MADISONWILLIAMS AND COMPANY

WHITE ENERGY COMPANY

June 14, 2010

White Energy Company

WEC : ASX : A$3.70

WECFY : OTCQX : US$12.80

Buy | Price Target: A$4.25 / US$20

WEC: Company is in Early Stages of Value Creation; Reiterating Buy Rating

White Energy shares have performed well so far this year (+54%, versus ASX200 -7% and S&P 500 -2%). We believe investors have begun to realize the embedded long-term value in this franchise.

White Energy is a Sydney, Australia-based (market cap = A$875 million / US$725 million) provider of clean coal BCB technology with a complementary and growing sub-bituminous coal resource base. Following the close of the recent SACL (South Australia Coal Limited) acquisition, WEC will have more than A$200 million in cash reserves. More important, new chairman Travers Duncan and CEO Brian Flannery have a demonstrated track record of creating value for shareholders, having sold Felix Resources to Chinese mining company Yanzhou Coal for over A$3 billion in 2009.

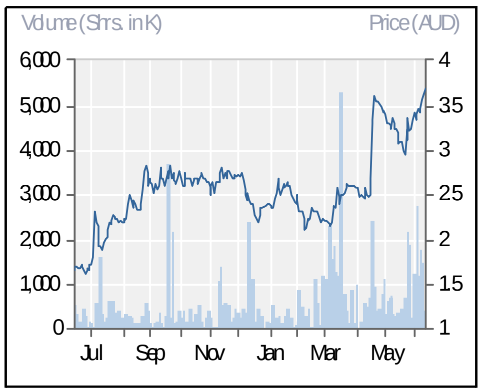
We are reiterating our Buy rating and 12-month price target of A$4.25/US$20. We expect the stock's outperformance to continue based on the following near- to intermediate-term catalysts: 1) continuing high operating rates at the first 1 mtpa BCB plant in Indonesia; 2) upgraded coal shipments in coming months; 3) further success in North America initiatives with Peabody, Buckskin, and the State of Kentucky; 4) continuing expansion in Indonesia to 15 mtpa capacity over time; 5) meaningful success in other markets, such as Africa and Australia; and 6) positive news flow and operating updates following acquisition of SACL coal assets.

Market & Financial Data

Market & Financial Data (in USD)	
52- Wk Range	$16.50-6.27
Avg. Daily Vol (000)	---
Market Capitalization (M)	$724.7

Market & Financial Data (in AUD)	
52- Wk Range	$3.70-1.55
Avg. Daily Vol (000)	476,000
Market Capitalization (M)	$874.5
Share Outstanding (M) bas	236.4
Cash (M)	$119.5
LT Debt (M)	$104.6

Estimates (in AUD)			
FYE June	2009	2010E	2011E
EPS	-$0.18	-$0.12	$0.00
P/E	NM	NM	NM
EBITDA (M)	-$17.06	-$19.30	$11.76
EV/EBITDA	NM	NM	NM
Revenue (M)	$2.85	$5.00	$56.55



Source: Factset

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Investors have Started to Recognize Embedded Value in the WEC Franchise

White Energy shares have performed well so far this year (+54%, versus ASX200 -7% and S&P 500 -2%). In our opinion, investors have started to realize the embedded long-term value in this franchise. White Energy is a Sydney, Australia-based (market capitalization = A$875 million/US$725 million) provider of clean coal BCB technology, with a complementary and growing sub-bituminous coal resource base. Following the close of the recent SACL (South Australia Coal Limited) acquisition, WEC will have more than A$200 million in cash reserves. Below we provide an update based on our recent discussions with management:

SACL Transaction Proceeding Nicely – Deal Expected to Close Soon

On April 19, 2010, White Energy announced the acquisition of South Australia Coal Limited (SACL) for an initial consideration of A$39.3 million. SACL owns a large sub-bituminous coal resource (an estimated 515 million tonnes currently), with significant upside, in our view. Additional performance upside is contingent upon attaining resource growth targets. SACL's low-rank coal resources are close to transportation (Adelaide-Darwin rail-line and Darwin, Adelaide, and Whyalla ports), offering significant synergies that should enable WEC to capitalize on its unique BCB technology, which produces export-quality upgraded coal. More important, following this transaction, Travers Duncan and Brian Flannery will become chairman and CEO, respectively, of White Energy. Together they have a demonstrated track record of creating value for shareholders, having sold Felix Resources to Chinese mining company Yanzhou coal for over $3 billion in 2009. Also, both Mr. Duncan and Mr. Flannery (along with others) have agreed to invest in White Energy through a $75 million share placement, suggesting a vote of confidence in the WEC story. As a result of this transaction, WEC is expected to receive a total cash infusion of $100 million - $140 million, creating a strong platform to pursue growth in the global coal/clean coal marketplace. The transaction is expected to close in June/July of this year. In sum, we believe this deal transforms White Energy into a mid-tier coal company with a large sub-bituminous coal resource base, a proprietary coal upgrading technology, and cash reserves of more than $200 million.

White Energy's Clean Coal Technology Offers Significant Economic and Environmental Benefits

The first commercial 1 mtpa (million tonnes per annum) plant is operating successfully in Indonesia, albeit at a reduced rate (30%). While core elements of the plant are running well, WEC is currently addressing some ancillary issues, such as the dust extraction system. The company currently has 12,000 tonnes of clean briquette in its stockpile. The sale to commercial customers is expected in coming months. A more permanent solution to current operating issues will involve shutting down the plant in the third quarter for some time. WEC is in the process of stationing senior operating management near the site, as the company (under a new management team) renews its focus on execution and customer focus.

White Energy's BCB process produces coal that offers: 1) higher energy content (more than 30% improvement in kcal/ton); 2) reduced CO2 emissions; 3) lower pollutants (SOX, NOX); 4) reduced risk of combustion (better chemical stability); 5) enhanced power station performance (higher combustion efficiency); and 6) better transportation efficiency (lower moisture content, resulting in 30% decrease in load volumes). Accordingly, the upgraded coal results in a margin uplift of $25-$35 per ton depending on the geography. The process is primarily mechanical, and the modular approach (modules come in 1 mtpa) should enable global deployment fairly efficiently. In addition to an agreement to expand capacity in Indonesia to 15 mtpa in coming years with Bayan Resources in Indonesia, up from 1 mtpa currently, WEC, through its subsidiary companies, has entered into various agreements to develop, construct, and operate coal upgrading facilities worldwide. Through its global footprint, the company is well positioned to supply important energy markets around the world.

WEC Highly Leveraged to the Asia Energy/Clean Energy Demand Growth Story

Asia is a key driver for growth at White Energy. New coal-fired power stations are being commissioned in Asia at a rapid rate – a pace that is not expected to decelerate any time soon. New power generation capacity for China in 2010 represents additional demand for 132 mt of coal. In addition, rapid growth in heavy industries, such as steel (accounts for 22% of China's coal consumption), construction materials (17%), and chemical industry (10%) have all contributed to demand growth.

Clean Coal Opportunities in the U.S. – Ventures with Peabody, Buckskin, and the State of Kentucky

White Energy has a significant near-term focus on its North America operations, with existing ventures with Peabody and Buckskin in the Powder River Basin. In addition, White Energy is working with the State of Kentucky to analyze the possibility of a BCB plant in the state. Peabody has spent about two years doing due diligence on the BCB technology. WEC's North America operation is headed by Judith Tanselle.

Valuation: Our Price Target is A$4.25/US$20

The economics of a WEC coal upgrading plant varies from project to project, with a typical payback of 2 to 3 years. Payback on a plant in Indonesia is under 2 years, and just over 3 years in the U.S. Our fair value range is $3.00 – $5.25 (the mid-point is $4.25) based on our discounted cash flow (DCF) analysis. We believe DCF is the most appropriate gauge of WEC's base fair value. DCF enables us to look beyond the current phase of volatility in the company's earnings profile while capturing the longer-term, multi-year cash flow profile. Our DCF extends out to the 2015 terminal year and is based on a multi-stage structure that applies various growth rates and assumptions in the earlier years and more conservative, sustainable assumptions in the latter years. Our weighted average cost of capital estimate is 13.5% based on a beta of 0.88; cost of equity of 14%, and a cost of debt of 8%. However we run our analysis based on different WACC scenarios. As WEC continues to execute we expect its long-term share price to respond, as we anticipate significant opportunities in value creation in a dynamic and growing global coal/clean coal marketplace.

Technical Analysis

As shown in Figure 1, on the following page, major support is the $2.50 AUD level as a massive stand was made on March 19, 2010. A floor was established there and a followed by a major gap up above $3AUD in mid April. During the recent "de-risk" episode following sovereign concerns in Europe prices briefly tested the 50dma and held convincingly. Any move back near the 50dma level (around $3.15AUD) should present a buying opportunity.

Figure 1: Constructive Chart

Source: Bloomberg Finance, LP

Investment Risks:

Macro and commodity prices are key risks. In addition, protection of intellectual property (mainly briquetting and coal drying technologies) is important. Patent protection is valid for another 16 years. Potential delays in construction/commercialization of new modular plants are a key near- to intermediate-term risk. Timely execution will be very important in the early stages as the company embarks on its ambitious growth targets. The first upgrading plant in Indonesia is currently operating at 30%, and the company expects normal operating rates in coming months. Access to funds for future growth is also very important.

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Accumulate: The stock should be purchased at current prices. The stock has the combination of an attractive risk/reward and positive company specific catalysts within the sector.

Neutral/Hold: The analyst sees no compelling rationale for a Buy or Sell recommendation.

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Company	Disclosure
White Energy Company (WEC - ASX):	1,3,10

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