



**White Energy Company Limited**

**Appendix 5B**

**Mining Exploration Entity Quarterly Report**

**June 2016**



*Auger operations at Hubbs Hollow Mine - Mountainside Coal Company Inc., Kentucky*

### **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 June 2016** is outlined below.*

#### **HIGHLIGHTS**

- **Generated a further US\$4.3m in coal sales revenue (WEC share US\$2.2m) at MCC during the quarter, impacted by lower volumes and yields**
- **Negotiations have reached an advanced stage for the proposed construction of a BCB plant with a major coal producer in the South African market**
- **Continued to conduct due diligence on several investment opportunities**
- **Received a favourable ruling from the first tranche of the legal dispute with Bayan Resources in respect of the terminated KSC JV**
- **Reached agreement to sell Ingomar Station for in excess of \$6.0m (in July 2016)**

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

MCC generated US\$4.3 million in coal sales revenue during the June 2016 quarter, with AUD annual revenue up 18% from the prior financial year.

Sales revenues from the MCC mines in Kentucky during the quarter were impacted by lower volumes and yields of low ash stoker coal from the Flat Creek mine in April and May. Highwall mining operations were suspended in May as elevated iron levels were encountered in intermittent pockets of the resource, which meant the coal produced from the affected area was unsuitable for sale as a premium silica-grade stoker coal. In June, highwall mining resumed at a new section of the Flat Creek mine and production of the high quality Blue Gem coal has recommenced.

Revenues were also impacted by ongoing low prices for coal fines generated from the production of the stoker coal and by relatively high inventory levels at the end of the June resulting from timing of shipments to customers.

In June, MCC secured an initial increase in the sales price of the high quality, low ash stoker coal. MCC can supply up to 13,000 tons per month under the current contract. The mine plan for coming months will focus on increasing production volumes towards this target in the most cost-effective manner and to replace production from the declining Flat Creek mine, which is now expected to be exhausted by October 2016.

Management continued to implement cost reduction initiatives during the quarter and is working to improve the financial performance of the mines.

MCC management continues to explore and investigate existing leases and additional areas containing coal seams which are capable of delivering production of between 1%-2% ash coal for the silicon smelting industry.

Briquetting trials on coal fines sourced from MCC's coal wash plant continued at White Energy's Cessnock Demonstration Plant and management is investigating other alternative processes to upgrade the coal fines to a higher-value product.

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

### BCB plant project

During the June 2016 quarter, the River Energy management team has made significant progress on securing agreement for the proposed construction of a BCB plant which involves one of the major coal producers in the South African coal market.

While the major commercial terms have been largely agreed with the coal producer, the negotiating of final binding transaction documentation has taken longer than anticipated. 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.

### Phase 1 Coal Beneficiation Plant - Woestalleen Hub

River Energy has removed its plant from the Woestalleen Hub site as the Business Rescue Practitioner continues to implement its Business Rescue Plan.

River Energy will continue to monitor progress, but expects to devote its resources to the BCB plant project above in the foreseeable future.

## **3. INDONESIA**

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

## **4. AUSTRALIA**

### BCB opportunities

Management continues discussions with coal miners in Australia with a view to briquetting discarded coal fines which currently represent an environmental liability to the 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

WEC continues to analyse commercialisation options for potential mining of the EL 5719 coal deposit, however the closure of the Northern Coal Fired Power Station at Port Augusta from May 2016 limits the opportunities for developing the Lake Phillipson resource, in the near term.

### Sale of Ingomar Station

In July 2016, subsequent to the end of the quarter, White Energy received expressions of interests for the sale of its South Australian pastoral property, Ingomar Station under a sale process managed by Landmark Harcourts. 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.

Terms have been agreed for the sale which is due to settle in late August 2016. Net sale proceeds are expected to be in excess of \$6 million following adjustments for cattle numbers which will be verified by the muster currently underway.

## **5. GENERAL CORPORATE**

### **Balance Sheet, Cash Reserves and Cost Reduction Initiatives**

The Company had \$13.3 million in cash reserves as at 30 June 2016, of which \$6.5 million is available for use after allowing for \$6.75 million of restricted cash held as security for reclamation bonds at MCC and a security bond provided in relation to the ongoing legal dispute with PT Bayan Resources Tbk.

The cash balances at 30 June will be boosted in August by the proceeds from the sale of Ingomar Station, expected to be in excess of \$6 million.

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

Initiatives to streamline the Company's corporate, administration and operational functions continued during the quarter, with the Company's head office being relocated to its Brisbane office following the closure of the Sydney facilities. There has been an overall reduction in headcount across the White Energy Group as the Company focuses on efficient delivery of its core coal technology, coal mining and exploration activities.

### **PT Kaltim Supacoal ("KSC") – WEC 51%**

#### **Update of legal dispute**

On 12 May 2016, the Singapore International Commercial Court ("SICC") released its judgment in relation to the first tranche of the trial in connection with the legal proceedings initiated by subsidiaries of White Energy, against PT Bayan Resources Tbk and Bayan International Pte Ltd ("Bayan") over the KSC joint venture. Bayan brought a counterclaim in these proceedings against White Energy.

The first tranche of the trial was to determine certain issues relating to Bayan's obligations to fund the joint venture and its obligation to supply coal to the joint venture. Further, the Court also considered Bayan's counterclaims brought against White Energy.

The findings of the SICC in summary include the following:

- The Bayan counterclaims against White Energy were rejected;
- As for the coal supply obligation, the court has declined to answer this question at this stage, concluding that it is a matter to be decided at the next tranche of the trial; and
- Bayan was not obliged to provide funding to the joint venture in the period between November 2011 and 2 March 2012.

Neither party have appealed the decision.

As a result of the counterclaim being dismissed, White Energy has no further contractual liability in relation to the KSC joint venture.

The parties have been directed to attend a Case Management Conference before the SICC on 5 August 2016.

White Energy and Bayan have reached agreement for the settlement of costs in relation to the freezing order obtained over Bayan's shares in Kangaroo Resources Limited, with Bayan to pay \$330,000 to White Energy following completion of documents relating to Indonesian withholding tax.

## 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 2016

**Consolidated statement of cash flows**

|   |  | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|---|--|----------------------------|--|
| <b>Cash flows related to operating activities</b> |  |                            |  |
| 1.1   | Receipts from product sales and related debtors            | 6,265                      | 31,416                                 |
| 1.2   | Payments for (a) exploration and evaluation                | (a) (4)                    | (a) (56)                               |
|   | (b) development  | (b) (674)                  | (b) (2,970)                            |
|   | (c) production   | (c) (7,525)                | (c) (34,362)                           |
|   | (d) administration (*)                                     | (d) (5,241)                | (d) (19,698)                           |
| 1.3   | Dividends received   | Nil                        | Nil                                    |
| 1.4   | Interest and other items of a similar nature received      | 30                         | 414                                    |
| 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)                        | 296                        | 2,057                                  |
| <b>Net Operating Cash Flows</b>                   |  | <b>(6,853)</b>             | <b>(23,199)</b>                        |
| <b>Cash flows related to investing activities</b> |  |                            |  |
| 1.8   | Payment for purchases of: (a)prospects                     | (a) Nil                    | (a) Nil                                |
|   | (b)equity investments                                      | (b) Nil                    | (b) Nil                                |
|   | (c) other fixed assets                                     | (c) (404)                  | (c) (2,218)                            |
| 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                                    | (342)                      | (342)                                  |
| 1.11  | Loans repaid by other entities                             | Nil                        | Nil                                    |
| 1.12  | Other (provide details if material)                        | Nil                        | Nil                                    |
| <b>Net investing cash flows</b>                   |  | <b>(746)</b>               | <b>(2,560)</b>                         |
| 1.13  | Total operating and investing cash flows (carried forward) | <b>(7,599)</b>             | <b>(25,759)</b>                        |

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

|  | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--|----------------------------|--|
| 1.13 Total operating and investing cash flows<br>(brought forward) | (7,599)                    | (25,759)                               |
| <b>Cash flows related to financing activities</b>                  |                            |  |
| 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 (**)                                 | 2,563                      | 8,541                                  |
| 1.17 Repayment of borrowings                                       | Nil                        | Nil                                    |
| 1.18 Dividends paid  | Nil                        | Nil                                    |
| 1.19 Other (provide details if material)                           | Nil                        | Nil                                    |
| <b>Net financing cash flows</b>                                    | 2,563                      | 8,541                                  |
| <b>Net increase (decrease) in cash held</b>                        | (5,036)                    | (17,218)                               |
| 1.20 Cash at beginning of quarter/year to date                     | 18,417                     | 30,796                                 |
| 1.21 Exchange rate adjustments to item 1.20                        | (76)                       | (273)                                  |
| 1.22 <b>Cash at end of quarter (***)</b>                           | 13,305                     | 13,305                                 |

(\*\*) represents shareholder loans from Proterra Investment Partners 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 \$4.75 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<br>\$A'000 |
|---|----------------------------|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 (d) | 361                        |
| 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<br>\$A'000 | Amount used<br>\$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  | 46           |
| 4.2 Development   | 540          |
| 4.3 Production – net of sales proceeds (mainly MCC mining and other operating costs)  | 337          |
| 4.4 Administration (including legal fees re KSC dispute and MCC administration costs) | 3,295        |
| <b>Total *</b>  | <b>4,218</b> |

\*Estimated cash outflows do not include the proceeds from the sale of the Ingomar Station property which are expected to exceed \$6 million in the next quarter.

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 1,730                      | 2,192                       |
| 5.2 Deposits at call  | 4,823                      | 10,430                      |
| 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           | 6,752                      | 5,795                       |
| <b>Total: cash at end of quarter (item 1.22)</b>  | <b>13,305</b>              | <b>18,417</b>               |

**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                        |
| 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 | <b>Preference securities</b><br>(description)  | N/A  | N/A  | N/A  |
| 7.2 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | N/A  | N/A  | N/A  |
| 7.3 | <b>*Ordinary securities</b>  |  |  |  |
| 7.4 | Changes during quarter<br>(a) Increases through issues<br><br>(b) Decreases through returns of capital, buy-backs          | Opening 328,374,494<br>(a) N/A<br><br>(b) N/A<br>Closing 328,374,494 | Opening 328,374,494<br>(a) N/A<br><br>(b) N/A<br>Closing 328,374,494 | N/A<br>N/A<br>N/A                                |
| 7.5 | <b>*Convertible debt securities</b><br>(description)   |  |  |  |



|      |   |  |                |                              |  |
|------|---|--|----------------|------------------------------|--|
| 7.6  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted | N/A  | N/A            | N/A                          | N/A  |
| 7.7  | <b>Options</b><br>(description and conversion factor)   | (a) Executive Retention Plan – Closing 6,000,000 Options | (a) Not Listed | Exercise price<br>(a) \$0.50 | Expiry date<br>(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 | <b>Debentures</b><br>(totals only)  | N/A  | N/A            |                              |  |
| 7.12 | <b>Unsecured notes</b> (totals only)  | N/A  | N/A            |                              |  |

**Table 1 - Summary of mining tenements**

| <b>South Australia Mineral Exploration Permit</b> |                |               |                       |                 |                               |                 |
|---|----------------|---------------|-----------------------|-----------------|-------------------------------|-----------------|
| <b>Tenement</b>                                   | <b>Granted</b> | <b>Expiry</b> | <b>Area</b>           | <b>Locality</b> | <b>Licensee</b>               | <b>Interest</b> |
| EL5719  | 9/8/2015       | 8/8/2020      | 1,367 km <sup>2</sup> | 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      | 2/10/2016     | 240 hectares          | Cooper Pedy, SA | South Australian Coal Limited | 100%            |

| <b>Kentucky U.S. Coal Permit</b> |                           |                                |                      |
|----------------------------------|---------------------------|--------------------------------|----------------------|
| <b>Permit</b>                    | <b>Locality</b>           | <b>Licensee</b>                | <b>Interest (**)</b> |
| 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 June 2016 Quarter**

No tenements were acquired in the June 2016 quarter.

**Table 3 - Summary of mining tenements surrendered in June 2016 Quarter**

No tenements were surrendered in the June 2016 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:

  
.....  
Managing Director

Date 29 July 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 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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