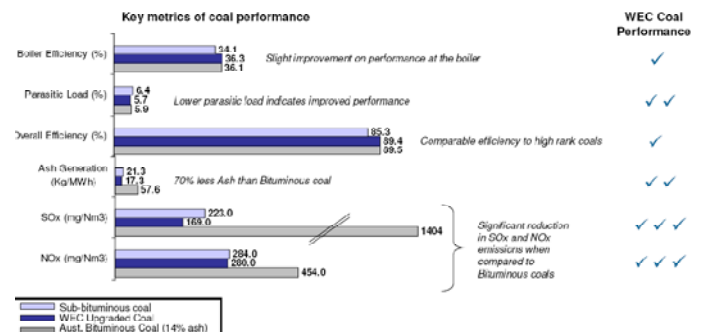
SOURCE: SCE

Figure 14 – Coal price arbitrage



SOURCE: BLOOMBERG

Figure 15 – White Coal is more efficient and has lower contaminants



SOURCE: WEC

Table 1 - Financial summary

White Energy (WEC)						Share price:					3.29	
As at						19-Apr-10					Market Cap (diluted shares):	\$ 1,293
PROFIT AND LOSS (A\$m)						VALUATION DATA						
Y/e June 30	2009a	2010f	2011f	2012f	2013f	Y/e June 30	2009a	2010f	2011f	2012f	2013f	
Sales revenue	0	0	56	189	596	Net profit adj (A\$m)	-28	-13	17	71	229	
EBITDA	-18	-16	19	102	348	EPS (c)	-17	-5	5	19	58	
Depreciation	-4	0	-1	-4	-17	EPS growth (%)	13	-1	-2	3	2	
EBIT	-22	-16	18	98	332	P/E ratio (x)	na	na	62	18	6	
Net Interest Expense	-2	-2	7	4	-4	CFPS (c)	na	-6	6	19	63	
Pre-tax profit	-27	-18	24	102	328	Price/CF (x)	na	na	59	17	5	
Tax	0	5	-7	-31	-98	DPS (c)	0	0	0	0	0	
Net Profit	-27	-13	17	71	229	Yield (%)	0	0	0	0	0	
Adjustments	-1	0	0	0	0	Franking (%)	0	0	0	0	0	
SCEQ adj profit	-28	-13	17	71	229	EV/EBITDA	na	na	55.7	10.4	3.8	
One-off items	0	0	0	0	0	EBITDA margin (%)	na	na	34	54	58	
Reported net profit	-28	-13	17	71	229							
CASHFLOW (A\$m)						Valuation per share:						13.55
Y/e June 30	2009a	2010f	2011f	2012f	2013f	A\$ Target price (12 mth):						4.50
Receipts from customers	1	0	56	190	596	<i>Total Return (including yield):</i>						37%
Payments to suppliers	-15	-19	-37	-88	-248	PROFITABILITY RATIOS						
Net interest	-4	-1	7	4	-4	Y/e June 30	2009a	2010f	2011f	2012f	2013f	
Tax paid	0	2	-7	-31	-98	EBITDA/sales (%)	na	na	34	54	58	
Other	0	0	0	0	0	EBIT/sales (%)	na	na	32	52	56	
Operating cashflow	-18	-18	18	76	246	Return on assets (%)	na	na	3	8	14	
Capex	-77	-10	-81	-282	-519	Return on equity (%)	-34	-4	4	10	24	
Investments	0	0	0	0	0	Return on funds empl'd (%)	-24	-10	8	15	23	
Asset sales	0	0	0	0	0	Dividend cover (x)	0	0	0	0	0	
Other	-3	0	0	0	0	Effective tax rate (%)	0	30	30	30	30	
Investing cashflow	-79	-10	-81	-282	-519	LIQUIDITY AND LEVERAGE RATIOS						
Change in borrowings	44	-5	-10	100	456	Y/e June 30	2009a	2010f	2011f	2012f	2013f	
Equity raised	37	271	93	216	0	Net debt/(cash) (\$m)	32	-196	-227	-236	37	
Dividends paid	0	0	0	0	0	Net debt/equity (%)	38	-61	-52	-33	4	
Other	10	-11	0	0	0	Net interest cover (x)	-5	-8	-3	-22	81	
Financing cashflow	90	255	83	316	456	Current ratio (x)	1	9	10	13	19	
Net change in cash	-7	227	20	109	183	VALUATION (10% d.r.)						
Cash at end of period	26	254	274	383	566	WEC	A\$m	A\$/sh	A\$/sh +1yr	A\$/sh +2yr		
BALANCE SHEET (A\$m)						KSC 15Mt (51%)	2064	5.25	5.87	6.61		
Y/e June 30	2009a	2010f	2011f	2012f	2013f	Peabody 20Mt (55%)	1585	4.04	4.44	4.95		
Cash	26	250	270	379	562	Buckskin 8Mt (100%)	1050	2.67	2.94	3.36		
Receivables	13	13	13	13	13	Black River 2Mt (51%)	204	0.52	0.57	0.63		
Inventories	0	0	0	0	0	Sub Total	4944	12.58	13.92	15.65		
Investments	0	0	0	0	0	Corporate	-145	-0.37	-0.36	-0.35		
Other	0	0	0	0	0	Options	316	0.81	0.81	0.81		
Current assets	39	263	283	392	575	Net Cash	207	0.53	0.44	0.34		
PPE	128	142	222	500	1002	Total	5322	13.55	14.81	16.44		
Investments	0	0	0	0	0	SEGMENTALS						
Intangibles	53	53	53	53	53	Base Case Production	2009a	2010f	2011f	2012f	2013f	
Other	1	1	1	1	1	Briquettes Mt (100%)						
Non-current assets	182	196	276	554	1056	Black River	0.0	0.0	0.0	0.0	1.5	
Total assets	222	459	559	947	1631	KSC	0.0	0.0	0.9	2.8	5.0	
Payables	30	30	30	30	30	Buckskin	0.0	0.0	0.0	0.0	0.9	
Debt	58	53	43	143	599	Peabody	0.0	0.0	0.0	0.0	0.9	
Provisions	52	52	52	52	52	Total (Mt)	0.0	0.0	0.9	2.8	8.3	
Other	0	0	0	0	0	ASSUMPTIONS						
Total liabilities	139	134	124	224	680	Y/e June 30	2009a	2010f	2011f	2012f	2013f	
Shareholders' equity	82	325	435	722	951	A\$	0.75	0.91	0.93	0.83	0.75	
Minorities	0	0	0	0	0	Raw Coal - Indo (US\$/t)	9	9	9	9	9	
Total shareholders funds	82	325	435	722	951	Raw Coal - US (US\$/t)	13	13	13	13	13	
Total funds employed	114	128	208	486	988	Realised price - Buckskin	61	61	61	61	61	
W/A diluted shares on issue	146	272	323	373	393	Export Thermal (US\$/t)	118	75	97	95	95	

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Recommendation structure

Spec Buy: Expect >30% total return on a 12 month view but carries significantly higher risk than its sector

Buy: Expect >15% total return on a 12 month view

Accumulate: Expect total return between 0% and +15% on a 12 month view

Reduce: Expect -15% and 0% total return on a 12 month view

Sell: Expect <-15% total return on a 12 month view

Fleur Grose
Analyst Authorisation

Peter Chapman
Authorisation

Research Team

Sanjay Magotra
Head of Research
Senior Industrial Analyst
Infrastructure/Utilities
T 612 8224 2880
E smagotra@sceq.com.au

Daniel Blair
Industrial Analyst
Telco and Media
T 612 8224 2886
E dblair@sceq.com.au

Peter Chapman
Senior Resources Analyst
Oil/Gas/Gold
T 612 8224 2847
E pchapman@sceq.com.au

Fleur Grose
Resources Analyst
Iron Ore/Coal/Diversifieds
T 612 8224 2845
E fgrose@sceq.com.au

Johan Hedstrom
Senior Resources Analyst
Energy
T 612 8224 2859
E jhedstrom@sceq.com.au

Judith Kan
Associate Industrial Analyst
Infrastructure/Utilities
T 612 8224 2844
E jkan@sceq.com.au

TS Lim
Financials Analyst
Banks/Regionals
T 612 8224 2810
E tslim@sceq.com.au

Hamish Perks
Industrial Analyst
Emerging Growth
T 612 8224 2804
E hperks@sceq.com.au

Stuart Roberts
Industrial Analyst
Healthcare/Biotech
T 612 8224 2871
E sroberts@sceq.com.au

Emma Sellen
Executive Assistant
T 612 8224 2853
E esellen@sceq.com.au

Jonathan Snape
Senior Industrial Analyst
Emerging Growth
T 613 9235 1601
E jsnape@sceq.com.au

Mathan Somasundaram
Quantitative Analyst
Head of Quant & Data Services
T 612 8224 2825
E mathan@sceq.com.au

Lafitani Sotiriou
Analyst
Financials/Industrials
T 612 8224 2813
E lsotiriou@sceq.com.au

Janice Tai
Quantitative and System Analyst
T 612 8224 2833
E jtai@sceq.com.au

Joel Weiss
Quantitative Analyst
T 612 8224 2895
E jweiss@sceq.com.au



Limited Incorporated ACN 071 935 441

Level 32, Aurora Place
88 Phillip Street, Sydney 2000

Telephone +61 2 8224 2811

Facsimile +61 2 9231 0588

Email general@sceq.com.au

www.sceq.com.au

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Disclosure: SCE acted as a manager of a placement of 36.7m shares to raise A\$55m in May 2009, and 41.6 shares to raise A\$100m in November 2009 and received a fee. Fleur Grose owns 2000 shares in WEC.

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