White Energy Company Limited ABN 62 071 527 083

Interim Financial Report

31 December 2017

Contents

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 2017 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

Your Directors present their report on the consolidated entity (**the Group**), 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 2017.

Directors

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

Travers Duncan

Brian Flannery

Graham Cubbin

Vincent O'Rourke

Terence Crawford

The Company Secretary is David Franks, a position he has held the whole of the half-year and up to the date of this report.

Review of operations

Coal mining and exploration: Mountainside Coal Company, Inc. (**MCC**) (51% interest- discontinued operation)

MCC coal mining operations in Kentucky, USA generated $2,436,000 in coal sales revenue in the six months to December 2017. Coal production resumed in mid-August for a seven month period at the Flag Ridge mine with auger operations commencing in late September, and first coal being delivered in September 2017. The coal being produced from the Dean seam has been contracted for sale as thermal coal. The site will be progressively backfilled, graded and hydro-seeded. MCC's personnel are currently planning for future mining activities.

MCC currently has additional permits in various stages of approval and many acres containing low ash Blue Gem coal resources in Kentucky that are in the initial permitting phase. MCC continues to advance the permitting process and additional leases are being sought as mine plans for new areas are progressed.

Reclamation activity continues, with applications being made for bond releases as rehabilitation work in each area is completed. The reclamation activities resulted in the release of $1.0 million of cash held as security in the six months to December 2017.

In April 2017, White Energy announced that it would seek to sell its 51% interest in MCC. Five parties have been shortlisted and currently negotiations to purchase the Group's interest are continuing.

BCB Coal Technology: River Energy (51% interest)

White Energy's 51%-owned subsidiary, River Energy South Africa Pty Ltd (**River Energy**), through joint venture partner Proterra Investment Partners (49%), is in discussion with a number of South African coal miners interested in the Group's Binderless Coal Briquetting (**BCB**) technology.

Extensive testing by River Energy, including successful briquetting and combustion trials, has previously demonstrated that a saleable export grade coal product can be produced from South African reject tailings. The management of River Energy are pursuing opportunities on mine sites in South Africa to secure access to fine coal to support BCB projects.

Directors' report (continued)

Review of operations (continued)

Management continue to actively pursue opportunities globally to briquette discarded coal fines which currently represent an environmental liability to miners. Application of the BCB technology could provide an opportunity for miners to convert waste coal fines into a saleable product.

Coal samples from a Chinese company are expected to be tested at the Company's Cessnock demonstration and pilot plants during this year.

White Energy and its 49% joint venture partner in River Energy are currently considering alternative ownership and funding structures for River Energy's BCB and coal fine beneficiation businesses in South Africa.

Coal and minerals exploration: South Australian Coal (EL5719)

Activity in EL5719 during the period was focussed on examining coal gasification opportunities and planning for future exploration activities.

EL5719 lies entirely within the Olympic Dam G9 Structural Corridor. Previous drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines.

Legal Dispute

On 25 July 2017, the Singapore International Commercial Court (**SICC**) released its judgement in relation to the second tranche of the legal proceedings initiated by subsidiaries of White Energy, BCBC Singapore Pte Ltd (**BCBCS**) and Binderless Coal Briquetting Company Pty Limited, against PT Bayan Resources Tbk and Bayan International Pte Ltd (**Bayan**) relating to the KSC joint venture in Indonesia. The SICC found in favour of BCBCS White Energy on substantially all of the matters considered.

Not unexpectedly, a notice of appeal against substantially the whole of the SICC's findings against Bayan in the second tranche judgement was subsequently filed by Bayan on 23 August 2017. The appeal was heard on 7 to 8 February 2018 in Singapore, by three international judges. The judgement has been reserved.

The White Energy Group had invested over US$110 million in the Tabang project in Indonesia up until 2012 when Bayan repudiated the joint venture. Substantial legal costs have also been incurred in relation to the proceedings to recover damages from Bayan.

After the appeal judgement, White Energy will prepare for the third tranche of the proceedings, seeking damages and costs.

General corporate

The Group has no corporate debt. Non-recourse shareholder loans provided to the Group's 51% owned operations in the USA and South Africa by both White Energy and the minority shareholders in proportion to their ownership interests are repayable in January 2019.

Unsecured loan facilities provided by two of the Company's directors were put in place during the half-year for general working capital requirements while the Company waits for the settlement proceeds from the sale of MCC. The facilities of up to $1 million each have been provided by Brian Flannery and Travers Duncan, each being a director and substantial shareholder of the Company. The loans are repayable within one year after they are advanced or on demand.

Directors' report (continued)

Review of operations (continued)

Financial position and results for the half-year

The Group had cash reserves excluding restricted cash of $1,258,000 (30 June 2017: $3,216,000). The Group had restricted cash of $2,000,000 (30 June 2017: $2,000,000).

The total assets balance decreased from $55,242,000 at 30 June 2017 to $50,944,000 as at 31 December 2017, largely as a result of the losses derived by the Company and its subsidiaries.

The increase in liabilities from $80,330,000 to $82,493,000 predominantly reflects the additional loans provided by the Group's minority shareholders for their share of the ongoing working capital requirements of MCC and River Energy, and the drawdown of loans in the amount of $500,000 each provided by two directors.

The Consolidated Entity's net loss before tax for the half-year ended 31 December 2017 was $7,116,000 (2016: $13,674,000). The Company's adjusted normalised EBITDA loss for the half-year ended 31 December 2017 was $2,733,000 (2016: $4,246,000). The improvement in normalised EBITDA from the comparative period in 2016 is primarily due to the introduction of cost reduction initiatives across the Group. The normalised EBITDA loss has been determined as follows:

	Half-year	
	31 December 2017 $'000	31 December 2016 $'000
Consolidated entity net loss for the half-year before income tax	**(7,116)**	(13,674)
Non-cash expenses / (income):		
Depreciation / amortisation	**1,552**	5,060
Impairment expense	**-**	-
Share-based payments	**-**	308
Other	**(10)**	(37)
Sub-total – non-cash expenses	**1,542**	5,331
Other significant items:		
Finance costs	**1,650**	1,871
Legal costs – litigation	**414**	1,169
Sub-total – other significant items	**2,064**	3,040
Consolidated entity adjusted normalised EBITDA	**(3,510)**	(5,303)
Non-controlling interests share of normalised EBITDA	**777**	1,057
White Energy adjusted normalised EBITDA	**(2,733)**	(4,246)

Directors' report (continued)

Review of operations (continued)

Normalised EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (**AAS**) and represents the profit under AIFRS adjusted for specific significant items. The table above summarises key items between statutory loss before tax and normalised EBITDA. The Directors use normalised EBITDA to assess the performance of the Company. The Consolidated Entity's adjusted normalised EBITDA ($3,510,000) reconciles to the segment information EBITDA result for the year ($3,924,000) disclosed on page 12, after adding back litigation costs ($414,000) which are included in the segment expenses line item.

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

Going concern

Management has prepared a cash flow forecast for the next 12 months from the date of this report which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

The Directors believe that the Group will be able to continue as a going concern on the condition that it will have access to additional funds in the next 12 months. In this regard it should be noted that the Group's external debt comprises limited-recourse shareholder loans, related party loans from key management personnel, trade payables, equipment leases and provisions incurred in the ordinary course of business. The Directors are considering a number of actions for raising additional funds, including from one or more of the following sources:

(1) Asset sales: The Group is currently running a sale process for its 51% interest in Mountainside Coal Company Inc. Five interested parties have been shortlisted and currently negotiations to purchase the Group's interest are continuing;

(2) Additional equity funds: As previously foreshadowed, the Company plans to raise additional equity funds for the ongoing activities of the Group, as required. The Company has been successful in raising equity funds through the issue of new shares in the past;

(3) Debt funding for capital projects : The Directors believe, based on past experience, that they can raise third party debt financing to part fund any future project capital expenditure requirements;

(4) Loans from minority shareholders : The Group's 51% owned subsidiaries, Mountainside Coal Company Inc., River Energy JV Ltd and River Energy JV UK Limited continue to have access to funds from their 49% minority shareholder under existing shareholder loan agreements (in conjunction with WEC's 51% contributions) to enable them to meet their debts as and when they fall due; and

(5) Short term loans from related parties: Amounts totalling $1,000,000 have been received as at 31 December 2017 from two directors (refer note 16(a)). These two loan facilities have an unutilised amount of $1,000,000. After 31 December 2017, two further loan facilities totalling $1,000,000 have been provided by the same two directors (refer note 21).

These conditions give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Group may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

However the Directors believe that the Group will be successful in raising funds through one or more of the above actions and that the Group will be able to realise its assets and settle its debts as and when they fall due

Directors' report (continued)

Review of operations (continued)

and payable in the normal course of business, and accordingly have prepared the financial statements on a going concern basis.

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

The Group's independent auditor's report for the half-year ended 31 December 2017 contains an emphasis of matter paragraph drawings member's attention to the contents of note 2 of the accompanying financial statements which deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent auditor's report is included with the accompanying financial statements for the half-year ended 31 December 2017.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, relating to the ''rounding off'' of amounts in the Directors' Report. Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Brian Flannery
Managing Director

Brisbane
9 March 2018

Auditor's Independence Declaration

As lead auditor for the review of White Energy Company Limited for the half-year ended 31 December 2017, 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.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
9 March 2018

White Energy Company Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2017

	Notes	**2017 $'000**	2016 $'000
Revenue	4	**437**	715
Foreign exchange gain		**10**	37
Accounting, tax and audit fees		**(143)**	(165)
Employee benefits expense		**(1,402)**	(2,745)
Depreciation and amortisation expense	5	**(1,552)**	(3,019)
Finance costs		**(812)**	(825)
External advisory fees	5	**(597)**	(1,559)
Occupancy expenses		**(152)**	(166)
Travel expenses		**(73)**	(176)
Plant operating costs		**(27)**	(101)
Other expenses		**(271)**	(777)
Loss before income tax for the half-year		**(4,582)**	(8,781)
Income tax credit		**-**	-
Net loss for the half-year from continuing operations		**(4,582)**	(8,781)
Loss from discontinued operations after tax	6	**(2,534)**	(4,893)
Net loss for the half-year		**(7,116)**	(13,674)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**655**	(868)
Total other comprehensive income for the half-year		**655**	(868)
Total comprehensive loss for the half-year		**(6,461)**	(14,542)
Net loss is attributable to:			
Owners of White Energy Company Limited		**(4,360)**	(8,880)
Non-controlling interests		**(2,756)**	(4,794)
Total loss for the half-year		**(7,116)**	(13,674)
Total comprehensive loss is attributable to:			
Owners of the Company, from:			
- Continuing operations		**(2,765)**	(8,734)
- Discontinued operations		**(1,911)**	(190)
		(4,676)	(8,924)
Non-controlling interests		**(1,785)**	(5,618)
Total comprehensive loss for the half-year		**(6,461)**	(14,542)
Basic and diluted loss per share attributable to ordinary equity holders of the Company:		**Cents**	Cents
On loss from continuing operations		**(1.09)**	(2.07)
On net loss		**(1.33)**	(2.70)

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

White Energy Company Limited
Consolidated balance sheet
As at 31 December 2017

	Notes	31 December 2017 $'000	30 June 2017 $'000
Current assets			
Cash and cash equivalents		**1,258**	3,216
Trade and other receivables	7	**942**	1,418
Inventories	8	**-**	-
		2,200	4,634
Assets classified as held for sale	9	**22,880**	23,266
Total current assets		**25,080**	27,900
Non-current assets			
Restricted cash	10	**2,000**	2,000
Property, plant and equipment	11	**1,376**	1,929
Exploration assets	12	**10,286**	10,213
Intangible assets	13	**12,202**	13,200
Total non-current assets		**25,864**	27,342
Total assets		**50,944**	55,242
Current liabilities			
Trade and other payables	14	**7,012**	7,671
Provisions	15	**160**	143
Other payables	16	**1,007**	-
		8,179	7,814
Liabilities of disposal group held for sale	9	**39,166**	37,350
Total current liabilities		**47,345**	45,164
Non-current liabilities			
Provisions	15	**238**	254
Other payables	16	**34,910**	34,912
Total non-current liabilities		**35,148**	35,166
Total liabilities		**82,493**	80,330
Net liabilities		**(31,549)**	(25,088)
Equity			
Contributed equity	17	**493,476**	493,476
Reserves	18	**(12,475)**	(12,159)
Accumulated losses		**(468,593)**	(464,233)
Total equity attributable to owners of White Energy Company Limited		**12,408**	17,084
Non-controlling interests		**(43,957)**	(42,172)
Total equity		**(31,549)**	(25,088)

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

	Attributable to the owners of White Energy Company Limited					
	Contributed equity	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	\$'000	**\$'000**	**\$'000**	**\$'000**	**\$'000**	**\$'000**
Balance at 1 July 2016	**493,476**	**(12,497)**	**(428,904)**	**52,075**	**(35,056)**	**17,019**
Loss for the half-year	-	-	(8,880)	(8,880)	(4,794)	(13,674)
Other comprehensive income	-	(44)	-	(44)	(824)	(868)
Total comprehensive loss for the half-year	**-**	**(44)**	**(8,880)**	**(8,924)**	**(5,618)**	**(14,542)**
Transactions with owners in their capacity as owners						
Share based payments	-	308	-	308	-	308
	-	**308**	**-**	**308**	**-**	**308**
Balance at 31 December 2016	**493,476**	**(12,233)**	**(437,784)**	**43,459**	**(40,674)**	**2,785**
Balance at 1 July 2017	**493,476**	**(12,159)**	**(464,233)**	**17,084**	**(42,172)**	**(25,088)**
Loss for the half-year	-	-	(4,360)	(4,360)	(2,756)	(7,116)
Other comprehensive income	-	(316)	-	(316)	971	655
Total comprehensive income / (loss) for the half-year	**-**	**(316)**	**(4,360)**	**(4,676)**	**(1,785)**	**(6,461)**
Transactions with owners in their capacity as owners						
Share based payments	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2017	**493,476**	**(12,475)**	**(468,593)**	**12,408**	**(43,957)**	**31,549**

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

White Energy Company Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2017

	2017	2016
	$'000	$'000
Cash flow from operating activities		
Receipts from customers (inclusive of goods and services tax)	**2,268**	6,925
Payments to suppliers and employees (inclusive of goods and services tax)	**(7,259)**	(14,397)
	(4,991)	(7,472)
Interest received	**12**	46
Receipts from certificates of deposit restricted for bonds	**959**	692
Net cash outflow from operating activities	**(4,020)**	(6,734)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**183**	6,387
Payments for exploration assets	**(116)**	(256)
Payments for property, plant and equipment	**(133)**	(18)
Net cash (outflow) / inflow from investing activities	**(66)**	6,113
Cash flows from financing activities		
Proceeds from shareholder loans	**1,478**	994
Proceeds from related party loans	**1,000**	-
Repayment of shareholder loans	**(314)**	-
Finance charges paid	**(10)**	(161)
Finance lease payments	**-**	(11)
Net cash inflow from financing activities	**2,154**	822
Net (decrease) / increase in cash and cash equivalents	**(1,932)**	201
Cash and cash equivalents at the beginning of the half-year	**3,311**	6,557
Reclassification of cash of disposal groups held for sale	**(109)**	(230)
Effect of exchange rate changes on cash and cash equivalents	**(12)**	91
Cash and cash equivalents at the end of the half-year	**1,258**	6,619

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

Note 1. Segment Information

(a) Description of segments

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

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

The coal technology segment has the exclusive licence to patented BCB technology developed by the consortia led by CSIRO which processes relatively poor quality coal into a higher quality product.

The coal mining segment reports the financial results of Mountainside Coal Company Inc. (**MCC**), which operates a series of coal mines in the USA. The Group commenced a process for the sale of MCC in June 2017. The MCC coal mining operations are reported as a discontinued operation in the periods ended 30 June 2017 and 31 December 2017 with the 2016 comparatives reclassified.

The mining exploration segment holds tenements near Coober Pedy, South Australia.

The property segment reflects the agricultural activities of Ingomar Station which operated as a working cattle and sheep property until it was sold in 2016. Although the property segment does not meet the quantitative thresholds required by AASB 8, management has concluded that this segment should be reported, as it was monitored by the Board of Directors and has contributed to the Group's revenue. The property operations are reported as a discontinued operation in the periods ended 30 June 2017 and 31 December 2017.

The Group's business sectors operate in five main geographical areas:

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

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

(iii) *South Africa and Mauritius (**South Africa**)*: The area of operation is the coal technology business line in the South African market.

(iv) *United States (**USA**)*: Operating a series of coal mines and the coal technology business line in the North American market.

(v) *United Kingdom (**UK**)*: An investment holding company which owns MCC.

Note 1. Segment Information (continued)

(b) Segment information provided to the Board of Directors

The Board of Directors regularly reviews the financial performance of the Group for the reportable segments below. The Board does not review assets and liabilities of each segment.

Half-year	**Coal technology**				**Mining exploration**	**Property**	**Coal mining**		**Inter-company**	**Total**
2017	**Australia**	**Asia**	**South Africa**	**USA**	**Australia**	**Australia**	**USA**	**UK**		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total income	4,066	-	103	-	-	-	2,420	140	(3,872)	2,857
Total expenses	(2,396)	(21)	(388)	-	(1)	-	(4,115)	(156)	296	(6,781)
EBITDA (*)	**1,670**	**(21)**	**(285)**	**-**	**(1)**	**-**	**(1,695)**	**(16)**	**(3,576)**	**(3,924)**
Depreciation	(554)	-	-	-	-	-	-	-	-	(554)
Amortisation	(998)	-	(293)	-	-	-	-	(289)	582	(998)
Interest expense	(14)	-	(563)	(1,040)	-	-	(1,872)	(989)	2,828	(1,650)
Foreign exchange gains / (losses)	11	(3)	(1)	-	-	-	-	-	3	10
Discontinued operations	-	-	-	-	-	-	3,567	-	(1,033)	2,534
Loss before income tax (*)	**115**	**(24)**	**(1,142)**	**(1,040)**	**(1)**	**-**	**-**	**(1,294)**	**(1,196)**	**(4,582)**
Revenues from:										
External customers	324	-	-	-	-	-	2,420	-	-	2,744
Other segments	3,732	-	-	-	-	-	-	140	(3,872)	-
Interest revenue	10	-	103	-	-	-	-	-	-	113

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

Note 1. Segment Information (continued)

Half-year	Coal technology				Mining exploration	Property	Coal mining		Inter-company	Total
2016	Australia	Asia	South Africa	USA	Australia	Australia	USA	UK		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total income	4,469	-	8	-	-	-	5,774	144	(3,906)	6,489
Total expenses	(4,534)	(18)	(854)	(29)	(1)	(190)	(7,390)	(201)	257	(12,960)
EBITDA (*)	**(65)**	**(18)**	**(846)**	**(29)**	**(1)**	**(190)**	**(1,616)**	**(57)**	**(3,649)**	**(6,471)**
Depreciation	(902)	-	(201)	-	-	-	(2,031)	-	7	(3,127)
Amortisation	(1,923)	-	(315)	-	-	-	(10)	(903)	1,218	(1,933)
Interest expense	(4)	-	(594)	(1,073)	-	-	(2,095)	(1,015)	2,910	(1,871)
Other expenses	(308)	-	(1)	-	-	-	-	-	-	(309)
Foreign exchange gains / (losses)	40	(50)	(1)	-	-	-	-	(2)	50	37
Discontinued operations	-	-	-	-	-	190	5,752	-	(1,049)	4,893
Loss before income tax (*)	**(3,162)**	**(68)**	**(1,958)**	**(1,102)**	**(1)**	**-**	**-**	**(1,977)**	**(513)**	**(8,781)**
Revenues from:										
External customers	665	-	7	-	-	-	5,774	-	-	6,446
Other segments	3,762	-	-	-	-	-	-	144	(3,906)	-
Interest revenue	42	-	1	-	-	-	-	-	-	43

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

Note 2. Going concern

As outlined in the Directors' report, the Group recorded a total comprehensive loss for the half-year period ending 31 December 2017 of $6,461,000 (2016: $14,542,000), had net cash outflows from operations of $4,020,000 (2016: $6,734,000) and a cash balance excluding restricted cash of $1,258,000 ($3,216,000 as at 30 June 2017). The Group's current liabilities exceed its current assets by $22,265,000 ($17,264,000 as at 30 June 2017). In this regard it should be noted that the Group's external debt comprises limited-recourse shareholder loans, related party loans from key management personnel, trade payables, equipment leases and provisions incurred in the ordinary course of business. The Group has prepared a cash flow forecast to 31 March 2019, which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

These conditions give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Group may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

Note 2. Going concern (continued)

However the Directors believe that the Group will be able to continue as a going concern on the condition that it will have access to additional funds in the next 12 months. The Directors are considering a number of actions for raising additional funds, including from one or more of the following sources:

(1) Additional Asset sales: The Group is currently running a sale process for its 51% interest in Mountainside Coal Company Inc. Five interested parties have been shortlisted and currently negotiations to purchase the Group's interest are continuing;

(2) Additional equity funds: As previously foreshadowed, the Company plans to raise additional equity funds for the ongoing activities of the Group, as required. The Company has been successful in raising equity funds through the issue of new shares in the past;

(3) Debt funding for capital projects: The Directors believe, based on past experience, that they can raise third party debt financing to part fund any future project capital expenditure requirements;

(4) Loans from minority shareholders: The Group's 51% owned subsidiaries, Mountainside Coal Company Inc., River Energy JV Ltd and River Energy JV UK Limited continue to have access to funds from their 49% minority shareholder under existing shareholder loan agreements (in conjunction with WEC's 51% contributions) to enable them to meet their debts as and when they fall due; and

(5) Short term loans from related parties: Amounts totalling $1,000,000 have been received as at 31 December 2017 from two directors (refer note 16(a)). These two loan facilities have an unutilised amount of $1,000,000. After 31 December 2017, two further loan facilities totalling $1,000,000 have been provided by the same two directors (refer note 21).

The Directors believe that the Group will be successful in raising funds through one or more of the above actions and that the Group will be able to realise its assets and settle its debts as and when they fall due and payable in the normal course of business, and accordingly have prepared the financial statements on a going concern basis.

Note 3. Dividends

No amounts have been paid or declared by way of dividend during the half-year ended 31 December 2017 (2016: Nil).

Note 4. Revenue

	2017	2016
	$'000	$'000
From continuing operations		
Coal sales	**-**	7
Interest income	**113**	43
Award of legal costs	**-**	330
Government grant income	**217**	217
Gain on sale of fixed assets	**-**	20
Sampling income – potential customers	**20**	-
Other revenue	**87**	98
	437	715

Note 5. Expenses

	2017 $'000	2016 $'000
Loss before income tax includes the following specific expenses:		
Depreciation expense – Property, plant and equipment	**554**	1,096
Amortisation expense – Intangible assets	**998**	1,923
Total depreciation and amortisation expense	**1,552**	3,019
Consulting, external management and professional fees	**183**	390
Legal fees – Litigation	**414**	1,169
Total external advisory fees	**597**	1,559

Note 6. Discontinued operations

(a) Ingomar Station

On 2 September 2016 the Group settled the sale of its pastoral property, Ingomar Station located in South Australia. The operating results of the pastoral operations are reported as a discontinued operation. Financial information relating to the discontinued operation for the period is set out below:

Financial performance and cash flow information

	2017 $'000	**2016 $'000**
Occupancy expenses	-	(13)
External advisory fees	-	(24)
Travel expenses	-	(3)
Other operating expenses	-	(150)
Loss before income tax	-	(190)
Income tax expense	-	-
Loss from discontinued operation	-	(190)
Net cash outflows from operating activities	-	(280)
Net cash outflows from investing activities	-	(16)
Cash received as proceeds for sale of property	-	6,320
Net increase in cash generated by discontinued operation	-	6,024

Note 6. Discontinued operations (continued)

(b) Mountainside Coal Company Inc

In June 2017 the Group commenced a process for the sale of its 51% interest in Mountainside Coal Company Inc. (**MCC**), which operates coal mines in the USA. All of the assets of MCC have been presented as held for sale and liabilities of disposal groups held for sale as at 31 December 2017 (refer Note 9) and the operating results of MCC's operations are reported as a discontinued operation for 2017, with the 2016 comparatives reclassified. Financial information relating to the discontinued operation for the period is set out below:

Financial performance and cash flow information

	2017 $'000	2016 $'000
Revenue	**2,420**	5,727
Net gain on sale of fixed assets	**-**	47
Coal mining operation expenses	**(3,067)**	(5,946)
Depreciation and amortisation expenses	**-**	(2,041)
Employee benefits expense	**(363)**	(562)
Finance costs	**(838)**	(1,046)
External advisory fees	**(83)**	(191)
Accounting, tax and audit fees	**(57)**	(40)
Travel expenses	**(14)**	(42)
Occupancy expenses	**(39)**	(46)
Other operating expenses	**(493)**	(563)
Loss before income tax	**(2,534)**	(4,703)
Income tax expense	**-**	-
Net loss from discontinued operation	**(2,534)**	(4,703)
Net cash outflows from operating activities	**(1,285)**	(1,810)
Net cash inflows / (outflows) from investing activities	**48**	(128)
Cash inflows from financing activities	**1,251**	1,553
Net increase / (decrease) in cash generated by discontinued operation	**14**	(385)

Note 7. Current assets – Trade and other receivables

	31 December 2017 $'000	30 June 2017 $'000
Trade debtors	**51**	455
Provision for impairment of receivables	**(47)**	(51)
Deposits	**21**	21
Prepayments	**160**	339
Loan receivable	**445**	324
Other receivables	**312**	330
	942	1,418

Note 8. Current assets – Inventories

The coal stockpiles and other inventories of Mountainside Coal Company Inc. are being offered for sale at the reporting period end and are included as assets held for sale (refer note 9).

Note 9. Assets classified as held for sale and liabilities of disposal group held for sale

In June 2017 the Group commenced a process for the sale of its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. Five interested parties have been shortlisted and currently negotiations to purchase the Group's interest are continuing. All of the assets and liabilities of MCC have been presented as held for sale as at 31 December 2017 and 30 June 2017. The operating results of MCC's operations have been reported as a discontinued operation for 2017, with the 2016 comparatives reclassified (refer Note 6).

The assets and liabilities at period end comprised:

	31 December 2017	30 June 2017
	$'000	$'000
Assets held for sale		
Cash and cash equivalents	**109**	96
Inventories	**111**	112
Trade and other receivables	**1,180**	339
Restricted cash (a)	**2,230**	3,233
Available-for-sale financial assets	**995**	1,152
Prepayments	**510**	519
Property, plant and equipment (b)	**17,537**	17,604
Exploration assets (b)	**208**	211
Total assets of disposal group held for sale	**22,880**	23,266
Liabilities of disposal group held for sale		
Trade and other payables	**2,200**	2,033
Provisions (c)	**1,882**	1,941
Other payables	**160**	163
Accrued interest on shareholder loans – Black River	**4,820**	3,986
Loans from shareholders – Black River	**30,104**	29,227
Total liabilities of disposal group held for sale	**39,166**	37,350

(a) Restricted cash - Reclamation bonds

The Group holds certificates of deposit restricted for bonds. The certificates are a requirement of the mining permits issued in Kentucky and Tennessee in the USA. The certificates of deposit restricted for bonds are held as security until reclamation of the permitted sites has been suitably completed by the Group.

Note 9. Assets classified as held for sale and liabilities of disposal group held for sale (continued)

(b) Provisions

Movement in reclamation provision

$'000	**Reclamation**
Carrying value at the start of the reporting period	1,941
Additional provision raised	64
Amounts used	(98)
Unwinding of discount	2
Exchange differences	(27)
Carrying value at the end of the reporting period	**1,882**

Note 10. Non-current assets - Restricted cash

	31 December 2017	30 June 2017
	$'000	$'000
Security bond (a)	**2,000**	2,000
	2,000	2,000

(a) Security bond

The Supreme Court of Western Australia holds a $2,000,000 security bond from the Company, on behalf of its subsidiary BCBC Singapore Pte Ltd, in support of freezing orders made against Bayan Resources Tbk's shareholding in Kangaroo Resources Limited.

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

	Plant and Equipment $'000	Leasehold improvements $'000	Total $'000
At 30 June 2017			
Cost	19,292	154	19,446
Accumulated depreciation and impairment	(17,365)	(152)	(17,517)
Net book value	1,927	2	1,929
Half-year ended 31 December 2017			
Opening net book value	1,927	2	1,929
Additions	-	-	-
Transfer to assets held for sale	-	-	-
Disposals	-	-	-
Depreciation expense	(552)	(2)	(554)
Exchange differences	1	-	1
Closing net book value	**1,376**	**-**	**1,376**
At 31 December 2017			
Cost	19,391	149	19,540
Accumulated depreciation and impairment	(18,015)	(149)	(18,164)
Net book value	**1,376**	**-**	**1,376**

Note 12. Non-current assets – Exploration assets

	31 December 2017 $'000	30 June 2017 $'000
Exploration Tenements		
Coober Pedy : EL5719		
Cost at beginning of reporting period	7,523	7,301
Additional expenditure	73	222
Net book value at end of reporting period	**7,596**	7,523
Exploration rights		
Cost at beginning and end of reporting period	2,690	2,690
Exploration assets net book value	**10,286**	10,213

Note 13. Non-current assets – Intangible assets

	BCB Coal technology licence $'000	Total $'000
At 30 June 2017		
Cost	55,983	55,983
Accumulated amortisation and impairment	(42,783)	(42,783)
Net book value	13,200	13,200
Half-year ended 31 December 2017		
Opening net book value	13,200	13,200
Exchange differences	-	-
Amortisation (a)	(998)	(998)
Closing net book value	**12,202**	**12,202**
At 31 December 2017		
Cost	55,983	55,983
Accumulated amortisation and impairment	(43,781)	(43,781)
Net book value	**12,202**	**12,202**

(a) Amortisation

The BCB coal technology licence has a finite life and is amortised over its useful life of 17.6 years.

Note 14. Current liabilities – Trade and other payables

	31 December 2017 $'000	30 June 2017 $'000
Trade creditors	**335**	1,075
Other creditors	**1,063**	961
Accrued license fee	**5,102**	5,192
Deferred income – government grant	**435**	435
Deferred income – rental income	**77**	8
	7,012	7,671

Note 15. Current and non-current liabilities – Provisions

	31 December 2017 $'000	30 June 2017 $'000
Current liability		
Employee provisions	**160**	143
	160	143
Non-current liability		
Employee provisions	**238**	254
	238	254

Movement in provisions

$'000	**Employee**	**Total**
Carrying value at the start of the reporting period	397	397
Additional provision raised	99	99
Amounts used	(98)	(98)
Carrying value at the end of the reporting period	**398**	**398**

Note 16. Other payables

	31 December 2017 $'000	30 June 2017 $'000
Current liability		
Accrued interest on related party loans (a)	**7**	-
Loans from related parties (a)	**1,000**	-
Total current liability	**1,007**	-
Non-current liability		
Deferred income – government grant (b)	**108**	326
Accrued interest on shareholder loans – Black River (c)	**6,652**	5,936
Loans from shareholders – Black River (c)	**28,150**	28,650
Total non-current liability	**34,910**	34,912

(a) Loans from related parties

Key management personnel Travers Duncan, the Chairman of White Energy, and Brian Flannery, the Managing Director of White Energy, have each loaned to the Company $500,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Ilwella Pty Ltd respectively. The amounts disclosed in the Group's financial statements as loans from related parties are the amounts lent by key management personnel and are due for repayment by the Company within one year after they were advanced or on demand. The loans are not secured. The loan's agreements are based on normal commercial terms and conditions and bear interest at a market rate.

(b) Deferred income – government grant

The Company received $4,349,000 in 2008 from the Commonwealth Government of Australia as part of the

Note 16. Other payables (continued)

AusIndustry's Commercial Ready innovation grant program. This amount is being amortised over the life of the Cessnock Demonstration Plant.

(c) Loans from shareholders

White Energy and the 49% minority shareholder in its River Energy and Mountainside Coal Company operations have jointly funded those businesses through shareholder loans. The amounts disclosed in the Group's financial statements as loans from shareholders are the amounts contributed by the 49% minority shareholder which attract interest and are due for repayment by the relevant Group subsidiary at future dates in accordance with the terms of the relevant shareholder loan agreements. The loans are not secured.

Note 17. Contributed equity

	31 December 2017	30 June 2017	**31 December 2017**	30 June 2017
	Shares	Shares	**$'000**	$'000
Opening balance	**328,374,494**	328,374,494	**493,476**	493,476
Closing balance	**328,374,494**	328,374,494	**493,476**	493,476

Note 18. Reserves

	31 December 2017	30 June 2017
	$'000	$'000
Share based payment	**7,012**	7,012
Foreign currency translation	**(19,487)**	(19,171)
	(12,475)	(12,159)

Note 19. Share based payments

The Company maintains a long term incentive plan (**LTIP**) which is designed to align the performance of employees with that of the interests of shareholders and to assist in the retention of experienced personnel. Share options have been issued under the LTIP. The number of share options in the Company held during the period is set out below:

Grant date	**Expiry date**	**Note**	**Balance at 1 July 2017**	**Granted during the period**	**Exercised or forfeited during the period**	**Balance at 31 December 2017**
			Number	**Number**	**Number**	**Number**
2017						
18/11/2016	18/11/2022	a	10,000,000	-	-	10,000,000
Total			**10,000,000**	**-**	**-**	**10,000,000**

(a) Incentive Options granted in 2016 under the LTIP have an exercise price of $0.20 per share and may be exercised at any time prior to their expiry date. The Board may determine that the options lapse if the

Note 19. Share based payments (continued)

option holder ceases to be an employee prior to exercise. The options may be forfeited in other circumstances, including if the employee acts fraudulently or dishonestly or engages in gross misconduct. The rules of the LTIP and the terms of the grant contain provisions relating to the treatment of the options in the event of a takeover or change of control and in the event of a bonus issue or capital reorganisation. At grant date the options had a fair value of $0.0308 per option.

Note 20. Contingencies

(a) Contingencies – KSC legal dispute

White Energy's wholly owned subsidiaries, Binderless Coal Briquetting Company Pty Ltd (**BCBC**) and BCBC Singapore Pte Ltd (**BCBCS**), are currently engaged in legal proceedings against PT Bayan Resources Tbk and Bayan International Pte Ltd (**Bayan**) in the Singapore International Commercial Court (**SICC**). The proceedings relate to various disputed matters arising from a company which was jointly owned by BCBCS and Bayan, which owned and operated the Tabang coal upgrade plant located at Bayan's Tabang mine in East Kalimantan, Indonesia.

As a result of the SICC dismissing Bayan's counterclaim against BCBCS and BCBC in April 2016, there are no longer any claims outstanding against the White Energy Group from these proceedings.

The SICC handed down its judgement on Tranche Two of the trial in July 2017 and found in favour of BCBCS and BCBC on substantially all of the matters considered. A notice of appeal against substantially the whole of the SICC's findings against Bayan in the Tranche Two judgement was subsequently filed by Bayan on 23 August 2017. The appeal was heard on 7 to 8 February 2018 in Singapore, by three international judges. The judgement is reserved.

Assuming Bayan's appeal is not successful, the third tranche of the trial will be held to determine causation and damages that are required to be paid to the Group. The Group may be liable for costs should the Court ultimately decide to award costs against BCBCS and BCBC in future proceedings.

(b) Contingencies – Former employee legal dispute

White Energy's wholly owned subsidiary, Mountainside Coal Company Inc. (**MCC**), has been engaged in legal proceedings brought against it in the 2015 financial year related to disputed matters arising from a layoff of an employee that occurred in 2015. MCC may be liable for costs should a court ultimately decide to award costs and damages against MCC. Interrogatories have been provided and there is no fixed trial date.

(c) Contingent liabilities and assets - Indemnity and insurance claims

The Company has received indemnity claims from certain former Directors of the Company for legal costs incurred as a result of their participation in an ICAC public inquiry (**Operation Jasper**) and subsequent court proceedings during prior periods. The Company's insurers have also directly received claims from certain former Directors in respect of ICAC legal costs and subsequent proceedings.

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

The IBC do not currently believe that the Company will have to provide for any additional amounts in respect of these claims beyond amounts already accrued. The total amount of claims against the Company in relation to the matters referred to above is $7,400,000 as at the date of signing the financial report (30 June 2017: $7,400,000).

Note 20. Contingencies (continued)

During the year ended 30 June 2017, a claim was made under the Company's Directors' & Officers insurance policy with the Company's insurers in relation to legal costs paid by the Company for Operation Jasper and subsequent court proceedings during prior periods. The quantum of the claim that will be paid is uncertain and is still being negotiated.

Note 21. Events occurring after the reporting period

On 9 March 2018, key management personnel Travers Duncan, the Chairman of White Energy, and Brian Flannery, the Managing Director of White Energy, each provided a loan facility to the Company of up to $500,000 through their private companies Gaffwick Pty Ltd atf Duncan Family Trust and Ilwella Pty Ltd respectively. The purpose of the facilities is for general working capital requirements prior to the receipt of settlement proceeds from the sale of the Company's subsidiary Mountainside Coal Company Inc. (refer note 6(b)). Loans drawn under the facilities are repayable by the Company within one year after they are advanced or on demand. The loans are not secured. The loan's agreements are based on normal commercial terms and conditions and bear interest at a market rate.

No other matters or circumstances have arisen since 31 December 2017 that have significantly affected, or may significantly affect:

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

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

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

Note 22. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This consolidated 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 2017 and any public announcements made by White Energy 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, except as set out below:

(a) New and amended standard adopted by the Group

The Group did not have to change its accounting policies or make retrospective adjustments as a result of new accounting standards or changes to accounting standards. There may be some changes to the disclosures in the 30 June 2018 Annual Report as a consequence of these amendments.

(b) Impact of standards issued but not yet applied by the Group

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these standards.

Note 22. Basis of preparation of half-year report (continued)

Standard or Interpretation	**Effective for reporting periods beginning on or after**
AASB 9 *Financial Instruments*	1 January 2018
AASB 15 *Revenue from Contracts with Customers*	1 January 2018
AASB 16 *Leases*	1 January 2019

The Group's preliminary assessment is that there won't be a material effect on the amounts recognised in its financial statements resulting from the application of these standards. This view may change after a full assessment is completed.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 25 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-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.

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

Brian Flannery
Managing Director

Brisbane
9 March 2018

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 (the Company), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for White Energy Company Limited. The consolidated entity comprises 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year 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 2017 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. 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.

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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Materiality uncertainty related to going concern

We draw attention to Note 2 in the interim financial report, which indicates that the Group incurred a total comprehensive loss of $6,461,000 during the half-year and net cash outflow from operating activities of $4,020,000 during the financial year ended 31 December 2017 and will require additional funding to meet the Group's liabilities in respect of forecast expenditure within twelve months of the date of this report. These conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt about the Groups' ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
9 March 2018