White Energy Company Limited

ABN 62 071 527 083

Annual Financial Report - 30 June 2019

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White Energy Company Limited
Directors' report
30 June 2019

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 2019.

Directors and Company Secretary
The following persons were Directors of White Energy Company Limited 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 (resigned 28 February 2019)

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 financial year the principal continuing activities of the Group consisted of:
- the ongoing development and exploitation of the Binderless Coal Briquetting (BCB) technology;
- the evaluation of mining exploration assets; and
- the engagement in legal proceedings against PT Bayan Resources TBK and Bayan International Pte Ltd.

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
No amounts have been paid or declared by way of dividend during the current financial year (2018: 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.

During the year, White Energy signed a memorandum of understanding with the Yankuang Group in China to investigate the implementation of White Energy's BCB coal technology for use in Yankuang's coal briquetting business. Coal trials were successfully conducted at White Energy's test facility in Cessnock in August 2019 and further testing is being carried out in China for a brownfield and a greenfield project.

White Energy's 51% owned subsidiary, River Energy South Africa (RESA) 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.

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 in South Africa 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 JV (River Energy), Proterra Investment Partners, have concluded their discussions regarding alternative ownership and funding structures for River Energy's BCB and coal fine beneficiation businesses in South Africa. During July 2019, agreement was reached with Proterra for them to buy White Energy's 51% interest in South African subsidiary RESA for a nominal amount. White Energy will continue to pursue BCB projects in South Africa through Proterra and the Company's 51% interest in River Energy.

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

MCC's coal mining operations had no coal sales revenue during the year. Coal production at the Flag Ridge mine has been suspended since April 2018 to allow reclamation activities to be completed at this mine.

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 $1.0 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 $0.3 million on the coal produced from the permits it sold previously and the royalty finished in May 2019.

MCC's management 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. Negotiations to purchase White Energy's interest are continuing. In the meantime, some surplus mining equipment was sold during the year.

Exploration
Activity in EL5719 (South Australia) during the year was focused on examining coal gasification and emerging hydrogen opportunities from coal, 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 focused 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.

During the year Petroleum Exploration Licence Application PELA674 was awarded to subsidiary South Australia Coal Pty Ltd. The licence application is for an area located in South Australia adjacent to EL5719 and covers approximately 2,500 square kilometres and has the potential for coal gasification opportunities.

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) in February 2018 and the judgement was handed down on 29 August 2018. The CA dismissed substantially the whole of Bayan's appeal. The CA remitted to the SICC for its determination, a narrow question regarding causation, being whether BCBCS had the ability to fund the KSC joint venture by itself.

The SICC handed down its judgement on the remitted issue on 9 January 2019 and found in favour of BCBCS and BCBC, and held that BCBCS had the financial ability to fund the KSC joint venture until the completion of commissioning and testing at the Tabang coal upgrade plant or until June 2012. Costs associated with the appeal process were awarded to BCBCS.

On 16 January 2019, Bayan filed a notice of appeal against the whole of the decision of the SICC in regards to the remitted issue. The appeal was heard by the SICC on 10 July 2019. Bayan's appeal was unanimously dismissed immediately following the hearing.

The proceedings will now continue to the third tranche where damages and loss arising from Bayan's breaches and repudiation of the joint venture will be determined. The SICC has set the trial dates for 21 September 2020 to 30 September 2020. The SICC has asked the parties to confer on the appropriate dates for filing of all necessary affidavits and submissions prior to the trial.

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 provided for Bayan to acquire the balance of the shares in KRL which it did not already own via a scheme of arrangement. The scheme of arrangement was approved by the Court on 4 December 2018. Bayan delisted KRL in December 2018 and has appointed its own directors and integrated KRL with the Bayan group which is based in Indonesia. The Group's management believe there is a risk that such actions may adversely affect the value of Bayan's shares in KRL.

In view of this, BCBCS 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 by Bayan acquiring all the shares in KRL.

On 3 December 2018 the Supreme Court of Western Australia expanded the terms of the freezing order by amending the existing order to also provide for the following:

- prohibiting Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of its shares in KRL, without first providing 20 clear business days' notice to BCBCS;
- prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL or any of KRL's subsidiaries which provides a financial benefit to Bayan, its associates, or its associated entities, without first providing 20 clear business days' notice BCBCS; and
- prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL by which KRL or KRL's subsidiaries dispose of a substantial asset within the meaning of ASX Listing Rule 10.2, without first providing 20 clear business days' notice to BCBCS.

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

General corporate

Proceeds from the Entitlement Offer undertaken in November and subsequent placements by directors of the shortfall raised $11.8 million and $1.4 million was raised from a placement to a substantial shareholder in March 2019, and will be used to fund the Company's ongoing legal proceedings against PT Bayan Resources Tbk and general working capital. The funds were used to repay the loans totalling $4.5 million provided by the Company’s directors Brian Flannery and Travers Duncan, each being a director and substantial shareholder of the Company.

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 significant secured corporate debt. Non-recourse shareholder loans provided to the Group’s 51% owned operations in the USA and South Africa by both White Energy and the minority shareholders in proportion to their ownership interests are repayable in January 2021.

Financial position and results for the year

The Group had cash reserves including discontinued operations of $5.1 million (30 June 2018: $1.1 million) excluding restricted cash of $4.1 million (30 June 2018: $4.4 million).

The total assets balance decreased from $46.4 million as at 30 June 2018 to $40.4 million as at 30 June 2019, largely as a result losses of derived by the Group, and this was partly offset by the Entitlement Offer and placement raisings.

The increase in liabilities from $92.2 million as at 30 June 2018 to $94.8 million predominantly reflects the additional loans provided by the Group’s minority shareholders for their share of the ongoing working capital requirements of the Company's subsidiaries MCC and River Energy and the increase in the loans value due to the devaluation of the Australian Dollar against the US Dollar. This was partly offset by the repayment of loans provided by directors and liabilities repaid by MCC.

The Group’s loss before tax for the year ended 30 June 2019 was $18.0 million (2018: $18.3 million). The Group’s adjusted normalised EBITDA loss for the year ended 30 June 2019 was $3.2 million (2018: $6.9 million). The improvement in normalised EBITDA from the comparative period in 2018 is primarily due to the cost reduction initiatives across the Group and a gain of $1.2 million arising on amendment of the BCB licence agreement to extinguish the technology fee, partly offset by a reduction in MCC revenues and MCC asset write-downs.

The normalised EBITDA loss has been determined as follows:

	2019 $'000	2018 $'000
Consolidated entity net loss for the year before income tax	**(18,018)**	(18,257)
(including discontinued operations)		
Non-cash expenses/(income):		
Depreciation/amortisation	**2,799**	3,096
Impairment expense	**2,690**	-
Other	**(77)**	(1)
Sub-total – non-cash expenses	**5,412**	3,095
Other significant items:		
Finance costs	**4,058**	3,431
Litigation costs	**659**	650
Sub-total – other significant items	**4,717**	4,081
Consolidated entity adjusted normalised EBITDA	**(7,889)**	(11,081)
Non-controlling interests share of normalised EBITDA	**4,710**	4,229
White Energy adjusted normalised EBITDA	**(3,179)**	(6,852)

Normalised EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the loss under AIFRS adjusted for specific significant items. The table above summarises key items between statutory loss before income tax and normalised EBITDA. The Directors use normalised EBITDA to assess the performance of the Group. The Group's adjusted normalised EBITDA loss ($7.9 million) reconciles to the segment information EBITDA result for the year ($8.5 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 ending 30 June 2019 of $21,517,000 (2018: $20,669,000), had net cash outflows from operations of $12,151,000 (2018: $7,719,000) and a cash balance excluding restricted cash of $4,414,000 (30 June 2018: $852,000). The Group's current liabilities exceed its current assets by $32,488,000 (30 June 2018: $31,929,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans, a loan secured over equipment, trade and other payables and provisions incurred in the ordinary course of business. The Group significantly strengthened its financial position during the year by raising $11.8 million from the Entitlement Offer and by raising $1.4 million from a placement to a substantial shareholder. The Group has prepared a cash flow forecast to 30 September 2020, which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

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 recently and in the past;
3. Debt funding for capital projects: The Directors believe, based on past experience, that they can raise third party debt financing to part fund any future project capital expenditure requirements; and
4. Loans from minority shareholders: The Group's 51% owned subsidiaries, Mountainside Coal Company Inc., River Energy JV Limited and River Energy JV UK Limited continue to have access to funds from their 49% minority shareholder under existing shareholder loan agreements (in conjunction with WEC's 51% contributions) to enable them to meet their debts as and when they fall due.

These conditions give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Directors believe that the Group will be successful in raising funds through one or more of the above actions and that the Group will be able to realise its assets and settle its debts as and when they fall due and payable in the normal course of business, and accordingly have prepared the financial statements on a going concern basis.

The Group's independent auditor's report for the year ended 30 June 2019 contains an emphasis of matter paragraph drawing members' attention to the contents of Note 1(a)(vi) 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 2019.

Future prospects
The Group continues to look for opportunities to increase the worldwide footprint of BCB coal 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 will be tested at the Company's Cessnock demonstration and pilot plants during the year. Further testing will be carried out at Yankuang Group's brownfield and greenfield projects in China to investigate the implementation of BCB coal technology for use in their coal briquetting business. Significant progress has been made in negotiating an agreement in relation to the greenfield project.

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

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

The legal proceedings against PT Bayan Resources Tbk and Bayan International Pte Ltd (Bayan) in the Singapore International Commercial Court will now continue to the third tranche where damages and loss arising from Bayan's breaches and repudiation of the joint venture will be determined. The SICC has set the trial dates for 21 September 2020 to 30 September 2020.

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 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, gas 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, traded gas prices and movements in foreign exchange rates which are determined by factors outside the Group’s control.

- 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.

- Climate change risks: Climate change is creating risks and opportunities for the Group and its customers. Changes in government regulations in the countries the Group operates in could restrict the use of coal and impact the longer term demand for coal and therefore the Group's proprietary BCB coal technology. The demand for coal could also be impacted by the faster than anticipated adoption of alternative energy sources over the longer term in the transition to a lower carbon economy. Climate change has the potential to increase the intensity and frequency of extreme weather events that may impact the Group's future operations and those of its customers. The Group has advantages from, and resilience to such risks through the BCB coal technology which can improve the carbon emission efficiency of sub-bituminous coals and convert large quantities of discarded fine bituminous coal into a saleable product that may otherwise be considered an environmental liability. The Group's Lake Philipson coal resource has the potential for coal gasification and emerging hydrogen opportunities from coal. Gas is seen as an important energy source in the transition to a lower carbon economy.

- Litigation risk - Bayan: 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.

  The Group will be seeking damages and costs from Bayan in the 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 the 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.

- Litigation risk - other: 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.

- Cyber security risk: Cyber-attacks are increasing worldwide in frequency and severity. No information technology environment is impenetrable. The Group maintains appropriate actions, systems and safeguards to protect against data breaches and aims to keep to a low risk the adverse consequences arising from a breach on the Group's business and operations.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Events occurring after the reporting period

(a) Issue of Incentive Rights
On 22 July 2019, 3,400,000 Incentive Rights were issued to eligible employees under the terms of the Company's Long Term Incentive Plan for a nil issue and exercise price. The vesting of each Incentive Right results in an entitlement to one fully paid ordinary share in the Company and will otherwise lapse on 30 June 2022. A holder of Incentive Rights must remain an employee of the Company or its subsidiaries for a continuous three year period starting on 1 July 2019 and ending on 30 June 2022 inclusive (Service Period). The Company is required to achieve a Total Shareholder Return (TSR) over the Service Period of at least 120%. The TSR will be calculated based on movements in the Company’s share price and adjusted for the total dividends paid during the Service Period. The starting share price for the Company’s share is $0.10. The fair value of each right at the effective grant date of 1 July 2019 is $0.044.

(b) Contingencies - KSC legal dispute
Refer to the review of operations section for details regarding the KSC legal dispute occurring after the reporting period.

(c) Sale of River Energy South Africa Pty Limited
White Energy has agreed with Proterra Investment Partners LLP to sell them the Group's 51% interest in South African subsidiary River Energy South Africa Pty Limited for a nominal amount, with effect 1 July 2019. This includes the Group's 51% interest in South African subsidiary River Energy Fine Coal Recovery Pty Ltd.

No other significant matters or circumstance have arisen since 30 June 2019 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 9.

Environmental regulation

The Group is committed to environmental care and aims to carry out its activities in an environmentally responsible and scientifically-sound way. In performing exploration activities, some disturbances of the land in the creation of tracks, drill rig pads, sumps and the clearing of vegetation occur. These activities have been managed in a way that has reduced the environmental impact to a practical minimum. Rehabilitation of any land disturbances would occur as soon as is practicable after exploration activity in an area has been completed.

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

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

Greenhouse gas and energy data reporting requirements

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

Information on Directors

Name: Title:	**Travers Duncan** Chairman - Non-Executive
Qualifications:	DIP.ENG (CIVIL) F.I.E AUST. C P ENG
Experience and expertise:	Travers Duncan was appointed to the Board of White Energy on 25 June 2008 and then as Chairman on 17 September 2010. He is a member of the Audit and Risk Committee. He is a civil engineer with over 45 years experience in the project management of large mining and infrastructure development projects in Australia, Indonesia, Papua New Guinea and India. Travers Duncan's experience includes the successful financing and development of projects such as the Piparwar coal mine in India, the North Goonyella coal project in Queensland and the Ulan coal mine in New South Wales. More recently he was Chairman of the ASX listed coal company Felix Resources Limited prior to its takeover by Yancoal Australia Limited in December 2009.
Other current directorships:	None.
Former directorships (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:	79,768,308 ordinary shares in White Energy.

Name:	**Brian Flannery**
Title:	Managing Director
Qualifications:	BE MINING
Experience and expertise:	Brian Flannery was appointed to the Board and as Managing Director of White Energy on 17 September 2010. He is a mining engineer with more than 45 years experience in the development, engineering, construction and management of open-cut and underground mining projects in Australia and overseas. Brian Flannery was Managing Director of White Mining Limited prior to its merger with Felix Resources Limited in April 2005. Subsequent to that merger he held the position of Managing Director of Felix Resources Limited and Yancoal Australia Limited until September 2010.
Other current directorships:	None.
Former directorships (last 3 years):	None.
Special responsibilities:	Managing Director of White Energy.
Interests in shares:	75,667,806 ordinary shares in White Energy.
Interests in options:	10,000,000 Incentive Options in White Energy.

Name:	**Graham Cubbin**
Title:	Non-Executive Director
Qualifications:	B ECON (HONS), FAICD
Experience and expertise:	Graham Cubbin joined the Board of White Energy on 17 February 2010. He is the Chairman of the Audit and Risk Committee. He holds a Bachelor of Economics (Hons) from Monash University and is a fellow of the Australian Institute of Company Directors. Graham Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, he held senior finance positions in a number of major companies including Capita Financial Group and Ford Motor Company. He has over 20 years experience as a Director and Audit Committee member of public companies in Australia and the U.S.
Other current directorships:	Non-executive Director of three other listed companies: WPP AUNZ Limited, Bell Financial Group Limited and McPherson's Limited.
Former directorships (last 3 years):	Challenger Limited.
Special responsibilities:	Chair of the Audit and Risk Committee and a member of the Remuneration Committee.
Interests in shares:	1,200,000 ordinary shares in White Energy.

Name:	**Vincent O'Rourke AM**
Title:	Non-Executive Director
Qualifications:	B ECON
Experience and expertise:	Vincent O'Rourke joined the Board of White Energy on 29 September 2010. He holds a Bachelor of Economics from the University of New England. He is an Honorary Doctor of the Queensland University of Technology and Griffith University. Vincent O'Rourke brings over 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.
Other current directorships:	None.
Former directorships (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:	1,220,000 ordinary shares in White Energy.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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 Automic Group.

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 2019, and the number of meetings attended by each Director were:

	Meetings of Directors		**Audit & Risk Committee**		**Remuneration Committee**	
	Held[(a)]	Attended[(b)]	Held[(a)]	Attended[(b)]	Held[(a)]	Attended[(b)]
Non-executive Directors:						
Travers Duncan	8	8	4	4	1	1
Graham Cubbin	8	8	4	4	-	-
Vincent O'Rourke	8	7	4	3	1	1
Terence Crawford	4	4	-	-	1	1
Executive Directors:						
Brian Flannery	8	7	-	-	-	-

(a) Number of meetings held during the time the Director held office or was a member of the committee during the year.
(b) Number of meetings attended.
\- Not a member of the relevant committee.

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

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

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

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

2016: Travers Duncan
2017: Vincent O'Rourke and Graham Cubbin

Therefor under Clause 8.1(d) of the Constitution, Travers Duncan will retire and seek re-election.

Remuneration report (audited)
The Directors are pleased to present the Company's 2019 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 the 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.

The remuneration report is set out under the following main headings:

(1) Directors and other Key Management Personnel
(2) Remuneration governance
(3) Remuneration of Executives
(4) Relationship between remuneration and White Energy's performance
(5) Remuneration of Non-Executive Directors
(6) Voting and comments made at the Company's 2018 Annual General Meeting
(7) Share-based compensation
(8) Additional disclosures relating to Key Management Personnel

(1) Directors and other Key Management Personnel

For the purposes of the 30 June 2019 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[(1)]	Non-Executive Director - Independent
Executive Directors:	
Brian Flannery	Managing Director - Not Independent
Other Key Management Personnel:	
Michael Chapman[(2)]	Chief Operating Officer
Allan McCarthy	Chief Financial Officer

(1) Terence Crawford resigned 28 February 2019.

(2) Michael Chapman retired on 31 August 2019.

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 Graham Cubbin as at 30 June 2019.

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. In July 2019, the Remuneration Committee engaged Stantons International Securities (Stantons) to value the Incentive Rights issued to eligible employees that month under the Company's Long Term Incentive Plan. Stanton's have been paid $600 for these services.

The valuation has been made free from undue influence by members of the Group's key management personnel. Stanton's was engaged by the Company Secretary, Mr David Franks under delegated authority of the Board, and the valuation report was provided directly to him. No discussions were held directly with key management personnel. As a consequence, the Board is satisfied that the valuation was made free from undue influence from any members of the key management personnel.

***(*3) Remuneration of Executives**

(i) Policy and framework

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

(ii) Remuneration components

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

Fixed components	**Variable 'at-risk' components**
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.

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

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, phone benefits and private travel.

(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 2019 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).

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 obligation 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 cease employment in other circumstances, the Incentive Securities will remain 'on foot' or lapse, 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:

- 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
- 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 was not achieved in either year and the Performance Options lapsed during the 2018 financial year.

Incentive Options
Mr Flannery was granted 10 million Incentive Options on 18 November 2016 with an exercise price set at the higher of $0.20 or 170% of the Share price on the date the Options were granted. Each Option granted in respect of the LTIP entitles Mr Flannery to one Share in the Company on payment of the exercise price. There are no prescribed vesting and performance conditions attached to the Options. Mr Flannery will be able to exercise the Options at any time from the date the Options are granted until the expiry date on 18 November 2022.

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

(iii) Remuneration for year ended 30 June 2019
The following table shows details of the remuneration received by the executive Key Management Personnel for the current financial year:

	Short-term benefits		Post-employment benefits	
2019	**Cash salary and fees $**	**Non-monetary benefits(1) $**	**Super-annuation $**	**Total $**
Executive Directors:				
Brian Flannery	120,000	17,861	11,400	149,261
Other Key Management Personnel:				
Michael Chapman	435,000	27,110	25,000	487,110
Allan McCarthy	228,310	12,969	21,690	262,969
Total Executive Directors and other Key Management Personnel remuneration	783,310	57,940	58,090	899,340

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

Percentage of relative proportion of remuneration related to performance not disclosed as the total amount of remuneration expense related to performance was nil for the financial year.

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

	Short-term benefits		Post-employment benefits	
2018	**Cash salary and fees $**	**Non-monetary benefits[1] $**	**Super-annuation $**	**Total $**
Executive Directors:				
Brian Flannery	120,000	14,141	11,400	145,541
Other Key Management Personnel:				
Michael Chapman	435,000	21,909	25,000	481,909
Allan McCarthy[2]	197,284	10,793	18,725	226,802
Damian Galvin[3]	48,648	1,842	4,011	54,501
Total Executive Directors and other Key Management Personnel remuneration	800,932	48,685	59,136	908,753

(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.

Percentage of relative proportion of remuneration related to performance not disclosed as the total amount of remuneration expense related to performance was nil for the financial year.

(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 2019 are set out below:

Name:	**Brian Flannery**
Title:	Managing Director
Term of agreement:	Rolling contract
Details:	Base salary including superannuation $131,400 Contractual Termination benefits: 6 months base salary

Name:	**Michael Chapman**
Title:	Chief Operating Officer
Term of agreement:	Rolling contract
Details:	Base salary including superannuation: $460,000 Contractual Termination benefits: 6 months base salary

Name:	**Allan McCarthy**
Title:	Chief Financial Officer
Term of agreement:	Rolling contract
Details:	Base salary including superannuation: $250,000 Contractual Termination benefits: 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; and
(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:

	2019	2018	2017	2016	2015
Total loss for the year ($'000)	(18,018)	(18,257)	(44,235)	(85,248)	(39,256)
Share price at year end (Cents)	11	3	3	6	30
Increase / (decrease) in share price (%)	267	-	(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.

(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 were lower than in previous periods (by market capitalisation and net assets). 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 30/6/2019	12 Months to 30/6/2018	From 1/4/2017	From 1/7/2016 to 31/3/2017
Chairman	$40,000	$40,000	$40,000	$176,000
Non-Executive Directors	$40,000	$40,000	$40,000	$51,200

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

(iii) Remuneration for the year ended 30 June 2019
The total remuneration paid to the Non-Executive Directors for the year ended 30 June 2019 amounted to $164,279 as detailed below. For comparison purposes, amounts for the year ended 30 June 2018 are also shown.

	Short-term benefits	Short-term benefits	Post-employment benefits	
2019	**Cash salary and fees $**	**Non-monetary benefits $**	**Super-annuation[(1)] $**	**Total $**
Non-Executive Directors:				
Travers Duncan[(1,2)]	40,000	3,679	3,800	47,479
Graham Cubbin	40,000	-	3,800	43,800
Vincent O'Rourke[(1)]	40,000	-	3,800	43,800
Terence Crawford[(3)]	26,667	-	2,533	29,200
Sub-total Non-Executive Directors	146,667	3,679	13,933	164,279

(1) Non-Executive Directors do not receive any retirement benefits other than their statutory entitlements.

(2) Non-monetary benefits include phone benefits.

(3) Mr Crawford resigned on 28 February 2019.

Non-Executive Directors do not participate in the Company's Long Term Incentive Plan.

	Short-term benefits	Short-term benefits	Post employment	
2018	**Cash salary and fees $**	**Non-monetary benefits $**	**Super-annuation(1) $**	**Total $**
Non-Executive Directors:				
Travers Duncan	40,000	-	71,437	111,437
Graham Cubbin	40,000	-	3,800	43,800
Vincent O'Rourke	40,000	-	39,246	79,246
Terence Crawford	40,000	-	3,800	43,800
Sub-total Non-Executive Directors	160,000	-	118,283	278,283

(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.

Non-Executive Directors do not participate in the Company's Long Term Incentive Plan.

(6) Voting and comments made at the Company's 2018 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.

(7) Share-based compensation

Options

The terms and conditions of each grant of 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 option at grant date	Vested %	Exercised %	Lapsed %
Incentive Options 10,000,000 options at $0.20 exercise price: 18/11/2016	Vest upon grant(1)	18/11/2022	$0.0308	100%	-	-

(1) 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.

Rights

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

Grant date	Vesting date	Expiry date	Value per right at grant date	Vested %	Ordinary Shares Issued %	Lapsed %
Incentive Rights 1,000,000 rights at $0.00 exercise price: 01/07/2019	Vesting on 30/06/2022 subject to satisfaction of two vesting conditions - a service condition and a performance condition(1)	30/06/2022	$0.0440	-	-	-

(1) Incentive Rights granted in 2019 vest on satisfaction of two vesting conditions on 30 June 2022: Service Condition – the employee must remain continuously employed by the Company or its subsidiary throughout the 3 year period from 1 July 2019 to 30 June 2022 inclusive; and Performance Condition – the Company must achieve a Total Shareholder Return (TSR) of 120% over the 3 year period. This is calculated based on the Company's market-based ordinary share price returns adjusted for any dividends paid during the Service Period. For the purpose of this Performance Condition, the deemed starting share price is $0.10, the volume weighted average price over the preceding 20 trading days to 28 June 2019. The Board may determine that the rights lapse if the rights holder ceases to be an employee prior to exercise. The rights 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 rights 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 rights at grant date was determined using the Black & Scholes valuation methodology.

(8) Additional disclosures relating to Key Management Personnel

(i) 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 2019	Balance at the start of year	Granted during the year as remuneration	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
Executive Director:						
Brian Flannery	10,000,000	-	-	-	-	10,000,000

(ii) Shareholding
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 2019	Number at the start of the year	Other changes during the year	Number at the end of the year
Key Management Personnel:			
Travers Duncan	39,884,154	39,884,154	79,768,308
Brian Flannery	37,833,903	37,833,903	75,667,806
Graham Cubbin	600,000	600,000	1,200,000
Vincent O'Rourke	610,000	610,000	1,220,000
Terence Crawford(1)	565,094	(565,094)	-
Michael Chapman	1,535,096	(459,252)	1,075,844

(1) Mr Crawford resigned on 28 February 2019. During the year he acquired a further 565,094 shares, which do not show in the above table as they net to nil as a change during the year.

(iii) Other transactions with key management personnel and their related parties
During the year ended 30 June 2019, employee benefits of $111,975 (2018: $90,236) were paid to Andromeda Neale, the Business Development Counsel of the Company, who is related to Travers Duncan, the Chairman of White Energy. This arrangement is based on normal commercial terms and conditions and at the prevailing market rate for a person of her skill and experience.

During the year ended 30 June 2019, 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, Ilwella Pty Ltd and KTQ Developments Pty Ltd for $97,554 (2018: $93,196). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2019, Brian Flannery and Travers Duncan, reimbursed the Company for some geological work conducted for their private company Rockland Resources Pty Limited for $13,600 (2018: $15,200). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2019, Brian Flannery and Travers Duncan, have each loaned to the Company $750,000 (2018: $1,500,000) through their private companies Ilwella Pty Ltd and Gaffwick Pty Ltd atf Duncan Family Trust respectively. Total interest of $152,173 (2018: $87,680) was charged. The loans totalling $4,500,000 were repaid by the Company in November 2018. The loans were not secured. The loan's agreements are based on normal commercial terms and conditions and bore interest at a market rate.

This concludes the remuneration report, which has been audited.

Shares under option or right
Unissued ordinary shares of White Energy as at 30 June 2019 are as follows:

Option or right type	Date options or right 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.

On 22 July 2019, 1,000,000 Incentive Rights were issued to the Company's Chief Financial Officer and key management person Allan McCarthy under the terms of the Company's Long Term Incentive Plan for a nil issue and exercise price. The vesting of each Incentive Right results in an entitlement to one fully paid ordinary share in the Company and will otherwise lapse on 30 June 2022 if vesting conditions are not met. The effective grant date is 1 July 2019. Refer to share-based compensation section of the Remuneration Report for further details.

Insurance of officers
During the financial year, the Company 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.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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 the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the financial year are set out in note 30 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 30 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:

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Taxation Services		
Total for taxation services and for non-audit services:		
Network firms of PwC Australian firm	45,205	105,127

Auditor's independence declaration
A copy of the auditor's 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 the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

____
Brian Flannery
Managing Director
Brisbane
27 September 2019

Auditor's Independence Declaration

As lead auditor for the audit of White Energy Company Limited for the year ended 30 June 2019, 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.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
27 September 2019

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Annual Financial Statements - 30 June 2019

Contents

The financial statements are for the consolidated Group consisting of White Energy Company Limited and its subsidiaries. A list of principal subsidiaries is included in note 34. The financial statements are presented in Australian Dollars, which is White Energy Company Limited's functional and presentation currency.

General information

White Energy Company Limited is a company limited by shares, incorporated and domiciled in Australia. Its shares are listed on the Australian Securities Exchange (WEC) and also traded on the US based OTCQX exchange (WECFY). Its registered office and principal place of business are:

Registered office

Level 5, 126 Phillip Street
Sydney
NSW 2000
Phone +61 2 9299 9690

Principal place of business

Level 7, 167 Eagle Street
Brisbane
QLD 4000
Phone +61 7 3229 9035

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report on pages 1-25, which is not part of these financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 September 2019. 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 2019 Corporate Governance Statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 Corporate Governance Statement was approved by the board on 27 September 2019. 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/ .

White Energy Company Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue from contracts with customers from continuing operations	5	-	29
Other income	6	1,934	790
Total revenue		1,934	819
Other net gains / (losses)		97	-
Employee benefits expense		(2,816)	(3,207)
Depreciation and amortisation expense	7	(2,799)	(3,096)
External advisory fees	7	(1,664)	(1,145)
Occupancy expenses		(282)	(284)
Travel expenses		(295)	(224)
Plant operating costs		(107)	(56)
Accounting, tax and audit fees		(336)	(337)
Other expenses		(762)	(786)
Finance costs		(1,975)	(1,725)
Loss before income tax from continuing operations		(9,005)	(10,041)
Income tax	8	-	-
Loss for the year from continuing operations		(9,005)	(10,041)
Loss for the year from discontinued operations	9	(9,013)	(8,216)
Loss for the year		(18,018)	(18,257)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(3,499)	(2,412)
Other comprehensive loss for the year		(3,499)	(2,412)
Total comprehensive loss for the year		(21,517)	(20,669)
Loss for the year is attributable to:			
Non-controlling interests		(8,047)	(7,246)
Owners of White Energy Company Limited	28	(9,971)	(11,011)
Total loss for the year		(18,018)	(18,257)
Total comprehensive loss for the year is attributable to:			
Continuing operations		(6,257)	(7,658)
Discontinued operations		(3,165)	(3,951)
Owners of White Energy Company Limited		(9,422)	(11,609)
Non-controlling interests		(12,095)	(9,060)
Total comprehensive loss for the year		(21,517)	(20,669)

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

White Energy Company Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2019

		2019 Cents	2018 Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of White Energy Company Limited			
Basic earnings per share	39	(1.6)	(2.3)
Diluted earnings per share	39	(1.6)	(2.3)
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of White Energy Company Limited			
Basic earnings per share	39	(0.7)	(1.0)
Diluted earnings per share	39	(0.7)	(1.0)
Earnings per share for loss attributable to the ordinary equity holders of White Energy Company Limited			
Basic earnings per share	39	(2.3)	(3.4)
Diluted earnings per share	39	(2.3)	(3.4)

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

White Energy Company Limited
Consolidated balance sheet
As at 30 June 2019

	Note	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	10	4,414	852
Trade and other receivables	11	413	334
Other assets	12	441	354
		5,268	1,540
Assets of disposal groups classified as held for sale	13	13,518	20,533
Total current assets		18,786	22,073
Non-current assets			
Property, plant and equipment	14	28	830
Intangibles	15	9,206	11,203
Exploration assets	16	10,343	10,290
Restricted cash	18	2,000	2,000
Total non-current assets		21,577	24,323
Total assets		40,363	46,396
Liabilities			
Current liabilities			
Trade and other payables	19	5,075	9,890
Provisions	20	758	473
Other liabilities	21	47	354
		5,880	10,717
Liabilities of disposal groups classified as held for sale	22	45,394	43,285
Total current liabilities		51,274	54,002
Non-current liabilities			
Other payables	23	43,136	37,803
Provisions	25	366	348
Total non-current liabilities		43,502	38,151
Total liabilities		94,776	92,153
Net liabilities		(54,413)	(45,757)
Equity			
Contributed equity	26	506,337	493,476
Reserves	27	(12,215)	(12,757)
Accumulated losses	28	(485,725)	(475,244)
Equity attributable to the owners of White Energy Company Limited		8,397	5,475
Non-controlling interests	29	(62,810)	(51,232)
Total equity		(54,413)	(45,757)

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

White Energy Company Limited
Consolidated statement of changes in equity
For the year ended 30 June 2019

Consolidated	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance as at 1 July 2017	493,476	(12,159)	(464,233)	(42,172)	(25,088)
Loss for the year	-	-	(11,011)	(7,246)	(18,257)
Other comprehensive loss for the year	-	(598)	-	(1,814)	(2,412)
Total comprehensive loss for the year	-	(598)	(11,011)	(9,060)	(20,669)
Balance as at 30 June 2018	493,476	(12,757)	(475,244)	(51,232)	(45,757)

Consolidated	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance as at 1 July 2018	493,476	(12,757)	(475,244)	(51,232)	(45,757)
Loss for the year	-	-	(9,971)	(8,047)	(18,018)
Other comprehensive income / (loss) for the year	-	549	-	(4,048)	(3,499)
Total comprehensive income / (loss) for the year	-	549	(9,971)	(12,095)	(21,517)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 26)	12,861	-	-	-	12,861
Transactions with non-controlling interests (note 34)	-	(7)	(510)	517	-
Balance as at 30 June 2019	506,337	(12,215)	(485,725)	(62,810)	(54,413)

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

White Energy Company Limited
Consolidated statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		948	4,837
Payments to suppliers and employees (inclusive of goods and services tax)		(13,537)	(13,496)
		(12,589)	(8,659)
Interest received		37	14
Receipts from certificates of deposit restricted for bonds		401	926
Net cash outflow from operating activities	38	(12,151)	(7,719)
Cash flows from investing activities			
Payments for exploration assets		(57)	(66)
Proceeds from sale of property, plant and equipment		4,349	1,099
Loan payments received		-	377
Net cash inflow from investing activities		4,292	1,410
Cash flows from financing activities			
Proceeds from issue of shares	26	13,156	-
Proceeds from borrowings		5,329	4,988
Share issue transaction costs	26	(295)	-
Repayment of borrowings		(5,971)	(572)
Finance (charges paid) / income received		(352)	107
Finance lease payments		-	(169)
Net cash inflow from financing activities		11,867	4,354
Net increase / (decrease) in cash and cash equivalents		4,008	(1,955)
Cash and cash equivalents at the beginning of the financial year		1,069	3,312
Effects of exchange rate changes on cash and cash equivalents		(22)	(288)
Cash and cash equivalents at the end of the financial year		5,055	1,069

The above figures reconcile to the balance sheet at the end of the financial year as follows:

		2019	2018
Balances as above		5,055	1,069
Reclassification of cash of disposal groups held for sale (refer note 13)		(641)	(217)
Cash and cash equivalents at the end of the financial year		4,414	852

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

Note 1. 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 comprise the consolidated financial statements of the group consisting of White Energy Company Limited (White Energy, the Company or Parent Entity) and its subsidiaries, together referred to as the Group in this financial report.

(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*, as appropriate for for-profit oriented entities. White Energy is a for-profit entity for the purposes of preparing the financial statements.

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

(ii) Historical cost convention
The 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, financial assets at fair value through other comprehensive income and certain classes of property, plant and equipment.

(iii) Critical accounting estimates and judgements
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(iv) New and amended standards adopted by the Group
The Group has applied the following Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the first time for the reporting period commencing 1 July 2018:
> AASB 9 *Financial Instruments*
> AASB 15 *Revenue from Contracts with Customers*
> AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
> Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

The Group had to change its accounting policies and make certain retrospective adjustments as a result of the adoption of AASB 9 and AASB 15.The impacts of the adoption of these standards are disclosed in the "Changes in accounting policies" note 41. The other standards and interpretations listed above did not have any impact on the Group's accounting policies, did not require retrospective adjustments and are not expected to significantly affect the current or future periods.

(v) New standards and interpretations issued but not yet adopted by the Group
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations that are relevant to the Group are set out below.

> AASB 16 *Leases* (mandatory for the reporting period commencing 1 July 2019)

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

Note 1. Significant accounting policies (continued)

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $2,276,000, refer note 32. Of these commitments, none relate to short-term leases and low value leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately $1,871,000 on 1 July 2019, lease liabilities of $1,947,000 (after adjustments for prepayments of $20,000 and deferred sub-lease income of $23,000 recognised as at 30 June 2019), sub-lease receivables of $73,000 and net deferred tax assets of $Nil. Overall net assets will not change, and net current liabilities will be $62,000 lower due to the presentation of a portion of the liability as a current liability and the sub-lease receivable as a current asset.

The Group expects that net profit after tax will decrease by approximately $36,000 for the next financial year as a result of adopting the new rules. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) used to measure segment results is expected to increase by approximately $296,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately $276,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group’s activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. As the Group has some property sub-lease arrangements, these must be reassessed for classification purposes as operating or finance leases at transition as outlined above. Some additional disclosures will be required from next year to improve information disclosed about exposure to leases.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the modified retrospective approach for existing operating leases to be capitalised that have more than twelve months remaining, and will not restate comparative amounts for the year prior to first adoption. The cumulative effect, if any, will be recognised at the date of initial application as an adjustment to the opening balance of accumulated losses. Right-of-use assets will be measured on transition at the amount of the lease liability net of sub-lease receivables on adoption (adjusted for any prepaid or accrued lease payments and deferred sub-lease income recognised as at 30 June 2019). The lease liability will be measured on transition as the present value of any future lease payments discounted using the appropriate incremental borrowing rate for each lease at the date of transition.

In applying AASB 16 for the first time, the Group will use the following practical expedients permitted by the standard for existing operating leases:

- Operating leases with a remaining lease term of less than 12 months as at 1 July 2019 will be accounted for as short term leases that will continue to be expensed directly to profit or loss along with low value leases;
- To exclude the initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- To separate non-lease components from lease components for property sub-leases; and
- Not to reassess whether a contract is, or contains a lease at the date of initial application.

> AASB Interpretation 23 *Uncertainty over Income Tax Treatments* (mandatory for the reporting period commencing 1 July 2019)

Interpretation 23 changes the method of recognising and measuring current and deferred tax assets and liabilities for uncertain income tax treatments. The Group currently recognises tax balances based on the most likely amount of the asset or liability, if any, for each separate uncertain tax treatment. The interpretation requires a probability weighted expected value method to be taken for issues with a wide range of possible outcomes. For tax issues with a binary outcome, the most likely amount method should continue to be used. The Group intends to implement the interpretation retrospectively, with the cumulative impact of application, if any, recognised as at 1 July 2019 without restatement of comparatives. The Group's assessment is that there won't be a material effect on the amounts recognised in its financial statements resulting from the interpretation's application. However there may be a material impact in the future periods depending on future circumstances.

Note 1. Significant accounting policies (continued)

> The *Conceptual Framework for Financial Reporting* (was revised by the IASB in 2018 and is expected to be made mandatory by the AASB for the reporting period beginning on 1 July 2020)

The revised Framework sets out the fundamental concepts of financial reporting that guide the IASB in developing IFRS (Standards). It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, providing useful information for investors and others. It assists preparers of financial reports to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy.

The Framework is not an accounting standard and hence does not define standards for any particular measurement or disclosure issue. Nothing in the Framework overrides any specific accounting standard. Preparers are required to refer to the Framework as a source of guidance in developing and applying an accounting policy if there is no accounting standard or interpretation dealing with an accounting issue. The Group has carried out a preliminary assessment of the impact of the revised Framework on the amounts recognised in its financial statements. The Framework is not expected to have a material impact on the Group in future reporting periods and on foreseeable future transactions.

(vi) Going Concern
The Group recorded a total comprehensive loss for the year ending 30 June 2019 of $21,517,000 (2018: $20,669,000), had net cash outflows from operations of $12,151,000 (2018: $7,719,000) and a cash balance excluding restricted cash of $4,414,000 (30 June 2018: $852,000). The Group’s current liabilities exceed its current assets by $32,488,000 (30 June 2018: $31,929,000). In this regard it should be noted that the Group’s external debt comprised limited-recourse shareholder loans, a loan secured over equipment, trade and other payables and provisions incurred in the ordinary course of business. The Group significantly strengthened its financial position during the year by raising $11.8 million from the Entitlement Offer and by raising $1.4 million from a placement to a substantial shareholder. The Group has prepared a cash flow forecast to 30 September 2020, which demonstrates the need to raise additional funding to meet the Group’s forecast expenditure for the period.

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 recently and in the past;
3. Debt funding for capital projects: The Directors believe, based on past experience, that they can raise third party debt financing to part fund any future project capital expenditure requirements; and
4. Loans from minority shareholders: The Group’s 51% owned subsidiaries, Mountainside Coal Company Inc., River Energy JV Ltd and River Energy JV UK Limited continue to have access to funds from their 49% minority shareholder under existing shareholder loan agreements (in conjunction with WEC’s 51% contributions) to enable them to meet their debts as and when they fall due.

These conditions give rise to a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. The Directors believe that the Group will be successful in raising funds through one or more of the above actions and that the Group will be able to realise its assets and settle its debts as and when they fall due and payable in the normal course of business, and accordingly have prepared the financial statements on a going concern basis.

Note 1. Significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of White Energy as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those 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(h)). A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Parent.

Intercompany transactions, balances and unrealised gains on transactions between companies in the Group 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 interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and balance sheet respectively. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

(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).

Note 1. Significant accounting policies (continued)

(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 from contracts with customers
From 1 July 2018, revenue is measured at an amount that reflects the consideration to which the Group is or expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised when or as each performance obligation in the contract is satisfied in a manner that reflects the transfer of control to the customer of the goods or services promised. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risks and rewards and customer acceptance.

Note 1. Significant accounting policies (continued)

(i) Sale of goods
The Group mines and sells coal. Sales revenue is recognised at the point in time when the performance obligations have been satisfied, usually being when the coal has been delivered to the vessel or vehicle on which it will be transported once loaded, or the customer's premises.

(ii) Sampling services
Revenue from a contract to provide BCB technology sampling services is recognised at a point in time, as the service is performed, and is usually when the sampling service contract milestone is achieved e.g. delivery of a coal testing report.

There was no revenue from contracts with customers during the year ended 30 June 2019.

Accounting policies applied until 30 June 2018
Revenue was measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue were net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognised revenue when the amount of revenue could be reliably measured, it was probable that future economic benefits would flow to the entity and specific criteria had been met for each of the Group's activities as described below. The Group based its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from coal sales was recognised when the significant risk and rewards of ownership had passed to the buyer and the revenue could be measured reliably. This was usually at the time of shipping the coal. The revenue recognition accounting policies for other major business activities did not change as set out below.

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.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received, when the right to receive payment is established, or over the sub-lease term.

(f) 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.

Note 1. Significant accounting policies (continued)

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 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.

(g) 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 32(b)). 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.

(h) 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.

Note 1. Significant accounting policies (continued)

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.

(i) 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.

(j) 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.

(k) Trade and other receivables
From 1 July 2018, trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The classification of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Note 1. Significant accounting policies (continued)

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. The expected loss rates from 1 July 2018 are based on the payment profiles of recent year's sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Accounting policies applied until 30 June 2018
Trade receivables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables were generally due for settlement within 30 days. They were presented as current assets unless collection was not expected for more than 12 months after the reporting date. Collectability of trade and other receivables was reviewed on an ongoing basis. Debts which were known to be uncollectible were written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) based on the incurred loss model was used when there was objective evidence that the Group would 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 would enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) were considered indicators that the trade receivable was impaired. The amount of the impairment allowance was 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 were not discounted if the effect of discounting was immaterial.

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

(l) Inventory
Coal and other inventory is stated at the lower of cost and net realisable value. Costs are assigned based on the average cost per tonne of production or item of inventory and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. The net realisable value is the estimated selling price in the ordinary course of business less an estimate of selling costs.

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

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

Note 1. Significant accounting policies (continued)

> 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.

(n) Investments and Other Financial Assets

(i) Classification
From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVPL)); and
- those to be measured at amortised cost. This category is not applicable to equity investments.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Generally, the Group does not acquire financial assets for the purpose of selling in the short term. The Group's business model is primarily that of "Hold to collect", where assets are held in order to collect contractual cash flows. Refer *Measurement* sub-section below for further details on classification.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or FVOCI. For investments in equity instruments that are not held for trading or contingent consideration recognised in a business combination, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

(iii) Measurement
At initial recognition, the Group's management determines the classification and measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest (SPPI).

Note 1. Significant accounting policies (continued)

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets ("Collect and sell"), where the assets' cash flows represent SPPI, are measured at FVOCI e.g. factored trade receivables. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains / (losses) in the statement of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Accounting policies applied until 30 June 2018
The Group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification
Until 30 June 2018, the Group classified 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 depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition. At 30 June 2018 the only other financial assets held were loans and receivables and available-for-sale financial assets.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for those with maturities greater than 12 months after the reporting date which were classified as non-current assets. Receivables were included in trade and other receivables (note 11) in the Balance Sheet.

Note 1. Significant accounting policies (continued)

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

Measurement
The measurement at initial recognition did not change on adoption of AASB 9, see description above.

Subsequent to the initial recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

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

> Interest calculated using the effective interest rate method.

> The present value of any changes in the expected cash flows (discounted at the original effective interest rate).

> Foreign exchange gains and losses on monetary financial assets.

> Impairments which were recognised in profit or loss.

(ii) Impairment
From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the Group applies the simplified approach permitted by AASB 9, which requires ECLs to be recognised from initial recognition of the receivables, see note 1(k) for further details. The general approach is applied to all other financial assets.

The general approach incorporates a review for any significant increase in counterparty credit risk since inception. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime ECLs that is attributable to a default event that is possible within the next 12 months after the reporting date. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the expected credit loss allowance is based on the asset's lifetime ECLs. The amount of ECLs recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The assessment of ECLs includes assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The assessment takes into account reasonable and supportable information that is relevant and available without undue cost or effort, and the use of credit enhancements e.g. letters of credit and guarantees.

Accounting policies applied until 30 June 2018
The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

If there was 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, was removed from equity and recognised in profit or loss.

Note 1. Significant accounting policies (continued)

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the statement of comprehensive income. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could 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 decreased and the decrease could 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 was recognised in the statement of comprehensive income.

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

(p) Intangible Assets

(i) Goodwill
Goodwill is measured as described in note 1(i). The Group did not have any goodwill in the current or previous financial year. 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) BCB coal technology 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.

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

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

Note 1. Significant accounting policies (continued)

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.

(s) 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.

(t) 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.

(u) 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.

Note 1. Significant accounting policies (continued)

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.

(v) 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 36.

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

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

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

At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

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

Note 1. Significant accounting policies (continued)

(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.

(w) 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.

(x) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the loss attributable to equity owners 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 financial 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.

(y) Goods and Services Tax ('GST') and other similar taxes
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 the 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 in other receivables or other 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.

(z) 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.

(aa) Parent Entity

Financial Information
The financial information for the Parent Entity, White Energy, disclosed in note 40 has been prepared on the same basis as the consolidated financial statements except as set out below.

Note 1. Significant accounting policies (continued)

(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.

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

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

Note 1. Significant accounting policies (continued)

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. Critical accounting judgements, estimates and assumptions

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

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

(a) Impairment of Assets

(i) Coal technology and 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 as at 30 June 2019:

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

An independent valuation of the BCB coal technology business prepared during the year ended 30 June 2019 supported the carrying value of the assets in the coal technology CGU. The carrying values of the intangible assets and details of the valuation methodology are disclosed in note 15.

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

By their nature there is inherent uncertainty in the value of technology related assets such as the BCB coal technology and this uncertainty in the value will remain until such time as the BCB coal 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 coal technology. Refer to note 15 for details of these assumptions.

In assessing whether the coal technology CGU's carrying value may not be recoverable, the potential impact of climate change risks and opportunities on demand for the BCB coal technology and the future cash flows modelled was considered. These were taken account when determining the industry risk measure input into the calculation of the discount rate applied to those future cash flows, and the input into the calculation of the risk discount to allow for the possibility of opportunities being delayed, not going ahead and the risk of contract terms being materially different than projected.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

(ii) Mining exploration and 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(m) must continue to be met. These conditions include whether the carried forward costs are expected to be recovered through successful development and exploitation of the area of interest or by its sale. Climate change risks and opportunities were included in this assessment. These risks and opportunities include the potential impact of climate change on forecast selling prices for thermal coal and gas and demand for these commodities.

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(i). 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 2019. 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. It is also assumed the EL5719 licence will be renewed during the next financial year. Refer to note 16(a) for further details of these assumptions and the potential impact of changes to the assumptions.

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

The Group is seeking to sell its interest in Mountainside Coal Company Inc., and at 30 June 2019 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(ab).

The Directors have determined that the carrying value of the coal mining CGU exceeded its recoverable amount after considering indications of interest received from potential purchasers and fair value less costs of disposal calculations. Given the intention to sell the coal mining CGU, the potential impact of future climate change risks were not considered in determining the assets recoverable amount. An impairment charge of $2,690,000 was made against property, plant and equipment as at 30 June 2019 (2018: $Nil). Refer to Note 13 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 as at 30 June 2019 (2018 : $132,000 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 $18,000 higher at balance date (2018 : $29,000).

Note 2. Critical accounting judgements, estimates and assumptions (continued)

(c) 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)(vi).

(d) Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. For trade receivables it is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates. For other receivables it is based on the expected credit losses over the next 12 months for a particular debtor.

Note 3. Financial risk management

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

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

(a) Market risk

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

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

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

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

	2019 ($'000)			2018 ($'000)		
	USD	SGD	GBP	USD	SGD	GBP
Assets						
Cash and cash equivalents	148	-	-	11	-	-
Liabilities						
Trade & Other Payables - Current	(11)	(80)	(29)	(3)	(140)	(42)
Total liabilities	137	(69)	(29)	8	(140)	(42)

Note 3. Financial risk management (continued)

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:

	2019 ($'000)		2018 ($'000)	
	+10%	-10%	+10%	-10%
AUD vs USD	(13)	15	(1)	1
AUD vs SGD	7	(9)	12	(15)
USD v SGD	1	(1)	1	(1)
USD v GBP	(3)	3	(4)	4

The analysis is conducted in relation to base exchange rates of: AUD/USD $0.7013 (2018: $0.7391); AUD/SGD $0.9492 (2018: $1.0078), USD/SGD $1.3535 (2018: $1.3619) and USD/GBP $0.7875 (2018: $0.7572).

(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% 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 (2018: $Nil lower/ higher).

(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.

Note 3. Financial risk management (continued)

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 2019 is set out below:

At 30 June 2019

	Floating interest rate $'000	Fixed interest maturing in less than 12 months $'000	Fixed interest maturing in more than 12 months $'000	Non-interest bearing $'000	Carrying amount assets/ liabilities $'000
Financial assets					
Cash and cash equivalents	4,907	-	-	148	5,055
Restricted cash	-	2,114	-	2,000	4,114
Trade and other receivables	-	-	-	526	526
Financial assets at fair value through profit or loss	-	-	-	50	50
Total financial assets	4,907	2,114	-	2,724	9,745
Financial liabilities					
Trade and other payables	-	(187)	(86,031)	(6,067)	(92,285)
Net financial assets/ (liabilities)	4,907	1,927	(86,031)	(3,343)	(82,540)

As 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/liabili ties $'000
Financial assets					
Cash and cash equivalents	1,058	-	-	11	1,069
Restricted cash	-	2,394	-	2,000	4,394
Trade and other receivables	-	-	-	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	-	(8,375)	(75,592)	(5,689)	(89,656)
Net financial assets/ (liabilities)	1,058	(5,981)	(75,592)	(2,462)	(82,977)

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 $49,000 higher/$49,000 lower (2018 changes of 100 bps: $11,000 higher/$11,000 lower).

Note 3. Financial risk management (continued)

(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 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. For other receivables, they have been assessed to be low credit risk based on a low risk of default and the debtors having a strong capacity to meet their contractual cash flow obligations in the near term.

From 1 July 2018, the Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For all other receivables the general approach is applied to measuring expected credit losses expected which uses a 12 month loss allowance.

Further information on credit risk in relation to trade and other receivables including a detailed analysis of the Group's allowance for expected credit losses is provided in note 11(a).

The carrying amount of financial assets, including the financial assets of disposal groups held for sale at 30 June 2019, represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2019 $'000	2018 $'000
Cash and cash equivalents	10 & 13	5,055	1,069
Trade and other receivables	11 & 13	546	687
Restricted cash	18 & 13	4,114	4,394
Available-for-sale financial asset	13	50	529
Total exposure to credit risk at year end		9,765	6,679

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

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

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

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

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

Note 3. Financial risk management (continued)

(ii) Maturities of financial liabilities
The tables below analyse the Group's remaining contractual maturity for its financial liabilities held as at reporting date including the financial liabilities of disposal groups held for sale as at 30 June 2019.

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 $92,047,000 (2018: $84,453,000) payable by non-wholly-owned subsidiaries to minority shareholders with a carrying amount of $85,919,000 (2018: $75,592,000). Further information on shareholder loans can be found in note 22 and note 23(a).

Contractual maturities of financial liabilities As at 30 June 2019	Less than 6 months $'000	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000
Non-derivatives				
Trade and other payables	6,165	114	92,145	98,424
Total non-derivatives	6,165	114	92,145	98,424

Contractual maturities of financial liabilities As at 30 June 2018	Less than 6 months $'000	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000
Non-derivatives				
Trade and other payables	13,630	2,065	83,025	98,720
Total non-derivatives	13,630	2,065	83,025	98,720

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 as outlined below.

The Board of Directors has identified three reportable business line segments: coal technology, coal mining and mining exploration.

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

The coal mining segment reports the financial results of Mountainside Coal Company Inc. (MCC), which operates a series of coal mines in the USA. The Group commenced a process to sell its interest in MCC in June 2017. MCC's results are reported as a discontinued operation in the periods ended 30 June 2019 and 2018.

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

Note 4. Segment information (continued)

The Group's business 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 and mining exploration business lines.

(ii) Asia: Comprises operations carried on in Indonesia, China and Singapore. The area of operation is the coal technology business line.

(iii) South Africa and Mauritius (South Africa): The area of operation is the coal technology business line in the South African market. Currently undertaking marketing activities and feasibility studies.

(iv) United States (USA): Operating a series of coal mines in the North American Market.

(v) United Kingdom (UK): An investment holding company which owns MCC.

(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.

Consolidated - 2019	Coal technology Australia $'000	Coal technology Asia $'000	Coal technology South Africa $'000	Mining exploration Australia $'000	Coal mining USA $'000	Coal mining UK $'000	Inter-segment $'000	Total $'000
Revenue								
Inter-segment revenue	7,909	-	-	-	-	301	(8,210)	-
Other income	1,802	-	95	-	282	-	-	2,179
Interest income	37	-	-	-	-	-	-	37
Total revenue	9,748	-	95	-	282	301	(8,210)	2,216
EBITDA (*)	4,530	(28)	(783)	(2)	(2,809)	117	(9,573)	(8,548)
Depreciation	(802)	-	-	-	-	-	-	(802)
Amortisation	(1,997)	-	(638)	-	-	(629)	1,267	(1,997)
Interest expense	(170)	-	(1,250)	-	(4,428)	(2,185)	3,975	(4,058)
Foreign exchange gains	71	-	-	-	4	2	-	77
Impairment expense	-	-	-	-	(2,690)	-	-	(2,690)
Discontinued operations	-	-	-	-	9,923	-	(910)	9,013
Total loss before income tax	1,632	(28)	(2,671)	(2)	-	(2,695)	(5,241)	(9,005)
Income tax								-
Loss for the year								(9,005)

* EBITDA and loss for the year includes income and expenses attributable to non-wholly-owned subsidiaries.

Note 4. Segment information (continued)

Consolidated - 2018	Coal technology Australia	Coal technology Asia	Coal technology South Africa	Mining exploration Australia	Coal mining USA	Coal mining UK	Inter-segment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
Sales to external customers	29	-	-	-	3,905	-	-	3,934
Other income	606	-	60	-	65	-	-	731
Interest income	10	-	114	-	-	-	-	124
Inter-segment revenue	7,760	-	-	-	-	278	(8,038)	-
Total revenue	8,405	-	174	-	3,970	278	(8,038)	4,789
EBITDA (*)	3,051	(49)	(632)	(3)	(6,410)	2	(7,690)	(11,731)
Depreciation	(1,099)	-	-	-	-	-	-	(1,099)
Amortisation	(1,997)	-	(589)	-	-	(581)	1,170	(1,997)
Interest expense	(127)	-	(1,044)	-	(3,766)	(1,989)	3,495	(3,431)
Foreign exchange gains / (losses)	3	(3)	(1)	-	-	(1)	3	1
Discontinued operations	-	-	-	-	10,176	-	(1,960)	8,216
Loss before income tax	(169)	(52)	(2,266)	(3)	-	(2,569)	(4,982)	(10,041)
Income tax								-
Loss for the year								(10,041)

* EBITDA and loss for the year includes income and expenses attributable to 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.

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Total segment income	2,216	4,789
Exclude revenue from discontinued operations recognised in segment income	(282)	(3,970)
Total revenue from continuing operations	1,934	819

Note 4. Segment information (continued)

(ii) 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:

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Loss for the year – segment information from continuing operations	9,005	10,041
Loss from discontinued operations	9,013	8,216
Consolidated net loss for the year	18,018	18,257

(iii) Disaggregation of revenue from contracts with customers
Revenues attributed to the Coal Mining (USA) segment were derived from a significant customer who accounted for greater than 10% of White Energy's total segment income. Revenues earned from this customer during the year were: $Nil (2018: $3,905,000).

Revenues attributed to the BCB coal technology (Australia) were derived from a customer who accounted for greater than 10% of White Energy's total segment income. Revenues earned from this customer during the year were: $29,000 (2018: $Nil).

The head entity, White Energy Company Limited, is domiciled in Australia. The amount of the Group's revenue from external customers broken down by location of the customers is shown below.

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Geographical regions		
Australia	-	29
USA	-	3,905
	-	3,934

Note 5. Revenue from contracts with customers

	Consolidated	
	2019	**2018**
	$'000	**$'000**
From continuing operations		
Sampling services - potential customers	-	29

Change in accounting policy
AASB 15 *Revenue from Contracts with Customers* has been applied from 1 July 2018 as disclosed in note 41. The Group's application of AASB 15 did not result in any material changes to the amounts recognised in the financial statements for the year ended 30 June 2019.

Note 6. Other income

	Consolidated 2019 $'000	2018 $'000
Gain on technology fee extinguished[a]	1,154	-
Government grant income[b]	326	435
Interest income calculated using the effective interest rate method	37	124
Award of litigation costs[c]	93	-
Other items	324	231
Other income	1,934	790

(a) Gain on extinguished technology fee of $1,154,000 (2018: Nil) is for the waiver of the interest accrued on the technology fee owing by subsidiary Binderless Coal Briquetting Company Pty Limited further to an amendment to extinguish the technology fee under the licence agreement to use Binderless Coal Briquetting technology worldwide.

(b) Government grant income of $326,000 (2018: $435,000) was recognised by the Group during the financial year, which represents the annual amortised amount of a Commercial Ready Grant received in 2008. There are no unfulfilled conditions or other contingencies attaching to these grants.

(c) Award of litigation costs of $93,000 (2018: Nil) is for settlement of costs awarded to subsidiary, BCBC Singapore Pte, Ltd during the year, in relation to the dismissal of the Tranche 2 appeal made by Bayan Resources Tbk in the Singapore Court of Appeal.

Note 7. Expenses

	Consolidated 2019 $'000	2018 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation expense		
Depreciation expense - Property, plant and equipment	802	1,099
Amortisation expense - Intangible assets	1,997	1,997
Total depreciation and amortisation expense	2,799	3,096
External advisory fees		
Consulting, external management and professional fees	1,005	495
Litigation costs	659	650
Total external advisory fees	1,664	1,145
Superannuation expense		
Defined contribution superannuation expense	160	238
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	2,656	2,969
Total employee benefits expense	2,816	3,207

Note 8. Income tax

	Consolidated 2019 $'000	Consolidated 2018 $'000
(a) Income tax credit		
Current tax	(1,829)	(4,673)
Deferred tax - origination and reversal of temporary differences	881	7,385
Adjustments for current tax of prior periods	132	(2,710)
Adjustments for deferred tax of prior periods	816	(2)
Income tax	-	-
Deferred income tax (revenue) / expense included in income tax comprises:		
Decrease / (increase) in deferred tax assets (note 17)	279	50
(Decrease) / increase in deferred tax liabilities (note 24)	(279)	(50)
	-	-
(b) Numerical reconciliation of income tax and tax at the statutory rate		
Loss before income tax from continuing operations	(9,005)	(10,041)
Loss before income tax from discontinued operations	(9,013)	(8,216)
	(18,018)	(18,257)
Tax at the statutory tax rate of 27.5%	(4,955)	(5,021)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible interest	887	965
Non-deductible legal fees	182	188
Sundry items	(4,054)	(3,621)
	(7,940)	(7,489)
Adjustments for current tax of prior periods	132	(2,710)
Difference in overseas tax rates	3,623	435
Effect of changes in tax rate[1]	-	10,647
Adjustments for deferred tax of prior periods	816	(2)
Tax losses brought to account not previously recognised	-	(865)
Tax losses and timing differences not brought to account (refer notes 8(c) and 8(d))	3,369	(16)
Income tax	-	-

(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.

Note 8. Income tax (continued)

	Consolidated	
	2019	**2018**
	$'000	**$'000**
(c) Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	245,837	234,642
Potential tax benefit at statutory tax rates	53,140	51,647

The above potential tax benefit for tax losses has not been recognised in the balance sheet. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Included in the tax losses that have not been recognised in the balance sheet are tax losses of $6,635,000 (2018: $6,606,000) with a potential tax benefit of $995,000 (2018: $991,000) that expire over a five year period.

(d) Unrecognised temporary differences

	2019	**2018**
	$'000	**$'000**
Temporary differences for which a deferred tax asset has not been recognised:		
Tax Losses	245,837	234,642
Unrealised foreign currency translation	91,213	81,968
	337,050	316,610
Unrecognised deferred tax assets relating to the above temporary differences	78,223	74,188

Note 9. Discontinued operations

Mountainside Coal Company Inc.

In June 2017 the Group commenced a process for the sale of its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. Negotiations to purchase the Group's interest are continuing. 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 2019 and 30 June 2018 (refer notes 13 and 22) and the operating results of MCC’s operations are reported as a discontinued operation for 2019 and 2018.

Note 9. Discontinued operations (continued)

Financial information relating to the discontinued operation for the period is set out below (100%):

	Consolidated	
	2019	2018
	$'000	$'000
Revenue	282	3,970
Net loss on sale of property, plant and equipment	(1,199)	(1,508)
Coal mining operations expenses	(1,417)	(6,699)
Employee benefits expense	(387)	(639)
Impairment expense - plant and equipment	(2,690)	-
External advisory fees	(178)	(159)
Occupancy expenses	(60)	(78)
Travel expenses	(22)	(25)
Accounting, tax and audit fees	(46)	(161)
Net foreign exchange gain	4	-
Revaluation of contingent consideration receivable	(272)	-
Other operating expenses	(945)	(1,211)
Finance costs	(2,083)	(1,706)
Total expenses	(9,295)	(12,186)
Loss before income tax	(9,013)	(8,216)
Income tax	-	-
Loss for the year from discontinued operations	(9,013)	(8,216)

Cash flow information:

	Consolidated	
	2019	2018
	$'000	$'000
Net cash outflow from operating activities	(7,158)	(2,289)
Net cash inflow from investing activities	4,325	964
Net cash inflow from financing activities	3,237	1,437
Net increase in cash and cash equivalents from discontinued operations	404	112
Effect of exchange rate changes on cash and cash equivalents	20	10
Reclassification of cash of disposal groups held for sale	641	217

Note 10. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Cash at bank and on hand	4,414	852

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	4,414	852
Cash and cash equivalents - classified as held for sale (note 13)	641	217
Balance as per statement of cash flows	5,055	1,069

(a) Risk exposure
The Group's exposure to interest rate risk is discussed in note 3(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 2019 bank guarantees exist which have been issued as security for property bonds in the amount of $62,000 (2018: $62,000).

Note 11. Current assets - Trade and other receivables

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Trade receivables	51	69
Less: Allowance for expected credit losses	(47)	(47)
	4	22
Other receivables	409	312
	413	334

(a) Allowance for expected credit losses
AASB 9 Financial instruments: Recognition and Measurement has been applied from 1 July 2018 as disclosed in note 41. The Group's application of AASB 9 did not result in any material changes to the amounts recognised in the financial statements for the year ended 30 June 2019.

(i) Trade receivables
From 1 July 2018, the Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Prior to this the Group applied a method which recognised a loss allowance when there was objective evidence all amounts due would not be collected.

The expected loss rates from 1 July 2018 are based on the payment profiles of recent year's sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Note 11. Current assets - Trade and other receivables (continued)

On that basis, the loss allowance was determined as follows for trade receivables:

Consolidated	Expected credit loss rate 30 June 2019 %	Expected credit loss rate 30 June 2018 %	Carrying amount 30 June 2019 $'000	Carrying amount 30 June 2018 $'000	Allowance for expected credit losses 30 June 2019 $'000	Allowance for expected credit losses 30 June 2018 $'000
Not overdue	1%	-	4	22	-	-
Over 6 months overdue	100%	100%	47	47	47	47
			51	69	47	47

Movements in the allowance for expected credit losses are as follows:

	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
Opening balance	47	51
Receivables written off during the year as uncollectable	-	(4)
Closing balance	47	47

The creation and release of the allowance for expected credit losses has been included in other expenses in the statement of comprehensive income.

(ii) Other receivables
Other receivables at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Other receivables are considered to be low credit risk when they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The loss allowance as at 30 June 2019 was determined to be $Nil (2018: $Nil).

(b) 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 3.

(c) 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 3 for more information on the risk management policy of the Group.

(d) Risk exposure
The Group's exposure to credit risk is discussed in note 3(b). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

Note 12. Current assets - Other assets

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Prepayments	419	332
Deposits	22	22
	441	354

Note 13. Current assets - Assets of disposal groups classified as held for sale

In June 2017 the Group commenced a process for the sale of its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. Negotiations to purchase the Group's interest are continuing. All of the assets and liabilities of MCC have been presented as held for sale as at 30 June 2019 and 30 June 2018 (refer note 22). The operating results of MCC's operations have been reported as a discontinued operation for 2019 and 2018 (refer Note 9).

MCC's assets at period end comprised (100%):

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Cash and cash equivalents	641	217
Trade and other receivables	113	331
Inventory	-	88
Financial assets at fair value through profit or loss (contingent consideration)	50	-
Prepayments	506	261
Available for sale financial assets	-	529
Property, plant and equipment	9,904	16,528
Exploration assets	190	185
Restricted cash (a)	2,114	2,394
	13,518	20,533

(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) Coal mining CGU

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 exceeded its recoverable amount after considering indications of interest received from potential purchasers and fair value less costs of disposal calculations. An impairment charge of $2,690,000 was made against property, plant and equipment as at 30 June 2019 (2018: $Nil).

The fair value attributed to coal resources was determined by discounted cash flows from future royalty streams for each type of coal resource for future coal production over time by market participants and the coal prices currently received for production permits in the USA, and an estimated coal price for the more valuable Blue Gem resources.

A pre-tax discount rate of 11.01% 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 the 30 June 2019 USD / AUD spot exchange rate of $0.7013.

Note 13. Current assets - Assets of disposal groups classified as held for sale (continued)

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 $728,000 lower / higher. If the Blue Gem production was delayed by 1 year, then the fair value of these resources would be $735,000 lower. A 10% movement in the estimated Blue Gem coal price would have an impact on the fair value of $728,000.

Further details of the coal mining CGU can be found in note 2(a)(iii).

Note 14. Non-current assets - Property, plant and equipment

	Consolidated	
	30 June 2019 $'000	**30 June 2018 $'000**
Leasehold improvements - at cost or fair value	154	154
Less: Accumulated depreciation and impairment	(154)	(154)
	-	-
Plant and equipment - at cost or fair value	19,340	19,226
Less: Accumulated depreciation and impairment	(19,312)	(18,396)
	28	830
	28	830

Reconciliations
Reconciliations of the net book values are set out below:

Consolidated	**Plant and Equipment $'000**	**Leasehold improvements $'000**	**Total $'000**
Balance at 1 July 2017	1,927	2	1,929
Depreciation expense	(1,097)	(2)	(1,099)
Balance at 30 June 2018	830	-	830
Depreciation expense	(802)	-	(802)
Balance at 30 June 2019	28	-	28

Note 15. Non-current assets - Intangibles

	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
BCB coal technology licence - at cost	55,983	55,983
Less: Accumulated amortisation and impairment	(46,777)	(44,780)
	9,206	11,203

Reconciliations
Reconciliation of the net book values are set out below:

Consolidated	BCB coal technology licence $'000
Balance at 1 July 2017	13,200
Amortisation expense	(1,997)
Balance at 30 June 2018	11,203
Amortisation expense[1]	(1,997)
Balance at 30 June 2019	9,206

(1) Amortisation of $1,997,000 (2018:$1,997,000) is included in the depreciation and amortisation expense in the statement of comprehensive income. The BCB coal technology licence has a finite life and is amortised over its useful life of 17.6 years.

Key assumptions used for impairment assessments and calculations
The intangible assets form part of the coal technology cash generating unit (CGU).

Coal technology CGU
As in prior years, the Company appointed an independent valuation firm to perform a valuation of the recoverable amount of the Company's coal technology assets. The valuation concluded that the recoverable amount exceeded the 30 June 2019 carrying value of $9,206,000.

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. The Group has several identified opportunities which it is progressing, enabling the valuer to utilise discounted cash flow projections of these specific projects as the foundation to the valuation. Building on this, the valuer then ascribed risk discounts to allow for the probability of the opportunities being delayed, not going ahead and the risk of contract terms being materially different than projected, and then extrapolated those values across the broader market for the BCB coal technology.

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.

A post-tax discount rate of 13% p.a. (2018: 13% p.a.) was used in the discounted cash flow model. Other key assumptions in determining the discounted cash flows include capital costs for the initial establishment of the technology at the customer's premises, revenue and fixed operating costs per tonne of coal processed. The valuer assumed three projects at this value. This was converted at the 30 June 2019 USD / AUD spot exchange rate of $0.7013. No reasonably possible changes in key assumptions would impact the carrying value of the BCB coal technology assets.

Note 15. Non-current assets - Intangibles (continued)

Further information on the coal technology CGU can be found in note 2(a)(i). In addition to the intangible assets identified above, the coal technology CGU also includes items of plant and equipment and inventory against which an impairment charge was recognised in a previous financial year.

Note 16. Non-current assets - Exploration assets

Exploration asset reconciliations
Reconciliations of exploration assets carrying amounts are set out below:

Consolidated	Coober Pedy EL5719 (a) Exploration tenements $'000	Coober Pedy EL5719 Exploration rights $'000	Coober Pedy PELA674 Exploration tenement $'000	Total $'000
Balance at 1 July 2017	7,523	2,690	-	10,213
Expenditure during the year	77	-	-	77
Balance at 30 June 2018	7,600	2,690	-	10,290
Expenditure during the year	49	-	4	53
Balance at 30 June 2019	7,649	2,690	4	10,343

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, and PELA674 located immediately south of EL5719 with exploration potential for petroleum and hydrocarbon minerals.

In prior years the EL5719 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 spot thermal coal price would result in a movement in the recoverable amount of $1,100,000.

No indicators of impairment or reversal of impairment were identified in the review of exploration expenditure undertaken during the years ended 30 June 2019 and 2018. Further information on the mining exploration CGU can be found in note 2(a)(ii).

Note 17. Non-current assets - Deferred tax

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Deferred tax assets:		
The balance comprises temporary differences attributable to:		
Tax losses - other	40,791	39,877
Tax losses - disposal groups held for sale - MCC (a)	12,349	11,770
Other deferred tax assets - disposal groups held for sale - MCC (a)	8,972	6,792
Property, plant and equipment	1,236	1,363
Intangibles	2,978	3,216
Trade and other liabilities	2,236	2,453
Trade and other receivables	2,289	2,289
Total deferred tax assets	70,851	67,760
Deferred tax assets not brought to account:		
Tax losses	(53,140)	(51,647)
Other	(14,531)	(12,654)
	(67,671)	(64,301)
Set-off of deferred tax liabilities pursuant to set-off provisions (note 24)	(3,180)	(3,459)
	(70,851)	(67,760)
Net deferred tax assets	-	-
Deferred tax assets expected to be recovered within 12 months	2,987	3,163
Deferred tax assets expected to be recovered after more than 12 months	193	296
	3,180	3,459
Movements in deferred tax assets:		
Opening balance	3,459	3,509
Other deferred tax assets - disposal groups held for sale - MCC (a)	(127)	40
Property, plant and equipment	(127)	(308)
Intangibles	(238)	(1,031)
Trade and other payables	(217)	306
Trade and other receivables	-	(174)
Other deferred tax balances not brought to account	430	1,117
Closing balance	3,180	3,459

(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 notes 13 and 22.

Note 18. Non-current assets - Restricted cash

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
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 the Company, on behalf of its subsidiary BCBC Singapore Pte Ltd, in support of freezing orders made against Bayan Resources Tbk's shareholding in Kangaroo Resources Limited.

Note 19. Current liabilities - Trade and other payables

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Trade payables	634	501
Accrued licence fee and related interest (a)	3,200	5,354
Loans from related parties (b)	-	3,000
Accrued interest on related party loans (b)	-	21
Other payables	1,241	1,014
	5,075	9,890

(a) Accrued licence fee and related interest

The accrued licence fee as at 30 June 2019 of $3,200,000 (2018:$5,354,000) including interest accrued of $Nil (2018:$1,154,000) 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) Loans from related parties

Key management personnel Travers Duncan, the Chairman of White Energy, and Brian Flannery, the Managing Director of White Energy, had each loaned to the Company $1,500,000 as at 30 June 2018 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 were the amounts lent by key management personnel and were repaid in full during the reporting period. The loans were not secured. The loan's agreements are based on normal terms and conditions and bear interest at a market rate.

(c) Risk Exposure

Information about the Group's exposure to foreign exchange risk is provided in note 3(a)(i).

Note 19. Current liabilities - Trade and other payables (continued)

(d) Reconciliation of liabilities arising from financing activities

2019	Loans from related parties $'000	Loans from shareholders (i) $'000	Other payable (ii) $'000	Financing liabilities total $'000
Opening balance	3,000	61,713	-	64,713
Foreign exchange movement	-	3,382	6	3,388
Other non-cash changes	-	-	367	367
Cash flows	(3,000)	2,432	(74)	(642)
Closing balance	-	67,527	299	67,826

2018	Loans from related parties $'000	Loans from shareholders (i) $'000	Lease liability (iii) $'000	Financing liabilities total $'000
Opening balance	-	57,877	163	58,040
Foreign exchange movement	-	2,420	6	2,426
Cash flows	3,000	1,416	(169)	4,247
Closing balance	3,000	61,713	-	64,713

(i) Closing loans from shareholders as at 30 June 2019 includes loans of $34,519,000 (2018: $31,770,000) from note 22 which have been classified as held for sale, and loans of $33,008,000 (2018: $29,942,000) from note 23 classified as non-current.

(ii) Closing other payables as at 30 June 2019 includes a loan of $299,000 (2018: $Nil) from note 22 which has been classified as held for sale.

(iii) Closing lease liability at 30 June 2018 includes the liability of $Nil from note 22 which was classified as held for sale.

Note 20. Current liabilities - Provisions

	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
Employee provisions (a)	758	473

(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.

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 20. Current liabilities - Provisions (continued)

Movements in employee provisions:

Consolidated - 30 June 2019	Employee $'000
Carrying amount at the start of the year	473
Additional provisions recognised	381
Amounts transferred from non-current (refer note 25)	(18)
Amounts used	(78)
Carrying amount at the end of the year	758

Note 21. Current liabilities - Other liabilities

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Deferred income - rental income	47	28
Deferred income - government grant (a)	-	326
	47	354

(a) Deferred income - government grant
The Company received $4,349,000 in 2008 from the Commonwealth Government of Australia as part of the AusIndustry's Commercial Ready innovation grant program. This amount was being amortised over the life of the Cessnock Demonstration Plant.

Note 22. Current liabilities - Liabilities of disposal groups classified as held for sale

In June 2017 the Group commenced a process for the sale of its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. Negotiations to purchase the Group's interest are continuing. All of the assets and liabilities of MCC have been presented as held for sale as at 30 June 2019 and 30 June 2018 (refer note 13). The operating results of MCC's operations have been reported as a discontinued operation for 2019 and 2018 (refer Note 9).

MCC's liabilities at period end comprised (100%):

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Trade payables	837	3,956
Other payables	454	218
Loans from shareholders - Black River	34,519	31,770
Accrued interest on shareholder loans - Black River	8,264	6,019
Provisions (a)	1,320	1,322
	45,394	43,285

Note 22. Current liabilities - Liabilities of disposal groups classified as held for sale (continued)

(a) Reclamation provision

	2019 $'000	2018 $'000
Movement in reclamation provision:		
Carrying value at the start of the year	1,322	1,941
Additional provision raised	203	356
Amounts used	(246)	(1,026)
Unused amounts reversed	(29)	(43)
Exchange differences	70	94
Carrying value at the end of the year	1,320	1,322

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

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

Note 23. Non-current liabilities - Other payables

	Consolidated	
	30 June 2019 $'000	**30 June 2018 $'000**
Loans from shareholders - Black River (a)	33,008	29,942
Accrued interest on shareholder loans - Black River (a)	10,128	7,861
	43,136	37,803

Refer to note 3 for further information on financial risk management.

(a) Loans from shareholders

White Energy and the 49% 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 49% 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 22).

Note 24. Non-current liabilities - Deferred tax

	Consolidated	
	30 June 2019	**30 June 2018**
	$'000	**$'000**
Deferred tax liabilities:		
The balance comprises temporary differences attributable to:		
Exploration assets recognised on the acquisition of South Australian Coal Limited (a)	1,464	1,464
Other capitalised exploration assets	1,380	1,365
Other balances and transactions	323	490
Deferred tax liabilities of disposal groups held for sale- MCC (b)	13	140
	3,180	3,459
Set-off of deferred tax assets pursuant to set-off provisions (note 17)	(3,180)	(3,459)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	13	140
Deferred tax liabilities expected to be settled after more than 12 months	3,167	3,319
	3,180	3,459
Movements in deferred tax liabilities:		
Opening balance	3,459	3,509
Exploration assets recognised on the acquisition of South Australian Coal Limited (a)	-	(133)
Other capitalised exploration assets	15	(102)
Other balances and transactions	(167)	490
Deferred tax liabilities of disposal groups held for sale - MCC (b)	(127)	(305)
Closing balance	3,180	3,459

(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
Further information on MCC's related assets classified as held for sale and liabilities of disposal groups held for sale is set out in notes 13 and 22.

Note 25. Non-current liabilities - Provisions

	Consolidated	
	30 June 2019	**30 June 2018**
	$'000	**$'000**
Employee provisions (a)	366	348

Note 25. Non-current liabilities - Provisions (continued)

(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.

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.

Movements in employee provisions during the year ended 30 June 2019 are set out below:

Consolidated - 30 June 2019	**Employee $'000**
Carrying amount at the start of the year	348
Amounts transferred to current (refer to note 20)	18
Carrying amount at the end of the year	366

Note 26. Equity - Contributed equity

	Consolidated			
	30 June 2019 Shares	**30 June 2018 Shares**	**30 June 2019 $'000**	**30 June 2018 $'000**
Ordinary shares - fully paid (a)	516,318,597	328,374,494	506,337	493,476

(a) Ordinary shares - fully paid
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

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	30 June 2017	328,374,494		493,476
Balance	30 June 2018	328,374,494		493,476
Share issue under Entitlement Offer (i)	16 November 2018	147,944,103	$0.070	10,356
Share issue under Entitlement Offer shortfall placement (i)	3 December 2018	20,000,000	$0.070	1,400
Share issue under placement (i)	12 March 2019	20,000,000	$0.070	1,400
Less: Transaction costs arising on share issues		-	$0.000	(295)
Balance	30 June 2019	516,318,597		506,337

Note 26. Equity - Contributed equity (continued)

(i) Issue of ordinary shares
On 16 November 2018, 147,944,103 shares were issued to current shareholders under a pro rata issue Entitlement Offer under Listing Rule 7.2 Exception 1, at $0.07 per share raising a total of $10,356,087. Of these shares, 79,493,151 shares were issued to related parties (5 directors) under Listing Rule 10.12 Exception 1.

On 3 December 2018, 20,000,000 shares were issued to a current shareholder to make up a shortfall under a pro rata issue Entitlement Offer under Listing Rule 7.2 Exception 3, at $0.07 per share raising a total of $1,400,000.

On 12 March 2019, 20,000,000 shares were issued to a current shareholder as a placement under Listing Rule 7.1A, at $0.07 per share raising a total of $1,400,000.

(c) Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to maintain a low cost of capital.

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

The capital risk management policy remains unchanged from the 2018 Annual Report.

Note 27. Equity - Reserves

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Foreign currency translation (i)	(19,227)	(19,769)
Share based payments (ii)	7,012	7,012
	(12,215)	(12,757)

(a) Nature and purpose of reserves

(i) Foreign currency translation
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.

(ii) Share based payments
The share based payments reserve is used to recognise:
- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of incentive rights issued to employees but shares are not yet issued.

Note 27. Equity - Reserves (continued)

The share based payments reserve does not include the fair value of options and incentive rights which have lapsed as a result of a non-market related service condition not being met.

(b) Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payments $'000	Foreign currency translation $'000	Total $'000
Balance at 1 July 2017	7,012	(19,171)	(12,159)
Foreign currency translation differences arising during the year	-	(598)	(598)
Balance at 30 June 2018	7,012	(19,769)	(12,757)
Foreign currency translation differences arising during the year	-	549	549
Transactions with non-controlling interests (note 34)	-	(7)	(7)
Balance at 30 June 2019	7,012	(19,227)	(12,215)

Note 28. Equity - Accumulated losses

	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
Accumulated losses at the beginning of the financial year	(475,244)	(464,233)
Loss attributable to members of White Energy	(9,971)	(11,011)
Transactions with non-controlling interests (note 34)	(510)	-
Accumulated losses at the end of the financial year	(485,725)	(475,244)

Note 29. Equity - Non-controlling interests

	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
Share capital	9,071	9,071
Reserves	(3,224)	818
Accumulated losses	(68,657)	(61,121)
	(62,810)	(51,232)

Note 30. Remuneration of auditors

During the financial 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:

	Consolidated	
	2019	2018
	$	$
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services [(1)]		
Audit or review of the financial statements	315,825	263,516
Total remuneration of PricewaterhouseCoopers Australia	315,825	263,516
(b) Network firms of PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit or review of the financial statements	78,596	81,103
(ii) Taxation Services		
Tax Compliance services	45,205	105,127
Total remuneration of related practices of PricewaterhouseCoopers Australia	123,801	186,230
Total auditor's remuneration	439,626	449,746

(1) The audit or review of the financial statements fee for the year ended 30 June 2019 includes $41, 000 that relates to the prior period.

It is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience within 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.

Note 31. Contingencies

(a) 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, and 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. The CA dismissed substantially the whole of Bayan's appeal. The CA remitted to the SICC for its determination a narrow question regarding causation, being whether BCBCS had the ability to fund the KSC joint venture by itself.

The SICC handed down its judgement on the remitted issue on 9 January 2019 and ruled in favour of BCBCS and BCBC and held that BCBCS had the financial ability to fund the KSC joint venture until the completion of commission and testing at the Tabang Plant or until June 2012.

On 16 January 2019, Bayan filed a notice of appeal against the whole of the decision of the SICC in regards to the remitted issue. The appeal was heard by the SICC on 10 July 2019. Bayan's appeal was unanimously dismissed immediately following the hearing.

The proceedings will now continue to the third tranche where damages and loss arising from Bayan's breaches and repudiation of the joint venture will be determined. The SICC has set the trial dates for 21 September 2020 to 30 September 2020. The SICC has asked the parties to confer on the appropriate dates for filing of all necessary affidavits and submissions prior to the hearing.

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. The scheme of arrangement was approved by the Court on 4 December 2018. Bayan delisted KRL in December 2018 and has appointed its own directors and integrated 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 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 by Bayan acquiring all the shares in KRL.

On 3 December 2018 the Supreme Court of Western Australia expanded the terms of the freezing order by amending the existing order to also provide for the following on implementation of the scheme of arrangement:

Note 31. Contingencies (continued)

(a) prohibiting Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of its shares in KRL, without first providing 20 clear business days' notice to BCBCS;
(b) prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL or any of KRL's subsidiaries which provides a financial benefit to Bayan, its associates, or its associated entities, without first providing 20 clear business days' notice to BCBCS; and
(c) prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL by which KRL or KRL's subsidiaries dispose of a substantial asset within the meaning of ASX Listing Rules 10.2, without first providing 20 clear business days' notice to BCBCS.

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

(b) 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. Depositions are being provided and there is no fixed trial date.

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

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

The IBC do not currently believe that the Company will have to provide for any additional amounts in respect of these claims beyond amounts already accrued. The total amount of claims against the Company in relation to the matters referred to above is $6,030,000 as at the date of signing the financial report (30 June 2018: $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 has been agreed in principle and the terms of the settlement deed are being negotiated.

Note 32. Commitments

(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 2018: $2,317,000) on the area by 8 August 2020. As at 30 June 2019, $1,543,000 remains to be expended (30 June 2018: $1,614,000).

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.

Note 32. Commitments (continued)

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) 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.

	Consolidated	
	30 June 2019	**30 June 2018**
	$'000	**$'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	357	2,587
One to five years	884	2,042
More than five years	1,035	1,161
	2,276	5,790

Note 33. Related party transactions

(a) Parent entity

White Energy Company Limited is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 34.

(c) Key Management Personnel Compensation

	2019	**2018**
	$	**$**
Short term employee benefits	991,596	1,009,617
Post employment benefits	72,023	177,419
Total	1,063,619	1,187,036

Note 33. Related party transactions (continued)

Detailed remuneration disclosures relating to key management personnel are provided in the remuneration report included in the Directors' report on pages 13 to 23.

(d) Other Transactions with Key Management Personnel
During the year ended 30 June 2019 employee benefits of $111,975 (2018: $90,236) were paid to Andromeda Neale, who is related to Travers Duncan, the Chairman of White Energy. This arrangement is based on normal commercial terms and conditions and at the prevailing market rate for a person of her skill and experience.

Brian Flannery, the Managing Director of White Energy, leases some commercial 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, Ilwella Pty Ltd and KTQ Developments Pty Ltd for $97,554 (2018: $93,196). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2019, Brian Flannery and Travers Duncan, reimbursed the Company for some geological work conducted for their private company Rockland Resources Pty Limited for $13,600 (2018: $15,200). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2019, Brian Flannery and Travers Duncan each loaned the Company $750,000 (2018: $1,500,000) through their private companies Ilwella Pty Ltd and Gaffwick Pty Ltd atf Duncan Family Trust and respectively. The loans were repaid during the financial year.

The amounts disclosed in the Group’s financial statements as loans from related parties are the amounts lent by key management personnel and were due for repayment by the Company within one year after they were advanced or on demand. The loans were not secured. The loan’s agreements were based on normal commercial terms and conditions and included interest at a market rate.

(e) Loans from related parties

	2019 $'000	2018 $'000
Loans from Black River		
Movements:		
Beginning of the year	75,592	67,799
Loans advanced	3,829	1,988
Loans repaid	(1,397)	(572)
Interest charged	3,813	3,387
Interest repaid	(124)	-
Exchange rate movement	4,206	2,990
End of year	85,919	75,592
Loans from Key Management Personnel		
Movements:		
Beginning of the year	3,021	-
Loans advanced	1,500	3,000
Loans repaid	(4,500)	88
Interest charged	152	88
Interest paid	(173)	(67)
End of the year	-	3,109

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

Note 33. Related party transactions (continued)

(f) Guarantee
White Energy has provided guarantees in respect of property bonds amounting to $62,000 (2018: $62,000).

Note 34. Interests in subsidiaries

(a) 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 2019 are set out below:

Name	Country of incorporation / Principal place of business - Principal activities	Ownership interest held by the Group(1) 30 June 2019 %	30 June 2018 %
Amerod Exploration Pty Ltd	Australia - Mining investment	100.00%	100.00%
White Energy Technology Limited	Australia - Coal technology	100.00%	100.00%
Binderless Coal Briquetting Company Pty Limited	Australia - Coal technology	100.00%	100.00%
South Australian Coal Pty Ltd	Australia - Mining exploration	100.00%	100.00%
White Energy Coal North American Inc.	USA - Coal technology	100.00%	100.00%
BCBC Singapore Pte Ltd	Singapore - Coal technology	100.00%	100.00%
River Energy JV UK Limited	United Kingdom - Coal technology	51.00%	51.00%
Mountainside Coal Company Inc.	USA - Coal mining	51.00%	51.00%
River Energy JV Limited	Mauritius - Coal technology	51.00%	51.00%
River Energy South Africa Pty Limited	South Africa - Coal technology	51.00%	51.00%
River Energy Fine Coal Recovery Pty Ltd(2)	South Africa - Coal technology	51.00%	36.30%

(1) Each of the subsidiaries above have capital consisting solely of ordinary shares that are held directly by the Group. The ownership interest is the equity holding 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 ownership interest is held by non-controlling interests.

(2) For the year ended 30 June 2018, the Group controlled River Energy Fine Coal Recovery Pty Ltd (REFCR) as it controlled the immediate parent, River Energy South Africa Pty Ltd (RESA). There were only two shareholders of REFCR, with RESA holding a 71.2% ownership interest and having capacity to control the composition of the REFCR Board.

(b) Non-controlling interests (NCI)
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.

Note 34. Interests in subsidiaries (continued)

Summarised balance sheet	River Energy JV UK Limited 2019 $'000	River Energy JV UK Limited 2018 $'000	River Energy JV Limited 2019 $'000	River Energy JV Limited[1] 2018 $'000	River Energy South Africa Pty Limited 2019 $'000	River Energy South Africa Pty Limited 2018 $'000	River Energy Fine Coal Recovery Pty Ltd 2019 $'000	River Energy Fine Coal Recovery Pty Ltd 2018 $'000
Total assets	4,193	5,944	3,015	4,647	1,500	1,732	21	82
Total liabilities	(50,353)	(45,405)	(29,570)	(26,047)	(18,829)	(16,464)	(3,216)	(2,724)
Net assets / (liabilities)	(46,160)	(39,461)	(26,555)	(21,400)	(17,329)	(14,732)	(3,195)	(2,642)
Accumulated non-controlling interests	(18,446)	(15,164)	(13,201)	(10,675)	(8,367)	(7,145)	(2,214)	(2,500)

Summarised statement of comprehensive income	River Energy JV UK Limited 2019 $'000	River Energy JV UK Limited 2018 $'000	River Energy JV Limited 2019 $'000	River Energy JV Limited[1] 2018 $'000	River Energy South Africa Pty Limited 2019 $'000	River Energy South Africa Pty Limited 2018 $'000	River Energy Fine Coal Recovery Pty Ltd 2019 $'000	River Energy Fine Coal Recovery Pty Ltd 2018 $'000
Loss allocated to non-controlling interests	(2,196)	(1,784)	(1,921)	(531)	(827)	(1,312)	(224)	(275)

Note 34. Interests in subsidiaries (continued)

Summarised cash flows	River Energy JV UK Limited 2019 $'000	River Energy JV UK Limited 2018 $'000	River Energy JV Limited 2019 $'000	River Energy JV Limited 2018 $'000	River Energy South Africa Pty Limited 2019 $'000	River Energy South Africa Pty Limited 2018 $'000	River Energy Fine Coal Recovery Pty Ltd 2019 $'000	River Energy Fine Coal Recovery Pty Ltd 2018 $'000
Cash flows from operating activities	(9)	(265)	(829)	(91)	(1,144)	(983)	(434)	(390)
Cash flows from investing activities	-	-	780	1,264	-	(67)	24	-
Cash flows from financing activities	82	426	-	(1,168)	2,387	412	428	391
Net increase / decrease in cash and cash equivalents	73	161	(49)	5	1,243	(638)	18	1

(1) There has been a restatement in respect of the prior year comparative comprising a decrease of total assets by $15,032,000, an increase in the accumulated non-controlling interests by $7,366,000 and a decrease in the loss allocated to non-controlling interests by $108,000. This reflects an impairment to a receivable from a subsidiary which aligns with the Group's assessment of recoverability.

(c) Transactions with non-controlling interests

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 REFCR increased to 51%. On 1 July 2018 the Group recognised a decrease in non-controlling interests of $517,000 and an increase in equity attributable to the owners of the Company comprising reserves of $7,000 and accumulated losses of $510,000.

Note 35. Deed of cross guarantee

White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Limited, Coking BCB Pty Limited, White Investments North America Pty Limited and White Manufacturing Pty Limited 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'.

Note 35. Deed of cross guarantee (continued)

Consolidated statement of comprehensive income and summary of movements in consolidated accumulated losses
Set out below is the consolidated statement of comprehensive income and a summary of movements in accumulated losses for the year ended 30 June 2019 of the Closed Group consisting of White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Limited, Coking BCB Pty Limited, White Investments North America Pty Limited and White Manufacturing Pty Limited.

(a) Consolidated statement of comprehensive income (Closed Group)

Statement of comprehensive income	2019 $'000	2018 $'000
Revenue	9,748	8,405
Foreign exchange gain	71	3
Employee benefits expense	(2,368)	(2,754)
Depreciation and amortisation expense	(2,800)	(3,096)
Impairment expense	(27,819)	(11,897)
External advisory fees	(1,316)	(883)
Occupancy expenses	(232)	(231)
Travel expenses	(287)	(215)
Plant operating costs	(107)	(56)
Accounting, tax and audit fees	(290)	(536)
Other expenses	(684)	(676)
Finance costs	(170)	(127)
Loss before income tax	(26,254)	(12,063)
Income tax	-	-
Loss for the year	(26,254)	(12,063)
Other comprehensive income		
Exchange differences on translation of foreign operations	9,874	5,026
Other comprehensive income for the year	9,874	5,026
Total comprehensive loss for the year	(16,380)	(7,037)

Note 35. Deed of cross guarantee (continued)

(b) Summary of movements in consolidated accumulated losses (Closed Group)

Equity - accumulated losses	2019 $'000	2018 $'000
Accumulated losses at the beginning of the financial year	(509,061)	(496,998)
Loss for the year	(26,254)	(12,063)
Accumulated losses at the end of the financial year	(535,315)	(509,061)

(c) Consolidated balance sheet (Closed Group)

Set out below is the balance sheet as at 30 June 2019 of the Closed Group consisting of White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Limited and Coking BCB Pty Limited, White Investments North America Pty Limited and White Manufacturing Pty Limited.

Balance sheet	30 June 2019 $'000	30 June 2018 $'000
Current assets		
Cash and cash equivalents	3,754	518
Trade and other receivables	1,321	1,387
	5,075	1,905
Non-current assets		
Trade and other receivables	12,256	23,266
Other financial assets	3	3
Property, plant and equipment	28	831
Intangibles	8,502	10,499
Exploration assets	4	-
	20,793	34,599
Total assets	25,868	36,504
Current liabilities		
Trade and other payables	6,499	11,579
Provisions	723	473
	7,222	12,052
Non-current liabilities		
Other payables	13,005	15,310
Provisions	366	348
	13,371	15,658
Total liabilities	20,593	27,710
Net assets	5,275	8,794
Equity		
Contributed equity	506,340	493,479
Reserves	34,250	24,376
Accumulated losses	(535,315)	(509,061)
Total equity	5,275	8,794

Note 36. Share based payments

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

Set out below is the summary of the options granted under the plan. The number of options in the Company held during the financial year is set out below:

2019 Grant date	Exercise Price	Expiry Date	Balance at the start of the year Number	Granted during the year Number	Exercised or forfeited during the year Number	Balance at the end of the year Number
18/11/2016	$0.20(1)	18/11/2022	10,000,000	-	-	10,000,000

(1) All of the Incentive Options had vested and were exercisable at the end of the year. As at 30 June 2019, the remaining term to expiry is 3.4 years. At grant date the options had a fair value of $0.0308 per option.

2018 Grant date	Exercise price	Expiry Date	Balance at the start of the year Number	Granted during the year Number	Exercised or forfeited during the year Number	Balance at the end of the year Number
8/12/2014	$0.50(1)	30/06/2020	6,000,000	-	6,000,000	-
18/11/2016	$0.20(2)	18/11/2022	10,000,000	-	-	10,000,000

Note 36. Share based payments (continued)

(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.

Note 37. Events occurring after the reporting period

(a) Issue of Incentive Rights

On 22 July 2019, 3,400,000 Incentive Rights were issued to eligible employees under the terms of the Company's Long Term Incentive Plan for a nil issue and exercise price. The vesting of each Incentive Right results in an entitlement to one fully paid ordinary share in the Company and will otherwise lapse on 30 June 2022. A holder of Incentive Rights must remain an employee of the Company or its subsidiaries for a continuous three year period starting on 1 July 2019 and ending on 30 June 2022 inclusive (Service Period). The Company is required to achieve a Total Shareholder Return (TSR) over the Service Period of at least 120%. The TSR will be calculated based on movements in the Company’s share price and adjusted for the total dividends paid during the Service Period. The starting share price for the Company’s share is $0.10. The fair value of each right at the effective grant date of 1 July 2019 is $0.044.

(b) Contingencies - KSC legal dispute

Refer to note 31(a) for details regarding the KSC legal dispute occurring after the reporting period.

(c) Sale of River Energy South Africa Pty Limited

White Energy has agreed with Proterra Investment Partners LLP to sell them the Group's 51% interest in South African subsidiary River Energy South Africa Pty Limited for a nominal amount, with effect 1 July 2019. This includes the Group's 51% interest in South African subsidiary River Energy Fine Coal Recovery Pty Ltd.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 38. Reconciliation of loss after income tax to net cash outflow from operating activities

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss for the year after tax	(18,018)	(18,257)
Adjustments for:		
Net loss on disposal of property, plant and equipment	1,175	1,508
Net fair value loss on financial assets	272	-
Foreign exchange differences	(16)	(15)
Non cash income - deferred income	(326)	(435)
Finance costs	4058	3,431
Depreciation and amortisation expense	2,799	3,096
Impairment expense	2,690	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	411	761
Decrease in inventory	93	29
Decrease /(increase) in prepayments	(316)	288
Decrease in restricted cash	401	926
Increase /(decrease) in trade and other payables	(5,169)	1,679
Decrease in other provisions	(205)	(730)
Net cash outflow from operating activities	(12,151)	(7,719)

(b) Non-cash Investing and financing activities

During the year ended 30 June 2019, the Group purchased new equipment by means of a loan. At the date of the purchase, the Group recognised an other payable of $324,000. An amount of $299,000 remains as a payable as at 30 June 2019.

Note 39. Earnings per share

(a) Basic and diluted earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Earnings per share for loss from continuing operations:		
Loss for the year	(9,005)	(10,041)
Non-controlling interest	2,163	2,429
Loss for the year attributable to the ordinary equity holders of White Energy Company Limited	(6,842)	(7,612)

	Cents	Cents
Basic earnings per share for loss from continuing operations	(1.6)	(2.3)
Diluted earnings per share for loss from continuing operations	(1.6)	(2.3)

Note 39. Earnings per share (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Earnings per share for loss from discontinued operations:		
Loss for the year	(9,013)	(8,216)
Non-controlling interest	5,884	4,817
Loss for the year attributable to the ordinary equity holders of White Energy Company Limited	(3,129)	(3,399)

	Cents	Cents
Basic earnings per share for loss from discontinued operations	(0.7)	(1.0)
Diluted earnings per share for loss from discontinued operations	(0.7)	(1.0)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Earnings per share for loss:		
Loss for the year	(18,018)	(18,257)
Non-controlling interest	8,047	7,246
Loss for the year attributable to the ordinary equity holders of White Energy Company Limited	(9,971)	(11,011)

	Cents	Cents
Basic earnings per share for loss	(2.3)	(3.4)
Diluted earnings per share for loss	(2.3)	(3.4)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	437,512,487	328,374,494
Weighted average number of ordinary shares used in calculating diluted earnings per share	437,512,487	328,374,494

Information concerning the classification of securities

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

Note 40. Parent entity information

(a) Summary financial information

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

Note 40. Parent entity information (continued)

Balance sheet

	Parent	
	30 June 2019 $'000	**30 June 2018 $'000**
Total current assets	5,075	1,904
Total assets	18,413	17,726
Total current liabilities	2,389	4,822
Total liabilities	6,670	9,134
Equity		
Contributed equity	506,337	493,476
Share based payments	7,012	7,012
Accumulated losses	(501,606)	(491,896)
Total equity	11,743	8,592
Loss for the year	(9,710)	(10,908)
Total comprehensive loss for the year	(9,710)	(10,908)

(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 (2018:$62,000). No liability was recognised by the Parent Entity or the Group in relation to these guarantees.

(c) Contingent liabilities

The Parent Entity had contingent liabilities and assets as at 30 June 2019 and 30 June 2018 in respect of indemnity and insurance claims. For information about the indemnity and insurance claims by the Parent Entity refer to note 31(c).

(d) Capital commitments

As at 30 June 2019 the Parent Entity rented office premises in Brisbane under non-cancellable operating leases expiring within one to five years (30 June 2018: Brisbane office).

Note 41. Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the Group's financial statements.

(a) Impact on the financial statements

As explained in note 41(b) and 41(c) below, AASB 9 and AASB 15 respectively were adopted retrospectively without restating comparative information. The reclassifications arising from the new classification rules are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

The following tables show the reclassifications recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Restated balance sheet as at 1 July 2018:

	30 June 2018 As originally presented $'000	AASB 9 $'000	1 July 2018 Restated $'000
Balance sheet (extract)			
Current assets - Assets of disposal group classified as held for sale:			
Financial assets at fair value through profit or loss (contingent consideration)	-	529	529
Available-for-sale-financial-assets	529	(529)	-
	529	-	529

(b) AASB 9 *Financial Instruments* - Impact of adoption

AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The new accounting policies are set out in note 1.

The adoption of AASB 9 retrospectively from 1 July 2018 with the permitted practical expedients, resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9, comparative figures are not restated, but adjustments are recognised in the opening balance sheet on 1 July 2018..

There was no impact on the Group's accumulated losses as at 1 July 2018.

(i) Classification and measurement of financial assets

On 1 July 2018, the Group's management assessed which business models apply to the financial assets held by the Group and has classified these assets into the appropriate AASB 9 categories on the basis of the contractual terms of their cash flows and how they are managed (refer accounting policy in Note 1(n). This resulted in a reclassification from the available-for-sale to the fair value through profit or loss classification ($529,000 as at 1 July 2018). This relates to the discontinued operation's contingent consideration receivable which did not meet the AASB 9 criteria to have cash flows that represent solely payments of principal and interest. There was no impact on the amounts recognised in relation to financial assets from the adoption of AASB 9.

(ii) 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 did not have any impacts under the new standard from derivatives and hedging activities.

Note 41. Changes in accounting policies (continued)

(iii) Impairment of financial assets
The Group has four types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade receivables for sales of coal inventory and from the provision of sampling services and engineering and design services;
- lease receivables; and
- other financial assets carried at amortised cost (includes loans and other receivables and cash and cash equivalents).

The Group was required to revise its impairment methodology under AASB 9 for each of these classes of assets. The Standard's simplified approach was used for trade receivables, and the general approach was applied to all other financial assets requiring review. The identified changes to recognised impairment losses were immaterial (trade receivables loss allowance as at 30 June 2018 and 1 July 2018: $47,000). There was no material impact of the change in impairment methodology on the Group's accumulated losses and equity as at 1 July 2018.

The Group's application of the simplified approach and general approach to measuring expected credit losses, did not result in an additional impairment expense for the year ended 30 June 2019, and no additional deferred tax asset as at 30
June 2019.

(c) AASB 15 *Revenue from Contracts with Customers* - Impact of adoption
AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity recognises revenue related to the transfer of promised goods or services to a customer when control of the goods or services passes to the customer, for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Contracts with customers are presented in the Group's balance sheet as a contract liability, a contract asset, or a trade receivable, depending on the relationship between the Group's performance and the customer's payment. There was no revenue from contracts with customers for the year ending 30 June 2019. The revenue recognition accounting policies are set out in Note 1(e).

The adoption of AASB 15 retrospectively from 1 July 2018 with the permitted practical expedients, resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 15, comparative figures are not restated but adjustments 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.

There were no material incomplete revenue contracts at 1 July 2018, and therefore no related reclassification and measurement changes to the Group's 30 June 2018 balances at this date.

There was no impact on the Group's accumulated losses as at 1 July 2018.

The Group's application of the new rules in AASB 15 did not result in any material changes to the amounts recognised in the financial statements for the year ended 30 June 2019.

(d) Presentation of revenue, assets and liabilities related to contracts with customers and financial instruments
The Group has changed the presentation of certain amounts in the statement of comprehensive income and balance sheet to reflect the terminology of AASB 15 and AASB 9:

Note 41. Changes in accounting policies (continued)

- Government grant income, interest income and other income were previously presented as revenue but are now presented as other income in the statement of comprehensive income, to reflect that they are not related to revenue from contracts with customers which is now presented separately in segment information;
- Trade debtors was renamed to trade receivables, and the provision for impairment of receivables was renamed to allowance for expected credit losses. Trade creditors was renamed to trade payables;
- Deposits and prepayments were previously presented together with trade receivables but are now presented as other current assets in the balance sheet, to reflect their different nature; and
- Deferred income relating to government grants and rental income were previously presented together with trade payables but are now presented as other current liabilities in the balance sheet, to reflect their different nature.

White Energy Company Limited
Directors' declaration
30 June 2019

In the Directors' opinion:

(a) the financial statements and notes set out on pages 27 to 97 are in accordance with the *Corporations Act 2001*, including:

1. complying with Australian 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 2019 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.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended Closed Group identified in note 35 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 35.

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 Directors.

Brian Flannery
Managing Director
Brisbane
27 September 2019

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 2019 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 2019
- 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 (including Independence Standards)* (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

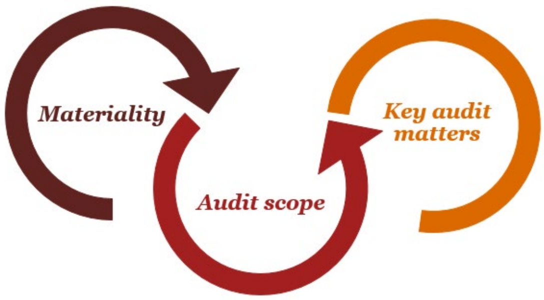
We draw attention to Note 1(a)(vi) in the financial report, which indicates that the Group incurred a total comprehensive loss of $21,517,000 and a net cash outflow from operating activities of $12,151,000 during the financial year ended 30 June 2019 and as at that date, current liabilities exceeded current assets by $32,488,000. As a result, the Group will require additional funding to meet its forecast expenditure for the next twelve months from the date of this report. These conditions, along with other matters set forth in Note 1(a)(vi), 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, China, Singapore, South Africa and Mauritius, the United States and United Kingdom.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $431k, 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 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	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment assessment of MCC – Impairment assessment of coal technology CGU – Use of the going concern

- our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose total assets as the most appropriate benchmark. The Group is not at a stage of commercial production, it is generating losses as it continues to develop and exploit its coal technology and undertakes mining exploration and evaluation activities.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

office in Brisbane, where we predominately performed our audit procedures.

assumption

- These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *material uncertainty related to going concern* 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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How our audit addressed the key audit matter***
Impairment assessment of Mountainside Coal Company ('MCC') *Refer to notes 2, 9 and 13* 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 2019. The Group has assessed the MCC disposal group for impairment and determined that the carrying value of $13.7m is in excess of its recoverable value as at 30 June 2019 based on the internal fair value less cost of disposal ('FVLCD') valuation. Accordingly, an impairment charge of $2.7m was recorded in the financial statements against this carrying value. Determining the fair value less costs to dispose is	We performed the following procedures, amongst others: • 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 2019. • Tested the mathematical accuracy of the calculations within the model on a sample basis. • Compared the forecast coal production over the life of the MCC mine included in the impairment model to historical production and the Group's most recent resource estimate. • Compared forecast processing yields included

Key audit matter	How our audit addressed the key audit matter
highly judgemental and depends on a number of key inputs, including: • indicative offers received from potential purchasers • resource estimates • production and processing yields • royalty price estimates • discount rate. This was a key audit matter due to the significant carrying value of the MCC investment and the judgemental nature of the assumptions outlined above in determining the recoverable amount as at 30 June 2019.	in the model to historical data. • With the support of PwC valuation experts, benchmarked the discount rate and overall fair value less costs of disposal in the model against the available market information. • Performed sensitivity analysis on the key assumptions used in the model. • Evaluated management's estimate of cost to dispose used in the model, against the transaction costs quoted in the most recent letter of intent. • 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.
Impairment assessment of coal technology CGU *Refer to notes 2 and 15* The Group holds the licence of the BCB Technology, which is carried at $9.2m as at 30 June 2019. The Group appointed a 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 opportunities for deployment of the BCB technology, and a consideration of the future potential for the technology. 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 2019. This was a key audit matter due to the uncertainty of the successful commercialisation of these significant technology assets and the highly judgemental nature of estimating the recoverable amount.	We performed the following procedures, amongst others: • Obtained representation from key management to confirm our understanding of the status of current opportunities for commercialisation of the BCB technology. • With the assistance of PwC valuation experts, we: - Reviewed the key assumptions within the valuation report on the coal technology CGU prepared by the external valuation expert appointed by the Group. - Considered whether the valuation approach and methodology used by the Group's 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 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

Key audit matter	*How our audit addressed the key audit matter*
	audit procedures.

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 2019, but does not include the financial report and our auditor's report thereon.

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 and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 23 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of White Energy Company Limited for the year ended 30 June 2019 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.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
27 September 2019