

November 28, 2006

Evergreen's Capacity? What Capacity?

On a November 1, 2006 conference call Evergreen Energy Inc.'s (NYSE: EEE, \$9.78) Chief Executive Officer, Mark Sexton, announced that the company will "exit 2006 at under 40% capacity at our Fort Union plant, a downward adjustment from our previous guidance of achieving 80% capacity."

During the quarter ending September 30, 2006 Evergreen reported K-Fuel refined coal product sales of \$192,000. These sales could include sales of a blend of raw Powder River Basin ("PRB") coal and processed coal. So Evergreen's actual sales (and production) of K-Fuel could be significantly lower than \$192,000. Evergreen did not report any K-Fuel refined coal sales in either its first or second quarters of the year.

Evergreen announced that its plant "had completed its first two production runs" on December 30, 2005. Therefore it could be fairly argued that it is appropriate to use the \$192,000 in sales to calculate its plant's capacity during all of 2006. However, to avoid any objections, the calculation below ignores Evergreen's apparent "zero" capacity utilization for the entire first half of the 2006.

Evergreen did not report K-Fuel's sales price per ton. However, the actual tons produced and plant utilization can be accurately estimated using assumptions of Evergreen's selling price.

Evergreen claims K-Fuel sells, or will sell, at a premium. The higher K-Fuel's price, the lower the actual product tonnage supposedly produced by Evergreen. Also, the higher the selling price the lower the resulting actual plant utilization.

The best case scenario for Evergreen's capacity utilization is that the company realized \$12.98 per short ton of K-Fuel. This price is derived from the three-month historical average price of \$10.88 per short ton for 8,800 British Thermal Unit ("BTU") PRB during Evergreen's third quarter as reported by the Energy Information Administration. The \$12.98 per short ton is calculated using Evergreen's claim that K-Fuel yields 10,500 BTU per ton. Using this price ignores Evergreen's higher price claim and results in higher assumed production levels.

Using the \$12.98 three-month assumed average K-Fuel selling price, Evergreen's total production in the quarter (and in the entire year) is equal to approximately 14,791 tons.

Evergreen claimed its plant has the capacity to produce 750,000 tons per year, or about 187,500 tons quarterly. Having apparently only produced about 14,791 tons in the quarter, the plant ran at 7.8% of its capacity. On an annual basis the capacity utilized is 2.6%.

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