



White Energy Company Limited
ABN 62 071 527 083

Maritime Trade Towers
Level 20
201 Kent Street
Sydney NSW 2000

Telephone +61 2 9959 0000
Facsimile: + 61 2 9959 0099
www.whiteenergyco.com

23 November 2009
Annual General Meeting

Managing Directors Report

As Shareholders are aware, over the last few years we have been transforming the Company into an operating business possessing the critical skills that are required to fully exploit the vast commercial potential of our unique, cleaner coal technology – *the binderless coal briquetting process*.

Building the Right Asset Base

The future of our business is reliant on building a strong ‘in-house’ team that is equipped with the right skills that enable us to deliver the full suite of project lifecycle services: commercial and technical feasibility assessment; plant design and engineering plans; plant construction; plant commissioning; and operation of coal upgrading plants. Having these key skills internally enables us to control our intellectual property and develop a genuine global business that can deliver a project any where in the world.

Although our team utilises external contactors to physically build, operate and maintain BCB plants these services are always performed under the close supervision and guidance of White Energy personnel. This approach, coupled with a proprietary information technology system that supports all aspects of our business will enable us to control and manage a number of projects simultaneously in different countries.

Accordingly, over the last year we have made considerable investment in the following skill sets to create a strong platform for growth:

- Robust plant design
- Proprietary control and operating software
- Construction and project management skills
- Commissioning skills
- Plant operating skills
- Constant evolution of core intellectual property
- Coal sale and marketing skills



PT Kaltim Supacoal

Earlier in the year PT Kaltim Supacoal (**KSC**) (our 51% owned joint venture with PT Bayan Resources), completed the construction of the first 1 million tonne per annum (**MTPA**) binderless coal briquetting plant at the Tabang mine.

Over the last few months, KSC personnel under the supervision and assistance of the White Energy commissioning team, completed the commissioning of the Tabang Production Plant. In addition, a 10 megawatt power station has been built on site and integrated into the Tabang Production Plant process.

The next key phase of the project is to transition the Plant from relying on oil as fuel for the drying process to coal-fired burning of the furnace. This process is underway and involves KSC using its own discard material as feedstock for the operation of the coal burner. At the same time, we are focused on incrementally building production rates and optimizing the quality of the upgraded coal.

In summary, we are pleased with the limited number of issues encountered to date at Tabang. Importantly, the drying system and briquetting process, the key components of our Plant and the cornerstones of our upgrading process, work as anticipated. The only issues encountered which have resulted in any time delays have involved the ancillary services that support our core drying and briquetting process. These have revolved primarily around the pneumatic conveying system for the extraction of dust, the crushed coal injection system and the furnace fuel transfer line have all had some problems operating at the desired level. In particular, sorting out the dust extraction system has unfortunately had a timing impact on the production ramp up schedule. That being said, the KSC work program has the Plant now incrementally building up production rates to name plate capacity with coal sales anticipated during the March 2010 quarter.

During the year White Energy and Bayan Resources agreed in principle to significantly expand KSC's potential production capacity - from 5 MTPA to 15 MTPA. The next step is to formally agree to start construction of the next 4 MTPA of capacity. A decision in this regard will be made by KSC in the next few months once the initial 1 MTPA plant is working at full production capacity. It is envisaged that construction of the next 4 MTPA will begin in the first half of 2010.

As regards the funding of the expanded capacity, KSC has appointed Standard Chartered Bank as its financial adviser for the establishment of a project financing facility. Financial close for the facility is being targeted for the end of the first quarter of calendar year 2010.

KSC is now turning its attention to its coal marketing activities. In this regard, KSC is in active discussions with both Asian and United States based energy companies who are interested in securing the first shipments of the upgraded coal product – known as **KSC Supacoal**.



US Operations

It has been an eventful year for our North American operations. In January we announced an agreement to develop a 1 MTPA BCB facility at Buckskin Mining Company's mine in the Powder River Basin in Wyoming with the potential to expand capacity to 8 MTPA. In May, we announced an agreement to jointly develop a BCB facility with Peabody Energy at one of their mines in the Powder River Basin. The Peabody project will be constructed in phases with the first phase expected to produce 1 MTPA and could ultimately be expanded to 20 MTPA.

We are working diligently towards permitting these first two US projects. Completing air permit applications for the two Wyoming projects has required some modification of the standard BCB design and necessitated the development of models that allow us to demonstrate that the design incorporates best available control technology. We are well into the process of the Americanisation of the BCB design. We expect that this project will be at a stage that will allow US permit applications to be completed and filed in early 2010. While this has been a complicated and lengthy process, it's a valuable investment and once completed, all US plants will be constructed according to this design.

Our North American staff continues to work with US utilities to get the BCB product on the list of approved fuels for their power plants. Our cleaner coal has been very well received by US utilities, particularly those that desire to reduce their emissions without investing in capital upgrades of their power plant equipment.

Capital Base

While most of the Company's resources, both human and capital, have been directed towards KSC over the last twelve months, there has been significant energy put in to securing a long term funding base that is in alignment with the Company's growth profile. To this avail, the Company embarked on a capital raising exercise in May 2009 just as the debt and equity markets began to thaw and investors returned to the market.

White Energy successfully completed a A\$55 million capital raising by a book-build that was heavily oversubscribed from both domestic and international institutions. The oversubscription of our capital raising provided our board of Directors with validation of the Company's long term strategy and gave us significant confidence heading into the second half of 2009 that capital would continue to be available to drive the Company's business platform.

In the last few weeks, White Energy received a A\$100 million offer of equity financing from Institutional investors (most of whom were existing Shareholders of White Energy) which the Board chose to accept. This offer was attractive to the Board, particularly given the relative uncertainty of the proposed merger transaction with the Asia Special Situation Acquisition Corp (**ASSAC**). You will recall that the proposed transaction with ASSAC was to provide the Company with the funding necessary to rollout its business plan. However, since the despatch of the Court approved ASSAC merger Scheme Booklet in October, it



become increasingly clear to the Board that a number of the conditions precedent and other matters fundamental to the successful completion of that transaction were unlikely to be achieved. As a consequence, the Board accepted the Institutional offer and agreed with ASSAC to terminate the proposed merger on mutually acceptable terms.

The Company now has all the capital it needs to build a substantial business. Its available capital reserves (which aggregate approximately A\$135 million after the recent capital raising) combined with equity contributions from joint venture partners for particular projects, income generated from those projects and the likely level of bank financing obtained at the project level, should see a 5 MTPA business built in Indonesia through KSC and the first 2 MTPA of capacity built in the US. In addition, our capital base is sufficient to cover planned expansion in Africa as well as cover the Company's general working capital requirements.

Key Priorities for 2010

To continue along our target growth trajectory we have established a number of key priorities for financial year 2010:

- KSC to operate the Tabang mine at full capacity and establish a premium for our coal by selling and gaining acceptance amongst power utilities in Asia and the US;
- KSC to commence construction of the next 4 MTPA of capacity;
- Secure long term financing for KSC to enable it to fund its planned expansion;
- Obtain a permit for the project and satisfy all regulatory requirements to commence construction of our first North American BCB plant at the Buckskin mine;
- Finalise all ancillary agreements with Peabody relevant to our Joint Development Agreement, obtain a permit for the project and satisfy all regulatory requirements to commence construction of the joint ventures first BCB plant;
- Continue to evaluate other US based opportunities that could accelerate commercial operations in that market. Similarly, make substantive progress in the China market;
- Progress River Energy's activities in Africa to the point where we have an agreement in place to construct and operate Africa's first BCB plant; and
- Improve our research and development efforts with a view to making significant progress on our patented coking coal application, evaluate new ancillary and complimentary technology applications that position White Energy as a leading player in clean and efficient energy solutions.



I would like to take this opportunity to extend my thanks to all my colleagues at White Energy for the commitment and continued support during the course of this year. Our team has worked tirelessly in a challenging environment to construct and commission KSC's first commercial plant in Indonesia, provide the Company with a very strong capital base and forge relationships with some of the worlds leading energy Company's in an effort to lay a strong platform for growth.

Also, I would like to thank our partners and key suppliers for all their assistance over the last twelve months. In particular, I would like to make special mention of Bayan Resources who like us are great believers in the opportunity for our coal upgrading technology and who have invested and worked alongside us to construct, fund and commission KSC's operation at Tabang.

Finally, I wish to thank you our Shareholder. This last financial year has been incredibly challenging for all involved in the investment community. Therefore, please believe me when I say that I sincerely appreciate your continued support and belief in White Energy.

John Atkinson
Managing Director