



White Energy Company Limited

Appendix 5B

Mining Exploration Entity Quarterly Report

September 2016

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 30 September 2016 is outlined below.

HIGHLIGHTS

- **Negotiations for the supply of coal from a major coal producer in the South African market to White Energy's proposed BCB plant were completed and documentation of the binding legal agreements is reaching its final stages**
- **Generated a further US\$0.9m in coal sales revenue (WEC share US\$0.4m) at MCC during the quarter, with operations suspended from early September while additional resource definition and permitting activities are conducted**
- **Sold pastoral property, Ingomar Station realising net proceeds of \$6.3m**

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

BCB plant project

During the September 2016 quarter, the River Energy management team has made significant progress on securing agreement for the supply of coal to a proposed BCB plant from one of the major coal producers in the South African coal market.

Commercial terms have been largely agreed with the coal producer and the drafting of the binding legal documentation is in its final stages. It is expected that this process will be completed in the near future, and details of the project will be announced when terms have been finalised.

The proposed plant will recover fine coal from the tailings waste stream at the mine through beneficiation, which will then be dried and briquetted to produce a saleable export grade thermal coal product, which will be marketed by River Energy.

White Energy's engineering personnel are supporting River Energy's South African team to plan the construction schedule and prepare applications for the necessary environmental approvals.

River Energy continues to actively pursue opportunities globally to recover coal from what is currently a waste material which is considered to be an environmental liability, and convert it to a valuable, low moisture coal product.

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

MCC generated US\$0.9 million in coal sales revenue during the September 2016 quarter, with coal production being suspended from early September while the Company undertakes additional resource definition activities and permitting of premium silica-grade coal resources within its leased tenement areas.

The decision to suspend production was prompted by difficulties encountered at Mountainside's Flat Creek mine, which led to the mineable coal resource in that location becoming fully depleted in early September. Production at the Flat Creek mine had suffered from low yields of stoker coal in recent months after encountering adverse geological conditions, and the recoverable coal resource was impacted by previously unmapped old workings within the mine area. The combination of these issues had reduced the mineable resource at Flat Creek by more than 50%.

With production suspended, reclamation activity increased during the quarter ended 30 September. The Flat Creek and Hatfield Gap open pits were backfilled and graded and hydro-seeding of reclaimed areas will continue into November. Applications will be made for bond releases as rehabilitation work in each area is completed.

Mountainside currently has additional permits in various stages of approval and many acres containing low ash Blue Gem resources in Kentucky that are in the initial permitting phase. In the coming months, Mountainside will undertake additional infill drilling, exploration, and mine planning activities so as to reduce the risk of similar conditions impacting future mining and production. Once proven, Mountainside will finalize the permitting process for the additional operations in order to recommence production.

A decision on when production will recommence will be made once sufficient confidence has been obtained from the resource definition program, which is expected to take several months to complete.

3. AUSTRALIA

BCB opportunities

Management continues investigations into opportunities to briquette discarded coal fines which currently represent an environmental liability to miners. Application of the BCB technology could provide an opportunity for miners to convert waste coal fines into a saleable product.

Lake Phillipson Exploration Area – EL5719

During the quarter, White Energy's geological team continued the evaluation of geophysical and historical drilling data in relation to coal and other minerals within EL5719 and is planning to undertake a land access survey for the purposes of a planned drilling programme in 2017.

Sale of Ingomar Station

In September 2016, White Energy completed the sale of its South Australian pastoral property, Ingomar Station, realising net proceeds of \$6.3 million. The decision to sell the property was taken as the Company continues to restructure its operations to focus on its coal technology, coal mining and exploration opportunities. The property overlaps EL5719, but ownership of the property will not affect the Company's ability to operate on the exploration permit.

4. INDONESIA

White Energy continued to investigate opportunities to gain interests in coal concessions in Indonesia during the September 2016 quarter.

5. GENERAL CORPORATE

Cash Reserves

The Group had \$8.7 million in cash reserves available for use as at 30 September 2016. An additional \$6.6 million of restricted cash is held as security for reclamation bonds at MCC and for a security bond provided in relation to the ongoing legal dispute with PT Bayan Resources Tbk.

Cost reduction initiatives across the Group continue, with reduced costs expected at the MCC mines in the USA following the suspension of production activities in September. Non-executive Directors have agreed to a 20% reduction in Directors' fees for the 2016/2017 year and the Managing Director's remuneration package has been restructured with a 20% reduction in fixed cash remuneration complemented by a new grant of share options to be approved at the forthcoming Annual General Meeting.

The Company has no corporate debt. Repayment terms of non-recourse shareholder loans provided to the Group's 51% owned operations in the USA and South Africa by both White Energy and the minority shareholders were revised in September, with all shareholder loans now repayable in January 2019.

PT Kaltim Supacoal ("KSC") – WEC 51%

Update of legal dispute

The next tranche of the legal proceedings initiated by subsidiaries of White Energy against PT Bayan Resources Tbk and Bayan International Pte Ltd ("Bayan") relating to the KSC joint venture has tentatively been scheduled to be heard by the Singapore International Commercial Court ("SICC") in early January 2017. The SICC will be asked to rule on, among other things, whether Bayan had breached its coal supply obligation to KSC and whether Bayan's actions amounted to repudiation of the contract.

There will be a further tranche of the proceedings to consider the quantum of damages that may be payable to the White Energy group.

During the quarter, White Energy received \$330,000 from Bayan for the settlement of legal costs in relation to the freezing order obtained in Australian proceedings over Bayan's shares in Kangaroo Resources Limited.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

White Energy Company Limited

ABN

62 071 527 083

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,658	5,658
1.2 Payments for		
(a) exploration & evaluation	(58)	(58)
(b) development	(449)	(449)
(c) production	(5,288)	(5,288)
(d) staff costs	(2,738)	(2,738)
(e) administration and corporate costs (*)	(2,063)	(2,063)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material) (**)	519	519
1.9 Net cash from / (used in) operating activities	(4,405)	(4,405)

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

(**) includes \$330k reimbursement from Bayan Resources for the settlement of legal costs

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(30)	(30)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	6,257	6,257
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	6,227	6,227

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings (***)	339	339
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	339	339

(***) represents shareholder loans from Proterra Investment Partners for its 49% equity interest in MCC and River Energy

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,557	6,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,405)	(4,405)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	6,227	6,227
4.4	Net cash from / (used in) financing activities (item 3.10 above)	339	339
4.5	Effect of movement in exchange rates on cash held	(23)	(23)
4.6	Cash and cash equivalents at end of period	8,695	8,695

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,420	1,734
5.2 Call deposits	7,275	4,823
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,695	6,557

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	298
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	58,572	58,572
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 Represents shareholder loans from minority shareholders with a 49% interest in MCC and River Energy which are repayable in January 2019 and bear interest at fixed rates between 5.01% and 6.33%pa, payable on maturity.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	178
9.2 Development	251
9.3 Production	263
9.4 Staff costs	1,411
9.5 Administration and corporate costs	1,066
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	3,169

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Managing Director)

Date: 31 October 2016

Print name: Brian Flannery

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.