

# White Energy Company Limited

ABN 62 071 527 083

## Interim Financial Report

As at 31 December 2007

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by White Energy Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## **Directors' report**

The directors present their report on the consolidated entity, consisting of White Energy Company Limited (“the Company” or “White Energy”) and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

### **Directors**

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

J.V. McGuigan

J.C. Atkinson

I.T. Khan

### **Review of Operations**

The consolidated entity's loss from ordinary activities was \$6,689,943 (2006: \$3,958,054). This includes the following major non-cash items of expense: amortisation of the coal technology licence fee of \$1,572,480, provision for employee share-based payments of \$824,907, interest accrued on convertible notes of \$740,625 and depreciation of \$98,267. After these non-cash expenses are added back the resultant cash loss is \$3,453,664. Included in this cash loss are \$2,144,621 of costs related to capital raising and marketing activities, plant design and direct costs associated with specific projects.

Comments on the operations and the results of those operations are set out below:


- a) Revenue includes \$883,272 interest earned on the consolidated entity's cash deposits.
- b) The Company continues to make progress on all aspects relating to the construction of the 1,000,000 tonne per annum Binderless Coal Briquetting Plant at Bayan's Tabang Mine in East Kalimantan Indonesia, through the joint venture vehicle PT Kaltim Supacoal of which White Energy has a 51% interest.
- c) The Company entered into a five year strategic alliance with PT Thiess Contractors Indonesia (“Thiess”), whereby Thiess will provide engineering design, procurement and construction services for the development of Binderless Coal Briquetting plants based on the Company's designs. In addition, Thiess will provide ongoing operation and maintenance services at those plants.
- d) The Company is in the final stages of completion of its first production module (90,000 tonne per annum capacity) in Cessnock, NSW. This module will be used for development, research and commercial purposes and will be commissioned during April 2008.
- e) During October 2007 the Company raised \$45,000,000 through a Convertible Note issue as approved by shareholders at the Annual General Meeting on 30 November 2007. The Notes are convertible into ordinary shares at \$3.44 per share. The Convertible Notes are unsecured with an annual yield of 7.90% maturing in October 2012. Noteholders can elect to redeem some or all of their notes at the end of the third year.
- f) The Company formally completed all aspects of the transaction with the BHP Billiton Group, providing for a US\$35 million seven year unsecured convertible funding facility to be used in the global roll-out of the Company's patented technology. This also includes the appointment of BHP Billiton Marketing AG as the Company's exclusive marketing agent for export coal produced via White Energy's upgrading coal process. During February 2008, the Company drew down the first US\$10,000,000 of funds available under the BHP facility.
- g) During March 2008, the Company announced the appointment of Judith A. Tanselle as President of its North American operations. The Company has since established a representative office in Washington DC as it seeks to capitalise on the significant opportunities available in this market.
- h) During March 2008, the Company signed a Development Agreement in North America with NRG Power Marketing LLC and Buckskin Mining Company, the first phase of which relates to the completion of a joint funded feasibility study to evaluate the economic, technical and logistical viability of constructing a plant capable of producing at least 1,000,000 tonnes of upgraded coal briquettes at the Buckskin mine in Wyoming, USA.
- i) The Company continued work on its exploration projects during the period with an exploration licence granted in September 2007 for Bridgetown 70/2856.
- j) Amortisation of the Coal Technology Licence for the half-year totalled \$1,572,480.

**Directors' report (continued)**

**Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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



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John Atkinson  
Director

Sydney  
13 March 2008

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## Auditor's Independence Declaration

As lead auditor for the review of White Energy Company Limited for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



B K Hunter  
Partner

Sydney  
13 March 2008

**White Energy Company Limited**  
**Consolidated Income statement**  
**For the half-year ended 31 December 2007**

	Half-year	
	2007	2006
	\$	\$
<b>Revenue from continuing operations</b>	<b>1,238,573</b>	439,352
Accounting and audit fees	(23,946)	(86,815)
Employee benefits expense	(2,623,461)	(1,334,705)
Depreciation and amortisation	(1,670,747)	(1,577,929)
Finance costs	(740,748)	(565)
External advisory fees	(1,636,998)	(516,257)
Write-off of deferred exploration costs	-	(120,227)
Occupancy expenses	(441,844)	(205,154)
Travel	(628,026)	(171,451)
Other expenses	(162,746)	(384,303)
	<b>(6,689,943)</b>	(3,958,054)
<b>(Loss) before income tax</b>		
Income tax expense	-	-
	<b>(6,689,943)</b>	(3,958,054)
<b>Net (loss) for the half year</b>		
<b>Loss is attributable to:</b>		
Equity holders of White Energy Company Limited	(6,335,552)	(3,958,054)
Minority interest	(354,391)	-
	<b>(6,689,943)</b>	(3,958,054)
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	<b>(5.1)</b>	<b>(3.3)</b>

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

**White Energy Company Limited**  
**Consolidated Balance sheet**  
**As at 31 December 2007**

	Notes	31 December 2007 \$	30 June 2007 \$
<b>Current assets</b>			
Cash and cash equivalents		55,225,393	15,072,474
Trade and other receivables		1,321,135	3,338,334
Inventory		222,818	-
<b>Total current assets</b>		<b>56,769,346</b>	<b>18,410,808</b>
<b>Non-current assets</b>			
Property, plant and equipment		18,385,169	9,377,974
Exploration assets		2,464,939	2,374,018
Intangible assets		54,401,154	55,729,571
<b>Total non-current assets</b>		<b>75,251,262</b>	<b>67,481,563</b>
<b>Total assets</b>		<b>132,020,608</b>	<b>85,892,371</b>
<b>Current liabilities</b>			
Trade and other payables		15,934,002	7,958,841
Derivative financial instruments		109,709	464,463
<b>Total current liabilities</b>		<b>16,043,711</b>	<b>8,423,304</b>
<b>Non-current liabilities</b>			
Borrowings	3	44,075,000	-
<b>Total non-current liabilities</b>		<b>44,075,000</b>	<b>-</b>
<b>Total liabilities</b>		<b>60,118,711</b>	<b>8,423,304</b>
<b>Net assets</b>		<b>71,901,897</b>	<b>77,469,067</b>
<b>Equity</b>			
Contributed equity	4	86,134,740	84,611,297
Reserves		4,462,162	4,440,642
Accumulated losses		(18,486,163)	(12,150,611)
Parent entity interest		72,110,739	76,901,328
Minority interest		(208,842)	567,739
<b>Total Equity</b>		<b>71,901,897</b>	<b>77,469,067</b>

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

**White Energy Company Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2007**

<b>Consolidated</b>	<b>Attributable to members of White Energy Company Limited</b>				<b>Minority interest</b>	<b>Total equity</b>
	<b>Contributed equity</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total</b>		
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	<b>84,611,297</b>	<b>4,440,642</b>	<b>(12,150,611)</b>	<b>76,901,328</b>	<b>567,739</b>	<b>77,469,067</b>
Movement	-	-	-	-	-	-
Loss for the half-year	-	-	(6,335,552)	(6,335,552)	(354,391)	(6,689,943)
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>(6,335,552)</b>	<b>(6,335,552)</b>	<b>(354,391)</b>	<b>(6,689,943)</b>
Contributions of equity, net of transaction costs	1,523,443	-	-	1,523,443	-	1,523,443
Share based payment	-	460,942	-	460,942	-	460,942
Exchange differences on translation of foreign operation	-	(439,422)	-	(439,422)	(422,190)	(861,612)
<b>Balance at 31 December 2007</b>	<b>86,134,740</b>	<b>4,462,162</b>	<b>(18,486,163)</b>	<b>72,110,739</b>	<b>(208,842)</b>	<b>71,901,897</b>

<b>Consolidated</b>	<b>Attributable to members of White Energy Company Limited</b>				<b>Minority interest</b>	<b>Total equity</b>
	<b>Contributed equity</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total</b>		
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	<b>116,472,971</b>	<b>686,660</b>	<b>(55,745,040)</b>	<b>61,414,591</b>	<b>-</b>	<b>61,414,591</b>
Movement	-	-	-	-	-	-
Loss for the half-year	-	-	(3,958,054)	(3,958,054)	-	(3,958,054)
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>(3,958,054)</b>	<b>(3,958,054)</b>	<b>-</b>	<b>(3,958,054)</b>
Contributions of equity, net of transaction costs	20,898,477	-	-	20,898,477	-	20,898,477
Offsetting accumulated losses and issued capital	(54,039,925)	-	54,039,925	-	-	-
Share based payments	-	2,946,280	-	2,946,280	-	2,946,280
<b>Balance at 31 December 2006</b>	<b>83,331,523</b>	<b>3,632,940</b>	<b>(5,663,169)</b>	<b>81,301,294</b>	<b>-</b>	<b>81,301,294</b>

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

**White Energy Company Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2007**

	<b>Half-year</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow from operating activities</b>		
Receipts from customers (inclusive of goods & services tax)	2,333,947	-
Payments to suppliers and employees (inclusive of goods & services tax)	(5,678,851)	(3,085,948)
Interest received	750,756	439,352
Interest paid	(123)	(565)
<b>Net cash outflows from operating activities</b>	<b>(2,594,271)</b>	<b>(2,647,161)</b>
<b>Cash flows from investing activities</b>		
Loans from/(to) to related entities	6,953,158	(77,203)
Payments for purchase of subsidiaries (net of cash acquired)	-	(2,600,000)
Payments for exploration assets	(90,921)	(91,251)
Payments for property, plant and equipment	(9,105,462)	(2,424,721)
Payments for intangibles – detailed design	(244,063)	-
<b>Net cash outflows from investing activities</b>	<b>(2,487,288)</b>	<b>(5,193,175)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	1,159,478	23,065,995
Proceeds from convertible notes issue	45,000,000	-
Costs of convertible notes issue	(925,000)	(33,448)
<b>Net cash inflows from financing activities</b>	<b>45,234,478</b>	<b>23,032,547</b>
<b>Net increase in cash and cash equivalents</b>	<b>40,152,919</b>	<b>15,192,211</b>
Cash and cash equivalents at the beginning of the half-year	15,072,474	6,564,354
<b>Cash and cash equivalents at the end of the half-year</b>	<b>55,225,393</b>	<b>21,756,565</b>

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

**White Energy Company Limited**  
**Notes to the financial statements**  
**31 December 2007**

**1. Basis of preparation of half-year report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by White Energy Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

**2. Segment Information**

**(a) Primary reporting format – business segments**

<b>Half year 2007</b>	<b>Coal Technology \$</b>	<b>Mining \$</b>	<b>Unallocated \$</b>	<b>Total \$</b>
<b>Total segment revenue</b>	570	10	1,237,993	1,238,573
<b>Total segment expenses</b>	<u>(3,135,800)</u>	<u>(10,008)</u>	<u>(4,782,708)</u>	<u>(7,928,516)</u>
<b>Loss before tax</b>	<u>(3,135,230)</u>	<u>(9,998)</u>	<u>(3,544,715)</u>	<u>(6,689,943)</u>
<b>Half year 2006</b>	<b>Coal Technology \$</b>	<b>Mining \$</b>	<b>Unallocated \$</b>	<b>Total \$</b>
Total segment revenue	-	-	439,352	439,352
Total segment expenses	<u>(404,092)</u>	<u>(125,371)</u>	<u>(3,867,943)</u>	<u>(4,397,406)</u>
Loss before tax	<u>(404,092)</u>	<u>(125,371)</u>	<u>(3,428,591)</u>	<u>(3,958,054)</u>

**White Energy Company Limited**  
**Notes to the financial statements**  
**31 December 2007**

**3. Non-current liabilities – Borrowings**

	2007 \$	2006 \$
Convertible notes	45,000,000	-
Less: cost of convertible notes issue	(925,000)	-
Closing balance 31 December	<u>44,075,000</u>	<u>-</u>

During October 2007 the company raised \$45,000,000 of funds through a convertible notes issue as approved by shareholders at the Annual General Meeting on 30 November 2007. The Notes are convertible into ordinary shares at \$3.44 per share. The Convertible Notes are unsecured with an annual yield of 7.90% maturing in October 2012. Noteholders can elect to redeem some or all of their notes at the end of the third year.

Costs relating to the convertible notes issue will be amortised over a 3 year period.

**4. Equity securities issued**

	2007 Shares	2006 Shares	2007 \$	2006 \$
Opening balance at 30 June:	123,632,586	95,961,051	84,611,297	116,472,971
Issues of ordinary shares during the half-year:				
Issue of shares, net of transaction costs	2,143,436	24,151,333	1,523,443	20,898,477
Reduction of capital	-	-	-	(54,039,925)
Closing balance 31 December	<u>125,776,022</u>	<u>120,112,384</u>	<u>86,134,740</u>	<u>83,331,523</u>

**5. Events occurring after the balance sheet date**

On 15 February 2008 the Company drew down the first US\$10,000,000 on the BHP convertible funding facility. These funds will be used for general working capital purposes and to pursue available opportunities in new markets.

On 4 March 2008 the Company announced the appointment of Judith A. Tanselle as the President of its North American operations. The appointment occurs as White Energy looks to ramp-up its North American presence, and capitalize on the opportunities available working with American coal producers in the Powder River Basin, to produce a cleaner, more energy efficient coal product from their vast sub-bituminous coal reserves.

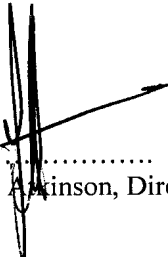
On 12 March 2008 the Company announced the signing of a Development Agreement in North America with NRG Power Marketing LLC and Buckskin Mining Company, the first phase of which relates to the completion of a joint funded feasibility study to evaluate the economic, technical and logistical viability of constructing a plant capable of producing at least 1,000,000 tonnes of upgraded coal briquettes at the Buckskin mine in Wyoming, USA.

**Directors' Declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 9 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that White Energy Company Limited will be able to pay its debts as and when they become due and payable.

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

  
.....  
John Atkinson, Director

Sydney  
13 March 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**to the members of White Energy Company Limited**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of White Energy Company Limited, which comprises the balance sheet as at 30 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the White Energy Company Limited Group (the consolidated entity). The consolidated entity comprises both White Energy Company Limited (the company) and the entities it controlled during that half-year.

***Directors' Responsibility for the Half-Year Financial Report***

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

***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of White Energy Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

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

*Independence*

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

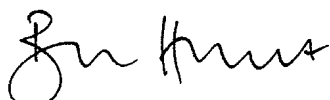
*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



B K Hunter  
Partner

Sydney  
13 March 2008