

White Energy Company Limited

ABN 62 071 527 083

Annual Financial Report - 30 June 2018

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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 2018.

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 comprised coal mines in Kentucky USA, operated by Mountainside Coal Company, Inc. (MCC) a 51% owned subsidiary company.

Dividends – White Energy

No amounts have been paid or declared by way of dividend during the current financial year (2017: 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 (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.

Directors' report (continued)

Operating and financial review (continued)

Coal technology (continued)

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.

Coal mining

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

Following the suspension of production in September 2016, production recommenced at the Flag Ridge mine in August 2017 and activities targeted thermal coal from the Dean seam until production was again suspended in April 2018 to allow reclamation activities to be completed at Flag Ridge.

MCC's coal mining operations generated \$3.9 million of coal sales revenue during the year, a significant drop from the previous year's revenues which were based on a lower production volume, but included the higher priced stoker coal.

The reclamation activities undertaken during the year focused on open pits being backfilled, graded and hydro-seeded. The reclamation activities resulted in the release of \$0.9 million of cash held as security. Reclamation activity continues, with applications being made for bond releases as rehabilitation work in each area is completed.

MCC received a royalty of \$0.4 million on the coal produced from the permits it sold during the prior year and its expected that will continue in the 2019 financial year.

MCC's personnel have been preparing future mine plans that target higher-yielding areas. 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.

In June 2017, White Energy commenced a process to sell its 51% interest in MCC. Interested parties have been shortlisted and negotiations to purchase White Energy's interest are continuing.

Exploration

Activity in EL5719 (South Australia) during the year was focussed on examining coal gasification opportunities and planning for future exploration activities.

EL5719 lies entirely within the Olympic Dam G9 Structural Corridor. Past drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines, and gravity and magnetic surveys have identified promising structural features. Previous activity has focussed on exploration for iron oxide-copper-gold-uranium (IOCGU) styles of mineralisation, and coal, which a study by Lurgi GmbH confirmed is suitable for gasification.

The EL5719 licence is in place until its expiration on 8 August 2020 and retention lease RL104 is for the same period.

Directors' report (continued)

Operating and financial review (continued)

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 (SICC). The proceedings relate to various disputed matters arising in connection with the company PT Kaltim Supacoal (KSC), 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 against the White Energy Group in these proceedings.

The SICC handed down its judgement on Tranche Two of the proceedings 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. The appeal was heard by the Singapore Court of Appeal (CA) from 7 to 8 February 2018 and the judgement was handed down on 29 August 2018. The CA dismissed substantially the whole of Bayan's appeal. The CA has remitted to the SICC for its determination, a narrow question regarding causation, being whether BCBCS had the ability to fund KSC by itself. The SICC has called for a case management conference on 2 October 2018 in order to provide directions in relation to how this issue is to be determined.

The CA judgment dealt with the following four issues arising from Bayan's appeal:

Key issues considered	CA findings
Whether Bayan was obliged to procure and / or ensure the supply of coal to KSC	Yes Bayan was obliged to ensure a supply of coal to KSC
If Bayan was under such an obligation, whether Bayan had breached its coal supply obligation, and if so, whether that breach constituted a repudiation of the KSC joint venture deed	Yes Bayan had breached its coal supply obligation, including by conditioning the supply of coal to KSC on BCBCS / White Energy buying its 49% stake in KSC for US\$45 million
Whether Bayan repudiated the joint venture deed by issuing a termination notice and whether BCBCS committed any repudiatory breaches of the joint venture deed	Yes Bayan had repudiated the KSC joint venture deed by breaching its own coal supply obligation and wrongfully issuing a termination notice No BCBCS did not commit any repudiatory breaches of the joint venture deed
If Bayan were guilty of repudiating the joint venture deed, whether such repudiation caused any loss to BCBCS, and if so, what is the period for which BCBCS is entitled to damages	In regards to causation, the CA found as follows: (i) BCBCS was willing to fund KSC by itself; (ii) The SICC ought to have decided the question of whether BCBCS had the ability to fund KSC by itself; and (iii) The SICC was correct to defer the other causation issues raised by Bayan to a third tranche of the proceedings

Directors' report (continued)

Operating and financial review (continued)

Legal dispute (continued)

White Energy will now seek costs associated with the appeal process.

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

If the SICC finds in favour of BCBCS on the remitted issue of causation, a third tranche of the proceedings will be held to determine the issue of damages arising out of Bayan's breaches.

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

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

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

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

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

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

General corporate

Loans for \$3.0 million were provided during the year by two of the Company's directors for general working capital requirements while the Group negotiates for the sale of MCC.

The Managing Director and all Non-executive Directors maintained the significant reductions in the cash component of their remuneration from 2016 / 2017 as part of the Company's ongoing commitment to cost reduction.

The Company has no secured corporate debt. The repayment dates of non-recourse shareholder loans were extended to January 2021. 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 including discontinued operations of \$1.1 million (30 June 2017: \$3.2 million) excluding \$4.4 million recorded as restricted cash (30 June 2017: \$5.2 million).

The total assets balance decreased from \$55.2 million at 30 June 2017 to \$46.4 million as at 30 June 2018, largely as a result of losses incurred by the Company and its subsidiaries.

Directors' report (continued)

Operating and financial review (continued)

Financial position and results for the year (continued)

The increase in liabilities from \$80.3 million to \$92.2 million predominantly reflects a weaker Australian Dollar, additional loans provided by the Group's minority shareholders for their share of the ongoing working capital requirements of MCC and River Energy, and loans from two of the Company's directors.

The Group's net loss before tax for the year ended 30 June 2018 was \$18.3 million (2017: \$44.2 million). The Group's adjusted normalised EBITDA loss for the year ended 30 June 2018 was \$6.9 million (2017: \$4.5million). The deterioration in normalised EBITDA from the comparative period in 2017 is primarily due to the reduction in MCC and other revenues, offset by cost reduction initiatives across the Group.

The normalised EBITDA loss has been determined as follows:

	2018 \$'000	2017 \$'000
Consolidated entity net loss for the year before income tax	(18,257)	(44,235)
(including discontinued operations)		
<i>Non-cash expenses/(income):</i>		
Depreciation/amortisation	3,096	9,582
Impairment expense	-	20,929
Share-based payments	-	308
Other	(1)	(17)
Sub-total – non-cash expenses	3,095	30,802
<i>Other significant items:</i>		
Finance costs	3,431	3,555
Litigation costs	650	1,895
Sub-total – other significant items	4,081	5,450
Consolidated entity adjusted normalised EBITDA	(11,081)	(7,983)
Non-controlling interests share of normalised EBITDA	4,229	3,490
White Energy adjusted normalised EBITDA	(6,852)	(4,493)

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 Group. The Group's adjusted normalised EBITDA (\$11.1 million) reconciles to the segment information EBITDA result for the year (\$11.7 million) disclosed in note 4(b), after adding back litigation costs (\$0.6 million) which are included in the segment expenses line item.

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

Going concern

The Group recorded a total comprehensive loss for the year ended 30 June 2018 of \$20,669,000 (2017: \$42,415,000), had net cash outflows from operations of \$7,719,000 (2017: \$12,133,000) and a cash balance excluding restricted cash of \$852,000 (\$3,216,000 as at 30 June 2017). The Group's current liabilities exceed its current assets by \$31,929,000 (net current liabilities of \$17,264,000 as at 30 June 2017). In this regard it should be noted that the Group's external debt comprises limited-recourse shareholder loans, related party loans from key management personnel, trade and other payables and provisions incurred in the ordinary course of business. Management has prepared a cash flow forecast to 30 September 2019 which demonstrates the need to raise additional funding to meet the Group's forecast 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.

Directors' report (continued)

Operating and financial review (continued)

Gong concern (continued)

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. Negotiations with interested parties to purchase the Group's interest are continuing;
- (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;
- (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; and
- (5) Short term loans from related parties: Amounts totalling \$3,000,000 have been received as at 30 June 2018 from two directors (refer note 19(a)). These two loan facilities have an unutilised amount of \$Nil. In July and September 2018 a further four loan facilities totalling \$2,000,000 have been put in place by the same directors.

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 2018 contains an emphasis of matter paragraph drawing members' attention to the contents of Note 1(a)(iv) 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 2018.

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. Subsequent to 30 June 2018 White Energy has signed a memorandum of understanding with the Yankuang Group in Shandong Province of China to investigate the implementation of BCB technology for use in Yankuang's coal briquetting business. Coal trials have been conducted at the Cessnock facility and further tests will be carried out in China. There are several steps to undertake to turn this into a commercial proposition.

Directors' report (continued)

Operating and financial review (continued)

Future prospects (continued)

In Australia, the focus on examining coal gasification opportunities and planning for future exploration activities is expected to continue.

The Group will continue to investigate other opportunities to invest in coal assets.

Principal risks and uncertainties

The activities of the White Energy Group, as in any business, are subject to risks, some of which are specific to the Group and the coal industry in general, which may impact on its future financial performance, its business prospects and the value of White Energy shares. The Group has appropriate actions, systems and safeguards for known risks, however, some are outside the control of the Group. The principal 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 on favourable terms or at all as a result of adverse market conditions and other factors outside the control of the Company. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures.
- **General economic and business conditions risk:** The operating and financial performance of the Group is influenced by a variety of general economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, foreign exchange rates, access to debt and capital markets, fiscal policy, monetary policy and regulatory policies. A prolonged deterioration in any number of the above factors may have a material adverse impact on the Group's business and financial performance including its ability to fund its activities.
- **Regulatory and country risks:** The Group holds investments in Australia, Africa and North America and conducts business, or seeks to conduct business in these and other countries, and is therefore exposed to the laws governing businesses in those countries. Changes in government regulations including taxation, the repatriation of profits, restrictions on production, export controls, environmental compliance, shifts in the political stability of the country, labour unrest and other adverse political events could adversely affect the Group and its business initiatives in Australia, Africa, North America and other countries.
- **Competition risk:** The industry in which the Group is involved is subject to domestic and global competition including from alternative energy sources including gas, solar, uranium, tidal or other energy sources. While the Group will undertake all reasonable due diligence in its business decisions and operations, the Group will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's projects and business.
- **Potential acquisitions and divestments risk:** As part of its business strategy, the Group may make acquisitions of, or significant investments in, complementary companies, products or technologies and may make asset divestments. Any such transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, and any divestment activity could result in realising values less than fair value.
- **Management actions risks:** The Directors will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Group, but without assuming any personal liability, with the aim of

Directors' report (continued)

Principal risks and uncertainties (continued)

eliminating, avoiding and mitigating the impact of risks on the performance of the Group and its securities. This includes risks arising from the Group's reliance on a number of key employees. The Company has in place employment contracts with key employees and has the objective of providing attractive employment conditions to assist in retaining key employees. However, there is no guarantee that the Company can or will retain its key employees.

- Unforeseen expenses risk: While the Group is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the forecast expenditure requirements of the Group may be adversely affected.
- Exploration success risk: The mineral tenements of which the Group has or may have an interest in are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of the project areas, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.
- Operating risks: The Group's future operations will be subject to operating risks that could result in decreased product production which could reduce its revenues. These operational difficulties may impact the amount of product produced, increase the cost of production and delay sales revenue. Such difficulties include failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction and production costs; adverse weather conditions; natural disasters; industrial and environmental accidents; industrial disputes; transportation delays; workplace, health and safety issues; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.
- 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 Group may not materialise, and may exceed the current expected timeframe for completion or cost, for a variety of reasons outside the control of the Group.
- Intellectual property risk: The Group's future financial performance may be impacted by the failure to protect its intellectual property.
- Technology risk: Emerging new technologies may render the Group's proprietary binderless briquetting technology obsolete and hinder the Group's ability to derive future income.
- General project risk: Any project is subject to risk, in particular those that rely on a relatively new technology.
- Resource risk: The Group reports resource estimates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, known as the JORC Code. Resource estimates are expressions of judgement based on knowledge, experience and industry practice. There are risks associated with such estimates, including that the coal mined may be of a different quality, tonnage or strip ratio from those estimates. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- Coal price volatility and foreign exchange rate risks: The Group's future financial performance will be impacted through the revenue it derives by future traded coal prices and movements in foreign exchange rates which are determined by factors outside the Group's control.

Directors' report (continued)

Principal risks and uncertainties (continued)

- **Environmental risks:** The operations and proposed activities of the Group are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Group is committed to environmental care and aims to carry out its activities in an environmentally responsible and scientifically-sound way that reduces the environmental impact to a practical minimum and ensures compliance with all environmental laws. The Group holds certificates of deposit for bonds held for security until reclamation of permitted sites in Kentucky and Tennessee in the USA has been suitably completed by the Group.
- **Litigation risk:** The Group is involved in a lengthy and complex legal dispute with Bayan. The final outcome of the proceedings is not known or certain. There may be unexpected scenarios which may affect the Group's position in the proceedings.

If the SICC finds in favour of the Company's wholly owned subsidiary BCBCS on the remitted issue of causation, the Group will be seek damages and costs from Bayan in a third tranche of proceedings. The recovery of damages and costs is uncertain, including as to quantum. In the event BCBCS is awarded damages and costs in a third tranche of proceedings, BCBCS will register the judgement in Western Australia and seek to utilise the freezing order to enforce the damages and costs award (as described in the legal dispute section of the operating and financial review). There is a risk that Bayan may take actions to frustrate the purpose of this order which may affect BCBCS' ability to utilise the freezing orders to enforce a damages award.

The Group may be subject to other litigation, claims and disputes in the course of its business including, but not limited to, contractual claims, environmental claims, employment disputes, occupational health and safety claims, regulatory disputes, legal actions from special interest groups, as well as third party damage or losses resulting from mining actions. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could adversely affect the Group's business, operating and financial performance.

- **Title Risks and Native Title risks:** Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Group could lose title to or its interest in, tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. The Directors will closely monitor the potential effect of native title claims involving tenements in which the Group has or may have an interest.

Significant changes in the state of affairs

Coal production was suspended in early April 2018 at MCC's Flag Ridge mine. MCC's management are currently planning for future mining activities.

There were no other significant changes in the Group's state of affairs during the year ended 30 June 2018.

Events since the end of the financial year

(a) Loans from related parties

On 31 July 2018 directors Travers Duncan, the Chairman of White Energy, and Brian Flannery, the Managing Director of White Energy, have each agreed to provide to the Company loan facilities of up to \$1,000,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Ilwella Pty Ltd respectively. The loan facilities were fully drawn at the date of signing of this report. On 28 September 2018 Travers Duncan and Brian Flannery have each agreed to provide to the Company further loan facilities of up to \$1,000,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Ilwella Pty Ltd respectively. The loans are due for repayment by the Company within one year after they are advanced or on demand. The loans are not secured. The loan's agreements are based on normal commercial terms and conditions and bear interest at a market rate.

Directors' report (continued)

Events since the end of the financial year (continued)

(b) Change in ownership interest

On 1 July 2018 the Group's subsidiary River Energy South Africa Pty Ltd acquired a further 28.8% ownership interest in subsidiary River Energy Fine Coal Recovery Pty Ltd (REFCR) for the nominal amount of the shares, and this takes its equity holding to 100%. The Group's equity holding in RFEFCR increased to 51%. In the 2019 financial year this will result in a reclassification of the components of equity relating to the 28.8% non-controlling interest to the Group's equity interest, not through other comprehensive income, as set out below:

Non-controlling interests reclassified	\$'000
Share capital	-
Reserves	9
Accumulated losses	508
Total interests	517

(c) KSC legal dispute

Refer to the legal dispute section of the operating and financial review for details regarding the KSC legal dispute occurring after the reporting period.

No other significant matters or circumstances have arisen since 30 June 2018 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.

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the Group are included in this annual financial report under the Operating and Financial Review section on pages 1 to 7.

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.

Directors' report (continued)

Information on Directors

Travers William Duncan, Dip. Eng. (Civil) F.I.E Aust. C P Eng – Chairman – Non-Executive	
Experience and expertise	<p>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.</p> <p>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.</p>
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	39,884,154 ordinary shares in White Energy.

Brian Flannery, BE Mining – Managing Director	
Experience and expertise	<p>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 45 years experience in the development, engineering, construction and management of open-cut and underground mining projects in Australia and overseas.</p> <p>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.</p>
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	<p>37,833,903 ordinary shares in White Energy.</p> <p>10,000,000 Incentive Options in White Energy.</p>

Directors' report (continued)

Information on Directors (continued)

Graham Cubbin, B Econ (Hons), FAICD – Non-Executive Director	
Experience and expertise	<p>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.</p> <p>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.</p>
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	Chair of the Audit and Risk Committee.
Interests in shares and options	600,000 ordinary shares in White Energy.

Vincent O'Rourke AM, B Econ - Non-Executive Director	
Experience and expertise	<p>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.</p> <p>Vincent O'Rourke brings over 45 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.</p>
Directorships of other listed companies	None.
Former Directorships of other listed companies in the last 3 years	Non-executive Director of Yancoal Australia Limited.
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.

Directors' report (continued)

Information on Directors (continued)

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	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 B Econ, 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).

David Franks has more than 20 years experience in finance and accounting, initially qualifying with PricewaterhouseCoopers (formerly Price Waterhouse) in their Business Services and Corporate Finance Divisions. He has been CFO, Company secretary and / or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare.

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 2018, and the number of meetings attended by each Director were:

	Meetings of committees					
	Meetings of Directors		Audit and Risk		Remuneration	
	Held (a)	Attended (b)	Held (a)	Attended (b)	Held (a)	Attended (b)
Non-executive Directors						
Travers Duncan	6	5	4	4	1	1
Graham Cubbin	6	6	4	4	**	**
Vincent O'Rourke	6	6	4	3	1	1
Terence Crawford	6	6	**	**	1	1
Executive Directors						
Brian Flannery	6	5	**	**	**	**

(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

Directors' report (continued)

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:

2015: Terence Crawford

2016: Travers Duncan

2017: Vincent O'Rourke and Graham Cubbin

Therefore under Clause 8.1(d) of the Constitution, Terence Crawford will retire and seek re-election.

Remuneration report (audited)

The Directors are pleased to present the Company's 2018 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 2018 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
Allan McCarthy	Chief Financial Officer (From 28 August 2017)
Damian Galvin	Chief Financial Officer *
Neil Whittaker	Chief Executive Officer – River Energy JV Limited**

* Damian Galvin resigned on 26 August 2017.

** Neil Whittaker's appointment as CEO of River Energy JV Limited ceased as at 30 June 2017.

Directors' report (continued)

Remuneration report (continued)

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 2018.

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: <http://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.

Directors' report (continued)

Remuneration report (continued)

(3) Remuneration of Executives (continued)

(ii) Remuneration components

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

<i>Fixed components</i>	<i>Variable 'at-risk' components</i>
Base salary and benefits, including superannuation.	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 2018 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.

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).

Directors' report (continued)

Remuneration report (continued)

(3) Remuneration of Executives (continued)

Long Term Incentive Plan

The Company's Long Term Incentive Plan for key employees of the Company was re-approved by shareholders at the 2017 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 during the 2018 financial year.

Directors' report (continued)

Remuneration report (continued)

(3) Remuneration of Executives (continued)

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 2018

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

Name	Year	Short term benefits		Post employment	Share based payment	Total
		Cash salary	Non-monetary benefit ⁽¹⁾	Super-annuation	Incentive options	
Executive Directors		\$	\$	\$	\$	\$
Brian Flannery	2018	120,000	14,141	11,400	-	145,541
	2017	510,000	13,462	50,667	308,000	882,129
Other Key Management Personnel						
Michael Chapman	2018	435,000	21,909	25,000	-	481,909
	2017	555,000	11,956	52,725	-	619,681
Allan McCarthy ⁽²⁾	2018	197,284	10,793	18,725	-	226,802
	2017	-	-	-	-	-
Damian Galvin ⁽³⁾	2018	48,648	1,842	4,011	-	54,501
	2017	273,973	11,956	26,027	-	311,956
Neil Whittaker ⁽⁴⁾	2018	-	-	-	-	-
	2017	300,000	-	-	-	300,000
Total Executive Directors and other Key Management Personnel remuneration	2018	800,932	48,685	59,136	-	908,753
	2017	1,638,973	37,374	129,419	308,000	2,113,766

(1) Non-monetary benefits include car parking and also for Mr Chapman private travel benefits.

(2) Remuneration for Chief Financial Officer Mr McCarthy is from 22 August 2017.

(3) Remuneration for former Chief Financial Officer Mr Galvin is for the period up until his resignation on 26 August 2017 and includes payments for accrued entitlements of \$4,577 as cash salary.

Directors' report (continued)

Remuneration report (continued)

(3) Remuneration of Executives (continued)

(4) Remuneration for the former CEO of overseas subsidiary River Energy JV Limited Mr Whittaker ceased as at 30 June 2017.

(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 2018 are set out below:

Name	Title	Term of agreement	Base salary including superannuation	Contractual termination benefits
Brian Flannery	Managing Director	Rolling contract	\$131,400	6 months base salary
Michael Chapman	Chief Operating Officer	Rolling contract	\$460,000	6 months base salary
Allan McCarthy	Chief Financial Officer	Commenced 28 August 2017 on a rolling contract	\$250,000	3 months base salary

Each executive 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 (base salary including superannuation to 31 March 2017: Mr Flannery \$700,800; Mr Chapman \$657,000).

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.

(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:

	2018	2017	2016	2015	2014
Total loss for the year (\$'000)	(18,257)	(44,235)	(85,248)	(39,256)	(52,257)
Share price at year end (\$)	0.03	0.03	0.055	0.30	0.15
Increase/(decrease) in share price	(0%)	(45%)	(82%)	100%	-%
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.

Directors' report (continued)

Remuneration report (continued)

(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 30/6/2018	From 1/7/2016 to 31/3/2017	From 1/4/2017
Chairman	\$40,000	\$176,000	\$40,000
Non-Executive Directors	\$40,000	\$51,200	\$40,000

The Chairman's fees prior to 1 April 2017 included \$63,333 for consulting services performed by the Chairman for Binderless Coal Briquetting Company Pty Ltd, a wholly owned subsidiary of White Energy. From 1 April 2017, no consulting fee was payable.

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

(iii) Remuneration for the year ended 30 June 2018

The total remuneration paid to the Non-Executive Directors for the year ended 30 June 2018 amounted to \$278,283 as detailed below. For comparison purposes, amounts for the year ended 30 June 2017 are also shown.

Directors' report (continued)

Remuneration report (continued)

(5) Remuneration of Non-Executive Directors (continued)

	Year	Short Term Benefits		Post employment	Total
		Cash salary and fees	Non-monetary benefits	Superannuation	
Non-Executive Directors		\$	\$	\$	\$
Travers Duncan ⁽¹⁾	2018	40,000	-	71,437	111,437
	2017	149,333	-	-	149,333
Graham Cubbin	2018	40,000	-	3,800	43,800
	2017	48,400	-	4,598	52,998
Vincent O'Rourke ⁽¹⁾	2018	40,000	-	39,246	79,246
	2017	48,400	-	-	48,400
Terence Crawford ⁽²⁾	2018	40,000	-	3,800	43,800
	2017	48,400	-	4,598	52,998
Sub-total Non-Executive Directors	2018	160,000	-	118,283	278,283
	2017	294,533	-	9,196	303,729

(1) Non-Executive Directors do not receive any retirement benefits other than their statutory entitlements, where applicable. Additional mandated employer superannuation guarantee contributions and 10% nominal interest are included in the 2018 financial year for Mr Duncan (\$67,446) and Mr O'Rourke (\$35,229) for the 2013 to 2017 financial years that relate to a change in legislation effective from 1 July 2013 that removed the employer superannuation guarantee contribution cap of 70 years of age.

(2) In addition to his Non-Executive Directors' fees, \$Nil (2017: \$10,000) 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 2017 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 2018 financial year. Comments raised by shareholders during the course of the Annual General Meeting were responded to by the Directors during the meeting.

Directors' report (continued)

Remuneration report (continued)

(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:

Grant date	Vesting and exercise date	Expiry date	Value per right at grant date	Vested %	Exercised %	Lapsed %
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 ⁽¹⁾	30/6/2020	\$0.50	0%	0%	100%
Incentive Options 10,000,000 options at \$0.20 exercise price						
18/11/2016	Vest upon grant ⁽²⁾	18/11/2022	\$0.0308	100%	0%	0%

(1) The performance condition has not been achieved and the Performance Options have lapsed during the 2018 financial year.

(2) 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
		2018	6,000,000	-	-	6,000,000	-
	2017	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
		2018	10,000,000	-	-	-	10,000,000
	2017	-	10,000,000	-	-	10,000,000	10,000,000

Directors' report (continued)

Remuneration report (continued)

(8) Equity instruments held by Key Management Personnel (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	Number at the start of the year	Other changes during the year	Number at the end of the year
Non-Executive Directors				
Travers Duncan	2018	33,033,779	6,850,375	39,884,154
	2017	33,033,779	-	33,033,779
Graham Cubbin	2018	600,000	-	600,000
	2017	600,000	-	600,000
Vincent O'Rourke	2018	610,000	-	610,000
	2017	610,000	-	610,000
Terence Crawford	2018	565,094	-	565,094
	2017	565,094	-	565,094
Executive Director				
Brian Flannery	2018	30,983,528	6,850,375	37,833,903
	2017	30,983,528	-	30,983,528
Other Key Management Personnel				
Michael Chapman	2018	1,535,096	-	1,535,096
	2017	1,535,096	-	1,535,096
Neil Whittaker ⁽¹⁾	2018	N/A	N/A	N/A
	2017	418,106	-	418,106

(1) Neil Whittaker's appointment as CEO of River Energy JV Limited ceased as at 30 June 2017.

(iv) Other transactions with Key Management Personnel

During the year ended 30 June 2018, employee benefits of \$90,236 (2017: \$129,400) were paid to Andromeda Neale, who is related to Travers Duncan, the Chairman of White Energy.

During the year ended 30 June 2018, 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 \$93,196 (2017: \$96,092). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2018, Brian Flannery and Travers Duncan, reimbursed the Company for some geological work conducted for their private company Rockland Resources Pty Limited for \$15,200 (2017: \$ Nil). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2018, Brian Flannery and Travers Duncan, have each loaned to the Company \$1,500,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Illwella Pty Ltd respectively. Interest of \$87,680 was charged. The loans are due for repayment by the Company within one year after they were advanced or on demand. The loans are not secured. The loan's agreements are based on normal commercial terms and conditions and bear interest at a market rate.

Directors' report (continued)

Remuneration report (continued)

(8) Equity instruments held by Key Management Personnel (continued)

Shares under option

Unissued ordinary shares of White Energy as at 30 June 2018 are as follows:

Option type	Date options granted	Expiry date	Exercise price	Number
Incentive Options	18/11/2016	18/11/2022	\$0.20	10,000,000

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:

	2018	2017
	\$	\$
Taxation Services		
Network firms of PwC Australian firm	105,127	163,820
Total remuneration for taxation services	105,127	163,820
Total remuneration for non-audit services	105,127	163,820

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 26.

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
28 September 2018



Auditor's Independence Declaration

As lead auditor for the audit of White Energy Company Limited for the year ended 30 June 2018, 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 blue ink, appearing to read 'S Neill'.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
28 September 2018

Annual Financial Statements - 30 June 2018

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These financial statements are the consolidated financial statements of the Group consisting of White Energy and its subsidiaries. A list of principal subsidiaries is included in note 27. 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 1-25 which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 28 September 2018. 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 2018 Corporate Governance Statement is dated as at 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 corporate governance statement was approved by the board on 28 September 2018. 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 <http://www.whiteenergyco.com/about-us/corporate-governance/>.

Consolidated statement of comprehensive income
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue	5	819	2,023
Employee benefits expense	6	(3,207)	(4,741)
Depreciation and amortisation expense	6	(3,096)	(5,964)
Impairment expense	6	-	(20,929)
Finance costs		(1,725)	(1,645)
External advisory fees	6	(1,145)	(2,548)
Occupancy expenses		(284)	(339)
Travel expenses		(224)	(326)
Plant operating costs		(56)	(155)
Accounting, tax and audit fees		(337)	(519)
Other expenses		(786)	(1,397)
Loss before income tax		(10,041)	(36,540)
Income tax credit / (expense)	7	-	-
Net loss for the year from continuing operations		(10,041)	(36,540)
Loss from discontinued operations after tax	29	(8,216)	(7,695)
Net loss for the year		(18,257)	(44,235)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(2,412)	1,820
Total other comprehensive income for the year		(2,412)	1,820
Total comprehensive loss for the year		(20,669)	(42,415)
Loss is attributable to:			
Owners of the Company		(11,011)	(35,329)
Non-controlling interests		(7,246)	(8,906)
Total loss for the year		(18,257)	(44,235)
Total comprehensive loss is attributable to:			
Owners of the Company, from:			
- Continuing operations		(7,658)	(32,279)
- Discontinued operations		(3,951)	(3,020)
		(11,609)	(35,299)
Non-controlling interests		(9,060)	(7,116)
Total comprehensive loss for the year		(20,669)	(42,415)
Basic and diluted loss per share attributable to ordinary equity holders of the Company:		Cents	Cents
On loss from continuing operations	32	(2.4)	(9.9)
On total loss	32	(3.4)	(10.8)

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

Consolidated balance sheet
As at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	8	852	3,216
Inventories	9	-	-
Trade and other receivables	10	688	1,418
		1,540	4,634
Assets classified as held for sale	11	20,533	23,266
Total current assets		22,073	27,900
Non-current assets			
Restricted cash	12	2,000	2,000
Property, plant and equipment	14	830	1,929
Exploration assets	15	10,290	10,213
Intangible assets	16	11,203	13,200
Total non-current assets		24,323	27,342
Total assets		46,396	55,242
Current liabilities			
Trade and other payables	17	7,223	7,671
Provisions	18	473	143
Other payables	19	3,021	-
		10,717	7,814
Liabilities of disposal groups held for sale	11	43,285	37,350
Total current liabilities		54,002	45,164
Non-current liabilities			
Provisions	18	348	254
Other payables	19	37,803	34,912
Total non-current liabilities		38,151	35,166
Total liabilities		92,153	80,330
Net liabilities		(45,757)	(25,088)
Equity			
Contributed equity	21	493,476	493,476
Reserves	22	(12,757)	(12,159)
Accumulated losses	22	(475,244)	(464,233)
Total equity attributable to owners of White Energy Company Limited		5,475	17,084
Non-controlling interests	23	(51,232)	(42,172)
Total equity		(45,757)	(25,088)

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 2018

	Attributable to the owners of White Energy Company Limited					Total equity \$'000
	Contributed equity	Reserves	Accumulated losses	Total	Non-controlling interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 July 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 (refer note 33)	-	308	-	308	-	308
	-	308	-	308	-	308
Balance at 30 June 2017	493,476	(12,159)	(464,233)	17,084	(42,172)	(25,088)
Loss for the year	-	-	(11,011)	(11,011)	(7,246)	(18,257)
Other comprehensive income	-	(598)	-	(598)	(1,814)	(2,412)
Total comprehensive income/(loss) for the year	-	(598)	(11,011)	(11,609)	(9,060)	(20,669)
Transactions with owners in their capacity as owners						
Share based payments (refer note 33)	-	-	-	-	-	-
	-	-	-	-	-	-
Balance at 30 June 2018	493,476	(12,757)	(475,244)	5,475	(51,232)	(45,757)

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 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		4,837	7,638
Payment to suppliers and employees (inclusive of goods and services tax)		(13,496)	(21,248)
		(8,659)	(13,610)
Interest received		14	96
Receipts for certificates of deposit restricted for bonds		926	1,381
Net cash outflow from operating activities	31	(7,719)	(12,133)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,099	7,768
Payments for property, plant and equipment		-	(6)
Payments for exploration assets		(66)	(446)
Loans payments received		377	49
Net cash inflow from investing activities		1,410	7,365
Cash flows from financing activities			
Proceeds from borrowings		4,988	1,689
Borrowings repaid		(572)	-
Finance income received / (charges paid)		107	(107)
Finance lease payments		(169)	(10)
Net cash inflow from financing activities		4,354	1,572
Net decrease in cash and cash equivalents		(1,955)	(3,196)
Cash and cash equivalents at the beginning of the financial year		3,216	6,557
Reclassification of cash of disposal groups held for sale	29	(122)	(95)
Effect of exchange rate changes on cash and cash equivalents		(287)	(50)
Cash and cash equivalents at the end of the year	8	852	3,216

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

Notes to the consolidated financial statements

30 June 2018

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

The Group has applied the following new standards and amendments to standards that are mandatory for the first time for the reporting period commencing 1 July 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*;
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*; and
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle [AASB 12]*.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to AASB 107 require disclosure of changes in liabilities arising from financing (refer note 19(d)).

(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 for 30 June 2018 reporting periods. The Group's assessment of the impact of these pronouncements that are relevant to the Group on the amounts recognised in its financial statements resulting from their application is set out below.

- AASB 9 *Financial Instruments: Recognition and Measurement (mandatory for the reporting period commencing 1 July 2018)*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and covers the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018, as well as some presentational changes set out below.

Notes to the consolidated financial statements (continued)

30 June 2018

Classification and measurement

AASB 9 modifies the classification and measurement of certain classes of financial assets and liabilities and will require the Group to reassess classification of financial assets from four to three categories, reflecting the business model in which assets are managed and their cash flow characteristics.

Amortised cost financial assets are held under a business model to collect contractual cash flows and have cash flows which relate solely to payments of principal and interest (SPPI). A business model for financial assets held to collect contractual cash flows or sold will be classified as held at fair value through Other Comprehensive Income (FVOCI) if the SPPI criteria are met. Any other financial assets will be held at fair value through profit or loss (FVTPL) or FVOCI for certain elections e.g. an investment in an equity instrument not held for trading. This will result in classification and measurement changes in the trade and other receivables (notes 10 and 11) and current and non-current liabilities – trade and other payables (notes 11, 17 and 19).

In accordance with the transitional provisions in AASB 9, the Group will apply the new rules retrospectively from 1 July 2018 with the practical expedients permitted under the standard. Comparative figures for 2018 will not be restated but are recognised in the opening balance sheet on 1 July 2018.

A summary of the expected classification and measurement changes on the Group's 30 June 2018 balances is as follows:

	Notes	AASB 139 Carrying Amount 30 June 2018 \$'000	Reclassi- fication \$'000	Remeasure- ment \$'000	AASB 9 Carrying Amount 1 July 2018 \$'000
Assets					
Trade and other receivables (b)	10, 11	687	-	-	687
Available-for-sale financial assets (a)	11	529	(529)	-	-
Financial assets at fair value through profit or loss (a)			529	-	529
Accumulated losses after AASB 9 restatement	22	(475,244)	-	-	(475,244)

(a) *Reclassification from available-for sale to FVPL*

The debt instrument that is currently classified as available-for-sale (AFS) (\$529,000 as at 30 June 2018) is a contingent consideration receivable. As it does not have cash flows which represent SPPI, it will be reclassified from available-for sale to FVPL and there is no impact on the amounts recognised in relation these assets from the adoption of AASB 9.

(b) This table shows the impact from the Group changing its impairment methodology under AASB 9 for trade and other receivables measured at amortised cost as outlined in this note under *Impairment of financial assets* below.

There will be no 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 *Measurement* and have not been changed.

Derivatives and hedging activities

The Group currently does not have any hedging arrangements, nor anticipate any such arrangements in the foreseeable future. Accordingly the Group does not expect a significant impact under the new standard from derivatives and hedging activities.

Notes to the consolidated financial statements (continued)

30 June 2018

Impairment of financial assets

AASB 9 introduces the expected credit loss (ECL) model for impairment of financial assets which replaces the incurred loss model used under AASB 139. The ECL model requires the recognition of impairment provisions based on expected credit losses rather than booking a provision when credit losses occur, as is the case under AASB 139.

The Group has three types of financial assets that are subject to the ECL model:

- trade receivables for sales of coal inventory and from the provision of sampling services ⁽¹⁾;
- other financial assets at amortised cost ⁽²⁾; and
- lease receivables.

The Group is required to revise its impairment methodology under AASB 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses and equity is disclosed in the table in this note under *Classification and Measurement* above (\$Nil).

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

(1) Trade receivables and contract assets

The Group has elected to apply the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Applying the expected credit risk model to trade receivables for sales of coal inventory and lease receivables identified the impairment loss was immaterial.

To measure the expected credit losses to trade receivables for the provision of sampling services, coal sales and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same

Notes to the consolidated financial statements (continued)

30 June 2018

risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The loss allowances for trade receivables and contract assets as at 30 June 2018 reconcile to the opening loss allowances on 1 July 2018 as follows

	Contract assets \$'000	Trade receivables \$'000
At 30 June 2018 – calculated under AASB 139	-	47
Amounts restated through opening accumulated losses	-	-
	-	47

(2) Other financial assets at amortised cost

Other financial assets at amortised cost include loans and other receivables and cash and cash equivalents. Applying the expected credit risk model to these assets identified the impairment loss was immaterial.

- AASB 15 *Revenue from contracts with customers (mandatory for the reporting period commencing 1 July 2018)*

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance contained in AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* 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. The amount of revenue recognised should reflect the consideration to which the Group expects to be entitled in exchange for those goods or services.

The new standard requires the Group to account for each distinct good or service as a separate performance obligation with the contract price allocated to each obligation. Revenue is recognised when a performance obligation is satisfied by transferring a promised good or service to a customer. A good or service is transferred at the point when control transfers to the customer and this follows the terms of the contract. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risks and rewards and customer acceptance.

For the Group's coal sales transfer of control is usually at the time of shipping and this coincides with the Group's existing coal sales recognition criteria under AASB 118.

The performance obligation for sampling services generally meets the criteria for a performance obligation that is settled over the period of transfer to the customer where the customer simultaneously receives the benefits provided by the Group's performance as the Group performs. The progress towards satisfaction of a performance obligation is measured by reaching a sampling contract milestone. The timing of sampling services revenue recognition could change and be accelerated compared to the Group's existing recognition criteria under AASB 118 which recognises sampling services revenue on completion of the associated coal testing.

AASB 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. Contract assets relate to unbilled work in progress and contract liabilities relate to amounts deferred for future performance obligations, expected returns, trade allowances and rebates.

In accordance with the transitional provisions in AASB 15, the Group will apply the new rules retrospectively from 1 July 2018 with the practical expedients permitted under the standard. Comparative figures for 2018 will not be restated but are recognised in the opening balance sheet on 1 July 2018. The new rules are only applied to contracts that are not completed contracts at 1 July 2018.

Notes to the consolidated financial statements (continued)

30 June 2018

The Group has reviewed its revenue contracts and is expecting the following impact from the adoption of the new standard on 1 July 2018, as well as some presentational changes set out below.

There are no material incomplete revenue contracts at 1 July 2018. There are no expected classification and measurement changes on the Group's 30 June 2018 balances. No material changes are expected in respect of the timing and amount of future coal sales revenue recognised by the Group. The timing of future sampling services revenue recognition could change and be accelerated.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its revenue contracts particularly in the year of the adoption of the new standard, including the amount by which each line item in the financial statements is impacted by the new standard in the first reporting period. New ongoing disclosures include qualitative and quantitative information about performance obligations, reconciliations of contract balances and significant judgements, and changes in judgements made in applying the standard.

- *AASB 16 Leases (expected to be initially applied for the reporting period commencing 1 July 2019)*

AASB 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. It replaces the existing lease recognition guidance contained in AASB 117 *Leases*. Under the new standard a right-of-use asset and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The accounting for lessors will not significantly change.

The new standard must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at the date of transition under a modified retrospective approach. The Group expects to use a modified retrospective approach.

The Group has assessed the impact of the new standard and expects a change the accounting for the Group's operating leases. As at 30 June 2018, the Group had undiscounted non-cancellable operating lease commitments as defined under AASB 117 from continuing operations of \$372,000, with remaining non-cancellable lease commitments as at the expected date of adoption of AASB 16 on 1 July 2019 of \$218,000.

On adoption of AASB 16, the Group will recognise lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities are expected to be measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. Based on the \$218,000 of remaining lease commitments noted above and the 30 June 2018 incremental borrowing rate of 5.8%, the estimated lease liabilities recognised will be \$209,000. The associated right-of-use assets are expected to be measured at the amount equal to the lease liability adjusted for any prepaid or accrued lease payments. Property, plant and equipment will increase by an estimated \$209,000 on 1 July 2019, with no net impact on accumulated losses.

EBITDA, as disclosed in Note 4 Segment Information is expected increase slightly by an estimated \$2,000 in the 2019 financial year as the operating lease cost is charged against EBITDA under AASB 117 while under AASB 16 the charge will be included in depreciation and interest which are excluded from EBITDA, although included in profit or loss. Under AASB 16 there is an accelerated recognition of lease expense in profit or loss, as the depreciation and interest components of lease expense under the new standard will be higher in the early years of a lease than the lease expense recognised under AASB 117. Operating cash flows will increase by an estimated \$163,000 in the 2019 financial year under AASB 16 as the lease payments will be reclassified to the repayment of principal and interest included under financing cash flows.

AASB 16 requires enhanced disclosures to improve information disclosed about an entity's exposure to leases.

- *AASB 2017-4 Amendments to Australian accounting Standards – Uncertainty over Income Tax Treatments [Interpretation 23 (expected to be initially applied for the reporting period commencing 1 July 2019)*

Notes to the consolidated financial statements (continued)

30 June 2018

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The Group currently recognises tax balances based on the most likely amount of the asset or liability, if any, for each uncertain tax position. The interpretation requires a probability weighted expected value method to be used for tax positions with a range of possible outcomes. For tax positions with a binary outcome, the most likely amount method should continue to be used. The Group's preliminary assessment of the impact of this interpretation is that there won't be a material effect on the amounts recognised in its financial statements resulting from its application.

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.

(iv) Going concern

The Group recorded a total comprehensive loss for the year ended 30 June 2018 of \$20,669,000 (2017: \$42,415,000), had net cash outflows from operations of \$7,719,000 (2017: \$12,133,000) and a cash balance excluding restricted cash of \$852,000 (\$3,216,000 as at 30 June 2017). The Group's current liabilities exceed its current assets by \$31,929,000 (net current liabilities of \$17,264,000 as at 30 June 2017). In this regard it should be noted that the Group's external debt comprises limited-recourse shareholder loans, related party loans from key management personnel, trade and other payables and provisions incurred in the ordinary course of business. Management has prepared a cash flow forecast to 30 September 2019 which demonstrates the need to raise additional funding to meet the Group's forecast 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. Negotiations with interested parties to purchase the Group's interest are continuing;
- (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;
- (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; and
- (5) Short term loans from related parties: Amounts totalling \$3,000,000 have been received as at 30 June 2018 from two directors (refer note 19(a)). These two loan facilities have an unutilised amount of \$Nil. In July and September 2018 a further four loan facilities totalling \$2,000,000 have been put in place by the same directors.

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.

Notes to the consolidated financial statements (continued)

30 June 2018

(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 2018 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).

Notes to the consolidated financial statements (continued)

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(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

Notes to the consolidated financial statements (continued)

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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.

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.

(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.

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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.

Notes to the consolidated financial statements (continued)

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(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.

(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) 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.

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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.

(o) 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.

Notes to the consolidated financial statements (continued)

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- 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).

(p) 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.

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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.

(q) 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. The asset was fully impaired as at 30 June 2017 and is no longer amortised.

(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 charged as the asset is not available for use. The asset was fully impaired as at 30 June 2017 and will not be amortised.

(r) 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

Notes to the consolidated financial statements (continued)

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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.

(s) 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.

(t) 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.

(u) 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.

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(v) 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.

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.

(w) 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.

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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.

(x) 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.

(y) 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.

(z) 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.

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(aa) 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.

(ab) 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.

(ac) 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

Notes to the consolidated financial statements (continued)

30 June 2018

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.

(ad) 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.

Notes to the consolidated financial statements (continued)
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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:

	2018 (\$'000)				2017 (\$'000)			
	USD	SGD	GBP	AU	USD	SGD	GBP	AUD
Assets								
Cash and cash equivalents	11	-	-	-	249	-	-	-
Liabilities								
Trade & other payables – Current	(3)	(140)	(42)	-	(7)	(659)	(80)	(18)
Total liabilities	8	(140)	(42)	-	242	(659)	(80)	(18)

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:

	2018 (\$'000)		2017 (\$'000)	
	+10%	-10%	+10%	-10%
AUD vs USD	(1)	1	(24)	29
AUD vs SGD	12	(15)	58	(70)
USD v SGD	1	(1)	-	-
USD v GBP	(4)	4	7	(9)

The analysis is conducted in relation to base exchange rates of: AUD/USD \$0.7391 (2017: \$0.7692); AUD/SGD \$1.0078 (2017: \$1.0598), USD/SGD \$1.3619 (2017: \$1.3778) and USD/GBP \$0.7572 (2017: \$0.7687).

(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.

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. 100% (2017: 90%) of coal revenues in the year to 30 June 2018 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 \$Nil lower / higher (2017: \$53,000).

(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 and related party loan drawdown is at a fixed rate.

Notes to the consolidated financial statements (continued)
30 June 2018

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 2018 is set out below:

At 30 June 2018	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	1,058	-	-	11	1,069
Restricted cash	-	2,394	-	2,000	4,394
Trade and other receivables (excluding prepayments)	-	-	-	687	687
Available-for-sale financial asset	-	-	-	529	529
Total financial assets	1,058	2,394	-	3,227	6,679
Financial liabilities					
Trade and other payables	-	(3,000)	(61,712)	(24,944)	(89,656)
Total financial liabilities	-	(3,000)	(61,712)	(24,944)	(89,656)
Net financial assets/(liabilities)	1,058	(606)	(61,712)	(21,717)	(82,977)

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	-	-	-	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)

Notes to the consolidated financial statements (continued)
30 June 2018

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 \$11,000 higher / \$11,000 lower (2017 changes of 100 bps: \$24,000 higher / \$24,000 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:

	2018	2017
	\$'000	\$'000
<i>Counterparties without external rating</i>		
Group 1 – New customers	-	401
Group 2 – Existing customers – no past defaults	22	3
Group 3 – Existing customers – past defaults	-	-
Total trade receivables	22	404

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 2018, represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was:

		2018	2017
	Note	\$'000	\$'000
Cash and cash equivalents	8 & 11	1,069	3,312
Trade and other receivables (excluding prepayments)	10 & 11	687	1,418
Restricted cash	12 & 11	4,394	5,233
Available-for-sale financial asset	11	529	1,152
Total exposure to credit risk at year end		6,679	11,115

(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.

Notes to the consolidated financial statements (continued)

30 June 2018

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.

Funding for White Energy has been provided by key management personnel Travers Duncan and Brian Flannery during the reporting period, each having loaned to the Company \$1,500,000.

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 2018. 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 \$84,453,000 (2017: \$72,980,000) payable by non-wholly-owned subsidiaries to minority shareholders with a carrying amount of \$75,592,000 (2017: \$67,799,000). Further information on shareholder loans can be found in note 19(b) and note 11(b).

Contractual maturities of financial liabilities	Less than 6 months	Less than 12 months	Between 1 and 5 years	Total contractual cash flows
At 30 June 2018	\$'000	\$'000	\$'000	\$'000
Non-derivatives				
Trade and other payables	13,630	2,065	83,025	98,720
Total non-derivatives	13,630	2,065	83,025	98,720
At 30 June 2017				
Non-derivatives				
Trade and other payables	9,316	56	73,031	82,403
Total non-derivatives	9,316	56	73,031	82,403

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.

Notes to the consolidated financial statements (continued)

30 June 2018

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: was fully impaired as at 30 June 2017;
- Americanisation of the BCB plant design: was fully impaired as at 30 June 2017; 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.

After commissioning an independent valuation of the BCB coal technology business during the year ended 30 June 2017, the Directors 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. An independent valuation of the BCB coal technology business during the year ended 30 June 2018 supported the carrying value of the assets in the coal technology CGU, requiring no impairment charge against the assets.

In addition to the intangible assets identified above, the coal technology CGU also includes items of plant and equipment against which an impairment charge was recognised in the 2017 financial year.

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(n) 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 2018. 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(a) for further details of these assumptions and the potential impact of changes to the assumptions.

Notes to the consolidated financial statements (continued)

30 June 2018

(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 2018 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(ac).

The Directors have determined that the carrying value of the coal mining CGU at 30 June 2018 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 Notes 11 and 16(a)(ii) 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 \$132,000 higher at 30 June 2018 (2017 : \$194,000 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 \$29,000 higher at balance date (2017 : \$21,000).

(c) Contingent consideration receivable

During the year ended 30 June 2017, 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, \$529,000 at 30 June 2018 (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 \$38,000 lower / higher at 30 June 2018 (2017: \$111,000 lower / higher), with an equivalent amount charged as an expense / recognised as a gain in profit or loss.

(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)(iv).

Notes to the consolidated financial statements (continued)
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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 2018 and 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 2016. 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.

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)
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(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.

2018	Coal technology				Coal Mining		Mining exploration	Inter-company	Total
	Australia	Asia	South Africa	U.S.	U.S.	U.K.	Australia		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total income	8,405	-	174	-	3,970	278	-	(8,038)	4,789
Total expenses	(5,354)	(49)	(806)	(7)	(10,380)	(276)	(3)	355	(16,520)
EBITDA ⁽¹⁾	3,051	(49)	(632)	(7)	(6,410)	2	(3)	(7,683)	(11,731)
Depreciation	(1,099)	-	-	-	-	-	-	-	(1,099)
Amortisation	(1,997)	-	(589)	-	-	(581)	-	1,170	(1,997)
Interest expense	(127)	-	(1,044)	(2073)	(3,766)	(1,989)	-	5,568	(3,431)
Impairment expense	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-
Foreign exchange gains and (losses)	3	(3)	(1)	-	-	(1)	-	3	1
Discontinued operations	-	-	-	-	10,176	-	-	(1,960)	8,216
Gain / (Loss) before income tax	(169)	(52)	(2,266)	(2,080)	-	(2,569)	(3)	(2,902)	(10,041)
Other segment information									
Total segment income above includes:									
(a) Revenues from:									
- external customers	635	-	60	-	3,970	-	-	-	4,665
- other segments	7,760	-	-	-	-	278	-	(8,038)	-
(b) Interest revenue	10	-	114	-	-	-	-	-	124

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

Notes to the consolidated financial statements (continued)
30 June 2018

2017	Coal technology				Coal Mining		Mining exploration	Property	Inter-compan	Total
	Australia	Asia	South Africa	U.S.	U.S.	U.K.	Australia	Australia		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 customer	995	-	935	-	5,797	-	-	-	-	7,727
- other segments	7,484	-	-	-	-	287	2,402	-	(10,173)	-
(b) Interest revenue	89	-	4	-	-	-	-	-	-	93

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

(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.

Notes to the consolidated financial statements (continued)
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Segment income reconciles to the statement of comprehensive income revenue as follows:

	2018	2017
	\$'000	\$'000
Total segment income	4,789	7,820
Exclude revenue from discontinued operations recognised in segment income	(3,970)	(5,797)
Total revenue from continuing operations	819	2,023

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 \$635,000 (2017: \$995,000) and the total revenue from external customers in other countries is \$4,030,000 (2017: \$6,732,000), including \$3,970,000 (2017: \$5,797,000) from customers in the USA and \$60,000 (2017: \$935,000) from customers in South Africa. Segment revenues are allocated based on the country in which the customer is located.

(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: \$3,905,000 (2017: \$4,823,000) and \$Nil (2017: \$333,000).

(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:

	2018	2017
	\$'000	\$'000
Loss for the year – segment information from continuing operations	10,041	36,540
Loss from discontinued operations	8,216	7,695
Consolidated net loss before income tax for the year	18,257	44,235

Note 5. Revenue

	2018	2017
	\$'000	\$'000
From continuing operations		
Interest income	124	93
Woestalleen claim	-	585
Government grant income (a)	435	435
Design and engineering income	-	341
Award of litigation costs	-	330
Net profit on sale of fixed assets	-	91
Sampling income – potential customers	29	-
Other revenue	231	148
	819	2,023

(a) Government grant income of \$435,000 (2017: \$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.

Notes to the consolidated financial statements (continued)
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Note 6. Expenses

	2018	2017
	\$'000	\$'000
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation expense – Property, plant and equipment	1,099	2,118
Amortisation expense – Intangible assets	1,997	3,846
Total depreciation and amortisation expense	3,096	5,964
Consulting, external management and professional fees	495	653
Litigation costs	650	1,895
Total external advisory fees	1,145	2,548
Impairment expense – Intangible assets	-	12,766
Impairment expense – Property, plant and equipment	-	8,163
Total impairment expense	-	20,929
Defined contribution superannuation expense	238	279
Other employee benefits expense	2,969	4,462
Total employee benefits expense	3,207	4,741

Note 7. Income tax credit

(a) Income tax credit

	2018	2017
	\$'000	\$'000
Current tax	(4,673)	(2,211)
Adjustments for current tax of prior periods	(2,710)	-
Deferred tax	7,385	6,693
Adjustments for deferred tax of prior periods	(2)	(4,482)
	-	-

Notes to the consolidated financial statements (continued)
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	2018	2017
	\$'000	\$'000
Deferred income tax (revenue) / expense included in income tax comprises:		
Decrease / (increase) in deferred tax assets (note 13)	50	2,948
(Decrease) / increase in deferred tax liabilities (note 20)	(50)	(2,948)
	<u>-</u>	<u>-</u>
(b) Numerical reconciliation of income tax credit to prima facie tax payable		
Loss from continuing operations before income tax credit	(10,041)	(36,540)
Loss from discontinuing operations before income tax credit	(8,216)	(7,695)
	<u>(18,257)</u>	<u>(44,235)</u>
Tax credit at the Australian tax rate of 27.5% (2017 - 30%)	(5,021)	(13,271)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Impairment expense	-	318
Non-deductible interest	965	1,224
Non-deductible litigation costs	188	568
Sundry items	(3,621)	1,255
Effect of changes in tax rates ⁽¹⁾	10,647	-
Differences in overseas operations tax rates	435	1,310
Adjustments for current tax of prior periods	(2,710)	-
Adjustments for deferred tax of prior periods	(2)	(4,482)
Tax losses brought to account not previously recognised	(865)	-
Tax losses and timing differences not brought to account	(16)	13,078
Income tax credit	<u>-</u>	<u>-</u>
(1) The applicable Australian corporate tax rate changed from 30% to 27.5% with effect from 1 July 2017. There was also a change in the corporate tax rate for USA based subsidiaries from 34% to 21% with effect from 1 January 2018.		
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	234,642	167,214
Potential tax benefit	<u>51,647</u>	<u>50,546</u>
(d) Unrecognised temporary differences		
Temporary differences for which a deferred tax asset has not been recognised:		
Tax losses	234,642	167,214
Unrealised foreign currency translation	81,968	74,025
	<u>316,610</u>	<u>241,239</u>
Unrecognised deferred tax assets relating to the above temporary differences	74,188	72,754

Notes to the consolidated financial statements (continued)
30 June 2018

Note 8. Current assets – Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and in hand	852	3,216
	852	3,216

(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 2018 bank guarantees exist which have been issued as security for property bonds in the amount of \$62,000 (2017: \$62,000).

Note 9. Current assets – Inventory

The coal stockpiles and other inventories of Mountainside Coal Company Inc. are being offered for sale at the reporting period end and are included as assets held for sale (refer note 11).

Note 10. Current assets – Trade and other receivables

	2018	2017
	\$'000	\$'000
Trade receivables	69	455
Provision for impairment of receivables (a)	(47)	(51)
Prepayments	332	339
Loan receivable (c)	-	324
Deposits	22	21
Other receivables	312	330
	688	1,418

(a) Impaired trade receivables

As at 30 June 2018, current trade receivables of the Group with a nominal value of \$47,000 (2017: \$51,000) were impaired. The amount of the provision was \$47,000 (2017: \$51,000).

The ageing of impaired trade receivables is as follows:

	2018	2017
	\$'000	\$'000
Over 6 months	47	51
	47	51

Notes to the consolidated financial statements (continued)
30 June 2018

Movements in the provision for impairment of receivables are as follows:

At start of the year	51	47
Provision for impairment recognised during the year	-	4
Receivables written off during the year as uncollectible	(4)	-
At end of the year	47	51

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 2018, trade receivables of \$22,000 (2017: \$3,000) 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:

	2018	2017
	\$'000	\$'000
Up to 3 months	22	3
3 to 6 months	-	-
Over 6 months	-	-
	22	3

(c) Loan receivable

The loan receivable of \$324,000 was overdue by greater than 12 months as at 30 June 2017. The loan was repaid during the year ended 30 June 2018.

(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.

Notes to the consolidated financial statements (continued)
30 June 2018

Note 11. Assets classified as held for sale and liabilities of disposal groups held for sale

	2018	2017
	\$'000	\$'000
Assets held for sale		
Mountainside Coal Company Inc.	20,533	23,266
Liabilities of disposal groups held for sale		
Mountainside Coal Company Inc.	43,285	37,350

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. Negotiations to purchase the Group's interest are continuing.

A purchase agreement and settlement are expected during the year ending 30 June 2019. All of the assets and liabilities of MCC have been presented as held for sale as at 30 June 2018 and 2017 and the operating results of MCC's operations have been reported as a discontinued operation for 2018 and 2017.

MCC's assets and liabilities at period end are set out below (100%):

	2018	2017
	\$'000	\$'000
Assets held for sale		
Cash and cash equivalents	217	96
Inventories	88	112
Trade and other receivables	331	339
Restricted cash (a)	2,394	3,233
Available-for-sale financial assets	529	1,152
Prepayments	261	519
Property, plant and equipment	16,528	17,604
Exploration assets	185	211
Total assets of disposal group held for sale	20,533	23,266

Notes to the consolidated financial statements (continued)
30 June 2018

	2018	2017
	\$'000	\$'000
Liabilities of disposal groups held for sale		
Trade and other payables	4,174	2,033
Provisions (b)	1,322	1,941
Lease liability	-	163
Accrued interest on shareholder loans – Black River	6,019	3,986
Loans from shareholders – Black River	31,770	29,227
Total liabilities of disposal group held for sale	43,285	37,350

(a) 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.

(b) Reclamation Provision

Movement in reclamation provision

	2018	2017
	\$'000	\$'000
Carrying value at the start of the reporting period	1,941	2,647
Additional provision raised	356	1,386
Amounts used	(1,026)	(1,981)
Unused amounts reversed	(43)	(62)
Exchange differences	94	(49)
Carrying value at the end of the reporting period	1,322	1,941

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.

Notes to the consolidated financial statements (continued)
30 June 2018

Note 12. Non-current assets - Restricted cash

	2018	2017
	\$'000	\$'000
Non-current asset		
Restricted cash – security bond (a)	2,000	2,000

(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 a freezing order made against Bayan Resources Tbk's shareholding in Kangaroo Resources Limited.

Note 13. Non-current assets – Deferred tax assets

	2018	2017
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Tax losses - other	39,877	36,312
Tax losses - disposal groups held for sale – MCC (a)	11,770	14,234
Other deferred tax assets - disposal groups held for sale – MCC (a)	6,792	6,752
Property, plant and equipment	1,363	1,671
Intangibles	3,216	4,247
Trade and other payables	2,453	2,147
Trade and other receivables	2,289	2,463
Total deferred tax assets	67,760	67,826
 Deferred tax assets not brought to account:		
Tax losses	(51,647)	(50,546)
Other	(12,654)	(13,771)
	(64,301)	(64,317)
 Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(3,459)	(3,509)
Net deferred tax assets	-	-
 Deferred tax assets expected to be settled within 12 months	3,163	3,489
Deferred tax assets expected to be settled after more than 12 months	296	20
	3,459	3,509

Notes to the consolidated financial statements (continued)
30 June 2018

	2018	2017
	\$'000	\$'000
Movement in deferred tax assets		
At start of the year	3,509	6,457
(Charged) / credited to profit or loss:		
Tax losses	-	-
Other deferred tax assets - disposal groups held for sale – MCC (a)	40	6,752
Property, plant and equipment	(308)	1,671
Intangibles	(1,031)	3,414
Trade and other payables	306	(2,567)
Trade and other receivables	(174)	-
Other balances and transactions	-	(813)
Other deferred tax balances not brought to account	1,117	(11,405)
At end of the year	3,459	3,509

(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.

Notes to the consolidated financial statements (continued)
30 June 2018

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 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 (a)	(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
Year ended 30 June 2018					
Opening net book value	1,927	2	-	-	1,929
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange differences	-	-	-	-	-
Depreciation	(1,097)	(2)	-	-	(1,099)
Impairment expense	-	-	-	-	-
Closing net book value	830	-	-	-	830
At 30 June 2018					
Cost or fair value	19,226	154	-	-	19,380
Accumulated depreciation and impairment	(18,396)	(154)	-	-	(18,550)
Net book value	830	-	-	-	830

(a) Impairment

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

Notes to the consolidated financial statements (continued)
30 June 2018

Note 15. Non-current assets – Exploration assets

	2018	2017
	\$'000	\$'000
Coober Pedy : EL5719 (a)		
<i>Exploration tenements</i>		
Carrying amount at beginning of reporting period	7,523	7,301
Additional expenditure	77	222
Carrying amount at end of period	7,600	7,523
<i>Exploration rights</i>		
Carrying amount at beginning of reporting period	2,690	2,690
Carrying amount at end of period	2,690	2,690
Mountainside Coal Company		
<i>Exploration tenements</i>		
Carrying amount at beginning of reporting period	-	-
Additional expenditure	-	211
Transfer to assets held for sale	-	(211)
Carrying amount at end of period	-	-
Exploration assets carrying amount at end of period	10,290	10,213

Key assumptions used for impairment assessments and calculations

(a) 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.

In prior years the carrying value has 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.

No indicators of impairment or reversal of impairment were identified in the review of exploration expenditure undertaken during the year ended 30 June 2018 and 2017. Further information on the mining exploration CGU can be found in note 3(a)(ii).

Notes to the consolidated financial statements (continued)
30 June 2018

Note 16. Non-current assets – Intangible assets

	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 2016					
Cost	55,983	6,662	1,528	2,121	66,294
Accumulated amortisation and impairment	(31,790)	(4,659)	-	-	(36,449)
Net book amount	24,193	2,003	1,528	2,121	29,845
Year ended 30 June 2017					
Opening net book amount	24,193	2,003	1,528	2,121	29,845
Exchange differences	-	-	-	(33)	(33)
Amortisation ⁽¹⁾	(3,179)	(667)	-	-	(3,846)
Impairment (a)	(7,814)	(1,336)	(1,528)	(2,088)	(12,766)
Closing net book amount	13,200	-	-	-	13,200
Cost	55,983	-	-	-	55,983
Accumulated amortisation and impairment	(42,783)	-	-	-	(42,783)
Net book amount	13,200	-	-	-	13,200
Year ended 30 June 2018					
Opening net book amount	13,200	-	-	-	13,200
Exchange differences	-	-	-	-	-
Amortisation ⁽¹⁾	(1,997)	-	-	-	(1,997)
Impairment (a)	-	-	-	-	-
Closing net book amount	11,203	-	-	-	11,203
At 30 June 2018					
Cost	55,983	-	-	-	55,983
Accumulated amortisation and impairment	(44,780)	-	-	-	(44,780)
Net book amount	11,203	-	-	-	11,203

(1) Amortisation of \$1,997,000 (2017: \$3,846,000) 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 2018

(a) Key assumptions used for impairment assessments and calculations

The intangible assets form part of the coal technology cash generating unit (CGU).

(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 2018. 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 ended 30 June 2017, 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 Group's coal technology CGU supported the carrying value of \$11,200,000. An impairment charge of \$20,929,000 was made in the 2017 financial year and 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 78% 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% p.a. was used in the discounted cash flow model (13% p.a. at 30 June 2017) and assumed capital costs of AUD\$38,750,000 per BCB unit producing a steady 400,000 tonnes per year on a tolling basis with a steady operating margin of AUD\$35.72 per tonne of coal processed. The valuer assumed three projects at this value. This was converted at an USD / AUD exchange rate of \$0.7391.

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 2017 and 30 June 2018.

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. No impairment charge is required at 30 June 2018.

The fair value attributed to coal resources was determined by calculating future royalty streams for each type of coal resource based on management's own expectations for future coal production over time by a new owner and the coal prices currently received for production permits in the USA that the Group sold in 2017, and an estimated coal price for the more valuable Blue Gem resources.

A pre-tax discount rate of 11.04% p.a. was used in the discounted cash flow model and assumed production of a steady 330,000 tonnes per year based on management's estimated coal resources, with a steady royalty per tonne of coal produced for each type of coal produced at an USD / AUD exchange rate of \$0.7391.

The value of the resources is uncertain, as it would be determined by the quantities of coal that the new owner expects to recover from the mines over time and the coal prices agreed to. If the estimated total quantity of Blue Gem coal produced is 10% less / 10% more, then the fair value of these resources would be \$1,020,000 lower / higher. If the Blue Gem production was delayed by 1 year, then the fair value of these

Notes to the consolidated financial statements (continued)
30 June 2018

resources would be \$1,015,000 lower. A 10% movement in the estimated Blue Gem coal price would have an impact on the fair value of \$1,020,000.

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

Note 17. Current liabilities – Trade and other payables

	2018	2017
	\$'000	\$'000
Trade creditors	501	1,075
Other creditors	1,014	961
Accrued licence fee and related interest (a)	5,354	5,192
Deferred income – government grant	326	435
Deferred income – rental income	28	8
	7,223	7,671

(a) Accrued licence fee and related interest

The accrued licence fee at 30 June 2018 of \$5,354,000 (2017: \$5,192,000) including interest accrued of \$1,154,000 (2017: \$649,000) 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

	2018	2017
	\$'000	\$'000
Current liability		
Employee provisions (a)	473	143
Non-current liability		
Employee provisions (a)	348	254

Movement in employee provisions

\$'000	Employee
Carrying value at the start of the year	397
Additional provision raised	509
Amounts used	(85)
Carrying value at the end of the year	821

(a) 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.

Notes to the consolidated financial statements (continued)
30 June 2018

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.

Note 19. Current and non-current liabilities – Other payables

	2018	2017
	\$'000	\$'000
Current liability		
Loans from related parties (a)	3,000	-
Accrued interest on related party loans (a)	21	-
Total current liability	3,021	-
Non-current liability		
Deferred income – government grant (b)	0	326
Loans from shareholders – Black River (c)	29,942	28,650
Accrued interest on shareholder loans – Black River (c)	7,861	5,936
	37,803	34,912

(a) Loans from related parties

Key management personnel Travers Duncan, the Chairman of White Energy, and Brian Flannery, the Managing Director of White Energy, have each loaned to the Company \$1,500,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Ilwella Pty Ltd respectively. The amounts disclosed in the Group's financial statements as loans from related parties are the amounts lent by key management personnel and are due for repayment by the Company within one year after they were advanced or on demand. The loans are not secured. The loan's agreements are based on normal commercial terms and conditions and bear interest at a market rate.

(b) 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.

(c) 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 are not included in this note as Mountainside Coal Company is being offered for sale as at balance date (refer note 11).

Notes to the consolidated financial statements (continued)
30 June 2018

(d) Reconciliation of liabilities arising from financing activities

	Loans from related parties \$'000	Loans from shareholders (i) \$'000	Lease liability (ii) \$'000	Financing liabilities 2018 \$'000	2017 \$'000
Opening balance	-	57,877	163	58,040	58,412
Foreign exchange movement	-	2,420	6	2,426	(2,051)
Other non-cash changes	-	-	-	-	-
Cash flows	3,000	1,416	(169)	4,247	1,679
Closing balance	3,000	61,713	-	64,713	58,040

(i) Closing loans from shareholders at 30 June 2018 includes loans of \$31,770,000 (2017: \$29,227,000) from note 11 which have been classified as held for sale.

(ii) Closing lease liability at 30 June 2018 includes the liability of \$Nil (2017: \$163,000) from note 11 which has been classified as held for sale.

Note 20. Non-current liabilities – Deferred tax liabilities

	2018 \$'000	2017 \$'000
The balance comprises temporary differences attributable to:		
Exploration assets recognised on the acquisition of South Australian Coal Limited (a)	1,464	1,597
Other capitalised exploration assets	1,365	1,467
Property, plant and equipment – MCC (b)	-	-
Other balances and transactions	490	-
Deferred tax liabilities of disposal groups held for sale - MCC (c)	140	445
	3,459	3,509
Set-off of deferred tax assets pursuant to set-off provisions (note 13)	(3,459)	(3,509)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	140	445
Deferred tax liabilities expected to be settled after more than 12 months	3,319	3,064
	3,459	3,509
Movement in deferred tax liabilities		
At start of the year	3,509	6,457
Charged / (credited) to profit or loss:		
Exploration assets recognised on the acquisition of South Australian Coal Limited (a)	(133)	-
Other capitalised exploration assets	(102)	67
Property, plant and equipment – MCC (b)	-	(3,460)
Other balances and transactions	490	-
Deferred tax liabilities of disposal groups held for sale – MCC (c)	(305)	445
At the end of the year	3,459	3,509

Notes to the consolidated financial statements (continued)
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(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.

Note 21. Contributed equity

	2018	2017
	\$'000	\$'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 2016	Closing balance		328,374,494	493,476
30 June 2017	Closing balance		328,374,494	493,476
30 June 2018	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.

Notes to the consolidated financial statements (continued)
30 June 2018

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

	2018	2017
	\$'000	\$'000
<i>Reserves</i>		
Share based payment (i)	7,012	7,012
Foreign currency translation (ii)	(19,769)	(19,171)
	(12,757)	(12,159)

Movements:

	2018	2017
	\$'000	\$'000
<i>1. Share based payments reserve</i>		
Balance at start of the year	7,012	6,704
Options expense	-	308
Balance at end of the year	7,012	7,012
<i>2. Foreign currency translation reserve</i>		
Balance at start of the year	(19,171)	(19,201)
Currency translation differences arising during the year	(598)	30
Balance at end of the year	(19,769)	(19,171)

(b) Accumulated losses

	2018	2017
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(464,233)	(428,904)
Loss attributable to members of White Energy	(11,011)	(35,329)
Accumulated losses at the end of the financial year	(475,244)	(464,233)

(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.

Notes to the consolidated financial statements (continued)
30 June 2018

Note 23. Non-controlling interests

	2018	2017
	\$'000	\$'000
Interests in:		
Share capital	9,071	9,071
Reserves	818	2,632
Accumulated losses	(61,121)	(53,875)
	(51,232)	(42,172)

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:

	2018	2017
	\$	\$
(a) PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	263,516	366,165
Total remuneration for audit and other assurance services	263,516	366,165
<i>Taxation services</i>		
- Tax compliance services	-	11,350
Total remuneration for taxation services	-	11,350
Total remuneration of PwC Australia	263,516	377,515
(b) Network firms PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	81,103	121,363
Total remuneration for audit and other assurance services	81,103	121,363
<i>Taxation services</i>		
- Tax compliance services	105,127	152,470
Total remuneration of related practices of PwC Australia	186,230	273,833
Total auditor's remuneration	449,746	651,348

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 2017: \$2,317,000) on the area by 8 August 2020. As at 30 June 2018, \$1,614,000 remains to be expended (30 June 2017: \$1,707,000).

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 19 December 2021. 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 (SICC). The proceedings relate to various disputed matters arising in connection with the company PT Kaltim Supacoal (KSC), 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 against the White Energy Group in these proceedings.

The SICC handed down its judgement on Tranche Two of the proceedings 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 in August 2017. The appeal was heard by the Singapore Court of Appeal (CA) in February 2018 and the judgement was handed down on 29 August 2018.

Notes to the consolidated financial statements (continued)

30 June 2018

The CA dismissed substantially the whole of Bayan's appeal. The CA has remitted to the SICC for its determination a narrow question regarding causation, being whether BCBCS had the ability to fund KSC by itself. The SICC has called for a case management conference on 2 October 2018 in order to provide directions in relation to how this issue is to be determined.

White Energy will now seek costs associated with the appeal process.

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

If the SICC find in favour of BCBCS on the remitted issue of causation, a third tranche of proceedings will be held to determine the issue of damages arising out of Bayan's breaches.

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

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

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

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

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

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

(c) Contingencies – Former employee legal dispute

White Energy's wholly owned subsidiary, Mountainside Coal Company Inc. (MCC), has been engaged in legal proceedings brought against it in the 2015 financial year related to disputed matters arising from a layoff of an employee that occurred in 2015. MCC may be liable for costs should a court ultimately decide to award costs and damages against MCC. Interrogatories have been provided and there is no fixed trial date.

(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

Notes to the consolidated financial statements (continued)
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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 (2017: \$7,400,000).

During the year ended 30 June 2017, a claim was 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 and is still being negotiated.

(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.

	2018	2017
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,587	2,055
Later than one year but not later than five years	2,042	3,209
Later than five years	1,161	1,115
	5,790	6,379

(f) Contingent liabilities – guarantees

The Group had contingent liabilities at 30 June 2018 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

	2018	2017
	\$	\$
Short-term employee benefits	1,009,617	1,970,880
Post-employment benefits	177,419	138,615
Share-based payments	-	308,000
Total	1,187,036	2,417,495

Detailed remuneration disclosures are provided in sections 1-7 of the remuneration report on pages 14 to 24.

Notes to the consolidated financial statements (continued)
30 June 2018

(d) Other transactions with Key Management Personnel

In addition to his Non-executive Directors' fees, \$Nil (2017: \$10,000) 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 2018, employee benefits of \$90,236 (2017: \$129,400) were paid to Andromeda Neale, who is related to Travers Duncan, the Chairman of White Energy.

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 \$93,196 (2017: \$96,093). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2018, Brian Flannery and Travers Duncan, reimbursed the Company for some geological work conducted for their private company Rockland Resources Pty Limited for \$15,200 (2017: \$ Nil). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2018, Brian Flannery and Travers Duncan, have each loaned to the Company \$1,500,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Illwella Pty Ltd respectively. The amounts disclosed in the Group's financial statements as loans from related parties are the amounts lent by key management personnel and are due for repayment by the Company within one year after they were advanced or on demand. The loans are not secured. The loan's agreements are based on normal commercial terms and conditions and bear interest at a market rate.

(e) Loans from related parties

	2018	2017
	\$'000	\$'000
Loans from Black River		
Beginning of the year	67,799	65,080
Loans advanced	1,988	1,689
Loans repaid	(572)	-
Interest charged	3,387	3,377
Exchange rate movement	2,990	(2,347)
End of year	75,592	67,799
Loans from Key Management Personnel		
Beginning of the year	-	-
Loans advanced	3,000	-
Interest charged	88	-
Interest paid	(67)	-
End of year	3,021	-

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 (2017: \$62,000).

Notes to the consolidated financial statements (continued)
30 June 2018

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 2018 are set out below:

Name of entity	Country of incorporation / Principal Place of business	Principal activities	Equity Holding ⁽¹⁾	
			2018 %	2017 %
Amerod Exploration Pty Ltd	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 Pty Ltd	Australia	Mining exploration	100	100
White Energy Coal North American 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.

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Total assets	5,944	6,922	19,679	20,367	1,732	3,628	82	-
Total liabilities	45,405	41,167	26,047	25,171	16,464	16,208	2,724	2,249
Net assets / liabilities	(39,461)	(34,245)	(6,368)	(4,804)	(14,732)	(12,580)	(2,642)	(2,249)
Accumulated non-controlling interests	(15,164)	(12,608)	(3,309)	(2,543)	(7,145)	(5,527)	(2,500)	(2,260)

Notes to the consolidated financial statements (continued)
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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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Loss allocated to non-controlling interests	(1,784)	(7,297)	(639)	(1,010)	(1,312)	(553)	(275)	(1,823)

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash flows from operating activities	(265)	(594)	(91)	(1,225)	(983)	1,883	(390)	(455)
Cash flows from investing activities	-	-	1,264	-	(67)	(1,397)	-	364
Cash flows from financing activities	426	424	(1,168)	928	412	-	391	-
Net increase / (decrease) in cash and cash equivalents	161	(170)	5	(297)	(638)	486	1	(91)

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 2018 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.

Notes to the consolidated financial statements (continued)
30 June 2018

(a) Statement of comprehensive income (Closed Group)

	2018	2017
	\$'000	\$'000
Revenue	8,405	8,568
Gain on foreign exchange	3	23
Accounting, audit and tax fees	(536)	(376)
Employee benefits expense	(2,754)	(3,811)
Depreciation and amortisation expense	(3,096)	(5,619)
Finance costs	(127)	(7)
External advisory fees	(883)	(2,262)
Occupancy expenses	(231)	(291)
Travel	(215)	(245)
Plant operating costs	(56)	(148)
Other expenses	(676)	(1,254)
Impairment expense	(11,897)	(40,188)
Loss before income tax	(12,063)	(45,610)
Income tax expense	-	-
Loss for the year	(12,063)	(45,610)
Other comprehensive income		
Exchange differences on translation of foreign operations	5,026	(5,082)
Total comprehensive loss for the year	(7,037)	(50,692)

(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 2016	493,479	24,124	(451,388)	66,215
Loss for the year	-	-	(45,610)	(45,610)
Other comprehensive loss	-	(5,082)	-	(5,082)
Total comprehensive loss for the year	-	(5,082)	(45,610)	(50,692)
Contributions of equity, net of transaction costs	-	-	-	-
Share based payments	-	308	-	308
Balance at 30 June 2017	493,479	19,350	(496,998)	15,831
Loss for the year	-	-	(12,063)	(12,063)
Other comprehensive income	-	5,026	-	5,026
Total comprehensive income / (loss) for the year	-	5,026	(12,063)	(7,037)
Share based payments	-	-	-	-
Balance at 30 June 2018	493,479	24,376	(509,061)	8,794

Notes to the consolidated financial statements (continued)
30 June 2018

(c) Balance sheet

Set out below is the balance sheet as at 30 June 2018 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.

	2018	2017
	\$'000	\$'000
Current assets		
Cash and cash equivalents	518	2,430
Trade and other receivables	1,387	732
Total current assets	1,905	3,162
Non-current assets		
Trade and other receivables	23,266	23,023
Other financial assets	3	3
Property, plant and equipment	831	1,927
Intangible assets	10,499	12,495
Total non-current assets	34,599	37,448
Total assets	36,504	40,610
Current liabilities		
Trade and other payables	8,558	8,860
Other payables	3,021	-
Provisions	473	144
Total current liabilities	12,052	9,004
Non-current liabilities		
Other payables	15,310	15,520
Provisions	348	255
Total non-current liabilities	15,658	15,775
Total liabilities	27,710	24,779
Net assets	8,794	15,831
Equity		
Contributed equity	493,479	493,479
Reserves	24,376	19,350
Accumulated losses	(509,061)	(496,998)
Total equity	8,794	15,831

Notes to the consolidated financial statements (continued)
30 June 2018

Note 29. Discontinued operations

	2018	2017
	\$'000	\$'000
Profit/(loss) from discontinued operations		
Ingomar Station (a)	-	(192)
Mountainside Coal Company Inc. (b)	(8,216)	(7,503)
Total loss from discontinued operations	(8,216)	(7,695)

(a) Ingomar Station

The Company sold its pastoral property, Ingomar Station located in South Australia, on 2 September 2016. The operating results of the pastoral operations are reported as a discontinued operation in 2017. Financial information relating to the discontinued operation for the period is set out below:

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

(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 and 2018 (refer note 11) and the operating results of MCC's operations have been reported as a discontinued operation for 2017 and 2018.

Notes to the consolidated financial statements (continued)
30 June 2018

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

	2018	2017
	\$'000	\$'000
Revenue	3,970	5,797
Net (loss) / gain on sale of fixed assets	(1,508)	921
Coal mining operation expenses	(6,699)	(6,499)
Depreciation and amortisation	-	(3,618)
Employee benefits expense	(639)	(821)
Finance costs	(1,706)	(1,909)
External advisory fees	(159)	(246)
Accounting, tax and audit fees	(161)	(189)
Travel expenses	(25)	(55)
Occupancy expenses	(78)	(88)
Other operating expenses	(1,211)	(796)
Impairment expense	-	-
Profit before income tax	(8,216)	(7,503)
Income tax expense	-	-
Net loss from discontinued operation	(8,216)	(7,503)
Net cash outflows from operating activities	(2,289)	(4,598)
Net cash inflows from investing activities	964	1,077
Net cash inflows from financing activities	1,437	1,016
Net increase / (decrease) in cash generated by discontinued operation	112	(2,505)
Effect of exchange rate changes on cash and cash equivalents	10	
Reclassification of cash of disposal groups held for sale	122	(95)

The above cash flows of MCC and Ingomar Station have been included in the Group's consolidated statement of cash flows. The assets and liabilities of MCC were presented as held for sale as at 30 June 2017, and the cash and cash equivalents balance of \$95,000 was reclassified to the disposal group at that date.

Notes to the consolidated financial statements (continued)
30 June 2018

Note 30. Events occurring after the reporting period

(a) Loans from related parties

On 31 July 2018 key management personnel Travers Duncan, the Chairman of White Energy, and Brian Flannery, the Managing Director of White Energy, have each agreed to provide to the Company loan facilities of up to \$1,000,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Ilwella Pty Ltd respectively. The loan facilities were fully drawn at the date of signing of this report. On 28 September 2018 Travers Duncan and Brian Flannery have each agreed to provide to the Company further loan facilities of up to \$1,000,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Ilwella Pty Ltd respectively. The loans are due for repayment by the Company within one year after they are advanced or on demand. The loans are not secured. The loan's agreements are based on normal commercial terms and conditions and bear interest at a market rate.

(b) Change in ownership interest

On 1 July 2018 the Group's subsidiary River Energy South Africa Pty Ltd acquired a further 28.8% ownership interest in subsidiary River Energy Fine Coal Recovery Pty Ltd (REFCR) for the nominal amount of the shares, and this takes its equity holding to 100%. The Group's equity holding in RFEFCR increased to 51%. In the 2019 financial year this will result in a reclassification of the components of equity relating to the 28.8% non-controlling interest to the Group's equity interest, not through other comprehensive income, as set out below:

Non-controlling interests reclassified	\$'000
Share capital	-
Reserves	9
Accumulated losses	508
Total interests	517

(c) Contingencies – KSC legal dispute

Refer to note 25(b) for details regarding the KSC legal dispute occurring after the reporting period.

No other matters or circumstances have arisen since 30 June 2018 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.

Notes to the consolidated financial statements (continued)
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Note 31. Cash flow information

(a) Reconciliation of loss after income tax to net cash outflow from operating activities

	2018	2017
	\$'000	\$'000
Net loss for the year after tax	(18,257)	(44,235)
Depreciation and amortisation expense	3,096	9,582
Impairment expense	-	20,929
Non cash employee benefits expense - share based payments	-	308
Net exchange differences	(15)	6
Non cash income – deferred income	(435)	(435)
Finance costs	3,431	3,555
(Loss) / Gain on sale of property, plant and equipment	1,508	(1,012)
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Decrease / (Increase) in prepayments	288	(2)
Decrease in trade and other receivables	761	112
Decrease in inventories	29	1,590
Decrease in restricted cash	926	1,381
Increase / (Decrease) in trade and other payables	1,679	(2,386)
Decrease in provisions	(730)	(1,526)
Net cash outflow from operating activities	(7,719)	(12,133)

(b) Non-cash investing and financing activities

During the year ended 30 June 2017, 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. An amount of \$529,000 remains as a receivable as at 30 June 2018.

Notes to the consolidated financial statements (continued)
30 June 2018

Note 32. Earnings per share

(a) Basic and diluted loss per share

	2018	2017
	Cents	Cents
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	(2.4)	(9.9)
Basic and diluted loss per share from discontinued operations	(1.0)	(0.9)
Total basic and diluted loss per share attributable to the ordinary equity holders of the Company	(3.4)	(10.8)

(b) Reconciliations of loss used in calculating loss per share

	2018	2017
	\$'000	\$'000
Loss attributable to the ordinary equity holders of the Company from continuing operations used in calculating basic and diluted loss per share	(7,612)	(32,335)
Loss from discontinued operations	(3,399)	(2,994)
Total Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	(11,011)	(35,329)

(c) Weighted average number of shares used as the denominator

	2018	2017
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 2018

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 2017 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.

Notes to the consolidated financial statements (continued)
30 June 2018

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.

2018			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	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 exercise price ⁽²⁾	18/11/2022	10,000,000	-	-	10,000,000

- (1) On 29 September 2017, the Directors determined that the Performance Options lapsed in accordance with their terms. Vesting was subject to satisfaction of two vesting conditions – a service condition and a performance condition.
- (2) All of the Incentive Options had vested and were exercisable at the end of the year. As at 30 June 2018, the remaining term to expiry is 4.4 years.

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 ⁽³⁾	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 exercise price ⁽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 5.4 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.

Notes to the consolidated financial statements (continued)
30 June 2018

Note 34. Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent Entity show the following aggregate information:

	2018	2017
Balance sheet	\$'000	\$'000
Current assets	1,904	3,140
Total assets ⁽¹⁾	17,726	25,674
Current liabilities	4,822	1,874
Total liabilities	9,134	6,174
<i>Shareholders' equity</i>		
Issued capital	493,476	493,476
Share-based payments	7,012	7,012
Accumulated losses	(491,896)	(480,988)
Total shareholder's equity	8,592	19,500
Loss for the year after tax	(10,908)	(27,290)
Total comprehensive loss for the year	(10,908)	(27,290)

(1) There has been a restatement in respect of the prior year comparative for \$39,107,000 between accumulated losses and total assets, and an increase in the prior year comparative loss for the year and total comprehensive loss for the year of \$4,964,000. This reflects an impairment to a receivable from a subsidiary which aligns with the Group's assessment of recoverability.

(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 (2017: \$62,000). 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 2018 and at 30 June 2017 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 2018 the Parent Entity rented office premises in Brisbane under non-cancellable operating leases expiring within one to five years (30 June 2017: Brisbane office).

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 27 to 94 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 2018 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
28 September 2018



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 2018 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 2018
- 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)(iv) in the financial report, which indicates that the Group incurred a total comprehensive loss of \$20,669,000 and a net cash outflow from operating activities of \$7,719,000 during the financial year ended 30 June 2018 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)(iv), 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 \$463k, which represents approximately 1% of the Group's total assets. 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 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The accounting processes are structured around a Group finance function at its head office in Brisbane, where we 	<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 Mountainside Coal Company Inc. ('MCC') Impairment assessment of coal technology CGU Impairment assessment of



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| <p>evaluate the effect of misstatements on the financial report as a whole.</p> <ul style="list-style-type: none"> 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>predominately performed our audit procedures.</p> | <p>mining exploration CGU</p> <ul style="list-style-type: none"> These are further described in the <i>Key audit matters</i> section of our report, except for the matter which is described in <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>
<p><i>Impairment assessment of MCC</i></p> <p>The Group commenced a process to sell its 51% investment in MCC in June 2017, and has classified MCC as a disposal group held for sale and discontinued operation as at 30 June 2018.</p> <p>The Group has assessed the MCC disposal group for impairment and determined that the carrying value of \$20.5m is recoverable. This is based on the Group's internal fair value less cost of disposal ('FVLCD') valuation as at 30 June 2018.</p> <p>Determining the fair value less costs to dispose is highly judgemental and depends on a number of key inputs, including:</p> <ul style="list-style-type: none"> • Indicative offers received from potential purchasers • Resource estimates • Production and processing yields • Royalty price estimates 	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Assessed the valuation methodology in the Group's model used to calculate the fair value less costs of disposal (the impairment model or model) as at 30 June 2018. • Tested the mathematical accuracy of the calculations within the 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 included in the model to historical data. • With the support of our internal valuation experts, benchmarked the discount rate and overall fair value less costs of disposal in the model to the available market information. • Performed sensitivity analysis on the key

Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> 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 2018.</p> <p><i>Refer to notes 3, 11 and 16 of the annual financial statements for further details.</i></p>	<p>assumptions used in the model.</p> <ul style="list-style-type: none"> Reviewed indicative offers received from potential purchasers of MCC used by the Group in support of its carrying value. Evaluated management's estimate of cost to dispose used in the model. Evaluated whether the disclosures made in Notes to the financial statements including those regarding the key assumptions and sensitivities to changes in assumptions were consistent with our understanding based on our audit procedures.
<p>Impairment assessment of coal technology CGU</p> <p>The Group holds the licence of the BCB Technology, which is carried at \$11.2m as at 30 June 2018.</p> <p>To date, the Group has been unsuccessful in obtaining access to a supply of coal fines in South Africa but continue to explore opportunities. Other BCB opportunities are currently being pursued in key markets of Australia and China.</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, and a consideration of the future potential for the technology.</p> <p>Based on the valuation, the Group concluded that the recoverable amount of the Group's coal technology CGU supports the carrying amount at 30 June 2018.</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>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 appointed by the Group. 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. Evaluated whether the disclosures made in the notes to the financial statements, including those regarding the key assumptions and sensitivities to changes in such assumptions were consistent with our understanding based on our audit procedures.



Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of mining exploration CGU</p> <p>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. The carrying value of these assets at 30 June 2018 was \$10.3m.</p> <p>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.</p> <p><i>Refer to note 3 and note 15 of the annual financial statements for further details.</i></p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • 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. • Compared the carrying value of EL 5719 to other comparable tenements in the South Australian region, to assess the reasonableness and recoverability of the carrying value. • 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 expenditure and other activities. • Assessed whether the Group retained right of tenure for the exploration licence areas. • Tested a sample of current year expenditures on the exploration licence areas to source documents and assessed whether plans for future expenditure meet minimum licence 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including 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, 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 *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 14 to 24 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of White Energy Company Limited for the year ended 30 June 2018 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 handwritten signature in blue ink, appearing to read 'Paul Rogers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Simon Neill', written in a cursive style.

Simon Neill
Partner

Brisbane
28 September 2018