

White Energy Company

WECFY : OTCQX : US\$16.35

WEC: ASX: A\$3.60

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

WEC: Provider of Clean Coal Technology with Complementary Resource Base; Initiating with Buy Rating & A\$4.25 PT

We are initiating coverage of White Energy Company, a Sydney, Australia-headquartered clean coal technology company, with a Buy rating and a 12-month price target of A\$4.25 (ADR target US\$20), based on the following:

- Leverage to Unique and Value-Added Clean Coal Technology.** White Energy's Binderless Coal Briquetting (BCB) technology upgrades low-rank coal to higher-value product. Briquetted coal is priced at a premium because it offers higher energy content, lower CO₂ emissions/other pollutants, and improved performance at power stations. WEC's already established global presence has strategic benefits.
- Coal Expected to Remain Dominant Fuel Source, Driven by Strong Asian Demand Growth.** Despite calls for its demise, coal is expected to fuel 44% of global electricity generation by 2030, up from 41% currently (China/India/U.S. = 81%/68%/49% currently). China and India represented 20% of global coal consumption in 1980 and 45% by 2005, and are expected to account for 60% by 2020.
- While Versatile, Coal is Relatively Dirty.** Greenhouse gas emission from coal combustion is high, necessitating a quest for clean coal technologies. WEC's technology is well placed in the current environment, particularly as countries continue to monitor their carbon footprints.
- Recent SACL Acquisition has Strategic Benefits.** The proposed deal increases White Energy's size, scope, and diversity in operations and provides greater depth to the execution skills required to realize the company's significant potential in a growing global coal/clean coal marketplace. In our view, WEC is uniquely placed, with a large sub-bituminous coal resource base and a proprietary coal upgrading technology.

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Market & Financial Data (in USD)	
52- Wk Range	\$16.50-5.20
Avg. Daily Vol (000)	---
Market Capitalization (M)	\$770.1

Market & Financial Data (in AUD)	
52- Wk Range	\$3.69-1.40
Avg. Daily Vol (000)	399,000
Market Capitalization (M)	\$847.9
Share Outstanding (M) basic	235.5
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

One ADR (WECFY) represents 5 ordinary shares of WEC shares (ASX).

Please refer to the last page for important disclosures

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Company Description

White Energy is an Australia-based technology-enabled natural resources company and has been a pioneer in the development of clean coal. The company's first commercial plant has been built in Indonesia. Over the past fifteen years, WEC has built and operated a number of clean coal demonstration plants. White Energy's business model includes the development of Binderless Coal Briquetting (BCB) coal upgrading facilities in 1 million tonnes per annum (mtpa) modules at mine-site or other strategic locations, individually or by way of joint venture, incorporating long-term feedstock coal supply agreements with owners of significant low-rank coal deposits. Along with a 15 million tonnes per annum joint venture with Bayan in Indonesia, White Energy, through its subsidiary companies, has entered into various agreements to develop, construct, and operate coal upgrading facilities around the world. WEC has business operations in Australia, Indonesia, the United States, Africa, and China. The proposed acquisition of SACL provides WEC with a large sub-bituminous coal resource base.

Investment Thesis

We believe White Energy is well positioned to capitalize on the continuing growth in global demand for coal, aided by strong demand from Asian countries and a move toward cleaner-burning fuels worldwide. The company's Binderless Coal Briquetting (BCB) process produces coal that offers significantly improved energy content, as well as a vastly enhanced pollution profile, when compared to low-rank, sub-bituminous coals. White Energy coal is priced at a premium, as it offers higher energy content, reduced CO₂ emissions, and reduced pollutants (SOX, NOX), while offering improved performance at power stations, enhanced transportation efficiency, and lower risk of combustion. At current pricing, depending on the geography, gross margin expansion is estimated at 40%-50%, or \$25-\$35 per ton. White Energy's first 1 mtpa plant is now in operating mode in Indonesia, albeit at a reduced rate. The company is targeting 38 mtpa in global coal upgrading capacity within five years. The recently announced acquisition of South Australian Coal Limited (SACL) has significant strategic value, in our opinion. The proposed deal increases WEC's size, scope, and diversity in operations and provides greater depth to the execution skills required to realize the company's significant potential. Our 12-month price target is A\$4.25, suggesting upside of about 18%. 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.

- **Investment Positives:**
 - **White Energy's Clean Coal Technology Offers Significant Economic and Environmental Benefits.** 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.
 - **Proposed Acquisition of South Australian Coal Limited (SACL) Offers Significant Strategic Value.** On April 19, 2010, White Energy announced the acquisition of South Australia Coal Limited (SACL). SACL owns a large sub-bituminous coal resource (an estimated 515 million tonnes currently,

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with significant upside) for an initial consideration of A\$39.3 million. Additional performance upside is contingent upon attaining resource growth targets. Preliminary estimates suggest that the size of the deposits could be as much as 4 billion tonnes. 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 will become the chairman and Brian Flannery will become the CEO 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. Two other ex-Felix directors, Hans Mende and John Kinghorn, will also join the White Energy board. As a result of this transaction, WEC is expected to receive a total cash infusion of \$100 million - \$140 million, creating a strong platform on which to pursue growth in the global coal/clean coal marketplace. The transaction is expected to close in June/July of this year. In sum, 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.

- **Global Coal Consumption Should Continue to Grow.** Coal is a versatile fuel with many important uses worldwide, such as electricity generation, steel production, and cement manufacturing. Coal-fired power plants currently fuel 41% of global electricity. In some countries the contribution is higher, such as 81% in China, 68% in India, and 49% in the U.S. More significantly, the importance of coal to electricity generation should continue, with coal expected to fuel 44% of global electricity in 2030.

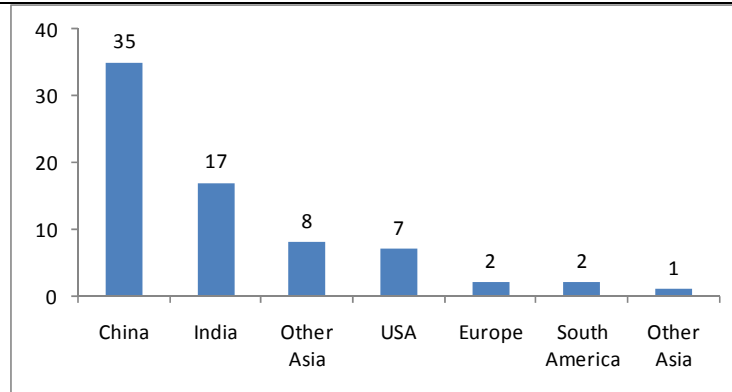
Figure 1: Coal Consumption by Key Regions (in Billion BTUs)

	2006	2015	2030
Asia	75.9	97.1	132.6
<i>% change</i>		28%	37%
North America	24.3	25.5	28.8
<i>% change</i>		5%	13%
Europe	21.9	22.3	21.5
<i>% change</i>		2%	-4%
Total World	122.1	144.9	182.9
<i>% change</i>		19%	26%

Source: EIA and Madison Williams and Company

- **Asia is the Key Driver for Growth, and the U.S. an Area of Near-Term Focus, for WEC.** Asia is a key driver for growth at White Energy. As shown in Figure 2, 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 the chemical industry (10%) have all contributed to demand growth. 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.

Figure 2: Installed Coal-Fired Generation, 2010 (GW)



Source: EIA and Madison Williams and Company

- **Export Market Being Driven by China and India.** The biggest market for coal is Asia, which currently accounts for 56% of global coal consumption, although China is responsible for a significant proportion of this. Many countries do not have the natural energy resources sufficient to cover their energy needs and therefore need to import energy to help meet their requirements. Japan, Taiwan, and Korea, for example, import significant quantities of steam coal for electricity generation and coking coal for steel production.

Figure 3: Growth in Imported Coal Volumes – Around 300 Million Tonnes Per Year by 2014

Forecasted Growth in Coal Imports (2009-2014) in Million Tonnes		
Taiwan	10	3%
South Korea	20	7%
Japan	25	8%
Other Asia Pacific	30	10%
Europe	40	13%
China	60	20%
India	120	39%
Total	305	100%

Source: White Energy, Barlow Jonkre and Madison Williams and Company

- **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. A potential delay in construction and commercialization of new modular plants is a key near- to intermediate-term risk. Timely execution will be very important in the early stages as the company embarks on its growth target. The first upgrading plant in Indonesia is currently operating at 30%, and the company expects normal operating rates soon. Access to funds for future growth is also very important.

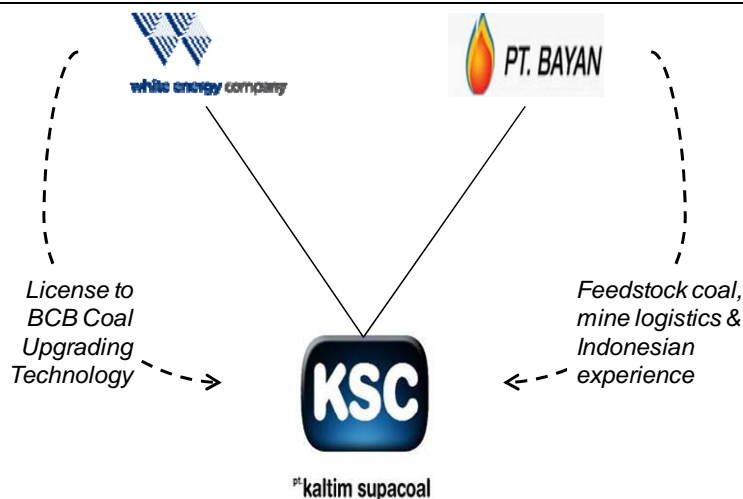
Company Overview

White Energy Company: A Clean Coal Company at the Cusp of Commercialization

White Energy is a clean coal technology company. It has the exclusive worldwide license of a technology that upgrades high-moisture, low-value sub-bituminous and lignite coals through a low-cost process of dehydration and compaction to dense, physically and chemically stable coal briquettes. The company's first commercial plant has been built in Indonesia. Over the past fifteen years, WEC has built and operated a number of clean coal demonstration plants. The business model includes the development of Binderless Coal Briquetting (BCB) coal upgrading facilities in 1 million tonnes per annum (mtpa) modules at mine sites or other strategic locations, individually or by way of joint venture, incorporating long-term feedstock coal supply agreements with owners of significant low-rank coal deposits. White Energy, through its subsidiary companies, has entered into various agreements to develop, construct, and operate coal upgrading facilities around the world. WEC has business operations in Australia, Indonesia, the United States, Africa and China.

WEC and Bayan Resources Have Built World's Largest Clean Coal Plant in Indonesia White Energy, through its 51%-owned subsidiary PT Kaltim Supacoal (KSC), has already completed practical commercialization of its first 1 mtpa commercial coal upgrading plant at Bayan's Tabang mine in Indonesia. The core elements of KSC's BCB modular coal upgrading plant have been trialed, are functional, and at this stage are able to produce, upgraded, approximately 300,000 tonnes per annum. Strategic partner Bayan Resources (49% share) is one of the largest coal-producing groups in Indonesia with integrated coal mining, processing, and logistics operations. The company owns and operates one of the largest coal terminals in Indonesia in Balikpapan, East Kalimantan, with a handling throughput capacity of 15.0 million tonnes per annum. Bayan also owns and operates a floating transfer station with the capability to load capsize vessels, and currently exports the majority of the coal it produces to utility companies, steel mills, internationally known commodity trading companies, and other industrial end-users in countries such as Italy, Japan, Taiwan, Korea, the Philippines, India, Malaysia, and China. It also sells coal into the domestic Indonesian market. KSC expects to ramp up production capacity to 15 mtpa in coming years.

Figure 4: KSC's First Module Now in Operating Mode; Plans to Ramp to 15 MTPA



Source: Company Reports and Madison Williams and Company

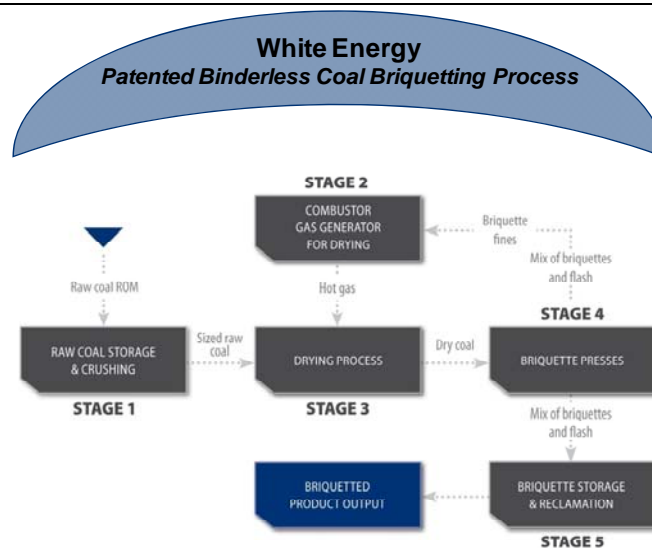
First Plant at Tabang is Successfully Operating, Albeit at Reduced Rate

This is the world's first commercial coal upgrading plant built and commissioned. A local team is managing the plant, supported by White Energy and Bayan expertise. The plant is successfully operating, albeit at a reduced capacity (30%). It has been determined that services ancillary to the operation of the core elements of the plant, principally the plant's dust extraction system, require some modification and upgrading to enhance the overall performance to enable it to run at its nameplate capacity. Solutions have been identified and are currently in the process of being implemented. However, prior to installation of the necessary modifications, it has been decided that the critical goal for KSC is to sell and ship its upgraded product to the market. In this regard, it has been decided to run the plant at 30% of capacity for the balance of the fiscal year (ending June). This approach minimizes any disruption to current operations and will enable KSC to complete necessary stockpile, handling, and transportation testing of its upgraded coal and then sell test burn quantities into the Asian market. Thereafter the plant is expected to be shut down for a three-week period to complete the modification work to the dust extraction system. Once the upgrading of the dust extraction system is completed, the plant is expected to operate at full capacity. However, the company is currently evaluating an alternative screening process (to reduce dust) that could potentially enable it to operate at a higher rate near term.

What is BCB Technology?

White Energy is an exclusive worldwide licensee of a technology that upgrades high-moisture, low-value sub-bituminous and lignite coals through a low-cost process of dehydration and compaction into dense, physically and chemically stable briquettes. The BCB process was developed by Commonwealth Scientific and Industrial Research Organization (CSIRO) along with other partners. White Energy holds the worldwide rights to commercialize the patented BCB technology that is used in the binderless coal briquetting process. As shown the chart below, the process involves five distinct stages. The upgraded briquettes can be handled, stored, transported, and combusted like normal thermal coal.

Figure 5: The Binderless Coal Briquetting (BCB) Process



Source: Company Reports and Madison Williams and Company

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Patented Process is Mechanical Five-Step Process

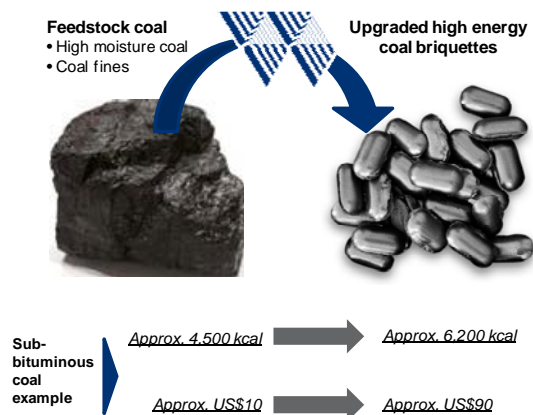
The BCB process, as detailed below, involves five major steps in which high-moisture, low-grade, sub-bituminous coal is upgraded to a higher-value (better energy content and pollution profile) product via the use of optimum temperature/operating environment, as well as the patented briquetting technology. BCB coal is demonstrated to produce approximately 11,000 Btu/lb (6,200 kcal/kg) coal briquettes from 8,000 BTU/lb (4,500 kcal/kg) sub-bituminous coal, a 37% improvement. Moisture content is in the 6%-8% range, down from over 20% in the feedstock coal. In addition, the briquetted coal has better product stability (prevents spontaneous combustion).

- *Raw Coal Preparation:* Raw coal from mines, delivered to the BCB plant site, is first deposited in buffer storage. Raw coal then undergoes primary crushing followed by secondary crushing.
- *Hot Gas Generation for Raw Coal Drying:* Hot gas is used to dry raw coal. Hot gas is generated in a furnace fired on a combination of dried coal dust from the briquetting machines and dried coal from the cyclone coal surge bin. Hot gas is sent from the furnace directly into the drying column.
- *Raw Coal Drying:* The raw coal is “flash dried” in a drying column where moisture in the coal essentially evaporates. A pneumatic coal delivery system transports coal to the dryer. Coal is dispensed into the dryer column where it comes in direct contact with hot gas from the furnace.
- *Briquetting of Dry Coal:* This briquetting process involves the transportation of dry coal product downstream of the dry coal buffer bin. It is then fed into a battery of double roll briquette presses. After briquetting the product is cooled and stockpiled.
- *Briquette Storage and Transport:* Cooled briquettes are placed on open-air stockpiles in preparation for transportation. The briquettes stabilize on the stockpile where they reach their “stable” equilibrium moisture content.

The BCB Value Proposition

The upgraded coal has improved energy content, as well as an improved pollution profile, when compared to low-rank sub-bituminous and thermal coals. Specifically, it has: 1) higher energy content (30%-200% increased energy content); 2) reduced CO₂ emissions; 3) reduced pollutants (SO_x, NO_x); 4) lower 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).

Figure 6: Process Results in Significant Product Margin Expansion

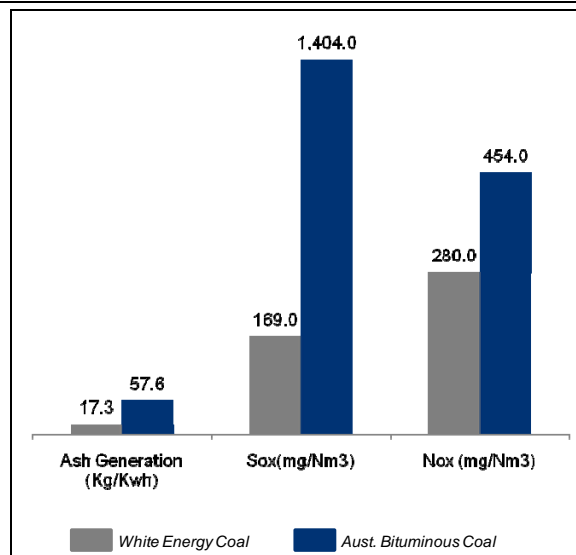


Source: Company Reports and Madison Williams and Company

Upgraded Coal Has Improved Pollution Profile

Briquetted coal has higher energy content, as well as a better environmental profile. WEC coal has higher calorific value (6,100 kcal versus 4,472) and delivers benefits during transportation. Additional advantages over sub-bituminous coal are clear due to improved efficiency at power plants during combustion. Importantly, environmental benefits are meaningful. For a 1MW power station run continuously for one year (8,760 MW hours operation), the net reduction in pollutants (compared to PRB coal) is estimated as follows – Ash 12%; NOX 8%; SO2 7%; and CO2 4%. For a 500 MW plant this equates to a reduction of 16,500 tons of ash, 290 tons of NOX, 1,370 tons of SO2 and 206,500 tons of CO2. Economic benefits could be meaningful. The reduction in CO2 alone equates to potential benefit of around \$2 million based on a carbon price of \$10 per ton.

Figure 7: Upgraded Coal Has Improved Environmental Profile



Source: BHP Evaluation Test Report, White Energy and Madison Williams and Company

First Coal Shipments Expected to Target Asian Utilities

White Energy is actively marketing the upgraded coal briquettes and has received considerable interest for the product. The primary initial target is the utilities sector in Asia. The company is particularly focusing on the Japanese market. The first coal shipments are expected to validate the combustion efficiency data under different operating scenarios. White Energy is currently concentrating on 20-25 customers. The initial customers are expected to be prioritized for long-term commercial supply arrangements.

Established Global Footprint has Strategic Benefits

In addition to the agreement to expand capacity in Indonesia to 15 mtpa (from 1 mtpa currently) with Bayan, WEC, through its subsidiary companies, has entered into various agreements to develop, construct, and operate coal upgrading facilities worldwide, including:

- an agreement with Peabody Energy (55% WEC, Peabody 45%) for the development of an up-to-20 million ton per annum coal-upgrading facility in the Powder River Basin in the U.S.
- an agreement with Buckskin Mining Company (WEC 100%) in the U.S. for the development of an initial 1 million ton per annum coal-upgrading facility in the Powder River Basin, with planned increases in annual production capacity of up to 8 million tonnes

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- the company is working with the State of Kentucky to analyze the possibility of building a BCB plant. Any financial incentives offered to the company and the final economic feasibility of the proposed venture will be critical to this decision
- a joint venture agreement with Black River Asset Management (a subsidiary of Cargill Corporation) whereby Black River will own a 49% equity interest (WEC 51%) in consideration for contributing up to \$70 million in funding for the exploitation of the BCB coal upgrading technology in Africa
- a non-binding agreement with Guodian Inner Mongolian Energy Sources in China (WEC 35%) for the development of an initial 1 mtpa facility, with a planned increase to 5 mtpa; WEC is in discussions with various other entities in China
- in Russia, WEC is in discussion with a leading miner
- in Australia, the company is evaluating an opportunity to operate a coal-upgrading facility on a WEC-owned coal resource

As shown in the chart below, WEC is well positioned to supply important energy markets given its strategic global footprint. The company is targeting total production capacity of 38 mtpa within the next five years. Very near term, the company is focusing considerable attention on its North America business development initiatives, including working on developing permits for both the Bucksin and Peabody projects in the Powder River Basin, as well as the initiative in the State of Kentucky.

Figure 8: WEC Has Established Global Footprint



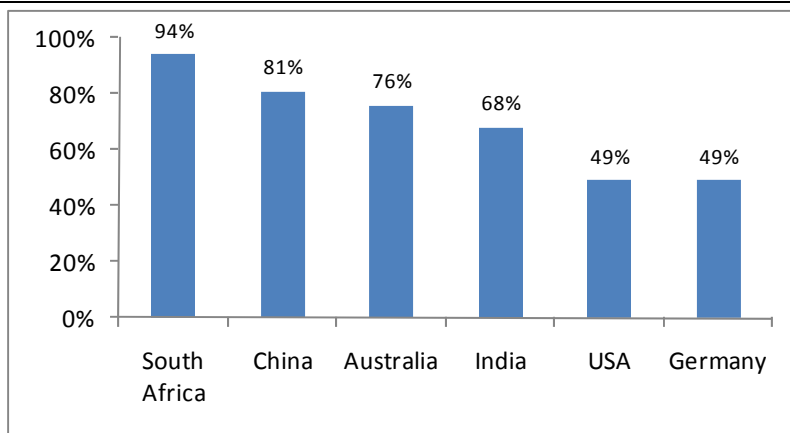
Source: Company Reports and Madison Williams and Company

Industry Overview

An Overview of the Clean Coal Industry

- What are Clean Coal Technologies?** Clean coal technology is any technology that aims to reduce the environmental impact of coal energy generation. When coal is burned in power plants and factories, the smoke released into the atmosphere is harmful to the environment. Just in the U.S., the coal industry pumps 2 billion tons of carbon dioxide into the atmosphere each year and contributes more than one-third of the nation's overall greenhouse gas emissions. With many countries focused on lowering their carbon footprints, global fossil fuel industries have been forced to respond. Coal companies have reacted by beginning development of new technologies as a way of increasing coal's efficiency while removing the impurities that cause most environmental emissions. As new sociopolitical trends have begun to threaten coal's dominant position, clean coal technology is the industry's answer to concerns about environmental damage caused by burning coal. Clean coal technologies focus on pre-treatment, combustion and combustion optimization, post treatment and remediation, gasification, coal-to-liquids (CTL), and carbon capture and sequestration (CCS) technologies, among others. White Energy's BCB technology is at the cusp of commercialization, and, in our view, appears promising.
- Coal is Abundant and will Remain a Major Source of Energy for the World.** Coal is a major source of power generation. As shown in the table below, in the United States it accounts for 49% of total electricity generation, while in India and China it accounts for 68% and 81%, respectively. New clean energy sources, like wind energy and solar power, have started to gain some modest market share. However, none is as cost-efficient as coal, although they are all "friendlier" to the environment. Importantly, coal reserves are available in almost every country in the world, with recoverable reserves in 70 countries. The biggest reserves are in regions where energy demand is high, such as the U.S., China, India, and Russia. The key takeaway is that the importance of coal in electricity generation is set to continue, with coal expected to fuel 44% of global electricity in 2030. *China and India together represented 20% of global coal consumption in 1980 and 45% in 2005, and are expected to account for 60% by 2020.*

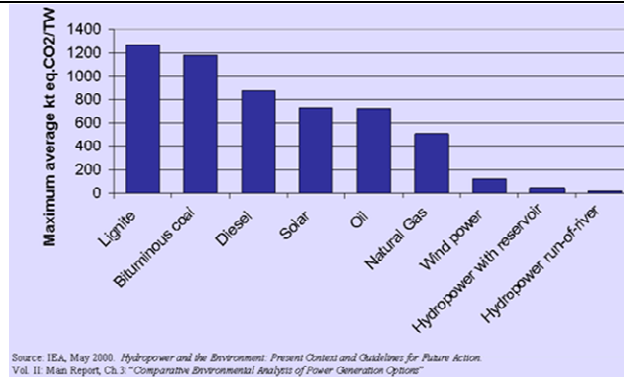
Figure 9: Coal Used in Electricity Generation in Select Countries (Global Average 41%)



Source: EIA 2009 and Madison Williams and Company

- While Coal is a Versatile Energy Source, it is Relatively Dirty.** When burned, coal’s simple impurities create issues such as smog and acid rain. Furthermore, the combustion process generates greenhouse gases (GHG). Clean coal technologies’ goal is to make this abundant and cost-effective fossil fuel more desirable from a social and environmental standpoint. Traditional clean coal technology works by removing impurities from the coal, allowing more carbon and oxygen to react when the coal is burned.

Figure 10: Estimated CO2 Emissions per Terrawatt of Various Electricity Sources

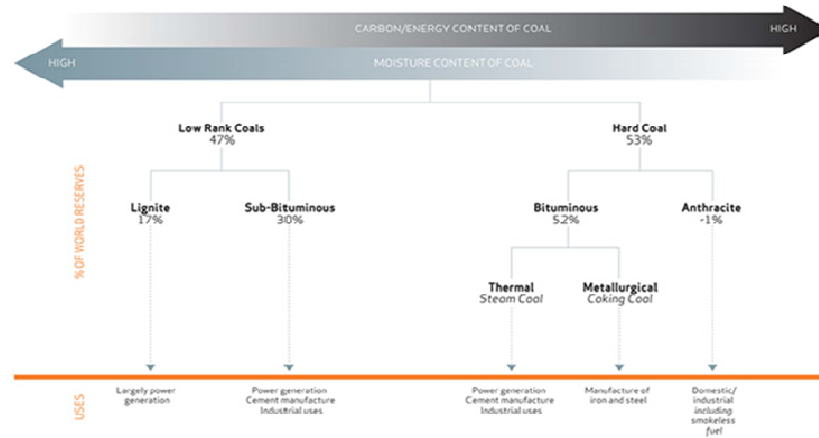


Source: IEA and Madison Williams and Company

- Finding Solutions is Critically Important for the Future of Coal and Securing a Greener Future.** Truly clean coal technology, in which greenhouse emissions are significantly reduced, has not yet been developed in a way that makes it cost effective. Though there are technologies that can sequester carbon emissions in compounds or geological reserves, these technologies are prohibitively expensive at current electricity and carbon prices. In the current environmental and economic climate there is considerable demand for the refinement of carbon-free coal technologies. Rapid economic expansion, coupled with environmental degradation in countries like China and India, has provided added impetus to the development of cost-effective and truly clean coal technologies.

Types of Coal

- Coal is a fossil fuel and is the altered remains of prehistoric vegetation that originally accumulated in swamps and peat bogs. The degree of change undergone by coal as it matures from peat to anthracite is known as coalification. This process has an important bearing on coal's physical and chemical properties and is referred to as the "rank" of the coal. Ranking is determined by the degree of transformation of the original plant material to carbon. The ranks of coals, from those with the least carbon to those with the most carbon, are lignite, sub-bituminous, bituminous, and anthracite.

Figure 11: Types of Coal as a Percent of World Reserves


Source: Industry Reports and Madison Williams and Company

Where is Coal Found?

- Coal is Abundant.** It has been estimated that there are over 847 billion tonnes of proven coal reserves worldwide. This means that there is enough coal to last us over 130 years at current rates of production. The reserve-replacement ratio is higher than current proven oil and gas reserves at current production levels. Coal reserves could be extended further through a number of developments, including the discovery of new reserves through ongoing and improved exploration activities, along with advances in mining techniques, which allows previously inaccessible reserves to be reached.
- Biggest Coal Reserves are in the U.S., China, and India.** Coal reserves are available in almost every country worldwide, with recoverable reserves in around 70 countries. The biggest reserves are in the U.S., Russia, China, and India. Unlike oil (which is heavily concentrated on the Middle East), this lowers associated geopolitical risks. In addition, given significant mining activities over many years, the quantity of coal resource/reserves are generally well defined.

Primary Uses of Coal

- Coal has Many Important Uses Worldwide.** The most significant uses are in electricity generation, steel production, cement manufacturing, and as a liquid fuel. Last year, worldwide, around 5.8 billion tonnes of hard coal and 953 million tonnes of brown coal were used. Since 2000, global coal consumption has grown faster than any other fuel. The five largest coal users - China, the U.S., India, Japan, and Russia - account for 72% of total global coal use. Different types of coal have different uses. Steam coal, also known as thermal coal, is mainly used in power generation. Coking coal, also known as metallurgical coal, is mainly used in steel production. *The biggest market for coal is Asia, which currently accounts for 56% of global coal consumption, although China is responsible for a significant proportion of this.* Many countries do not have natural energy resources sufficient to cover their energy needs and therefore need to import energy to help meet their requirements. Japan, Chinese Taipei, and Korea, for example, import significant quantities of steam coal for electricity generation and coking coal for steel production. Other important users of coal include alumina refineries, paper manufacturers, and the chemical and pharmaceutical industries. Several chemical products can be produced from the by-products of coal. Refined coal tar is used in the manufacture of chemicals, such

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as creosote oil, naphthalene, phenol, and benzene. Ammonia gas recovered from coke ovens is used to manufacture ammonia salts, nitric acid, and agricultural fertilizers.

- **Major Industries Using Coal Are:**

- **Power:** As mentioned earlier, coal-fired power plants fuel 41% of global electricity; their share is expected to grow by 2030.
- **Steel:** Global steel production is heavily dependent on coal. Roughly 70% of steel produced today uses coal. World crude steel production was 1.3 billion tonnes in 2008. About 590 million tonnes of coking coal was used in the production of steel.
- **Cement:** The cement industry requires energy to produce cement, and coal is an important source of the energy needed. Over 2.7 billion tonnes of cement were consumed globally in 2007.

- **Currently Available Clean Coal Technologies**

- White Energy's BCB technology is at the cusp of commercialization. Other available technologies are:
 - **Underground Coal Gasification (UCG):** Underground coal gasification is the process of burning coal directly in the ground and extracting useful gases as a source of fuel. Two holes are drilled in an area containing underground coal using equipment similar to that used in oil drilling. A burner is then inserted in the hole, and the resulting combustion releases methane and other gases that can be burned to produce energy. Traditional coal mining becomes prohibitively expensive and dangerous at depths greater than a few hundred meters, leaving nearly 85% of the world's known coal resources inaccessible. However, UCG is possible at depths of up to 1,000 meters, making 400% more coal partially recoverable. It is also cheaper to burn the coal in the ground than to extract it, wash it, and ship it. UCG was invented in the 1930s, but recent advancements in technology and favorable energy economics have made UCG more attractive, especially in China. The Chinese government has heavily supported UCG programs, and China, the largest consumer of coal in the world, has the largest UCG development program (30 projects). India plans to use UCG to access 350 billion tonnes of coal. South African companies Sasol and Eskom both have UCG pilot facilities. In Australia; Linc Energy has the Chinchilla site, which first started operating in 2000. Carbon Energy completed a successful 100-day commercial scale study in Bloodwood Creek in 2008.
 - **Carbon Sequestration:** Carbon sequestration, or carbon capture and storage (CCS), is a process whereby carbon dioxide emitted from coal power plants is captured and stored underground. Nearly \$3.4 billion was allocated to CCS in the U.S. stimulus package, and the European Union has established incentives for power plants to adopt CCS technology. Sequestration technology is already in use in the oil and chemical industries, although CCS (as is currently available) would be prohibitively expensive for the private sector without government subsidy.
 - **Coal-to-Liquids (CTL):** Converting coal to a liquid fuel (CTL) – a process referred to as coal liquefaction – allows coal to be utilized as an alternative to oil. South Africa has been producing coal-derived fuels since 1955 and has the only commercial coal-to-liquids industry in operation today. Currently around 30% of the country's gasoline and diesel needs are produced from indigenous coal. The total capacity of the South African CTL operations now stands in excess of 160,000 barrels per day. CTL is particularly suited to countries that rely heavily on oil imports and that have large domestic reserves of coal. There are a number of CTL projects around the world at various stages of development. Liquid fuels from coal can be delivered from an existing pump at a

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filling station via existing distribution infrastructure and used, without modification, in the current vehicle fleet. Other available clean coal technologies include pre-treatment (washing, dehydrating, separating, etc.) or post-treatment (through the use of back-end equipment).

Financials

- **Earnings: We Expect Earnings to Improve Sharply as Production Capacity Ramps Up**
 - Currently the installed capacity in Indonesia is 1 mtpa (WEC 51%). While capacity utilization is very low near term (at 30%), it is expected that this first plant should run at full capacity shortly. Coal briquettes are currently being stockpiled for testing purposes. Target shipments are expected to be made to 20 to 25 customers in the Asia Pacific region. *We estimate that, at 85% capacity, the gross revenue contribution from this plant is around \$5 million - \$6 million per month.* White Energy coal is priced at a premium, as it offers higher energy content, reduced CO₂ emissions, and reduced pollutants (SO_x, NO_x) while offering improved performance at power stations, enhanced transportation efficiency, and lower risk of combustion. By the December quarter of this year, it is expected that Bayan and WEC should initiate construction of four additional modules. In addition to the coal-upgrading capacity in Indonesia, WEC to expected to add 2 mtpa of capacity in the U.S. (Peabody and Buckskin) by the end of 2012. The company has other initiatives around the globe and is targeting total capacity of 38 million tonnes per year within the next five years.

Figure 12: WEC Targeting 38 MTPA Coal-Upgrading Capacity Within the Next Five Years

Country	Partners	Mtpa
Indonesia	Bayan	15
United States	Peabody, Buckskin	11
China	Guodian	5
Africa	Black River (Cargill)	3
Australia	TBA	2
Russia	TBA	2
Total Capacity (in mtpa)		38

Source: Company Reports and Madison Williams and Company

- **EBITDA Should Increase Sharply, as Margins are Expected to be Around 50%.** As shown in the table below, we estimate gross margins of about \$33 per ton for the Bayan project and \$25 for the Peabody project. For U.S. capex, processing and input costs are higher, while transportation costs are lower. The SACL transaction is expected to close in June/July of this year and has not been included in our earnings model pending further clarity on the company's immediate growth plans following the acquisition.

Figure 13: White Energy Coal Economics (in U.S. Dollars)

Country	Indonesia	United States
Partner	Bayan	Peabody
WEC interest	51%	55%
Capex (mil \$)	\$55.00	\$80.00
Input coal cost/ton	\$12.60	\$18.50
Processing cost/ton	\$6.00	\$10.00
Transportation cost/ton	\$16.00	\$3.00
Depreciation/ton (20 yrs)	\$2.75	\$4.00
Total cost per ton	\$37.35	\$35.50
Sales price/ton	\$70.00	\$60.00
Margin/ton	\$32.65	\$24.50
EBITDA/ton	\$35.40	\$28.50

Source: Company Reports and Madison Williams and Company

- **Cash Flow: We Anticipate Capital Spending to Ramp by the End of This Year**

- We expect capital spending of A\$20 million in fiscal year 2010 (ending June) down from A\$77 million last year, as the company continues to initially focus on bringing the first 1 mtpa plant online in Indonesia during the year. We expect capital spending to ramp up in 2011/2012 to \$80/\$250 million as WEC pursues additional growth in Indonesia (Bayan) and in the US (Peabody, Buckskin). In September of 2009 the company's Indonesian subsidiary KSC mandated Standard Chartered Bank (SCB) to provide project financing facility to underpin the expansion of the Tabang project to 5 mtpa. While SCB is currently conducting its due diligence it has agreed to provide an interim US \$10 million limited recourse working capital facility. KSC has drawn down \$9 million as of mid-March. In November 2009, WEC successfully raised A\$100 through placement of 41.67 million shares at \$2.40 per share to local and overseas institutions. At the end of December 2009, the cash balance was at A\$119 million. We estimate a cash burn rate of A\$1.4 million per month. As a result of the SACL acquisition (expected to close in June/July of this year), we anticipate an injection of \$100 million - \$140 million in additional cash. However, we will update our capital spending assumptions as the company articulates its updated growth plans (capex and/or acquisitions) in coming months.

- **Balance Sheet: Debt-Free Now, But Expect Some Leverage as WEC Pursues Growth**

- As WEC pursues its growth plans, we expect a cash shortfall of about \$300 million by mid-2012 assuming no additional acquisitions. White Energy is expected to receive a \$100 million - \$140 million cash infusion as a result of the proposed SACL transaction in 2H10, and we note that BCB operations should generate meaningful free cash flow as they come online. Coal upgrading project EBITDA margins are roughly 50%, with pay back of 2 to 3 years. However, we will update our balance sheet assumptions as we get more specific details on the proposed use of funds (capex, acquisitions) and additional details on the proposed SACL acquisition in coming months.

Valuation

- Our 12-Month Price Target is \$4.25, Suggesting Upside of About 18%.** The economics of a WEC coal upgrading plant vary from project to project, with a typical payback of 2 to 3 years. Payback on a plant is under 2 years in Indonesia and just over 3 years in the U.S. Our fair value range is \$3.00 – \$5.50 based on our discounted cash flow (DCF) analysis, as detailed below. 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. Admittedly, we are being conservative in our coal resource valuation as we wait to learn more about near and long-term growth strategies. As WEC continues to execute its growth plans (in BCB technology deployment as well as coal resource expansion) we expect long-term share prices to respond - since we anticipate significant opportunities in value creation.

Figure 14: WEC Discounted Cash Flow Analysis (A\$ million, except per share data)

		Traditional Valuation ratios						
P/E		2010E	2011E	2012E	2013E	2014E	2015E	
P/CF		(29.9)	(1,645.5)	89.3	10.1	6.0	4.3	
EV/EBITDA		(43.4)	71.2	12.1	4.8	3.2	2.3	
Discounted Cash Flows (2010-14)		Discounted Terminal Value						
Discount Rate	Present Value of Cash Flows	Discount Rate	2015 EBITDA Multiple					
13.0%	(\$163)	13.0%	3.0x	3.5x	4.0x	4.5x	5.0x	
13.5%	(\$162)	13.5%	804	938	1,072	1,206	1,340	
15.0%	(\$159)	15.0%	783	913	1,044	1,174	1,305	
			723	844	965	1,085	1,206	
Capital Structure Adjustments		Enterprise Value						
Debt	\$110	Discount Rate	2015 EBITDA Multiple					
Less: Cash	(119)		3.0x	3.5x	4.0x	4.5x	5.0x	
Net Debt(1)	(\$10)	13.0%	641	775	909	1,043	1,177	
		13.5%	621	751	882	1,012	1,143	
		15.0%	565	685	806	926	1,047	
Inputs		Equity Value						
Tax Rate	35.0%	Discount Rate	2015 EBITDA Multiple					
Cash Tax Rate	100.0%		3.0x	3.5x	4.0x	4.5x	5.0x	
Shares Out.	235.120	13.0%	650	784	918	1,052	1,186	
Current Price	\$3.60	13.5%	630	761	891	1,022	1,152	
		15.0%	574	695	815	936	1,057	
WACC Calculations		Equity Value per Share (including SACL Coal)						
Cost of equity	14.0%	Discount Rate	2015 EBITDA Multiple					
Equity risk premium	8.1%		3.0x	3.5x	4.0x	4.5x	5.0x	
Beta	0.880	13.0%	3.20	3.77	4.34	4.91	5.48	
Risk free rate	5.8%	13.5%	3.11	3.67	4.22	4.78	5.33	
Cost of debt	7.9%	15.0%	2.87	3.39	3.90	4.41	4.93	
WACC (90% equity/10% debt)	13.3%							
Source: Bloomberg & Factset								
SACL Coal Valuation		Implied Upside / (Downside) to Equity Value per Share						
Australia coal resource (2010)	mil tonnes	515.0	Discount Rate	2015 EBITDA Multiple				
Australia coal resource upside		1515.0		3.0x	3.5x	4.0x	4.5x	5.0x
Australia coal resource (2012)		1015.0	13.0%	(11%)	5%	20%	36%	52%
	mil dollars		13.5%	(14%)	2%	17%	33%	48%
Value at 5 cents per tonne		\$50.75	15.0%	(20%)	(6%)	8%	23%	37%
Value at 8 cents per tonne		\$101.50						
Value at 15 cents per tonne		\$152.25						
	\$ per share		Fair Value - Scenarios					
Per share value at 5 cents	\$0.43		Equity Value		Hi	Lo	Avg	
			Upside		5.33	3.11	4.22	
					48%	-14%	17%	

(1) Includes off-balance sheet debt

Source: Company Reports and Madison Williams and Company

- Long-Term Share Price Drivers – Successful Deployment of BCB Technology and Coal Reserve Growth.** WEC shares were finally able to break out of their trading range following the SACL announcement. The shares had traded in a narrow A\$2.20-\$2.85 range since July of last year. Going forward, the key items of investors focus are: 1) continuing high operating rates at the first 1 mtpa BCB plant in Indonesia; 2) upgraded coal shipments in the June quarter followed by long-term commercial supply agreements with targeted Asian utilities; 3) success in the company’s North America market initiatives (with Peabody, Buckskin, and the State of Kentucky); 4) continuing progress with KSC’s expansion plans to 15 mtpa in Indonesia; 5) meaningful success in growth initiatives in other key markets such as China, Africa, Australia, and Russia; and 6) positive news flow related to the proposed SACL acquisition. WEC shares are trading well above their 50/100/200 day moving averages, with an average daily trading volume of 400,000 shares on the ASX. White Energy shares are cross-listed on the OTCQX International platform, where volumes have been light. We expect trading volumes to improve as the story gets more traction in the U.S., particularly as more and more U.S. investors look for unique and under-followed investment ideas in the international energy/clean energy/natural resources sector.

Figure 15: WEC Shares Have Recently Broken Out of Their Trading Range



Source: Bloomberg

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Management Profile

John McGuigan, Chairman (Will Become Non-Executive Director Following SACL Transaction)

Mr. McGuigan has both an accounting and legal background. He has been on the boards of a number of public and private companies. Mr. McGuigan retired as a partner of Baker & McKenzie in June 1998 to co-found Hunter Bay Partners with Mr. Atkinson. Mr. McGuigan became a director in September 1998 and is chairman of the audit committee and the remuneration / nomination committee. Other current directorships include RHG Limited and Victor Change Cardiac Research Institute.

John Atkinson, Managing Director (Will Become Non-Executive Director Following SACL Transaction)

Prior to joining the company Mr. Atkinson was a solicitor and partner with Baker & McKenzie in Hong Kong, where he practiced principally as a mergers and acquisitions lawyer. He resigned as a partner of Baker & McKenzie in June 1998 to co-found Hunter Bay Partners with Mr. McGuigan. Mr. Atkinson became a director of the company in February 1999 and is a member of the audit committee and remuneration / nomination committee. In January 2003, Mr. Atkinson was appointed managing director.

Travers Duncan, Non-Executive Director (Will Become Chairman Following SACL Transaction)

Mr. Duncan is a civil engineer with over 35 years of experience in the management of large coal mining and infrastructure development projects in Australia, India, Indonesia and Papua New Guinea. Mr. Duncan's experience includes the successful financing and development of projects such as the Piparwar coal mine in India and the North Goonyella coal project in Queensland. Mr. Duncan has played a key role in the White Group of companies, most recently as chairman of White Mining Limited, with a particular focus on advancing White Mining's New South Wales projects. He leads a team in the development and commercialization of Ultra Clean Coal (UCC) technology, and he identified the Binderless Coal Briquetting process as a means of agglomerating Ultra Clean Coal for transport by conventional transport systems. Mr. Duncan is a major shareholder and chairman of ASX-listed coal company Felix Resources Limited. Other current directorships include Ashton Coal Mines Limited and the Ultra Clean Coal Council. Mr. Duncan is a member of the NSW Government Clean Coal Council.

Brian Flannery, Ex-Felix Resources Managing Director (Will Become CEO Following SACL Transaction)

Mr. Flannery, Managing Director of Felix Resources, will assume the role of chief executive officer of White Energy and join the board as an executive director in August 2010. Mr. Flannery joined Felix in April 2005 as executive director, mining, and became a managing director the following year. He has more than thirty years of experience in the development, engineering, construction, operation, and management of open-cut and underground mining projects in Australia and overseas. He was previously general manager of the Ulan Coal Joint Venture and had key roles in the development of the Piparwar coal mine in India and the North Goonyella coal project in Queensland.

Graham Cubbin, Non-Executive Director

Mr. Cubbin was appointed a non-executive director of White Energy Company Limited on February 17, 2010. He was a senior executive with Consolidated Press (CPH) from 1990 until September 2005, including chief financial officer for 13 years. Prior to joining CPH, Mr. Cubbin held senior finance positions in a number of major companies, including Capita Financial Group and Ford Motor Company. He has 15 years of experience as a director and audit committee member of public companies in Australia and the United States. His other current directorships include Challenger Financial Services Limited, STW Communications Group Limited, and Bell Financial Group Limited.

Ivan Maras, Chief Financial Officer

Mr. Maras has been with White Energy Company Limited in the role of CFO since June 2006. He was previously employed by Hunter Bay Partners Pty Ltd, a boutique investment house based in Sydney, where he managed the company's investments in Krispy Kreme Australia Pty Ltd and other retail businesses. Prior to joining Hunter Bay Partners, Mr. Maras spent 10 years in various financial roles with Consolidated Press Holdings Limited (CPH), a private investment company wholly owned by the Packer family. During the last four years at CPH, Mr. Maras served as CFO of The Hoyts Corporation, where he was closely involved in the growth phase of the Hoyts Group, and its eventual sale to West Australia Newspapers and Publishing & Broadcasting Limited in December 2004.

Keith Clark, Chief Technology Officer

Mr. Clark has over 35 years of experience in research and development in coal and mineral processing. Mr. Clark was a senior principal research scientist with the Commonwealth Scientific and Industrial Research Organisation (CSIRO), where he led the R&D program that developed the BCB technology process. He left CSIRO in 2002 to join White Energy Company Limited on various coal upgrading and cleaner coal technologies. Mr. Clark was a co-inventor of the patent covering the Binderless Coal Briquetting (BCB) process, the modified Ultra Clean Coal (UCC) process to produce gas turbine grade Ultra Clean Coal, and the inventor of the Coke BCB Technology. He was a key driver behind the development of the Binderless Coal Briquetting Company (now a subsidiary of White Energy Company Limited), and he helped form the multinational group that developed the process, determined its market direction, and secured its associated intellectual property and trademarks.

Darron Hitchings, Chief Operating Officer

Mr. Hitchings is a civil engineer with over 35 years of experience in civil engineering and mining projects in Australasia, Indonesia, Ghana, Tanzania, South Africa, Jamaica, South America, Hong Kong, and Papua New Guinea. Mr. Hitchings led teams in the development and construction of large mining and associated infrastructure projects, including mineral processing. Some of these projects include the North Goonyella coal mine, Bengalon coal project Kaltim Pria Coal lease, Indonesia, gold mining projects in Ghana and Tanzania, and bauxite and copper mines in Jamaica and Chile. He has held senior management roles in major publicly listed mining and engineering construction companies.

Judith Tanselle, President – North America Operations

Ms. Tanselle joined White Energy Company Limited from JM Energy Advisors LLC, where she was principal of an energy consulting company specializing in advising United States-based power companies and others involved in the competitive energy industry on risk management, portfolio optimization, project development, and environmental strategy. Immediately prior to her time with JM Energy, Ms. Tanselle was an executive director of New Jersey's NRG Energy, where she was responsible for managing their coal emissions procurement and trading activities. She has also held the positions of managing director of coal and oil trading for PG&E National Energy Group in Maryland, vice president of coal and emissions marketing for Missouri-based Aquila Energy, and manager of coal trading and LG&E energy marketing in Louisville, KY. She currently serves on the board of directors for the Coal Trading Association (CTA), is a past member of the NYMEX Coal Advisory Committee, and a past president and director of the Lexington Coal Exchange.

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White Energy Company Limited (ASX: WEC)

Income Statement

Data in Australia Dollars (in millions, except per share data)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>H1A</u>	<u>H2A</u>	<u>FY 2009</u>	<u>H1A</u>	<u>H2E</u>	<u>FY 2010E</u>	<u>FY 2011E</u>	<u>FY 2012E</u>
	Jun-07	Jun-08	Dec-08	Jun-09	Jun-09	Dec-09	Jun-10	Jun-10	Jun-11	Jun-12
Income Statement										
Revenue	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.00	\$2.00	\$53.55	\$199.26
Other Revenue	1.30	3.99	1.59	1.27	2.85	1.40	1.60	3.00	3.00	3.00
Total Revenue	1.30	3.99	1.59	1.27	2.85	1.40	3.60	5.00	56.55	202.26
Accounting and audit fees	0.23	0.26	0.07	0.20	0.27	0.04	0.26	0.30	0.50	0.50
Employee benefits expense	3.87	5.98	4.84	4.03	8.88	2.82	4.68	7.50	8.00	10.00
External advisory fees	2.68	3.90	3.49	3.86	7.36	4.61	4.89	9.50	15.00	20.00
Depreciation & Amortization	3.32	3.59	1.80	4.14	5.94	2.80	3.70	6.50	8.00	9.50
Other Expenses	1.82	2.65	3.32	0.09	3.41	5.67	1.33	7.00	10.00	15.00
EBIT	(10.61)	(12.41)	(11.94)	(11.06)	(23.00)	(14.54)	(11.26)	(25.80)	15.05	147.26
Finance Costs	0.00	2.61	2.11	2.51	4.62	1.14	3.36	4.50	4.50	19.39
EBT	(10.61)	(15.02)	(14.05)	(13.57)	(27.62)	(15.68)	(14.62)	(30.30)	10.55	127.87
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.69	44.75
Minority Interest	(0.16)	(0.47)	(0.06)	(0.82)	(0.88)	(0.97)	(1.03)	(2.00)	7.37	72.16
Net Income	(10.45)	(14.54)	(13.99)	(14.39)	(26.74)	(14.71)	(15.65)	(28.30)	(0.51)	10.96
Extraordinaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Diluted Shares Outstanding	117.83	125.88	127.20	172.30	145.72	235.12	235.12	235.12	235.12	271.85
EPS Diluted	(\$0.09)	(\$0.12)	(\$0.11)	(\$0.08)	(\$0.18)	(\$0.06)	(\$0.07)	(\$0.12)	(\$0.00)	\$0.04
EBITDA	(7.29)	(8.81)	(10.14)	(6.92)	(17.06)	(11.74)	(7.56)	(19.30)	11.76	79.95

Source: Company Reports and Madison Williams and Company Estimates

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White Energy Company Limited (ASX: WEC)

Cash Flow Statement

Data in Australia Dollars (in millions, except per share data)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010E</u>	<u>2011E</u>	<u>2012E</u>
	June	June	June	June	June	June
Cash Flow Statement						
Operating Activities						
Net Income Before Extra	(\$10.45)	(\$14.54)	(\$26.74)	(\$28.30)	(\$0.51)	\$10.96
Depreciation, Dep, & Amortization	3.32	3.59	5.94	6.50	8.00	9.50
Other Operating Activities	5.83	2.96	2.87	(10.00)	0.00	0.00
Net Operating Cash Flows	(1.30)	(7.99)	(17.93)	(31.80)	7.49	20.46
Investing Activities						
Capital Expenditures	(8.56)	(42.87)	(76.51)	(20.00)	(80.00)	(250.00)
Sales of Fixed Assets & Business	0.00	0.00	0.00	0.00	0.00	0.00
Purchase/ Sales of Invesments	0.00	0.00	0.00	0.00	0.00	0.00
Other Funds	(4.14)	13.73	(2.94)	0.00	0.00	0.00
Net Investing Cash Flow	(12.70)	(29.14)	(79.45)	(20.00)	(80.00)	(250.00)
Financing Activities						
Cash Dividends Paid - Total	0.00	0.00	0.00	0.00	0.00	0.00
Change in Capital Stock	21.73	2.00	46.57	121.78	0.00	91.82
Issuance/ Reduction of Debt, Net	0.00	55.02	43.78	0.00	0.00	137.73
Other Funds	0.78	0.00	(1.65)	0.00	0.00	0.00
Net Financing Cash Flow	22.51	57.02	88.70	121.78	0.00	229.55
Net Change in Cash	8.51	19.89	(8.68)	69.98	(72.51)	0.00

Source: Company Reports and Madison Williams and Company Estimates

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White Energy Company Limited (ASX: WEC)

Balance Sheet

Data in Australia Dollars (in millions, except per share data)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010E</u>	<u>2011E</u>	<u>2012E</u>
	June	June	June	June	June	June
Balance Sheet						
Assets						
Cash & Short Term Investments	\$15.1	\$35.0	\$26.3	\$96.3	\$23.7	\$23.8
Acct. Receivable	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Assets	3.3	5.1	13.2	10.0	15.0	15.0
Total Current Assets	18.4	40.1	39.4	106.3	38.7	38.8
Net PPE	9.4	52.0	127.8	147.8	227.8	447.8
Other Assets	58.1	56.1	54.3	70.0	70.0	70.0
Total Assets	85.9	148.2	221.6	324.1	336.6	556.6
Liabilities & Shareholders Equity						
Short Term Debt & Curr Portion LT Debt	0.0	0.0	0.8	51.1	51.1	51.1
Acct. Payable	1.7	3.8	4.5	0.0	0.0	0.0
Income Taxes Payable	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	6.7	26.0	25.1	25.0	25.0	25.0
Total Current Liabilities	8.4	29.8	30.3	76.1	76.1	76.1
Long Term Debt	0.0	47.4	57.2	5.1	5.1	142.8
Other Long-term Liabilities	0.0	0.0	51.7	53.5	73.5	73.5
Total Liabilities	8.4	77.2	139.2	134.7	154.7	292.4
Total Shareholders' Equity	77.5	71.0	82.3	189.4	181.9	264.1
Total Liabilities & Shareholders' Equity	85.9	148.2	221.6	324.1	336.6	556.6
Debt/Capital ratio	-24%	15%	50%	7%	37%	48%

Source: Company Reports and Madison Williams and Company Estimates

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IMPORTANT DISCLOSURES

Analyst Certification

The Madison Williams and Company analyst(s) whose name(s) appears on the front page of this research report hereby certifies that the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about any and all of the subject securities or issues discussed herein. Furthermore, no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Ratings and Investment Banking Distribution for Madison Williams and Company: Of the 31 companies under coverage at March 31, 2010, 18 (58.1%) were rated Buy; 5 (16.1%) were rated Accumulate; 8 (25.8%) were rated Neutral/Hold; zero (0.0%) were rated Reduce, zero (0.0%) were rated Sell, and zero (0.00%) were Not Rated. Of the 31 companies under coverage at March 31, 2010, Madison Williams maintained 9 Investment Banking relationships, of which 6 (66.7%) were rated Buy; zero (0.0%) were rated Accumulate; 3 (33.3%) were rated Neutral/Hold; zero (0.0%) were rated Reduce; zero (0.0%) were rated Sell; and zero (0.00%) were Not Rated.

Rating Key:

Buy: The analyst expects the stock to outperform its relevant benchmark (S&P 500, R2000, etc.) and its peer group

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.

Reduce: The stock should begin to be sold at current prices as the stock has neared a point of full valuation. The risk/reward has become less attractive and the stock is expected to under perform peer stocks over the next 12 months.

Sell: The analyst expects the stock to underperform its relevant benchmark and its peer group.

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Company	Disclosure
White Energy Company (WECFY - OTC):	1,3,10

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