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White Energy Company Limited

ABN 62 071 527 083

Interim Financial Report - 31 December 2020

White Energy Company Limited

Contents

31 December 2020

Directors' report	2
Auditor's independence declaration	7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	33
Independent auditor's review report to the members of White Energy Company Limited	34

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 OTCQB exchange (WECFF). Its registered office and principal place of business are:

Registered office

Level 5, 126 Phillip Street
Sydney
NSW 2000

Principal place of business

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 2020 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*.

White Energy Company Limited
Directors' report
31 December 2020

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 2020.

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

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 2020. Coal production has been suspended since April 2018. 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 \$67,000 of cash held as security in the six months to 31 December 2020.

MCC has permits for many acres containing low ash Blue Gem coal resources in Kentucky. 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 and being advanced to a finalisation.

BCB Technology: River Energy (51% interest)

White Energy is investigating the implementation of its Binderless Coal Briquetting (BCB) technology for use in Yankuang Group's coal briquetting business in China. Testing of coals from Shandong and Shanxi Provinces has been successfully conducted at White Energy's test facility in Cessnock and two of the Company's briquetting machines have been used for larger scale tests in China.

Yankuang Group have constructed a small pilot plant in Shandong Province using WEC's patented BCB technology, and this is the first step in commercialisation of the technology in China. Design of a 200,000 tonnes per annum BCB plant for a mine site in Shanxi Province is well advanced, and a contract for construction of the plant is being finalised that will allow construction to commence that is funded by the customer under White Energy's design and engineering supervision. The travel restrictions imposed by the Australian Government due to COVID-19 has slowed the contractual discussions and the ability of WEC Engineers to visit the various sites in China.

White Energy's 51%-owned subsidiary, River Energy JV Limited, through Proterra Investment Partners (Proterra, 49%), is in discussion with a number of South African coal miners interested in the Group's BCB technology, and are pursuing opportunities on mine sites in South Africa to secure access to fine coal to support BCB projects. A briquetted 6 tonne sample of fines from a mine in the Middelburg region was tested by a South African power producer during the period and the results are pending.

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.

White Energy Company Limited
Directors' report
31 December 2020

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.

During the half-year, White Energy continued to maintain appropriate measures to ensure the health and safety of its employees, contractors and the public, in compliance with government directives on COVID-19. Operations have and are continuing normally, although progress on BCB projects has been slowed due to travel restrictions affecting our key potential customers, particularly in China.

The measures put in place by governments to control the spread of the virus have caused worldwide economic activity to contract. Such effects have created risks for the Company and its customers, and the outlook for general economic conditions is expected to be uncertain in the short to medium term before economic recoveries occur.

Coal and minerals exploration: South Australian Coal (EL6566 (previously EL5719) and PELA674)

The Government of South Australia has granted subsequent Exploration Licence EL6566 for five years over the area covered by the previous licence EL5719. Activity in EL6566 and PELA674 during the period was focused on examining coal gasification and emerging hydrogen opportunities from coal, and planning for future exploration activities.

EL6566 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

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 third tranche of the proceedings was heard by the SICC from 21 to 30 September 2020. Cross examination of witnesses from both sides is now complete. Written closing submissions were provided by both sides on 19 November 2020 and replies were filed on 10 December 2020. The final oral submissions from the parties' legal representatives were made on 9 January 2021. The judgement is reserved.

The only issues remaining to be determined by the SICC in the third tranche relate to the damages which may be payable to BCBCS. The SICC has, in the earlier tranche of the proceedings, already made a conclusive determination that Bayan has both breached and repudiated the joint venture deed.

The claim for damages can be broadly summarised as follows:

- BCBCS claims for wasted expenditure, being expenses incurred by BCBCS which were rendered futile by reason of Bayan's breach and repudiation of the joint venture;
- Further, BCBCS claims for loss of the chance of expanding the capacity of the joint venture to at least 3 million tonnes per annum; and
- Interest on any damages award and costs.

White Energy Company Limited
Directors' report
31 December 2020

General corporate

The Group has no significant secured corporate debt. Limited-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 2023.

Financial position and results for the half-year

The Group had cash reserves including discontinued operation of \$3.2 million (30 June 2020: \$10.6 million) excluding restricted cash of \$3.6 million (30 June 2020: \$3.7 million).

The total assets balance decreased from \$44.7 million as at 30 June 2020 to \$34.8 million as at 31 December 2020, largely as a result of the losses derived by the Group.

The decrease in liabilities from \$97.9 million as at 30 June 2020 to \$89.9 million predominantly reflects the decrease in the value of loans provided by the Group's minority shareholders due to the strengthening of the Australian dollar against the US dollar. This was partly offset by the additional loans provided by minority shareholders for their share of the ongoing working capital requirements of the Company's subsidiary MCC.

The Consolidated Entity's loss before tax for the half-year ended 31 December 2020 was \$10.9 million (2019: \$6.4 million). The Company's adjusted normalised EBITDA loss for the half-year ended 31 December 2020 was \$2.0 million (2019: \$0.5 million). The higher normalised EBITDA loss from the comparative period in 2019 is primarily due to the absence of an insurance claim and other income.

The normalised EBITDA loss has been determined as follows:

	Half-year	
	31 December 2020	31 December 2019
	\$'000	\$'000
Consolidated entity net loss for the year before income tax (including discontinued operations)	(10,926)	(6,392)
<i>Non-cash expenses / (income):</i>		
Depreciation / amortisation	1,045	1,056
Loss on disposal of discontinued operation	-	1,116
Share-based payments	25	25
Other	(27)	(24)
Sub-total – non-cash expenses	1,043	2,173
<i>Other significant items:</i>		
Finance costs	2,046	2,070
Legal costs – litigation	5,273	503
Sub-total – other significant items	7,319	2,573
Consolidated entity adjusted normalised EBITDA	(2,564)	(1,646)
Non-controlling interests share of normalised EBITDA	559	1,162
White Energy adjusted normalised EBITDA	(2,005)	(484)

White Energy Company Limited
Directors' report
31 December 2020

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 (\$2,564,000) reconciles to the segment information EBITDA result for the year (\$7,837,000) disclosed on page 15, after adding back litigation costs (\$5,273,000) which are included in segment expenses within the EBITDA 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

The Group recorded a total comprehensive loss for the half-year ended 31 December 2020 of \$1,950,000 (2019: \$6,392,000), had net cash outflows from operations of \$7,563,000 (2019: \$3,436,000) and a cash balance excluding restricted cash of \$3,182,000 (30 June 2020: \$9,989,000). The Group's current liabilities exceed its current assets by \$32,918,000 (30 June 2020: \$27,926,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans, a loan secured over equipment, trade and other payables and provisions incurred in the ordinary course of business. The Group has prepared a cash flow forecast to 31 March 2022, which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

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.

As the funding actions are yet to be completed, 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 2020 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 2020.

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.

White Energy Company Limited
Directors' report
31 December 2020

Events occurring after the reporting period

(a) Contingencies - KSC legal dispute

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

No other significant matters or circumstance have arisen since 31 December 2020 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*.



Brian Flannery
Managing Director

12 March 2021
Brisbane

White Energy Company Limited

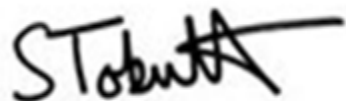
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020, there have been:

- a) no contraventions of the auditor independence requirements as set out in 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.



PKF



SCOTT TOBUTT
PARTNER

12 MARCH 2021
SYDNEY, NSW

White Energy Company Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2020

		Consolidated	
	Note	31 December 2020	31 December 2019
		\$'000	\$'000
Continuing operations			
Revenue from contracts with external customers	3	24	-
Other income	4	129	1,224
Total revenue		<u>153</u>	<u>1,224</u>
Other net gains / (losses)	5	27	24
Employee benefits expense		(873)	(942)
Depreciation and amortisation expense	6	(1,045)	(1,056)
External advisory fees	6	(5,421)	(888)
Occupancy expenses		(52)	(44)
Travel expenses		-	(53)
Plant operating costs		(76)	(28)
Accounting, tax and audit fees		(17)	(89)
Other expenses		(390)	(424)
Finance costs		(894)	(948)
Loss before income tax from continuing operations		(8,588)	(3,224)
Income tax		-	-
Loss for the half-year from continuing operations		(8,588)	(3,224)
Loss from discontinued operations	7	(2,338)	(3,168)
Loss for the half-year		(10,926)	(6,392)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		8,976	-
Other comprehensive loss for the half-year		8,976	-
Total comprehensive loss for the half-year		<u>(1,950)</u>	<u>(6,392)</u>
Loss for the half-year is attributable to:			
Owners of White Energy Company Limited		(8,270)	(3,763)
Non-controlling interests		(2,656)	(2,629)
		<u>(10,926)</u>	<u>(6,392)</u>
Total comprehensive loss for the half-year is attributable to:			
Continuing operations		(6,866)	(3,399)
Discontinued operations		(549)	(319)
Owners of White Energy Company Limited		(7,415)	(3,718)
Non-controlling interests		5,465	(2,674)
		<u>(1,950)</u>	<u>(6,392)</u>

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 2020

	31 December	31 December
	Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of White Energy Company Limited		
Basic earnings per share	(1.0)	(0.4)
Diluted earnings per share	(1.0)	(0.4)
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of White Energy Company Limited		
Basic earnings per share	(0.1)	(0.3)
Diluted earnings per share	(0.1)	(0.3)
Earnings per share for loss attributable to the ordinary equity holders of White Energy Company Limited		
Basic earnings per share	(1.1)	(0.7)
Diluted earnings per share	(1.1)	(0.7)

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

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White Energy Company Limited
Consolidated balance sheet
As at 31 December 2020

		Consolidated	
		31 December	
	Note	2020	30 June 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		3,182	9,989
Trade and other receivables	8	105	536
Other assets	9	237	474
		<u>3,524</u>	<u>10,999</u>
Assets of disposal groups classified as held for sale	10	12,258	14,111
Total current assets		<u>15,782</u>	<u>25,110</u>
Non-current assets			
Property, plant and equipment	11	373	33
Intangibles	12	6,211	7,209
Exploration assets	13	10,401	10,379
Restricted cash	14	2,000	2,000
Total non-current assets		<u>18,985</u>	<u>19,621</u>
Total assets		<u>34,767</u>	<u>44,731</u>
Liabilities			
Current liabilities			
Trade and other payables	15	1,310	1,559
Provisions	16	468	463
Other liabilities	17	20	24
		<u>1,798</u>	<u>2,046</u>
Liabilities of disposal groups classified as held for sale	18	46,902	50,990
Total current liabilities		<u>48,700</u>	<u>53,036</u>
Non-current liabilities			
Other payables	19	40,855	44,572
Provisions	20	298	284
Total non-current liabilities		<u>41,153</u>	<u>44,856</u>
Total liabilities		<u>89,853</u>	<u>97,892</u>
Net liabilities		<u>(55,086)</u>	<u>(53,161)</u>
Equity			
Contributed equity	21	521,337	521,337
Reserves	22	(9,564)	(10,444)
Accumulated losses		<u>(502,705)</u>	<u>(494,435)</u>
Equity attributable to the owners of White Energy Company Limited		9,068	16,458
Non-controlling interests		<u>(64,154)</u>	<u>(69,619)</u>
Total equity		<u>(55,086)</u>	<u>(53,161)</u>

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 2020

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2019	506,337	(12,215)	(485,725)	(62,810)	(54,413)
Loss for the half-year	-	-	(3,763)	(2,629)	(6,392)
Other comprehensive income / (loss) for the half-year	-	45	-	(45)	-
Total comprehensive income / (loss) for the half-year	-	45	(3,763)	(2,674)	(6,392)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (Note 25)	-	25	-	-	25
Disposal of discontinued operation (Note 7)	-	1,717	-	638	2,355
Balance at 31 December 2019	506,337	(10,428)	(489,488)	(64,846)	(58,425)

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2020	521,337	(10,444)	(494,435)	(69,619)	(53,161)
Loss for the half-year	-	-	(8,270)	(2,656)	(10,926)
Other comprehensive income for the half-year	-	855	-	8,121	8,976
Total comprehensive income / (loss) for the half-year	-	855	(8,270)	5,465	(1,950)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (Note 25)	-	25	-	-	25
Balance at 31 December 2020	521,337	(9,564)	(502,705)	(64,154)	(55,086)

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 2020

	Note	Consolidated 31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		327	1,320
Payments to suppliers and employees (inclusive of goods and services tax)		(7,784)	(4,836)
		(7,457)	(3,516)
Interest received		8	31
(Payments) / Receipts from certificates of deposit restricted for bonds		(114)	49
		(7,563)	(3,436)
Net cash outflow from operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(22)	-
Payments for exploration assets		(28)	(24)
Disposal of discontinued operation, net of cash disposed of	7	-	(309)
Finance lease receivables received		44	22
Proceeds from sale of property, plant and equipment		-	31
		(6)	(280)
Net cash outflow from investing activities			
Cash flows from financing activities			
Proceeds from shareholder loans		549	750
Repayment of loans		(109)	(95)
Repayment of lease liabilities		(132)	(118)
Finance charges paid		(148)	(89)
		160	448
Net cash inflow from financing activities			
Net decrease in cash and cash equivalents		(7,409)	(3,268)
Cash and cash equivalents at the beginning of the financial half-year		10,586	5,056
Effects of exchange rate changes on cash and cash equivalents		69	48
		3,246	1,836
Cash and cash equivalents at the end of the financial half-year			
The above figures reconcile to the balance sheet at the end of the financial half-year as follows:			
Balances as above		3,246	1,836
Reclassification of cash of disposal groups held for sale		(64)	(384)
		3,182	1,452
Cash and cash equivalents at the end of the financial half-year			

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

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 1. Going concern

The Group recorded a total comprehensive loss for the half-year ended 31 December 2020 of \$1,950,000 (2019: \$6,392,000), had net cash outflows from operations of \$7,563,000 (2019: \$3,436,000) and a cash balance excluding restricted cash of \$3,182,000 (30 June 2020: \$9,989,000). The Group's current liabilities exceed its current assets by \$32,918,000 (30 June 2020: \$27,926,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans, a loan secured over equipment, trade and other payables and provisions incurred in the ordinary course of business. The Group has prepared a cash flow forecast to 31 March 2022, which demonstrates the need to raise additional funding to meet the Group's forecast expenditure for the period.

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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.

As the funding actions are yet to be completed, 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 Group sold its interest in South African subsidiary River Energy South Africa Pty Limited on 1 July 2019. The operations of this company and its subsidiaries are reported as a discontinued operation in the comparatives.

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 to sell its interest in MCC in June 2017. MCC's results are reported as a discontinued operation in the periods ended 30 June 2020 and 31 December 2020 and comparatives.

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

Note 2. Segment information (continued)

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. The Group's partner in River Energy JV Limited, Proterra Investment Partners, is currently undertaking marketing activities and feasibility studies.
- (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.

(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.

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White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 2. Segment information (continued)

Half-year 2020

Segment information by product

Consolidated - 2020	Coal technology \$'000	Mining exploration \$'000	Coal mining \$'000	Inter-segment \$'000	Total \$'000
Revenue					
Sales to external customers	24	-	-	-	24
Inter-segment revenue	2,735	-	150	(2,885)	-
Other income	121	-	24	-	145
Interest income	8	-	-	-	8
Total revenue	2,888	-	174	(2,885)	177
EBITDA (*)					
Depreciation	(4)	-	-	-	(4)
Amortisation	(1,229)	-	(312)	500	(1,041)
Interest expense	(619)	-	(3,510)	2,083	(2,046)
Other non-cash expenses	(25)	-	-	-	(25)
Foreign exchange gains	27	-	-	-	27
Discontinued operations	-	-	3,594	(1,256)	2,338
Loss before income tax	(5,729)	(1)	(1,334)	(1,524)	(8,588)
Income tax	-	-	-	-	-
Loss for the half-year					(8,588)

The segment information above can be further disaggregated by geographical area as outlined below:

Consolidated - 2020	Australia \$'000	Asia \$'000	South Africa \$'000	USA \$'000	UK \$'000	Inter-segment \$'000	Total \$'000
Sales to external customers	24	-	-	-	-	-	24
Inter-segment revenue	2,735	-	-	-	150	(2,885)	-
Other income	121	-	-	24	-	-	145
Interest income	8	-	-	-	-	-	8
Total revenue	2,888	-	-	24	150	(2,885)	177
EBITDA (*)							
Depreciation	(4)	-	-	-	-	-	(4)
Amortisation	(1,041)	-	(188)	-	(312)	500	(1,041)
Interest expense	(3)	-	(616)	(2,409)	(1,101)	2,083	(2,046)
Other non-cash expenses	(25)	-	-	-	-	-	(25)
Foreign exchange gains	27	-	-	-	-	-	27
Discontinued operations	-	-	-	3,594	-	(1,256)	2,338
Loss before income tax	(4,882)	(13)	(835)	-	(1,334)	(1,524)	(8,588)
Income tax	-	-	-	-	-	-	-
Loss for the half-year	(4,882)	(13)	(835)	-	(1,334)	(1,524)	(8,588)

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

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 2. Segment information (continued)

Half-year 2019

Segment information by product

Consolidated - 2019	Coal technology \$'000	Mining exploration \$'000	Coal mining \$'000	Inter-segment \$'000	Total \$'000
Revenue					
Inter-segment revenue	4,336	-	159	(4,495)	-
Other income	1,195	-	19	-	1,214
Interest income	10	19	22	-	51
Total revenue	5,541	19	200	(4,495)	1,265
EBITDA (*)					
Depreciation	(12)	-	-	-	(12)
Amortisation	(1,283)	-	(329)	568	(1,044)
Interest expense	(656)	-	(3,572)	2,158	(2,070)
Other non-cash expenses	17,819	-	-	(18,960)	(1,141)
Foreign exchange gains	23	-	1	-	24
Discontinued operations	(17,844)	-	3,431	17,581	3,168
Profit / (Loss) before income tax	1,196	17	(1,411)	(3,026)	(3,224)
Income tax	-	-	-	-	-
Loss for the half-year					(3,224)

The segment information above can be further disaggregated by geographical area as outlined below:

Consolidated - 2019	Australia \$'000	Asia \$'000	South Africa \$'000	USA \$'000	UK \$'000	Inter-segment \$'000	Total \$'000
Inter-segment revenue	4,336	-	-	-	159	(4,495)	-
Other income	1,195	-	-	19	-	-	1,214
Interest income	29	-	-	22	-	-	51
Total revenue	5,560	-	-	41	159	(4,495)	1,265
EBITDA (*)							
Depreciation	(12)	-	-	-	-	-	(12)
Amortisation	(1,044)	-	(239)	-	(329)	568	(1,044)
Interest expense	(13)	-	(643)	(2,415)	(1,157)	2,158	(2,070)
Other non-cash expenses	(25)	-	17,844	-	-	(18,960)	(1,141)
Foreign exchange gains	23	-	-	-	1	-	24
Discontinued operations	-	-	(17,844)	3,431	-	17,581	3,168
Profit / (Loss) before income tax	2,155	(16)	(926)	-	(1,411)	(3,026)	(3,224)
Income tax	-	-	-	-	-	-	-
Profit / (Loss) for the half-year	2,155	(16)	(926)	-	(1,411)	(3,026)	(3,224)

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

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 3. Revenue from contracts with external customers

	Consolidated	
	2020	2019
	\$'000	\$'000
From continuing operations		
Sampling services - potential customers	24	-
	<u>24</u>	<u>-</u>
	Consolidated	
	2020	2019
	\$'000	\$'000
Timing of revenue recognition		
At a point in time	24	-
	<u>24</u>	<u>-</u>

Note 4. Other income

	Consolidated	
	2020	2019
	\$'000	\$'000
Net gain on other payable extinguished	-	277
Insurance claim	-	813
Interest income calculated using the effective interest rate method	8	29
Other items	121	105
	<u>129</u>	<u>1,224</u>
Other income	<u>129</u>	<u>1,224</u>

Note 5. Other net gains / (losses)

	Consolidated	
	2020	2019
	\$'000	\$'000
Foreign exchange gains	27	24
	<u>27</u>	<u>24</u>

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White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 6. Expenses

	Consolidated	
	2020	2019
	\$'000	\$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation and amortisation expense</i>		
Depreciation expense - Property, plant and equipment	4	12
Amortisation expense - Right-of-use assets - Buildings	43	46
Amortisation expense - Intangible assets	998	998
	<u>1,045</u>	<u>1,056</u>
<i>External advisory fees</i>		
Consulting, external management and professional fees	148	385
Litigation costs	5,273	503
	<u>5,421</u>	<u>888</u>

Note 7. Discontinued operations

	Consolidated	
	2020	2019
	\$'000	\$'000
Loss from discontinued operations		
Mountainside Coal Company Inc (a)	(2,338)	(2,052)
River Energy South Africa Pty Limited and subsidiaries (c)	-	(1,116)
	<u>(2,338)</u>	<u>(3,168)</u>

(a) Mountainside Coal Company Inc.

The Group is in the process of selling its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. All of the assets of MCC are presented as held for sale and liabilities of disposal groups held for sale as at 31 December 2020 and 30 June 2020 (refer to Notes 10 and 18) and the operating results of MCC's operations are reported as a discontinued operation for 2020 and 2019. Financial information relating to the discontinued operation for the period is set out below (100%):

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 7. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2020	2019
	\$'000	\$'000
Other income	24	41
Total revenue	<u>24</u>	<u>41</u>
Coal mining operations expense	(296)	(369)
Employee benefits expense	(120)	(107)
External advisory fees	(15)	(46)
Occupancy expenses	(12)	(13)
Travel expenses	-	(18)
Accounting, tax and audit fees	(47)	(42)
Other operating expenses	(720)	(376)
Finance costs	(1,152)	(1,122)
Total expenses	<u>(2,362)</u>	<u>(2,093)</u>
Loss before income tax	(2,338)	(2,052)
Income tax	-	-
Loss for the half-year from discontinued operation	<u>(2,338)</u>	<u>(2,052)</u>

Cash flow information

	Consolidated	
	2020	2019
	\$'000	\$'000
Net cash outflow from operating activities	(1,416)	(1,535)
Net cash inflow from investing activities	-	31
Net cash inflow from financing activities	917	1,240
Net decrease in cash and cash equivalents from discontinued operation	<u>(499)</u>	<u>(264)</u>

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 7. Discontinued operations (continued)

(b) River Energy South Africa Pty Limited and subsidiaries

On 1 July 2019, the Group disposed of its 51% interest in South African subsidiary River Energy South Africa Pty Limited (RESA). This included the Group's 51% interest in South African subsidiary River Energy Fine Coal Recovery Pty Ltd and its subsidiaries that formed part of the coal technology South Africa segment. The operating results of RESA and its subsidiaries operations are reported as a discontinued operation for 2020 and 2019. Financial information relating to the discontinued operation for the period is set out below (100%):

Financial performance information

	Consolidated 2020 \$'000	Consolidated 2019 \$'000
Loss on disposal after income tax (refer (c) below)	-	(1,116)
Loss for the year from discontinued operation	-	(1,116)

Cash flow information

	Consolidated 2020 \$'000	Consolidated 2019 \$'000
Net cash outflow from financing activities (2019 includes an outflow of \$309,000 from the sale of the operation)	-	(309)

(c) Details of the sale of River Energy South Africa Pty Limited and subsidiaries

The carrying amounts of assets and liabilities as at the date of sale (1 July 2019) sold for a nominal cash consideration were:

	Consolidated 2019 \$'000
Cash and cash equivalents	309
Trade and other receivables	61
Other assets	2
Total assets	<u>372</u>
Trade and other payables	1,636
Provisions	35
Other liabilities	1
Total liabilities	<u>1,672</u>
Net liabilities	<u><u>(1,300)</u></u>

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 7. Discontinued operations (continued)

	Consolidated	
	2020	2019
	\$'000	\$'000
Carrying amount of net liabilities disposed	-	1,300
Reclassification of foreign currency translation reserve	-	(1,717)
Reclassification of non-controlling interest	-	(638)
Disposal costs	-	(61)
	<hr/>	<hr/>
Loss on disposal before income tax	-	(1,116)
Income tax	-	-
	<hr/>	<hr/>
Loss on disposal after income tax	<hr/> -	<hr/> (1,116)

Note 8. Current assets - Trade and other receivables

	Consolidated	
	31 December	
	2020	30 June 2020
	\$'000	\$'000
Trade receivables	71	58
Less: Allowance for expected credit losses	(47)	(47)
	<hr/> 24	<hr/> 11
Other receivables	16	503
Finance lease receivables (a)	65	22
	<hr/>	<hr/>
	<hr/> 105	<hr/> 536

(a) Finance lease receivables arrangements

The Group sub-leases office building space.

Minimum lease payments receivable on finance leases, including the undiscounted lease payments to be received are as follows:

	Consolidated	
	31 December	
	2020	30 June 2020
	\$'000	\$'000
Within one year	67	22
Less: Future finance charges	(2)	-
	<hr/>	<hr/>
Net recognised as assets	<hr/> 65	<hr/> 22
Finance lease receivables are presented in the balance sheet as follows:		
Finance lease receivables - current	<hr/> 65	<hr/> 22

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 8. Current assets - Trade and other receivables (continued)

Profit or loss information

Total income earned from finance lease receivables during the half-year was \$1,000 (2019: \$1,000).

Note 9. Current assets - Other assets

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Prepayments	217	454
Deposits	20	20
	<u>237</u>	<u>474</u>

Note 10. Current assets - Assets of disposal groups classified as held for sale

The Group is in the process of selling its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA. All of the assets and liabilities of MCC have been presented as held for sale as at 31 December 2020 and 30 June 2020 (refer to Note 18). The operating results of MCC's operations have been reported as a discontinued operation for 2020 and 2019 (refer to Note 7).

The assets at period end comprised (100%):

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Cash and cash equivalents	64	597
Trade and other receivables	103	115
Financial assets at fair value through profit or loss (contingent consideration)	-	15
Prepayments	822	809
Property, plant and equipment (c)	9,457	10,662
Exploration assets	173	194
Restricted cash (a)	1,639	1,719
	<u>12,258</u>	<u>14,111</u>

(a) Restricted cash

The Group holds certificates of deposit restricted for bonds. The certificates are a requirement of the mining permits issued in Kentucky 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 10. Current assets - Assets of disposal groups classified as held for sale (continued)

(b) Coal mining CGU

The Group is currently seeking to sell its interest in Mountainside Coal Company Inc. The Directors have determined that the carrying value of the coal mining CGU is supported by its recoverable amount after considering indications of interest received from potential purchasers and fair value less costs of disposal calculations. No impairment charge was made against property, plant and equipment as at 31 December 2020 (30 June 2020: \$1,700,000).

(c) Leases

(i) Property, plant and equipment- right-of-use assets

This note provides information for leases where MCC is a lessee. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. MCC leases land for its coal handling and preparation plant under agreements of 15 years with an option to extend by 5 years. The lease agreements do not contain any covenants other than the security interests in the leased assets held by the lessor.

Included in the carrying amount of property, plant and equipment are right-of-use assets as follows:

	Consolidated	
	31 December	
	2020	30 June 2020
	\$'000	\$'000
Right-of-use assets		
Land	<u>1,600</u>	<u>1,795</u>

There were no additions to the right-of-use assets and no amortisation charge during the half-year.

(ii) Lease liabilities

Lease liabilities are presented in the balance sheet as follows (refer to Note 18):

	Consolidated	
	31 December	
	2020	30 June 2020
	\$'000	\$'000
Lease liabilities - current	<u>1,394</u>	<u>1,634</u>

(iii) Profit or loss and cash flow information

The interest expense relating to leases included in finance cost for the half-year was \$25,000.

The total cash outflow for leases in the half-year was \$91,000.

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White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

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

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Leasehold improvements - at cost or fair value	154	154
Less: Accumulated depreciation and impairment	(154)	(154)
	<u>-</u>	<u>-</u>
Plant and equipment - at cost or fair value	15,929	15,926
Less: Accumulated depreciation and impairment	(15,900)	(15,916)
	<u>29</u>	<u>10</u>
Right-of-use assets - buildings - at cost (a)	478	114
Less: Accumulated depreciation	(134)	(91)
	<u>344</u>	<u>23</u>
	<u>373</u>	<u>33</u>

Reconciliations

Reconciliations of the net book amounts at the beginning and end of the half-year ended 31 December 2020 are set out below:

Consolidated	Plant and Equipment \$'000	Leasehold improvements \$'000	Right-of-use assets - Buildings* \$'000	Total \$'000
Balance at 1 July 2020	10	-	23	33
Additions	23	-	364	387
Amortisation expense	-	-	(43)	(43)
Depreciation expense	(4)	-	-	(4)
	<u>29</u>	<u>-</u>	<u>344</u>	<u>373</u>

(a) Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, refer to Note 8(a). With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

(i) Right-of-use assets

The Group leases a building for its office space under an agreement of 3 years. The lease agreement does not contain any covenants other than a security bond held by the lessor and a security interest in the building. Leased assets may not be used as security for borrowing purposes.

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

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

(ii) Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

	31 December 2020 \$'000
Current	140
Non-current	<u>301</u>
	<u><u>441</u></u>

The lease liabilities are secured by the related underlying assets and a security bond. The undiscounted maturity analysis of lease liabilities relating to buildings at 31 December 2020 is as follows:

	31 December 2020 \$'000
Less than one year	159
One to five years	<u>316</u>
Total undiscounted lease liabilities at 31 December 2020	<u><u>475</u></u>

(iii) Lease payments not recognised as a liability

The Group does not recognise a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expenses relating to payments not included in the lease liability are as follows:

	31 December 2020 \$'000
Short-term leases (included in plant operating costs)	9
Leases of low-value assets (included in other expenses)	<u>2</u>
	<u><u>11</u></u>

(iv) Profit or loss and cash flow information

The interest expense in relation to leasing liabilities included in finance costs for the half-year was \$3,000.

The total cash outflow for leases in the half-year was \$79,000.

There have been no sale and leaseback transactions in the half-year.

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 12. Non-current assets - Intangibles

	Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000
BCB Coal technology licence - at cost	55,983	55,983
Less: Accumulated amortisation and impairment	<u>(49,772)</u>	<u>(48,774)</u>
	<u>6,211</u>	<u>7,209</u>

Reconciliations

Reconciliation of the net book amount at the beginning and end of the half-year ended 31 December 2020 is set out below:

Consolidated	BCB coal technology licence \$'000
Balance at 1 July 2020	7,209
Amortisation expense (a)	<u>(998)</u>
Balance at 31 December 2020	<u>6,211</u>

(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 exploration assets carrying amounts at the beginning and end of the half-year ended 31 December 2020 are set out below:

Consolidated	Cooper Pedy EL6566 (a) Exploration tenements \$'000	Cooper Pedy EL6566 (a) Exploration rights \$'000	Cooper Pedy PELA674 Exploration tenement \$'000	Total \$'000
Balance at 1 July 2020	7,685	2,690	4	10,379
Additional expenditure	<u>22</u>	<u>-</u>	<u>-</u>	<u>22</u>
Balance at 31 December 2020	<u>7,707</u>	<u>2,690</u>	<u>4</u>	<u>10,401</u>

(a) EL6566

EL6566 was granted as a subsequent licence to EL5719 on 11 December 2020.

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 14. Non-current assets - Restricted cash

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'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	30 June 2020
	2020	2020
	\$'000	\$'000
Trade payables	47	1,209
Lease liabilities (a)	140	55
Other payables	1,123	295
	<u>1,310</u>	<u>1,559</u>

(a) Lease Liabilities

For information on the Group's leasing activities refer to Note 11(a).

Note 16. Current liabilities - Provisions

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Employee provisions	468	463

Movements in provisions during the half-year ended 31 December 2020 are set out below:

Consolidated - 31 December 2020	Employee \$'000
Carrying amount at the start of the half-year	463
Additional provisions recognised	82
Amounts transferred to non-current (refer to Note 20)	(14)
Amounts used	<u>(63)</u>
Carrying amount at the end of the half-year	<u>468</u>

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 17. Current liabilities - Other liabilities

	Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000
Deferred income - rental income (non-lease components)	7	7
Deferred income - other	13	17
	<u>20</u>	<u>24</u>

Note 18. Current liabilities - Liabilities of disposal groups classified as held for sale

The Group is in the process of selling its 51% interest in Mountainside Coal Company Inc. (MCC), which operates coal mines in the USA that form part of the coal mining USA segment. Negotiations to purchase the Group's interest are continuing. All of the assets and liabilities of MCC are presented as held for sale as at 30 June 2020 (refer to Note 10). The operating results of MCC's operations have been reported as a discontinued operation for 2020 and 2019 (refer to Note 7).

The liabilities at period end comprised (100%):

	Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000
Trade payables	37	164
Other payables	429	379
Loans from shareholders - Black River	33,121	36,592
Accrued interest on shareholder loans - Black River	10,463	10,621
Lease liabilities (b)	1,394	1,634
Provisions - reclamation (a)	1,432	1,600
Provisions - employee (a)	26	-
	<u>46,902</u>	<u>50,990</u>

(a) Provisions

	Reclamation Provisions \$'000	Employee Provisions \$'000	Total \$'000
Movement in provisions:			
Carrying value at the start of the reporting period	1,600	-	1,600
Additional provision raised	19	26	45
Amounts used	(10)	-	(10)
Unwinding of discount	1	-	1
Exchange differences	(178)	-	(178)
	<u>1,432</u>	<u>26</u>	<u>1,458</u>
Carrying value at the end of the reporting period			

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 18. Current liabilities - Liabilities of disposal groups classified as held for sale (continued)

(b) Lease liabilities

The lease liabilities are secured by the related underlying assets. Refer to Note 10(c) for further information on MCC's leasing activities.

Note 19. Non-current liabilities - Other payables

	Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000
Lease liabilities (b)	301	-
Loans from shareholders - Black River (a)	28,888	32,419
Accrued interest on shareholder loans - Black River (a)	11,666	12,153
	<u>40,855</u>	<u>44,572</u>

(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.

Loans from minority shareholders to Mountainside Coal Company are not included in this note as Mountainside Coal Company is being offered for sale at balance date (refer to Note 18).

(b) Lease liabilities

For information on the Group's leasing activities refer to Note 11(a).

Note 20. Non-current liabilities - Provisions

	Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000
Employee provisions	298	284

Movements in provisions during the half-year ended 31 December 2020 are set out below:

Consolidated - 31 December 2020	Employee \$'000
Carrying amount at the start of the half-year	284
Amounts transferred from current (refer to Note 16)	<u>14</u>
Carrying amount at the end of the half-year	<u>298</u>

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 21. Equity - Contributed equity

	Consolidated			
	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 \$'000	30 June 2020 \$'000
Ordinary shares - fully paid	<u>774,478,719</u>	<u>774,478,719</u>	<u>521,337</u>	<u>521,337</u>

Note 22. Equity - Reserves

	Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000
Foreign currency translation reserve	(16,651)	(17,506)
Share-based payments reserve	<u>7,087</u>	<u>7,062</u>
	<u>(9,564)</u>	<u>(10,444)</u>

Note 23. Equity - Dividends

No amounts have been paid or declared by way of dividend during the half-year ended 31 December 2020 (2019: \$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 third tranche of the proceedings was heard by the SICC from 21 to 30 September 2020. Cross examination of witnesses from both sides is now complete. Written closing submissions were provided by both sides on 19 November 2020 and replies were filed on 10 December 2020. The final oral submissions from the parties' legal representatives were made on 9 January 2021. The judgement is reserved.

The only issues remaining to be determined by the SICC in the third tranche relate to the damages which may be payable to BCBCS. The SICC has, in the earlier tranche of the proceedings, already made a conclusive determination that Bayan has both breached and repudiated the joint venture deed.

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2020

Note 24. Contingencies (continued)

The claim for damages can be broadly summarised as follows:

- BCBCS claims for wasted expenditure, being expenses incurred by BCBCS which were rendered futile by reason of Bayan's breach and repudiation of the joint venture;
- Further, BCBCS claims for loss of the chance of expanding the capacity of the joint venture to at least 3 million tonnes per annum; and
- Interest on any damages award and costs.

(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. Depositions are on hold due to COVID-19 and there is no fixed trial date.

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. Incentive Options and Incentive Rights have been issued under the LTIP. The number of Incentive Options and Incentive Rights for shares in the Company held during the period is set out below:

Grant date	Expiry date	Balance at 1 July 2020 Number	Granted during the period Number	Exercised or forfeited during the period Number	Balance at 31 December 2020 Number
18/11/2016 (a)	18/11/2022	10,000,000	-	-	10,000,000
1/7/2019 (b)	30/6/2022	3,400,000	-	-	3,400,000

(a) Incentive Options granted in 2016 under the LTIP may be exercised at any time prior to their expiry date. As a consequence of the 2018 and 2020 pro-rata Entitlement Offers to shareholders, the exercise price was adjusted to \$0.19363 from \$0.20 on 5 June 2020. 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.

(b) Incentive Rights granted in 2019 vest on satisfaction of two vesting conditions on 30 June 2022: Service Condition – the employee must remain continuously employed by the Company or its subsidiary throughout the 3 year period from 1 July 2019 to 30 June 2022 inclusive; and Performance Condition – the Company must achieve a Total Shareholder Return (TSR) of 120% over the 3 year period. This is calculated based on the Company's market-based ordinary share price returns adjusted for any dividends paid during the Service Period. For the purpose of this Performance Condition, the deemed starting share price is \$0.10, the volume weighted average price over the preceding 20 trading days to 28 June 2019. The Board may determine that the rights lapse if the rights holder ceases to be an employee prior to exercise. The rights 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 rights 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 rights had a fair value of \$0.0440 per right.

Note 26. Events occurring after the reporting period

(a) Contingencies - KSC legal dispute

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

No other matter or circumstance has arisen since 31 December 2020 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 2020 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 2020 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 applied the following new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the reporting period commencing 1 July 2020:

- *The Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards- References to the Conceptual Framework*
- *AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia* [AASB 1054]

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Historical cost convention

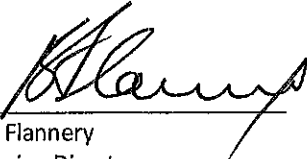
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and certain classes of property, plant and equipment.

White Energy Company Limited
Directors' declaration
31 December 2020

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 32 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Australian 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 2020 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 Directors.



Brian Flannery
Managing Director

12 March 2021
Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WHITE ENERGY COMPANY LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of White Energy Company Limited (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1 in the half-year financial report, which describes management's assessment of the consolidated entity's ability to continue as a going concern. The consolidated entity incurred a net loss after tax of \$10,926,000 and had net operating cash outflows of \$7,563,000 for the half year ended 31 December 2020 and had net liabilities of \$55,086,000 at that date. These conditions, along with the matters described in Note 1 indicate a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the consolidated entity a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 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.

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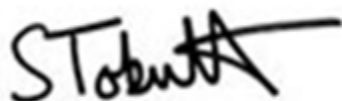
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 2020 and its performance for the half year ended on that date, and complying with Australian 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.



PKF



SCOTT TOBUTT
PARTNER

12 MARCH 2021
SYDNEY, NSW

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