



31 January 2014

AIM/ASX Code: WHE

**WILDHORSE ENERGY LIMITED  
DECEMBER QUARTERLY REPORT**

Wildhorse Energy ('WHE' or 'the Company'), the AIM and ASX listed company focussed on developing underground coal gasification ('UCG') and uranium projects in Central and Eastern Europe, is pleased to announce its Quarterly Report for the three months to 31 December 2013.

**Overview:**

- Progression of strategic partnership search with a view to securing a development blueprint for WHE's asset base
- Advancement of Hungarian Parliamentary support for UCG development through the adoption of UCG specific regulations – Mining Law modified post period end setting out legal framework for the development of UCG projects
- Successful completion of discussions with the Hungarian Government regarding the formerly requested studies for the Mecsek Hills Uranium Project (from the earlier Cabinet approval) – no red flags identified
- Continued discussions with the Hungarian State regarding the progression of the Mecsek Hills Uranium Project – various uranium related studies that will be needed for the licensing of the project have been initiated
- Signed non-binding indicative term sheet setting out the terms of a A\$3m capital raising through the issue of unlisted unsecured convertible loan notes

WHE Managing Director Matt Swinney said, "In line with our strategic partner selection process to advance our UCG projects in Hungary, our sights remain firmly set on advancing these discussions. Together with these advancing negotiations, we have also been encouraged by the recent support from the Government of Hungary through the modification of the Mining Law to set out a legal framework for the development of UCG projects. The potential importance of UCG as a new economic fuel source, together with the environmental benefits inherent in the UCG process, have marked this technology as a priority consideration for many governments in the region.

"Our uranium interests remain a valuable component of our energy portfolio. We continue to progress discussions regarding the development of a joint venture with a range of Hungarian bodies in relation to the Mecsek Hills Uranium Project. This is a strategic asset with a total JORC Inferred Resource of 48.3Mt at 0.072%

U<sub>3</sub>O<sub>8</sub> for 77Mlbs of U<sub>3</sub>O<sub>8</sub> and with government approval of the joint venture expected shortly, we have used this time to initiate licensing related studies to drive development forward once approval is received and a strategic partner secured to fund these initiatives.”

## **UCG Interests**

### ***UCG Regulations***

During the period the Hungarian Government progressed its modifications of the Mining Law to include specification legislation through which UCG projects can be developed. This legal framework was put into legal force as of 1 January 2014.

The Company was encouraged to note this support for UCG development by the Hungarian Parliament, representing the first legislation of its kind in Central Europe. This formalised development framework is an important component for a company looking to establish a European UCG operation, and the Board welcomes this progressive stance towards the adoption of this potentially revolutionary technology in Europe.

### ***Strategic Partner Selection***

Further to the announcement dated 5 March 2013, the Company continues to progress the strategic partner selection process. It would be the Company's intention that once a partner is secured, the Company intends to recommence the Bankable Feasibility Study and a further drilling programme to upgrade selected areas of its current JORC compliant Inferred resource at the at the Mecsek Hills UCG Project, the Company's most advanced UCG property. The Mecsek Hills UCG Project has a current JORC Inferred resource of 184.5Mt. Ahead of this and in line with its licence commitments, the Company has conducted c. 1,164m of drilling at the Mecsek Hill's Project.

### ***Uranium Interests***

WHE is progressing the development of the Mecsek Hills Uranium Project which combines WHE's 42.9km<sup>2</sup> Pécs-Abaliget uranium licence and Hungarian state owned Mecsek-Öko ('MO') adjoining 19.6km<sup>2</sup> MML-E uranium licence. The project has a total JORC Inferred Resource of 48.3Mt at 0.072% U<sub>3</sub>O<sub>8</sub> for 77Mlbs of U<sub>3</sub>O<sub>8</sub> and an Exploration Target<sup>1</sup> of an additional 55-90Mlbs of U<sub>3</sub>O<sub>8</sub> with a grade range of 0.075-0.10% U<sub>3</sub>O<sub>8</sub>, making it one of the largest uranium deposits in Europe.

In June 2012 the Hungarian Government formally pledged its support for the development of a Joint Venture ('JV') between the Company, MO and Mecsekérc ('ME'), and Hungarian Electricity Ltd ('MVM'), the owner of Paks Nuclear Power Plant ('Paks NPP'), to evaluate the necessary conditions to restart uranium mining.

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<sup>1</sup> The size and grade of the Exploration Target is conceptual in nature and it is uncertain if further exploration will result in the determination of a mineral resource. There is currently insufficient data to define a JORC compliant Mineral Resource for the Exploration Target. Mr Barnes and Mr Inwood (Competent Persons) have reviewed the historical data available for the Mecsek Hills Uranium Project and both made site visits to the area. They consider the Exploration Target to be reasonable based on the data available.

With this in mind, a Special Purpose Vehicle ('SPV') uranium entity was established in September 2012. In Q2 2013 all parties, namely ME, MVM and Kővágószőlős Municipality, joined the uranium administrative SPV and signed agreements to purchase an initial nominal shareholding in the SPV. The main objective of the SPV, in accordance with the Government Resolution of June 2012, is to conduct due diligence to assess the feasibility of the property ('the Study').

The Study was completed in November 2012 and following the joining of these shareholders as joint company partners, this has been shared with all parties and the competent ministries. These discussions have been completed and no concerns have been raised on its content.

The Company is continuing its discussions with the Hungarian State regarding the further development of the project and follow up Cabinet approval of the Joint Venture is expected in the near term. Ahead of this, various uranium related studies that will be needed for the licensing of the project have been initiated.

### ***Corporate & Financial***

The Company announced on 12 November 2013 that it had signed an indicative non-binding term sheet which set out the terms of a A\$3m capital raising through the issue of unlisted unsecured convertible loan notes. The issue of the notes is conditional upon the execution of formal documentation for the notes as well as an escrow agreement. Initial funds of approximately A\$1m shall be released from escrow to the Company upon lodgement by the Company of a notice of meeting (in a form approved by the note holder) to seek shareholder approval for the allotment of notes relating to the remaining A\$2m.

The notes will have a 10% coupon per annum, capitalising and accruing and paid on conversion or redemption. The conversion price will be the lower of a fixed maximum conversion price of 2.8 cents or a 20% discount to the five day volume weighted average price prior to notice day of conversion.

**To view the Company's Appendix 5B form, please click the following link:**

**\*\*ENDS\*\***

For further information please visit [www.wildhorse.com.au](http://www.wildhorse.com.au) or contact:

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**Further Information on Wildhorse:**

### **Wildhorse Business Model**

The WHE business model is focussed upon applying UCG technology to convert coal into syngas and then selling the syngas to power stations as a gas feedstock. The development and expansion of the UCG portfolio is

underpinned by a potentially world class uranium project which the Company is advancing with its Hungarian uranium development partner Mecsekérc, with the support of the Hungarian Government.

### **Business Strategy**

The Company's business strategy is to become a major supplier of gas feedstock to power stations in Central and Eastern Europe. WHE's project development strategy is based primarily upon acquiring strategic UCG sites in key locations in Central and Eastern Europe where gas markets are dominated by gas imports, energy security is a major factor for governments and large scale industrial consumers of gas and gas prices are correspondingly high.

Alongside its UCG assets, the Company also has a significant interest in a highly prospective uranium deposit in Hungary, which has a JORC Inferred resource of 48.3Mt at 0.072% uranium  $U_3O_8$  for 77Mlbs of  $U_3O_8$ . As announced on 27 June 2012, the Government has issued a formal decree in support of the formation of a joint venture ('JV') company with the involvement of state-owned organisations, Mecsekérc and Hungarian Electricity Ltd ('MVM') (the owner of Paks Nuclear Power Plant). The JV's initial purpose will be to evaluate the necessary conditions to restart uranium mining in the Mecsek Hills with the ultimate aim of recommencing uranium mining at the Mecsek Hills Uranium Project.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Wildhorse Energy Limited

ABN

98 117 085 748

Quarter ended ("current quarter")

31 December 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,171)	(2,181)
(b) development	-	-
(c) production	-	-
(d) administration	(1,064)	(2,334)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(2)	(2)
1.7 Payments associated with AIM Listing	26	(2)
<b>Net Operating Cash Flows</b>	<b>(2,202)</b>	<b>(4,496)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Deposit released by the authority	180	180
<b>Net investing cash flows</b>	<b>180</b>	<b>177</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,022)</b>	<b>(4,319)</b>

+ See chapter 19 for defined terms.

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

1.13	<b>Total operating and investing cash flows (brought forward)</b>		<b>(2,022)</b>	<b>(4,319)</b>
	<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-	-
1.15	Cost of share issue	-	-	-
1.16	Proceeds from borrowings	-	-	-
1.17	Repayment of borrowings	-	-	-
1.18	Dividends paid	-	-	-
1.19	Capital raising costs	-	-	-
1.20	Other	-	-	-
	<b>Net financing cash flows</b>		<b>-</b>	<b>-</b>
	<b>Net increase (decrease) in cash held</b>		<b>(2,022)</b>	<b>(4,319)</b>
1.21	Cash at beginning of quarter/year to date	3,229		5,418
1.22	Exchange rate adjustments to item 1.21	17		125
1.23	<b>Cash at end of quarter</b>	<b>1,224</b>		<b>1,224</b>

**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
1.24	Aggregate amount of payments to the parties included in item 1.2	248
1.25	Aggregate amount of loans to the parties included in item 1.10	Nil

1.26 Explanation necessary for an understanding of the transactions

Consulting fees, salaries and superannuation paid to or on behalf of directors and payments to entities related to directors.

**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

NIL

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

NIL

+ See chapter 19 for defined terms.

### 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	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	430
4.2 Development	
4.3 Production	
4.4 Administration	550
<b>Total</b>	980

### 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	813	1,857
5.2 Deposits at call	411	1,372
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	1,224	3,229

+ See chapter 19 for defined terms.

## Changes in interests in mining tenements

	Tenement reference and Locations	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Petroleum or mining tenements held at the end of the quarter and their location			
	<b>HUNGARY</b>			
	<b>Cikó</b> (PBK/3337-4/2010)	Coal Exploration right	100%	100%
	<b>Bátaszék</b> (PBK/989/1/2006)	Uranium Exploration right	100%	100%
	<b>Pécs</b> (PBK/6947/3/2006)	Uranium Exploration right	100%	100%
	<b>Abaliget</b> (PBK/10218/2/2006)	Uranium Exploration right	100%	100%
	<b>Mecsek-CBM</b> (PBK/9840/2003/3)	Uranium Exploration right	100%	100%
	<b>Kelet-Mecsek-Coal</b> (PBK/5306/2/2007)	Coal Exploration right	100%	100%
	<b>POLAND</b>			
	<b>Alwernia Coal</b> (No5/2013 p)	Coal Exploration right	100%	100%
6.2	Petroleum or mining tenements acquired or increased during the quarter and their location	N/A	N/A	N/A
6.3	Petroleum or mining tenements disposed of, relinquished, reduced or lapsed during the quarter and their location	N/A	N/A	N/A
6.4	Beneficial percentage interests held in farm-in or farm-out agreements	N/A	N/A	N/A
6.5	Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of	N/A	N/A	N/A

+ See chapter 19 for defined terms.



**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	<b>403,406,411</b>	<b>403,406,411</b>		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

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

7.7	<b>Options</b> <i>(description and conversion factor)</i>	<i>Convert on a 1:1 basis</i>		<i>Exercise price</i>	<i>Expiry date</i>
		8,333,332		\$0.50	2014.02.26
		8,633,332		\$0.60	2014.02.26
		4,000,000		\$0.70	2014.02.26
		666,666		\$0.60	2014.02.16
		333,333		\$0.90	2014.02.16
		333,333		\$1.20	2014.02.16
		333,333		\$1.50	2014.02.16
		257,182		£0.05	2014.04.12
		604,820		£0.06	2014.04.12
		604,820		£0.07	2014.04.12
		2,200,000		\$0.50	2014.06.01
		2,200,000		\$0.60	2014.06.01
		4,600,000		\$0.70	2014.06.01
		2,000,000		\$0.225	2014.06.30
		1,333,333		\$0.30	2014.11.22
		1,333,334		\$0.40	2014.11.22
		333,340		\$0.50	2014.11.22
		1,666,663		\$0.60	2014.11.22
		333,330		\$0.70	2014.11.22
		666,667		\$0.50	2015.06.30
		666,667		\$0.60	2015.06.30
		666,666		\$0.70	2015.06.30
		1,416,598		£0.05	2014.05.21
		1,416,598		£0.06	2014.05.21
		1,416,600		£0.07	2014.05.21
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-

7.11	<b>Debentures</b> <i>(totals only)</i>	-	-	
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-	

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 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: .....  
Company Secretary

Date: 31 January 2014

Print name: Sophie Raven

## 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.

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