



White Energy Company Limited

Appendix 5B Mining Exploration Entity Quarterly Report



Coal Wash Plant in Final Commissioning Stage - Mountainside Coal Company Inc., Kentucky, U.S.

SUMMARY OF ACTIVITY

A summary of the major items of activity for White Energy Company Limited (“White Energy” or the “Company”) during the quarter ended **31 December 2014** is outlined below.

HIGHLIGHTS

- **Construction of MCC coal wash plant completed - commissioning in final stages of completion**
- **First coal produced at MCC’s Flat Creek mine during December 2014, which contains the high value Blue Gem resources**
- **Generated a further US\$4.2m in coal sales revenue at MCC during the quarter, and US\$8.1m since July 2014**
- **Completed construction and commissioning of a coal fines beneficiation plant at the Woestalleen Colliery in South Africa with first product produced**
- **Executed a non-binding term sheet for the construction of a 500,000 tonne per annum BCB plant with a major South African coal producer**
- **DFS for a proposed coal fines project at Anglo’s Goedehoop Colliery in South Africa continues, including product testing at the Cessnock Production Plant**
- **Continued to review opportunities to acquire coal concessions in the Kalimantan region of Indonesia, which include coal upgrading opportunities requiring application of the BCB technology**
- **Continued to progress R&D program at Cessnock Production Plant**
- **Work continues on legal dispute with Bayan Resources relating to terminated KSC JV**

1. NORTH AMERICA

Mountainside Coal Company (“MCC”) – WEC 51%

New Coal Wash Plant

The construction of the new coal wash plant at MCC’s Indian Gap site has been completed, with the plant now in its final stages of commissioning. Some adverse weather conditions and minor delays in equipment deliveries during December 2014 have resulted in a short delay to the previously anticipated commissioning timeframes.

Refer to the photographs attached in Appendix I of this report which provide an illustration of the new wash plant at the Indian Gap site.

Following the commissioning of the new wash plant, MCC’s management is confident that it will be able to consistently produce a sub 2% low-ash sized coal product for sale into the U.S. domestic and export silica and ferrosilica smelting markets, where such product is sold at an attractive premium.

In support of this objective, during the December 2014 quarter MCC commenced operations at the Flat Creek mine, which contains the best reserves of the higher-quality Blue Gem seam coal.

Mining Operations

The U.S. domestic coal market remains depressed, with further mine closures reported in Kentucky, Virginia and West Virginia in recent months. The thermal coal market in particular remains impacted by a lower demand for energy and low natural gas prices which has resulted in gas replacing coal in some power generation markets, with no indication of improvement in the short-term.

As outlined in previous shareholder updates, the bulk of the coal produced and sold since MCC was acquired by White Energy has been thermal coal, which was sold into the U.S. domestic power and industrial markets at an overall operating loss. As a result, like the majority of coal producers in the U.S., MCC was forced to implement a number of cost-cutting measures to control production costs which included the closure in December 2014 of loss-making mining operations at the thermal coal mine, Flag Ridge. Shareholders will be aware that it was always the intention for MCC to substantially exit the thermal coal market and focus on mining those coal seams which can be supplied into the specialty markets.

MCC generated a further US\$4.2 million in coal sales revenue during the December 2014 quarter, and US\$8.1 million since the commencement of the 2014/15 financial year.

Despite the obvious pressures in the U.S. domestic coal market, there continues to be demand for high quality, low-ash stoker coals in the U.S., which underpins MCC's strategy of becoming a key player in the value added sized coal smelting markets, where specialty coals continue to command a premium price.

As outlined above, the new mine at Flat Creek commenced operations during December 2014. The first ROM coal produced at Flat Creek has been of a very high quality, with MCC successful in selling this early unwashed tonnage in the U.S. domestic market at more than double the current market price of thermal coal.

BCB Plant

As previously advised to shareholders, the final stage in MCC's strategy will be to commit to a BCB plant for the briquetting of the fine coal produced from MCC operations. MCC is currently completing the engineering required to convert the coal fines, which remain after the mining process, into a sized coal product for sale in the silica and ferrosilica smelting markets, utilising the BCB technology.

In this regard, a number of successful commercial scale product trials have been conducted at the Cessnock production Plant in recent months. Further product trials are scheduled over the coming weeks.

MCC management expects that a final decision to proceed with the BCB plant will be made in the near future, once operations at the new wash plant have stabilised and sales contracts for the washed product have been confirmed. The expected completion date of the proposed BCB plant is 12 months from the commencement of construction.

Exploration Activities

MCC continues to devote resources to completing an exploration program to better define resources and reserves at its current operating mines, as well as potential new resources across leased areas which have been earmarked by the company for future mining.

Most of the focus is on the low-ash, high quality Blue Gem and Jellico coal seams located across certain mine leases currently held by the company, which have the best potential for high quality low-ash stoker coals.

Work also continues on sourcing additional coal areas containing low-ash coal seams.

Debt Financing

MCC continues to evaluate options to secure external debt financing to support the next phase of expansion of the project. Indicative terms have been received from interested lenders and are currently being assessed.

Proposed Powder River Basin Coal Upgrading Projects, Wyoming

As previously reported, the Company has obtained a minor source clean air-permit to construct a BCB plant at the Buckskin mine, owned by the Kiewit Group and located in the Powder River Basin, Wyoming, U.S..

As mentioned above, the domestic coal market in the U.S. remains depressed and as such does not provide an attractive commercial opportunity at this time, as far as upgrading Powder River Basin sub-bituminous coals for domestic consumption is concerned.

The Company's medium-term strategy continues to be focused on the export market opportunity for upgraded Powder River Basin coals. In this regard, a number of U.S. coal producers in the Powder River Basin are currently seeking approvals to build coal export terminals at various locations of the west coast of the U.S., for export of coal into the Asian markets. So far no approvals have been forthcoming. It may therefore take a number of years before the Company's proposed Powder River Basin projects become operational.

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

River Energy continued to progress the various project opportunities currently under review with the major coal producers in the South African coal market during the December 2014 quarter.

An update on the status of the main opportunities is as follows:

Standalone BCB Plant Opportunity - Woestalleen Colliery

As outlined in previous quarterly reports, this is a two-phased project that envisages River Energy operating a fine coal beneficiation plant on the Woestalleen Hub in the short term,

followed by a 250,000 tonne per annum BCB plant in the medium term, subject to stabilisation of coal processing operations at the Woestalleen Hub by the site operators and completion of final due diligence activities at the site to River Energy's satisfaction.

The following summarises progress made over the December 2014 quarter:

- The Phase 1 fine coal beneficiation plant has been commissioned and small quantities of in-specification product have been produced. Plant and process optimisation are currently underway;
- While the commissioning process has been progressing well at the River Energy level, it has been frustrated by the Christmas Shutdown at the site, and numerous financial, management and operational issues experienced by the site owner and operator, Blue Falcon 212 Trading Pty Ltd, at the Woestalleen Hub in recent weeks. These issues are likely to lead to a change in owner and operator of the site in the near future;
- Notwithstanding these delays, the early indications are positive with regard to the operation of the plant and the quality of the beneficiated product;
- River Energy management continue to monitor current operations of the wash plant at the Woestalleen Hub, which delivers feedstock to the River Energy coal beneficiation plant, and are working actively at the shareholder level to ensure that they are comfortable that everything possible is being done to stabilise feedstock delivery and wash plant operations at the site;
- Completion of the Phase 2 due diligence study will occur when the River Energy team is satisfied that the existing wash plant operations have been stabilised by the site operators, and qualities and quantities of the fine coal feedstock are representative of the new, sustainable operating environment. This will pave way for a final decision on whether to proceed with construction of a BCB plant on the site, however River Energy is now not expecting to be in a position to decide on Phase 2 until the second half of calendar year 2015 at the earliest;

A photograph of the recently commissioned fine coal beneficiation plant at the Woestalleen Hub can be found in Appendix II of this report.

Detailed Design and Engineering Following Completion of Second Detailed Feasibility Study ("DFS")

On 4 December 2014, following completion of a DFS, River Energy entered into a non-binding term sheet with a substantial South African coal producer that would see River Energy build, own, operate and maintain a 500,000 tonne per annum BCB plant at the washplant located at the coal mine in question, processing a feedstock combination of new arising and reclaimed coal fines. The term sheet requires the parties to complete design, detailed engineering and transaction documentation for the proposed plant, and is subject to final board approval by both parties. While work on this project is currently being ramped up, the current target approval timeframe is during the second half of calendar year 2015.

This project provides River Energy with a significant opportunity to build a fine coal beneficiation, binderless briquetting and waste management plant that is fully integrated with the existing mine and washplant operations.

Anglo – Goedehoop Project

During the December 2014 quarter, River Energy ramped up activities on the DFS, which includes engineering design and costing, for a 700,000 tonne per annum BCB plant at the Anglo Operations Proprietary Limited (“AAC”) Goedehoop mine. A brief status is provided below:

- The briquetting trials have highlighted some materials handling issues with the AAC ultra-fine coal samples provided for the trials, and plant modification works are underway to address these materials handling issues as part of the DFS program;
- Third party contracts for support with project management and detailed engineering design are ongoing;
- Engineering design work is almost complete as is the bulk of the metallurgical test work, with the exception of the briquetting trials as mentioned above;
- The DFS being conducted by River Energy is a component of a broader project being considered by AAC and issues across a range of project elements are being addressed by AAC along with various service providers. As a consequence it is likely that the River Energy component of the DFS study will not be submitted for approval until the second half of 2015.

An integral part of the work to be completed is a term sheet that will define the key commercial and technical terms for the project. This is one of the matters that the parties have not yet completed but will need to address as part of the DFS.

Other Project Opportunities

In addition to the projects outlined above, River Energy is now engaged with two other large South African coal producers on tenders for coal fines briquetting projects of similar size to those outlined above.

The level of interest in the BCB technology, applied to coal fines beneficiation and briquetting in the South African market, continues to grow as the commercial, environmental and operational challenges in managing the massive volumes of fine coal become more defined.

3. INDONESIA

During the December 2014 quarter, White Energy representatives in Indonesia have continued to perform due diligence work on a number of short-listed coal concessions which have been identified for potential acquisition.

The coal properties being considered by White Energy comprise a mixture of coal qualities. Most of the resources are likely to be suitable for upgrading using the BCB technology, which has the potential to greatly enhance the value of such projects. In addition, the Company also expects that some of the resources in question will not require application of the BCB technology, and can be mined and sold directly into the export markets.

4. AUSTRALIA

Cessnock Production Plant

Product testing has continued on two main project opportunities during the final quarter of 2014, those being the MCC and AAC coals fines trials as described above. Both of these programs are scheduled to continue in the first quarter of 2015, with additional coal samples being shipped from their respective sources early in the new year.

This testing has led to a number of equipment refinements which are anticipated to further progress the BCB technology.

Demonstration and pilot plant testing on a number of other South African coal fines is scheduled to continue in early 2015.

South Australian Coal Limited ("SAC") – Lake Phillipson Exploration Area – EL 4534

The Company continues to undertake test work and feasibility studies on the potential for mining and gasification of the EL 4534 coal deposit which is located within close proximity to existing rail infrastructure.

Discussions have progressed with several companies who have expertise in this area of coal gasification and who may be interested in a joint venture with SAC. Shareholders will also be aware of a previous report issued by the German based company, Lurgi GmbH, which has confirmed that the Lake Phillipson coal is suitable for gasification using their process.

The Company will update shareholders as new information comes to hand.

Queensland Coal Exploration Permit – EPC 25623

The Company refers to its announcement dated 18 December 2014 advising that the Queensland Department of Natural Resources and Mines has terminated the call for tenders in relation to EPC 25623 and decided not to issue the exploration permit for the coal area in question.

5. GENERAL CORPORATE

Balance Sheet and Cash Reserves

As outlined in the attached, the Company had approximately \$46 million in cash reserves as at 31 December 2014, which includes the \$2 million security bond paid to the Supreme Court of Western Australia in April 2012, in support of the freezing orders made against Bayan's shareholding in Kangaroo Resources Limited.

Major cash flows during the quarter included a further \$8.2 million in payments relating to fixed assets (mainly the MCC coal wash plant which resulted in expenditure of approximately US\$7 million for the quarter). The total expenditure on the new coal wash plant to 31 December 2014

was approximately US\$13 million, which has been funded via shareholder loans from White Energy and Black River, in accordance with their 51:49 shareholding interests in the project.

Apart from ordinary trade payables, provisions and internal shareholder loan balances currently outstanding, White Energy currently has no external debt on its balance sheet.

PT Kaltim Supacoal (“KSC”) – WEC 51%

Update on Legal Dispute

Further to previous updates provided to shareholders, the Company wishes to advise that preparations continue for the impending trial in the High Court of the Republic of Singapore, following initiation of legal proceedings in late 2011 by BCBC Singapore Pte Ltd and Binderless Coal Briquetting Company Pty Limited, wholly owned subsidiaries of White Energy, against PT Bayan Resources Tbk (“Bayan”) and Bayan International Pte Ltd, over matters relating to the Tabang coal upgrading plant, located at Bayan’s Tabang mine in East Kalimantan, Indonesia.

We will advise shareholders as soon as further information is available in respect of likely dates for the trial.

Appendix 5B**Mining exploration entity quarterly report**

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

White Energy Company Limited

ABN

62 071 527 083

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	5,195	12,085
1.2	Payments for (a) exploration and evaluation	(a) (22)	(a) (67)
	(b) development	(b) (1,631)	(b) (3,158)
	(c) production	(c) (7,014)	(c) (15,126)
	(d) administration (*)	(d) (4,703)	(d) (8,937)
1.3	Dividends received	Nil	Nil
1.4	Interest and other items of a similar nature received	229	967
1.5	Interest and other costs of finance paid	Nil	Nil
1.6	Income taxes paid	Nil	Nil
1.7	Other (provide details if material)	633	1,398
Net Operating Cash Flows		(7,313)	(12,838)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	(a) (944)	(a) (944)
	(b)equity investments	(b) Nil	(b) Nil
	(c) other fixed assets	(c) (8,227)	(c) (13,658)
1.9	Proceeds from sale of:(a)prospects	(a) Nil	(a) Nil
	(b)equity investments	(b) Nil	(b) Nil
	(c)other fixed assets	(c) Nil	(c) Nil
1.10	Loans to other entities	Nil	Nil
1.11	Loans repaid by other entities	Nil	Nil
1.12	Other (provide details if material)	Nil	Nil
Net investing cash flows		(9,171)	(14,602)
1.13	Total operating and investing cash flows (carried forward)	(16,484)	(27,440)

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

1.13	Total operating and investing cash flows (brought forward)	(16,484)	(27,440)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	Nil	Nil
1.15	Proceeds from sale of forfeited shares	Nil	Nil
1.16	Proceeds from borrowings (**)	9,245	14,463
1.17	Repayment of borrowings	Nil	Nil
1.18	Dividends paid	Nil	Nil
1.19	Other (provide details if material)	Nil	Nil
	Net financing cash flows	9,245	14,463
	Net increase (decrease) in cash held	(7,239)	(12,977)
1.20	Cash at beginning of quarter/year to date	52,675	58,279
1.21	Exchange rate adjustments to item 1.20	372	506
1.22	Cash at end of quarter (***)	45,808	45,808

(**) represents shareholder loans from Black River for its 49% equity interest in MCC and River Energy.

(***) includes \$2 million WA Supreme Court Security Bond relating to the freeze order obtained in respect of Bayan Resources' shareholding in Kangaroo Resources Limited.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2 (d)	470
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	25
4.2 Development	1,500
4.3 Production	8,750
4.4 Administration (including legal fees re KSC dispute)	4,250
Total	14,525

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6,501	4,723
5.2 Deposits at call	37,307	45,952
5.3 Bank overdraft	Nil	Nil
5.4 Other (provide details) - WA Supreme Court Security Bond relating to legal dispute with Bayan Resources	2,000	2,000
Total: cash at end of quarter (item 1.22)	45,808	52,675

Changes in interests in mining tenements (Refer Tables 1-3 on page 15)

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil	Nil	Nil	Nil

6.2 Interests in mining
tenements acquired or
increased

Nil	Nil	Nil	Nil
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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference *securities (description)	N/A	N/A	N/A	N/A
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions	N/A	N/A	N/A	N/A
7.3	*Ordinary securities				
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs	Opening 328,374,494 (a) N/A (b) N/A Closing 328,374,494	Opening 328,374,494 (a) N/A (b) N/A Closing 328,374,494	N/A N/A	N/A N/A
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A

7.7	Options <i>(description and conversion factor)</i>	(a) Executive Retention Plan – Closing 6,000,000 Options	(a) Not Listed	<i>Exercise price</i> (a) \$0.50	<i>Expiry date</i> (a) vest 30/06/17 subject to performance and other conditions. Expiry date is 8/12/2020
7.8	Issued during quarter	(a) 6,000,000	(a) Not listed	(a) \$0.50	a) vest 30/06/17 subject to performance and other conditions. Expiry date is 8/12/2020
7.9	Exercised during quarter	(a) Nil	(a) Nil	(a) N/A	(a) N/A
7.10	Expired during quarter	(a) Nil	(a) Nil	(a) N/A	(a)) N/A
7.11	Debentures <i>(totals only)</i>	N/A	N/A		
7.12	Unsecured notes <i>(totals only)</i>	N/A	N/A		

Table 1 - Summary of mining tenements

South Australia Mineral Exploration Permit						
Tenement	Granted	Expiry	Area	Locality	Licensee	Interest
EL4534	9/8/2010	8/8/2015	1,367 km2	Cooper Pedy, SA	South Australian Coal Limited	100%
RL100	3/10/2001	2/10/2016	240 hectares	Cooper Pedy, SA	South Australian Coal Limited	100%
RL104	27/2/2003	26/2/2013(*)	240 hectares	Cooper Pedy, SA	South Australian Coal Limited	100%

(*) A further renewal is expected to be received once rehabilitation is completed.

Kentucky U.S. Coal Permit			
Permit	Locality	Licensee	Interest
861-0536	Dowis Chapel – Kentucky	Mountainside Coal Company Inc.	100%
861-0537	Hubbs Creek – Kentucky	Mountainside Coal Company Inc.	100%
861-5357	Washer – Kentucky	Mountainside Coal Company Inc.	100%
918-0464	Round Mountain – Kentucky	Mountainside Coal Company Inc.	100%
918-0465	Flag Ridge – Kentucky	Mountainside Coal Company Inc.	100%
918-0467	Jellico Creek – Kentucky	Mountainside Coal Company Inc.	100%
918-0466	Hatfield Gap – Kentucky	Mountainside Coal Company Inc.	100%
861-0528	Flat Creek - Kentucky	Mountainside Coal Company Inc.	100%

Table 2 - Summary of mining tenements acquired in December 2014 Quarter

No tenements were acquired in the December 2014 quarter.

Table 3 - Summary of mining tenements surrendered in December 2014 Quarter

No tenements were surrendered during the December 2014 quarter.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act 2001* or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date 30 January 2015
Managing Director

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 **The definitions in, and provisions of, AASB 1022:** Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards:** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

For further information please contact:

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APPENDIX I – Coal Wash Plant at Mountainside Coal Company, Inc.







APPENDIX II – Coal Fines Beneficiation Plant at the Woestalleen Hub in South Africa

