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White Energy Company Limited

Appendix 5B
Mining Exploration Entity Quarterly Report



Stoker coal stockpiles at the Indian Gap Wash Plant - Mountainside Coal Company Inc., Kentucky

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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 2015** is outlined below.

HIGHLIGHTS

- **Generated a further US$4.8m in coal sales revenue at MCC during the quarter, amidst a further softening of the U.S. coal market**
- **Continued to progress commercial discussions relating to the proposed construction of a BCB plant with a major coal producer in the South African market**
- **Continued to implement a range of cost saving initiatives across the business**
- **Continued to conduct due diligence on several coal mines and coal projects that are on the market**
- **Work continues on the legal dispute with Bayan Resources in respect of the terminated KSC JV, with the first tranche of the Singapore trial heard by the Court during November 2015**

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

During the December 2015 quarter, MCC management continued to focus on the following initiatives:

- mining, producing and selling high quality low ash sized coal for the silica smelting industry;
- marketing activities associated with the ongoing sales of the high quality, low ash stoker coal product; and
- implementation of a range of further cost reduction initiatives across all operating activities.

As shareholders are aware, in mid-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 continued throughout the December 2015 quarter.

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

MCC generated US$4.8 million in coal sales revenue during the December 2015 quarter.

The new wash plant is operating to its design criteria and is performing efficiently.

During the quarter, management continued to implement a number of cost reduction initiatives which involved MCC significantly reducing thermal coal production, consistent with the strategy previously communicated to shareholders. The U.S. East Coast thermal coal market is in decline

due to the low priced methane gas, with further mine closures in the U.S. reported during the quarter.

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. We are also investigating other market opportunities for these high quality fines.

In this regard, the Company continued with the testing of coal fines sourced from MCC's new coal wash plant at White Energy's Cessnock Demonstration Plant during the quarter. Further details are outlined below.

MCC management expects that a final decision to proceed with the BCB plant will be made in the near future, once 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 containing coal seams which are capable of delivering production of between 1%-2% ash coal for the silicon smelting industry.

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

During the December 2015 quarter, the main focus of the River Energy management team was on project options for the proposed construction of a BCB plant which involves one of the major coal producers in the South African coal market, as well as seeking clarity around the future of operations at the Woestalleen Hub.

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 the study component of the project was essentially completed during the December 2015 quarter and focus shifted to reviewing project options and seeking agreement on transaction details with the coal producer in question. While the preferred option for the project

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in the current market has been essentially agreed with the coal producer, the parties were not able to finalise binding transaction documentation during the quarter. The parties have committed to reaching a decision on whether or not to proceed with this project during the current quarter and, if deciding to proceed, also complete the necessary transaction documentation within the current quarter.

Highlights of progress during the December 2015 quarter are as follows:

- all test work at the Cessnock Production Plant, as well as the engineering and metallurgy work packages for the original project, is essentially complete;
- the River Energy and White Energy technical teams worked with the coal producer during the quarter to redefine the size, location and scope of the project into a package that appears to work for both parties;
- the parties are currently working on finalising commercial terms and transaction documentation for the redefined project and they have agreed to finalise this work not later than the end of the current quarter; and
- while the key drivers for this project have not changed and both parties are working to achieve a positive outcome, it is clear that current market conditions have not helped River Energy maintain the momentum in this project over the last 6 months.

The current preferred option by both parties would see River Energy with a much more independent facility, physically removed from the coal washplant operations on the coal producer's mine site, with increased optionality on feedstock and product offtake arrangements.

Phase 1 Coal Beneficiation Plant - Woestalleen Hub

As advised in the September 2015 quarterly report, a Business Rescue Plan for the owners and operators of the site was proposed by the Business Rescue Practitioner and accepted by the creditors. This was ratified on 31 July 2015 and the Business Rescue Practitioner had 60 days from that date (to the 27 October 2015) to complete the implementation of the plan and commence the repayment of creditors in accordance with the plan.

While the Business Rescue Practitioner was not able to meet the agreed timeframe, there was some progress made during the December 2015 quarter and the following points summarise the current situation at the Woestalleen Hub:

- despite the fact that the Business Rescue process has taken much longer than all parties expected, the owners, operators and the Business Rescue Practitioner all remain confident that the plan will be implemented;
- River Energy has been working closely with all key parties in the Business Rescue process, and it appears that the plan will be implemented during early February 2016, and we are already seeing signs to support this view on site at the Woestalleen Hub;
- 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. Offtake arrangements are currently being put in place in anticipation of being back on site during the March 2016 quarter; and

- once it is clear that operations at the site have been permanently ramped-up to wash ROM coal, the River Energy team will revisit the option to construct a small beneficiation and briquetting plant on this site.

Further updates will be provided to shareholders as information comes to hand.

3. INDONESIA

During the December 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

Test work at the Cessnock Production Plant has continued to focus on the briquetting and agglomeration of the MCC coal fines. A bulk shipment of ultra-low ash coal fines sourced from MCC was received at the Cessnock facility during the December 2015 quarter, with test work on these coal fines continuing into late December 2015.

Machinery and equipment refinements remain a key element of the testing activities at the site, as does the evaluation of the briquetted product. Efforts are being made to further value-add by investigating alternate markets and processing techniques, leveraging the exceptionally high purity of the briquetted material being produced using the BCB technology.

Further, a number of pilot scale collaborative projects will commence at the Cessnock Production Plant in March 2016 quarter. The intention of such work is to combine the BCB technology with other high value carbon production technologies, where material size is an important requirement for potential end-users. It is envisaged that these programs will continue at pilot scale level for a number of months, which will allow the qualities of the material produced to be evaluated by the parties involved.

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.

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

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5. GENERAL CORPORATE

Balance Sheet, Cash Reserves and Cost Reduction Initiatives

As outlined in the attached Statement of Cash Flows, the Company had approximately $21.6 million in cash reserves as at 31 December 2015, which includes $6.3 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 $4.3 million (approximately US$3.1 million) in coal mining reclamation bonds at MCC.

During the quarter, the Company continued to incur legal fees related to the trial in Singapore against Bayan, which is included in overall "administration" costs in the attached schedules.

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

As previously reported, a review of corporate costs in recent months has resulted in a number of cost reduction initiatives implemented across the Company, including a reduction in Senior Executive salaries and Director fees 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 March 2016 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 the first tranche of the trial 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") was heard by the newly established Singapore International Commercial Court ("SICC") in November 2015. The SICC has reserved its decision and the Company will advise shareholders of any further updates in this regard.

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 refers to its announcement on 24 October 2014 advising the market that Bayan had served on BCBCS a notice of Bayan's intention to appeal to the High Court of Australia from the orders made by the Court of Appeal of Western Australia, dismissing the challenge by Bayan to the grant and scope of the freezing orders.

Bayan's appeal was heard before the Full Court of the High Court of Australia in August 2015. On 14 October 2015, the High Court of Australia unanimously dismissed Bayan's appeal. An order has been made that Bayan pay BCBCS' costs of the appeal. The freezing orders will remain in place unless and until there is a further order made by the Supreme Court. The Company expects that the freezing orders will remain in place until after the conclusion of the proceedings against Bayan in the SICC.

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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 2015

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	8,749	18,286
1.2	Payments for (a) exploration and evaluation	(a) (36)	(a) (48)
	(b) development	(b) (577)	(b) (1,633)
	(c) production	(c) (8,461)	(c) (18,975)
	(d) administration (*)	(d) (4,997)	(d) (10,122)
1.3	Dividends received	Nil	Nil
1.4	Interest and other items of a similar nature received	159	319
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)	372	1,179
	Net Operating Cash Flows	(4,791)	(10,994)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	(a) Nil	(a) Nil
	(b)equity investments	(b) Nil	(b) Nil
	(c) other fixed assets	(c) (479)	(c) (1,749)
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	(479)	(1,749)
1.13	Total operating and investing cash flows (carried forward)	(5,270)	(12,743)

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

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1.13	Total operating and investing cash flows (brought forward)	(5,270)	(12,743)
	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 (**)	680	3,547
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	680	3,547
	Net increase (decrease) in cash held	(4,590)	(9,196)
1.20	Cash at beginning of quarter/year to date	26,543	30,796
1.21	Exchange rate adjustments to item 1.20	(326)	27
1.22	**Cash at end of quarter** (***)	21,627	21,627

(**) *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 $4.3 million 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)	394
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

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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	15
4.2	Development	726
4.3	Production (mainly MCC mining and other operating costs)	9,512
4.4	Administration (including legal fees re KSC dispute and MCC administration costs)	6,250
	Total	**16,503**

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	1,286	3,078
5.2	Deposits at call	14,078	17,110
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	6,263	6,355
	Total: cash at end of quarter (item 1.22)	**21,627**	**26,543**

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Changes in interests in mining tenements (Refer Tables 1-3 on page 13)

		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

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)*				

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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		

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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	Coober Pedy, SA	South Australian Coal Limited	100%
RL100	3/10/2001	2/10/2016	240 hectares	Coober Pedy, SA	South Australian Coal Limited	100%
RL104	27/2/2003	2/10/2016	240 hectares	Coober Pedy, SA	South Australian Coal Limited	100%

(*) SAC is currently awaiting the formal issue of a renewed exploration license (ELA 2015/00066) for EL4534. SAC recently received confirmation from the South Australian Department of State Development that a subsequent license to EL4534 (ELA 2015/00066) was to be offered to the Company for a further 5 years, with official conditions still pending.

Kentucky U.S. Coal Permit			
Permit	**Locality**	**Licensee**	**Interest (**)**
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%

(**) Interest held by 51% subsidiary

Table 2 - Summary of mining tenements acquired in December 2015 Quarter

No tenements were acquired in the December 2015 quarter.

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

No tenements were surrendered in the December 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.

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Sign here: ..... Date 29 January 2016
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.

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