



The Airborne Advisor

Premier Ralph Klein's 2006 Provincial Address



You know, when I visit other places across Canada, people often say, "you're so lucky in Alberta... lucky to have all those resources, and the strong economy to go with them." Well, we are lucky. But luck is only part of the equation. Albertans have used their creativity, bold thinking and decisive action to transform our natural resources into leading edge products marketed around the world.

In our second century, we won't rely on our continued good luck, and high oil and gas prices to fuel our success. We will build

on our knowledge and skills, create new products, and provide services that compete with the best in the world. From agriculture to manufacturing, high tech and biotechnology, we will forge new opportunities and build an even stronger economy for the future.

Clean coal has a big role to play in Alberta's energy future.

The coal beneath our feet contains twice the energy of Alberta's conventional crude, natural gas, and bitumen, combined. To make the most of this massive resource, we'll need to use the same Alberta ingenuity that turned the oil sands into a

source of long-term prosperity.

We already use clean coal to meet more than half of our electricity needs. But we can do so much more.

The government is supporting some excellent clean coal research in Alberta, and we're committed to building on that work. Alberta's best minds and industry leaders have the knowledge and the innovation needed to unlock coal's massive potential. A new day is dawning for coal... and it's dawning here, in Alberta.



Benefits of the Airborne Process™

"Significant environmental, security and economic benefits to the Nation will result from the successful demonstration and commercialization of the Airborne Process™ and other technologies developed under the Clean Coal Power Initiative".

Ted McMahon

Project Manager, Mustang Clean Energy

U.S. Dept. of Energy, National Energy Technology Laboratory

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Multi pollutant emissions reduction system for the complete reduction of:

- Sulphur Dioxide (SO₂)
- Sulphur Trioxide (SO₃)
- Nitrous Oxide (NO_x)
- Mercury (Hg)
- Particulate Matter (PM)

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US Department of Energy



Secretary of Energy Announce's \$19.7 Million Grant to New Mexico for Clean Coal Plant Project to Help Meet President's Commitment to Clean Coal and Address National Energy Priorities

The Peabody Mustang Clean Coal Project

The Peabody Mustang Clean Coal Project teams Peabody Energy with co-sponsor Airborne Clean Energy, along with Veolia Water North America, and Icon Construction, in a commercial-scale demonstration of the "Airborne Process" scrubber, regeneration system, and fertilizer production systems at the Mustang Energy Company's 300MW coal-fired Generating Station in Milan, N. M.

The \$79 million project, for which the Energy Department will provide U\$19.7 million, will develop an innovative and cost-competitive multi-pollutant control process for achieving 99.5 percent removal of sulfur dioxide (SO₂), 98 percent removal of SO₃ (sulfuric acid mist precursor), 98 percent removal of nitrogen oxides (NO_x), and 90 percent total system removal of mercury from plant emissions,

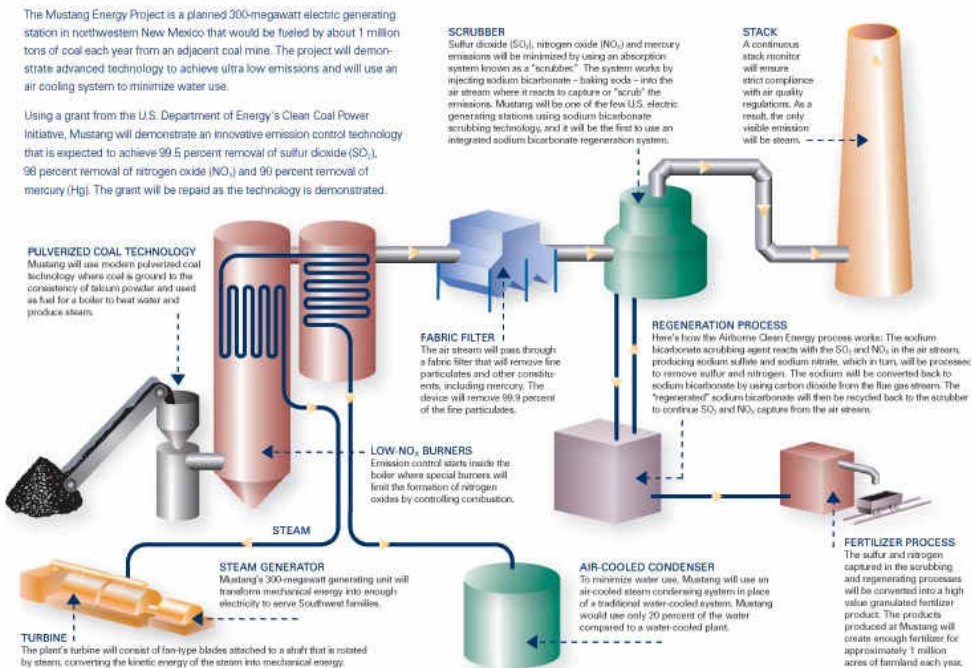
while turning the byproducts into a high-quality high-value granular fertilizer.

The Clean Coal Power Initiative, initiated by President Bush in 2002, is an innovative technology demonstration program that fosters more efficient clean coal technologies for use in new and existing electric power generating facilities in the United States.



"Peabody Energy is undertaking a vital challenge that has the very real potential of not only improving our Nation's energy security, but improving our environment as well," Secretary Abraham said. "The Peabody Mustang Clean Coal Project, including its unique Airborne Process, advances the President's Clean Coal Power Initiative by enabling us to make maximum use of coal, our most abundant energy resource. But the project is unique in that it also advances President Bush's Clear Skies Initiative by controlling harmful emissions from the plant, and doing so at a success rate we don't often see in an industrial setting."

MUSTANG ENERGY PROJECT



Peabody Energy (NYSE:BTU)

Peabody Energy (NYSE:BTU) is the world's largest private-sector coal company, with 2005 sales of 240 million tons and \$4.6 billion in revenues.

Peabody's coal products fuel approximately 10 percent of all U.S. electricity and 3 percent of worldwide electricity.

Peabody serves global coal demand from electricity generators and steelmakers, and they are growing to serve new global customers and emerging "Btu Conversion" markets.

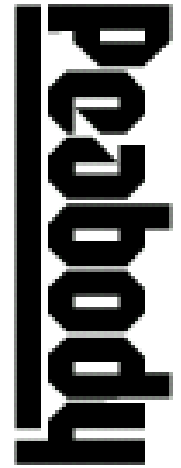
Since 1990, Peabody has grown significantly and the company has transformed from a largely high sulfur, high-cost coal company to a predominately low sulfur, low-cost coal producer, marketer and trader.

Peabody has increased its sales of low sulfur coal from 57 percent of its total volume in 1990 to 75 percent in 2004. Peabody is also well positioned to continue selling higher sulfur coal to customers that invest in emissions control technology, buy emis-

sions allowances or blend higher sulfur coal with low sulfur coal. Peabody's average cost per ton sold decreased 32 percent from 1990 to 2004.

In the 21st century, Peabody faces challenges and opportunities never dreamed of by its founder.

Generations of talented, skilled men and women have created a legacy that positions BTU and their strategic partners and customers for a powerful future.



Proposed Mustang Energy Project

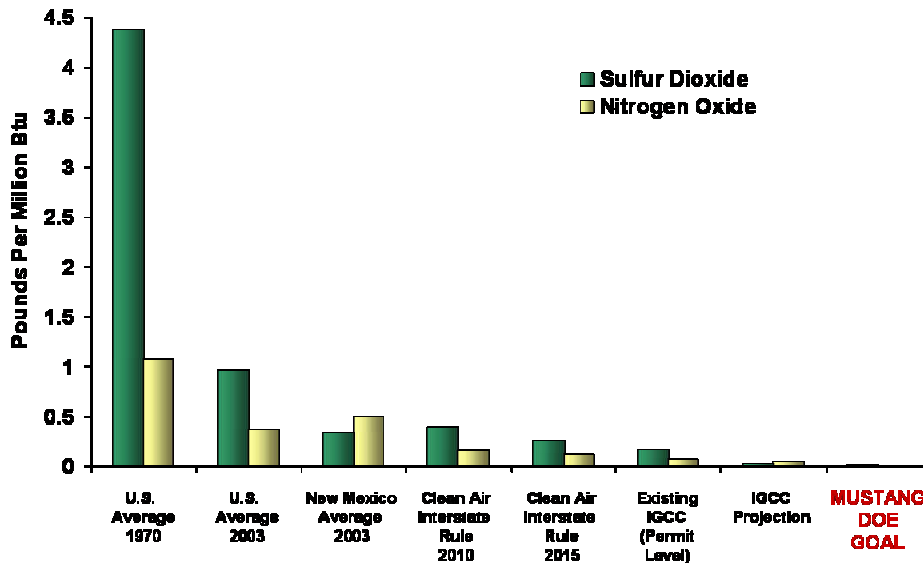
The Mustang Energy project is under development by Peabody using lands and coal reserves owned by the company.

If successfully completed, the project would provide clean, low-cost electricity for South-west families and would create skilled, high-paying jobs and millions of dollars in annual economic benefits.

Mustang would be built near Peabody's Lee Ranch Coal Company operations and would be fueled by about 1 million tons of coal each year.

The power plant and coal mine would create 150 to 200 permanent jobs and would annually inject more than \$15 million into the New Mexico economy in wages and benefits.

Peabody Energy's Mustang facility is a proposed 300MW project to be located north of Grants, New Mexico and it will be using coal from the existing Lee Ranch Mine that is currently operated by Peabody.



The state of New Mexico currently receives approximately 86 percent of its electricity from coal-fuelled power plants, and plans are in place to build more coal-fuelled facilities in support of New Mexico's growing demand for energy.



Economic Impacts of the Mustang Energy Project

Mustang Energy, LLC has proposed building an ultra-low emissions electricity generating station north of Grants, New Mexico.

The total cost of the facility is estimated at nearly \$700 million. This facility, known as the Mustang Energy Project, will generate 300 megawatts (net) annually, providing power for 300,000 families in the Southwest.

The Mustang Energy Project is an affiliate of Peabody Energy.

The state-of-the-art facility will be fueled by coal from Peabody's El Segundo Mine and is intended to demonstrate the commercial viability of technologies to dramatically reduce emissions, creating the cleanest coal plant in America and one of the cleanest coal plants in the world.

The University of New Mexico's Bureau of Business and Economic Research (BBER) conducted a study to assess the economic and fiscal impacts of the Mustang Energy Project facility during both its planned four-year construction and during the first 20 years of operations.

The study concludes that significant economic benefits will be obtained by New Mexico and the sub-state region because of this project. Indeed, the net present value of just the fiscal benefit of the Mustang Energy Project to the State of New Mexico and to local governments in the sub-state region during construction and over the first 20 years of operation is estimated to be \$92.7 million,

not including corporate income tax payments. During the four-year construction phase for the Mustang Energy Project, an average of 720 new direct, indirect, and induced jobs and \$43.3 million in compensation – i.e., wages and salary income and benefits – are supported each year. The average annual net gain to State and local governments is \$9.5 million:

- An average of 550 persons will be directly employed on the construction of the new facility with compensation of \$38.9 million annually in 2005 dollars.
- The Mustang Energy Project will purchase another \$15 million in goods and services directly from local businesses.
- As a result of spending by those newly employed in the region and the goods and services purchases made locally, another 170 jobs and \$4.5 million in income are supported each year over the four-year construction period.
- During construction, an estimated \$35.9 million in new revenue will accrue to State and local governments through gross receipts taxes, compensating taxes, and income taxes.
- Costs to State and local government during construction based on the need to maintain roads and provide government services are estimated at \$1.1 million.

Once the Mustang Energy Project facility begins operations, the annual benefits to New Mexico include an estimated 317 new jobs and \$17.5 million of income (2005 dollars) supported directly and indirectly. The State and local governments will realize a net annual benefit of \$5.1 million in today's dollars:

- 90 people will be employed by the Mustang Energy Project with an average compensation of \$8.2 million annually.
- State-wide, indirect and induced benefits created from salary spending and local goods and services purchases made by the Mustang Energy Project result in another 227 jobs and \$9.3 million of income.
- In 2005 dollars, New Mexico and the local governments in the sub-state region will receive tax revenues of almost \$4.0 million annually with a present value of \$57.8 million over the 20 years studied.



The Economic Impacts of the Mustang Energy Project on New Mexico

August 2005

University of New Mexico

Bureau of Business and Economic Research

The state-of-the-art facility is intended to demonstrate the commercial viability of technologies to dramatically reduce emissions, creating the cleanest coal plant in America and one of the cleanest coal plants in the world.



Discussion—2005 Year End Financials

Overall expenses were substantially lower in 2005 as delays in the environmental approvals for the Mustang Energy project became apparent.

Management took measures to drastically curtail expenditures and preserve resources.



US Secretary of Energy Mr. Spencer Abraham personally awarded Technology partners Airborne Clean Energy and Peabody Energy with US\$19.7 Million dollars to be used for the Mustang Energy Project which was selected by the US Department of Energy under the second round of competition in President Bush's Clean Coal Power Initiative.

(L to R) Roger Walcott (Peabody), Spencer Abraham (US DOE) and John Kearney (Airborne)

Staff was reduced from two full time to one part time employee during 2005.

Funds were expended to protect the company's intellectual property.

Significant amounts of capital will be required to complete

the Mustang project, and management has begun efforts to ensure that this capital will be available when required, including preliminary steps to undertaking a public offering of equity.

Fund Raising Initiatives

At present, management is in discussions with several investment houses and retail fund raisers. Together we are evaluating the various investment vehicles available to the organization and working to determine which ones are most appropriate for each stage of financing in support of the timely and successful execution of the numerous opportunities that are before the corporation.

These options include a private mezzanine round that will address immediate G&A requirements. Subsequent rounds of financing will be required in support of engineering, procurement and construction for a commercial facility.

Fund raising alternatives will include but not be limited to a Rights Offering, the reverse take over of an existing NASDAQ OTC / BB (over the counter / bulletin board) company or a public offering of equity (IPO).



Airborne has estimated the economic benefit afforded by the Airborne Process™ to be approximately US\$216,000,000 in capital and US\$8,400,000 in annual cost benefits for a typical 750MW coal-fired power plant.

These returns are attractive to the Utility and still afford Airborne a 30% ROI equating to US\$71,000,000 in annual revenue.

Statements regarding managements' future expectations, beliefs, goals, plans or prospects constitute forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances, or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, those associated with the success of research and development programs, the regulatory approval process, competition, securing and maintaining corporate alliances, market acceptance of the Company's technologies, the strength of intellectual property, financing capability, the potential dilutive effects of any financing, reliance on subcontractors and key personnel and other risks. The forward-looking statements are made as of the date hereof, and the Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.



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Committed to Success in 2006