

White Energy Company Limited

Appendix 5B Mining Exploration Entity Quarterly Report



SUMMARY OF ACTIVITY

A summary of major items of activity for White Energy Company Limited (“WEC”) during the quarter ended 30 June 2010 is outlined below.

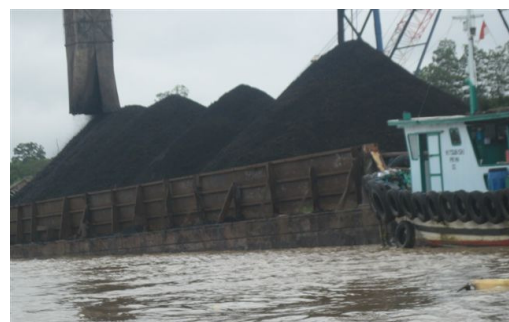
COAL UPGRADING OPERATIONS

1. PT KALTIM SUPACOAL (“KSC”) – JOINT VENTURE WITH PT. BAYAN RESOURCES (WEC 51%)

Substantial progress has been made over the last quarter at KSC’s Tabang upgrading plant, in terms of both throughput rates of coal processed as well as the quality and energy value of the upgraded coal produced.

During the period KSC has achieved throughput rates up to 80%. The average upgrade in coal quality achieved was impressive. The feedstock coals natural energy content varied between 3,900 k/cals to 4,200 k/cals. By contrast, the average upgrade achieved produced a coal with an energy content of 5,750 k/cals. Significantly, when operating at high throughput rates and for limited production runs, KSC was able to produce coal at the desired 6,100 k/cal level - with a moisture level well below 10%. The goal is now to produce this level of high quality product over sustained production runs.

During May 2010, KSC sold its first shipment of upgraded coal. Since then, KSC has sold and delivered a further 11,000 tonnes of upgraded product. Until KSC receives its own export clearances, KSC’s coal is being sold to Bayan Resources who are blending the coal with their own run of mine material and on-selling the blended coal. KSC’s upgraded product has been trucked to the Bayan Resources transfer facility near Tabang where the blending takes place. After blending, the coal has been transferred to Bayan’s coal loading facility at the river port where it has been loaded and subsequently barged down the river to Balikpapan for onward shipping.



Loading of blended product on barges at Coal Loading Facility

KSC negotiated an initial sale price of approximately US\$61 per tonne of upgraded coal, less applicable transportation and handling costs. The price agreed with Bayan regarding these initial batches of upgraded product was discounted due to the relatively small quantities involved (which is customary) and the fact that the average calorific value attributed to the initial batches of KSC's coal was approximately 5,750 k/cals. As the energy content increases to specification levels and volumes increase, KSC expects to receive a substantial increase in this price.

Importantly, KSC is working closely with its lawyers in order to obtain the relevant export clearances in its own name as soon as possible. Once the appropriate certification has been provided, KSC will be in a position to sell its upgraded product directly to the marketplace.

As regards the engineering modifications to the coal injection and dust extraction systems foreshadowed in June 2010, we are pleased to report that progress has been made in both of these areas.

As far as the coal injection system is concerned, after making some minor engineering enhancements, KSC has consistently achieved throughput rates ranging between 50% to 80%. Given this improvement, we have delayed any additional modification work until January 2011 when we envisage making some further efficiency improvements to the system.

As regards the dust extraction system, following a visit to site by one of the world's leading dust extraction specialists in June 2010, KSC decided to implement a low cost solution recommended by the expert, which facilitates the separation of excess dust from the upgraded product at the point of briquetting. The suggested system requires relatively small modifications to be made involving changes to the briquetter hoods. These have now been fabricated with installation expected to be completed by mid August. Once installed, we expect to see a significant increase in product quality and production rates.

Incidentally, during the quarter our partner in KSC, Bayan Resources (IDX:BYAN), who produce and sell approximately 12 million tonnes of coal per annum into the Asian and North American markets, announced that 20% of their company was being acquired by Korea Electric Power Corp. (KEPCO).

2. NORTH AMERICAN OPERATIONS

Kentucky Project

Our North American team has continued to work with the permitting agency for Louisville, Kentucky to provide the final information required in order to complete its review of White Energy's air permit application for the Jefferson Riverport Project. White Energy hopes to receive its draft air permit within the next few weeks which will enable the Company to make a final decision on whether to proceed with this project. In addition, a determination regarding White Energy's eligibility for increased economic incentives under Kentucky's Incentives for Energy Independence Act awarded by the Kentucky Economic Development Finance Authority is expected shortly. If White Energy is successful in this regard, this award will qualify us to recoup a portion of our capital investment in the form of tax incentives.

White Energy is pleased with the response it has received from various transportation providers, coal suppliers and utility consumers regarding their support of this project. In this regard, an agreement for a transportation contract to deliver Powder River Basin coal to the proposed plant site for upgrading is expected to be finalized in the coming weeks on attractive terms. Further, we have received an attractive proposal for the long term supply of feedstock coal for this project which is helpful in the context of improving the overall economics of the proposed project. In addition, we are currently in discussion with parties regarding their potential equity investment in the project in the event White Energy decides to proceed.

Peabody

The preliminary Best Available Control Technology analysis and site plans have been completed and air modelling is underway. Once this exercise is completed then the air permit application for the Peabody project can be finalized and lodged with the Wyoming Division of Environmental Quality – Air Quality Division. Peabody is taking the lead on the necessary permitting activities for the project and in addition to the progress made with the key air permit required, has already initiated work on the balance of the permits required. It is expected that air permit will be lodged within the next month.

Buckskin

The Buckskin project continues to progress towards permit submittal. Finalization of this process is dependent on receipt of the Best Available Control Technology report and air modelling data. Immediately this work is finalized, the information will then be included in the permit submission and lodged with the relevant authority.

3. AFRICA – RIVER ENERGY (WEC 51%)

Over the course of the last 12 months we have been working closely with River Energy in analysing the opportunity in Africa for the upgrading of discarded thermal coal fines into compacted, transportable and useable briquettes with consequential significant increases in energy content and value. By way of background, in South Africa alone there is estimated to be 2 billion tonnes of discarded thermal coal fines currently stored. In addition, 40 to 60 million tonnes of fine coal particles are estimated to be generated this year and for the foreseeable future. This fine material is becoming a serious environmental hazard and limitations are now being imposed on the future storing of coal fines.

In response to this issue, during the quarter White Energy completed a series of test programs at its facility in Cessnock involving the briquetting of coal fines. Both South African and Australian coal fines have been used in this test program. Essentially, White energy has devised a solution that can be integrated into a wash plant and then used to dry and compress the discarded coal fines. The results of the test work have been very successful. We are pleased with the energy content, quality and stability of the upgraded product produced.

River Energy is now in active discussions with various parties relating to the building of an upgrading plant in South Africa to process and upgrade coal fines. As a consequence of the work completed over the period, we feel that our initial optimism regarding River Energy's general market opportunity in Africa is more than justified.

4. OTHER BUSINESS DEVELOPMENT INITIATIVES

During the last quarter we have continued to receive a large number of enquiries regarding potential joint venture opportunities. Markets currently under review include China, Mongolia, Russia, Phillipines, Indonesia, the USA, Thailand and India.

COAL MINING AND EXPLORATION OPERATIONS

1. SUCCESSFUL TAKEOVER OF SOUTH AUSTRALIAN COAL LIMITED ("SAC")

White Energy's takeover of South Australian Coal has been met with overwhelming support from SAC shareholders. We received acceptances totaling over 97% in respect of the takeover offer by White Energy's wholly owned subsidiary, White Energy Mining Pty Limited, for all of the ordinary shares in SAC.

White Energy intends to begin the compulsory acquisition process promptly with a view to completing its acquisition of SAC as soon as practicable.

Combining White Energy's unique coal upgrading technology with SAC's coal resource is a unique proposition and a step change in value creation for White Energy's shareholders. In our view, the SAC transaction is a company changing event for White Energy. Key features of the SAC takeover are:

- SAC owns a large sub bituminous coal resource at Lake Phillipson, EL3386 in South Australia. SAC's coal resource is proximate to the Adelaide - Darwin rail line and has access to under-utilised ports at Darwin, Adelaide and Whyalla. The resource has significant value to White Energy given that White Energy's proprietary BCB technology can upgrade sub-bituminous coal into export quality upgraded coal.
- Travers Duncan, a major shareholder, current Board member and Ex-Felix Resources Chairman, is to become Chairman of White Energy in mid August.
- Brian Flannery, a major shareholder and the Chief Executive Officer of Felix Resources, is to assume the role of Chief Executive Officer of White Energy and join the Board as an executive director in mid August 2010.
- Former Felix Resources Board members Hans Mende and John Kinghorn will join the Board of White Energy in non-executive roles.
- Current Chairman John McGuigan, current Managing Director John Atkinson and current director Graham Cubbin to continue as non-executive directors of White Energy.
- Interests associated with Travers Duncan, Brian Flannery and John Kinghorn have agreed to further invest in White Energy through a \$75 million share placement which will complete in mid August. In addition, Hans Mende has stated his intention to invest \$19.3m in White

Energy through an associated investment vehicle by way of the SAC subscription offer which forms part of the takeover bid for SAC.

- Former Felix Resources Chief Operating Officer, Mike Chapman, has joined White Energy in the role of the Company's Chief Operating Officer.

White Energy views these transactions and appointments as a major step forward in the development of White Energy as:

- White Energy will immediately become a mid-tier coal company with cash reserves between \$200 million to \$250 million, owning a large sub-bituminous coal resource and a unique coal upgrading technology;
- White Energy will be run by a highly regarded management team with an industry wide reputation for delivery and execution of major coal projects; and
- White Energy will be ideally positioned to participate in industry consolidation in Australia and internationally and to take advantage of acquisition opportunities.

As regards the current status of access to EL 3386, confirmation has been received from the relevant government entity that the license will be extended for a further 3 year term from August 2010. Also, in respect of the area covered by the Woomera Protection Area, confirmation has been received from the Department of Defence that they have issued a new access permit through to July 2011.

2. MINERALS EXPLORATION

During the quarter White Energy continued to progress with permitting to drill geochemical anomalies identified within the Bridgetown Exploration Project.

A Native Title Heritage survey was successfully completed during June, with claimants from the Wagyl Paik and the South West Boojarah groups and an anthropologist attending. Both Native Title groups have approved the areas of proposed drilling. Environmental consultants MBS Environmental continued correspondence with the Conservation Commission, the Department of Environment and Conservation and the Department of Minerals and Energy in order to finalise all permits necessary to drill test the Cosy Creek at BT020 targets.

GENERAL CORPORATE

INCLUSION IN THE S&P/ASX 200 INDEX

Effective from close of business on 18 June 2010 White Energy was admitted to the S&P/ASX 200 Index, following the quarterly rebalance of the index. The S&P/ASX 200 is comprised of the top 200 listed companies in Australia. In order to be eligible for inclusion in any of the S&P/ASX indices, stocks must meet certain criteria regarding listing, size and liquidity.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Bridgetown project is based on information compiled by Richard Monti, who is a member of The Australasian Institute of Mining and Metallurgy. Richard Monti is employed as a consultant to the Company. Richard Monti has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Richard Monti consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(a) (33) (b) (569) (c) Nil (d) Nil	(a) (104) (b) (5,073) (c) Nil (d) Nil
1.3 Dividends received	Nil	Nil
1.4 Interest and other items of a similar nature received	1,030	3,090
1.5 Interest and other costs of finance paid	(1,778)	(3,556)
1.6 Income taxes paid	Nil	Nil
1.7 Other (provide details if material) Staff costs, legal and accounting, administration	(2,913)	(13,641)
Net Operating Cash Flows	(4,262)	(19,284)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(a) Nil (b) Nil (c) (8,247)	(a) Nil (b) Nil (c) (19,005)
1.9 Proceeds from sale of:(a)prospects (b)equity investments (c)other fixed assets	(a) Nil (b) Nil (c) Nil	(a) Nil (b) 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	(8,247)	(19,005)
1.13 Total operating and investing cash flows (carried forward)	(12,509)	(38,289)

1.13	Total operating and investing cash flows (brought forward)	(12,509)	(38,289)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,125	129,671
1.15	Proceeds from sale of forfeited shares	Nil	Nil
1.16	Proceeds from borrowings	Nil	Nil
1.17	Repayment of borrowings	Nil	(2,285)
1.18	Dividends paid	Nil	Nil
1.19	Other (provide details if material) *	(146)	(11,910)
	Net financing cash flows	2,979	115,476
	Net increase (decrease) in cash held	(9,530)	77,187
1.20	Cash at beginning of quarter/year to date	112,282	25,565
1.21	Exchange rate adjustments to item 1.20	Nil	Nil
1.22	Cash at end of quarter	102,752	102,752

(*) includes fees paid on proceeds from the issue of shares, and costs associated with the termination of the proposed merger transaction with Asia Special Situation Acquisition Corp (ASSAC)

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 1.7	1,450
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

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 \$A'000	Amount used \$A'000
3.1 Loan facilities (#)	Nil	14,130
3.2 Credit standby arrangements	Nil	Nil

(#) BHP Finance Facility. Excludes PT Kaltim Supacoal (51% owned Indonesian subsidiary) working capital facility with Standard Chartered Bank.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	750
4.3 Production	Nil
4.4 Administration	Nil
Total	800

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	3,408	431
5.2 Deposits at call	99,344	111,851
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22) *	102,752	112,282

(*) excludes cash held by PT Kaltim Supacoal (51% owned Indonesian subsidiary.)

Changes in interests in mining tenements

	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				

6.2 Interests in mining tenements acquired or increased

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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 <i>(description)</i>	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 235,516,184 (a) 1,250,000 (b) N/A Closing 236,766,184	Opening 235,516,184 (a) 1,250,000 (b) N/A Closing 236,766,184	N/A N/A	N/A N/A
7.5	*Convertible debt securities <i>(description)</i>	(a) Unlisted convertible note with face value of \$250,000, 7.90%pa coupon convertible at \$3.32 per share, maturing on 12/10/2012	(a) Not listed	\$250,000	\$250,000
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Opening 180 (a) 0 (b) N/A Closing 180	Opening 0 (a) N/A (b) N/A Closing 0	N/A	N/A

7.7	Options <i>(description and conversion factor)</i>	(a) Standard – Closing Nil	(a) Not listed Nil	<i>Exercise price</i> (a) 25 cents	<i>Expiry date</i> (a) 30/11/08
		(b) Performance - Closing Nil	(b) Not listed Nil	(b) 25 cents	(b) 30/11/08
		(c) Performance - Closing Nil	(c) Not listed Nil	(c) 40 cents	(c) 30/11/08
		(d) Standard – Closing Nil	(d) Not listed Nil	(d) \$1.40	(d) 30/08/09
		(e) Standard – Closing NIL	(e) Not listed NIL	(e) \$0.01	(e) 7/07/11
		(f) Standard – Closing NIL	(f) Not listed NIL	(f) \$0.01	(f) 30/08/11
		(g) Director /ESOP – Closing 1,200,000	(g) Not listed 1,200,000	(g) \$1.20	(g) 30/08/10
		(h) Director /ESOP – Closing 1,200,000	(h) Not listed 1,200,000	(h) \$1.20	(h) 30/08/10 Vesting 31/8/07
		(i) Director /ESOP – 1,210,000	(i) Not listed 1,210,000	(i) \$1.20	(i) 30/08/10 Vesting 31/8/08
		(j) Director /ESOP – Closing 2,806,666	(j) Not listed 2,806,666	(j) \$3.50	(j) 30/11/11 with vesting conditions
		(k) Director /ESOP– Closing Nil	(k) Not listed Nil	(k) \$3.50	(k) 30/11/11 with vesting conditions
		(l) Director /ESOP– Closing 2,806,668	(l) Not listed 2,806,668	(l) \$3.50	(l) 30/11/11 with vesting conditions
		(m) BHP – Closing Nil	(m) Not listed Nil	(m) Aggregate exercise price US\$20m (remaining US\$0m)	(m) Full terms outlined in Annexure A of App 3B lodged 25/1/08

		(n) Standard – Closing Nil	(n) Not Listed Nil	(n) \$2.50	(n) 12/10/10
		(o) ESOP – Closing Nil	(o) ESOP Nil	(o) \$1.20	(o) 30/11/11
		(p) Standard – Closing 2,000,000	(p) Not Listed 2,000,000	(p) \$3.65	(p) 07/10/13
		(q) Standard – Closing 750,000	(q) Not Listed 750,000	(q) \$3.65	(q) 31/10/13
		(r) Director / ESOP – Closing 2,276,667	(r) Not Listing 2,276,667	(r) \$3.50	(r) 31/03/14
7.8	Issued during quarter	(a) Nil	(a) Nil	N/A	N/A
		(b) Nil	(b) Nil		
		(c) Nil	(c) Nil		
		(d) Nil	(d) Nil		
		(e) Nil	(e) Nil		
		(f) Nil	(f) Nil		
		(g) Nil	(g) Nil		
		(h) Nil	(h) Nil		
		(i) Nil	(i) Nil		
		(j) Nil	(j) Nil		
		(k) Nil	(k) Nil		
		(l) Nil	(l) Nil		
		(m) Nil	(m) Nil		
		(n) Nil	(n) Nil		
		(o) Nil	(o) Nil		
		(p) Nil	(p) Nil		
		(q) Nil	(q) Nil		
		(r) Nil	(r) Nil		
7.9	Exercised during quarter	(a) Nil	(a) Nil	(a) 25 cents	(a) 30/11/08
		(b) Nil	(b) Nil	(b) 25 cents	(b) 30/11/08
		(c) Nil	(c) Nil	(c) 40 cents	(c) 30/11/08
		(d) Nil	(d) Nil	(d) \$1.40	(d) 30/08/09
		(e) Nil	(e) Nil	(e) \$0.01	(e) 7/07/11
		(f) Nil	(f) Nil	(f) \$0.01	(f) 30/08/11
		(g) Nil	(g) Nil	(g) \$1.20	(g) 30/08/10
		(h) Nil	(h) Nil	(h) \$1.20	(h) 30/08/10
		(i) Nil	(i) Nil	(i) \$1.20	(i) 30/08/10
		(j) Nil	(j) Nil	(j) \$3.50	(j) 30/11/11
		(k) Nil	(k) Nil	(k) \$3.50	(k) 30/11/11
		(l) Nil	(l) Nil	(l) \$3.50	(l) 30/11/11
		(m) Nil	(m) Nil	(m) BHP	(m) Various
		(n) 1,250,000	(n) 1,250,000	(n) \$2.50	(n) 12/10/10
		(o) Nil	(o) Nil	(o) \$1.20	(o) 30/11/11
		(p) Nil	(p) Nil	(p) \$3.65	(p) 07/10/13
		(q) Nil	(q) Nil	(q) \$3.65	(q) 31/10/13
		(r) Nil	(r) Nil	(r) \$3.50	(r) 31/03/14

7.10 Expired during quarter	(a) Nil	(a) Nil	(a) 25 cents	(a) 30/11/08
	(b) Nil	(b) Nil	(b) 25 cents	(b) 30/11/08
	(c) Nil	(c) Nil	(c) 40 cents	(c) 30/11/08
	(d) Nil	(d) Nil	(d) \$1.40	(d) 30/08/09
	(e) Nil	(e) Nil	(e) \$0.01	(e) 7/07/11
	(f) Nil	(f) Nil	(f) \$0.01	(f) 30/08/11
	(g) Nil	(g) Nil	(g) \$1.20	(g) 30/08/10
	(h) Nil	(h) Nil	(h) \$1.20	(h) 30/08/10
	(i) Nil	(i) Nil	(i) \$1.20	(i) 30/08/10
	(j) Nil	(j) Nil	(j) \$3.50	(j) 30/11/11
	(k) Nil	(k) Nil	(k) \$3.50	(k) 30/11/11
	(l) Nil	(l) Nil	(l) \$3.50	(l) 30/11/11
	(m) Nil	(m) Nil	(m) BHP	(m) Various
	(n) Nil	(n) Nil	(n) \$2.50	(n) 12/10/10
	(o) Nil	(o) Nil	(o) \$1.20	(o) 30/11/11
	(p) Nil	(p) Nil	(p) \$3.65	(p) 07/10/13
	(q) Nil	(q) Nil	(q) \$3.65	(q) 31/10/13
	(r) Nil	(r) Nil	(r) \$3.50	(r) 31/03/14
7.11 Debentures (totals only)	N/A	N/A		
7.12 Unsecured notes (totals only)	N/A	N/A		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 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: Date: 30 July 2010
 Director
 Print name: John Atkinson

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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www.whiteenergyco.com

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