White Energy Company Limited

ABN 62 071 527 083

Annual report - 30 June 2007

Contents

Directors' report

The directors present their report on the consolidated entity, consisting of White Energy Company Limited ("**White Energy**", "**the Company**" or "**parent entity**") and the entities it controlled at the end of, or during, the year ended 30 June 2007.

Directors

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

JV McGuigan

JC Atkinson

IT Khan

Principal Activities

During the year the principal continuing activities of the consolidated entity consisted of ongoing development/exploitation of the coal processing technology the Company acquired in the prior year and evaluation of the mining exploration assets.

Dividends

No amounts have been paid or declared by way of dividend during the current financial year (2006: Nil).

Review of Operations

The consolidated entity's loss from ordinary activities was $10,606,135 (2006: $985,168). Comments on the operations and the results of those operations are set out below:

a) Revenue includes $1,172,676 (2006: $186,694) interest earned on the consolidated entity's cash deposits.
b) The company's joint venture with Bayan regarding building a 1,000,000 tonne per year binderless coal briquetting plant at the Tabang mine, in East Kalimantan is proceeding to schedule. During the year orders totalling $21,013,910 were placed with various suppliers for equipment. The orders were placed through the subsidiary PT Kaltim Supacoal of which White Energy has a 51% interest.
c) Amortisation of the Coal Technology License has totalled $3,144,963 for the year.
d) During August 2006 a total of $23,024,000 was raised through the issue of 23,983,333 fully paid shares at $0.96 per share.
e) 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.
f) On 31 January 2007 White Energy entered into a joint venture with the Adaro Group and Itochu Corporation. Under the joint venture agreement, a wholly owned subsidiary of White Energy, Binderless Coal Briquetting Company Pty Limited, will design, build and operate processing plants used to undertake White Energy's coal upgrading technology 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 capacity to 8,000,000 tonnes per year.
g) The Company has entered into a Heads of Agreement with Datang International Power Company Ltd regarding the forming of a joint venture to build binderless coal briquetting plants at Datang's sub-bituminous coal mine in inner Mongolia, China. During April 2007 White Energy and Datang jointly commenced a final feasibility study to verify the economics and logistics of the proposed project.
h) In May 2007 BHP Billiton agreed to provide a US$35 million 7 year unsecured convertible funding facility. A term sheet has been signed subject to formal documentation, completion of due diligence and internal approvals on both sides. The facility is to be used to accelerate the roll out of the Company's patented coal technology. Also, as part of the agreement BHP Billiton will act as White Energy's exclusive global marketing agent.
i) White Energy's wholly owned subsidiary, Binderless Coal Briquetting Company Pty Ltd, was granted a $4.35 million Commercial Ready Innovation grant by AusIndustry in May 2007. This grant will enable the Company to fast track building of a demonstration plant reflecting its latest design elements.

Directors' report (continued)

Earnings per share	**2007** Cents	**2006** Cents
Basic and diluted earnings per share	(8.9)	(2.5)

Diluted earnings per share represents the impact on shareholder earnings if all options that had been on issue were instead converted into ordinary shares.

Significant Changes in the State of Affairs

Changes to the contributed equity of the Company from $116,472,971 to $84,611,297 have resulted from:

Details	**Notes**	**Number of shares**	**$**
Issue of shares at 96 cents per share		23,983,333	23,024,000
Issue of shares on exercise of options at 25 cents per option		585,350	146,337
Issue of shares at $1 per share		8,000	8,000
Issue of shares on exercise of options at $1.40 per option		38,556	53,980
Issue of shares on exercise of options at $1.20 per option. Fair value of the option recognised at $1.99		570,000	1,135,000
Issue of shares on exercise of options at 1 cent per option		2,486,296	24,863
Less: reduction of share capital		-	(54,039,925)
Less: transaction costs		-	(2,213,929)
Balance		27,671,535	(31,861,674)

Except for the matters discussed above, there were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since 30 June 2007 that significantly affected, or may significantly affect:

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

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

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

Directors' report (continued)

Likely Developments and Expected Results of Operations

White Energy Company Limited will continue to undertake work on its exploration projects as well as develop the coal technology acquired in the prior year.

Information on Directors

JV McGuigan LL.B, B.Ec., FCPA – Non-Executive Chairman
Mr McGuigan was appointed as a director on 11 September 1998 and as Executive Chairman on 7 March 2000. Mr McGuigan stood down as executive chairman on 30 June 2001. Mr McGuigan has both an accounting and legal background. He has been on the boards of a number of public and private companies and has maintained an active involvement in charitable and civic organisations. Mr McGuigan retired as a partner of Baker & McKenzie in June 1998 to co-found Hunter Bay Partners with Mr Atkinson. Mr McGuigan is a member of the audit committee and the remuneration/nomination committee.

Other current directorships : Non-executive director of RAMS Home Loans Group Limited since 27 July 2007.

Former directorships in last 3 years : Nil

JC Atkinson B.Juris., LL.B – Executive Director
Prior to joining the Company Mr Atkinson was a solicitor and partner with Baker & McKenzie in Hong Kong, where he practised principally as a mergers and acquisitions lawyer. He resigned as a partner of Baker & McKenzie in June 1998 to co-found Hunter Bay Partners with Mr McGuigan. Mr Atkinson became a director of the Company on 15 February 1999 and is a member of the audit committee and the remuneration/nomination committee. On 1 January 2003, Mr Atkinson was appointed an executive director.

Other current directorships : Nil

Former directorships in last 3 years : Nil

IT Khan B.A. (Hons) – Non-Executive Director
Co-founder of Techpacific.Com Digital Limited. Former managing director of Nomura, based in Hong Kong, and responsible for regional (non-Japan Asian) investment banking and fixed income business. Mr Khan has over 17 years' corporate finance and investment banking experience with financial institutions such as Citicorp, UBS and Schroders. In addition to Techpacific.Com Digital Limited, Mr. Khan is also managing director of Crosby Asia Holdings, a regional Asian investment banking firm, and a board member of Entone, a Hong Kong and US-based broadband services company.

Other current directorships : Nil

Former directorships in last 3 years : Nil

Information on Company Secretary

The Company Secretary is David Franks BEc, CA, CFP, JP. Mr Franks was appointed on 3 February 2006 and is principal of Franks and Associates Pty Ltd (Chartered Accountants). He is currently company secretary of the following public companies: Australian Power and Gas Company Limited (formerly Microview Limited), White Energy Company Limited, Amerod Exploration Limited, Food & Beverage Company Limited, Solar Sailor Holdings Limited, Pulse Health Limited (formerly Biometrics Limited) and Van Eyk Research Limited.

Directors' report (continued)

Particulars of Directors' Interests in Shares and Options

Details of the directors' interests in shares and options of the Company as at the date of this report are as follows:

Director	Ordinary shares	Options (1)	Options (2)	Options (4)
JV McGuigan	3,730,280	50,000	1,500,000	1,200,000
JC Atkinson	3,695,144	30,000	1,500,000	1,200,000
IT Khan (3)	-	-	1,500,000	400,000

(1) Standard options: \$0.25 exercise price, expiring 30 November 2008.
(2) Performance options: \$0.25 exercise price, expiring 30 November 2008.
(3) Mr IT Khan is a director and minority shareholder in Techpacific.Com Digital Limited which holds 523,528 shares and in Crosby Investment Holdings Limited which holds 2,136,296 shares.
(4) Director options pursuant to Service Agreements pursuant to shareholder approval at the Annual General Meeting on 27 November 2006, \$1.20 exercise price, expiring 31 August 2010, vesting in equal tranches immediately on grant, on 31 August 2007 and 31 August 2008.

Particulars of Key Management Personnels' Interests in Shares and Options

Details of the key management personnels' interests in shares and options of the Company as at the date of this report are as follows:

Consultant	Ordinary shares	Options (1)	Options (2)	Options (4)
TW Duncan	14,268,513	-	-	1,200,000

(1) Standard options: \$0.25 exercise price, expiring 30 November 2008.
(2) Performance options: \$0.25 exercise price, expiring 30 November 2008.
(4) Consultants options pursuant to the Incentive Option Scheme pursuant to shareholder approval at the Extraordinary General Meeting on 28 June 2006, \$1.20 exercise price, expiring 31 August 2010, vesting in equal tranches immediately on grant, on 31 August 2007 and 31 August 2008.

Meetings of Directors

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2007 and the number of meetings attended by each director were:

	Meetings of Directors		Meetings of Audit & Finance Committee	
Non-executive directors	**Held [a]**	**Attended**	**Held [a]**	**Attended**
JV McGuigan	20	20	[b]	[b]
IT Khan	20	20	[c]	[c]
Executive director				
JC Atkinson	20	20	[b]	[b]

[a] reflects the numbers of meetings held while a director held office or was a member of the committee

[b] Given the significant involvement by the Board in the operations of the business during the year it was not deemed necessary that the audit and finance committee meet during the financial year as all matters normally dealt with by the audit and finance committee were dealt with directly by the Board

[c] not a member of the Audit & Finance committee.

Directors' report (continued)

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 Stock Exchange Listing Rules and the *Corporations Act 2001*.

In accordance with the Company's constitution, Mr JV McGuigan will retire at the Company's forthcoming Annual General Meeting and offers himself for re-election.

Currently, all directors are required to be re-elected at least every three years, at least one-third of the directors must retire at each Annual General Meeting.

Remuneration report (audited)

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share based compensation – options

E. Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

Remuneration of executive directors and other senior executives and the remuneration policies of the Company generally are determined by the Board. Executive remuneration is reviewed annually by the Board, having regard to individual performance and comparative market rates. In addition to base salary, remuneration packages include superannuation and fringe benefits. Executives are also eligible to participate in the Company's Employee Option Plan (details are set out in Note 19). Remuneration and other terms of employment are formalised in service agreements. In relation to Mr Atkinson, executive director for the year ended 30 June 2007, the remuneration and other terms of employment have been formalised in a service agreement with effect from 1 July 2006 which has been agreed by the Board of directors. The Board of directors will revisit the remuneration and other terms of employment when significant developments within the Company occur.

Remuneration of non-executive directors is determined by the Board within the maximum approved by the shareholders from time to time. Non-executive directors are also eligible to participate in the Company's Employee Option Plan. At the Annual General Meeting held on 27 November 2006 shareholders agreed to a maximum aggregate amount of $450,000 in cash salary and fees to be paid to non-executive directors of the Company for their services in each financial year which may be divided among those directors in the manner determined by the Board from time to time.

Due to the significant changes in the Company over the last 6 years, including shareholder approval in 2005 for the change in activities of the Company and subsequent relisting and capital restructuring, it is not appropriate to comment upon the policy of remuneration of directors and the Company's performance over this time period.

Directors' report (continued)

B. Details of remuneration (audited)

Key management personnel of White Energy Company Limited

2007	**Short Term Benefits**	**Short Term Benefits**	**Post Employment**	**Share Based**	**Total**
Name					
	Cash salary and fees	**Cash bonus**	**Superannuation**	**Options**	**Total**
Non-executive directors	**$**	**$**	**$**	**$**	**$**
JV McGuigan	80,000	-	7,800	371,216	459,016
IT Khan	65,000	-	-	123,739	188,739
	145,000	-	7,800	494,955	647,755
Executive director					
JC Atkinson	432,293	-	38,906	371,216	842,415
Other key management personnel					
TW Duncan - Senior Executive *	455,000	-	-	514,298	969,298
Total key management personnel compensation	1,032,293	-	46,706	1,380,469	2,459,468
Other executives					
I Maras - Chief Financial Officer	150,000	48,000	13,500	51,430	262,930

* TW Duncan fees were paid through Duncan Consulting, amounts are shown exclusive of GST.

2006	**Short Term Benefits**	**Short Term Benefits**	**Post Employment**	**Share Based**	**Total**
Name					
	Cash salary and fees	**Cash bonus**	**Superannuation**	**Options**	**Total**
	$	$	$	**$**	**$**
Non-executive directors					
JV McGuigan	-	-	-	-	-
IT Khan	-	-	-	-	-
	-	-	-	-	-
Executive director					
JC Atkinson	127,528	-	11,100	-	138,628
Total key management personnel compensation	**127,528**	**-**	**11,100**	**-**	**138,628**

Directors' report (continued)

B. Details of remuneration (audited) (continued)

Key management personnel of White Energy Company Limited

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
Name	**2007**	2006	2007	2006	**2007**	2006
Non-executive directors						
JV McGuigan	**19%**	-	-	-	**81%**	-
IT Khan	**34%**	-	-	-	**66%**	-
Executive director						
JC Atkinson	**56%**	100%	-	-	**44%**	-
Other key management personnel						
TW Duncan - Senior Executive	**47%**	-	-	-	**53%**	-
Other executives						
I Maras - Chief Financial Officer	**62%**	-	**18%**	-	**20%**	-

The key management personnel of White Energy Company Limited and its controlled entities ("the Group") are the directors of White Energy Company Limited (see page 6 and 7) and for the year ended 30 June 2007 there is one executive of the Group.

Company Secretary of White Energy Company Limited

Name	**Short Term Benefits**	**Post Employment**	**Share Based**	**Total**
	Cash salary and fees	**Superannuation**	**Options**	**Total**
2007	**$**	**$**	**$**	**$**
D Franks	94,974	-	-	94,974
2006				
D Franks	85,370	-	-	85,370

David Franks' chartered accounting firm, Franks & Associates Pty Ltd, is paid for performing these services. The fees above are excluding GST.

Directors' report (continued)

C. Service agreements (audited)

Remuneration and other terms of employment for the Executive Director were formalised in a service agreement with effect from 1 July 2006 which was approved by the Board of Directors. The Board of Directors will revisit the remuneration and other terms of employment when significant developments within the Company occur.

Arrangements relating to remuneration currently in place are set out below:

JC Atkinson, Executive Director

- Term of agreement – commencing 1 July 2006 on a rolling contract with base salary to be reviewed each financial year.
- For the period 1 July 2006 to 31 December 2006 - base salary, inclusive of superannuation of $32,700 per month.
- For the period 1 January 2007 to 30 June 2007 - the Board's annual review saw this increase to a base salary, inclusive of superannuation, of $45,833 per month.

DJ Franks, Company Secretary

- Term of agreement – 12 months from 1 June 2006 with a new 12 month agreement signed on 1 August 2007.
- Retainer payable under the agreement ended 31 May 2007 and on the month to month basis before the new agreement was signed: $2,200 (including GST) per month plus $165 (including GST) per hour for work outside scope of retainer. Retainer payable under the new agreement is $2,750 (including GST) per month plus $175 (plus GST) per hour for work outside scope of retainer.

D. Share based compensation – options (audited)

During the year ended 30 June 2007, pursuant to the approval of shareholders at the Annual General Meeting on 27 November 2006 2,800,000 performance options with an exercise price of $1.20 and an expiring date of 30 August 2010 were issued to the directors in the following amounts:

Director	Number of Options
JC Atkinson	1,200,000
JV McGuigan	1,200,000
IT Khan	400,000

These options were granted to secure the ongoing commitment of the Directors to the continued growth of the Company.

No options were provided in the year ended 30 June 2006 as compensation to any directors or key management personnel.

Any other options granted during, since the end of or in the prior financial year have been in relation to capital raising or payments to suppliers.

Directors' report (continued)

F. Additional information (unaudited)

The overall level of executive reward for companies would normally take into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Due to the significant changes that have occurred over the last 5 years, with shareholders approving in March 2005 the restructuring, recapitalisation, significant change in activities of the Company and subsequent relisting on the Australian Stock Exchange, a commentary on share price movements over the last 6 years compared to executive reward over this period is not appropriate. Since the shareholder approval mentioned, the share price has risen approximately 1400% with director remuneration being aligned to shareholder growth through the issue of 2,800,000 options approved by shareholders pursuant to the Annual General Meeting on 27 November 2006. Full details of the options and their terms and conditions are set out in Note 28.

Shares Under Option
Shares under option at 30 June 2007 are as follows:

Date options granted	Expiry date	Issue price of Shares	Number under option
8 March 2005 (1)	30 November 2008	$0.25	7,891,650
8 March 2005 (2)	30 November 2008	$0.25	7,000,000
8 March 2005 (3)	30 November 2008	$0.25	6,000,000
8 March 2005 (4)	30 November 2008	$0.40	6,000,000
30 June 2006 (5)	30 August 2009	$1.40	353,447
27 November 2006 (6)	30 August 2010	$1.20	2,800,000
29 January 2007 (7)	30 August 2010	$1.20	2,370,000
			32,415,097

(1) Issued under Prospectus dated 4 February 2005, 1 for 2 attached free option and Listing Rule 7.1 on 15 March 2006.

(2) Issued under Prospectus dated 4 February 2005, part consideration for acquisition of Amerod Exploration Limited.

(3) Issued under Prospectus, performance options to Hunter Bay Partners Pty Ltd, an entity which is associated with JV McGuigan and JC Atkinson. Upon release from their 24 month escrow period in March 2007, the options have been transferred from Hunter Bay Partners Pty Ltd into the individual names of the four beneficiaries, being JV McGuigan, JC Atkinson, IT Khan and to a related entity of the fourth individual who is not a director of the Company.

(4) Issued under Prospectus dated 4 February 2005, part consideration for acquisition of Amerod Exploration Limited.

(5) Issued under Share Purchase Plan dated 24 May 2006 and to brokers for services.

(6) Issued pursuant to shareholder approval at the Annual General Meeting on 27 November 2006 to Directors, being Mr John Atkinson 1,200,000, Mr John McGuigan 1,200,000 and Mr Ilyas Khan 400,000.

(7) Issued pursuant to Incentive Options Scheme pursuant to shareholder approval at the Extraordinary General Meeting on 28 June 2006.

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

All options that had previously been issued to employees lapsed upon cessation of their employment pursuant to the Rules of the Employee Option Plan.

Shares Issued on Exercise of Options

A total of 3,680,202 were exercised during the year ended 30 June 2007.

There are a total of 32,415,097 options over ordinary shares on issue at 30 June 2007, with the terms and conditions outlined above.

Directors' report (continued)

Insurance of officers

During the financial year, the consolidated entity 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.

Environmental regulation

The consolidated entity 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 reduced environmental impact to a practical minimum. Rehabilitation of any land disturbances would occur as soon as practicable after exploration activity in an area has been completed.

The consolidated entity has, as far as the Directors are aware, complied with all statutory requirements relating to its exploration activities.

Non-audit services

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

Details of amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 20 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 20 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*.

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 11.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

John Atkinson — Sydney

Director — 27 September 2007

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Auditor's Independence Declaration

As lead auditor for the audit of White Energy Company Limited for the year ended 30 June 2007, 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.

B K Hunter
Partner
PricewaterhouseCoopers

Sydney

27 September 2007

Corporate governance statement

The Board of directors of White Energy Company Limited is responsible for the corporate governance of the Company. The Board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of directors acknowledge the Principals of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange ("ASX") Corporate Governance Council. However in view of the Company's current size and extent of nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead. Where the Company's framework was different to the Principals of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange ("ASX") Corporate Governance Council, it has been noted.

A summary of the current corporate governance practices as adopted by the Board is as follows:

The Board of directors
The Board carries out its responsibilities according to the following mandate:
- The Board should comprise at least three directors, with at least two-thirds being non-executive directors;
- The Chairman of the Board should be a non-executive director;
- The directors should possess a broad range of skills, qualifications and experience;
- The Board should at least meet on a quarterly basis; and
- All available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting.

The primary responsibilities of the Board include:
- The approval of the annual and half-yearly financial report;
- The establishment of the long term goals of the consolidated entity and strategic plans to achieve those goals;
- The review and adoption of annual budgets for the financial performance of the consolidated entity and monitoring the results on a quarterly basis;
- Ensuring that the consolidated entity has implemented adequate internal controls together with appropriate monitoring of compliance activities; and
- Ensuring that the consolidated entity is able to pay its debts as and when they fall due.

The Company discloses the curriculum vitae of each director in its Annual Report.

The function of Chairperson (John McGuigan) and Executive Director (John Atkinson) are separate.

Due to the size of the Company, the members of the Remuneration Committee and Nomination Committee are the same.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:
- The majority of the Board should be independent. Presently the Board consists of one executive director (John Atkinson) and two non-executive directors (John McGuigan and Ilyas Khan). However as each of their shareholdings in the Company is considered substantial, they are not considered independent.
- The Chairperson should be independent. Presently the Chairperson is John McGuigan who is a non-executive director. However as his shareholding in the Company is considered substantial, he is not considered independent.

Independent professional advice
With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the consolidated entity's expense concerning any aspect of the consolidated entity's operations or undertaking in order to fulfill their duties and responsibilities as directors.

Ethical standards
The Board endeavours to ensure that the directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Corporate governance statement (continued)

Specifically, that directors, officers and employees must:
- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions, and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Trading policy
The Company's policy regarding directors and employees trading in its securities, is set by the audit & finance committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit & Finance Committee
The Board has established an audit and finance committee consisting of the following directors:
- Mr John McGuigan (Chairperson)
- Mr John Atkinson

The names and qualifications of the directors in the Audit & Finance Committee and the number of meetings held are disclosed in the Directors' Report.

The audit and finance committee provides a forum for the effective communication between the Board and external auditors. The committee reviews:
- The annual and half-yearly financial report prior to their approval by the Board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of the external audit function.

The audit and finance committee invites the Chief Financial Officer, other directors and the external auditors to attend committee meetings on occasion. The audit and finance committee also meets with external auditors, as necessary, concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls. Given the significant involvement by the Board in the operations of the business during the year it was not deemed necessary that the audit and finance committee meet during the financial year as all matters normally dealt with by the audit and finance committee were dealt with directly by the Board.

The Audit & Finance Committee requests the Company's external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors report.

Given the significant involvement by the Board in the operations of the Company these matters are dealt with by the Board on a regular basis.

Continuous Disclosure and shareholder communication
The company secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX.
The Board and the company secretary are responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all shareholders are fully informed.

Corporate governance statement (continued)

Remuneration Committee / Nomination Committee
The Board has established a remuneration committee / nomination committee consisting of the following directors:
- Mr John McGuigan (Chairperson)
- Mr John Atkinson

The remuneration committee reviews the remuneration policies applicable to all directors and executive officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the consolidated entity's operations, the remuneration committee occasionally seeks the advice of external advisers in connection with the structure of remuneration packages.

Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the remuneration committee is provided by the Company in its Annual Report. The remuneration committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by shareholders.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:
- The remuneration committee should consist of three members, the majority being independent and chaired by an independent person. The committee only consists of two members and as outlined in *The Board of Directors* Section, the directors are not considered independent.

The nomination committee considers 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 Listing Rules and the *Corporations Act 2001*. Currently all directors are required to be re-elected at least every three years and at least one-third of directors must retire at each annual general meeting. This process also includes ongoing evaluation of the performance of the Board and its individuals according to the goals, objectives and primary responsibilities of each director as outlined in *The Board of Directors* Section.

During the year ended 30 June 2007 there have been changes to both executive and non-executive directors remuneration as approved by the shareholders at the annual general meeting. However, due to the significant changes in the Company over the last 6 years, including shareholder approval in 2005 for the change in activities of the Company and subsequent relisting and capital restructuring, it is not appropriate to comment upon the policy of remuneration of directors and the Company's performance over this time period.

The remuneration of directors has been included in the directors' report.

Given the significant involvement by the Board in the operations of the Company these matters are dealt with by the Board on a regular basis.

Corporate governance statement (continued)

Risk Management
The Board is responsible for the consolidated entity's system of internal controls. The Board constantly monitors the operation and financial aspects of the consolidated entity's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the consolidated entity.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the consolidated entity has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Code of Conduct
As part of the Board's commitment to the highest standard of conduct, the consolidated entity adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

Given the significant involvement by the Board in the operations of the Company these matters are dealt with by the Board on a regular basis.

Financial report - 30 June 2007

Contents

This financial report covers both White Energy Company Limited as an individual entity and the consolidated entity consisting of White Energy Company Limited and its controlled entities.

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

Registered Office	Principal Place of Business
White Energy Company Limited	White Energy Company Limited
Suite 206 The Bentleigh	Level 5, Grafton Bond Building
1 Katherine Street	201 Kent Street
Chatswood NSW 2067	Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 1-10 which is not part of this financial report.

The financial report was authorised for issue by the directors on 27 September 2007. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Investor Centre on our website www.whiteenergyco.com.

WHITE ENERGY COMPANY LIMITED
ABN 62 071 527 083

Income statements
For the year ended 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Revenue from continuing operations	5	**1,302,686**	186,730	**1,169,380**	186,694
Accounting and audit fees		**(227,470)**	(89,755)	**(208,924)**	(83,755)
Employee benefits expense		**(3,865,259)**	(289,394)	**(3,619,632)**	(289,393)
Depreciation, amortisation and write-off of tenement expenditure	6	**(3,319,924)**	(7,846)	**(36,535)**	(5,947)
Finance costs	6	**(679)**	(3,147)	**(669)**	(3,128)
External advisory fees		**(2,681,963)**	(550,991)	**(1,627,511)**	(550,991)
Travel		**(474,035)**	(66,001)	**(331,155)**	(66,001)
Occupancy expenses		**(511,375)**	(93,409)	**(433,847)**	(76,909)
Other expenses		**(828,116)**	(71,355)	**(749,345)**	(67,402)
(Loss) before income tax expense		**(10,606,135)**	(985,168)	**(5,838,238)**	(956,832)
Income tax expense	7	**-**	-	**-**	-
Net (loss) for the year		**(10,606,135)**	(985,168)	**(5,838,238)**	(956,832)
Loss is attributable to:					
Equity holders of White Energy Company Limited		**(10,445,496)**	(985,168)	**(5,838,238)**	(956,832)
Minority interest	18	**(160,639)**	-	**-**	-
		(10,606,135)	(985,168)	**(5,838,238)**	(956,832)
		Cents	Cents		
Basic and diluted earnings per share	27	**(8.9)**	(2.5)		

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets
As at 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Current assets					
Cash and cash equivalents	8	**15,072,474**	6,564,354	**14,292,462**	6,450,072
Trade and other receivables	9	**3,338,334**	136,106	**12,019,550**	1,257,832
Total current assets		**18,410,808**	6,700,460	**26,312,012**	7,707,904
Non-current assets					
Other financial assets	10	**-**	-	**57,660,388**	57,660,388
Property, plant and equipment	11	**9,377,974**	867,613	**192,504**	26,496
Exploration assets	12	**2,374,018**	2,274,779	**-**	-
Intangible assets	13	**55,729,571**	55,983,130	**-**	-
Total non-current assets		**67,481,563**	59,125,522	**57,852,892**	57,686,884
Total assets		**85,892,371**	65,825,982	**84,164,904**	65,394,788
Current liabilities					
Trade and other payables	14	**7,958,841**	4,411,391	**2,138,686**	3,982,317
Derivative financial instruments	15	**464,463**	-	**464,463**	-
Total current liabilities		**8,423,304**	4,411, 391	**2,603,149**	3,982,317
Total liabilities		**8,423,304**	4,411,391	**2,603,149**	3,982,317
Net assets		**77,469,067**	61,414,591	**81,561,755**	61,412,471
Equity					
Contributed equity	16	**84,611,297**	116,472,971	**84,611,297**	116,472,971
Reserves	17	**4,440,642**	686,660	**4,495,931**	686,660
Accumulated losses	17	**(12,150,611)**	(55,745,040)	**(7,545,473)**	(55,747,160)
Parent entity interest		**76,901,328**	61,414,591	**81,561,755**	61,412,471
Minority interest	18	**567,739**	-	**-**	-
Total equity		**77,469,067**	61,414,591	**81,561,755**	61,412,471

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

Statements of changes in equity
For the year ended 30 June 2007

Consolidated	Attributable to members of White Energy Company Limited: Contributed equity	Reserves	Accumulated losses $	Total $	Minority interest $	Total equity $
Balance at 1 July 2005	**59,665,559**	**270,000**	**(54,759,872)**	**5,175,687**	**-**	**5,175,687**
Movement	-	-	-	-	-	-
Loss for the year	-	-	(985,168)	(985,168)	-	(985,168)
Total recognised income and expense for the year	**-**	**-**	**(985,168)**	**(985,168)**	**-**	**(985,168)**
Issue shares	57,362,524	-	-	57,362,524	-	57,362,524
Share based payment (capital raising costs)	-	416,660	-	416,660	-	416,660
Less: transaction costs	(555,112)	-	-	(555,112)	-	(555,112)
Balance at 30 June 2006	**116,472,971**	**686,660**	**(55,745,040)**	**61,414,591**	**-**	**61,414,591**
Movement	-	-	-	-	-	-
Loss for the year	-	-	(10,445,496)	(10,445,496)	(160,639)	(10,606,135)
Total recognised income and expense for the year	**-**	**-**	**(10,445,496)**	**(10,445,496)**	**(160,639)**	**(10,606,135)**
Issue shares and exercise of options	24,392,180	-	-	24,392,180		24,392,180
Offsetting accumulated losses and issued capital	(54,039,925)	-	54,039,925	-	-	-
Share based payment (management performance options)	-	1,675,201	-	1,675,201		1,675,201
Share based payment (capital raising costs)	-	2,134,070	-	2,134,070		2,134,070
Less: transaction costs	(2,213,929)	-	-	(2,213,929)		(2,213,929)
Exchange differences on translation of foreign operation	-	(55,289)	-	(55,289)	(53,120)	(108,409)
Minority interest on acquisition of subsidiary	-	-	-	-	781,498	781,498
Balance at 30 June 2007	**84,611,297**	**4,440,642**	**(12,150,611)**	**76,901,328**	**567,739**	**77,469,067**

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

Statements of changes in equity
For the year ended 30 June 2007

Parent	Contributed equity	Reserves	Accumulated losses $	Total $
Balance at 1 July 2005	**59,665,559**	**270,000**	**(54,790,328)**	**5,145,231**
Movement	-	-	-	-
Loss for the year	-	-	(956,832)	(956,832)
Total recognised income and expense for the year	**-**	**-**	**(956,832)**	**(956,832)**
Issue shares	57,362,524	-	-	57,362,524
Share based payment (capital raising costs)	-	416,660	-	416,660
Less: transaction costs	(555,112)	-	-	(555,112)
Balance at 30 June 2006	**116,472,971**	**686,660**	**(55,747,160)**	**61,412,471**
Movement	-	-	-	-
Loss for the year	-	-	(5,838,238)	(5,838,238)
Total recognised income and expense for the year	**-**	**-**	**(5,838,238)**	**(5,838,238)**
Issue shares	24,392,180	-	-	24,392,180
Offsetting accumulated losses and issued capital	(54,039,925)	-	54,039,925	-
Share based payment (management performance options)	-	1,675,201	-	1,675,201
Share based payment (capital raising costs)	-	2,134,070	-	2,134,070
Less: transaction costs	(2,213,929)	-	-	(2,213,929)
Balance at 30 June 2007	**84,611,297**	**4,495,931**	**(7,545,473)**	**81,561,755**

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

Statements of cash flows
For the year ended 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Cash flow from operating activities					
Receipts from customers (inclusive of goods & services tax)		**130,010**	-	**-**	-
Payments to suppliers and employees (inclusive of goods & services tax)		**(2,602,576)**	(962,473)	**(2,250,435)**	(975,339)
		(2,472,566)	(962,473)	**(2,250,435)**	(975,339)
Interest received		**1,172,676**	196,957	**1,169,281**	192,805
Borrowing costs		**(679)**	(3,147)	**(669)**	(3,128)
Net cash (outflows) from operating activities	26	**(1,300,569)**	(768,663)	**(1,081,823)**	(785,662)
Cash flows from investing activities					
Loans to controlled entities		**-**	-	**(10,000,495)**	(583,500)
Loans to related parties		**-**	(368,825)	**-**	-
Loans from shareholders		**1,575,905**	-	**-**	-
Payments for purchase of subsidiaries (net of cash acquired)		**(2,600,000)**	(887,374)	**(2,600,000)**	(1,000,000)
Payments for exploration assets		**(219,933)**	(232,646)	**-**	-
Payments for property, plant and equipment		**(8,564,628)**	(29,602)	**(202,543)**	(29,331)
Payments for intangibles		**(2,891,404)**	-	**-**	-
Net cash (outflows) from investing activities		**(12,700,060)**	(1,518,447)	**(12,803,038)**	(1,612,831)
Cash flows from financing activities					
Proceeds from shares and options issued		**23,941,180**	5,933,925	**23,941,180**	5,933,925
Costs of share issue		**(2,213,929)**	(31,450)	**(2,213,929)**	(31,450)
Minority interest purchase of subsidiary		**781,498**	-	**-**	-
Net cash inflows from financing activities		**22,508,749**	5,902,475	**21,727,251**	5,902,475
Net increase (decrease) in cash and cash equivalents		**8,508,120**	3,615,365	**7,842,390**	3,503,982
Cash and cash equivalents at the beginning of the financial year		**6,564,354**	2,948,989	**6,450,072**	2,946,090
Cash and cash equivalents at the end of the financial year	8	**15,072,474**	6,564,354	**14,292,462**	6,450,072

Non cash investing and financing activities 26

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the financial statements
30 June 2007

Notes to the financial statements

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for White Energy Company Limited as an individual entity and the consolidated entity consisting of White Energy Company Limited and its subsidiaries.

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AFIRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention as modified by financial assets and liabilities (including derivative instruments) at fair value through profit and loss. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of White Energy Company Limited comply with International Financial Reporting Standards (IFRSs).

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of White Energy Company Limited ("**White Energy**", "**the Company**" or "**parent entity**") as at 30 June 2007 and the results of all subsidiaries for the year then ended. White Energy Company Limited and its subsidiaries together are referred to in this financial report as the consolidated entity or Group. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Subsidiaries are all those 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(g)).

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 are consistent with the policies of the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of White Energy Company Limited.

Future Funding
The Company is currently in the final stages of negotiations in relation to the establishment of convertible funding facilities which will provide it with access to over A$30 million in the near term. The successful completion of these funding arrangements will enable the Company to proceed with its plans to design, build and operate processing plants for its coal upgrading technology and to meet its capital expenditure contracted for at 30 June 2007.

Note 1. Summary of significant accounting policies (continued)

(a) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(b) 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 Company Limited'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 the income statement

Translation differences on non-monetary financial assets and liabilities 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 income statement 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 as a separate component of equity.

(c) Revenue recognition

Interest income is recognised on a time proportion basis using the effective interest method.

(d) 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 the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Note 1. Summary of significant accounting policies (continued)

(e) 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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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, the deferred income tax is 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

The head entity, White Energy Company Limited, and the controlled entities in the tax consolidated group continue to 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 consolidation group.

Assets or liabilities arising from the tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 7.

(f) Leases

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 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Note 1. Summary of significant accounting policies (continued)

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

(h) Impairment of assets

Assets that are subject to amortisation are reviewed 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).

(i) Cash and cash equivalents

For cash flow statement presentation purposes, 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 on the balance sheet.

(j) Trade Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the estimated future cash flow. The amount of the provision is recognised in the income statement in other expenses.

(k) 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.

Note 1. Summary of significant accounting policies (continued)

(k) Exploration and Evaluation Costs (continued)

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 Company undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

Evaluation of each area of interest/mineral resource is carried forward, but only to the extent its recoupment out of revenue to be derived from the relevant area of interest/mineral resource, or from sale of that area of interest, is reasonably assured.

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 Company'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.

(l) Investments and other financial assets

Classification
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, 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. At the reporting date the only financial assets held were as follows:

(i) 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 arise when the Group provides money and/or goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Recognition and de-recognition
Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in fair value are recognised in the income statement and are included in the income or other expenses.

At balance date the amount receivable and payable under the foreign exchange contracts are disclosed on a net basis representing the future cash flow required to settle the contracts.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying values of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(o) Property, plant and equipment

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

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

Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	2 –3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 income statement.

Note 1. Summary of significant accounting policies (continued)

(p) Intangible assets

(i) 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 are estimated to be 17 to 18 years.

(ii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) 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 at which the asset is ready for use on a straight-line basis over their useful lives, which at present are estimated to be 17 to 18 years.

(q) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) 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.

(s) Provisions

Provisions for legal claims and service warranties 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.

(t) Employee benefits

(i) Retirement benefit obligation

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(iii) Long service leave

The liability for long service leave is 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 reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1. Summary of significant accounting policies (continued)

(u) Share-based payments

Share-based compensation benefits are provided to employees via the employee option plan and an employee share scheme.

The fair value of options granted under the employee option 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 using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

The fair value of the options granted 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 balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Incremental costs directly attributable to the issue of new shares or options, or options for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(w) Earning per share

(i) Basic earnings per share
Basic earnings per share is determined by dividing the profit/(loss) attributable to members 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Summary of significant accounting policies (continued)

(x) 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 flow.

(y) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) – AASB 7 Financial Instruments: Disclosures and AASB2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 25-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces AASB 130 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in AASB 132 Financial Instruments: Presentation and Disclosure. It is applicable to all reporting entities. The amendment to AASB 101 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of AASB 7 and the amendment to AASB 101 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of AASB 101. The Group will apply the standards for annual reporting periods beginning from 1 July 2007.

(ii) –* AASB-I 10 *Interim Financial Reporting and Impairment

AASB-I 10 applies to annual reporting periods beginning on or after 1 November 2006. It prohibits impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply AASB-I 10 from 1 July 2007 but it is not expected to have any impact on the Group's financial statements.

(iii) – Revised* AASB 101 *Presentation of Financial Statements

A revised AASB 101 was issued in October 2006 and is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standard early. Application of the revised standard will not have any impact on the Group's financial statements.

(iv) –* AASB-I 11 *Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation

AASB-I 11 and AASB 2007-1 are effective for annual reporting periods commencing on or after 1 March 2007. AASB-I 11 addresses whether certain types of share-based payment transactions should be accounted for as equity-settled or as cash settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. The Group will apply AASB-I 11 from 1 July 2007, but it is not expected to have any impact on the Group's financial statements.

Note 1. Summary of significant accounting policies (continued)

(y) New accounting standards and UIG interpretations (continued)

(v) - AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

(vi) - AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]

AASB 2007-4 and AASB 2007-7 are applicable to annual reporting periods beginning on or after 1 July 2007. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements. The Group will adopt the amendments arising from AASB 2007-4 and AASB 2007-7 for the financial year ending 30 June 2008. However, it does not intend to apply any of the new options now available. As a consequence, application of the revised standards will not affect any of the amounts recognised in the financial statements, but it may remove some of the disclosures that are currently required.

(vii) - Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is consistent with the Group's current accounting policy.

Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on liquidity and cash flow management. Risk management is carried out by the Executive Director, under policies approved by the Board of Directors, who evaluates financial risks in close co-operation with the Group’s key management personnel.

(a) Credit risk

The Group has no significant concentrations of credit risk.

(b) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure to the US dollar.

Forward contracts are used to manage foreign exchange risk.

(c) Liquidity risk

In order to meet the needs of the business, the Group ensures there are sufficient cash funds available to meet expenses incurred. Primarily, this has been achieved through equity raising.

Note 2. Financial risk management (continued)

(d) Cash flow risk

The Group has assessed its interest-bearing assets and determined that they are not materially exposed to changes in market interest rates.

(e) Interest rate risk exposures

The Group is not currently exposed to interest rate risk as it has no interest rate bearing borrowings.

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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. 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.

(i) Estimated impairment of intangible assets

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

The intangible asset – license: is being amortised over the license term of 17-18 years and the directors have determined that no event or circumstance has occurred that would result in its carrying value exceeding its recoverable amount.

Where an intangible asset is not subject to amortisation the Group tests annually whether the asset has suffered any impairment, in accordance with the accounting policy stated in Note 1.

Whilst, for the intangible asset – detailed plant design: expenditure is still being incurred.

(ii) Exploration and evaluation costs

Exploration expenditure is reviewed annually to ensure, for each area of interest carried forward as an asset, 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.

Note 4. Segment Information

(a) Description of segments

Business segments
The consolidated entity is organised on a global basis into the following sectors:

Coal Technology
Exclusive licence to patented technology developed by the 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.

Mining
Mining exploration assets.

Unallocated
Corporate and listed holding company activities.

Geographical segments
Although the consolidated entity's sectors are managed on a global basis they operate in two main geographical areas:

Australia
The home country of the parent entity which is also the main operating entity. The areas of operation are Coal Technology, Mining and unallocated activities.

South East Asia
Comprises operations carried on in Indonesia and Singapore. The areas of operation are Coal Technology, Mining and unallocated activities.

(b) Primary reporting format – business segments

2007	Coal Technology $	Mining $	Unallocated $	Inter-segment eliminations $	Total $
Other revenue	133,274	31	1,169,381	-	1,302,686
Expenses	4,749,346	151,857	7,007,618	-	11,908,821
Loss before tax	(4,616,072)	(151,826)	(5,838,237)	-	(10,606,135)
Depreciation, amortisation and write off of tenement expenditure	3,160,795	122,594	36,535		3,319,924
Segment assets	73,456,899	2,380,507	29,368,621	(19,313,656)	85,892,371
Segment liabilities	21,557,713	630,681	2,603,150	(16,368,240)	8,423,304
Acquisitions of plant and equipment, exploration and intangible assets	11,253,488	219,933	202,544	-	11,675,965

Note 4. Segment Information (continued)

(b) Primary reporting format – business segments (continued)

2006	Coal Technology $	Mining $	Unallocated $	Inter-segment eliminations $	Total $
Other revenue	-	-	186,730	-	186,730
Expenses	-	(28,372)	(1,143,526)	-	(1,171,898)
Loss before tax	-	(28,372)	(956,796)	-	(985,168)
Depreciation	-	(1,900)	(5,946)	-	(7,846)
Segment assets	56,204,969	2,282,599	7,960,000	(621,586)	65,825,982
Segment liabilities	1,176,198	380,945	3,982,317	(1,128,069)	4,411,391
Acquisitions of plant and equipment, exploration and intangible assets	56,821,716	226,077	26,640	-	57,074,433

(c) Secondary reporting format – geographical segments

2007	Other external revenue $	Segment assets $	Acquisitions of plant and equipment, exploration and intangible assets $
Australia	1,299,183	63,796,160	5,636,775
South East Asia	3,503	6,828,949	6,039,190
	1,302,686	70,625,109	11,675,965
Unallocated assets		15,267,262	
Total assets		85,892,371	

In the year ended 30 June 2006 the consolidated entity only operated in Australia.

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

Note 5. Revenue

	Consolidated		**Parent**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Revenue from continuing operations	-	-	-	-
Other revenue				
Interest	**1,172,676**	186,694	**1,169,281**	186,694
Other – third party coal sampling income	**130,010**	36	**99**	-
	1,302,686	186,730	**1,169,380**	186,694

Note 6. Expenses

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loss before income tax includes the following significant expenses:				
Depreciation expense	**54,267**	7,846	**36,535**	5,947
Amortisation	**3,144,963**	-	**-**	-
Write-off of tenements expenditure	**120,694**	-	**-**	-
	3,319,924	7,846	**36,535**	5,947
Interest and finance charges paid/payable	**679**	3,147	**669**	3,128
Rental expense	**263,915**	63,950	**245,915**	47,450
Defined contribution superannuation expense	**89,987**	21,001	**89,987**	21,001
Net loss on revaluation of derivative financial instruments at fair value through profit or loss	**464,463**	-	**464,463**	-
Foreign exchange loss	**156,070**	-	**81,720**	-

Note 7. Income tax

(a) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense (i)	**(10,266,879)**	(985,168)	**(5,838,238)**	(956,832)
Tax at the Australian tax rate of 30% (2006 - 30%)	**(3,080,064)**	(295,550)	**(1,751,471)**	(287,050)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share option expense	**1,142,781**	-	**1,142,781**	-
Other non deductible items	**38,776**	59,757	**8,671**	59,188
Tax losses and timing differences not brought to account	**1,898,507**	235,793	**600,019**	227,862
Income tax expense	**-**	-	**-**	-

(i) Reconciliation to loss before income tax expense on the income statements:

Loss recorded above	**(10,266,879)**	(985,168)	**(5,838,238)**	(956,832)
Loss from overseas operations	**(339,256)**	-	**-**	-
Loss per income statement	**(10,606,135)**	(985,168)	**(5,838,238)**	(956,832)

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	**5,901,569**	-	**-**	-
Potential tax benefit at 30%	**1,770,471**	-	**-**	-

Due to a change in ownership in the year ended 2002/03 and a change in the business carried on by the Group, tax losses to 30 June 2006 will not be able to be recouped in the future.

Note 7. Income tax (continued)

(c) Unrecognised temporary differences

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Temporary differences for which a deferred tax (liability)/ asset has not been recognised				
Employee benefits	**19,819**	-	**19,819**	-
Other accruals	**26,322**	20,660	**24,972**	61,000
Deferred expenditure	**239,794**	-	**239,794**	-
Unrealised foreign exchange	**187,647**	-	**163,759**	
Amortisation of licence	**84,842**	-	**-**	-
Write-off of tenements expenditure	**(386,652)**	(102,252)	**-**	-
	171,772	(81,592)	**448,344**	61,000

Tax consolidation legislation
White Energy Company Limited and its wholly-owned Australian subsidiary have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation was notified of this decision on 7 October 2005. With effect from 30 June 2006 White Energy Technology Limited and subsidiary companies joined the White Energy Company Limited tax consolidated group. BCBC Pty Limited and Amerod Resources Pty Limited, two entities incorporated on 31 August 2006 and 1 September 2006 respectively, also joined the tax consolidation group. The Australian Taxation Office was notified of this on 15 March 2007.

The wholly-owned entities have fully compensated White Energy for deferred tax liabilities assumed by White Energy on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to White Energy. The entities have entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities will reimburse White Energy for any current income tax payable by White Energy arising in respect of their activities. The reimbursements will be payable at the same time as the associated income tax liability falls due and will therefore be recognised as a current tax-related receivable by White Energy. In the opinion of the Directors, the proposed tax sharing agreement will also be a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by White Energy.

Note 8. Current assets – Cash and cash equivalents

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Cash at bank and on hand	**15,072,474**	6,564,354	**14,292,462**	6,450,072
	15,072,474	6,564,354	**14,292,462**	6,450,072

Reconciliation to cash at end of year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Balances as above	**15,072,474**	6,564,354	**14,292,462**	6,450,072
Balances as per statement of cash flows	**15,072,474**	6,564,354	**14,292,462**	6,450,072

Deposits at call

In 2007, the deposits bear interest at rate of 0% to 6.2% (2006: 0% to 5.20%).

Note 8. Current assets – Cash and cash equivalents (continued)

Restricted cash

At 30 June 2007 there exists as security for letters of credit and foreign exchange contracts a letter of set-off by White Energy Company Limited over cash on deposit for $1,850,000.

Note 9. Current assets – Trade and other receivables

	Consolidated		Parent	
	2007	**2006**	**2007**	2006
	$	**$**	**$**	$
Loans to related parties	**-**	-	**11,237,274**	1,221,786
Prepayments	**58,458**	30,045	**-**	30,046
Other	**1,261,456**	106,061	**782,276**	6,000
AusIndustry grant receivable	**2,018,420**	-	**-**	-
	3,338,334	136,106	**12,019,550**	1,257,832

Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

Trade and other receivables	Floating interest rate $	1 year or less $	Over 1 to 2 years $	Over 2 to 3 years $	Over 3 to 4 years $	Over 4 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
2007	-	-	-	-	-	-	-	3,338,334	3,338,334
2006	-	-	-	-	-	-	-	136,106	136,106
Weighted average interest rate	-	-	-	-	-	-	-	-	

Note 10. Non-current assets - Other financial assets

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Other (non-traded) investments				
Shares in controlled entities (Note 23)	**-**	-	**57,660,388**	57,660,388
	-	-	**57,660,388**	57,660,388

Note 11. Non-current assets – Property, plant & equipment

	Plant & equipment $	Assets under construction $	Total $
Consolidated			
At 1 July 2005			
Cost	27,604	-	27,604
Accumulated depreciation	(17,371)	-	(17,371)
Net book amount	10,233	-	10,233
Year ended 30 June 2006			
Additions	26,640	-	26,640
Additions through acquisition	-	838,586	838,586
Depreciation	(7,846)	-	(7,846)
Closing net book amounts	29,027	838,586	867,613
At 30 June 2006			
Cost	54,244	838,586	892,830
Accumulated depreciation	(25,217)	-	(25,217)
Net book amount	29,027	838,586	867,613
Year ended 30 June 2007			
Additions	521,725	8,042,903	8,564,628
Depreciation	(54,267)	-	(54,267)
Closing net book amounts	496,485	8,881,489	9,377,974
At 30 June 2007			
Cost	575,969	8,881,489	9,457,458
Accumulated depreciation	(79,484)	-	(79,484)
Net book amount	496,485	8,881,489	9,377,974

Note 11. Non-current assets – Property, plant & equipment (continued)

	Plant & equipment $	Total $
Parent		
At 1 July 2005		
Cost	22,857	22,857
Accumulated depreciation	(17,054)	(17,054)
Net book amount	5,803	5,803
Year ended 30 June 2006		
Additions	26,640	26,640
Additions through acquisition	-	-
Depreciation	(5,947)	(5,947)
Closing net book amounts	26,496	26,496
At 30 June 2006		
Cost	49,497	49,497
Accumulated depreciation	(23,001)	(23,001)
Net book amount	26,496	26,496
Year ended 30 June 2007		
Additions	202,543	202,543
Additions through acquisition	-	-
Depreciation	(36,535)	(36,535)
Closing net book amounts	192,504	192,504
At 30 June 2007		
Cost	252,040	252,040
Accumulated depreciation	(59,536)	(59,536)
Net book amount	192,504	192,504

Note 12. Non-current assets – Exploration assets

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Exploration Tenements				
Glen Ayle : E69/1962				
Cost at beginning of reporting period	**19,093**	11,714	**-**	-
Additional expenditure	**2,933**	7,379	**-**	-
Expenditure written off	**(22,026)**	-	**-**	-
Net book amount	**-**	19,093	**-**	-
Glen Ayle : E69/1963				
Cost at beginning of reporting period	**46,191**	9,061	**-**	-
Additional expenditure	**20,796**	37,130	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**66,987**	46,191	**-**	-
Glen Ayle : E69/1964				
Cost at beginning of reporting period	**22,274**	8,051	**-**	-
Additional expenditure	**16,021**	14,223	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**38,295**	22,274	**-**	-
Bridgetown : E70/2723				
Cost at beginning of reporting period	**25,860**	13,112	**-**	-
Additional expenditure	**42,052**	12,748	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**67,912**	25,860	**-**	-
Bridgetown : E70/2724				
Cost at beginning of reporting period	**27,264**	14,179	**-**	-
Additional expenditure	**39,993**	13,085	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**67,257**	27,264	**-**	-
Nanutarra : E08/1162				
Cost at beginning of reporting period	**98,155**	32,650	**-**	-
Additional expenditure	**513**	65,505	**-**	-
Expenditure written off	**(98,668)**	-	**-**	-
Net book amount	**-**	98,155	**-**	-
Mt Mundy : E37/771				
Cost at beginning of reporting period	**73,061**	25,997	**-**	-
Additional expenditure	**50,183**	47,064	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**123,244**	73,061	**-**	-

Note 12. Non-current assets – Exploration assets (continued)

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Bridgetown : E70/2855				
Cost at beginning of reporting period	**9,149**	-	**-**	-
Additional expenditure	**23,552**	9,149	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**32,701**	9,149	**-**	-
Bridgetown : E70/2856				
Cost at beginning of reporting period	**9,794**	-	**-**	-
Additional expenditure	**23,890**	9,794	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**33,684**	9,794	**-**	-
McMahons Reef EL Application: 2647				
Cost at beginning of reporting period	**10,000**	-		
Additional expenditure	**-**	10,000	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**10,000**	10,000		
Exploration rights				
Cost at beginning of reporting period	**1,933,938**	1,933,938		
Additional expenditure	**-**	-	**-**	-
Expenditure written off	**-**	-	**-**	-
Net book amount	**1,933,938**	1,933,938		
Total exploration assets	**2,374,018**	2,274,779	**-**	-

The exploration rights of $1,933,938 represents the amount paid by the Group in excess of carrying book values in acquiring the portfolio of mining assets from the vendors of Amerod Exploration Limited.

Note 13. Non current assets – Intangible assets

	License $	Detailed design $	Total $
Consolidated			
At 1 July 2005			
Cost	**-**	**-**	**-**
Accumulated amortisation	**-**	**-**	**-**
Net book amount	**-**	**-**	**-**
Year ended 30 June 2006			
Additions	**-**	**-**	**-**
Additions through acquisition	**55,983,130**	**-**	**55,983,130**
Amortisation	**-**	**-**	**-**
Closing net book amounts	**55,983,130**	**-**	**55,983,130**
At 30 June 2006			
Cost	**55,983,130**	**-**	**55,983,130**
Accumulated amortisation	**-**	**-**	**-**
Net book amount	**55,983,130**	**-**	**55,983,130**
Year ended 30 June 2007			
Additions	**-**	**2,891,404**	**2,891,404**
Amortisation	**(3,144,963)**	**-**	**(3,144,963)**
Closing net book amounts	**52,838,167**	**2,891,404**	**55,729,571**
At 30 June 2007			
Cost	**55,983,130**	**2,891,404**	**58,874,534**
Accumulated amortisation	**(3,144,963)**	**-**	**(3,144,963)**
Net book amount	**52,838,167**	**2,891,404**	**55,729,571**

Note 14. Current liabilities – Trade and other payables

		Consolidated		Parent	
		2007	2006	**2007**	2006
		$	$	**$**	$
Trade creditors		**1,737,534**	848,585	**1,368,581**	839,031
Loans from controlled entities	(a)	**-**	-	**497,279**	482,286
Loans from shareholders		**1,800,906**	-	**-**	-
Amounts payable to vendors on purchase of White Energy Technology Ltd and its subsidiaries	(b)	**-**	2,600,000	**-**	2,600,000
Other creditors		**2,401,981**	225,001	**272,826**	-
Other creditors – accruals		**-**	737,805	**-**	61,000
Deferred AusIndustry grant income		**2,018,420**		**-**	
		7,958,841	4,411,391	**2,138,686**	3,982,317

(a) There are no fixed repayment terms attached to the loan and no interest is payable.

(b) Amounts payable for the acquisition of White Energy Technology Ltd and its subsidiaries are in accordance with the share sale agreement. Amounts were due to be paid within 6 months of the date of acquisition, 30 June 2006, with the payable amount attracting no interest. The amount was paid on 4 September 2006.

Note 15. Current liabilities - Derivative financial instruments

	Consolidated		Parent	
	2007	**2006**	**2007**	2006
	$	**$**	**$**	$
Forward foreign exchange contracts – held for trading (a)	**464,463**	-	**464,463**	-
	464,463	-	**464,463**	-

(a) Forward exchange contracts – held for trading

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting, and as such must be accounted for as held for trading. The contracts are subject to the risk management policy as set out in note 2(b).

The Group has the following held for trading forward exchange contracts outstanding at balance date (Australian dollar equivalents):

Sell US dollars	**Buy Australian dollars**		**Average exchange rate**	
	2007	**2006**	**2007**	2006
	$	**$**	**$**	$
Maturity				
0-7 months	**10,620,941**	-	**0.8115**	-

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair value are taken to the income statement immediately.

Group and the parent entity
At balance date these contracts were liabilities of $464,463 (2006: nil). In the year ended 30 June 2007 there was a loss from the decrease in fair value of $464,463 (2006: nil).

Note 16. Contributed equity

	Parent			
	2007 Shares	2006 Shares	**2007 $**	2006 $
(a) Share capital				
Paid up capital ordinary shares each fully paid	**123,632,586**	95,961,051	**84,611,297**	116,472,971

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Number of options	$
30 June 2005	Balance		36,013,477		59,665,559
29 July 2005	Issue of shares at $0.25 per share		2,000,000		500,000
4 Aug 2005	Exercise of 25 cent options expiring 30 Nov 2008		10,000		2,500
27 Sept 2005	Exercise of 25 cent options expiring 30 Nov 2008		15,000		3,750
11 Oct 2005	Exercise of 25 cent options expiring 30 Nov 2008		125,000		31,250
13 Oct 2005	Exercise of 25 cent options expiring 30 Nov 2008		15,000		3,750
24 Oct 2005	Exercise of 25 cent options expiring 30 Nov 2008		20,000		5,000
26 Oct 2005	Exercise of 25 cent options expiring 30 Nov 2008		50,000		12,500
2 Nov 2005	Exercise of 25 cent options expiring 30 Nov 2008		5,000		1,250
9 Nov 2005	Exercise of 25 cent options expiring 30 Nov 2008		7,500		1,875
11 Nov 2005	Exercise of 25 cent options expiring 30 Nov 2008		55,000		13,750
14 Dec 2005	Exercise of 25 cent options expiring 30 Nov 2008		12,500		3,125
22 Dec 2005	Exercise of 25 cent options expiring 30 Nov 2008		5,000		1,250
10 Jan 2006	Exercise of 25 cent options expiring 30 Nov 2008		5,000		1,250
24 Jan 2006	Exercise of 25 cent options expiring 30 Nov 2008		25,000		6,250
27 Jan 2006	Exercise of 25 cent options expiring 30 Nov 2008		5,000		1,250
6 Feb 2006	Exercise of 25 cent options expiring 30 Nov 2008		75,000		18,750
8 Mar 2006	Exercise of 25 cent options expiring 30 Nov 2008		5,000		1,250
17 Mar 2006	Exercise of 25 cent options expiring 30 Nov 2008		10,000		2,500
22 Mar 2006	Exercise of 25 cent options expiring 30 Nov 2008		30,000		7,500
10 Apr 2006	Exercise of 25 cent options expiring 30 Nov 2008		65,000		16,250
27 Apr 2006	Exercise of 25 cent options expiring 30 Nov 2008		75,000		18,750
12 May 2006	Issue of shares at $0.90 per share		5,592,000		5,032,800
23 May 2006	Exercise of 25 cent options expiring 30 Nov 2008		30,000		7,500
8 June 2006	Exercise of 25 cent options expiring 30 Nov 2008		35,000		8,750
26 June 2006	Share purchase plan		242,003		229,903
30 June 2006	Issue of shares at $1.00 per share		51,428,571		51,428,571
30 June 2006	Exercise of 25 cent options expiring 30 Nov 2008		5,000		1,250
30 June 2006	Issue options for nil consideration		-	392,003	-
	Less: Transaction costs arising on share issues				(555,112)
30 June 2006	Balance		95,961,051		116,472,971

Note 16. Contributed equity (continued)

(b) Movements in ordinary share capital (continued)

Date	Details	Notes	Number of shares	Number of options	$
30 June 2006	Balance		95,961,051		116,472,971
7 Jul 2006	Issue options for nil consideration	(d)	-	419,400	-
24 Jul 2006	Exercise of 25 cent options expiring 30 Nov 2008	(d)	20,000		5,000
11 Aug 2006	Issue of shares at $0.96 per share	(e)	23,983,333		23,024,000
15 Aug 2006	Exercise of 25 cent options expiring 30 Nov 2008	(d)	35,000		8,750
29 Aug 2006	Exercise of 25 cent options expiring 30 Nov 2008	(d)	65,000		16,250
30 Aug 2006	Issue options for nil consideration	(d)	-	2,066,896	-
29 Sep 2006	Issue of shares at $1.00 per share	(e)	8,000		8,000
3 Oct 2006	Exercise of 25 cent options expiring 30 Nov 2008	(d)	10,000		2,500
25 Oct 2006	Exercise of 25 cent options expiring 30 Nov 2008	(d)	30,000		7,500
22 Dec 2006	Issue options for nil consideration	(d)	-	2,800,000	-
29 Jan 2007	Issue options for nil consideration	(d)	-	2,730,000	-
6 Feb 2007	Issue options for nil consideration	(d)	-	210,000	-
22 Feb 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	16,250		4,062
22 Feb 2007	Exercise of $1.40 options expiring 30 Aug 2009	(d)	2,632		3,685
22 Feb 2007	Exercise of $1.20 options expiring 31 Aug 2010	(d)	570,000		1,135,000
2 Mar 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	50,000		12,500
2 Mar 2007	Exercise of $1.40 options expiring 30 Aug 2009	(d)	5,264		7,370
20 Mar 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	37,500		9,375
20 Mar 2007	Exercise of $1.40 options expiring 30 Aug 2009	(d)	2,632		3,685
30 Mar 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	5,000		1,250
4 Apr 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	20,000		5,000
23 Apr 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	13,600		3,400
8 May 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	40,000		10,000
8 May 2007	Exercise of $1.40 options expiring 30 Aug 2009	(d)	5,264		7,370
23 May 2007	Exercise of 1 cent options expiring 30 Aug 2011	(d)	225,000		2,250
29 May 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	105,150		26,288
29 May 2007	Exercise of $1.40 options expiring 30 Aug 2009	(d)	2,632		3,685
30 May 2007	Exercise of $1.40 options expiring 30 Aug 2009	(d)	2,632		3,685
4 Jun 2007	Exercise of 1 cent options expiring 7 Jul 2011	(d)	419,400		4,194
4 Jun 2007	Exercise of 1 cent options expiring 30 Aug 2011	(d)	1,841,896		18,419
14 Jun 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	45,125		11,281
18 Jun 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	5,000		1,250
21 Jun 2007	Exercise of 25 cent options expiring 30 Nov 2008	(d)	87,725		21,931
21 Jun 2007	Exercise of $1.40 options expiring 30 Aug 2009	(d)	17,500		24,500
	Less: Transaction costs arising on share issues				(2,213,929)
	Less: Reduction of Share Capital	(f)			(54,039,925)
30 June 2007	Balance		123,632,586		84,611,297

Note 16. Contributed equity (continued)

(c) 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, be 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.

(d) Options

419,400 unlisted options exercisable at $0.01, expiring on 7 July 2011 were issued on 7 July 2006, and have been accounted for in the Share Based Payments Reserve (Note 17) at 30 June 2006 as the service to which it related was completed in the prior Financial Year.

2,066,896 unlisted options exercisable at $0.01, expiring on 30 August 2011 were issued on 30 August 2006, and have been accounted for in the Share Based Payments Reserve at 30 June 2007.

Pursuant to the approval of shareholders at the Annual General Meeting on 27 November 2006, 2,800,000 options were issued to directors on 22 December 2006 pursuant to Service Agreements. The Options vest in equal portions immediately on issue, on 31 August 2007 and 31 August 2008. The options are exercisable at $1.20 per option and expire on 30 August 2010. The options have been accounted for in the Share Based Payments Reserve at 30 June 2007.

Pursuant to the approval of shareholders at the Extraordinary General Meeting on 28 June 2006, 2,940,000 options were issued under the Incentive Option Scheme to employees and consultants of the Company. The Options vest in equal portions immediately on issue, on 31 August 2007 and 31 August 2008. The options are exercisable at $1.20 per option and expire on 30 August 2010. The options have been accounted for in the Share Based Payments Reserve at 30 June 2007.

(e) Issue of shares

On 11 August 2006 the company raised $23,024,000 of funds through a placement of 23,983,333 ordinary shares as approved by shareholders at the Extraordinary General Meeting on 28 June 2006.

On 29 September 2006 the company raised $8,000 of funds through the placement of 8,000 shares via a prospectus dated 17 July 2006. This Prospectus was prepared for the purpose of Section 708A(11) of the Corporations Act to remove any restrictions on the sale of securities to be issued by the Company during the Offer Period.

(f) Reduction of Share Capital

Pursuant to the approval of shareholders at the Annual General Meeting on 27 November 2006, the Company reduced its share capital by $54,039,925. As set out in the Company's annual financial report as at 30 June 2006, the Company had accumulated losses of $55,747,160. The majority of these losses were a direct result of trading losses incurred by the Company over several years prior to it embarking upon the change in Company's activities as approved by shareholders in March 2005. Accumulated losses to March 2005, the date of change in activities to a mining exploration company, totalled $54,039,925. The purpose of the reduction in the capital structure, and specifically the accumulated losses position, was to ensure that the accumulated losses only include the trading position since the shareholders approved the change in activities in March 2005.

Note 17. Reserves and accumulated losses

(a) Reserves

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Share based payments reserve				
Balance 1 July	**686,660**	270,000	**686,660**	270,000
Options expense	**3,809,271**	416,660	**3,809,271**	416,660
Balance 30 June	**4,495,931**	686,660	**4,495,931**	686,660

Share based payment reserve

The share based payment reserve is used to recognise the fair value of options issued but not exercised.

(b) Foreign exchange reserve

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Foreign exchange reserve				
Balance 1 July	**-**	-	**-**	-
Revaluation of foreign operation	**(55,289)**	-	**-**	-
Balance 30 June	**(55,289)**	-	**-**	-

(c) Accumulated losses

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Accumulated losses at the beginning of the financial year	**(55,745,040)**	(54,759,872)	**(55,747,160)**	(54,790,328)
Accumulated losses offset against reduction in share capital	**54,039,925**	-	**54,039,925**	-
Loss attributable to members of White Energy Company Limited	**(10,445,496)**	(985,168)	**(5,838,238)**	(956,832)
Accumulated losses at the end of the financial year	**(12,150,611)**	(55,745,040)	**(7,545,473)**	(55,747,160)

Note 18. Minority interest

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Interest in:				
Share capital	**781,498**	**-**	**-**	-
Reserves	**(53,120)**	**-**	**-**	-
Accumulated losses	**(160,639)**	**-**	**-**	-
	567,739	**-**	**-**	-

Note 19. Key management personnel disclosures

(a) Directors

The following persons were directors of White Energy Company Limited during the financial year:

Chairman – non-executive
J.V. McGuigan

Executive directors
J.C. Atkinson, *Managing Director*

Non-executive directors
I.T. Khan

(b) Other key management personnel

T.W. Duncan in his position as Senior Executive had the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year. T.W. Duncan's fees were paid through Duncan Consulting.

For the year ended 30 June 2006, except for the executive director discussed above, there were no other executives.

(c) Key management personnel compensation

	Consolidated		**Parent**	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Short-term employee benefits	**1,032,293**	127,528	**1,032,293**	127,528
Post-employment benefits	**46,706**	11,100	**46,706**	11,100
Share-based payments	**1,380,469**	-	**1,380,469**	-
Total	**2,459,468**	138,628	**2,459,468**	138,628

The Company has taken advantage of the relief provided by *Corporations Regulations CR2M.6.04* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-D of the remuneration report on pages 5 to 8.

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 8.

Option holdings

The numbers of options over shares in the Company held during the financial year by each director of White Energy Company Limited and other key management personnel of the consolidated entity, including their personally-related entities, are set out below.

On 28 June 2006, shareholders approved an Incentive Options Plan for directors, management, employees and consultants. Under the Plan, up to 5% of the issue capital of the Company can be allotted, with the terms and conditions attaching to the options to be determined by the Board of Directors. At 30 June 2007, 2,940,000 options had been issued under the plan.

Note 19. Key management personnel disclosures (continued)

2007					
Name	**Balance at the start of the year**	**Granted during the year as remuneration**	**Transferred Hunter Bay Partners Pty Ltd**	**Balance at the end of the year**	**Vested and Exercisable at the end of the year**
Non-executive directors of White Energy Company Limited					
J.V. McGuigan	50,000	1,200,000	1,500,000	2,750,000	1,950,000
I.T. Khan	-	400,000	1,500,000	1,900,000	1,633,333
Executive director of the consolidated entity					
J.C. Atkinson	30,000	1,200,000	1,500,000	2,730,000	1,930,000
Hunter Bay Partners Pty Ltd (1)	6,000,000	-	(6,000,000)	-	-
Other key management personnel					
TW Duncan	-	1,200,000	-	1,200,000	400,000

(1) Prior year financial statements disclosed 6,000,000 performance options held in Hunter Bay Partners Pty Ltd on behalf of four individuals. These performance options relate to the options disclosed in the prospectus dated 4 February 2005 and approved by shareholders in the General Meeting on 18 February 2005. As Mr John Atkinson and Mr John McGuigan are principals of Hunter Bay Partners Pty Ltd, these options held have always been disclosed as such. Upon release from their 24 month escrow period in March 2007, the options have been transferred from Hunter Bay Partners Pty Ltd into the individual names of the four beneficiaries, being Mr John Atkinson (director), Mr John McGuigan (director), Mr Ilyas Khan (director) and to a related entity of the fourth individual who is not a director of the Company.

2006				
Name	**Balance at the start of the year**	**Granted during the year as remuneration**	**Balance at the end of the year**	**Vested and Exercisable at the end of the year**
Non-executive directors of White Energy Company Limited				
J.V. McGuigan	50,000	-	50,000	50,000
I.T. Khan	-	-	-	-
Executive director of the consolidated entity				
J.C. Atkinson	30,000	-	30,000	30,000
Hunter Bay Partners Pty Ltd	6,000,000	-	6,000,000	6,000,000

No options are vested and unexercisable at the end of the year.

Note 19. Key management personnel disclosures (continued)

Share holdings

The numbers of shares in the Company held during the financial year by each director of White Energy Company Limited and other key management personnel of the consolidated entity, including their personally-related entities, are set out below. There were no shares granted during the reporting period as compensation.

2007 **Name**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Non-executive directors of White Energy Company Limited				
J.V. McGuigan	3,730,280	-	-	3,730,280
I.T. Khan (1)	-	-	-	-
Executive director of the consolidated entity				
J.C. Atkinson	3,695,144	-	-	3,695,144
Other key management personnel				
TW Duncan (2)	13,469,084	-	829,059	14,298,143
(1) Mr IT Khan is a director and minority shareholder in Techpacific.Com Digital Limited which holds 523,528 shares and in Crosby Investment Holdings Limited which holds 2,136,296 shares.				
(2) 13,114,286 shares are held in escrow until 30 June 2008.				

2006 Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Non-executive directors of White Energy Company Limited				
J.V. McGuigan	1,330,623	-	2,399,657	3,730,280
I.T. Khan (1)	-	-	-	-
Executive director of the consolidated entity				
J.C. Atkinson	1,294,973	-	2,400,171	3,695,144

(1) Mr IT Khan is a director and minority shareholder in Techpacific.Com Digital Limited which holds 623,528 shares and in Crosby Investment Holdings Limited which holds 419,400 unlisted options exercisable at $0.01, expiring on 7 July 2011. Although these options were issued on 7 July 2006, they were accounted for in the Share Based Payments Reserve at 30 June 2006 as the service was completed.

(e) Loans to key management personnel

No loans were made to any key management personnel during the year.

(f) Other transactions with key management personnel

Hunter Bay Partners Pty Ltd, a director related entity, and Hunter Bay Services Pty Limited, a director related entity, were paid $281,539 (2006: $82,066) for the provision of office accommodation, parking and the use of certain office-related facilities and services. In the year ended 30 June 2006 fees were paid for the provision of secretarial services ($12,126), no such fees were paid in the current year.

Ventnor Capital, a director related entity of Richard Monti (a director of Amerod Exploration Limited), was paid $51,461 (2006: $47,131) for the provision of mining exploration consultancy services.

Arthur Phillip, a director related entity of Richard Poole (a director of Amerod Exploration Limited) was paid $180,000 (2006: $164,860) for the provision of corporate advisory services.

Note 20. Remuneration of auditors

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
During the year the following services were paid to the auditor of the parent entity and its related practices:				
Fees paid to PricewaterhouseCoopers – Australia				
Audit and review of financial reports	**89,550**	40,254	**80,050**	34,254
Tax advice on acquisitions, group reorganisation, losses review and tax compliance	**114,639**	19,500	**114,639**	19,500
	204,189	59,754	**194,689**	53,754

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

Note 21. Commitments for expenditure

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

(a) Exploration Work

The Company has certain obligations to perform minimum exploration work and expend minimum amounts of money on its mining tenements. Obligations for the next 12 months are expected to amount to $208,000 (2006: $288,485). No estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations and, in certain instances, Native Title negotiations.

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 Company is not yet known. The Company 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 Company 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).

(b) Capital commitments

Capital expenditure contracted for at the reporting date but not recognized as liabilities is as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Property, plant and equipment				
Payable:				
Within one year	**9,782,061**	-	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	9,782,061	-	**-**	-

Note 21. Commitments for expenditure (continued)

(b) Operating leases
Commitments in relation to operating leases not provided for in the financial report and payable are as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Payable:				
Within one year	**142,056**	-	**142,056**	-
Later than one year but not later than five years	**165,732**	-	**165,732**	-
Later than five years	**-**	-	**-**	-
	307,788	-	**307,788**	-

Note 22. Related party transactions

Directors and key management personnel

a) Disclosures relating to directors and key management personnel are set out in Note 19.

b) Related parties of directors include related party entities and individuals who are considered related parties under the *Corporations Act 2001*.

c) Loans to/from related parties

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loans to:				
Subsidiaries				
Beginning of the year	**-**	-	**1,221,786**	125,344
Advances	**-**	-	**10,015,488**	1,096,442
End of the year	**-**	-	**11,237,274**	1,221,786
Loans from:				
Subsidiaries				
Beginning of the year	**-**	-	**482,286**	478,170
Advances	**-**	-	**14,993**	4,116
End of the year	**-**	-	**497,279**	482,286

d) Terms and conditions
Loans to and from subsidiaries are interest free and at call.

e) Ownership interests in related parties
Interests held in controlled entities is set out in Note 23.

Note 23. 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.

Name of entity	Country of incorporation	Class of share	Equity Holding		Cost of parent entity's investment	
			2007	2006	**2007**	2006
			%	%	**$**	$
Spike Services Pty Ltd	Australia	Ordinary	100	100	**450,000**	450,000
Spike Licenses, Inc.	United States	Ordinary	100	100	**155**	155
Amerod Exploration Ltd	Australia	Ordinary	100	100	**1,931,817**	1,931,817
Amerod Holdings Pty Ltd	Australia	Ordinary	100	100	**-**	-
White Energy Technology Limited	Australia	Ordinary	100	100	**55,278,571**	55,278,571
Binderless Coal Briquetting Company Pty Ltd	Australia	Ordinary	100	100	**-**	-
Coking BCB Pty Ltd	Australia	Ordinary	100	100	**-**	-
BCBC Pty Ltd	Australia	Ordinary	100	-	**-**	-
Amerod Resources Pty Ltd	Australia	Ordinary	100	-	**-**	-
BCBC Singapore Pte Ltd	Singapore	Ordinary	100	-	**-**	-
PT Kaltim Supacoal Singapore Pte. Ltd	Singapore	Ordinary	51	-	**-**	-
PT Kaltim Supacoal	Indonesia	Ordinary	51	-	**-**	-
Shares in controlled entities – at cost					**57,660,543**	57,660,543
Less: provision for write down to recoverable amount					**(155)**	(155)
Shares in controlled entities – at recoverable amount					**57,660,388**	57,660,388

Note 24. Deed of cross guarantee

White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd and Coking BCB 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 entity has 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.

(a) Consolidated income statement

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 a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2007 of the Closed Group consisting of White Energy Company Limited and White Energy Technology Limited.

	2007 $'000	2006 $'000
Income statement		
Revenue from continuing operations		
Other income	**1,299,152**	186,694
Employee benefits expense	**(3,675,540)**	(237,816)
Depreciation and amortisation expense	**(3,181,498)**	(5,948)
Finance costs	**(671)**	(3,128)
External advisory fees	**(2,652,303)**	(477,983)
Other expenses	**(1,904,193)**	(418,651)
Loss before income tax	**(10,115,053)**	(956,832)
Income tax expense	**-**	-
Loss for the year	**(10,115,053)**	(956,832)

(b) Summary of movements in consolidated accumulated losses

	2007 $'000	2006 $'000
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	**(55,747,160)**	(54,790,328)
Accumulated losses offset against reduction in share capital	**54,039,925**	-
Loss for the year	**(10,115,053)**	(956,832)
Accumulated losses at the end of the financial year	**(11,822,288)**	(55,747,160)

Note 24. Deed of cross guarantee (continued)

(c) Balance sheets

Set out below is a consolidated balance sheet as at 30 June 2007 of the Closed Group consisting of White Energy Company Limited, White Energy Technology Limited and its subsidiaries Binderless Coal Briquetting Company Pty Ltd and Coking BCB Pty Ltd.

	2007 $'000	2006 $'000
Current assets		
Cash and cash equivalents	**14,377,796**	6,562,698
Trade and other receivables	**6,372,344**	491,189
Total current assets	**20,750,140**	7,053,887
Non-current assets		
Other financial assets	**2,381,818**	2,381,818
Property, plant and equipment	**3,353,985**	865,082
Intangible assets	**55,729,571**	55,983,130
Total non-current assets	**61,465,374**	59,230,030
Total assets	**82,215,514**	66,283,917
Current liabilities		
Payables	**3,983,825**	1,938,474
Related party borrowings	**482,286**	3,307,287
Derivative financial instruments	**464,463**	-
Total current liabilities	**4,930,574**	5,245,761
Total liabilities	**4,930,574**	5,245,761
Net assets	**77,284,940**	61,038,156
Equity		
Contributed equity	**84,611,297**	116,472,971
Reserves	**4,495,931**	312,345
Accumulated losses	**(11,822,288)**	(55,747,160)
Total equity	**77,284,940**	61,038,156

Note 25. Events occurring after the balance sheet date

No matter or circumstance has arisen since 1 July 2007 that has significantly affected, or may significantly affect:

(a) the Company’s operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company’s state of affairs in future financial years.

Note 26. Reconciliation of (loss) after income tax to net cash outflow from operating activities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Operating (loss) after income tax	**(10,606,135)**	(985,168)	**(5,838,238)**	(956,832)
Depreciation, amortisation and write off of tenement expenditure	**3,319,924**	7,846	**36,535**	5,947
Share based payments expense	**4,260,271**	-	**4,260,271**	-
Foreign currency differences	**356,054**	-	**464,463**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/ decrease in prepayments	**(28,413)**	(30,046)	**30,046**	(30,046)
(Increase)/ decrease in other receivables	**(3,173,815)**	67,503	**(776,275)**	6,111
Increase / (decrease) in payables	**4,571,545**	171,202	**741,375**	189,158
Net cash (outflow) from operating activities	**(1,300,569)**	(768,663)	**(1,081,823)**	(785,662)

Non cash flow transactions
For the year ended 30 June 2007
During the year ended 30 June 2007 there were no non cash transactions.

For the year ended 30 June 2006
On 30 June 2006, the Company acquired White Energy Technology Limited and its subsidiaries for a total of $55,278,571 which includes a total non-cash amount $51,428,571 payable through the issue of shares. $2,600,000 of the consideration payable remains outstanding as disclosed in Note 14

Note 27. Earnings per share

	Consolidated	
	2007	**2006**
	Cents	**Cents**
Basic and diluted earnings per share	**(8.9)**	(2.5)
Weighted average number (post consolidation) of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	**117,831,896**	38,926,715

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 earnings per share.

Note 28. Share based payments

		Consolidated		Parent	
		2007	2006	**2007**	2006
		$	$	**$**	$
External advisory fees	(a)	**-**	42,345	**-**	42,345
External advisory fees	(b)	**-**	374,315	**-**	374,315
External advisory fees	(c)	**2,134,070**	-	**2,134,070**	-
Incentive option plan expense	(d)	**809,030**	-	**809,030**	-
Directors benefit expense	(e)	**866,171**	-	**866,171**	-
Total share based payment expense		**3,809,271**	416,660	**3,809,271**	416,660

Fair value of options granted

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

(a) 150,000 options were granted on 30 June 2006 for nil consideration to external advisors for services rendered during the year. Options vest immediately and are exercisable at $1.40 per option. Options at grant date have a fair value of $0.2823. Interest free rate used in the calculation of fair value was 5.75%, no expected dividend yield and with volatility of 51%. Options expire on 30 August 2009. No options have been exercised at 30 June 2007.

(b) 419,400 options were granted on 7 July 2006 for nil consideration to external advisors for services rendered during the year. Options vest immediately and are exercisable at $0.01 per option. Options at grant date have a fair value of $0.8925. Interest free rate used in the calculation of fair value was 5.75%, no expected dividend yield and with volatility of 51%. Options expire on 30 August 2011. Although these options were issued on 7 July 2006, they have been accounted for in the Share Based Payments Reserve at 30 June 2006 as the service was completed. All 419,400 options were exercised on 4 June 2007.

(c) 2,066,896 options were granted on 30 August 2006 for nil consideration to external advisors for services rendered during the year. Options vest immediately and are exercisable at $0.01 per option. Options at grant date have a fair value of $1.0325. Interest free rate used in the calculation of fair value was 5.77%, no expected dividend yield and with volatility of 47%. Options expire on 30 August 2011. 225,000 options were exercised on 23 May 2007 and 1,841,896 on 4 June 2007.

(d) Pursuant to the approval of shareholders at the Extraordinary General Meeting on 28 June 2006, 2,940,000 options were issued to employees and consultants on 29 January 2007 pursuant to the Incentive Option Plan. The Options vest in equal portions immediately on issue, on 31 August 2007 and 31 August 2008. The options are exercisable at $1.20 per option. Options at grant date have a fair value of $0.791. Interest free rate used in the calculation of fair value was 6.0%, no expected dividend yield and with volatility of 42.3%. Options expire on 30 August 2010. 570,000 options were exercised at 22 February 2007.

(e) Pursuant to the approval of shareholders at the Annual General Meeting on 27 November 2006, 2,800,000 options were issued to directors on 22 December 2006 pursuant to Service Agreements. The Options vest in equal portions immediately on issue, on 31 August 2007 and 31 August 2008. The options are exercisable at $1.20 per option. Options at grant date have a fair value of $0.495. Interest free rate used in the calculation of fair value was 6.0%, no expected dividend yield and with volatility of 38.3%. Options expire on 30 August 2010. No options have been exercised at 30 June 2007.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 16 to 58 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 Company's and consolidated entity's financial position as at 30 June 2007 and of their 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) the audited remuneration disclosures set out on pages 5 to 8 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and
(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 24 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 24.

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.

John Atkinson
Director

Sydney
27 September 2007

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

Report on the financial report and the AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of White Energy Company Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both White Energy Company Limited and the White Energy Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" on pages 5 to 8 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing 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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

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

Independence

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

Auditor's opinion on the financial report

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 company's and consolidated entity's financial position as at 30 June 2007 and of their 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,* and

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

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Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained on pages 5 to 8 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

B K Hunter
Partner

Sydney
27 September 2007

Shareholder information

The shareholder information set out below was applicable as at 14 September 2007.

A. Distribution of equity securities
Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	Options (1)	Options (2)	Options (3)	Options (4)	Options (5)
1	–	1,000	1,570	1	-	1	-	-
1,001	–	5,000	376	155	-	81	-	-
5,001	–	10,000	178	10	-	1	-	-
10,001	–	100,000	173	13	-	5	-	3
100,001	&	over	39	17	1	-	3	6
			2,336	197	1	88	3	9

Expiry date	Issue price of Shares	Number under option
(1) 30 November 2008	25.0 cents	20,813,100
(2) 30 November 2008	40.0 cents	6,000,000
(3) 30 August 2009	140.0 cents	324,688
(4) 30 August 2010	120.0 cents	2,800,000
(5) 30 August 2010	120.0 cents	2,370,000

There were 986 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted 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
National Nominees Limited	33,636,007	27.2%
Gaffwick Pty Ltd	13,114,286	10.6%
Ganra Pty Ltd	13,114,286	10.6%
Citicorp Nominees Pty Limited	9,028,885	7.3%
Bimosa Pty Ltd	6,557,143	5.3%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	4,954,152	4.0%
HSBC Custody Nominees (Australia) Limited-GSCO ECSA	4,787,647	3.9%
Greenworth Pty Ltd	4,065,362	3.3%
Clark Services Australia Pty Ltd	3,535,714	2.9%
Langley Investments Pty Ltd	3,535,714	2.9%
HSBC Custody Nominees (Australia) Limited-A/C 2	2,725,180	2.2%
Riverbend Investments Pty Ltd	2,400,171	1.9%
Sanjur Pty Limited	2,399,657	1.9%
Crosby Investment Holdings Limited	2,136,296	1.7%
Alpha Securities Pte Ltd	1,500,000	1.2%
ANZ Nominees Limited – Cash income a/c	1,232,915	1.0%
Gaffwick Pty Ltd	1,030,640	0.8%
Sanjur Pty Limited	633,183	0.5%
HSBC Custody Nominees (Australia) Limited	590,955	0.5%
Saratoga Equity Partners Limited	560,000	0.5%
	111,538,193	90.2%

Shareholder information (continued)

Unquoted equity security

	Options (1)	Options (2)	Options (3)	Options (4)	Options (5)
Number on issue	20,813,100	6,000,000	324,688	2,800,000	2,370,000
Number of holders	197	1	88	3	9
Greater than 20% Holders					
TAG Virgin Islands Inc	6,875,000	-	-	-	-
Arthur Phillip Nominees PL	-	6,000,000	-	-	-
JV McGuigan or nominee	-	-	-	1,200,000	-
JC Atkinson or nominee	-	-	-	1,200,000	-
TW Duncan or nominee	-	-	-	-	1,200,000

Expiry date	Issue price of Shares	Number under option
(1) 30 November 2008	25.0 cents	20,813,100
(2)30 November 2008	40.0 cents	6,000,000
(3) 30 August 2009	140.0 cents	324,688
(4) 30 August 2010	120.0 cents	2,800,000
(5) 30 August 2010	120.0 cents	2,370,000

C. Substantial shareholders

Substantial shareholders in the Company are set out below:

Name	Number held	Percentage
National Nominees Limited	33,636,007	27.2%
Gaffwick Pty Ltd	13,114,286	10.6%
Ganra Pty Ltd	13,114,286	10.6%
Citicorp Nominees Pty Limited	9,028,885	7.3%
Bimosa Pty Ltd	6,557,143	5.3%

D. Statement on use of funds in accordance with ASX Listing Rule 4.10.19

The Company's primary reason for raising funds under its prospectus dated 21 June 2006 was to complete the acquisition of White Energy Technology Limited and issue the options to the participants in the Share Purchase Plan. During the period from admission to 30 June 2007, the Company used the funds raised in accordance with this purpose and continues to do so.

E. Restricted Securities

At 30 June 2007 and 14 September 2007, the Company has 17,914,114 ordinary shares held as restricted securities. The restriction on these securities ends on 30 June 2008.

F. Voting rights

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

(a) 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.

(b) Options
No voting rights.

Information and services

Directors	J.V. McGuigan *Chairman* J.C. Atkinson *Executive Director* I.T. Khan *Non-executive Director*
Company Secretary	David Franks
Principal registered office	Level 5, Grafton Bond Building 201 Kent St Sydney NSW 2000 Telephone: (02) 9251 1311 Facsimile: (02) 9251 1638
Share registry/Principal register	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Telephone: (02) 8234 5222 Facsimile: (02) 8234 5050
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street Sydney NSW 2000
Solicitors	Baker & McKenzie AMP Centre 50 Bridge Street Sydney NSW 2000 Steinpreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000
Bankers	Commonwealth Bank of Australia 48 Martin Place Sydney NSW 2000
Stock exchange listing	White Energy Company Limited shares are listed on the Australian Stock Exchange.
Website address	www.whiteenergyco.com