



White Energy Company Limited

**Mining Exploration Entity Quarterly Activity
Report**

and

Appendix 5B

September 2018

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 **30 September 2018** is outlined below.

HIGHLIGHTS

- **Entitlement Offer to raise up to about \$22.99 million**
- **Reclamation work at Mountainside Coal Company (USA) substantially complete and negotiations to sell 51% interest continuing**
- **White Energy received a favourable ruling in Singapore in August that dismissed substantially all of the appeal in relation to 2nd tranche of litigation proceedings against Bayan Resources Tbk – with a narrow question to be determined**
- **Yankuang Group in Shandong Province of China is investigating the use of BCB technology in China**
- **River Energy is pursuing opportunities for BCB projects in South Africa**

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

White Energy’s 51%-owned subsidiary, River Energy South Africa Pty Ltd (River Energy), through Proterra Investment Partners (49%), is in discussion with a number of South African coal miners interested in the Group’s Binderless Coal Briquetting (BCB) technology.

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

The BCB process provides an attractive solution for coal producers seeking to maximise mine yield and facing the environmental challenges posed by reject 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.

White Energy and its joint venturer in South Africa are currently considering alternative ownership and funding structures for River Energy’s BCB and coal fine beneficiation businesses in South Africa.

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

MCC had no coal sales revenue during the September 2018 quarter, with coal production being suspended after mining of the Dean seam was completed in April 2018 at the Flag Ridge mine.

The site has being progressively backfilled, graded and hydro-seeded. MCC’s management are currently planning for future mining activities.

Reclamation activity continues, with applications 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. MCC continues to advance the permitting process and additional leases are being sought as mine plans for new areas are progressed.

White Energy has previously announced that it would sell its 51% interest in MCC. Discussions still continue with interested parties. In the meantime some surplus mining equipment is being sold.

3. AUSTRALIA

South Australia – EL5719

During the quarter, work continued on examining coal gasification and emerging hydrogen opportunities from coal, and planning for future exploration activities.

BCB

WEC has signed a memorandum of understanding with the Yankuang Group in Shandong Province of China to investigate the implementation of WEC's BCB technology for use in Yankuang's coal briquetting business. Coal trials were successfully conducted at WEC's test facility in Cessnock in August and further tests will be carried out in China. There are several steps to undertake to turn this into a commercial proposition.

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

The Company has no secured corporate debt. Unsecured loan facilities have been provided by two of the Company's directors for general working capital requirements. Proceeds from the previously announced Entitlement Offer will raise up to about \$22.99 million and will be used to fund the Company's ongoing legal proceedings against PT Bayan Resources Tbk, to repay the loans provided by the Company's directors and for general working capital.

PT Kaltim Supacoal ("KSC") – WEC 51%

Judgement received for appeal in Singapore

The appeal hearing in relation to the second tranche of the legal proceedings in the Singapore International Commercial Court ("SICC") 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 in Indonesia was heard in February 2018.

The Court of Appeal ("CA") released its judgement in regards to the appeal on 29 August 2018. The CA substantially dismissed Bayan's appeal, finding that:

- Bayan was obliged to procure and / or ensure a supply of coal to KSC;

- Bayan had breached its coal supply obligation, including by conditioning the supply of coal to KSC on BCBCS / White Energy buying out its 49% stake in KSC for US\$45 million;
- Bayan had repudiated the KSC joint venture deed; and
- BCBCS did not commit any repudiatory breaches of the KSC joint venture deed.

The Court of Appeal has remitted to the SICC for its determination, a narrow question relating to causation, being whether BCBCS had the ability to fund KSC by itself. The SICC held a case management conference on 2 October 2018 in order to provide directions in relation to how this issue is to be determined. The SICC made the following directions:

- the first round of submissions are to be simultaneously exchanged on 29 October 2018;
- reply submissions are to be exchanged on 5 November 2018; and
- an oral hearing (if required) is fixed for 10 January 2019.

Where the SICC finds in favour of BCBCS in relation to this issue, a third tranche of the proceedings will be held to determine the issue of damages arising out of Bayan's breaches.

The White Energy Group had invested over US\$110 million in the Tabang project in Indonesia up until 2012 when Bayan repudiated the joint venture. Substantial legal costs have also been incurred in relation to the proceedings to recover damages from Bayan.

Variations sought to freezing order against Bayan's shareholding in Kangaroo Resources Limited ("KRL")

In 2012, the Supreme Court of Western Australia made freezing orders ("freezing order") in favour of BCBCS in respect of Bayan's 56% shareholding in KRL, a publicly listed Australian company. The orders made by the Supreme Court of Western Australia, amongst other things:

- prohibit Bayan from further encumbering its shares in KRL;
- prohibit Bayan from transferring its shares in KRL to a related entity; and
- prohibit Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of those shares, without first giving BCBCS seven clear business days' notice.

On 17 August 2018, KRL issued a market announcement that it had entered into a binding scheme implementation deed with Bayan. That deed provides for Bayan to acquire the balance of the shares in KRL which it does not already own via a scheme of arrangement. It also indicates that, if the scheme of arrangement is approved, Bayan intends to delist KRL, appoint its own directors and integrate KRL with the Bayan group which is based in Indonesia. The management of BCBCS believes there is a risk that such actions may adversely affect the value of Bayan's shares in KRL.

In view of this, BCBCS has filed an application in the Supreme Court of Western Australia, seeking variations to the terms of the freezing order to ensure the purpose of the freezing order is not frustrated if Bayan acquires all the shares in KRL. BCBCS is seeking amongst other things:

- an outright prohibition on Bayan diminishing the value of its shares in KRL; and
- an outright prohibition on Bayan transferring the assets or subsidiaries of KRL, or the assets of subsidiaries of KRL to a related entity.

The hearing was held on 12 October 2018 in Perth and a further written submission was made by BCBCS. The judgement is reserved.

If BCBCS is successful in the proceedings in Singapore, BCBCS intends to utilise the freezing order to enforce any damages award.

+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")

30 September 2018

Consolidated statement of cash flows	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2	2
1.2 Payments for		
(a) exploration & evaluation	(29)	(29)
(b) development	(97)	(97)
(c) production	(1,125)	(1,125)
(d) staff costs	(955)	(955)
(e) administration and corporate costs (*)	(1,001)	(1,001)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid (**)	(75)	(75)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material) (***)	774	774
1.9 Net cash from / (used in) operating activities	(2,506)	(2,506)

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

(**) includes interest paid to companies controlled by the Company's directors, Brian Flannery and Travers Duncan, each being a substantial shareholder of WEC.

(***) Current quarter includes \$392,000 of restricted cash received for bonded reclamation obligations and \$277,000 for a non-interest bearing other payable.

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	747	747
	(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	747	747

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	(31)	(31)
3.5	Proceeds from borrowings (***)	1,739	1,739
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	1,708	1,708

(***) current quarter represents shareholder loans from Proterra Investment Partners for its 49% equity interest in River Energy, and loans totalling \$1,000,000 provided by companies controlled the Company's directors, Brian Flannery and Travers Duncan, each being a substantial shareholder of WEC.

(****) represents part repayment of shareholder loans to Proterra Investment Partners for its 49% interest in River Energy.

Consolidated statement of cash flows		Current quarter	Year to date
		\$A'000	(3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,069	1,069
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,506)	(2,506)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	747	747
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,708	1,708
4.5	Effect of movement in exchange rates on cash held	12	12
4.6	Cash and cash equivalents at end of period	1,030	1,030

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	933	933
5.2	Call deposits	97	97
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)	1,030	1,030

In addition to the cash and cash equivalents at the end of the quarter, \$2.1 million of cash is held as security for reclamation bonds in the USA and \$2.0 million 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	102
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	

Directors' fees and salaries paid to Directors and their associates.

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	64,026	63,714
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	5,000	4,000
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 2021 and bear interest at fixed rates between 5.01% and 7.71% pa, payable on maturity. Additional loans may be drawn-down as agreed between the shareholders to fund future activities of MCC and River Energy.

8.3 Represents loan facilities of up to \$2.5 million that have been provided by each of the Company's directors, Brian Flannery and Travers Duncan, each being a substantial shareholder of the Company. The loans are unsecured, repayable within one year after they are advanced or on demand, and bear interest of 0.8% per month payable by the 15th of the following month.

9. Estimated cash inflows for next quarter	\$A'000
9.1 Exploration and evaluation	(3)
9.2 Development	(224)
9.3 Production	(1,565)
9.4 Staff costs	(993)
9.5 Administration and corporate costs	(1,542)
9.6 Other (provide details if material)(****)	15,323
9.7 Total estimated cash inflows	10,996


(****) In the next quarter cash inflows to include proceeds from issue of shares \$16.0 million (70% take-up of Entitlement Offer assumed and could be up to about \$22.99 million), asset sales of \$2.3 million, loans from substantial shareholders of \$1.0 million, royalty income, released reclamation security bonds and loans from minority shareholders in River Energy. Cash outflows to include repayment of loans from substantial shareholders of \$5.0 million.

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				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

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 October 2018

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.