



White Energy Company Limited

Appendix 5B

Mining Exploration Entity Quarterly Report



Washed stoker coal being loaded onto a truck at the Indian Gap Wash Plant - 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 **30 June 2015** is outlined below.

HIGHLIGHTS

- Generated a further US\$5.6m in coal sales revenue at MCC during the quarter, and US\$19.3m for the 2014/15 year, amidst a further softening in the U.S. coal market
- Signed a contract for sale of high quality, low ash stoker coal to a major U.S. silicon metal producer and commenced deliveries under this contract
- Review of MCC operations resulted in an idling of mining operations during July so that coal stockpiles can be cleared and wash plant operations optimised
- Continued with the detailed engineering and design study for the proposed construction of a 500,000 tonne per annum BCB plant with a major South African coal producer
- Continued to progress the R&D program at the Cessnock Production Plant
- Work continues on the legal dispute with Bayan Resources relating to the terminated KSC JV, with the Singapore hearing expected to commence on 16 November 2015
- Implemented a range of cost saving initiatives across the business

1. NORTH AMERICA

Mountainside Coal Company ("MCC") – WEC 51%

Overview

As outlined in the previous quarterly report, following the commissioning of the new wash plant in late February 2015, the focus of MCC management has been on the following initiatives:

- marketing activities associated with the ongoing sales of the high quality, low ash stoker coal product; and
- optimising production levels to focus on the production and sale of high quality, low ash stoker coal product in accordance with the previously communicated strategy, which is in line with current market conditions for thermal coal.

Sales of Low Ash Stoker Coal Product

In light of the above, we are pleased to report that during June 2015 MCC signed a sales contract with a major U.S. silicon metal producer, to supply up to 13,000 tons per month of low ash stoker coal product for use in their silicon plants located in the U.S..

Sales of stoker coal under this contract commenced in mid-June 2015 and are continuing.

During the June 2015 quarter, one of MCC's other major customers idled their ferro-silicon smelter and ceased taking stoker coal deliveries, which had an impact on planned sales during the quarter. Sales of stoker coal product to this customer are expected to recommence in October 2015.

Trial shipments to other U.S. ferro-silicon industry customers are continuing.

Optimisation of Mining Operations and Cost Reductions

Following a detailed review of mining operations during the June 2015 quarter, operations were shut down at both of MCC's mine sites, Flat Creek and Hatfield Gap, for three weeks in July, in order to clear coal inventories which had built up in recent months.

Management has also implemented a number of cost reduction initiatives which involve MCC significantly reducing thermal coal production, consistent with the strategy previously communicated to shareholders.

A reduction in mining operations to concentrate on the production of stoker coals is expected to result in a reduction in the workforce and a corresponding reduction in overall mining costs for the 2015/16 year and onwards.

Trading Performance

The U.S. domestic coal market continues to suffer from depressed trading conditions. 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. These conditions have led to further mine closures by a number of other U.S. coal producers in recent months.

Since the acquisition of MCC by White Energy in late 2013, the market price of all coal types in the U.S. has fallen significantly.

Against this backdrop, MCC generated a further US\$5.6 million in coal sales revenue during the June 2015 quarter, and US\$19.3 million since the commencement of the 2014/15 financial year.

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, sold into the U.S. domestic power and industrial markets at an overall operating loss.

BCB Plant

As previously advised to shareholders, the final stage in MCC's strategy will be to commit to the construction of a BCB plant to briquette coal fines remaining from production at MCC's mining operations.

In this regard, the Company plans to continue testing coal fines generated from MCC's new coal wash plant at White Energy's Cessnock Demonstration Plant in 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 MCC have stabilised and requisite sales contracts for the washed stoker 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 which contain coal seams that are capable of delivering production of between 1%-2% ash coal for the silicon smelting industry.

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 shareholders are aware, the Company has previously 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., particularly the thermal coal market, 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.

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

During the June 2015 quarter, the River Energy management team was focused predominantly on completing the requirements of the Detailed Design and Engineering Study for a proposed 500,000 tonne per annum BCB project with one of the major coal producers in the South African coal market, as outlined in previous quarterly reports.

An update on the status of the two current opportunities in the South African market is as follows:

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

Work on this project is proceeding very well and River Energy is currently on target to meet its

approval timeframe, being the second half of calendar year 2015.

Highlights of progress to date are as follows:

- the Engineering and Metallurgy work packages for the project are almost complete and project capital cost and operating cost estimates have been received;
- there is still some test work to be completed at the Cessnock Demonstration Plant, and this will continue during the September 2015 Quarter;
- negotiations on the Transaction Documentation for the project are well advanced, however there are a number of key deal points still to be resolved, and both parties are currently focused on clearing these hurdles for the project;
- the River Energy and White Energy technical teams are working very closely with the coal producer in question to ensure the project momentum is maintained and the plant is appropriately integrated into the operations of the existing wash plant and fine coal handling infrastructure.

As previously advised, this project provides River Energy with a significant opportunity to build a 500,000 tonne per annum fine coal beneficiation, binderless briquetting and waste management plant that is fully integrated with the existing mine and wash plant operations.

Phase 1 Coal Beneficiation Plant - Woestalleen Hub

As outlined in previous quarterly reports, the commissioning of the fine coal beneficiation plant commenced in mid-December 2014 but progress with the project was interrupted when the owners and operators of the site were placed into Business Rescue (Voluntary Administration).

Unfortunately, the financial issues that the business has been dealing with have not yet been resolved and as a consequence River Energy has not been able to operate the coal beneficiation plant during the June 2015 quarter.

The following summarises the current situation at the Woestalleen Hub:

- the Business Rescue process has taken much longer than all parties expected;
- there are a number of Business Rescue proposals that are being considered by the Business Rescue Practitioner and River Energy management are being kept informed on the progress of negotiations with these potential investors;
- while we remain cautiously optimistic that an acceptable plan will crystallise, River Energy is also looking at the opportunity to remove the beneficiation plant from the Woestalleen Hub and relocate the plant to another site;
- we would expect the decision to stay and operate versus relocate the plant to be resolved during the September 2015 Quarter;

- once the Business Rescue process has concluded, River Energy expects to finalise process optimisation and ramp-up the resources required to maximise the volume of fine coal that it can recover, beneficiate and dewater.

3. INDONESIA

During the June 2015 quarter, White Energy representatives in Indonesia continued to perform due diligence work on 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 remained focused on two opportunities during the June 2015 quarter, those relating to South African and MCC coal fines.

In regards to South African coal fines, processing occurred primarily on the Demonstration Plant, with trials focused on optimising product quality and maximising briquette machine throughput for the specific commercial opportunity currently under consideration by River Energy – these measures are now generally understood for the supplied materials and the information established during these tests is being fed into detailed engineering models being developed by the South African project team.

MCC washed coal fines shipments were delayed in transport and arrived later than anticipated, as such only limited progress was made during the June 2015 quarter. Specific briquetting machine modifications have been made in advance of the coal arrival and testing will continue in the coming months. This work is also scheduled to occur primarily on the Demonstration Plant.

In addition to the above Demonstration Plant testing, a number of smaller Pilot Plant trials have been conducted on a range of South African coal fines. There are also more tests scheduled for the Pilot Plant in the coming quarter, on coals from South Africa, Australia, China and India.

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

The Company continues to analyse commercialisation options for potential mining and gasification of the EL 4534 coal deposit which is located within close proximity to existing rail infrastructure.

As outlined in previous shareholder updates, discussions have progressed with several

companies who have expertise in the 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 confirmed that the Lake Phillipson coal is suitable for gasification using their process.

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

5. GENERAL CORPORATE

Balance Sheet, Cash Reserves and Cost Reduction Initiatives

As outlined in the attached, the Company had approximately \$30.8 million in cash reserves as at 30 June 2015, which includes \$4.8 million in restricted cash, being \$2 million for the security bond paid to the Supreme Court of Western Australia in April 2012, in support of the freezing orders made against PT Bayan Resources Tbk's ("Bayan") shareholding in Kangaroo Resources Limited, and a further \$2.8million (approximately US\$2 million) in coal mining reclamation bonds at MCC.

Cash flows during the quarter included a further \$1.6 million in payments relating to fixed assets (mainly the MCC coal wash plant which resulted in expenditure of approximately US\$1.1 million for the quarter). The total expenditure on the new coal wash plant to 30 June 2015 was approximately US\$15.6 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.

A significant portion of the administration costs incurred during the quarter related to legal fees in respect of the impending trial in Singapore against Bayan, which is outlined in more detail below.

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

A review of corporate costs in recent months has resulted in the implementation of a number of cost reduction initiatives across the Company, including a reduction in senior executive salaries from 1 July 2015, and an overall reduction in headcount across the White Energy Group.

The focus on cost reduction initiatives will continue during the September 2015 quarter.

PT Kaltim Supacoal ("KSC") – WEC 51%

Update on Legal Dispute

Singapore Proceedings

Further to previous updates provided to shareholders, the Company wishes to advise that preparations continue in connection with the legal proceedings initiated in late 2011 by BCBC Singapore Pte Ltd ("BCBCS") and Binderless Coal Briquetting Company Pty Limited, indirect wholly owned subsidiaries of White Energy, against 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 (the "Suit").

As previously advised to shareholders, the Suit has now been transferred to the newly established Singapore International Commercial Court ("SICC"). The SICC is a division of the Singapore High Court and part of the Supreme Court of Singapore which has been established to deal with international commercial disputes. At the most recent case management conference ("CMC") on 15 July 2015 before Sir Vivian Ramsey, Mr Anselmo Reyes and Justice Quentin Loh, the Court has directed that the Suit be heard in two tranches, with the first tranche of the trial to commence later this year, being from 16 November to 4 December 2015.

Australian Proceedings – Freeze Order

The Company refers to its previous announcements in relation to the freezing orders made by the Supreme Court of Western Australia ("Supreme Court") on 5 April 2012 in favour of BCBCS in respect of Bayan's 56% shareholding in Kangaroo Resources Limited ("KRL"), a publicly listed Australian company ("freezing orders").

The Company has previously advised the market that Bayan applied for special leave to appeal to the High Court of Australia from the orders made by the Court of Appeal of Western Australia. Bayan's appeal is limited to a challenge to the Supreme Court's jurisdiction to make these orders. Bayan is not appealing the Supreme Court's findings that BCBCS had established the elements necessary to obtain a freezing order, including that BCBCS had established that it had a good arguable case:

- in respect of its claims against Bayan for breach of the Joint Venture Deed; and
- to recover damages in respect of at least its lost investment in the KSC Joint Venture.

Bayan's application for special leave to appeal to the High Court of Australia was heard and granted on 13 March 2015. The High Court will hear the appeal in August 2015. The freezing orders against Bayan will remain in place unless and until a further order is made.

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")

30 June 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	8,001	27,617
1.2	Payments for (a) exploration and evaluation	(a) (8)	(a) (108)
	(b) development	(b) (1,395)	(b) (5,977)
	(c) production	(c) (13,609)	(c) (37,416)
	(d) administration (*)	(d) (4,588)	(d) (17,123)
1.3	Dividends received	Nil	Nil
1.4	Interest and other items of a similar nature received	185	1,688
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)	833	2,743
Net Operating Cash Flows		(10,581)	(28,576)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	(a) Nil	(a) (944)
	(b)equity investments	(b) Nil	(b) Nil
	(c) other fixed assets	(c) (1,618)	(c) (18,260)
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		(1,618)	(19,204)
1.13	Total operating and investing cash flows (carried forward)	(12,199)	(47,780)

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

1.13	Total operating and investing cash flows (brought forward)	(12,199)	(47,780)
	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 (**)	4,718	19,181
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	4,718	19,181
	Net increase (decrease) in cash held	(7,481)	(28,599)
1.20	Cash at beginning of quarter/year to date	38,306	58,279
1.21	Exchange rate adjustments to item 1.20	(29)	1,116
1.22	Cash at end of quarter (***)	30,796	30,796

(**) 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 and \$2.8m in coal mining reclamation bonds at MCC.

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)	596
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	20
4.2 Development	1,400
4.3 Production	12,500
4.4 Administration (including legal fees re KSC dispute and MCC administration costs)	5,350
Total	19,270

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	3,084	1,672
5.2 Deposits at call	22,885	31,790
5.3 Bank overdraft	Nil	Nil
5.4 Other (provide details) - WA Supreme Court Security Bond relating to legal dispute with Bayan Resources and MCC coal mining reclamation bonds	4,827	4,844
Total: cash at end of quarter (item 1.22)	30,796	38,306

Changes in interests in mining tenements (Refer Tables 1-3 on page 14)

	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
6.2	Interests in mining tenements acquired or increased	Nil	Nil	Nil

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 <i>(description)</i>	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
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
7.5	*Convertible debt securities <i>(description)</i>			

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 (description and conversion factor)	(a) Executive Retention Plan – Closing 6,000,000 Options	(a) Not Listed	Exercise price (a) \$0.50	Expiry date (a) vest 30/06/17 subject to performance and other conditions. Expiry date is 8/12/2020
7.8	Issued during quarter	(a) Nil	(a) Nil	(a) N/A	(a) N/A
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 (totals only)	N/A	N/A		
7.12	Unsecured notes (totals only)	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 June 2015 Quarter

No tenements were acquired in the June 2015 quarter.

Table 3 - Summary of mining tenements surrendered in June 2015 Quarter

No tenements were surrendered during the June 2015 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 31 July 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:

Brian Flannery
Managing Director & CEO
WHITE ENERGY COMPANY LIMITED
Level 9, 20 Hunter Street
Sydney, NSW, 2000
Ph: +612-9959-0000
Fax: +612-9959-0099

Ivan Maras
Chief Financial Officer
WHITE ENERGY COMPANY LIMITED
Level 9, 20 Hunter Street
Sydney, NSW, 2000
Ph: +612-9959-0000
Fax: +612-9959-0099

www.whiteenergyco.com