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Peabody, White Energy agree to develop PRB coal-upgrade plant

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By Barry Cassell

Peabody Energy Corp. and Australia's White Energy Co. Ltd. announced May 13 they have signed an agreement to pursue development of a coal upgrading plant that would be sited at a Peabody operation in the Powder River Basin.

Under the agreement, Peabody also has the first right to participate in new coal upgrading development projects that White Energy undertakes in North America and China. The deal also gives Peabody a right to acquire a nearly 15% equity interest in White Energy.

"The coal upgrading plant would utilize White Energy's patented coal briquetting technology, a mechanical process that upgrades lower Btu coals," said a joint statement. "The process increases the coal's overall energy content by approximately 35 percent. The resulting product is higher quality, more efficient and cleaner, with lower carbon and other emissions. The upgraded coal can be used interchangeably with high rank thermal coal for a number of applications, including power generation, industrial processes and Btu Conversion, such as coal-to-gas and coal-to-liquids."

"We view this technology as a way to unlock further value in our reserves in the Powder River Basin and at other locations to create new marketing opportunities for U.S. or export customers," said Richard Navarre, Peabody's president and chief commercial officer. "Coal has been the fastest-growing fuel for each of the past five years and will continue to be the world's primary source of electricity. We are pleased to be partnering with White Energy to develop a coal product with expanded market reach."

Peabody and White Energy are proceeding with engineering design and permitting activities for the first plant that are expected to require up to 24 months. The plant would be built in phases, with the first phase expected to produce more than 1 million tons of upgraded coal per year. White Energy deploys its technology through modules capable of producing 1 million tonnes per year apiece, which works out to about 1.1 million tons. Subsequent phases could increase plant capacity ultimately to more than 20 million tons annually. Peabody expects substantial global growth opportunities using this technology that will initially focus on applications in North America and China.

John Atkinson, CEO of White Energy, said, "The United States is a significant consumer of coal, and public sentiment supports that we move to a market with viable clean coal options as soon as possible. Peabody, as the world's largest private-sector coal company, is rightfully taking a leadership position in this initiative. White Energy is delighted to be partnering with Peabody to build a significant clean coal business in the United States and also to work together to develop opportunities in the China market. Today's agreement with Peabody complements projects we have done in other key coal markets around the world and represents another important step for White Energy in positioning itself as one of the world's leading providers of clean coal solutions."

The parties did not identify the PRB mine where the new coal-upgrade facility will be located. The most likely candidates would be Rawhide or Caballo in Wyoming, since they produce a low-Btu product that is more readily valuable to upgrade than high-Btu coals like the 8,800-Btu coal out of Peabody's North Antelope Rochelle mine in the Wyoming PRB. White Energy already has a deal with a unit of Kiewit Corp. to potentially build an upgrade plant at the low-Btu Buckskin mine in the Wyoming PRB.

Peabody's Feb. 27 Form 10-K filing said that Caballo, located 20 miles south of Gillette, Wyo., sold during 2008 a total of 31.2 million tons of coal. "The Caballo Mine produces compliance coal with a sulfur content averaging 0.34% and a heat value averaging 8,100 Btu per pound," said the filing. Rawhide, located 10 miles north of Gillette, sold 18.4 million tons of coal in 2008. "The Rawhide Mine produces compliance coal with a sulfur content averaging 0.36% and a heat value averaging 8,300 Btu per pound," said the filing.

Peabody Energy is the world's largest private-sector coal company, with 2008 sales of 256 million tons and \$6.6 billion in revenues.

White Energy, a Sydney-based company, and the parent of White Energy Coal North America, is the exclusive worldwide license holder of the Binderless Coal Briquetting process, which upgrades lower rank coal to significantly increase its energy efficiency and lower emissions. White Energy's U.S. marketing efforts are led by Judy Tanselle, a veteran coal buyer for several U.S. power companies.

Said the White Energy Web site about the technology: "Developed over a number of years by the Commonwealth Scientific & Industrial Research Organisation in conjunction with White Energy, the White Coal Technology can process low cost, poor quality sub-bituminous coal into higher quality (from ~8,000 BTU/lb or 4,500 kcal/kg to ~11,000 BTU/lb or 6,200 kcal/kg as delivered to the customer) and higher value coal (from US\$12/tonne to over US\$50/tonne). An even greater calorific upgrade can be achieved when processing brown coal. The upgraded product burns more efficiently with lower carbon emissions and, depending upon the feedstock used, lower pollutant emissions. The reduced moisture content of the product results in cuts to load volumes creating transport efficiencies. The product is also physically and chemically stable, thereby reducing the risk of spontaneous combustion and making it easier and safer to handle, transport and store."