

White Energy Company Limited

ABN 62 071 527 083

Interim Financial Report - 31 December 2019

White Energy Company Limited
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31 December 2019

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General information

The financial statements are for the group consisting of White Energy Company Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is White Energy Company Limited's functional and presentation currency.

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 OTCQB exchange (WECFF). Its registered office and principal place of business are:

Registered office

Level 5, 126 Phillip Street
Sydney
NSW 2000

Principal place of business

Level 7, 167 Eagle Street
Brisbane
QLD 4000

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by White Energy Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

White Energy Company Limited
Directors' report
31 December 2019

Your Directors present their report on the consolidated entity (the Group) consisting of White Energy Company Limited (the Company or White Energy) and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Travers Duncan
Brian Flannery
Graham Cubbin
Vincent O'Rourke

Review of operations

Coal mining and exploration: Mountainside Coal Company, Inc. (MCC) (51% interest- discontinued operation)

MCC coal mining operations in Kentucky, USA had no coal sales revenue in the six months to 31 December 2019. Coal production at the Flag Ridge mine has been suspended since April 2018 to allow reclamation activities to be completed at this mine. The site has been progressively backfilled, graded and hydro-seeded. MCC's personnel are currently planning for future mining activities.

Reclamation activity continues, with applications being made for bond releases as rehabilitation work in each area is completed. The reclamation activities resulted in the release of \$49,000 of cash held as security in the six months to 31 December 2019.

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 the Group's interest are continuing and being advanced to a finalisation.

BCB Technology: River Energy (51% interest)

White Energy is investigating the implementation of its Binderless Coal Briquetting (BCB) technology for use in Yankuang Group's coal briquetting business in China. Testing of coals from Shandong and Shanxi Provinces has been successfully conducted at White Energy's test facility in Cessnock and two of the Company's briquetting machines were despatched for larger scale tests in China. Design of a BCB plant for a mine site in Shanxi Province is well advanced, and a contract for construction of the plant is being finalised that will allow construction to commence that is funded by the customer under White Energy's design and engineering supervision.

White Energy and its 49% joint venture partner in River Energy JV (River Energy), Proterra Investment Partners (Proterra), reached agreement for Proterra to buy White Energy's 51% interest in South African subsidiary River Energy South Africa Pty Limited for a nominal amount on 1 July 2019.

Proterra is in discussion with a number of South African coal miners interested in the Group's BCB technology, and are pursuing opportunities on mine sites in South Africa to secure access to fine coal to support BCB projects. White Energy will continue to pursue BCB projects in South Africa through Proterra and the Group's 51% interest in River Energy.

Extensive testing by River Energy, including successful briquetting and combustion trials, has previously demonstrated that a saleable export grade coal product can be produced from South African reject tailings.

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Management continue to actively pursue opportunities globally to briquette discarded coal fines which currently represent an environmental liability to miners. Application of the BCB technology could provide an opportunity for miners to convert waste coal fines into a valuable low moisture coal product.

Coal and minerals exploration: South Australian Coal (EL5719 and PELA674)

Activity in EL5719 and PELA674 during the period was focused on examining coal gasification and emerging hydrogen opportunities from coal, planning for future exploration activities, and preparing the EL5719 licence renewal application due later this year.

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.

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 third tranche of the proceedings will be held in September 2020 to determine the quantum of damages which may be payable to BCBCS. The total value of BCBCS' claim may be estimated to amount to US\$153 million plus interest and costs.

The outcome of the proceedings thus far has been overwhelmingly in favour of BCBCS. The SICC has conclusively determined that Bayan has both breached and repudiated the joint venture deed.

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.

In 2018, KRL issued a market announcement that it had entered into a binding scheme implementation deed with Bayan in order for Bayan to acquire the balance of the shares in KRL which it did not already own via a scheme of arrangement. Subsequent to the scheme of arrangement, KRL was delisted and integrated within the Bayan group which is based in Indonesia.

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 as a result of the integration of KRL within the Bayan group. The Supreme Court of Western Australia found in favour of BCBCS and expanded the terms of the freezing order by amending the existing orders to also provide for the following:

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- 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 to 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 Rules 10.2, without first providing 20 clear business days' notice to BCBCS.

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

General corporate

The Group has no secured corporate debt. Limited-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.

During December 2019, a claim made under the Company's Directors' & Officers insurance policy with insurers Allianz was settled for \$1.125 million in relation to legal costs incurred for certain Directors and former Directors of the Company that had participated in an ICAC public inquiry (Operation Jasper) during prior periods. Under the terms of the settlement's Deed of Release there are no longer any outstanding claims.

Financial position and results for the half-year

The Group had cash reserves including discontinued operation of \$1.8 million (30 June 2019: \$5.1 million) excluding restricted cash of \$4.1 million (30 June 2018: \$4.1 million).

The total assets balance decreased from \$40.4 million as at 30 June 2019 to \$37.8 million as at 31 December 2019, largely as a result of the losses derived by the Group, and this was partly offset by the recognition of right-of-use assets on adoption of the new lease accounting standard.

The increase in liabilities from \$94.8 million as at 30 June 2019 to \$96.2 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 subsidiary MCC, the increase in the loans value due to the devaluation of the Australian dollar against the US dollar, and the recognition of lease liabilities on adoption of the new standard. This was partly offset by payments for trade and other payables and the reduction of liabilities on disposal of a discontinued operation.

The Consolidated Entity's loss before tax for the half-year ended 31 December 2019 was \$6.4 million (2018: \$8.1 million). The Company's adjusted normalised EBITDA loss for the half-year ended 31 December 2019 was \$0.5 million (2018: \$2.0 million). The improvement in normalised EBITDA from the comparative period in 2018 is primarily due to the cost reduction initiatives across the Group and the insurance claim income.

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The normalised EBITDA loss has been determined as follows:

	Half-year	
	31 December 2019	31 December 2018
	\$'000	\$'000
Consolidated entity net loss for the half-year before income tax	(6,392)	(8,083)
(including discontinued operations)		
<i>Non-cash expenses / (income):</i>		
Depreciation / amortisation	1,056	1,533
Loss on disposal of discontinued operation	1,116	-
Share-based payments	25	-
Other	(24)	(2)
Sub-total – non-cash expenses	2,173	1,531
<i>Other significant items:</i>		
Finance costs	2,070	2,291
Legal costs – litigation	503	485
Sub-total – other significant items	2,573	2,776
Consolidated entity adjusted normalised EBITDA	(1,646)	(3,776)
Non-controlling interests share of normalised EBITDA	1,162	1,750
White Energy adjusted normalised EBITDA	(484)	(2,026)

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 Company. The Consolidated Entity's adjusted normalised EBITDA (\$1,646,000) reconciles to the segment information EBITDA result for the year (\$2,149,000) disclosed on page 15, after adding back litigation costs (\$503,000) which are included in segment expenses within the EBITDA line item.

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

Going concern

The Group recorded a total comprehensive loss for the half-year ending 31 December 2019 of \$6,392,000 (2018: \$11,000,000), had net cash outflows from operations of \$3,436,000 (2018: \$6,902,000) and a cash balance excluding restricted cash of \$1,452,000 (30 June 2019: \$4,414,000). The Group's current liabilities exceed its current assets by \$36,279,000 (30 June 2019: \$32,488,000). 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 has prepared a cash flow forecast to 31 March 2021, which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

White Energy Company Limited
Directors' report
31 December 2019

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 .

The Group's independent auditor's review report for the half-year ended 31 December 2019 contains an emphasis of matter paragraph drawing members' attention to the contents of Note 1 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 review report is included with the accompanying financial statements for the half-year ended 31 December 2019.

Significant changes in the state of affairs

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

Events occurring after the reporting period

(a) Pro-rata Renounceable Rights Offer

On 13 March 2019, the Company announced a 1 for 2 (1 new share for every 2 existing shares) pro-rata renounceable rights offer (Entitlement Offer) at \$0.06 per share to raise approximately \$15.5 million. The Entitlement Offer is fully underwritten by Ilwella Pty Ltd and Gaffwick Pty Ltd which are associated entities of Mr Brian Flannery, the Managing Director of the Company, and Mr Travers Duncan, the Chairman of the Company respectively. Each underwriter will underwrite 50% of the Entitlement Offer.

(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) Coronavirus risks

The Coronavirus (COVID-19) is starting to have an effect on global economic markets. The Directors are monitoring the situation closely, have considered the impact on White Energy's business and financial performance and presently do not consider there to be a material adverse impact. However such effects are creating risks for the Group and its customers and could affect general economic conditions in the short to medium term.

White Energy Company Limited
Directors' report
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No other significant matters or circumstance have arisen since 31 December 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.

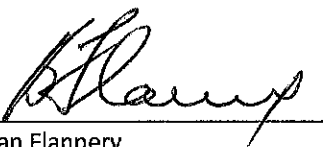
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Rounding of amounts

The Company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations 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, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'B. Flannery', written over a horizontal line.

Brian Flannery
Managing Director

13 March 2020
Brisbane



Auditor's Independence Declaration

As lead auditor for the review of White Energy Company Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
13 March 2020

White Energy Company Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
		31 December 2019	31 December 2018
	Note	\$'000	\$'000
Continuing operations			
Revenue			
Other income	3	1,224	461
Total revenue		<u>1,224</u>	<u>461</u>
Other net gains / (losses)	4	24	2
Employee benefits expense		(942)	(1,112)
Depreciation and amortisation expense	5	(1,056)	(1,533)
External advisory fees	5	(888)	(948)
Occupancy expenses		(44)	(118)
Travel expenses		(53)	(122)
Plant operating costs		(28)	(80)
Accounting, tax and audit fees		(89)	(113)
Other expenses		(424)	(423)
Finance costs		<u>(948)</u>	<u>(1,294)</u>
Loss before income tax from continuing operations		(3,224)	(5,280)
Income tax		<u>-</u>	<u>-</u>
Loss for the half-year from continuing operations		(3,224)	(5,280)
Loss from discontinued operations	6	<u>(3,168)</u>	<u>(2,803)</u>
Loss for the half-year		(6,392)	(8,083)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>-</u>	<u>(2,917)</u>
Total other comprehensive loss for the half-year		<u>-</u>	<u>(2,917)</u>
Total comprehensive loss for the half-year		<u><u>(6,392)</u></u>	<u><u>(11,000)</u></u>
Loss for the half-year is attributable to:			
Owners of White Energy Company Limited		(3,763)	(5,089)
Non-controlling interests		<u>(2,629)</u>	<u>(2,994)</u>
		<u><u>(6,392)</u></u>	<u><u>(8,083)</u></u>
Total comprehensive loss for the half-year is attributable to:			
Continuing operations		(3,399)	(3,514)
Discontinued operations		<u>(319)</u>	<u>(974)</u>
		(3,718)	(4,488)
Non-controlling interests		<u>(2,674)</u>	<u>(6,512)</u>
		<u><u>(6,392)</u></u>	<u><u>(11,000)</u></u>

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 half-year ended 31 December 2019

	31 December 2019 Cents	31 December 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	(0.4)	(1.2)
Diluted earnings per share	(0.4)	(1.2)
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of White Energy Company Limited		
Basic earnings per share	(0.3)	(0.2)
Diluted earnings per share	(0.3)	(0.2)
Earnings per share for loss attributable to the ordinary equity holders of White Energy Company Limited		
Basic earnings per share	(0.7)	(1.4)
Diluted earnings per share	(0.7)	(1.4)

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 31 December 2019

		Consolidated	
		31 December	
	Note	2019	30 June 2019
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		1,452	4,414
Trade and other receivables	7	68	413
Other assets	8	226	441
		<u>1,746</u>	<u>5,268</u>
Assets of disposal groups classified as held for sale	9	15,393	13,518
Total current assets		<u>17,139</u>	<u>18,786</u>
Non-current assets			
Property, plant and equipment	10	84	28
Intangibles	11	8,208	9,206
Exploration assets	12	10,363	10,343
Restricted cash	13	2,000	2,000
Total non-current assets		<u>20,655</u>	<u>21,577</u>
Total assets		<u>37,794</u>	<u>40,363</u>
Liabilities			
Current liabilities			
Trade and other payables	14	4,049	5,075
Provisions	15	419	758
Other liabilities	16	7	47
		<u>4,475</u>	<u>5,880</u>
Liabilities of disposal groups classified as held for sale	17	48,943	45,394
Total current liabilities		<u>53,418</u>	<u>51,274</u>
Non-current liabilities			
Other payables	18	42,527	43,136
Provisions	19	274	366
Total non-current liabilities		<u>42,801</u>	<u>43,502</u>
Total liabilities		<u>96,219</u>	<u>94,776</u>
Net liabilities		<u>(58,425)</u>	<u>(54,413)</u>
Equity			
Contributed equity	20	506,337	506,337
Reserves	21	(10,428)	(12,215)
Accumulated losses		<u>(489,488)</u>	<u>(485,725)</u>
Equity attributable to the owners of White Energy Company Limited		6,421	8,397
Non-controlling interests		<u>(64,846)</u>	<u>(62,810)</u>
Total equity		<u>(58,425)</u>	<u>(54,413)</u>

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 half-year ended 31 December 2019

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 half-year	-	-	(5,089)	(2,994)	(8,083)
Other comprehensive income / (loss) for the half-year	-	601	-	(3,518)	(2,917)
Total comprehensive income / (loss) for the half-year	-	601	(5,089)	(6,512)	(11,000)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	11,524	-	-	-	11,524
Transactions with non-controlling interests	-	(7)	(510)	517	-
Balance as at 31 December 2018	<u>505,000</u>	<u>(12,163)</u>	<u>(480,843)</u>	<u>(57,227)</u>	<u>(45,233)</u>
Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 July 2019	506,337	(12,215)	(485,725)	(62,810)	(54,413)
Loss for the half-year	-	-	(3,763)	(2,629)	(6,392)
Other comprehensive income / (loss) for the half-year	-	45	-	(45)	-
Total comprehensive income / (loss) for the half-year	-	45	(3,763)	(2,674)	(6,392)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 24)	-	25	-	-	25
Disposal of discontinued operation (note 6(c))	-	1,717	-	638	2,355
Balance as at 31 December 2019	<u>506,337</u>	<u>(10,428)</u>	<u>(489,488)</u>	<u>(64,846)</u>	<u>(58,425)</u>

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 half-year ended 31 December 2019

		Consolidated	
		31 December 2019	31 December 2018
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,320	492
Payments to suppliers and employees (inclusive of goods and services tax)		(4,836)	(7,791)
		(3,516)	(7,299)
Interest received		31	1
Receipts from certificates of deposit restricted for bonds		49	396
Net cash outflow from operating activities		(3,436)	(6,902)
Cash flows from investing activities			
Payments for exploration assets		(24)	(40)
Disposal of discontinued operation, net of cash disposed of	6(c)	(309)	-
Finance lease receivables received		22	-
Proceeds from sale of property, plant and equipment		31	2,633
Net cash (outflow) / inflow from investing activities		(280)	2,593
Cash flows from financing activities			
Proceeds from issue of shares		-	11,756
Proceeds from shareholder loans		750	1,294
Proceeds from related party loans		-	1,500
Share issue transaction costs		-	(206)
Repayment of loans		(95)	(4,500)
Repayment of lease liabilities		(118)	-
Finance charges paid		(89)	(172)
Net cash inflow from financing activities		448	9,672
Net (decrease) / increase in cash and cash equivalents		(3,268)	5,363
Cash and cash equivalents at the beginning of the financial half-year		5,056	1,068
Effects of exchange rate changes on cash and cash equivalents		48	77
Cash and cash equivalents at the end of the financial half-year		<u>1,836</u>	<u>6,508</u>
The above figures reconcile to the balance sheet at the end of the financial half-year as follows:			
Balances as above		1,836	6,508
Reclassification of cash of disposal groups held for sale		(384)	(154)
Cash and cash equivalents at the end of the financial half-year		<u>1,452</u>	<u>6,354</u>

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

Note 1. Going concern

The Group recorded a total comprehensive loss for the half-year ending 31 December 2019 of \$6,392,000 (2018: \$11,000,000), had net cash outflows from operations of \$3,436,000 (2018: \$6,902,000) and a cash balance excluding restricted cash of \$1,452,000 (30 June 2019: \$4,414,000). The Group's current liabilities exceed its current assets by \$36,279,000 (30 June 2019: \$32,488,000). 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 has prepared a cash flow forecast to 31 March 2021, 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.

Note 2. Segment information

(a) Description of segments

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

The Board of Directors considers the business from both a business line and a geographic perspective and has identified 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 Group sold its interest in South African subsidiary River Energy South Africa Pty Limited on 1 July 2019. The operations of this company and its subsidiaries are reported as a discontinued operation in the period ended 31 December and comparatives have been reclassified.

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 for the sale of MCC in June 2017. The MCC coal mining operations are reported as a discontinued operation in the periods ended 30 June 2019 and 31 December 2019 and comparatives.

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

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2019

Note 2. 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. The Group's partner in River Energy JV Limited, Proterra Investment Partners, is 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.

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.

(b) Segment information provided to the Board of Directors

Half-year 2019

	Coal technology Australia	Coal technology Asia	Coal technology South Africa	Mining exploration Australia	Coal mining USA	Coal mining UK	Inter- segment	Total
Consolidated - 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Other income	1,195	-	-	-	19	-	-	1,214
Interest income	10	-	-	19	22	-	-	51
Inter-segment revenue	4,336	-	-	-	-	159	(4,495)	-
Total revenue	5,541	-	-	19	41	159	(4,495)	1,265
EBITDA (*)	3,209	(16)	(44)	17	(1,016)	74	(4,373)	(2,149)
Depreciation	(12)	-	-	-	-	-	-	(12)
Amortisation	(1,044)	-	(239)	-	-	(329)	568	(1,044)
Interest expense	(13)	-	(643)	-	(2,415)	(1,157)	2,158	(2,070)
Other non-cash expenses	(25)	-	17,844	-	-	-	(18,960)	(1,141)
Foreign exchange gains	23	-	-	-	-	1	-	24
Discontinued operations	-	-	(17,844)	-	3,431	-	17,581	3,168
Total profit / (loss) before income tax	2,138	(16)	(926)	17	-	(1,411)	(3,026)	(3,224)
Income tax								-
Loss after income tax								(3,224)

* EBITDA and loss after income tax includes White Energy's share of the income and expenses from minority owned subsidiaries.

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Note 2. Segment information (continued)

Half-year 2018

	Coal technology	Coal technology	Coal technology	Mining exploration	Coal mining	Coal mining	Inter-	
	Australia	Asia	South Africa	Australia	USA	UK	segment	Total
Consolidated - 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Other income	460	-	6	-	227	-	-	693
Interest income	1	-	-	-	-	-	-	1
Inter-segment revenue	2,671	-	-	-	-	150	(2,821)	-
Total revenue	3,132	-	6	-	227	150	(2,821)	694
EBITDA (*)	365	(16)	(298)	(1)	(1,110)	62	(3,263)	(4,261)
Depreciation	(535)	-	-	-	-	-	-	(535)
Amortisation	(998)	-	(315)	-	-	(311)	626	(998)
Interest expense	(420)	-	(610)	-	(2,118)	(1,087)	1,944	(2,291)
Foreign exchange gains	2	-	-	-	-	-	-	2
Discontinued operations	-	-	469	-	3,228	-	(894)	2,803
Loss before income tax	(1,586)	(16)	(754)	(1)	-	(1,336)	(1,587)	(5,280)
Income tax								-
Loss after income tax								(5,280)

* EBITDA and loss after income tax includes White Energy's share of the income and expenses from minority owned subsidiaries.

Note 3. Other income

	Consolidated	
	2019	2018
	\$'000	\$'000
Net gain on other payable extinguished	277	-
Government grant income	-	217
Insurance claim (a)	813	-
Interest income calculated using the effective interest rate method	29	1
Award of litigation costs	-	93
Other items	105	150
Other income	<u>1,224</u>	<u>461</u>

(a) Insurance claim income of \$813,000 (2018: \$Nil) is for a claim settled 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. Refer to note 23(c) for further details.

White Energy Company Limited
Notes to the consolidated financial statements
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Note 4. Other net gains / (losses)

	Consolidated	
	2019	2018
	\$'000	\$'000
Foreign exchange gains	24	2

Note 5. Expenses

	Consolidated	
	2019	2018
	\$'000	\$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation and amortisation expense</i>		
Depreciation expense - Property, plant and equipment	12	535
Amortisation expense - Intangible assets	1,044	998
Total depreciation and amortisation expense	1,056	1,533
<i>External advisory fees</i>		
Consulting, external management and professional fees	385	463
Legal fees - Litigation	503	485
Total external advisory fees	888	948

Note 6. Discontinued operations

	Consolidated	
	2019	2018
	\$'000	\$'000
Loss from discontinued operations		
Mountainside Coal Company Inc. (a)	(2,052)	(2,565)
River Energy South Africa Pty Limited and subsidiaries (b)	(1,116)	(238)
Total loss from discontinued operations	(3,168)	(2,803)

(a) Mountainside Coal Company Inc.

The Group is in the process of selling 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 31 December 2019 and 30 June 2019 (refer notes 9 and 17) and the operating results of MCC's operations are reported as a discontinued operation for 2019 and 2018. Financial information relating to the discontinued operation for the period is set out below (100%):

White Energy Company Limited
Notes to the consolidated financial statements
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Note 6. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2019	2018
	\$'000	\$'000
Revenue	41	227
Net loss on sale of property, plant and equipment	-	(42)
Coal mining operations expense	(369)	(832)
Employee benefits expense	(107)	(250)
External advisory fees	(46)	(72)
Occupancy expenses	(13)	(35)
Travel expenses	(18)	(13)
Accounting, tax and audit fees	(42)	(26)
Revaluation of contingent consideration receivable	-	(182)
Other operating expenses	(376)	(357)
Finance costs	(1,122)	(983)
Total expenses	(2,093)	(2,792)
Loss before income tax	(2,052)	(2,565)
Income tax	-	-
Loss for the half-year from discontinued operation	<u>(2,052)</u>	<u>(2,565)</u>

Cash flow information

	Consolidated	
	2019	2018
	\$'000	\$'000
Net cash outflow from operating activities	(1,535)	(4,050)
Net cash inflow from investing activities	31	2,633
Net cash inflow from financing activities	1,240	1,346
Net decrease in cash and cash equivalents from discontinued operation	<u>(264)</u>	<u>(71)</u>

(b) River Energy South Africa Pty Limited and subsidiaries

On 1 July 2019 the Group disposed of its 51% interest in South African subsidiary River Energy South Africa Pty Limited (RESA). This included the Group's 51% interest in South African subsidiary River Energy Fine Coal Recovery Pty Ltd and its subsidiaries that form part of the coal technology South Africa segment. The operating results of RESA and its subsidiaries operations are reported as a discontinued operation at 31 December 2019 with the 2018 comparatives reclassified. Financial information relating to the discontinued operation for the period is set out below (100%):

White Energy Company Limited
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Note 6. Discontinued operations (continued)

Financial performance information

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Revenue	-	6
Employee benefits expense	-	(165)
External advisory fees	-	(18)
Travel expenses	-	(1)
Occupancy expenses	-	(18)
Other expenses	-	(28)
Finance costs	-	(14)
Total expenses	-	(238)
Loss before income tax	-	(238)
Income tax	-	-
Loss for the half-year from discontinued operation	-	(238)
Loss on disposal after income tax (refer (c) below)	(1,116)	-
Loss for the half-year from discontinued operation	(1,116)	(238)

Cash flow information

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Net cash outflow from operating activities	-	(231)
Net cash (outflow) / inflow from financing activities (2019 includes an outflow of \$309,000 from the sale of the operation)	(309)	300
Net (decrease) / increase in cash generated by discontinued operation	(309)	69

(c) Details of the sale of River Energy South Africa Pty Limited and subsidiaries

The carrying amounts of assets and liabilities as at the date of sale (1 July 2019) sold for a nominal cash consideration were:

	Consolidated 2019 \$'000
Cash and cash equivalents	309
Trade and other receivables	61
Other assets	2
Total assets	372
Trade and other payables	1,636
Provisions	35
Other liabilities	1
Total liabilities	1672
Net liabilities	(1,300)

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Note 6. Discontinued operations (continued)

	Consolidated	
	2019	2018
	\$'000	\$'000
Carrying amount of net liabilities disposed	1,300	-
Reclassification of foreign currency translation reserve	(1,717)	-
Reclassification of non-controlling interest	(638)	-
Disposal costs	(61)	-
	<hr/>	<hr/>
Loss on disposal before income tax	(1,116)	-
Income tax	-	-
Loss on disposal after income tax	(1,116)	-
	<hr/> <hr/>	<hr/> <hr/>

Note 7. Current assets - Trade and other receivables

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Trade receivables	50	51
Less: Allowance for expected credit losses	(47)	(47)
	<hr/>	<hr/>
	3	4
Other receivables	-	409
Finance lease receivables (a)	65	-
	<hr/>	<hr/>
	68	413
	<hr/> <hr/>	<hr/> <hr/>

(a) Finance lease receivables arrangements

The Group sub-leases office building space. The Group has classified the subleases as finance leases from 1 July 2019, because the sub-leases were for the whole of the remaining term of the head lease. For adjustments recognised on adoption of AASB 16 on 1 July 2019, refer to Note 27.

Minimum lease payments receivable on finance leases, including the undiscounted lease payments to be received are as follows:

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Within one year	67	-
Less: Future finance charges	(2)	-
	<hr/>	<hr/>
Net recognised as assets	65	-
Finance lease receivables are presented in the balance sheet as follows:		
Finance lease receivables - current	65	-
	<hr/> <hr/>	<hr/> <hr/>

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2019

Note 7. Current assets - Trade and other receivables (continued)

Profit or loss information

There was no income earned from finance lease receivables during the half-year (2018: \$Nil).

Note 8. Current assets - Other assets

	Consolidated	
	31 December	
	2019	30 June 2019
	\$'000	\$'000
Prepayments	206	419
Deposits	20	22
	<u>226</u>	<u>441</u>

Note 9. Current assets - Assets of disposal groups classified as held for sale

The Group is in the process of selling 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 31 December 2019 and 30 June 2019 (refer Note 17). The operating results of MCC's operations have been reported as a discontinued operation for 2019 and 2018 (refer Note 6).

The assets at period end comprised (100%):

	Consolidated	
	31 December	
	2019	30 June 2019
	\$'000	\$'000
Cash and cash equivalents	384	641
Trade and other receivables	113	113
Financial assets at fair value through profit or loss (contingent consideration)	21	50
Prepayments	562	506
Property, plant and equipment (b)	12,036	9,904
Exploration assets	190	190
Restricted cash (a)	2,087	2,114
	<u>15,393</u>	<u>13,518</u>

(a) Restricted cash

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.

Note 9. Current assets - Assets of disposal groups classified as held for sale (continued)

(b) Leases

(i) Property, plant and equipment- right-of-use assets

This note provides information for leases where MCC is a lessee. Until 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases, refer to Note 26(c) for details. The Group had no finance leases at 30 June 2019. From 1 July 2019, with the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. MCC leases land for its coal handling and preparation plant under agreements of 15 years with an option to extend by 5 years. The lease agreements do not contain any covenants other than the security interests in the leased assets held by the lessor.

Included in the carrying amount of property, plant and equipment are right-of-use assets as follows:

	Consolidated 31 December 2019 \$'000
Right-of-use assets	
Land	<u>1,759</u>

There were no additions to the right-of-use assets and no amortisation charge during the half-year. For adjustments recognised on adoption of AASB 16 on 1 July 2019, refer to Note 27.

(ii) Lease liabilities

Lease liabilities are presented in the balance sheet as follows (refer to Note 17):

	Consolidated 31 December 2019 \$'000
Lease liabilities - current	<u>1,697</u>

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities relating to land at 31 December 2019 is as follows:

	Consolidated 31 December 2019 \$'000
Less than one year	242
One to five years	819
More than five years	<u>932</u>
Total undiscounted lease liabilities	<u>1,993</u>

Note 9. Current assets - Assets of disposal groups classified as held for sale (continued)

(iii) Profit or loss and cash flow information

The interest expense relating to leases included in finance cost for the half-year was \$24,000.

The total cash outflow for leases in the half-year was \$88,000.

Note 10. Non-current assets - Property, plant and equipment

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'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	15,918	19,340
Less: Accumulated depreciation and impairment	(15,902)	(19,312)
	16	28
Right-of-use assets - buildings - at cost (a)	114	-
Less: Accumulated depreciation	(46)	-
	68	-
	84	28

Reconciliations

Reconciliations of the net book amounts at the beginning and end of the half-year ended 31 December 2019 are set out below:

Consolidated	Plant and Equipment \$'000	Leasehold improvements \$'000	Right-of-use assets - Buildings* \$'000	Total \$'000
Balance at 1 July 2019	28	-	-	28
Recognised on adoption of AASB 16 on 1 July 2019*	-	-	114	114
Amortisation expense	-	-	(46)	(46)
Depreciation expense	(12)	-	-	(12)
Balance at 31 December 2019	16	-	68	84

* For adjustments recognised on adoption of AASB 16 on 1 July 2019, refer to note 27.

Note 10. Non-current assets - Property, plant and equipment (continued)

(a) Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, refer to note 7(a). Until 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases, refer to note 26(c) for details. The Group had no finance leases at 30 June 2019. From 1 July 2019, with the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

(i) Right-of-use assets

The Group leases a building for its office space under an agreement of 3 years. The lease agreement does not contain any covenants other than a security bond held by the lessor and a security interest in the building. Leased assets may not be used as security for borrowing purposes.

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

(ii) Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

	31 December 2019 \$'000
Current	<u>135</u>

The lease liabilities are secured by the related underlying assets and a security bond. The undiscounted maturity analysis of lease liabilities relating to Buildings at 31 December 2019 is as follows:

	31 December 2019 \$'000
Less than one year	<u>138</u>

(iii) Lease payments not recognised as a liability

The Group does not recognise a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expenses relating to payments not included in the lease liability are as follows:

	31 December 2019 \$'000
Short-term leases (included in plant operating costs)	9
Leases of low-value assets (included in other expenses)	<u>2</u>
	<u>11</u>

White Energy Company Limited
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Note 10. Non-current assets - Property, plant and equipment (continued)

(iv) Profit or loss and cash flow information

The interest expense in relation to leasing liabilities included in finance costs for the half-year was \$4,000.

The total cash outflow for leases in the half-year was \$68,000.

There have been no sale and leaseback transactions in the half-year.

Note 11. Non-current assets - Intangibles

	Consolidated	
	31 December	30 June 2019
	2019	
	\$'000	\$'000
BCB Coal technology licence - at cost	55,983	55,983
Less: Accumulated amortisation and impairment	<u>(47,775)</u>	<u>(46,777)</u>
	<u>8,208</u>	<u>9,206</u>

Reconciliations

Reconciliation of the net book amount at the beginning and end of the half-year ended 31 December 2019 is set out below:

Consolidated	BCB coal technology licence \$'000
Balance at 1 July 2019	9,206
Amortisation expense (a)	<u>(998)</u>
Balance at 31 December 2019	<u>8,208</u>

(a) Amortisation expense

The BCB Coal technology licence has a finite life and is amortised over its useful life of 17.6 years.

White Energy Company Limited
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Note 12. Non-current assets - Exploration assets

Reconciliations

Reconciliations of exploration assets carrying amounts at the beginning and end of the half-year ended 31 December 2019 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 2019	7,649	2,690	4	10,343
Additional expenditure	20	-	-	20
Balance at 31 December 2019	<u>7,669</u>	<u>2,690</u>	<u>4</u>	<u>10,363</u>

Note 13. Non-current assets - Restricted cash

	Consolidated	
	31 December 2019 \$'000	30 June 2019 \$'000
Security bond (a)	<u>2,000</u>	<u>2,000</u>

(a) 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 14. Current liabilities - Trade and other payables

	Consolidated	
	31 December 2019 \$'000	30 June 2019 \$'000
Trade payables	102	634
Accrued licence fee	3,200	3,200
Lease liabilities (a)	135	-
Other payables	<u>612</u>	<u>1,241</u>
	<u>4,049</u>	<u>5,075</u>

(a) Lease Liabilities

For information on the Group's leasing activities refer to Note 10(a).

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Note 15. Current liabilities - Provisions

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Employee provisions	419	758

Movements in employee provisions:

Consolidated - 31 December 2019	Employee
	\$'000
Carrying amount at the start of the half-year	758
Amounts transferred from non-current (refer to Note 19)	92
Amounts used	(342)
Disposed of with subsidiaries undertakings	(35)
Unused amounts reversed	(54)
Carrying amount at the end of the half-year	419

Note 16. Current liabilities - Other liabilities

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Deferred income - rental income (non-lease components)	7	47

Note 17. 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 31 December 2019 and 30 June 2019 (refer Note 9). The operating results of MCC's operations have been reported as a discontinued operation for 2019 and 2018 (refer Note 6).

The liabilities at period end comprised (100%):

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Trade payables	687	837
Other payables	350	454
Loans from shareholders - Black River	35,286	34,519
Accrued interest on shareholder loans - Black River	9,337	8,264
Lease liabilities (b)	1,697	-
Provisions (a)	1,586	1,320
	48,943	45,394

Note 17. Current liabilities - Liabilities of disposal groups classified as held for sale (continued)

(a) Reclamation provision

	\$'000
Movement in reclamation provision:	
Carrying value at the start of the reporting period	1,320
Additional provision raised	347
Amounts used	(59)
Unwinding of discount	2
Exchange differences	(4)
Unused amounts reversed	(20)
	<u>1,586</u>
Carrying value at the end of the reporting period	<u>1,586</u>

(b) Lease Liabilities

The lease liabilities are secured by the related underlying assets. Refer to Note 9(b) for further information on MCC's leasing activities.

Note 18. Non-current liabilities - Other payables

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Loans from shareholders - Black River (a)	31,527	33,008
Accrued interest on shareholder loans - Black River (a)	11,000	10,128
	<u>42,527</u>	<u>43,136</u>

(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 at balance date (refer Note 17).

Note 19. Non-current liabilities - Provisions

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Employee provisions	274	366

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Note 19. Non-current liabilities - Provisions (continued)

Movements in provisions during the half-year ended 31 December 2019 are set out below:

Consolidated - 31 December 2019	Employee \$'000
Carrying amount at the start of the half-year	366
Amounts transferred to current (refer to Note 15)	<u>(92)</u>
Carrying amount at the end of the half-year	<u><u>274</u></u>

Note 20. Equity - Contributed equity

	Consolidated			
	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$'000	30 June 2019 \$'000
Ordinary shares - fully paid	<u>516,318,597</u>	<u>516,318,597</u>	<u>506,337</u>	<u>506,337</u>

Note 21. Equity - Reserves

	Consolidated	
	31 December 2019 \$'000	30 June 2019 \$'000
Foreign currency translation reserve	(17,465)	(19,227)
Share based payments reserve	<u>7,037</u>	<u>7,012</u>
	<u><u>(10,428)</u></u>	<u><u>(12,215)</u></u>

Note 22. Equity - Dividends

No amounts have been paid or declared by way of dividend during the half-year ended 31 December 2019 (2018: \$Nil).

Note 23. 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, 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 an appeal in relation to the second tranche was heard by the Singapore Court of Appeal (CA) in February 2018. The CA remitted to the SICC for its determination a discrete issue and this was determined in January 2019. An appeal by Bayan in relation to the remitted issue was heard by the CA in July 2019 and this was dismissed immediately following the hearing.

The outcome of the proceedings thus far has been overwhelmingly in favour of BCBCS. The SICC has conclusively determined that Bayan has both breached and repudiated the joint venture deed.

The third tranche of the proceedings will be held in September 2020 to determine the quantum of damages which may be payable to BCBCS. The total value of BCBCS' claim may be estimated to amount to US\$153 million plus interest and costs.

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.

In 2018, KRL issued a market announcement that it had entered into a binding scheme implementation deed with Bayan in order for Bayan to acquire the balance of the shares in KRL which it did not already own via a scheme of arrangement. Subsequent to the scheme of arrangement, KRL was delisted and integrated within the Bayan group which is based in Indonesia.

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 as a result of the integration of KRL within the Bayan group. The Supreme Court of Western Australia found in favour of BCBCS and expanded the terms of the freezing order by amending the existing orders to also provide for the following:

- (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.

Note 23. Contingencies (continued)

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

During December 2019, a claim made under the Company's Directors' & Officers insurance policy with the insurer Allianz was settled in relation to legal costs incurred for certain Directors and former Directors of the Company that had participated in an ICAC public inquiry (Operation Jasper) during prior periods. Under the terms of the settlement's Deed of Release there are no longer any outstanding claims.

Note 24. Share-based payments

The Company maintains 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. Incentive Options and Incentive Rights have been issued under the LTIP. The number of Incentive Options and Incentive Rights for shares in the Company held during the period is set out below:

Grant date	Expiry date	Balance at 1 July 2019 Number	Granted during the period Number	Exercised or forfeited during the period Number	Balance at 31 December 2019 Number
18/11/2016 (a)	18/11/2022	10,000,000	-	-	10,000,000
1/7/2019 (b)	30/6/2022	-	3,400,000	-	3,400,000

(a) Incentive Options granted in 2016 under the LTIP have an exercise price of \$0.20 per share and 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. At grant date the options had a fair value of \$0.0308 per option.

(b) 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. At grant date the rights had a fair value of \$0.0440 per right.

Note 25. Events occurring after the reporting period

(a) Pro-rata Renounceable Rights Offer

On 13 March 2019, the Company announced a 1 for 2 (1 new share for every 2 existing shares) pro-rata renounceable rights offer (Entitlement Offer) at \$0.06 per share to raise approximately \$15.5 million. The Entitlement Offer is fully underwritten by Ilwella Pty Ltd and Gaffwick Pty Ltd which are associated entities of Mr Brian Flannery, the Managing Director of the Company, and Mr Travers Duncan, the Chairman of the Company respectively. Each underwriter will underwrite 50% of the Entitlement Offer.

(b) Contingencies - KSC legal dispute

Refer to note 23(a) for details regarding the KSC legal dispute occurring after the reporting period.

(c) Coronavirus risks

The Coronavirus (COVID-19) is starting to have an effect on global economic markets. The Directors are monitoring the situation closely, have considered the impact on White Energy's business and financial performance and presently do not consider there to be a material adverse impact. However such effects are creating risks for the Group and its customers and could affect general economic conditions in the short to medium term.

No other matter or circumstance has arisen since 31 December 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 26. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by White Energy during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the reporting period commencing 1 July 2019:

- AASB 16 *Leases*
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*.

The Group also elected to adopt the following amendments early:

- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*.

The Group had to change its accounting policies and make retrospective adjustments as a result of adopting of AASB 16. The impact of the adoption of this standard and the new accounting policies are disclosed in the "Changes in accounting policies" Note 27. The other standards and interpretations listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 26. Basis of preparation of half-year report (continued)

(b) Impact of standards issued but not yet applied by the Group

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 December 2019 and have not been early adopted by the Group. The Accounting Standards and Interpretations that are most relevant to the Group are set out below.

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). AASB 2019 – 1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* (mandatory for the reporting period beginning on 1 July 2020) has been issued by the AASB and this sets out the amendments to affected Standards that make reference to the Framework.

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.

Note 26. Basis of preparation of half-year report (continued)

(c) AASB 16 Leases – Accounting policies applied from 1 July 2019

Leases

The Group leases buildings for office space, land for its coal handling and preparation plant, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 15 years, but may have extension options. The Group also has leases of equipment with lease terms of 12 months or less and leases of office equipment with low-value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group's lease liabilities are included in trade and other payables. Lease liabilities relating to discontinued operations have been included in liabilities of disposal groups held for sale.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets and security bonds that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Payments made under short-term leases and leases of low-value assets are charged to profit or loss on a straight-line basis over the period of the lease.

For leases in which the Group acts as lessor, such as the sub-lease of offices, the Group assesses the classification of the sub-lease contracts with reference to the right-of-use asset presented as part of property, plant and equipment, rather than the underlying asset. The Brisbane office lease has been assessed to be classified as a finance lease. The Group's finance lease receivables are included in trade and other receivables.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- | | |
|---|---------------|
| • Land | 1 to 20 years |
| • Plant & equipment including buildings | 1 to 20 years |

Note 26. Basis of preparation of half-year report (continued)

Accounting policies applied until 30 June 2019

Until 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. Where the Group, as lessee, had substantially all the risks and rewards of ownership, leases were classified as finance leases. The Group had no finance leases for the year ended 30 June 2019.

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

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.

Note 27. Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in Note 26(c).

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.8% for continuing operations and 3.4% for discontinuing operations.

On adoption of AASB 16, the Group recognised finance lease receivables in relation to some of the property it sub-leases. Under AASB 117, the sub-lease contracts were classified as operating leases. On transition to AASB 16, the Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset of the head lease rather than the underlying asset. These receivables were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate applied to the relevant head lease liabilities as of 1 July 2019. A portion of the head lease right-of-use asset was derecognised at the amount equal to finance lease receivable recognised.

(i) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- to separate non-lease components from lease components for property subleases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Note 27. Changes in accounting policies (continued)

(ii) Impact of Adoption

The impact of adoption on 1 July 2019 was as follows:

Measurement of lease liabilities

	1 July 2019 \$'000
Operating lease commitments as at 1 July 2019	2,276
Operating lease commitments discount using the lessee's incremental borrowing rate of at the date of initial application	(329)
Lease liability recognised as at 1 July 2019	<u>1,947</u>
Lease liabilities - current	159
Lease liabilities - non-current	<u>1,788</u>
	<u><u>1,947</u></u>

On the balance sheet, lease liabilities have been included in trade and other payables. Lease liabilities relating to discontinued operations have been included in liabilities of disposal groups held for sale.

Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

On the balance sheet, right-of-use assets have been included in property, plant and equipment. Right-of-use assets relating to assets held for sale have been included in assets of disposal groups classified as held for sale.

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by \$1,871,000
- deferred tax assets – increase by \$420,000
- deferred tax liabilities - increase by \$420,000
- prepayments – decrease by \$20,000
- deferred income - decrease by \$23,000
- lease liabilities – increase by \$1,947,000
- finance lease receivable - increase by \$73,000.

The net impact on accumulated losses on 1 July 2019 was \$Nil.

White Energy Company Limited
Directors' declaration
31 December 2019

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 36 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 31 December 2019 and of its performance for the half-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.

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



Brian Flannery
Managing Director

13 March 2020
Brisbane



Independent auditor's review report to the members of White Energy Company Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of White Energy Company Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of White Energy Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of White Energy Company Limited is not in accordance with the *Corporations Act 2001* including:

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1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Materiality uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that the Group incurred a total comprehensive loss of \$6,392,000 and a net cash outflow from operating activities of \$3,436,000 during the half-year ended 31 December 2019 and as at that date, current liabilities exceeded current assets by \$36,279,000. 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, indicate that a material uncertainty exists that may cast significant doubt about the Groups' ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

A handwritten signature in blue ink, appearing to read 'Simon Neill', written over the PricewaterhouseCoopers logo.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Simon Neill', written below the PricewaterhouseCoopers logo.

Simon Neill
Partner

Brisbane
13 March 2020