

**The Manager  
Company Announcements Office  
Australian Stock Exchange**

## **Annual Report**

**27 October 2021 - White Energy Company Limited (ASX: WEC; OTCQB:WECFF) ("White Energy" or "the Company")** attaches the Company's FY2021 Annual Report.

The Company released its Corporate Governance Statement and Appendix 4G on 27 September 2021.

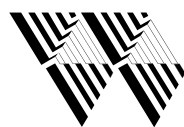
*This release has been authorised by Brian Flannery, Managing Director, on behalf of the Board of Directors.*

### **For Further Information Call:**

Brian Flannery  
Managing Director & CEO  
White Energy Company Limited  
+ 61 7 3229 9035

### **Forward Looking Statements**

This press release contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In some cases, you may identify forward-looking statements by words such as "may," "should," "plan," "intend," "potential," "continue," "believe," "expect," "predict," "anticipate" and "estimate," the negative of these words or other comparable words. These statements are only predictions. One should not place undue reliance on these forward-looking statements. The forward-looking statements are qualified by their terms and/or important factors, many of which are outside the Company's control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made. The forward-looking statements are based on the Company's beliefs, assumptions and expectations of our future performance, taking into account information currently available to the Company. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to the Company. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of these statements. The Company will update the information in this press release only to the extent required under applicable securities laws. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in the aforementioned forward-looking statements.



**white energy** company limited

# **ANNUAL REPORT** 2020/2021



**white energy** company limited

# White Energy is an ASX-listed company, structured around two core business divisions:

## **COAL TECHNOLOGY**

- Beneficiation and briquetting of thermal and metallurgical coal fines.
- Upgrading of sub-bituminous coal.

## **MINING EXPLORATION**

- Exploration at South Australian Coal.

# Contents

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Managing Director's and Chairman's Report.....	2
Coal Technology.....	4
Mining Exploration.....	6
Directors' Report.....	10
Auditor's Independence Declaration.....	29
Consolidated Statement of Comprehensive Income.....	31
Consolidated Balance Sheet.....	33
Consolidated Statement of Changes in Equity.....	34
Consolidated Statement of Cash Flows.....	35
Notes to the Consolidated Financial Statements.....	36
Directors' Declaration.....	90
Independent Auditor's Report.....	91
Shareholder Information.....	97
Corporate Information.....	101

# Managing Director's and Chairman's Report

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GRAHAM CUBBIN  
CHAIRMAN

BRIAN FLANNERY  
MANAGING DIRECTOR

## BCB TECHNOLOGY

A detailed design for a 200,000 tpa plant was completed, however due to travel restrictions our technical people have been unable to visit the plant site in China. From the tests we have performed on several Chinese coals it is evident that briquetting of the fines into a lump form would significantly improve the economics of the semi-coke plants which can only use lump coal. Currently the fine coal is separated and sold to industrial/power plants at a much cheaper price.

A five-tonne sample of South African fines was successfully briquetted and tested by a power utility near Johannesburg. Our joint venture partner, Proterra, are represented in South Africa and are awaiting confirmation from the utility of the purchase of a larger test quantity.

We are also re-examining some selected opportunities in Australia to recover and briquette coking coal fines.

## COAL MINING

As advised on the 31st of March 2021, we sold our 51% interest in Mountainside Coal Company Inc., Kentucky, to Clay Laurel for \$5.3 million, of which \$2.5 million is to be paid in instalments completing in December 2021. Some of the payments are behind in timing with Clay Laurel advising that they expect to meet the required late payments following a re-financing of their debt structure by December.

## MINING EXPLORATION

During the year, EL5719 was renewed as EL6566 for a further five years. We continue to analyse commercialisation options for potential gasification and emerging hydrogen opportunities for the EL6566 coal deposit, and further onsite geological work is being planned to test the mineral opportunities on EL6566. However, as a result of a lower external indicative valuation based on an assumed longer development timeline for a gasification project, an impairment charge of \$6.4 million was recognised against the exploration assets as at 30 June 2021.

## CORPORATE

As shareholders are aware, the hearing of the damages claim against PT Bayan Resources Tbk (Bayan) was completed on the 9th of January 2021 and we are awaiting the ruling by the Singapore International Commercial Court on the quantum of damages. Our legal representatives are confident of a ruling in the near future.

Our EBITDA loss for the year of \$9.8 million was more than the \$5.5 million recorded last year largely due to higher Bayan litigation costs.

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

Graham Cubbin  
**CHAIRMAN**

Brian Flannery  
**MANAGING DIRECTOR**





WHITE ENERGY COAL BRIQUETTING MACHINE TESTING AT PILOT PLANT, CHINA



COAL BRIQUETTES FROM SOUTH AFRICAN COAL FINES, CESSNOCK PILOT PLANT

# Coal Technology

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

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

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

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

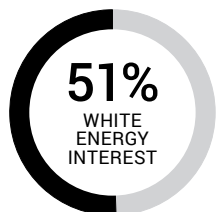
White Energy operates demonstration and pilot plants at Cessnock (NSW, Australia) as a key testing and training facility .

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



# Coal Technology

continued



## RIVER ENERGY

SOUTH AFRICA

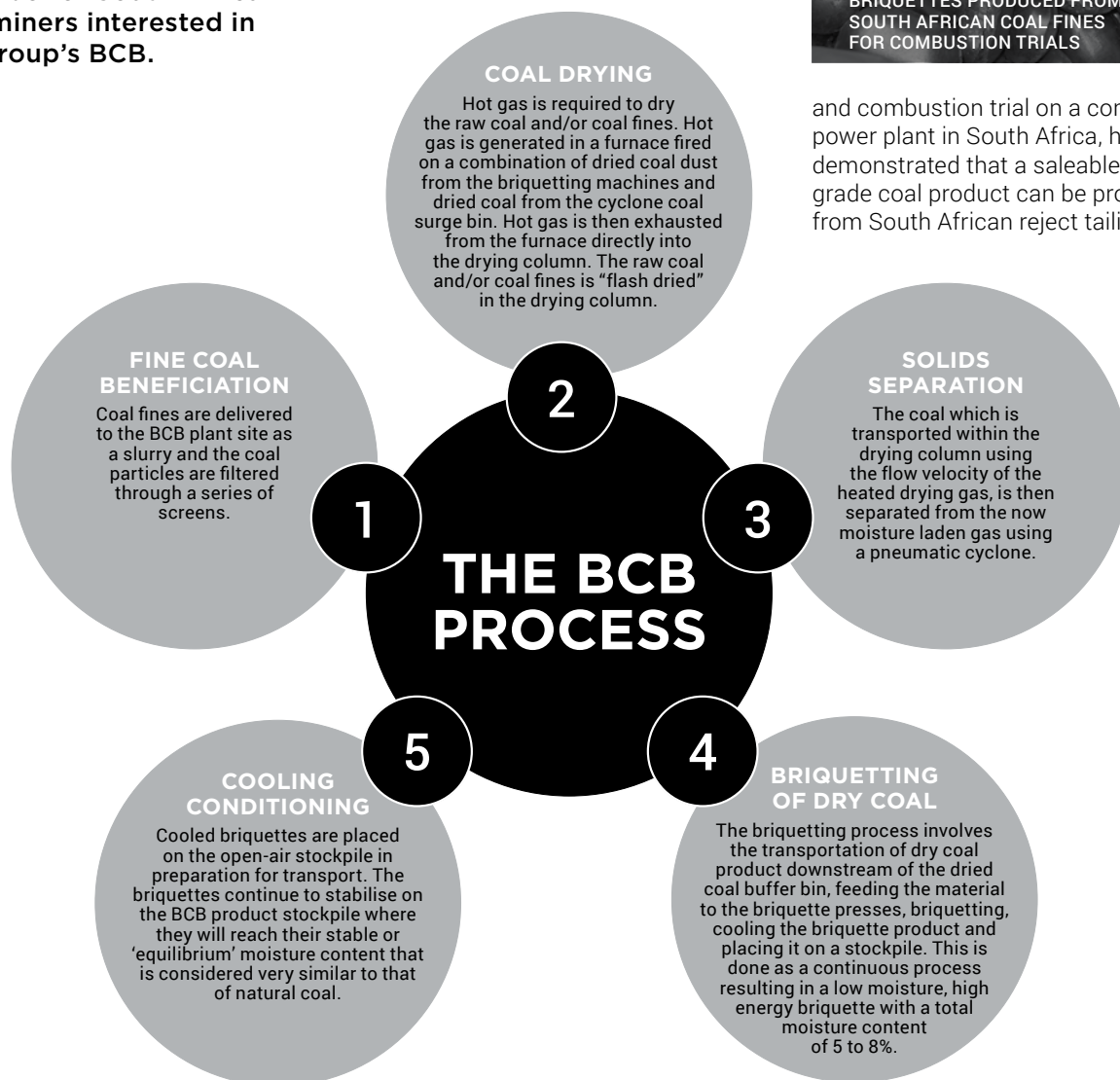


White Energy's 51%-owned subsidiary, River Energy JV Limited (River Energy), will continue to pursue opportunities through its 49% owner, Proterra Investment Partners, with a number of South African coal miners interested in the Group's BCB.

Extensive testing by River Energy, involving sampling and testing on site, briquetting trials at White Energy's Cessnock commercial demonstration facility, combustion trials on test facilities in Australia and South Africa, and a significant materials handling



and combustion trial on a commercial power plant in South Africa, has demonstrated that a saleable export grade coal product can be produced from South African reject tailings.





# Mining Exploration

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*The White Energy Group has direct interests in coal resources in Australia. White Energy's Lake Phillipson coal deposit contains an estimated JORC resource of 1,130 Mt of coal in place, awaiting development.*

”

## Lake Phillipson Coal Resources

(EL6566 AND PELA674) SOUTH AUSTRALIA, AUSTRALIA



**White Energy's wholly-owned subsidiary, South Australian Coal holds the exploration rights to a large sub-bituminous coal deposit located in South Australia some 70km south west of Coober Pedy. Exploration licence EL6566 covers approximately 1,367 km<sup>2</sup> and contains an identified JORC resource of 1,130 Mt of coal.**

In 2020, subsequent exploration licence EL6566 was granted by the South Australian Government for a five year period ending on the 8th of August 2025 over the same area covered by the previous licence EL5719, and renewal of retention lease RL104 was applied for in May 2019.

Activities continue to analyse commercialisation options for potential mining of the EL6566 coal deposit.

A previous study by Lurgi GmbH confirmed that the Lake Phillipson coal is suitable for gasification. The activities during the year focused on examining coal gasification and emerging hydrogen opportunities from coal, and planning for future exploration.

Petroleum Exploration Licence Application PELA674 was applied for by White Energy Company Limited in 2019.

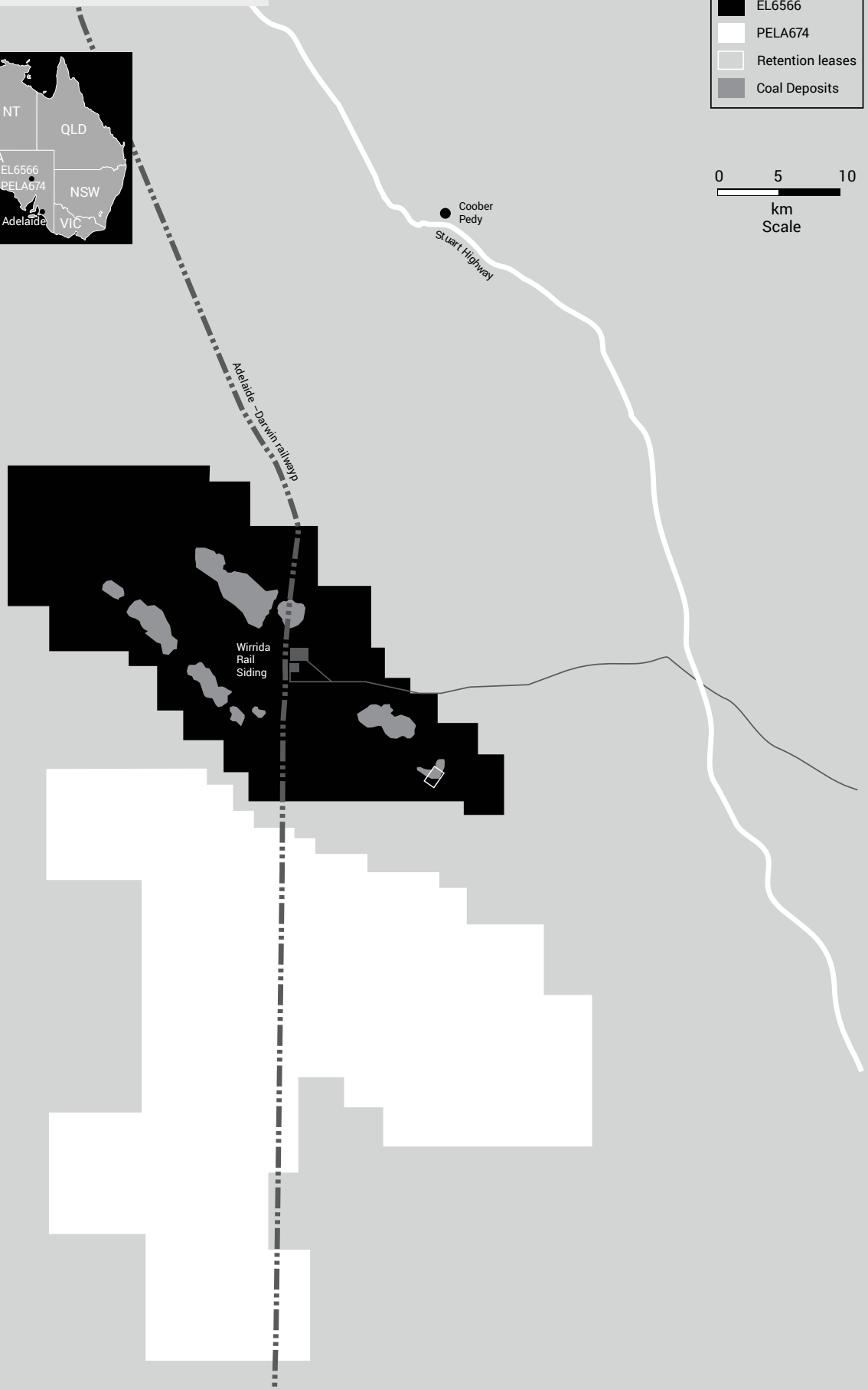
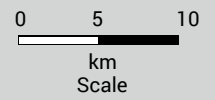
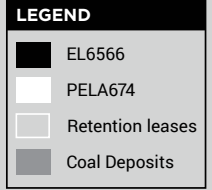
The licence application is for an area located in South Australia adjacent to EL6566, it covers approximately 2,500 km<sup>2</sup> and has the potential for coal gasification opportunities.

EL6566 lies entirely within the Olympic Dam G9 Structural Corridor. Previous drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines.

A number of promising structural features have been identified through gravity and magnetic surveys and may warrant further exploration. Further onsite geological work is being planned to test the mineral opportunities on EL6566.

Previous activities have included exploration for iron oxide-copper-gold– uranium (IOCGU) styles of mineralisation. A gravity survey resulted in the delineation of the Arkeeta West anomaly. The geochemical analysis of basement samples did not indicate any results of significance.

## EL6566 AND PELA674





**white energy** company limited

# **ANNUAL FINANCIAL REPORT**

## 30 June 2021

# Contents

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Directors' Report.....	10
Auditor's Independence Declaration.....	29
Consolidated Statement of Comprehensive Income.....	31
Consolidated Balance Sheet.....	33
Consolidated Statement of Changes in Equity .....	34
Consolidated Statement of Cash Flows.....	35
Notes to the Consolidated Financial Statements.....	36
Directors' Declaration .....	90
Independent Auditor's Report.....	91
Shareholder Information.....	97
Corporate Information.....	101



# DIRECTORS' REPORT

**Your Directors present their report on the Consolidated Entity (referred to hereafter as the Group or the Company) consisting of White Energy Company Limited (White Energy) and the entities it controlled at the end of, or during, the year ended 30 June 2021.**

## 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:

Graham Cubbin  
Brian Flannery  
Travers Duncan  
Vincent O'Rourke

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 technology;
- the evaluation of mining exploration assets; and
- the engagement in legal proceedings against PT Bayan Resources TBK and Bayan International Pte Ltd.

On 15 April 2021, the Group disposed of its 51% interest in Mountainside Coal Company Inc., which operates coal mines in the USA.

## DIVIDENDS

No amounts have been paid or declared by way of dividend during the current financial year (2020: 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, further progress was made by White Energy under the memorandum of understanding with the Yankuang Group in China to investigate the implementation of White Energy's BCB technology for use in Yankuang's coal briquetting business. This progress followed the previous period's trials of coals from Shandong and Shanxi Provinces that were successfully conducted at White Energy's test facility in Cessnock, and the installation of two of the Company's briquetting machines for larger scale tests in China. The two machines, which were loaned to Yankuang, have been returned to Cessnock.

Although design of a 200,000 tonnes per annum BCB plant for a mine site in Shanxi Province is well advanced, the contract for construction of the plant that is funded by the customer under White Energy's design and engineering supervision has not been finalised yet. The travel restrictions imposed for COVID-19 have slowed the contractual discussions and the ability of the Company's engineers to visit the various sites in China.

Yankuang Group constructed a small pilot plant in Shandong Province using White Energy's patented BCB technology, and this is the first step in commercialisation of the technology in China. Testing was conducted on several Chinese coals in this plant.

White Energy and its 49% joint venture partner in the River Energy JV (River Energy), Proterra Investment Partners (Proterra), have 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 through Proterra 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.

Using the BCB process, a briquetted 6 tonne sample of fines from a mine in the Middelburg region was successfully tested by a South African power producer during the year. A further

bulk sample of up to 50 kt has been requested to carry out a commercial scale trial. White Energy is assisting Proterra in the design of a small demonstration plant to facilitate this work and other trials in South Africa.

### Coal mining

On 15 April 2021, White Energy sold its 51% interest in Mountainside Coal Company Inc. (MCC), based in Kentucky, USA, to Clay Laurel Mining Inc., for a consideration of US\$4.067 million, which equates to \$5.3 million. A US dollar deposit equivalent to \$2.0 million was received in April and a further \$0.8 million was released from escrow to the Company in July. The remaining \$2.5 million is to be paid in instalments in the period to December 2021.

An allowance for expected credit losses of \$0.5 million has been made against the carrying amount of the consideration due from Clay Laurel Mining Inc. The allowance is considered necessary due to a delayed start time for the payment of instalments, to allow the new owner to complete their finance arrangements.

MCC's coal mining operations had no coal production and sales revenue during the year.

Reclamation activities continued during the year, which resulted in the release of \$0.1 million of cash held as security.

Prior to its sale, MCC had additional permits in various stages of approval including many acres containing low-ash Blue Gem coal resources in Kentucky that were in the final permitting phase. MCC continued to advance the permitting process and made applications for additional leases as mine plans for new areas were progressed.

### Exploration

Activity in EL6566 (formerly EL5719, in South Australia) during the year was focused on examining coal gasification and emerging hydrogen opportunities from coal, and planning for future exploration activities.

EL6566 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. Further onsite geological work is being planned to test the mineral opportunities on EL6566.

The EL5719 licence was in place until it was replaced by subsequent licence EL6566 on 8 August 2020 for a five year period. The renewal application for retention lease RL104 was submitted to the South Australian Government in May 2020 for the same period as EL6566.

Petroleum Exploration Licence Application PELA674 is for an area located in South Australia adjacent to EL6566 that has the potential for coal gasification opportunities.

### COVID-19

White Energy has maintained appropriate measures to ensure the health and safety of its employees, contractors and the public, in compliance with government directives on COVID-19. Operations have and are continuing normally, although progress on BCB projects has been slowed due to travel restrictions affecting our key potential customers, particularly in China. The health and economic uncertainties surrounding the pandemic continue to pose risks for the Company and its customers in the short to medium term before the expected economic recoveries occur.

### Legal dispute

White Energy's wholly owned subsidiaries, Binderless Coal Briquetting Company Pty Limited (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.

Tranche three of the proceedings was heard by the SICC from 21 to 30 September 2020. Cross examination of witnesses from both sides is now complete. Written closing submissions were provided by both sides on 19 November 2020 and replies were filed on 10 December 2020. The final oral submissions from the parties' legal representatives were made on 9 January 2021. The judgement is reserved.

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

The claim for damages can be broadly summarised as follows:

- i. BCBCS claims for wasted expenditure, being expenses incurred by BCBCS which were rendered futile by reason of Bayan's breach and repudiation of the joint venture;
- ii. Further, BCBCS claims for loss of the chance of expanding the capacity of the joint venture to at least 3 million tonnes per annum; and
- iii. Interest on any damages award and costs.

During the year, PT Bayan Resources Tbk commenced mining of the concession held by PT Tiwi Abadi, a subsidiary of Kangaroo Resources Limited (KRL). The Company has written to Bayan's solicitors who have confirmed that such mining does not breach the terms of the freezing orders made by the Supreme Court of Western Australia to enforce the damages and costs award, implicit in which is a confirmation by Bayan that it has not diminished the value of its shares in KRL. The Company will continue to monitor these activities.

# DIRECTORS' REPORT

continued

## General corporate

Proceeds from the Group's sale of its 51% interest in MCC for \$5.3 million are being progressively received. Firstly, a deposit of \$2.0 million was received in April 2021, followed by the release from escrow to the Company of \$0.8 million in July, with the remaining instalments of \$2.5 million due over the period to December 2021.

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. Limited-recourse shareholder loans provided to the Group's 51% owned operations in the UK and South Africa by both White Energy and the minority shareholders in proportion to their ownership interests are repayable in January 2023. Recourse to the shareholders is limited to the assets of subsidiaries that are subject to joint venture agreements, with joint shareholder consent customarily given to extend the loans' due dates as required.

## Financial position and results for year

The Group had cash reserves including discontinued operations of \$2.2 million (30 June 2020: \$10.6 million) excluding restricted cash of \$2.0 million (30 June 2020: \$3.7 million).

The total assets balance decreased from \$44.7 million as at 30 June 2020 to \$17.1 million as at 30 June 2021, largely as a result the losses derived by the Group, the reduction of assets on sale of subsidiary MCC net of the sales proceeds and the partial impairment of exploration assets held in South Australia.

The decrease in liabilities from \$97.9 million as at 30 June 2020 to \$44.0 million predominantly reflects the reduction of liabilities on sale of subsidiary MCC, a decrease in the value of shareholder loans due to the devaluation of the Australian dollar against the US dollar and payments for trade and other payables.

The Group's loss before tax for the year ended 30 June 2021 was \$19.0 million (2020: \$14.7 million). The Group's adjusted normalised EBITDA loss for the year ended 30 June 2021 was \$3.7 million (2020: \$2.9 million). The higher normalised EBITDA loss compared to the comparative period in 2020 is primarily due to reduced other income, partly offset by the cost reduction initiatives across the Group, which includes the disposal of subsidiary MCC in April 2021.

The normalised EBITDA loss has been determined as follows:

	2021 \$'000	2020 \$'000
<b>Consolidated entity net loss for the year before income tax</b>	<b>(19,006)</b>	<b>(14,654)</b>
(including discontinued operations)		
<i>Non-cash expenses / (income):</i>		
Depreciation / amortisation	2,112	2,111
Impairment	6,854	1,700
(Gain) / Loss on disposal of discontinued operations	(3,097)	1,117
Share-based payments	50	50
Other	(124)	(40)
<b>Sub-total – non-cash expenses</b>	<b>5,795</b>	<b>4,938</b>
<i>Other significant items:</i>		
Finance costs	3,415	4,212
Legal costs – litigation	5,445	1,874
<b>Sub-total – other significant items</b>	<b>8,860</b>	<b>6,086</b>
<b>Consolidated entity adjusted normalised EBITDA</b>	<b>(4,351)</b>	<b>(3,630)</b>
Non-controlling interests share of normalised EBITDA	689	740
<b>White Energy adjusted normalised EBITDA</b>	<b>(3,662)</b>	<b>(2,890)</b>

Normalised EBITDA is a financial measure which is not prescribed by Australian Accounting Standards 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 (\$4.4 million) reconciles to the segment information EBITDA result for the year (\$9.8 million) disclosed in Note 4(b), after adding back litigation costs (\$5.4 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 2021 of \$11,363,000 (2020: \$16,153,000), had net cash outflows from operations of \$10,721,000 (2020: \$10,265,000) and a cash balance excluding restricted cash of \$2,223,000 (30 June 2020: \$9,989,000). The Group has net liabilities of \$26,971,000 (30 June 2020: \$53,161,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans (recourse is limited to the assets of subsidiaries that are subject to joint venture agreements, with joint shareholder consent customarily given to extend the loans' due dates as required), trade and other payables and provisions incurred in the ordinary course of business. The Group strengthened its financial position during the year by selling its interest in subsidiary Mountainside Coal Company Inc. for \$5,271,000. The Group has prepared a cash flow forecast to 30 September 2022, 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 and have contemplated funds due to be received, including from one or more of the following sources:

1. Asset sales: The Group sold its 51% interest in Mountainside Coal Company Inc. on the 15<sup>th</sup> of April 2021 for a total consideration of US\$4.067 million which equates to \$5.3 million. A US dollar deposit equivalent to \$2.0 million was received on the 15<sup>th</sup> of April 2021. The remaining \$3.3 million is to be received in instalments in the period to 28 December 2021.
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, 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.

As the funding actions are yet to be completed, 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 2021 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 2021.

### Future prospects

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

Further progression of the investigation into the implementation of BCB technology for use in the Yankuang's coal briquetting business, and finalisation of the agreement in relation to the BCB plant in Shanxi Province is hoped to be achieved when travel restrictions between Australia and China are eased.

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 judgement for the third tranche of the legal proceedings against PT Bayan Resources Tbk and Bayan International Pte Ltd (Bayan) in the Singapore International Commercial Court is expected in the coming months, where damages and loss arising from Bayan's breaches and repudiation of the joint venture will be determined.



# DIRECTORS' REPORT

continued

## 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. The COVID-19 pandemic could result in a prolonged deterioration in general economic and business conditions.
- **Regulatory and country risks:** The Group holds investments in Australia, and conducts business, or seeks to conduct business in this and other countries, and is therefore exposed to the laws governing businesses in these 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, China 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, wind, 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 including those arising from the COVID-19 pandemic; 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. The global economy has been impacted by the COVID-19 pandemic, with short-term demand for coal contracting before recovering, however uncertainties remain surrounding future traded coal prices and energy prices generally.
- **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.
- **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 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 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. Joint venture partner, Proterra Investment Partners, are seeking to recover and briquette discarded coal tailings, which would be a good environmental outcome for South Africa. 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 is 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 orders to enforce the damages and costs award. 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.
- **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.

# DIRECTORS' REPORT

continued

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group sold its 51% interest in Mountainside Coal Company Inc. on the 15<sup>th</sup> of April 2021. There were no other significant changes in the state of affairs of the Group during the financial year.

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

## EVENTS OCCURRING AFTER THE REPORTING PERIOD

### (a) Contingencies - KSC legal dispute

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

No other significant matters or circumstance have arisen since 30 June 2021 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 10 to 15.

## 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 had producing coal mines in Kentucky, USA until the 15<sup>th</sup> of April 2021 that were 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



**Graham Cubbin**  
Chairman - Non-Executive  
B ECON (HONS), FAICD

### Experience and expertise:

Graham Cubbin was appointed to the Board of White Energy on 17 February 2010 and then as Chairman on 9 March 2021. He was the Chair of the Audit and Risk Committee until 9 March 2021. He is a member of the Audit and Risk Committee and the Remuneration 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 USA.

### Other current directorships:

Non-executive Director of two other listed companies: Bell Financial Group Limited and McPherson's Limited.

### Former directorships (last 3 years):

Challenger Limited and WPP AUNZ Limited.

### Special responsibilities:

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

### Interests in shares:

1,800,000 ordinary shares in White Energy.



**Brian Flannery**  
Managing Director  
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:

152,598,291 ordinary shares in White Energy.

### Interests in options:

10,000,000 Incentive Options in White Energy.



**Travers Duncan**  
Non-Executive Director  
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 until 9 March 2021. He is a member of the Audit and Risk Committee and the Remuneration 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:

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

### Interests in shares:

158,749,045 ordinary shares in White Energy.



# DIRECTORS' REPORT

continued



**Vincent O'Rourke AM**  
Non-Executive Director  
B ECON

## Experience and expertise:

Vincent O'Rourke was appointed to the Board of White Energy on 29 September 2010. He was appointed Chair of the Audit and Risk Committee on 9 March 2021 and is Chair of the Remuneration Committee. 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:

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

## Interests in shares:

1,830,000 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 a director and 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 number of meetings of the Company's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Meetings of Directors		Audit & Risk Committee		Remuneration Committee	
	Held <sup>(a)</sup>	Attended <sup>(b)</sup>	Held <sup>(a)</sup>	Attended <sup>(b)</sup>	Held <sup>(a)</sup>	Attended <sup>(b)</sup>
<b>Non-executive Directors:</b>						
Graham Cubbin	7	7	5	5	1	1
Travers Duncan	7	6	5	4	1	1
Vincent O'Rourke	7	7	5	5	1	1
<b>Executive Directors:</b>						
Brian Flannery	7	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:

2019: Travers Duncan

2020: Vincent O'Rourke and Graham Cubbin

Therefore 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 2021 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 2020 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 2021 Financial Report, the Directors and other Key Management Personnel were:

Name	Position
<b>Non Executive Directors:</b>	
Graham Cubbin	Chairman - Independent
Travers Duncan	Non-Executive Director - Not Independent
Vincent O'Rourke	Non-Executive Director - Independent
<b>Executive Directors:</b>	
Brian Flannery	Managing Director - Not Independent
<b>Other Key Management Personnel:</b>	
Allan McCarthy	Chief Financial Officer

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 2021.

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 the prior year, 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 were paid \$600 for these services.

The valuation was 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.

# DIRECTORS' REPORT

continued

## (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 former 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 agreed to a further significant reduction in his base remuneration. His base remuneration has not changed since that time.

Non-monetary benefits include car parking and phone benefits.

### (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 2021 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 2020 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 ceases 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.

#### **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. As a consequence of the 2018 and 2020 pro-rata Entitlement Offers to shareholders, the exercise price was adjusted to \$0.19363 on 5 June 2020. 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.

#### **Incentive Rights**

Mr McCarthy was granted 1 million Incentive Rights on 1 July 2019 for a nil issue and exercise price. Each Right granted in respect of the LTIP entitles Mr McCarthy to one Share in the Company on satisfaction of vesting and performance conditions and will otherwise lapse on 30 June 2022. Mr McCarthy must remain an employee of the Company 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.

#### **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 2021**

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	Equity-settled share-based payments	
	Cash salary and fees \$	Non-monetary benefits <sup>(1)</sup> \$	Super-annuation \$	Rights \$	Total \$
<b>2021</b>					
<b>Executive Directors:</b>					
Brian Flannery	120,000	19,598	11,400	–	150,998
<b>Other Key Management Personnel:</b>					
Allan McCarthy <sup>(2)</sup>	241,000	14,941	22,895	14,667	293,503
<b>Total Executive Directors and other Key Management Personnel remuneration</b>	<b>361,000</b>	<b>34,539</b>	<b>34,295</b>	<b>14,667</b>	<b>444,501</b>

(1) Non-monetary benefits include car parking and phone benefits.

(2) Percentage of relative proportion of remuneration related to performance for Mr McCarthy was 5%.



# DIRECTORS' REPORT

continued

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	Equity-settled share-based payments	Total \$
	Cash salary and fees \$	Non-monetary benefits <sup>(1)</sup> \$	Superannuation \$	Rights \$	
<b>2020</b>					
<b>Executive Directors:</b>					
Brian Flannery	120,000	18,650	11,400	–	150,050
<b>Other Key Management Personnel:</b>					
Michael Chapman <sup>(2)</sup>	476,867	10,362	4,167	–	491,396
Allan McCarthy <sup>(3)</sup>	236,000	13,847	22,420	14,667	286,934
<b>Total Executive Directors and other Key Management Personnel remuneration</b>	<b>832,867</b>	<b>42,859</b>	<b>37,987</b>	<b>14,667</b>	<b>928,380</b>

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

(2) Remuneration for former Chief Operating Officer Mr Chapman is for the period up until his retirement on 31 August 2019.

(3) Percentage of relative proportion of remuneration related to performance for Mr McCarthy was 5%.

## (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 2021 are set out below:

<b>Name:</b>	<b>Brian Flannery</b>
Title:	Managing Director
Term of agreement:	Rolling contract
Details:	Base salary including superannuation \$131,400 Contractual Termination benefits: 6 months base salary
<b>Name:</b>	<b>Allan McCarthy</b>
Title:	Chief Financial Officer
Term of agreement:	Rolling contract
Details:	Base salary including superannuation: \$263,895 Contractual Termination benefits: 3 months base salary

Each executive is entitled to car parking at the Company's office.

Mr Flannery is 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).

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

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

#### (4) Relationship between remuneration and White Energy's performance

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

	2021	2020	2019	2018	2017
<b>Total loss for the year (\$'000)</b>	<b>(19,006)</b>	(14,654)	(18,018)	(18,257)	(44,235)
<b>Share price at year end (Cents)</b>	<b>13</b>	11	11	3	3
<b>Increase / (decrease) in share price (%)</b>	<b>18</b>	–	267	–	(45)
<b>Dividends paid</b>	<b>–</b>	–	–	–	–

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 that 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:

<b>Annual fees (excluding superannuation)</b>	<b>12 Months to 30/6/2021</b>	<b>12 Months to 30/6/2020</b>	<b>From 1/4/2017</b>	<b>From 1/7/2016 to 31/3/2017</b>
<b>Chairman</b>	\$40,000	\$40,000	\$40,000	\$176,000
<b>Non-Executive Directors</b>	\$40,000	\$40,000	\$40,000	\$51,200

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

## DIRECTORS' REPORT

continued

### (iii) Remuneration for the year ended 30 June 2021

The total remuneration paid to the Non-Executive Directors for the year ended 30 June 2021 amounted to \$139,901 as detailed below. For comparison purposes, amounts for the year ended 30 June 2020 are also shown.

	Short-term benefits	Short-term benefits	Post- employment benefits	
	Cash salary and fees \$	Non- monetary benefits \$	Super- annuation <sup>(1)</sup> \$	Total \$
<b>2021</b>				
<b>Non-Executive Directors:</b>				
Travers Duncan	40,000	–	9,198	49,198
Graham Cubbin	40,000	–	3,800	43,800
Vincent O'Rourke	40,000	–	6,903	46,903
<b>Sub-total Non-Executive Directors</b>	<b>120,000</b>	<b>–</b>	<b>19,901</b>	<b>139,901</b>

(1) Non-Executive Directors do not receive any retirement benefits other than their statutory entitlements. Additional mandated employer superannuation guarantee contributions are included in the 2021 financial year for Mr Duncan (\$5,398) and Mr O'Rourke (\$3,103) 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.

	Short-term benefits	Short-term benefits	Post employment	
	Cash salary and fees \$	Non- monetary benefits \$	Super- annuation <sup>(1)</sup> \$	Total \$
<b>2020</b>				
<b>Non-Executive Directors:</b>				
Travers Duncan <sup>(2)</sup>	40,000	1,014	3,800	44,814
Graham Cubbin	40,000	–	3,800	43,800
Vincent O'Rourke	40,000	–	3,800	43,800
<b>Sub-total Non-Executive Directors</b>	<b>120,000</b>	<b>1,014</b>	<b>11,400</b>	<b>132,414</b>

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

(2) Non-monetary benefits include phone benefits.

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

### (6) Voting and comments made at the Company's 2020 Annual General Meeting

The White Energy Remuneration Report resolution was carried by a poll, with the results of the poll 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 2020 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 affecting the remuneration of Directors and Executives under the LTIP in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Value per option at grant date	Vested %	Exercised %	Lapsed %
<b>Incentive Options</b>						
10,000,000 options at \$0.19363 exercise price <sup>(1)</sup> :						
18/11/2016	Vest upon grant <sup>(1)</sup>	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. As a consequence of the 2018 and 2020 pro-rata Entitlement Offers to shareholders, the exercise price of the options was adjusted from \$0.20 to \$0.19363 on 5 June 2020.

### Rights

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

Grant date	Vesting date	Expiry date	Value per right at grant date	Vested %	Ordinary Shares Issued %	Lapsed %
<b>Incentive Rights</b>						
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 <sup>(1)</sup>	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.



# DIRECTORS' REPORT

continued

## (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 2021	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
<b>Executive Director:</b>						
Brian Flannery	10,000,000	—	—	—	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 2021	Number at the start of the year	Other changes during the year	Number at the end of the year
<b>Key Management Personnel:</b>			
Graham Cubbin	1,800,000	—	1,800,000
Brian Flannery	152,598,291	—	152,598,291
Travers Duncan	158,749,045	—	158,749,045
Vincent O'Rourke	1,830,000	—	1,830,000

### (iii) Incentive Right holdings

The number of Incentive Rights 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 2021	Balance at the start of year	Granted during the year as remuneration	Ordinary Shares Issued	Lapsed	Balance at the end of the year	Vested at the end of the year
<b>Key Management Personnel:</b>						
Allan McCarthy	1,000,000	—	—	—	1,000,000	—

### (iii) Other transactions with key management personnel and their related parties

During the year ended 30 June 2021, employee benefits of \$139,719 (2020: \$118,174) were paid to Andromeda Neale, the Business Development Counsel of the Company, who is related to Travers Duncan, a Non-Executive Director 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 2021, 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 \$170,386 (2020: \$139,249). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2021, Brian Flannery and Travers Duncan, reimbursed the Company for some geological work conducted for their private company Rockland Resources Pty Limited for \$36,000 (2020: \$20,800). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2020, Brian Flannery and Travers Duncan, were each paid an underwriting fee to underwrite the Company's Entitlement Offer of \$155,071 through their private companies Ilwella Pty Ltd and Gaffwick Pty Ltd atf Duncan Family Trust respectively. The underwriting agreements are based on normal commercial terms and conditions.

This concludes the remuneration report, which has been audited.

## SHARES UNDER OPTION OR RIGHT

Unissued ordinary shares of White Energy as at 30 June 2021 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	\$0.19363	10,000,000
Incentive Rights	01/07/2019	30/06/2022	\$0.00000	3,400,000

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

## 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 (PKF) for audit and non-audit services provided during the financial year are set out in Note 30 to the financial statements. During the year, PKF did not perform any non-audit services.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services in the prior year by former auditor PwC 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*.

## DIRECTORS' REPORT

continued

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	
	2021 \$'000	2020 \$'000
<b>Taxation Services</b>		
Total for taxation services and for non-audit services:		
PKF Australian firm	—	—
Network firms of PwC Australian firm	—	60,040
Total remuneration for taxation services and total for non-audit services	—	60,040

### 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 29.

### 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 2021

## AUDITOR'S INDEPENDENCE DECLARATION



### Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of White Energy Company Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

SCOTT TOBUTT  
PARTNER

27 SEPTEMBER 2021  
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
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# ANNUAL FINANCIAL STATEMENTS – 30 JUNE 2021

## CONTENTS

### FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income .....	31
Consolidated Balance Sheet .....	33
Consolidated Statement of Changes in Equity .....	34
Consolidated Statement of Cash Flows .....	35
Notes to the Consolidated Financial Statements .....	36
Directors' Declaration .....	90
Independent Auditor's Report to the Members of White Energy Company Limited .....	91

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 OTCQB exchange (WECFF). 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 10 to 28, 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 2021. 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](http://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 2021 Corporate Governance Statement is dated as at 30 June 2021 and reflects the corporate governance practices in place throughout the 2021 financial year. The 2021 Corporate Governance Statement was approved by the board on 27 September 2021. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at: <http://www.whiteenergyco.com/about-us/corporate-governance/>.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

		Consolidated	
	Note	2021 \$'000	2020 \$'000
<b>Revenue from contracts with customers from continuing operations</b>	5	24	–
Other income	6	210	1,339
<b>Total revenue</b>		<b>234</b>	<b>1,339</b>
Other net gains		124	40
Employee benefits expense	7	(1,692)	(1,758)
Depreciation and amortisation expense	7	(2,112)	(2,111)
Impairment of other assets expense	7	(6,355)	–
Impairment of financial assets expense	11	(499)	–
External advisory fees	7	(5,728)	(2,380)
Occupancy expenses		(75)	(78)
Travel expenses		(2)	(80)
Plant operating costs		(105)	(70)
Accounting, tax and audit fees		(259)	(410)
Other expenses		(715)	(750)
Finance costs		(1,729)	(1,914)
<b>Loss before income tax from continuing operations</b>		<b>(18,913)</b>	<b>(8,172)</b>
Income tax	8	–	–
<b>Loss for the year from continuing operations</b>		<b>(18,913)</b>	<b>(8,172)</b>
<b>Loss for the year from discontinued operations</b>	9	<b>(93)</b>	<b>(6,482)</b>
<b>Loss for the year</b>		<b>(19,006)</b>	<b>(14,654)</b>
<b>Other comprehensive income / (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		7,643	(1,499)
Other comprehensive income / (loss) for the year		7,643	(1,499)
<b>Total comprehensive loss for the year</b>		<b>(11,363)</b>	<b>(16,153)</b>
<b>Loss for the year is attributable to:</b>			
Non-controlling interests		(4,193)	(5,944)
Owners of White Energy Company Limited	28	(14,813)	(8,710)
<b>Total loss for the year</b>		<b>(19,006)</b>	<b>(14,654)</b>
<b>Total comprehensive loss for the year is attributable to:</b>			
Continuing operations		(16,749)	(7,375)
Discontinued operations		2,665	(1,331)
Owners of White Energy Company Limited		(14,084)	(8,706)
Non-controlling interests		2,721	(7447)
<b>Total comprehensive loss for the year</b>		<b>(11,363)</b>	<b>(16,153)</b>

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

continued

	Note	2021 Cents	2020 Cents
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of White Energy Company Limited</b>			
Basic earnings per share	39	(2.2)	(1.1)
Diluted earnings per share	39	(2.2)	(1.1)
<b>Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of White Energy Company Limited</b>			
Basic earnings per share	39	0.3	(0.4)
Diluted earnings per share	39	0.3	(0.4)
<b>Earnings per share for loss attributable to the ordinary equity holders of White Energy Company Limited</b>			
Basic earnings per share	39	(1.9)	(1.5)
Diluted earnings per share	39	(1.9)	(1.5)

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

# CONSOLIDATED BALANCE SHEET

as at 30 June 2021

	Note	Consolidated	
		2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	2,223	9,989
Trade and other receivables	11	2,886	536
Other assets	12	361	474
		5,470	10,999
Assets of disposal groups classified as held for sale	13	–	14,111
Total current assets		5,470	25,110
<b>Non-current assets</b>			
Property, plant and equipment	14	306	33
Intangibles	15	5,212	7,209
Exploration assets	16	4,069	10,379
Restricted cash	18	2,000	2,000
Total non-current assets		11,587	19,621
<b>Total assets</b>		17,057	44,731
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	573	1,559
Provisions	20	467	463
Other liabilities	21	7	24
		1,047	2,046
Liabilities of disposal groups classified as held for sale	22	–	50,990
Total current liabilities		1,047	53,036
<b>Non-current liabilities</b>			
Other payables	23	42,665	44,572
Provisions	25	316	284
Total non-current liabilities		42,981	44,856
<b>Total liabilities</b>		44,028	97,892
<b>Net liabilities</b>		(26,971)	(53,161)
<b>Equity</b>			
Contributed equity	26	521,337	521,337
Reserves	27	(8,984)	(10,444)
Accumulated losses	28	(509,248)	(494,435)
Equity attributable to the owners of White Energy Company Limited		3,105	16,458
Non-controlling interests	29	(30,076)	(69,619)
<b>Total equity</b>		(26,971)	(53,161)

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance as at 1 July 2019</b>	506,337	(12,215)	(485,725)	(62,810)	(54,413)
Loss for the year	–	–	(8,710)	(5,944)	(14,654)
Other comprehensive income / (loss) for the year	–	4	–	(1,503)	(1,499)
Total comprehensive income / (loss) for the year	–	4	(8,710)	(7,447)	(16,153)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs (Note 26)	15,000	–	–	–	15,000
Share-based payments (Note 36)	–	50	–	–	50
Disposal of discontinued operation (Note 9)	–	1,717	–	638	2,355
<b>Balance as at 30 June 2020</b>	521,337	(10,444)	(494,435)	(69,619)	(53,161)
<b>Balance as at 1 July 2020</b>	521,337	(10,444)	(494,435)	(69,619)	(53,161)
Loss for the year	–	–	(14,813)	(4,193)	(19,006)
Other comprehensive income for the year	–	729	–	6,914	7,643
Total comprehensive income / (loss) for the year	–	729	(14,813)	2,721	(11,363)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs (Note 33)	–	–	–	45,012	45,012
Share-based payments (Note 36)	–	50	–	–	50
Disposal of discontinued operations (Note 9)	–	681	–	(8,190)	(7,509)
<b>Balance as at 30 June 2021</b>	<b>521,337</b>	<b>(8,984)</b>	<b>(509,248)</b>	<b>(30,076)</b>	<b>(26,971)</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	Consolidated	
		2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		463	1,883
Payments to suppliers and employees (inclusive of goods and services tax)		(11,087)	(12,660)
		(10,624)	(10,777)
Interest received		22	61
(Payments) / Receipts from certificates of deposit restricted for bonds		(119)	451
<b>Net cash outflow from operating activities</b>	38	(10,721)	(10,265)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(24)	(5)
Payments for exploration assets		(45)	(31)
Disposal of discontinued operation, net of cash disposed of and disposal costs	9	1,886	(309)
Finance lease receivables received		87	65
Proceeds from sale of property, plant and equipment		–	36
<b>Net cash inflow / (outflow) from investing activities</b>		1,904	(244)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	26	–	15,490
Proceeds from borrowings		971	1,589
Share issue transaction costs	26	–	(490)
Repayment of loans		(121)	(178)
Repayment of lease liabilities		(230)	(300)
Finance charges paid		(137)	(174)
<b>Net cash inflow from financing activities</b>		483	15,937
<b>Net (decrease) / increase in cash and cash equivalents</b>		(8,334)	5,428
Cash and cash equivalents at the beginning of the financial year		10,586	5,055
Effects of exchange rate changes on cash and cash equivalents		(29)	103
<b>Cash and cash equivalents at the end of the financial year</b>		2,223	10,586
The above figures reconcile to the balance sheet at the end of the financial year as follows:			
Balances as above		2,223	10,586
Reclassification of cash of disposal groups held for sale (refer Note 13)		–	(597)
<b>Cash and cash equivalents at the end of the financial year</b>		2,223	9,989

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

## 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 2020:

- *The Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework*
- *AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia.*

The 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 2021 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 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (Amendments to AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2, mandatory for the reporting period beginning on 1 July 2023).

The amendments require disclosure of 'material' rather than 'significant' accounting policies and provides guidance on the application of 'material' in this context. They also clarify how to distinguish between accounting policies and estimates. The Group is carrying out an assessment of the impact of the amendments. The Group expects this will result in a reduction and representation of accounting policies disclosed in future reporting periods.

- *Definition of Accounting Estimates (Amendments to IAS 8)*

(Effective for the reporting period beginning on 1 July 2023)

The amendments introduce the definition of 'accounting estimates' and clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The Group is currently evaluating the impacts of these amendments. The initial assessment is that the amendments are not expected to significantly affect future periods financial statements.

- *AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

(Amendments to AASB 1 and AASB 112, mandatory for the reporting period beginning on 1 July 2023).

The amendments clarify the accounting for deferred tax on transactions which require the recognition of both assets and liabilities e.g. leases and decommissioning obligations. There is a requirement for companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences i.e. the initial recognition exemption is not applied. The Group is currently evaluating the impacts of these amendments. The initial assessment is that the amendments are not expected to significantly affect future periods financial statements.

#### **(vi) Going Concern**

The Group recorded a total comprehensive loss for the year ending 30 June 2021 of \$11,363,000 (2020: \$16,153,000), had net cash outflows from operations of \$10,721,000 (2020: \$10,265,000) and a cash balance excluding restricted cash of \$2,223,000 (30 June 2020: \$9,989,000). The Group has net liabilities of \$26,971,000 (30 June 2020: \$53,161,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans (recourse is limited to the assets of subsidiaries that are subject to joint venture agreements, with joint shareholder consent customarily given to extend the loans' due dates as required), trade and other payables and provisions incurred in the ordinary course of business. The Group strengthened its financial position during the year by selling its interest in subsidiary Mountainside Coal Company Inc. for \$5,271,000. The Group has prepared a cash flow forecast to 30 September 2022, 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 and have contemplated funds due to be received, including from one or more of the following sources:

1. Asset sales: The Group sold its 51% interest in Mountainside Coal Company Inc. on the 15<sup>th</sup> of April 2021 for a total consideration of US\$4.067 million which equates to \$5.3 million. A US dollar deposit equivalent to \$2.0 million was received on the 15<sup>th</sup> of April 2021. The remaining \$3.3 million is to be received in instalments in the period to 28 December 2021.
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, 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.

As the funding actions are yet to be completed, 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.

#### **(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 2021 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.

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

##### **(ii) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Principles of consolidation (continued)

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

### (c) Segment reporting

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

### (d) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

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

#### (iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

#### (e) Revenue recognition

##### Revenue from contracts with customers

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.

##### (i) Sampling services

Revenue from a contract to provide Binderless Coal Briquetting (BCB) technology sampling services is recognised at a point in time as the services are rendered and the benefits of this performance are simultaneously received by the customer. Revenue is recognised in the period the service is performed and is usually based on a fixed price for achieving a sampling service contract milestone e.g. delivery of a coal testing report.



## 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.

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

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Leases (continued)

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. |

### (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.

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**

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.

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

### **(l) Inventory**

Coal and other inventory are 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:

- 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**

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Investments and other financial assets (continued)

#### (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).

#### 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.

#### (iv) Impairment

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, refer to 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.

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.

#### **(p) Intangible assets**

##### **(i) 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.

#### **(ii) 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.

##### **(iii) 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.

##### **(iv) 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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Borrowings (continued)

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) 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 and rights 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 and rights.

The fair value at grant date is independently determined after taking into account the exercise price, the term of the option or right, 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 or right.

The fair value of the options and rights 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 and rights that are expected to become exercisable.

At each reporting date, the entity revises its estimate of the number of options and rights 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 and satisfaction of vesting and performance conditions for rights, the proceeds received net of any directly attributable transaction costs are credited directly to equity.

#### **(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.

#### **(v) 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.

#### **(w) 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.

#### **(x) 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.

#### **(y) 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.

#### **(z) 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.

##### **(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Parent Entity (continued)

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.

### (aa) 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.

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.

### (ab) Comparatives

Comparative information has been reclassified where appropriate to enhance comparability.

## 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 2021:

- 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 coal technology business prepared during the year ended 30 June 2021 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 coal technology and this uncertainty in the value will remain until such time as the 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 technology. Refer to Note 15(a) 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 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 discount rate to allow for the possibility of opportunities being delayed, not going ahead and the risk of contract terms being materially different than projected.

#### **(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.

An independent indicative valuation prepared during the year ended 30 June 2021 concluded that the recoverable amount of the mining exploration CGU was \$4,069,000, requiring an impairment charge of \$6,355,000 against these CGU assets. The critical assumption affecting the recoverable amount of the mining exploration CGU is the future development potential of EL6566, including the potential opportunity to supply coal to the domestic market and coal gasification commercialisation opportunities. Refer to Note 16(a) for further details of these assumptions and the potential impact of changes to the assumptions.

#### **(b) 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).

#### **(c) COVID-19 pandemic**

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date as a result of the COVID-19 pandemic.

#### **(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 losses, 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 considered to be a low credit risk the allowance for expected credit losses is limited to the expected credit losses over the next 12 months for a particular debtor. For consideration receivables the allowance for expected credit losses is measured using the lifetime expected loss rate based on the Standard & Poors' Average Cumulative Default Rates for the USA (using data from 1981 to 2020), for a CCC/C rated bond that has a one year term. Refer to Note 11(a) for further details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 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 and US Dollar.

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. 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:

	USD	2021 (\$'000) SGD	GBP	USD	2020 (\$'000) SGD	GBP
<b>Assets</b>						
Cash and cash equivalents	464	–	–	123	–	–
Trade and other receivables	3,306	–	–	–	–	–
<b>Liabilities</b>						
Trade and other payables - Current	(3)	(5)	(29)	(14)	(1,068)	(47)
<b>Total assets / (liabilities)</b>	<b>3,767</b>	<b>(5)</b>	<b>(29)</b>	<b>109</b>	<b>(1,068)</b>	<b>(47)</b>

#### 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:

	2021 (\$'000)		2020 (\$'000)	
	+10%	-10%	+10%	-10%
AUD vs USD	(342)	419	(10)	12
AUD vs SGD	–	–	94	(115)
USD v SGD	–	(1)	1	(1)
USD v GBP	(5)	5	(5)	5

The analysis is conducted in relation to base exchange rates of: AUD/USD \$0.7518 (2020: \$0.6863); AUD/SGD \$1.0109 (2020: \$0.9576), USD/SGD \$1.3446 (2020: \$1.3953) and USD/GBP \$0.7221 (2020: \$0.8139).

#### (ii) Price risk

The Group was exposed to commodity price risk arising from sale of coal from the Group's coal mining operations in the USA prior to the disposal of these operations on the 15<sup>th</sup> of April 2021. There were no coal sales in the 2021 and 2020 financial years.



### (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 were 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.

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 the reporting date is set out below:

As at 30 June 2021	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
<b>Financial assets</b>					
Cash and cash equivalents	1,759	–	–	464	2,223
Restricted cash	–	–	–	2,000	2,000
Trade and other receivables	–	–	–	2,886	2,886
<b>Total financial assets</b>	<b>1,759</b>	<b>–</b>	<b>–</b>	<b>5,350</b>	<b>7,109</b>
<b>Financial liabilities</b>					
Trade and other payables	–	(148)	(42,665)	(425)	(43,238)
<b>Net financial assets / (liabilities)</b>	<b>1,759</b>	<b>(148)</b>	<b>(42,665)</b>	<b>4,925</b>	<b>(36,129)</b>

As at 30 June 2020	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
<b>Financial assets</b>					
Cash and cash equivalents	10,463	–	–	123	10,586
Restricted cash	–	1,719	–	2,000	3,719
Trade and other receivables	–	–	–	651	651
Financial assets at fair value through profit or loss	–	–	–	15	15
<b>Total financial assets</b>	<b>10,463</b>	<b>1,719</b>	<b>–</b>	<b>2,789</b>	<b>14,971</b>
<b>Financial liabilities</b>					
Trade and other payables	–	(330)	(93,259)	(1,932)	(95,521)
<b>Net financial assets / (liabilities)</b>	<b>10,463</b>	<b>1,389</b>	<b>(93,259)</b>	<b>857</b>	<b>(80,550)</b>

### 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 or loss would be \$18,000 higher / \$18,000 lower (2020 changes of 100 bps: \$105,000 higher / \$105,000 lower).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 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 customer's 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.

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 expected loss allowance, or a lifetime expected loss allowance if the credit risk for other receivables has increased significantly since initial recognition.

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 the reporting date, represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	Note	2021 \$'000	2020 \$'000
Cash and cash equivalents	10 & 13	2,223	10,586
Trade and other receivables	11 & 13	2,886	671
Restricted cash	18 & 13	2,000	3,719
Financial assets at fair value through profit or loss	13	—	15
		7,109	14,991

### (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 leases for the provision of property, plant and equipment used in its operations. Applications for new leases are assessed on a case-by-case basis.

## (ii) Maturities of financial liabilities

The tables below analyse the Group's remaining contractual maturity for its financial liabilities held as at reporting date including for the prior period the financial liabilities of disposal groups held for sale as at 30 June 2020.

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 \$45,206,000 (2020: \$102,062,000) payable by non-wholly-owned subsidiaries to minority shareholders with a carrying amount of \$42,441,000 (2020: \$91,785,000). Further information on shareholder loans can be found in Note 22 and Note 23(a).

Contractual maturities of financial liabilities As at 30 June 2021	Less than 6 months \$'000	Less than 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
<b>Non-derivatives</b>					
Trade and other payables	504	83	45,439	–	46,026
<b>Total non-derivatives</b>	<b>504</b>	<b>83</b>	<b>45,439</b>	<b>–</b>	<b>46,026</b>

Contractual maturities of financial liabilities As at 30 June 2020	Less than 6 months \$'000	Less than 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
<b>Non-derivatives</b>					
Trade and other payables	2,203	129	103,121	617	106,070
<b>Total non-derivatives</b>	<b>2,203</b>	<b>129</b>	<b>103,121</b>	<b>617</b>	<b>106,070</b>

## 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 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 30 June 2020.

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 sold its interest in MCC on the 15<sup>th</sup> of April 2021. MCC's results are reported as a discontinued operation in the periods ended 30 June 2021 and 2020.

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

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

- Australia: The home country of the main operating entity. The areas of operation are the coal technology and mining exploration business lines.
- Asia: Comprises operations carried on in Indonesia, China and Singapore. The area of operation is the coal technology business line.
- 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.
- United States (USA): Operating a series of coal mines in the North American Market until the 15<sup>th</sup> of April 2021.
- United Kingdom (UK): An investment holding company which owned MCC until the 15<sup>th</sup> of April 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 4. SEGMENT INFORMATION (CONTINUED)

### (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.

Segment information by product

Consolidated – 2021	Coal technology \$'000	Mining exploration \$'000	Coal mining \$'000	Inter- segment \$'000	Total \$'000
<b>Revenue</b>					
Sales to external customers	24	–	–	–	24
Inter-segment revenue	4,850	–	223	(5,073)	–
Other income	200	–	24	–	224
Interest income	10	–	12	–	22
<b>Total revenue</b>	<b>5,084</b>	<b>–</b>	<b>259</b>	<b>(5,073)</b>	<b>270</b>
<b>EBITDA (*)</b>	<b>(3,345)</b>	<b>(3)</b>	<b>(1,432)</b>	<b>(5,016)</b>	<b>(9,796)</b>
Depreciation	(11)	–	–	–	(11)
Amortisation	(2,466)	–	(603)	968	(2,101)
Interest expense	(1,202)	–	(5,671)	3,458	(3,415)
Other non-cash gain / (expenses)	(50)	–	51,327	(48,230)	3,047
Foreign exchange gains / (losses)	125	–	(1)	–	124
Impairment of other assets expense	–	(6,355)	–	–	(6,355)
Impairment of financial assets expense	(499)	–	–	–	(499)
Discontinued operations	–	–	(46,266)	46,359	93
<b>Loss before income tax</b>	<b>(7,448)</b>	<b>(6,358)</b>	<b>(2,646)</b>	<b>(2,461)</b>	<b>(18,913)</b>
Income tax	–	–	–	–	–
<b>Loss for the year</b>	<b>(7,448)</b>	<b>(6,358)</b>	<b>(2,646)</b>	<b>(2,461)</b>	<b>(18,913)</b>

The segment information above can be further disaggregated by geographical area as outlined below:

<b>Consolidated – 2021</b>	<b>Australia \$'000</b>	<b>Asia \$'000</b>	<b>South Africa \$'000</b>	<b>USA \$'000</b>	<b>UK \$'000</b>	<b>Inter- segment \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>							
Sales to external customers	24	–	–	–	–	–	24
Inter-segment revenue	4,850	–	–	–	223	(5,073)	–
Other income	200	–	–	24	–	–	224
Interest income	10	–	–	12	–	–	22
<b>Total revenue</b>	<b>5,084</b>	<b>–</b>	<b>–</b>	<b>36</b>	<b>223</b>	<b>(5,073)</b>	<b>270</b>
<b>EBITDA (*)</b>	<b>(3,254)</b>	<b>(32)</b>	<b>(62)</b>	<b>(1,504)</b>	<b>72</b>	<b>(5,016)</b>	<b>(9,796)</b>
Depreciation	(11)	–	–	–	–	–	(11)
Amortisation	(2,101)	–	(365)	–	(603)	968	(2,101)
Interest expense	(18)	–	(1,184)	(3,557)	(2,114)	3,458	(3,415)
Impairment of other assets expense	(6,355)	–	–	–	–	–	(6,355)
Impairment of financial assets expense	(499)	–	–	–	–	–	(499)
Other non-cash expenses	(50)	–	–	51,327	–	(48,230)	3,047
Foreign exchange gains / (losses)	125	–	–	–	(1)	–	124
Discontinued operations	–	–	–	(46,266)	–	46,359	93
<b>Loss before income tax</b>	<b>(12,163)</b>	<b>(32)</b>	<b>(1,611)</b>	<b>–</b>	<b>(2,646)</b>	<b>(2,461)</b>	<b>(18,913)</b>
Income tax	–	–	–	–	–	–	–
<b>Loss for the year</b>	<b>(12,163)</b>	<b>(32)</b>	<b>(1,611)</b>	<b>–</b>	<b>(2,646)</b>	<b>(2,461)</b>	<b>(18,913)</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 4. SEGMENT INFORMATION (CONTINUED)

### (b) Segment information provided to the Board of Directors (continued)

Segment information by product

Consolidated – 2020	Coal technology \$'000	Mining exploration \$'000	Coal mining \$'000	Inter- segment \$'000	Total \$'000
<b>Revenue</b>					
Inter-segment revenue	6,063	–	322	(6,385)	–
Other income	1,305	–	229	–	1,534
Interest income	16	18	26	–	60
<b>Total revenue</b>	<b>7,384</b>	<b>18</b>	<b>577</b>	<b>(6,385)</b>	<b>1,594</b>
<b>EBITDA (*)</b>	<b>2,039</b>	<b>15</b>	<b>(1,395)</b>	<b>(6,163)</b>	<b>(5,504)</b>
Depreciation	(23)	–	–	–	(23)
Amortisation	(2,494)	–	(671)	1,077	(2,088)
Interest expense	(1,324)	–	(7,284)	4,396	(4,212)
Other non-cash expenses	17,733	–	(1,700)	(18,900)	(2,867)
Foreign exchange gains	39	–	1	–	40
Discontinued operations	(17,783)	–	8,161	16,104	6,482
<b>Loss before income tax</b>	<b>(1,813)</b>	<b>15</b>	<b>(2,888)</b>	<b>(3,486)</b>	<b>(8,172)</b>
Income tax	–	–	–	–	–
<b>Loss for the year</b>	<b>(1,813)</b>	<b>15</b>	<b>(2,888)</b>	<b>(3,846)</b>	<b>(8,172)</b>



The segment information above can be further disaggregated by geographical area as outlined below:

<b>Consolidated - 2020</b>	<b>Australia \$'000</b>	<b>Asia \$'000</b>	<b>South Africa \$'000</b>	<b>USA \$'000</b>	<b>UK \$'000</b>	<b>Inter- segment \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>							
Inter-segment revenue	6,063	–	–	–	322	(6,385)	–
Other income	1,305	–	–	229	–	–	1,534
Interest income	34	–	–	26	–	–	60
<b>Total revenue</b>	<b>7,402</b>	<b>–</b>	<b>–</b>	<b>255</b>	<b>322</b>	<b>(6,385)</b>	<b>1,594</b>
<b>EBITDA (*)</b>							
Depreciation	(23)	–	–	–	–	–	(23)
Amortisation	(2,088)	–	(406)	–	(671)	1,077	(2,088)
Interest expense	(16)	–	(1,308)	(4,937)	(2,347)	4,396	(4,212)
Other non-cash expenses	(50)	–	17,783	(1,700)	–	(18,900)	(2,867)
Foreign exchange gains	39	–	–	–	1	–	40
Discontinued operations	–	–	(17,783)	8,161	–	16,104	6,482
<b>Loss before income tax</b>	<b>4</b>	<b>(41)</b>	<b>(1,761)</b>	<b>–</b>	<b>(2,888)</b>	<b>(3,486)</b>	<b>(8,172)</b>
Income tax	–	–	–	–	–	–	–
<b>Loss for the year</b>	<b>4</b>	<b>(41)</b>	<b>(1,761)</b>	<b>–</b>	<b>(2,888)</b>	<b>(3,486)</b>	<b>(8,172)</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 4. SEGMENT INFORMATION (CONTINUED)

### (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	
	2021 \$'000	2020 \$'000
Total segment revenue	270	1,594
Exclude revenue from discontinued operations recognised in segment revenue	(36)	(255)
<b>Total revenue from continuing operations</b>	<b>234</b>	<b>1,339</b>

#### (ii) Reconciliation to consolidated loss for the year

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

	Consolidated	
	2021 \$'000	2020 \$'000
Loss before income tax – segment information from continuing operations	18,913	8,172
Loss before income tax from discontinued operations	93	6,482
<b>Consolidated loss before income tax</b>	<b>19,006</b>	<b>14,654</b>

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated	
	2021 \$'000	2020 \$'000
<b>From continuing operations</b>		
Sampling services - potential customers	24	–

	Consolidated	
	2021 \$'000	2020 \$'000
<b>Timing of revenue recognition</b>		
Recognised at a point in time	24	–

## 6. OTHER INCOME

	Consolidated	
	2021 \$'000	2020 \$'000
Gain on other payable extinguished	–	277
Insurance recoveries <sup>(a)</sup>	–	813
Interest income calculated using the effective interest rate method	10	34
Other items	200	215
<b>Other income</b>	<b>210</b>	<b>1,339</b>

(a) Insurance recoveries in 2020 of \$813,000 was for settlement of the insurance claim relating to 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.

## 7. EXPENSES

	Consolidated	
	2021 \$'000	2020 \$'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	11	23
Amortisation expense - Right-of-use assets - Buildings	104	91
Amortisation expense - Intangible assets	1,997	1,997
Total depreciation and amortisation expense	2,112	2,111
<i>Impairment of other assets</i>		
Exploration and evaluation assets	6,355	–
<i>External advisory fees</i>		
Consulting, external management and professional fees	283	506
Litigation costs	5,445	1,874
Total external advisory fees	5,728	2,380
<i>Superannuation expense</i>		
Defined contribution superannuation expense	148	143
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	1,544	1,615
Total employee benefits expense	1,692	1,758

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 8. INCOME TAX

	Consolidated	
	2021 \$'000	2020 \$'000
<b>(a) Income tax credit</b>		
Current tax	(4,019)	(1,625)
Deferred tax	4,170	1,583
Adjustments for current tax of prior periods	(151)	(2)
Adjustments for deferred tax of prior periods	–	44
Aggregate income tax	–	–
Deferred income tax (revenue) / expense included in income tax comprises:		
Decrease in deferred tax assets (Note 17)	1,965	448
Decrease in deferred tax liabilities (Note 24)	(1,965)	(448)
	–	–
<b>(b) Numerical reconciliation of income tax and tax at the statutory rate</b>		
Loss before income tax from continuing operations	(18,913)	(8,172)
Loss before income tax from discontinued operations	(93)	(6,482)
	(19,006)	(14,654)
Tax at the statutory tax rate of 30% (2020: 27.5%)	(5,702)	(4,030)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible interest	402	448
Non-deductible legal fees	1,656	521
Sundry items	(1,833)	(871)
	(5,477)	(3,932)
Adjustments for current tax of prior periods	(151)	(2)
Difference in overseas tax rates	1,117	1,191
Effect of changes in tax rate <sup>(1)</sup>	(3,396)	–
Adjustments for deferred tax of prior periods	–	44
Tax losses and timing differences not brought to account (refer to Note 8(c) and 8(d))	7,907	2,699
Income tax	–	–

(1) The applicable Australian corporate tax rate changed from 27.5% to 30.0% with effect from 1 July 2020.

	Consolidated	
	2021 \$'000	2020 \$'000
<b>(c) Tax losses not recognised</b>		
Unused tax losses for which no deferred tax asset has been recognised	156,291	241,019
Potential tax benefit at statutory tax rates	43,604	50,808

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 \$6,661,000 (2020: \$7,279,000) with a potential tax benefit of \$999,000 (2020: \$1,091,888) that expire over a five year period.

#### (d) Unrecognised temporary differences

	Consolidated	
	2021 \$'000	2020 \$'000
Temporary differences for which a deferred tax asset has not been recognised:		
Tax Losses	156,291	241,019
Capital tax losses	28,115	–
Unrealised losses on intercompany loans	164,753	198,973
	349,159	439,992
Unrecognised deferred tax assets relating to the above temporary differences	101,464	105,525

## 9. DISCONTINUED OPERATIONS

	Consolidated	
	2021 \$'000	2020 \$'000
<b>Loss from discontinued operations</b>		
Mountainside Coal Company Inc. <sup>(a)</sup>	(93)	(5,365)
River Energy South Africa Pty Limited and subsidiaries <sup>(b)</sup>	–	(1,117)
Total loss from discontinued operations	(93)	(6,482)

#### (a) Mountainside Coal Company Inc.

On the 15<sup>th</sup> of April 2021, the Group sold its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. All of the assets of MCC were presented as held for sale and liabilities of disposal groups held for sale as at 30 June 2020 (refer to Notes 13 and 22) and the operating results of MCC's operations are reported as a discontinued operation for 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 9. DISCONTINUED OPERATIONS (CONTINUED)

### (a) Mountainside Coal Company Inc. (continued)

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

	Consolidated	
	2021 \$'000	2020 \$'000
<b>Revenue</b>	<b>36</b>	255
Coal mining operations expenses	(495)	(671)
Employee benefits expense	(174)	(199)
Impairment expense - plant and equipment	–	(1,700)
External advisory fees	(22)	(80)
Occupancy expenses	(18)	(28)
Travel expenses	–	(23)
Accounting, tax and audit fees	(50)	(61)
Other operating expenses	(781)	(560)
Finance costs	(1,686)	(2,298)
Total expenses	(3,226)	(5,620)
<b>Loss before income tax</b>	<b>(3,190)</b>	(5,365)
Income tax	–	–
<b>Loss for the year from discontinued operations</b>	<b>(3,190)</b>	(5,365)
Gain / (loss) on disposal after income tax (refer to (c) below)	3,097	–
<b>Loss for the year from discontinued operations</b>	<b>(93)</b>	(5,365)

Cash flow information:

	Consolidated	
	2021 \$'000	2020 \$'000
Net cash outflow from operating activities	(2,099)	(2,963)
Net cash inflow from investing activities	–	434
Net cash inflow from financing activities (2021 includes an outflow of \$4,000 from the sale of the operation)	1,551	2,468
<b>Net decrease in cash and cash equivalents from discontinued operations</b>	<b>(548)</b>	(61)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(49)</b>	17
<b>Reclassification of cash of disposal groups held for sale</b>	<b>–</b>	597



**(b) River Energy South Africa Pty Limited and subsidiaries**

On the 1<sup>st</sup> of 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 formed part of the coal technology South Africa segment.

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

	Consolidated	
	2021 \$'000	2020 \$'000
<b>Loss before income tax</b>	–	–
Income tax	–	–
<b>Loss for the year from discontinued operations</b>	–	–
Loss on disposal after income tax (refer to (c) below)	–	(1,117)
<b>Loss for the year from discontinued operations</b>	–	(1,117)

Cash flow information:

	Consolidated	
	2021 \$'000	2020 \$'000
Net cash outflow from financing activities (2020 includes an outflow of \$309,000 from the sale of the operation)	–	(309)
<b>Net decrease in cash generated by discontinued operations</b>	–	(309)

**(c) Details of the sale of subsidiaries**

The carrying amounts of assets and liabilities as at the date of sale of MCC in 2021 (15 April 2021) and RESA sold in 2020 (1 July 2019) were:

	Consolidated	
	2021 \$'000	2020 \$'000
Cash and cash equivalents	4	309
Trade and other receivables	–	61
Other assets	–	2
Property, plant and equipment	9,703	–
Exploration assets	177	–
Restricted cash	1,687	–
Other non-current assets	1,004	–
<b>Total assets</b>	<b>12,575</b>	<b>372</b>
Trade and other payables	1,495	1,636
Provisions	1,493	35
Other liabilities	–	1
<b>Total liabilities</b>	<b>2,988</b>	<b>1,672</b>
<b>Net assets / (liabilities)</b>	<b>9,587</b>	<b>(1,300)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 9. DISCONTINUED OPERATIONS (CONTINUED)

### (c) Details of the sale of subsidiaries (continued)

Details of the disposal of MCC and RESA:

	Consolidated	
	2021 \$'000	2020 \$'000
Consideration received as cash <sup>(a)</sup>	2,050	–
Consideration receivables <sup>(b)</sup>	3,221	–
Total disposal consideration	5,271	–
Carrying amount of net assets / (liabilities) disposed	(9,587)	1,300
Reclassification of foreign currency translation reserve (refer to Note 27)	(681)	(1,717)
Reclassification of non-controlling interest	8,190	(638)
Disposal costs	(96)	(62)
<b>Gain / (loss) on disposal before income tax</b>	<b>3,097</b>	<b>(1,117)</b>
Income tax	–	–
<b>Gain / (loss) on disposal after income tax</b>	<b>3,097</b>	<b>(1,117)</b>

(a) RESA was sold for a nominal consideration in 2020.

(b) At the time of sale, the consideration receivables included \$788,000 placed with an escrow agent by the purchaser of MCC, that is subject to contractual restrictions, and other instalments totalling \$2,433,000 that are due and payable within six months of the period end (refer to Note 11).

## 10. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2021 \$'000	2020 \$'000
Cash at bank and on hand	2,223	9,989
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
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	2,223	9,989
Cash and cash equivalents - classified as held for sale (Note 13)	–	597
Balance as per statement of cash flows	2,223	10,586

### (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 2021 bank guarantees exist which have been issued as security for property bonds in the amount of \$62,000 (2020: \$62,000).

## 11. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021 \$'000	2020 \$'000
Trade receivables	76	58
Less: Allowance for expected credit losses <sup>(a)</sup>	(47)	(47)
	29	11
Consideration receivables <sup>(e)</sup>	2,497	–
Consideration receivables - contractually restricted <sup>(e)</sup>	809	–
Less: Allowance for expected credit losses <sup>(a)</sup>	(499)	–
Total consideration receivables	2,807	–
Other receivables	28	503
Finance lease receivables <sup>(f)</sup>	22	22
	2,886	536

### (a) Allowance for expected credit losses

#### (i) Trade receivables

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.

The expected loss rates 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.

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

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Not overdue	–	1%	29	11	–	–
Over 6 months overdue	100%	100%	47	47	47	47
			76	58	47	47

Movements in the allowance for expected credit losses for trade receivables and consideration receivables (refer Note 11(a)(iii) below) are as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Opening balance	47	47
Additional provisions recognised for lifetime expected credit losses	499	–
Closing balance	546	47

The creation and release of the allowance for expected credit losses has been included in impairment of financial assets expense in the statement of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 11. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Allowance for expected credit losses (continued)

#### (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 2021 was determined to be \$Nil (2020: \$Nil).

#### (iii) Consideration receivables

Consideration receivables at amortised cost are due and payable within six months of the period end. The Group considers there to have been a significant increase in credit risk since initial recognition in April 2021. An allowance for expected losses of \$499,000 has been recognised in profit or loss (2020: \$Nil) and this reduces the carrying value of consideration receivables. The loss allowance is based on the expected loss rate of 30%, and the difference between the instalments due in accordance with the contract to sell subsidiary Mountainside Coal Company Inc. and all the cash flows that the Group expects to receive, and this includes cash flows from the sale of collateral held. The expected loss rate is based on the Standard & Poors' Average Cumulative Default Rates for the USA (using data from 1981 to 2020), for a CCC/C rated bond that has a one year term.

### (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.

### (e) Consideration receivables

Consideration receivables of \$3,306,000 (USD \$1,877,000) arose on the sale of subsidiary Mountainside Coal Company Inc. (MCC) on the 15<sup>th</sup> of April 2021. Collateral has been provided by the purchaser of MCC by a mortgage over certain plant and equipment of MCC, and by a guarantee from a parent company of the Purchaser. At the time of sale, \$809,000 was placed with an escrow agent by the Purchaser, and is contractually restricted for release in full until US tax filing or exemption requirements are completed. The remaining consideration receivables arising at the time of sale totalling \$2,497,000, are due and payable within six months from the period end.

### (f) Finance lease receivables arrangements

The Group sub-leases office building space.

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

	Consolidated	
	2021 \$'000	2020 \$'000
Within one year	22	22
Less: Future finance charges	—	—
Net recognised as assets	22	22
Finance lease receivables are presented in the balance sheet as follows:		
Finance lease receivables - current	22	22

#### Profit or loss information:

Total income earned from finance lease receivables during the year was \$2,100 (2020: \$2,000).

## 12. CURRENT ASSETS - OTHER ASSETS

	Consolidated	
	2021 \$'000	2020 \$'000
Prepayments	341	454
Deposits	20	20
	361	474

## 13. CURRENT ASSETS - ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On the 15<sup>th</sup> of April 2021, the Group sold its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. All of the assets and liabilities of MCC have been presented as held for sale as at 30 June 2020 (refer to Note 22). The operating results of MCC's operations have been reported as a discontinued operation for 2021 and 2020 (refer to Note 9).

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

	Consolidated	
	2021 \$'000	2020 \$'000
Cash and cash equivalents	–	597
Trade and other receivables	–	115
Financial assets at fair value through profit or loss (contingent consideration)	–	15
Prepayments	–	809
Property, plant and equipment <sup>(c)</sup>	–	10,662
Exploration assets	–	194
Restricted cash <sup>(a)</sup>	–	1,719
	–	14,111

### (a) Restricted cash

The Group held 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 were held as security until reclamation of the permitted sites had been suitably completed by the Group.

### (b) Coal mining CGU

The Group sold its interest in MCC on the 15<sup>th</sup> of April 2021. For the prior period, the Directors 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 \$1,700,000 was made against property, plant and equipment as at 30 June 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 13. CURRENT ASSETS - ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTINUED)

### (c) Leases

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

This note provides information for leases where MCC was a lessee. With the exception of short-term leases and leases of low-value underlying assets, each lease was reflected on the balance sheet as a right-of-use asset and a lease liability. MCC leased land for its coal handling and preparation plant under agreements of 15 years with an option to extend by 5 years. The lease agreements did 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 were right-of-use assets as follows:

	Consolidated 2020 \$'000
<b>Right-of-use assets</b>	
Land	1,759

There were no additions to the right-of-use assets and no amortisation charge was recorded during the year.

#### (ii) Lease liabilities

Lease liabilities were presented in the balance sheet as follows (refer to Note 22):

	Consolidated 2020 \$'000
Lease liabilities - current	1,634

The lease liabilities were secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities relating to land at 30 June 2020 was as follows:

	Consolidated 2020 \$'000
Less than one year	1,634

#### (iii) Profit or loss and cash flow information

The interest expense relating to leases included in finance costs for the year was \$36,000 (2020: \$59,000).

The total cash outflow for leases in the year was \$133,000 (2020: 216,000).



## 14. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2021 \$'000	2020 \$'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	15,934	15,926
Less: Accumulated depreciation and impairment	(15,911)	(15,916)
	23	10
Right-of-use-assets - buildings -at cost	478	114
Less: Accumulated amortisation	(195)	(91)
	283	23
	306	33

### Reconciliations

Reconciliations of the net book values are set out below:

	Consolidated			
	Plant and Equipment \$'000	Leasehold improvements \$'000	Right-of-use assets - Buildings \$'000	Total \$'000
<b>Balance at 1 July 2019</b>	28	–	–	28
Additions	5	–	–	5
Recognised on adoption of AASB 16 on 1 July 2019	–	–	114	114
Amortisation of assets	–	–	(91)	(91)
Depreciation expense	(23)	–	–	(23)
<b>Balance at 30 June 2020</b>	10	–	23	33
Additions	24	–	364	388
Amortisation of assets	–	–	(104)	(104)
Depreciation expense	(11)	–	–	(11)
<b>Balance at 30 June 2021</b>	<b>23</b>	<b>–</b>	<b>283</b>	<b>306</b>

### (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 11(e). 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 and a security interest in the building held by the lessor. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 14. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Leases (continued)

#### (ii) Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Current (refer to Note 19)	148	55
Non-current (refer to Note 23)	224	–
	372	55

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 30 June 2021 is as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Less than one year	164	55
One to five years	233	–
Total undiscounted lease liabilities	397	55

#### (iii) Lease liabilities 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 expenses 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:

	Consolidated	
	2021 \$'000	2020 \$'000
Short-term leases (included in plant operating costs)	19	20
Leases of low-value assets (included in other expenses)	4	4
	23	24

#### (iv) Profit or loss and cash flow information

The interest expense in relation to leasing liabilities included in finance costs for the year was \$13,000 (2020: \$7,000).

The total cash outflow for leases in the year was \$170,000 (2020: \$174,000).

There have been no sale and lease back transactions in the current year and prior year.

## 15. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2021 \$'000	2020 \$'000
Coal technology licence - at cost	55,983	55,983
Less: Accumulated amortisation and impairment	(50,771)	(48,774)
	5,212	7,209

### Reconciliations

Reconciliation of the net book values are set out below:

	Consolidated Coal technology licence \$'000
<b>Balance at 1 July 2019</b>	9,206
Amortisation expense <sup>(1)</sup>	(1,997)
<b>Balance at 30 June 2020</b>	7,209
Amortisation expense <sup>(1)</sup>	(1,997)
<b>Balance at 30 June 2021</b>	5,212

(1) Amortisation expense

Amortisation of \$1,997,000 (2020: \$1,997,000) is included in the depreciation and amortisation expense in the statement of comprehensive income. The coal technology licence for BCB technology has a finite life and is amortised over its useful life of 17.6 years.

### (a) 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 2021 carrying value of \$5,212,000.

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 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 14.7% p.a. (2020: 15% 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 several projects on this basis. This was converted at an USD / AUD exchange rate of \$0.75. No reasonably possible changes in key assumptions would impact the carrying value of the coal technology assets.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 16. NON-CURRENT ASSETS - EXPLORATION ASSETS

### Reconciliations

Reconciliations of exploration assets carrying amounts are set out below:

	Consolidated			Total \$'000
	Cooper Pedy EL6566 <sup>(a)</sup>	Cooper Pedy EL6566	Cooper Pedy PELA674 <sup>(a)</sup>	
	Exploration tenements \$'000	Exploration rights \$'000	Exploration tenement \$'000	
<b>Balance at 1 July 2019</b>	7,649	2,690	4	10,343
Expenditure during the year	36	–	–	36
<b>Balance at 30 June 2020</b>	7,685	2,690	4	10,379
Additional expenditure	45	–	–	45
Impairment of assets	(6,355)	–	–	(6,355)
<b>Balance at 30 June 2021</b>	<b>1,375</b>	<b>2,690</b>	<b>4</b>	<b>4,069</b>

### 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 EL6566 (previously EL5719) a large sub-bituminous coal deposit with certified JORC resources and further exploration potential for other minerals, and PELA674 located immediately south of EL6566 with exploration potential for petroleum and hydrocarbon minerals (EL6566 and PELA674 are referred to together as EL6566 below).

The Company appointed an independent valuation firm to perform an indicative valuation of the recoverable amount of the Company's exploration assets. The valuation concluded that the recoverable amount of the mining exploration CGU was \$4,069,000 as at 30 June 2021, requiring an impairment charge of \$6,355,000 against the CGU assets. The lower indicative value reflects the valuer's view that the development timeline for a coal gasification project will take longer than previously envisioned as project development was not materially advanced during the year.

The recoverable amount determined by the valuer was based on fair value less costs to sell calculations that gave a range of indicative values which represent the price that would be paid for EL6566 in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.

The indicative valuation was performed with reference to a number of valuation techniques which included:

- The price that would be paid for EL6566 in an arm's length transaction was determined on a value per tonne of resources basis as at 30 June 2020. The value per tonne of resources was primarily calculated with reference to the development potential of EL6566, in particular the opportunity to supply coal gasification products to the domestic energy market. This value per tonne was then adjusted for changes to the market value of listed companies with early stage coal gasification development projects, expected costs to develop EL6566, and the general characteristics of the coal quality and infrastructure present at EL6566. A risk and time value adjustment was applied to determine the indicative value (5 years at 35% p.a.). As at 30 June 2021, the valuer increased the risk and time value adjustment (10 years at 35%); and
- An assessment of the prospectivity to date for other minerals, which was applied as a multiplier to relevant and effective past exploration expenditure on EL6566.

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

The EL6566 carrying value has been written down to equal the estimated recoverable value. Any adverse change to the coal and gas markets would impact the recoverable amount and could result in the carrying amount to exceed the recoverable amount. For example, if the value per tonne of resources assumption was 10% higher the recoverable amount would increase by \$400,000 and if the value per tonne of resource assumption was 10% lower the recoverable amount would decrease by \$400,000. Any further adverse change to the development timeline would impact the recoverable amount and could result in the carrying amount to exceed the recoverable amount. For example, a decrease in the time value adjustment by three years would increase the recoverable amount by \$2,600,000 and an increase in the time value adjustment by 3 years would reduce the recoverable amount by \$1,100,000.

No impairment or reversal of impairment was identified in the review of exploration expenditure undertaken during the year ended 30 June 2020. Further information on the mining exploration CGU can be found in Note 2(a)(ii).

## 17. NON-CURRENT ASSETS - DEFERRED TAX

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Deferred tax assets</i>		
The balance comprises temporary differences attributable to:		
Tax losses - other	43,604	37,682
Tax losses - disposal groups held for sale - MCC <sup>(a)</sup>	–	13,126
Other deferred tax assets - disposal groups held for sale - MCC <sup>(a)</sup>	–	11,366
Property, plant and equipment	1,348	1,235
Intangibles	2,730	2,740
Trade and other liabilities	1,631	1,766
Trade and other receivables	2,647	2,289
Other	161	51
	52,121	70,255
Deferred tax assets not brought to account:		
Tax losses	(43,604)	(50,808)
Other	(6,854)	(15,819)
Set-off of deferred tax liabilities pursuant to set-off provisions (refer to Note 24)	(1,663)	(3,628)
	(52,121)	(70,255)
Net deferred tax assets	–	–
Deferred tax assets expected to be recovered within 12 months	1,663	3,177
Deferred tax assets expected to be recovered after more than 12 months	–	451
	1,663	3,628
<i>Movements:</i>		
<b>Opening balance</b>	<b>3,628</b>	<b>3,180</b>
Other deferred tax assets - disposal groups held for sale - MCC <sup>(a)</sup>	(415)	402
Property, plant and equipment	112	–
Intangibles	(10)	(238)
Trade and other payables	(135)	(470)
Trade and other receivables	358	–
Other balances and transactions	110	51
Other deferred tax balances not brought to account	(1,985)	703
<b>Closing balance</b>	<b>1,663</b>	<b>3,628</b>

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 18. NON-CURRENT ASSETS - RESTRICTED CASH

	Consolidated	
	2021 \$'000	2020 \$'000
Restricted cash - security bond <sup>(a)</sup>	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.

## 19. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2021 \$'000	2020 \$'000
Trade payables	149	1,209
Lease liabilities <sup>(a)</sup>	148	55
Other payables	276	295
	573	1,559

### (a) Lease Liabilities

For information on the Group's leasing activities refer to Note 14(a).

### (b) Risk Exposure

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

## 20. CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2021 \$'000	2020 \$'000
Employee provisions <sup>(a)</sup>	467	463

Movements in provisions during the year ended 30 June 2021 are set out below:

Consolidated - 2021	Employee \$'000
Carrying amount at the start of the year	463
Additional provisions recognised	170
Amounts transferred to non-current (refer to Note 25)	(32)
Amounts used	(134)
Carrying amount at the end of the year	467

### (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.



## 21. CURRENT LIABILITIES - OTHER LIABILITIES

	Consolidated	
	2021 \$'000	2020 \$'000
Deferred income - rental income (non-lease components)	7	7
Deferred income - other	–	17
	7	24

## 22. CURRENT LIABILITIES - LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On the 15<sup>th</sup> of April 2021, the Group sold its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. All of the assets and liabilities of MCC have been presented as held for sale as at 30 June 2020 (refer to Note 13). The operating results of MCC's operations have been reported as a discontinued operation for 2021 and 2020 (refer to Note 9).

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

	Consolidated	
	2021 \$'000	2020 \$'000
Trade payables	–	164
Other payables	–	379
Loans from shareholders - Black River	–	36,592
Accrued interest on shareholder loans - Black River	–	10,621
Lease liabilities <sup>(b)</sup>	–	1,634
Provisions <sup>(a)</sup>	–	1,600
	–	50,990

### (a) Reclamation provision

	2021 \$'000	2020 \$'000
<b>Movement in reclamation provision:</b>		
<b>Carrying value at the start of the year</b>	<b>1,600</b>	1,320
Additional provision raised	18	423
Amounts used	(10)	(166)
Exchange differences	(141)	23
Amounts disposed with discontinued operations	(1,467)	–
<b>Carrying value at the end of the year</b>	<b>–</b>	1,600

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.

### (b) Lease Liabilities

The lease liabilities were secured by the related underlying assets. Refer to Note 13(c) for further information on MCC's leasing activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 23. NON-CURRENT LIABILITIES - OTHER PAYABLES

	Consolidated	
	2021 \$'000	2020 \$'000
Loans from shareholders - Black River <sup>(a)</sup>	29,647	32,419
Accrued interest on shareholder loans - Black River <sup>(a)</sup>	12,794	12,153
Lease liabilities <sup>(b)</sup>	224	–
	42,665	44,572

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 formerly owned 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, with recourse to the minority shareholder limited to 49% of the assets of the relevant Group subsidiary, and with joint shareholder consent customarily given to extend the loans' due dates as required.

Loans from minority shareholders to Mountainside Coal Company are not included in this note as Mountainside Coal Company was being offered for sale as at 30 June 2020 and the Group's interest in this subsidiary was sold on the 15<sup>th</sup> of April 2021 (refer Note 22).

### (b) Lease liabilities

For information on the Group's leasing activities refer to Note 14(a).

## 24. NON-CURRENT LIABILITIES - DEFERRED TAX

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Deferred tax liabilities</i>		
The balance comprises temporary differences attributable to:		
Exploration assets recognised on the acquisition of South Australian Coal Limited <sup>(a)</sup>	1,221	1,464
Other capitalised exploration assets	–	1,390
Other balances and transactions	357	353
Deferred tax liabilities of disposal groups held for sale - MCC <sup>(b)</sup>	–	415
Property, plant and equipment - right-of-use assets	85	6
	1,663	3,628
Set-off of deferred tax assets pursuant to set-off provisions (refer to Note 17)	(1,663)	(3,628)
Net deferred tax liabilities	–	–
Deferred tax liabilities expected to be settled within 12 months	36	421
Deferred tax liabilities expected to be settled after more than 12 months	1,627	3,207
	1,663	3,628

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Movements:</i>		
<b>Opening balance</b>	<b>3,628</b>	3,180
Exploration assets recognised on the acquisition of South Australian Coal Limited <sup>(a)</sup>	(243)	–
Other capitalised exploration assets	(1,390)	10
Property, plant and equipment - right-of-use assets	79	6
Other balances and transactions	4	30
Deferred tax liabilities of disposal groups held for sale - MCC <sup>(b)</sup>	(415)	402
<b>Closing balance</b>	<b>1,663</b>	3,628

**(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.

## 25. NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2021 \$'000	2020 \$'000
Employee provisions <sup>(a)</sup>	316	284

**(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 2021 are set out below:**

Consolidated - 2021	Employee \$'000
<b>Carrying amount at the start of the year</b>	<b>284</b>
Amounts transferred from current (refer to Note 20)	32
<b>Carrying amount at the end of the year</b>	<b>316</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 26. EQUITY - CONTRIBUTED EQUITY

	Consolidated			
	2021 Shares	2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares - fully paid <sup>(a)</sup>	774,478,719	774,478,719	521,337	521,337

### (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	1 July 2019	516,318,597		506,337
Share issue under Entitlement Offer <sup>(i)</sup>	20 April 2020	258,160,122	\$0.600	15,490
Less: Transaction costs arising on share issues		–	\$0.000	(490)
Balance	30 June 2020	774,478,719		521,337
Balance	30 June 2021	774,478,719		521,337

### (i) Issue of ordinary shares

On the 20<sup>th</sup> of April 2020, 258,160,122 shares were issued to current shareholders under a pro rata issue Entitlement Offer under Listing Rule 7.2 Exception 1, at \$0.06 per share raising a total of \$15,489,607. Of these shares, 157,121,222 shares were issued to related parties (4 directors) under Listing Rule 10.12 Exception 1.

### (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 2020 Annual Report.

## 27. EQUITY - RESERVES

	Consolidated	
	2021 \$'000	2020 \$'000
Foreign currency translation <sup>(i)</sup>	(16,096)	(17,506)
Share-based payments <sup>(ii)</sup>	7,112	7,062
	(8,984)	(10,444)

### (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.

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
<b>Balance at 1 July 2019</b>	7,012	(19,227)	(12,215)
Foreign currency translation differences arising during the year	–	4	4
Disposed of with subsidiary undertakings (refer to Note 9(c))	–	1,717	1,717
Incentive rights expense	50	–	50
<b>Balance at 30 June 2020</b>	7,062	(17,506)	(10,444)
Foreign currency translation differences arising during the year	–	729	729
Disposed of with subsidiary undertakings (refer to Note 9(c))	–	681	681
Incentive rights expense	50	–	50
<b>Balance at 30 June 2021</b>	<b>7,112</b>	<b>(16,096)</b>	<b>(8,984)</b>

## 28. EQUITY - ACCUMULATED LOSSES

	Consolidated	
	2021 \$'000	2020 \$'000
Accumulated losses at the beginning of the financial year	(494,435)	(485,725)
Loss attributable to members of White Energy	(14,813)	(8,710)
Accumulated losses at the end of the financial year	(509,248)	(494,435)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 29. EQUITY - NON-CONTROLLING INTERESTS

	Consolidated	
	2021 \$'000	2020 \$'000
Share capital	9,071	9,071
Reserves	1,099	(3,065)
Accumulated losses	(40,246)	(75,625)
	(30,076)	(69,619)

## 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	
	2021 \$	2020 \$
<b>(a) PKF(NS) Audit &amp; Assurance (2020: PricewaterhouseCoopers Australia)</b>		
<i>(i) Audit and other assurance services<sup>(1)</sup></i>		
Audit or review of the financial statements	100,000	256,219
Total remuneration of PKF(NS) Audit & Assurance (2020: PricewaterhouseCoopers Australia)	100,000	256,219
<b>(b) Network firms of PKF(NS) Audit &amp; Assurance (2020: PricewaterhouseCoopers Australia)</b>		
<i>(i) Audit and other assurance services</i>		
Audit or review of the financial statements	35,776	–
<i>(ii) Taxation Services</i>		
Tax Compliance services	–	60,040
Total remuneration of related practices of PKF(NS) Audit & Assurance (2020: PricewaterhouseCoopers Australia)	35,776	60,040
<b>Audit services - unrelated firms<sup>(2)</sup></b>		
Audit or review of the financial statements	–	33,519
Total remuneration of unrelated firms	–	33,519
<b>Total auditor's remuneration</b>	<b>135,776</b>	<b>349,778</b>

(1) The audit or review of the financial statements fee for the year ended 30 June 2021 includes \$Nil (2020: \$71,000) that relates to the prior period.

(2) The audit or review of the financial statements by unrelated firms of PricewaterhouseCoopers Australia for the year ended 30 June 2020 of \$33,519 was by network firms of PKF(NS) Audit & Assurance.



## 31. CONTINGENCIES

### (a) Contingent assets – 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 third tranche of the proceedings was heard by the SICC from 21 to 30 September 2020. Cross examination of witnesses from both sides is now complete. Written closing submissions were provided by both sides on 19 November 2020 and replies were filed on 10 December 2020. The final oral submissions from the parties' legal representatives were made on 9 January 2021. The judgement is reserved.

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

The claim for damages can be broadly summarised as follows:

- i. BCBCS claims for wasted expenditure, being expenses incurred by BCBCS which were rendered futile by reason of Bayan's breach and repudiation of the joint venture;
- ii. further, BCBCS claims for loss of the chance of expanding the capacity of the joint venture to at least 3 million tonnes per annum; and
- iii. interest on any damages award and costs.

During the year, PT Bayan Resources Tbk commenced mining of the concession held by PT Tiwi Abadi, a subsidiary of Kangaroo Resources Limited (KRL). The Company has written to Bayan's solicitors who have confirmed that such mining does not breach the terms of the freezing orders made by the Supreme Court of Western Australia to enforce the damages and costs award, implicit in which is a confirmation by Bayan that it has not diminished the value of its shares in KRL. The Company will continue to monitor these activities.

## 32. COMMITMENTS

### (a) Exploration work

Under the terms of exploration license EL6566 (previously 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 \$5,580,000 (30 June 2020: \$2,317,000) on the area by 8 August 2025. As at 30 June 2021, \$5,534,000 remains to be expended (30 June 2020: \$1,487,000).

The Antakirinja Matu-Yankuntjatjara 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-Yankuntjatjara people's non-exclusive rights to hunt, fish, live, camp, gather and use the natural resources, undertake cultural activities including relating to births and deaths, conduct ceremonies and meetings, and protect places of cultural and religious significance on the land.

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

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

EL6566 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 EL6566 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 EL6566.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 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

	2021 \$	2020 \$
Short-term employee benefits	530,206	1,011,407
Post employment benefits	54,196	49,387
<b>Total</b>	<b>584,402</b>	<b>1,060,794</b>

Detailed remuneration disclosures relating to key management personnel are provided in the remuneration report included in the Directors' report on pages 19 to 26.

### (d) Other Transactions with Key Management Personnel

During the year ended 30 June 2021, employee benefits of \$139,719 (2020: \$118,174) 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 \$170,386 (2020: \$139,249). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2021, Brian Flannery and Travers Duncan, reimbursed the Company for some geological work conducted for their private company Rockland Resources Pty Limited for \$36,000 (2020: \$20,800). This arrangement is based on normal commercial terms and conditions and at the prevailing market rate.

During the year ended 30 June 2020, Brian Flannery and Travers Duncan, were each paid a underwriting fee to underwrite the Company's Entitlement Offer of \$155,071 through their private companies Ilwella Pty Ltd and Gaffwick Pty Ltd atf Duncan Family Trust respectively. The underwriting agreements are based on normal commercial terms and conditions.

### (e) Loans from related parties

	2021 \$'000	2020 \$'000
<b>Loans from Black River</b>		
Movements:		
<b>Beginning of the year</b>	<b>91,785</b>	85,919
Loans advanced	971	1,589
Liabilities contributed to equity of subsidiary	(45,012)	–
Interest charged	3,297	4,121
Exchange rate movement	(8,600)	1,720
Disposed with subsidiaries undertakings	–	(1,564)
<b>End of year</b>	<b>42,441</b>	91,785

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

### (f) Guarantees

White Energy has provided guarantees in respect of property bonds amounting to \$62,000 (2020: \$62,000).

### 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 2021 are set out below:

Name	Country of incorporation / Principal place of business - Principal activities	Ownership interest held by the Group <sup>(1)</sup>	
		2021 %	2020 %
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. <sup>(2)</sup>	USA - Coal mining	—	51.00%
River Energy JV Limited	Mauritius - Coal technology	51.00%	51.00%

(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) On the 15<sup>th</sup> of April 2021 the Group disposed of its 51% interest in Mountainside Coal Company Inc. (MCC), based in Kentucky, USA.

#### (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.

	River Energy JV UK Limited 2021 \$'000	River Energy JV UK Limited 2020 \$'000	River Energy JV Limited 2021 \$'000	River Energy JV Limited 2020 \$'000
<b>Summarised balance sheet</b>				
Total assets	1,159	3,292	1,620	2,276
Total liabilities	(51,161)	(53,687)	(30,086)	(31,705)
<b>Net liabilities</b>	<b>(50,002)</b>	<b>(50,395)</b>	<b>(28,466)</b>	<b>(29,429)</b>
Accumulated non-controlling interests	(16,945)	(20,521)	(14,138)	(14,609)
	River Energy JV UK Limited 2021 \$'000	River Energy JV UK Limited 2020 \$'000	River Energy JV Limited 2021 \$'000	River Energy JV Limited 2020 \$'000
<b>Summarised statement of comprehensive income</b>				
Profit / (Loss) allocated to non-controlling interests	14,655	(1,616)	(790)	(1,149)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 34. INTERESTS IN SUBSIDIARIES (CONTINUED)

### (b) Non-controlling interests (NCI) (continued)

Summarised cash flows	River Energy JV UK Limited 2021	River Energy JV UK Limited 2020	River Energy JV Limited 2021	River Energy JV Limited 2020	River Energy South Africa Pty Limited 2021	River Energy South Africa Pty Limited <sup>(1)</sup> 2020	River Energy Fine Coal Recovery Pty Ltd 2021	River Energy Fine Coal Recovery Pty Ltd <sup>(1)</sup> 2020
Cash flows from operating activities	(151)	(509)	(134)	(212)	–	–	–	–
Cash flows from investing activities	–	–	–	–	–	(289)	–	(20)
Cash flows from financing activities	67	270	40	313	–	–	–	–
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(84)</b>	<b>(239)</b>	<b>(94)</b>	<b>101</b>	<b>–</b>	<b>(289)</b>	<b>–</b>	<b>(20)</b>

(1) On the 1<sup>st</sup> of July 2019 the Group disposed of its 51% interest in South African subsidiary River Energy South Africa Pty Limited. This included the Group's 51% interest in South African subsidiary River Energy Fine Coal Recovery Pty Ltd.

## 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'.

### 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 2021 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)**

<b>Statement of comprehensive income</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Revenue from continuing operations	5,084	7,383
Net loss on disposal of investment in Mountainside Coal Company Inc.	(38,329)	–
Foreign exchange gain	125	39
Employee benefits expense	(1,674)	(1,741)
Depreciation and amortisation expense	(2,112)	(2,111)
Net impairment gains / (losses) on financial assets	39,222	(11,575)
External advisory fees	(5,668)	(2,340)
Occupancy expenses	(75)	(78)
Travel expenses	(2)	(80)
Plant operating costs	(105)	(70)
Accounting, tax and audit fees	(210)	(361)
Other expenses	(1,150)	(637)
Finance costs	(17)	(16)
<b>Loss before income tax</b>	<b>(4,911)</b>	<b>(11,587)</b>
Income tax	–	–
<b>Loss for the year</b>	<b>(4,911)</b>	<b>(11,587)</b>
<b>Other comprehensive (loss) / income</b>		
Exchange differences on translation of foreign operations	(3,472)	3,210
Other comprehensive (loss) / income for the year	(3,472)	3,210
<b>Total comprehensive loss for the year</b>	<b>(8,383)</b>	<b>(8,377)</b>

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

<b>Equity - accumulated losses</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Accumulated losses at the beginning of the financial year	(546,902)	(535,315)
Loss for the year	(4,911)	(11,587)
Accumulated losses at the end of the financial year	(551,813)	(546,902)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 35. DEED OF CROSS GUARANTEE (CONTINUED)

### (c) Consolidated balance sheet (Closed Group)

Set out below is the balance sheet as at 30 June 2021 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	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Cash and cash equivalents	2,194	9,764
Trade and other receivables	3,200	1,010
	5,394	10,774
<b>Non-current assets</b>		
Trade and other receivables	5,739	9,984
Other financial assets	3	3
Property, plant and equipment	306	33
Intangibles	4,508	6,505
Exploration assets	4	4
	10,560	16,529
<b>Total assets</b>	<b>15,954</b>	<b>27,303</b>
<b>Current liabilities</b>		
Trade and other payables	2,057	3,098
Provisions	467	463
	2,524	3,561
<b>Non-current liabilities</b>		
Other payables	9,500	11,511
Provisions	316	284
	9,816	11,795
<b>Total liabilities</b>	<b>12,340</b>	<b>15,356</b>
<b>Net assets</b>	<b>3,614</b>	<b>11,947</b>
<b>Equity</b>		
Contributed equity	521,339	521,339
Reserves	34,088	37,510
Accumulated losses	(551,813)	(546,902)
<b>Total equity</b>	<b>3,614</b>	<b>11,947</b>



## 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 2020 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 and rights granted under the plan. The number of options and rights in the Company held during the financial year is set out below:

2021 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	\$0.19363 <sup>(1)</sup>	18/11/2022	10,000,000	–	–	10,000,000
1/7/2019	\$0.0 <sup>(2)</sup>	30/06/2022	3,400,000	–	–	3,400,000

- (1) All of the Incentive Options had vested and were exercisable at the end of the year. As at 30 June 2021, the remaining term to expiry is 1.4 years. At grant date the options had a fair value of \$0.0308 per option. As a consequence of the 2018 and 2020 pro-rata Entitlement Offers to shareholders, the exercise price was adjusted to \$0.19363 from \$0.20 on 5 June 2020.
- (2) The Incentive Rights 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. As at 30 June 2021, the remaining term to expiry is 1 year. At grant date the rights had a fair value of \$0.044 per right.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 36. SHARE BASED PAYMENTS (CONTINUED)

2020 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	\$0.19363 <sup>(1)</sup>	18/11/2022	10,000,000	–	–	10,000,000
1/7/2019	\$0.00 <sup>(2)</sup>	30/06/2022	–	3,400,000	–	3,400,000

- (1) All of the Incentive Options had vested and were exercisable at the end of the year. As at 30 June 2020, the remaining term to expiry was 2.4 years. At grant date the options had a fair value of \$0.0308 per option. As a consequence of the 2018 and 2020 pro-rata Entitlement Offers to shareholders, the exercise price was adjusted to \$0.19363 from \$0.20 on 5 June 2020.
- (2) The Incentive Rights 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. As at 30 June 2020, the remaining term to expiry was 2 years. At grant date the rights had a fair value of \$0.044 per right.

## 37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

### (a) Contingencies - KSC legal dispute

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

No other matter or circumstance has arisen since 30 June 2021 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.

## 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	
	2021 \$'000	2020 \$'000
<b>Loss after income tax for the year</b>	<b>(19,006)</b>	<b>(14,654)</b>
Adjustments for:		
Share-based payments	50	50
Foreign exchange differences	(97)	(49)
Finance costs	3,415	4,212
Depreciation and amortisation expense	2,112	2,111
Impairment expense	6,854	1,700
Net (gain) / loss on disposal of discontinued operations	(3,097)	1,117
Change in operating assets and liabilities:		
Decrease / (increase) in trade and other receivables	471	(125)
Increase in prepayments	(49)	(347)
(Increase) / Decrease in restricted cash	(119)	451
Decrease in trade and other payables	(1,301)	(4,172)
Increase / (decrease) in other provisions	46	(559)
<b>Net cash outflow from operating activities</b>	<b>(10,721)</b>	<b>(10,265)</b>

**(b) Non-cash Investing and financing activities**

The Group recognised right-of-use assets of \$364,000 (2020: \$1,871,000).

**(c) Reconciliation of liabilities arising from financing activities**

	Loans from shareholders <sup>(i)</sup> \$'000	Lease liabilities \$'000	Other payable <sup>(ii)</sup> \$'000	Financing liabilities total \$'000
<b>2021</b>				
Opening balance	69,011	1,689	115	70,815
Foreign exchange movement	(6,451)	(142)	(9)	(6,602)
Other non-cash changes	(33,884)	451	15	(33,418)
Cash flows	971	(230)	(121)	620
Carrying amount of liabilities disposed	–	(1,396)	–	(1,396)
Closing balance	29,647	372	–	30,019
<b>2020</b>				
Opening balance	67,527	–	299	67,826
Foreign exchange movement	1,407	(36)	11	1,382
Other non-cash changes	–	2,025	(17)	2,008
Cash flows	1,589	(300)	(178)	1,111
Carrying amount of liabilities disposed	(1,512)	–	–	(1,512)
Closing balance	69,011	1,689	115	70,815

(i) Closing loans from shareholders as at 30 June 2021 includes loans of \$Nil (2020: \$36,592,000) from Note 22 which have been classified as held for sale, and loans of \$29,647,000 (2020: \$34,419,000) from Note 23 classified as non-current.

(ii) Closing other payables as at 30 June 2021 includes a loan of \$Nil (2020 \$115,000) from Note 22 which has been classified as held for sale.

**39. EARNINGS PER SHARE****(a) Basic and diluted earnings per share**

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss for the year	(18,913)	(8,172)
Non-controlling interests	1,713	1,945
Loss for the year attributable to the ordinary equity holders of White Energy Company Limited	(17,200)	(6,227)
	Cents	Cents
Basic earnings per share for loss from continuing operations	(2.2)	(1.1)
Diluted earnings per share for loss from continuing operations	(2.2)	(1.1)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

## 39. EARNINGS PER SHARE (CONTINUED)

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Earnings per share for loss from discontinued operations</i>		
Loss for the year from discontinued operations	(93)	(6,482)
Non-controlling interests for loss from discontinued operations	2,480	3,999
Profit / (Loss) for the year attributable to the ordinary equity holders of White Energy Company Limited	2,387	(2,483)

	Cents	Cents
Basic earnings per share for profit / (loss) from discontinued operations	0.3	(0.4)
Diluted earnings per share for profit / (loss) from discontinued operations	0.3	(0.4)

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Earnings per share for loss</i>		
Loss for the year	(19,006)	(14,654)
Non-controlling interests	4,193	5,944
Loss for the year attributable to the ordinary equity holders of White Energy Company Limited	(14,813)	(8,710)

	Cents	Cents
Basic earnings per share for loss	(1.9)	(1.5)
Diluted earnings per share for loss	(1.9)	(1.5)

	Number	Number
<b>(b) Weighted average number of ordinary shares used as the denominator</b>		
Weighted average number of ordinary shares used in calculating basic earnings per share	774,478,719	566,398,839
Weighted average number of ordinary shares used in calculating diluted earnings per share	774,478,719	566,398,839

### 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.

## 40. PARENT ENTITY INFORMATION

### (a) Summary financial information

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

	Parent	
	2021 \$'000	2020 \$'000
<b>Balance sheet</b>		
Total current assets	2,563	10,748
Total assets	12,900	25,056
Total current liabilities	997	1,892
Total liabilities	5,373	6,061
Equity		
Contributed equity	521,337	521,337
Share-based payments	7,112	7,062
Accumulated losses	(520,922)	(509,404)
Total equity	7,527	18,995
<b>Loss for the year</b>	<b>(11,518)</b>	<b>(7,798)</b>
<b>Total comprehensive loss for the year</b>	<b>(11,518)</b>	<b>(7,798)</b>

### (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 (2020: \$62,000). No liability was recognised by the Parent Entity or the Group in relation to these guarantees.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- a. the financial statements and notes set out on pages 30 to 89 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 2021 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 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 2021

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2021



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF WHITE ENERGY COMPANY LIMITED

#### Report on the Audit of the Financial Report

#### Opinion

We have audited the accompanying financial report of White Energy Company Limited (the 'Company'), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year-end or from time to time during the financial year (together the 'Group').

In our opinion, the financial report of White Energy Company Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### 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.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) to the financial report, which indicates that the Group incurred a total comprehensive loss after tax of \$11,363,000 in the year to 30 June 2021. As at that date, the Group had net liabilities of \$26,971,000. The Group's ability to continue as a going concern and meet its debts as and when they fall due is dependent upon the matters described in Note 1(a) to the financial report. These conditions indicate that a material uncertainty exists that may cast significant doubt as to the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
Standards Legislation

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For office locations visit [www.pkf.com.au](http://www.pkf.com.au)



# INDEPENDENT AUDITOR'S REPORT

continued



## 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 of the current period. These 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. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

### 1. Carrying value of capitalised exploration CGU

#### Why significant

As at 30 June 2021 the carrying value of exploration assets was \$4,069,000 (2020: \$10,379,000), as disclosed in Note 16.

Note 16 shows an impairment charge of \$6,355,000 recognised for the year ended 30 June 2021.

The Group's accounting policy in respect of exploration and evaluation expenditure is outlined in Note 1(m). Significant judgement is required:

- in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"); and
- in estimating the recoverable value of exploration assets.

We consider this to be a key audit matter due to the significant carrying value of capitalised exploration assets at 30 June 2021 and impairment charge for the year then ended, and the degree of judgement required in assessing the recoverable amount of the assets.

#### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- assessing whether there are indicators of impairment;
- evaluating management's methodology for determining the recoverable amount of exploration assets and considering whether it was consistent with the Australian Accounting Standards and our understanding of the nature of the mining exploration CGU's assets;
- evaluating the valuation report on the mining exploration CGU prepared by the valuation expert appointed by the Group, by considering the appropriateness of the indicative valuation methodology and the key inputs to the valuation against available market information;
- reviewing management's sensitivity analysis on key assumptions such future coal and gas prices estimates and the development timeline;
- evaluating the competency, qualifications, experience and objectivity of the Group's external valuation expert; and
- assessing the appropriateness of the related disclosures in Note 16.

## Key Audit Matters (cont'd)

### 2. Carrying value of coal technology CGU

#### Why significant

As at 30 June 2021 the carrying value of the licence for BCB Technology was \$5,212,000 (2020: \$7,209,000), as disclosed in Note 15.

Note 15 shows an amortisation charge of \$1,997,000 recognised for the year ended 30 June 2021.

The Group's accounting policy in respect of intangible assets is outlined in Note 1(p).

Significant judgement is required:

- in determining whether facts and circumstances indicate that the coal technology assets should be tested for impairment in accordance with Australian Accounting Standard AASB 136 Impairment of Assets ("AASB 136"); and
- in estimating the recoverable value of the coal technology CGU.

We consider this to be a key audit matter due to the significant carrying value of the licence for BCB Technology at 30 June 2021, the uncertainty of successful commercialisation, and the degree of judgement required in assessing the recoverable amount of the assets.

#### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- assessing whether there are indicators of impairment;
- evaluating management's methodology for determining the recoverable amount of the coal technology CGU and considering whether it was consistent with the Australian Accounting Standards and our understanding of the nature of the coal technology CGU's assets;
- evaluating the valuation report on the coal technology CGU prepared by the valuation expert appointed by the Group, by considering the appropriateness of the indicative valuation methodology and the key inputs to the valuation against available market information;
- evaluating the competency, qualifications, experience and objectivity of the Group's external valuation expert; and
- assessing the appropriateness of the related disclosures in Note 15.

# INDEPENDENT AUDITOR'S REPORT

continued



## Key Audit Matters (cont'd)

### 3. Disposal of subsidiaries

#### Why significant

During the year the Group sold its 51% interest in Mountainside Coal Company Inc., as disclosed in Note 9.

A loss of \$93,000 was recognised in the statement of profit or loss and other comprehensive income in relation to discontinued operations, which included a gain of \$3,097,000 relating to the disposal of discontinued operations.

We consider this to be a key audit matter due to the significant carrying value of the disposal group classified as held for sale prior to disposal, and the non-routine nature of the transaction.

#### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- reviewing the terms of Share Purchase Agreement;
- agreeing the amount of consideration received to source documents;
- evaluating management's assessments of expected credit losses in relation to consideration receivable at 30 June 2021;
- assessing the accuracy of the loss on disposal of discontinued operations;
- reviewing the calculations regarding the financial effect of discontinued operations on the face of the statement of profit or loss and other comprehensive income and Note 9; and
- assessing the appropriateness of the related disclosures in Note 9.

## Other Information

Other Information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the directors' report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.



## Directors' Responsibilities 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 Group's ability 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

continued



## Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of White Energy Company Limited for the year ended 30 June 2021, 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.

The PKF logo is displayed in a bold, black, sans-serif font.

PKF

A handwritten signature in black ink, appearing to read 'STobutt'.

SCOTT TOBUTT  
PARTNER

27 SEPTEMBER 2021  
SYDNEY, NSW

# SHAREHOLDER INFORMATION

as at 24 September 2021

The shareholder information set out below was applicable as at 24 September 2021.

## (a) DISTRIBUTION OF EQUITY SECURITIES

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

	Ordinary shares <sup>(1)</sup>			Options <sup>(2)</sup>			Rights <sup>(3)</sup>		
	Holders	Securities	Securities %	Holders	Securities	Securities %	Holders	Securities	Securities %
1 – 1,000	3,161	584,595	0.08%	–					
1,001 – 5,000	576	1,460,965	0.19%	–					
5,001 – 10,000	173	1,339,217	0.17%	–					
10,001 – 100,000	313	10,406,151	1.34%	–					
100,001 & Over	123	760,687,791	98.22%	1	10,000,000	100.00%	5	3,400,000	100.00%
	4,346	774,478,719	100.00%	1	10,000,000	100.00%	5	3,400,000	100.00%

1. There were 3,666 holders of less than a marketable parcel of ordinary shares.

2. Options:

Expiry date	Exercise Price	Number of Options
18 November 2022	\$0.19363	10,000,000

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

3. Rights:

Expiry date	Exercise Price	Number of Rights
30 June 2022	\$0.00	3,400,000

Incentive Rights 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 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.

## (b) SUBSTANTIAL SHAREHOLDERS

Name	Number held	Percentage
Gaffwick Pty Ltd*	158,749,045	20.50%
M&G Investment Funds*	102,430,167	19.83%
Ganra Pty Ltd*	152,598,291	19.70%

\* based on last form 604 'Notice of Change of Interests of Substantial Shareholder' lodged with the Australian Securities and Investments Commission. The Company has confirmed with M&G Investments Funds that, although its shares held have increased from those stipulated in its last form 604 notice as shown above, its percentage held of the Company has not changed to a material extent that requires it to lodge an updated form 604 notice.

## (c) RESTRICTED SECURITIES

At 30 June 2021, the Company does not hold any restricted securities.

# SHAREHOLDER INFORMATION

continued

## (d) EQUITY SECURITY HOLDERS

### Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	287,067,882	37.07
CITICORP NOMINEES PTY LIMITED	178,481,462	23.05
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	50,046,047	6.46
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	41,432,095	5.35
MR HANS J MENDE	25,062,030	3.24
GANRA PTY LTD	13,114,286	1.69
REMOND HOLDINGS PTY LIMITED <DEFINA A/C>	12,007,293	1.55
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	11,369,238	1.47
BOND STREET CUSTODIANS LIMITED <PETKIN - D62111 A/C>	10,562,805	1.36
REMOND HOLDINGS PTY LIMITED <DEFINA A/C>	9,836,448	1.27
P K M PTY LIMITED <THE PKM SUPER A/C>	9,250,000	1.19
MR BRIAN JOSEPH FLANNERY	9,000,000	1.16
AMCI WORLDWIDE LIMITED	7,648,190	0.99
BIMOSA PTY LTD	6,482,234	0.84
MRS PATRICIA MCALARY	5,600,000	0.72
FIBORA PTY LTD	5,095,685	0.66
MR FRITZ R KUNDRUN	5,062,030	0.65
MR ROBERT NORMAN COX + MRS DIANE ELIZABETH COX <ROBERT & DIANE COX SUPER A/C>	4,950,000	0.64
BNP PARIBAS NOMS PTY LTD <DRP>	4,241,942	0.55
JAMARI PTY LTD <JAMARI P/L STAFF SUPER A/C>	3,910,619	0.55
	<b>700,220,286</b>	<b>90.41</b>

Unquoted equity securities	Options
Number on issue	10,000,000
Number of holders	1
Options expiry date	18 November 2022
Options exercise price	\$0.19363

Unquoted equity securities	Rights
Number on issue	3,400,000
Number of holders	5
Rights expiry date	30 June 2022
Rights exercise price	\$0.00



## **(e) VOTING RIGHTS**

The voting rights attaching to each class of equity securities are set out below:

### **(i) Ordinary shares:**

Subject to any rights or restrictions for the time being attached to any class of shares, at a meeting of shareholders each shareholder entitled to vote may vote in person or by proxy or attorney or, being a corporation, by representative duly authorised under the Corporations Law, and has one vote on a show of hands and one vote per fully paid share on a poll.

### **(ii) Options:**

No voting rights.

### **(iii) Rights:**

No voting rights.

## **(f) EXCHANGES ON WHICH THE COMPANY'S SECURITIES ARE QUOTED**

White Energy securities are quoted on the following exchanges:

ASX under the code WEC.

OTCQB under the code WECFF.

## **(g) INTERESTS IN MINING TENEMENTS**

Below is a listing of the Company's interest in mining tenements, where they are situated and the percentage interest the Company holds in each.

The Company's wholly owned subsidiary, South Australian Coal Pty Ltd (SAC), holds a 100% interest in the following mining tenement and retention lease all of which are located at Lake Phillipson near Coober Pedy, South Australia:

- EL6566; and
- RL104.

The total JORC coal resources of EL6566 is estimated at 1,130.4 million tonnes based on the 2011 drilling program as certified in March 2012.

	JORC Resources Estimate – 31 December 2011			
	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Main Basin	11.5	155.6	583.0	750.1
West Basin	0.0	189.2	191.2	380.3
<b>Total</b>	<b>11.5</b>	<b>344.8</b>	<b>774.2</b>	<b>1,130.4</b>

There has been no change to the total JORC coal resource estimate for EL6566 since March 2012.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

SAC used an independent external consultant to prepare the 2004 JORC coal resource estimate.

The Company holds a 100% interest in the following mining tenement, which is located at Lake Phillipson near Coober Pedy, South Australia:

- PELA674.

## SHAREHOLDER INFORMATION

continued

### COMPETENT PERSONS STATEMENT

The information in this Annual Report which relates to Exploration Results, Mineral Resources or Ore Reserves at EL6566, for coal, is based on information compiled by Jonathan Barber, who is a member of the Australasian Institute of Mining and Metallurgy. Jonathan Barber is an employee of Jon Barber Mining Consultants Pty Ltd and has been engaged as a consultant to South Australian Coal Limited. Jonathan Barber has sufficient experience which is relevant to the style of mineralization and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined is the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Jonathan Barber consents to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

## CORPORATE INFORMATION

### DIRECTORS

Graham Cubbin  
CHAIRMAN

Brian Flannery  
MANAGING DIRECTOR

Travers Duncan  
NON-EXECUTIVE DIRECTOR

Vincent O'Rourke  
NON-EXECUTIVE DIRECTOR

### COMPANY SECRETARY

David Franks

### PRINCIPAL REGISTERED OFFICE

#### White Energy Company Limited

Level 5  
126 Phillip Street  
Sydney NSW 2000

### PRINCIPAL PLACE OF BUSINESS

#### White Energy Company Limited

Level 7  
167 Eagle Street  
Brisbane QLD 4000

### SHARE REGISTRY/PRINCIPAL REGISTER

#### Automic Pty Ltd

Level 5  
126 Phillip Street  
Sydney NSW 2000

Telephone: 1300 288 664 +61 2 9698 5414  
Facsimile: +61 2 8583 3040

### AUDITOR

#### PKF(NS) Audit & Assurance Limited

Level 8  
1 O'Connell Street  
Sydney NSW 2001

### STOCK EXCHANGE LISTING

White Energy Company Limited shares are listed on the Australian Securities Exchange (WEC) and also traded on the US based OTCQB exchange (WECFF).

### WEBSITE ADDRESS

[www.whiteenergyco.com](http://www.whiteenergyco.com)



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