



Managing Directors Report

The 2008 year has seen a number of very significant achievements for the Company in executing on its strategic plan.

As John mentioned in his Chairman's Report, our strategy last year was to lay a strong foundation for the Company. This meant building a Company with operational substance, providing it with access to capital, forging partnerships with reputable stakeholders in the energy sector and creating a foothold in each of the key coal markets. We are pleased with what we have achieved.

I am particularly pleased that we are now only a few months away from generating operating income.

On that note let me update you on the progress of our joint venture with Bayan Resources in Indonesia - namely PT Kaltim Supacoal (KSC) which is 51% owned by White Energy:

- Significant progress has been achieved in relation to the construction of KSC's first 1 million tonne module. It should not be underestimated just how difficult it is to build a plant of this size in a remote destination. Our partners, Bayan Resources, have been very helpful in this process. Also, Thiess Indonesia, our construction partner in Indonesia, have worked hard with our team to deliver the project on a timely basis.
- As you can see from some of the slides being shown, construction work at Tabang is now almost 80% complete.
- The main concrete works are nearing completion, with over 90% of the concrete works complete.
- Given the status of the project, focus is now shifting from the construction phase to finalizing the commissioning program.
- The only issue causing any concern is the construction of the 10MW power plant. This is running behind schedule. That being said we are currently analysing short term alternative energy options in the event we need an alternate energy source for commissioning purposes.
- In summary, construction of KSC's first 1 MTPA production plant at Bayan Resources Tabang Mine remains on schedule with commissioning to take place in Q1 CY2009. Production will then be ramped up to full capacity over a 6 month period from April through September 2009 with coal sales of upgraded product expected during this period.

My report in the meeting materials details our major achievements over the last year. I will not repeat all of them here. However I would like to highlight the following:

Cessnock Production Plant:

- The construction of a 90,000 tonne per annum commercial scale production plant at Cessnock, NSW was completed in August 2008 with the subsequent successful production of upgraded coal.
- Valuable lessons have been learnt from the commissioning of this facility for the commissioning of the Tabang plant which will greatly assist.
- The purpose of the Cessnock plant is not only to showcase our technology to key stakeholders in the Coal sector but also to enable us to process significant quantities of feedstock coal to refine plant



design for future projects. We are confident that the building of this plant will pay significant long term strategic dividends for Shareholders.

North America:

- Early in the year we established an operation in North America staffed by seasoned coal executives.
- In March 2008, we signed a Development Agreement with NRG Energy and Buckskin Mining Company (a wholly owned subsidiary of Kiewit Corporation).
- Subsequently we completed a feasibility study to build a plant at Buckskins mine in Wyoming.
- We are currently in the final stages of negotiation regarding both a long term Coal Supply Contract and a Lease and Services Agreement with Buckskin to build, initially, an upgrading plant with 1 million tones of annual capacity with an intention to increase that to 8 million tonnes of annual capacity over the next few years. Simultaneously, we are still negotiating an offtake agreement with NRG and other parties. We hope to be able to update Shareholders on these initiatives shortly.
- In addition, discussions are underway with a number of major US companies regarding other potential opportunities in that market. We are currently evaluating these opportunities and will revert to Shareholders at the appropriate time.

Africa:

- The Company was pleased to announce earlier this week that it had signed a joint venture agreement with an entity managed by Black River Asset Management LLC (Black River), an independently managed subsidiary of Cargill (the world's largest private company – with significant coal interests), under which White Energy and Black River will jointly develop and commercialise White Energy's coal upgrading technology throughout Africa.
- The Joint Venture is owned 51% by White Energy and 49% by Black River.
- Notwithstanding their 49% equity, Black River has agreed to fund the Joint Venture on a disproportionate basis (66/34). In addition White Energy will receive a significant up front sum for making its technology accessible to the Joint Venture as part of the overall transaction.
- The African market represents an exciting opportunity for White Energy. In addition to the traditional application of White Energy's technology, namely the upgrading of lower rank coal reserves to increase the coal's energy efficiency, there is also significant further opportunity for the Company in Africa relating to the treatment and processing of discard coal fines.

Capital Program:

- During the year we undertook two key initiatives to enhance our capital base. In October 2007, the Company completed a \$45M unsecured Convertible Note issue.
- In December 2007, we completed a financing transaction with BHP Billiton where they made available a US\$35 million facility to the Company. More recently, BHP Billiton has become a minority shareholder in the Company by converting a portion of their financing into equity in the Company.

The strategy for the year ahead from an operational perspective is clear. Namely, to deliver on the foundations built in 2008. To that end our priorities are:

- Indonesia – successfully commission KSC's first 1 million tonne per annum plant at Tabang; continue to build on our relationship with Bayan Resources; and finalise details regarding the building of the next facility in Indonesia.



White Energy Company Limited

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- North America - begin construction of our first facility in America; agree related offtake arrangements; and continue to establish strategic partnerships in that market.
- China – finalise all remaining financial feasibility and structuring issues regarding the venture with Datang International Power; and progress other opportunities in the market including the coal to gas and coal to liquids opportunities.
- Africa - work closely with Black River to establish the Joint Ventures first major project in Africa.
- Capital Program - continue to ensure that the Company has sufficient access to capital in a manner which is as non-dilutive as possible to existing Shareholders utilising the approach articulated by the Chairman in his remarks.

I would like to take this opportunity to publicly thank my colleagues in the Company for their commitment over the course of the year. We are a growing Company with an exciting future. As mentioned I believe we have built a solid foundation to support the company's growth and I am enthused about the prospects for the year ahead.