white energy company limited
ABN 62 071 527 083

ANNUAL REPORT 2015

COAL TECHNOLOGY,
COAL MINING AND EXPLORATION

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white energy company limited

THE BCB TECHNOLOGY HAS BEEN DEVELOPED OVER A NUMBER OF YEARS AND IS CAPABLE OF UPGRADING LOW COST, LOW RANK COALS AND COAL FINES INTO MORE VALUABLE, HIGHER ENERGY YIELDING BRIQUETTES

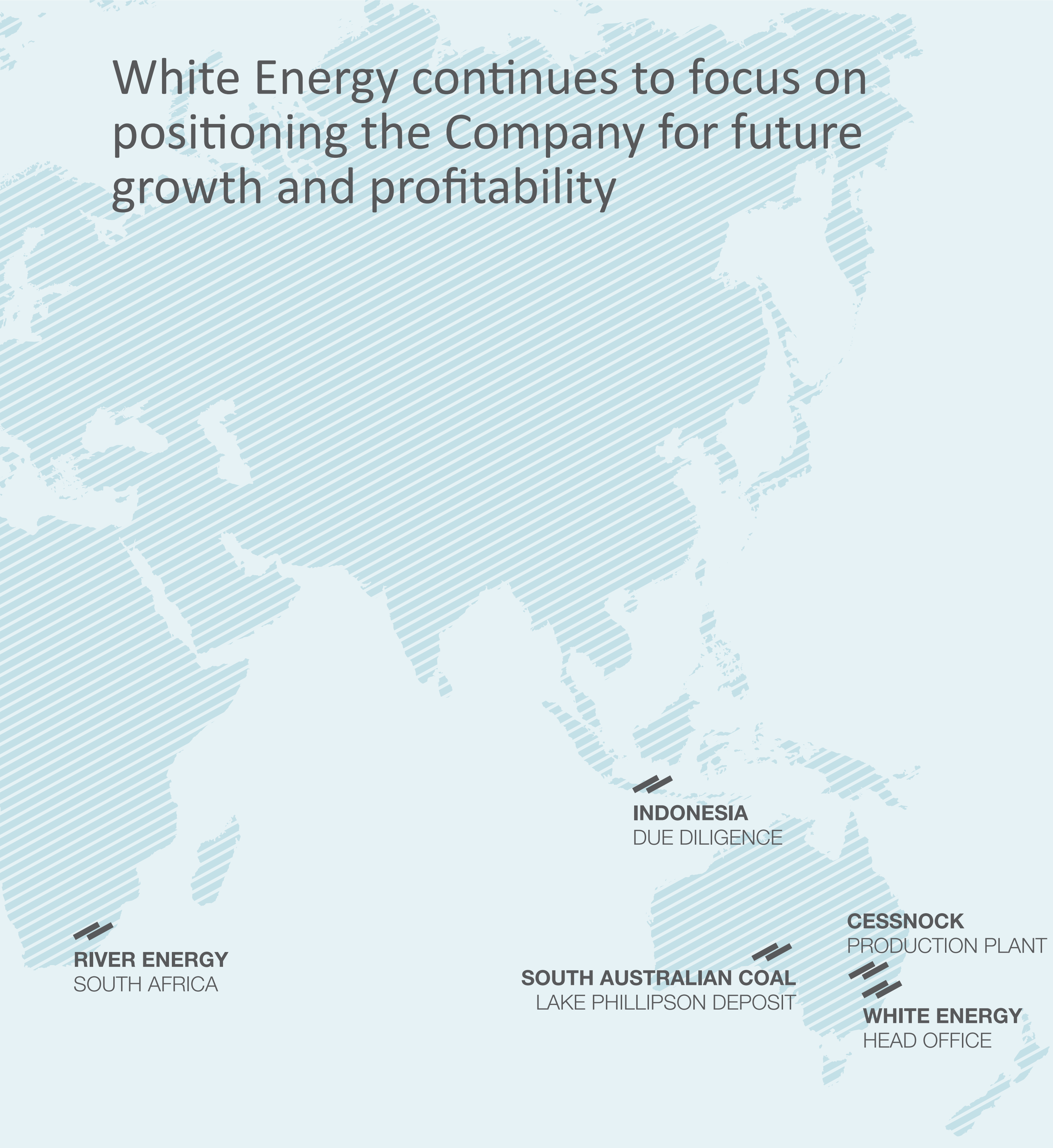
WHITE ENERGY CONTINUES TO EXPLORE A PIPELINE OF COMMERCIAL OPPORTUNITIES IN THE U.S., SOUTH AFRICA, INDONESIA, CHINA AND AUSTRALIA

WHITE ENERGY IS THE EXCLUSIVE WORLDWIDE LICENSEE OF A PATENTED TECHNOLOGY FOR BINDERLESS COAL BRIQUETTING (BCB)

COMPANY PROFILE

White Energy is a globally diverse ASX-listed company, structured around two core business divisions

White Energy continues to focus on positioning the Company for future growth and profitability



COAL TECHNOLOGY

- BENEFICIATION AND BRIQUETTING OF THERMAL AND METALLURGICAL COAL FINES
- UPGRADING OF SUB-BITUMINOUS COAL

COAL MINING AND EXPLORATION

- COAL MINING AT MOUNTAINSIDE COAL
- MINING EXPLORATION AT MOUNTAINSIDE COAL AND SOUTH AUSTRALIAN COAL

CHAIRMAN'S LETTER

Dear Shareholders

On behalf of the Board and management team, I would like to take this opportunity to thank all shareholders for their continued support of White Energy over the past year.

Market Conditions

The macroeconomic environment in the global resources sector, including coal, continues to face significant headwinds. As shareholders are well aware, companies in the coal industry and with projects in the early stage of development continue to suffer from ongoing depressed market conditions.

The U.S. coal industry has arguably suffered more than most, as a result of competition from inexpensive natural gas, tougher environmental regulations and the continued build-up of coal stockpiles as a result of coal-fired power plants being shut down month after month. In recent months some of the largest U.S. coal producers have filed for Chapter 11 bankruptcy.

Fortunately, despite these adverse market conditions, we believe that White Energy is well positioned to ride out these conditions, for two main reasons.

Firstly, our 51% owned U.S. subsidiary, Mountainside Coal Company, Inc. (MCC), has a core strategy of increasing the production and sale of stoker coals into speciality markets. Such coal continues to command a premium price even in the current market climate.

Secondly, interest in our world leading Binderless Coal Briquetting (BCB) technology has not subsided. The ability to beneficiate and briquette bituminous coal fines continues to generate significant interest in the major coal producing markets, including South Africa, Australia, India and North America. Our technology has the potential to convert a waste product, which carries a significant ongoing financial and environmental liability for coal producers, into a coal briquette which can be blended with a coal producer's run of mine (ROM) coal and sold into the domestic and/or export coal markets. This resonates well with the current cost minimisation and optimisation focus of coal producers around the world.

2014/2015 Review

Following the completion of a new coal wash plant at MCC in early 2015, we have firmly established ourselves as a producer of specialty coal in the low-ash sized coal market. We are now investigating export alternatives for this specialised stoker coal and are in the process of finalising initial trial shipments of stoker product to identified customers. The Blue Gem Seam coal produced by MCC will be one of the best quality low-ash coals in the field for silicon and ferro-silicon production.

> "WE 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 MEDIUM-TERM DIVIDENDS"

Clean coal stockpiles at the MCC coal wash plant

We are targeting the leasing of further Blue Gem coal seam areas in the vicinity of the MCC coal wash plant. The new coal wash plant was funded by White Energy and Black River under the current joint venture, using the shareholders' own cash reserves.

The next phase of expansion of the MCC business will be to commit to a BCB plant, which was one of the key considerations for acquiring MCC. Subject to the completion of further test work at the Cessnock Demonstration Plant and further sales contracts for stoker coal product being confirmed, a decision on this matter is expected by the end of the year.

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 and briquetting opportunities in the South African coal market. We are now in advanced stages of discussions with respect to our first commercial size plant with a large South African producer.

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. Despite our best endeavours, our team on the ground in Indonesia is yet to identify a coal asset that fits our investment criteria.

We continue to actively pursue opportunities in this market.

The litigation between White Energy's wholly owned subsidiary, BCBC Singapore Pte Ltd, and PT Bayan Resources Tbk, will be heard by the newly established Singapore International Commercial Court. The trial is scheduled to commence in mid-November 2015.

At year end the Company's cash position was approximately $26m, excluding restricted cash. As like most other companies operating in the coal sector, we have implemented a number of measures to help conserve our cash balance. This includes a 20% reduction in the base salary for the Managing Director and other Senior Executives effective 1 July 2015. This was a voluntary initiative which was matched by all White Energy Directors.

The Company's corporate governance framework has been updated to address the new ASX recommendations and can be found on our website at *www.whiteenergyco.com/about-us/corporate-governance/*

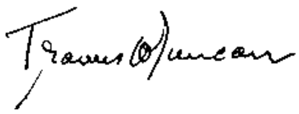
Looking Ahead

As outlined at last year's Annual General Meeting, White Energy's Board and management team are focused on delivering a 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 priority for White Energy in 2015/2016 is to achieve a positive EBITDA at Mountainside Coal, which will be a key factor in achieving the objective outlined above.

This is closely followed by the objective of reaching a decision to construct our first coal fines beneficiation and upgrading plant in South Africa.

I would like to take this opportunity to thank all of our stakeholders for their continued patience and support over the past 12 months. I recommend shareholder approval for the resolutions to be voted on at the 2015 Annual General Meeting.



TRAVERS DUNCAN
Chairman

16 September 2015

MANAGING DIRECTO

Dear Shareholders

White Energy has made some good progress over the past year in its business strategy of becoming a leading diversified coal company, through coal mining and coal technology.

Unfortunately, we are operating in an industry which is currently under price pressure and this has had an impact on the progress and profitability of our U.S. coal mining operations at MCC, as outlined in the Chairman's letter to shareholders.

Coal Mining and Exploration Activities

MCC

OVERVIEW

Following the commissioning of the new coal wash plant in late February 2015, the focus of MCC management has been on the following initiatives:

- marketing activities associated with the ongoing sales of the high quality, low ash stoker coal product; and
- optimising production levels to focus on the production and sale of high quality, low ash stoker coal product in accordance with the previously communicated strategy, which is in line with current market conditions for thermal coal.

SALES OF LOW ASH STOKER COAL PRODUCT

In light of the above, we are pleased to report that during June 2015, MCC signed a sales contract with a major U.S. silicon metal producer, to supply up to 13,000 tons per month of low ash stoker coal product for use in their silicon and ferro-silicon plants located in the U.S.

Sales of stoker coal under this contract commenced in mid-June 2015 and are continuing.

Trial shipments to other U.S. ferro-silicon industry customers are continuing, and MCC management continues to analyse opportunities to export the stoker product in the near-term.

OPTIMISATION OF MINING OPERATIONS AND COST REDUCTIONS

Management has implemented a number of cost reduction initiatives which involve MCC significantly reducing thermal coal production, consistent with the strategy previously communicated to shareholders.

A reduction in mining operations to concentrate on the production of stoker coals has resulted in a reduction in the workforce and a corresponding reduction in forecast mining costs for the 2015/2016 financial year forward.

TRADING PERFORMANCE

The U.S. domestic coal market continues to suffer from depressed trading conditions. The thermal coal market in particular remains impacted by a lower demand for energy and particularly low natural gas prices which has resulted in gas replacing coal in some power generation markets, with no indication of improvement in the short-term. This gas sells at around 25% of the internationally traded price. Further mine closures by a number of other U.S. coal producers have occurred in recent weeks.

Against this backdrop, MCC generated US$19.3 million in coal sales revenues for the year ended 30 June 2015.

As outlined in previous shareholder updates, the bulk of the coal produced and sold since MCC was acquired by White Energy has been thermal coal, sold into the U.S. domestic power and industrial markets at an overall operating loss.

BCB PLANT

As previously advised to shareholders, the final stage in MCC's strategy will be to commit to the construction of a BCB plant to briquette coal fines remaining from production at MCC's mining operations.

In this regard, the Company plans to continue testing coal fines generated from MCC's new coal wash plant at White Energy's Cessnock Demonstration Plant in the coming weeks.

MCC management expects that a final decision on whether to proceed with the BCB plant will be made in the near future, once operations at MCC have stabilised and requisite sale contracts for the washed stoker product have been confirmed. The expected completion date of the proposed BCB plant is 12 months from the commencement of construction.

Exploration Activities

MCC continues to devote resources to completing an exploration program to better define resources and reserves at its current operating mines, as well as potential new resources across leased areas which have been earmarked for future mining.

Most of the Company's focus is on the low ash, high quality Blue Gem and Jellico coal seams located across certain mine leases currently held by the company, which have the best potential for high quality low ash stoker coals.

Work also continues on sourcing additional coal areas containing coal seams which are capable of delivering production of between 1%-2% ash coal for the silicon and ferro-silicon smelting industry.

Proposed Powder River Basin Coal Upgrading Projects, Wyoming

As shareholders are aware, the Company has previously 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..

As already mentioned, the domestic coal market in the U.S., particularly the thermal coal market, remains depressed and as such does not provide an attractive commercial opportunity at this time, as far as upgrading Powder River Basin sub-bituminous coals for domestic consumption is concerned.

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 on the supply side.

Several producers in the Powder River Basin (PRB), Wyoming, U.S., are seeking to gain approval to construct coal terminals on the west coast for export 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.

South Australian Coal (SAC) – EL4534

We are continuing to conduct test work and feasibility studies on mining and gasification at 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.

R'S LETTER

BCB Coal Upgrading Technology

In South Africa, our 51% owned River Energy joint venture completed a 100 tonne burn test of upgraded briquettes made from fine discarded coal during the 2014/2015 year. This test was carried out for one of the large coal producers and was very well received. We are now in the advanced stages of commercial discussions with one of the major coal producers in the South African market with respect to a proposed project to construct a 500,000 tonne per annum coal fines beneficiation and briquetting plant at one of the coal producer's existing mine sites.

Balance Sheet and Cash Reserves

As outlined in our audited financial statements, the Company had approximately $26 million in cash reserves as at 30 June 2015, which excludes $4.8 million in restricted cash, being $2 million for the security bond paid to the Supreme Court of Western Australia in April 2012, in support of the freezing orders made against PT Bayan Resources Tbk's (Bayan) shareholding in Kangaroo Resources Limited, and a further $2.8million (approximately US$2 million) in coal mining reclamation bonds at MCC.

Cash flows during the year included $19.9 million in payments relating to fixed assets (mainly the MCC coal wash plant and coal sizing plant which resulted in expenditure of approximately $16.1 million for the year). This has been funded via shareholder loans from White Energy and Black River, in accordance with their 51:49 shareholding interest in the project.

A significant portion of the administration costs incurred during the year related to legal fees in respect of the impending trial in Singapore against Bayan Resources.

Apart from ordinary trade payables, provisions and internal shareholder loan balances currently outstanding, White Energy currently has no external debt on its balance sheet.

A review of corporate costs in recent months has resulted in the implementation of a number of cost reduction initiatives implemented across the Company, including a reduction in senior executive salaries and director fees effective 1 July 2015, and an overall reduction in headcount across the White Energy Group.

The focus on cost reduction initiatives will continue during the 2015/2016 financial year.

Thank You

I would like to thank our shareholders, business partners and employees for their continued support throughout 2015 and I look forward to achieving our targets at MCC over the next twelve months and to conclude a commercial plant construction agreement in South Africa.

BRIAN FLANNERY
Managing Director
16 September 2015

"DURING JUNE 2015, MCC SIGNED A SALES CONTRACT WITH A MAJOR U.S. SILICON METAL PRODUCER"

Raw coal being moved at the MCC coal wash plant

DIVISION HIGHLIGHTS
COAL TECHNOLOGY

SOUTH AFRICA

HIGHLIGHTS

- Executed a non-binding term sheet for the construction of a proposed 500,000 tonne per annum BCB plant with a major South African coal producer, following successful combustion tests overseen by Eskom on briquettes produced during the Detailed Feasibility Study (DFS). A detailed engineering and design study, together with binding transaction documents, are currently being finalised.
- Completed construction and commissioning of a coal fines beneficiation plant at the Woestalleen Hub, as part of phase 1 of the Woestalleen Project, with first product produced at site.
- Continued to develop business relationships and perform product test work with several large coal producers in the South African market, looking at projects that have the potential to meet the needs of both parties.

River Energy JV Limited (River Energy) is a joint venture established in 2009 between White Energy and funds managed by Black River Asset Management LLC (Black River), which holds the exclusive licence for the BCB technology in the African coal market. Black River is an independently managed subsidiary of Cargill Group, a private equity fund that seeks to identify investment opportunities for its shareholders.

River Energy, through its subsidiary River Energy South Africa Pty Ltd (RESA), was set up to explore opportunities to beneficiate and briquette thermal coal fines in the South African coal market. RESA's value proposition is to transform coal fines, which are an environmental liability for coal producers, into briquettes which can be blended with a producer's ROM coal and sold at a profit. RESA is seeking to commercialise this value proposition through building, owning and operating coal fines beneficiation and BCB plants across a number of projects which are currently under consideration. This approach is resonating well with the coal producers, given the current climate in the coal industry and general economic conditions.


Installation of a trial screen as part of a DFS being undertaken


Coal fines beneficiation plant at the Woestalleen Hub

SOUTH AFRICA

51%

WHITE ENERGY OWNERSHIP

Focus and active Projects
Completion of a DFS for the proposed construction of a 500,000 tonne per annum BCB plant

Thermal coal fines beneficiation plant at the Woestalleen Hub

AUSTRALIA

100%

WHITE ENERGY OWNERSHIP

Focus and active Projects
Research and development in respect of the BCB technology at the Cessnock Demonstration Plant and Pilot Plant

U.S.

100%

WHITE ENERGY OWNERSHIP (EXCLUDING MCC)

Focus and active Projects
The holder of a minor source clean air-permit in Wyoming, for the proposed construction a BCB plant to upgrade sub-bituminous coal at the Buckskin mine

INDONESIA

100%

WHITE ENERGY OWNERSHIP

Focus and active Projects
Due diligence work on a number of short-listed coal concessions in Kalimantan

AUSTRALIA

HIGHLIGHTS

- Continued Demonstration Plant testing of coal fines supplied by MCC and other prospective South African business partners.
- Tested various refinements made to the commercial briquetting machine to process coal fines.

The Cessnock Demonstration Plant

The Cessnock Demonstration Plant and smaller Pilot Plant are an integral part of White Energy's operations. They act as the key product testing and training facility for the Company. Both are critical to the ongoing development of the BCB technology and have been used extensively to showcase the BCB technology to prospective customers and advance the Company's business development opportunities.

The Cessnock Demonstration Plant and smaller Pilot Plant have enabled the company to:

- Evaluate different coal samples from around the world to ascertain the value of a potential coal resource based on its responsiveness to the BCB Process;
- Benchmark coal samples against performance criteria;
- Assess ways to improve the current BCB Process.

U.S.

HIGHLIGHTS

- Renewed the minor source clean air-permit for the proposed Buckskin project for a further twelve months.

Briquettes produced during a Demonstration Plant run of MCC coal fines

North America is the world's second largest coal producer and with vast coal resources remains a strategic priority for the Company. White Energy Coal North America Inc. (WECNA) was incorporated in 2008 and has actively pursued the commercialisation of the BCB technology, as applied to sub-bituminous coal upgrading opportunities, in the Powder River Basin, Wyoming, U.S..

In 2008 WECNA entered into an agreement with Buckskin Mining Company (Buckskin), a wholly owned subsidiary of Kiewit Group, to enable it to develop coal upgrading plants at Buckskin's mine in the Powder River Basin near Gillette, Wyoming. As part of this project, WECNA obtained a minor source clean air-permit enabling it to construct a BCB plant at the Buckskin mine.

Unfortunately, the current conditions in the U.S. thermal coal market do not provide an attractive commercial opportunity for upgrading Powder River Basin sub-bituminous coals for domestic consumption. However, the Buckskin project remains part of the Company's longer-term business strategy.

INDONESIA

HIGHLIGHTS

- Continued to work with several parties to identify coal deposits for acquisition in the Kalimantan region of Indonesia, including coal upgrading opportunities requiring application of the BCB technology.
- Continued to work on the legal dispute with PT Bayan Resources Tbk regarding the terminated KSC joint venture, including preparation for the Singapore trial currently scheduled to commence in November 2015.

White Energy representatives investigating a potential coal property in Indonesia

Since 2006, Indonesia has been a key area of focus for White Energy. As the largest exporter of low grade sub-bituminous thermal coal and the holder of an abundance of the world's remaining low rank feedstock coals, the region provides a number of potential project opportunities which are suited to White Energy's BCB technology.

While the Company has devoted the majority of its resources to other project opportunities as outlined in this Annual Report, White Energy representatives have continued to perform due diligence work on a number of short-listed coal concessions which have been identified for potential acquisition by the Company.

The coal properties which have been evaluated 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.

DIVISION HIGHLIGHTS

COAL MINING AND

U.S.

51%

WHITE ENERGY OWNERSHIP

Focus and active Projects

Flat Creek Coal Mine

Hatfield Gap Coal Mine

Indian Gap Coal Wash Plant processing Blue Gem coal and Jellico Stoker coal and some thermal coal

Exploration on coal mining permits held

Test work on the potential construction of a BCB Plant to briquette bituminous metallurgical coal fines

Highwall mining pit at the Hatfield Gap mine

Reclamation Growth at Jellico Creek

EXPLORATION


Highwall mining pit
at the Flat Creek mine

U.S.

The White Energy Group purchased 100% of MCC in October 2013. White Energy subsequently sold a 49% interest to a fund managed by Black River Asset Management in January 2014, as part of an expanded joint venture arrangement entered into between the parties.

Since October 2013, a large portion of the coal produced and sold by MCC has been thermal coal, which was sold into the U.S. domestic power and industrial markets at an overall operating loss.

Construction of the new coal wash plant at the Indian Gap site was completed in January 2015 and the plant was subsequently commissioned in February 2015. Since that time the coal wash plant has washed over 100,000 tons of coal.

MCC commenced mining operations at the Flat Creek mine in December 2014 to coincide with the completion of the Indian Gap coal wash plant. The Flat Creek site contains reserves of the low-ash specialty Blue Gem seam coal, and washing and screening of the Blue Gem coal enables MCC to target the highest possible returns from the mining activities conducted.

Despite the current pressures in the U.S. domestic coal market, there continues to be demand for high quality, low-ash stoker coals, which underpins MCC's strategy of becoming a key player in the value added sized coal smelting market, where specialty coals continue to command a premium price.

In this regard, in late June 2015 MCC signed a sales contract with a major U.S. silicon metal producer, to supply up to 13,000 tons per month of low-ash stoker coal product for use in their U.S. silicon and ferro-silicon plants. Sales of stoker coal under this contract are continuing, while MCC continues to identify potential new customers in both the U.S. and export markets.

Following completion of the Indian Gap coal wash plant, MCC is evaluating the opportunity to constuct a BCB plant to briquette coal fines remaining from production at MCC's coal mines.

U.S.

HIGHLIGHTS

- Finalised construction and commissioning of the new coal wash plant at the Indian Gap site
- Commenced mining operations at MCC's Flat Creek mine, which contains the best reserves of the high value, low-ash Blue Gem coal
- Signed a sales contract with a major U.S. silicon metal producer, to supply up to 13,000 tons per month of low ash stoker coal product

By briquetting the coal fines, MCC management anticipates a further uplift in the quantity of higher value coal sales. Test work on coal fines sourced from MCC's screening and wash plant at the Cessnock Demonstration Plant is continuing. MCC management expects that a final decision to proceed with the BCB plant will be made in the near future, once operations at MCC have stabilised and requisite sale contracts for the washed stoker product have been confirmed.

MCC's exploration team continues to work on an exploration program to better define resources and reserves at its current operating mines, as well as potential new resources across leased areas. Work also continues on sourcing additional coal areas containing coal seams which are capable of delivering production of between 1%-2% ash coal for the silicon smelting industry.


Clean coal stockpiles
at the MCC coal wash plant

DIVISION HIGHLIGHTS
COAL MINING AND EXPLORATION


Core logging as part of the 2012 South Australian Coal drilling program undertaken

Australia
South Australian Coal (SAC)

SAC was purchased by White Energy in 2011 with the intention of developing the Lake Phillipson EL4534 coal deposit. Since being acquired by White Energy, SAC has completed an extensive drilling program to identify additional coal resources, as well as substantial test work and multiple feasibility studies on the potential for mining and gasification of the EL4534 coal deposit. The drilling program identified JORC resources of 1,130MT:

JORC Resources Estimated 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**

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

As part of the test work conducted on EL4534 coal, SAC has developed business relationships with a number of companies who have expertise in the area of coal gasification and who may be interested in forming a joint venture with SAC to commercialise this opportunity. Of particular note was the confirmation in 2012 by Lurgi GmbH (a German based company), that the Lake Phillipson coal is suitable for gasification using their process.

In addition to investigating development opportunities for the vast in-situ coal resources at EL4534, SAC has in the past also performed preliminary exploration activity which has identified potential for copper, gold, lead, zinc, uranium and iron ore.

AUSTRALIA

HIGHLIGHTS

- Continued to evaluate commercialisation options for the Lake Phillipson coal deposit (EL4534), with a focus on potential coal gasification projects.


The drill rig used in the 2012 drilling program

AUSTRALIA

100%

WHITE ENERGY
OWNERSHIP

Focus and active Projects
Lake Phillipson - EL4534

YEAR ENDED 30 JUNE 2015

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 2015.

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

Principal activities

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

a) the ongoing development and 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 (2014: Nil).

Operating and financial review

North America

(i) MCC

During the year ended 30 June 2015, MCC's main focus was on the construction of the new coal wash plant at the Indian Gap site. Construction of the coal wash plant was completed in January 2015 and the plant subsequently commissioned in late February 2015.

Following the commissioning of the new coal wash plant, the attention of MCC's management has turned to the following initiatives:

- marketing activities associated with the ongoing sales of high quality, low ash stoker coal product; and
- optimising production levels to focus on the production and sale of high quality, low ash stoker coal product in accordance with the previously communicated strategy, which is in line with current market conditions for thermal coal.

To coincide with the completion of construction of the new coal wash plant, in December 2014 MCC commenced operations at the newly developed Flat Creek mine. The Flat Creek site contains the best reserves of the low ash specialty Blue Gem seam coal. Washing and screening of the Blue Gem coal, sourced from the Flat Creek mine, commenced in March 2015 and sales of the washed product were initiated shortly thereafter.

During June 2015 MCC signed a sales contract with a major U.S. silicon metal producer, to supply up to 13,000 tons per month of low ash stoker coal product for use in their silicon plants located in the U.S.. Sales of stoker coal under this contract commenced in mid-June 2015 and are continuing.

The U.S. domestic coal market continues to suffer from depressed trading conditions. The thermal coal market in particular remains impacted by a lower demand for energy and low natural gas prices which has resulted in gas replacing coal in some power generation markets, with no indication of improvement in the short-term. A number of mine closures by some large U.S. coal producers have occurred in recent months.

Since the acquisition of MCC by White Energy in late 2013, the market price of all coal types in the U.S. has fallen significantly. Against this backdrop, MCC generated US$19.4 million in coal sales revenue in the year ended 30 June 2015.

A large portion of the coal produced and sold since MCC was acquired by White Energy has been thermal coal, which was sold into the U.S. domestic power and industrial markets at an overall operating loss. As a result, like the majority of coal producers in the U.S., MCC was forced to implement a number of cost-cutting measures to control production costs which included the closure of the loss-making thermal coal mine, Flag Ridge, during the year ended 30 June 2015.

Shareholders will be aware that it was always the intention for MCC to substantially exit the thermal coal market and focus on mining those coal seams which can be supplied into the specialty markets.

Despite the pressures in the U.S. domestic coal market, there continues to be demand for high quality, low-ash stoker coals in the U.S., which underpins MCC's strategy of becoming a key player in the value added sized coal smelting markets, where specialty coals continue to command a premium price.

The final stage in MCC's strategy will be to commit to the construction of a Binderless Coal Briquetting (BCB) plant to briquette coal fines remaining from production at MCC's coal mines and wash plant. In this regard, the Company plans to continue testing coal fines generated from MCC's screening and wash plant at White Energy's Cessnock Demonstration Plant in the coming months. MCC management expects that a final decision to proceed with the BCB plant will be made in the near future, once operations at MCC have stabilised and requisite sales contracts for the washed stoker product have been confirmed.

MCC continues to devote resources to completing an exploration program to better define coal resources and reserves at its current operating mines, as well as potential new coal resources across leased areas which have been earmarked by the company for future mining. Most of this focus is on the low ash, high quality Blue Gem and Jellico coal seams located across certain mine leases currently held by the company, which have the best potential for high quality low ash stoker coals. Work also continues on sourcing additional coal areas containing coal seams which are capable of delivering production of between 1%-2% ash coal for the silicon smelting industry.

(ii) Buckskin Project, Wyoming

As shareholders are aware, the Company has previously 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.. This clean air-permit was recently renewed by the Company for a further twelve months.

As mentioned above, the domestic coal market in the U.S., particularly the thermal coal market, remains depressed and as such does not provide an attractive commercial opportunity at this time, as far as upgrading Powder River Basin sub-bituminous coals for domestic consumption is concerned.

YEAR ENDED 30 JUNE 2015

DIRECTORS' REPORT CONTINUED

Africa

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

(i) Detailed Design and Engineering Following Completion of Detailed Feasibility Study (DFS)

On 4 December 2014, River Energy entered into a non-binding term sheet with a substantial South African coal producer that would see River Energy build, own, operate and maintain a 500,000 tonne per annum BCB plant at the washplant located at the coal mine in question, processing a feedstock combination of new arising and reclaimed coal fines. This project provides River Energy with a significant opportunity to build a fine coal beneficiation, binderless briquetting and waste management plant that is fully integrated with the existing mine and wash plant operations. The project is conditional upon completion detailed engineering and design, final transaction documentation and final board approval by both parties.

Highlights of progress to date are as follows:

- the Engineering and Metallurgy work packages for the project are almost complete and project capital cost and operating cost estimates have been received;
- there is still some product test work to be completed at the Cessnock Demonstration Plant, and this will continue during the September 2015 quarter;
- negotiations on the Transaction Documentation for the project are well advanced, however there are a number of key deal points still to be resolved, and both parties are currently focused on clearing these hurdles for the project;
- the River Energy and White Energy technical teams are working very closely with the coal producer in question to ensure the project momentum is maintained and the plant is appropriately integrated into the operations of the existing wash plant and coal fines handling infrastructure.

While work on this project is currently being ramped-up, the current target approval timeframe is during the second half of calendar year 2015.

As part of the DFS completed in respect of this project opportunity, the South African power utility Eskom conducted comprehensive milling and combustion trials on upgraded briquettes produced at the Cessnock Demonstration Plant. The trials were conducted at Eskom's test facility in Johannesburg, and during September 2014, the coal producer in question and River Energy were presented with the results of those trials which were very positive. The upgraded briquettes performed as well or better than the washed coal sourced from the same mine.

(ii) Standalone BCB Plant Opportunity at the Woestalleen Colliery

This is a two-phased project in which River Energy will operate a coal fines beneficiation plant on the Woestalleen Hub in the short-term, followed by a 250,000 tonne per annum BCB plant to be constructed and operated in the medium-term, subject to stabilisation of coal processing operations at the Woestalleen Hub by the site operators and completion of final due diligence activities by River Energy.

During the 2014/2015 financial year, River Energy completed phase one of the project, by commissioning the coal fines beneficiation plant and producing small quantities of beneficiated product. Early indications were positive with regard to the operation of the fine coal beneficiation plant and the quality of the beneficiated product. However, in January 2015 the progress of the project was interrupted when the owners and operators of the site were placed into Business Rescue (Voluntary Administration).

Unfortunately, the financial issues that the Woestalleen Hub owners have been dealing with have not yet been resolved and as a consequence River Energy was not able to operate the coal beneficiation plant during the second half of the 2014/2015 financial year. There are a number of Business Rescue proposals that are being considered by the Business Rescue practitioner and River Energy management is being kept informed on the progress of negotiations with these potential investors.

While remaining cautiously optimistic that an acceptable plan will crystallise, River Energy is also looking at the opportunity to remove the beneficiation plant from the Woestalleen Hub and relocate the plant to another site. We expect that a decision to either stay and operate the coal fines beneficiation plant, or relocate the coal fines beneficiation plant, to another site will be made by the end of the September 2015 quarter.

Should River Energy management decide to stay and operate the fine coal beneficiation plant, River Energy management expects to finalise process optimisation and ramp-up the resources required to maximise the volume of fine coal that it can recover, beneficiate and dewater.

As a consequence of the above issues, a completion date for Phase 2 of the due diligence study has been delayed and will occur when the River Energy team is satisfied that the existing wash plant operations have been stabilised by the site operators, and qualities and quantities of the fine coal feedstock are representative of the new, sustainable operating environment.

(iii) Other Project Opportunities

River Energy continues to be actively involved with several large producers in the South African coal market, looking at projects that have the potential to meet the needs of both parties, although most of the focus is centred on the project opportunities detailed above.

Indonesia

During the year, White Energy representatives in Indonesia continued to perform due diligence work on a number of short-listed coal concessions which have been identified for potential acquisition by the Company.

The coal properties being considered by White Energy comprise a mixture of coal qualities. Most of the resources are likely to be suitable for upgrading using the BCB technology, which has the potential to greatly enhance the value of such projects. In addition, the Company also 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) Research and Development Activities

During the year ended 30 June 2015, the Company's Research and Development team focused on testing of MCC and South African coal fines at the Cessnock Demonstration Plant. This testing has led to a number of equipment refinements which are expected to further progress the BCB technology.

In addition to the above Demonstration Plant testing, a number of smaller Pilot Plant trials were conducted on a range of South African coal fines, and there are also further tests scheduled for the Pilot Plant in the coming months, on coals from South Africa, Australia, China and India.

(ii) South Australian Coal (SAC) – EL4534

The Company continues to undertake test work and feasibility studies on the potential for mining and gasification of the EL 4534 coal deposit which is located within close proximity to existing rail infrastructure.

Discussions have progressed with a number of companies who have expertise in this area of coal gasification and who may be interested in a joint venture with SAC. Shareholders will also be aware of a previous report issued by the German based company, Lurgi GmbH, which has confirmed that the Lake Phillipson coal is suitable for gasification using their process.

(iii) Queensland Coal Exploration Permit – EPC 25623

In December 2014, the Company was advised by the Queensland Department of Natural Resources and Mines that it had terminated the call for tenders in relation to EPC 25623 and decided not to issue the exploration permit for the coal area in question.

General Corporate

Update on Legal Dispute

(i) Singapore Proceedings

The Company wishes to advise that preparations continue in connection with the legal proceedings initiated in late 2011 by BCBC Singapore Pte Ltd (BCBCS) and Binderless Coal Briquetting Company Pty Limited, indirect wholly owned subsidiaries of White Energy, against PT Bayan Resources Tbk (Bayan) and Bayan International Pte Ltd, over matters relating to the Tabang coal upgrading plant, located at Bayan's Tabang mine in East Kalimantan, Indonesia (the Suit).

As previously advised to shareholders, the Suit has now been transferred to the newly established Singapore International Commercial Court (SICC). The SICC is a division of the Singapore High Court and part of the Supreme Court of Singapore which has been established to deal with international commercial disputes. At a recent case management conference (CMC) on 15 July 2015 before Sir Vivian Ramsey, Mr Anselmo Reyes and Justice Quentin Loh, the Court has directed that the Suit be heard in two tranches, with the first tranche of the trial to commence later this year, being from 16 November to 4 December 2015.

(ii) Australian Proceedings – Freeze Order

The Company refers to its previous announcements in relation to the freezing orders made by the Supreme Court of Western Australia (Supreme Court) on 5 April 2012 in favour of BCBCS in respect of Bayan's 56% shareholding in Kangaroo Resources Limited (KRL), a publicly listed Australian company (freezing orders).

The Company has previously advised the market that Bayan applied for special leave to appeal to the High Court of Australia from the orders made by the Court of Appeal of Western Australia. Bayan's appeal is limited to a challenge to the Supreme Court's jurisdiction to make these orders. Bayan is not appealing the Supreme Court's findings that BCBCS had established the elements necessary to obtain a freezing order, including that BCBCS had established that it had a good arguable case:

- in respect of its claims against Bayan for breach of the Joint Venture Deed; and
- to recover damages in respect of at least its lost investment in the KSC Joint Venture.

Bayan's application for special leave to appeal to the High Court of Australia was heard and granted on 13 March 2015. The High Court heard the appeal over two days on 10 and 11 August 2015, and we now await the final judgement. The freezing orders against Bayan will remain in place unless and until a further order is made.

Financial Position and Results for the Year

The Company had significant cash reserves as at 30 June 2015, 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 2015 was $30.6m (2014: $58.5m) inclusive of $4.9m in restricted cash which relates to the security bond deposit lodged with the Supreme Court of Western Australia and certificates of deposit restricted for bonds which are held as security until reclamation of the permitted sites has been suitably completed by MCC.

The decline in assets from $180.4m to $170.4m predominately reflects the decrease in cash held by the Company. This was partly offset by expenditure on the MCC coal wash plant, an increase in restricted cash and coal inventory at MCC, and the declining AUD/USD exchange rate when translating U.S. denominated assets.

The increase in liabilities from $40.9m to $69.1m predominantly reflects the shareholder loans provided by Black River Asset Management to fund its 49% share of costs related to the construction of the MCC coal wash plant, general MCC operations and also River Energy South Africa operations.

The Consolidated Entity's net loss for the year ended 30 June 2015 was $42.4m (2014: $55.3m).

YEAR ENDED 30 JUNE 2015
DIRECTORS' REPORT CONTINUED

The 'Normalised EBITDA' loss for the full year ended 30 June 2015 was $13.3m (2014: $11.2m), which has been determined as follows:

	2015 $'000	2014 $'000
Consolidated entity statutory loss before income tax for the year	**(42,386)**	(55,320)
Non-cash expenses:		
Depreciation/amortisation	**10,730**	8,860
Impairment expense	**4,956**	25,310
Fair value (gains)/losses	**(1,044)**	(744)
Other	**804**	1,711
Sub-total	**15,446**	35,137
Other significant items		
Finance costs	**1,640**	663
Legal costs – litigation	**3,203**	4,350
Sub-total	**4,843**	5,013
Consolidated entity adjusted normalised EBITDA	**(22,097)**	(15,170)
Minority partner share of EBITDA – normalised EBITDA	**8,832**	4,004
White Energy adjusted normalised EBITDA	**(13,265)**	(11,166)

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 ($22.1m) reconciles to the segment information EBITDA result for the year ($25.3m) disclosed on page 52, after adding back legal costs – litigation ($3.2m) 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 year ended 30 June 2015 was $28.2m (2014: $27.9m), 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.

Total expenses for the full year ended 30 June 2015 were $71.6m (2014: $85.3m).

Future Prospects

The Company expects its subsidiary MCC to commence generating positive cash flows during the first half of the 2015/2016 financial year, following the commissioning of the new wash plant and an increase in sales of high quality stoker coal product.

In addition to MCC, there are a number of other 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

The Company has identified a number of ways to fund the planned and future capital requirements:

- Project debt financing – secure financing from third party financial institutions at the project level;
- Equity raising – issue of new shares through an equity placement or rights issue;
- Sale of minority interests in Regional Holding Companies – sale of a strategic minority interest 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 Subsidaries – consideration of an eventual public listing of regional subsidiaries in each jurisdiction.

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:

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 either debt financing arrangements or the issue of new share capital to meet these requirements, or both. 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.

Refer to note 3(b) of the Annual Financial Report for additional information in this regard.

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.

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
There were no significant changes in the Group's state of affairs during the year ended 30 June 2015.

Events since the end of the financial year
No significant matters or circumstances have arisen since 30 June 2015 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.

YEAR ENDED 30 JUNE 2015

DIRECTORS' REPORT CONTINUED

Information on Directors

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

Experience and expertise

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

30,355,118 ordinary shares in White Energy.

6,000,000 Performance Options in White Energy.

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 U.S..

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.

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. (U.S.), 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 Malabar Coal Limited (ASX listed from March 2013).

Former Directorships of other listed companies in the last 3 years
Non-executive Director of Excel Maritime Carriers Ltd (Nasdaq – US) between April 2008 and June 2013 and MMX Mineracao E Metalico SA (Brazil) between April 2006 and 2014.

Special responsibilities
None.

Interests in shares and options
10,232,927 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
610,000 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.

YEAR ENDED 30 JUNE 2015

DIRECTORS' REPORT CONTINUED

Company Secretary

The Company Secretary is David Franks BEc, CA, F Fin, JP. He was appointed as the Company Secretary on 3 February 2005 and is principal of Franks and Associates Pty Ltd (Chartered Accountants). 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 2015, 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	4	4	2	2
Graham Cubbin	7	7	4	4	**	**
Hans Mende	7	2	**	**	**	**
Vincent O'Rourke	7	7	4	4	2	2
Terence Crawford	7	7	**	**	2	2
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*.

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

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

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

- 2013 : Hans Mende, Terence Crawford and Travers Duncan;
- 2014 : Vincent O'Rourke and Graham Cubbin.

Therefore under Clause 8.1(d) of the Constitution, no director is due for election under the noted time period.

However ASX Listing Rule 14.5 states that an entity which has directors must hold an election of directors each year. Clause 8.1 (f) of the Constitution states that to the extent that the ASX Listing Rules require an election to be held and no director would otherwise be required to submit for election or re-election, the director to retire is any director who wishes to retire, otherwise it is the director who has been longest in office since their last election or appointment (excluding the managing director). As between directors who were last elected or appointed on the same day, the director to retire must be decided by lot (unless they agree among themselves who will stand for re-election).

Terence Crawford will retire and seeks re-election in accordance with clause 8.1(f) of the Constitution, having voluntarily offered to stand for re-election.

Remuneration report (audited)

The Directors are pleased to present the Company's 2015 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:

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2	Remuneration governance	
	(i) The Remuneration Committee	22
	(ii) Use of external consultants	22
3	Remuneration of Executives	
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(1) Directors and other Key Management Personnel

For the purposes of the 30 June 2015 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
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

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).

YEAR ENDED 30 JUNE 2015

DIRECTORS' REPORT CONTINUED

Remuneration report (audited) continued

Changes since the end of the reporting period

Neil Whittaker terminated his employment contract effective 30 June 2015, retaining his position of the Chief Executive Officer of River Energy JV Limited under a Service Agreement from 1 July 2015.

(2) Remuneration governance

(i) The Remuneration Committee

The Board has delegated certain responsibilities to the Remuneration Committee which requires formal reporting back to the Board on a timely basis. The ultimate responsibility for the Company's remuneration policy rests with the Board.

The Remuneration Committee is primarily responsible for reviewing and recommending to the Board the following remuneration matters:

- The remuneration of Non-Executive Directors; and
- The remuneration quantum and incentive framework for the Managing Director and Executives;

Members of the Remuneration Committee are appointed, removed and/or replaced by the Board. The Remuneration Committee must consist of at least three directors, who are Non-Executive Directors, and where possible, be comprised of a majority of Independent Non-Executive Directors. The Chairman of the Remuneration Committee will be a director other than the Chairman of the Board.

The Remuneration Committee was comprised of Vincent O'Rourke (Chair), Travers Duncan and Terence Crawford as at 30 June 2015.

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

The Company's Corporate Governance Statement which can be found on the Company's website: *http://www.whiteenergyco.com/about-us/corporate-governance/*, provides further information on the role of the Remuneration Committee and its composition and structure.

A copy of the Remuneration Committee's charter is included on the Company's website.

(ii) Use of external consultants

During the year ended 30 June 2015 the Remuneration Committee engaged Ernst and Young to review the proposed Long Term Incentive Plan and to benchmark executive remuneration packages. 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. Given the current stage in the Company's development, the Board considers it imperative that the Company is always in a position to attract and retain key staff members who can make a significant contribution to the business as it expands and delivers on its business strategy.

(ii) Remuneration components

The Company's Executive remuneration structure 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, other monetary and non-monetary benefits

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

Remuneration levels are reviewed annually by the Remuneration Committee after considering each Executive's performance levels and the importance of retaining the Executive within the Company, as well as external market benchmarks for comparable roles to ensure that the Executive's base salary is competitive. During the year ended 30 June 2015 the Remuneration Committee engaged Ernst and Young to review the proposed Long Term Incentive Plan and to benchmark executive remuneration packages.

There are no guaranteed base salary increases included in the Executives' employment services contracts. Despite the Remuneration Committee's positive assessment of the Executive's performance over the past year, given the current financial position of the Company the Managing Director and Senior Executives voluntarily offered to reduce their base salaries by 20% effective 1 July 2015. This initiative was also followed by the Company's Chairman and remaining Non-Executive Directors.

Non-monetary benefits include car parking, car expenses, home telephone costs and spouse travel costs.

(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 2015 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 may be earned for the year ended 30 June 2017 and beyond.

(c) Long-term incentives

Grant of options to the Managing Director

The Board recommended, and received shareholder approval, at the 2014 Annual General Meeting for the grant of 6,000,000 performance options to the Company's Managing Director, Brian Flannery under the Long Term Incentive Plan (LTIP).

The key terms of the LTIP are:

- Each Option granted under the LTIP entitles Brian Flannery to one Share in the Company on payment of an exercise price, which will be set at the higher of $0.50 or 170% of the Share price on the date the Options are granted, subject to satisfaction of the prescribed vesting and the following performance conditions:
  - (i) Brian Flannery is required to remain an employee of the Company or its subsidiaries for a continuous three year period starting on 1 July 2014 (and ending on 30 June 2017) inclusive;
  - (ii) The Company's financial performance must improve over the three-year performance period such that underlying Earnings before Interest Tax, Depreciation and Amortisation (EBITDA) must be positive in each of 2015/16 Financial Year and 2016/17 Financial Year.

The performance options were granted to Brian Flannery on 8 December 2014.

YEAR ENDED 30 JUNE 2015
DIRECTORS' REPORT CONTINUED

Remuneration report (audited) continued

Long Term Incentive Plan

The Board recommended, and received shareholder approval, at the 2014 Annual General Meeting for the the approval of the Company's Long Term Incentive Plan for key employees of the Company. The key terms of the LTIP are:

- the LTIP provides for the grant of Performance Rights or Options to eligible employees (Incentive Securities), which may vest subject to the satisfaction of performance, service or other vesting conditions imposed at the time of grant. This provides the Company with broad flexibility so that it can effectively incentivise employees using the most appropriate instrument (which may vary depending on the seniority of the executive, the jurisdiction in which they are issued, or prevailing market and regulatory conditions);
- the Board may in its absolute discretion determine which eligible employees will be invited to participate in a grant of Incentive Securities under the LTIP;
- the Board may impose performance, service or other vesting conditions on any grant of Incentive Securities under the LTIP. Incentive Securities will vest to the extent these performance, service or other vesting conditions are satisfied;
- on vesting (and exercise, in the case of Options), participants will become entitled to fully paid ordinary shares in the Company. The Board can decide whether to purchase Shares on-market or issue new Shares for the purposes of the LTIP or, where a cash alternative has been provided for under the terms of a grant, to provide the cash equivalent value of one Share in the Company to the participant;
- if the Board determines that the cash equivalent value of Shares in the Company will be provided on vesting, the applicable amount will be based on the volume-weighted average price of a Share in the Company for the 20 trading day period ending on the trading day before the date the Incentive Securities vest, or any other calculation determined by the Board;
- where a participant ceases employment due to termination for cause, gross misconduct or other reason determined by the Board, any unvested Incentive Securities will lapse, unless the Board determines otherwise;
- where a participant ceases employment in other circumstances, the Incentive Securities will remain 'on foot', subject to the Board's discretion to determine that some or all of the unvested Incentive Securities lapse or vest on cessation;
- Incentive Securities may lapse in certain circumstances, including if they act fraudulently or dishonestly, engage in gross misconduct, or are in breach of their obligations to the Company;
- further, if in the Board's opinion, Incentive Securities vest as a result of the fraud, dishonesty or breach of obligations by the participant or another person, or if there is a material misstatement or omission in the financial statements of a Group company, the Board may determine any treatment in relation to the Incentive Securities (or Shares received on vesting) to ensure no unfair benefit is obtained by the participant;
- Incentive Securities may not be traded or hedged, and the Board may impose restrictions on dealing of Shares allocated on vesting of Incentive Securities;
- any Shares issued under the LTIP will rank equally with those traded on the ASX at the time of issue;
- in the event of a takeover bid, scheme of arrangement or similar transaction, the Board may determine whether any or all unvested Incentive Securities vest, having regard to such factors as the Board considers relevant, including performance against the applicable performance conditions; and
- in the event of any capital reorganisation, Incentive Securities may be adjusted having regard to the ASX Listing Rules and on the basis that participants do not receive any advantage or disadvantage from such an adjustment.

With the exception of the performance options granted to Brian Flannery as outlined above, no other performance options were issued to employees of the Company during the year ended 30 June 2015.

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 either the Incentive Option Scheme or the Executive Retention Plan.

(iii) Remuneration for year ended 30 June 2015

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 $**	**Perfor mance options(2) $**	**Perfor-mance rights $**	**Total $**
Executive Directors								
Brian Flannery	**2015**	**1,000,000**	**–**	**12,344**	**95,000**	**148,084**	**–**	**1,255,428**
	2014	1,000,000	–	12,002	92,500	–	545,806	1,650,308
Other Key Management Personnel								
Michael Chapman	**2015**	**750,000**	**–**	**11,056**	**71,250**	**–**	**–**	**832,306**
	2014	750,000	–	10,548	69,375	–	272,903	1,102,826
Ivan Maras	**2015**	**500,000**	**–**	**14,446**	**47,500**	**–**	**–**	**561,946**
	2014	500,000	–	14,570	46,250	–	109,161	669,981
Neil Whittaker	**2015**	**470,000**	**–**	**28,971**	**44,650**	**–**	**–**	**543,621**
	2014	470,000	–	26,022	43,475	–	54,581	594,078
Total Executive Directors and other Key Management Personnel remuneration	**2015**	**2,720,000**	**–**	**66,817**	**258,400**	**148,084**	**–**	**3,193,301**
	2014	2,720,000	–	63,142	251,600	–	982,451	4,017,193

(1) Non-monetary benefits include car parking, car expenses, home telephone costs and spouse travel costs.

(2) Performance options issued under the LTIP on 8 December 2014. The LTIP and granting performance options was approved at the 2014 Annual General Meeting on 28 November 2014.

(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	$800,000	6 months base salary
Michael Chapman	Chief Operating Officer	Commenced 19 July 2010 on a rolling contract	$600,000	6 months base salary
Ivan Maras	Chief Financial Officer	Commenced 1 July 2006 on a rolling contract	$400,000	3 months base salary

Base salaries quoted are for the year ended 30 June 2016. They are reviewed annually by the Remuneration Committee. The base salaries quoted in the table above have been reduced following the voluntary offer by the Managing Director and Senior Executives to reduce base salaries by 20% effective 1 July 2015.

Neil Whittaker terminated his employment contract effective 30 June 2015, retaining his position of the Chief Executive Officer of River Energy JV Limited under a Service Agreement from 1 July 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.

YEAR ENDED 30 JUNE 2015

DIRECTORS' REPORT CONTINUED

Remuneration report (audited) continued

(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:

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Total profit/(loss) for the year	**(39,256)**	(52,257)	(114,956)	(171,765)	(18,824)
Share price at year end	**0.30**	0.15	0.15	0.39	1.83
Increase/(decrease) in share price	**100%**	–%	(62%)	(79%)	(41%)
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.

(5) Remuneration of Non-Executive Directors

(i) Policy and framework

A Non-Executive Directors' remuneration reflects the demands which are made on, and the responsibilities of, the Non-Executive Director. This remuneration is paid by way of fees, in the form of cash and, where applicable, superannuation benefits.

Non-Executive Directors' fees are reviewed annually by the Board after considering the recommendations of the Remuneration Committee. The Remuneration Committee's recommendations are determined within the maximum aggregate amount approved by shareholders from time to time. Total remuneration for all Company Non-Executive Directors was last voted on by shareholders at the Company's 2009 Annual General Meeting, where it was approved that the Non-Executive Director fee pool was not to exceed $1,000,000 per annum inclusive of superannuation. This remuneration pool was reconfirmed in the Company's constitution which was approved at the 2014 Annual General Meeting.

The Remuneration Committee ensures that the fees paid to Non-Executive Directors are comparable and competitive with other ASX listed companies to ensure that the Company is able to retain experienced and suitably qualified Non-Executive Directors.

The Chairman of the Board's fees are determined independently to the fees of Non-Executive Directors based on comparative external market roles.

Non-Executive Director fees cover all of the main Board activities and a Non-Executive Director's membership on Board committees.

The Non-Executive Director fees for the year ended 30 June 2015 and year ended 30 June 2016 are set out below.

Responsibility	For the year ended 30 June 2015 $	For the year ended 30 June 2016 $
Non-Executive Director fees		
Chairman (1)	275,000	220,000
Member (2)	80,000	64,000

(1) Includes payments of $125,000 (2016: $100,000) for consulting services in relation to work performed for Binderless Coal Briquetting Company Pty Ltd, a wholly owned subsidiary of White Energy.

(2) Excludes a $10,000 monthly retainer paid from 1 January 2015 to 31 December 2015 to a Company controlled by Terrence Crawford in respect of a assistance with the ongoing PT Kaltim Supacoal litigation against PT Bayan Resources Tbk (Bayan).

(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	$220,000	Nil
Graham Cubbin	Non-Executive Director	Commenced 17 February 2010 on a rolling contract	$64,000	Nil
Hans Mende	Non-Executive Director	Commenced 17 September 2010 on a rolling contract	$64,000	Nil
Vincent O'Rourke	Non-Executive Director	Commenced 29 September 2010 on a rolling contract	$64,000	Nil
Terence Crawford	Non-Executive Director	Commenced 11 June 2013 on a rolling contract	$64,000	Nil

Base salaries quoted are for the year ended 30 June 2016. They are reviewed annually by the Remuneration Committee. The base salary and fees quoted in the table above have been voluntarily reduced by 20% for the Chairman and other Non-Executive Directors with effect from 1 July 2015.

(iii) Remuneration for the year ended 30 June 2015

The total remuneration paid to the Non-Executive Directors for the year ended 30 June 2015 amounted to $625,896 as detailed below. For comparison purposes, amounts for the year ended 30 June 2014 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	**2015**	**275,000**	–	**15,696**	–	–	**290,696**
	2014	275,000	–	16,232	–	–	291,232
Graham Cubbin	**2015**	**80,000**	–	–	**7,600**	–	**87,600**
	2014	80,000	–	–	7,400	–	87,400
Hans Mende	**2015**	**80,000**	–	–	–	–	**80,000**
	2014	80,000	–	–	–	–	80,000
John Kinghorn	**2015**	–	–	–	–	–	–
(resigned 2 August 2013)(1)	2014	7,692	–	–	–	–	7,692
Vincent O'Rourke	**2015**	**80,000**	–	–	–	–	**80,000**
	2014	80,000	–	1,131	–	–	81,131
Terence Crawford (4)	**2015**	**80,000**	–	–	**7,600**	–	**87,600**
	2014	80,000	–	–	7,400	–	87,400
Sub-total Non-Executive	**2015**	**595,000**	–	**15,696**	**15,200**	–	**625,896**
Directors	2014	602,692	–	17,363	14,800	–	634,855

(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.

(4) Excludes a $10,000 monthly retainer paid from 1 January 2015 to 31 December 2015 to a Company controlled by Terrence Crawford in respect of a assistance with the ongoing PT Kaltim Supacoal litigation against PT Bayan Resources Tbk (Bayan).

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

YEAR ENDED 30 JUNE 2015
DIRECTORS' REPORT CONTINUED

Remuneration report (audited) continued

(6) Voting and comments made at the Company's 2014 Annual General Meeting

The White Energy Remuneration Report resolution was carried by a show of hands, with the results of the show of hands and proxy position both in excess of 75% in favour of the resolution. Of valid proxies received, more than 98% of proxies lodged voted "yes" on the remuneration report for the 2014 financial year. 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

On 7 July 2014 the following shares were issued to Key Management Personnel members on exercise of performance rights which vested during the year ended 30 June 2014:

Name	Shares Issued
Brian Flannery	3,000,000
Michael Chapman	1,500,000
Ivan Maras	600,000
Neil Whittaker	300,000
Total	**5,400,000**

Remuneration associated with the shares issued on conversion of the performance rights had already been recognised in the Remuneration Report for the years ending 30 June 2013 and 30 June 2014.

The terms and conditions of each grant of performance options effecting remuneration to Directors and Executives under the LTIP 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)
8/12/2014	Vesting on 30/6/2017, subject to satisfaction of two vesting conditions – a service condition and a performance condition.	30/6/2020	$0.50	0%	0%	0%	0%	0%

(1) The Grant Date has been assumed to be 8 December 2014 being the date that the performance options were issued.

(2) Vesting condition requiring the employee to remain an employee of the Company or its subsidiaries for a continuous three year period starting on 1 July 2014 (and ending on 30 June 2017);

(3) Vesting condition requiring the Company's financial performance to improve over the three-year performance period such that underlying Earnings before Interest Tax, Depreciation and Amortisation (EBITDA) must be positive in each of 2015/2016 Financial Year and 2016/2017 Financial Year.

(8) Equity instruments held by key management personnel

(i) Option holdings

The number 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	**2015**	–	–	–	–	–	–
	2014	416,667	–	–	(416,667)	–	–
Neil Whittaker	**2015**	–	–	–	–	–	–
	2014	100,000	–	–	(100,000)	–	–

(ii) Share holdings

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

Name	Year	Balance at the start of the year	Received during the year on exercise of performance rights	Other changes during the year	Balance at the end of the year
Non-Executive Directors					
Travers Duncan	**2015**	**31,948,461**	**–**	**–**	**31,948,461**
	2014	31,948,461	–	–	31,948,461
Graham Cubbin	**2015**	**600,000**	**–**	**–**	**600,000**
	2014	100,000	–	500,000	600,000
Hans Mende	**2015**	**12,710,220**	**–**	**(2,477,293)**	**10,232,927**
	2014	12,710,220	–	–	12,710,220
Vincent O'Rourke	**2015**	**310,000**	**–**	**300,000**	**610,000**
	2014	110,000	–	200,000	310,000
Terence Crawford(1)	**2015**	**565,094**	**–**	**–**	**565,094**
	2014	215,094	–	350,000	565,094
John Kinghorn(2)	**2015**	**–**	**–**	**–**	**–**
(resigned 2 August 2013)	2014	20,000,000	–	–	20,000,000
Executive Directors					
Brian Flannery	**2015**	**27,355,118**	**3,000,000**	**–**	**30,355,118**
	2014	27,355,118	–	–	27,355,118
Other Key Management Personnel					
Michael Chapman	**2015**	**35,096**	**1,500,000**	**–**	**1,535,096**
	2014	35,096	–	–	35,096
Ivan Maras	**2015**	**65,000**	**600,000**	**–**	**665,000**
	2014	65,000	–	–	65,000
Neil Whittaker	**2015**	**118,106**	**300,000**	**–**	**418,106**
	2014	–	–	118,106	118,106

(1) 2014 Opening balance was restated from 185,250 to 215,094 Ordinary Shares.

(2) John Kinghorn resigned as a Director on 2 August 2013. The information shown for John Kinghorn was as at his resignation date as per the Appendix 3Z.

(iii) Performance option holdings

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

Name	Year	Balance at the start of the year	Granted during the year as remuneration	Exercised	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
Executive Directors							
Brian Flannery	**2015**	**–**	**6,000,000**	**–**	**–**	**6,000,000**	**–**
	2014	–	–	–	–	–	–

YEAR ENDED 30 JUNE 2015

DIRECTORS' REPORT CONTINUED

Remuneration report (audited) continued

(iv) Performance share 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	**2015**	**3,000,000**	–	**3,000,000**	–	–	–
	2014	3,000,000	–	–	–	3,000,000	3,000,000
Other Key Management Personnel							
Michael Chapman	**2015**	**1,500,000**	–	**1,500,000**	–	–	–
	2014	1,500,000	–	–	–	1,500,000	1,500,000
Ivan Maras	**2015**	**600,000**	–	**600,000**	–	–	–
	2014	600,000	–	–	–	600,000	600,000
Neil Whittaker	**2015**	**300,000**	–	**300,000**	–	–	–
	2014	300,000	–	–	–	300,000	300,000

(v) Loans to Key Management Personnel

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

(vi) Other transactions with Key Management Personnel

During the year ended 30 June 2015, employee benefits of $109,455 (2014: $152,834) were paid to Andromeda Neale, who is related to Travers Duncan, the Chairman of White Energy.

Travers Duncan, the Chairman of White Energy, leases a commercial office space from White Energy in the Company'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 the Company's Brisbane office, and also reimburses the Company for some part-time secretarial work conducted for his private companies, Illwella Pty Ltd and KTQ Developments Pty Ltd. 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 the Company'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.

Shares under option

Unissued ordinary shares of White Energy as at 30 June 2015 are as follows:

Date performance options granted	Expiry date	Exercise price	Number
8/12/2014	30/6/2020	$0.50	6,000,000
Total			**6,000,000**

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

Shares issued on conversion of performance shares

The following ordinary shares of White Energy were issued on 7 July 2014 on the exercise of performance rights granted under the White Energy Performance Rights scheme. No amounts are unpaid on any of these shares.

Date performance rights granted	Expiry date	Exercise price	Number
14/9/2012	30/6/2014	Nil	5,400,000
Total			**5,400,000**

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 shares issued or options exercised during year ended 30 June 2015.

Insurance of officers

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

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

Non-audit services

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

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

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

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

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

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

	2015 $	2014 $
Other assurance services		
Network firms of PwC Australia firm	–	21,850
Total remuneration for other assurance services	–	21,850
Taxation Services		
PwC Australian firm:		
Tax compliance and consulting services	**28,972**	2,273
Network firms of PwC Australian firm	**46,590**	20,279
Non-PwC audit firm (Ernst and Young)	**81,767**	241,600
Total remuneration for taxation services	**157,329**	264,152
Total remuneration for non-audit services	**157,329**	286,002

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 32.

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 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
31 August 2015

pwc

Auditor's Independence Declaration

As lead auditor for the audit of White Energy Company Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
31 August 2015

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YEAR ENDED 30 JUNE 2015

CORPORATE GOVERNANCE STATEMENT

The Group and the board are committed to achieving and demonstrating the highest standards of corporate governance. The Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2015 Corporate Governance Statement is dated as at 30 June 2015 and reflects the corporate governance practices in place throughout the 2015 financial year. The 2015 corporate governance statement was approved by the board on 24 June 2015 and re-approved on 26 August 2015. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at *http://www.whiteenergyco.com/about-us/corporate-governance/*.

YEAR ENDED 30 JUNE 2015
FINANCIAL REPORT

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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 13-17 which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 31 August 2015. 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 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2015 $'000	2014 $'000
Revenue	5	**28,161**	27,915
Other income		**1,044**	2,093
Coal mining operation expenses	6	**(31,849)**	(26,015)
Loss on foreign exchange		**(122)**	(158)
Cost of goods sold – livestock		**(533)**	(610)
Accounting, tax and audit fees		**(859)**	(556)
Employee benefits expense	6	**(9,694)**	(11,145)
Depreciation and amortisation expense	6	**(10,730)**	(8,860)
Impairment expense	6	**(4,956)**	(25,310)
Finance costs	6	**(1,640)**	(663)
External advisory fees	6	**(5,127)**	(6,326)
Occupancy expenses	6	**(835)**	(1,084)
Travel expenses		**(776)**	(1,135)
Plant operating costs		**(673)**	(859)
Other expenses		**(3,797)**	(2,607)
Loss before income tax		**(42,386)**	(55,320)
Income tax credit	7	**3,130**	3,063
Net loss for the year		**(39,256)**	(52,257)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**889**	(17)
Total other comprehensive loss for the year		**889**	(17)
Total comprehensive loss for the year		**(38,367)**	(52,274)
Loss is attributable to:			
Owners of White Energy Company Limited		**(27,836)**	(52,060)
Non-controlling interests		**(11,420)**	(197)
Total loss for the year		**(39,256)**	(52,257)
Total comprehensive loss is attributable to:			
Owners of White Energy Company Limited		**(28,002)**	(51,739)
Non-controlling interests		**(10,365)**	(535)
Total comprehensive loss for the year		**(38,367)**	(52,274)
		Cents	Cents
Earnings per share for loss attributable to ordinary equity holders of White Energy Company Limited:			
Basic and diluted loss per share	32	**(8.48)**	(16.12)

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

AS AT 30 JUNE 2015

CONSOLIDATED BALANCE SHEET

	Notes	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	8	**25,635**	56,386
Inventories	9	**4,397**	1,313
Trade and other receivables	10	**4,079**	4,779
Total current assets		**34,111**	62,478
Non-current assets			
Restricted cash	11	**4,915**	2,143
Biological assets – livestock	12	**2,848**	2,208
Deferred tax assets	13	**–**	–
Property, plant and equipment	14	**56,565**	40,628
Exploration assets	15	**27,231**	26,017
Intangible assets	16	**44,748**	46,931
Total non-current assets		**136,307**	117,927
Total assets		**170,418**	180,405
Current liabilities			
Trade and other payables	17	**13,407**	16,518
Provisions	18	**2,045**	341
Total current liabilities		**15,452**	16,859
Non-current liabilities			
Provisions	18	**724**	791
Other payables	19	**52,904**	20,422
Deferred tax liabilities	20	**–**	2,776
Total non-current liabilities		**53,628**	23,989
Total liabilities		**69,080**	40,848
Net assets		**101,338**	139,557
Equity			
Contributed equity	21	**493,476**	490,938
Reserves	22	**(13,309)**	(10,753)
Accumulated losses	22	**(372,222)**	(344,386)
Total equity attributable to owners of White Energy Company Limited		**107,945**	135,799
Non-controlling interests	23	**(6,607)**	3,758
Total equity		**101,338**	139,557

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

YEAR ENDED 30 JUNE 2015

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 2013	**490,938**	**(12,017)**	**(292,326)**	**186,595**	**(4,778)**	**181,817**
Loss for the year	–	–	(52,060)	(52,060)	(197)	(52,257)
Other comprehensive income/(loss)	–	321	–	321	(338)	(17)
Total comprehensive income/(loss) for the year	**–**	**321**	**(52,060)**	**(51,739)**	**(535)**	**(52,274)**
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**	**(10,753)**	**(344,386)**	**135,799**	**3,758**	**139,557**
Loss for the year	–	–	(27,836)	(27,836)	(11,420)	(39,256)
Other comprehensive income/(loss)	–	(166)	–	(166)	1,055	889
Total comprehensive (loss) for the year	**–**	**(166)**	**(27,836)**	**(28,002)**	**(10,365)**	**(38,367)**
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	2,538	–	–	2,538	–	2,538
Share based payments	–	(2,390)	–	(2,390)	–	(2,390)
	2,538	**(2,390)**	**–**	**148**	**–**	**148**
Balance at 30 June 2015	**493,476**	**(13,309)**	**(372,222)**	**107,945**	**(6,607)**	**101,338**

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

YEAR ENDED 30 JUNE 2015

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**27,446**	26,033
Payment to suppliers and employees (inclusive of goods and services tax)		**(56,873)**	(40,817)
		(29,427)	(14,784)
Interest received		**1,599**	2,051
Payments for certificates of deposit restricted for bonds		**(2,549)**	–
Net cash outflow from operating activities	31	**(30,377)**	(12,733)
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		**(1,086)**	(1,065)
Payments for property, plant and equipment		**(20,154)**	(4,941)
Payments for intangible assets		**–**	(14)
Payment for development costs		**(37)**	(1,397)
Net cash outflow from investing activities		**(21,277)**	(8,508)
Cash flows from financing activities			
Repayment of borrowings		**–**	(9,071)
Proceeds from borrowings		**20,528**	–
Borrowing costs		**–**	–
Net cash inflow/(outflow) from financing activities		**20,528**	(9,071)
Net decrease in cash and cash equivalents		**(31,126)**	(30,312)
Cash and cash equivalents at the beginning of the financial year		**56,386**	86,693
Effect of exchange rate changes on cash and cash equivalents		**375**	5
Cash and cash equivalents at the end of the year	8	**25,635**	56,386

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

YEAR ENDED 30 JUNE 2015

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YEAR ENDED 30 JUNE 2015

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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 21 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(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 2014.

(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 to presentation

The Company updated the prior year comparative balances following the completion of the MCC acquisition accounting. We believe that this will provide more relevant information to our stakeholders. Refer to note 29 for further details.

(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 2015 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' postacquisition profits or losses is recognised in profit or loss and its share of postacquisition other comprehensive income is recognised in other comprehensive income. The cumulative postacquisition 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.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 1. Summary of significant accounting policies continued

(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.

(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 straightline 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 noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any noncontrolling 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). Nonfinancial 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.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 1. Summary of significant accounting policies continued

(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).

(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.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 1. Summary of significant accounting policies continued

(x) Employee benefits continued

(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 sharebased 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.

(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 Company

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Group does not expect any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities while the Group currently does not have any debt instruments classified as available-for-sale financial assets. The Group does not expect any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

While the Group currently does not have any hedging arrangements, as a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

The Group has not yet assessed how the its own hedging arrangements and impairment provisions would be affected by the new rules. The Group does not expect to adopt AASB 9 before its mandatory date. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

(ii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management is currently assessing the impact of the new rules although it does not consider there to be any material impacts from adopting the new standard. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months. The group does not expect to adopt the new standard before 1 July 2017.

(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.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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:

	2015 $'000	2014 $'000
Assets		
Cash and cash equivalents	**1,952**	2,475
Trade and other receivables	**3,718**	3,706
Total assets	**5,670**	6,181
Liabilities		
Trade and other payables – Current	**7,026**	14,346
Provisions – Current	**2,006**	303
Trade and other payables – Non-current	**51,707**	15,759
Total liabilities	**60,739**	30,408

Sensitivity

Based on the revaluation of the Group's overseas assets and liabilities at 30 June 2015 had the Australian dollar weakened/ strengthened by 10% against the US dollar or South African Rand at 30 June 2015 with all other variables held constant, the Group's posttax loss for the year would have been $6,119,000 higher/$5,006,000 lower (2014: $2,692,000 higher/$2,202,000 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 2015, the Group's posttax loss for the year would have been $196,000 higher/$196,000 lower (2014: $183,000 higher/$183,000 lower), as a result of the unrealised livestock revaluation impact on the statement of comprehensive income.

(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 2015 and 30 June 2014 is set out below:

At 30 June 2015	Floating interest rate $'000	Fixed interest maturing in less than 12 months $'000	Fixed interest maturing in more than 12 months $'000	Non-interest bearing $'000	Carrying Amount (assets)/ liabilities $'000
Financial assets					
Cash and cash equivalents	6,857	18,778	–	–	25,635
Restricted cash	–	–	2,915	2,000	4,915
Trade and other receivables	–	142	–	3,937	4,079
Total financial assets	**6,857**	**18,920**	**2,915**	**5,937**	**34,629**
Financial liabilities					
Trade and other payables	–	–	48,937	17,376	66,313
Total financial liabilities	**–**	**–**	**48,937**	**17,376**	**66,313**
Net financial assets/(liabilities)	**6,857**	**18,920**	**(46,022)**	**(11,439)**	**(31,684)**

At 30 June 2014	Floating interest rate $'000	Fixed interest maturing in less than 12 months $'000	Fixed interest maturing in more than 12 months $'000	Non-interest bearing $'000	Carrying Amount (assets)/ liabilities $'000
Financial assets					
Cash and cash equivalents	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	14,479	36,940
Total financial liabilities	**–**	**7,012**	**15,449**	**14,479**	**36,940**
Net financial assets/(liabilities)	**18,458**	**31,180**	**(15,449)**	**(7,821)**	**26,368**

Sensitivity

At 30 June 2015, if interest rates had increased by 100 or decreased by 100 basis points from the year end rates with all other variables held constant, posttax loss for the year would have been $14,000 higher/$14,000 lower (2014 changes of 100 bps/100 bps: $26,000 higher/ $26,000 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 2015.

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:

	2015 $'000	2014 $'000
AAA	**25,635**	56,380
AA	**–**	–
Other	**–**	6
Total cash and cash equivalents	**25,635**	56,386

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 2. Financial risk management continued

(b) Credit risk continued

For trade and other receivables, management assesses the credit worthiness of customers before sales are made. This assessment typically includes consideration of the customers' financial position and past experiences with the customer. In the majority of cases, credit terms of 30 days are offered to customers. The credit quality of trade and other receivables was assessed as follows:

	2015 $'000	2014 $'000
Counterparties without external rating		
Group 1 – New customers	**40**	367
Group 2 – Existing customers – no past defaults	**1,563**	3,162
Group 3 – Existing customers – past defaults	**1,441**	–
Total trade receivables	**3,044**	3,529

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:

	Note	2015 $'000	2014 $'000
Cash and cash equivalents	8	**25,635**	56,386
Trade and other receivables	10	**4,079**	4,779
Restricted cash	11	**4,915**	2,143
Total exposure to credit risk at year end		**34,629**	63,308

(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 30 June 2015.

(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 2015						
Non-derivatives						
Trade and other payables	12,963	–	51,708	–	64,671	66,313
Total non-derivatives	**12,963**	**–**	**51,708**	**–**	**64,671**	**66,313**
At 30 June 2014						
Non-derivatives						
Trade and other payables	16,084	–	18,799	–	34,883	36,940
Total non-derivatives	**16,084**	**–**	**18,799**	**–**	**34,883**	**36,940**

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.

(a) Impairment of Assets

(i) Coal technology cash generating unit (CGU)

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

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

- 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.
- 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.
- 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.
- 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 of disposal 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 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.

(b) Liquidity and future funding

During the year the Group recorded net cash outflows of $30,377,000 (2014: $12,733,000) and at 30 June 2015 had a cash balance excluding restricted cash of $25,635,000 (2014: $56,386,000). Existing cash balances together with cash generated from operations are forecast to be sufficient to pursue the Group's current commitments. In the event the Group's growth plans require additional funding to that currently forecast, the Directors are of the opinion that the Group will be able to secure the necessary financing through one, or a combination of, third party debt financing, equity raising and asset sales.

(c) Quantity of livestock held

The quantity of sheep held at the balance date is estimated based on 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 the balance date is estimated based on 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).

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 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 2015 was in the following format:

	COAL TECHNOLOGY					COAL MINING		MINING EXPLOR-ATION	PROPERTY	INTER-COMPANY	TOTAL
2015	**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	11,319	–	1,672	64	–	23,213	257	1	1,328	(9,693)	28,161
Total expenses	(23,630)	(18)	(3,136)	(625)	(149)	(34,590)	(398)	(71)	(746)	9,902	(53,461)
EBITDA (*)	**(12,311)**	**(18)**	**(1,464)**	**(561)**	**(149)**	**(11,377)**	**(141)**	**(70)**	**582**	**209**	**(25,300)**
Depreciation	(1,765)	–	(73)	–	(1)	(3,968)	–	(1)	(123)	(16)	(5,947)
Amortisation	(3,860)	–	(873)	–	–	(631)	(1,625)	–	–	2,206	(4,783)
Interest expense	–	–	(1,073)	(1,882)	–	(764)	(1,763)	–	–	3,842	(1,640)
Write-offs/ Impairment expense	(1,325)	–	–	(958)	–	(2,673)	–	–	–	–	(4,956)
Other expenses	49	–	(16)	–	–	–	(1)	–	(533)	(303)	(804)
Fair value gains	–	–	–	–	–	–	–	–	1,044	–	1,044
Loss before income tax (*)	**(19,212)**	**(18)**	**(3,499)**	**(3,401)**	**(150)**	**(19,413)**	**(3,530)**	**(71)**	**970**	**5,938**	**(42,386)**

	COAL TECHNOLOGY					COAL MINING		MINING EXPLOR-ATION	PROPERTY	INTER-COMPANY	TOTAL
2014	**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)**

(*) 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:

	2015 $'000	2014 $'000
Total segment income	**28,161**	29,264
Exclude other income recognised in segment income	**–**	(1,349)
Total revenue	**28,161**	27,915

The head entity, White Energy Company Limited, is domiciled in Australia. The amount of its revenue from external customers in Australia is $3,566,000 (2014: $1,687,000) and the total revenue from external customers in other countries is $24,595,000 (2014: $23,819,000). 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:

	2015 $'000	2014 $'000
Total loss for the year – segment information excluding impairment expense	**37,430**	30,010
Impairment expense (*)	**4,956**	25,310
Consolidated loss before income tax	**42,386**	55,320

(*) Impairment expense attributed to the following segments: Mining Exploration $nil (2014: $25,069,000), Coal Technology Australia $2,283,000 (2014: $145,000), Coal Technology South Africa $nil (2014: $96,000) and Coal Mining U.S. $2,673,000 (2014: $nil).

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 5. Revenue

	2015 $'000	2014 $'000
From continuing operations		
Interest income	**1,476**	1,974
Coal sales	**23,076**	22,817
Proceeds from the sale of livestock	**610**	519
Proceeds from the sale of wool	**571**	388
Government grant income[(a)]	**435**	435
Sampling income – potential customers	**1,389**	1,145
Other revenue	**604**	637
	28,161	27,915

(a) Government grant income of $435,000 (2014: $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

	2015 $'000	2014 $'000
Loss before income tax includes the following specific expenses:		
Coal mining expenses	**31,849**	26,015
Depreciation and amortisation expense – Property, plant and equipment	**5,947**	5,017
Amortisation expense – Intangible assets	**4,783**	3,843
Total depreciation and amortisation expense	**10,730**	8,860
Consulting, external management and professional fees	**1,924**	1,976
Legal fees – litigation	**3,203**	4,350
Total external advisory fees	**5,127**	6,326
Impairment expense – SAC exploration rights	**–**	25,015
Impairment expense – AEL exploration tenements	**(1)**	54
Impairment expense – Development costs	**1,072**	181
Impairment expense – Fixed assets	**3,797**	60
Impairment expense – Bowen Basin exploration assets	**88**	–
Total impairment expense	**4,956**	25,310
Finance costs expensed	**1,640**	663
Occupancy expenses – Minimum lease payments	**835**	1,084
Defined contribution superannuation expense	**534**	550
Other employee benefits expense	**9,160**	10,595
Total employee benefits expense	**9,694**	11,145

Note 7. Income tax credit

(a) Income tax credit

	2015 $'000	2014 $'000
Current tax	**(1,588)**	(3,900)
Deferred tax	**(4,817)**	777
Adjustments for current tax of prior periods	**3,275**	60
	(3,130)	(3,063)
Income tax credit is attributable to:		
Loss from continuing operations	**(3,130)**	(3,063)
Aggregate income tax credit	**(3,130)**	(3,063)
Deferred income tax (revenue)/expense included in income tax credit comprises:		
Decrease/(Increase) in deferred tax assets (note 13)	**–**	4,722
(Decrease)/increase in deferred tax liabilities (note 20)	**(2,776)**	(1,946)
	(2,776)	2,776
(b) Numerical reconciliation of income tax credit to prima facie tax payable		
Loss from continuing operations before income tax credit	**(42,386)**	(55,320)
Tax credit at the Australian tax rate of 30% (2014 – 30%)	**(12,716)**	(16,596)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment expense	**1,487**	7,593
Sundry items	**(562)**	830
Differences in overseas operations tax rates	**244**	1,304
Tax losses and timing differences not brought to account	**8,417**	3,806
Income tax credit	**(3,130)**	(3,063)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**112,348**	88,081
Potential tax benefit	**34,264**	26,424
(d) Unrecognised temporary differences		
Temporary differences for which a deferred tax (liability)/ asset has not been recognised:		
Tax losses	**112,348**	88,081
Unrealised foreign currency translation	**71,650**	30,995
Mineral Resources Rent Tax (i)	**–**	54,379
	183,998	173,455
Unrecognised deferred tax assets/(liabilities) relating to the above temporary differences	**55,199**	52,037

(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.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 8. Current assets – Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	**25,635**	56,386
	25,635	56,386

(a) Reconciliation to cash at end of year

	2015 $'000	2014 $'000
Balance recorded above	**25,635**	56,386
Balances per statement of cash flows	**25,635**	56,386

(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 2015 bank guarantees exist which have been issued as security for property bonds in the amount of $229,000 (2014: $566,000).

Note 9. Current assets – Inventory

	2015 $'000	2014 $'000
Coal stockpiles – ROM at cost	**1,375**	668
Coal stockpiles – Product at cost	**2,862**	626
Other	**160**	19
	4,397	1,313

Note 10. Current assets – Trade and other receivables

	2015 $'000	2014 $'000
Trade debtors	**3,222**	3,529
Provision for impairment of receivables (a)	**(178)**	(178)
Deposits	**317**	89
Prepayments	**526**	887
Interest receivable	**142**	264
Other receivables	**50**	188
	4,079	4,779

(a) Impaired trade receivables

As at 30 June 2015, current trade receivables of the Group with a nominal value of $178,000 (2014: $178,000) were impaired. The amount of the provision was $178,000 (2014: $178,000).

The ageing of impaired trade receivables is as follows:

	2015 $'000	2014 $'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:

	2015 $'000	2014 $'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 2015, trade receivables of $1,660,000 (2014: $393,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or for whom a payment plan has been negotiated. The ageing analysis of these trade receivables is as follows:

	2015 $'000	2014 $'000
Up to 3 months	**920**	314
3 to 6 months	**711**	79
Over 6 months	**29**	–
	1,660	393

(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

	2015 $'000	2014 $'000
Non-current asset		
Restricted cash – security bond (a)	**2,000**	2,000
Reclamation bonds (b)	**2,915**	143
	4,915	2,143

(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) Reclamation 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.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

	2015 $'000	2014 $'000
Opening balance	**2,208**	1,913
Purchases – other	**34**	70
Sales	**(438)**	(519)
Change in net market value	**1,044**	744
Closing balance	**2,848**	2,208

Livestock numbers at 30 June 2015 were 18,501 (2014: 21,667) which comprised 16,362 (2014: 20,524) sheep and 2,139 (2014: 1,143) cattle.

Note 13. Non-current assets – Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**4,825**	5,418
Intangibles	**585**	422
Trade and other payables	**3,495**	952
Trade and other debtors	**2,463**	2,463
Other balances and transactions	**878**	1,037
Total deferred tax assets	**12,246**	10,292
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 20)	**(12,246)**	(10,292)
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	**9,783**	7,829
	12,246	10,292

Movement	Other $'000	Total $'000
At 1 July 2013	**15,014**	**15,014**
(Charged)/credited to profit or loss	(4,722)	(4,722)
(Charged)/credited to other comprehensive income	–	–
At 30 June 2014	**10,292**	**10,292**
(Charged)/credited to profit or loss	1,954	1,954
(Charged)/credited to other comprehensive income	–	–
At 30 June 2015	**12,246**	**12,246**

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

	Plant and Equipment $'000	Leasehold improve-ments $'000	Land $'000	Mineral properties $'000	Total $'000
At 1 July 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**
Year ended 30 June 2015					
Opening net book amount	36,361	64	2,899	1,304	40,628
Additions (a)	20,090	10	–	2,510	22,610
Transfers (b)	–	–	–	(1,001)	(1,001)
Disposals	(14)	–	–	–	(14)
Exchange differences	4,042	–	72	(28)	4,086
Depreciation	(4,863)	(16)	–	(1,068)	(5,947)
Impairment expense	(3,797)	–	–	–	(3,797)
Closing net book amount	**51,819**	**58**	**2,971**	**1,717**	**56,565**
At 30 June 2015					
Cost or fair value	68,090	214	2,971	4,045	75,320
Accumulated depreciation	(16,271)	(156)	–	(2,328)	(18,755)
Net book amount	**51,819**	**58**	**2,971**	**1,717**	**56,565**

(a) Plant and Equipment

In January 2015, MCC completed the construction of its new coal wash plant facility at the Indian Gap site. The new coal wash plant was successfully commissioned in February 2015.

(b) Transfers

A portion of mineral properties was transferred to intangible assets during the year.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 15. Non-current assets – Exploration assets

	2015 $'000	2014 $'000
Exploration Tenements		
Gasgoyne : E09/1983		
Cost at beginning of reporting period	–	18
Additional expenditure	–	4
Expenditure written off	–	(22)
Net book amount	–	–
Gasgoyne : E09/1984		
Cost at beginning of reporting period	–	26
Additional expenditure	–	6
Expenditure written off	–	(32)
Net book amount	–	–
Coober Pedy : EL4534		
Cost at beginning of reporting period	**7,210**	7,195
Additional expenditure	**59**	38
Capitalised expenditure refunded	–	(23)
Net book amount	**7,269**	7,210
Bowen Basin : EPC23256		
Cost at beginning of reporting period	**66**	–
Additional expenditure	**22**	66
Expenditure written off	**(88)**	–
Net book amount	–	66
Mountainside Coal Company		
Cost at beginning of reporting period	**951**	–
Additional expenditure	**1,005**	951
Exchange differences	**216**	–
Net book amount	**2,172**	951
Exploration rights		
Cost at beginning of reporting period	**17,790**	42,805
Additional expenditure	–	–
Impairment	–	(25,015)
Net book amount	**17,790**	17,790
Exploration assets net book amount	**27,231**	26,017

(a) Key assumptions used for impairment calculations

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 Company as part of its 30 June 2014 financial reporting process appointed an independent valuation firm to perform a valuation of the recoverable amount of EL4534 as at 30 June 2014. The Company has re-evaluated the key factors outlined in the 30 June 2014 independent valuation to prepare an internal management valuation of the recoverable amount of EL4534 as at 30 June 2015.

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 in the internal management valuation as at 30 June 2015 was based on fair value less costs to sell calculation which was 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, movements in coal prices, 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 2004 resources to 1,130.4 million tonnes[(*)]. The valuer discounted the 774.2 million inferred tones of JORC 2004 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.

In performing the independent valuation as part of the 30 June 2014 reporting process, the valuer outlined a valuation range. The Directors adopted the mid-point of the valuation range stated by the valuer as the recoverable amount of EL4534.

As part of the management internal valuation as at 30 June 2015 it was noted that Australian Dollar denominated real long-term thermal coal prices have increased by 4% since 30 June 2014. As the increase in Australian Dollar denominated real long-term thermal coal prices did not give rise to a material change to the valuation of EL4534 the Directors have determined that the recoverable amount of EL4534 is $17,500,000 as at 30 June 2015.

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.

(*) The Company notes that this information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Refer to pages 84 to inside back cover for the detailed table outlining the 2004 JORC resource along with the Competent Persons Statement.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 16. Non-current assets – Intangible assets

	Goodwill $'000	BCB Coal technology licence $'000	Detailed BCB plant design $'000	American-isation of the BCB plant design $'000	Development costs $'000	Total $'000
At 1 July 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)	7,637	–	–	–	–	7,637
Transfers	–	–	–	–	39	39
Exchange differences	18	–	–	–	(23)	(5)
Amortisation	–	(3,177)	(666)	–	–	(3,843)
Impairment	–	–	–	–	(181)	(181)
Closing net book amount	**7,655**	**30,551**	**3,336**	**1,528**	**3,861**	**46,931**
At 30 June 2014						
Cost	7,655	55,983	6,661	1,528	3,861	75,688
Accumulated amortisation	–	(25,432)	(3,325)	–	–	(28,757)
Net book amount	**7,655**	**30,551**	**3,336**	**1,528**	**3,861**	**46,931**
Year ended 30 June 2015						
Opening net book amount	7,655	30,551	3,336	1,528	3,861	46,931
Additions	–	–	–	–	37	37
Transfers (a)	–	–	–	–	1,001	1,001
Exchange differences	1,735	–	–	–	899	2,634
Amortisation	–	(3,179)	(667)	–	(937)	(4,783)
Impairment	–	–	–	–	(1,072)	(1,072)
Closing net book amount	**9,390**	**27,372**	**2,669**	**1,528**	**3,789**	**44,748**
At 30 June 2015						
Cost	9,390	55,983	6,661	1,528	4,734	78,296
Accumulated amortisation	–	(28,611)	(3,992)	–	(945)	(33,548)
Net book amount	**9,390**	**27,372**	**2,669**	**1,528**	**3,789**	**44,748**

(a) Transferred from Property, Plant and Equipment

Amortisation of $4,783,000 (2014: $3,843,000) 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.

(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 a South African thermal coal opportunity using a discounted cash flow model.

The valuation concluded that the recoverable amount of the Company's coal technology assets exceeded the 30 June 2015 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 40% to 50% to reflect the early stage development of these opportunities.

If the discount applied to the implied multiple was 10% higher the recoverable amount would decrease by $2,200,000 and if the discount applied to the implied multiple was 10% lower the recoverable amount would increase by $2,200,000.

If the estimated annual coking coal production in other regions was 10% higher the recoverable amount would increase by $2,700,000 and if the estimated annual coking coal production in other regions was 10% lower the recoverable amount would decrease by $2,700,000.

The valuer performed net present value (NPV) calculations for the Company's most advanced commercialisation opportunity for the BCB Technology in South Africa. This near-term development opportunity is forecast to create cash flows for the Company over the next 10 to 15 years. The NPV calculation was 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 this opportunity.

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 15% (30 June 2014: 12.9%). In addition to the discount rate applied, the valuer factored in a further risk factor discount of between 5% and 15%, to take into account the probability the project proceeding.

If the discount rate applied was 10% higher the recoverable amount would decrease by $6,300,000 and if the discount rate applied was 10% lower the recoverable amount would increase by $7,900,000. If the risk factor discount of the project proceeding was 10% higher the recoverable amount would increase by $1,200,000. 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 $800,000.

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

	2015 $'000	2014 $'000
Trade creditors	**7,441**	5,132
Other creditors	**1,732**	3,167
Accrued license fee	**3,792**	–
Deferred income – government grant	**435**	435
Deferred income – rental income	**7**	–
Accrued interest on shareholder loan – Black River	**–**	772
Loan from shareholders – Black River (a)	**–**	7,012
	13,407	16,518

(a) Loan from shareholders – Black River

Reflects the shareholder loans from Black River Investment WEC Africa LLC (Black River) to River Energy JV Ltd (REJV) which is due for repayment in less than 12 months.

(b) Risk exposure

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

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 18. Current and non-current liabilities – Provisions

	2015 $'000	2014 $'000
Current liability		
Make good provisions (a)	**39**	38
Reclamation provision (b)	**2,006**	303
	2,045	341
Non-current liability		
Employee provisions (c)	**724**	791
	724	791

(a) 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.

(b) 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.

(c) 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.

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.

Note 19. Non-current liabilities – Other payables

	2015 $'000	2014 $'000
Deferred income – government grant (a)	**1,196**	1,623
Accrued license fee	**–**	3,040
Accrued interest on shareholder loans – Black River (b)	**3,630**	310
Loans from shareholders – Black River (c)	**48,078**	15,449
	52,904	20,422

(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 – Black River
Interest accruing on loans provided by Black River Investment WEC Africa LLC to REJV and Black River CPF M&M REJV UK Holdco LLC to MCC and River Energy UK JV Limited (REUK), which are due for repayment in greater than 12 months.

(c) Loans from shareholders – Black River
Loans provided by Black River Investment WEC Africa LLC to REJV and Black River CPF M&M REJV UK Holdco LLC to MCC and REUK, which are due for repayment in greater than 12 months.

Note 20. Non-current liabilities – Deferred tax liabilities

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Exploration assets recognised on the acquisition of SAC (a)	**6,127**	6,127
Property, plant and equipment – MCC (b)	**4,729**	5,549
Other capitalised exploration assets	**1,390**	1,392
	12,246	13,068
Set-off of deferred tax assets pursuant to set-off provisions (Note 13)	**(12,246)**	(10,292)
Net deferred tax liabilities	–	2,776
Deferred tax liabilities expected to be settled within 12 months	–	–
Deferred tax liabilities expected to be settled after more than 12 months	**12,246**	13,068
	12,246	13,068

Movement	Other $'000	Total $'000
At 1 July 2013	17,790	17,790
Charged/(credited) to profit or loss	(4,722)	(4,722)
At 30 June 2014	13,068	13,068
Charged/(credited) to profit or loss	**(822)**	**(822)**
At 30 June 2015	**12,246**	**12,246**

(a) South Australian Coal Limited – SAC

Deferred tax liabilities have arisen in respect of temporary differences between the accounting base and tax base of exploration assets. When the exploration assets are amortised for accounting purposes, the accounting depreciation is added back as a temporary difference in the income tax calculations reducing the deferred tax liability. The deferred tax liability recognised is not expected to result in the payment of income taxes.

(b) Property, plant and equipment – MCC

Deferred tax liabilities have arisen in respect of temporary differences between the accounting base and tax base of the property, plant and equipment held at MCC. When the property, plant and equipment is depreciated for accounting purposes, the accounting depreciation is added back as a temporary difference in the income tax calculations reducing the deferred tax liability. The deferred tax liability recognised is not expected to result in the payment of income taxes.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 21. Contributed equity

	2015 $'000	2014 $'000
Share capital		
Fully paid ordinary shares (a)	**493,476**	490,938
Total contributed equity	**493,476**	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 2013	Opening balance		322,974,494	490,938
30 June 2014	Balance		322,974,494	490,938
7 July 2014	Conversion of performance rights	(i)	5,400,000	2,538
30 June 2015	Closing balance		328,374,494	493,476

(i) Ordinary shares

New shares were issued during the financial year on conversion of the performance rights held by senior management. Refer to note 33 for further details.

(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.

Note 22. Reserves and accumulated losses

(a) Reserves

	2015 $'000	2014 $'000
Reserves		
Share based payment (i)	**6,852**	9,242
Foreign currency translation (ii)	**(20,161)**	(19,995)
	(13,309)	(10,753)
Movements:		
(i) Share based payments reserve		
Balance 1 July	**9,242**	8,299
Options expense	**148**	–
Performance shares expense	**–**	982
Options exercised	**(2,538)**	–
Options expense write back	**–**	(39)
Balance 30 June	**6,852**	9,242
(ii) Foreign currency translation reserve		
Balance 1 July	**(19,995)**	(20,316)
Currency translation differences arising during the year	**(166)**	321
Balance 30 June	**(20,161)**	(19,995)

	2015 $'000	2014 $'000
(b) Accumulated losses		
Accumulated losses at the beginning of the financial year	**(344,386)**	(292,326)
Profit/(loss) attributable to members of White Energy	**(27,836)**	(52,060)
Accumulated losses at the end of the financial year	**(372,222)**	(344,386)

(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

	2015 $'000	2014 $'000
Interests in:		
Share capital	**9,071**	9,071
Reserves	**725**	(330)
Accumulated losses	**(16,403)**	(4,983)
	(6,607)	3,758

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:

	2015 $	2014 $
(a) PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	**364,144**	229,750
Total remuneration for audit and other assurance services	**364,144**	229,750
Taxation services		
Tax compliance services	**28,972**	2,273
Total remuneration for taxation services	**28,972**	2,273
Total remuneration of PwC Australia	**393,116**	232,023
(b) Network firms PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	**407,938**	124,836
Due diligence services	**–**	21,850
Total remuneration for audit and other assurance services	**407,938**	146,686
Taxation services		
Tax compliance services	**46,590**	20,279
Total remuneration of related practices of PwC Australia	**454,528**	166,965
Total auditor's remuneration	**847,644**	398,988

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 2015

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

SAC is currently awaiting notification on the success of its subsequent exploration licence application for EL4534 (ELA 2015/00066). The original licence for EL4534 expired on 8 August 2015. SAC received confirmation from the South Australian Department of State Development that the application for a subsequent licence to EL4534 (ELA 2015/00066) had been received and that in accordance with the Mining Act 1971 under Section 30AB(1b) the licence continues in operation until the application is decided.

The carrying value of EL4534 is outlined in note 15.

As part of the application submitted (ELA 2015/00066), SAC committed to an exploration program of between three and five years.

Assuming the subsequent exploration licence is issued, SAC would have certain obligations to perform minimum exploration work and spend minimum amounts of money on its mining tenements. Obligations for the next 12 months would be expected to amount to $325,000 for EL4534 (ELA 2015/00066). No estimate has been given of expenditure commitments beyond 12 months as this is dependent on Directors' ongoing assessment of operations.

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 2015.

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

The Company has received indemnity claims from certain former directors of the Company for legal costs incurred as a result of their participation in an ICAC public inquiry (Operation Jasper) and subsequent court proceedings during the current and prior periods.

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

The Company's insurers have also 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.

	2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**3,051**	246
Later than one year but not later than five years	**9,175**	1,125
Later than five years	**896**	23
	13,122	1,394

(e) Contingent liabilities – guarantees

The Group had contingent liabilities at 30 June 2015 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

	2015 $	2014 $
Short-term employee benefits	**3,397,513**	3,403,197
Post-employment benefits	**273,600**	266,400
Share-based payments	**148,084**	982,451
Total	**3,819,197**	4,652,048

Detailed remuneration disclosures are provided in sections 1-8 of the remuneration report on pages 21 to 30.

(d) Loans from related parties

	2015 $'000	2014 $'000
Loans from Black River		
Beginning of the year	**23,592**	14,226
Loans advanced	**20,528**	17,416
Loans repaid	**–**	(8,493)
Interest charged	**2,242**	661
Exchange rate movement	**5,346**	(218)
End of year	**51,708**	23,592

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 $229,000 (2014: $566,000).

YEAR ENDED 30 JUNE 2015

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).

			EQUITY HOLDING	
Name of entity	Country of incorporation	Class of share	2015 %	2014 %
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 America 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**	51
River Energy JV UK Ltd	United Kingdom	Ordinary	**51**	51
River Energy Fine Coal Recovery Pty Ltd	South Africa	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 2015 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

	2015 $'000	2014 $'000
Revenue	**11,319**	7,284
Gain/(loss) on foreign exchange	**199**	(448)
Accounting, audit and tax fees	**(366)**	(421)
Employee benefits expense	**(7,431)**	(8,920)
Depreciation and amortisation expense	**(5,626)**	(5,909)
Finance costs	**–**	15
External advisory fees	**(3,613)**	(5,247)
Occupancy expenses	**(529)**	(854)
Travel	**(480)**	(650)
Plant operating costs	**(673)**	(859)
Other expenses	**(10,686)**	(1,315)
Impairment expense	**(28,356)**	(168)
Loss before income tax	**(46,242)**	(17,492)
Income tax credit	**–**	–
Loss for the year	**(46,242)**	(17,492)
Other comprehensive income		
Exchange differences on translation of foreign operations	**33,984**	397
Total comprehensive loss for the year	**(12,258)**	(17,095)

(b) Statement of changes in equity

	Contributed equity $000's	Reserves $000's	Accumulated losses $000's	Total $000's
Balance at 1 July 2013	**415,862**	**(18,555)**	**(237,420)**	**159,887**
Loss for the year	–	–	(17,492)	(17,492)
Other comprehensive income	–	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**
Loss for the year	–	–	(46,242)	(46,242)
Other comprehensive income	–	33,984	–	33,984
Total comprehensive income/(loss) for the year	**–**	**33,984**	**(46,242)**	**(12,258)**
Contributions of equity, net of transaction costs	2,538	–	–	2,538
Share based payments	–	148	–	148
Balance at 30 June 2015	**418,400**	**16,917**	**(301,154)**	**134,163**

YEAR ENDED 30 JUNE 2015

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 2015 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.

	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	**23,704**	53,952
Trade and other receivables	**14,542**	10,765
Total current assets	**38,246**	64,717
Non-current assets		
Trade and other receivables	**82,363**	46,647
Other financial assets	**3**	3
Property, plant and equipment	**11,096**	13,903
Exploration assets	**–**	66
Intangible assets	**30,863**	34,785
Total non-current assets	**124,325**	95,404
Total assets	**162,571**	160,121
Current liabilities		
Trade and other payables	**8,055**	6,458
Provisions	**39**	38
Total current liabilities	**8,094**	6,496
Non-current liabilities		
Other payables	**19,590**	9,099
Provisions	**724**	791
Total non-current liabilities	**20,314**	9,890
Total liabilities	**28,408**	16,386
Net assets	**134,163**	143,735
Equity		
Contributed equity	**418,400**	415,862
Reserves	**16,917**	(17,215)
Accumulated losses	**(301,154)**	(254,912)
Total equity	**134,163**	143,735

Note 29. Business Combinations

(a) Prior period – MCC

On 4 October 2013 the Company acquired 100% of the capital stock of MCC, a Company which operates several coal mines in Kentucky, U.S..

During the year ended 30 June 2015 the Company completed accounting for the acquisition of MCC as required by the accounting standards. As at 4 October 2014 an additional US$1,250,000 had been paid to the vendor from the consideration held in escrow on acquisition date. The final US$400,000 held by an escrow agent as security for the payment of any indemnification obligations was released to the vendors in July 2015.

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

Purchase consideration	$'000
Cash paid on settlement	10,001
Cash paid after settlement (i)	1,800
Cash paid – option payments (ii)	741
Consideration held in escrow (iii)	794
Total purchase consideration	**13,336**

(i) Cash paid after settlement

The amount paid to the former shareholders of MCC for the sum of accounts receivable existing on the acquisition date, coal in transit on the acquisition date and the amounts released from the consideration held in escrow as at 4 October 2014.

(ii) 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.

(iii) Consideration held in escrow

The amount of the purchase price which is held in escrow as at 4 October 2014 under the control of an externally appointed escrow agent, as security for the vendors' indemnification obligations. The escrow amount will be released progressively over the period up to 30 June 2015 when identified milestones have been met.

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$20m 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.

During the period, the Company finalised the acquisition accounting of MCC. The assets and liabilities 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	19,295
Trade and other payables	(8,329)
Borrowings	(2,666)
Provisions	(716)
Deferred tax liability	(5,742)
Net identifiable assets acquired	**5,699**
Add: goodwill	7,637
	13,336

The goodwill is attributable MCC's existing market share and the synergies expected to arise after the Company's acquisition. None of the goodwill is expected to be deductible for tax purposes.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 29. Business Combinations continued

(a) Prior period – MCC continued

(iv) Changes to presentation

In accordance with AASB 3 the Company completed the acquisition accounting for MCC during the year ended 30 June 2015. The Company has updated the prior year comparative balances following the completion of the MCC acquisition accounting. The changes to the prior year comparative balances related to the impact of deferred taxes on property, plant and equipment which resulted in a change to the goodwill balance.

The impact of the changes in the prior year comparative balances on the primary financial statements was:

Consolidated statement of comprehensive income

	2014 Original $'000	2014 Restated $'000
Income tax credit	–	3,063
Net loss for the year	**(55,320)**	**(52,257)**
Exchange differences on translation of foreign operations	59	(17)
Total comprehensive loss for the year	**(55,261)**	**(52,274)**

Consolidated balance sheet

	2014 Original $'000	2014 Restated $'000
Intangible assets	41,176	46,931
Total Assets	174,650	180,405
Other payables	20,430	20,422
Deferred tax liabilities	-	2,776
Total Liabilities	38,080	40,848
Net assets	**136,570**	**139,557**
Reserves	(10,680)	(10,753)
Accumulated losses	(345,947)	(344,386)
Total equity attributable to owners of White Energy Company Limited	134,311	135,799
Non-controlling interests	2,259	3,758
Total equity	**136,570**	**139,557**

Note 30. Events occurring after the reporting period

No matters or circumstances have arisen since 30 June 2015 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

	2015 $'000	2014 $'000
Net loss for the year after tax	**(39,256)**	(52,257)
Depreciation and amortisation expense	**10,730**	8,860
Impairment expense	**4,956**	25,310
Non cash employee benefits expense – share based payments	**148**	943
Net exchange differences	**122**	158
Non cash income – deferred income	**(435)**	(435)
Fair value gain on the revaluation of livestock	**(1,044)**	(744)
Finance costs	**1,640**	663
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
(Increase)/decrease in prepayments	**360**	(230)
(Increase)/decrease in trade and other receivables	**340**	(1,793)
(Increase)/decrease in inventories	**(3,084)**	(686)
(Increase)/decrease in livestock	**(640)**	(295)
(Increase)/decrease in restricted cash	**(2,772)**	–
(Increase)/decrease in deferred tax assets	**–**	(4,722)
Increase/(decrease) in trade and other payables	**1,400**	10,898
Increase/(decrease) in provisions	**(66)**	(62)
Increase/(decrease) in deferred tax liabilities	**(2,776)**	1,659
Net cash (outflow) from operating activities	**(30,377)**	(12,733)

Note 32. Earnings per share

(a) Basic and diluted earnings per share

	2015 Cents	2014 Cents
Basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	**(8.48)**	(16.12)

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

	2015 $'000	2014 $'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**(27,836)**	(52,060)

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

	2015	2014
Weighted average number of ordinary shares and potential ordinary shares used as a denominator in calculating basic and diluted loss per share	**328,270,932**	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 per share.

YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 33. Share based payments

(a) 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:

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

(ii) 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;

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

(iv) 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
2015							
30/11/2011	30/6/2014	5,400,000	–	(5,400,000)	–	–	–
Total		**5,400,000**	**–**	**(5,400,000)**	**–**	**–**	**–**

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**

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.

(b) Long Term Incentive Plan

The Board recommended, and received shareholder approval, at the 2014 Annual General Meeting for the the approval of the Company's Long Term Incentive Plan for key employees of the Company. The key terms of the LTIP are:

- the LTIP provides for the grant of Performance Rights or Options to eligible employees (Incentive Securities), which may vest subject to the satisfaction of performance, service or other vesting conditions imposed at the time of grant. This provides the Company with broad flexibility so that it can effectively incentivise employees using the most appropriate instrument (which may vary depending on the seniority of the executive, the jurisdiction in which they are issued, or prevailing market and regulatory conditions);
- the Board may in its absolute discretion determine which eligible employees will be invited to participate in a grant of Incentive Securities under the LTIP;
- the Board may impose performance, service or other vesting conditions on any grant of Incentive Securities under the LTIP. Incentive Securities will vest to the extent these performance, service or other vesting conditions are satisfied;
- on vesting (and exercise, in the case of Options), participants will become entitled to fully paid ordinary shares in the Company. The Board can decide whether to purchase Shares on-market or issue new Shares for the purposes of the LTIP or, where a cash alternative has been provided for under the terms of a grant, to provide the cash equivalent value of one Share in the Company to the participant;
- if the Board determines that the cash equivalent value of Shares in the Company will be provided on vesting, the applicable amount will be based on the volume-weighted average price of a Share in the Company for the 20 trading day period ending on the trading day before the date the Incentive Securities vest, or any other calculation determined by the Board;
- where a participant ceases employment due to termination for cause, gross misconduct or other reason determined by the Board, any unvested Incentive Securities will lapse, unless the Board determines otherwise;
- where a participant ceases employment in other circumstances, the Incentive Securities will remain 'on foot', subject to the Board's discretion to determine that some or all of the unvested Incentive Securities lapse or vest on cessation;
- Incentive Securities may lapse in certain circumstances, including if they act fraudulently or dishonestly, engage in gross misconduct, or are in breach of their obligations to the Company;
- further, if in the Board's opinion, Incentive Securities vest as a result of the fraud, dishonesty or breach of obligations by the participant or another person, or if there is a material misstatement or omission in the financial statements of a Group company, the Board may determine any treatment in relation to the Incentive Securities (or Shares received on vesting) to ensure no unfair benefit is obtained by the participant;
- Incentive Securities may not be traded or hedged, and the Board may impose restrictions on dealing of Shares allocated on vesting of Incentive Securities;
- any Shares issued under the LTIP will rank equally with those traded on the ASX at the time of issue;
- in the event of a takeover bid, scheme of arrangement or similar transaction, the Board may determine whether any or all unvested Incentive Securities vest, having regard to such factors as the Board considers relevant, including performance against the applicable performance conditions; and
- in the event of any capital reorganisation, Incentive Securities may be adjusted having regard to the ASX Listing Rules and on the basis that participants do not receive any advantage or disadvantage from such an adjustment.

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

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

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
2015							
8/12/2014	8/12/2020	–	6,000,000	–	–	6,000,000	–
Total		–	**6,000,000**	–	–	**6,000,000**	–

Fair value of performance shares granted

The fair value of the options has been determined using the Black Scholes valuation methodology based on the issue date of the options being 8 December 2014.

YEAR ENDED 30 JUNE 2015

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	2015 $'000	2014 $'000
Current assets	**24,573**	57,237
Total assets	**166,454**	195,778
Current liabilities	**2,119**	2,121
Total liabilities	**2,842**	7,159
Shareholders' equity		
Issued capital	**418,397**	415,859
Share-based payments	**6,853**	9,243
Retained earnings	**(261,638)**	(236,483)
	163,612	188,619
Loss for the year after tax	**(25,155)**	(36,044)
Total comprehensive loss for the year	**(25,155)**	(36,044)

(b) Guarantees entered into by the Parent Entity

The Parent Entity has provided bank guarantees as security for property bonds in the amount of $229,000 (2014: $566,000). 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 2015 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 2015 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 2015

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 34 to 78 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 2015 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
31 August 2015

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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 2015, 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 the 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*.

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pwc

Auditor's opinion

In our opinion:

(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 2015 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 21 to 30 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
31 August 2015

YEAR ENDED 30 JUNE 2015

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 25 August 2015.

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

	Total Holders	Ordinary shares
1 – 1,000	3,462	688,120
1,001 – 5,000	872	2,320,207
5,001 – 10,000	315	2,472,998
10,001 – 100,000	436	13,131,683
100,001 & Over	110	309,761,486
	5,195	328,374,494

	Options (i)
1 – 1,000	–
1,001 – 5,000	–
5,001 – 10,000	–
10,001 – 100,000	–
100,001 & Over	1
	1

(i) Options

Expiry date	Exercise Price	Number of Options
8 December 2020	$0.50	6,000,000

** The following vesting and performance conditions apply:

(i) Option holder is required to remain an employee of the Company or its subsidiaries for a continuous three year period from 1 July 2014 to 30 June 2017 inclusive; and

(ii) the Company must have positive EBITDA in each of the 2015/16 and 2016/17 financial years.

If the above conditions are met, the options will vest, otherwise the options will lapse.

There were 3,898 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	62,929,313	19.16
JP Morgan Nominees Australia Limited	29,446,990	8.97
Gaffwick Pty Ltd	27,219,702	8.29
Citicorp Nominees Pty Limited	20,569,400	6.26
National Nominees Limited	20,543,687	6.26
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
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	7,496,477	2.28
Bimosa Pty Ltd	6,482,234	1.97
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
HSBC Custody Nominees (Australia) Limited – A/C 2	3,729,774	1.14
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
	254,992,352	**77.65**

	Options (i)
Number on issue	6,000,000
Number of holders	1

(i) Options

Expiry date	**Exercise Price**	**Number of Options**
8 December 2020	$0.50	6,000,000

(c) Substantial shareholders

Name *	**Number held**	**Percentage**
M&G Investment Funds	58,878,691	17.93%
Gaffwick Pty Ltd	31,948,461	9.73%
Ganra Pty Ltd	30,355,118	9.24%
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.

YEAR ENDED 30 JUNE 2015

SHAREHOLDER INFORMATION CONTINUED

(d) Restricted Securities

At 30 June 2015, the Company does not hold any restricted securities. It is noted that the Options have the following vesting and performance conditions apply:

(i) Option holder is required to remain an employee of the Company or its subsidiaries for a continuous three year period from 1 July 2014 to 30 June 2017 inclusive; and

(ii) the Company must have positive EBITDA in each of the 2015/16 and 2016/17 financial years.

If the above conditions are met, the options will vest, otherwise the options will lapse.

(e) Voting rights

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

(i) Ordinary shares:

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

(ii) Options:

No voting rights.

(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 6 November 2015.

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

Permit	Locality	Licensee	Interest
861-0537	Hubbs Creek – Kentucky	Mountainside Coal Company Inc.	100%
861-5357	Washer – Kentucky	Mountainside Coal Company Inc.	100%
918-0464	Round Mountain – Kentucky	Mountainside Coal Company Inc.	100%
918-0465	Flag Ridge – Kentucky	Mountainside Coal Company Inc.	100%
918-0467	Jellico Creek – Kentucky	Mountainside Coal Company Inc.	100%
918-0466	Hatfield Gap – Kentucky	Mountainside Coal Company Inc.	100%
861-0528	Flat Creek – Kentucky	Mountainside Coal Company Inc.	100%

The Company's wholly owned subsidiary, SAC, 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 total JORC coal resources of EL4534 is estimated at 1,130.4 million tonnes based on the 2011 drilling program as certified in March 2012.

	JORC RESOURCES ESTIMATE – 31 DECEMBER 2011			
	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Main Basin	11.5	155.6	583.0	750.1
West Basin	–	189.2	191.2	380.3
Total	**11.5**	**344.8**	**774.2**	**1,130.4**

There has been no change to the total JORC coal resource estimate for EL4534 since March 2012.

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

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

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

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Solicitors

Hebert 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