



White Energy Company Limited

**Mining Exploration Entity Quarterly Activity
Report**

and

Appendix 5B

September 2017

SUMMARY OF ACTIVITY

A summary of the major items of activity for White Energy Company Limited (“White Energy”, “WEC” or the “Company”) during the quarter ended **30 September 2017** is outlined below.

HIGHLIGHTS

- **Generated US\$0.4 million in coal sales revenue (WEC share US\$0.2 million) at MCC during the quarter following recommenced production operations in mid-August**
- **In July White Energy received a favourable ruling in Singapore for the 2nd tranche of litigation proceedings against Bayan Resources Tbk and Bayan appealed this judgement in August**
- **River Energy is pursuing opportunities for BCB project opportunities in South Africa**
- **Sale process in progress for Mountainside Coal Company in the USA**

1. AFRICA – RIVER ENERGY JOINT VENTURE - WEC 51%

White Energy’s 51%-owned subsidiary, River Energy South Africa Pty Ltd (River Energy), through Proterra Investment Partners (49%), is in discussion with a number of South African coal miners interested in the Group’s Binderless Coal Briquetting (BCB) technology.

Extensive testing by River Energy, including successful briquetting and combustion trials, has previously demonstrated that a saleable export grade coal product can be produced from South African reject tailings. River Energy is pursuing opportunities on mine sites in South Africa to secure access to fine coal to support BCB projects.

The BCB process provides an attractive solution for coal producers seeking to maximise mine yield and facing the environmental challenges posed by reject coal fines. In South Africa alone, it is estimated that there are over 1 billion tonnes of discarded coal in tailings facilities, much of which may eventually need to be reclaimed.

White Energy and its joint venturer in South Africa are currently considering alternative ownership and funding structures for River Energy’s BCB and coal fine beneficiation businesses in South Africa.

2. NORTH AMERICA – MOUNTAINSIDE COAL COMPANY (“MCC”) – WEC 51%

MCC generated US\$0.4 million in coal sales revenue during the September 2017 quarter, with AUD revenue down 52% from the prior financial year.

Production operations at MCC’s Flag Ridge mine site in Kentucky resumed in mid-August for a four month period, with auger operations commencing in late September, and first coal being delivered in September. The coal being produced from the Dean seam has been contracted for sale as thermal coal and the site will be progressively rehabilitated. Sales revenues during the quarter were impacted by the ramp up in operations and lower prices

for thermal coal compared to the higher sales prices and proportion of sales for stoker coal earned in the September 2016 quarter.

Production was suspended in September 2016 while activities focused on analysing the data obtained from the appraisal drilling program conducted at Wynn Hollow and Wood Mountain earlier in the year. The Wynn Hollow mine plan has been updated to reflect the results from the drilling program.

MCC currently has additional permits in various stages of approval and many acres containing low ash Blue Gem coal resources in Kentucky that are in the initial permitting phase. MCC continues to advance the permitting process and additional leases are being sought as mine plans for new areas are progressed.

Reclamation activity continues, with applications being made for bond releases as rehabilitation work in each area is completed.

In April, White Energy announced that it would seek to sell its 51% interest in MCC. Five parties have registered their interest and are currently reviewing detailed information on the assets.

3. AUSTRALIA

South Australia – EL5719

EL5719 lies entirely within the Olympic Dam G9 Structural Corridor. Previous drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines.

Planning for future exploration activity is in progress.

BCB opportunities

Management continues investigations into opportunities to briquette discarded coal fines which currently represent an environmental liability to miners. Application of the BCB technology could provide an opportunity for miners to convert waste coal fines into a saleable product.

4. GENERAL CORPORATE

The Company has no corporate debt. Non-recourse shareholder loans provided to the Group's 51% owned operations in the USA and South Africa by both White Energy and the minority shareholders in proportion to their ownership interests are repayable in January 2019.

In October, two of the Company's directors, each a substantial shareholder, agreed to provide a loan facility to the Company of up to \$1,000,000. The loan facilities, totaling \$2,000,000, are provided by Managing Director Brian Flannery's private company, Illwella Pty Ltd, and Chairman Travers Duncan's private company, Gaffwick Pty Ltd atf Duncan Family Trust. The loan facilities have been put in place for general working capital requirements while the Company waits for the settlement proceeds from the sale of MCC.

PT Kaltim Supacoal ("KSC") – WEC 51%**Court rules in favour of White Energy**

On 25 July 2017, the Singapore International Commercial Court ("SICC") released its judgement in relation to the second tranche of the legal proceedings initiated by subsidiaries of White Energy, BCBC Singapore Pte Ltd ("BCBCS") and Binderless Coal Briquetting Company Pty Limited, against PT Bayan Resources Tbk and Bayan International Pte Ltd ("Bayan") relating to the KSC joint venture in Indonesia.

The SICC found in favour of White Energy on substantially all of the matters considered, as summarised below:

Key issues considered	SICC findings
Whether Bayan was under an obligation to supply and/or assist in supplying coal to KSC	Yes Bayan was under an obligation to ensure its subsidiaries supplied coal to KSC
If so, whether Bayan had breached its obligations to supply coal	Yes Bayan had breached its coal supply obligation
Whether Bayan had repudiated the Joint Venture Deed ("JV Deed") in breaching its coal supply obligation and/or by the wrongful issuance of a purported termination notice	Yes Bayan had repudiated the JV Deed by breaching its own coal supply obligation and wrongfully issuing a termination notice
Whether BCBCS was in repudiatory breach of the JV Deed by causing KSC to incur excess expenditure and/or permitted White Energy to make public announcements in connection with the JV Deed without Bayan's consent	No BCBCS did not commit any repudiatory breaches of the JV Deed
If Bayan is found to be liable for breach of its coal supply obligations and/or repudiation of the JV Deed, whether as a result of such breach, BCBCS suffered loss.	This issue is held over to Tranche 3 of the proceedings. To be determined together with the issue of damages.

Not unexpectedly, a notice of appeal against substantially the whole of the SICC's findings against Bayan in the second tranche judgement was subsequently filed by Bayan on 23 August 2017. Bayan has until 25 November 2017 to file submissions for appeal with SICC and following that White Energy has one month to file a reply. The appeal is fixed for hearing on a date between 5 February 2018 and 13 February 2018.

The White Energy Group had invested over US\$110 million in the Tabang project in Indonesia up until 2012 when BR repudiated the joint venture. Substantial legal costs have also been incurred in relation to the proceedings to recover damages from Bayan.

After the appeal judgement, White Energy will prepare for the third tranche of the proceedings, seeking damages and costs.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

White Energy Company Limited

ABN

62 071 527 083

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	465	465
1.2 Payments for		
(a) exploration & evaluation	(31)	(31)
(b) development	(165)	(165)
(c) production	(947)	(947)
(d) staff costs	(1,123)	(1,123)
(e) administration and corporate costs (*)	(1,000)	(1,000)
1.3 Dividends received (see note 3)		
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material) (**)	989	989
1.9 Net cash from / (used in) operating activities	(1,804)	(1,804)

(*) includes legal fees incurred in respect of KSC dispute and MCC administration costs.

(**) Current quarter includes \$946,927 of restricted cash returned upon completion of bonded reclamation obligations.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(132)	(132)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	2	2
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(130)	(130)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings (***)	1,267	1,267
3.6	Repayment of borrowings(****)	(311)	(311)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	956	956

(***) represents shareholder loans from Proterra Investment Partners for its 49% equity interest in MCC

(****) represents part repayment of shareholder loans to Proterra Investment Partners for its 49% interest in River Energy

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,311	3,311
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,804)	(1,804)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(130)	(130)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	956	956

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(45)	(45)
4.6	Cash and cash equivalents at end of period	2,288	2,288

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	1,513	1,513
5.2	Call deposits	775	775
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,288	2,288

In addition to the cash and cash equivalents at the end of the quarter, \$1.7 million of cash is held as security for reclamation bonds in the USA and \$2.0 million is held as a security bond by the Supreme Court of Western Australia.

6.	Payments to directors of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	84
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors' fees and salaries paid to Directors and their associates

7.	Payments to related entities of the entity and their associates	Current quarter
		\$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	Nil
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	58,797	58,797
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 Represents shareholder loans from minority shareholders with a 49% interest in MCC and River Energy which are repayable in January 2019 and bear interest at fixed rates between 5.01% and 6.33%pa, payable on maturity. Additional loans may be drawn-down as agreed between the shareholders to fund future activities of MCC and River Energy.

Subsequent to the end of the quarter, two loan facilities of up to \$1 million each have been provided by two of the Company's directors, Brian Flannery and Travers Duncan, each being a substantial shareholder of the Company. The loans are unsecured, repayable within one year after they are advanced or on demand, and bear interest of 0.8% per month payable by the 15th of the following month.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(23)
9.2 Development	(115)
9.3 Production	(1,827)
9.4 Staff costs	(1,262)
9.5 Administration and corporate costs	(1,600)
9.6 Other (provide details if material)(****)	3,226
9.7 Total estimated cash outflows	(1,601)

(****) In the next quarter, cash outflows from Group companies are expected to include the part repayment of loans from the minority shareholder in MCC, and cash inflows to include coal sale and royalty income and insurance proceeds.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Managing Director)

Date: 31 October 2017

Print name: Brian Flannery

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.