white energy company limited

ABN 62 071 527 083

A DIVERSIFIED COAL COMPANY

ANNUAL REPORT 2014

A SOLID PLATFORM FOR FUTURE GROWTH

AN INCOME PRODUCING COAL MINING ASSET

AN ADVANCED STAGE PROPRIETARY TECHNOLOGY

AN EXCITING PIPELINE OF OPPORTUNITIES

AN INDUSTRY LEADING BOARD AND MANAGEMENT TEAM

AND A STRONG BALANCE SHEET

COVER IMAGE
Upgraded MCC coal briquettes produced at the Cessnock Demonstration Plant.

white energy company limited

FOLLOWING THE ACQUISITION OF MOUNTAINSIDE COAL COMPANY (MCC) IN OCTOBER 2013, WHITE ENERGY HAS SECURED AN INCOME PRODUCING ASSET. WHEN COMBINED WITH ITS INDUSTRY LEADING TECHNOLOGY AND AN EXCITING PIPELINE OF PROJECTS CURRENTLY UNDER DEVELOPMENT, WHITE ENERGY IS WELL POSITIONED FOR FUTURE GROWTH.

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COMPANY PROFILE

BUCKSKIN PROJECT, WYOMING

MOUNTAINSIDE COAL COMPANY INC., KENTUCKY

WHITE ENERGY IS AN AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTED GLOBAL OPERATING BUSINESS, WHICH IS STRUCTURED AROUND TWO CORE BUSINESS DIVISIONS

COAL TECHNOLOGY

BENEFICIATE AND BRIQUETTE BITUMINOUS COAL FINES
(thermal, coking)

UPGRADE SUB-BITUMINOUS COAL

COAL MINING AND EXPLORATION

COAL MINING

MINING EXPLORATION

CHAIRMAN'S LETTER

Open-cut mining operations at Flag Ridge.

I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK ALL SHAREHOLDERS FOR THEIR CONTINUED SUPPORT OF WHITE ENERGY OVER THE PAST YEAR

Dear Shareholders

As shareholders will be aware, companies in the coal industry and with projects in the early stage of development have suffered from depressed market conditions and White Energy has been no exception, with our share price trading at a discount to the value of our underlying assets.

Despite these adverse conditions, interest in our world leading Binderless Coal Briquetting ("BCB") technology continues to grow. The ability to beneficiate and briquette bituminous coal fines continues to generate significant interest in the major coal producing areas of North America and South Africa. The application of our BCB technology to coal fines was a significant factor in the decision to acquire Mountainside Coal Company Inc. (Mountainside Coal) and also in the decision by Black River Asset Management LLC (Black River) to join in this investment as an extension of the River Energy South Africa joint venture (White Energy 51%: Black River 49%) which now covers the U.S., Canada, Australia, New Zealand and South Africa.

When the coal washing and sizing station at Mountainside Coal is completed in the December 2014 quarter, we will move into the low ash sized coal market. We are also investigating the export alternative for this specialised stoker coal. This Blue Gem seam coal produced by Mountainside Coal will be one of the best quality low ash coals in the field for silica and ferrosilica production.

We are targeting the leasing of further Blue Gem seam coal areas in the vicinity of the Mountainside Coal washing and sizing station. The acquisition of Mountainside Coal and the new facilities under construction are being funded by the joint venture from its shareholders' own cash reserves. The construction of the proposed BCB plant is planned to be funded by third party debt. A decision is expected to be made by the end of the year on this matter.

Travers Duncan inspecting the Cessnock Demonstration Plant.

The River Energy joint venture in South Africa has made solid progress over the past year, as it continues its focus on fine coal beneficiation in the South African coal market.

Indonesia continues to be a target market for the Company where most of the resources are likely to be suitable for upgrading using the BCB technology, which has the potential to enhance the value of such projects.

The litigation between White Energy's wholly owned subsidiary, BCBC Singapore Pte Ltd, and Bayan Resources in Singapore is ongoing with a trial expected in 2015.

A further impairment was taken up in the accounts relating to South Australian Coal Limited. The valuation of coal technology assets was confirmed and no impairment was required. The Company's cash at year end was $56m.

The Company's corporate governance framework has been updated to address the new ASX recommendations and can be found at page 34 of this report.

The Company's Board and management team are focused on delivering positive EBITDA within the next three years, with the objective of placing the Company in a position to be able to pay a dividend in the medium term.

The Managing Director's proposed remuneration package has been structured to achieve the above results. I strongly recommend the Managing Director's proposed long-term remuneration incentive for shareholder approval.

I would like to thank all stakeholders in the Company for their support in 2014 and I recommend shareholder approval for all resolutions to be voted on at the 2014 Annual General Meeting.

Travers Duncan

Travers Duncan
Chairman
3 October 2014

The ability to beneficiate and briquette coal fines continues to generate significant interest in the major coal producing areas of North America and South Africa

MANAGING DIRECTOR'S LETTER

The MCC wash plant is currently under construction.

WHITE ENERGY HAS MADE GOOD PROGRESS OVER THE PAST YEAR IN ITS BUSINESS STRATEGY OF BECOMING A LEADING DIVERSIFIED COAL COMPANY THROUGH COAL MINING AND COAL TECHNOLOGY

Dear Shareholders

It has taken time for us to recover from the damage done by the pre-mature closure of our first commercial BCB plant in Indonesia in 2011, but we are now moving positively in achieving our strategy.

Coal Mining and Exploration Activities

North America

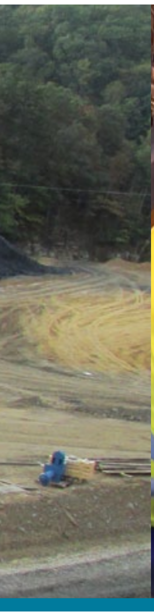
In October 2013 White Energy purchased Mountainside Coal located in Kentucky, U.S..

Mountainside Coal produced 400 to 500 thousand tons per year of good quality thermal coal, supplying several local and interstate manufacturers. Mountainside Coal assets included several leases of very low ash (1% to 2%) and low impurity coal.

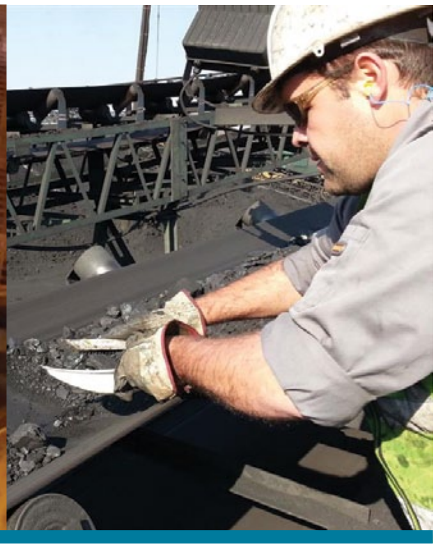
The seams of coal are relatively thin and during the mining process the rock above and below the seam gets mixed with the coal and relegates it to the thermal coal market. Our strategy in buying Mountainside Coal was to install a coal wash plant and produce a low ash (sub 2%) sized coal for sale into the domestic and export silica and ferrosilica smelting markets. The wash plant construction is nearing completion. Currently none of this coal is exported from the U.S..

We are also completing the engineering and permitting required to convert the fine coal into a sized coal product for sale into the same markets, using White Energy's proprietary BCB technology. A decision to proceed with this plant will be made later this year with an expected completion date of late 2015. At that stage the majority of our coal will be sold into the value added sized coal smelting markets. This low ash coal is a speciality coal, commanding a premium price.

The thermal coal market remains oversupplied in the U.S. and worldwide and will take some time for demand to catch up with recent expansions in the supply side.



River Energy employees inspecting a sample of briquettes following the commercial scale materials.



River Energy representative belt sampling at the Woestalleen Colliery.

Several producers in the Powder River Basin ("PRB") (Wyoming, U.S.) are attempting to gain approval to construct coal terminals on the west coast for export of coal into Asia. So far no approvals have been forthcoming. The PRB Coals are generally high moisture and White Energy's BCB technology has successfully been tested on these coals.

The proposed BCB plant in Kentucky, once completed in 2015, can also be used to conduct bulk sample testing on PRB coals and demonstrate the technology in North America.

South Australian Coal Limited (SAC) – EL4534

We are continuing to conduct test work and feasibility studies on mining and gasifying this large coal deposit onsite. Discussions have progressed with several companies who have expertise in this area of coal gasification and who may be interested in a joint venture with SAC.

Queensland Coal Exploration Permit – EPC25623

White Energy was advised by the Queensland Department of Natural Resources and Mines (DNRM) of its appointment as the preferred tenderer for a coal exploration area in Queensland in May 2014. White Energy had previously applied for 2 of 7 coal areas in Queensland put out to tender by the DNRM, and have been successful with one of these applications. The exploration permit reference number is EPC 25623 and covers an area 15 kilometres south of the town of Middlemount in the central Queensland coalfields.

In applying for the coal exploration permit, White Energy was required to commit to a 4 year exploration program currently under assessment by the DNRM, aimed at identifying coal resources in the subject area. The application included nominal application fees.

The Company has completed the relevant acceptance and ancillary application forms for assessment by the DNRM, and awaits the formal grant of EPC25623 by the DNRM.

BCB Coal Upgrading Technology

In South Africa, our 51% owned River Energy joint venture has completed a 100 tonne burn test of upgraded briquettes made from fine discarded coal. This test was carried out for one of the large mining companies and was very well received. Another similar trial is underway and we are in discussions with two other groups regarding similar tests. We are at various stages of testing and/or commercial discussions with most of the major operators in the South African coal/power industry.

Our team of geologists based in Indonesia are conducting due diligence on several mine sites/projects with a view to WEC entering into a joint venture. Offers have been made but at the time of finalising this report no transactions have been concluded.

We are also testing a high moisture coal supplied from western China. The test work looks very encouraging and we expect to move to the next stage of a larger sample which will be put through our Cessnock Production Plant.

Thank You

I would like to thank our shareholders, business partners and employees for their continued support throughout 2014 and I look forward to achieving our targets at Mountainside Coal over the next twelve months and to conclude a commercial plant construction agreement in South Africa.

Brian Flannery
Managing Director
3 October 2014

DIVISION HIGHLIGHTS

COAL TECHNOLOGY

COUNTRY	MAIN OPERATING COMPANY	OWNERSHIP BY WHITE ENERGY	FOCUS	PROJECTS
SOUTH AFRICA	RIVER ENERGY SOUTH AFRICA PTY LTD ("RESA")	51%	BENEFICIATION AND BRIQUETTING BITUMINOUS THERMAL COAL FINES	WOESTALLEEN – PHASE ONE, WOESTALLEEN – PHASE TWO,* ANGLO AMERICAN,* OTHER*
AUSTRALIA	WHITE ENERGY COMPANY LIMITED	100%	RESEARCH AND DEVELOPMENT	CESSNOCK DEMONSTRATION AND PILOT PLANT
U.S.	WHITE ENERGY NORTH AMERICA INC. ("WECNA")	100%	UPGRADE SUB-BITUMINOUS COAL	BUCKSKIN MINING (100%),* PEABODY ENERGY (55%)*
U.S.	MOUNTAINSIDE COAL COMPANY ("MCC")	51%	BENEFICIATION AND BRIQUETTING BITUMINOUS METALLURGICAL COAL FINES	INDIAN GAP BCB PLANT
INDONESIA	WHITE ENERGY COMPANY LIMITED (JAKARTA REPRESENTATIVE OFFICE)	100%	UPGRADE SUB-BITUMINOUS COAL	DUE DILIGENCE (IN PROGRESS)

* Proposed future projects

Anglo American representatives conducting coal fines sampling as part of the DFS with RESA.

Inspection of briquettes produced from South African coal fines.

SOUTH AFRICA

River Energy JV Limited (River Energy), is a joint venture formed in 2009 between Binderless Coal Briquetting Company Pty Ltd (51% ownership interest) and Black River Investment WEC Africa LLC (49% ownership interest). RESA, a 100% owned subsidiary of River Energy is the Company's operating subsidiary in the South African market.

River Energy holds the exclusive license for the BCB technology for the African coal market. RESA continues to focus on the commercialisation of the BCB technology for the purposes of recovering, beneficiating and briquetting discarded thermal coal fines in the South African market, which has been identified as a significant economic opportunity for the Company, whilst at the same time providing significant environmental benefits for coal producers.

During April 2014, RESA entered into a binding agreement with the owners and operators of the Woestalleen Colliery, a coal processing hub. The binding agreement sets out a phased approach to the overall project implementation. The project comprises two phases, firstly the construction and operation of a fine coal beneficiation plant as phase one and secondly, the exclusive right to build, own and operate a standalone BCB plant as phase two. The agreement also entitles RESA to purchase all of the existing and new arising coal fines at the Woestalleen site for the life of the project.

In addition to the Woestalleen project, RESA remains in active commercial discussions with several major coal producers in South Africa, in respect of the application of the BCB technology as a commercial solution to the growing quantity of coal fines which exists across the mine sites operated by the coal producers in question. Commercial discussions regarding a proposed 500,000 tonne per annum BCB plant are currently underway with a major coal producer following completion of a DFS during 2013, while RESA recently commenced another DFS for a 700,000 tonne per annum BCB plant at the Anglo Operations Proprietary Limited (AAC) Goedehoop mine.

FY2013/2014 Highlights

Successfully completed a commercial scale materials handling and PF boiler burn test on a 100 tonne sample of briquettes produced from South African coal fines from one of the top four producers mines.

Signed a binding agreement with the owners and operators of the Woestalleen Colliery which:

(i) Allows RESA to build a fine coal beneficiation plant;

(ii) Provides RESA with the exclusive right to build, own and operate a 250,000 tonne per annum standalone BCB plant on site; and

(iii) Provides RESA with access to all existing and new arising coal fines for the life of the project.

Completed a second major Detailed Feasibility Study ("DFS") for a proposed 500,000 per annum BCB plant with a major coal producer with commercial discussions now in progress.

Commenced a DFS with Anglo American Coal for a proposed 700,000 tonne per annum BCB plant.

FY2014/2015 Target Milestones

Construct and commission a coal fines beneficiation plant at Woestalleen (Phase One);

Commence construction of a BCB Plant at Woestalleen (Phase Two).

Reach agreement to construct a BCB plant with another major South African coal producer.

White Energy Board members and management touring the Cessnock Demonstration Plant.

MCC upgraded coal briquettes produced at the Cessnock Demonstration Plant.

White Energy representatives investigating a potential coal property in Indonesia.

AUSTRALIA

White Energy's Cessnock Demonstration Plant continues to operate as a key testing and training facility for the Company. The Demonstration Plant and a smaller Pilot Plant located on site are critical to the ongoing development of the BCB technology. The Cessnock facility enables the Company to test the responsiveness of different coal samples sourced from various locations around the world, to the BCB process.

The Demonstration Plant, which was originally designed to process sub-bituminous coal samples, now has the flexibility to process coal fines samples following a capital upgrade in 2012. This enables the Company to showcase the BCB technology to prospective customers and has been invaluable in supporting the purchase of Mountainside Coal and advancing the opportunities currently under consideration in both South Africa and Indonesia.

FY2013/2014 Highlights

Completed pilot scale testing of coal fines supplied by MCC at the Cessnock Production Plant.

Tested various refinements made to the commercial briquetting machine to process coal fines.

FY2014/2015 Target Milestones

Ongoing development of BCB technology through continued investment in R&D activities.

Conduct a number of extended Demonstration Plant campaigns using both bituminous coal fines and sub-bituminous coals.

U.S.

WECNA was established as White Energy's North American subsidiary in 2008. WECNA has actively pursued the commercialisation of the BCB technology, as applied to sub-bituminous coal upgrading opportunities in the Powder River Basin, through the establishment of strategic alliances with several producers operating in that region.

WECNA obtained a minor source clean air-permit during 2013, which enables it to construct a BCB plant at the Buckskin mine, owned by the Kiewit Group.

It is also currently envisaged that similar air-permit applications for other coal producers will be submitted.

The Company's longer term business strategy is to work closely with Powder River Basin coal producers, including Buckskin to develop a low moisture and higher calorific value product to market. A number of U.S. coal producers are seeking approvals to build coal export terminals at various locations on the west coast of the U.S.. It may therefore take a number of years before the proposed Powder River Basin coal upgrading projects become operational.

In the meantime, the Company's resources are focused on the planned construction of a BCB plant at MCC, to process the high value metallurgical coal fines into briquettes. Refer to page 10 for more details in relation to this opportunity.

FY2013/2014 Highlights

Obtained a minor source clean air-permit to construct a BCB plant at the Buckskin mine.

FY2014/2015 Target Milestones

Commence construction of a BCB plant at MCC.

Continue to evaluate market conditions, specifically progress with coal export facilities.

INDONESIA

The Indonesian market remains a key priority in the Company's future growth plans. The BCB technology has been proven to add significant value through the upgrading of low rank sub-bituminous feedstock coals. The Indonesian coal market is ideally positioned within the growing Asian market and with its general abundance of low rank feedstock coals, continues to present a significant opportunity for the Company.

White Energy representatives have continued to undertake due diligence activities across a number of potential sub-bituminous coal areas in the East Kalimantan region of Indonesia. The coal properties comprise a mixture of coal qualities, with a large portion likely to be suitable for upgrading using the BCB technology. The Company is focused on the acquisition of a majority equity interest in good quality, low cost mining assets which can provide control and certainty of feedstock coal supply and enable it to capture a greater portion of the value chain.

FY2013/2014 Highlights

Worked with several parties to identify and conduct due diligence over a number of coal deposits.

FY2014/2015 Target Milestones

Purchase a suitable sub-bituminous coal mining asset.

DIVISION HIGHLIGHTS
COAL MINING AND EXPLORATION

Structure

COUNTRY	MAIN OPERATING COMPANY	OWNERSHIP BY WHITE ENERGY	PROJECTS
U.S.	MOUNTAINSIDE COAL COMPANY INC. ("MCC")	51%	HATFIELD GAP COAL MINE, FLAG RIDGE COAL MINE, FLAT CREEK COAL MINE*, INDIAN GAP WASH PLANT, BCB PLANT*, OTHER LICENSED AREAS*
AUSTRALIA	SOUTH AUSTRALIAN COAL LIMITED	100%	LAKE PHILLIPSON – EL4534
AUSTRALIA	WHITE ENERGY COMPANY LIMITED	100%	BOWEN BASIN – EPC25236 (AWAITING FORMAT PERMIT TO BE ISSUED)

* Proposed future projects

Open-cut mining operations at Flag Ridge using highwall mining equipment.

U.S.

On 4 October 2013 the Company successfully completed the purchase of 100% of the capital stock of MCC for US$20.1 million. The purchase price paid was inclusive of all mine infrastructure, plant, equipment, permits and unsold coal stocks.

Since being acquired by White Energy, the majority of MCC's operations have been focused at two open cut mine sites, Hatfield Gap and Flag Ridge, which collectively produced approximately 300,000 tons of coal since acquisition date. The coal produced at both sites has predominately been sold into the domestic power and industrial markets, where selling prices have remained under significant pressure.

While the purchase of MCC provides White Energy with an immediate revenue stream, the key rationale for acquiring the company was to increase the quantum of sales of premium low-ash coal product into niche markets delivering attractive commercial returns, as well as provide the opportunity to showcase the BCB technology in the key U.S. market.

It is White Energy's intention to expand the MCC business in a stepped process, including the commissioning of a coal wash plant and BCB plant at the site.

MCC anticipates a significant uplift in overall product quality once a wash plant is commissioned during the last quarter of 2014. The commissioning of the wash plant is also expected to coincide with the opening of the proposed mine at Flat Creek which contains high quality, low-ash Blue Gem seam coal resources.

MCC management anticipates a further increase in the quantum of higher quality product sales once the proposed BCB plant is operational. The final stages of BCB plant design planning are being supplemented by commercial scale product trials at the Cessnock Demonstration Plant.

In addition to its current coal mining operations, MCC remains focused on completing an exploration program which is aimed at accurately identifying coal resources at existing mines, as well as other potential new resources across the number of leased areas which have been earmarked by MCC for future mining.

MCC anticipates a significant uplift in overall product quality once a wash plant is commissioned during the last quarter of 2014

The MCC reclamation process from left to right: newly sloped areas at Flag Ridge, seeding at Jellico Creek and vegetation growth after one year at Flag Ridge.

In January 2014, the Company successfully completed a transaction with a third party investor in MCC, who is jointly financing the construction of the new coal wash plant and proposed BCB plant. A fund managed by Black River purchased a 49% equity interest in a UK holding company called River Energy JV UK Limited ("REUK"), as part of the expanded joint venture arrangement entered into between White Energy and Black River.

Under the agreement, Black River paid US$17.8 million for the 49% interest in REUK. REUK holds exclusive rights for the BCB technology, as applied to bituminous coal fines processing, in the U.S., Canada, Australia and New Zealand and is the owner of MCC.

Black River's investment in REUK provides a substantial capital base from which to grow the MCC business and also target other coal fines investment opportunities in North America and Australasia.

FY2013/2014 Highlights

- Completed the purchase of 100% of the capital stock of MCC.
- Completed the handover of operations at MCC from the previous owners, including the appointment of new management and installation of new accounting and IT systems.
- Commenced construction of a new wash plant.
- Commenced the process of obtaining a permit to build and operate a BCB plant at MCC.

FY2014/2015 Target Milestones

- Commence mining operations at the proposed Flat Creek coal mine.
- Construct and commission a new coal wash plant at MCC.
- Commence construction of a BCB plant at MCC.

Core from the 2012 South Australian Coal drilling program undertaken.

AUSTRALIA
SOUTH AUSTRALIAN COAL

During 2010, White Energy purchased SAC. SAC holds the exploration rights to a large sub-bituminous coal deposit located in Northern South Australia (EL4534).

The SAC exploration area, which is 1,367 square kilometres in size, contains the Lake Phillipson sub-bituminous coal deposit.

SAC conducted drilling programs in 2011 and 2012 which identified total JORC resources of 1,130.4MT:

JORC RESOURCES ESTIMATE – 31 DECEMBER 2011

MEASURED	INDICATED	INFERRED	TOTAL
MT	MT	MT	MT
11.5	155.6	583.0	750.1
0.0	189.2	191.2	380.3
11.5	**344.8**	**774.2**	**1,130.4**

A key advantage of EL4534 is that the Darwin to Adelaide railway runs through the deposit.

FY2013/2014 Highlights

Continued to evaluate the commercialisation options for the Lake Phillipson coal deposit (EL4534).

FY2014/2015 Target Milestones

Continue to evaluate EL4534 for coal applications including coal gasification.

AUSTRALIA
BOWEN BASIN

During May 2014, White Energy was appointed as the preferred tenderer for a coal exploration area in Queensland. The exploration permit (EPC 25623) covers an area 15 kilometres south of the town of Middlemount in the central Queensland coalfields.

In applying for the coal exploration permit, White Energy has committed to a 4 year exploration program currently under assessment by the Department of Natural Resources and Mines ("DNRM"), aimed at identifying coal resources in the subject area.

The Company currently awaits the formal issue of the exploration permit prior to commencing exploration works.

FY2013/2014 Highlights

Advised that it was the preferred tenderer for a coal exploration area in the Bowen Basin (EPC 25623).

FY2014/2015 Target Milestones

Commence exploration program at EPC25623.

YEAR ENDED 30 JUNE 2014

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 2014.

Directors

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

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

John Kinghorn was a Director from the beginning of the financial year until his resignation on 2 August 2013.

Principal activities

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

(a) the ongoing development/exploitation of the Binderless Coal Briquetting ("BCB") technology;

(b) the operation of coal mines at Mountainside Coal Company Inc. ("MCC"); and

(c) the evaluation of mining exploration assets.

Dividends – White Energy

No amounts have been paid or declared by way of dividend during the current financial year (2013: Nil).

Operating and financial review

During the financial year White Energy continued to develop its business strategy of becoming a leading diversified coal mining and coal technology company. Fundamentally, the objective of this business strategy is the production and sale of high value coals into export markets and niche domestic markets, utilising the patented BCB technology where relevant. The acquisition of MCC in October 2013 was an important strategic acquisition which will not only provide the Company with an ongoing revenue stream, but is also intended to provide the opportunity for the Company to showcase its BCB technology in the key U.S. market.

North America

(i) Mountainside Coal Company Inc. ("MCC")

Since acquiring MCC in October 2013, the Company made coal sales which generated $22.8m in revenue for the Group. The majority of the coal produced by MCC has been sold into the U.S. domestic power and industrial markets, where selling prices remained under significant pressure throughout the year. This, coupled with the fact that MCC has absorbed a number of additional integration costs in the period since acquisition, including equipment maintenance and site wages, has resulted in an overall operating loss for the Group for the period since acquisition in October 2013. White Energy's 51% share of MCC's losses for the year ended 30 June 2014 is $4.3m (EBITDA $2.8m).

MCC is currently operating at two mine sites, Hatfield Gap and Flag Ridge, having closed one uneconomic mine at Jellico Creek since acquisition of the Company.

The key to the future growth and profitability of MCC is the successful construction and commissioning of a coal wash plant and BCB plant as part of the overall operation. MCC's strategy is to significantly increase the quantum of sales of low-ash sized coal product into specialty markets, where such product is sold at an attractive premium.

MCC anticipates a significant uplift in overall product quality once the wash plant is commissioned, which is also expected to coincide with the opening of the proposed mine at Flat Creek, containing the best reserves of the higher quality Blue Gem coal. This ability to produce speciality coal to customer specifications is expected to deliver higher revenues, and provide a path to sustained profitability for MCC, from the start of 2015. The construction of the new coal wash plant at one of MCC's leased sites is progressing well and the plant is expected to be commissioned in the December 2014 quarter.

The MCC team are currently in the process of obtaining an air-permit to build and operate a BCB plant at one of the Company's sites. The design of the BCB plant is in progress and is due to be complete in late 2014. The design work is being supplemented by commercial scale product trials at the Company's Cessnock Production Plant. The commercial scale product trials are focused on optimisation of the equipment to be deployed in the overall BCB plant design. At this stage, MCC management expects that the construction and commissioning of the BCB plant will take place towards the end of 2015.

MCC is also focused on completing an exploration program to better define resources and reserves at Hatfield Gap, Flat Creek and other potential new resources across the leased areas which have been earmarked by MCC for future mining.

In January 2014 the Company successfully completed a transaction with a third party investor in MCC, which will help to finance the construction of the new coal wash plant and the proposed BCB plant. A fund managed by Black River Asset Management ("Black River"), a wholly owned and independently managed subsidiary of the Cargill Group, purchased a 49% equity interest in a UK holding company called River Energy JV UK Limited ("REUK"), as part of the expanded joint venture arrangement entered into between White Energy and Black River.

Under the agreement, Black River paid US$17.8 million for its 49% interest in REUK. REUK holds exclusive rights for the BCB technology, as applied to bituminous coal fines processing, in the U.S., Canada, Australia and New Zealand and is the owner of MCC. Completion of the transaction occurred on 21 January 2014.

Black River's investment in REUK will provide a substantial capital base from which to grow the MCC business and also target other coal fines investment opportunities in the coal markets referred to above.

YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT | CONTINUED

(ii) Buckskin Project, Wyoming

During the year ended 30 June 2014, the Company, via its wholly owned U.S. subsidiary, White Energy Coal North America Inc. obtained a minor source clean air-permit to construct a BCB plant at the Buckskin mine, owned by the Kiewit Group and located in the Powder River Basin, Wyoming, U.S..

One of the Company's long-term business strategies for its BCB technology is to work with Powder River Basin coal producers to develop a low moisture and higher calorific value product to market. A number of U.S. coal producers are seeking approvals to build coal export terminals at various locations on the west coast of the United States. It may therefore take a number of years before the Company's proposed Powder River Basin projects become operational.

Africa

The Company's 51% joint venture vehicle, River Energy JV Limited (River Energy), has continued to progress the various project opportunities currently under review with the major coal producers in the South African coal market. The project opportunities which are currently under review include:

(i) Standalone BCB Plant Opportunity at the Woestalleen Colliery

In April 2014 River Energy entered into a binding agreement with the owners and operators of the Woestalleen Colliery, Blue Falcon 212 Trading Pty Ltd, ("the Woestalleen Hub"), which sets out a phased approach to the overall project implementation.

The project provides River Energy with the exclusive right to build, own and operate a standalone BCB plant at the Woestalleen Hub and to purchase all existing coal fines, located in tailings dams, together with all new arising coal fines produced in the 3 wash plant modules processing run-of-mine coal, at the Woestalleen Hub, for the life of the project. The project as currently envisaged will comprise a coal fines beneficiation circuit and a BCB plant with a 250,000 tonne per annum product capacity.

This is a two-phased project that envisages River Energy operating a fine coal beneficiation plant on the Woestalleen Hub in the short-term (phase one), followed by the proposed 250,000 tonne per annum BCB plant in the medium term (phase two), which is subject to completion final due diligence activities at the site.

Since finalising the agreement with Blue Falcon 212 Trading Pty Ltd in April 2014 River Energy has made steady progress with the project which has included:

- Completing the phase one beneficiation plant detailed design and ordering the long lead time order items. It is envisaged that the phase one fine coal beneficiation plant will be commissioned during the December 2014 quarter;
- Making arrangements for the sale of all of the beneficiated product back to the operator of the site;
- Moving resources and equipment onto site at the Woestalleen Hub and monitoring the current wash plant operations as part of the final stages of the Phase 2 due diligence study.

(ii) Completion of Second Detailed Feasibility Study ("DFS")

The work on the second major DFS undertaken by River Energy is complete and a number of presentations were made to senior executives of the coal producer concerned, covering various technical and commercial outcomes from the DFS. The response to the outcomes from the DFS have been well received, and River Energy is now engaged in discussions with the client on moving this opportunity forward. This proposed project provides an opportunity for River Energy to secure access to sufficient coal fines to support a 500,000 tonne per annum BCB plant to be constructed at the wash plant at the mine site in question.

(iii) Anglo American Coal – Goedehoop Project

During the 2014 financial year, River Energy commenced a third major DFS, including engineering design and costing, for a proposed 700,000 tonne per annum BCB plant at the Anglo Operations Proprietary Limited (AAC) Goedehoop mine. Work is now underway across most activities being undertaken as part of this project, including:

- Conducting briquetting trial work on a 70 tonne bulk sample of proposed coal fines feedstock at the Cessnock Production Plant;
- Third party contracts for support with project management and detailed engineering design have been awarded;
- The engineering design work is underway;
- There is a structure in place to ensure that the project is conducted to AAC standards and that all scope and design issues are managed efficiently;
- The DFS project is on target for completion in the first quarter of 2015.

River Energy and AAC are also working on a term sheet that will define the key commercial and technical terms for the project, on the basis that the results of the DFS are supportive of the overall project opportunity.

Other South African opportunities

In addition to the three projects outlined above, River Energy is now in discussions with two other large South African coal producers on tenders for briquetting projects of similar size to those outlined above. The level of interest in the BCB technology, applied to coal fines beneficiation and briquetting in the South African market, continues to grow as the commercial, environmental and operational challenges in managing the massive volumes of fine coal becomes more defined.

Indonesia

During year ending 30 June 2014, White Energy representatives carried out and completed due diligence on three projects in East Kalimantan, Indonesia. Two of the projects did not meet the Company's investment criteria, whilst the third project was acquired by a local mining company already operating in the area in question. The Company continues to identify target concessions for acquisition.

The coal properties being targeted by White Energy comprise a mixture of coal qualities with a large portion likely to be suitable for upgrading using the BCB technology, which has the potential to greatly enhance the value of such projects. The Company expects that some of the resources in question will not require application of the BCB technology, and can be mined and sold directly into the export markets.

Australia

(i) South Australian Coal ("SAC") – EL4534

The Company continues to consider and evaluate commercialisation options for its Lake Phillipson coal deposit (EL4534). The Company continues to hold discussions with groups who have access to coal gasification technologies and who may be interested in using this technology in relation to the Lake Phillipson coal deposit.

(ii) Queensland Coal Exploration Permit – EPC 25623

White Energy was advised by the Queensland Department of Natural Resources and Mines (DNRM) of its appointment as the preferred tenderer for a coal exploration area in Queensland in May 2014. White Energy had previously applied for 2 of 7 coal areas in Queensland put out to tender by the DNRM, and have been successful with one of these applications. The exploration permit reference number is EPC 25623 and covers an area 15 kilometres south of the town of Middlemount in the central Queensland coalfields.

In applying for the coal exploration permit, White Energy was required to commit to a 4 year exploration program currently under assessment by the DNRM, aimed at identifying coal resources in the subject area. The application included nominal application fees.

The Company has completed the relevant acceptance and ancillary application forms for assessment by the DNRM, and awaits the formal grant of EPC25623 by the DNRM.

(iii) Research and Development Activities

During the year, the Company focused on the testing of coal fines supplied by MCC and the testing of refinements made to the commercial briquetting machine which will be used in the proposed BCB plant to be constructed at MCC. The results from the test work conducted to date have been very encouraging and has indicated that briquettes comparable to their parent coal can be achieved.

General corporate

As previously advised to shareholders, BCBC Singapore Pte Ltd ("BCBCS") and Binderless Coal Briquetting Company Pty Limited ("BCBC") are currently involved in legal proceedings against Bayan and Bayan International Pte Ltd in the High Court of the Republic of Singapore, over matters relating to the Tabang coal upgrading plant, located at Bayan's Tabang mine in East Kalimantan, Indonesia.

The issues in the proceedings include a claim by BCBCS and BCBC against Bayan for damages for breach of the Joint Venture Deed between the PT Kaltim Supacoal ("KSC") shareholders, including the obligation to supply coal to KSC and the obligation to provide funding to KSC. Bayan has filed a defence to the claim, and also a counterclaim against BCBCS and White Energy seeking damages.

Bayan purported to terminate the Joint Venture Deed in February 2012, which BCBCS regarded as a wrongful repudiation. Following BCBCS' acceptance of Bayan's repudiation, the KSC Joint Venture was brought to an end. BCBCS is pursuing Bayan for all damages suffered as a result of Bayan's wrongful repudiation.

The directors believe that BCBCS took all steps to fulfil its joint venture obligations and that the failure of the Joint Venture is due to Bayan's failure to supply coal and provide funding to KSC and its purported termination of the Joint Venture Deed.

Following an application by BCBCS, the Supreme Court of Western Australia ("Supreme Court") made freezing orders in respect of Bayan's 56% shareholding in Kangaroo Resources Limited, a publicly listed Australian company. Bayan sought to challenge the grant and scope of those orders, including a challenge to the Court's jurisdiction to make such orders (including on constitutional grounds). This challenge was heard by the Supreme Court in February 2013. On 26 June 2013 the Supreme Court dismissed Bayan's challenge to the grant and scope of the freezing orders and extended the freezing orders indefinitely. In its reasons for decision, the Supreme Court found that, amongst other things, BCBCS had established the elements necessary to obtain a freezing order, including that BCBCS had established for the purposes of its application for a freezing order that it had a good arguable case: (i) in respect of its claim against Bayan for breach of the Joint Venture Deed; and (ii) to recover damages in respect of at least its lost investment in the KSC Joint Venture.

On 15 July 2013, BCBCS was served with notice of Bayan's appeal from the orders made by the Supreme Court. Bayan's appeal was limited to a challenge to the Supreme Court's jurisdiction to make those orders. Bayan was not appealing the Supreme Court's findings that BCBCS had established the elements necessary to obtain a freezing order, including that BCBCS had established for the purposes of its application for a freezing order that it had a good arguable case.

Bayan's appeal was heard before the Court of Appeal of Western Australia ("Court of Appeal") on 11 and 12 March 2014. On 25 September 2014 the Court of Appeal unanimously dismissed Bayan's appeal to the grant and scope of the freezing orders. An order was also made that Bayan pay BCBC's costs of the appeal.

The effect of the latest judgement is that the freezing orders will remain in place unless and until there is a further order made. Subject to any attempt by Bayan to seek special leave to appeal to the High Court of Australia or apply anew to the Supreme Court to challenge the freezing orders, the Company expects that the freezing orders will remain in place until after the conclusion of the proceedings against Bayan in the High Court of the Republic of Singapore.

Status of Tabang Operations

As a result of the above dispute, KSC suspended operations at the Tabang plant in late November 2011. The directors believe that, at the time of suspension of operations at Tabang, the various plant modification works being undertaken at site were almost complete.

Following a petition filed by a number of local creditors of KSC in the Commercial Court of Surabaya, Indonesia, administrators were appointed to KSC and KSC has now been placed into bankruptcy. Curators have been appointed to manage this process. All KSC staff have been terminated from the Tabang site. The Curators are currently seeking to realise KSC's assets with the object of distributing any proceeds to KSC's creditors.

We understand that the Tabang plant, located on the Tabang concession which is owned and operated by Bayan, has been significantly vandalised.

As shareholders are aware, the White Energy Group has previously fully impaired its investment in KSC and as such the bankruptcy process will not have any further impact on the accounting results of the White Energy Group.

Financial position and results for the year

The Consolidated Entity's net loss for the year ended 30 June 2014 was $55.3m (2013: $122.3m). This includes a further $25m impairment expense recognised in respect of the carrying value of the SAC asset, following the commissioning of an independent external valuation of the recoverable amount of this asset.

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DIRECTORS' REPORT | CONTINUED

The 'Normalised EBITDA' loss for the full year ended 30 June 2014 was $11.2m (2013: $10.8m), which has been determined as follows:

	2014 $'000	2013 $'000
Consolidated entity statutory loss before income tax for the year	**(55,320)**	(122,316)
Non-cash expenses:		
Depreciation/amortisation	**8,860**	5,621
Impairment expense	**25,310**	99,492
Write-back of accounting loss on deconsolidation of KSC	**–**	(5,091)
Fair value (gains)/losses	**(744)**	(434)
Other	**1,711**	1,685
Sub-total	**35,137**	101,273
Other significant items		
Finance costs	**663**	748
Legal costs – litigation	**4,350**	8,380
Sub-total	**5,013**	9,128
Consolidated entity adjusted normalised EBITDA	**(15,170)**	(11,915)
Minority partner share of EBITDA – normalised EBITDA	**4,004**	1,084
White Energy adjusted normalised EBITDA	**(11,166)**	(10,831)

Normalised EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AIFRS adjusted for specific significant items. The table above summarises key items between statutory profit before tax and normalised EBITDA. The directors use normalised EBITDA to assess the performance of the Company. The consolidated entity adjusted normalised EBITDA ($15.2m) reconciles to the segment information EBITDA result for the year ($19.5m) disclosed on page 59, after adding back legal costs – litigation ($4.3m) which were included in the segment expenses line item.

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

The Consolidated Entity's total revenue for the full year ended 30 June 2014 was $27.9m (2013: $6.4m), which mainly includes coal sales revenues at MCC, interest income earned on cash deposits, proceeds from the sale of livestock/wool at Ingomar Station, recognition of government grant income and income from coal sampling activities at the Cessnock Production Plant. The increase in revenue on the previous year has been mainly driven by coal sales revenue at MCC since acquisition.

Total expenses for the full year ended 30 June 2014 were $85.3m (2013: $130m), which is in part attributable to the $25m impairment expense recognised in respect of the carrying value of the SAC asset following the commissioning of an independent external valuation of the recoverable amount of this asset.

The Company had significant cash reserves as at 30 June 2014, which the Board considers very important in the current general economic and coal industry climate. The total amount of cash on hand as at 30 June 2014 was $58.4m inclusive of $2m in restricted cash which relates to the security bond deposit lodged with the Supreme Court of Western Australia (2013: $88.7m). The decrease in the cash balance over the year is mainly due to the acquisition of MCC during the year.

The decline in assets from $205.8m to $174.6m mainly reflects the impairment charge recognised in respect of the carrying value of the SAC asset following the commissioning of an independent external valuation of the recoverable amount of this asset.

The increase in liabilities from $24m to $38.1m predominantly reflects the liabilities assumed on acquisition of MCC.

Future Prospects

The Company expects to commence generating significant positive cash flows from the December 2014 quarter, following the commissioning of the new wash plant currently under construction at MCC. Positive cash flows are expected to further increase once the planned BCB plant is commissioned at MCC in late 2015.

In addition to the planned capital developments at MCC, there are a number of growth initiatives currently under consideration by the Company which may result in near to medium term revenue opportunities. These include:

- The commencement of multiple South African coal fines beneficiation and briquetting projects;
- The acquisition of a thermal coal mining asset in Indonesia;
- The development of the Lake Phillipson coal deposit for gasification opportunities;
- The identification of a financial partner in China for sub-licensing opportunities.

Funding of growth strategies

A key challenge for the Board and management team has been, and will continue to be, the funding of growth initiatives referred to above, whilst at the same time minimising any dilutive impact on shareholders. In January 2014, the Company sold a 49% interest in REUK to Black River to assist with the capital funding required for expansion activities at MCC. The Company has identified a number of ways to fund its future capital requirements which include the following:

- Project Debt Financing – secure financing from third party financial institutions at the project level;
- Sale of Minority Interests in Regional Holding Companies – sale of a strategic minority interests in geographical holding companies, with the funds generated from such a sale to be used to develop the projects in each jurisdiction;
- IPO of Regional Subsidiaries – consideration of an eventual public listing of regional subsidiaries in each jurisdiction.

The overall objective is to minimise any dilutive impacts on existing shareholders through equity placements at the listed company level, although a capital raising at the listed company level may be contemplated in 2015.

Risks

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

General Project Risk

Any project is subject to risk, in particular those that rely on a relatively new technology.

Development and Construction Risk

There is a risk that circumstances (including unforeseen circumstances) may cause a delay to project development, exploration milestones or other operating factors, resulting in delays to the receipt of revenues. In addition, the development of new projects by the Company may not materialise, and may exceed the current expected timeframe for completion or cost, for a variety of reasons outside the control of the Company.

Coal Price, Currency and Regulatory Risks

The Company's future financial performance will be impacted by future traded coal prices and movements in foreign exchange rates. The factors which affect coal prices and demand include the outcome of successful contract negotiations, the general economic climate, changes in foreign exchange rates, changes in demand for energy, changes in operating and transport infrastructure costs, the cost of commodities and substitutes for coal, market changes in coal quality requirements and government regulation which restricts the use of coal, imposes taxation on the resources industry or otherwise affects the likely volume of sales or pricing of coal.

Country Risk

There is a risk associated with adverse political events in some of the countries in which White Energy seeks to conduct business.

Operating Risk

The Company's future operations will be subject to operating risks that could result in decreased coal production which could reduce its revenues. These operational difficulties may impact the amount of coal produced, increase the cost of production and delay sales revenue. Such difficulties include adverse weather conditions, natural disasters, unexpected technical problems, transportation delays and workplace, health and safety issues.

Financing Risk

The Company believes that it has sufficient cash reserves to meet its foreseeable commitments in the near term. The Company is likely to require further capital to fund its development objectives and requirements, and may need to raise additional capital through debt financing arrangements and the issue of new share capital to meet these requirements. Execution of the Company's strategy may be impacted by the inability to raise the necessary capital as a result of adverse market conditions and other factors outside the control of the Company.

Intellectual Property Risk

The Company's future financial performance may be impacted by the failure to protect its intellectual property.

Geology Risk

JORC resource estimates are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from those estimates.

Significant changes in the state of affairs

(a) Purchase of 100% of the capital stock of Mountainside Coal Company Inc. ("MCC")

On 4 October 2013 the Company successfully completed the purchase of 100% of the capital stock of MCC for US$20.1 million, inclusive of all mine infrastructure, plant, equipment, permits and unsold coal stocks. US$2 million of the purchase price was held in an escrow account as security for the payment of certain indemnification obligations of the seller, and is being released over a period agreed between the Company and the seller. In addition, the Company has paid approximately US$0.8 million to replace current reclamation bonds.

(b) Disposal of a 49% interest in River Energy JV UK Limited ("REUK")

On 21 January 2014 the Company entered into a second joint venture agreement with Black River, under which White Energy and Black River will commercialise the BCB technology, as applied to the beneficiation and briquetting of bituminous coal fines in the U.S., Canada, Australia and New Zealand.

Under the agreement, Black River paid US$17.8 million for a 49% interest in a UK holding company called REUK that:

(1) holds exclusive rights for the BCB technology, as applied to bituminous coal fines processing, in the U.S., Canada, Australia and New Zealand; and

(2) wholly owns MCC.

YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT | CONTINUED

The US$17.8 million cash proceeds flowing from the transaction were received by the Company in January 2014. From the proceeds received, White Energy repaid in full the US$8 million shareholder loan previously provided by Black River to River Energy in 2009, which was guaranteed by White Energy.

Matters subsequent to the end of the financial year

No significant matters or circumstances have arisen since 30 June 2014 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 report under the operating and financial review section on pages 13 to 17.

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.

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.

Clean Energy Legislation

The Company notes that the Clean Energy Act which was passed by the Senate on 8 November 2011 came into effect from 1 July 2012 and contains a mechanism for pricing carbon emissions (the carbon tax). The carbon tax was expected to effect the Company in future reporting periods. The carbon tax was abolished on 17 July 2014.

Mineral Resources Rent Tax

With effect from 1 July 2012, the Minerals Resource Rent Tax ("MRRT") applied to tax profits from mining coal and iron ore in Australia. The Company was to have been subject to the MRRT on profits it made in the future from coal mined from the area of EL4534. The Company expected that it would have been entitled to a starting base asset equal to the market value of EL4534 as at 1 May 2010 which will offset profits subject to MRRT. The MRRT was abolished on 1 September 2014.

Information on Directors

Travers William Duncan, Dip. Eng. (Civil) F.I.E Aust. C P Eng – Chairman – Non-Executive

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

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

Directorships of other listed companies
None.

Former Directorships of other listed companies in the last 3 years
None.

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

Interests in shares and options
31,948,461 ordinary shares in White Energy.

Brian Flannery, BE Mining – Managing Director

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

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

Directorships of other listed companies
None.

Former Directorships of other listed companies in the last 3 years
None.

Special responsibilities
Managing Director of White Energy.

Interests in shares and options
27,355,118 ordinary shares in White Energy and 3,000,000 Performance Shares.

Graham Cubbin, B Econ (Hons), FAICD – Non-Executive Director

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

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

Directorships of other listed companies
Non-executive Director of four other listed companies: Challenger Limited (appointed January 2004), STW Communications Group Limited (appointed May 2008), Bell Financial Group Limited (appointed September 2007) and McPherson's Limited (appointed September 2010).

Former Directorships of other listed companies in the last 3 years
None.

Special responsibilities
Chair of the Audit and Risk Committee.

Interests in shares and options
600,000 ordinary shares in White Energy.

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DIRECTORS' REPORT | CONTINUED

Hans Mende, MBA – Non-Executive Director

Experience and expertise
Hans Mende joined the Board of White Energy on 17 September 2010. He holds a degree in Business Administration and an MBA, both from Cologne University in Germany.

Hans Mende has been President and Chief Operating Officer of AMCI International Inc. (USA), a mining and trading company since he co-founded the company in 1986. He remains one of AMCI's largest shareholders. He has extensive experience in coal mine development and coal marketing.

Directorships of other listed companies
Non-executive Director of two other listed companies: MMX Mineracao E Metalico SA (Brazil) (appointed April 2006) and Malabar Coal Limited (ASX listed from March 2013).

Former Directorships of other listed companies in the last 3 years
Non-executive Director of three other listed companies: Whitehaven Coal Limited from May 2007 to July 2012, New World Resources Plc (LSE – UK) between August 2006 and January 2012 and Excel Maritime Carriers Ltd (Nasdaq – US) between April 2008 and June 2013.

Special responsibilities
None.

Interests in shares and options
12,710,220 ordinary shares in White Energy.

Vincent O'Rourke AM, B Econ – Non-Executive Director

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

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

Directorships of other listed companies
Non-executive Director of Yancoal Australia Limited (appointed January 2010).

Former Directorships of other listed companies in the last 3 years
Non-executive Director of Bradken Limited from August 2004 to October 2012.

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

Interests in shares and options
310,000 ordinary shares in White Energy.

Terence Crawford, B Econ LL.B, Barrister at law – Non-Executive Director

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

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

Directorships of other listed companies
None.

Former Directorships of other listed companies in the last 3 years
None.

Special responsibilities
Member of the Remuneration Committee.

Interests in shares and options
565,094 ordinary shares in White Energy.

John Kinghorn, B Com CA – Non-Executive Director until 2 August 2013

Experience and expertise

John Kinghorn joined the Board of White Energy on 17 September 2010 and resigned on 2 August 2013.

John Kinghorn qualified as a chartered accountant with Price Waterhouse & Co and was then joint General Manager of Development Finance Corporation Limited. He left Development Finance Corporation Limited to found the Allco Finance Group. He subsequently founded the Rentworks Limited Group and the RAMS Home Loans Group Limited. He has more than 35 years of experience in the finance industry.

Directorships of other listed companies

None.

Former Directorships of other listed companies in the last 3 years

Non-executive Director of RHG Limited (formerly RAMS Home Loans Group Limited) from July 2007 to November 2011.

Special responsibilities

Member of the Remuneration Committee (up until 2 August 2013).

Interests in shares and options

20,000,000 ordinary shares in White Energy.

Company Secretary

The Company Secretary is David Franks BEc, CA, F Fin, JP. He was appointed as the Company Secretary on 3 February 2006 and is principal of Franks and Associates Pty Ltd (Chartered Accountants). He is currently the Company Secretary of the following listed companies: Armidale Investment Corporation Limited, Elk Petroleum Limited, JCurve Solutions Limited, Pulse Health Limited and White Energy.

Meetings of Directors

The numbers of meetings of White Energy's Board of Directors and of each committee held during the year ended 30 June 2014, and the number of meetings attended by each Director were:

			MEETINGS OF COMMITTEES			
	MEETINGS OF DIRECTORS		AUDIT AND RISK		REMUNERATION	
	Held (a)	Attended (b)	Held (a)	Attended (b)	Held (a)	Attended (b)
Non-executive directors						
Travers Duncan	7	7	5	5	2	2
Graham Cubbin	7	7	5	5	**	**
Hans Mende	7	3	**	**	**	**
Vincent O'Rourke	7	7	5	5	2	2
Terence Crawford	7	7	**	**	1	1
John Kinghorn (resigned 2 August 2013)	1	1	**	**	1	1
Executive directors						
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*.

Currently, all Directors are required to be re-elected at least every three years. At least one-third of the Directors must retire at each Annual General Meeting. Vincent O'Rourke and Graham Cubbin will retire and seek re-election at the 2014 Annual General Meeting.

YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT | CONTINUED

Remuneration report (audited)

The Directors are pleased to present the Company's 2014 remuneration report. The remuneration report is prepared in accordance with section 300A of the *Corporations Act 2001* and has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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

The structure of the remuneration report is as follows:

(1) Directors and other Key Management Personnel

For the purposes of the 30 June 2014 Annual Report, the Directors and other Key Management Personnel were:

Name	Position
Non-Executive Directors	
Travers Duncan	Chairman – Not Independent
Graham Cubbin	Non-Executive Director – Independent
Hans Mende	Non-Executive Director – Independent
Vincent O'Rourke	Non-Executive Director – Independent
Terence Crawford	Non-Executive Director – Independent
John Kinghorn (resigned 2 August 2013)	Non-Executive Director – Not Independent
Executive Directors	
Brian Flannery	Managing Director – Not Independent
Other Key Management Personnel	
Michael Chapman	Chief Operating Officer
Ivan Maras	Chief Financial Officer
Neil Whittaker	Chief Executive Officer – River Energy JV Limited
Colin Porter	Vice President – White Energy Coal North America Inc.

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).

Changes since the end of the reporting period
There have been no changes to the Key Management Personnel of the Group since the end of the reporting period.

(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 Directors. The Chairman of the Remuneration Committee will be a director other than the Chairman of the Board.

The Remuneration Committee was comprised of Vincent O'Rourke (Chair), Travers Duncan and Terence Crawford as at 30 June 2014.

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

The Company's Corporate Governance Statement outlined on pages 34 to 40, provides further information on the role of this 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
During the year ended 30 June 2014 no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided to the Company. The Remuneration Committee seeks advice from independent advisors as required.

(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. In these early stages of 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 potential.

(ii) Remuneration components
The Company's Executive remuneration structure consists of three components:

Fixed components	Variable 'at-risk' components
(1) Base salary and benefits, including superannuation.	(2) Short-term incentives in the form of cash bonuses (amounts determined based on assessment of the Executive's performance over a financial year); and (3) Long-term incentives, through participation in the Incentive Option Scheme or the Executive Retention Plan (by invitation only).

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

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

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

There are no guaranteed base salary increases included in the Executives' employment services contracts. Despite the Remuneration Committee's very positive assessment of the Executive's performance over the past year, given the current financial position of the Company, the Remuneration Committee recommended that there be no increase to Executives' base salary for the 2015 financial year.

Non-monetary benefits include car parking, car expenses, home telephone costs and spouse travel costs. For one of the Company's expatriate employees, non-monetary benefits include costs of expatriate accommodation expenses, health insurance expenses, travel costs, professional fees and US taxes paid thereon.

YEAR ENDED 30 JUNE 2014
DIRECTORS' REPORT | CONTINUED

Remuneration report (audited) (continued)

(b) Short-term incentives

The Company's short-term incentive component is structured as a cash bonus opportunity, with the amount payable determined following a review of:

- the individual's achievements for the year against Key Performance Indicators relevant to their role; and
- their contribution to the performance of the Company.

Participation in the short-term incentive scheme (and the precise terms attaching to any awards, such as quantum and performance hurdles) is at the discretion of the Board.

The Company recognises that short-term incentives can be an effective tool to drive the achievement of single-year performance objectives. However given the financial position of the Company, and the Company's current focus on developing long-term, strategic objectives, no specific short-term incentive opportunities were provided to Executives for the year ended 30 June 2014 and no payments were or are to be made.

The Board expects that appropriate annual commercial objectives will be able to be set within the next 12 months, at which point appropriate Key Performance Indicators will be agreed with the Executives and, if met, short-term incentive payments will be earned for the year ended 30 June 2016.

(c) Long-term incentives

Executive Retention Plan

The Board recommended, and received shareholder approval, at the 2011 Annual General Meeting for the approval of the Executive Retention Plan which was intended as the basis of the Company's long-term incentive arrangements for key employees of the Group. The plan was designed to provide for the grant of performance-based equity (initially performance shares) to eligible employees, which may vest subject to the satisfaction of performance, service or other vesting conditions imposed at the time of grant. The key terms of the Executive Retention Plan are:

- The Board may determine which eligible employees should participate in a grant of performance shares under the Executive Retention Plan;
- The Board may impose performance, service or other vesting conditions on any grant of performance shares under the Executive Retention Plan. When making grants under the plan, the Board intends to apply both service and performance conditions;
- Performance shares will only vest to the extent the performance, service or other vesting conditions are satisfied; and
- Once vesting conditions have been achieved, each performance shares automatically vests and the Company must issue or procure the transfer of one fully paid ordinary share in the Company to the participant.

The Board recommended, and received shareholder approval, at the 2011 Annual General Meeting to grant up to 3,000,000 performance shares to the Company's Managing Director, Brian Flannery under the Executive Retention Plan. The performance shares were to be granted subject to two vesting conditions:

- A service condition requiring Brian Flannery to remain an employee of the Company or its subsidiaries for a continuous three year period starting on 1 July 2011 (and ending on 30 June 2014) inclusive; and
- A performance condition requiring a 3 year strategic plan to be submitted and approved by the Board of Directors.

The Board granted on 14 September 2012 the following performance shares to Executives of the Company under the Executive Retention Plan:

Name	Performance shares granted
Brian Flannery	3,000,000
Michael Chapman	1,500,000
Ivan Maras	600,000
Neil Whittaker	300,000

Performance shares were also granted to Michael Chapman, Ivan Maras and Neil Whittaker subject to the same vesting conditions as the Managing Director.

The Board assessed the performance of the performance shares previously issued to Brian Flannery, Michael Chapman, Ivan Maras and Neil Whittaker and determined that the hurdles were met. Subsequently, the performance shares vested in full on 30 June 2014. The resultant ordinary shares were issued on 7 July 2014.

During the year ended 30 June 2014, the Remuneration Committee undertook a review of the long-term incentive plans, given the existing awards either vested or lapsed during the year. It is anticipated that further grants of performance-based equity, in the form of options or performance shares will be made under the Executive Retention Plan during the year ending 30 June 2015. The Board will determine appropriate long-term strategic hurdles to apply to the vesting of any awards. Any grants which the Board determines to make to executive directors would be subject to shareholder approval at the 2014 Annual General Meeting.

Incentive Option Scheme

Long-term incentives have in prior years been provided to certain employees (including a number of Executives) via the White Energy Incentive Option Scheme, which was originally approved by the Company's shareholders at the 28 June 2006 Extraordinary General Meeting.

The Incentive Option Scheme was designed to provide eligible participants with an ownership interest in the Company and to provide additional incentives for eligible participants to increase profitability and shareholder returns. Under the plan, participants were granted options which vest only if certain performance hurdles were met. Performance hurdles included a share price hurdle and an employment service condition. Participation in the plan was determined by the Board. Each option was issued for nil consideration and carried the right in favour of the option holder to subscribe for one share in the capital of the Company at a fixed exercise price. Options granted under the plan carry no dividend or voting rights.

During the year ended 30 June 2014, no options were granted under the Incentive Option Plan. All remaining options issued under the Incentive Option Plan expired during the year ended 30 June 2014.

Dealing in shares

The trading of shares issued to participants under either the Incentive Option Scheme or the Executive Retention Plan 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 options under the either the Incentive Option Scheme or the Executive Retention Plan.

(iii) Remuneration for year ended 30 June 2014

The following table shows details of the remuneration received by the Executives and other key management personnel for the current and previous financial year:

		SHORT-TERM BENEFITS			POST EMPLOYMENT	SHARE-BASED PAYMENT		
Name	Year	Cash salary and fees $	Cash bonus $	Non-monetary benefit [1] $	Super-annuation $	Options [2] $	Perfor-mance rights [3] $	Total $
Executive Directors								
Brian Flannery	**2014**	**1,000,000**	**–**	**12,002**	**92,500**	**–**	**545,806**	**1,650,308**
	2013	1,000,000	–	15,318	90,000	–	545,806	1,651,124
Other Key Management Personnel								
Michael Chapman	**2014**	**750,000**	**–**	**10,548**	**69,375**	**–**	**272,903**	**1,102,826**
	2013	750,000	–	9,899	67,500	–	272,903	1,100,302
Ivan Maras	**2014**	**500,000**	**–**	**14,570**	**46,250**	**–**	**109,161**	**669,981**
	2013	500,000	–	22,536	45,000	40,563	109,161	717,260
Neil Whittaker	**2014**	**470,000**	**–**	**26,022**	**43,475**	**–**	**54,581**	**594,078**
	2013	470,000	–	40,935	42,300	7,788	54,581	615,604
Colin Porter	**2014**	**400,350**	**–**	**340,268**	**50,000**	**–**	**–**	**790,618**
	2013	400,350	–	268,261	34,650	2,921	–	706,182
Total Executive Directors and other Key Management Personnel remuneration	**2014**	**3,120,350**	**–**	**403,410**	**301,600**	**–**	**982,451**	**4,807,811**
	2013	3,120,350	–	356,949	279,450	51,272	982,451	4,790,472

(1) Non-monetary benefits include car parking, car expenses, home telephone costs and spouse travel costs. For Colin Porter, as an expatriate employee, his non-monetary benefits include costs of expatriate accommodation expenses, health insurance expenses, travel costs, professional fees and US taxes paid thereon.

(2) Options granted under the Incentive Option Scheme.

(3) Performance shares issued under the Executive Retention Plan on 14 September 2012. The Executive Retention Plan was approved at the 2011 Annual General Meeting on 29 November 2011.

YEAR ENDED 30 JUNE 2014
DIRECTORS' REPORT | CONTINUED

Remuneration report (audited) (continued)

(iv) Service Agreements

Remuneration and other terms of employment for the Managing Director and other Executives are also formalised in service agreements, in the form of a letter of appointment. The Board will revisit the remuneration and other terms of employment when significant developments within the Company occur.

Arrangements relating to remuneration of the Company's Executives currently in place are set out below:

Name	Title	Term of agreement	Base salary excluding superannuation	Contractual termination benefits
Brian Flannery	Managing Director	Commenced 17 September 2010 on a rolling contract	$1,000,000	6 months base salary
Michael Chapman	Chief Operating Officer	Commenced 19 July 2010 on a rolling contract	$750,000	6 months base salary
Ivan Maras	Chief Financial Officer	Commenced 1 July 2006 on a rolling contract	$500,000	3 months base salary
Neil Whittaker	Chief Executive Officer – River Energy JV Limited	Commenced 31 March 2008 on a rolling contract	$470,000	3 months base salary
Colin Porter	Vice President – White Energy Coal North America Inc.	Commenced 6 September 2010 on a rolling contract	$400,350	3 months base salary

Base salaries quoted are for the year ended 30 June 2014. They are reviewed annually by the Remuneration Committee. The base salaries quoted in the table above remain unchanged following the recommendation by the Company's Remuneration Committee that there be no increase to Executives' base salary for the year ended 30 June 2015.

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 options or performance shares 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:

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Total profit/(loss) for the year	**(55,320)**	(114,956)	(171,765)	(18,824)	(35,849)
Share price at year end	**0.15**	0.15	0.39	1.83	3.12
Increase/(decrease) in share price	–	(62%)	(79%)	(41%)	80%
Dividends paid	–	–	–	–	–

The performance of White Energy is reflective of a Company which is still in its development phase and 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.

Options granted between 2007 and 2010 were subject to share price hurdles and service conditions. In the year ended 30 June 2014, all options granted that remained outstanding lapsed. See section 7 for further details.

(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. The Remuneration Committee ensures that the fees paid to Non-Executive Directors are comparably 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.

The Non-Executive Director fees for the year ended 30 June 2014 (which are to remain unchanged for the year ended 30 June 2015) are set out below:

Responsibility	For the year ended 30 June 2014 $
Non-Executive Director fees	
Chairman (1)	275,000
Member	80,000

(1) Includes payments of $125,000 for consulting services in relation to work performed for Binderless Coal Briquetting Company Pty Ltd, a wholly owned subsidiary of White Energy.

(ii) Service agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment from the Chairman. The letter summarises the Board policies and terms. Changes to Non-Executive Director fees are communicated in writing to the Non-Executive Director.

Name	Title	Term of agreement	Base salary and fees excluding superannuation $	Contractual termination benefits
Travers Duncan	Chairman	Commenced 17 September 2010 on a rolling contract	$275,000	Nil
Graham Cubbin	Non-Executive Director	Commenced 17 February 2010 on a rolling contract	$80,000	Nil
Hans Mende	Non-Executive Director	Commenced 17 September 2010 on a rolling contract	$80,000	Nil
Vincent O'Rourke	Non-Executive Director	Commenced 29 September 2010 on a rolling contract	$80,000	Nil
Terence Crawford	Non-Executive Director	Commenced 11 June 2013 on a rolling contract	$80,000	Nil
John Kinghorn	Non-Executive Director	Commenced 17 September 2010 on a rolling contract and ceased on his resignation on 2 August 2013	$80,000	Nil

YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT | CONTINUED

Remuneration report (audited) (continued)

(iii) Remuneration for the year ended 30 June 2014

The total remuneration paid to the Non-Executive Directors for the year ended 30 June 2014 amounted to $634,855, as detailed below. For comparison purposes, amounts for the year ended 30 June 2013 are also shown.

		SHORT-TERM BENEFITS			POST EMPLOYMENT	SHARE-BASED PAYMENT	
Name	Year	Cash salary and fees $	Cash bonus $	Non-monetary benefits [2] $	Super-annuation [3] $	Options $	Total $
Non-Executive							
Travers Duncan	**2014**	**275,000**	**–**	**16,232**	**–**	**–**	**291,232**
	2013	275,000	–	13,919	–	–	288,919
Graham Cubbin	**2014**	**80,000**	**–**	**–**	**7,400**	**–**	**87,400**
	2013	80,000	–	–	7,200	–	87,200
Hans Mende	**2014**	**80,000**	**–**	**–**	**–**	**–**	**80,000**
	2013	80,000	–	–	–	–	80,000
John Kinghorn	**2014**	**7,692**	**–**	**–**	**–**	**–**	**7,692**
(resigned 5 August 2013) [1]	2013	80,000	–	–	–	–	80,000
Vincent O'Rourke	**2014**	**80,000**	**–**	**1,131**	**–**	**–**	**81,131**
	2013	80,000	–	–	–	–	80,000
Terence Crawford	**2014**	**80,000**	**–**	**–**	**7,400**	**–**	**87,400**
	2013	4,384	–	–	395	–	4,779
Sub-total Non-Executive Directors	**2014**	**602,692**	**–**	**17,363**	**14,800**	**–**	**634,855**
	2013	599,384	–	13,919	7,595	–	620,898

(1) John Kinghorn resigned as a Non-Executive Director on 2 August 2013.

(2) Non-monetary benefits include car parking and spouse travel costs.

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

All current Non-Executive Directors own shares in White Energy.

(6) Voting and comments made at the Company's 2013 Annual General Meeting

White Energy received more than 99% of "yes" votes on its remuneration report for the 2013 financial year after going to poll. Comments raised by shareholders during the course of the Annual General Meeting were responded to by the Directors during the meeting.

(7) Details of share-based compensation

Options granted under the Incentive Option Scheme carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share of White Energy.

Details of options over ordinary shares in the Company provided as remuneration to each Director or Key Management Person of the Company are set out below.

Changes during the year to the number of options held by Directors and Executives under the Incentive Option Scheme was as follows:

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options exercised during the year	Number of options lapsed during the year [1]	Value at lapse date ($)
Other Key Management Personnel						
Ivan Maras	–	–	–	–	416,667	129,792
Neil Whittaker	–	–	–	–	100,000	31,150
Colin Porter	–	–	–	–	30,000	9,345
Total	**–**	**–**	**–**	**–**	**546,667**	**170,287**

(1) Options lapsed because a vesting condition was not satisfied.

There were no shares provided on exercise of remuneration options to any Director or other Key Management Personnel during the year ended 30 June 2014.

The terms and conditions of each grant of performance shares effecting remuneration to Directors and Executives under the Executive Retention Plan in the current or future reporting period were as follows:

							PERFORMANCE ACHIEVED	
Grant date [1]	Vesting and exercise date	Expiry date	Value per right at grant date	% Vested	% Exercised	% Lapsed	(2)	(3)
30/11/2011	Vesting on 30/6/2014, subject to satisfaction of two vesting conditions – a service condition and a performance condition.	30/6/2014	$0.47	100%	0%	0%	100%	100%

(1) For accounting purposes the Grant Date has been assumed to be the day after the 2011 Annual General Meeting on 29 November 2011 at which shareholders approved the Executive Retention Plan and grant of performance shares to Brian Flannery. The performance shares were issued to Brian Flannery, Michael Chapman, Ivan Maras and Neil Whittaker on 14 September 2012;

(2) Vesting condition requiring the employee to remain an employee for a continuous three year period starting on 1 July 2011 (and ending on 30 June 2014);

(3) Vesting condition requiring the employee to submit a 3 year strategic plan approved by the Board of Directors.

YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT | CONTINUED

Remuneration report (audited) (continued)

(8) Equity instruments held by key management personnel

(i) Option holdings

The numbers of options over shares in the Company held during the financial year by each Director of White Energy and other Key Management Personnel of the Group, including their personally related parties, are set out below.

Name	Year	Balance at the start of the year	Granted during the year as remuneration	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
Other Key Management Personnel							
Ivan Maras	**2014**	**416,667**	**–**	**–**	**(416,667)**	**–**	**–**
	2013	416,667	–	–	–	416,667	416,667
Neil Whittaker	**2014**	**100,000**	**–**	**–**	**(100,000)**	**–**	**–**
	2013	200,000	–	–	(100,000)	100,000	100,000
Colin Porter	**2014**	**30,000**	**–**	**–**	**(30,000)**	**–**	**–**
	2013	30,000	–	–	–	30,000	30,000

(ii) Share holdings

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

Name	Year	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Non-Executive Directors					
Travers Duncan	**2014**	**31,948,461**	**–**	**–**	**31,948,461**
	2013	31,948,461	–	–	31,948,461
Graham Cubbin	**2014**	**100,000**	**–**	**500,000**	**600,000**
	2013	100,000	–	–	100,000
Hans Mende	**2014**	**12,710,220**	**–**	**–**	**12,710,220**
	2013	12,710,220	–	–	12,710,220
Vincent O'Rourke	**2014**	**110,000**	**–**	**200,000**	**310,000**
	2013	90,000	–	20,000	110,000
Terence Crawford (1)	**2014**	**215,094**	**–**	**350,000**	**565,094**
	2013	185,250	–	–	185,250
John Kinghorn (2)	**2014**	**20,000,000**	**–**	**–**	**20,000,000**
(resigned 2 August 2013)	2013	20,000,000	–	–	20,000,000
Executive Directors					
Brian Flannery	**2014**	**27,355,118**	**–**	**–**	**27,355,118**
	2013	27,355,118	–	–	27,355,118
Other Key Management Personnel					
Michael Chapman	**2014**	**35,096**	**–**	**–**	**35,096**
	2013	35,096	–	–	35,096
Ivan Maras	**2014**	**65,000**	**–**	**–**	**65,000**
	2013	65,000	–	–	65,000
Neil Whittaker	**2014**	**–**	**–**	**118,106**	**118,106**
	2013	–	–	–	–

(1) Opening balance restated from 185,250 to 215,094 Ordinary Shares.

(2) John Kinghorn resigned as a Director on 2 August 2013.

(iii) Performance shares holdings

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

Name	Year	Balance at the start of the year	Granted during the year as remuneration	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
Executive Directors							
Brian Flannery	**2014**	**3,000,000**	**–**	**–**	**–**	**3,000,000**	**3,000,000**
	2013	3,000,000	–	–	–	3,000,000	–
Other Key Management Personnel							
Michael Chapman	**2014**	**1,500,000**	**–**	**–**	**–**	**1,500,000**	**1,500,000**
	2013	1,500,000	–	–	–	1,500,000	–
Ivan Maras	**2014**	**600,000**	**–**	**–**	**–**	**600,000**	**600,000**
	2013	600,000	–	–	–	600,000	–
Neil Whittaker	**2014**	**300,000**	**–**	**–**	**–**	**300,000**	**300,000**
	2013	300,000	–	–	–	300,000	–

(iv) Loans to Key Management Personnel

No loans were made to any Key Management Personnel of the Group during the year.

(v) Other transactions with Key Management Personnel

During the year ended 30 June 2014, employee benefits of $152,834 (2013: $211,733) were paid to Andromeda Neale, who is related to Travers Duncan, the Chairman of White Energy.

During the year ended 30 June 2014, employee benefits of US$20,000 (2013: US$10,000) were paid to Theresa Porter, who is related to Colin Porter, a member of White Energy's Key Management Personnel.

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

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

Rockland Resources Pty Limited leases an office space from White Energy in White Energy's Brisbane office. Travers Duncan, the Chairman of White Energy, is the Chairman of Rockland Resources Pty Limited. The lease agreement is based on normal commercial terms and conditions and at the prevailing market rate.

Unissued ordinary shares of White Energy as at 30 June 2014 are as follows:

Date performance shares granted	Expiry date	Exercise price	Number
12/9/2012	30/6/2014	Nil	5,400,000
Total			**5,400,000**

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

Shares issued on conversion of performance shares

A total of 5,400,000 executive performance shares were issued to the Managing Director and Executives under the Executive Retention Plan approved by shareholders on 29 November 2011. The performance shares were issued as ordinary shares on 7 July 2014, as it was necessary to determine if each employee was employed as at 30 June 2014.

Shares issued on the exercise of options

There were no options issued or exercised during year ended 30 June 2014.

A total of 3,699,999 options lapsed during the year ended 30 June 2014.

YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT | CONTINUED

Insurance of officers

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

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

Non-audit services

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

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

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

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

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

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

	2014 $	2013 $
Other assurance services		
Network firms of PwC Australia firm	**21,850**	154,261
Total remuneration for other assurance services	**21,850**	154,261
Taxation Services		
PwC Australian firm:		
Tax compliance and consulting services	**2,273**	31,750
Tax consulting, mergers and acquisition advice	**–**	20,000
Network firms of PwC Australian firm	**20,279**	32,080
Non-PwC audit firm (Ernst and Young)	**241,600**	65,837
Total remuneration for taxation services	**264,152**	149,667
Total remuneration for non-audit services	**286,002**	303,928

Auditor's independence declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 33.

Rounding

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the Directors' Report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Brian Flannery
Managing Director

Sydney
29 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of White Energy Company Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
29 September 2014

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YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

White Energy Company Limited (the Company) and its controlled entities (the Group) have adopted a corporate governance framework that is intended to meet the interests of shareholders, whilst be appropriate for the nature and size of the Company's business and operations. The Board is responsible for the corporate governance of the Group and is committed to achieving and demonstrating the highest standards of corporate governance. The Board acknowledges and seeks to embrace the Corporate Governance Principles and Recommendations (Recommendations) set by the Australian Securities Exchange (ASX) Corporate Governance Council and continues to review the framework in the light of evolving good practice.

During the year ended 30 June 2014, and as at the date of this statement, the Company complied with all of the Recommendations other than that:

(1) The Chair of the Company did not meet the ASX test for independence, as he is a substantial shareholder of the Company (Recommendation 2.2);

(2) The Chair of the Nomination Committee (being the Chair of the Company) was not an independent Director (Recommendation 2.4);

(3) The Board has not set measurable objectives for achieving gender diversity (Recommendation 3.3), however as outlined in its Diversity Policy, the board will seek to promote and increase diversity within the organisation as positions and appropriately skilled candidates become available; and

(4) From 1 July 2013 until 16 August 2013, the Remuneration Committee did not consist of a majority of independent Directors. This requirement was met from 16 August 2013, when Terence Crawford was appointed a member of the Committee.

Notwithstanding the above exceptions, the Board believes that its composition and that of its Committees, is appropriate for the size and nature of the Company and that having Directors of the Company holding significant shareholding interests demonstrates their strong commitment to the Company and should be seen as a positive by shareholders.

The table below outlines each Recommendation and the Company's response. All practices, unless otherwise stated, were in place for the entire financial year and remain current as at 29 September 2014, the date of this statement. This statement has been approved by the Board. Company policies and charters are available on the Company's website at: **http://www.whiteenergyco.com/about-us/corporate-governance/index.php.**

Recommendation	Company's response
Principle 1: Lay solid foundations for management and oversight	
(1.1) Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	▶ The Company recognises and distinguishes between the respective roles and responsibilities of the Board and senior management. The relationship between the Board and senior management is critical to the Company's success. ▶ A Board Charter has been adopted which sets out the respective roles and responsibilities of the Board and senior management. ▶ The Board's functions include: – overseeing the Company's corporate strategy, reviewing and approving strategy plans and performance objectives; – overseeing senior management performance and implementation of the Company's corporate strategy, appointing and removing senior management including the Chief Executive Officer, approving succession plans for key individuals, ensuring that appropriate resources are available to senior management and approving senior management remuneration policies; – ensuring effective communication with shareholders; – establishing policies governing the Company's relationship with other stakeholders; – promoting ethical and responsible decision-making; – monitoring financial performance including approval of the annual and half-year financial reports and overseeing the Company's accounting and financial management systems; – approving and monitoring the progress of major capital expenditure, capital management, major acquisitions and divestitures and determining the Company's dividend policy; – establishing and overseeing the Company's control and accountability systems, and the systems for identifying, assessing, monitoring and managing significant risks facing the Company; and – establishing, overseeing and regularly reviewing systems of internal compliance, risk management, control and legal compliance. ▶ The Board has delegated to the Managing Director (who is the Chief Executive Officer) the authority to manage and control the day to day affairs of the Company and the implementation of the Company's corporate strategy. The Managing Director has authority to sub-delegate to the senior management team. These delegations are reviewed on an ongoing basis. ▶ On appointment, directors are provided with a formal letter of appointment and executive management with written employment agreements incorporating job descriptions (where relevant).

Recommendation	Company's response
(1.2) Companies should disclose the process for evaluating the performance of senior executives	▶ The Managing Director is responsible for evaluating the performance of senior executives against performance indicators established for senior management. ▶ The Board is responsible for evaluating the performance of the Managing Director against set strategic, operational, financial, human resource related and risk management criteria.
(1.3) Companies should provide the information indicated in Guide to reporting on Principle 1	▶ A copy of the Board Charter can be found on the Company's website. ▶ The performance of all senior executives was evaluated by the Managing Director in July 2014. The performance evaluation took into account business, and where relevant, personal targets for that year. ▶ The Managing Director's performance is evaluated by the Board in an ongoing basis in accordance with the process disclosed.
Principle 2: Structure the Board to add value	
(2.1) A majority of the Board should be independent Directors	▶ The Company recognises the importance of having a Board of appropriate composition, size and diversity. ▶ The Board believes that the individuals on the Board have the appropriate skill and composition given the nature, size and geographic diversity of the business operations of the company. ▶ The composition of the Board throughout the year and at the date of this statement was as follows: – Travers Duncan is a Non-Executive Director and Chairman; – Brian Flannery is Managing Director; and – Graham Cubbin, Hans Mende, Vincent O'Rourke and Terence Crawford are all Non-Executive Directors. ▶ Mr Kinghorn was a Non-Executive Director until his resignation on 2 August 2013. ▶ Travers Duncan, Brian Flannery and John Kinghorn (until his resignation) are not considered to be independent Directors as each is a substantial shareholder of the Company. Graham Cubbin, Hans Mende, Vincent O'Rourke, and Terence Crawford are considered to be independent Directors. The Board assesses the independence of its Non-Executive Directors against the guidelines as outlined in the Recommendation.
(2.2) The Chair should be an independent Director	▶ The Chair of the Board is not considered to be independent.
(2.3) The roles of Chair and Chief Executive officer should not be exercised by the same individual	▶ The roles of Chair and Chief Executive Officer are separated, with Travers Duncan acting as Chair and Brian Flannery as Managing Director and Chief Executive Officer.
(2.4) The Board should establish a Nomination Committee	▶ The Nomination Committee is comprised of the full Board of Directors. Therefore the Committee does not comply with the composition requirements of Recommendation 2.4, as it is not chaired by an independent Director. Despite this, the Board considers that the composition of the Committee is appropriate given the skills and experience of the individuals involved. ▶ The Nomination Committee is responsible for the selection and appointment of new Directors and for considering the re-election of incumbent Directors, noting that each Director must have sufficient input into the Company's affairs. ▶ The Nomination Committee is reformulating, in light of the recently released Version 3 Recommendations, its Board skills matrix to review the range of skills, experience, expertise and diversity (where possible) on the Board and to identify its needs in this regard. The Committee is responsible for developing a short list of candidates. The Board is then responsible for the appointment of the most suitable candidate to stand for election at the next annual general meeting. ▶ New candidates to the Board are sought through referrals and/or professional intermediaries to identify and assess candidates. ▶ The nomination of existing Directors for reappointment is not automatic and is contingent on performance and the current and future needs of the Company. The Nomination Committee also has regard to the duration of each existing Directors' tenure and whether the size of the Board remains appropriate to facilitate effective discussions and efficient decision making.

YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT | CONTINUED

Recommendation	Company's response
Principle 2: Structure the Board to add value continued	
(2.5) Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors	▶ The Board is responsible for evaluating the performance of the Board collectively, of the Chair and of each of its Committees. The Chair undertakes ongoing assessment of the performance of each individual Director. The Chairman meets each Director on an individual basis throughout the year to discuss their performance and to provide feedback. ▶ The Board implements an induction program for new Directors which involves a detailed briefing in regards to their role as a Director of the Company and the business of the Company. The Board is continually informed by Senior Management of key developments in the Company's business and the industry in which the Company operates. ▶ The Company Secretary is David Franks who is accountable to the Board, through the Chairman, on corporate governance matters pertaining to the company secretarial role. All Directors have access to the Company Secretary.
(2.6) Companies should provide the information indicated in the Guide to reporting on Principle 2	▶ A copy of the Nomination Committee Charter is on the Company's website. ▶ Details of the Directors' skills, experience, expertise and attendance at meetings are set out in the Directors' Report on pages 19 to 21. ▶ The Board recognises that there are occasions when Directors believe that it is in their best interest and the interest of the Company to seek independent professional advice. Following consultation with the Chairman, Directors can seek independent professional advice at the Company's expense, in fulfilling their duties. ▶ During the year, ongoing performance evaluations for the Board, Committees and Directors took place in accordance with the process disclosed.
Principle 3: Promote ethical and responsible decision-making	
(3.1) Companies should establish a code of conduct and disclose the code or a summary as to: – (3.1.1) the practices necessary to maintain confidence in the Company's integrity; – (3.1.2) the practices necessary to take into account their legal obligations and the expectations of their stakeholders; – (3.1.3) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	▶ The Company and the Board promotes ethical and responsible decision making and has adopted a Code of Conduct for this purpose. ▶ The Code of Conduct provides that all Directors, employees and officers of the Company must act in good faith and in the best interests of the Company. In doing so, all Directors, officers and employees must: – comply with the law and have regard to the reasonable expectations of stakeholders; – maintain the confidentiality of any confidential information received in the performance of duties; – be responsible and accountable for their actions; – observe the ethical principles of fairness, honesty, integrity and truthfulness, including disclosure of potential conflicts; and – report any actual or suspected behaviour which is not in compliance with the Code of Conduct. ▶ The day to day management and operations of the Company are guided by these principles. ▶ All new staff are inducted in regards to all Company policies including the Code of Conduct. Further training is periodically implemented.

<table>
<tr><th>Recommendation</th><th>Company's response</th></tr>
<tr><td>(3.2) Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them

(3.3) Companies should disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them

(3.4) Companies should disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board</td><td>▶ The Company values diversity in the workplace and acknowledges the benefits that it can bring to an organisation.
▶ The Company has adopted a Diversity Policy. The purpose of the policy is to outline the objectives which the Company seeks to achieve in regards to gender, age and cultural diversity.
▶ As at 30 June 2014 and 30 June 2013, the Company had the following number of women employed at the following levels:
<table>
<tr><th>Description</th><th>No. of Women 2014</th><th>Proportion of Women 2014</th><th>No. of Women 2013</th><th>Proportion of Women 2013</th></tr>
<tr><td>Whole Group</td><td>19</td><td>10%</td><td>14</td><td>25%</td></tr>
<tr><td>Management positions</td><td>5</td><td>21%</td><td>3</td><td>23%</td></tr>
<tr><td>Board members</td><td>–</td><td>0%</td><td>–</td><td>0%</td></tr>
</table>
▶ The Company does not presently have set targets for the representation of women employees in senior executive positions and on the Board. However the Board will seek to promote and increase diversity within the organisation as positions and appropriately skilled candidates become available.</td></tr>
<tr><td>(3.5) Companies should provide the information indicated in the Guide to reporting on Principle 3</td><td>▶ A copy of the Code of Conduct is available on the Company's website.
▶ A copy of the Diversity Policy is available on the Company's website.</td></tr>
<tr><th colspan="2">Principle 4: Safeguard integrity in financial reporting</th></tr>
<tr><td>(4.1) The Board should establish an Audit Committee</td><td>▶ The Company has systems in place to independently verify and safeguard the integrity of the Company's financial reporting.
▶ The Board has established an Audit and Risk Committee to assist in the execution of its duties by overseeing the material aspects of the Company's financial reporting, control, risk management and audit functions.</td></tr>
<tr><td>(4.2) The Audit Committee should be structured so that it consists only of Non-Executive Directors; consists of a majority of independent Directors; is chaired by an independent chair, who is not chair of the Board and has at least three members</td><td>▶ During the year and at the date of this statement, the Committee consists of:
– Graham Cubbin (Chair, Non-Executive Director and Independent);
– Travers Duncan (Non-Executive Director and not Independent);
– Vince O'Rourke (Non-Executive Director and Independent).
▶ All members of the Committee are financially literate and have an understanding of the industries in which the Group operates. Graham Cubbin has relevant financial experience, having held board and senior finance positions in a number of public and private companies.</td></tr>
</table>

YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT | CONTINUED

Recommendation	Company's response
Principle 4: Safeguard integrity in financial reporting continued	
(4.3) The Audit Committee should have a formal charter	▶ The Audit and Risk Committee has a formal Charter. Its main responsibilities include: – reviewing the annual and interim financial statements and reports of the Company; – approving changes in important accounting principles and their application in the interim and annual financial reports; – evaluating the qualitative aspects of financial reporting to shareholders; – overseeing the external audit scope, plans to ensure completeness of coverage and the efficient use of audit resources; – review the results of audits, including any significant changes in audit plans, the rationale behind adoptions and changes in accounting principles and accounting estimates requiring significant judgments; – recommending the selection of the external auditor for approval by the Board; – reviewing and assessing the Company's business and financial risk management process, including the adequacy of the overall control environment and controls in selected areas representing significant risk; and – reviews and assesses the Company's system of internal controls, and discuss with management policies and programs in respect of risk management and risk assessment. ▶ The Committee: – monitors the independence of the external auditors, including discussing with the auditors any relationships or non-audit services that may affect, or be perceived to affect, their objectivity or independence; – reviews the performance of the external auditors; and – reviews and if appropriate, approves requests for any non-audit services to be performed by the external auditors. ▶ The Company's audit partner Mr Brett Entwistle of PricewaterhouseCoopers was appointed during the 2010 financial year. Under the *Corporations Act 2001*, audit partners must be rotated at least every 5 years. Accordingly, Mr Entwistle would ordinarily have been replaced with another audit partner at the conclusion of the 30 June 2014 audit. However, earlier this year the Board considered the impact of the rotation of Mr Enwistle this year, particularly in view of the operational changes at White Energy following the acquisition of MCC and the ongoing cross-border litigation relating to a terminated Joint Venture in Indonesia both of which Mr Entwistle is familiar with. The Board believed compliance with the rotation requirements would adversely affect audit quality, particularly due to the reasons set out above. ▶ Accordingly, the board resolved in accordance with section 324DAA of the *Corporations Act 2001* that Mr Entwistle's term as audit engagement partner be extended for an additional financial year. This means that Mr Entwistle will continue as the Company's audit partner for the 2015 financial year. Importantly, in considering the extension of Mr Entwistle's term as audit engagement partner, the Board was satisfied that such an extension would not give rise to a conflict of interest situation, as defined in the *Corporations Act 2001* as there are measures within PwC to ensure that any conflict of interest did not arise and, thereby, impair Mr Entwistle's independence. PricewaterhouseCoopers have agreed in writing to the extension of Mr Entwistle's term.
(4.4) Companies should provide the information indicated in the Guide to reporting on Principle 4	▶ A copy of the Audit and Risk Committee Charter is available on the Company's website. ▶ Details of the Committee members' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report on pages 19 to 21. ▶ The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. Applications for tender for external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. ▶ The Company requires the periodic rotation of the audit partner in accordance with the *Corporations Act 2001*.

<table>
<tr><th>Recommendation</th><th>Company's response</th></tr>
<tr><th colspan="2">Principle 5: Make timely and balanced disclosure</th></tr>
<tr><td>(5.1) Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary
(5.2) Companies should provide the information indicated in the Guide to reporting on Principle 5</td><td>▶ The Company has a Disclosure and Communication Policy and a Disclosure and Materiality Guidelines for Officers and Employees.
▶ These policies promote timely and balanced disclosure of material matters concerning the Company.
▶ The Disclosure and Communication Policy provides that the Company must immediately disclose to the market any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities. Disclosure of any such price sensitive information is not required where:
– one or more of the following applies:
(i) it would be a breach of law to disclose the information;
(ii) the information concerns an incomplete proposal or negotiation;
(iii) the information comprises matters of supposition or is insufficiently definite;
(iv) the information is generated for internal management purposes;
(v) the information is a trade secret;
– the information is confidential and the ASX has not taken a contrary view; and
– a reasonable person would not expect the information to be disclosed;
▶ If a potential disclosure obligation arises, officers or employees are to report it to the Managing Director/Chief Executive Officer, who will determine whether disclosure to the ASX is required.
▶ A copy of the Disclosure and Communication Policy and the Disclosure and Materiality Guidelines is available on the Company's website.</td></tr>
<tr><th colspan="2">Principle 6: Respect the rights of shareholders</th></tr>
<tr><td>(6.1) Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy
(6.2) Companies should provide the information indicated in the Guide to reporting on Principle 6</td><td>▶ The Company's Disclosure and Communication Policy outlines the procedures in place to promote effective communication with Shareholders.
▶ The Company seeks to ensure that shareholders are well informed of the Company's activities.
▶ The Company communicates with shareholders through annual, half yearly and quarterly reports, ASX releases, general meetings and the Company's website.
▶ The Company encourages shareholder participation at general meetings. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meetings.
▶ A representative of the external auditor attends each annual general meeting to answer any questions concerning the audit of the Group and the contents of the Auditor's Report.
▶ Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items to be considered at general meetings.</td></tr>
<tr><th colspan="2">Principle 7: Recognise and manage risk</th></tr>
<tr><td>(7.1) Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies</td><td>▶ The Company recognises the importance of risk management. The Board and has adopted a Risk Management Policy and Procedures, which clearly describes the roles and accountabilities of the Board, Audit and Risk Committee and senior executives.</td></tr>
<tr><td>(7.2) The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks</td><td>▶ Senior executives from each business unit, such as Finance, Business Development and Operations are responsible for monitoring, mitigating and reporting on material risks within that business unit.
▶ Senior executives report to the Audit and Risk Committee on a periodic basis as to whether all identified material risks are being managed effectively across the Company.
▶ The Managing Director reports to the Board on a periodic basis as to whether all identified material risks are being managed effectively across the Company.
▶ The Board receives such reports from the Managing Director on an ongoing basis.</td></tr>
</table>

YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT | CONTINUED

Recommendation	Company's response
Principle 7: Recognise and manage risk continued	
(7.3) The Board should disclose whether it has received assurance from the CEO and the CFO that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	▶ The Board requires that the Managing Director and Chief Financial Officer annually confirm in writing that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. ▶ The Board has received such confirmation from the Managing Director and Chief Financial Officer in respect of this financial year.
(7.4) Companies should provide the information indicated in the Guide to reporting on Principle 7	▶ A copy of the Risk Management Policy and Procedures is available on the Company's website.
Principle 8: Remunerate fairly and responsibly	
(8.1) The Board should establish a Remuneration Committee	▶ The Company aims to remunerate in line with industry benchmarks and the Company's circumstances. As at the end of the financial year, the Remuneration Committee was responsible for reviewing the Company's remuneration, retention and termination policies.
(8.2) The Remuneration Committee should be structured so that it consists of a majority of independent Directors; is chaired by an independent chair; and has at least three members	▶ The Remuneration Committee is comprised of: – Vincent O'Rourke (Chair); – Travers Duncan; and – Terence Crawford. ▶ John Kinghorn (Non-Executive Director) served as a member of the Committee from 1 July 2013 until his resignation on 2 August 2013. As John Kinghorn is a substantial shareholder in the Company, he was not considered an independent Director. Once Terence Crawford was appointed as a member of the Committee on 16 August 2013, the Committee complied with the composition requirements of Recommendation 8.2.
(8.3) Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives	▶ The structure of Non-Executive Directors' remuneration is clearly distinguished from the structure of Executive Director and senior management remuneration, in that Non-Executive Directors' remuneration is not linked to the performance of the Group. Remuneration of Directors and senior executives is reviewed by the Remuneration Committee and the Board generally. ▶ Remuneration of Non-Executive Directors is determined within the maximum amount approved by shareholders from time to time. ▶ The remuneration report contained in the Directors Report of this Annual Report details the remuneration of Directors and senior executives.
(8.4) Companies should provide the information indicated in the Guide to reporting on Principle 8	▶ A copy of the Remuneration Committee Charter is available on the Company's website. ▶ Details of the Committee members' attendance at Remuneration Committee meetings are set out in the Directors' Report on page 21. ▶ The Non-Executive Directors receive no retirement benefits, other than statutory superannuation contributions (where applicable). ▶ Any employees participating in equity-based remuneration schemes are prohibited from entering into transactions in associated products which limit the economic risk of their unvested entitlements.

YEAR ENDED 30 JUNE 2014

FINANCIAL REPORT

Contents	Page

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

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

Registered office

White Energy Company Limited
Suite 4, Level 9
341 George Street
Sydney NSW 2000
Phone (612) 9299 9690

Principal place of business

White Energy Company Limited
Level 9, 20 Hunter Street
Sydney NSW 2000
Phone (612) 9959 0000

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report on pages 13 to 17 which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 29 September 2014. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our investor centre on our website www.whiteenergyco.com.

YEAR ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014 $'000	2013 $'000
Revenue	5	**27,915**	6,386
Other income		**2,093**	1,343
Coal mining operation expenses	6	**(26,015)**	–
Gain/(loss) on foreign exchange		**(158)**	(98)
Cost of goods sold – livestock		**(610)**	(236)
Accounting, tax and audit fees		**(556)**	(457)
Employee benefits expense	6	**(11,145)**	(10,770)
Depreciation and amortisation expense	6	**(8,860)**	(5,621)
Impairment expense	6	**(25,310)**	(99,492)
Finance costs	6	**(663)**	(748)
External advisory fees	6	**(6,326)**	(12,002)
Occupancy expenses	6	**(1,084)**	(1,041)
Travel expenses		**(1,135)**	(856)
Plant operating costs		**(859)**	(1,263)
Gain/(loss) on deconsolidation of KSC	6	**–**	5,091
Other expenses		**(2,607)**	(2,552)
Loss before income tax		**(55,320)**	(122,316)
Income tax credit	7	**–**	7,360
Net loss for the year		**(55,320)**	(114,956)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**59**	(1,614)
Total other comprehensive loss for the year		**59**	(1,614)
Total comprehensive loss for the year		**(55,261)**	(116,570)
Net (loss)/profit is attributable to:			
Owners of White Energy Company Limited		**(53,621)**	(113,641)
Non-controlling interests		**(1,699)**	(1,315)
Total loss for the year		**(55,320)**	(114,956)
Total comprehensive loss is attributable to:			
Owners of White Energy Company Limited		**(53,227)**	(115,049)
Non-controlling interests		**(2,034)**	(1,521)
Total comprehensive loss for the year		**(55,261)**	(116,570)
		Cents	Cents
Earnings per share for (loss)/profit attributable to ordinary equity holders of White Energy Company Limited:			
Basic and diluted (loss) per share	32	**(16.60)**	(35.19)

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

AS AT 30 JUNE 2014
CONSOLIDATED BALANCE SHEET

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	8	**56,386**	86,693
Inventory	9	**1,313**	–
Trade and other receivables	10	**4,779**	2,569
Total current assets		**62,478**	89,262
Non-current assets			
Restricted cash	11	**2,143**	2,000
Biological assets – livestock	12	**2,208**	1,913
Deferred tax assets	13	**–**	–
Property, plant and equipment	14	**40,628**	20,698
Exploration assets	15	**26,017**	50,044
Intangible assets	16	**41,176**	41,873
Total non-current assets		**112,172**	116,528
Total assets		**174,650**	205,790
Current liabilities			
Trade and other payables	17	**16,518**	18,718
Provisions	18	**341**	798
Total current liabilities		**16,859**	19,516
Non-current liabilities			
Provisions	18	**791**	–
Other payables	19	**20,430**	4,457
Deferred tax liabilities	20	**–**	–
Total non-current liabilities		**21,221**	4,457
Total liabilities		**38,080**	23,973
Net assets		**136,570**	181,817
Equity			
Contributed equity	21	**490,938**	490,938
Reserves	22	**(10,680)**	(12,017)
Accumulated losses	22	**(345,947)**	(292,326)
Total equity attributable to owners of White Energy Company Limited		**134,311**	186,595
Non-controlling interests	23	**2,259**	(4,778)
Total equity		**136,570**	181,817

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

YEAR ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO THE OWNERS OF WHITE ENERGY COMPANY LIMITED					
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2012	**490,938**	**(11,718)**	**(178,685)**	**300,535**	**(3,257)**	**297,278**
Profit/(loss) for the year	–	–	(113,641)	(113,641)	(1,315)	(114,956)
Other comprehensive income/(loss)	–	(1,408)	–	(1,408)	(206)	(1,614)
Total comprehensive income/(loss) for the year	**–**	**(1,408)**	**(113,641)**	**(115,049)**	**(1,521)**	**(116,570)**
Transactions with owners in their capacity as owners						
Share-based payments	–	1,109	–	1,109	–	1,109
	–	**1,109**	**–**	**1,109**	**–**	**1,109**
Balance at 30 June 2013	**490,938**	**(12,017)**	**(292,326)**	**186,595**	**(4,778)**	**181,817**
Profit/(loss) for the year	–	–	(53,621)	(53,621)	(1,699)	(55,320)
Other comprehensive income/(loss)	–	394	–	394	(335)	59
Total comprehensive income/(loss) for the year	**–**	**394**	**(53,621)**	**(53,227)**	**(2,034)**	**(55,261)**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	–	–	–	–	9,071	9,071
Share-based payments	–	943	–	943	–	943
	–	**943**	**–**	**943**	**9,071**	**10,014**
Balance at 30 June 2014	**490,938**	**(10,680)**	**(345,947)**	**134,311**	**2,259**	**136,570**

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

YEAR ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**26,033**	860
Payment to suppliers and employees (inclusive of goods and services tax)		**(40,817)**	(27,159)
		(14,784)	(26,299)
Interest received		**2,051**	5,368
Net cash inflow/(outflow) from operating activities	31	**(12,733)**	(20,931)
Cash flows from investing activities			
Payments for acquisition of subsidiary's, net of cash acquired	29	**(21,254)**	–
Payments from sale of investment		**20,163**	–
Payments for exploration assets		**(1,065)**	(192)
Payments for property, plant and equipment		**(4,941)**	(3,209)
Payments for intangible assets		**(14)**	–
Payment for development costs		**(1,397)**	(873)
Net cash inflow/(outflow) from investing activities		**(8,508)**	(4,274)
Cash flows from financing activities			
Repayment of borrowings		**(9,071)**	(25,000)
Borrowing costs		**–**	(988)
Net cash inflow/(outflow) from financing activities		**(9,071)**	(25,988)
Net increase/(decrease) in cash and cash equivalents		**(30,312)**	(51,193)
Cash and cash equivalents at the beginning of the financial year		**86,693**	137,812
Effect of exchange rate changes on cash and cash equivalents		**5**	74
Cash and cash equivalents at the end of the year	8	**56,386**	86,693

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

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents of the notes to the consolidated financial statements

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Compliance with IFRSs

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

(ii) New and amended standards adopted by the Group

The Company changed some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected accounting policies and standards are:

(1) Principals of consolidation: new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and

(2) Accounting for employee benefits: revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 13 Fair Value Measurement, AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle. These standards have introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

(1) Principles of consolidation – subsidiaries and joint arrangements

Under the new principles, 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 over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

(2) Employee benefits

The adoption of the revised AASB 119 Employee Benefits changed the Company's accounting policy for annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety.

This did change the measurement of these obligations, as the obligations are now measured on a discounted basis. The impact of this change of the prior year comparative balances was immaterial and has not been restated.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Historical cost convention

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

(v) Critical accounting estimates

The preparation of 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 3.

(vi) Changes in accounting policy

The Company had to implement a number of new accounting policies following the acquisition of Mountainside Coal Company from 4 October 2013.

(1) Reclamation bonds

The Company is required to post reclamation bonds with the Kentucky Department of Natural Resources for its permitted mine sites to ensure reclamation is completed under state regulations. The certificates of deposit are recorded initially at fair value and subsequently at amortised cost. The reclamation bonds are held in escrow until each stage of reclamation has been performed to the satisfaction of the Kentucky Department of Natural Resources. When reclamation is complete the certificates of deposit are returned to the Company.

(2) Mineral properties

Mineral properties include the costs of acquiring the surface and mineral rights required to mine mineral properties, the cost of developing new mines until the commencement of mining and reclamation cost assets recognised at the same time as a reclamation provision for a specified mineral property.

Depletion of producing mineral properties and other development costs is provided using a unit-of-production method based upon the proven and probable mineral reserve position of the mine at the beginning of the year.

(3) Reclamation provision

The Company recognises a reclamation provision for the expected costs of reclamation at mining properties where the Company is legally responsible for such reclamation costs. Reclamation provisions arise from the Company's obligations to undertake site reclamation and remediation in connection with the ongoing operations, exploration and development of mineral properties. The Company 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 at fair value, 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.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 1. Summary of significant accounting policies continued

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of White Energy ('Company' or 'Parent Entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. White Energy and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

(ii) Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Changes in ownership interests

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

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity 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.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this

is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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

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

(e) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Coal sales are recognised as revenue when the significant risk and rewards of ownership have passed to the buyer and the revenue can be measured reliably. This is usually at the time of shipping the coal.

(ii) Interest income is recognised using the effective interest method.

(iii) Sampling income is recognised as revenue on completion of the associated coal testing.

(iv) Livestock revenue is measured at the fair value of the consideration received or receivable less point of sale costs, and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of the delivery of the sheep, cattle or wool.

(f) Government grants

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

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

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

(g) Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

With effect from 1 July 2012, the Minerals Resource Rent Tax ("MRRT") applied to tax profits from mining coal and iron ore in Australia. When determining the amount of MRRT payable, a deduction (the MRRT Starting Base Allowance) is provided for the value of mining assets at 1 May 2010 plus eligible expenditure to 30 June 2012. A deferred tax asset will be recognised when it is probable that the mining asset will be realised. The MRRT was abolished on 1 September 2014.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 1. Summary of significant accounting policies continued

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. 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.

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

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

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

(j) Impairment of assets

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

(k) Cash and cash equivalents

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

(l) Trade and other receivables

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

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

(m) Inventory

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

(n) Biological assets

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

(i) Valuations – livestock

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

(ii) Value of livestock sold

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

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

Any increase or decrease in the net market value of biological assets is recognised as other income or other expenses in the statement of comprehensive income. The movement is determined as the difference between the net market value at the beginning and end of the financial year adjusted for purchases and sales during the financial year.

(o) Exploration and evaluation costs

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

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

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

Exploration expenditure that fails to meet at least one of the conditions outlined above is written off or a provision made. Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future.

In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back. When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off. Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest is current.

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

(p) Investments and other financial assets

(i) Classification

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

(ii) Loans and receivables

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

(iii) Measurement

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

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

(iv) Impairment

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

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

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

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

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 1. Summary of significant accounting policies continued

(q) Property, plant and equipment

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

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

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

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

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

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

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

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

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

(r) Intangible assets

(i) Goodwill

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

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

(ii) Licences

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

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

(iii) Research and development

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

(iv) Detailed BCB plant design

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

(v) Americanisation of the BCB plant design

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

(s) Trade and other creditors

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

(t) Borrowings

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

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

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

(u) Borrowing costs

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

(v) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(w) Lease incentives

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

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

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

(x) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating 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. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligation

The liabilities for long service leave and annual 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 government 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 Incentive Option Scheme and an Executive Retention Plan. Information relating to these schemes is set out in note 33.

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

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

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

At each reporting date, the entity revises its estimate of the number of options or performance shares 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 or performance shares, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(iv) Termination benefits

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

(y) Contributed equity

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

Where any Group company purchases the Company's equity instruments, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of White Energy as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of White Energy.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 1. Summary of significant accounting policies continued

(z) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(aa) Goods and services tax (GST)

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

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

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

(ab) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ‘rounding off’ of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ac) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Company’s assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The new standard must be applied for financial years commencing on or after 1 January 2017. The Company currently does not have any hedging arrangements while the change is not expected to affect how the Company accounts for its financial assets and financial liabilities.

(ad) Parent entity financial information

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

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

Note 2. Financial risk management

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

Risk management is carried out by the finance department 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 the South African Rand.

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.

The Group seeks to limit its exposure to foreign exchange risk, by maintaining a bank account denominated in US dollars, from which overseas income received is deposited and maintained so that overseas transactions can be directly settled in US dollars, without the need to transact in multiple currencies.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2014 $'000	2013 $'000
Assets		
Cash and cash equivalents	**2,475**	431
Trade and other receivables	**3,706**	361
Total assets	**6,181**	792
Liabilities		
Trade and other payables – Current	**14,346**	15,298
Provisions – Non-current	**303**	–
Trade and other payables – Non-current	**15,759**	–
Total liabilities	**30,408**	15,298

Sensitivity

Based on the revaluation of the Group's overseas assets and liabilities at 30 June 2014 had the Australian dollar weakened/strengthened by 10% against the US dollar or South African Rand at 30 June 2014 with all other variables held constant, the Group's post-tax loss for the year would have been $2,692,000 higher/$2,202,000 lower (2013: $1,612,000 higher/$1,319,000 lower), as a result of foreign exchange gains/losses on translation of US dollar denominated assets as detailed in the above table.

(ii) Price risk

The Group is exposed to commodity price risk. This arises from fluctuations in the prices of sheep and cattle owned by South Australian Property Pty Ltd at Ingomar Station. The Group's livestock are at each reporting period re-valued through a combination of recent external sale prices for Ingomar Station sheep and cattle and the movement in the Eastern states trade lamb indicator and Eastern young cattle indicator from the date of the last external sale until the reporting period date.

No financial instruments are employed to mitigate commodity price risk as the Group does not consider that commodity price risk has an overall material impact on the business and its reported results.

Sensitivity

Had the external benchmark indicator price of sheep and cattle decreased/increased by 10% at 30 June 2014, the Group's post-tax loss for the year would have been $183,000 higher/$183,000 lower (2013: $146,000 higher/$146,000 lower), as a result of the unrealised livestock revaluation impact on the statement of comprehensive income.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 2. Financial risk management continued

(iii) Interest rate risk

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

The Group manages interest rate risk by holding a large portion of the Group's cash and cash equivalents in fixed short-term deposits after forecasting its cash management needs.

The Group's exposure to interest rate risk for all classes of financial assets and liabilities, at 30 June 2014 and 30 June 2013 is set out below:

	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
At 30 June 2014					
Financial assets					
Cash and cash equivalents	18,458	37,928	–	–	56,386
Restricted cash	–	–	–	2,143	2,143
Trade and other receivables	–	264	–	4,515	4,779
Total financial assets	**18,458**	**38,192**	**–**	**6,658**	**63,308**
Financial liabilities					
Trade and other payables	–	7,012	15,449	14,487	36,948
Total financial liabilities	**–**	**7,012**	**15,449**	**14,487**	**36,948**
Net financial assets/(liabilities)	**18,458**	**31,180**	**(15,449)**	**(7,829)**	**26,360**
At 30 June 2013					
Financial assets					
Cash and cash equivalents	11,610	75,083	–	–	86,693
Restricted cash	–	–	–	2,000	2,000
Trade and other receivables	–	–	–	2,569	2,569
Total financial assets	**11,610**	**75,083**	**–**	**4,569**	**91,262**
Financial liabilities					
Trade and other payables	–	6,226	–	16,949	23,175
Total financial liabilities	**–**	**6,226**	**–**	**16,949**	**23,175**
Net financial assets/(liabilities)	**11,610**	**68,857**	**–**	**(12,380)**	**68,087**

Sensitivity

At 30 June 2014, if interest rates had increased by 100 or decreased by 100 basis points from the year end rates with all other variables held constant, post-tax loss for the year would have been $26,000 higher/$26,000 lower (2013 changes of 100 bps/100 bps: $89,000 higher/$89,000 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

(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.

The majority of the Group's credit risk is concentrated at MCC where amounts were owing from customers as at 30 June 2014.

For cash and cash equivalents, the Group manages its credit risk by only depositing its funds with banks and financial institutions with a minimum independently determined rating of A. The Group also spreads its deposits across a number of banks. The credit quality of cash and cash equivalents was assessed as follows:

	2014 $'000	2013 $'000
AAA	**56,380**	86,689
AA	**–**	–
Other	**6**	4
Total cash and cash equivalents	**56,386**	86,693

For trade and other receivables, management assesses the credit worthiness of customers before sales are made. This assessment typically includes consideration of the customers' financial position and past experiences with the customer. In the majority of cases credit terms of 14 days are offered to customers. The credit quality of trade and other receivables was assessed as follows:

	2014 $'000	2013 $'000
Counterparties without external rating		
Group 1 – New customers	**367**	–
Group 2 – Existing customers – no past defaults	**3,162**	363
Group 3 – Existing customers – past defaults	**–**	–
Total trade receivables	**3,529**	363

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was:

		CARRYING AMOUNT	
	Note	2014 $'000	2013 $'000
Cash and cash equivalents	8	**56,386**	86,693
Trade and other receivables	10	**4,779**	2,569
Restricted cash	11	**2,143**	2,000
Total exposure to credit risk at year end		**63,308**	91,262

(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 cash is forecast to be needed in order to meet the needs of the business, management has and will continue to conduct initiatives such as capital raising to meet such demands.

(i) Financing arrangements

The Group did not have access to any undrawn borrowing facilities as at reporting date.

(ii) Maturities of financial liabilities

The tables below analyse the Group's maturity profile of the financial liabilities held as at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

Contractual maturities of financial liabilities	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	Carrying Amount (assets)/ liabilities $'000
At 30 June 2014						
Non-derivatives						
Trade and other payables	16,084	–	18,799	–	34,883	36,948
Total non-derivatives	**16,084**	**–**	**18,799**	**–**	**34,883**	**36,948**
At 30 June 2013						
Non-derivatives						
Trade and other payables	17,712	–	326	–	18,038	20,539
Total non-derivatives	**17,712**	**–**	**326**	**–**	**18,038**	**20,539**

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 3. Critical accounting estimates and judgements

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.

Critical accounting 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. 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.

(1) Impairment of assets

(i) Coal technology cash generating unit (CGU)

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

The coal technology CGU had the following intangible assets subject to amortisation:

(1) BCB coal technology license: is being amortised over the license term of 17.61 years. The BCB coal technology license is a key asset which has been attributed to the coal technology CGU. The Directors have determined that the carrying value of the coal technology CGU exceeds its recoverable amount.

(2) Detailed BCB plant design: is being amortised over 10 years from 1 July 2010. The detailed BCB plant design is an asset which has been attributed to the coal technology CGU. The Directors have determined that the carrying value of the coal technology CGU exceeds its recoverable amount.

(3) Americanisation of the BCB plant design: will be amortised over 10 years. The Americanisation of the BCB plant design is an asset which has been attributed to the coal technology CGU. The Directors have determined that the carrying value of the coal technology CGU exceeds its recoverable amount.

(4) 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.

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

(ii) Mining exploration cash generating unit (CGU)

The goodwill recognised on acquisition of SAC by the Company was attributed to the mining exploration CGU.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy outlined in note 1 (j).

Exploration expenditure is reviewed annually to ensure that, for each area of interest carried forward as an asset, at least 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 permit a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

In each reporting period, the Group tests whether exploration assets have suffered an impairment in accordance with the accounting policy outlined in note 1 (j). The recoverable amount of the mining exploration CGU was determined based on fair value less costs to sell calculations. These calculations require the use of assumptions.

The critical assumption affecting the recoverable amount of the mining exploration CGU is the future development potential of EL4534, including the potential near-term opportunity to supply coal to the domestic power market and coal gasification commercialisation opportunities. Refer to note 15 for further details of these assumptions and the potential impact of changes to the assumptions.

(2) Quantity of livestock held

(i) Property cash generating unit

The quantity of sheep held at balance date is estimated based off the number of sheep counted by station hands during the closest shearing to the particular reporting date. This number is then modified to reflect an estimate of lambs born subsequent to the count (birth factor), and sheep which died subsequent to the count (mortality factor).

The quantity of cattle held at balance date is estimated based off the number of cattle counted by an independent consultant engaged to undertake a muster of the property during the closest mustering undertaken to the particular reporting date. This number is then modified to reflect an estimate of calves born subsequent to the count (birth factor), and cattle which died subsequent to the count (mortality factor).

Note 4. Segment information

(a) Description of segments

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

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

The coal technology segment has the exclusive licence to patented BCB technology developed by the consortia led by CSIRO which processes relatively poor quality coal into a higher quality product. This activity commenced in June 2006 when the Company acquired White Energy Technology Limited.

The coal mining segment reports the financial results of MCC which operates a series of coal mines and was acquired by the Company on 4 October 2013.

The mining exploration segment holds tenements in Lake Phillipson, South Australia and the Gasgoyne, Western Australia.

The property segment reflects the agricultural activities of Ingomar Station which was purchased in April 2011 and operates as a working cattle and sheep property. Although the property segment does not meet the quantitative thresholds required by AASB 8, management has concluded that this segment should be reported, as it is monitored by the Board of Directors and is expected to contribute to Group revenue in the future.

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

(i) Australia: The home country of the main operating entity. The areas of operation are the coal technology, mining exploration and property business lines.

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

(iii) South Africa and Mauritius: Currently undertaking marketing activities and feasibility studies to bring the BCB coal technology to the South African market.

(iv) United States (U.S.): Operating a series of coal mines and undertaking marketing activities and feasibility studies to bring the BCB coal technology to the North American market.

(v) China: Currently undertaking feasibility studies and marketing activities to bring the BCB coal technology to the Chinese market.

(vi) United Kingdom (UK): An investment holding Company which owns MCC.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2014 was in the following format:

2014	COAL TECHNOLOGY					COAL MINING		MINING EXPLORATION	PROPERTY	INTER-COMPANY	TOTAL
	Australia $'000	South-East Asia $'000	South Africa $'000	U.S. $'000	China $'000	U.S. $'000	U.K. $'000	Australia $'000	Australia $'000	$'000	$'000
Total income	7,284	–	9,871	54	–	22,957	89	94	1,213	(12,298)	29,264
Total expenses	(19,025)	(32)	(2,117)	(1,315)	(159)	(28,462)	(1,659)	(41)	(601)	4,628	(48,783)
EBITDA (*)	**(11,741)**	**(32)**	**7,754**	**(1,261)**	**(159)**	**(5,505)**	**(1,570)**	**53**	**612**	**(7,670)**	**(19,519)**
Depreciation	(2,066)	–	(64)	–	–	(2,771)	–	(10)	(106)	–	(5,017)
Amortisation	(3,843)	–	(517)	–	–	–	(662)	–	–	1,179	(3,843)
Interest expense	–	–	(635)	(1,636)	–	(192)	(798)	–	–	2,598	(663)
Other expenses	(1,376)	–	(10)	–	–	–	–	–	(610)	284	(1,712)
Fair value gains	–	–	–	–	–	–	–	–	744	–	744
Loss before income tax (*)	**(19,026)**	**(32)**	**6,528**	**(2,897)**	**(159)**	**(8,468)**	**(3,030)**	**43**	**640**	**(3,609)**	**(30,010)**

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 4. Segment information continued

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

2013	COAL TECHNOLOGY					MINING EXPLORATION	PROPERTY	INTER-COMPANY	TOTAL
	Australia $'000	South-East Asia $'000	South Africa $'000	U.S.A $'000	China $'000	Australia $'000	Australia $'000	$'000	$'000
Total income	8,326	–	463	40	2	269	750	(2,555)	**7,295**
Total expenses	(23,357)	(486)	(2,239)	(1,168)	(134)	(141)	(543)	478	**(27,590)**
EBITDA (*)	**(15,031)**	**(486)**	**(1,776)**	**(1,128)**	**(132)**	**128**	**207**	**(2,077)**	**(20,295)**
Depreciation	(1,634)	–	(20)	(20)	(1)	(21)	(71)	(10)	**(1,777)**
Amortisation	(3,844)	–	(463)	–	–	–	–	463	**(3,844)**
Interest expense	(561)	–	(416)	(1,184)	–	–	–	1,413	**(748)**
Other expenses	(1,450)	(215)	(4)	9	–	–	(236)	211	**(1,685)**
Fair value gains	–	–	–	–	–	–	434	–	**434**
Loss before income tax (*)	**(22,520)**	**(701)**	**(2,679)**	**(2,323)**	**(133)**	**107**	**334**	**–**	**(27,915)**

(*) Includes White Energy's share of the income and expenses from minority owned subsidiaries

(c) Other segment information

(i) Segment revenue

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

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

	2014 $'000	2013 $'000
Total segment income	**29,264**	7,295
Exclude other income recognised in segment income	**(1,349)**	(909)
Total revenue	**27,915**	6,386

The head entity, White Energy Company Limited, is domiciled in Australia. The amount of its revenue from external customers in Australia is $1,687,000 (2013: $1,339,000) and the total revenue from external customers in other countries is $23,819,000 (2013: $362,000). Segment revenues are allocated based on the country in which the customer is located.

(ii) Reconciliation to consolidated loss for the year

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

	2014 $'000	2013 $'000
Total loss for the year – segment information	**30,010**	27,915
Impairment expense (*)	**25,310**	99,492
Gain/(loss) on deconsolidation of KSC	**–**	(5,091)
Consolidated loss before income tax	**55,320**	122,316

(*) Impairment expense attributed to the following segments: Mining exploration $25,069,000 (2013: $98,410,000), coal technology Australia $145,000 (2013: $410,000) and coal technology South Africa $96,000.

Note 5. Revenue

	2014 $'000	2013 $'000
From continuing operations		
Interest income	**1,974**	4,612
Coal sales	**22,817**	–
Proceeds from the sale of livestock	**519**	178
Proceeds from the sale of wool	**388**	367
Government grant income (a)	**435**	435
Sampling income – potential customers	**1,145**	554
Other revenue	**637**	240
	27,915	6,386

(a) Government grant income of $435,000 (2013: $435,000) was recognised by the Group during the financial year, which represents the annual amortised amount of a Commercial Ready Grant received in 2008. There are no unfulfilled conditions or other contingencies attaching to these grants.

Note 6. Expenses

	2014 $'000	2013 $'000
Loss before income tax includes the following specific expenses:		
Coal mining expenses	**26,015**	–
Depreciation and amortisation expense – Property, plant and equipment	**5,017**	1,777
Amortisation expense – Intangible assets	**3,843**	3,844
Total depreciation and amortisation expense	**8,860**	5,621
Consulting, external management and professional fees	**807**	3,117
Legal fees – litigation	**4,350**	8,380
Other legal fees	**1,169**	505
Total external advisory fees	**6,326**	12,002
Impairment expense – Goodwill	**–**	32,338
Impairment expense – SACL exploration rights	**25,015**	64,990
Impairment expense – AEL exploration rights	**–**	655
Impairment expense – AEL exploration tenements	**54**	427
Impairment expense – Development costs	**181**	1,002
Impairment expense – Americanisation of the BCB Plant Design	**–**	80
Impairment expense – Fixed assets	**60**	–
Total impairment expense	**25,310**	99,492
(Gain)/loss on deconsolidation of KSC (a)	**–**	(5,091)
Finance costs expensed	**663**	748
Occupancy expenses – Minimum lease payments	**1,084**	1,041
Defined contribution superannuation expense	**550**	560
Other employee benefits expense	**10,595**	10,210
Total employee benefits expense	**11,145**	10,770

(a) (Gain) on deconsolidation of KSC

Following the bankruptcy of KSC, the Company was able to determine the final accounting loss on deconsolidation of KSC in the comparative year. This re-evaluation resulted in a write-back on the accounting loss on deconsolidation of KSC.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 7. Income tax credit

	2014 $'000	2013 $'000
(a) Income tax credit		
Current tax	**(3,900)**	(1,331)
Deferred tax	**3,840**	(7,650)
Adjustments for current tax of prior periods	**60**	1,621
	–	(7,360)
Income tax credit is attributable to:		
Profit/(loss) from continuing operations	**–**	(7,360)
Profit/(loss) from discontinued operations	**–**	–
Aggregate income tax credit	**–**	(7,360)
Deferred income tax (revenue)/expense included in income tax credit comprises:		
Decrease/(increase) in deferred tax assets (note 13)	**7,495**	12,113
(Decrease)/increase in deferred tax liabilities (note 20)	**(7,495)**	(19,763)
	–	(7,650)
(b) Numerical reconciliation of income tax credit to prima facie tax payable		
Loss from continuing operations before income tax credit	**(55,320)**	(122,316)
Tax credit at the Australian tax rate of 30% (2013 – 30%)	**(16,596)**	(36,695)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment expense	**7,593**	29,847
Loss on deconsolidation of KSC	**–**	(1,527)
Sundry items	**1,353**	(603)
Differences in overseas operations tax rates	**1,304**	60
Tax losses and timing differences not brought to account	**6,346**	1,558
Income tax credit	**–**	(7,360)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**88,081**	58,404
Potential tax benefit at 30%	**26,424**	17,521
(d) Unrecognised temporary differences		
Temporary differences for which a deferred tax (liability)/asset has not been recognised:		
Tax losses	**88,081**	58,404
Unrealised foreign currency translation	**30,995**	21,349
Mineral Resources Rent Tax (i)	**54,379**	54,379
	173,455	134,132
Unrecognised deferred tax assets/(liabilities) relating to the above temporary differences	**52,037**	40,240

(i) Mineral Resources Rent Tax

With effect from 1 July 2012, the Minerals Resource Rent Tax ("MRRT") applied to tax profits from mining coal and iron ore in Australia. The Company was to have been subject to the MRRT on profits it made in the future from coal mined from the area of EL4534. The Company expected that it would have been entitled to a starting base asset equal to the market value of EL4534 as at 1 May 2010 which will offset profits subject to MRRT. The MRRT was abolished on 1 September 2014.

Note 8. Current assets – Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and in hand	**56,386**	86,693
	56,386	86,693

(a) Reconciliation to cash at end of year

	2014 $'000	2013 $'000
Balance recorded above	**56,386**	86,693
Balances per statement of cash flows	**56,386**	86,693

(b) Risk exposure

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

(c) Bank guarantees

At 30 June 2014 bank guarantees exist which have been issued as security for property bonds in the amount of $566,000 (2013: $415,000).

Note 9. Current assets – Inventory

	2014 $'000	2013 $'000
Coal stockpiles – at cost	**1,294**	–
Other	**19**	–
	1,313	–

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 10. Current assets – Trade and other receivables

	2014 $'000	2013 $'000
Trade debtors	**3,529**	363
Provision for impairment of receivables (a)	**(178)**	(178)
Deposits	**89**	219
Prepayments	**887**	476
Current tax receivable	**–**	909
Interest receivable	**264**	342
Other receivables	**188**	438
	4,779	2,569

(a) Impaired trade receivables

As at 30 June 2014, current trade receivables of the Group with a nominal value of $178,000 (2013: $178,000) were impaired. The amount of the provision was $178,000 (2013: $178,000).

The ageing of impaired trade receivables is as follows:

	2014 $'000	2013 $'000
1 to 3 months	**–**	–
3 to 6 months	**–**	–
Over 6 months	**178**	178
	178	178

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

	2014 $'000	2013 $'000
At 1 July	**178**	178
Provision for impairment recognised during the year	**–**	–
Receivables written off during the year as uncollectible	**–**	–
Unused amount reversed	**–**	–
At 30 June	**178**	178

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

(b) Past due but not impaired

As at 30 June 2014, trade receivables of $393,000 (2013: $141,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 $'000	2013 $'000
Up to 3 months	**314**	141
3 to 6 months	**79**	–
Over 6 months	**–**	–
	393	141

(c) Foreign exchange, interest rate and liquidity risk

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

(d) Fair value and credit risk

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

(e) Risk exposure

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

Note 11. Non-current assets – Restricted cash

	2014 $'000	2013 $'000
Non-current asset		
Restricted cash – security bond (a)	**2,000**	2,000
Reclamation bonds (b)	**143**	–
	2,143	2,000

(a) Restricted cash – security bond

On 12 April 2013 White Energy, on behalf of its subsidiary BCBCS, paid the Supreme Court of Western Australia a $2 million security bond in support of freezing orders made against Bayan's shareholding in Kangaroo Resources Limited.

(b) Certificates of deposit restricted for bonds

As part of the acquisition of MCC, White Energy acquired certificates of deposit restricted for bonds. The certificates are a requirement of the mining permits issued in Kentucky and Tennessee U.S.. The certificates of deposit restricted for bonds are held as security until reclamation of the permitted sites has been suitably completed by the Company.

Note 12. Non-current assets – Biological assets – livestock

	2014 $'000	2013 $'000
Opening balance	**1,913**	1,608
Purchases – other	**70**	50
Sales	**(519)**	(178)
Change in net market value	**744**	433
Closing balance	**2,208**	1,913

Livestock numbers at 30 June 2014 were 21,667 (2013: 19,101) which comprised 20,524 (2013: 17,516) sheep and 1,143 (2013: 1,585) cattle.

Note 13. Non-current assets – Deferred tax assets

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**3,177**	8,180
Intangibles	**760**	665
Trade and other payables	**869**	2,946
Trade and other debtors	**2,463**	2,463
Other balances and transactions	**250**	760
Total deferred tax assets	**7,519**	15,014
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 20)	**(7,519)**	(15,014)
Net deferred tax assets	**–**	–
Deferred tax assets expected to be settled within 12 months	**2,463**	2,463
Deferred tax assets expected to be settled after more than 12 months	**5,056**	12,551
	7,519	15,014

Movement	Other $'000	Total $'000
At 1 July 2012	27,127	27,127
(Charged)/credited to profit or loss	(12,113)	(12,113)
(Charged)/credited to other comprehensive income	–	–
At 30 June 2013	15,014	15,014
(Charged)/credited to profit or loss	**(7,495)**	**(7,495)**
(Charged)/credited to other comprehensive income	**–**	**–**
At 30 June 2014	**7,519**	**7,519**

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

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

	Plant and Equipment [(a)] $'000	Leasehold improvements $'000	Land $'000	Mineral properties [(b)] $'000	Total $'000
At 1 July 2012					
Cost or fair value	20,593	638	2,580	–	23,811
Accumulated depreciation	(4,954)	(329)	–	–	(5,283)
Net book amount	**15,639**	**309**	**2,580**	**–**	**18,528**
Year ended 30 June 2013					
Opening net book amount	15,639	309	2,580	–	18,528
Additions	3,276	–	–	–	3,276
Transfers from deposits	762	–	–	–	762
Exchange differences	(91)	–	–	–	(91)
Depreciation	(1,618)	(159)	–	–	(1,777)
Closing net book amount	**17,968**	**150**	**2,580**	**–**	**20,698**
At 30 June 2013					
Cost or fair value	24,518	637	2,580	–	27,735
Accumulated depreciation	(6,550)	(487)	–	–	(7,037)
Net book amount	**17,968**	**150**	**2,580**	**–**	**20,698**
Year ended 30 June 2014					
Opening net book amount	17,968	150	2,580	–	20,698
Additions	5,874	64	213	–	6,151
Acquisition of subsidiary (note 29)	17,376	–	106	1,492	18,974
Transfers	28	–	–	(94)	(66)
Disposals	(76)	–	–	–	(76)
Exchange differences	17	–	–	7	24
Depreciation	(4,766)	(150)	–	(101)	(5,017)
Impairment expense	(60)	–	–	–	(60)
Closing net book amount	**36,361**	**64**	**2,899**	**1,304**	**40,628**
At 30 June 2014					
Cost or fair value	69,600	701	2,899	1,398	74,598
Accumulated depreciation	(33,239)	(637)	–	(94)	(33,970)
Net book amount	**36,361**	**64**	**2,899**	**1,304**	**40,628**

(a) Plant and equipment

In October 2013, the Company successfully completed the purchase of 100% of the capital stock of MCC for $21,254,000 (US$20,070,000), inclusive of all mine infrastructure, plant, equipment, permits and unsold coal stocks. Refer to note 29 for information of the account balances acquired on acquisition.

(b) Mineral properties

Mineral properties include the cost of obtaining and maintaining the mineral and surface rights to conduct mining operations and the reclamation asset. The Company leases these rights from various landholders specific to each property. The mineral rights are subject to royalty payments payable to the landowner based on the tonnages of extracted coal from that specific property.

Note 15. Non-current assets – Exploration assets

	2014 $'000	2013 $'000
Exploration Tenements		
Bridgetown: E70/2855		
Cost at beginning of reporting period	–	132
Additional expenditure	–	18
Expenditure written off	–	(150)
Net book amount	–	–
Bridgetown: E70/2856		
Cost at beginning of reporting period	–	259
Additional expenditure	–	11
Expenditure written off	–	(270)
Net book amount	–	–
Bridgetown: E70/3381		
Cost at beginning of reporting period	–	36
Capitalised expenditure refunded	–	(4)
Transfers	–	(25)
Expenditure written off	–	(7)
Net book amount	–	–
Gasgoyne: E09/1983		
Cost at beginning of reporting period	**18**	–
Additional expenditure	**4**	9
Transfers	–	9
Expenditure written off	**(22)**	–
Net book amount	–	18
Gasgoyne: E09/1984		
Cost at beginning of reporting period	**26**	–
Additional expenditure	**6**	10
Transfers	–	16
Expenditure written off	**(32)**	–
Net book amount	–	26
Coober Pedy: EL4534		
Cost at beginning of reporting period	**7,195**	7,046
Additional expenditure	**38**	149
Capitalised expenditure refunded	**(23)**	–
Net book amount	**7,210**	7,195
Bowen Basin: EPC23256		
Cost at beginning of reporting period	–	–
Additional expenditure	**66**	–
Net book amount	**66**	–
Mountainside Coal Company		
Cost at beginning of reporting period	–	–
Additional expenditure	**951**	–
Net book amount	**951**	–
Exploration rights		
Cost at beginning of reporting period	**42,805**	108,450
Additional expenditure	–	–
Impairment (a)	**(25,015)**	(65,645)
Net book amount	**17,790**	42,805
Exploration assets net book amount	**26,017**	50,044

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 15. Non-current assets – Exploration assets continued

(a) Impairment

The carrying amount of the mining exploration segment has been reduced to its recoverable amount through the recognition of an impairment loss against exploration rights. The impairment charge arose when it was identified that the recoverable amount of the mining exploration cash generating unit (CGU) was less than the carrying value of the mining exploration CGU, following the identification of impairment indicators, being the carrying amount of net assets of the Company (before impairment) exceeding the Company's market capitalisation, and the continued deterioration in early stage coal projects and thermal coal prices.

The impairment expense recorded in 2014 to reduce the SAC component of the mining exploration CGU carrying value to its pre-tax recoverable amount is summarised in the table below:

	Carrying amount $'000	Recoverable amount $'000	Impairment expense $'000
Exploration rights	42,805	17,790	25,015
Exploration tenements	7,210	7,210	–
Total	**50,015**	**25,000**	**25,015**

(b) Key assumptions used for impairment calculations

The Company appointed an independent valuation firm to perform a valuation of the recoverable amount of EL4534 as at 30 June 2014. EL4534 is held by SAC and is a large sub-bituminous coal deposit located in Northern South Australia. EL4534 is the principal asset of the mining exploration CGU.

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations and fair value less costs to sell calculations. The recoverable amount determined by the valuer was based on fair value less costs to sell calculations which were calculated as the price that would be paid for EL4534 in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.

The price that would be paid for EL4534 in an arms-length transaction was determined on a value per tonne of resource basis, which was cross checked against the implied value paid by White Energy on acquisition of SAC, the level of subsequent expenditure incurred in developing EL4534 and the movement in the value of coal projects since the acquisition of SAC.

The value per tonne of resources was primarily calculated with reference to the forecast development potential of EL4534, in particular the opportunity to supply coal to the domestic power market. The value per tonne of resources determined was then adjusted for changes to the market value of ASX listed companies with early stage coal development projects, recent comparable transactional evidence and the general characteristics of the coal quality and infrastructure present at EL4534.

The commercial implied value paid by White Energy on acquisition of SAC was assumed to be the value of consideration which would have been payable by White Energy on the offer date. The consideration payable included a cash component, a share component and a contingent consideration component (performance shares). The implied value was adjusted by the valuer to reflect the increased level of resources identified following the 2011 SAC drilling program which increased the JORC resources to 1,130.4 million tonnes. The valuer discounted the 774.2 million inferred tones of JORC resource. A cents per tonne value was allocated to the 11.5 million tonnes of measured resource and the 344.8 million tonnes of indicated resource.

Since the acquisition of SAC the equity values of ASX listed companies with early stage coal development projects have fallen substantially along with a significant decrease in thermal coal prices. Offsetting a portion of the decline in equity values has been an improvement in the general political climate and an increase in domestic gas prices, which may improve the viability and competitiveness of coal as a fuel.

In performing the independent valuation, the valuer outlined a valuation range. The Directors have determined that the recoverable amount of EL4534 is the mid-point of the valuation range stated by the valuer.

If the value per tonne of resources assumption was 10% higher the recoverable amount would increase by $1,750,000 and if the value per tonne of resource assumption was 10% lower the recoverable amount would decrease by $1,750,000.

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

Note 16. Non-current assets – Intangible assets

	Goodwill $'000	BCB Coal technology licence $'000	Detailed BCB plant design $'000	Americanisation of the BCB plant design $'000	Development costs $'000	Total $'000
At 1 July 2012						
Cost	32,338	55,983	6,647	1,608	–	96,576
Accumulated amortisation	–	(19,076)	(1,994)	–	–	(21,070)
Net book amount	**32,338**	**36,907**	**4,653**	**1,608**	–	**75,506**
Year ended 30 June 2013						
Opening net book amount	**32,338**	**36,907**	**4,653**	**1,608**	–	**75,506**
Transfers (a)	–	–	–	–	3,631	3,631
Amortisation	–	(3,179)	(665)	–	–	(3,844)
Impairment	(32,338)	–	–	(80)	(1,002)	(33,420)
Closing net book amount	–	**33,728**	**3,988**	**1,528**	**2,629**	**41,873**
At 30 June 2013						
Cost	–	55,983	6,647	1,528	2,629	66,787
Accumulated amortisation	–	(22,255)	(2,659)	–	–	(24,914)
Net book amount	–	**33,728**	**3,988**	**1,528**	**2,629**	**41,873**
Year ended 30 June 2014						
Opening net book amount	–	33,728	3,988	1,528	2,629	41,873
Additions	–	–	14	–	1,397	1,411
Acquisition of subsidiary (note 29)	1,895	–	–	–	–	1,895
Transfers	–	–	–	–	39	39
Exchange differences	5	–	–	–	(23)	(18)
Amortisation	–	(3,177)	(666)	–	–	(3,843)
Impairment	–	–	–	–	(181)	(181)
Closing net book amount	**1,900**	**30,551**	**3,336**	**1,528**	**3,861**	**41,176**
At 30 June 2014						
Cost	1,900	55,983	6,661	1,528	3,861	69,933
Accumulated amortisation	–	(25,432)	(3,325)	–	–	(28,757)
Net book amount	**1,900**	**30,551**	**3,336**	**1,528**	**3,861**	**41,176**

(a) Capitalised development were transferred from current trade and other receivables to intangible assets.

Amortisation of $3,843,000 (2013: $3,844,000) is included in the depreciation and amortisation expense in the statement of comprehensive income.

The BCB coal technology licence and detailed BCB plant design have finite lives and are amortised over their useful lives. The Americanisation of the BCB plant design and development costs have yet to reach a stage where they are available for use by the Company.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 16. Non-current assets – Intangible assets continued

(a) Key assumptions used for impairment calculations

The Company appointed an independent valuation firm to perform a valuation of the recoverable amount of the Company's coal technology assets. The valuation was performed with reference to a number of valuation techniques which included:

(i) The actual arms-length value of the January 2014 transaction for the sale by REUK of 49% of the exclusive rights for the BCB technology, as applied to bituminous coal fines processing, in the U.S., Canada, Australia and New Zealand;

(ii) The value implied by the above transaction to coking coal production opportunities in other jurisdictions not covered by the REUK Joint Venture Agreement;

(iii) Calculating the net present value of the South African thermal coal opportunities using discounted cash flow models.

The valuation concluded that the recoverable amount of the Company's coal technology assets exceeded the 30 June 2014 carrying value.

The value attributed to the potential application of the BCB technology to coking coal opportunities in other jurisdictions not covered by the REUK Joint Venture Agreement was determined with reference to the arms-length January 2014 sale transaction. An implied multiple was calculated and applied to the actual 2012 worldwide coking coal production level. The multiple was then discounted by 20% to 30% to reflect the early stage development of these opportunities.

If the discount applied to the implied multiple was 10% higher the recoverable amount would increase by $3,300,000 and if the discount applied to the implied multiple was 10% lower the recoverable amount would decrease by $3,300,000.

If the estimated annual coking coal production in other regions was 10% higher the recoverable amount would increase by $3,300,000 and if the estimated annual coking coal production in other regions was 10% lower the recoverable amount would decrease by $3,300,000.

The valuer performed net present value (NPV) calculations for the Company's two most advanced commercialisation opportunities for the BCB Technology in South Africa. These near-term development opportunities are forecast to create cash flows for the Company over the next 10 to 15 years. The NPV calculations were based on a royalty per tonne of upgraded coal basis which estimated the economic profit per tonne of BCB coal produced from the application of the BCB technology to the two opportunities.

In performing the discounted cash flow calculations, the valuer applied post-tax real discount rates to discount the forecast future attributable post-tax cash flows. The post-tax real discount rate used was 12.9% (30 June 2013: 12.25%). In addition to the discount rate applied, the valuer factored in a further risk factor discount of between 35% and 75%, to take into account the probability of the various development opportunities proceeding.

If the discount rate applied was 10% higher the recoverable amount would decrease by $2,600,000 and if the discount rate applied was 10% lower the recoverable amount would increase by $2,600,000. If the risk factor applied to discount the NPV for the probability of the various development opportunities proceeding was 10% higher the recoverable amount would increase by $1,300,000. If the risk factor applied to discount the NPV for the probability of the various development opportunities proceeding was 10% lower the recoverable amount would decrease by $1,300,000.

For the sensitivity decrease scenarios discussed above there is sufficient headroom in the recoverable amount such that an impairment charge for the period would not be processed if the sensitivity scenario were to occur.

Note 17. Current liabilities – Trade and other payables

	2014 $'000	2013 $'000
Trade creditors	**5,132**	1,311
Other creditors	**3,167**	2,746
Deferred income – government grant	**435**	435
Accrued interest on shareholder loan – Black River	**772**	477
Loan from shareholders – Black River	**7,012**	13,749
	16,518	18,718

(a) Risk exposure

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

Note 18. Current and non-current liabilities – Provisions

	2014 $'000	2013 $'000
Current liability		
Employee provisions (a)	–	716
Make good provisions (b)	**38**	82
Reclamation provision	**303**	–
	341	798
Non-current liability		
Employee provisions (a)	**791**	–
	791	–

(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 adoption of the revised AASB 119 Employee Benefits changed the Company's accounting policy for annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety and the obligations are now measured on a discounted basis.

(b) Make good provisions

White Energy is required to restore the leased premises of its main corporate office location to its original condition at the end of the lease term. A provision has been recognised for the present value of estimated expenditure required to "make good" the premises. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

Note 19. Non-current liabilities – Other payables

	2014 $'000	2013 $'000
Deferred income – government grant (a)	**1,631**	2,066
Other creditors	**3,040**	2,391
Accrued interest on shareholder loans – Black River (b)	**310**	–
Loans from shareholders – Black River (c)	**15,449**	–
	20,430	4,457

(a) Deferred income – government grant

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

(b) Accrued interest on shareholder loans

Interest accruing on loans provided by Black River CPF M&M REJV UK Holdco LLC to MCC and REUK, which is due for repayment in greater than 12 months.

(c) Loans from shareholders – Black River

Loans provided by Black River CPF M&M REJV UK Holdco LLC to MCC and REUK, which is due for repayment in greater than 12 months.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 20. Non-current liabilities – Deferred tax liabilities

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Exploration assets recognised on the acquisition of South Australian Coal Limited (a) and (b)	**6,127**	13,631
Other capitalised exploration assets	**1,392**	1,383
	7,519	15,014
Set-off of deferred tax assets pursuant to set-off provisions (Note 13)	**(7,519)**	(15,014)
Net deferred tax liabilities	**–**	–
Deferred tax liabilities expected to be settled within 12 months	**–**	–
Deferred tax liabilities expected to be settled after more than 12 months	**7,519**	15,014
	7,519	15,014

Movement	**Other $'000**	**Total $'000**
At 1 July 2012	34,777	34,777
Charged/(credited) to profit or loss	(19,763)	(19,763)
At 30 June 2013	15,014	15,014
Charged/(credited) to profit or loss	**(7,495)**	**(7,495)**
At 30 June 2014	**7,519**	**7,519**

(a) South Australian Coal Limited

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) Impairment charge

As a consequence of the impairment charge recognised against the SAC exploration rights outlined in note 15, a portion of the recognised difference between the accounting base and the tax base of the exploration assets was reduced.

Note 21. Contributed equity

	2014 $'000	2013 $'000
Share capital		
Fully paid ordinary shares (a)	**490,938**	490,938
Total contributed equity	**490,938**	490,938

(a) Fully paid ordinary shares

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

Subject to any rights or restrictions for the time being 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.

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	$'000
1 July 2012	Opening balance		322,974,494	490,938
30 June 2013	Balance		322,974,494	490,938
30 June 2014	Closing balance	(i)	322,974,494	490,938

(i) Ordinary shares

There were no new shares issued during the financial year.

(c) Capital risk management

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

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

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 22. Reserves and accumulated losses

(a) Reserves

	2014 $'000	2013 $'000
Reserves		
Share-based payment (i)	**9,242**	8,299
Foreign currency translation (ii)	**(19,922)**	(20,316)
	(10,680)	(12,017)

Movements:

(i) Share-based payments reserve		
Balance 1 July	**8,299**	7,190
Options expense	**–**	127
Performance shares expense	**982**	982
Options expense write back	**(39)**	–
Balance 30 June	**9,242**	8,299
(ii) Foreign currency translation reserve		
Balance 1 July	**(20,316)**	(18,908)
Currency translation differences arising during the year	**394**	(1,408)
Balance 30 June	**(19,922)**	(20,316)

(b) Accumulated losses

	2014 $'000	2013 $'000
Accumulated losses at the beginning of the financial year	**(292,326)**	(178,685)
Profit/(loss) attributable to members of White Energy	**(53,621)**	(113,641)
Accumulated losses at the end of the financial year	**(345,947)**	(292,326)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

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

(ii) Foreign currency translation reserve

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

Note 23. Non-controlling interests

	2014 $'000	2013 $'000
Interests in:		
Share capital	**9,071**	–
Reserves	**(329)**	7
Accumulated losses	**(6,483)**	(4,785)
	2,259	(4,778)

Note 24. Remuneration of auditors

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

	2014 $	2013 $
(a) PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	**229,750**	166,008
Total remuneration for audit and other assurance services	**229,750**	166,008
Taxation services		
– Tax compliance services	**2,273**	31,750
– Tax advice on mergers and acquisitions	-	20,000
Total remuneration for taxation services	**2,273**	51,750
Total remuneration of PwC Australia	**232,023**	217,758
(b) Network firms PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	**124,836**	66,174
Due diligence services	**21,850**	154,261
Total remuneration for audit and other assurance services	**146,686**	220,435
Taxation services		
– Tax compliance services	**20,279**	32,080
Total remuneration of related practices of PwC Australia	**166,965**	252,515
Total auditor's remuneration	**398,988**	470,273

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

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 25. Commitments and contingencies

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

(a) Exploration work

The Group has certain obligations to perform minimum exploration work and spend minimum amounts of money on its mining tenements. Obligations for the next 12 months are expected to amount to $103,000 for EL4534. No estimate has been given of expenditure commitments beyond 12 months as this is dependent on Directors' ongoing assessment of operations.

As part of the EPC 25623 coal exploration permit application, the Company committed to a four year exploration program.

In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of native title. The full impact that the Mabo decision may have on tenements held by the Group is not yet known. The Group is aware of native title claims that have been lodged with the National Native Title Tribunal ("the Tribunal") over several areas in Western Australia in which the Group holds interests. The native title claims have been accepted by the Tribunal for determination under section 63(1) of the *Native Title Act 1993 (Commonwealth)*.

The Antakirinja Matu-Yankunytjatjara people in 2011 became recognised as a native title holder over the area on which EL4534 is situated and an agreement with SAC which authorises certain exploration activities by reference to the mining authorities which preceded the current tenements. The court decision recognised the Antakirinja Matu-Yankunytjatjara people's non-exclusive rights to hunt, fish, live, camp, gather and use the natural resources, undertake cultural activities including relating to births and deaths, conduct ceremonies and meetings, and protect places of cultural and religious significance on the land.

Native title claims may limit the ability of SAC and others to explore and develop an area including the SAC tenements. An Aboriginal site covering a small area of EL4534 is listed in the Register of Aboriginal Sites and Objects. Pursuant to the *Aboriginal Heritage Act 1988 (SA)*, it is an offence to damage, disturb or interfere with any Aboriginal site or Aboriginal object without the authority of the Minister for Environment and Heritage.

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

EL4534 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 EL4534 which expires on 15 February 2018. In the agreement the DOD reserves the right to exclude SAC from approximately 45% and 55% of the tenement area during nominated times, for a maximum period of 70 and 56 days respectively, each year. SAC Coal 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 EL4534.

(b) Contingencies – KSC legal dispute

On 27 December 2011, White Energy's wholly owned subsidiaries, BCBCS and BCBC, commenced legal proceedings in the High Court of the Republic of Singapore against Bayan. The proceedings relate to BCBCS's Singapore's 51% owned Indonesian subsidiary company, KSC, which is 49% owned by Bayan.

The issues in the proceedings include a claim by BCBCS and BCBC against Bayan for damages for breach of the Joint Venture Deed between the KSC shareholders, including the obligation to supply coal to KSC and the obligation to provide funding to KSC.

The matter is currently progressing through the Singapore legal system.

In response to the legal proceedings initiated by BCBCS on 27 December 2011, Bayan has filed a counterclaim against BCBCS and White Energy seeking damages, inter alia, the value of shareholder loans (and accrued interest thereon) advanced by Bayan to KSC. A contingent liability has not been recognised as at 30 June 2014.

The Directors believe that BCBCS took all steps to fulfill its joint venture obligations and that the failure of the Joint Venture is due to Bayan's failure to supply coal and provide funding to KSC and its purported termination of the Joint Venture Deed.

(c) Contingent liabilities – Indemnity and insurance claims

Subsequent to the balance date, the Company received claims from certain former directors of the Company for legal costs incurred as a result of their participation in an ICAC public inquiry (Operation Jasper) and subsequent court proceedings during the current and prior period.

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

Also subsequent to balance date, the Company's insurers sought reimbursement of amounts previously paid for claims in respect of ICAC legal costs.

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

(d) Lease commitments – Group as lessee

Non-cancellable operating leases

The Group leases various offices, under non-cancellable operating leases expiring within one to four years. The leases have varying terms, escalation clauses and renewal rights.

	2014 $'000	2013 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**246**	597
Later than one year but not later than five years	**1,125**	137
Later than five years	**23**	–
	1,394	734

(e) Contingent liabilities – guarantees

The Group had contingent liabilities at 30 June 2014 in respect of guarantees provided to third parties. For information about guarantees given by the Group refer to Note 26 (e).

Note 26. Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 27.

(c) Key Management Personnel compensation

	2014 $	2013 $
Short-term employee benefits	**4,143,815**	4,090,602
Post-employment benefits	**316,400**	287,045
Share-based payments	**982,451**	1,033,723
Total	**5,442,666**	5,411,370

Detailed remuneration disclosures are provided in sections 1–8 of the remuneration report on pages 22 to 31.

(d) Loans from related parties

	2014 $'000	2013 $'000
Loans from Black River		
Beginning of the year	**14,226**	11,665
Loans advanced	**17,416**	1,063
Loans repaid	**(8,493)**	–
Interest charged	**661**	209
Exchange rate movement	**(218)**	1,289
End of year	**23,592**	14,226

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

(e) Guarantees

White Energy has provided guarantees in respect of property bonds amounting to $566,000 (2013: $415,000).

YEAR ENDED 30 JUNE 2014
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 27. Subsidiaries
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Country of incorporation	Class of share	EQUITY HOLDING 2014 %	EQUITY HOLDING 2013 %
Amerod Exploration Limited	Australia	Ordinary	**100**	100
Amerod Holdings Pty Ltd	Australia	Ordinary	**100**	100
White Energy Technology Limited	Australia	Ordinary	**100**	100
Binderless Coal Briquetting Company Pty Ltd	Australia	Ordinary	**100**	100
Coking BCB Pty Ltd	Australia	Ordinary	**100**	100
BCBC Pty Ltd	Australia	Ordinary	**100**	100
White Investments North America Pty Ltd	Australia	Ordinary	**100**	100
White Manufacturing Pty Ltd	Australia	Ordinary	**100**	100
Amerod Resources Pty Ltd	Australia	Ordinary	**100**	100
White Energy Coal North American Inc.	United States	Ordinary	**100**	100
White Energy China Ltd	Hong Kong	Ordinary	**100**	100
BCBC Singapore Pte Ltd	Singapore	Ordinary	**100**	100
PT Kaltim Supacoal Singapore Pte Ltd	Singapore	Ordinary	**51**	51
River Energy JV Ltd	Mauritius	Ordinary	**51**	51
White Energy Mining Pty Ltd	Australia	Ordinary	**100**	100
South Australian Coal Limited	Australia	Ordinary	**100**	100
South Australian Property Pty Limited	Australia	Ordinary	**100**	100
White Energy Resources Pty Ltd	Australia	Ordinary	**100**	100
White Energy Coal Project Company LLC	United States	Ordinary	**100**	100
White Energy Technology Riverport LLC	United States	Ordinary	**100**	100
River Energy South Africa Pty Ltd	South Africa	Ordinary	**51**	51
Mountainside Coal Company Inc	United States	Ordinary	**51**	–
River Energy JV UK Ltd	United Kingdom	Ordinary	**51**	–

Note 28. Deed of cross guarantee
White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd, Coking BCB Pty Ltd, White Investments North America Pty Ltd and White Manufacturing Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Statement of comprehensive income and a summary of movements in accumulated losses

The above companies represent a 'Closed Group' for the purposes of the Class Order, 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'.

Set out below is the statement of comprehensive income, a summary of movements in accumulated losses for the year ended 30 June 2014 and balance sheet of the Closed Group consisting of White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd, Coking BCB Pty Ltd, White Investments North America Pty Ltd and White Manufacturing Pty Ltd.

(a) Statement of comprehensive income

	2014 $'000	2013 $'000
Revenue	**7,284**	7,418
Other income	**–**	909
Gain on foreign exchange	**(448)**	(99)
Accounting, audit and tax fees	**(421)**	(399)
Employee benefits expense	**(8,920)**	(9,446)
Depreciation and amortisation expense	**(5,909)**	(5,474)
Finance costs	**15**	(561)
External advisory fees	**(5,247)**	(10,718)
Occupancy expenses	**(854)**	(856)
Travel	**(650)**	(634)
Plant operating costs	**(859)**	(1,263)
Other expenses	**(1,315)**	(1,792)
Impairment expense	**(168)**	(2,218)
Loss before income tax	**(17,492)**	(25,133)
Income tax credit	**–**	(20,795)
(Loss)/profit for the year	**(17,492)**	(45,928)
Other comprehensive income/(loss)		
Exchange differences on translation of foreign operations	**397**	(7,882)
Total comprehensive loss for the year	**(17,095)**	(53,810)

(b) Statement of changes in equity

	Contributed equity $000's	Reserves $000's	Accumulated losses $000's	Total $000's
Balance at 1 July 2012	**415,862**	**(11,781)**	**(191,492)**	**212,589**
Profit/(loss) for the year	–	–	(45,928)	(45,928)
Other comprehensive income/(loss)	–	(7,882)	–	(7,882)
Total comprehensive income/(loss) for the year	**–**	**(7,882)**	**(45,928)**	**(53,810)**
Share-based payments	–	1,108	–	1,108
Balance at 30 June 2013	**415,862**	**(18,555)**	**(237,420)**	**159,887**
Profit/(loss) for the year	–	–	(17,492)	(17,492)
Other comprehensive income/(loss)	–	397	–	397
Total comprehensive income/(loss) for the year	**–**	**397**	**(17,492)**	**(17,095)**
Share-based payments	–	943	–	943
Balance at 30 June 2014	**415,862**	**(17,215)**	**(254,912)**	**143,735**

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 28. Deed of cross guarantee continued

(c) Balance sheet

Set out below is the balance sheet as at 30 June 2014 of the Closed Group consisting of White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd and Coking BCB Pty Ltd, White Investments North America Pty Ltd and White Manufacturing Pty Ltd.

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	**53,952**	80,123
Trade and other receivables	**10,765**	7,394
Total current assets	**64,717**	87,517
Non-current assets		
Trade and other receivables	**46,647**	33,710
Other financial assets	**3**	3
Property, plant and equipment	**13,903**	15,894
Deferred tax assets	**–**	–
Exploration assets	**66**	–
Intangible assets	**34,785**	38,616
Total non-current assets	**95,404**	88,223
Total assets	**160,121**	175,740
Current liabilities		
Trade and other payables	**6,458**	7,092
Provisions	**38**	798
Total current liabilities	**6,496**	7,890
Non-current liabilities		
Other payables	**9,099**	7,963
Provisions	**791**	–
Total non-current liabilities	**9,890**	7,963
Total liabilities	**16,386**	15,853
Net assets	**143,735**	159,887
Equity		
Contributed equity	**415,862**	415,862
Reserves	**(17,215)**	(18,555)
Accumulated losses	**(254,912)**	(237,420)
Total equity	**143,735**	159,887

Note 29. Business combinations

(a) Purchase of 100% of the capital stock of Mountainside Coal Company Inc. ("MCC")

On 4 October 2013 the Company acquired 100% of the capital stock of MCC, a Company which operates several coal mines in Kentucky, USA, which collectively have historically produced approximately 400,000 tonnes of coal per annum. The purchase of MCC will provide White Energy with a revenue stream, as well as providing an opportunity to showcase its binderless coal briquetting (BCB) technology in the U.S..

Details of the purchase consideration, the net assets and goodwill are as follows (in Australian Dollars):

Purchase consideration	$'000
Cash paid on settlement	10,001
Cash paid – option payments (i)	741
Consideration held in escrow (ii)	2,118
Cash paid – after settlement (iii)	476
Total purchase consideration	**13,336**

The purchase consideration recorded above reflects the consideration transferred to the former owners of MCC for control of the Company. It does not include the liabilities assumed on acquisition of MCC which were paid directly to MCC's creditors.

The total consideration paid by the Company to acquire MCC was as follows (in Australian Dollars):

	$'000
Purchase consideration paid directly to the vendor	13,336
Amounts paid directly to creditors to extinguish pre-acquisition liabilities	7,918
Total purchase price	**21,254**

The base price of the acquisition of MCC was US$20,000,000 plus the sum of closing day assets: cash, prepaid insurance, inventory of fuel and explosives, less the sum of closing day liabilities, and option payments made. The assets and liabilities provisionally recognised as a result of the acquisition are as follows (translated in Australian Dollars):

	Fair Value $'000
Restricted cash	3,042
Trade and other receivables	188
Inventory	627
Property, Plant and Equipment	18,974
Trade and other payables	(8,329)
Borrowings	(2,666)
Provisions	(395)
Net identifiable assets acquired	**11,441**
Add: goodwill	1,895
	13,336

The goodwill is attributable MCC's existing market share and the synergies expected to arise after the Company's acquisition. As at balance date there have been no changes to assumptions used in determining goodwill at the acquisition date and therefore there is no impairment to goodwill for the period. Goodwill has been allocated to the coal mining CGU refer to note 4.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 29. Business combinations continued

(i) Cash paid – option payments

The amount paid by the Company in connection with the Option Agreements executed on the 12 December 2012 and 23 August 2013.

(ii) Consideration held in escrow

The amount of the purchase price which is held in escrow under the control of an externally appointed escrow agent, as security for the Shareholders indemnification obligations. The escrow amount is released progressively over a period of twelve months following the acquisition date when identified milestones have been met.

(iii) Cash paid – after settlement

The amount paid to the former shareholders of Mountainside Coal Company for the sum of all amounts received by MCC in satisfaction of accounts receivable existing on the acquisition date and in payment for all coal in transit on the acquisition date.

(iv) Acquisition related costs

Acquisition related costs of AU$1,592,016 (2013: Nil) have been included in external advisory fees, accounting, tax and audit fees and other expenses in the Statement of Comprehensive Income.

(v) Revenue and profit contribution

MCC contributed consolidated revenues of $22,957,000 and a net profit/(loss) before minority interest allocations of ($8,537,000) to the Company for the period 4 October 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, the MCC contributed revenues and net profit/(loss) for the year ended 30 June 2014 would have been $28,306,000 and ($9,716,000) respectively.

(vi) Information not yet available

At the time that the Financial Statements were authorised for issue, the Company had not yet completed accounting for the acquisition of Mountainside Coal Company Inc.

It is not yet possible to provide the final amount of cash paid as part of the acquisition. An escrow amount of US$2,000,000 is still held by the escrow agent as security for the payment of any indemnification obligations which is expected to be released by October 2015 at which point the final cost of the acquisition will be known.

(b) Disposal of a 49% interest in REUK

On 21 January 2014 the second joint venture agreement with Black River, under which White Energy and Black River will commercialise the BCB technology, as applied to the beneficiation and briquetting of bituminous coal fines in the U.S., Canada, Australia and New Zealand reached completion.

Under the agreement, Black River paid $20,163,000 (US$17,800,000) for a 49% interest in a UK holding company called REUK that:

(i) holds exclusive rights for the BCB technology, as applied to bituminous coal fines processing, in the U.S., Canada, Australia and New Zealand; and

(ii) wholly owns Mountainside Coal Company Inc.

The cash proceeds flowing from the transaction were received by the Company during January 2014. From the proceeds received, White Energy repaid in full the $9,071,000 (US$8,000,000) shareholder loan previously provided by Black River to River Energy and guaranteed by White Energy.

The sale of the 49% interest in REUK represented a partial disposal. Following the partial disposal of REUK, the Company still maintained a controlling interest in REUK and has continued to account for REUK as a subsidiary under the Company's accounting policy.

The financial effects of the above transaction have been brought to account from 21 January 2014 which included the recognition of the non-controlling interest at its fair value on acquisition date.

Note 30. Events occurring after the reporting period

No matters or circumstances have arisen since 30 June 2014 that significantly affect, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

Note 31. Reconciliation of loss after income tax to net cash outflow from operating activities

	2014 $'000	2013 $'000
Net loss for the year after tax	**(55,320)**	(114,956)
Depreciation and amortisation expense	**8,860**	5,621
Impairment expense	**25,310**	99,492
Write off on deconsolidation of KSC	**–**	(5,091)
Non cash employee benefits expense – share-based payments expense	**943**	1,109
Non cash costs of goods sold – livestock	**–**	236
Net exchange differences	**158**	98
Non cash income – deferred income	**(435)**	(434)
Fair value gain on the revaluation of livestock	**(744)**	–
Finance costs	**663**	748
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
(Increase)/decrease in prepayments	**(230)**	70
(Increase)/decrease in trade and other receivables	**(1,793)**	3,157
(Increase)/decrease in inventories	**(686)**	–
(Increase)/decrease in livestock	**(295)**	(306)
(Increase)/decrease in deferred tax assets	**7,495**	12,113
Increase/(decrease) in trade and other payables	**10,898**	(3,109)
Increase/(decrease) in provisions	**(62)**	84
Increase/(decrease) in deferred tax liabilities	**(7,495)**	(19,763)
Net cash (outflow) from operating activities	**(12,733)**	(20,931)

Note 32. Earnings per share

(a) Basic and diluted earnings per share

	2014 Cents	2013 Cents
Basic and diluted (loss)/earnings per share from continuing operations attributable to the ordinary equity holders of the Company	**(16.60)**	(35.19)

(b) Reconciliations of (loss)/profit used in calculating earnings per share

	2014 Cents	2013 Cents
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted (loss)/earnings per share	**(53,621)**	(113,641)

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

	2014	2013
Weighted average number of ordinary shares and potential ordinary shares used as a denominator in calculating basic and diluted (loss)/earnings per share	**322,974,494**	322,974,494

(d) Information concerning the classification of securities

As there are no amounts unpaid on ordinary shares or any reduction arising from the exercise of options outstanding during the financial year, no adjustment is necessary in the determination of diluted (loss)/earnings per share.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 33. Share-based payments

(a) Incentive Option Plan

The establishment of the White Energy Incentive Option Scheme was originally approved by shareholders at an Extraordinary General Meeting on 28 June 2006. In order for the Company to be able to continue to issue options under the scheme without impacting on the Company's ability to issue up to 15% of its total ordinary securities without shareholder approval in any 12 month period (Exception 9 of ASX Listing Rule 7.2), shareholders must have approved the scheme under which the options are issued within 3 years from the date of issue. As a result, at an Extraordinary General Meeting on 18 December 2009, shareholders approved adoption of a replacement Incentive Option Scheme, with identical terms to the original scheme.

The Incentive Option Schemes are designed to provide eligible participants with an ownership interest in the Company and to provide additional incentives for eligible participants to increase profitability and returns to shareholders.

Under the schemes, eligible participants are granted options which vest only if certain performance hurdles are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Each option will be issued for nil consideration and carried the right in favour of the option holder to subscribe for one share in the capital of the Company. Options granted under the plan carry no dividend or voting rights.

The Board may determine the exercise price of the options in its absolute discretion. Subject to the ASX Listing Rules, the exercise price may be nil but to the extent the Listing Rules specify or require a minimum price, the exercise price in respect of an offer made following the day on which the shares are first quoted on the official list must not be less than minimum price specified in the Listing Rules.

Set out below is a summary of the options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
2014								
7/10/2008	7/10/2013	$3.65	2,000,000	–	–	(2,000,000)	–	–
31/3/2010	31/10/2013	$3.65	750,000	–	–	(750,000)	–	–
31/3/2010	31/3/2014	$3.50	681,667	–	–	(681,667)	–	–
31/3/2010	31/3/2014	$3.50	268,332	–	–	(268,332)	–	–
Total			**3,699,999**	–	–	**(3,699,999)**	–	–
2013								
7/10/2008	7/10/2013	$3.65	2,000,000	–	–	–	2,000,000	2,000,000
31/3/2010	31/10/2013	$3.65	750,000	–	–	–	750,000	750,000
31/3/2010	31/3/2014	$3.50	681,667	–	–	–	681,667	681,667
31/3/2010	31/3/2014	$3.50	536,667	–	–	(268,335)	268,332	268,332
Total			**3,968,334**	–	–	**(268,335)**	**3,699,999**	**3,699,999**

Fair value of options granted

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(b) Executive Retention Plan

The establishment of the White Energy Executive Retention Plan was approved by Shareholders at the 2011 Annual General Meeting.

The plan was designed to provide for the grant of performance shares to eligible employees, which may vest subject to the satisfaction of performance, service or other vesting conditions imposed at the time of grant.

The key terms of the Executive Retention Plan are:

(1) The Board may determine which eligible employees should participate in a grant of performance shares under the Executive Retention Plan;

(2) The Board may impose performance, service or other vesting conditions on any grant of performance shares under the Executive Retention Plan. When making grants under the plan, the Board intends to apply both service and performance conditions;

(3) Performance shares will only vest to the extent the performance, service or other vesting conditions are satisfied; and

(4) Once vesting conditions have been achieved, each performance shares automatically vests and the Company must issue or procure the transfer of one fully paid ordinary share in the Company to the participant, or, where a cash alternative has been provided for under the terms of a grant, if the Board so determines, the cash equivalent value of one fully paid ordinary share in the Company, to the participant.

Set out below are summarises of performance shares granted under the plan:

Grant date	Expiry date	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
2014							
30/11/2011	30/6/2014	5,400,000	–	–	–	5,400,000	5,400,000
Total		**5,400,000**	**–**	**–**	**–**	**5,400,000**	**5,400,000**
2013							
30/11/2011	30/6/2014	5,400,000	–	–	–	5,400,000	–
Total		**5,400,000**	**–**	**–**	**–**	**5,400,000**	**–**

The Performance shares vesting calculation was performed on 7 July 2014, on which date the performance shares were converted into ordinary shares, as it was necessary to determine if each employee was employed as at 30 June 2014.

Fair value of performance shares granted

The fair value of performance shares has been determined based on the closing price of White Energy shares on 30 November 2011, which is the grant date assumed for accounting purposes.

YEAR ENDED 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

Note 34. Parent entity financial information

(a) Summary financial information

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

Balance sheet	2014 $'000	2013 $'000
Current assets	**57,237**	82,359
Total assets	**195,778**	225,771
Current liabilities	**2,121**	2,052
Total liabilities	**7,159**	2,052
Shareholders' equity		
Issued capital	**415,859**	415,859
Share-based payments	**9,243**	8,299
Retained earnings	**(236,483)**	(200,439)
	188,619	223,719
(Loss)/profit for the year after tax	**(36,044)**	(46,536)
Total comprehensive (loss)/income for the year	**(36,044)**	(46,536)

(b) Guarantees entered into by the Parent Entity

The Parent Entity has provided bank guarantees as security for property bonds in the amount of $566,000 (2013: $398,000). No liability was recognised by the Parent Entity or the Group in relation to these guarantees.

(c) Contingent liabilities of the Parent Entity

The Parent Entity had contingent liabilities at 30 June 2014 in respect of indemnity and insurance claims. For information about the indemnity and insurance claims by the Parent Entity refer to Note 25 (c).

(d) Contractual commitments

As at 30 June 2014 the Parent Entity, rented office premises in Sydney and Brisbane under non-cancellable operating leases expiring within one to five years.

YEAR ENDED 30 JUNE 2014

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 41 to 86 are in accordance with the *Corporations Act 2001*, including:

 (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

 (ii) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

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

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

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

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

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

Brian Flannery
Managing Director

Sydney
29 September 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WHITE ENERGY COMPANY LIMITED

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

Report on the financial report

We have audited the accompanying financial report of White Energy Company Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for White Energy Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

pwc

(a) 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 consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 22 to 31 of the directors' report for the year ended 30 June 2014. 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.

Auditor's opinion

In our opinion, the remuneration report of White Energy Company Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
29 September 2014

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 9 September 2014.

(a) Distribution of equity securities
Analysis of numbers of equity security holders by size of holding:

	Total Holders	Ordinary shares
1 – 1,000	3,543	730,538
1,001 – 5,000	958	2,573,502
5,001 – 10,000	354	2,779,434
10,001 – 100,000	571	18,152,723
100,001 & over	133	304,138,297
	5,559	**328,374,494**

There were 4,008 holders of less than a marketable parcel of ordinary shares.

(b) Equity security holders

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

	ORDINARY SHARES	
Name	**Number held**	**Percentage of issued shares**
HSBC Custody Nominees (Australia) Limited	67,357,214	20.51
Gaffwick Pty Ltd	27,219,702	8.29
JP Morgan Nominees Australia Limited <Cash Income A/C>	22,562,370	6.87
National Nominees Limited	20,610,660	6.28
Citicorp Nominees Pty Limited	14,719,183	4.48
Ganra Pty Ltd	13,114,286	3.99
Ganra Pty Ltd <The Flannery Family A/C>	10,000,000	3.05
J A Kinghorn & Co Pty Limited <The Kinghorn Family A/C>	10,000,000	3.05
J A Kinghorn & Co Pty Ltd	10,000,000	3.05
AMCI Worldwide Limited	7,648,190	2.33
Bimosa Pty Ltd	6,482,234	1.97
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	4,211,204	1.28
Gaffwick Pty Ltd	4,031,764	1.23
Remond Holdings Pty Limited <Defina A/C>	4,002,431	1.22
Ilwella Pty Ltd	3,964,626	1.21
Riverbend Investments Pty Ltd <The Jack Henry A/C>	3,520,935	1.07
McNeil Nominees Pty Limited	3,500,000	1.07
Fibora Pty Ltd	3,397,123	1.03
Mrs Patricia Mcalary	3,395,420	1.03
Remond Holdings Pty Limited <Defina A/C>	3,278,816	1.00
	243,016,158	74.01%

(c) Substantial shareholders

Substantial shareholders further to forms lodged by shareholders in the Company are set out below:

Name **	Number held	Percentage
M&G Investment Funds	58,878,691	17.93%
Gaffwick Pty Ltd [(1)]	30,008,101	10.56%
Ganra Pty Ltd [(2)]	25,742,074	9.06%
JA Kinghorn & Co PL atf The Kinghorn Family Trust	20,000,000	6.33%

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

(1) Movement does not exceed 1% since last form 604 'Notice of Change of Interests of Substantial Shareholder' form lodged, however as a current director of White Energy, has disclosed to ASX that currently holds 31,948,461 shares which would represent 9.73% of the current share capital.

(2) Movement does not exceed 1% since last form 604 'Notice of Change of Interests of Substantial Shareholder' form lodged, however as a current director of White Energy, has disclosed to ASX that currently holds 30,355,118 shares which would represent 9.24% of the current share capital.

(d) Restricted Securities

At 30 June 2014, the Company does not hold any restricted securities.

(e) Voting rights

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

(1) 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.

(2) Options:

No voting rights.

(f) Listing Rule 3.13.1 and 14.3

Further to Listing Rule 3.13.1 and Listing Rule 14.3, the Annual General Meeting of White Energy is scheduled for 28 November 2014.

(g) Listing Rule 4.10.13

White Energy securities are quoted on the following exchanges:

ASX under the code WEC.

OTCQX under the code WECFY.

(h) Listing Rule 4.10.15

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, Amerod Exploration Limited holds the following interests in the mining tenements located in the Gascoyne region of Western Australia:

- Nil

The Company's wholly owned subsidiary, South Australian Coal Limited, holds a 100% interest in the following mining tenements and retention leases all of which are located near Coober Pedy, South Australia:

- EL4534;
- RL100; and
- RL104

The Company's subsidiary, Mountainside Coal Company Inc, holds a 100% interest in the following coal permits all of which are located in Kentucky U.S.:

- 861-0536
- 861-0537
- 861-5357
- 918-0464
- 918-0465
- 918-0467
- 918-0466
- 861-0528

COMPETENT PERSONS STATEMENT

The information in this Annual Report which relates to Exploration Results, Mineral Resources or Ore Reserves at EL4534, 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 DIRECTORY

Directors
Travers Duncan *Chairman*
Brian Flannery *Managing Director*
Graham Cubbin *Non-Executive Director*
Hans Mende *Non-Executive Director*
Vincent O'Rourke *Non-Executive Director*
Terence Crawford *Non-Executive Director*

Company secretary
David Franks

Principal registered office
White Energy Company Limited
Suite 4, Level 9
341 George Street
Sydney NSW 2000

Principal place of business
White Energy Company Limited
Level 9, 20 Hunter Street
Sydney NSW 2000

Share registry/Principal register
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067
Telephone: 1300 850 505 +61 3 9415 4000
Facsimile: +61 3 9473 2500

Auditor
PwC
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Solicitors
Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Bankers
Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

Stock exchange listing
White Energy Company Limited shares are listed on the Australian Securities Exchange (WEC) and also traded on the US based OTCQX exchange (WECFY).

Website address
www.whiteenergyco.com

white energy company limited