



White Energy Company Limited

Mining Exploration Entity Quarterly Activity
Report

and

Appendix 5B

March 2017

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 March 2017** is outlined below.

HIGHLIGHTS

- **Exploration and infill drilling program at Mountainside Coal (USA) completed with over 160 wells drilled since October 2016**
- **2nd tranche of litigation proceedings against Bayan Resources Tbk heard in Singapore – rulings pending**
- **Drilling of a possible iron oxide-copper-gold-uranium target underway in South Australia (April)**
- **River Energy has been unable to secure access to a supply of fine coal for its proposed BCB plant in South Africa (April)**

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

BCB plant project

White Energy, through its 51%-owned subsidiary, River Energy South Africa Pty Ltd (River Energy) has been seeking to secure an agreement to source fine coal for a Binderless Coal Briquetting (BCB) plant in South Africa.

River Energy has been negotiating with South32 SA Coal Holdings Proprietary Limited (South32) to secure a supply of fine coal from the tailings waste stream from its South Export Plant on the Wolvekrans Middelburg Complex and for access to a site on which to construct the BCB plant.

In April 2017, River Energy was advised by South32 that they were unable to commit to supplying fine coal from the South Export Plant but may consider a plant on another site.

Extensive testing by River Energy, including successful briquetting and combustion trials, has demonstrated that a saleable export grade coal product can be produced from South African fine coals. River Energy is pursuing opportunities on other mine sites in South Africa to secure access to fine coal to support alternative BCB projects.

The BCB process provides an attractive solution for coal producers seeking to maximise mine yield and facing the environmental challenges posed by discarded coal fines. In South Africa alone, it is estimated that there are over 1 billion tonnes of discarded coal in tailings facilities, much of which may eventually need to be reclaimed.

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

Production operations at MCC’s mines in Kentucky remained suspended during the quarter, with activities focused on completion of infill exploration drilling and mine planning to identify future areas to be mined.

Exploration drilling at Wynn Hollow continued, with 12 cores recovered in January, completing the program which included 152 open rotary holes in late 2016. Two cores were recovered from the Wood Mountain area in January. MCC's personnel are currently analysing the data obtained and the Wynn Hollow mine plan is being updated to reflect the results from the drilling program.

MCC currently has additional permits in various stages of approval and many acres containing low ash Blue Gem coal resources in Kentucky that are in the initial permitting phase. As the data from the recent drilling and exploration program is analysed, MCC will finalize the permitting process for the additional operations in order to recommence production. Additional leases are being sought as mine plans for new areas are progressed.

Reclamation activity continued, with backfilling, seeding and grading at Hubbs Hollow completed. Applications are being made for bond releases as rehabilitation work in each area is completed.

MCC is currently engaging with silicon, ferrosilicon and thermal coal buyers to secure orders for supply in 2017.

A decision on when production will recommence will be made once customers have been secured and sufficient confidence has been obtained from the resource definition program.

Sale of permits

In late March, MCC disposed of its interest in the Hatfield Gap and Buffalo Creek permits. Mining in the Hatfield Gap area had ceased in 2016 and these areas do not contain the low ash silicon-grade Blue Gem coal found in MCC's other permits. MCC will receive an overriding royalty on the coal produced from the permits and could expect to receive consideration in excess of US\$1.0m over the next two years, depending on the production rates and yields. In addition to the royalty consideration, US\$551,000 of performance bonds will be returned to MCC.

3. AUSTRALIA

South Australia – EL5719

During the March quarter, preparations were made to drill exploration holes targeting a gravity anomaly identified in EL5719. Drilling of the first hole at Arkeeta West commenced in late April, seeking to define additional coal resources and to test the basement geology targets which may be prospective for oxide-copper-gold-uranium (IOCGU) styles of mineralisation.

EL5719 lies entirely within the Olympic Dam G9 Structural Corridor and the Arkeeta West anomaly is in the vicinity of an interpreted regional northeast-northwest trending structural lineament intersection. Previous drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines.

Core samples from the hole will be analysed in coming weeks.

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.

In coming months, a bulk test of coal from China is expected to be conducted at the Company's Cessnock BCB demonstration plant for a Chinese steel manufacturer.

4. GENERAL CORPORATE

The Company has no corporate debt. 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 in proportion to their ownership interests are repayable in January 2019.

PT Kaltim Supacoal ("KSC") – WEC 51%

Update of legal dispute

The second tranche of the legal proceedings initiated by subsidiaries of White Energy, BCBC Singapore Pte Ltd ("BCBCS") and Binderless Coal Briquetting Company Pty Limited, against PT Bayan Resources Tbk and Bayan International Pte Ltd ("Bayan") relating to the KSC joint venture was heard by the Singapore International Commercial Court ("SICC") in early January 2017.

The key issues heard by the SICC included:

- (a) Whether Bayan was under an obligation to supply and/or assist in supplying coal to KSC between November 2011 and 2 March 2012;
- (b) If so, whether Bayan had breached its obligations to supply coal;
- (c) Whether Bayan had repudiated the Joint Venture Deed ("JV Deed") in breaching its coal supply obligation (if established); and/or by its words and conduct at meetings in November and December 2011; and/or by the wrongful issuance of a purported termination notice dated 21 February 2012;
- (d) Whether BCBCS had:
 - (i) caused KSC to incur excess expenditure and/or excess debt; and/or
 - (ii) permitted White Energy to make public announcements in connection with the JV Deed, without Bayan's consent; and if so, whether such conduct (among other things) amounted to repudiation of the JV Deed.
- (e) If Bayan is found to be liable for breach of its obligations in respect of coal supply and/or repudiation of the JV Deed, and on the assumption that the Tabang Plant would have achieved a production capacity of approximately 1 MTPA, whether as a result of such breach, BCBCS suffered loss.

Written closing submissions were subsequently filed and final oral closing submissions were made in late April 2017 in Singapore. The SICC has reserved judgement.

+Rule 5.5

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")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	21	6,036
1.2 Payments for		
(a) exploration & evaluation	(25)	(212)
(b) development	(215)	(887)
(c) production	(1,183)	(7,336)
(d) staff costs	(1,262)	(5,885)
(e) administration and corporate costs (*)	(996)	(4,106)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	34	78
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) (**)	447	2,081
1.9 Net cash from / (used in) operating activities	(3,179)	(10,231)

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

(**) Current quarter includes \$270,000 of restricted cash returned upon completion of bonded reclamation obligations (\$937,000 year to date) and the year to date amount 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	(36)	(79)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	1,301	7,626
	(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	1,265	7,547

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 (***)	259	1,270
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	259	1,270

(***) 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	6,849	6,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,179)	(10,231)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,265	7,547
4.4	Net cash from / (used in) financing activities (item 3.10 above)	259	1,270

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(52)	(1)
4.6	Cash and cash equivalents at end of period	5,142	5,142

5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	1,062	1,556
5.2 Call deposits	4,080	5,293
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)	5,142	6,849

In addition to the cash and cash equivalents at the end of the quarter, \$3.7m of cash is held as security for reclamation bonds in the USA and \$2.0m is held as a security bond by the Supreme Court of Western Australia.

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

232

Nil

N/A

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

Nil

Nil

N/A

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	57,810	57,810
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	187
9.2 Development	218
9.3 Production	939
9.4 Staff costs	1,265
9.5 Administration and corporate costs	2,176
9.6 Other (provide details if material)(****)	(2,220)
9.7 Total estimated cash outflows	2,565

(****) In the next quarter, Group companies are expected to receive: \$1.1 million from released reclamation security bonds; \$0.7 million of insurance proceeds; and \$0.4 million as loans from minority shareholders in River Energy.

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	918-0466 918-0450	Hatfield Gap – Kentucky Buffalo Creek - Kentucky	51% ⁽¹⁾ 51% ⁽¹⁾	Nil Nil
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

(1) White Energy's 51%-owned subsidiary, Mountainside Coal Company Inc. held 100% of this coal permit and has disposed of its interest.

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: 28 April 2017

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.