



white energy company limited

ANNUAL REPORT 2016/2017



MOUNTAINSIDE
COAL COMPANY
KENTUCKY

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White Energy is a globally diverse ASX-listed company, structured around two core business divisions:

COAL TECHNOLOGY

BENEFICIATION AND BRIQUETTING
OF THERMAL AND METALLURGICAL
COAL FINES.

UPGRADING OF SUB-BITUMINOUS COAL.

COAL MINING AND EXPLORATION

COAL MINING AT MOUNTAINSIDE COAL.

EXPLORATION AT MOUNTAINSIDE COAL
AND SOUTH AUSTRALIAN COAL.

CHAIRMAN'S LETTER



TRAVERS DUNCAN **CHAIRMAN**

DEAR SHAREHOLDERS

This past year has been disappointing with the decision by South 32 not to proceed with the tailings coal processing plant and Binderless Coal Briquetting (BCB) plant on their Wolvekrans Middleburg Complex in South Africa. This was despite two years of extensive expenditure, successful testing and contract documentation/negotiation process.

The test work carried out on this project would have provided support to White Energy's continued efforts to promote opportunities in South Africa to rehabilitate tailings dams and also reduce the quantity of tailings going to disposal and storage which is becoming a major environmental problem and safety concern within the coal industry.

The Singapore International Commercial Court handed down its judgement on Tranche 2 of the litigation with PT Bayan Resources Tbk (Bayan) and it was a unanimous three judge decision in favour of White Energy. The judgement has been appealed by Bayan and will go before a five judge panel for hearing in the Singapore International Commercial Court in February 2018. The appeal by Bayan was not unexpected.

The legal costs of this appeal will not be substantial, but will delay the Tranche 3 decision. The Tranche 3 decision is to deal with the extent of damages and costs caused by Bayan by their actions as found in the original Tranche 2 decision.

The decision to demolish the last remaining coal fired power plant at Port Augusta in South Australia has virtually closed off the opportunity to develop South Australian Coal – EL5719 as a fuel source for power generation. However, discussions continue with parties interested in coal gasification of this resource.

White Energy's previously announced decision to sell Ingomar Station in South Australia was completed in September 2016 and it is your Director's decision to sell its 51% interest in Mountainside Coal Company Inc. (MCC). Offers are expected to be received during October 2017. A new owner with the capability to blend the fines with thermal or coking coal will be able to extract more value from MCC.

Directors and some key management personnel have taken substantial cuts in salaries as part of the strategy to reposition the Company and conserve cash.

I thank my fellow directors, all staff and shareholders for their continued patience and support during the past difficult year.

I recommend shareholder approval for the resolutions to be voted on at the 2017 Annual General Meeting.

TRAVERS DUNCAN **CHAIRMAN**



WASH PLANT,
MOUNTAINSIDE COAL COMPANY, KENTUCKY, USA



MINING AT FLAT CREEK,
MOUNTAINSIDE COAL COMPANY, KENTUCKY, USA

MANAGING DIRECTORS' REPORT



BRIAN FLANNERY **MANAGING DIRECTOR**

Our strategy to reshape the company in 2017 received setbacks when South 32 decided not to proceed with our Binderless Coal Briquetting (BCB) plant on their Wolvekrans Middleburg Complex in South Africa and the continuing low prices received from the sale of fines from the Mountainside Coal Company Inc. (MCC) Processing Plant in the USA to various Kentucky thermal power plants.

On a more positive note the Singapore International Commercial Court handed down its judgement on tranche two of the trial with PT Bayan Resources Tbk (Bayan), which ruled in favour of White Energy on substantially all of the matters considered. Bayan have appealed this judgement and the appeal is set down to be heard in February 2018.

We continue to work on several fronts to utilise the BCB technology in China, Australia and South Africa where, in the case of the latter two countries, opportunities exist to rehabilitate tailings dams and/or reduce the quantity of tailings going to disposal.

MOUNTAINSIDE COAL COMPANY

COAL MINING AND EXPLORATION

As announced to the market, White Energy is in the process of selling its 51% interest in MCC and expects offers within October 2017. MCC has significant assets, including mining permits and leases, mining equipment and coal preparation and sizing equipment capable of processing up to 300 tons per hour.

The key to success at MCC is to be able to sell the high quality fine coal, which at around 2% ash and a high calorific value can be blended with many other coals including coking coal. Currently export coking coal is trading in the range of USD150 to USD200 per ton FOB.

Fines from the sizing plant accounts for approximately 40% of saleable production, with the balance sold into the sized stoker market for silica or ferro-silica production. Previously the fines were sold into the thermal power market at sub USD40 per ton prices and now many power utilities are converting to cheap methane gas.

Following the completion of mining at Flat Creek in September 2016, reclamation work has been undertaken along with drilling for future resources and applying for additional permits.

A small area at Flag Ridge is currently being mined, using the overburden to complete the reclamation of this area.

As a result of the suspension of (loss-making) mining operations in the USA, the EBITDA loss of \$2.0 million was less than the loss in 2016 of \$11.5 million.

RIVER ENERGY

BCB COAL TECHNOLOGY

As reported earlier this year, the BCB project at Wolvekrans Middleburg Complex in South Africa did not proceed.

This was very disappointing as we had worked at this site for over two years, successfully recovered coal from the reject tailings stream, produced and successfully tested the briquettes produced from these coal fines. Despite negotiating and preparing extensive contract documentation, South 32 decided not to sign the contract and hence the project did not proceed.

White Energy in conjunction with our 49% partner in River Energy South Africa Pty Ltd, Proterra Investment Partners (Proterra), expended over \$3 million on sampling, testing, design and legals.

White Energy have made the decision at this stage not to spend further shareholder funds in South Africa but to continue to provide assistance to Proterra with testing and design activities as they pursue various opportunities in coal processing and briquetting in South Africa.

As a result of delays to commercialisation of BCB technology, an impairment charge of \$20.9m has been recorded against the carrying value of the assets of the coal technology group at 30 June.

SOUTH AUSTRALIAN COAL – EL5719

COAL AND MINERALS EXPLORATION

Discussions are continuing with parties interested in coal gasification of this coal resource.

Demolition of the only coal fired power plant, the Northern Plant at Port Augusta has seriously limited the opportunity to develop the EL5719 resource for power generation.

CORPORATE

In order to conserve cash, directors and some employees have taken signification cuts in remuneration. I have substantially reduced my salary package.

With the upcoming sale of our 51% interest in MCC and the sale of some other minor assets in South Africa, I expect to increase our cash to reposition the Company.

Our EBITDA loss for the year of \$9.9 million was less than the \$26.5 million recorded last year. The improvement is primarily due to the suspension of (loss-making) mining operations in the USA and the introduction of cost reduction initiatives across the Group.

As I expected Bayan have appealed the second tranche judgement of the trial in Singapore and a small amount is required to defend this. The appeal will be heard in Singapore in February 2018. We will then proceed to the final tranche three of the trial in which damages against Bayan and costs will be determined.

Our costs in prosecuting this case have been substantial.

I would like to thank staff and shareholders for their support throughout the year.

BRIAN FLANNERY **MANAGING DIRECTOR**

***With the upcoming
sale of our 51% owned
MCC and the sale
of some other assets
in South Africa,
I expect to increase
our cash to reposition
White Energy.***



COAL BRIQUETTES,
CESSNOCK DEMONSTRATION PLANT

Coal Technology



White Energy is the exclusive worldwide licensee of a patented technology for Binderless Coal Briquetting (BCB). The technology has been developed over a number of years and is capable of upgrading low cost, low rank coals and coal fines into more valuable, higher energy yielding briquettes.

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

Several active opportunities are being discussed with mine owners globally to recover coal from what is currently a waste material which is considered to be an environmental liability, and convert it to a valuable, low moisture coal product.

In South Africa alone, it is estimated that there is over 1 billion tonnes of discard coal in tailings facilities, much of which will eventually need to be reclaimed.

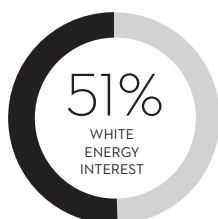
White Energy operates demonstration and pilot plants at Cessnock (NSW, Australia) as a key testing and training facility.

Coal samples from mines in Australia, South Africa, North America, India and China have been processed at the Cessnock facility to test for their responsiveness to the BCB process.



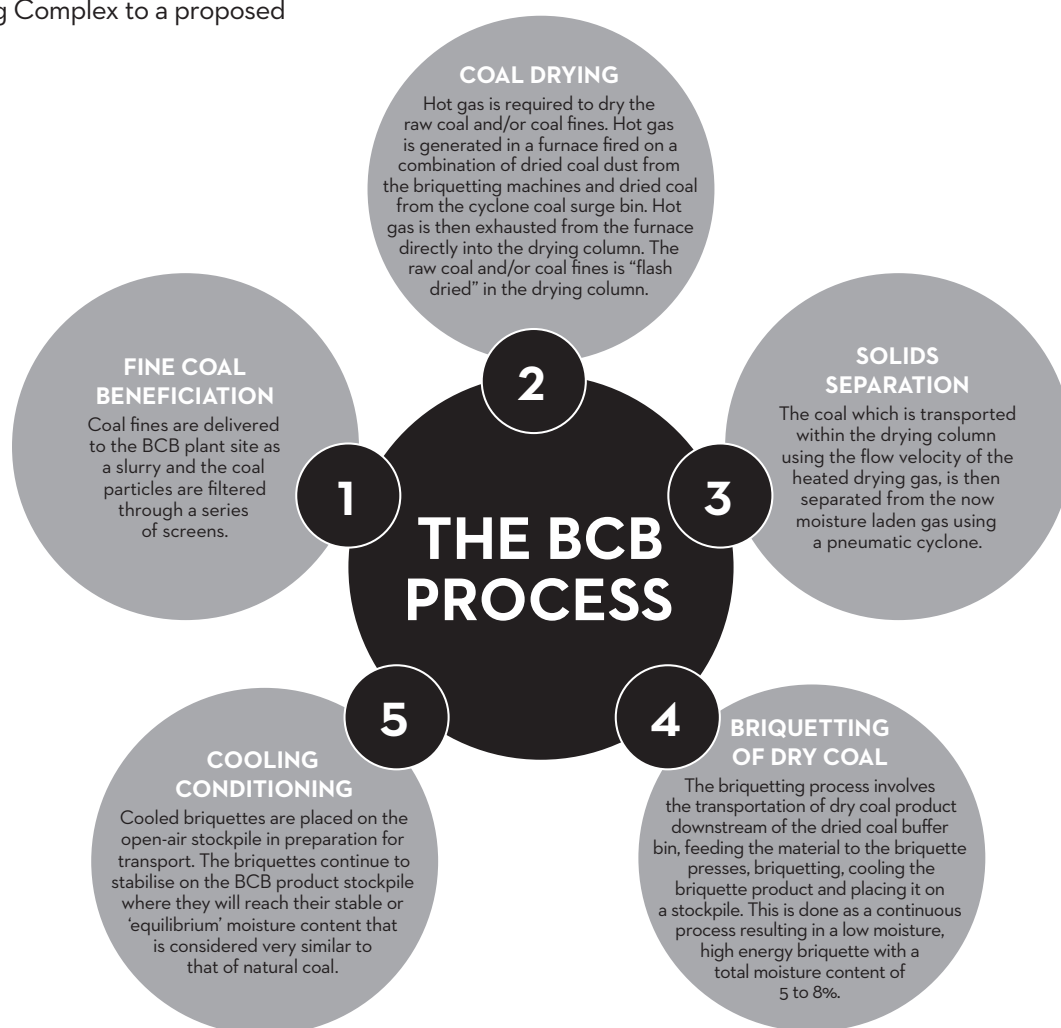
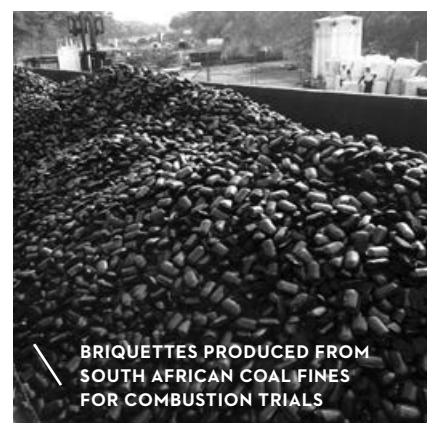
RIVER ENERGY

SOUTH AFRICA



White Energy's 51%-owned subsidiary, River Energy South Africa Pty Ltd (River Energy), will continue to pursue opportunities through its 49% owner, Proterra Investment Partners, with a number of South African coal miners interested in the Group's BCB technology following the cessation of negotiations for the supply of coal from South32's South Export Plant on the Wolvekrans Middleburg Complex to a proposed BCB plant.

Extensive testing by River Energy, involving sampling and testing on site, briquetting trials at White Energy's Cessnock commercial demonstration facility, combustion trials on test facilities in Australia and South Africa, and a significant materials handling and combustion trial on a commercial power plant in South Africa, has demonstrated that a saleable export grade coal product can be produced from South African reject tailings.



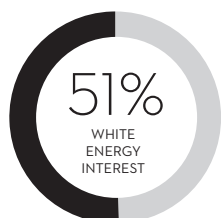
Coal Mining and Exploration



The White Energy Group has direct interests in coal resources in Australia and North America. The North American operations consist of a number of small producing coal mines and permits in Kentucky, USA. In Australia, White Energy's Lake Phillipson coal deposit contains an estimated JORC resource of 1,130 Mt of coal in place, awaiting development.

MOUNTAINSIDE COAL COMPANY

KENTUCKY, USA



Mountainside Coal Company Inc. (MCC) holds several coal production and exploration permits in Kentucky, USA. The White Energy Group acquired its interest in MCC in 2013 and commissioned a new coal wash plant in early 2015. Production activities have targeted the high-quality low ash coals in the region that are sought-after by silicon and ferro-silicon manufacturers and command an attractive price premium to lower-quality thermal and coking coals.

The focus on producing higher quality coal was reflected in the weighting of production for the 2017 financial year – low-ash stoker coal comprised 65% of total coal sold, compared to 48% in 2016.

Production volumes during the year of 43,100 tons were significantly below the 331,700 tons produced in 2016.

These volumes were below target as production was suspended in September 2016 while additional resource definition activities were undertaken and permitting of premium silica-grade coal resources within various other leased tenement areas.

The decision to suspend production was prompted by difficulties encountered at the Flat Creek mine, which led to the mineable coal resource in that location becoming fully depleted in early September 2016. Production at the Flat Creek mine had suffered from low yields of stoker coal after encountering adverse geological conditions, and the recoverable coal resource was impacted by previously unmapped old workings within the mine area. The combination of these issues had reduced the mineable resource at Flat Creek by more than 50%.

These challenging conditions resulted in lower yields and sales volumes during the year of 35,200 tons which were 85.0% lower compared to 236,000 tons sold in 2016. The impact of lower volumes was partly offset by the higher proportion of premium coal sold, resulting in overall revenue for the year decreasing by 80% to US\$4.0 million from US\$19.9 million in 2016.

As a result of the suspension of (loss-making) mining operations in the US, the EBITDA loss of \$2.0 million was less than the loss in 2016 of \$11.5 million.

MCC currently has additional permits in various stages of approval and many acres containing low ash Blue Gem 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.

Reclamation activity continues, with applications being made for bond releases as rehabilitation work in each area is completed.

Mining at the Flag Ridge mine site has resumed in August 2017 for a three month period. The coal to be produced has been contracted for sale and the site will be progressively rehabilitated.

SAFETY

Safety of personnel remains a prime imperative, and a continuing emphasis was reflected in a reduction in lost time accidents from one in 2016 to none in 2017.

MCC SALE

In June 2017, White Energy commenced a process for the sale of its 51% interest in MCC. The decision to sell was made following test results that showed low ash coal fines produced from MCC's Blue Gem seam were not suitable for commercial production rates of stoker product using White Energy's proprietary BCB technology, which was a key part of the strategic reasons for acquiring MCC. Four parties have registered their interest and are currently reviewing detailed information on the assets.



MINING AT FLAG RIDGE, MOUNTAINSIDE
COAL COMPANY, KENTUCKY, USA



AUGER OPERATIONS, MOUNTAINSIDE
COAL COMPANY, KENTUCKY, USA

LAKE PHILLIPSON COAL RESOURCES

(EL5719)

SOUTH AUSTRALIA, AUSTRALIA



White Energy's wholly-owned subsidiary, South Australian Coal holds the exploration rights to a large sub-bituminous coal deposit located in South Australia, some 70km south west of Cooper Pedy. Exploration licence EL5719 covers approximately 1,367 km² and contains an identified JORC resource of 1,130 MT of coal.

EL5719 has been renewed for an additional 5 year period, expiring on 8 August 2020 and retention lease RL104 has been renewed for the same period. Retention lease RL100 has lapsed and the area remains covered by EL5719.

Activities during the year included exploration for iron oxide-copper-gold-uranium (IOCGU) styles of mineralisation. A gravity survey resulted in the delineation of the Arkeeta West anomaly that was tested by three core holes totalling 520 m. All holes intersected undeformed granite within 20 m of the surface in the absence of any coal seams. The geochemical analysis of basement samples did not indicate any results of significance.

EL5719 lies entirely within the Olympic Dam G9 Structural Corridor. Previous drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines. A number of promising structural features have been identified through gravity and magnetic surveys and may warrant further exploration.

Other activities continue to analyse commercialisation options for potential mining of the EL 5719 coal deposit. A previous study by Lurgi GmbH confirmed that the Lake Phillipson coal is suitable for gasification and discussions continue with companies interested in building gas fired plants in South Australia.



THE 2017
DRILLING PROGRAM

EL5719



Cooper
Pedy

Stuart Highway

Adelaide - Darwin railway

Wirrida
Rail
Siding

LEGEND

-  EL5719
-  Coal Deposits
-  Retention leases

0 5 10
km
Scale



Annual Financial Report

30 June 2017



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DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity (referred to hereafter as the Group or the Company) consisting of White Energy Company Limited (White Energy) and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS AND COMPANY SECRETARY

The following persons were Directors of White Energy during the whole of the financial year and up to the date of this report unless otherwise stated:

Travers Duncan
Brian Flannery
Graham Cubbin
Vincent O'Rourke
Terence Crawford

The Company Secretary is David Franks, a position he held the whole of the financial year and up to the date of this report.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

- > the ongoing development and exploitation of the Binderless Coal Briquetting (BCB) technology; and
- > the evaluation of mining exploration assets.

During the year the principal discontinued operation comprising coal mines in Kentucky USA, operated by Mountainside Coal Company, Inc. (MCC).

DIVIDENDS – WHITE ENERGY

No amounts have been paid or declared by way of dividend during the current financial year (2016: Nil).

OPERATING AND FINANCIAL REVIEW

COAL TECHNOLOGY

White Energy is the exclusive worldwide licensee of a patented technology for a Binderless Coal Briquetting (BCB) process which is capable of upgrading low cost, low rank coals and coal fines into more valuable, higher energy yielding briquettes.

The BCB process also provides an attractive solution for coal producers seeking to maximise mine yield and solve the environmental issues posed by discarded coal fines. Discussions continue with several mine owners to recover coal from what is currently a waste material which is considered to be an environmental liability, and convert it to a valuable, low moisture coal product.

White Energy operates demonstration and pilot plants at Cessnock (NSW, Australia) as a key testing and training facility. In previous years, coal samples from mines in Australia, South Africa, North America, India and China have been processed at the Cessnock facility to test for their responsiveness to the BCB process.

White Energy's 51%-owned subsidiary, River Energy South Africa Pty Ltd (River Energy) has been working with coal mine operators in South Africa for

several years to establish coal briquetting operations and through extensive testing, briquetting and combustion trials on coals from several South African mines has demonstrated that a saleable export grade coal product can be produced from South African reject tailings.

Regrettably, after investing considerable effort over a number of years to secure access to coal tailings from a substantial South African coal producer, River Energy was advised during the year that the coal producer was unable to commit to the supply of coal fines to a BCB plant on that site. In South Africa alone, it is estimated that there are over 1 billion tonnes of discard coal in tailings facilities, much of which will eventually need to be reclaimed. River Energy continues discussions with coal mine operators who have substantial quantities of coal fines which could be briquetted into a marketable coal product.

White Energy and its 49% joint venture partner in River Energy, Proterra Investment Partners, are currently considering alternative ownership and funding structures for River Energy's BCB and coal fine beneficiation businesses in South Africa.

Commercialisation of the BCB technology has taken longer than previously anticipated and with the loss of River Energy's most advanced prospect in South Africa, combined with long lead times to develop a new BCB plant, an impairment charge of \$20.9m has been recognised against the carrying value of the assets of the coal technology group at 30 June 2017.

COAL MINING

White Energy's coal mining operations in Kentucky, USA are held through 51%-owned subsidiary Mountainside Coal Company Inc. (MCC).

Production activities targeted the high-quality low ash coals in the region that are sought-after by silicon and ferro-silicon manufacturers and command an attractive price premium to lower-quality thermal and coking coals.

MCC's coal mining operations generated \$5.4m of coal sales revenue during the year, a significant drop from the previous year's revenues as production was suspended in September 2016 while additional resource definition activities were undertaken.

The decision to suspend production was prompted by difficulties encountered at the Flat Creek mine, which led to the mineable coal resource in that location becoming fully depleted in early September. Production at the Flat Creek mine had suffered from low yields of stoker coal after encountering adverse geological conditions, and the recoverable coal resource was impacted by previously unmapped old workings within the mine area. The combination of these issues had reduced the mineable resource at Flat Creek by more than 50%.

Following the suspension of production, activity focused on conducting infill drilling, exploration and mine planning to optimise future mining. A total of 152 open rotary holes and 12 cores holes were drilled at Wynn Hollow and two cores were recovered from the Wood Mountain area in January. Geophysical logs were run to supplement logs previously obtained.

MCC's personnel have analysed the data obtained and performed detailed modelling of coal seams and associated geological formations so that future mine plans can target higher-yielding areas.

The cessation of mining at Flat Creek and Hatfield Gap has allowed reclamation activities to be undertaken, with open pits backfilled, graded and hydro-seeded. The reclamation activities resulted in the release of \$1.4m of cash held as security.

In late March, MCC disposed of its interest in the Hatfield Gap and Buffalo Creek permits. Mining in the Hatfield Gap area had ceased in 2016 and these areas do not contain the low ash silicon-grade Blue Gem coal found in MCC's other permits. MCC will receive an overriding royalty on the coal produced from the permits and could expect to receive consideration in excess of \$1.0m over the next two years, depending on the production rates and yields.

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.

Reclamation activity continues, with applications being made for bond releases as rehabilitation work in each area is completed.

Mining at the Flag Ridge mine site has resumed in August 2017 for a three month period. The coal to be produced has been contracted for sale and the site will be progressively rehabilitated.

In April, White Energy announced that it would seek to sell its 51% interest in MCC. Four parties have registered their interest and are currently reviewing detailed information on the assets.

EXPLORATION

Activity in EL5719 (South Australia) during the period was focussed on exploration for iron oxide-copper-gold-uranium (IOCGU) styles of mineralisation.

A gravity survey resulted in the delineation of the Arkeeta West anomaly, a 4.8 mGal gravity anomaly approximately 2 km in diameter, characterised as a broadly circular feature with a coincident low magnetic response. 3D inversion modelling of both the gravity and magnetic data suggested a complex rock body within 100 m of the ground surface.

Three core holes, totalling 520 m were drilled in April to test the gravity anomaly. All holes intersected undeformed granite within 20 m of the surface in the absence of any coal seams. The geochemical analysis of basement samples did not indicate any results of significance.

EL5719 lies entirely within the Olympic Dam G9 Structural Corridor. Previous drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines.

During the year, EL5719 was renewed for an additional period, expiring on 8 August 2020 and retention lease RL104 has now been renewed for the same period. Retention lease RL100 has lapsed and the area remains covered by EL5719.

The Company has commenced planning for future exploration activity.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

SALE OF INGOMAR STATION

In September 2016, the Company completed the sale of its South Australian pastoral property, Ingomar Station, realising net proceeds of \$6.3m. The decision to sell the property was taken as the Company continues to restructure its operations to focus on its coal technology, coal mining and exploration opportunities. The property overlaps EL5719, but ownership of the property will not affect the Company's ability to operate on the exploration permit.

LEGAL DISPUTE

White Energy's wholly owned subsidiaries, Binderless Coal Briquetting Company Pty Ltd (BCBC) and BCBC Singapore Pte Ltd (BCBCS), are currently engaged in legal proceedings against PT Bayan Resources Tbk and Bayan International Pte Ltd (Bayan) in the Singapore International Commercial Court. The proceedings relate to various disputed matters arising from a company which was jointly owned by BCBCS and Bayan, which owned and operated the Tabang coal upgrade plant located at Bayan's Tabang mine in East Kalimantan, Indonesia.

As a result of the SICC dismissing Bayan's counterclaim against BCBCS and BCBC in April 2016, there are no longer any claims outstanding against the White Energy Group from these proceedings.

The SICC handed down its judgement on tranche two of the trial in July 2017 and found in favour of BCBCS and BCBC on substantially all of the matters considered, as summarised below:

Key issues considered	SICC findings
Whether Bayan was under an obligation to supply and/or assist in supplying coal to KSC	Yes Bayan was under an obligation to ensure its subsidiaries supplied coal to KSC
If so, whether Bayan had breached its obligations to supply coal	Yes Bayan had breached its coal supply obligation
Whether Bayan had repudiated the Joint Venture Deed (JV Deed) in breaching its coal supply obligation and/or by the wrongful issuance of a purported termination notice	Yes Bayan had repudiated the JV Deed by breaching its own coal supply obligation and wrongfully issuing a termination notice
Whether BCBCS was in repudiatory breach of the JV Deed by causing KSC to incur excess expenditure and/or permitted White Energy to make public announcements in connection with the JV Deed without Bayan's consent	No BCBCS did not commit any repudiatory breaches of the JV Deed
If Bayan is found to be liable for breach of its coal supply obligations and/or repudiation of the JV Deed, whether as a result of such breach, BCBCS suffered loss	This issue is held over to Tranche 3 of the proceedings. To be determined together with the issue of damages

A notice of appeal against substantially the whole of the SICC's findings against Bayan in the tranche two judgement was subsequently filed by Bayan on 24 August 2017. Bayan has two months from that date to file submissions for appeal with SICC and following that the Group has one month to file a reply.

The appeal is fixed for hearing on a date between 5 February 2018 and 13 February 2018. Assuming Bayan's appeal is not successful, the third tranche of the trial will be held to determine causation and damages that are required to be paid to the Group.

GENERAL CORPORATE

Shareholders approved the grant of 10 million share options with an exercise price of 20 cents each as part of the Managing Director's revised remuneration package. The Managing Director and all Non-executive Directors agreed to significant reductions in the cash component of their remuneration for 2016/2017 as part of the Company's ongoing commitment to cost reduction.

The Company has no corporate debt. The repayment dates of non-recourse shareholder loans were extended to January 2019. These loans are provided to the Group's 51% owned operations in the USA, UK and South Africa by both White Energy and the minority shareholders in proportion to their ownership interests.

FINANCIAL POSITION AND RESULTS FOR THE YEAR

The Group had cash reserves of \$3.2m (30 June 2016: \$6.6m) excluding \$5.2m recorded as restricted cash (30 June 2016: \$6.8m).

The total assets balance decreased from \$98.4m at 30 June 2016 to \$55.2m as at 30 June 2017, largely as a result of the impairment charge of \$20.9m recognised against the coal technology assets and other losses incurred by the Company and its subsidiaries.

The decrease in liabilities from \$81.4m to \$80.3m predominantly reflects the lower working capital resulting from the suspension of mining activity at MCC and a stronger Australian dollar offset by additional loans provided by the Group's minority shareholders for their share of the ongoing working capital requirements of MCC and River Energy.

The Consolidated Entity's net loss before tax for the year ended 30 June 2017 was \$44.2m (2016: \$85.2m). The Company's adjusted normalised EBITDA loss for the year ended 30 June 2017 was \$4.5m (2016: \$11.0m). The improvement in normalised EBITDA from the comparative period in 2016 is primarily due to the suspension of (loss-making) mining operations in the USA and the introduction of cost reduction initiatives across the Group. The normalised EBITDA loss has been determined as follows:

	2017 \$'000	2016 \$'000
Consolidated entity net loss for the year before income tax (including discontinued operations)	(44,235)	(85,248)
<i>Non-cash expenses/(income):</i>		
Depreciation/amortisation	9,582	13,536
Impairment expense	20,929	42,027
Fair value losses/(gains)	-	(718)
Share-based payments	308	(148)
Other	(17)	1,626
Sub-total - non-cash expenses	30,802	56,323
<i>Other significant items</i>		
Finance costs	3,555	3,714
Litigation costs	1,895	4,517
Sub-total - other significant items	5,450	8,231
Consolidated entity adjusted normalised EBITDA	(7,983)	(20,694)
Non-controlling interests share of normalised EBITDA	3,490	9,714
White Energy adjusted normalised EBITDA	(4,493)	(10,980)

Normalised EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for specific significant items. The table above summarises key items between net loss before tax and normalised EBITDA.

The Directors use normalised EBITDA to assess the performance of the Company. The Consolidated Entity's adjusted normalised EBITDA (\$8.0m) reconciles to the segment information EBITDA result for the year (\$9.9m) disclosed in note 4(b), after adding back litigation costs

(\$1.9m) which are included in the segment expenses line item.

Normalised EBITDA has not been subject to any specific review procedures by our auditor but has been extracted from the accompanying audited financial report.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

GOING CONCERN

Management has prepared a cash flow forecast to September 2018 which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

The Directors believe that the Group will be able to continue as a going concern on the condition that it will have access to additional funds in the next 12 months. The Directors are considering a number of actions for raising additional funds, including from one or more of the following sources:

- (1) **Asset sales:** The Group is currently running a sale process for its 51% interest in Mountainside Coal Company Inc. Several parties have expressed an interest and are conducting due diligence. The Group expects to realise an amount which covers at least the carrying value of the assets;
- (2) **Additional equity funds:** As previously foreshadowed, the Company plans to raise additional equity funds for the ongoing activities of the Group, as required. The Company has been successful in raising equity funds through the issue of new shares in the past;
- (3) **Debt funding for capital projects:** The Directors believe, based on past experience, that they can raise third party debt financing to part fund any future project capital expenditure requirements; and

(4) Loans from minority shareholders:

The Group's 51% owned subsidiaries, Mountainside Coal Company Inc., River Energy JV Ltd and River Energy JV UK Limited continue to have access to funds from their 49% minority shareholder under existing shareholder loan agreements (in conjunction with WEC's 51% contributions) to enable them to meet their debts as and when they fall due.

These conditions give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors believe that the Group will be successful in raising funds through one or more of the above actions and that the Group will be able to realise its assets and settle its debts as and when they fall due and payable in the normal course of business, and accordingly have prepared the financial statements on a going concern basis.

The Group's independent auditor's report for the year ended 30 June 2017 contains an emphasis of matter paragraph drawing members' attention to the contents of note 1(a)(v) of the accompanying financial statements which deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent auditor's report is included with the accompanying financial statements for the year ended 30 June 2017.

FUTURE PROSPECTS

The Group continues to look for opportunities to increase the worldwide footprint of BCB technology with coal producers seeking to maximise mine yield and solve the environmental challenges posed by discarded coal fines. Discussions will continue with coal mine operators who have substantial quantities of coal fines which could be briquetted into a marketable coal product in Australia, China and South Africa. White Energy's 49% joint venture partner in River Energy, Proterra Investment Partners, is pursuing opportunities on mine sites in South Africa to secure access to fine coal to support BCB projects and is entering into arrangements which may lead to a BCB plant.

Coal samples from interested parties are expected to be tested at the Company's Cessnock demonstration and pilot plants during the year. Negotiations are progressing with a Chinese company to test coal samples and with a New South Wales based company to transform a large stockpile of waste carbon materials into briquettes.

In Australia, exploration and appraisal activities targeting other minerals in EL5719 are expected to continue.

Management is investigating commercialisation of opportunities to supply coal to proposed gasification plants in South Australia. The Group will continue to investigate other opportunities to invest in coal assets.

RISKS

The White Energy Group operates in and is exposed to general risks prevalent in the coal sector. A number of factors outside the control of White Energy Directors and management, both specific to the Group and the coal industry in general, may affect the future operating and financial performance of the Group, its business prospects and the value of White Energy shares. The major risks which may be associated with investment in White Energy include:

- > **Financing risk:** The Directors believe that White Energy has sufficient cash reserves to meet its commitments in the near term, however to satisfy forecast expenditure requirements, the Company will require further funding. The Directors believe that a combination of funding sources may be available, including debt funding for specific projects, issues of new equity and asset sales. Execution of the Company's strategy may be impacted by the inability to raise the necessary capital as a result of adverse market conditions and other factors outside the control of the Company.
- > **Coal price, currency and regulatory risks:** The Group's future financial performance will be impacted by future traded coal prices, movements in foreign exchange rates and regulatory changes which are determined by factors outside the Company's control.
- > **Operating risk:** The Group's future operations will be subject to operating risks that could result in decreased coal production which could reduce its revenues. These operational difficulties may impact the amount of coal produced, increase the cost of production and delay sales revenue. Such difficulties include adverse weather conditions, natural disasters, unexpected technical or geological problems, transportation delays and workplace, health and safety issues.
- > **Development and construction risk:** There is a risk that circumstances (including unforeseen circumstances) may cause a delay to project development, exploration milestones or other operating factors, resulting in delays to the receipt of revenues. In addition, the development of new projects by the Company may not materialise, and may exceed the current expected timeframe for completion or cost, for a variety of reasons outside the control of the Company.
- > **Country risk:** There is a risk associated with adverse political events in some of the countries in which the Group conducts, or seeks to conduct business.
- > **Intellectual property risk:** The Company's future financial performance may be impacted by the failure to protect its intellectual property.
- > **Technology risk:** Emerging new technologies may render the Company's proprietary binderless briquetting technology obsolete and hinder the Company's ability to derive future income.
- > **Geology risk:** JORC resource estimates are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from those estimates.
- > **General project risk:** Any project is subject to risk, in particular those that rely on a relatively new technology.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs during the year ended 30 June 2017.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

PERFORMANCE OPTIONS LAPSED

On 29 September 2017, the Directors determined that 6,000,000 Performance Options for White Energy shares held by Brian Flannery, the Company's Managing Director, lapsed in accordance with their terms.

No significant other matters or circumstances have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

- (1) the Group's operations in future financial years, or
- (2) the results of those operations in future financial years, or
- (3) the Group's state of affairs in future financial years.

DIRECTORS' REPORT (CONTINUED)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Additional comments on expected results of certain operations of the Group are included in this annual report under the Operating and Financial Review section on pages 14 to 19.

ENVIRONMENTAL REGULATION

The Group is committed to environmental care and aims to carry out its activities in an environmentally responsible and scientifically-sound way. In performing exploration activities, some disturbances of the land in the creation of tracks, drill rig pads, sumps and the clearing of vegetation occur.

These activities have been managed in a way that has reduced the environmental impact to a practical minimum.

Rehabilitation of any land disturbances would occur as soon as is practicable after exploration activity in an area has been completed.

The Group has, as far as the Directors are aware, complied with all statutory requirements relating to its exploration activities.

The Group's producing coal mines in Kentucky, USA are subjected to frequent inspections and audits to ensure compliance with regulations and permit conditions. A number of minor violations were noted during the year, resulting in remedial work being undertaken, permit amendments and payment of penalties.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group is not subject to the reporting requirements of either the *Energy Efficiency Opportunities Act 2006* and or the *National Greenhouse and Energy Reporting Act 2007*, however monitoring of all emissions and energy usage at the Group's Cessnock site is carried out on a regular basis to ensure compliance under the current regulations.

INFORMATION ON DIRECTORS



TRAVERS WILLIAM DUNCAN
DIP. ENG. (CIVIL) F.I.E. AUST. C P ENG
CHAIRMAN - NON-EXECUTIVE

EXPERIENCE AND EXPERTISE

Travers Duncan was appointed to the Board of White Energy on 25 June 2008 and then as Chairman on 17 September 2010. He is a member of the Audit and Risk Committee and the Remuneration Committee. He is a civil engineer with over 40 years experience in the project management of large mining and infrastructure development projects in Australia, Indonesia, Papua New Guinea and India.

Travers Duncan's experience includes the successful financing and development of projects such as the Piparwar coal mine in India, the North Goonyella coal project in Queensland and the Ulan coal mine in New South Wales. More recently he was Chairman of the ASX listed coal company Felix Resources Limited prior to its takeover by Yancoal Australia Limited in December 2009.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

None.

FORMER DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE LAST 3 YEARS

None.

SPECIAL RESPONSIBILITIES

Chairman of Board of Directors and a member of the Audit and Risk Committee and the Remuneration Committee.

INTERESTS IN SHARES AND OPTIONS

33,033,779 ordinary shares in White Energy.



BRIAN FLANNERY
BE MINING
MANAGING DIRECTOR

EXPERIENCE AND EXPERTISE

Brian Flannery was appointed to the Board and as Managing Director of White Energy on 17 September 2010. He is a mining engineer with more than 40 years experience in the development, engineering, construction and management of open-cut and underground mining projects in Australia and overseas.

Brian Flannery was Managing Director of White Mining Limited prior to its merger with Felix Resources Limited in April 2005. Subsequent to that merger he held the position of Managing Director of Felix Resources Limited and Yancoal Australia Limited until September 2010.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

None.

FORMER DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE LAST 3 YEARS

None.

SPECIAL RESPONSIBILITIES

Managing Director of White Energy.

INTERESTS IN SHARES AND OPTIONS

30,983,528 ordinary shares in White Energy.

10,000,000 Incentive Options in White Energy.



GRAHAM CUBBIN
B ECON (HONS), FAICD
NON-EXECUTIVE DIRECTOR

EXPERIENCE AND EXPERTISE

Graham Cubbin joined the Board of White Energy on 17 February 2010. He is the Chairman of the Audit and Risk Committee. He holds a Bachelor of Economics (Hons) from Monash University and is a Fellow of the Australian Institute of Company Directors.

Graham Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, he held senior finance positions in a number of major companies including Capita Financial Group and Ford Motor Company. He has over 20 years experience as a Director and Audit Committee member of public companies in Australia and the U.S.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Non-executive Director of four other listed companies: Challenger Limited, WPP AUNZ Limited, Bell Financial Group Limited and McPherson's Limited.

FORMER DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE LAST 3 YEARS

None.

SPECIAL RESPONSIBILITIES

Chair of the Audit and Risk Committee.

INTERESTS IN SHARES AND OPTIONS

600,000 ordinary shares in White Energy.

DIRECTORS' REPORT (CONTINUED)

INFORMATION ON DIRECTORS (CONTINUED)



VINCENT O'ROURKE AM
B ECON
NON-EXECUTIVE DIRECTOR

EXPERIENCE AND EXPERTISE

Vincent O'Rourke joined the Board of White Energy on 29 September 2010. He holds a Bachelor of Economics from the University of New England. He is an Honorary Doctor of the Queensland University of Technology and Griffith University.

Vincent O'Rourke brings over 40 years of corporate and railway industry experience spanning operations, finance and business management. He was formerly Queensland Commissioner for Railways and the Chief Executive Officer of Queensland Rail.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Non-executive Director of Yancoal Australia Limited.

FORMER DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE LAST 3 YEARS

None.

SPECIAL RESPONSIBILITIES

Member of the Audit and Risk Committee and Chair of the Remuneration Committee.

INTERESTS IN SHARES AND OPTIONS

610,000 ordinary shares in White Energy.



TERENCE CRAWFORD
B ECON LL.B, QLD, FGIA
NON-EXECUTIVE DIRECTOR

EXPERIENCE AND EXPERTISE

Terence Crawford joined the Board of White Energy on 11 June 2013.

Terence Crawford has extensive experience in financial and commercial matters obtained over 25 years in banking, investment banking and corporate advisory, including working in senior positions with three international banks. He is an experienced director of several public and private company boards and brings financial and legal experience to the Board of White Energy.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

None.

FORMER DIRECTORSHIPS OF OTHER LISTED COMPANIES IN THE LAST 3 YEARS

None.

SPECIAL RESPONSIBILITIES

Member of the Remuneration Committee.

INTERESTS IN SHARES AND OPTIONS

565,094 ordinary shares in White Energy.

COMPANY SECRETARY

The Company Secretary is David Franks BEc, CA, F Fin, JP. He was appointed as the Company Secretary on 3 February 2005 and is principal of Franks and Associates Pty Ltd (Chartered Accountants).

He is currently the Company Secretary of the following listed companies: Consolidated Operations Group Limited (formerly Armidale Investment Corporation Limited), Elk Petroleum Limited, JCurve Solutions Limited, Noxopharm Limited and White Energy and non-executive director of JCurve Solutions Limited.

MEETINGS OF DIRECTORS

The numbers of meetings of White Energy's Board of Directors and of each committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

	Meetings of Directors		Meetings of committees			
			Audit and Risk		Remuneration	
	Held (a)	Attended (b)	Held (a)	Attended (b)	Held (a)	Attended (b)
Non-executive Directors						
Travers Duncan	9	9	4	3	2	2
Graham Cubbin	9	9	4	4	**	**
Vincent O'Rourke	9	9	4	4	2	2
Terence Crawford	9	6	**	**	2	-
Executive Directors						
Brian Flannery	9	9	**	**	**	**

(a) Number of meetings held during the time the Director held office or was a member of the committee during the year

(b) Number of meetings attended

** Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

It is the Board's policy to consider the appointment and retirement of Non-Executive Directors on a case-by-case basis. In doing so, the Board must take into account the requirements of the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

Clause 8.1 (c) of the Constitution requires that a person appointed a Director during the year, as an addition to the existing Directors or to fill a casual vacancy, who is not the Managing Director, holds office until the conclusion of the next AGM following his or her appointment. There have been no such appointments during the year.

Clause 8.1(d) of the Constitution requires that no Director who is not the Managing Director may hold office without re-election beyond the third AGM following the meeting at which the Director was last elected or re-elected.

Noting that Brian Flannery as Managing Director is not subject to Clause 8.1(c) and (d) of the Constitution, the current board was re-elected by shareholders at the following prior AGM:

2014: Vincent O'Rourke and Graham Cubbin

2015: Terence Crawford

2016: Travers Duncan

Therefore under Clause 8.1(d) of the Constitution, Vincent O'Rourke and Graham Cubbin will retire and seek re-election.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

The Directors are pleased to present the Company's 2017 remuneration report. The remuneration report is prepared in accordance with section 300A of the *Corporations Act 2001* and has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This report sets out remuneration information for White Energy's Non-Executive Directors and Executives. Executives for the purpose of this report are Key Management Personnel who are not Non-Executive Directors.

(1) DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

For the purposes of the 30 June 2017 Financial Report, the Directors and other Key Management Personnel were:

Name	Position
Non-Executive Directors	
Travers Duncan	Chairman – Not Independent
Graham Cubbin	Non-Executive Director – Independent
Vincent O'Rourke	Non-Executive Director – Independent
Terence Crawford	Non-Executive Director – Independent
Executive Directors	
Brian Flannery	Managing Director – Not Independent
Other Key Management Personnel	
Michael Chapman	Chief Operating Officer
Damian Galvin	Chief Financial Officer
Neil Whittaker	Chief Executive Officer – River Energy JV Limited

Changes since the end of the period

Neil Whittaker's appointment as CEO of River Energy JV Limited ceased as at 30 June 2017 and Damian Galvin resigned as Chief Financial Officer, effective 26 August 2017. Allan McCarthy was appointed Chief Financial Officer on 28 August 2017.

Key Management Personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly (and include the Directors of the Company).

(2) REMUNERATION GOVERNANCE

(i) The Remuneration Committee

The Board has delegated certain responsibilities to the Remuneration Committee which requires formal reporting back to the Board on a timely basis. The ultimate responsibility for the Company's remuneration policy rests with the Board.

The Remuneration Committee is primarily responsible for reviewing and recommending to the Board the following remuneration matters:

- > The remuneration of Non-Executive Directors; and
- > The remuneration quantum and incentive framework for the Managing Director and Executives;

Members of the Remuneration Committee are appointed, removed and/or replaced by the Board. The Remuneration Committee must consist of at least three Directors who are Non-Executive Directors, and where possible, be comprised of a majority of Independent Non-Executive Directors. The Chairman of the Remuneration Committee will be a Director other than the Chairman of the Board.

The Remuneration Committee was comprised of Vincent O'Rourke (Chair), Travers Duncan and Terence Crawford as at 30 June 2017.

The Remuneration Committee comprises a majority of Independent Non-Executive Directors.

The Company's Corporate Governance Statement which can be found on the Company's website: www.whiteenergyco.com/about-us/corporate-governance, provides further information on the role of the Remuneration Committee and its composition and structure.

A copy of the Remuneration Committee's charter is included on the Company's website.

(ii) Use of external consultants

The Remuneration Committee seeks advice from independent advisors as required. No external consultants were engaged during the year to advise on remuneration matters.

(3) REMUNERATION OF EXECUTIVES

(i) Policy and framework

The overall objective of the Company's Executive remuneration arrangements is to ensure that Executives are rewarded for performance, with a remuneration structure that is not only competitive in the market but also reflective of the importance of retaining the Executive within the Company. Given the current stage in the Company's development, the Board considers it imperative that the Company is always in a position to attract and retain key staff members who can make a significant contribution to the business as it expands and delivers on its business strategy.

(ii) Remuneration components

The Company's Executive remuneration structure can consist of fixed and "at-risk" components:

Fixed components

Base salary and benefits, including superannuation.

Variable 'at-risk' components

Short-term incentives in the form of cash bonuses (amounts determined based on assessment of the Executive's performance)

Long-term incentives, through participation in incentive schemes which may be offered from time-to-time

The remuneration structure allows the Company to provide an appropriate mix of fixed and variable pay components.

(a) Base salary, other monetary and non-monetary benefits

Executives receive their base salary and benefits structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-cash benefits at the Executive's election.

Remuneration levels are reviewed annually by the Remuneration Committee after considering each Executive's performance levels and the importance of retaining the Executive within the Company, as well as external market benchmarks for comparable roles to ensure that the Executive's base salary is competitive.

There are no guaranteed base salary increases included in the Executives' employment services contracts. With the protracted downturn in the resources sector generally and challenging market conditions the Chairman, Managing Director and Non-Executive Directors voluntarily offered to reduce their base salary or Directors' Fees by 20% effective 1 July 2016. To further assist the Company conserve its funds, from 1 April 2017 the Directors' Fees for the Chairman and Non-Executive Directors were reduced to \$40,000 p.a. and the Managing Director and Chief Operating Officer agreed to further significant reductions in their base remuneration.

Non-monetary benefits include car parking.

(b) Short-term incentives

The Company recognises that short-term incentives can be an effective tool to drive the achievement of single-year performance objectives. However, as the Company's current focus is on developing long-term, strategic objectives, no specific short-term incentive opportunities were provided to Executives for the year ended 30 June 2017 and no payments were or are to be made.

(c) Long-term incentives

The Company has in place a Long Term Incentive Plan (LTIP) which is designed to align the performance of employees with that of the interests of shareholders and to assist in the retention of experienced personnel.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

The LTIP provides for the grant of Performance Rights or Options to eligible employees (Incentive Securities), which may vest subject to the satisfaction of performance, service or other vesting conditions imposed at the time of grant. This provides the Company with broad flexibility so that it can effectively incentivise employees using the most appropriate instrument (which may vary depending on the seniority of the executive, the jurisdiction in which they are issued, or prevailing market and regulatory conditions).

Long Term Incentive Plan

The Company's Long Term Incentive Plan for key employees of the Company was approved by shareholders at the 2014 Annual General Meeting. The key terms of the LTIP are:

- > the Board may in its absolute discretion determine which eligible employees will be invited to participate in a grant of Performance Rights or Options (Incentive Securities), which may vest subject to the satisfaction of performance, service or other vesting conditions imposed at the time of grant;
- > on vesting (and exercise, in the case of Options), participants will become entitled to fully paid ordinary shares in the Company. The Board can decide whether to purchase Shares on-market or issue new Shares for the purposes of the LTIP or provide the cash equivalent value of one Share in the Company to the participant (if provided-for under the terms of the grant);
- > Incentive Securities may lapse in certain circumstances, including if the participant's employment is terminated for certain acts or the participant acts fraudulently or dishonestly, engages in gross misconduct or is in breach of their obligations to the Company;
- > if in the Board's opinion, Incentive Securities vest as a result of the fraud, dishonesty or breach of obligations by the participant or another person, or if there is a material misstatement or omission in the financial statements of a Group company, the Board may determine any treatment in relation to the Incentive Securities (or Shares received on vesting) to ensure no unfair benefit is obtained by the participant;
- > where a participant ceases employment in other circumstances, the Incentive Securities will remain 'on foot', subject to the Board's discretion to determine that some or all of the unvested Incentive Securities lapse or vest on cessation;
- > Incentive Securities may not be traded or hedged, and the Board may impose restrictions on dealing of Shares allocated on vesting of Incentive Securities;
- > any Shares issued under the LTIP will rank equally with those traded on the ASX at the time of issue;
- > in the event of a takeover bid, scheme of arrangement or similar transaction, the Board may determine whether any or all unvested Incentive Securities vest, having regard to such factors as the Board considers relevant, including performance against the applicable performance conditions; and
- > in the event of any capital reorganisation, Incentive Securities may be adjusted having regard to the ASX Listing Rules and on the basis that participants do not receive any advantage or disadvantage from such an adjustment.

Performance Options

The Company's Managing Director, Brian Flannery has previously been granted 6,000,000 Performance Options with an exercise price of \$0.50. Each Option entitles the holder to one Share in the Company on payment of the exercise price, subject to satisfaction of the prescribed vesting and the following performance conditions:

- (i) Mr Flannery is required to remain an employee of the Company or its subsidiaries for a continuous three year period ending on 30 June 2017; and
- (ii) The Company's financial performance must improve over the three-year performance period such that underlying Earnings before Interest Tax, Depreciation and Amortisation (EBITDA) must be positive in each of the 2015/16 Financial Year and 2016/17 Financial Year.

A positive EBITDA has not been achieved in either year and the Performance Options have lapsed subsequent to the end of the 2017 financial year.

Incentive Options

Mr Flannery was granted 10 million Incentive Options on 18 November 2016 with an exercise price set at the higher of \$0.20 or 170% of the Share price on the date the Options were granted. Each Option granted in respect of the LTIP entitles Mr Flannery to one Share in the Company on payment of the exercise price.

There are no prescribed vesting and performance conditions attached to the Options. Mr Flannery will be able to exercise the Options at any time from the date the Options are granted until the expiry date on 18 November 2022.

Dealing in shares

The trading of shares issued to participants under the LTIP are subject to, and conditional upon, compliance with the Company's employee share trading policy. Executives are prohibited from entering into any hedging arrangements over unvested Incentive Securities or Performance Options under the LTIP.

(iii) Remuneration for year ended 30 June 2017

The following table shows details of the remuneration received by the executive Key Management Personnel for the current and previous financial year:

		Short term benefits		Post employment	Share based payment	Total (\$)
Name	Year	Cash salary (\$)	Non-monetary benefit ⁽¹⁾ (\$)	Super-annuation (\$)	Performance options ⁽²⁾ (\$)	
Executive Directors						
Brian Flannery	2017	510,000	13,462	50,667	308,000	882,129
	2016	800,000	12,864	76,000	(148,084)	740,780
Other Key Management Personnel						
Michael Chapman	2017	555,000	11,956	52,725	-	619,681
	2016	600,000	11,358	57,000	-	668,358
Damian Galvin ⁽³⁾	2017	273,973	11,956	26,027	-	311,956
	2016	5,075	1,172	28,000	-	34,247
Ivan Maras ⁽⁴⁾	2017	-	-	-	-	-
	2016	472,972	11,228	28,500	-	512,700
Neil Whittaker	2017	300,000	-	-	-	300,000
	2016	300,000	14,971	-	-	314,971
Total Executive Directors and other Key Management Personnel remuneration	2017	1,638,973	37,374	129,419	308,000	2,113,766
	2016	2,178,047	51,593	189,500	(148,084)	2,271,056

(1) Non-monetary benefits include car parking.

(2) It is estimated that no Performance Options will ultimately vest as performance hurdles are unlikely to be achieved. Amounts previously expensed in previous periods were reversed in 2016.

(3) Remuneration for Mr Galvin is from his commencement date of 23 May 2016.

(4) Remuneration for former Chief Financial Officer Mr Maras is for the period up until his resignation on 31 March 2016 and includes payments for accrued entitlements of \$172,972 as cash salary.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT (CONTINUED)

(iv) Service Agreements

Remuneration and other terms of employment for the Managing Director and other Executives are also formalised in service agreements, in the form of a letter of appointment.

The Board will revisit the remuneration and other terms of employment when significant developments within the Company occur.

Remuneration packages are reviewed annually by the Remuneration Committee.

Arrangements relating to remuneration of the Company's executives in place for the year ended 30 June 2017 are set out below:

Name	Title	Term of agreement	Base salary including superannuation	Contractual termination benefits
Brian Flannery	Managing Director	Rolling contract to 31/3/2017 Rolling contract from 1/4/2017	\$700,800 \$131,400	6 months base salary
Michael Chapman	Chief Operating Officer	Rolling contract to 31/3/2017 Rolling contract from 1/4/2017	\$657,000 \$460,000	6 months base salary
Damian Galvin	Chief Financial Officer	Rolling contract	\$300,000	1 month base salary
Neil Whittaker	Chief Executive Officer - River Energy JV Limited	Rolling contract	\$300,000	Nil

Each executive (excluding Mr Whittaker) is entitled to car parking at the Company's office.

Mr Flannery and Mr Chapman are entitled to additional leave entitlements from 1 April 2017, and any entitlements payable upon cessation of employment are payable at the rate existing prior to 31 March 2017.

The service agreement contracts outlined above may be terminated in the following circumstances:

- (i) Voluntary termination by the Company: the termination benefit outlined in the table above will apply;
- (ii) Termination by the Company for cause and without notice: no termination benefits are payable and any granted but unvested Incentive Securities or Performance Options at the date on which notice is given will be forfeited.

Mr Whittaker's remuneration was paid to Whittaker Corporation Pty Ltd by River Energy JV UK Limited and River Energy JV Limited. Mr Whittaker has ceased to serve in this role from 1 July 2017.

(4) RELATIONSHIP BETWEEN REMUNERATION AND WHITE ENERGY'S PERFORMANCE

Performance in respect of the current year and the previous four years is detailed in the table below:

	2017	2016	2015	2014	2013
Total loss for the year (\$'000)	(44,235)	(85,248)	(39,256)	(52,257)	(114,956)
Share price at year end (\$)	0.03	0.055	0.30	0.15	0.15
Increase/(decrease) in share price	(45%)	(82%)	100%	-%	(62%)
Dividends paid	-	-	-	-	-

The performance of White Energy is reflective of a Company which is still largely in its development phase as its coal production projects are yet to reach a stage of prolonged commercial production. During the years noted above, there were no dividends paid or other capital returns made by the Company to its shareholders.

(5) REMUNERATION OF NON-EXECUTIVE DIRECTORS

(i) Policy and framework

A Non-Executive Directors' remuneration reflects the demands which are made on, and the responsibilities of, the Non-Executive Director. This remuneration is paid by way of fees, in the form of cash and, where applicable, superannuation benefits.

Non-Executive Directors' fees are reviewed annually by the Board after considering the recommendations of the Remuneration Committee. The Remuneration Committee's recommendations are determined within the maximum aggregate amount approved by shareholders from time to time. Total remuneration for all Company Non-Executive Directors was last voted

on by shareholders at the Company's 2009 Annual General Meeting, where it was approved that the Non-Executive Director fee pool was not to exceed \$1,000,000 per annum inclusive of superannuation. This remuneration pool was reconfirmed in the Company's constitution which was approved at the 2014 Annual General Meeting.

The Remuneration Committee ensures that the fees paid to Non-Executive Directors are comparable and competitive with other ASX listed companies to ensure that the Company is able to retain experienced and suitably qualified Non-Executive Directors.

The Chairman of the Board's fees are determined independently to the fees of Non-Executive Directors based on comparative external market roles.

Non-Executive Director fees cover all of the main Board activities and a Non-Executive Director's membership on Board committees.

(ii) Service agreements

On appointment to the Board, each Non-Executive Director enters into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms.

During the year ended 30 June 2017, Directors' Fees were adjusted to reflect that the Company's activity levels and size (by market capitalisation and net assets) were lower than in previous periods. The Directors' commitment to implementing cost cutting initiatives across the group was reflected in a reduction in fees:

	Annual fees (excluding-superannuation)		
	12 Months to 30/6/2016	From 1/7/2016 to 31/3/2017	From 1 April 2017
Chairman	\$220,000	\$176,000	\$40,000
Non-Executive Directors	\$64,000	\$51,200	\$40,000

The Chairman's fees prior to 1 July 2016 included \$100,000 for consulting services performed by the Chairman for Binderless Coal Briquetting Company Pty Ltd, a wholly owned subsidiary of White Energy.

From 1 July 2016 to 31 March 2017 consulting fees of \$63,333 are included in the Chairman's fees. From 1 April 2017, no consulting fee was payable.

All service agreements are rolling contracts with no contractual termination benefits.

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT (CONTINUED)

(iii) Remuneration for the year ended 30 June 2017

The total remuneration paid to the Non-Executive Directors for the year ended 30 June 2017 amounted to \$303,729 as detailed below. For comparison purposes, amounts for the year ended 30 June 2016 are also shown.

		Short term benefits		Post employment	Total (\$)
Name	Year	Cash salary and fees (\$)	Non-monetary benefits ⁽²⁾ (\$)	Superannuation ⁽³⁾ (\$)	
Non-Executive Directors					
Travers Duncan	2017	149,333	-	-	149,333
	2016	220,000	14,971	-	234,971
Graham Cubbin	2017	48,400	-	4,598	52,998
	2016	64,000	-	6,080	70,080
Hans Mende ⁽¹⁾	2017	-	-	-	-
	2016	48,000	-	-	48,000
Vincent O'Rourke	2017	48,400	-	-	48,400
	2016	64,000	-	-	64,000
Terence Crawford ⁽⁴⁾	2017	48,400	-	4,598	52,998
	2016	64,000	-	6,080	70,080
Sub-total Non-Executive Directors	2017	294,533	-	9,196	303,729
	2016	460,000	14,971	12,160	487,131

(1) Hans Mende resigned as a Non-Executive Director on 31 March 2016.

(2) Non-monetary benefits include car parking.

(3) Non-Executive Directors do not receive any retirement benefits other than their statutory entitlements, where applicable.

(4) In addition to his Non-Executive Directors' fees, \$10,000 (2016: \$140,000) was paid by the Company to a company controlled by Mr Crawford in respect of his assistance with the ongoing PT Kaltim Supacoal litigation against PT Bayan Resources Tbk.

(6) VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING

The White Energy Remuneration Report resolution was carried by a show of hands, with the results of the show of hands and proxy position both in excess of 75% in favour of the resolution. Of valid proxies received, more than 95% of proxies lodged voted in favour of the remuneration report for the 2016 financial year. Comments raised by shareholders during the course of the Annual General Meeting were responded to by the Directors during the meeting.

(7) DETAILS OF SHARE-BASED COMPENSATION

The terms and conditions of each grant of Performance Options and Incentive Options effecting remuneration to Directors and Executives under the LTIP in the current or future reporting period were as follows:

			Value per right at grant date	Vested %	Exercised %	Lapsed %	Performance achieved	
Grant date	Vesting and exercise date	Expiry date					(1)	(2)
Performance Options								
6,000,000 options at \$0.50 exercise price								
8/12/2014	Vesting on 30/6/2017, subject to satisfaction of two vesting conditions – a service condition and a performance condition.	30/6/2020	\$0.50	0%	0%	0%	100%	0%
Incentive Options								
10,000,000 options at \$0.20 exercise price								
18/11/2016	Vest upon grant ⁽³⁾	18/11/2022	\$0.0308	100%	0%	0%	N/a	N/a

- (1) Vesting condition requiring the employee to remain an employee of the Company or its subsidiaries for a continuous three year period starting on 1 July 2014 (and ending on 30 June 2017).
- (2) Vesting condition requiring the Company's financial performance to improve over the three-year performance period such that underlying Earnings before Interest, Tax, Depreciation and Amortisation must be positive in each of 2015/16 Financial Year and 2016/17 Financial Year.
- (3) Incentive Options granted in 2016 may be exercised at any time prior to their expiry date. The Board may determine that the options lapse if the option holder ceases to be an employee prior to exercise. The options may be forfeited in other circumstances, including if the employee acts fraudulently or dishonestly or engages in gross misconduct. The rules of the LTIP and the terms of the grant contain provisions relating to the treatment of the options in the event of a takeover or change of control and in the event of a bonus issue or capital reorganisation. The fair value of the options at grant date was determined using the Black & Scholes option valuation methodology.

(8) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

(i) Performance Option holdings

The number of Performance Options in the Company held during the financial year by Directors of White Energy and other Key Management Personnel of the Group, is set out below.

Name	Year	Balance at the start of the year	Granted during the year as remuneration	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
Executive Directors							
Brian Flannery	2017	6,000,000	-	-	-	6,000,000	-
	2016	6,000,000	-	-	-	6,000,000	-

(ii) Incentive Option holdings

The number of Incentive Options in the Company held during the financial year by Directors of White Energy and other Key Management Personnel of the Group, is set out below.

Name	Year	Balance at the start of the year	Granted during the year as remuneration	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
Executive Directors							
Brian Flannery	2017	-	10,000,000	-	-	10,000,000	10,000,000
	2016	-	-	-	-	-	-

DIRECTORS' REPORT (CONTINUED)
REMUNERATION REPORT (CONTINUED)

(iii) Share holdings

The number of shares in the Company held during the financial year by each Director of White Energy Company Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Year	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Non-Executive Directors				
Travers Duncan	2017	33,033,779	-	33,033,779
	2016	31,948,461	1,085,318	33,033,779
Graham Cubbin	2017	600,000	-	600,000
	2016	600,000	-	600,000
Hans Mende ⁽ⁱ⁾	2017	-	-	-
	2016	10,232,927	(10,232,927)	-
Vincent O'Rourke	2017	610,000	-	610,000
	2016	610,000	-	610,000
Terence Crawford	2017	565,094	-	565,094
	2016	565,094	-	565,094
Executive Director				
Brian Flannery	2017	30,983,528	-	30,983,528
	2016	30,355,118	628,410	30,983,528
Other Key Management Personnel				
Michal Chapman	2017	1,535,096	-	1,535,096
	2016	1,535,096	-	1,535,096
Ivan Maras ⁽ⁱ⁾	2017	-	-	-
	2016	665,000	(665,000)	-
Neil Whittaker	2017	418,106	-	418,106
	2016	418,106	-	418,106

(i) Hans Mende and Ivan Maras resigned 31 March 2016.

(iv) Other transactions with Key Management Personnel

During the year ended 30 June 2017, employee benefits of \$129,400 (2016: \$173,665) were paid to Andromeda Neale, who is related to Travers Duncan, the Chairman of White Energy.

During the year ended 30 June 2016, Travers Duncan, the Chairman of White Energy, leased commercial office space from White Energy in the Company's Sydney head office up until March 2016, and also reimbursed the Company for some part-time secretarial work conducted for his private company, Gaffwick Pty Ltd for \$49,426. This arrangement was based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2017, Brian Flannery, the Managing Director of White Energy, leased some commercial office space from White Energy in the Company's Brisbane office, and also reimbursed the Company for some part-time secretarial work conducted for his private companies, Illwella Pty Ltd and KTQ Developments Pty Ltd for \$96,092 (2016: \$33,205). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

SHARES UNDER OPTION

Unissued ordinary shares of White Energy as at 30 June 2017 are as follows:

Option type	Date options granted	Expiry date	Exercise price	Number
Performance Options	8/12/2014	30/6/2020	\$0.50	6,000,000
Incentive Options	18/11/2016	18/11/2022	\$0.20	10,000,000
Total				16,000,000

No option holder has any right under the options to participate in any other share issue of White Energy or of any other entity. No options were granted to the Directors or other Key Management Personnel since the end of the financial year.

INSURANCE OF OFFICERS

During the financial year, White Energy paid an insurance premium in respect of an insurance policy for the benefit of those named and referred to above and the Directors, Secretaries, Executive Officers and employees of any subsidiary bodies corporate as defined in the insurance policy.

In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments in addition to their statutory audit duties, where the auditor's expertise and experience with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in note 24 to the Financial Statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 24 to the Financial Statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- > all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- > none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2017 \$	2016 \$
Taxation Services		
<i>PwC Australian firm:</i>		
Tax compliance and consulting services	11,350	13,850
Network firms of PwC Australian firm	152,470	93,240
Total remuneration for taxation services	163,820	107,090
Total remuneration for non-audit services	163,820	107,090

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 35.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.



BRIAN FLANNERY
MANAGING DIRECTOR
BRISBANE

29 September 2017

Auditor's Independence Declaration

As lead auditor for the audit of White Energy Company Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of White Energy Company Limited and the entities it controlled during the period.

A handwritten signature in dark ink, appearing to read 'S Neill'.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
29 September 2017

Annual Financial Statements

30 June 2017

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These financial statements are the consolidated financial statements of the Group consisting of White Energy and its subsidiaries. The financial statements are presented in the Australian currency.

White Energy is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

White Energy Company Limited
Suite 2, Level 10, 70 Phillip Street
Sydney NSW 2000
Phone (612) 9299 9690

Principal place of business

White Energy Company Limited
Level 7, 167 Eagle Street,
Brisbane QLD 4000
Phone (617) 3229 9035

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report on pages 14-34 which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 29 September 2017. The Directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our investor centre on our website www.whiteenergyco.com

CORPORATE GOVERNANCE STATEMENT

The Group and the board are committed to achieving and demonstrating the highest standards of corporate governance. The Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 corporate governance statement was approved by the board on 29 September 2017. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at www.whiteenergyco.com/about-us/corporate-governance

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Revenue	5	2,023	955
Coal mining operation expenses		-	-
Employee benefits expense	6	(4,741)	(6,314)
Depreciation and amortisation expense	6	(5,964)	(6,349)
Impairment expense	6	(20,929)	(15,770)
Finance costs		(1,645)	(1,658)
External advisory fees	6	(2,548)	(5,512)
Occupancy expenses		(339)	(596)
Travel expenses		(326)	(586)
Plant operating costs		(155)	(542)
Accounting, tax and audit fees		(519)	(383)
Gain / (loss) on foreign exchange		17	(300)
Other expenses		(1,414)	(1,595)
Loss before income tax		(36,540)	(38,650)
Income tax credit	7	-	-
Net loss for the year from continuing operations		(36,540)	(38,650)
Loss from discontinued operations after tax	29	(7,695)	(46,598)
Net loss for the year		(44,235)	(85,248)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		1,820	1,077
Total other comprehensive income for the year		1,820	1,077
Total comprehensive loss for the year		(42,415)	(84,171)
Loss is attributable to:			
Owners of the Company		(35,329)	(56,682)
Non-controlling interests		(8,906)	(28,566)
Total loss for the year		(44,235)	(85,248)
Total comprehensive loss is attributable to:			
Owners of the Company, from:			
- Continuing operations		(32,279)	(34,016)
- Discontinued operations		(3,020)	(21,706)
		(35,299)	(55,722)
Non-controlling interests		(7,116)	(28,449)
Total comprehensive loss for the year		(42,415)	(84,171)
Basic and diluted loss per share attributable to ordinary equity holders of the Company:		Cents	Cents
On loss from continuing operations	32	(9.9)	(10.4)
On total loss	32	(10.8)	(17.3)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	8	3,216	6,557
Inventories	9	-	1,763
Trade and other receivables	10	1,418	2,438
		4,634	10,758
Assets classified as held for sale	11	23,266	6,320
Total current assets		27,900	17,078
Non-current assets			
Restricted cash	12	2,000	6,752
Biological assets - livestock	14	1,929	
Property, plant and equipment		34,766	
Exploration assets	15	10,213	9,991
Intangible assets	16	13,200	29,845
Total non-current assets		27,342	81,354
Total assets		55,242	98,432
Current liabilities			
Trade and other payables	17	7,671	12,275
Provisions	18	143	1,315
Other payables	19	-	23,288
		7,814	36,878
Liabilities of disposal groups held for sale	11	37,350	-
Total current liabilities		45,164	36,878
Non-current liabilities			
Provisions	18	254	1,803
Other payables	19	34,912	42,732
Total non-current liabilities		35,166	44,535
Total liabilities		80,330	81,413
Net assets		(25,088)	17,019
Equity			
Contributed equity	21	493,476	493,476
Reserves	22	(12,159)	(12,497)
Accumulated losses	22	(464,233)	(428,904)
Total equity attributable to owners of White Energy Company Limited		17,084	52,075
Non-controlling interests	23	(42,172)	(35,056)
Total equity		(25,088)	17,019

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Attributable to the owners of White Energy Company Limited				Non-controlling interests \$'000	Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000		
Balance at 1 July 2015	493,476	(13,309)	(372,222)	107,945	(6,607)	101,338
Loss for the year	-	-	(56,682)	(56,682)	(28,566)	(85,248)
Other comprehensive income/(loss)	-	960	-	960	117	1,077
Total comprehensive income/(loss) for the year	-	960	(56,682)	(55,722)	(28,449)	(84,171)
Transactions with owners in their capacity as owners						
Share based payments	-	(148)	-	(148)	-	(148)
	-	(148)	-	(148)	-	(148)
Balance at 30 June 2016	493,476	(12,497)	(428,904)	52,075	(35,056)	17,019
Loss for the year	-	-	(35,329)	(35,329)	(8,906)	(44,235)
Other comprehensive income	-	30	-	30	1,790	1,820
Total comprehensive income/(loss) for the year	-	30	(35,329)	(35,299)	(7,116)	(42,415)
Transactions with owners in their capacity as owners						
Share based payments	-	308	-	308	-	308
	-	308	-	308	-	308
Balance at 30 June 2017	493,476	(12,159)	(464,233)	17,084	(42,172)	(25,088)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		7,638	32,812
Payment to suppliers and employees (inclusive of goods and services tax)		(21,248)	(56,783)
		(13,610)	(23,971)
Interest received		96	467
Receipts/(Payments) for certificates of deposit restricted for bonds		1,381	(1,737)
Net cash outflow from operating activities	31	(12,133)	(25,241)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		7,768	179
Payments for property, plant and equipment		(6)	(1,490)
Payments for exploration assets		(446)	(634)
Loans advanced		-	(341)
Loans payments received		49	-
Payment for development costs		-	(1)
Net cash inflow/(outflow) from investing activities		7,365	(2,287)
Cash flows from financing activities			
Proceeds from borrowings		1,689	8,512
Finance charges paid		(107)	(469)
Finance lease payments		(10)	(53)
Net cash inflow from financing activities		1,572	7,990
Net decrease in cash and cash equivalents		(3,196)	(19,538)
Cash and cash equivalents at the beginning of the financial year		6,557	25,635
Reclassification of cash of disposal groups held for sale		(95)	-
Effect of exchange rate changes on cash and cash equivalents		(50)	460
Cash and cash equivalents at the end of the year	8	3,216	6,557

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of White Energy and its subsidiaries.

(a) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. White Energy is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRSs

The consolidated financial statements of the White Energy Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the reporting period beginning 1 July 2016 materially affect the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has elected not to apply in these financial statements any amendments, new standards or interpretations that have been issued but are not yet operative. Those which may be early adopted and are relevant to the Group are set out below. The Group's preliminary assessment is that there won't be a material effect on the amounts recognised in its financial statements resulting from the application of these standards. This view may change after a full assessment is made. The standards which may be early adopted and are relevant to the Group are set out below.

AASB 9 Financial Instruments (Expected to be initially applied in the year ending 30 June 2019)

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

AASB 15 Revenue from Contracts with Customers (Expected to be initially applied in the year ending 30 June 2019)

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance. The new standard is based on the principle that revenue is recognised when control of a good or a service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.

AASB 16 Leases (Expected to be initially applied in the year ending 30 June 2020)

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. AASB 16 requires enhanced disclosures to improve information disclosed about an entity's exposure to leases.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

(v) Going concern

The Group recorded a total comprehensive loss for the year ended 30 June 2017 of \$42,415,000 (2016: \$84,171,000), had net cash outflows from operations of \$12,133,000 (2016: \$25,241,000) and a cash balance excluding restricted cash of \$3,216,000 (\$6,557,000 as at 30 June 2016). The Group's current liabilities exceed its current assets by \$17,264,000 (net current liabilities of \$19,800,000 as at 30 June 2016). In this regard it should be noted that the Group's external debt comprises limited-recourse shareholder loans, trade payables, equipment leases and provisions incurred in the ordinary course of business. The Group has prepared a cash flow forecast to 30 September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2017

The cash flow forecast demonstrates the need to raise additional funding to meet the Group's planned expenditure for the period.

These conditions give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors believe that the Group will be able to continue as a going concern on the condition that it will have access to additional funds in the next 12 months. The Directors are considering a number of actions for raising additional funds, including from one or more of the following sources:

- (1) **Asset sales:** The Group is currently running a sale process for its 51% interest in Mountainside Coal Company Inc. Several parties have expressed an interest and are conducting due diligence. The Group expects to realise an amount which covers at least the carrying value of the assets;
- (2) **Additional equity funds:** As previously foreshadowed, the Company plans to raise additional equity funds for the ongoing activities of the Group, as required. The Company has been successful in raising equity funds through the issue of new shares in the past;
- (3) **Debt funding for capital projects:** The Directors believe, based on past experience, that they can raise third party debt financing to part fund any future project capital expenditure requirements; and

(4) **Loans from minority shareholders:**

The Group's 51% owned subsidiaries, Mountainside Coal Company Inc., River Energy JV Ltd and River Energy JV UK Limited continue to have access to funds from their 49% minority shareholder under existing shareholder loan agreements (in conjunction with WEC's 51% contributions) to enable them to meet their debts as and when they fall due.

The Directors believe that the Group will be successful in raising funds through one or more of the above actions and that the Group will be able to realise its assets and settle its debts as and when they fall due and payable in the normal course of business, and accordingly have prepared the financial statements on a going concern basis.

(b) **PRINCIPLES OF CONSOLIDATION**

(i) **Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of White Energy ('Company' or 'Parent Entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. White Energy and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) **Associates**

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

There were no associate entities in the Group at any time in the financial periods to which this financial report relates.

(iii) **Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of White Energy.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the Board of Directors).

(d) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is White Energy's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within gain/(loss) on foreign exchange.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- > assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- > income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative

effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- > all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Revenue is recognised for the major business activities as follows:

- (i) Coal sales are recognised as revenue when the significant risk and rewards of ownership have passed to the buyer and the revenue can be measured reliably. This is usually at the time of shipping the coal.
- (ii) Interest income is recognised using the effective interest method.
- (iii) Sampling income is recognised as revenue on completion of the associated coal testing.
- (iv) Livestock revenue is measured at the fair value of the consideration received or receivable and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of the delivery of the sheep, cattle or wool.

(f) GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase or construction of property, plant and equipment are included in current liabilities or non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight line basis over the expected lives of the related assets.

(g) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity ("White Energy Company Limited") is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

White Energy and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) LEASES

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 25(e)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non controlling interests in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of comprehensive income.

(j) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Exploration assets are reviewed for impairment at the end of each reporting period or on renewal of the tenement.

(k) CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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(l) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(m) INVENTORY

Coal inventory is stated at the lower of cost and net realisable value. Costs are assigned based on the average cost per tonne of production and includes direct materials and labour. The net realisable value is the estimated selling price in the ordinary course of business less an estimate of selling costs.

(n) BIOLOGICAL ASSETS

Biological assets of the Group include livestock (cattle and sheep). All biological assets are measured on initial recognition and at each subsequent reporting date at their fair value estimated point of sale costs (net market value).

(i) Valuations - livestock

The net market value of livestock is determined through a combination of recent external sale prices for Ingomar Station sheep and cattle and the movement in the Eastern states trade lamb indicator and Eastern young cattle indicator from the date of the last external sale. The net market value of livestock excludes the impact of selling costs.

(ii) Value of livestock sold

The value of livestock sold represents the sale price received or receivable from the external selling agent for each animal sold after deducting selling costs.

(iii) Net increment/decrement in the net market value of biological assets

Any increase or decrease in the net market value of biological assets is recognised as other income or other expenses in the statement of comprehensive income.

The movement is determined as the difference between the net market value at the beginning and end of the financial year adjusted for purchases and sales during the financial year.

(o) EXPLORATION AND EVALUATION COSTS

Exploration and evaluation expenditure on exploration tenements and rights to farm-in are accumulated separately for each area of interest. Such expenditure is comprised of net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided one of the following conditions is met:

- > such costs are expected to be recouped through successful development and exploitation of the area of interest, or
- > alternatively, by its sale; or
- > exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Exploration expenditure that fails to meet at least one of the conditions outlined above is written off or a provision made. When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off. Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest is current.

No amortisation has been, or will be, charged until the asset is available for use, that is, when the asset has been sufficiently developed so that production is in progress.

(p) INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At the reporting date the only financial assets held were loans and receivables and available-for-sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Receivables are included in trade and other receivables (note 10) in the Balance Sheet.

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories are also included in the available-for-sale category. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised through other comprehensive income except for:

- > Interest calculated using the effective interest method.
- > The present value of any changes in the expected cash flows (discounted at the original effective interest rate).
- > Foreign exchange gains and losses on monetary financial assets.
- > Impairments which are recognised in profit or loss.

(ii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of trade receivables is described in note 1(l).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(q) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment and leasehold improvements are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Land is stated at historical cost and is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment the shorter lease term.

Assets under construction are not depreciated. The determination of the useful life of assets under construction is determined once the plant is fully operational.

The depreciation rate used for each class of depreciable asset is as follows:

- (i) Plant and equipment including buildings: 2-20 years
- (ii) Leasehold improvements:
Over the period of the lease
(generally 1 – 5 years)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(r) INTANGIBLE ASSETS

(i) Goodwill

Goodwill is measured as described in note 1(i). Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives, which at present is 17.61 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects such as the detailed BCB plant design and Americanisation of the BCB plant design are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point which the asset is ready for use.

(iv) Detailed BCB plant design

The detailed BCB plant design has a finite life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the estimated useful life which is 10 years.

(v) Americanisation of the BCB plant design

The Americanisation of the BCB plant design has a finite life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the estimated useful life which is 10 years. No amortisation has been, or will be charged until the asset is available for use.

(s) TRADE AND OTHER CREDITORS

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

(t) BORROWINGS

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(u) BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. Borrowing costs include interest on bank overdrafts, bank fees and charges.

(v) PROVISIONS

Provisions for make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income as finance costs.

Reclamation provision

A provision is made for the expected reclamation costs relating to areas disturbed at mining properties where the Group is legally responsible for such reclamation costs for operations, exploration and development of mineral property activities that have taken place up to reporting date. Provision has been made based on current estimates of costs for site reclamation and remediation, discounted to their present value based on expected future cash flows. Changes in estimates are dealt with on a prospective basis as they arise.

At each reporting date the reclamation provision is remeasured in line with changes in discount rates and the timing or amount of reclamation costs to be incurred. Changes in the provision relating to changes in the estimated reclamation costs are added to or deducted from the reclamation cost asset in mineral properties within property, plant and equipment and the unwinding of the discount is recognised as a finance cost in the statement of comprehensive income as it occurs.

If the change results in a decrease in the provision that exceeds the carrying amount of the asset, the excess asset value is written down and the excess is recognised immediately in the statement of comprehensive income.

(w) LEASE INCENTIVES

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing payments.

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The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern from the benefit from the use of the leased asset.

Costs incurred, including those in connection with a pre-existing lease (for example costs for termination, relocation or leasehold improvements), are accounted for in accordance with Australian Accounting Standards applicable to those costs, including costs which are effectively reimbursed through an incentive arrangement.

(x) EMPLOYEE BENEFITS

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave and sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

(ii) Other long term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share based payments

Share based compensation benefits are provided to eligible employees via the Long Term Incentive Plan. Information relating to these schemes is set out in note 33.

The fair value of options granted under the Long Term Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined after taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(y) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(z) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

(aa) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(ab) ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ac) IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE COMPANY

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Company's preliminary assessment of the impact of these new standards and interpretations is that there won't be a material effect on the amounts recognised in its financial statements resulting from their application. This view may change after a full assessment is made. The standards which may be early adopted and are relevant to the Group are set out below.

(i) AASB 9 Financial instruments (Expected to be initially applied in the year ending 30 June 2019)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Group does not expect any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. Whilst the Group currently has debt instruments classified as available-for-sale financial assets these are expected to be sold before the new standard is adopted. The Group does not expect any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

While the Group currently does not have any hedging arrangements, as a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss model which may result in the earlier recognition of credit losses.

(ii) AASB 15 Revenue from contracts with customers (Expected to be initially applied in the year ending 30 June 2019)

AASB15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance contained in AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or a service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

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The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application e.g. 1 January 2018, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group does not expect there to be a material impact on the revenue recognised in its financial statements based on its major business activities at 30 June 2017.

(iii) AASB 16 Leases (Expected to be initially applied in the year ending 30 June 2020)

AASB 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has operating lease commitments of \$6,379,000 (2016: \$11,053,000). However, the Group only has operating lease commitments from continuing operations of \$70,000 at 30 June 2017 (2016: \$323,000), so there is currently no expected significant impact on its financial statements from the application of AASB 16.

(ad) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the Parent Entity, White Energy, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of White Energy. Dividends received from associates are recognised in the Parent Entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

White Energy and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, White Energy, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, White Energy also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement and tax sharing agreement under which the wholly-owned entities fully compensate White Energy for any current tax payable assumed and are compensated by White Energy for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to White Energy under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreement or tax sharing agreement with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(ae) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets or disposal groups (groups of assets and liabilities) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately in the statement of profit or loss and the assets and liabilities of the discontinued operations are presented separately from the other assets and liabilities in the balance sheet.

(af) COMPARATIVES

Comparative information has been reclassified where appropriate to enhance comparability.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. These include market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on liquidity and cash flow management.

Risk management is carried out by management under policies approved by the Board of Directors, who evaluate financial risks in close co-operation with the Group's Key Management Personnel.

(a) MARKET RISK

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar and Singapore Dollar.

Foreign exchange risk arises from future commercial transactions and recognising assets and liabilities denominated in a currency that is not the entity's functional currency. Functional currencies of Group entities include Australian Dollar, US Dollar and South African Rand

The Group seeks to limit its exposure to transactional foreign exchange risk by maintaining bank accounts denominated in currencies relevant to local operations – predominantly US Dollars and South African Rand. Operations located in the USA and South Africa transact in local currencies from local bank accounts. Foreign exchange risks for expected future foreign currency commitments can be limited by holding funds in foreign currency bank accounts.

The Group's exposure to foreign currency risk of financial assets and liabilities at the end of the reporting period, expressed in Australian Dollars, was as follows:

	2017 (\$'000)				2016 (\$'000)			
	USD	SGD	GBP	AUD	USD	SGD	GBP	AUD
Assets								
Cash and cash equivalents	249	-	-	-	-	-	-	-
Liabilities								
Trade & other payables – Current	(7)	(659)	(80)	(18)	(7)	(1,033)	(39)	(6)
Total liabilities	242	(659)	(80)	(18)	(7)	(1,033)	(39)	(6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

Sensitivity

Based on the Group's foreign-denominated financial assets and liabilities above, had the relevant functional currency weakened / strengthened by 10% against the above currencies with all other variables held constant, the impact on the Group's profit and equity would be:

	2017 (\$'000)		2016 (\$'000)	
	+10%	-10%	+10%	-10%
AUD vs USD	(24)	29	-	-
AUD vs SGD	58	(70)	93	(113)
USD v SGD	-	-	2	(2)
USD v GBP	7	(9)	4	(4)

The analysis is conducted in relation to base exchange rates of: AUD/USD \$0.7692 (2016: \$0.7426); AUD/SGD \$1.0598 (2016: \$1.0027), USD/SGD \$1.3778 (2016: \$1.3503) and USD/GBP \$0.7687 (2016: \$0.7472).

(ii) Price risk

The Group is exposed to commodity price risk arising from sale of coal from the Group's coal mining operations in the USA and in prior years, from fluctuations in the prices of sheep and cattle owned by the Group at its South Australian property which was sold in September 2016.

Coal

The Group's exposure to coal price fluctuations has been largely mitigated through the use of long term fixed price sales contracts that allows for annual price increases. Over 90% (2016: 73%) of coal revenues in the year to 30 June 2017 were from fixed-price contracts. For the balance of coal sales, prices can fluctuate depending on local supply and demand. If non-fixed achieved sales prices had been on average, 10% higher/lower throughout the year, the Group's loss after tax would have been \$53,000 lower/higher (2016: \$732,000).

(iii) Interest rate risk

The Group's main exposure to interest rate risk during the year arose from movements in the interest rates received on its bank accounts and term deposits. The Group's external borrowings were at fixed interest rates which was determined on the draw down date.

The Group manages interest rate risk by holding a large portion of the Group's cash and cash equivalents in fixed short term deposits after forecasting its cash management needs. Interest payable on each shareholder loan drawdown is at a fixed rate.

The Group's exposure to interest rate risk for all classes of financial assets and liabilities, including financial assets and liabilities of disposal groups held for sale at 30 June 2017 is set out below:

At 30 June 2017	Floating interest rate \$'000	Fixed interest maturing in less than 12 months \$'000	Fixed interest maturing in more than 12 months \$'000	Non-interest bearing \$'000	Carrying Amount assets/ liabilities \$'000
Financial assets					
Cash and cash equivalents	2,063	1,000	-	249	3,312
Restricted cash	-	3,233	-	2,000	5,233
Trade and other receivables (excluding prepayments)	324	-	-	1,094	1,418
Available-for-sale financial asset	-	-	-	1,152	1,152
Total financial assets	2,387	4,233	-	4,495	11,115
Financial liabilities					
Trade and other payables	-	-	(57,877)	(19,345)	(77,222)
Total financial liabilities	-	-	(57,877)	(19,345)	(77,222)
Net financial assets/(liabilities)	2,387	4,233	(57,877)	(14,850)	(66,107)

At 30 June 2016	Floating interest rate \$'000	Fixed interest maturing in less than 12 months \$'000	Fixed interest maturing in more than 12 months \$'000	Non-interest bearing \$'000	Carrying Amount assets/ liabilities \$'000
Financial assets					
Cash and cash equivalents	4,553	2,004	-	-	6,557
Restricted cash	-	4,752	-	2,000	6,752
Trade and other receivables (excluding prepayments)	341	2	-	1,221	1,564
Available-for-sale financial asset	-	-	-	-	-
Total financial assets	4,894	6,758	-	3,221	14,873
Financial liabilities					
Trade and other payables	-	(20,389)	(37,845)	(18,860)	(77,094)
Total financial liabilities	-	(20,389)	(37,845)	(18,860)	(77,094)
Net financial assets/(liabilities)	4,894	(13,631)	(37,845)	(15,639)	(62,221)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

Sensitivity

The Group's fixed rate financial assets and liabilities are not considered to be subject to interest rate risk as neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. If interest rates had increased or decreased by 100 basis points from the year end rates with all other variables held constant and financial asset balances subject to floating interest rates were maintained for a full year, the cash balances and post tax profit/loss would be \$24,000 higher/\$24,000 lower (2016 changes of 100 bps: \$48,900 higher/\$48,900 lower).

(b) CREDIT RISK

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables and committed transactions.

For cash and cash equivalents, the Group manages its credit risk by only depositing its funds with reputable banks and financial institutions and spreads its deposits across several banks in a number of countries.

For trade and other receivables, management assesses the credit worthiness of customers before sales are made. This assessment typically includes consideration of the customers' financial position and past experiences with the customer. In the majority of cases, credit terms of 30 days are offered to customers.

The credit quality of trade and other receivables was assessed as follows:

	2017 \$'000	2016 \$'000
Counterparties without external rating		
Group 1 - New customers	401	40
Group 2 - Existing customers - no past defaults	3	524
Group 3 - Existing customers - past defaults	-	4
Total trade receivables	404	568

Further information on credit risk in relation to customers and impaired trade receivables is outlined in note 10 (a) and (b).

The carrying amount of financial assets, including the financial assets of disposal groups held for sale at 30 June 2017, represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was:

	Note	2017 \$'000	2016 \$'000
Cash and cash equivalents	8 & 11(b)	3,312	6,557
Trade and other receivables (excluding prepayments)	10 & 11(b)	1,418	1,564
Restricted cash	12 & 11(b)	5,233	6,752
Available-for-sale financial asset	11(b)	1,152	-
Total exposure to credit risk at year end		11,115	14,873

(C) LIQUIDITY RISK

The Group's exposure to liquidity risk would arise where the Group does not hold sufficient cash reserves or have access to uncommitted credit facilities to meet supplier and other payment obligations when they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group ensures that there are sufficient cash funds available to meet the expenses incurred. Where forecasts indicate a future funding requirement, management has and will continue to conduct initiatives such as capital raising to meet such demands.

(i) Financing arrangements

Funding for certain Group companies is provided from White Energy and other minority shareholders pursuant to shareholder funding agreements. There is no specific facility limit available, with drawdown requests being considered for approval by White Energy and the minority shareholders in relation to approved budgets and forecasts.

The Group utilises finance and operating leases for the provision of plant and equipment used in its operations. Applications for new leases are assessed on a case-by-case basis.

(ii) Maturities of financial liabilities

The tables below analyse the Group's expected maturity profile of the financial liabilities held as at reporting date including the financial liabilities of disposal groups held for sale at 30 June 2017.

The amounts disclosed in the table are the expected contracted undiscounted cash flows as the impact of discounting is not significant. The contractual cash flows disclosed below as trade and other payables includes \$72,980,000 (2016: \$69,960,000) payable by non-wholly-owned subsidiaries to minority shareholders with a carrying amount of \$67,799,000 (2016: \$65,080,000). Further information on shareholder loans can be found in note 19(b) and note 11(b).

Contractual maturities of financial liabilities At 30 June 2017	Less than 6 months \$'000	Less than 12 months \$'000	Between 1 and 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives				
Trade and other payables	9,316	56	73,031	82,403
Total non-derivatives	9,316	56	73,031	82,403
At 30 June 2016				
Non-derivatives				
Trade and other payables ⁽ⁱ⁾	11,862	23,989	46,121	81,972
Total non-derivatives	11,862	23,989	46,121	81,972

(i) Subsequent to the reporting date in the prior year, the repayment terms of loans payable to minority shareholders were changed. If the new terms had been effective as at 30 June 2016, \$23,960,000 reported above in the "less than 12 months" category would have been reported in the "between 1 and 5 years" category.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) IMPAIRMENT OF ASSETS

(i) Coal technology cash generating unit (CGU)

Where an intangible asset is subject to amortisation, the Group tests for impairment only when an event or change in circumstances indicates that the carrying value may not be recoverable.

The coal technology CGU had the following intangible assets with finite useful lives subject to amortisation:

- > BCB coal technology license: is being amortised over the license term of 17.61 years;
- > Detailed BCB plant design: is being amortised over 10 years from 1 July 2010;
- > Americanisation of the BCB plant design: will be amortised over 10 years; and
- > Development costs: will be amortised over 10 years from the time the corresponding project has reached a stage of intended use. The carrying value of the capitalised development costs are individually assessed for impairment in each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2017

After commissioning an independent valuation of the BCB coal technology business, the Directors have decided to recognise an impairment charge against the assets of the coal technology CGU. The carrying values of the intangible assets and details of the valuation methodology are disclosed in note 16.

In addition to the intangible assets identified above, the coal technology CGU also includes items of plant and equipment against which an impairment charge has been recognised.

By their very nature there is inherent uncertainty in the value of technology related assets such as the BCB technology and this uncertainty in the value will remain until such time as the BCB technology is operated on a commercial scale. The critical assumption affecting the recoverable amount of the intangible assets referred to above is the successful commercialisation of coal fines upgrading opportunities utilising the BCB technology. Refer to note 16(a)(i) for details of these assumptions.

(ii) Mining exploration cash generating unit (CGU)

Exploration expenditure is reviewed annually for impairment if events or changes in circumstances indicate the carrying value may not be recoverable or there is a reversal of a previous impairment. For each area of interest carried forward as an asset, at least one of the conditions set out in note 1(o) must continue to be met.

If there are indicators of impairment or reversal of impairment, an exercise is undertaken to determine the recoverable amount in accordance with the accounting policy outlined in note 1(j).

The recoverable amount of the mining exploration CGU is determined based on fair value less costs of disposal calculations. These calculations require the use of assumptions.

No indicators of impairment or reversal of impairment were identified in the review of exploration expenditure undertaken during the year ended 30 June 2017. Indicators of impairment were identified in the review of exploration expenditure undertaken during the year ended 30 June 2016. The critical assumption affecting the recoverable amount of the mining exploration CGU is the future development potential of EL5719, including the potential opportunity to supply coal to the domestic market and coal gasification commercialisation opportunities. Refer to note 15(b) for further details of these assumptions and the potential impact of changes to the assumptions.

(iii) Coal mining cash generating unit (CGU)

The assets associated with the coal mining CGU include the property, plant and equipment and coal inventories at the coal mines operated by Mountainside Coal Company in Kentucky, USA. The coal mining CGU also includes capitalised costs of exploration, development and mining rights associated with those operations.

The Group is seeking to sell its interest in Mountainside Coal Company Inc, and at 30 June 2017 its assets and liabilities are classified as held for sale in the balance sheet and the results of its operations are disclosed as being from a discontinued operation.

The coal mining CGU is therefore carried at lower of carrying value or fair value less costs to sell in accordance with the accounting policy outlined in note 1(ae).

The Directors have determined that the carrying value of the coal mining CGU at 30 June 2017 will be recoverable through sale after considering indications of interest received from potential purchasers and internal fair value less costs of disposal calculations. Refer to note 11(b) for further details on the planned disposal and the carrying value of the coal mining CGU.

(b) RECLAMATION PROVISION

The Group is required to rehabilitate areas disturbed by its mining and exploration activities. There is some flexibility as to the timing of these reclamation activities. In raising the provision, management has estimated both the future cost of conducting the reclamation work and the future year in which the work will be performed.

If the actual cost of conducting the rehabilitation work was 10% higher than management's estimate, then the reclamation provision (disclosed within liabilities of disposal groups held for sale) and assets classified as held for sale would have been \$194,000 higher at 30 June 2017 (2016 : \$196,000 higher).

As the future costs are discounted from the expected future year back to the balance date, the recognised value of the provision can be impacted by the eventual timing of the work. If the reclamation work were to be performed one year earlier than management's estimate, then the reclamation provision and non-current assets would each be \$21,000 higher at balance date (2016 : \$25,000).

(c) CONTINGENT CONSIDERATION RECEIVABLE

During the year, the Group sold coal production permits in the USA for consideration which included a future royalty stream, based on future coal production from those permits by the new owners. At the date of sale, the Group recognised a contingent consideration receivable of \$1,177,000 at 31 March 2017. This is assessed at each balance date, and adjusted to its fair value (30 June 2017: \$1,152,000). The value of royalties which will ultimately be received is uncertain, as it will be determined by the quantity of coal that the new owner will eventually recover from the mines and to a lesser extent the price of coal sold from some areas. Management's estimate is based on its own expectations for the mines and from indications from the new owners as to their plans for production. If the total quantity of coal which is actually recoverable was 10% less / 10% more than estimated, then the contingent consideration receivable asset (disclosed within assets classified as held for sale) would be \$111,000 lower / higher at 30 June 2017, with an equivalent amount charged as an expense / recognised as a gain in profit or loss. A 10% movement in coal price would have an impact on profit and assets of \$111,000.

(d) GOING CONCERN

The Group prepared this financial report on a going concern basis, which contemplates the realisation of its assets and settlement of its debts as and when they fall due and payable in the normal course of business, and that the Group will have access to additional funds in the next 12 months. Refer to note 1(a)(v).

NOTE 4. SEGMENT INFORMATION

(a) DESCRIPTION OF SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from both a business line and a geographic perspective and has identified four reportable business line segments: coal technology, coal mining, mining exploration and property.

The coal technology segment has the exclusive licence to patented BCB technology developed by a consortia led by CSIRO which processes relatively poor quality coal into a higher quality product.

The coal mining segment reports the financial results of MCC which operates a series of coal mines in the USA. As White Energy commenced a process to sell its interest in MCC in June 2017, MCC's results are reported as a discontinued operation as at 30 June 2017.

The mining exploration segment holds tenements near Cooper Pedy, South Australia.

The property segment reflects the agricultural activities of Ingomar Station which operated as a working cattle and sheep property up until it was sold in September 2017. Although the property segment does not meet the quantitative thresholds required by AASB 8, management has concluded that this segment should be reported, as it was monitored by the Board of Directors and contributed to Group revenue. The property operations are reported as a discontinued operation at both 30 June 2016 and 30 June 2017.

The Group's sectors operate in five main geographical areas:

- (i) Australia: The home country of the main operating entity. The areas of operation are the coal technology, mining exploration and property business lines.
- (ii) Asia: Comprises operations carried on in Indonesia, China and Singapore. The area of operation is the coal technology business line. South Africa and Mauritius: Currently undertaking marketing activities and feasibility studies to bring the BCB coal technology to the South African market.
- (iii) United States (U.S.): Operating a series of coal mines and undertaking marketing activities and feasibility studies to bring the BCB coal technology to the North American market.
- (iv) United Kingdom (UK): An investment holding Company which owns MCC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

(b) SEGMENT INFORMATION PROVIDED TO THE BOARD OF DIRECTORS

The Board of Directors regularly reviews the financial performance of the group for the reportable segments below. The Board does not review assets and liabilities of each segment.

2017	Coal technology				Coal Mining		Mining exploration	Property	Inter-company	Total
	Australia \$'000	Asia \$'000	South Africa \$'000	U.S. \$'000	U.S. \$'000	U.K. \$'000	Australia \$'000	Australia \$'000	\$'000	\$'000
Total income	8,568	-	939	-	5,797	287	2,402	-	(10,173)	7,820
Total expenses	(8,077)	(51)	(1,544)	(41)	(7,773)	(479)	(3)	(192)	461	(17,699)
EBITDA ⁽¹⁾	491	(51)	(605)	(41)	(1,976)	(192)	2,399	(192)	(9,712)	(9,879)
Depreciation	(1,773)	-	(344)	-	(3,618)	-	-	-	-	(5,735)
Amortisation	(3,846)	-	(630)	-	-	(1,805)	-	-	2,434	(3,847)
Interest expense	(7)	-	(1,198)	(2,126)	(3,999)	(2,020)	-	-	5,796	(3,554)
Impairment expense	(16,247)	-	(2,594)	(2,088)	-	-	-	-	-	(20,929)
Other expenses	(308)	-	-	-	-	-	-	-	-	(308)
Foreign exchange gains and (losses)	23	71	(2)	-	-	(4)	-	-	(71)	17
Discontinued operations	-	-	-	-	9,593	-	-	192	(2,090)	7,695
Gain / (loss) before income tax ⁽¹⁾	(21,667)	20	(5,373)	(4,255)	-	(4,021)	2,399	-	(3,643)	(36,540)
Other segment information										
Total segment income above includes:										
(a) Revenues from:										
- external customers	995	-	935	-	5,797	-	-	-	-	7,727
- other segments	7,484	-	-	-	-	287	2,402	-	(10,173)	-
(b) Interest revenue	89	-	4	-	-	-	-	-	-	93
Non-current assets ⁽²⁾	14,423	2,000	5,000	-	-	5,000	10,213	-	(9,294)	27,342

(1) From continuing operations, including income and expenses attributable to minority interests in non-wholly-owned subsidiaries.

(2) Excluding financial instruments, deferred tax balances and assets of discontinued operations.

2016	Coal technology				Coal Mining		Mining exploration	Property	Inter-company	Total
	Australia \$'000	Asia \$'000	South Africa \$'000	U.S. \$'000	U.S. \$'000	U.K. \$'000	Australia \$'000	Australia \$'000	\$'000	\$'000
Total income	8,580	-	667	-	27,430	347	18	1,978	(8,657)	30,363
Total expenses	(13,736)	(106)	(1,984)	18	(38,914)	(429)	(46)	(2,240)	536	(56,901)
EBITDA ⁽¹⁾	(5,156)	(106)	(1,317)	18	(11,484)	(82)	(28)	(262)	(8,121)	(26,538)
Depreciation	(1,804)	(2)	(466)	-	(6,623)	-	-	(126)	10	(9,011)
Amortisation	(3,846)	-	(894)	-	(438)	(1,870)	-	-	2,523	(4,525)
Interest expense	(15)	-	(1,523)	(2,190)	(4,020)	(2,076)	-	-	6,110	(3,714)
Impairment expense	-	-	(670)	-	(26,257)	-	(15,100)	-	-	(42,027)
Other expenses	(144)	(70)	(4)	-	-	(3)	-	-	70	(151)
Fair value gains	-	-	-	-	-	-	-	718	-	718
Discontinued operations	-	-	-	-	48,822	-	-	(330)	(1,894)	46,598
Loss before income tax ⁽¹⁾	(10,965)	(178)	(4,874)	(2,172)	-	(4,031)	(15,128)	-	(1,302)	(38,650)
Other segment information										
Total segment income above includes:										
(a) Revenues from:										
- external customers	642	-	-	-	27,385	13	18	1,977	-	30,035
- other segments	7,663	-	659	-	-	334	-	1	(8,657)	-
(b) Interest revenue	275	-	8	-	45	-	-	-	-	328
Non-current assets ⁽²⁾	36,310	2,000	9,282	2,122	28,011	17,499	9,991	-	(23,861)	81,354

(1) From continuing operations, including income and expenses attributable to minority interests in non-wholly-owned subsidiaries.

(2) Excluding financial instruments, deferred tax balances and assets of discontinued operations.

(c) OTHER SEGMENT INFORMATION

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

Segment income reconciles to the statement of comprehensive income revenue as follows:

	2017 \$'000	2016 \$'000
Total segment income	7,820	30,363
Exclude revenue from discontinued operations recognised in segment income	(5,797)	(29,408)
Total revenue from continuing operations	2,023	955

The head entity, White Energy Company Limited, is domiciled in Australia. The amount of its revenue from external customers in Australia (including discontinued operations) is \$995,000 (2016: \$2,637,000) and the total revenue from external customers in other countries is \$6,732,000 (2016: \$27,398,000), including \$5,797,000 (2016: \$27,385,000) from customers in the USA and \$935,000 (2016: \$nil) from customers in South Africa. Segment revenues are allocated based on the country in which the customer is located.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

(ii) Major customers

Revenues attributed to the Coal Mining (USA) segment are derived from a number of significant customers who each account for greater than 10% of White Energy's total segment income. Revenues earned from each of these customers during the year were: \$4,823,000 (2016: \$20,019,000) and \$333,000 (2016: \$3,299,000).

(iii) Reconciliation to consolidated loss for the year

The segment information total loss before income tax reconciles to the statement of comprehensive income loss before income tax for the year as follows:

	2017	2016
	\$'000	\$'000
Loss for the year – segment information from continuing operations	36,540	38,650
Loss from discontinued operations	7,695	46,598
Consolidated net loss before income tax for the year	44,235	85,248

NOTE 5. REVENUE

	2017	2016
	\$'000	\$'000
From continuing operations		
Interest income	93	282
Woestalleen claim ^(a)	585	-
Government grant income ^(b)	435	435
Design and engineering income	341	-
Award of litigation costs ^(c)	330	-
Net profit on sale of fixed assets	91	-
Sampling income – potential customers	-	16
Other revenue	148	222
	2,023	955

(a) Woestalleen claim of \$585,000 (2016: Nil) was received during the financial year. This settled a claim for payments and damages relating to an agreement to build a coal fines beneficiation circuit in Woestalleen, South Africa by the Group's subsidiary River Energy South Africa Pty Ltd.

(b) Government grant income of \$435,000 (2016: \$435,000) was recognised by the Group during the financial year, which represents the annual amortised amount of a Commercial Ready Grant received in 2008. There are no unfulfilled conditions or other contingencies attaching to these grants.

(c) Award of litigation costs of \$330,000 (2016: Nil) was received during the financial year, in settlement of costs awarded to subsidiary BCBC Singapore Pte Ltd (BCBCS) in relation to a Supreme Court of Western Australia freezing order made against Bayan Resources Tbk's shareholding in Kangaroo Resources Limited.

NOTE 6. EXPENSES

	2017 \$'000	2016 \$'000
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation expense – Property, plant and equipment	2,118	2,264
Amortisation expense – Intangible assets	3,846	4,085
Total depreciation and amortisation expense	5,964	6,349
Consulting, external management and professional fees	653	995
Litigation costs	1,895	4,517
Total external advisory fees	2,548	5,512
Impairment expense – Exploration tenements and rights	-	15,100
Impairment expense – Intangible assets	12,766	-
Impairment expense – Property, plant and equipment	8,163	670
Total impairment expense	20,929	15,770
Defined contribution superannuation expense	279	442
Other employee benefits expense	4,462	5,872
Total employee benefits expense	4,741	6,314

NOTE 7. INCOME TAX CREDIT

(a) INCOME TAX CREDIT

	2017 \$'000	2016 \$'000
Current tax	(2,211)	(2,713)
Adjustments for current tax of prior periods	-	661
Deferred tax	6,693	2,052
Adjustments for deferred tax of prior periods	(4,482)	-
	-	-
Deferred income tax (revenue)/expense included in income tax comprises:		
Decrease/(increase) in deferred tax assets (note 13)	2,948	5,789
(Decrease)/increase in deferred tax liabilities (note 20)	(2,948)	(5,789)
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

(b) NUMERICAL RECONCILIATION OF INCOME TAX CREDIT TO PRIMA FACIE TAX PAYABLE

	2017	2016
	\$'000	\$'000
Loss from continuing operations before income tax credit	(36,540)	(38,650)
Loss from discontinuing operations before income tax credit	(7,695)	(46,598)
	(44,235)	(85,248)
Tax credit at the Australian tax rate of 30% (2016 - 30%)	(13,271)	(25,574)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment expense	318	8,078
Non-deductible interest	1,224	-
Non-deductible litigation costs	568	-
Sundry items	1,255	842
Differences in overseas operations tax rates	1,310	(1,822)
Adjustments for deferred tax of prior periods	(4,482)	-
Tax losses and timing differences not brought to account	13,078	18,476
Income tax credit	-	-

(c) TAX LOSSES

Unused tax losses for which no deferred tax asset has been recognised	167,214	161,744
Potential tax benefit	50,546	48,873

(d) UNRECOGNISED TEMPORARY DIFFERENCES

Temporary differences for which a deferred tax asset has not been recognised:

Tax losses	167,214	161,744
Unrealised foreign currency translation	74,025	79,563
	241,239	241,307
Unrecognised deferred tax assets relating to the above temporary differences	72,754	72,742

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
Cash at bank and in hand	3,216	6,557
	3,216	6,557

(a) RISK EXPOSURE

The Group's exposure to interest rate risk is discussed in note 2(a)(iii). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) BANK GUARANTEES

At 30 June 2017 bank guarantees exist which have been issued as security for property bonds in the amount of \$62,000 (2016: \$229,000).

NOTE 9. CURRENT ASSETS – INVENTORY

	2017 \$'000	2016 \$'000
Coal stockpiles – ROM at cost	-	1
Coal stockpiles – Product at net realisable value	-	1,587
Other	-	175
	-	1,763

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2017 \$'000	2016 \$'000
Trade debtors	455	615
Provision for impairment of receivables (a)	(51)	(47)
Prepayments	339	874
Loan receivable (c)	324	341
Deposits	21	310
Interest receivable	-	2
Other receivables	330	343
	1,418	2,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

(a) IMPAIRED TRADE RECEIVABLES

As at 30 June 2017, current trade receivables of the Group with a nominal value of \$51,000 (2016: \$47,000) were impaired. The amount of the provision was \$51,000 (2016: \$47,000).

The ageing of impaired trade receivables is as follows:

	2017 \$'000	2016 \$'000
Over 6 months	51	47
	51	47
Movements in the provision for impairment of receivables are as follows:		
At start of the year	47	1
Provision for impairment recognised during the year	4	46
Reversal of previous impaired losses	-	-
At end of the year	51	47

The creation and release of the provision for impaired receivables has been included in other expenses in the statement of comprehensive income.

(b) PAST DUE BUT NOT IMPAIRED

As at 30 June 2017, trade receivables of \$3,000 (2016: \$132,000) were past due but not impaired. These relate to an independent customer for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 \$'000	2016 \$'000
Up to 3 months	3	123
3 to 6 months	-	-
Over 6 months	-	9
	3	132

(c) LOAN RECEIVABLE

The loan receivable of \$324,000 (2016: \$341,000) was overdue by greater than 12 months as at 30 June 2017. Repayment of the loan has been demanded and is expected to be recovered through repayment or as part of a future commercial arrangement.

(d) FOREIGN EXCHANGE, INTEREST RATE AND LIQUIDITY RISK

Information about the Group's exposure to foreign exchange risk, interest rate risk and liquidity risk is provided in note 2.

(e) FAIR VALUE AND CREDIT RISK

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group.

(f) RISK EXPOSURE

The Group's exposure to credit risk is discussed in note 2(b). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

NOTE 11. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES OF DISPOSAL GROUPS HELD FOR SALE

	2017 \$'000	2016 \$'000
Assets held for sale		
Ingomar Station (a)	-	6,320
Mountainside Coal Company Inc. (b)	23,266	-
	23,266	6,320
Liabilities of disposal groups held for sale		
Mountainside Coal Company Inc. (b)	37,350	-
	37,350	-

(a) INGOMAR STATION

In June 2016 the Company commenced the sale of its pastoral property, Ingomar Station located in South Australia. A sale agreement was executed in early August and the sale settled on 2 September 2016. The assets associated with the property were presented as held for sale as at 30 June 2016 and the operating results of the pastoral operations are reported as a discontinued operation in both 2016 and 2017.

The assets were sold for \$6,320,000 net of selling costs.

The assets of Ingomar Station at 30 June comprised:

	2017 \$'000	2016 \$'000
Biological assets – livestock (i)	-	2,489
Land	-	2,580
Plant and equipment	-	1,251
	-	6,320
(i) Biological assets – livestock		
Opening balance	2,489	2,848
Purchases – other	-	31
Sales	(2,489)	(1,108)
Change in net market value	-	718
Closing balance	-	2,489

Livestock numbers at 30 June 2017 were nil (2016: 16,470 including 13,370 sheep and 3,100 cattle). During the year there was a net natural increase of nil sheep (2016: 1,488) and nil cattle (2016: 2,035).

(b) MOUNTAINSIDE COAL COMPANY INC

In June 2017 the Company commenced a process for the sale of its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. The decision to sell MCC was made following test results that showed low ash coal fines produced from MCC's coal mines were not suitable for commercial production of higher value stoker-sized coal briquettes using the Company's proprietary Binderless Coal Briquetting technology, which was a key part of the strategic reasons for acquiring MCC. A number of parties have registered their interest as at the date of signing of these financial statements and are reviewing detailed information on the assets.

A sale agreement and settlement are expected during the year ended 30 June 2018. All of the assets and liabilities of MCC have been presented as held for sale as at 30 June 2017 and the operating results of MCC's operations have been reported as a discontinued operation for 2017, with the 2016 comparatives reclassified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

MCC's assets and liabilities at 30 June 2017 are set out below:

	2017 \$'000
Assets held for sale	
Cash and cash equivalents	96
Inventories	112
Trade and other receivables	339
Restricted cash	3,233
Available-for-sale financial assets	1,152
Prepayments	519
Property, plant and equipment	17,604
Exploration assets	211
Total assets of disposal group held for sale	23,266
Liabilities of disposal groups held for sale	
Trade and other payables	2,033
Provisions	1,941
Other payables	163
Accrued interest on shareholder loans – Black River	3,986
Loans from shareholders – Black River	29,227
Total liabilities of disposal group held for sale	37,350

NOTE 12. NON-CURRENT ASSETS – RESTRICTED CASH

	2017 \$'000	2016 \$'000
Non-current asset		
Restricted cash – security bond (a)	2,000	2,000
Reclamation bonds (b)	-	4,752
	2,000	6,752

(a) RESTRICTED CASH – SECURITY BOND

The Supreme Court of Western Australia holds a \$2,000,000 security bond from White Energy, on behalf of its subsidiary BCBC Singapore Pte Ltd, in support of freezing orders made against Bayan Resources Tbk's shareholding in Kangaroo Resources Limited.

(b) RECLAMATION BONDS

The Group holds certificates of deposit restricted for bonds. The certificates are a requirement of the mining permits issued in Kentucky and Tennessee in the USA. The certificates of deposit restricted for bonds are held as security until reclamation of the permitted sites has been suitably completed by the Group. Reclamation bonds are not included in the 2017 balance in this note as Mountainside Coal Company Inc. is being offered for sale as at balance date (refer note 11(b)).

NOTE 13. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Tax losses – other	36,312	48,873
Tax losses – disposal groups held for sale – MCC (a)	14,234	-
Other deferred tax assets – disposal groups held for sale – MCC (a)	6,752	-
Property, plant and equipment	1,671	-
Intangibles	4,247	833
Trade and other payables	2,147	4,713
Trade and other debtors	2,463	2,463
Other balances and transactions	-	814
Total deferred tax assets	67,826	57,696
Deferred tax assets not brought to account:		
Tax losses	(50,546)	(48,873)
Other	(13,771)	(2,366)
	(64,317)	(51,239)
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(3,509)	(6,457)
Net deferred tax assets	-	-
Deferred tax assets expected to be settled within 12 months	3,489	3,116
Deferred tax assets expected to be settled after more than 12 months	20	3,341
	3,509	6,457
Movement in deferred tax assets		
At start of the year	6,457	12,246
(Charged)/credited to profit or loss:		
Tax losses	-	(4,825)
Other deferred tax assets – disposal groups held for sale – MCC (a)	6,752	-
Property, plant and equipment	1,671	-
Intangibles	3,414	248
Trade and other payables	(2,567)	1,218
Other balances and transactions	(813)	(64)
Other deferred tax balances not brought to account	(11,405)	(2,366)
At end of the year	3,509	6,457

(a) DEFERRED TAX ASSETS – DISPOSAL GROUPS HELD FOR SALE – MCC

Further information on MCC's related assets classified as held for sale and liabilities of disposal groups held for sale is set out in note 11(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

NOTE 14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment \$'000	Leasehold improvements \$'000	Land \$'000	Mineral properties \$'000	Total \$'000
At 1 July 2015					
Cost or fair value	68,090	214	2,971	4,045	75,320
Accumulated depreciation and impairment	(16,271)	(156)	-	(2,328)	(18,755)
Net book value	51,819	58	2,971	1,717	56,565
Year ended 30 June 2016					
Opening net book value	51,819	58	2,971	1,717	56,565
Additions (a)	2,501	-	-	1,273	3,774
Transfers (b)	(1,251)	-	(2,580)	-	(3,831)
Disposals	(878)	-	-	-	(878)
Exchange differences	1,081	-	14	119	1,214
Depreciation	(8,138)	(52)	-	(820)	(9,010)
Impairment expense	(10,779)	-	-	(2,289)	(13,068)
Closing net book value	34,355	6	405	-	34,766
At 30 June 2016					
Cost or fair value	55,896	154	405	-	56,455
Accumulated depreciation and impairment	(21,541)	(148)	-	-	(21,689)
Net book value	34,355	6	405	-	34,766
Year ended 30 June 2017					
Opening net book value	34,355	6	405	-	34,766
Additions	6	-	-	1,369	1,375
Transfer to assets held for sale	(16,105)	-	(130)	(1,369)	(17,604)
Disposals	(1,900)	-	(265)	-	(2,165)
Exchange differences	(534)	-	(10)	-	(544)
Depreciation	(5,732)	(4)	-	-	(5,736)
Impairment expense (c)	(8,163)	-	-	-	(8,163)
Closing net book value	1,927	2	-	-	1,929
At 30 June 2017					
Cost or fair value	19,292	154	-	-	19,446
Accumulated depreciation and impairment	(17,365)	(152)	-	-	(17,517)
Net book value	1,927	2	-	-	1,929

(b) IMPAIRMENT

Further information on the impairment calculations are set out in note 16(a)(ii).

(c) LEASEHOLD EQUIPMENT

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2017 \$'000	2016 \$'000
Leasehold plant and equipment		
Cost	-	837
Accumulated depreciation	-	(209)
Net book value	-	628

NOTE 15. NON-CURRENT ASSETS – EXPLORATION ASSETS

	2017 \$'000	2016 \$'000
Exploration Tenements		
<i>Coober Pedy : EL5719</i>		
Cost at beginning of reporting period	7,301	7,269
Additional expenditure	222	32
Net book value	7,523	7,301
<i>Mountainside Coal Company</i>		
Cost at beginning of reporting period	-	2,172
Additional expenditure	211	602
Exchange differences	-	130
Impairment (a)	-	(2,904)
Transfer to assets held for sale	(211)	-
Net book value	-	-
Exploration rights		
Cost at beginning of reporting period	2,690	17,790
Impairment (b)	-	(15,100)
Net book value	2,690	2,690
Exploration assets net book value	10,213	9,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

Key assumptions used for impairment calculations (year ended 30 June 2016)

- (a) Costs carried-forward in respect of exploration activities at Mountainside Coal Company's coal licences in Kentucky USA are included in the coal mining cash generating unit (CGU). Refer to note 16(a)(iii) for details of the impairment calculations performed in respect of the coal mining CGU in the prior year. Refer to note 3(a)(iii) for details of the current year's impairment assessment.
- (b) The Group's mining exploration CGU is comprised of mining exploration rights in South Australia, including EL5719, a large sub-bituminous coal deposit with certified JORC resources and further exploration potential for other minerals.

An internal valuation of the EL5719 mining tenements and exploration rights at 30 June 2016 was performed and as a result, the aggregate carrying value was written-down to \$9,991,000 after recognising an impairment charge of \$15,100,000.

The recoverable amount of a CGU was determined based on the higher of value-in-use calculations and fair value less costs to sell calculations. The recoverable amount of \$9,991,000 determined in the internal management valuation as at 30 June 2016 was based on fair value less costs to sell calculation which was calculated as the price that would be paid for EL5719 in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.

In performing the valuation, management re-evaluated the key factors outlined in an independent valuation of EL5719 (then known as EL4534) prepared at 30 June 2014.

As the carrying value had been written-down to equal the estimated recoverable value, any further adverse change to the coal market would impact the recoverable amount and could result in the carrying amount to exceed the recoverable amount. For example a 10% movement in the coal price would result in a movement in the recoverable amount of \$700,000.

As the inputs to the 2014 valuation performed by the valuer are significant unobservable inputs, the fair value of the exploration asset is classified as a level 3 fair value.

Further information on the mining exploration CGU can be found in note 3(a)(ii).

NOTE 16. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$'000	BCB Coal technology licence \$'000	Detailed BCB plant design \$'000	Americanisation of the BCB plant design \$'000	Development costs \$'000	Total \$'000
At 1 July 2015						
Cost	9,390	55,983	6,661	1,528	4,734	78,296
Accumulated amortisation and impairment	-	(28,611)	(3,992)	-	(945)	(33,548)
Net book value	9,390	27,372	2,669	1,528	3,789	44,748
Year ended 30 June 2016						
Opening net book value	9,390	27,372	2,669	1,528	3,789	44,748
Additions	-	-	1	-	-	1
Exchange differences	582	-	-	-	(6)	576
Amortisation ⁽ⁱ⁾	-	(3,179)	(667)	-	(679)	(4,525)
Impairment	(9,972)	-	-	-	(983)	(10,955)
Closing net book value	-	24,193	2,003	1,528	2,121	29,845
At 30 June 2016						
Cost	-	55,983	6,662	1,528	2,121	66,294
Accumulated amortisation and impairment	-	(31,790)	(4,659)	-	-	(36,449)
Net book value	-	24,193	2,003	1,528	2,121	29,845
Year ended 30 June 2017						
Opening net book value	-	24,193	2,003	1,528	2,121	29,845
Exchange differences	-	-	-	-	(33)	(33)
Amortisation ⁽ⁱ⁾	-	(3,179)	(667)	-	-	(3,846)
Impairment (a)	-	(7,814)	(1,336)	(1,528)	(2,088)	(12,766)
Closing net book value	-	13,200	-	-	-	13,200
At 30 June 2017						
Cost	-	55,983	-	-	-	55,983
Accumulated amortisation and impairment	-	(42,783)	-	-	-	(42,783)
Net book value	-	13,200	-	-	-	13,200

- (i) Amortisation of \$3,846,000 (2016: \$4,525,000) is included in the depreciation and amortisation expense in the statement of comprehensive income. The BCB coal technology licence and detailed BCB plant design have finite lives and are amortised over their useful lives. The Americanisation of the BCB plant design has yet to reach a stage where it is available for use by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2017

(a) KEY ASSUMPTIONS USED FOR IMPAIRMENT CALCULATIONS

The intangible assets form part of the coal technology cash generating unit (CGU). Goodwill was included in the coal mining CGU as it arose on acquisition of the Mountainside coal assets, and was fully impaired in the prior year.

(i) Coal technology CGU

The Company appointed an independent valuation firm to perform a valuation of the recoverable amount of the Company's coal technology assets at 30 June 2017. As in previous years, the valuation was performed with reference to the net present value of opportunities for deployment of the binderless coal briquetting technology being pursued by the Group. In previous years, the Group has had several identified opportunities which it was progressing, enabling the valuer to ascribe risked values to specific potential projects and to extrapolate those across the broader market for the BCB technology. During the year, the Group was unable to secure a supply of coal for its most advanced potential project in South Africa and the valuer has adopted a lower valuation to reflect that the most promising opportunities identified in previous years have not been realised and the remaining opportunities are at a very early stage.

The valuation concluded that the recoverable amount of the Company's coal technology CGU was \$15,000,000 at 30 June 2017, requiring an impairment charge of \$20,929,000 against the intangible assets, plant and equipment and inventory of the CGU. The amounts relating to each asset category affected by this charge are summarised in note 6.

The recoverable amount of the coal technology CGU was determined based on fair value less costs of disposal calculations and is classified as a level 3 fair value.

The cash flow projections used as the foundation for the valuation were based on a possible BCB project that the Company had been discussing with a potential customer. The valuer applied a 70% risk discount to the value derived from the discounted cash flow model to allow for the probability of the opportunities being delayed, not going ahead and the risk of contract terms being materially different than projected.

A post-tax discount rate of 13% pa was used in the discounted cash flow model (11% p.a. at 30 June 2016) and assumed capital costs of AUD\$37,233,000 per BCB unit producing 400,000 tonnes per year on a tolling basis with an operating margin of AUD\$34.32 per tonne of coal processed at an USD / AUD exchange rate of \$0.7692. The valuer assumed three projects at this value.

Further information on the coal technology CGU can be found in note 3(a)(i).

(ii) Coal mining CGU

The coal mining CGU includes the mining tenements, capitalised exploration costs and plant and equipment of the Group's coal mining operations in Kentucky, USA. The coal mining CGU was assessed for impairment at 30 June 2016 and 30 June 2017.

The Group is currently seeking to sell its interest in Mountainside Coal Company Inc.

The Directors have determined that the carrying value of the coal mining CGU does not exceed its recoverable amount after considering indications of interest received from potential purchasers and fair value less costs of disposal calculations. The carrying value of the assets of the coal mining CGU at 30 June 2017 do not exceed their recoverable amount. No impairment charge is required at 30 June 2017.

(iii) Coal mining CGU (year ended 30 June 2016)

At 31 December 2015, an impairment charge of \$9,972,000 was recognised against the carrying value of goodwill to bring the carrying value of the coal mining CGU into line with the assessed recoverable amount of the CGU. The decline in the recoverable value of the coal mining CGU at 31 December 2015 was due to a deterioration in coal markets and the trading performance of the coal mining operations.

The continued poor performance of the coal mining operations to 30 June 2016 and increasing uncertainty that briquetting technology could be successfully applied to convert low ash coal fines into higher-value stoker coal led to a further impairment charge of \$16,284,000 being raised against the carrying value of the exploration assets, capitalised development costs and property, plant and equipment of the coal mining CGU. The allocation of the prior year (2016) impairment charge to exploration assets and classes of property plant and equipment is set out in note 15 and note 14 respectively. The carrying value of the assets of the coal mining CGU were \$25,000,000 following the impairment charge at 30 June 2016.

The recoverable amount of the CGU was determined based on the higher of value-in-use calculations and fair value less costs to sell calculations. The recoverable amounts determined in the internal management valuations as at 31 December 2015 (\$41,700,000) and 30 June 2016 (\$26,056,000) were based on fair value less costs to sell calculations using discounted cash flow forecasts consistent with mining plans at the time and are classified as a level 3 fair value.

The cash flow projections were based on actual sales prices achieved in the year to 30 June 2016 in accordance with existing contracts and internal forecasts of market prices. Sales volumes were estimated to ramp-up in future years to levels approximately 60% higher than in FY2016. Forecast unit costs of production and wash plant yields were as experienced in FY2016. Estimated future cash flows were converted into AUD from USD at an exchange rate of \$0.74 discounted at a rate of 11.7% pa post-tax, real (compared with 9.0% used at the previous review at June 2015).

In early September 2016, coal production operations were suspended so that additional infill drilling, exploration and mine planning activities could be conducted to reduce the risk of adverse geological conditions and unmapped mine workings impacting future mining and production. The cash flow projections were based on mining operations recommencing in January 2017.

Further details of the coal mining CGU can be found in note 3(a)(iii).

NOTE 17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2017 \$'000	2016 \$'000
Trade creditors	1,075	5,358
Other creditors	961	1,983
Accrued license fee and related interest (a)	5,192	4,492
Deferred income – government grant	435	435
Deferred income – rental income	8	7
	7,671	12,275

(a) ACCRUED LICENCE FEE AND RELATED INTEREST

The accrued licence fee at 30 June 2017 of \$5,192,000 (2016: \$4,492,000) including interest accrued of \$649,000 (2016: Nil) represents the technology fee owing by subsidiary Binderless Coal Briquetting Company Pty Ltd under the licence agreement to use Binderless Coal Briquetting technology worldwide.

(b) RISK EXPOSURE

Information about the Group's exposure to foreign exchange risk is provided in note 2(a)(i).

NOTE 18. CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

	2017 \$'000	2016 \$'000
Current liability		
Onerous lease provision (a)	-	100
Employee provisions (b)	143	252
Reclamation provision (c)	-	963
	143	1,315
Non-current liability		
Employee provisions (b)	254	119
Reclamation provision (c)	-	1,684
	254	1,803

Movement in provisions \$'000

	Employee	Onerous lease	Reclamation	Total
Carrying value at the start of the year	371	100	2,647	3,118
Additional provision raised	375	-	1,324	1,699
Amounts used	(349)	(100)	(1,385)	(1,834)
Unused amounts reversed	-	-	(596)	(596)
Unwinding of discount	-	-	30	30
Exchange differences	-	-	(79)	(79)
Transferred to liabilities of disposal groups held for sale	-	-	(1,941)	(1,941)
Carrying value at the end of the year	397	-	-	397

(a) ONEROUS LEASE PROVISIONS

In the prior year, the Company vacated its Sydney premises and reached agreement to assign the lease to another party. The Company raised a provision for the lease costs it was obliged to pay up until that time and for other obligations arising from the lease assignment.

(b) EMPLOYEE PROVISIONS

The provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where

employees have completed the required period of service and also those where the employees are entitled to pro-rata payments in certain circumstances.

The Company expects all annual leave to be taken within 12 months of the respective service being provided, so annual leave obligations are classified as short-term employee benefits.

(c) RECLAMATION PROVISION

The Group recognises a reclamation provision for the expected costs of reclamation at mining properties where the Group is legally responsible for such reclamation costs.

Reclamation provisions arise from the Group's obligations to undertake site reclamation and remediation in connection with the ongoing operations, exploration and development of mineral properties. The Group recognises the estimated reclamation costs when environmental disturbance occurs but only when a responsible estimate of the estimated reclamation costs can be made.

The reclamation provision is initially recorded based on present value techniques. The offsetting reclamation cost asset is added to mineral properties within property, plant and equipment and depreciated over the estimated life of the mine.

NOTE 19. CURRENT AND NON-CURRENT LIABILITIES – OTHER PAYABLES

	2017 \$'000	2016 \$'000
Current liability		
Lease liability	-	58
Loans from shareholders – Black River (b)	-	20,389
Accrued interest on shareholder loans (b)	-	2,841
Total current liability	-	23,288
Non-current liability		
Deferred income – government grant (a)	326	761
Lease liability	-	121
Loans from shareholders – Black River (b)	28,650	37,844
Accrued interest on shareholder loans – Black River (b)	5,936	4,006
	34,912	42,732

(a) DEFERRED INCOME – GOVERNMENT GRANT

The Company received \$4,349,000 in 2008 from the Commonwealth Government of Australia as part of the AusIndustry's Commercial Ready innovation grant program. This amount is being amortised over the life of the Cessnock Demonstration Plant.

(b) LOANS FROM SHAREHOLDERS

White Energy and the minority shareholder in its River Energy and Mountainside Coal Company operations have jointly funded those businesses through shareholder loans. The amounts disclosed in the Group's financial statements as loans from shareholders are the amounts contributed by the minority shareholder which attract interest and are due for repayment by

the relevant Group subsidiary at future dates in accordance with the terms of the relevant shareholder loan agreements. The loans are not secured.

Loans from minority shareholders to Mountainside Coal Company Inc. are not included in the 2017 balances in this note as Mountainside Coal Company Inc. is being offered for sale as at balance date (refer note 11(b)).

NOTE 20. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Exploration assets recognised on the acquisition of South Australian Coal Limited (a)	1,597	1,597
Other capitalised exploration assets	1,467	1,400
Property, plant and equipment – MCC (b)	-	3,460
Deferred tax liabilities of disposal groups held for sale – MCC (c)	445	-
	3,509	6,457
Set-off of deferred tax assets pursuant to set-off provisions (note 13)	(3,509)	(6,457)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	445	-
Deferred tax liabilities expected to be settled after more than 12 months	3,064	6,457
	3,509	6,457
Movement in deferred tax liabilities		
At start of the year	6,457	12,246
Charged / (credited) to profit or loss:		
Exploration assets recognised on the acquisition of South Australian Coal Limited (a)	-	(4,530)
Other capitalised exploration assets	67	9
Property, plant and equipment – MCC (b)	(3,460)	(1,268)
Deferred tax liabilities of disposal groups held for sale – MCC (c)	445	-
At the end of the year	3,509	6,457

**(a) SOUTH AUSTRALIAN COAL LIMITED
– SAC**

Deferred tax liabilities have arisen in respect of temporary differences between the accounting base and tax base of exploration assets. When the exploration assets are amortised for accounting purposes, the accounting depreciation is added back as a temporary difference in the income tax calculations reducing the deferred tax liability. The deferred tax liability recognised is not expected to result in the payment of income taxes.

**(b) PROPERTY, PLANT AND EQUIPMENT
– MCC**

Deferred tax liabilities have arisen in respect of temporary differences between the accounting base and tax base of the property, plant and equipment held at MCC. When the property, plant and equipment is depreciated for accounting purposes, the accounting depreciation is added back as a temporary difference in the income tax calculations reducing the deferred tax liability. The deferred tax liability recognised is not expected to result in the payment of income taxes.

**(c) PROPERTY, PLANT AND EQUIPMENT
– MCC**

Further information on MCC's related assets classified as held for sale and liabilities of disposal groups held for sale is set out in note 11(b).

NOTE 21. CONTRIBUTED EQUITY

	2017 \$'000	2016 \$'000
Share capital		
Fully paid ordinary shares (a)	493,476	493,476
Total contributed equity	493,476	493,476

(a) FULLY PAID ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Subject to any rights or restrictions attached to any class of shares, at a meeting of shareholders each shareholder is entitled to vote, may vote in person, or by proxy or attorney or, being a corporation, by representative duly authorised under the *Corporations Act 2001*, and has one vote on a show of hands and one vote per fully paid share on a poll. Ordinary shares have no par value.

(b) MOVEMENTS IN ORDINARY SHARE CAPITAL

Date	Details	Notes	Number of shares	\$'000
30 June 2015	Closing balance		328,374,494	493,476
30 June 2016	Closing balance		328,374,494	493,476
30 June 2017	Closing balance		328,374,494	493,476

(c) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to maintain a low cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares.

NOTE 22. RESERVES AND ACCUMULATED LOSSES

(a) RESERVES

	2017 \$'000	2016 \$'000
Reserves		
Share based payment (i)	7,012	6,704
Foreign currency translation (ii)	(19,171)	(19,201)
	(12,159)	(12,497)
Movements:		
(i) Share based payments reserve		
Balance at start of the year	6,704	6,852
Options expense	308	-
Options expense write back	-	(148)
Balance at end of the year	7,012	6,704
(ii) Foreign currency translation reserve		
Balance at start of the year	(19,201)	(20,161)
Currency translation differences arising during the year	30	960
Balance at end of the year	(19,171)	(19,201)
(b) ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(428,904)	(372,222)
Profit/(loss) attributable to members of White Energy	(35,329)	(56,682)
Accumulated losses at the end of the financial year	(464,233)	(428,904)

(c) NATURE AND PURPOSE OF RESERVES

(i) Share based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised. The share-based payments reserve does not include the fair value of options and performance rights which have lapsed as a result of a non-market related service condition not being met.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in the profit or loss portion of the statement of comprehensive income when the investment is disposed of.

NOTE 23. NON-CONTROLLING INTERESTS

	2017 \$'000	2016 \$'000
Interests in:		
Share capital	9,071	9,071
Reserves	2,632	842
Accumulated losses	(53,875)	(44,969)
	(42,172)	(35,056)

NOTE 24. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable to the auditor of White Energy Company Limited and its related practices and non-related audit firms:

	2017 \$	2016 \$
(a) PWC AUSTRALIA		
Audit and other assurance services		
Audit and review of financial statements	366,165	394,881
Total remuneration for audit and other assurance services	366,165	394,881
Taxation services		
– Tax compliance services	11,350	13,850
Total remuneration for taxation services	11,350	13,850
Total remuneration of PwC Australia	377,515	408,731
(b) NETWORK FIRMS PWC AUSTRALIA		
Audit and other assurance services		
Audit and review of financial statements	121,363	122,387
Total remuneration for audit and other assurance services	121,363	122,387
Taxation services		
– Tax compliance services	152,470	93,240
Total remuneration of related practices of PwC Australia	273,833	215,627
Total auditor's remuneration	651,348	624,358

It is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PwC is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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NOTE 25. COMMITMENTS AND CONTINGENCIES

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meeting the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required by the relevant state department of Minerals and Energy, and may vary significantly from the forecast minimum expenditure commitments based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

(a) EXPLORATION WORK

Under the terms of exploration license EL5719, White Energy's wholly-owned subsidiary, South Australian Coal Pty Ltd (SAC) has certain obligations to perform minimum exploration work and incur minimum expenditure of \$2,317,000 (30 June 2016: \$2,317,000) on the area by 8 August 2020. As at 30 June 2017, \$1,707,000 remains to be expended (30 June 2016: \$2,149,000).

The Antakirinja Matu-Yankunytjatjara people in 2011 became recognised as a native title holder over the area on which EL5719 is situated and has an agreement with SAC which authorises certain exploration activities by reference to the mining authorities which preceded the current tenements. The court decision recognised the Antakirinja Matu-Yankunytjatjara people's non-exclusive rights to hunt, fish, live, camp, gather and use the natural resources, undertake

cultural activities including relating to births and deaths, conduct ceremonies and meetings, and protect places of cultural and religious significance on the land.

Native title claims may limit the ability of SAC and others to explore and develop an area including the SAC tenements. An Aboriginal site covering a small area of EL5719 is listed in the Register of Aboriginal Sites and Objects. Pursuant to the *Aboriginal Heritage Act 1988* (SA), it is an offence to damage, disturb or interfere with any Aboriginal site or Aboriginal object without the authority of the Minister for Environment and Heritage.

SAC has an ongoing agreement in place with the Antakirinja Matu-Yankunytjatjara people to conduct cultural heritage clearances prior to and after the completion of any exploration work conducted.

EL5719 is located in the Woomera Prohibited Area (WPA) which has been declared a prohibited area under Part VII of the Defence Force Regulations 1952 (Cth) and is used for the testing of war material. SAC has signed a Deed of Access agreement with the Department of Defence (DOD) to enter all of EL5719 which expires on 15 February 2018. In the agreement the DOD reserves the right to exclude SAC from approximately 45% and 55% of the tenement area during nominated times, for a maximum period of 70 and 56 days respectively, each year. SAC continues to have open and ongoing discussions with the DOD and the South Australian government to ensure minimal disturbance to its business activities in relation to EL5719.

(b) CONTINGENCIES – KSC LEGAL DISPUTE

White Energy's wholly owned subsidiaries, Binderless Coal Briquetting Company Pty Ltd (BCBC) and BCBC Singapore Pte Ltd (BCBCS), are currently engaged in legal proceedings against PT Bayan Resources Tbk and Bayan International Pte Ltd (Bayan) in the Singapore International Commercial Court. The proceedings relate to various disputed matters arising from a company which was jointly owned by BCBCS and Bayan, which owned and operated the Tabang coal upgrade plant located at Bayan's Tabang mine in East Kalimantan, Indonesia.

As a result of the SICC dismissing Bayan's counterclaim against BCBCS and BCBC in April 2016, there are no longer any claims outstanding against the White Energy Group from these proceedings.

The SICC handed down its judgement on tranche two of the trial in July 2017 and found in favour of BCBCS and BCBC on substantially all of the matters considered.

A notice of appeal against substantially the whole of the SICC's findings against Bayan in the tranche two judgement was subsequently filed by Bayan on 24 August 2017. Bayan has two months from that date to file submissions for appeal with SICC and following that the Group has one month to file a reply.

The appeal is fixed for hearing on a date between 5 February 2018 and 13 February 2018.

Assuming Bayan's appeal is not successful, the third tranche of the trial will be held to determine causation and damages that are required to be paid to the Group. The Group may be liable for costs should the Court ultimately decide to award costs against BCBCS and BCBC in future proceedings.

**(c) CONTINGENCIES – VEHICLE DAMAGE
LEGAL DISPUTE**

White Energy's wholly owned subsidiary, Mountainside Coal Company Inc. (MCC), is currently engaged in legal proceedings brought against it in the 2017 financial year related to various disputed matters arising from damage to a vehicle allegedly caused by an MCC vehicle. MCC may be liable for costs should the Court ultimately decide to award costs against them and damages. The case is set for trial on 31 January 2018.

**(d) CONTINGENT LIABILITIES AND ASSETS-
INDEMNITY AND INSURANCE CLAIMS**

The Company has received indemnity claims from certain former Directors of the Company for legal costs incurred as a result of their participation in an ICAC public inquiry (Operation Jasper) and subsequent court proceedings during prior periods.

The Company has established an Independent Board Committee (IBC) to review these claims and determine the most appropriate course of action for the Company, including whether the Company will have to make any future payments in relation to these claims and whether any expense incurred as a consequence would be reimbursable under the Company's insurance policies.

The IBC do not currently believe that the Company will have to provide for any additional amounts in respect of these claims beyond amounts already accrued. The total amount of claims against the Company in relation to the matters referred to above is \$7,400,000 as at the date of signing the financial report (2016: \$6,000,000).

During the year ended 30 June 2017, a claim has been made under the Company's Directors' & Officers insurance policy with insurers Allianz in relation to legal costs paid by the Company for Operation Jasper and subsequent court proceedings during prior periods. The quantum of the claim that will be paid is uncertain but it is expected to range between \$1,000,000 and \$1,925,000.

**(E) LEASE COMMITMENTS
– GROUP AS LESSEE**

Non-cancellable operating leases

The Group leases various offices and plant and equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,055	3,244
Later than one year but not later than five years	3,209	6,476
Later than five years	1,115	1,333
	6,379	11,053

At 30 June 2016, the future non-cancellable operating lease payments above do not include lease payments in respect of the Company's lease of its Sydney office as a provision has been raised for future costs as set out in note 18(a).

(f) CONTINGENT LIABILITIES – GUARANTEES

The Group had contingent liabilities at 30 June 2017 in respect of guarantees provided to third parties. For information about guarantees given by the Group refer to note 26 (f).

NOTE 26. RELATED PARTY TRANSACTIONS

(a) PARENT ENTITIES

The Parent Entity within the Group is White Energy Company Limited.

(b) SUBSIDIARIES

Interests in principal subsidiaries are set out in note 27.

(c) KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 \$	2016 \$
Short term employee benefits	1,970,880	2,704,611
Post employment benefits	138,615	201,660
Share based payments	308,000	(148,084)
Total	2,417,495	2,758,187

Detailed remuneration disclosures are provided in sections 1-7 of the remuneration report on pages 24 to 32.

(d) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In addition to his Non-executive Directors' fees, \$10,000 (2016: \$140,000) was paid by the Company to a company controlled by a Director, Mr T Crawford in respect of his assistance with the ongoing litigation against PT Bayan Resources Tbk.

During the year ended 30 June 2017, employee benefits of \$129,400 (2016: \$173,665) were paid to Andromeda Neale, who is related to Travers Duncan, the Chairman of White Energy.

Travers Duncan, the Chairman of White Energy, leased commercial office space from White Energy in the Company's Sydney head office up until March 2016, and also reimburses the Company for some part-time secretarial work conducted for his private company, Gaffwick Pty Ltd for \$49,426. This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

Brian Flannery, the Managing Director of White Energy, leases some commercial office space from White Energy in the Company's Brisbane office, and also reimburses the Company for some part-time secretarial work conducted for his private companies, Illwella Pty Ltd and KTQ Developments Pty Ltd for \$96,093 (2016: \$33,205). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

(e) LOANS FROM RELATED PARTIES

	2017 \$'000	2016 \$'000
Loans from Black River		
Beginning of the year	65,080	51,708
Loans advanced	1,689	8,512
Interest charged	3,377	3,154
Exchange rate movement	(2,347)	1,706
End of the year	67,799	65,080

There were no loans provided to Key Management Personnel during the year.

(f) GUARANTEES

White Energy has provided guarantees in respect of property bonds amounting to \$62,000 (2016: \$229,000).

NOTE 27. PRINCIPAL SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries in accordance with the accounting policy described in note 1(b). The Group's principal subsidiaries at 30 June 2017 are set out below:

Name of entity	Country of incorporation	Principal activities	Equity Holding ⁽¹⁾	
			2017 %	2016 %
Amerod Exploration Limited	Australia	Mining investment	100	100
White Energy Technology Limited	Australia	Coal technology	100	100
Binderless Coal Briquetting Company Pty Ltd	Australia	Coal technology	100	100
South Australian Coal Limited	Australia	Mining exploration	100	100
South Australian Property Pty Limited	Australia	Agricultural activities	100	100
White Energy Coal North America Inc.	USA	Coal technology	100	100
BCBC Singapore Pte Ltd	Singapore	Coal technology	100	100
River Energy JV UK Ltd	United Kingdom	Coal technology	51	51
Mountainside Coal Company Inc.	USA	Coal mining	51	51
River Energy JV Ltd	Mauritius	Coal technology	51	51
River Energy South Africa Pty Ltd	South Africa	Coal technology	51	51
River Energy Fine Coal Recovery Pty Ltd ⁽²⁾	South Africa	Coal technology	36.3	36.3

- (1) Each of the subsidiaries above have capital consisting solely of ordinary shares that are held directly by the Group. The equity holding is the ownership interest held by the Group and also equals the voting rights held by the Group. Where less than 100% of the equity is held by the Group, the balance of the equity holding is held by non-controlling interests.
- (2) The Group controls River Energy Fine Coal Recovery Pty Ltd (REFCR) as it controls the immediate parent, River Energy South Africa Pty Ltd (RESA). There are only two shareholders of REFCR, with RESA holding a 71.2% ownership interest and having capacity to control the composition of the REFCR Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2017

Summarised financial information for the Group's principal non-controlling interests in subsidiaries is set out below. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	River Energy JV UK Ltd		River Energy JV Ltd		River Energy South Africa Pty Ltd		River Energy Fine Coal Recovery Pty Ltd	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Total assets	6,922	19,926	20,367	21,005	3,628	3,053	-	2,506
Total liabilities	41,167	40,268	25,171	23,886	16,208	15,574	2,249	1,885
Net assets / liabilities	(34,245)	(20,342)	(4,804)	(2,881)	(12,580)	(12,521)	(2,249)	621
Accumulated non-controlling interests	(12,608)	(5,537)	(2,543)	(1,601)	(5,527)	(5,643)	(2,260)	(387)

Summarised statement of comprehensive income	River Energy JV UK Ltd		River Energy JV Ltd		River Energy South Africa Pty Ltd		River Energy Fine Coal Recovery Pty Ltd	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Loss allocated to non-controlling interests	(7,297)	(3,751)	(1,010)	(872)	(553)	(1,235)	(1,823)	(367)

Summarised cash flows	River Energy JV UK Ltd		River Energy JV Ltd		River Energy South Africa Pty Ltd		River Energy Fine Coal Recovery Pty Ltd	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash flows from operating activities	(594)	(401)	(1,225)	(464)	1,883	(2,412)	(455)	(252)
Cash flows from investing activities	-	-	-	(1,263)	(1,397)	1,829	364	341
Cash flows from financing activities	424	618	928	1,579	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	(170)	217	(297)	(148)	486	(583)	(91)	89

NOTE 28. DEED OF CROSS GUARANTEE

White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd, Coking BCB Pty Ltd, White Investments North America Pty Ltd and White Manufacturing Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a Financial Report and Directors' Report under *ASIC Corporations (Wholly-owned companies) Instrument 2016/785* (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by White Energy Company Limited, they also represent the 'Extended Closed Group'.

STATEMENT OF COMPREHENSIVE INCOME AND A SUMMARY OF MOVEMENTS IN ACCUMULATED LOSSES

Set out below is the statement of comprehensive income, a summary of movements in accumulated losses for the year ended 30 June 2016 and balance sheet of the Closed Group consisting of White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd, Coking BCB Pty Ltd, White Investments North America Pty Ltd and White Manufacturing Pty Ltd.

(a) STATEMENT OF COMPREHENSIVE INCOME (CLOSED GROUP)

	2017 \$'000	2016 \$'000
Revenue	8,568	8,580
Gain/(loss) on foreign exchange	23	(292)
Accounting, audit and tax fees	(376)	(287)
Employee benefits expense	(3,811)	(5,403)
Depreciation and amortisation expense	(5,619)	(5,650)
Finance costs	(7)	(15)
External advisory fees	(2,262)	(5,010)
Occupancy expenses	(291)	(569)
Travel	(245)	(416)
Plant operating costs	(148)	(476)
Other expenses	(1,254)	(1,429)
Impairment expense	(40,188)	(64,188)
Loss before income tax	(45,610)	(75,155)
Income tax expense	-	-
Loss for the year	(45,610)	(75,155)
Other comprehensive income		
Exchange differences on translation of foreign operations	(5,082)	7,355
Total comprehensive loss for the year	(50,692)	(67,800)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

(b) STATEMENT OF CHANGES IN EQUITY (CLOSED GROUP)

	Contributed equity	Reserves	Accumulated losses	Total
	\$000's	\$000's	\$000's	\$000's
Balance at 1 July 2015	493,479	16,917	(376,233)	134,163
Loss for the year	-	-	(75,155)	(75,155)
Other comprehensive income	-	7,355	-	7,355
Total comprehensive income/ (loss) for the year	-	7,355	(75,155)	(67,800)
Contributions of equity, net of transaction costs	-	-	-	-
Share based payments	-	(148)	-	(148)
Balance at 30 June 2016	493,479	24,124	(451,388)	66,215
Loss for the year	-	-	(45,610)	(45,610)
Other comprehensive income	-	(5,082)	-	(5,082)
Total comprehensive income/ (loss) for the year	-	(5,082)	(45,610)	(50,692)
Share based payments	-	308	-	308
Balance at 30 June 2017	493,479	19,350	(496,998)	15,831

(c) BALANCE SHEET

Set out below is the balance sheet as at 30 June 2017 of the Closed Group consisting of White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd and Coking BCB Pty Ltd, White Investments North America Pty Ltd and White Manufacturing Pty Ltd.

	2017 \$'000	2016 \$'000
CURRENT ASSETS		
Cash and cash equivalents	2,430	5,073
Trade and other receivables	732	17,293
Total current assets	3,162	22,366
NON CURRENT ASSETS		
Trade and other receivables	23,023	34,920
Other financial assets	3	3
Property, plant and equipment	1,927	9,293
Intangible assets	12,495	27,016
Total non current assets	37,448	71,232
Total assets	40,610	93,598
CURRENT LIABILITIES		
Trade and other payables	8,860	8,852
Provisions	144	352
Total current liabilities	9,004	9,204
NON-CURRENT LIABILITIES		
Other payables	15,520	18,060
Provisions	255	119
Total non-current liabilities	15,775	18,179
Total liabilities	24,779	27,383
Net assets	15,831	66,215
Equity		
Contributed equity	493,479	493,479
Reserves	19,350	24,124
Accumulated losses	(496,998)	(451,388)
Total equity	15,831	66,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
30 JUNE 2017

NOTE 29. DISCONTINUED OPERATION

	2017	2016
	\$'000	\$'000
Profit/(loss) from discontinued operations		
Ingomar Station (a)	(192)	330
Mountainside Coal Company Inc (b)	(7,503)	(46,928)
Total loss from discontinued operations	(7,695)	(46,598)

(a) INGOMAR STATION

In June 2016 the Company commenced the sale of its pastoral property, Ingomar Station located in South Australia. A sale agreement was executed in early August and the sale settled on 2 September 2016. The assets associated with the property were presented as held for sale as at 30 June 2016 (refer note 11(a)) and the operating results of the pastoral operations are reported as a discontinued operation in both 2016 and 2017. Financial information relating to the discontinued operation for the period is set out below:

	2017	2016
	\$'000	\$'000
Revenue	-	1,978
Other income – fair value gains	-	718
Cost of goods sold – livestock	-	(1,328)
Occupancy expenses	(13)	(155)
Depreciation expenses	-	(126)
External advisory fees	(26)	(80)
Travel expenses	(1)	(7)
Other operating expenses	(152)	(670)
Profit before income tax	(192)	330
Income tax expense	-	-
Net loss from discontinued operation	(192)	330
Net cash (outflows)/inflows from operating activities	(283)	847
Net cash inflows/(outflows) from investing activities	6,320	(149)
Net increase in cash generated by discontinued operation	6,037	698

(b) MOUNTAINSIDE COAL COMPANY INC

In June 2017 the Company commenced a process for the sale of its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. All of the assets of MCC have been presented as held for sale and liabilities of disposal groups held for sale as at 30 June 2017 (refer note 11(b)) and the operating results of MCC's operations have been reported as a discontinued operation for 2017, with the 2016 comparatives reclassified.

Financial information relating to the discontinued operation for the period is set out below:

	2017 \$'000	2016 \$'000
Revenue	5,797	27,430
Net gain on sale of fixed assets	921	37
Coal mining operation expenses	(6,499)	(35,011)
Depreciation and amortisation	(3,618)	(7,061)
Employee benefits expense	(821)	(1,592)
Finance costs	(1,909)	(2,056)
External advisory fees	(246)	(675)
Accounting, tax and audit fees	(189)	(184)
Travel expenses	(55)	(94)
Occupancy expenses	(88)	(110)
Other operating expenses	(796)	(1,355)
Impairment expense	-	(26,257)
Profit before income tax	(7,503)	(46,928)
Income tax expense	-	-
Net loss from discontinued operation	(7,503)	(46,928)
Net cash outflows from operating activities	(4,598)	(10,961)
Net cash inflows/(outflows) from investing activities	1,077	(2,851)
Net cash inflows from financing activities	1,016	7,603
Net decrease in cash generated by discontinued operation	(2,505)	(6,209)

NOTE 30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

PERFORMANCE OPTIONS LAPSED

On 29 September 2017, the Directors determined that 6,000,000 Performance Options for White Energy shares held by Brian Flannery, the Managing Director of the Company, lapsed in accordance with their terms.

No other matters or circumstances have arisen since 30 June 2017 that significantly affect, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

NOTE 31. CASH FLOW INFORMATION

(a) RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2017	2016
	\$'000	\$'000
NET LOSS FOR THE YEAR AFTER TAX	(44,235)	(85,248)
Depreciation and amortisation expense	9,582	13,536
Impairment expense	20,929	42,027
Non cash employee benefits expense – share based payments	308	(148)
Net exchange differences	6	258
Non cash income – deferred income	(435)	(435)
Fair value gain on the revaluation of livestock	-	(718)
Finance costs	3,555	3,714
Gain on sale of property, plant and equipment	(1,012)	(45)
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
(Increase) / decrease in prepayments	(2)	(333)
Decrease in trade and other receivables	112	2,440
Decrease in inventories	1,590	2,784
Decrease in livestock	-	1,108
Decrease / (increase) in restricted cash	1,381	(1,737)
Decrease in trade and other payables	(2,386)	(1,364)
Decrease in provisions	(1,526)	(1,080)
Net cash outflow from operating activities	(12,133)	(25,241)

(b) NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year, the Group sold coal production permits in the USA for consideration which included a royalty receivable, based on future coal production from those permits by the new owners. At the date of sale, the Group recognised a contingent consideration receivable asset of \$1,177,000.

In the previous year (2016), the Group acquired plant and equipment at a cost of \$837,000 by way of finance lease after trading-in plant and equipment with a book value of \$566,000.

NOTE 32. EARNINGS PER SHARE

(a) BASIC AND DILUTED EARNINGS PER SHARE

	2017 Cents	2016 Cents
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	(9.9)	(10.4)
Basic and diluted loss per share from discontinued operations	(0.9)	(6.9)
Total basic and diluted loss per share attributable to the ordinary equity holders of the Company	(10.8)	(17.3)

(b) RECONCILIATIONS OF LOSS USED IN CALCULATING LOSS PER SHARE

	2017 \$'000	2016 \$'000
Loss attributable to the ordinary equity holders of the Company from continuing operations used in calculating basic and diluted loss per share	(32,335)	(34,077)
Loss from discontinued operations	(2,994)	(22,605)
Total Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	(35,329)	(56,682)

(c) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2017	2016
Weighted average number of ordinary shares and potential ordinary shares used as a denominator in calculating basic and diluted loss per share	328,374,494	328,374,494

(d) INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

As there are no amounts unpaid on ordinary shares and options outstanding are antidilutive, no adjustment is necessary in the determination of diluted loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2017

NOTE 33. SHARE BASED PAYMENTS

(a) LONG TERM INCENTIVE PLAN

The Company's Long Term Incentive Plan (LTIP) for key employees of the Company was approved by shareholders at the 2014 Annual General Meeting. The key terms of the LTIP are:

- > the Board may in its absolute discretion determine which eligible employees will be invited to participate in a grant of Performance Rights or Options (Incentive Securities), which may vest subject to the satisfaction of performance, service or other vesting conditions imposed at the time of grant;
- > on vesting (and exercise, in the case of Options), participants will become entitled to fully paid ordinary shares in the Company. The Board can decide whether to purchase Shares on-market or issue new Shares for the purposes of the LTIP or provide the cash equivalent value of one Share in the Company to the participant (if provided-for under the terms of the grant);
- > Incentive Securities may lapse in certain circumstances, including if the participant's employment is terminated for certain acts or the participant acts fraudulently or dishonestly, engages in gross misconduct or is in breach of their obligations to the Company;
- > if in the Board's opinion, Incentive Securities vest as a result of the fraud, dishonesty or breach of obligations by the participant or another person, or if there is a material misstatement or omission in the financial statements of a Group company, the Board may determine any treatment in relation to the Incentive Securities (or Shares received on vesting) to ensure no unfair benefit is obtained by the participant;
- > where a participant ceases employment in other circumstances, the Incentive Securities will remain 'on foot', subject to the Board's discretion to determine that some or all of the unvested Incentive Securities lapse or vest on cessation;
- > Incentive Securities may not be traded or hedged, and the Board may impose restrictions on dealing of Shares allocated on vesting of Incentive Securities;
- > any Shares issued under the LTIP will rank equally with those traded on the ASX at the time of issue;
- > in the event of a takeover bid, scheme of arrangement or similar transaction, the Board may determine whether any or all unvested Incentive Securities vest, having regard to such factors as the Board considers relevant, including performance against the applicable performance conditions; and
- > in the event of any capital reorganisation, Incentive Securities may be adjusted having regard to the ASX Listing Rules and on the basis that participants do not receive any advantage or disadvantage from such an adjustment.

Set out below is the summary of the options granted under the plan. The number of options in the Company held during the financial year by Directors' of White Energy and other Key Management Personnel of the Group, is set out below.

2017			Balance at the start of the year	Granted during the year	Forfeited during the year	Balance at the end of the year
Grant date	Exercise price	Expiry date	Number	Number ⁽¹⁾	Number	Number
Performance Options						
8/12/2014	\$0.50 ⁽¹⁾	30/6/2020	6,000,000	-	-	6,000,000
Incentive Options						
18/11/2016	\$0.20 ⁽²⁾	18/11/2022	-	10,000,000	-	10,000,000

(1) No Performance Options were vested and exercisable at the end of the year. Vesting is subject to satisfaction of two vesting conditions - a service condition and a performance condition. The remaining term to expiry is 3 years.

(2) All of the Incentive Options had vested and were exercisable at the end of the year. As at 30 June 2017, the remaining term to expiry is 5.4 years

(3) The fair value of options granted during the year was \$0.0308 per option, as determined using the Black Scholes valuation methodology based on the grant date of the options. The model inputs included: a base share price at grant date of \$0.06; a risk-free interest rate of 2.67%; no dividends being payable during the exercise period; and expected price volatility of the Company's shares of 105.43%, based on annualised volatility to the grant date and taking into account the term of the options and trading trends of similar ASX-listed businesses over the past 6 months. A further discount of 25% was applied to the model-derived value to reflect the non-transferable and unlisted nature of the options.

2016			Balance at the start of the year	Granted during the year	Forfeited during the year	Balance at the end of the year
Grant date	Exercise price	Expiry date	Number	Number ⁽ⁱ⁾	Number	Number
Performance Options						
8/12/2014	\$0.50 ⁽ⁱ⁾	30/6/2020	6,000,000	-	-	6,000,000

(i) No Performance Options were vested and exercisable at the end of the year. Vesting is subject to satisfaction of two vesting conditions – a service condition and a performance condition. The remaining term to expiry is 4 years.

NOTE 34. PARENT ENTITY FINANCIAL INFORMATION

(a) SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate information:

	2017	2016
	\$'000	\$'000
Balance sheet		
Current assets	3,140	5,980
Total assets	64,781	83,458
Current liabilities	1,874	2,712
Total liabilities	6,174	2,831
Shareholders' equity		
Issued capital	493,476	493,476
Share-based payments	7,012	6,705
Accumulated losses	(441,881)	(419,554)
Total shareholder's equity	58,607	80,627
Loss for the year after tax	(22,327)	(82,837)
Total comprehensive loss for the year	(22,327)	(82,837)

There has been a reclassification in respect of the prior year comparative for \$75,079,000 between accumulated losses and issued capital.

(b) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The Parent Entity has provided bank guarantees as security for property bonds in the amount of \$62,000 (2016: \$229,000). No liability was recognised by the Parent Entity or the Group in relation to these guarantees.

(c) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent Entity had contingent liabilities and assets at 30 June 2017 and at 30 June 2016 in respect of Indemnity and insurance claims. For information about the indemnity and insurance claims by the Parent Entity refer to note 25 (d).

(d) CONTRACTUAL COMMITMENTS

As at 30 June 2017 the Parent Entity rented office premises in Brisbane under non-cancellable operating leases expiring within one to five years (30 June 2016: Sydney and Brisbane offices).

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 36 to 95 are in accordance with the *Corporations Act 2001*, including:

1. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
2. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended Closed Group identified in note 28 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Brian Flannery
Managing Director
Brisbane
29 September 2017



Independent auditor's report

To the members of White Energy Company Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of White Energy Company Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

We draw attention to Note 1(a)(v) in the financial report, which indicates that the Group incurred a total comprehensive loss of \$42,415,000 and a net cash outflow from operating activities of \$12,133,000 during the financial year ended 30 June 2017 and will require additional funding to meet the Group's liabilities in respect of forecast expenditure within twelve months from the date of this report. These conditions, along with other matters set forth in Note 1(a)(v), indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group operates businesses in coal technology and coal mining and exploration across a number of geographical areas including Australia, Indonesia, China and Singapore, South Africa and Mauritius, the United States and United Kingdom.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$556,000, which represents approximately 1% 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> – Impairment assessment of

- | | | |
|--|---|--|
| <p>of the Group's total assets.</p> <ul style="list-style-type: none"> • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose total assets as the most appropriate benchmark. The Group is not at a stage of commercial production, it is generating losses as it continues to develop and exploit its coal technology and undertakes mining exploration and evaluation activities. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. | <p>assumptions and inherently uncertain future events.</p> <ul style="list-style-type: none"> • The accounting processes are structured around a Group finance function at its head office in Brisbane, where we predominately performed our audit procedures. | <p>Mountainside Coal Company (MCC)</p> <ul style="list-style-type: none"> – Impairment assessment of coal technology CGU – Impairment assessment of exploration CGU – Accounting for the sale of property and permits • These are further described in the <i>Key audit matters</i> section of our report, except for the matter which is described in the <i>Material uncertainty related to going concern</i> section. |
|--|---|--|

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Impairment assessment of MCC</i>	
<p>MCC suspended its operations in September 2016 to conduct further drilling and mine planning. An impairment charge of \$16.3 million was recorded against the carrying value of the investment in MCC in the year ended 30 June 2016.</p> <p>The Group commenced a process to sell its 51% investment in MCC in June 2017, and classified MCC as</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Assessed the valuation methodology in the Group's discounted cash flow model used to estimate the 'fair value less costs of disposal' as at 30 June 2017 (the impairment model),

Key audit matter	How our audit addressed the key audit matter
<p>a disposal group held for sale and discontinued operation as at 30 June 2017.</p> <p>The Group has assessed the MCC disposal group for impairment and determined that the carrying value is recoverable, based on the Group's internal fair value less costs of disposal valuation, and on indicative offers received from potential purchasers.</p> <p>Determining the fair value less costs of disposal is highly judgemental and depends on a number of key inputs, including:</p> <ul style="list-style-type: none"> • Forecast coal prices • Resource estimates • Production and processing yields • Unit costs of production • Discount rate <p>This was a key audit matter due to the significant carrying value of the MCC investment which is subject to the judgements and assumptions outlined above in determining the recoverable amount as at 30 June 2017.</p> <p><i>Refer to Notes 3, 11 and 16 of the annual financial statements for further details.</i></p>	<p>with the assistance of our internal valuation experts.</p> <ul style="list-style-type: none"> • Tested the mathematical accuracy of the calculations in the impairment model. • Compared the forecast coal production over the life of the MCC mines included in the impairment model to historical production and the Group's most recent resource estimate. • Compared forecast processing yields and unit costs of production to historical data. • With the support of our internal valuation experts, benchmarked the discount rate and overall 'fair value less costs of disposal' available market information. • Performed sensitivity analysis on the key assumptions used in the impairment model. • Reviewed indicative offers received from potential purchasers of MCC in support of its carrying value. • Compared the market capitalisation of the Group to its recorded net assets and noted that the market capitalisation was higher as at 30 June 2017.
Impairment assessment of coal technology CGU	
<p>The Group has been unsuccessful in obtaining access to a supply of coal fines in South Africa to date. Other BCB projects opportunities are being considered.</p> <p>The Group appointed an independent valuation firm to perform a valuation of the recoverable amount of the Group's coal technology CGU. The valuation was performed with reference to the net present value of previously identified opportunities for deployment of the BCB technology.</p> <p>The valuation concluded that the recoverable amount of the Group's coal technology CGU was \$15,000,000 at 30 June 2017, resulting in an impairment charge of</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Obtained representation from key management to develop an understanding of the status of current opportunities for commercialisation of the BCB technology. • With the assistance of our internal valuation experts, we: <ul style="list-style-type: none"> – Evaluated the valuation report on the coal technology CGU prepared by the independent external valuation expert

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>\$20,929,000 against the intangible assets, plant and equipment and inventory of the CGU.</p> <p>Given the uncertainty over the successful commercialisation of these significant technology assets and the highly judgemental nature of estimating the recoverable amount, we considered this area to be a key audit matter.</p> <p><i>Refer to Notes 3 and 16 of the annual financial statements for further details.</i></p>	<p>appointed by the Group.</p> <ul style="list-style-type: none"> – Considered whether the valuation approach and methodology used by the Group's independent external valuation expert was consistent with the basis required by Australian Accounting Standards and our understanding of the nature of the coal technology CGU's assets. – Evaluated the competency, qualifications, experience and objectivity of the Group's independent external valuation expert. • Recalculated the impairment charge and assessed its allocation to assets in the CGU. • Evaluated whether the disclosures made in Notes 3 and 16, including those regarding the key assumptions and sensitivities to changes in such assumptions were consistent with our understanding based on our audit procedures.

Impairment assessment of mining exploration CGU

The Group's mining exploration CGU is comprised of mining exploration rights in South Australia, including EL5719, a large sub-bituminous coal deposit with certified resources under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') and further exploration potential for other minerals.

Assessing the carrying amount of the Group's investment in the exploration CGU was a key audit matter due to the size of the balance and the judgement required in the impairment assessment as a result of the long-term nature of the asset.

Refer to Note 3 of the annual financial statements for further details.

We performed the following procedures, amongst others:

- Evaluated the Group's assessment of indicators of impairment or impairment reversal.
- Considered the Group's internal valuation, with the assistance of our internal valuation experts.
- Obtained representations from key management to develop an understanding of the current status of exploration work and future intention for the assets and considered the results of exploration drilling and other activities.
- Tested whether the Group retained right of

Key audit matter

How our audit addressed the key audit matter

tenure for the exploration licence areas.

- Tested a sample of current year expenditure on the exploration licence areas to source documents and assessed whether plans for future expenditure meet minimum lease requirements.
- Compared reserves considered in the Group's impairment assessment to reserves that had been certified by the Group's expert whose competency, experience and objectivity we evaluated.

Accounting for the sale of property and permits

The Group sold MCC's property and mining permits at Hatfield Gap and Buffalo Creek in March 2017. The transaction involved a number of components, including the recognition of a contingent consideration receivable of \$1,177,000 in relation to a royalty stream that the Group is entitled to from the purchaser.

We considered the accounting treatment associated with this transaction a key audit matter due to the complexity of the transaction and the judgement involved in the valuation of the contingent consideration receivable.

Refer to Note 3 of the annual financial statements for further details.

We performed the following procedures, amongst others:

- Obtained and reviewed the sale agreement of the property and mining permits at Hatfield Gap and Buffalo Creek.
- Tested the cash proceeds from the sale to the bank statement.
- Evaluated the accounting treatment for the transaction including consultation with our accounting technical specialists on the treatment relating to each component of the disposal consideration.
- Tested the Group's valuation model used to determine the fair value of the royalty stream by assessing the key inputs including the clean tonnes production, sales price and discount rate used in the net present value calculations.
- Tested the mathematical accuracy of the Group's valuation model.
- Recalculated the gain on sale and reconciled the accounting entry to the financial statements.
- Evaluated whether the disclosures made in Note 3 were consistent with our understanding based on our audit procedures.



Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Directors' Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including the Chairman's Letter, Managing Director's Report, Coal Technology, Coal Mining and Exploration, Shareholder Information and Corporate Directory.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 24 to 34 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of White Energy Company Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature in grey ink, likely representing the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature in grey ink, likely belonging to Simon Neill.

Simon Neill
Partner

Brisbane
29 September 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 2 October 2017.

(a) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares ⁽¹⁾		Options ⁽²⁾	
	Holders	Securities	Holders	Securities
1-1,000	3,387	658,186	-	-
1,001-5,000	749	1,937,516	-	-
5,001-10,000	258	2,016,915	-	-
10,001-100,000	382	12,297,368	-	-
100,001 & Over	123	311,464,509	1	10,000,000
	4,899	328,374,494	1	10,000,000

1. There were 4,458 holders of less than a marketable parcel of ordinary shares.

2. Options:

Expiry date	Exercise Price	Number of Options
18 November 2022	\$0.20	10,000,000

There are no prescribed vesting and/or performance conditions attaching to the options.

(b) SUBSTANTIAL SHAREHOLDERS

Name **	Number held	Percentage
M&G Investment Funds	58,878,691	17.93%
Gaffwick Pty Ltd	31,948,461	9.73%
Ganra Pty Ltd	30,355,118	9.24%
JA Kinghorn & Co PL atf The Kinghorn Family Trust	20,000,000	6.33%

** based on last form 604 'Notice of Change of Interests of Substantial Shareholder' form lodged with the Australian Securities and Investments Commission.

(c) RESTRICTED SECURITIES

At 30 June 2017, the Company does not hold any restricted securities.

SHAREHOLDER INFORMATION (CONTINUED)

(d) EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,814,913	19.43
J P MORGAN NOMINEES AUSTRALIA LIMITED	40,078,405	12.21
GAFFWICK PTY LTD	27,219,702	8.29
CITICORP NOMINEES PTY LIMITED	20,194,702	6.15
GANRA PTY LTD	13,114,286	3.99
GANRA PTY LTD <THE FLANNERY FAMILY A/C>	10,000,000	3.05
J A KINGHORN & CO PTY LIMITED <THE KINGHORN FAMILY A/C>	10,000,000	3.05
J A KINGHORN & CO PTY LTD	10,000,000	3.05
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	7,699,286	2.34
AMCI WORLDWIDE LIMITED	7,648,190	2.33
BIMOSA PTY LTD	6,482,234	1.97
NATIONAL NOMINEES LIMITED	4,499,979	1.37
GAFFWICK PTY LTD	4,031,764	1.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,005,852	1.22
REMOND HOLDINGS PTY LIMITED <DEFINA A/C>	4,002,431	1.22
ILWELLA PTY LTD	3,964,626	1.21
BOND STREET CUSTODIANS LIMITED <PETKIN - D62111 A/C>	3,520,935	1.07
MCNEIL NOMINEES PTY LIMITED	3,500,000	1.07
FIBORA PTY LTD	3,397,123	1.03
REMOND HOLDINGS PTY LIMITED <DEFINA A/C>	3,278,816	1.00
	250,453,244	76.28

Unquoted equity securities	Options
Number on issue	10,000,000
Number of holders	1
Options expiry date	18 November 2022
Options exercise price	\$0.20

(e) VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary shares:

Subject to any rights or restrictions for the time being attached to any class of shares, at a meeting of shareholders each shareholder entitled to vote may vote in person or by proxy or attorney or, being a corporation, by representative duly authorised under the Corporations Law, and has one vote on a show of hands and one vote per fully paid share on a poll.

(ii) Options:

No voting rights.

(f) EXCHANGES ON WHICH THE COMPANY'S SECURITIES ARE QUOTED

White Energy securities are quoted on the following exchanges:

ASX under the code WEC.

OTCQX under the code WECFY.

(g) INTERESTS IN MINING TENEMENTS

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.

The Company's subsidiary, Mountainside Coal Company Inc., holds a 100% interest in the following coal permits all of which are located in Kentucky USA:

Permit	Locality	Licensee	Interest
861-0528	Flat Creek - Kentucky	Mountainside Coal Company Inc.	100%
861-0543	Hubbs Hollow - Kentucky	Mountainside Coal Company Inc.	100%
861-5357	Washer - Kentucky	Mountainside Coal Company Inc.	100%
918-0464	Round Mountain - Kentucky	Mountainside Coal Company Inc.	100%
918-0465	Flag Ridge - Kentucky	Mountainside Coal Company Inc.	100%
918-0467	Jellico Creek - Kentucky	Mountainside Coal Company Inc.	100%

SHAREHOLDER INFORMATION (CONTINUED)

The Company's wholly owned subsidiary, South Australian Coal Limited, holds a 100% interest in the following mining tenements and retention leases all of which are located near Coober Pedy, South Australia:

- > EL5719; and
- > RL104.

The total JORC coal resources of EL5719 is estimated at 1,130.4 million tonnes based on the 2011 drilling program as certified in March 2012.

JORC Resources Estimate - 31 December 2011				
	Measured	Indicated	Inferred	Total
	Mt	Mt	Mt	Mt
Main Basin	11.5	155.6	583.0	750.1
West Basin	0.0	189.2	191.2	380.3
Total	11.5	344.8	774.2	1,130.4

There has been no change to the total JORC coal resource estimate for EL5719 since March 2012.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

SAC used an independent external consultant to prepare the 2004 JORC coal resource estimate.

COMPETENT PERSONS STATEMENT

The information in this Annual Report which relates to Exploration Results, Mineral Resources or Ore Reserves at EL5719, for coal, is based on information compiled by Jonathan Barber, who is a member of the Australasian Institute of Mining and Metallurgy. Jonathan Barber is an employee of Jon Barber Mining Consultants Pty Ltd and has been engaged as a consultant to South Australian Coal Limited. Jonathan Barber has sufficient experience which is relevant to the style of mineralization and the 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". Jonathan Barber consents to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

CORPORATE DIRECTORY

DIRECTORS

Travers Duncan
CHAIRMAN

Brian Flannery
MANAGING DIRECTOR

Graham Cubbin
NON-EXECUTIVE DIRECTOR

Vincent O'Rourke
NON-EXECUTIVE DIRECTOR

Terence Crawford
NON-EXECUTIVE DIRECTOR

COMPANY SECRETARY

David Franks

PRINCIPAL REGISTERED OFFICE

White Energy Company Limited
Suite 2, Level 10
70 Phillip Street
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

White Energy Company Limited
Level 7, 167 Eagle Street
Brisbane QLD 4000

SHARE REGISTRY/PRINCIPAL REGISTER

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067
Telephone: 1300 850 505 +61 3 9415 4000
Facsimile: +61 3 9473 2500

AUDITOR

PricewaterhouseCoopers
480 Queen Street
Brisbane QLD 4000

STOCK EXCHANGE LISTING

White Energy Company Limited shares are listed on the Australian Securities Exchange (WEC) and also traded on the US based OTCQX exchange (WECFY).

WEBSITE ADDRESS

www.whiteenergyco.com



white energy company limited

www.whiteenergyco.com