

White Energy Company Limited

Mining Exploration Entity Quarterly Activity
Report

and

Appendix 5B

December 2018

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 **31 December 2018** is outlined below.

HIGHLIGHTS

- **Entitlement Offer raises \$11.8 million**
- **Negotiations to sell 51% interest in Mountainside Coal Company (USA) continuing**
- **White Energy received a favourable ruling in Singapore on the remitted issue of the litigation proceedings and Bayan Resources Tbk has appealed against the decision in January 2019**
- **Yankuang Group in Shandong Province of China is investigating the use of BCB technology in China**
- **River Energy is pursuing opportunities for BCB projects in South Africa**

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 had no coal sales revenue during the December 2018 quarter, with coal production suspended since April 2018.

MCC’s management are currently planning for future mining activities.

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

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.

White Energy has previously announced that it would sell its 51% interest in MCC. Discussions still continue with interested parties. In the meantime some surplus mining equipment is being sold.

3. AUSTRALIA

South Australia – EL5719

During the quarter, work continued on examining coal gasification and emerging hydrogen opportunities from coal, and planning for future exploration activities.

BCB

WEC is investigating the implementation of its BCB technology for use in Yankuang Group's coal briquetting business in Shandong Province of China. Coal trials were successfully conducted at WEC's test facility in Cessnock in August 2018 and further tests are being carried out in China. There are several steps to undertake to turn this into a commercial proposition.

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 secured corporate debt. Proceeds from the Entitlement Offer undertaken in November 2018 raised \$11.8 million and the proceeds are intended to be used to fund the Company's ongoing legal proceedings against PT Bayan Resources Tbk, to repay the loans provided by the Company's directors and for general working capital. Director loans totaling \$4.5 million were fully repaid in November.

PT Kaltim Supacoal ("KSC") – WEC 51%

Judgement received for question regarding causation in Singapore

The judgement in relation to the remitted issue in the legal proceedings in the Singapore International Commercial Court ("SICC") 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") was released by the SICC on 9 January 2019.

The SICC ruled in favour of BCBCS and BCBC and held that BCBCS had the financial ability to fund the KSC joint venture until the completion of commission and testing at the Tabang Plant or until June 2012. On 16 January 2019, Bayan filed a notice of appeal against the whole of the decision of the SICC in regards to the remitted issue. The timeline for the appeal will be advised once determined.

Management are confident that Bayan's appeal will be dismissed and that the proceedings will continue to the third tranche where damages and loss arising from Bayan's breaches and repudiation of the joint venture will be determined.

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

Variations sought to freezing order against Bayan's shareholding in Kangaroo Resources Limited ("KRL")

In 2012, the Supreme Court of Western Australia made freezing orders ("freezing order") in favour of BCBCS in respect of Bayan's 56% shareholding in KRL, a publicly listed Australian company. The orders made by the Supreme Court of Western Australia, amongst other things:

- prohibit Bayan from further encumbering its shares in KRL;
- prohibit Bayan from transferring its shares in KRL to a related entity; and
- prohibit Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of those shares, without first giving BCBCS seven clear business days' notice.

On 17 August 2018, KRL issued a market announcement that it had entered into a binding scheme implementation deed with Bayan (Deed). The Deed provides for Bayan to acquire the balance of the shares in KRL which it does not already own via a scheme of arrangement. The scheme of arrangement was approved by the Court on 4 December 2018. Bayan delisted KRL in December 2018 with the intention to appoint its own directors and integrate KRL with the Bayan group which is based in Indonesia. The Company's management believes there is a risk that such actions may adversely affect the value of Bayan's shares in KRL.

In view of this, BCBCS filed an application in the Supreme Court of Western Australia, seeking variations to the terms of the freezing order to ensure the purpose of the freezing order is not frustrated by Bayan acquiring all the shares in KRL.

On 3 December 2018, the Supreme Court of Western Australia expanded the terms of the freezing order by amending the existing order to also provide for the following on implementation of the scheme of arrangement:

- a) prohibiting Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of its shares in KRL, without first providing 20 clear business days' notice to BCBCS;
- b) prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL or any of KRL's subsidiaries which provides a financial benefit to Bayan, its associates, or its associated entities, without first providing 20 clear business days' notice to BCBCS; and
- c) prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL by which KRL or KRL's subsidiaries dispose of a substantial asset within the meaning of ASX Listing Rules 10.2, without first providing 20 clear business days' notice to BCBCS.

Where BCBCS is successful in the proceedings in Singapore, BCBCS intends to utilise the freezing order to enforce the expected damages award.

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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2	4
1.2 Payments for		
(a) exploration & evaluation	(3)	(32)
(b) development	(193)	(290)
(c) production	(2,079)	(3,204)
(d) staff costs	(939)	(1,894)
(e) administration and corporate costs (*)	(1,721)	(2,722)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid (**)	(108)	(183)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material) (***)	304	1,078
1.9 Net cash from / (used in) operating activities	(4,736)	(7,242)

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

(**) includes interest paid to companies controlled by the Company's directors, Brian Flannery and Travers Duncan, each being a substantial shareholder of WEC.

(***) Year to date amount includes \$392,000 of restricted cash received for bonded reclamation obligations and \$277,000 for a non-interest bearing other payable.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	1,967	2,714
	(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	1,967	2,714

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	11,757	11,757
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	(86)	(117)
3.5	Proceeds from borrowings (***)	1,052	2,791
3.6	Repayment of borrowings(****)	(4,500)	(4,500)
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	8,223	9,931

(***) current quarter represents shareholder loans from Proterra Investment Partners for its 49% equity interest in River Energy, and loans totalling \$500,000 provided by companies controlled the Company's directors, Brian Flannery and Travers Duncan, each being a substantial shareholder of WEC.

(****) represents repayment of loans totalling \$4,500,000 provided by companies controlled the Company's directors, Brian Flannery and Travers Duncan.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,030	1,069
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,736)	(7,242)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,967	2,714

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,223	9,931
4.5	Effect of movement in exchange rates on cash held	21	33
4.6	Cash and cash equivalents at end of period	6,505	6,505

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	620	933
5.2	Call deposits	5,885	97
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)	6,505	1,030

In addition to the cash and cash equivalents at the end of the quarter, \$2.1 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	225
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	66,068	65,918
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 2021 and bear interest at fixed rates between 5.01% and 7.71% pa, payable on maturity. Additional loans may be drawn-down as agreed between the shareholders to fund future activities of MCC and River Energy.

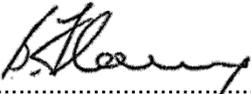
9. Estimated cash inflows for next quarter	\$A'000
9.1 Exploration and evaluation	(8)
9.2 Development	(218)
9.3 Production	(906)
9.4 Staff costs	(804)
9.5 Administration and corporate costs	(1,808)
9.6 Other (provide details if material)(****)	3,572
9.7 Total estimated cash inflows	(172)

(****) In the next quarter cash inflows to include proceeds from issue of shares of \$1.4 million under the Entitlement Offer shortfall placement, asset sales of \$1.3 million, royalty income, released reclamation security bonds and loans from minority shareholders in River Energy.

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 January 2019

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.