



White Energy Company Limited

**Mining Exploration Entity Quarterly Activity
Report**

and

Appendix 5B

December 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 **31 December 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 continued**
- **Exploration and infill drilling program at Mountainside Coal (USA) underway with over 160 wells drilled**
- **Modelling of both the gravity and magnetic data in EL5719 (South Australia) have identified a possible iron oxide-copper-gold-uranium target**

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

BCB plant project

The management of River Energy have been working to secure agreement for the supply of coal fines from one of the major coal producers in the South African coal market. River Energy plans to construct a Binderless Coal Briquetting (BCB) plant which will recover fine coal from the tailings waste stream at the mine through beneficiation. The coal fines will then be dried and briquetted to produce a saleable export grade thermal coal product, which will be marketed by River Energy.

During the December 2016 quarter, the River Energy management team worked actively with the coal producer to refine the proposed linkages and tie-ins with the mine’s infrastructure. The coal producer is currently concluding a final review of the project.

It is expected that this process will be completed in the near future, and details of the project will be announced when the review has been completed and terms have been finalised.

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%

Following the planned suspension of production operations at MCC’s mines in Kentucky in September, activity during the quarter has focused on conducting infill drilling, exploration and mine planning to identify areas to be mined in 2017 and beyond.

Drilling at Wynn Hollow was completed with a total of 152 open rotary holes and 12 cores holes. Geophysical logs were run to supplement logs previously obtained.

Exploration drilling at Wood Mountain is now underway.

MCC's personnel are currently analysing the data obtained and performing detailed modelling of coal seams and associated geological formations so that future mine plans can target higher-yielding areas.

Reclamation activity continued during the quarter ended 31 December. The Flat Creek and Hatfield Gap reclaimed pit areas have been hydro-seeded and several ponds have been removed. Applications are being made for bond releases as rehabilitation work in each area is completed.

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. Once the data from the current drilling and exploration program has been analysed, MCC will finalize the permitting process for the additional operations in order to recommence production.

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.

3. AUSTRALIA

South Australia – EL5719

Exploration by the White Energy geology team for iron oxide-copper-gold-uranium (IOCGU) styles of mineralisation since 2008 have culminated in the delineation of a 4.8mGal gravity anomaly in EL5719. The Arkeeta West anomaly is approximately 2km in diameter and is characterised as a broadly circular feature with a coincident low magnetic response. 3D inversion modelling of both the gravity and magnetic data suggests a complex causative rock body within 100m of the ground surface.

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 conducted by South Australian Coal Limited in 2009 and 2011 intersected a series of undeformed Hiltaba Granite equivalents and associated mafics that have since been dated at 1585Ma, which is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines.

Senior representatives of the Antakirinja Matu-Yankunytjatjara Aboriginal Native Title Holders conducted Cultural Heritage Survey Clearances in December and have approved the drill testing of the Arkeeta West anomaly within a series of 18 drillholes designed to define additional coal resources and to test basement geology targets.

Based on these survey results it is anticipated that once environmental approvals have been granted, drilling of the Arkeeta West anomaly will commence in the first half of 2017. Management is currently planning the scope of the initial drilling program.

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.

4. GENERAL CORPORATE

Shareholders approved the grant of 10 million share options with an exercise price of 20 cents each as part of the Managing Director's revised remuneration package. The Managing Director and all Non-executive Directors agreed to a 20% reduction in the cash component of their remuneration for 2016/2017 as part of the Company's ongoing commitment to cost reduction.

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.

Two rounds of written closing submissions are to be filed. The first round of written closing submissions are due to be filed by the end of February 2017. The second round of written closing submissions (in reply to the first set of closing submissions and in response to any queries by the SICC) are to be filed by the end of March 2017. Oral closing submissions (if deemed necessary by the SICC) are to be made on 20 April 2017 in Singapore.

+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 December 2016

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	357	6,015
1.2 Payments for		
(a) exploration & evaluation	(129)	(187)
(b) development	(223)	(672)
(c) production	(865)	(6,153)
(d) staff costs	(1,885)	(4,623)
(e) administration and corporate costs (*)	(1,047)	(3,110)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	44
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) (**)	1,115	1,634
1.9 Net cash from / (used in) operating activities	(2,647)	(7,052)

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

(**) Current quarter includes \$667k of restricted cash returned upon completion of bonded reclamation obligations 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	(13)	(43)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	68	6,325
	(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	55	6,282

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 (***)	672	1,011
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	672	1,011

(***) 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	8,695	6,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,647)	(7,052)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	55	6,282
4.4	Net cash from / (used in) financing activities (item 3.10 above)	672	1,011

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	74	51
4.6	Cash and cash equivalents at end of period	6,849	6,849

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	1,556	1,420
5.2	Call deposits	5,293	7,275
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)	6,849	8,695

In addition to the cash and cash equivalents at the end of the quarter, \$4.1m 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	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	327
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	60,460	60,460
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	63
9.2	Development	270
9.3	Production	300
9.4	Staff costs	1,599
9.5	Administration and corporate costs	1,719
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows(****)	3,951

(****) Approximately \$900,000 of the estimated outflows for the next quarter are expected to be paid from contributions from minority shareholders in MCC and 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	861-0537	Hubbs Creek - Kentucky	51% ⁽¹⁾	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. No further operations are planned in this permit area and all rehabilitation works have been completed and a final bond release has been received.

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 January 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.