



White Energy Company Limited

Appendix 5B Mining Exploration Entity Quarterly Report



Coal fines screen/filter in operation at a mine site in South Africa, as part of a Detailed Feasibility Study being undertaken by River Energy

SUMMARY OF ACTIVITY

A summary of the major items of activity for White Energy Company Limited (“WEC”) during the quarter ended **30 June 2013** is outlined below.

HIGHLIGHTS

- **River Energy undertaking detailed due diligence in respect of an opportunity to construct a BCB plant at a coal processing facility in South Africa**
- **Minor source air permit application for the Buckskin Project has now been issued, pending a public hearing in Gillette, Wyoming, which will take place in August 2013**
- **U.S. team continues search to identify quality coal assets for acquisition in the North American market, with a focus on opportunities to apply the BCB technology to the upgrading of coal fines**
- **Indonesian team continues to review opportunities to acquire coal concessions in the Kalimantan region, which include coal upgrading opportunities requiring application of the BCB technology**
- **Mine planning and feasibility costing work progressing at Lake Phillipson**
- **Work continues on legal dispute with Bayan Resources relating to terminated KSC JV**

COAL UPGRADING TECHNOLOGY

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

During the June 2013 quarter, River Energy has continued to progress the various project opportunities currently under review with the major producers in the South African coal market. In addition to the ongoing feasibility and test work being undertaken across several mine locations in South Africa, River Energy is now conducting detailed due diligence in respect of an opportunity to construct a BCB plant for upgrading coal fines at an existing coal processing facility in the Witbank coalfields in South Africa.

River Energy also continues to receive new approaches from parties interested in the possible deployment of the BCB technology to deal with the issue of coal fines management at their mine sites.

A summary of main items of activity for River Energy in South Africa during the quarter is as follows:

- Work has continued to progress on the four (4) project submissions made to date, and a further submission concerning a potential project opportunity with a fifth major coal producer is in the process of being finalised;
- An additional project opportunity has gathered momentum during the quarter which represents an opportunity to build a standalone BCB plant for coal fines beneficiation and briquetting on a site which is located within close proximity to the other project opportunities currently under review. In this regard, the River Energy team is currently

performing detailed due diligence on this project opportunity with a view to being in a position to decide whether or not to proceed by the end of the September 2013 quarter;

- Commercial discussions in respect of the proposed project at the Optimum Colliery have continued during the quarter. A final commercial proposal is in the process of being finalised and River Energy expects a final decision from Optimum within the next quarter;
- River Energy is in the closing stages of work in respect of a Detailed Feasibility Study (“DFS”) with a large South African producer which commenced in late 2012, including extensive on-site testing of beneficiated coal fines produced at the site in question and product trials at the Cessnock plant. During the September 2013 quarter, River Energy expects to conduct a commercial scale burn test on 100 tonnes of BCB product which is currently in the process of being shipped to South Africa from the Cessnock Demonstration Plant. This will supplement the smaller scale burn tests undertaken to date on the BCB product;
- River Energy continues to work with Eskom, the local government-owned power authority, to raise awareness of the BCB opportunity in the South African market, and the significant benefits that it can bring to the coal feedstock availability for their power stations. The River Energy team is now fully engaged with Eskom in relation to this matter.

While activity and opportunities in the South African market for beneficiated and briquetted coal fines continue to grow, the clear focus for the River Energy team continues to be on the conversion of the many opportunities under review into definitive projects.

2. NORTH AMERICA

Buckskin & Peabody Projects, Wyoming

The Company, via its wholly owned U.S. subsidiary company White Energy Coal North America Inc., continues to work on obtaining air permits for its proposed coal upgrading projects in the Powder River Basin.

As outlined in previous quarterly reports, the minor source air permit application for the BCB plant to be located on the Buckskin mine in Wyoming was submitted to the Wyoming Department of Environmental Quality (“DEQ”) during January 2013. Further to this submission, the DEQ published a notice in the local Gillette Wyoming newspaper on 10 July 2013, advising that they intend to approve an air permit for a BCB plant on the Buckskin site and asking for public comment. The notice also advised that a public hearing will be held in Gillette on 12 August 2013. The Company expects a final air permit to be issued shortly thereafter.

It is also expected that a similar minor source air permit application for a BCB plant as part of the proposed Peabody project will be submitted in due course.

As shareholders will be aware, the Company's business strategy for its BCB technology is to work with Powder River Basin producers to develop low moisture and higher calorific value product for the export market. A number of U.S. coal producers are seeking approvals to build coal export terminals at various locations of the west coast of the U.S.. It may therefore take a number of years before the Company's Powder River Basin projects may become operational.

North American Coal Fines Projects

The U.S. team continues to investigate opportunities associated with the recovery and briquetting of coal fines in the North American market. The majority of the effort is currently being directed towards coal fines which, once briquetted, could be sold into the silicon, ferro-silicon and sized coal markets. A number of such potential sites in Kentucky and Tennessee are being investigated.

3. CESSNOCK PRODUCTION PLANT, AUSTRALIA

During the June 2013 quarter, the White Energy technical team continued to test coal fines samples sourced from potential project partners in South Africa and the U.S. at the Cessnock Demonstration Plant.

As advised in previous quarterly reports, following completion of the modification program at the Cessnock Demonstration Plant, the plant now has the flexibility to process a wider range of test coals including lignite, sub-bituminous and bituminous coal fines.

Further Demonstration Plant campaigns are scheduled over the coming months.

4. OTHER BUSINESS DEVELOPMENT INITIATIVES – COAL TECHNOLOGY

During the June 2013 quarter the Company continued to receive a steady flow of enquiries regarding potential joint venture opportunities relating to the upgrading of coal in overseas markets. Markets currently under review include major coal producers and electricity generators in China, Mongolia, Indonesia and the U.S..

COAL MINING AND EXPLORATION OPERATIONS

1. NORTH AMERICA

The Company continues with its search to identify suitable coal deposits and coal operations for acquisition in the U.S. and other markets, with a focus on speciality coals which are able to attract premium pricing in the domestic market.

During the June 2013 quarter, the Company has narrowed its focus to conducting detailed due diligence in relation to one such opportunity.

We will keep shareholders informed on progress in this regard.

2. INDONESIA

As outlined in previous quarterly reports, White Energy representatives in Indonesia have been working with several parties to identify coal deposits for acquisition in the Indonesian market. A select number of potential project opportunities have previously been short-listed, and are now under detailed analysis and due diligence by White Energy's Indonesian-based geologists.

The coal properties being considered by White Energy comprise a mixture of coal qualities. Most of the resources are likely to be suitable for upgrading using the BCB technology, which has the potential to greatly enhance the value of such projects. In addition, the Company also expects that some of the resources in question will not require application of the BCB technology, and can be mined and sold directly into the export markets.

3. SOUTH AUSTRALIAN COAL LIMITED ("SAC")

Mine Plans & Costing

As outlined in previous quarterly reports, the supply of Lake Phillipson coal to the domestic power market represents the most likely near-term revenue opportunity as far as SAC is concerned, and hence has attracted most of the focus of our work to date in relation to the Lake Phillipson asset.

The Company will look to progress this business opportunity further during the September 2013 quarter, including preparation work for a feasibility study.

Coal Gasification

As confirmed in previous shareholder updates, desk top studies have been completed in respect of the coal gasification opportunity at the Lake Phillipson deposit. A previous report issued by the German based company, Lurgi GmbH, has confirmed that the Lake Phillipson coal is suitable for gasification using their process.

The Company is still considering the various options to progress this commercial opportunity and will update shareholders as new information comes to hand.

4. MINERALS EXPLORATION– AMEROD RESOURCES - BRIDGETOWN

The Company has now relinquished its remaining interest in the Bridgetown tenement, following completion of the evaluation work in respect of this opportunity.

GENERAL CORPORATE

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

Update on Legal Dispute

As previously advised to the market, BCBC Singapore Pte Ltd (“BCBCS”) and Binderless Coal Briquetting Company Pty Limited (“BCBC”) are currently involved in legal proceedings against Bayan and Bayan International Pte Ltd in the High Court of the Republic of Singapore, over matters relating to the Tabang coal upgrading plant, located at Bayan’s Tabang mine in East Kalimantan, Indonesia.

The issues in the proceedings include a claim by BCBCS and BCBC against Bayan for damages for breach of the Joint Venture Deed between the KSC shareholders, including the obligation to supply coal to KSC and the obligation to provide funding to KSC. Bayan has filed a defence to the claim, and also a counterclaim against BCBCS and White Energy seeking damages.

Bayan purported to terminate the Joint Venture Deed in February 2012, which BCBCS regarded as a wrongful repudiation. Following BCBCS acceptance of Bayan’s repudiation, the KSC Joint Venture was brought to an end. BCBCS is pursuing Bayan for all damages suffered as a result of Bayan’s wrongful repudiation.

The directors believe that BCBCS took all steps to fulfill its joint venture obligations and that the failure of the Joint Venture is due to Bayan’s failure to supply coal and provide funding to KSC and its purported termination of the Joint Venture Deed.

Following an application by BCBCS, the Supreme Court of Western Australia made freezing orders in respect of Bayan’s 56% shareholding in Kangaroo Resources Limited, a publicly listed Australian company. Bayan sought to challenge the grant and scope of those orders, including a challenge to the Court’s jurisdiction to make such orders (including on constitutional grounds). This challenge was heard by the Supreme Court in February 2013. On 26 June 2013 the Supreme Court dismissed Bayan’s challenge to the grant and scope of the freezing orders and extended the freezing orders indefinitely. In its reasons for decision, the Supreme Court found that, amongst other things, BCBCS had established the elements necessary to obtain a freezing order, including that BCBCS had established for the purposes of its application for a freezing order that it had a good arguable case: (i) in respect of its claim against Bayan for breach of the Joint Venture Deed; and (ii) to recover damages in respect of at least its lost investment in the KSC Joint Venture.

On 15 July 2013, BCBCS was served with notice of Bayan’s appeal from the orders made by the Supreme Court. Bayan’s appeal is limited to a challenge to the Supreme Court’s jurisdiction to make those orders. Bayan is not appealing the Supreme Court’s findings that BCBCS had established the elements necessary to obtain a freezing order, including that BCBCS had established for the purposes of its application for a freezing order that it had a good arguable case.

The orders will remain in place unless and until there is a further order made by the Court.

Status of Tabang Operations

As a result of the above dispute, KSC suspended operations at the Tabang plant in late November 2011. At the time of suspension of operations at Tabang, the various plant modification works being undertaken at site were over 95% complete.

Following a petition filed by a number of local creditors of KSC in the Commercial Court of Surabaya, Indonesia, administrators were appointed to KSC and KSC has now been placed into bankruptcy. Curators have been appointed to manage this process. All KSC staff have been terminated from the Tabang site. The Curators are currently seeking to realise KSC's assets with the object of distributing any proceeds to KSC's creditors.

As shareholders are aware, the White Energy Group has previously fully impaired its investment in KSC and as such the bankruptcy process will not have any further impact on the accounting results of the White Energy Group.

2. BALANCE SHEET AND CASH RESERVES

As outlined in the attached, the Company had approximately \$88 million in cash reserves as at 30 June 2013, which includes the \$2 million security bond paid to the Supreme Court of Western Australia in April 2012, in support of the freezing orders made against Bayan's shareholding in Kangaroo Resources Limited.

During the June 2013 quarter, the repayment date for US\$8 million in shareholder loans previously provided by Black River to River Energy and guaranteed by White Energy, was extended until 30 September 2013. It is intended that this loan amount will be converted into equity in River Energy upon satisfaction of the relevant conditions precedent in the contractual arrangements between the parties (this will be in the form of additional subscription monies for Black River's 49% equity interest). Otherwise, the loan amount will become payable on 30 September 2013, unless further extended.

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 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	424	545
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration (*)	(a) (49) (b) (752) (c) (211) (d) (6,851)	(a) (304) (b) (3,696) (c) (794) (d) (24,840)
1.3 Dividends received	Nil	Nil
1.4 Interest and other items of a similar nature received	1,508	8,039
1.5 Interest and other costs of finance paid	Nil	(988)
1.6 Income taxes paid	Nil	Nil
1.7 Other (provide details if material) Staff costs, legal and accounting, administration	Nil	Nil
Net Operating Cash Flows	(5,931)	(22,038)
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) (531)	(a) Nil (b) Nil (c) (2,845)
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)	(337)	(817)
Net investing cash flows	(868)	(3,662)
1.13 Total operating and investing cash flows (carried forward)	(6,799)	(25,700)

(*) includes legal fees incurred in respect of KSC dispute

For personal use only

1.13	Total operating and investing cash flows (brought forward)	(6,799)	(25,700)
	Cash flows related to financing activities		
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	Nil	Nil
1.17	Repayment of borrowings (**)	Nil	(25,000)
1.18	Dividends paid	Nil	Nil
1.19	Other (provide details if material)	Nil	Nil
	Net financing cash flows	Nil	(25,000)
	Net increase (decrease) in cash held	(6,799)	(50,700)
1.20	Cash at beginning of quarter/year to date	95,119	139,020
1.21	Exchange rate adjustments to item 1.20	Nil	Nil
1.22	Cash at end of quarter (***)	88,320	88,320

(**) repayment of convertible notes during October 2012

(***) includes \$2 million WA Supreme Court Security Bond relating to the freeze order obtained in respect of Bayan Resources' shareholding in Kangaroo Resources Limited

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 1.2 (d)	426
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 \$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	750
4.3 Production	175
4.4 Administration (including legal fees re KSC dispute)	5,500
Total	6,525

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	5,220	4,088
5.2 Deposits at call	81,100	89,031
5.3 Bank overdraft		
5.4 Other (provide details) - WA Supreme Court Security Bond relating to legal dispute with Bayan Resources	2,000	2,000
Total: cash at end of quarter (item 1.22)	88,320	95,119

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	E09/1983	Mineral exploration	Nil	100%
		E09/1984	Mineral exploration	Nil	100%

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	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 322,974,494 (a) N/A (b) N/A Closing 322,974,494	Opening 322,974,494 (a) N/A (b) N/A Closing 322,974,494	N/A N/A	N/A N/A
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Opening 0 (a) N/A (b) N/A Closing 0	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 2,000,000 (b) Standard – Closing 750,000 (c) Director / ESOP – Closing 949,999 (d) Executive Retention Plan – Closing 5,400,000 Rights	(a) Not Listed 2,000,000 (b) Not Listed 750,000 (c) Not Listed 949,999 (d) Not Listed 5,400,000 Rights	<i>Exercise price</i> (a) \$3.65 (b) \$3.65 (c) \$3.50 (d) 30 day VWAP pre vesting	<i>Expiry date</i> (a) 07/10/13 (b) 31/10/13 (c) 31/03/14 (d) vest 30/06/14 subject to performance and other conditions
7.8	Issued during quarter	(a) Nil (b) Nil (c) Nil (d) Nil	(a) Nil (b) Nil (c) Nil (d) Nil	N/A	N/A
7.9	Exercised during quarter	(a) Nil (b) Nil (c) Nil (d) Nil	(a) Nil (b) Nil (c) Nil (d) Nil	(a) \$3.65 (b) \$3.65 (c) \$3.50 (d) 30 day VWAP pre vesting	(a) 07/10/13 (b) 31/10/13 (c) 31/03/14 (d) vest 30/06/14 subject to performance and other conditions
7.10	Expired during quarter	(a) Nil (b) Nil (c) Nil (d) Nil	(a) Nil (b) Nil (c) Nil (d) Nil	(a) \$3.65 (b) \$3.65 (c) \$3.50 (d) 30 day VWAP pre vesting	(a) 07/10/13 (b) 31/10/13 (c) 31/03/14 (d) vest 30/06/14 subject to performance and other conditions
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: Date 31 July 2013
Managing Director

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 personal use only

For further information please contact:

Brian Flannery
Managing Director & CEO
WHITE ENERGY COMPANY LIMITED
Level 20, 201 Kent Street
Sydney, NSW, 2000
Ph: +612-9959-0000
Fax: +612-9959-0099

Ivan Maras
Chief Financial Officer
WHITE ENERGY COMPANY LIMITED
Level 20, 201 Kent Street
Sydney, NSW, 2000
Ph: +612-9959-0000
Fax: +612-9959-0099

www.whiteenergyco.com

For personal use only