

White Energy Company Limited

ABN 62 071 527 083

Interim Financial Report

As at 31 December 2006

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcement made by White Energy Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

White Energy Company Limited
Directors' report
31 December 2006

Directors' report

The directors present their report on the consolidated entity, consisting of White Energy Company Limited ("the Company" or "White Energy") and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

J.V. McGuigan

J.C. Atkinson

I.T. Khan

Review of Operations

The consolidated entity's loss from ordinary activities was \$3,958,054 (2005: \$342,092). Comments on the operations and the results of those operations are set out below:

- a) Revenue comprises \$439,352 interest earned on the consolidated entity's cash deposits
- b) During August 2006 a total of \$23,032,547 was raised through the issue of 23,983,333 fully paid shares at \$0.96 per share.
- c) During the half year to December 31, 2006 orders totalling \$20,711,538 were placed with various suppliers for equipment for the coal briquetting plant at Bayan's Tabang Mine in East Kalimantan. The orders were placed through the joint venture vehicle PT Kaltim Supacoal of which White Energy has a 51% interest.
- d) The Company continued work on its exploration projects during the period, however Glen Ayle E69/1962 was relinquished on 17 November 2006. The Company withdrew from Nanutarra Joint Venture on 13 November 2006. The deferred exploration expenditure for these tenements has been written-off at 31 December 2006.
- e) Amortisation of the Coal Technology License for the half year totalled \$1,572,482.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

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



John Atkinson, Director

Sydney

13 March 2007

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Auditor's Independence Declaration

As lead auditor for the review of White Energy Company Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



B K Hunter

Partner
PricewaterhouseCoopers

Sydney
13 March 2007

White Energy Company Limited
Consolidated Income statement
As at 31 December 2006

	2006	2005
	\$	\$
Revenue from continuing operations	439,352	82,775
Employee benefits expense	(1,334,705)	(147,832)
Depreciation and amortisation	(1,577,929)	(6,979)
Finance costs	(565)	(71)
External advisory fees	(516,257)	(99,222)
Write-off of deferred exploration costs	(120,227)	-
Occupancy expenses	(205,154)	(40,435)
Travel	(171,451)	-
Other expenses	(471,118)	(112,328)
Loss before income tax	(3,958,054)	(324,092)
Income tax expense	-	-
Loss for the half year	(3,958,054)	(324,092)
Loss attributable to members of White Energy Company Limited	(3,958,054)	(342,092)
	Cents	Cents
Basic and diluted earnings per share	(3.3)	(0.1)

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

White Energy Company Limited
Consolidated Balance sheet
For the half-year ended 31 December 2006

	Notes	Half-year	
		31 December 2006	30 June 2006
		\$	\$
Current assets			
Cash and cash equivalents		21,756,565	6,564,354
Trade and other receivables		654,125	136,106
Total current assets		22,410,690	6,700,460
Non-current assets			
Property, plant and equipment		3,284,055	867,613
Exploration assets		2,245,803	2,274,779
Intangible assets		54,413,480	55,983,130
Total non-current assets		59,943,338	59,125,522
Total assets		82,354,028	65,825,982
Current liabilities			
Trade and other payables		1,029,507	4,411,391
Provisions		23,227	-
Total current liabilities		1,052,734	4,411,391
Total liabilities		1,052,734	4,411,391
Net assets		81,301,294	61,414,591
Equity			
Contributed equity	3	83,331,543	116,472,971
Reserves		3,632,940	686,660
Accumulated losses		(5,663,189)	(55,745,040)
Total equity		81,301,294	61,414,591

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

White Energy Company Limited
Statement of changes in equity
For the half-year ended 31 December 2006

	Consolidated	
	2006	2005
	\$	\$
Total equity at the beginning of the financial year	61,414,591	5,175,687
Loss for the half-year	(3,958,054)	(324,092)
Total recognised income and expense for the half-year	(3,958,054)	(342,092)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	20,898,477	570,000
Share based payments	2,946,280	-
	23,844,757	570,000
Total equity at the end of the half year	81,301,294	5,421,595

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

White Energy Company Limited
Statement of cash flows
For the half-year ended 31 December 2006

	Half-year	
	31 December 2006	31 December 2005
	\$	\$
Cash flow from operating activities		
Receipts from customers (inclusive of goods & services tax)	-	-
Payments to suppliers and employees (inclusive of goods & services tax)	(3,085,948)	(407,945)
Interest received	439,352	93,002
Interest paid	(565)	(71)
Net cash outflows from operating activities	(2,647,161)	(315,014)
Cash flows from investing activities		
Loans to related entities	(77,203)	-
Payments for purchase of subsidiaries (net of cash acquired)	(2,600,000)	-
Payments for exploration assets	(91,251)	(168,157)
Payments for property, plant and equipment	(2,424,721)	(5,308)
Net cash outflows from investing activities	(5,193,175)	(173,465)
Cash flows from financing activities		
Proceeds from shares issued	23,065,995	580,000
Costs of share issue	(33,448)	(22,000)
Net cash inflows from financing activities	23,032,547	558,000
Net increase in cash and cash equivalents	15,192,211	69,521
Cash and cash equivalents at the beginning of the half-year	6,564,354	2,948,989
Cash and cash equivalents at the end of the half-year	21,756,565	3,018,510

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

White Energy Company Limited
Notes to the financial statements
31 December 2006

1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by White Energy Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Segment Information

Half year 2006	Coal Technology \$	Mining \$	Unallocated \$	Total \$
Total segment revenue	-	-	439,352	439,352
Total segment expenses	(404,092)	(125,371)	(3,867,943)	(4,397,406)
Loss before tax	(404,092)	(125,371)	(3,428,591)	(3,958,054)

Half year 2005	Coal Technology \$	Mining \$	Unallocated \$	Total \$
Total segment revenue	-	-	82,775	82,775
Total segment expenses	(142,295)	(28,442)	(236,130)	(406,867)
Loss before tax	(142,295)	(28,442)	(153,355)	(324,092)

White Energy Company Limited
Notes to the financial statements
31 December 2006

3. Equity securities issued

	2006	2005	2006	2005
	Shares	Shares	\$	\$
Opening balance at 30 June:	95,961,051	36,013,477	116,472,971	59,665,559
Issues of ordinary shares during the half-year:				
Issue of shares, net of transaction costs	24,151,333	2,320,000	20,898,477	570,000
Reduction of capital	-	-	(54,039,905)	-
Closing balance 31 December	120,112,384	38,333,477	83,331,543	60,235,559

During the six months to 31 December 2006, a resolution was passed to reduce the Company's share capital by \$54,039,905 with the same amount eliminated from accumulated losses in the Company.

4 Events occurring after the balance sheet date

On January 31, 2007 White Energy Company Limited announced a joint venture had been signed with the Adaro Group one of Indonesia's largest coal companies, and Itochu Corporation (Itochu), a major Japanese trading house.

Under the joint venture agreement, a wholly owned subsidiary of White Energy, Binderless Coal Briquetting Company Pty Ltd (BCBC), will design, build and operate processing plants used to undertake White Energy's coal upgrading process at Adaro's coal mines in East Kalimantan.

The formation of the joint venture will be subject to the parties completing a financial and technical feasibility, with the aim of a processing plant being built with the capacity to produce 1,000,000 tonnes of upgraded coal per year, with the intention to increase plant capacity to 8,000,000 tonnes of upgraded coal per year.

The joint venture with the Adaro Group and Itochu represents White Energy's second major joint venture transaction in the last few months. The Company is currently in negotiations on other similar transactions regarding the commercialisation of White Energy's technology and hopes to make further announcements shortly.

During February 2007, White Energy Company Limited signed a mandate with ANZ Banking Group to carry out due diligence in anticipation of ANZ financing the Bayan Project.

**White Energy Company Limited
Directors' Declaration
31 December 2006**

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 8 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 consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that White Energy Company Limited will be able to pay its debts as and when they become due and payable.

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



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John Atkinson, Director

Sydney
13 March 2007

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INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of White Energy Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of White Energy Company Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for White Energy Company Limited (the consolidated entity). The consolidated entity comprises both White Energy Company Limited (the Company), and the entities it controlled during that period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of White Energy Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

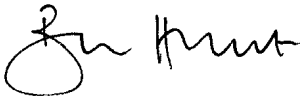
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*



PricewaterhouseCoopers



B K Hunter
Partner

13 March 2007
Sydney