

White Energy Company Limited

Mining Exploration Entity Quarterly Activity Report

and

Appendix 5B

September 2020

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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 2020** is outlined below.

HIGHLIGHTS

- **Negotiations to sell 51% interest in Mountainside Coal Company (USA) continuing**
- **Tranche Three hearing held in Singapore for the litigation proceedings against Bayan Resources Tbk and written closing submissions to be provided by parties prior to their closing oral submissions**
- **Yankuang Group 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 JV Limited, through Proterra Investment Partners (Proterra, 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. Proterra is pursuing opportunities on mine sites in South Africa to secure access to fine coal to support BCB projects. A briquetted 6 tonne sample of fines from a mine in the Middelburg region is due to be tested by a South African power producer.

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.

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

MCC had no coal sales revenue during the September 2020 quarter, with coal production suspended since April 2018.

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. Expenditure related to production and development activities of $150,000 was incurred during the quarter.

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 final permitting phase. MCC continues to advance the permitting process and additional leases are being sought as mine plans for new areas are progressed.

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White Energy has previously announced that it would sell its 51% interest in MCC. Negotiations to purchase the Group's interest are continuing and being advanced to a finalisation, which is contingent on our 49% partner agreeing on various protocols with a potential new owner.

3. AUSTRALIA

South Australia – EL5719 and PELA674

During the quarter, work continued on examining coal gasification and emerging hydrogen opportunities from coal, planning for future exploration activities. Further to the subsequent renewal application for EL5719 lodged last quarter, the Government of South Australia has issued a public notice advising they intend to grant an exploration licence for five years over the area covered by EL5719. Capital expenditure related to exploration activities of $5,000 was incurred during the quarter.

BCB

WEC is investigating the implementation of its BCB technology for use in Yankuang Group's coal briquetting business in China. Testing of coals from Shandong and Shanxi Provinces has been successfully conducted at WEC's test facility in Cessnock and the Company's briquetting machines were despatched for larger scale tests in China.

Yankuang Group have constructed a small pilot plant in Shandong Province using WEC's patented BCB technology, and this is the first step in commercialisation of the technology in China. It is planned to test several Chinese coals in this plant over the coming months. Design of a 200,000 tonnes per annum BCB plant for a mine site in Shanxi Province is well advanced, and a contract for construction of the plant, that is funded by the customer, will be under White Energy's design and engineering supervision. The travel restrictions imposed by the Australian Government due to COVID-19 has slowed the contractual discussions and the ability of WEC Engineers to visit the various sites in China.

COVID-19 Update

White Energy continues to maintain appropriate measures to ensure the health and safety of its employees, contractors and the public, in compliance with government directives on COVID-19. Operations are continuing normally, although progress on BCB projects has been slowed due to travel restrictions affecting our key potential customers, particularly in China.

The measures put in place by governments to control the spread of the virus are causing worldwide economic activity to contract. Such effects are creating risks for WEC and its customers, and the outlook for general economic conditions is uncertain in the short to medium term before economic recoveries occur.

4. GENERAL CORPORATE

The Company has no significant secured 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 2023.

As outlined in Section 6 of the Appendix 5B, directors' fees and salaries including superannuation paid during the quarter to Directors and their associates totaled $78,000.

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PT Kaltim Supacoal ("KSC") – WEC 51%

White Energy is engaged in 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 (collectively, "Bayan") in connection with the KSC joint venture.

Tranche Three of the proceedings was heard by the SICC from 21 to 30 September. Cross examination of witnesses from both sides is now complete. White Energy had 7 factual witnesses, Bayan had 2 factual witnesses, and there were 12 expert witnesses. Written closing submissions will now be provided by both sides. The SICC have advised the parties of the closing timetable which includes final oral submissions from the parties' legal representatives on 9 January 2021.

The only issues remaining to be determined by the SICC in the third tranche relate to the damages which may be payable to BCBCS. The SICC has, in the earlier tranche of the proceedings, already made a conclusive determination that Bayan has both breached and repudiated the joint venture deed.

The claim for damages can be broadly summarised as follows:

(i) BCBCS claims for wasted expenditure, being expenses incurred by BCBCS which were rendered futile by reason of Bayan's breach and repudiation of the joint venture;

(ii) Further, BCBCS claims for loss of the chance of expanding the capacity of the joint venture to at least 3 million tonnes per annum; and

(iii) Interest on any damages award and costs.

5. INTERESTS IN MINING TENENMENTS

Below is a listing of the Company's interest in mining tenements, where they are situated and the percentage interest the Company holds in each. There were no changes during the quarter.

The Company and its subsidiaries hold an interest in the following mining tenements:

Tenement	Locality	Licensee	Interest
Coal Permit			
861-0528	Flat Creek, Kentucky, USA	Mountainside Coal Company Inc.	100%
861-0543	Hubbs Hollow, Kentucky, USA	Mountainside Coal Company Inc.	100%
861-5357	Washer, Kentucky, USA	Mountainside Coal Company Inc.	100%
918-0464	Round Mountain, Kentucky, USA	Mountainside Coal Company Inc.	100%
918-0465	Flag Ridge, Kentucky, USA	Mountainside Coal Company Inc.	100%
918-0467	Jellico Creek, Kentucky, USA	Mountainside Coal Company Inc.	100%
Coal Exploration Licence and Retention Lease			
EL5719 and RL104	Lake Phillipson, South Australia	South Australian Coal Pty Ltd	100%
Petroleum Application			
PELA674	Lake Phillipson, South Australia	White Energy Company Limited	100%

Rule 5.5

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

White Energy Company Limited

ABN	Quarter ended ("current quarter")
62 071 527 083	30 September 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	35	35
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(68)	(68)
	(c) production	(122)	(122)
	(d) staff costs	(535)	(535)
	(e) administration and corporate costs (*)	(2,307)	(2,307)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	5
1.5	Interest and other costs of finance paid	(14)	(14)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)(**)	354	354
1.9	**Net cash from / (used in) operating activities**	**(2,652)**	**(2,652)**

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

(**) *Includes $183,000 of restricted cash paid for bonded reclamation obligations.*

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(10)	(10)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	22	22
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(53)	(53)
2.6	**Net cash from / (used in) investing activities**	**(41)**	**(41)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings (***)	123	123
3.6	Repayment of borrowings	(47)	(47)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	--
3.9	Other (provide details if material)	(60)	(60)
3.10	**Net cash from / (used in) financing activities**	**16**	**16**

(***) *Amounts represent shareholder loans from Proterra Investment Partners for its 49% equity interest in MCC.*

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (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	10,586	10,586
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,652)	(2,652)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(41)	(41)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16	16
4.5	Effect of movement in exchange rates on cash held	(32)	(32)
4.6	**Cash and cash equivalents at end of period**	**7,877**	**7,877**

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	397	1,011
5.2	Call deposits	7,480	9,575
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)**	**7,877**	**10,586**

In addition to the cash and cash equivalents at the end of the quarter, $1.8 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 as security for the freezing order held by BCBCS in relation to Bayan's shares in Kangaroo Resources Limited (refer section 4 of the Summary of Activity).

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	78
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	66.614	66,614
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	66,614	66,614

7.5	**Unused financing facilities available at quarter end**	

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Represents shareholder loans from minority shareholders with a 49% interest in MCC and River Energy which are repayable in January 2023 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.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,652)
8.2	Payments for exploration & evaluation classified as investing activities (item 2.1(d))	(10)
8.3	Total relevant outgoings (item 8.1 + Item 8.2)	(2,662)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,877
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	7,877

8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	2

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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Note: where Item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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:  Date: 30 October 2020

Authorised by: Brian Flannery, Managing Director

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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