



FORTMAN CLEAN ENERGY



Financing VAM Projects through PPP

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Financing VAM (Ventilation Air Methane)
Destruction / Utilization Projects
through
PUBLIC - PRIVATE PARTNERSHIP



VAM Oxidation Project (GaoHe Coal Mine of Shanxi, China)



GaoHe Mine Project in Construction



12 Regenerative Thermal Oxidizers (6 in front row)



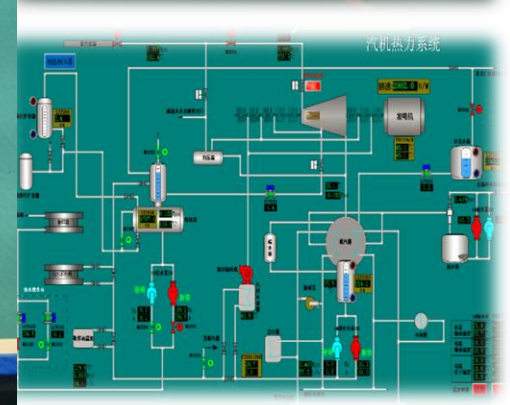
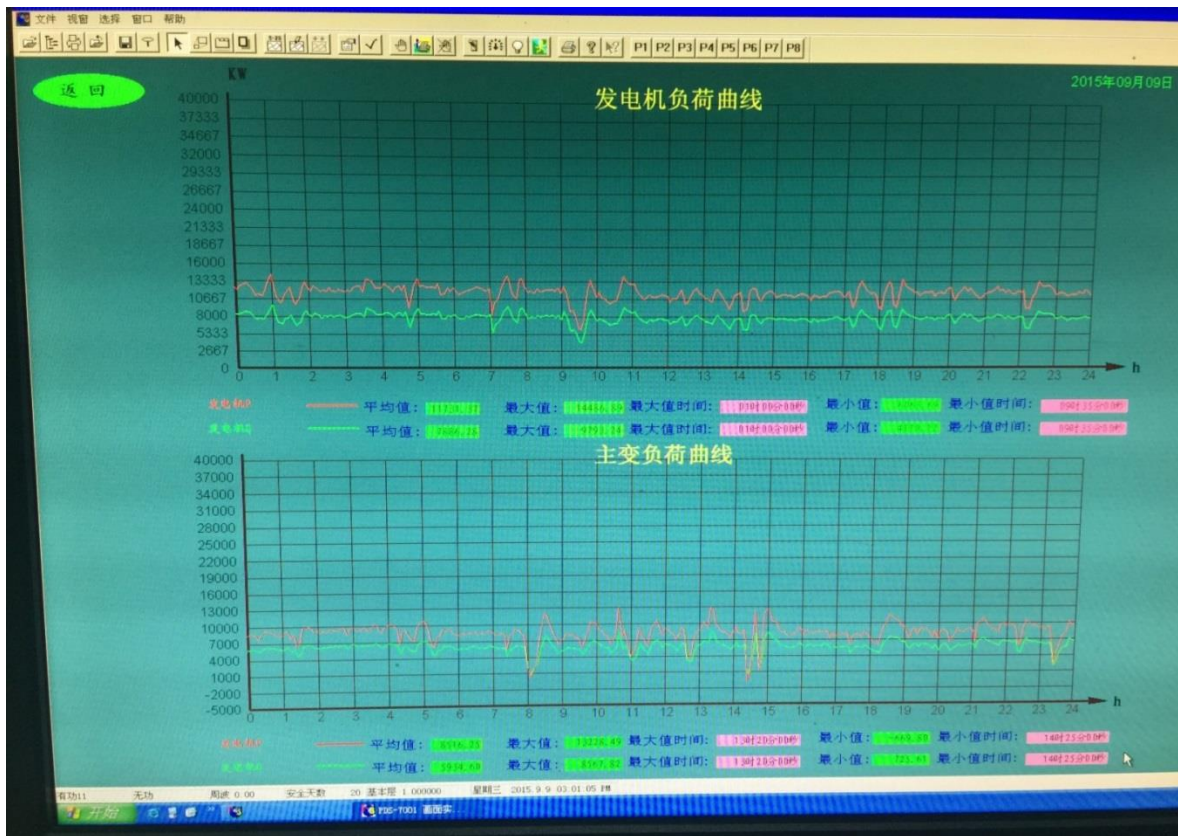
VAM Capture-hood at Top of VAM Shaft



VAM Duct (1.08 Million M³/h)

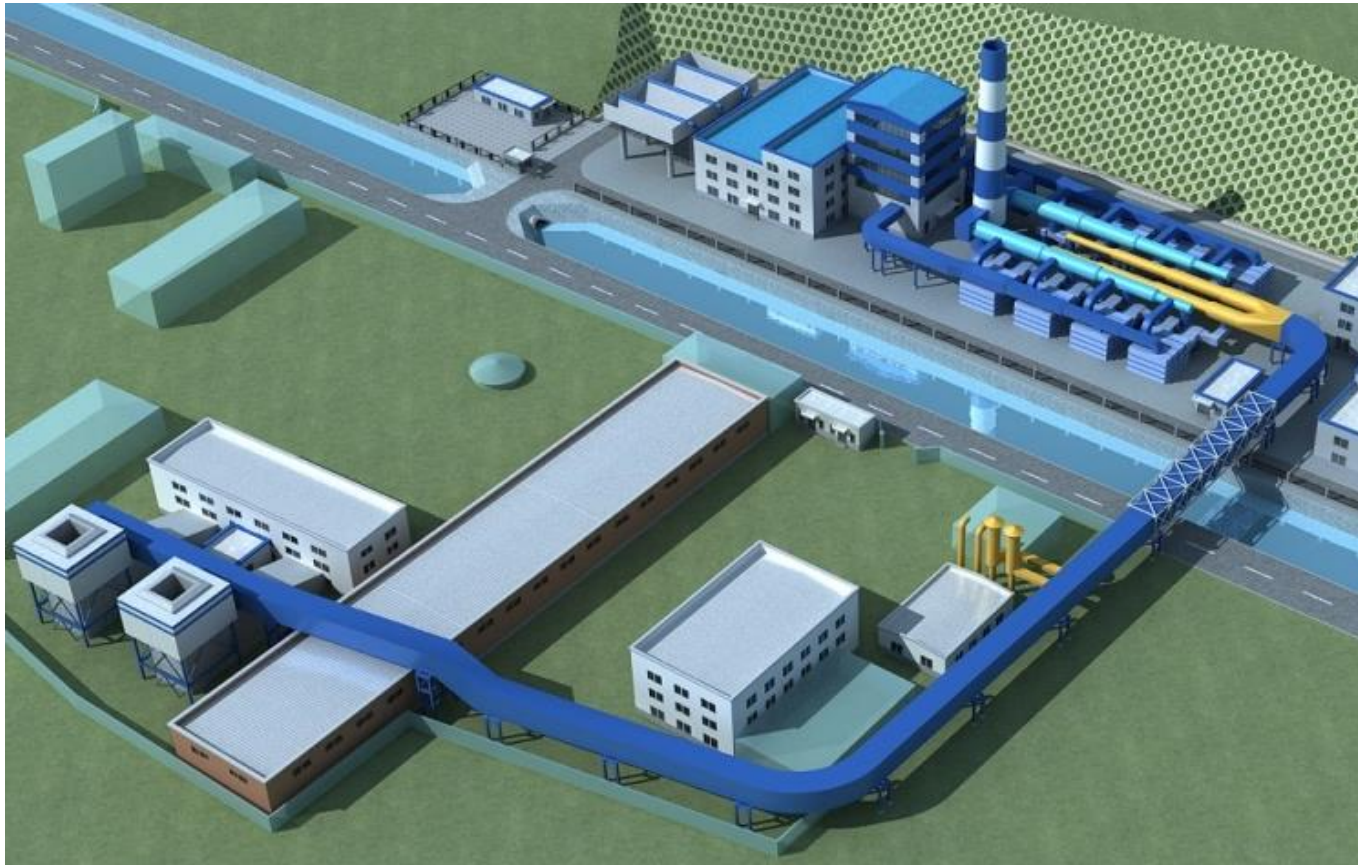
Project Revenue Source

- GaoHe VAM oxidation project is registered as a CDM project with expected CER of 1.22 million ton
- Since collapse of CDM trading, sole revenue source has been electric power generation driven by heat released from methane oxidation



Launching 4 New VAM Projects in 2016

Sangzhang Project of No. 2 Mine of YangQuan Coal Industrial Group, Shanxi, China



- Fortman Clean Energy has signed up with more than 10 large coal mines
- Huge potential market in China

FINANCIAL RESTRICTIONS:

- Each project requires \$20million or up
- Coal mines are running without profits
- Fortman as a private enterprise has limited funds and borrowing powers
- Bank loans are not available for:
 - pre-financing during project construction
 - re-financing upon commissioning electric power generation of initial pioneering projects (totally new industry)

TO RESOLVE PROJECT FINANCING:

- Fortman must seek partnerships with state-owned public industries and seek government support
 - Emphasizing social benefits: Lobby for awareness and support
 - Government financial incentive policy and tax preferential policy
 - Leverage financial resource of large state controlled enterprise

Social Benefits: Lobby for Awareness and Support

- Great safety benefit in promoting mine ventilation and gas drainage
- Great environmental benefit in carbon emission reduction and haze governance
- Great economic benefit in utilization of methane as valuable natural resource
- Fortman's Slogan: DOING WELL BY DOING GOOD
- Lobby for awareness and support of government and public sectors



Minister of Science Tech visits GaoHe Project



Officials of State Administration of Work Safety visits GaoHe Project

■ Financial Incentive Policy

- Ministry of Finance has increased financial subsidies for gas utilization from 0.20 RMB to 0.30 RMB per M³ pure methane (since March 1, 2016)
- Shanxi provincial government has increased financial subsidies for gas utilization from 0.05 RMB to 0.10 RMB per M³ pure methane over and above central government subsidies

■ Tax Preferential Policy

- Full value-added tax refund for CMM generated electricity sales to grid companies (since July 1, 2015)

■ Electricity Benchmark Price of CMM Generated Power

- Electric benchmark price in Shanxi has been increased from 0.259 RMB / KWh to 0.509 RMB / KWh (since 2011)
- State Council issued policy to further increase the benchmark price (New increased price is expected in 2016)

■ Under government incentive policies, VAM projects become economically viable

- Coal mine share electricity fees and enjoy free winter heating of ventilation air
- Project owner can achieve investment IRR more than 20%

Partnering with SinoSteel Engineering

- SinoSteel Eng. is a EPC general contractor for large industrial projects
- SinoSteel Eng. is a company listed on Chinese stock exchange with 55% state ownership
- SinoSteel Eng. is strategically interested in VAM projects since it will:
 - Serve as general contractor of project construction with pre-financing – falling into its core business scope
 - Acquire operational VAM projects as profit generating assets in clean tech and distributed energy sector
 - ✓ Strategic direction with government promotion
 - ✓ High P/E ratio of stock market



Partnering with SinoSteel Engineering

- Fortman and SinoSteel Signed strategic partnership agreement
 - Fortman responsible for signing projects with coal mines as a project owner and responsible for project R&D
 - Fortman signs general EPC contracts with SinoSteel for project constructions
 - SinoSteel responsible for pre-financing of construction
 - Upon completion of construction, SinoSteel responsible for project re-financing and for paying all subcontractors
 - During initial years of operations, majority of Fortman's revenues shall be used for instalment loan re-payments to re-financing service institutions
 - SinoSteel invests in Fortman and will fully acquire Fortman upon reaching pre-determined mile-stone (exit of other Fortman investors)



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