Energy Developments Limited (ENE)
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For Immediate Release

ASX RELEASE

ENERGY DEVELOPMENTS LIMITED - ANNUAL GENERAL MEETING 2003

At an Annual General Meeting of members of Energy Developments limited today, the Chairman and Managing Director gave the attached presentations.

Within those presentations, the following points are made:-

Share Purchase Plan Offer

- Announced intention to offer all shareholders the opportunity to subscribe for up to $5,000 of new shares under the existing EDL Share Purchase Plan.
- The offer will be priced at a 5% discount to the market price over the 5 trading days up to and including the record date.
- The record date will be announced shortly.

West Kimberley Power Project

- Named as single preferred bidder for the West Kimberley Power Project comprising of five new gas fired power stations at Broome, Derby, Fitzroy Crossing, Halls Creek and Camballin/Looma.
- Currently negotiating a 20 year Power Purchase Agreement with Western Power Corporation. Negotiations are expected to be complete by early calendar year 2004.
- Initial project is for 46 MW, and this is expected to increase over life of project to 75MW.
- Gas fired power stations will run on LNG produced at an LNG plant at Karratha and transported by road train to the power stations.
- Commissioning is currently expected on the power stations by second half calendar year 2005.
- Project costs are expected to be in excess of $100 million to be funded primarily by project finance with some equity.

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ATTACHMENTS

CHAIRMAN'S ADDRESS

2003 was a watershed year for Energy Developments. It was certainly the most difficult period for the company since it went public in 1993. Clearly the bottom line loss was unacceptable, and I will come back to this in a moment.

However, in the last nine months, I believe we have set in place the foundations for the resurgence of the company.

While we have a long way to go, we have been gratified by the recent strength in the share price, and by the support for the company evident in September when we successfully effected a $40 million share placement with institutions.

2003 results were dominated by two factors.

Firstly, our operating results fell below expectations, and fundamental to this were operational problems with one particular type of engine used to generate electricity from landfill gas - mainly used in our overseas operations. Chris will bring you up to date with this matter shortly.

Secondly, the operating result has been overwhelmed by the financial impact of our decision to cease funding the development of our waste to energy process, SWERF®, and to make provisions against all costs accumulated to date.

This is addressed in the Annual Report, but I believe I owe you some further background, and an update on our status.

If I go back 12 months, to our last AGM, the chairman at that time advised that the company was changing its approach to SWERF® following a series of delays in getting one aspect of the process working properly - the secondary, or residual, char gasifier. We were adopting a more simple approach, which did not require the char to be gasified.

Over the months following the AGM we pursued this path. Initial results were encouraging, but, as the financial year progressed, it became clear that the new path contained some new technical challenges. While solutions were available, it also became clear that further significant development expenditure, and time, would be required.

SWERF was no longer an appropriate investment for a company of the size and scale of EDL on its own.

Faced with this new reality, the board made the decision to cease funding development, to provide for all the costs incurred to date, and to look to retain some of the upside in SWERF® through securing a partner who had the financial capacity to take the next steps in its development.

As stated in the Annual Report, we believe that SWERF® had – and still has – the potential to create a viable solution to the world's municipal solid waste problems - and this is why EDL persevered for as long as it did.

The search for a SWERF® partner is today in full swing. An Information Memorandum has been circulated to a number of interested parties and a data room created. With the assistance of external consultants, presentations and site visits to Wollongong have been held.

While we understand that shareholders are anxious for details of progress to date, it is still a little premature to speculate on the likely outcome of the partner search at this time.

Our aim is to complete the process in the first quarter of next calendar year, and we will keep the market fully informed of material developments.

As previously announced, at the Whytes Gully plant, we have an interim agreement in place with the Wollongong City Council to process waste through the front end of the plant to produce a day cover for the adjacent landfill. While only limited quantities of waste have been processed pending further approvals, it has allowed us to preserve our operating capability for demonstration to possible partners.

Our first half financial results for the period to 31 December will not be materially affected by SWERF® related expenditure, due to recoveries from the use of some of the equipment elsewhere in EDL, and to call on existing accounting provisions.

While SWERF® remains a major disappointment, it has not been – and is not – the fundamental basis of the company. EDL developed through a focus on three core businesses: electric power generation from landfill gas, from coal mine waste gas, and from conventional sources in remote areas. This is where, once gain, our energies are now focused.

Over the last few months we have had a number of successes with expanded projects. Only last month we were pleased to announce that we had been selected as the sole preferred bidder for a major remote power generation project in the West Kimberly region of Western Australia. Chris will be filling you in further on our new strategic directions, and news on the new projects.

To effect this strategy, we needed to make some changes to our Board and management team. Paul Whiteman, one of the founders of the company, stepped down as Managing Director to devote his attention to new development activity, and has, for example, been instrumental in our negotiations on the West Kimberly project.

We were then most fortunate to secure, quickly, the services of Chris Laurie as our new Managing Director. Chris brings with him a wealth of experience in our core business of electricity generation, having previously been Chief Executive of Orion, one of New Zealand's leading utility companies.

Orion, of course, is also a major shareholder in EDL. Orion did not want to lose Chris, but they were gracious in facilitating his move to EDL once the decision had been made.

Chris's down-to-earth, systematic and unruffled style is what EDL requires at this stage of its corporate evolution.

Chris has set about building a new team, blending our historical entrepreneurial strengths with a disciplined approach to operations management, cost control and investment appraisal. Chris has replaced a complex matrix style management with more traditional line management reporting. He is well assisted in this by our Finance Director, Greg Pritchard.

We will be coming back to our executive team later in agenda when we seek you approval of the resolutions on options.

We have also strengthened the board with the recent appointment of two new directors, Peter Cassidy and Roger Sutton. We will be talking more about these gentlemen later in the agenda when we move they be re-elected to the board.

A further key element to our strategy has been to secure EDL's capital and funding position.

On the debt side, we are well progressed with the refinancing of the company's Australian corporate and project debt facilities. The refinancing will provide greater security and flexibility in our funding, and includes a significant new construction line for future project development. We expect financial close on this major $280 million transaction within the next month.

Total debt levels are essentially unchanged year-on-year, although gearing calculations have increased following the SWERF® write-down.

The equity placement in September raised almost $40 million. Those funds are being selectively applied to new landfill gas projects, to expansions of our existing sites and to provision of development capital for remote power projects.

To grow the business we have a continuing need for capital, with West Kimberly Power Project being a good example. At the same time, we are conscious that our smaller or retail shareholders were not in a position to participate in the recent share placement.

Accordingly I am pleased to announce that the Board proposes to offer all shareholders the opportunity to subscribe for up to $5,000 of new shares under the existing EDL Share Purchase Plan. The offer will be contained in a letter to be sent to all shareholders in the next two weeks, and will be priced at a 5% discount to the prevailing market price.

Finally, it would be remiss of me not to mention EDL's position on Corporate Governance.

As a board and company, we are committed to best practice on corporate governance. This is not new. We have had effective and high standards in place well prior to the release of recent guidelines.

Our task is mainly one of documentation. We are progressively working through this, and will continue to post policies on our web site as they are completed. Today you will already find the Terms of Reference of each of the Audit Committee, Remuneration Committee and Nomination Committee; also the Securities Trading Policy, Privacy Policy, and the Director's Code of Conduct.

There is one matter on which EDL may not be seen to comply fully with nominal best practice, and we may seek to explain our situation under the "if not, why not" principle, which is part of the ASX governance framework.

Two of our major shareholders each have a nominee of our board. They are Orion, which company I mentioned earlier, and Infratil, a New Zealand based infrastructure investor. It could be argued that these individuals, Roger Sutton and Bruce Harker, do not meet the definition of being independent. If so, EDL does not have a majority of independent directors on the board as defined – though we do have clear majority of non-executive directors.

These two individuals have a long and deep experience of our business, and are outstanding contributors to the board. I can assure you they are very independently minded in the real world! Hence the board strongly supports their continuation as directors.

The matter could be resolved by the expansion of the board, and appointment of new independent directors. Whether this is the best way to go is something we will discuss amongst the board and with shareholders over the coming months, and will address in the 2004 Annual Report,

Let me close my remarks by saying that the board and I are determined to restore EDL to the position of confidence it once held as one of Australia's leading renewable and remote power generation companies.

Our first task is to restore earnings growth, and demonstrate stronger cash generation. Once this is achieved, we will be in a position to consider resumption of dividends. The challenges before us are significant, but we do have the skills and people to take the Company forward.

MANAGING DIRECTOR'S ADDRESS

As the Chairman has mentioned, the 2003 financial year was very disappointing. Our net operating loss for the year, impacted by the SWERF provisions, was unacceptable and will not be repeated.

However, it was a year where a substantial amount was achieved behind the scenes, and the building blocks of the Company's past successes were re-laid and established.

As the incoming Managing Director, I'd like to share some of our future plans and direction with you.

One of the first things we did after I came to this role, was to assess the Company's core competencies, and identify the key markets within which EDL should exploit those competencies.

As you are aware, the Company is now focussed on EDL's core business of power generation, from landfill gas, coal mine waste gas, and remote power from conventional sources.

In Australia, the Company has been singularly successful in each of these sectors. In the United States, United Kingdom and Europe we have established strategic beachheads in the landfill gas business.

It is true to say however, that for most of the past three to four years, EDL's business development focus has been on SWERF, and the development of our overseas LFG business. We did not devote significant resources to the local market. Late last year we changed that, and now have a focussed team dedicated to the exploration of core business opportunities in Australia, with, I am pleased to say, very promising results to date.

We have completed commissioning of the 12MW expansion of our power plant at BHP Billiton's Cannington Mine in North West Queensland to a total capacity of 36MW. This expansion will contribute fully to earnings in the second half of the year.

Last month, we were named as the single preferred bidder for the West Kimberley Power Project. This project comprises five new gas fired power stations at Broome, Derby, Fitzroy Crossing, Halls Creek and Camballin/Looma, a LNG plant at Karratha and LNG road trains to supply the natural gas fuel to the power stations. The contract with Western Power Corporation is for 20 years.

The initial project size will be 46MW. This is expected to increase over the term of the contract to 75MW. We are now working to finalise agreements with Western Power and expect to complete these by early calendar year 2004. It is anticipated that the power stations will be operating by the second half of calendar year 2005.

The project is expected to cost in excess of $100 million and will be funded primarily by project finance and some equity.

We are also working with Anglo Coal as preferred bidder for its 32 MW Coal Mine Waste Methane Project at the German Creek Mine in Central Queensland.

Negotiations are advancing well and we remain focussed on finalising agreements and bringing the project on line in the first half of calendar 2005.

These are important projects for EDL, and understandably shareholders and the investment market are keen to understand the specific financials such as,

- returns
- capital costs and;
- funding of the projects.

We are conscious of this and always seek to balance the commercial necessities and market reporting requirements on these long lead time projects. Accordingly we will provide further details as the project development process continues.

EDL operates landfill gas businesses across seven countries in a mix of wholly owned and joint venture businesses.

During the year we withdrew from the South Korean and Chinese markets in order to concentrate our attention on the key growth markets of the United States and UK/Europe.

We are in the process of refreshing our Australian landfill gas business, focussing on improved operation, and incremental expansions of a number of projects. In many cases these expansions will utilise existing equipment. The modular nature of our plant readily facilitates its relocation to where we can earn the highest return.

While we are unlikely to add significant additional landfill megawatts in Australia, we do expect an increase in returns. In particular we are moving to optimise revenue from incentive schemes such as the Federal Government's MRET scheme and the recently introduced NSW NGAC schemes.

We are the first to acknowledge that the performances of our US, and to a lesser extent, UK/European LFG businesses have been very disappointing. We are working hard to improve performance and returns.

There are a combination of historical reasons for this disappointing performance, including the time and cost to establish critical mass in these markets; what I would describe as 'an underestimation of local complexities'; and the overseas engine issue about which I will have more to say shortly. Observers have rightly focussed on these issues. We must improve the returns from these operations within a reasonable timeframe or redeploy the capital currently invested there. However, it is easy to overlook the strategic footholds we now have in these markets, in what is a long term business (20 years plus) with strong fundamentals and considerable growth potential.

We believe we have the necessary ingredients for success in these markets including key relationships with core customers, cornerstone projects and hard earned local knowledge and we can expand the business without increasing overheads. These are valuable advantages on which we are yet to capitalise.

We have made changes to our operations and structure throughout the company in the past year and will make further changes if necessary, to achieve success.

This brings to me to the Overseas Engine Issue. We have advised previously that a remediation program is currently underway to address key performance issues with our overseas engine fleet in the areas of:

- shortened cylinder head life,
- exhaust valve torching,
- high oil consumption,
- heavy deposits in combustion chambers.

A multi-faceted approach has been used to identify, manage and remedy performance of these engines comprising:

- the involvement of a number of technically expert external organisations in determining solutions to specific problems

- comprehensive monitoring of engine operating parameters

- temporary de-rating of the unremediated 1800 rpm US fleet

- upgrading of a number of engine components

- ongoing detailed analysis of engine performance.

As we have reported in our Annual Report the process of engine remediation and upgrade is underway in the United States and UK/Europe. We expect that the remediation process will take the whole of this financial year to complete with the full benefit to accrue in the 2005 financial year. The process to date has taken us longer than we anticipated, with the primary challenge being the logistics of sourcing alternative parts and phasing these into the operating fleet. The steps required to address this issue are now in place and we remain confident of our targets.

Let me touch briefly on our financial outlook.

As the Chairman mentioned earlier, we are well advanced with our Australian Debt Refinancing and we expect financial close next month. This will involve a once off write off of deferred costs for existing borrowings of between $3 to 4 million pre-tax. This impact will be outweighed by the benefits that the new facility will provide in coming years, including lower interest and administration costs and more flexible and secure facilities.

At this stage we expect the first half results will finish somewhat below last year’s first half result of $10.7 million at the NPAT level (pre significant items).

This reflects the impact of:

- the delay in the overseas engine remediation program particularly in the United States;

- some restructuring costs such as redundancies as we reshape the business;

- the effects of the higher Australian Dollar on overseas earnings and;

- a higher tax rate expected to track up towards the 30% level.

We do expect that some financial benefit from the introduction of the NSW Government NGAC carbon abatement scheme will partially mitigate these factors, as some qualifying LFG sites are accredited and NGAC certificates are created and sold prior to 31 December.

These factors will be with us for the full financial year. However, overall we remain comfortable with the lower end of ‘market’ NPAT expectations of $18 to $21 million prior to significant items. We expect upsides from NGACS to lift results to the top of the range. At this early stage of the NGAC scheme implementation we are unable to be any more specific.

In closing, I would like to emphasize that we are working hard to restore market confidence by demonstrating that Energy Developments can achieve the results that you, the shareholders and the market demand. It will not happen overnight, but you have my assurance that we will make the necessary decisions to ensure the results are achieved.