



White Energy Company Limited

ABN: 62.071.527.083

Registered Office:
Level 5 Grafton Bond Building
201 Kent Street
SYDNEY NSW 2000
Telephone +61 2 9251 1311
Facsimile +61 2 9251 1638
Project correspondence to:
PO Box 422,
North Sydney 2059
www.whiteenergyco.com.au

Chairman's Address

At the Extraordinary General Meeting held on 28th June 2006 shareholders approved a number of resolutions which resulted in your company owning, through the acquisition of White Energy Technology Limited, the exclusive licence to The White Coal Technology. This acquisition has transformed your Company's activities and the scope of its opportunities

The White Coal Technology is extremely effective when applied to sub-bituminous coal as it significantly increases its energy content and its value. These coals represent the most abundant form of coal resources. Historically however there has been minimal demand for this type of coal because its high moisture content makes it a relatively inefficient fuel source. Applying White Energy's process to sub-bituminous coal readdresses these inefficiencies and creates a higher quality fuel with almost all the characteristics of more expensive bituminous coals.

During the year the Company signed formal documentation with PT Bayan Resources in Indonesia (a member of the Bayan Resources Group) to build, own and operate on a joint venture basis binderless coal Briquetting plants with an annual capacity up to 5 million tonnes, in 1 million modules, at Bayan's Tabang Mine in the Indonesian region of East Kalimantan. Importantly, Bayan Resources have agreed to acquire up to 1.5 million tonnes per annum of upgraded coal from the joint venture over the first five years of the plant's operation representing over US\$200 million of guaranteed revenue for the joint venture. Feasibility work regarding the Bayan plant has been completed and agreed and the joint venture is now in the process of finalising tender documentation to enable construction of the plant to be commenced.

Also the Company has entered into various Heads of Agreements with a number of large corporations to investigate the potential to commercially exploit the technology in the key markets of China, Indonesia and Japan. Negotiations are ongoing with a number of these parties and the Company is optimistic final documentation will be signed soon.

The Company has undertaken several capital raisings during the year. In aggregate \$28,556,800 has been raised through a series of share placements which enables the Company to fund its ongoing development program.

During the past two weeks investor road show presentations have been undertaken in New York and London. The quality of institutions currently on the Company's share register and those who have recently expressed genuine interest in the Company's strategy during the recent roadshow indicates that there exists strong international understanding of the scale of the opportunity available to the Company in rolling out the technology in the key coal markets of Indonesia, China, Japan and the USA.



White Energy Company Limited

ABN: 62.071.527.083

In summary your Company's immediate strategy in relation to the development of the technology is to:

- Finalise the design of, and build, test and commission the first commercial scale 1MTPA plant in Indonesia under the joint venture between White and Bayan Resources
- Finalise joint venture/tolling agreements with other major groups in Indonesia, Japan and China with whom White's are in advanced negotiations
- Analyse opportunities for deployment of the technology in the USA
- Obtain generic project accreditation to capture value from carbon credit emission reductions

The potential target market for application of the Company's technology is vast in view of the existence of significant quantities of low grade coal reserves particularly in the initial target markets of Indonesia, China and India. The United States is the primary target market being the world's largest producer of sub bituminous coal. In addition, the upgraded coal is a more environmentally friendly product than traditional thermal coal with lower emissions of carbon dioxide, sulphur dioxide and other pollutants. This is because of the generally much lower Ash, Sulphur and Nitrogen content in sub-bituminous coals.

The Company has continued exploration of its portfolio of mineral assets located in Western Australia. In view of the substantial opportunities which exist in connection with the development of the coal technology the Board is evaluating the most appropriate future structure for its mineral assets. It will revert to shareholders in this regard shortly.

The Board would like to thank shareholders for supporting the Company during this extremely exciting phase of development. It is now clear that the opportunities to exploit the White Coal Technology are substantial and it is also clear from the recent investor meetings held in New York and London that there exists genuine international interest in your Company and its strategy. The Board and the management are carefully evaluating how best to prioritise and exploit the range of available opportunities.