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White Energy Company Limited

ABN 62 071 527 083

Interim Financial Report - 31 December 2021

White Energy Company Limited

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General information

These financial statements are for the group consisting of White Energy Company Limited and its subsidiaries. These 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 2021 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 2021

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 2021.

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:

Graham Cubbin
Brian Flannery
Travers Duncan (resigned 17 December 2021)
Vincent O'Rourke

Operating and financial review

Coal technology

White Energy is investigating the implementation of its patented Binderless Coal Briquetting (BCB) technology for use in Yankuang Group's coal briquetting business in China. Testing of coals from Shandong and Shanxi Provinces have previously been successfully conducted at White Energy's test facility in Cessnock and larger scale tests were carried out in China using two of the Company's briquetting machines and a small pilot plant constructed in Shandong Province.

Following discussions with Yankuang Group, design of a BCB plant for a mine site in Shanxi Province has been completed. The contract for construction of the plant that will allow construction to commence that is funded by the customer under White Energy's design and engineering supervision has not been finalised yet. It is hoped the contract will be finalised when the travel restrictions imposed for COVID-19 are eased and the Company's engineers are able to visit the plant site in China. Yankuang's interest was in briquetting fine wet coal with a small addition of calcium carbonate to reduce sulphur emissions to sell to civil and domestic customers. The Company has been advised that there is a move away from this concept due to other environmental factors. However, there remains a significant opportunity for the briquetting of fines in China, particularly for semicoke plants.

White Energy and its 49% joint venture partner in the River Energy JV (River Energy), Proterra Investment Partners (Proterra), are 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.

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. This not only allows for reduction or rehabilitation of the reject tailings, but the briquettes can also be used to provide economical fuel with lower emissions for the local power industry, which would otherwise require coal to be mined and railed over considerable distances due to the depletion of nearby coal resources.

Using the BCB process, a briquetted 6 tonne sample of fines from a mine in the Middelburg region was successfully tested by a South African power producer during the half-year. A further bulk sample of up to 50 kt has been requested to carry out a commercial scale trial. White Energy is assisting Proterra in the design of a small demonstration plant to facilitate this work and other trials 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.

Coal and minerals exploration

During the half-year, activities in EL6566 (formerly EL5719, in South Australia) and PELA674 focused on examining coal gasification and emerging hydrogen opportunities from coal, and exploration for other minerals.

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Baseline surveys commenced in December 2021 for iron oxide-copper-gold styles of mineralisation that are targeting a new zone of interest in the magnetic corridors of the Hilga Mineral Field and historical anomalies from calcrete sampling programs completed from 2012 to 2013 and 2018. The geochemical analysis using biochemical (predominately leaf), calcrete and soil sampling has commenced, and further target areas are planned for survey in 2022.

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 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 Limited (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 is no longer any damages claim against the White Energy Group in these proceedings.

The Court in the first two tranches of the proceedings and subsequent appeals conclusively determined that Bayan had both breached and repudiated the joint venture.

The trial for the third tranche of the proceedings concluded in January 2021, with the only issues remaining to be determined by the SICC relating to the damages which may be payable to BCBCS. The claim for damages comprised of the following:

- BCBCS claimed 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 claimed 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.

The SICC released its decision on 7 February 2022 in relation to the third tranche of the proceedings. The SICC found in favour of BCBCS on the majority of the issues for determination. The SICC found in BCBCS' favour on all of the preliminary legal issues including in relation to remoteness and reflective loss.

The SICC also concluded that the technology underlying the BCB process would have worked and that the Tabang Plant would have achieved nameplate capacity of 1 million tonnes per annum by June 2012, and that the upgraded coal produced at Tabang would have been a saleable product.

Notwithstanding the above findings, the SICC dismissed BCBCS' claim for damages for wasted expenditure. The SICC concluded that Bayan would have been able to take steps to put KSC into liquidation, thereby bringing the joint venture to an end before the joint venture would have had sufficient cash flows from which BCBCS could recoup its wasted expenditure.

In relation to BCBCS' claim for loss of chance to expand the project, the SICC took the view that there did not exist a real and substantial chance that BR would have agreed to expand the capacity of the Tabang project.

On 7 March 2022, BCBCS filed a notice of appeal in the Singapore Court of Appeal in order to appeal certain of the findings made by the SICC in the third tranche of the proceedings. The appeal timelines have yet to be set by the Singapore Court of Appeal.

The SICC in the third tranche judgement stated that it would hear parties in relation to costs. The SICC has set 21 March

White Energy Company Limited
Directors' report
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2022 as the date for the parties' submissions on costs for the proceedings (Tranches 1 to 3), and 14 April 2022 for the parties to file their reply submissions, and will decide the issue on the basis of submissions without a hearing.

General corporate

Proceeds from the Group's sale of its 51% interest in MCC for \$5.3 million are being progressively received. Firstly, a deposit of \$2.0 million was received prior to 30 June 2021, followed by the release from escrow to the Company of \$0.8 million in July 2021, with the remaining instalments of \$2.6 million expected by June 2022. This is later than contracted, but the Company has been assured by the purchaser that they will be able to meet their contractual obligation, with the post period end re-start of mining activities by MCC.

The Group has no secured corporate debt. Limited-recourse shareholder loans provided to the Group's 51% owned operations in the UK and Mauritius by both White Energy and the minority shareholders in proportion to their ownership interests are repayable in January 2025. Recourse to the shareholders is limited to the assets of subsidiaries that are subject to joint venture agreements, with joint shareholder consent customarily given to extend the loans' due dates as required.

Financial position and results for the half-year

The Group had cash reserves including discontinued operations as at 31 December 2021 of \$1.4 million (30 June 2021: \$2.2 million) excluding restricted cash of \$2.0 million (30 June 2021: \$2.0 million).

The total assets balance decreased from \$17.1 million as at 30 June 2021 to \$14.3 million as at 31 December 2021, largely as a result of the losses derived by the Group.

The increase in liabilities from \$44.0 million as at 30 June 2021 to \$46.2 million as at 31 December 2021 predominantly reflects the increase in the value of shareholder loans due to the weakening of the Australian dollar against the US dollar and accrued interest on the shareholder loans.

The Consolidated Entity's loss before tax for the half-year ended 31 December 2021 was \$3.4 million (2020: \$10.9 million). The Company's adjusted normalised EBITDA loss for the half-year ended 31 December 2021 was \$1.2 million (2020: \$2.0 million). The improvement in normalised EBITDA from the comparative period in 2020 is primarily due to the cost reduction initiatives across the Group and the absence of litigation costs.

The normalised EBITDA loss has been determined as follows:

	31 December 2021	31 December 2020
	\$'000	\$'000
Consolidated entity net loss for the half-year before income tax	(3,395)	(10,926)
(including discontinued operations)		
<i>Non-cash expenses / (income):</i>		
Depreciation / amortisation	1,063	1,045
Share-based payments	25	25
Other	(74)	(27)
Sub-total – non-cash expenses	1,014	1,043
<i>Other significant items:</i>		
Finance costs	901	2,046
Legal costs – litigation	35	5,273
Sub-total – other significant items	936	7,319
Consolidated entity adjusted normalised EBITDA	(1,445)	(2,564)
Non-controlling interests share of normalised EBITDA	211	559
White Energy adjusted normalised EBITDA	(1,234)	(2,005)

White Energy Company Limited
Directors' report
31 December 2021

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 (\$1.44 million) reconciles to the segment information EBITDA result for the year (\$1.48 million) disclosed on page 16, after adding back litigation costs (\$0.04 million) which are included in the 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 2021 of \$4,935,000 (2020: \$1,950,000), had net cash outflows from operations of \$1,567,000 (2020: \$7,563,000) and a cash balance excluding restricted cash of \$1,413,000 (30 June 2021: \$2,223,000). The Group has net liabilities of \$31,881,000 (30 June 2021: \$26,971,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans (recourse is limited to the assets of subsidiaries that are subject to joint venture agreements, with joint shareholder consent customarily given to extend the loans' due dates as required), trade and other payables and provisions incurred in the ordinary course of business. The Group has prepared a cash flow forecast to 31 March 2023, which demonstrates the need for additional cash inflows 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 expecting to receive the remaining \$2.6 million owing for the sale of Mountainside Coal Company, Inc. by June 2022, and further details in relation to the recoverability of the amount are shown in Note 8;
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;
4. Loans from minority shareholders: The Group's 51% owned subsidiaries, River Energy JV Limited and River Energy JV UK Limited continue to have access to funds from their 49% minority shareholder under existing shareholder loan agreements (in conjunction with WEC's 51% contributions) to enable them to meet their debts as and when they fall due; and
5. Release of security bond: A \$2 million security bond is held in support of freezing orders made against PT Bayan Resources Tbk's (Bayan) shareholding in Kangaroo Resources Limited. The Company's subsidiary BCBC Singapore Pte Ltd is currently in correspondence with Bayan in relation to the discharge of the freezing orders and release of the security bond to the Company. Refer to Note 24(a) for further details.

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 2021 contains a material uncertainty regarding going concern 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 2021.

White Energy Company Limited
Directors' report
31 December 2021

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) Pending discharge of freezing orders and release of security bond

BCBC Singapore Pte Ltd (BCBCS) has advised PT Bayan Resources Tbk (Bayan), that it would agree to the discharge of the freezing orders in favour of BCBCS in respect of Bayan's shareholding in Kangaroo Resources Limited subject to certain conditions including the return of the related \$2,000,000 security bond provided by the Company on behalf of its subsidiary BCBCS. BCBCS and Bayan continue to correspond regarding those matters and the costs of the freezing orders proceedings.

(b) 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 2021 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.

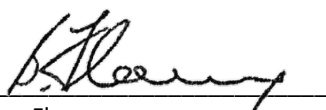
Auditor's independence declaration

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

15 March 2022
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 2021, 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

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SCOTT TOBUTT
PARTNER

15 MARCH 2022
SYDNEY, NSW

PKF (NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved
under Professional Standards Legislation

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For our office locations visit www.pkf.com.au

White Energy Company Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 2021 \$'000	2020 \$'000
Continuing operations			
Revenue from contracts with customers	3	-	24
Other income	4	165	129
Total revenue		<u>165</u>	<u>153</u>
Other net gains / (losses)	5	74	27
Employee benefits expense		(889)	(873)
Depreciation and amortisation expense	6	(1,063)	(1,045)
External advisory fees	6	(167)	(5,421)
Occupancy expenses		(29)	(52)
Plant operating costs		(22)	(76)
Accounting, tax and audit fees		(174)	(17)
Other expenses		(389)	(390)
Finance costs		(901)	(894)
Loss before income tax from continuing operations		(3,395)	(8,588)
Income tax		-	-
Loss for the half-year from continuing operations		(3,395)	(8,588)
Loss for the half-year from discontinued operations	7	-	(2,338)
Loss for the half-year		(3,395)	(10,926)
Other comprehensive loss / (income)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,540)	8,976
Other comprehensive loss / (income) for the half-year		(1,540)	8,976
Total comprehensive loss for the half-year		<u>(4,935)</u>	<u>(1,950)</u>
Loss for the half-year is attributable to:			
Owners of White Energy Company Limited		(2,321)	(8,270)
Non-controlling interest		(1,074)	(2,656)
Total loss for the half-year		<u>(3,395)</u>	<u>(10,926)</u>
Total comprehensive loss for the half-year is attributable to:			
Continuing operations		(2,595)	(6,866)
Discontinued operations		-	(549)
Owners of White Energy Company Limited		(2,595)	(7,415)
Non-controlling interests		(2,340)	5,465
Total comprehensive loss for the half-year		<u>(4,935)</u>	<u>(1,950)</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 2021

	2021	2020
	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	(0.3)	(1.0)
Diluted earnings per share	(0.3)	(1.0)
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)
Diluted earnings per share	-	(0.1)
Earnings per share for loss attributable to the ordinary equity holders of White Energy Company Limited		
Basic earnings per share	(0.3)	(1.1)
Diluted earnings per share	(0.3)	(1.1)

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 2021

		Consolidated	
		31 December	
	Note	2021	30 June 2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		1,413	2,223
Trade and other receivables	8	2,123	2,886
Other assets	9	208	361
Total current assets		<u>3,744</u>	<u>5,470</u>
Non-current assets			
Property, plant and equipment	10	208	306
Intangibles	11	4,214	5,212
Exploration assets	12	4,121	4,069
Restricted cash	13	2,000	2,000
Total non-current assets		<u>10,543</u>	<u>11,587</u>
Total assets		<u>14,287</u>	<u>17,057</u>
Liabilities			
Current liabilities			
Trade and other payables	14	228	573
Provisions	15	518	467
Other liabilities	16	7	7
Total current liabilities		<u>753</u>	<u>1,047</u>
Non-current liabilities			
Other payables	17	45,062	42,665
Provisions	18	353	316
Total non-current liabilities		<u>45,415</u>	<u>42,981</u>
Total liabilities		<u>46,168</u>	<u>44,028</u>
Net liabilities		<u>(31,881)</u>	<u>(26,971)</u>
Equity			
Contributed equity	19	521,337	521,337
Reserves	20	(9,233)	(8,984)
Accumulated losses		(511,569)	(509,248)
Equity attributable to the owners of White Energy Company Limited		535	3,105
Non-controlling interests		(32,416)	(30,076)
Total equity		<u>(31,881)</u>	<u>(26,971)</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 2021

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 23)	-	25	-	-	25
Balance at 31 December 2020	<u>521,337</u>	<u>(9,564)</u>	<u>(502,705)</u>	<u>(64,154)</u>	<u>(55,086)</u>
Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2021	521,337	(8,984)	(509,248)	(30,076)	(26,971)
Loss for the half-year	-	-	(2,321)	(1,074)	(3,395)
Other comprehensive loss for the half-year	-	(274)	-	(1,266)	(1,540)
Total comprehensive loss for the half-year	-	(274)	(2,321)	(2,340)	(4,935)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (Note 23)	-	25	-	-	25
Balance at 31 December 2021	<u>521,337</u>	<u>(9,233)</u>	<u>(511,569)</u>	<u>(32,416)</u>	<u>(31,881)</u>

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 2021

	Consolidated	
	2021	2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	229	327
Payments to suppliers and employees (inclusive of goods and services tax)	(1,797)	(7,784)
	(1,568)	(7,457)
Interest received	1	8
(Payments) / Receipts from certificates of deposit restricted for bonds	-	(114)
Net cash outflow from operating activities	(1,567)	(7,563)
Cash flows from investing activities		
Payments for property, plant and equipment	(10)	(22)
Payments for exploration assets	(57)	(28)
Disposal of discontinued operation	831	-
Finance lease receivables received	44	44
Net cash inflow / (outflow) from investing activities	808	(6)
Cash flows from financing activities		
Proceeds from shareholder loans	54	549
Repayment of loans	-	(109)
Repayment of lease liabilities	(71)	(132)
Finance charges paid	(24)	(148)
Net cash (outflow) / inflow from financing activities	(41)	160
Net decrease in cash and cash equivalents	(800)	(7,409)
Cash and cash equivalents at the beginning of the financial half-year	2,223	10,586
Effects of exchange rate changes on cash and cash equivalents	(10)	69
Cash and cash equivalents at the end of the financial half-year	1,413	3,246
The above figures reconcile to the balance sheet at the end of the financial half-year as follows:		
Balances as above	1,413	3,246
Reclassification of cash of disposal groups held for sale	-	(64)
Cash and cash equivalents at the end of the financial half-year	1,413	3,182

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 2021

Note 1. Going concern

The Group recorded a total comprehensive loss for the half-year ended 31 December 2021 of \$4,935,000 (2020: \$1,950,000), had net cash outflows from operations of \$1,567,000 (2020: \$7,563,000) and a cash balance excluding restricted cash of \$1,413,000 (30 June 2021: \$2,223,000). The Group has net liabilities of \$31,881,000 (30 June 2021: \$26,971,000). In this regard it should be noted that the Group's external debt comprised limited-recourse shareholder loans (recourse is limited to the assets of subsidiaries that are subject to joint venture agreements, with joint shareholder consent customarily given to extend the loans' due dates as required), trade and other payables and provisions incurred in the ordinary course of business. The Group has prepared a cash flow forecast to 31 March 2023, which demonstrates the need for additional cash inflows to meet the Group's forecast expenditure for the period.

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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 sold its interest in MCC on the 15th of April 2021. MCC's results are reported as a discontinued operation in the comparative period ended December 2020.

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. 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 until the 15th of April 2021.
- (v) United Kingdom (UK): An investment holding company which owned MCC until the 15th of April 2021, and operates in the area of the coal technology business line.

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 2021

Segment information by business line

Consolidated - 2021	Coal technology \$'000	Mining exploration \$'000	Inter-segment \$'000	Total \$'000
Revenue				
Inter-segment revenue	1,604	-	(1,604)	-
Other income	164	-	-	164
Interest income	1	-	-	1
Total revenue	1,769	-	(1,604)	165
EBITDA (*)				
Depreciation	(8)	-	-	(8)
Amortisation	(1,368)	-	313	(1,055)
Interest expense	(1,719)	-	818	(901)
Other non-cash expenses	(68)	-	-	(68)
Foreign exchange gains	117	-	-	117
Loss before income tax	(2,933)	(1)	(461)	(3,395)
Income tax	-	-	-	-
Loss for the half-year	(2,933)	(1)	(461)	(3,395)

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

Consolidated - 2021	Australia \$'000	Asia \$'000	South Africa \$000	UK \$'000	Inter-segment \$'000	Total \$'000
Revenue						
Inter-segment revenue	1,604	-	-	-	(1,604)	-
Other income	164	-	-	-	-	164
Interest income	1	-	-	-	-	1
Total revenue	1,769	-	-	-	(1,604)	165
EBITDA (*)						
Depreciation	(8)	-	-	-	-	(8)
Amortisation	(1,055)	-	(187)	(126)	313	(1,055)
Interest expense	(19)	-	(610)	(1,090)	818	(901)
Other non-cash expenses	(68)	-	-	-	-	(68)
Foreign exchange gains	117	-	-	-	-	117
Loss before income tax	(838)	(17)	(824)	(1,255)	(461)	(3,395)
Income tax	-	-	-	-	-	-
Loss for the half-year	(838)	(17)	(824)	(1,255)	(461)	(3,395)

* 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
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Note 2. Segment information (continued)

Half-year 2020

Segment information by business line

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	(5,729)	(1)	(1,334)	(1,524)	(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
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	-	-	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.

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Note 3. Revenue from contracts with customers

	Consolidated	
	2021	2020
	\$'000	\$'000
From continuing operations		
Sampling services - potential customers	-	24
	<u>-</u>	<u>24</u>
	Consolidated	
	2021	2020
	\$'000	\$'000
Timing of revenue recognition		
Recognised at a point in time	-	24
	<u>-</u>	<u>24</u>

Note 4. Other income

	Consolidated	
	2021	2020
	\$'000	\$'000
Interest income calculated using the effective interest rate method	1	8
Other items	164	121
	<u>165</u>	<u>129</u>

Note 5. Other net gains / (losses)

	Consolidated	
	2021	2020
	\$'000	\$'000
Foreign exchange gains	117	27
Loss on disposal of property, plant and equipment	(43)	-
	<u>74</u>	<u>27</u>

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White Energy Company Limited
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Note 6. Expenses

	Consolidated	
	2021	2020
	\$'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	8	4
Amortisation expense - Right-of-use assets - Buildings	57	43
Amortisation expense - Intangible assets	998	998
	<hr/>	<hr/>
Total depreciation and amortisation expense	1,063	1,045
<i>External advisory fees</i>		
Consulting, external management and professional fees	132	148
Litigation costs	35	5,273
	<hr/>	<hr/>
Total external advisory fees	167	5,421

Note 7. Discontinued operations

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss from discontinued operations		
Mountainside Coal Company Inc ^(a)	-	(2,338)
	<hr/> <hr/>	<hr/> <hr/>

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White Energy Company Limited
Notes to the consolidated financial statements
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Note 7. Discontinued operations (continued)

(a) Mountainside Coal Company Inc.

On the 15th of April 2021, the Group sold its 51% interest in Mountainside Coal Company, Inc. (MCC), which operates coal mines in the USA. The operating results of MCC's operations are reported as a discontinued operation for 2020.

Financial information relating to the discontinued operations for the period is set out below (100%):

Financial performance information

	Consolidated	
	2021	2020
	\$'000	\$'000
Revenue - Other income	-	24
Coal mining operations expense	-	(296)
Employee benefits expense	-	(120)
External advisory fees	-	(15)
Occupancy expenses	-	(12)
Accounting, tax and audit fees	-	(47)
Other operating expenses	-	(720)
Finance costs	-	(1,152)
Total expenses	-	(2,362)
Loss before income tax	-	(2,338)
Income tax	-	-
Loss for the half-year from discontinued operations	-	(2,338)

Cash flow information

	Consolidated	
	2021	2020
	\$'000	\$'000
Net cash outflow from operating activities	-	(1,416)
Net cash inflow from financing activities	-	917
Net decrease in cash and cash equivalents from discontinued operations	-	(499)

White Energy Company Limited
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Note 8. Current assets - Trade and other receivables

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Trade receivables	52	76
Less: Allowance for expected credit losses	(47)	(47)
	5	29
Consideration receivables ^(a)	2,551	2,497
Consideration receivables - contractually restricted ^(a)	-	809
Less: Allowance for expected credit losses ^(b)	(499)	(499)
	2,052	2,807
Other receivables	-	28
Finance lease receivables ^(c)	66	22
	2,123	2,886
	2,123	2,886

(a) Consideration receivables

Consideration receivables of \$3,306,000 (denominated in US dollars, USD \$2,459,000) arose on the sale of subsidiary Mountainside Coal Company Inc. (MCC) on the 15th of April 2021. Collateral has been provided by the purchaser of MCC by a mortgage over certain plant and equipment of MCC, and by a guarantee from a parent company of the purchaser. At the time of sale, \$809,000 (USD \$608,000) was placed with an escrow agent by the purchaser, and was contractually restricted for release in full until US tax exemption requirements were completed in July 2021. The remaining consideration receivables arising at the time of sale totalling \$2,551,000 (June 2021: \$2,497,000), are expected to be paid by June 2022. This is later than contracted, but the Company has been assured by the purchaser that they will be able to meet their contractual obligation, with the post period end re-start of mining activities by MCC.

(b) Allowance for expected credit losses - Consideration receivables

Consideration receivables at amortised cost were due and payable by 28 December 2021. The Group considers there to have been a significant increase in credit risk since initial recognition in April 2021. An allowance for expected losses of \$499,000 was recognised at 30 June 2021, and this reduces the carrying value of consideration receivables. The loss allowance is based on the expected loss rate of 30%, and the difference between the instalments due in accordance with the contract to sell subsidiary Mountainside Coal Company Inc. and all the cash flows that the Group expects to receive, and this includes cash flows from the sale of collateral held. The expected loss rate is based on the Standard & Poors' Average Cumulative Default Rates for the USA (using data from 1981 to 2020), for a CCC/C rated bond that has a one year term.

(c) 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 2021 \$'000	30 June 2021 \$'000
Within one year	67	22
Less: Future finance charges	(1)	-
	66	22
Net recognised as assets	66	22

White Energy Company Limited
Notes to the consolidated financial statements
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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 (2020: \$1,000).

Note 9. Current assets – Other assets

	Consolidated	
	31 December	
	2021	30 June 2021
	\$'000	\$'000
Prepayments	188	341
Deposits	20	20
	<u>208</u>	<u>361</u>

Note 10. Non-current assets – Property, plant and equipment

	Consolidated	
	31 December	
	2021	30 June 2021
	\$'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	15,950	15,934
Less: Accumulated depreciation and impairment	(15,925)	(15,911)
	<u>25</u>	<u>23</u>
Right-of-use assets – buildings - at cost ^(a)	413	478
Less: Accumulated depreciation	(230)	(195)
	<u>183</u>	<u>283</u>
	<u>208</u>	<u>306</u>

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Note 10. Non-current assets - Property, plant and equipment (continued)

Reconciliations

Reconciliations of the net book values at the beginning and end of the half-year ended 31 December 2021 are set out below:

Consolidated	Plant and equipment \$'000	Leasehold improvements \$'000	Right-of-use assets - buildings* \$'000	Total \$'000
Balance at 1 July 2021	23	-	283	306
Additions	10	-	-	10
Disposals	-	-	(43)	(43)
Amortisation expense	-	-	(57)	(57)
Depreciation expense	(8)	-	-	(8)
Balance at 31 December 2021	<u>25</u>	<u>-</u>	<u>183</u>	<u>208</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 8c. 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.

(ii) Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
Current (refer to Note 14)	157	148
Non-current (refer to Note 17)	<u>144</u>	<u>224</u>
	<u>301</u>	<u>372</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 2021 is as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
Less than one year	169	164
One to five years	<u>147</u>	<u>233</u>
Total undiscounted lease liabilities	<u>316</u>	<u>397</u>

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White Energy Company Limited
Notes to the consolidated financial statements
31 December 2021

Note 10. Non-current assets - Property, plant and equipment (continued)

(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 liabilities are as follows:

	6 months to 31 December 2021 \$'000	6 months to 31 December 2020 \$'000
Short-term leases (included in plant operating costs)	9	9
Leases of low-value assets (included in other expenses)	2	2
	<u>11</u>	<u>11</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 \$9,000 (2020: \$3,000).

The total cash outflow for leases in the half-year was \$91,000 (2020: \$79,000).

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

Note 11. Non-current assets - Intangibles

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Coal technology licence - at cost	55,983	55,983
Less: Accumulated amortisation and impairment	<u>(51,769)</u>	<u>(50,771)</u>
	<u>4,214</u>	<u>5,212</u>

Reconciliations

Reconciliation of the net book values at the beginning and end of the half-year ended 31 December 2021 are set out below:

Consolidated	Coal technology licence \$'000
Balance at 1 July 2021	5,212
Amortisation expense ^(a)	<u>(998)</u>
Balance at 31 December 2021	<u>4,214</u>

(a) Amortisation expense

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

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Note 12. Non-current assets - Exploration assets

Reconciliations

Reconciliations of exploration assets carrying amounts at the beginning and end of the half-year ended 31 December 2021 are set out below:

Consolidated	Cooper Pedy EL6566 Exploration tenements \$'000	Cooper Pedy EL6566 Exploration rights \$'000	Cooper Pedy PELA674 Exploration tenement \$'000	Total \$'000
Balance at 1 July 2021	1,375	2,690	4	4,069
Expenditure during the half-year	52	-	-	52
Balance at 31 December 2021	<u>1,427</u>	<u>2,690</u>	<u>4</u>	<u>4,121</u>

Note 13. Non-current assets - Restricted cash

	Consolidated 31 December	
	2021 \$'000	30 June 2021 \$'000
Security bond ^(a)	<u>2,000</u>	<u>2,000</u>

(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 14. Current liabilities - Trade and other payables

	Consolidated 31 December	
	2021 \$'000	30 June 2021 \$'000
Trade payables	55	149
Lease liabilities ^(a)	157	148
Other payables	16	276
	<u>228</u>	<u>573</u>

(a) Lease Liabilities

For information on the Group's leasing activities refer to Note 10(a).

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White Energy Company Limited
Notes to the consolidated financial statements
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Note 15. Current liabilities - Provisions

	Consolidated	
	31 December	
	2021	30 June 2021
	\$'000	\$'000
Employee provisions	518	467

Movements in provisions during the half-year ended 31 December 2021 are set out below:

	Employee \$'000
Carrying amount at the start of the half-year	467
Additional provisions recognised	130
Amounts transferred to non-current (refer to Note 18)	(37)
Amounts used	(42)
Carrying amount at the end of the half-year	518

Note 16. Current liabilities - Other liabilities

	Consolidated	
	31 December	
	2021	30 June 2021
	\$'000	\$'000
Deferred income - rental income	7	7

Note 17. Non-current liabilities - Other payables

	Consolidated	
	31 December	
	2021	30 June 2021
	\$'000	\$'000
Loans from shareholders - Black River ^(a)	30,772	29,647
Accrued interest on shareholder loans - Black River ^(a)	14,146	12,794
Lease liabilities ^(b)	144	224
	45,062	42,665

(a) Loans from shareholders

White Energy and the 49% minority shareholder in its River Energy operations have jointly funded these two 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, with recourse to the minority shareholder limited to 49% of the assets of the relevant Group subsidiary, and with joint shareholder consent customarily given to extend the loans' due dates as required.

(b) Lease liabilities

For information on the Group's leasing activities refer to Note 10(a).

White Energy Company Limited
Notes to the consolidated financial statements
31 December 2021

Note 18. Non-current liabilities - Provisions

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Employee provisions	353	316

Movements in provisions during the half-year ended 31 December 2021 are set out below:

	Employee \$'000
Carrying amount at the start of the half-year	316
Amounts transferred from current (refer to Note 15)	37
Carrying amount at the end of the half-year	353

Note 19. Equity - Contributed equity

	Consolidated			
	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 \$'000	30 June 2021 \$'000
Ordinary shares - fully paid	774,478,719	774,478,719	521,337	521,337

Note 20. Equity - Reserves

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Foreign currency translation reserve	(16,369)	(16,096)
Share based payment reserve	7,136	7,112
	(9,233)	(8,984)

Note 21. Equity - Dividends

No amounts have been paid or declared by way of dividend during the half-year ended 31 December 2021 (2020: \$Nil).

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Note 22. Contingencies

KSC legal dispute

White Energy's wholly owned subsidiaries, Binderless Coal Briquetting Company Pty Limited (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 is no longer any damages claim against the White Energy Group in these proceedings.

The Court in the first two tranches of the proceedings and subsequent appeals conclusively determined that Bayan had both breached and repudiated the joint venture.

The trial for the third tranche of the proceedings concluded in January 2021, with the only issues remaining to be determined by the SICC relating to the damages which may be payable to BCBCS. The claim for damages comprised of the following:

- BCBCS claimed 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 claimed 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 and costs.

The SICC released its decision on 7 February 2022 in relation to the third tranche of the proceedings. The SICC found in favour of BCBCS on the majority of the issues for determination. The SICC found in BCBCS' favour on all of the preliminary legal issues including in relation to remoteness and reflective loss.

The SICC also concluded that the technology underlying the BCB process would have worked and that the Tabang Plant would have achieved nameplate capacity of 1 million tonnes per annum by June 2012, and that the upgraded coal produced at Tabang would have been a saleable product.

Notwithstanding the above findings, the SICC dismissed BCBCS' claim for damages for wasted expenditure. The SICC concluded that Bayan would have been able to take steps to put KSC into liquidation, thereby bringing the joint venture to an end before the joint venture would have had sufficient cash flows from which BCBCS could recoup its wasted expenditure.

On 7 March 2022, BCBCS filed a notice of appeal in the Singapore Court of Appeal in order to appeal certain of the findings made by the SICC in the third tranche of the proceedings. The appeal timelines have yet to be set by the Singapore Court of Appeal.

The SICC in the third tranche judgement stated that it would hear parties in relation to costs. The SICC has set 21 March 2022 as the date for the parties' submissions on costs for the proceedings (Tranches 1 to 3), and 14 April 2022 for the parties to file their reply submissions, and will decide the issue on the basis of submissions without a hearing.

Note 23. 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 2021 Number	Granted during the period Number	Exercised or forfeited during the period Number	Balance at 31 December 2021 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 24. Events occurring after the reporting period

(a) Pending discharge of freezing orders and release of security bond

BCBC Singapore Pte Ltd (BCBCS) has advised PT Bayan Resources Tbk (Bayan), that it would agree to the discharge of the freezing orders in favour of BCBCS in respect of Bayan's shareholding in Kangaroo Resources Limited subject to certain conditions including the return of the related \$2,000,000 security bond provided by the Company on behalf of its subsidiary BCBCS. BCBCS and Bayan continue to correspond regarding those matters and the costs of the freezing orders proceedings.

(b) Contingencies - KSC legal dispute

Refer to Note 22 for details regarding the KSC legal dispute occurring after the reporting period.

No other matter or circumstance has arisen since 31 December 2021 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 25. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2021 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 2021 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

Certain new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) are mandatory for reporting periods commencing 1 July 2021. These standards and interpretations did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations that are relevant to the Group are set out below:

- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

(Amendments to AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2, mandatory for the reporting period beginning on 1 July 2023).

The amendments require disclosure of 'material' rather than 'significant' accounting policies and provides guidance on the application of 'material' in this context. They also clarify how to distinguish between accounting policies and estimates. The Group is carrying out an assessment of the impact of the amendments. The Group expects this will result in a reduction and representation of accounting policies disclosed in future reporting periods.

- *Definition of Accounting Estimates (Amendments to IAS 8)*

(Effective for the reporting period beginning on 1 July 2023)

The amendments introduce the definition of 'accounting estimates' and clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The Group is currently evaluating the impacts of these amendments. The initial assessment is that the amendments are not expected to significantly affect future periods financial statements.

- *AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

(Amendments to AASB 1 and AASB 112, mandatory for the reporting period beginning on 1 July 2023).

The amendments clarify the accounting for deferred tax on transactions which require the recognition of both assets and liabilities e.g. leases and decommissioning obligations. There is a requirement for companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences i.e. the initial recognition exemption is not applied. The Group is currently evaluating the impacts of these amendments. The initial assessment is that the amendments are not expected to significantly affect future periods financial statements.

Note 25. Basis of preparation of half-year report (continued)

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.

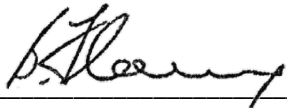
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White Energy Company Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 30 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 2021 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

15 March 2022
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 2021, 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 2021, 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 \$3,395,000 and had net operating cash outflows of \$1,567,000 for the half year ended 31 December 2021 and had net liabilities of \$31,881,000 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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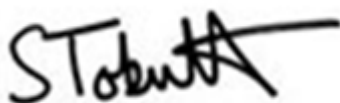
Auditor's Responsibility

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 2021 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

15 MARCH 2022
SYDNEY, NSW

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