



White Energy Company Limited

Appendix 5B Mining Exploration Entity Quarterly Report



Summary of Activity

A summary of activity for White Energy Company Limited ("WEC) during the quarter ended 30 September 2007 is outlined below.

COAL TECHNOLOGY OPERATIONS

Joint Venture with PT Bayan Resources (WEC 51%)

In March 2007 the Company through its joint venture with PT Bayan Resources commenced the development of its first major commercial operation at Bayan Resources Tabang mine in East Kalimantan, Indonesia. The Company continues to make steady progress on all major activities relating to the construction of the Binderless Coal Briquetting plant.

Detailed engineering and design of the production plant has been completed and documents issued for construction. The process control software design is being undertaken with testing of software due to be completed by end of the year.

We have entered into a five year strategic alliance with Thiess Indonesia to build, operate and maintain White Energy's coal upgrading plants in Indonesia. It is envisaged that the Tabang plant will be the first of a number built under this strategic alliance arrangement.

The power station (8mW) for the Tabang plant is being delivered under a turnkey contract. The contractor has mobilized on site to commence the foundation work. Also, the manufacture of the boiler and turbine in China is proceeding on target.

All of the long lead items for the production plant have been ordered and we will receive these items on site progressively from now through to early 2008 in accordance with the procurement schedule. Site work activities completed to date include the site camp facilities, earthworks of production plant and power station, haul roads, laydown areas and drainage works. The main contractor will mobilize on site later in the year to commence construction of the production plant.

Joint Venture with Adaro Group & Itochu Corporation (WEC 51%)

We are in the final stages of feasibility work in respect of this project. Once the results of the feasibility are to hand the Joint Venture terms give the parties 90 days to decide whether to proceed with the project.

Strategic Alliance with Thiess for the Construction of Coal Processing Plants

As referred to above, the Company has entered into a strategic alliance for a period of five years with Thiess, through a contract with its Indonesian subsidiary, PT Thiess Contractors Indonesia.

Under the terms of the strategic alliance, Thiess will provide engineering design, procurement and construction services for the development of Binderless Coal Briquetting plants based on White Energy's designs. In addition, Thiess will provide White Energy with ongoing operation and maintenance services at those plants. This will allow White Energy to leverage Thiess' specialised labour force and expedite growth.

As one of the largest EPC contractors and mining contractors in Indonesia, Thiess is the ideal partner for White Energy to roll out its patented coal upgrading technology.

Other significant activity during the quarter

Capital Raising Activities – Convertible Notes Issue

During October 2007, the Company announced the completion of a A\$45 million unsecured Convertible Note issue. The Notes are convertible into ordinary shares at A\$3.44 per share, which represents a 20% premium to the 30 day average closing price of White Energy's shares prior to the issue date.

The Convertible Notes are unsecured with an annual yield of 7.90%, maturing in five years. Noteholders can elect to redeem some or all of their notes at the end of the third year.

The capital raised will be used to accelerate the roll out and commercialisation of White Energy's patented BCB process, with a particular focus on development opportunities in the United States.

An existing shareholder in White Energy, Deephaven Asia Limited, a subsidiary of Deephaven Capital Management LLC and part of the US based Knight Capital Group, led the consortia investing in the Convertible Note issue.

This Convertible Note issue represents another foundation stone in the building of a strong capital base to provide White Energy with the funds necessary to take advantage of its market positioning and rapidly expanding growth opportunities.

Synthetic Natural Gas Opportunity

In its Quarterly Report released on 31 July 2007, the referenced that it has completed pilot scale testing of a US lignite coal as part of a major study into the generation of synthetic natural gas in the USA. Approximately one tonne of coal from the North Dakota region was successfully processed using White Energy's patented BCB process to produce high quality upgraded coal with more than 50 per cent greater useable energy content, excellent handling properties and very

consistent physical properties. This statement has generated interest, so the Company sets out further information below.

The coal sample was supplied by Allied Syngas Corporation (“Allied Syngas”), a US company which is making a major investment to turn the isolated low grade coals of the Montana / North Dakota region into a high value synthetic natural gas. The coal upgraded by White Energy’s patented BCB process shows the potential to significantly improve the efficiency and stability of the gasifiers used to generate the Syngas, which is a precursor to the production of natural gas.

Following the successful BCB pilot plant tests, Allied Syngas stated that they were very impressed with the quality of the product and the suitability of the BCB process for large scale commercial application. Drums of the upgraded coal, from the BCB pilot scale trials have been sent to Germany for tests at Freiberg University in their gasification and coking test rigs. The results of this testing are expected to be available soon and the company will provide further details of the test results at that time.

Allied Syngas have also contracted the international engineering group, Worley Parsons, to undertake a process optimisation study and have instructed that White Energy’s BCB process be included in the study. White Energy expects that the results of the optimisation study will show that apart from its use in upgrading sub-bituminous coal to make it more emission compliant and energy efficient, White Energy’s binderless coal briquetting process may also be utilised in the production of synthetic natural gas.

The use of White Energy’s BCB process in the production of synthetic natural gas represents another potential expansion of White Energy’s business model. White Energy will now work with Allied Syngas and other industry participants in determining the role which White Energy’s coal upgrading process can play in this process and the optimisation of White Energy’s economic return.

China Office

Having received all necessary local government approvals, White Energy has recently opened an office in Shanghai.

The Company has appointed Joyce Zhou as its Chief Representative in China. Ms Zhou previously worked for the Australian Government as an Investment Director for Invest Australia in Greater China. Before then, she was the Director for China for the International Copper Association. In her capacity as White Energy’s Chief Representative in China, Ms Zhou is responsible for the Company’s China related business development initiatives.

The Company’s China office is coordinating the final aspects of the feasibility study on the building of a 10 MTPA operation in conjunction with Datang Power International Limited, one of the largest independent power producers in China, at a Datang owned deposit in Inner Mongolia. In addition, the Company’s China

office will now directly manage the significant level of enquiry and pipeline opportunities with other Chinese coal producers and energy companies.

China has vast quantities of sub-bituminous (low rank) coal which is ideal for upgrading through the White Energy process. As is widely known, China has significant future energy requirements and coal is inevitably going to play a critical role as one of the core base fuel sources to satisfy China's future energy needs. As in a number of countries, bituminous (high quality) coals are depleting in China and lower rank (sub-bituminous) coal is playing an increasingly important role in meeting growing demand. China's increased demand for coal is therefore putting significant pressure on its ability to utilise its coal resources in an efficient and environment friendly manner so as to reduce emission of green house gases.

Upgrading technologies are therefore becoming increasingly important in China both from an energy and environmental perspective. By having a formal presence in China, White Energy is in a much better position to exploit its opportunities in the China market, which the company expects will become one of the cornerstones of its international business development in the near future.

EXPLORATION OPERATIONS

White Energy has continued exploration of its portfolio of prospective nickel sulphide exploration projects located in Western Australia. Details of exploration undertaken in the September quarter are provided below:

Bridgetown (Amerod 100%)

The Bridgetown project's geochemical dataset has been analysed by a consultant exploration geochemist in order to validate targets and defining appropriate assay techniques. The processing of aeromagnetic survey data has been completed and has been integrated into the dataset for target generation – including uranium targets identified through U/Th radiometrics. This analysis has confirmed the Bridgetown project area as located in a favourable geological and structural setting prospective for Ni sulphide deposits. Work continues in the validation of the Au, Pb-Zn and Ta-Sn prospectivity.

Exploration Licence 70/2856 was granted on 5th September.

Mt Mundy (Amerod 100%)

A re-assessment of the geochemical dataset has also been carried out at Mt Mundy and has demonstrated a number of targets for both base metals (Ni, Cu) and Au which warrant follow up work including field checks of various anomalies leading to first-pass drilling programmes based on positive results.

Glen Ayle (Amerod 100%)

No work carried out on this project

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 September 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	Nil	Nil
1.2 Payments for (a) exploration and evaluation	(a) (55)	(a) (55)
(b) development	(b) Nil	(b) Nil
(c) production	(c) Nil	(c) Nil
(d) administration	(d) Nil	(d) Nil
1.3 Dividends received	Nil	Nil
1.4 Interest and other items of a similar nature received	262	262
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) Staff costs, legal and accounting, administration	(1,167)	(1,167)
Net Operating Cash Flows	(960)	(960)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	(a) Nil	(a) Nil
(b)equity investments	(b) Nil	(b) Nil
(c) other fixed assets	(c) (2,155)	(c) (2,155)
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	Nil	Nil
1.11 Loans repaid by other entities	Nil	Nil
1.12 Other (provide details if material)	Nil	Nil
Net investing cash flows	(2,155)	(2,155)
1.13 Total operating and investing cash flows (carried forward)	(3,115)	(3,115)

1.13	Total operating and investing cash flows (brought forward)	(3,115)	(3,115)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	238	238
1.15	Proceeds from sale of forfeited shares	Nil	Nil
1.16	Proceeds from borrowings	Nil	Nil
1.17	Repayment of borrowings	Nil	Nil
1.18	Dividends paid	Nil	Nil
1.19	Other (provide details if material)	Nil	Nil
	Net financing cash flows	238	238
	Net increase (decrease) in cash held	(2,878)	(2,878)
1.20	Cash at beginning of quarter/year to date	14,460	14,460
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	11,583	11,583

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	241
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

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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	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter *

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	Nil
Total	100

* on mining exploration business(does not include other business operations being Coal Technology business operations)

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	264	194
5.2 Deposits at call	11,319	14,266
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	11,583	14,460

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			

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 (description)	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
7.3	+Ordinary securities			
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Opening 123,632,586 (a) 328,550 (a) 28,759 (b) N/A Closing 123,989,895	Opening 105,718,472 (a) 328,550 (a) 28,759 (b) N/A Closing 106,075,781 Noting that escrowed shares are: 17,914,114 to 30-6-08	 \$0.25 \$1.40 N/A \$0.25 \$1.40 N/A

7.5	+Convertible debt securities <i>(description)</i>	N/A	N/A	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	(a) Standard Options – Closing 14,563,100	(a) Not listed 14,563,100	(a) 25 cents	(a) 30/11/08	
	(b) Performance Options - Closing 6,000,000	(b) Not listed 6,000,000	(b) 25 cents	(b) 30/11/08	
	(c) Performance Options - Closing 6,000,000	(c) Not listed 6,000,000	(c) 40 cents	(c) 30/11/08	
	(d) Standard options – Closing 324,688	(d) Not listed 324,688	(d) \$1.40	(d) 30/08/09	
	(e) Standard options – Closing NIL	(e) Not listed NIL	(e) \$0.01	(e) 7/07/11	
	(f) Standard options – Closing NIL	(f) Not listed NIL	(f) \$0.01	(f) 30/08/11	
	(g) Director options – Closing 1,343,333	(g) Not listed 1,343,333	(g) \$1.20	(g) 30/08/10	
	(h) Director options – Closing 1,913,333	(h) Not listed 1,913,333	(h) \$1.20	(h) 30/08/10 Vesting 31/8/07	
	(i) Director options – Closing 1,913,334	(i) Not listed 1,913,334	(i) \$1.20	(i) 30/08/10 Vesting 31/8/08	

7.8	Issued during quarter	(a) Nil (b) Nil (c) Nil (d) Nil (e) Nil (f) Nil (g) Nil (h) Nil (i) Nil	(a) Nil (b) Nil (c) Nil (d) Nil (e) Nil (f) Nil (g) Nil (h) Nil (i) Nil	N/A	N/A
7.9	Exercised during quarter	(a) 328,550 (b) Nil (c) Nil (d) 28,759 (e) Nil (f) Nil (g) Nil (h) Nil (i) Nil	(a) 328,550 (b) Nil (c) Nil (d) 28,759 (e) Nil (f) Nil (g) Nil (h) Nil (i) Nil	(a) 25 cents (b) N/A (c) N/A (d) \$1.40 (e) \$0.01 (f) \$0.01 (g) N/A (h) N/A (i) N/A	(a) 30/11/08 (b) 30/11/08 (c) 30/11/08 (d) 30/08/09 (e) 7/07/11 (f) 30/08/11 (g) 30/08/10 (h) 30/08/10 (i) 30/08/10
7.10	Expired during quarter	N/A	N/A	N/A	N/A
7.11	Debentures <i>(totals only)</i>	N/A	N/A		
7.12	Unsecured notes <i>(totals only)</i>	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:
Director

Date: 31 October 2007

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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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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.