



**White Energy Company Limited**

**Mining Exploration Entity Quarterly Activity**  
**Report**

**and**

**Appendix 5B**

**December 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 **31 December 2019** is outlined below.

### **HIGHLIGHTS**

- **White Energy filed an amended statement of claim for an estimated USD153 million plus interest and costs for the litigation proceedings against Bayan Resources Tbk in Singapore**
- **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.

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 December 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.

During December 2019, a claim made under the Company's Directors' & Officers insurance policy with insurers Allianz was settled for \$1.125 million in relation to legal costs incurred for certain Directors and former Directors of the Company that had participated in an ICAC public inquiry (Operation Jasper) during prior periods. Under the terms of the settlement's Deed of Release there are no longer any outstanding claims.

#### PT Kaltim Supacoal ("KSC") – WEC 51%

White Energy has filed an amended statement of claim and related further and better particulars, in relation to 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.

The claim for damages can be broadly summarised as follows:

- (i) BCBCS claims approximately USD99 million in wasted expenditure, being expenses incurred by BCBCS which were rendered futile by reason of Bayan's breach and repudiation of the joint venture;
- (ii) Further, BCBCS claims for loss of the chance of expanding the capacity of the joint venture to at least 3 million tonnes per annum which profits are estimated to amount to approximately USD54 million; and
- (iii) Interest on any damages award and costs.

As such, the total value of BCBCS' claim may be estimated to amount to USD153 million plus interest and costs. The quantum of damages payable to BCBCS will be determined by the SICC in the third tranche of the proceedings which has been set for 21 September to 30 September 2020.

The only issues remaining to be determined by the SICC in the third tranche relate to the damages which may be payable to BCBCS. The SICC has, in the earlier tranche of the proceedings, already made a conclusive determination that Bayan has both breached and repudiated the joint venture deed.

+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")

31 December 2019

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		39	48
1.2 Payments for			
(a) exploration & evaluation		-	-
(b) development		(68)	(151)
(c) production		(128)	(370)
(d) staff costs		(582)	(1,703)
(e) administration and corporate costs (*)		(1,021)	(2,595)
1.3 Dividends received (see note 3)			
1.4 Interest received		21	31
1.5 Interest and other costs of finance paid		(20)	(35)
1.6 Income taxes paid			
1.7 Research and development refunds			
1.8 Other (provide details if material) (**)		1,450	1,319
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(309)</b>	<b>(3,456)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter</b>	<b>Year to date (6 months)</b>
	<b>\$A'000</b>	<b>\$A'000</b>

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

(\*\*) Current quarter includes \$1,125,000 insurance claim settlement and \$243,000 of restricted cash received for bonded reclamation obligations.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	(3)	(33)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	10	31
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	22	22
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material) (**)	-	(309)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>29</b>	<b>(289)</b>

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

<b>3. Cash flows from financing activities</b>		
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 (****)	215	749
3.6 Repayment of borrowings	(48)	(95)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(85)	(132)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>82</b>	<b>522</b>

(\*\*\*\*) Current quarter and YTD amounts represent shareholder loans from Proterra Investment Partners for its 49% equity interest in MCC.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,064	5,056
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(309)	(3,456)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	29	(289)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	82	522
4.5	Effect of movement in exchange rates on cash held	(29)	4
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,837</b>	<b>1,837</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,715	945
5.2	Call deposits	122	1,119
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,837</b>	<b>2,064</b>

*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 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
90
Nil

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

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	67,020	67,020
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.*

<b>9. Estimated cash inflows/(outflows) for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	-
9.2 Development	(137)
9.3 Production	(40)
9.4 Staff costs	(609)
9.5 Administration and corporate costs	(932)
9.6 Other (provide details if material)(****)	600
<b>9.7 Total estimated cash outflows</b>	<b>(1,118)</b>

(\*\*\*\*) In the next quarter cash inflows to include 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:

  
 (Managing Director)

Date: 31 January 2020

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.



Announcement authorised by:  
Brian Flannery, Managing Director

**For Further Information Call:**

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The logo for White Energy Company Limited is a blue parallelogram with the company name in white text.

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