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ASX Release

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FOR IMMEDIATE RELEASE TO THE MARKET

White Energy enters into a Heads of Agreement with Guodian Inner Mongolian Energy Sources Co Limited

White Energy Company Limited (ASX: WEC) (OTCQX: WECFY) today announced that its wholly owned subsidiary, White Energy China Limited (White Energy China), has entered into a non-binding Heads of Agreement with Guodian Inner Mongolian Energy Sources Co Limited (Guodian), regarding the development of a coal upgrading facility in China. Negotiation of the detailed project documents remains subject to both parties completing a technical and financial feasibility study, and a subsequent decision to proceed being made by both White Energy and Guodian.

Guodian is a part of the China Guodian Group. China Guodian Group is one of the leading integrated players in the Chinese coal mining and power generation sector with 70,250 MW of installed thermal power and a controllable coal resource of 15 billion tons with annual coal production of 25 million tonnes. China Guodian Group is one of the five largest power producers in China and is a state owned enterprise administered by the State Council of the People's Republic of China.

The Heads of Agreement contemplates White Energy and Guodian forming a joint venture company to build and operate a coal upgrading facility with an initial capacity of 1 million tonnes per annum. Following the successful commissioning of the first 1 million tonne per annum plant, the parties propose to increase the capacity of the project to 5 million tonnes per annum.

The final equity structure of the joint venture company will be negotiated once the respective technical and financial feasibility studies have been completed. However, the Heads of Agreement anticipates that White Energy China will hold a minority stake (35%) in the joint venture company having contributed the relevant intellectual property and technical 'know-how' for each coal upgrading plant built by the joint venture company up to the 5 million tonnes contemplated. Guodian will be the majority shareholder in the venture (65%) and they will be responsible for funding all of the capital costs associated with each coal upgrading plant built by the joint venture. The operating costs and profits derived from the joint venture will be shared by the parties pro-rata to their relevant equity holdings in the joint venture company.

The proposed transaction with Guodian represents another step for White Energy in establishing a solid platform for the global roll out of its proprietary binderless coal briquetting technology (BCB Technology) through joint ventures with world leading energy companies. Given the growth profile of China's overall energy demands and its vast high moisture coal resources China was always a key potential market for White Energy. Although White Energy has been active for a considerable time and has tested a number of coals for various Chinese energy companies and has had a number of discussions regarding potential partnerships, it has been



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difficult to agree an acceptable investment structure that satisfied internal investment return criteria and mitigated perceived intellectual property risks. The proposed arrangements with Guodian address both issues and White Energy is excited by the opportunity of forming a partnership with such a well respected state owned enterprise as Guodian.

Key Terms of Heads of Agreement

Under the terms of the Heads of Agreement White Energy China and Guodian will form a joint venture company which will use the BCB Technology to operate coal upgrading plants located on a Guodian mine in Inner Mongolia.

The key terms are as follows:

- **Equity interest:** White Energy China 35%, Guodian 65% (these percentages will be subject to Guodian completing the financial and technical feasibility study).
- **Asset contribution:** White Energy China to contribute the BCB Technology and associated 'know-how' for each coal upgrading plant for the project, Guodian to contribute all capital costs for the construction of each coal upgrading plant.
- **Funding obligation:** Guodian will be responsible for the funding of 100% of the capital costs associated with each coal upgrading plant. Any debt financing facility used to fund Guodian's commitment will be secured at the Guodian parent company level.
- **Working capital requirements:** Each party will be obliged to fund the working capital and ongoing costs of the Company will be shared proportionate to each party's equity interest.
- **Capacity:** Initially 1 mtpa but growing to a potential 5 mtpa conditional on the successful commissioning of the first plant.
- **Coal Feedstock Agreement:** The joint venture company will seek to enter into a long term coal feedstock agreement with a related Guodian coal mine. In addition to the feedstock agreement the Company will enter into a lease with the Guodian entity to allow for the on-site development of the Project.
- **Coal Offtake Agreement:** The joint venture company will pursue offtake partners with Guodian power stations and other Chinese power utilities, targeting a market price based on the Qinghuangdao coal price.

The proposed equity interest of the respective parties in the Heads of Agreement is subject to negotiation following Guodian's final valuation of the BCB Technology following technical and financial feasibility work. Based on White Energy holding a 35% equity interest in the Company, the joint venture will be initially capitalized at approximately US\$74 million. A lower valuation of the BCB Technology following Guodian's financial and technical feasibility studies could result in White Energy China holding a reduced percentage in the joint venture Company. However, in such circumstances, White Energy may elect not to proceed with the initiative. Under the terms of the Heads of Agreement, following the completion of the feasibility study, the



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parties have a 30 day window to make a decision as to whether or not to proceed to the negotiation of the definitive project documents.

About White Energy

White Energy Company Limited, a Sydney based company (ASX: WEC) (OTCQX: WECFY) is the exclusive worldwide license holder of the Binderless Coal Briquetting process that upgrades lower rank coal to significantly increase its energy efficiency and lower emissions.

White Energy Company limited has offices in Australia, USA, Indonesia and China. For more information please go to www.whiteenergyco.com

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