White Energy Company Limited

ABN 62 071 527 083

Interim Financial Report - 31 December 2018

White Energy Company Limited
Contents
31 December 2018

General information

The financial statements are for the group consisting of White Energy Company Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is White Energy Company Limited's functional and presentation currency.

White Energy Company Limited is a company limited by shares, incorporated and domiciled in Australia. Its shares are listed on the Australian Securities Exchange (WEC) and also traded on the US based OTCQX exchange (WECFY). Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 5, 126 Phillip Street Sydney NSW 2000	Level 7, 167 Eagle Street Brisbane QLD 4000

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 2018 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.*

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 2018.

Directors

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

Travers Duncan
Brian Flannery
Graham Cubbin
Vincent O'Rourke
Terence Crawford (resigned 28 February 2019)

Review of operations

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

MCC coal mining operations in Kentucky, USA had no coal sales revenue in the six months to 31 December 2018. Coal production at the Flag Ridge mine was suspended in April 2018 to allow reclamation activities to be completed at this mine. The site has been progressively backfilled, graded and hydro-seeded. MCC's personnel are currently planning for future mining activities.

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 31 December 2018.

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.

In June 2017, White Energy commenced a process to sell its 51% interest in MCC. Negotiations to purchase the Group's interest are continuing. In the meantime, surplus mining equipment is being sold.

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.

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.

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 valuable low moisture coal product.

White Energy has signed a memorandum of understanding with the Yankuang Group in Shandong Province of China to investigate the implementation of White Energy's BCB technology for use in Yankuang's coal briquetting business. Coal trials were successfully conducted at White Energy's test facility in Cessnock in August and further tests will be carried out in China. There are several steps to undertake to turn this into a commercial proposition.

Review of operations (continued)

Coal and minerals exploration: South Australian Coal (EL5719)

Activity in EL5719 during the period was focused on examining coal gasification and emerging hydrogen opportunities from coal, and planning for future exploration activities.

EL5719 lies entirely within the Olympic Dam G9 Structural Corridor. Past drilling has identified that the geology in the area is similar in age to the mineralisation in the Prominent Hill and Olympic Dam Mines, and gravity and magnetic surveys have identified promising structural features. Previous activity has focused on exploration for iron oxide-copper-gold–uranium (IOCGU) styles of mineralisation, and coal, which a study by Lurgi GmbH confirmed is suitable for gasification.

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.

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 24 August 2017. The appeal was heard by the Singapore Court of Appeal (CA) in February 2018 and the judgement was handed down on 29 August 2018. The CA dismissed substantially the whole of Bayan's appeal. The CA remitted to the SICC for its determination, a narrow question regarding causation, being whether BCBCS had the ability to fund the KSC joint venture by itself.

The SICC handed down its judgement on the remitted issue on 9 January 2019 and found in favour of BCBCS and BCBC, and held that BCBCS had the financial ability to fund the KSC joint venture until the completion of commissioning and testing at the Tabang coal upgrade plant or until June 2012.

On 16 January 2019, Bayan filed a notice of appeal against the whole of the decision of the SICC in regards to the remitted issue. The appeal hearing date has been set as 10 July 2019.

Management are confident that Bayan's appeal will be dismissed and that the proceedings will continue to the third tranche where causation and damages arising from Bayan's breaches and repudiation of the joint venture will be determined.

The 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.

In 2012, the Supreme Court of Western Australia made freezing orders (freezing order) in favour of BCBCS in respect of Bayan's 56% shareholding in Kangaroo Resources Limited (KRL), a publicly listed Australian company. The orders made by the Supreme Court of Western Australia, amongst other things:

- prohibit Bayan from further encumbering its shares in KRL;
- prohibit Bayan from transferring its shares in KRL to a related entity; and
- prohibit Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of those shares, without first giving BCBCS seven clear business days' notice.

Review of operations (continued)

On 17 August 2018 KRL issued a market announcement that it had entered into a binding scheme implementation deed with Bayan (Deed). The Deed provides for Bayan to acquire the balance of the shares in KRL which it does not already own via a scheme of arrangement. The scheme of arrangement was approved by the Court on 4 December 2018. Bayan delisted KRL in December 2018 with the intention to appoint its own directors and integrate KRL with the Bayan group which is based in Indonesia. The Group's management believes there is a risk that such actions may adversely affect the value of Bayan's shares in KRL.

In view of this, BCBCS filed an application in the Supreme Court of Western Australia, seeking variations to the terms of the freezing order to ensure the purpose of the freezing order is not frustrated by Bayan acquiring all the shares in KRL.

On 3 December 2018 the Supreme Court of Western Australia expanded the terms of the freezing order by amending the existing order to provide for the following:

- prohibiting Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of its shares in KRL, without first providing 20 clear business days' notice to BCBCS;
- prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL or any of KRL's subsidiaries which provides a financial benefit to Bayan, its associates, or its associated entities, without first providing 20 clear business days' notice BCBCS; and
- prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL by which KRL or KRL's subsidiaries dispose of a substantial asset within the meaning of ASX Listing Rules 10.2, without first providing 20 clear business days' notice to BCBCS.

Where BCBCS is successful in the proceedings in Singapore, BCBCS intends to utilise the freezing order to enforce the expected damages award.

General corporate

The Group had no secured corporate debt as at 31 December 2018. 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 2021.

Proceeds from the Entitlement Offer undertaken in November and subsequent placements by directors of the shortfall raised $11.8 million during the half–year and $1.4 million was raised from a placement to a substantial shareholder in March 2019, and will be used to fund the Company's ongoing legal proceedings against PT Bayan Resources Tbk and general working capital. The funds were used to repay the $4.5 million loans provided by the Company's directors Brian Flannery and Travers Duncan, each being a director and substantial shareholder of the Company.

Financial position and results for the half-year

The Group had cash reserves including discontinued operation of $6.5 million (30 June 2018: $1.1 million) excluding restricted cash of $4.1 million (30 June 2018: $4.4 million).

The total assets balance increased from $46.4 million as at 30 June 2018 to $48.0 million as at 31 December 2018, largely as a result of the Entitlement Offer raising and this was partly offset by losses derived by the Group.

The increase in liabilities from $92.2 million as at 30 June 2018 to $93.3 million predominantly reflects the additional loans provided by the Group's minority shareholders for their share of the ongoing working capital requirements of the Company's subsidiaries MCC and River Energy and the increase in the loans value due to the devaluation of the Australian dollar against the US dollar. This was partly offset by the repayment of loans provided by directors and liabilities repaid by MCC.

Review of operations (continued)

The Consolidated Entity's loss before tax for the half-year ended 31 December 2018 was $8.1 million (2017: $7.1 million). The Company's adjusted normalised EBITDA loss for the half-year ended 31 December 2018 was $2.0 million (2017: $2.7 million). The improvement in normalised EBITDA from the comparative period in 2017 is primarily due to the introduction of cost reduction initiatives across the Group, offset by a reduction in MCC revenues.

The normalised EBITDA loss has been determined as follows:

	Half-year	
	31 December 2018 $'000	31 December 2017 $'000
Consolidated entity net loss for the half-year before income tax	**(8,083)**	(7,116)
(including discontinued operations)		
Non-cash expenses / (income):		
Depreciation / amortisation	**1,533**	1,552
Other	**(2)**	(10)
Sub-total – non-cash expenses	**1,531**	1,542
Other significant items:		
Finance costs	**2,291**	1,650
Legal costs – litigation	**485**	414
Sub-total – other significant items	**2,776**	2,064
Consolidated entity adjusted normalised EBITDA	**(3,776)**	(3,510)
Non-controlling interests share of normalised EBITDA	**1,750**	777
White Energy adjusted normalised EBITDA	**(2,026)**	(2,733)

Normalised EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the loss under AIFRS adjusted for specific significant items. The table above summarises key items between statutory loss before income tax and normalised EBITDA. The Directors use normalised EBITDA to assess the performance of the Company. The Consolidated Entity's adjusted normalised EBITDA ($3,776,000) reconciles to the segment information EBITDA result for the year ($4,261,000) disclosed on page 16, after adding back litigation costs ($485,000) 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.

<u>Going concern</u>

The Group recorded a total comprehensive loss for the half-year ending 31 December 2018 of $11,000,000 (2017: $6,461,000), had net cash outflows from operations of $6,902,000 (2017: $4,020,000) and a cash balance excluding restricted cash of $6,354,000 (30 June 2018: $852,000). The Group's current liabilities exceed its current assets by $26,524,000 (30 June 2018: $31,929,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans, trade and other payables and provisions incurred in the ordinary course of business. The Group significantly strengthened its financial position during the half-year by raising $11.8 million from the Entitlement Offer, and in March 2019 by raising $1.4 million from a placement to a substantial shareholder. The Group has prepared a cash flow forecast to 31 March 2020, which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

Review of operations (continued)

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. Negotiations with interested parties 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 recently and 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; and
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.

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 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.

The Group's independent auditor's review report for the half-year ended 31 December 2018 contains an emphasis of matter paragraph drawing members' attention to the contents of Note 1 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 review report is included with the accompanying financial statements for the half-year ended 31 December 2018.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Events occurring after the reporting period

(a) Issue of ordinary shares

On 12 March 2019, 20,000,000 shares were issued to a current substantial shareholder as a placement under Listing Rule 7.1, at $0.07 per share raising a total of $1,400,000.

(b) Contingencies - KSC legal dispute

Refer to the review of operations section for details regarding the KSC legal dispute occurring after the reporting period.

(c) Resignation of director

Mr Terry Crawford resigned as a director of the Company with effect 28 February 2019.

(d) Amendment to terms of BCB technology licence agreement

The terms of the licence to subsidiary Binderless Coal Briquetting Company Pty Limited, to use Binderless Coal Briquetting technology worldwide, were amended on 14 January 2019 to waive the interest accrued of $1,400,000 and allow repayment of the accrued licence fee of $4,200,000 during 2019.

No other significant matters or circumstance have arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of the Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

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Brian Flannery
Managing Director

14 March 2019
Brisbane

Auditor's Independence Declaration

As lead auditor for the review of White Energy Company Limited for the half-year ended 31 December 2018, 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
14 March 2019

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White Energy Company Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Continuing operations			
Revenue			
Revenue from contracts with customers	3	-	20
Other income	4	467	417
Total revenue		467	437
Other net gains / (losses)	5	2	10
Employee benefits expense		(1,277)	(1,402)
Depreciation and amortisation expense	6	(1,533)	(1,552)
External advisory fees	6	(966)	(597)
Occupancy expenses		(136)	(152)
Travel expenses		(123)	(73)
Plant operating costs		(80)	(27)
Accounting tax and audit fees		(113)	(143)
Other expenses		(451)	(271)
Finance costs		(1,308)	(812)
Loss before income tax from continuing operations		(5,518)	(4,582)
Income tax		-	-
Loss for the half-year from continuing operations		(5,518)	(4,582)
Loss from discontinued operations	7	(2,565)	(2,534)
Loss for the half-year		(8,083)	(7,116)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(2,917)	655
Total other comprehensive (loss) / income for the half-year		(2,917)	655
Total comprehensive loss for the half-year		(11,000)	(6,461)
Loss for the half-year is attributable to:			
Owners of White Energy Company Limited		(5,089)	(4,360)
Non-controlling interest		(2,994)	(2,756)
Total loss for the half-year		(8,083)	(7,116)
Total comprehensive loss for the half-year is attributable to:			
Continuing operations		(3,906)	(2,765)
Discontinued operations		(582)	(1,911)
		(4,488)	(4,676)
Non-controlling interests		(6,512)	(1,785)
Total comprehensive loss for the half-year		(11,000)	(6,461)

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

White Energy Company Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 2018 $'000	2017 $'000
		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the owners of the Company			
Basic and diluted earnings per share		(1.2)	(1.1)
Earnings per share for loss from discontinued operations attributable to the owners the Company			
Basic and diluted earnings per share		(0.2)	(0.2)
Earnings per share for loss attributable to the owners of the Company			
Basic and diluted earnings per share		(1.4)	(1.3)

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 2018

	Note	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		6,354	852
Trade and other receivables	8	477	334
Other assets	9	201	354
		7,032	1,540
Assets of disposal groups classified as held for sale	10	18,180	20,533
Total current assets		25,212	22,073
Non-current assets			
Property, plant and equipment	11	295	830
Intangibles	12	10,205	11,203
Exploration assets	13	10,325	10,290
Restricted cash	14	2,000	2,000
Total non-current assets		22,825	24,323
Total assets		48,037	46,396
Liabilities			
Current liabilities			
Trade and other payables	15	7,156	9,890
Provisions	16	491	473
Other liabilities	17	204	354
		7,851	10,717
Liabilities of disposal groups classified as held for sale	18	43,885	43,285
Total current liabilities		51,736	54,002
Non-current liabilities			
Other payables	19	41,175	37,803
Provisions	20	359	348
Total non-current liabilities		41,534	38,151
Total liabilities		93,270	92,153
Net liabilities		(45,233)	(45,757)
Equity			
Contributed equity	21	505,000	493,476
Reserves	22	(12,163)	(12,757)
Accumulated losses		(480,843)	(475,244)
Equity attributable to the owners of White Energy Company Limited		11,994	5,475
Non-controlling interests		(57,227)	(51,232)
Total equity		(45,233)	(45,757)

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

White Energy Company Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2017	493,476	(12,159)	(464,233)	(42,172)	(25,088)
Loss for the half-year	-	-	(4,360)	(2,756)	(7,116)
Other comprehensive loss / (income) for the half-year	-	(316)	-	971	655
Total comprehensive loss for the half-year	-	(316)	(4,360)	(1,785)	(6,461)
Balance at 31 December 2017	493,476	(12,475)	(468,593)	(43,957)	(31,549)

Consolidated	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2018	493,476	(12,757)	(475,244)	(51,232)	(45,757)
Adjustment for reclassification of non-controlling interests (note 28)	-	(7)	(510)	517	-
Balance at 1 July 2018 - restated	493,476	(12,764)	(475,754)	(50,715)	(45,757)
Loss for the half-year	-	-	(5,089)	(2,994)	(8,083)
Other comprehensive income / (loss) for the half-year	-	601	-	(3,518)	(2,917)
Total comprehensive income / (loss) for the half-year	-	601	(5,089)	(6,512)	(11,000)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 21)	11,524	-	-	-	11,524
Balance at 31 December 2018	505,000	(12,163)	(480,843)	(57,227)	(45,233)

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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		492	2,268
Payments to suppliers and employees (inclusive of goods and services tax)		(7,791)	(7,259)
		(7,299)	(4,991)
Interest received		1	12
Receipts from certificates of deposit restricted for bonds		396	959
Net cash outflow from operating activities		(6,902)	(4,020)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(133)
Payments for exploration assets		(40)	(116)
Proceeds from sale of property, plant and equipment		2,633	183
Net cash inflow / (outflow) from investing activities		2,593	(66)
Cash flows from financing activities			
Proceeds from issue of shares	21	11,756	-
Proceeds from shareholder loans		1,294	1,478
Proceeds from related party loans		1,500	1,000
Share issue transaction costs		(206)	-
Repayment of loans		(4,500)	-
Repayment of shareholder loans		-	(314)
Finance charges paid		(172)	(10)
Net cash inflow from financing activities		9,672	2,154
Net increase / (decrease) in cash and cash equivalents		5,363	(1,932)
Cash and cash equivalents at the beginning of the financial half-year		1,068	3,311
Effects of exchange rate changes on cash and cash equivalents		77	(12)
Cash and cash equivalents at the end of the financial half-year		6,508	1,367

The above figures reconcile to the balance sheet at the end of the financial half-year as follows:

		2018	2017
Balances as above		6,508	1,367
Reclassification of cash of disposal groups held for sale		(154)	(109)
Cash and cash equivalents at the end of the financial half-year		6,354	1,258

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

Note 1. Going concern

The Group recorded a total comprehensive loss for the half-year ending 31 December 2018 of $11,000,000 (2017: $6,461,000), had net cash outflows from operations of $6,902,000 (2017: $4,020,000) and a cash balance excluding restricted cash of $6,354,000 (30 June 2018: $852,000). The Group's current liabilities exceed its current assets by $26,524,000 (30 June 2018: $31,929,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans, trade and other payables and provisions incurred in the ordinary course of business. The Group significantly strengthened its financial position during the half-year by raising $11.8 million from the Entitlement Offer, and in March 2019 by raising $1.4 million from a placement to a substantial shareholder. The Group has prepared a cash flow forecast to 31 March 2020, which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

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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 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 2. 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 three reportable business line segments: coal technology, coal mining and mining exploration.

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 2018 and 31 December 2018 and comparatives.

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

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 and mining exploration 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 in the North American Market.

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

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.

Note 2. Segment information (continued)

(b) Segment information provided to the Board of Directors

Half-year 2018

Consolidated - 2018	Coal technology Australia $'000	Coal technology Asia $'000	Coal technology South Africa $'000	Mining exploration Australia $'000	Coal mining USA $'000	Coal mining UK $'000	Inter-segment $'000	Total $'000
Revenue								
Sales to external customers	-	-	-	-	227	-	-	227
Other income	460	-	6	-	-	-	-	466
Interest income	1	-	-	-	-	-	-	1
Inter-segment revenue	2,671	-	-	-	-	150	(2,821)	-
Total revenue	3,132	-	6	-	227	150	(2,821)	694
EBITDA (*)	365	(16)	(298)	(1)	(1,110)	62	(3,263)	(4,261)
Depreciation	(535)	-	-	-	-	-	-	(535)
Amortisation	(998)	-	(315)	-	-	(311)	626	(998)
Interest expense	(420)	-	(610)	-	(2,118)	(1,087)	1,944	(2,291)
Foreign exchange gains	2	-	-	-	-	-	-	2
Discontinued operations	-	-	-	-	3,228	-	(663)	2,565
Loss before income tax	(1,586)	(16)	(1,223)	(1)	-	(1,336)	(1,356)	(5,518)
Income tax								-
Loss for the half-year								(5,518)
Timing of revenue recognition:								
Recognised at a point in time	-	-	-	-	227	-	-	227
Total revenue from external customers	-	-	-	-	227	-	-	227

* EBITDA and loss for the half-year includes White Energy's share of the income and expenses from minority owned subsidiaries.

Note 2. Segment information (continued)

Half-year 2017

Consolidated - 2017	**Coal technology Australia**	**Coal technology Asia**	**Coal technology South Africa**	**Mining exploration Australia**	**Coal mining USA**	**Coal mining UK**	**Inter-segment**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue								
Sales to external customers	20	-	-	-	2,420	-	-	2,440
Other income	304	-	-	-	-	-	-	304
Interest income	10	-	103	-	-	-	-	113
Inter-segment revenue	3,732	-	-	-	-	140	(3,872)	-
Total revenue	4,066	-	103	-	2,420	140	(3,872)	2,857
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)	-	(1,872)	(989)	1,788	(1,650)
Foreign exchange gains / (losses)	11	(3)	(1)	-	-	-	3	10
Discontinued operations	-	-	-	-	3,567	-	(1,033)	2,534
Profit / (loss) before income tax	115	(24)	(1,142)	(1)	-	(1,294)	(2,236)	(4,582)
Income tax								-
Loss for the half-year								(4,582)
Timing of revenue recognition:								
Recognised at a point in time	-	-	-	-	2,420	-	-	2,420
Recognised over time	20	-	-	-	-	-	-	20
Total revenue from external customers	20	-	-	-	2,420	-	-	2,440

* EBITDA and loss for the half-year includes White Energy's share of the income and expenses from minority owned subsidiaries.

Note 3. Revenue from contracts with customers

	Consolidated	
	2018	**2017**
	$'000	**$'000**
From continuing operations		
Sampling services - potential customers	-	20

Note 4. Other income

	Consolidated	
	2018	**2017**
	$'000	**$'000**
From continuing operations		
Government grant income	217	217
Interest income calculated using the effective interest rate method	1	113
Award of litigation costs (a)	93	-
Other items	156	87
Other income	467	417

(a) Award of litigation costs of $93,000 (2017: Nil) is for settlement of costs awarded to subsidiary, BCBC Singapore Pte Ltd, during the half-year, in relation to the dismissal of the Tranche 2 appeal made by Bayan Resources Tbk in the Singapore Court of Appeal.

Note 5. Other net gains / (losses)

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Foreign exchange gains	2	10

Note 6. Expenses

	Consolidated 2018 $'000	2017 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation expense		
Depreciation expense - Property, plant and equipment	535	554
Amortisation expense - Intangible assets	998	998
Total depreciation and amortisation expense	1,533	1,552
External advisory fees		
Consulting, external management and professional fees	481	183
Legal fees - Litigation	485	414
Total external advisory fees	966	597

Note 7. Discontinued operations

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. Negotiations to purchase the Group's interest are continuing. 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 2018 and 30 June 2018 (refer notes 10 and 18) and the operating results of MCC's operations are reported as a discontinued operation for 2018 and 2017. Financial information relating to the discontinued operation for the period is set out below (100%):

Note 7. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Revenue	227	2,420
Net loss on sale of property, plant and equipment	(42)	(10)
Coal mining operations expense	(832)	(3,067)
Employee benefits expense	(250)	(363)
External advisory fees	(72)	(83)
Occupancy expenses	(35)	(39)
Travel expenses	(13)	(14)
Accounting, tax and audit fees	(26)	(57)
Revaluation of contingent consideration receivable	(182)	-
Other operating expenses	(357)	(483)
Finance costs	(983)	(838)
Total expenses	(2,792)	(4,954)
Loss before income tax	(2,565)	(2,534)
Income tax	-	-
Loss from discontinued operations	(2,565)	(2,534)

Cash flow information

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Net cash outflow from operating activities	(4,050)	(1,285)
Net cash inflow from investing activities	2,633	48
Net cash inflow from financing activities	1,346	1,251
Net (decrease) / increase in cash and cash equivalents from discontinued operations	(71)	14

Note 8. Current assets - Trade and other receivables

	Consolidated	
	31 December 2018	**30 June 2018**
	$'000	**$'000**
Trade receivables	212	69
Less: Allowance for expected credit losses	(47)	(47)
	165	22
Other receivables	312	312
	477	334

Note 9. Current assets - Other assets

	Consolidated	
	31 December 2018 $'000	30 June 2018 $'000
Prepayments	179	332
Deposits	22	22
	201	354

Note 10. Current assets - Assets of disposal groups classified as 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. 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 2018 and 30 June 2018 (refer Note 18). The operating results of MCC's operations have been reported as a discontinued operation for 2018 and 2017 (refer Note 7).

The assets at period end comprised (100%):

	Consolidated	
	31 December 2018 $'000	30 June 2018 $'000
Cash and cash equivalents	154	217
Trade and other receivables	223	331
Inventories	81	88
Financial assets at fair value through profit or loss (contingent consideration)	183	-
Prepayments	338	261
Available for sale financial assets	-	529
Property, plant and equipment	14,907	16,528
Exploration assets	194	185
Restricted cash (a)	2,100	2,394
	18,180	20,533

(a) 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 11. Non-current assets - Property, plant and equipment

	Consolidated	
	31 December 2018 $'000	**30 June 2018 $'000**
Leasehold improvements - at cost or fair value	154	154
Less: Accumulated depreciation and impairment	(154)	(154)
Net book value	-	-
Plant and equipment - at cost or fair value	19,228	19,226
Less: Accumulated depreciation and impairment	(18,933)	(18,396)
Net book value	295	830
Total net book value	295	830

Reconciliations
Reconciliations of the net book amounts at the beginning and end of the half-year ended 31 December 2018 are set out below:

Consolidated	Plant and Equipment $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2018	830	-	830
Depreciation expense	(535)	-	(535)
Balance at 31 December 2018	295	-	295

Note 12. Non-current assets - Intangibles

	Consolidated	
	31 December 2018 $'000	**30 June 2018 $'000**
BCB Coal technology licence - at cost	55,983	55,983
Less: Accumulated amortisation and impairment	(45,778)	(44,780)
Net book value	10,205	11,203

Note 12. Non-current assets - Intangibles (continued)

Reconciliations
Reconciliation of the net book amount at the beginning and end of the half-year ended 31 December 2018 is set out below:

Consolidated	BCB coal technology licence $'000	Total $'000
Balance at 1 July 2018	11,203	11,203
Amortisation expense (a)	(998)	(998)
Balance at 31 December 2018	10,205	10,205

(a) Amortisation expense

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

Note 13. Non-current assets - Exploration assets

Reconciliations
Reconciliations of Coober Pedy - EL5719 carrying amounts at the beginning and end of the half-year ended 31 December 2018 are set out below:

Consolidated	Exploration tenements $'000	Exploration rights $'000	Total $'000
Balance at 1 July 2018	7,600	2,690	10,290
Expenditure during the half-year	35	-	35
Balance at 31 December 2018	7,635	2,690	10,325

Note 14. Non-current assets - Restricted cash

	Consolidated	
	31 December 2018 $'000	**30 June 2018 $'000**
Security bond (a)	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 15. Current liabilities - Trade and other payables

	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Trade payables	252	501
Accrued licence fee and related interest	5,606	5,354
Loans from related parties (a)	-	3,000
Accrued interest on related party loans (a)	-	21
Other payables	1,298	1,014
	7,156	9,890

(a) Loans from related parties

Key management personnel Travers Duncan, the Chairman of White Energy, and Brian Flannery, the Managing Director of White Energy, had each loaned to the Company $1,500,000 as at 30 June 2018 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 were the amounts lent by key management personnel and were repaid in full during the period.

Note 16. Current liabilities - Provisions

	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Employee provisions	491	473

Movements in provisions during the half-year ended 31 December 2018 are set out below:

Consolidated - 31 December 2018	Employee $'000	Total $'000
Carrying amount at the start of the half-year	473	473
Additional provisions recognised	53	53
Amounts transferred from non-current	(11)	(11)
Amounts used	(24)	(24)
Carrying amount at the end of the half-year	491	491

Note 17. Current liabilities - Other liabilities

	Consolidated	
	31 December 2018 $'000	30 June 2018 $'000
Deferred income - rental income	96	28
Deferred income - government grant (a)	108	326
	204	354

(a) Deferred income - government grant

The Company received $4,349,000 in 2008 from the Commonwealth Government of Australia as part of the AusIndustry's Commercial Ready innovation grant program. This amount is being amortised over the life of the Cessnock Demonstration Plant.

Note 18. Current liabilities - Liabilities of disposal groups classified as 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. 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 2018 and 30 June 2018 (refer Note 10). The operating results of MCC's operations have been reported as a discontinued operation for 2018 and 2017 (refer Note 7).

The liabilities at period end comprised (100%):

	Consolidated	
	31 December 2018 $'000	30 June 2018 $'000
Trade payables	1,190	3,956
Other payables	128	218
Loans from shareholders - Black River	33,928	31,770
Accrued interest on shareholder loans - Black River	7,317	6,019
Provisions (a)	1,322	1,322
	43,885	43,285

(a) Reclamation provision

	$'000
Movement in reclamation provision:	
Carrying value at the start of the reporting period	1,322
Additional provision raised	110
Amounts used	(176)
Unwinding of discount	5
Exchange differences	61
Carrying value at the end of the reporting period	1,322

Note 19. Non-current liabilities - Other payables

	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Loans from shareholders - Black River (a)	32,029	29,942
Accrued interest on shareholder loans - Black River (a)	9,146	7,861
	41,175	37,803

(a) 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 20. Non-current liabilities - Provisions

	Consolidated 31 December 2018 $'000	30 June 2018 $'000
Employee provisions	359	348

Movements in provisions during the half-year ended 31 December 2018 are set out below:

Consolidated - 31 December 2018	Employee $'000	Total $'000
Carrying amount at the start of the half-year	348	348
Amounts transferred to current	11	11
Carrying amount at the end of the half-year	359	359

Note 21. Equity - Contributed equity

	Consolidated 31 December 2018 Shares	30 June 2018 Shares	31 December 2018 $'000	30 June 2018 $'000
Ordinary shares - fully paid	496,318,597	328,374,494	505,000	493,476

Note 21. Equity - Contributed equity (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	328,374,494		493,476
Share issue under Entitlement Offer (a)	16 November 2018	147,944,103	$0.070	10,356
Share issue under Entitlement Offer placement of Shortfall (a)	3 December 2018	20,000,000	$0.070	1,400
Less: Transaction costs arising on share issues		-	$0.000	(232)
Balance	31 December 2018	496,318,597		505,000

(a) Issue of ordinary shares

On 16 November 2018, 147,944,103 shares were issued to current shareholders under a pro rata issue Entitlement Offer under Listing Rule 7.2 Exception 1, at $0.07 per share raising a total of $10,356,087. Of these shares, 79,493,151 shares were issued to related parties (5 directors) under Listing Rule 10.12 Exception 1.

On 3 December 2018, 20,000,000 shares were issued to a current shareholder to make up a shortfall under a pro rata issue Entitlement Offer under Listing Rule 7.2 Exception 3, at $0.07 per share raising a total of $1,400,000.

Note 22. Equity - Reserves

	Consolidated	
	31 December 2018 $'000	30 June 2018 $'000
Foreign currency translation reserve	(19,175)	(19,769)
Share based payment reserve	7,012	7,012
	(12,163)	(12,757)

Note 23. Equity - Dividends

No amounts have been paid or declared by way of dividend during the half-year ended 31 December 2018 (2017: $Nil).

Note 24. 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 in connection with the company PT Kaltim Supacoal (KSC), 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 against the White Energy Group in these proceedings.

The SICC handed down its judgement on Tranche Two of the proceedings 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 in August 2017. The appeal was heard by the Singapore Court of Appeal (CA) in February 2018 and the judgement was handed down on 29 August 2018. The CA dismissed substantially the whole of Bayan's appeal. The CA remitted to the SICC for its determination a narrow question regarding causation, being whether BCBCS had the ability to fund the KSC joint venture by itself.

The SICC handed down its judgement on the remitted issue on 9 January 2019 and ruled in favour of BCBCS and BCBC and held that BCBCS had the financial ability to fund the KSC joint venture until the completion of commission and testing at the Tabang Plant or until June 2012.

On 16 January 2019, Bayan filed a notice of appeal against the whole of the decision of the SICC in regards to the remitted issue. The appeal hearing date has been set as 10 July 2019.

Management are confident that Bayan's appeal will be dismissed and that the proceedings will continue to the third tranche where causation and damages arising from Bayan's breaches and repudiation of the joint venture will be determined.

The 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.

In 2012, the Supreme Court of Western Australia made freezing orders (freezing order) in favour of BCBCS in respect of Bayan's 56% shareholding in Kangaroo Resources Limited (KRL), a publicly listed Australian company. The orders made by the Supreme Court of Western Australia, amongst other things:

- prohibit Bayan from further encumbering its shares in KRL;
- prohibit Bayan from transferring its shares in KRL to a related entity; and
- prohibit Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of those shares, without first giving BCBCS seven clear business days' notice.

On 17 August 2018, KRL issued a market announcement that it had entered into a binding scheme implementation deed with Bayan (Deed). The Deed provides for Bayan to acquire the balance of the shares in KRL which it does not already own via a scheme of arrangement. The scheme of arrangement was approved by the Court on 4 December 2018. Bayan delisted KRL in December 2018 with the intention to appoint its own directors and integrate KRL with the Bayan group which is based in Indonesia. The Group's management believes there is a risk that such actions may adversely affect the value of Bayan's shares in KRL.

In view of this, BCBCS filed an application in the Supreme Court of Western Australia, seeking variations to the terms of the freezing order to ensure the purpose of the freezing order is not frustrated by Bayan acquiring all the shares in KRL.

Note 24. Contingencies (continued)

On 3 December 2018 the Supreme Court of Western Australia expanded the terms of the freezing order by amending the existing order to also provide for the following on implementation of the scheme of arrangement:

(a) prohibiting Bayan from disposing of its shares in KRL to an unrelated entity or diminishing the value of its shares in KRL, without first providing 20 clear business days' notice to BCBCS;
(b) prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL or any of KRL's subsidiaries which provides a financial benefit to Bayan, its associates, or its associated entities, without first providing 20 clear business days' notice to BCBCS; and
(c) prohibiting Bayan, its associates, and associated entities from entering into a transaction with KRL by which KRL or KRL's subsidiaries dispose of a substantial asset within the meaning of ASX Listing Rules 10.2, without first providing 20 clear business days' notice to BCBCS.

Where BCBCS is successful in the proceedings in Singapore, BCBCS intends to utilise the freezing order to enforce the expected damages award.

(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 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 2018: $7,400,000).

During the year ended 30 June 2017, a claim was made under the Company's Directors' & Officers insurance policy with insurers Allianz 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 25. 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:

Note 25. Share-based payments (continued)

Grant date	Expiry date	Balance at 1 July 2018 Number	Granted during the period Number	Exercised or forfeited during the period Number	Balance at 31 December 2018 Number
2017					
18/11/2016 (a)	18/11/2022	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 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 26. Events occurring after the reporting period

(a) Issue of ordinary shares
On 12 March 2019, 20,000,000 shares were issued to a current substantial shareholder as a placement under Listing Rule 7.1, at $0.07 per share raising a total of $1,400,000.

(b) Contingencies - KSC legal dispute
Refer to Note 24(a) for details regarding the KSC legal dispute occurring after the reporting period.

(c) Resignation of director
Mr Terry Crawford resigned as a director of the Company with effect 28 February 2019.

(d) Amendment to terms of BCB technology licence agreement
The terms of the licence to subsidiary Binderless Coal Briquetting Company Pty Limited, to use Binderless Coal Briquetting technology worldwide, were amended on 14 January 2019 to waive the interest accrued of $1,400,000 and allow repayment of the accrued licence fee of $4,200,000 during 2019.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 27. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 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 2018 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 standards and interpretations adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:
- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in the "Changes in accounting policies" note below. The other standards and interpretations did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Accounting Standards and Interpretations that are most relevant to the Group are set out below.

AASB 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments* are mandatory for the reporting period beginning on 1 July 2019. The *Conceptual Framework for Financial Reporting* (Framework) was revised in 2018 and is proposed to be applicable for the reporting period beginning on 1 July 2020 for accounting policy based on the Framework.

Information on the Group's assessment of the impact of ASSB 16 and IFRIC 23 was provided in the Group's annual financial statements for the year ended 30 June 2018. Further information will be provided in the Group's annual financial statements for the year ending 30 June 2019.

The revised Framework sets out the fundamental concepts of financial reporting that guide the AASB in developing Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, providing useful information for investors and others. It assists preparers of financial reports to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy. The Framework is not an accounting standard and hence does not define standards for any particular measurement or disclosure issue. Nothing in the Framework overrides any specific accounting standard. Preparers shall refer to the Framework as a source of guidance in developing and applying an accounting policy if there is no accounting standard or interpretation dealing with an accounting issue. The Group is carrying out a preliminary assessment of the impact of the revised Framework on the amounts recognised in its financial statements and further information will be provided in the Group's annual financial statements for the year ending 30 June 2019.

Note 27. Basis of preparation of half-year report (continued)

(c) AASB 15 *Revenue from Contracts with Customers* – Accounting policies applied from 1 July 2018

Revenue recognition

Revenue from contracts with customers
Revenue is measured at an amount that reflects the consideration to which the Group is or expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised when or as each performance obligation in the contract is satisfied in a manner that reflects the transfer of control to the customer of the goods or services promised. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risks and rewards and customer acceptance.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as allowances and rebates. Such estimates are determined using either the "expected value" or "most likely amount" method, and are constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability in other payables, along with refund liabilities for expected returns, allowances and rebates. Contract liabilities are recognised for future performance obligations. Contract assets are recognised for unbilled work in progress.

(i) Sales of coal
The Group mines and sells coal. Sales revenue is recognised at the point in time when control of the coal has transferred to the customer, generally being when the coal has been delivered to the vessel or vehicle on which it will be transported once loaded, or the customer's premises. Within each sales contract, each tonne of product sold is a separate performance obligation. Revenue is generally recognised at the contracted price as this reflects the stand-alone selling price. Sales revenue may be subject to adjustment if the coal specification does not conform to the terms specified in the sales contract but this does not impact the passing of control. Assay and specification adjustments are usually known at the time of reporting i.e. the uncertainty associated with the variable consideration is resolved. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

(ii) Sampling services
Revenue from a contract to provide BCB technology sampling services is recognised over time as the services are rendered and the benefits of this performance are simultaneously received by the customer. Revenue is recognised in the period the service is performed and is generally based on a fixed price for achieving a sampling service contract milestone e.g. delivery of a coal testing report. The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. Customers are invoiced in accordance with the payment schedule and consideration is payable within a short credit term.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received, when the right to receive payment is established, or over the sub-lease term.

Note 27. Basis of preparation of half-year report (continued)

(d) AASB 9 *Financial Instruments* – Accounting policies applied from 1 July 2018

Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets
Contract assets are recognised when the Group has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

Contract liabilities
Contract liabilities are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the consolidated entity has transferred the goods or services to the customer. The liability is the Group's obligation to transfer goods or services to a customer from which it has received consideration.

Refund liabilities
Refund liabilities are recognised where the Group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Group does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used to estimate such refunds at the time of sale based on an expected value or most likely value methodology.

Note 27. Basis of preparation of half-year report (continued)

Investments and other financial assets

(i) Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVPL)); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Generally, the Group does not acquire financial assets for the purpose of selling in the short term. The Group's business model is primarily that of "Hold to collect", where assets are held in order to collect contractual cash flows. Refer *Measurement* sub-section below for further details on classification.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or FVOCI. For investments in equity instruments that are not held for trading or contingent consideration recognised in a business combination, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

(iii) Measurement
At initial recognition, the Group's management determines the classification and measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest (SPPI).

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- **FVOCI**: Assets that are held for collection of contractual cash flows and for selling the financial assets ("Collect and sell"), where the assets' cash flows represent SPPI, are measured at FVOCI e.g. factored trade receivables. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses). Interest income from these financial assets is included in other income using the effective interest method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

Note 27. Basis of preparation of half-year report (continued)

- **FVPL**: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains / (losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment
From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the Group applies the simplified approach permitted by AASB 9, which requires ECLs to be recognised from initial recognition of the receivables, refer Note 27(d) for further details. The general approach is applied to all other financial assets.

The general approach incorporates a review for any significant increase in counterparty credit risk since inception. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime ECLs that is attributable to a default event that is possible within the next 12 months after the reporting date. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the expected credit loss allowance is based on the asset's lifetime ECLs. The amount of ECLs recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The assessment of ECLs includes assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The assessment takes into account reasonable and supportable information that is relevant and available without undue cost or effort, and the use of credit enhancements e.g. letters of credit and guarantees.

Historical cost convention
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and certain classes of property, plant and equipment.

Note 28. Changes in accounting policies and reclassification

Reclassification

On 1 July 2018 the Group's subsidiary River Energy South Africa Pty Ltd acquired a further 28.8% ownership interest in subsidiary River Energy Fine Coal Recovery Pty Ltd (REFCR) for the nominal amount of the shares, and this takes its equity holding to 100%. The Group's equity holding in REFCR increased to 51%. On 1 July 2018 this resulted in a reclassification of the components of equity relating to the 28.8% non-controlling interest to the Group's equity interest, not through other comprehensive income, as set out below:

Note 28. Changes in accounting policies and reclassification (continued)

	$'000
Non-controlling interests reclassified	
Reserves	7
Accumulated losses	510
Total interests	517

Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies (refer Note 27), prior year financial statements had to be restated. As there were no measurement adjustments made, the Group has elected not to show the statement of comprehensive income and impact on accumulated losses for the prior year. As explained in note 28(b) and 28(c) below, AASB 9 and AASB 15 respectively were adopted retrospectively without restating comparative information. The reclassifications arising from the new classification rules are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

The following tables show the reclassifications recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Restated balance sheet as at 1 July 2018

When there is a restatement of comparatives, it is mandatory to provide a third balance sheet at the beginning of the earliest comparative period, being 1 July 2017. However, as there were no adjustments made as at 1 July 2017, the Group has elected not to show the 1 July 2017 balance sheet.

	30 June 2018 As originally presented $'000	AASB 9 $'000	1 July 2018 Restated $'000
Balance sheet (extract)			
Current assets - Assets of disposal group classified as held for sale:			
Financial assets at fair value through profit or loss (contingent consideration)	-	529	529
Available-for-sale-financial-assets	529	(529)	-
	529	-	529

Note 28. Changes in accounting policies and reclassification (continued)

(b) AASB 9 *Financial Instruments* - Impact of adoption

AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The new accounting policies are set out in note 27(d).

The adoption of AASB 9 retrospectively from 1 July 2018 with the permitted practical expedients, resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 9, comparative figures are not restated, but adjustments are recognised in the opening balance sheet on 1 July 2018.

There was no impact on the Group's accumulated losses as at 1 July 2018.

(i) Classification and measurement of financial assets
On 1 July 2018, the Group’s management assessed which business models apply to the financial assets held by the Group and has classified these assets into the appropriate AASB 9 categories on the basis of the contractual terms of their cash flows and how they are managed (refer accounting policy in Note 27(d)). This resulted in a reclassification from the available-for-sale to the fair value through profit or loss classification ($529,000 as at 1 July 2018). This relates to the discontinued operation's contingent consideration receivable which did not meet the AASB 9 criteria to have cash flows that represent solely payments of principal and interest. There was no impact on the amounts recognised in relation to financial assets from the adoption of AASB 9.

(ii) Derivatives and hedging activities
The Group currently does not have any hedging arrangements, nor anticipate any such arrangements in the foreseeable future. Accordingly the Group did not have any impacts under the new standard from derivatives and hedging activities.

(iii) Impairment of financial assets
The Group has four types of financial assets that are subject to AASB 9’s new expected credit loss model:

- trade receivables for sales of coal inventory and from the provision of sampling services;
- contract assets relating to sampling services;
- lease receivables; and
- other financial assets carried at amortised cost (includes loans and other receivables and cash and cash equivalents).

The Group was required to revise its impairment methodology under AASB 9 for each of these classes of assets. The Standard's simplified approach was used for trade receivables, and the general approach was applied to all other financial assets requiring review. The identified changes to recognised impairment losses were immaterial (trade receivables loss allowance as at 30 June 2018 and 1 July 2018: $47,000). There was no impact of the change in impairment methodology on the Group’s accumulated losses and equity as at 1 July 2018.

The Group's application of the simplified approach to measuring expected credit losses, did not result in an additional impairment expense, and a total impairment expense of Nil, for the half-year ended 31 December 2018, and no additional deferred tax asset as at 31 December 2018.

Note 28. Changes in accounting policies and reclassification (continued)

(c) AASB 15 *Revenue from Contracts with Customers* - Impact of adoption

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity recognises revenue related to the transfer of promised goods or services to a customer when control of the goods or services passes to the customer, for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Contracts with customers are presented in the Group's balance sheet as a contract liability, a contract asset, or a trade receivable, depending on the relationship between the Group's performance and the customer's payment. The new accounting policies are set out in Note 27(c).

The adoption of AASB 15 retrospectively from 1 July 2018 with the permitted practical expedients, resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in AASB 15, comparative figures are not restated but adjustments are recognised in the opening balance sheet on 1 July 2018. The new rules are only applied to contracts that are not completed contracts at 1 July 2018.

There were no material incomplete revenue contracts at 1 July 2018, and therefore no related reclassification and measurement changes to the Group’s 30 June 2018 balances at this date.

There was no impact on the Group's accumulated losses as at 1 July 2018.

The Group's application of the new rules in AASB 15 did not result in any material changes to the amounts recognised in the financial statements for the half-year ended 31 December 2018.

(d) Presentation of revenue, assets and liabilities related to contracts with customers and financial instruments

The Group has changed the presentation of certain amounts in the statement of comprehensive income and balance sheet to reflect the terminology of AASB 15 and AASB 9:

- Government grant income, interest income and other income were previously presented as revenue but are now presented as other income in the statement of comprehensive income, to reflect that they are separate revenue from revenue from contracts with customers which is now presented separately in segment information;
- Trade debtors was renamed to trade receivables, and the provision for impairment of receivables was renamed to allowance for expected credit losses. Trade creditors was renamed to trade payables;
- Deposits and prepayments were previously presented together with trade receivables but are now presented as other current assets in the balance sheet, to reflect their different nature; and
- Deferred income relating to government grants and rental income were previously presented together with trade payables but are now presented as other current liabilities in the balance sheet, to reflect their different nature.

White Energy Company Limited
Directors' declaration
31 December 2018

In the Directors' opinion:

(a) the financial statements and notes set out on pages 9 to 38 are in accordance with the *Corporations Act 2001*, including:

1. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

2. giving a true and fair view of the Group's financial position as at 31 December 2018 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
14 March 2019

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of White Energy Company Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, 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, selected other explanatory notes and the directors' declaration for White Energy Company Limited Group. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim 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 interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 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 the interim 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*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 Group's financial position as at 31 December 2018 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 1 in the interim financial report, which indicates that the Group incurred a total comprehensive loss of $11,000,000 and net cash outflow from operating activities of $6,902,000 during the half-year ended 31 December 2o18 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 1, 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
14 March 2019