



White Energy Company Limited

Mining Exploration Entity Quarterly Activity
Report

and

Appendix 5B

September 2019

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 2019** is outlined below.

HIGHLIGHTS

- **The Singapore International Commercial Court sets Tranche Three trial dates for 21 September 2020 to 30 September 2020**
- **Negotiations to sell 51% interest in Mountainside Coal Company (USA) continuing**
- **Yankuang Group 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 JV Limited, through Proterra Investment Partners (Proterra, 49%), is in discussion with a number of South African coal miners interested in the Group's Binderless Coal Briquetting (BCB) technology. During July agreement was reached with Proterra for them to buy the Company's 51% interest in River Energy South Africa for a nominal amount. White Energy will continue to pursue BCB projects in South Africa through Proterra and the Company's 51% interest in River Energy.

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. Proterra 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.

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

MCC had no coal sales revenue during the September 2019 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 are continuing with interested parties.

3. AUSTRALIA

South Australia – EL5719 and PELA674

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 China. Testing of coals from Shandong and Shanxi Provinces has been successfully conducted at WEC's test facility in Cessnock and two of the Company's briquetting machines were despatched for larger scale tests in China. Design of a BCB plant for a mine site in Shanxi Province is well advanced, and a contract for construction of the plant being finalised that will allow construction to commence that is funded by the customer under White Energy's design and engineering supervision.

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 significant secured 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 2021.

On 22 July 2019, 3,400,000 unquoted employee Incentive Rights were issued under the terms of the Company's Long Term Incentive Plan to an executive and four other employees. The vesting of each Incentive Right over a three year service period results in an entitlement to one fully paid ordinary share in the Company, and will lapse on 30 June 2022 unless a total shareholder return over the service period of at least 120% is achieved based on movements in the Company's share price from \$0.10 and an adjustment for dividends.

PT Kaltim Supacoal ("KSC") – WEC 51%

The Singapore International Commercial Court sets Tranche Three trial dates

The appeal hearing 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 (collectively, "Bayan") in connection with the KSC joint venture, was heard by the Singapore Court of Appeal on 10 July 2019.

The appeal was in relation to the remitted issue of whether 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. Bayan's appeal was unanimously dismissed immediately following the hearing.

The proceedings will now continue to the third tranche where damages and loss arising from Bayan's breaches and repudiation of the joint venture deed will be determined. The SICC has set the Tranche Three trial dates for 21 September 2020 to 30 September 2020.

+Rule 5.5

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 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9	9
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(83)	(83)
(c) production	(242)	(242)
(d) staff costs	(1,121)	(1,121)
(e) administration and corporate costs (*)	(1,604)	(1,604)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid	(15)	(15)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material) (**)	(131)	(131)
1.9 Net cash from / (used in) operating activities	(3,177)	(3,177)

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

(**) Current quarter includes \$194,000 of restricted cash paid for bonded reclamation obligations (net).

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

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(3 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	21	21
	(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) (***)	(309)	(309)
2.6	Net cash from / (used in) investing activities	(288)	(288)

(***) Current quarter amount represents the cash disposed of on sale of subsidiary River Energy South Africa Pty Limited.

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 (****)	534	534
3.6	Repayment of borrowings	(47)	(47)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(47)	(47)
3.10	Net cash from / (used in) financing activities	440	440

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,056	5,056
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,177)	(3,177)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(288)	(288)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	440	440

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	33	33
4.6	Cash and cash equivalents at end of period	2,064	2,064

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	945	1,615
5.2	Call deposits	1,119	3,441
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)	2,064	5,056

In addition to the cash and cash equivalents at the end of the quarter, \$2.4 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 as security for the freezing order held by BCBCS in relation to Bayan's shares in Kangaroo Resources Limited (refer section 4 of the Summary of Activity).

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

99

Nil

Directors' fees and salaries paid to Directors and their associates.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Nil

Nil

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	69,418	69,418
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/(outflows) for next quarter	\$A'000
9.1	Exploration and evaluation	-
9.2	Development	(849)
9.3	Production	(217)
9.4	Staff costs	(611)
9.5	Administration and corporate costs	(1,739)
9.6	Other (provide details if material)(****)	2,011
9.7	Total estimated cash outflows	(1,405)


(****) In the next quarter cash inflows to include insurance claim proceeds, released reclamation security bonds and loans from minority shareholders in River Energy and MCC.

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:


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(Managing Director)

Date: 31 October 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.