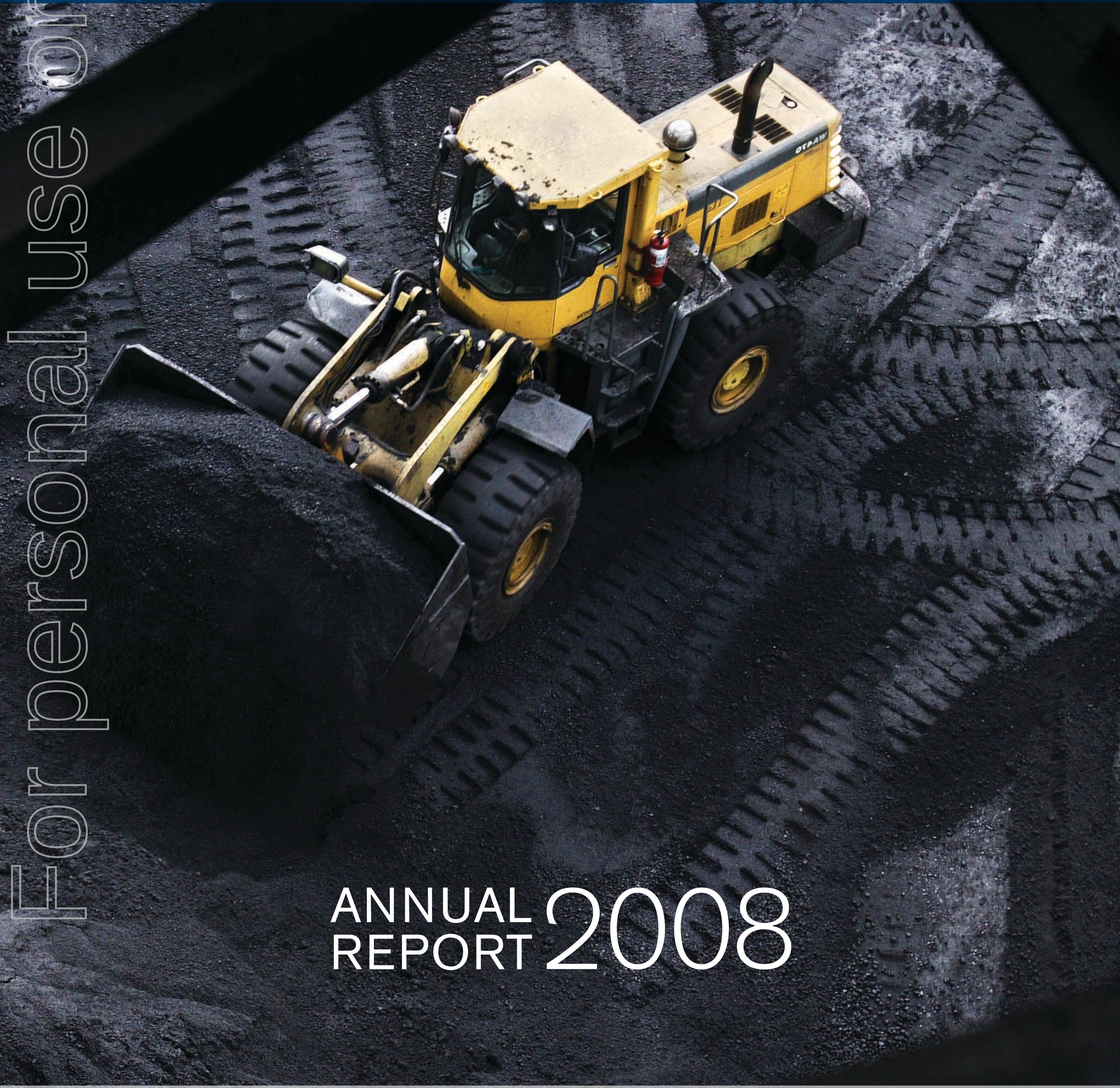
WHITEHAVEN COAL LIMITED

ABN 68 124 425 396



ANNUAL REPORT 2008

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CHAIRMAN'S LETTER

Dear Whitehaven Shareholder,

This has been an exciting year for Whitehaven Coal Limited (Whitehaven). Since the company was listed on the Australian Securities Exchange in June 2007, significant progress has been made developing the company's coal projects and mines.

PROFIT

Profit for the year was $51.9 million. Coal prices remained high but infrastructure constraints limited the tonnages shipped. Also, long vessel queues at the Newcastle port caused substantial demurrage costs.

ACHIEVEMENTS FOR 2008

Managed saleable coal production for the year increased by 20% to 2.753 million tonnes from 2.288 million tonnes in FY 2007. Production for the first full year of operations at the Tarrawonga mine offset reduced production from Canyon.

Construction has begun at the Narrabri and Rocglen projects and a Development Application has been submitted to the NSW Department of Planning for our new project at Sunnyside. Additional drilling increased the JORC reserves at both Narrabri North and Werris Creek.

Whitehaven increased its equity in the Werris Creek Joint Venture (JV) from 40% to 100% utilising proceeds from a capital raising and has agreed to increase its equity in the Bonshaw prospect from 67% to 100%.

In addition we have sold a 7.5% interest in the Narrabri JV to Upper Horn Investments Pty Ltd (part of China's Yudean Group) for $67.5 million. We have also accepted offers from Europe's EdF Trading and Japan's Electric Power Development Co Ltd for those companies each to acquire 7.5% of the Narrabri JV at prices of US$120 million and $125 million respectively. The sales are subject to formal documentation, due diligence and usual regulatory approvals, conditional on FIRB approval and are expected to be completed during September and October 2008. All three companies are leading coal consumers, and have entered into long term market based off-take contracts. We believe that the Narrabri JV is strengthened by their participation.

After the balance sheet date the Company declared a dividend of 1.7 cents per share or $6,662,000, fully franked.

CORPORATE

Mr Keith Ross retired as Managing Director in March 2008. Mr Ross was integral in the development of Whitehaven and on behalf of shareholders, directors and all staff, I thank him for his leadership and vision throughout his long association with the Company.

Mr Rob Stewart was appointed Managing Director effective 1 April 2008, having joined Whitehaven as Chief Executive Officer in October 2007.

SAFETY

Safety continues to be a priority for directors and management. Whitehaven has an excellent safety record since it commenced mining in the Gunnedah region in 2000. To the end of June 2008, only two lost time injuries had been recorded during this eight year period.

FUTURE OUTLOOK

The market for coal continues to be strong. We expect managed production to increase in FY 2009 with production improvements at Tarrawonga and Werris Creek and with the commissioning of the Rocglen and Sunnyside mines. Improved infrastructure arrangements and access will be critical to support our increased production.

On behalf of the Board, I compliment the Managing Director and all Whitehaven staff on a successful year and thank shareholders for their support.

John Conde

John C. Conde, AO

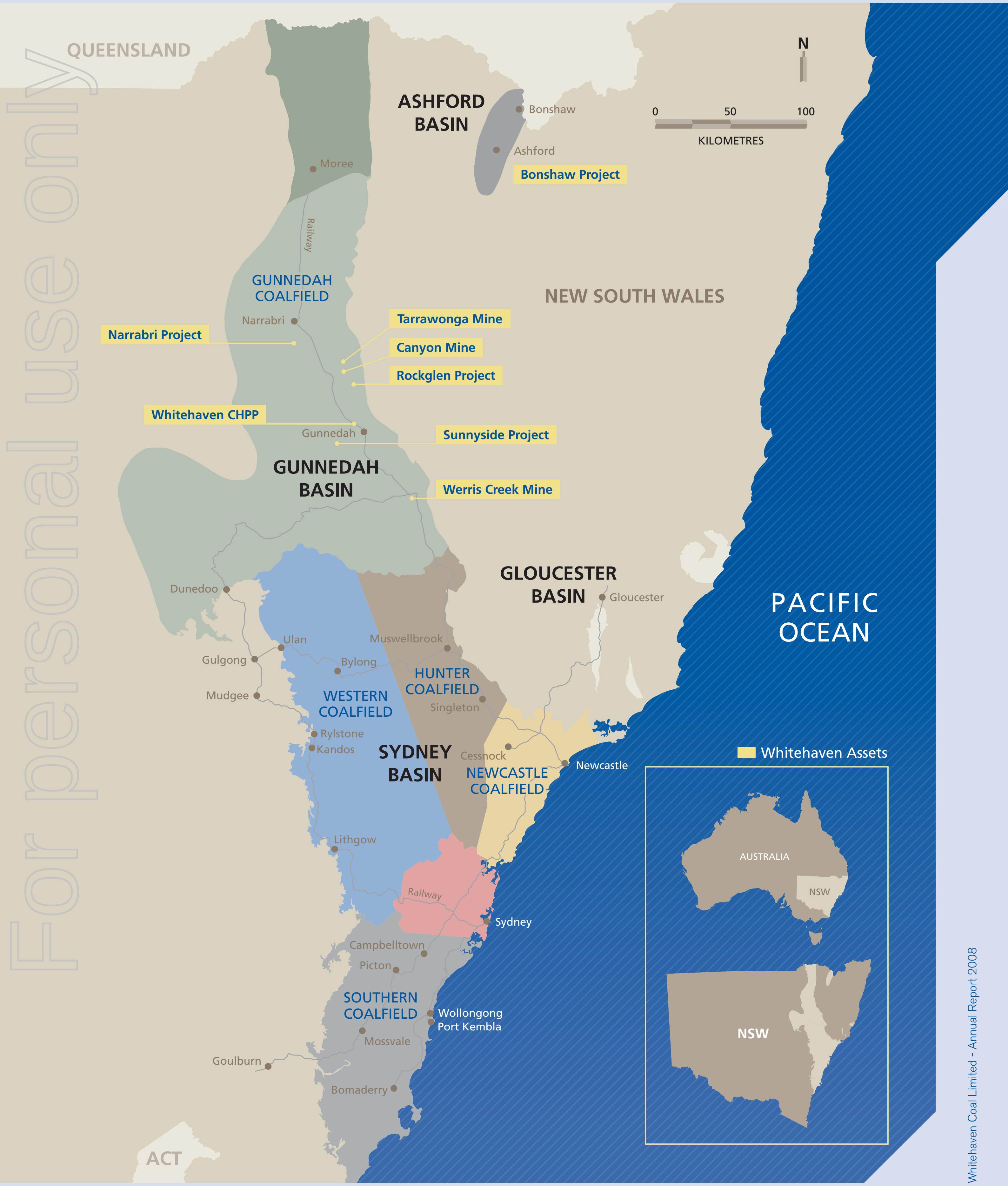
HIGHLIGHTS

- Net Profit after Tax up 115% from the previous year to $51.9 million.
- Coal sales up 91% from the previous year to 2.8 million tonnes (Mt).
- Acquisition of 60% of the Werris Creek mine, bringing Whitehaven's ownership to 100%.
- Planning Approval for Narrabri Stage 1 granted in November 2007 and Mining Lease granted in January 2008.
- Planning Approval for the Rocglen open cut mine granted in May 2008, followed by the grant of a Mining Lease in June 2008.
- Sale of a 7.5% interest in the Narrabri project to China's Yudean Group for A$67.5 million.
- Exceptional safety record maintained with only one lost time injury recorded in FY08.

Financial Performance

(A$ millions)	FY 2008	FY 2007
Revenue	256.5	106.2
EBITDA	90.7	25.6
Net Profit	51.9	24.1

NSW COALFIELDS



ACHIEVEMENTS

Consolidated Equity Production and Sales

	Year-to-Date*		
(Thousand tonnes)	**FY 2008**	**FY 2007**	**% Variance**
ROM Coal Production	2,275	1,731	31%
Saleable Coal Production	2,079	1,395	49%
Sales of produced coal	2,192	1,315	67%
Sales of purchased coal**	594	144	314%
Total Sales	2,788	1,460	91%
Coal stocks at end of period	212	251	(15%)

* All figures are on an equity basis.
** Sales of externally purchased coal.

Milestones

Rocglen Mining Lease granted	June 2008
Rocglen Project approval	April 2008
Yundean Group acquires 7.5% of Narrabri Project	March 2008
Narrabri Mining Lease granted	January 2008
Narrabri Project Approval	November 2007
$130 million capital raising completed	November 2007
Whitehaven moves to full ownership of Werris Creek Mine	November 2007

MANAGING DIRECTOR'S REPORT

Whitehaven achieved significant growth in the year ended 30 June 2008 (FY 2008) as it navigated the challenges associated with the successful approval and development of two new projects, Narrabri North and Rocglen, and the expansion of its existing mines.

Most importantly, we continued to achieve exceptional safety and environmental performance and to maintain strong relations with the community in the Gunnedah region.

Net Profit after Tax for the year increased by 115% from the previous year to $51.9 million, including $38.9 million from the sale of 7.5% of the Narrabri Joint Venture (JV). At the same time, coal sales were up 91% from the previous year to 2.8 million tonnes (Mt) and revenue up 142% from the previous year to $256.5 million.

During the year we reported an increase in JORC coal resources by 77.6 Mt to 712.9 Mt, with marketable coal reserves increased by 19.9 Mt to 137.9 Mt.

In addition to these achievements in terms of sustainability and operational performance, Whitehaven's balance sheet was strengthened by the sale of a 7.5% interest in the Narrabri JV to China's Yudean Group for A$67.5 million. Since 30 June 2008, we have also accepted offers from Electric Power Development Co Ltd and EDF Trading for those companies to each acquire a 7.5% stake in the Narrabri JV for A$125 million and US$120 million respectively.

The sale of these interests in the Narrabri project and a strong cash position, gives Whitehaven the financial capacity to fully fund its program of new project development.

Financial Performance And Balance Sheet

(A$ millions)	FY 2008	FY 2007
Cash on Hand	105.9	21.2
Interest Cover Ratio[1] (times)	109.7 times	3.2 times
Interest Bearing Liabilities	(55.2)	(76.7)
Net Cash/(Net Debt)	50.7	(55.5)
Net Assets	489.5	252.5
Gearing Ratio[2] (%)	(11.6%)	18%

1 EBIT to Interest Expense (excluding FX in financing expense).
2 Net Debt to Net Debt plus Equity.

OPERATING PERFORMANCE

Consolidated Equity Production and Sales

(Thousand tonnes)	Year-to-Date[1] FY 2008	FY 2007	% Variance
ROM Coal Production	2,275	1,731	31%
Saleable Coal Production	2,079	1,395	49%
Sales of produced coal	2,192	1,315	67%
Sales of purchased coal[2]	594	144	314%
Total Sales	2,788	1,460	91%
Coal stocks at end of period	212	251	(15%)

1 All figures are on an equity basis.
2 Sales of externally purchased coal.

Whitehaven Mining Precinct (WMP)

(Thousand tonnes)	Year-to-Date[1] FY 2008	FY 2007	% Variance
ROM Coal Production	1,876	1,388	35%
Saleable Coal Production	1,642	997	65%
Sales of produced coal	1,743	893	95%
Sales of purchased coal[2]	575	128	349%
Total Sales	2,318	1,021	127%
Coal stocks at end of period	198	286	(31%)

1 All figures are on an 100% basis.
2 Sales of externally purchased coal.

MANAGING DIRECTOR'S REPORT

The WMP includes the Canyon (100% owned by Whitehaven), Tarrawonga (70% owned by Whitehaven) and Rocglen (100% owned by Whitehaven) open cut mines and the Whitehaven Coal Handling and Preparation Plant and train load-out facility ("CHPP") (100% owned by Whitehaven).

FY 2008 saleable coal production of 1.642 Mt was 65% above the previous year. The increase in WMP production reflects an 80% increase in production at Tarrawonga, partially offset by a 33% reduction in production at Canyon due to a higher strip ratio as the mine comes to the end of its life.

During the year, planning approval was granted for work to expand the CHPP to increase annual washing capacity from 2 Mt per annum (Mtpa) to 3 Mtpa and to lift annual train loading capacity from 3 Mtpa to 4 Mtpa. This work will be completed in FY 2009.

Werris Creek (100% owned by Whitehaven)

	Year-to-Date[1]		
(Thousand tonnes)	FY 2008	FY 2007	% Variance
ROM Coal Production	1,116	1,289	(13%)
Saleable Coal Production	1,111	1,291	(14%)
Sales of produced coal	1,112	1,320	(16%)
Sales of purchased coal[2]	25	41	(39%)
Total Sales	1,137	1,361	(16%)
Coal stocks at end of period	69	56	23%

1 All figures are on an 100% basis.
2 Sales of externally purchased coal.

Whitehaven completed the acquisition of a further 60% of the Werris Creek mine in the period giving the Group 100% ownership. Full ownership will provide the benefit of operational and marketing synergies with our other projects.

Coal production from the mine was affected by a number of operational factors, but production has now improved through the introduction of a new blasting contractor, a new mine plan and the positive impact of other operational improvements.

FY 2008 saleable coal production of 1.11 Mt was 14% below the previous year. However, productivity improvements have been achieved in the last quarter of FY08. Further gains are required and options to improve productivity are being investigated.

Further exploration and mine planning has increased coal resources from 26 Mt to 38 Mt, with marketable reserves of 19.9 Mt. This increase in resources and reserves provides Whitehaven with the potential to extend the life of Werris Creek up to 13 years, at the planned production rate of 1.5 Mtpa.

Narrabri (92.5% owned)

One of the highlights of the year for Whitehaven was the approval of the development application for the Narrabri Coal Project Stage One in November 2007 and the granting of the Mining Lease in January 2008.

The project is progressing well, but a delay in gaining approvals to commence construction and the decision to reduce the grade of access drifts have resulted in the date for producing first coal to be revised to the first quarter of FY 2010.

Works are well advanced on the site access road, office and workshop area, boxcut, dams and rail loop. Contracts have now been awarded for more than 60% of the Stage 1 work. These include contracts for the supply of initial coal mining equipment; construction of the transmission substation; drift conveyor; train load out facility; rail track components and skyline stackout conveyor.

There has been some increase in the forecast capital cost of Stage One caused by higher costs of materials and a decision to reduce the grade of the drifts which will reduce long term operating costs.

A drill program has been completed to undertake a detailed evaluation of coal seam gas in the first two longwall panels and further drilling is under way to improve detailed understanding of the conditions of early mining areas.

Rocglen (100% owned)

Following Planning Approval in May, the Mining Lease for the Rocglen mine was granted by the NSW State Government in June 2008.

The Mining Lease allows for the full development of a new open cut coal mine, located 28km north of Gunnedah within the Gunnedah Basin. Rocglen is expected to produce around 1.5 million tonnes per annum of high quality thermal and PCI coal.

Construction at Rocglen commenced in June 2008 with a local road upgrade and the development of a 6.2km private coal haulage and access road, site facilities and workshop, coal handling and crushing plant, and a box cut and ramp to access the coal seam.

Total construction and development cost is expected to be approximately $35 million, with 30-40 contractors employed during construction and an ongoing workforce of around 50 people during production.

Overburden removal commenced in July 2008 and first coal is expected from this new mine in Q2 of FY 2009.

MANAGING DIRECTOR'S REPORT

Sunnyside (100% owned)

The Environmental Assessment for the Sunnyside Project came off Public Exhibition on 19 May 2008 and Whitehaven has responded to all submissions received. Planning Approval is expected by early October 2008. Granting of the Mining Lease in October 2008 would enable first coal production from Sunnyside in the second quarter of FY 2009.

Additional exploration has allowed the reclassification of 0.8 Mt from inferred to indicated status, and 4.1 Mt from indicated to measured. A further resource of 65.9 Mt has been identified within the Sunnyside EL area.

Bonshaw (100% owned)

Whitehaven reached an agreement in July 2008 for the purchase of Republic Coal Pty Ltd's one-third share of the Bonshaw project in northern NSW. This brings our ownership of the project to 100%.

Whitehaven will pay Republic Coal a total of $2.87M for the acquisition in two tranches. The first tranche of $1.87M will be paid on transfer of the tenements and the balance is payable on the earlier of development consent being granted or Whitehaven selling or transferring a majority interest in the tenements.

INFRASTRUCTURE

Ensuring adequate infrastructure to deliver our coal to customers continues to be a major focus for Whitehaven.

Under an agreement completed with the Australian Rail Track Corporation and NSW Government, the company has committed to underwrite 60% of the funding of a major upgrade of the Muswellbrook to Narrabri rail infrastructure which will increase the capacity of that line to more than 15 million tonnes per annum over the next two years. The first stage has been commissioned and will provide a 70% increase of the current capacity.

The process for allocation of available capacity from the existing coal terminal at Newcastle port and the rate of its expansion remain of major concern to Whitehaven. The NSW government's decision on future arrangements for this terminal is imminent. Progress on construction of the new coal terminal at Newcastle port is advancing toward first coal shipments in calendar 2010.

SAFETY

Whitehaven has maintained its exceptional safety record in FY 2008 with only one lost time injury (LTI) recorded. Since commencing operations in 2000, we have recorded only two LTIs over the eight year period.

We are extremely pleased with this result and safety remains a significant focus for our organisation. During FY 2009 the Company will appoint a senior safety professional to continue our drive for improved safety management procedures and their implementation as the Company's activities expand.

ENVIRONMENT

Responsible management of the environment within which we operate remains a high priority for Whitehaven Coal directors, management, and employees.

There is a strong focus on maintaining all of our operations within the very strict conditions imposed by the relevant authorities under our Development Consents and to minimise any adverse impact on the communities in which we operate. All of our operations are managed in accordance with consent and lease requirements.

We have maintained our commitment to progressive rehabilitation. More than 70% of the area disturbed at the Canyon site has been rehabilitated to either pasture or native woodland, with approximately 3,000 native seedlings planted last year.

Tarrawonga has had 18ha subject to rehabilitation treatment with some 2,000 seedlings planted to facilitate woodland establishment.

Our strong community links are also being maintained with the local Aboriginal community and other community groups through their involvement in our rehabilitation program. Whitehaven maintains a plant propagation unit in conjunction with Red Chief Local Aboriginal Land Council to propagate seed collected from on and surrounding our project sites, and also utilises the services of Red Chief Local Aboriginal Land Council and Gunnedah West Rotary Club for tube-stock planting campaigns.

The Soil Conservation Service (Dept of Lands), which is recognised as the lead experts in soil conservation and erosion control, is involved in the design and development of drainage structures on Whitehaven's rehabilitated areas.

Whitehaven's environmental programs during the current year include ongoing rehabilitation at our Canyon and Tarrawonga sites, preliminary rehabilitation work at Rocglen, Narrabri and Sunnyside Operations and finalisation of a regional biodiversity offset proposal currently under consideration through the Department of Planning and Department of Environment and Climate Change. This offset proposal offers up to 1,000ha of relatively undisturbed woodland in a regional corridor context as offset for the areas disturbed by our mining activities.

COAL PRICES AND FOREIGN EXCHANGE

The medium term demand for thermal and PCI coal remains strong and is reflected in the higher US$ contract prices achieved for Whitehaven's products in FY 2009.

The company has entered into new coal sales contracts with steel industry users for approximately 1.0 million tonnes per year of semi-soft coking coal (SSCC) and pulverised coal injection (PCI) coal for the next three years. These contracts will be supplied at prevailing market prices, fixed annually. The average sales price secured for FY 2009 under these contracts is A$250 per tonne FOB.

Whitehaven has also secured approximately 0.6 Mt of new thermal coal contracts for FY 2009 at an average price of approximately A$135 per tonne FOB. These new contracts are with prime customers in the major Asian markets and will further underpin our significant production growth in the Gunnedah region.

The Whitehaven foreign exchange risk management policy is to hedge US$ revenue using Forward Exchange Contracts (FEC) where the volume and price are fixed. At June 30, 2008 Whitehaven had US$411.7M in FECs at an effective rate of A$1:00 = US$0.8298.

OUTLOOK

Managed production will increase in FY 2009 with production improvements at Tarrawonga and Werris Creek and commissioning of the new Rocglen and Sunnyside open cut mines replacing Canyon, which is at the end of its reserves.

However, shipping allocation is yet to be granted for calendar 2009 to Whitehaven at the existing Newcastle coal terminal and this will be critical to achieving Whitehaven's planned increase in sales.

Our strategy to maximise conversion of thermal coal to PCI to maximise supply to higher value markets will continue, consistent with commitments to previously contracted sales.

I would like to thank our employees for their commitment and contribution during the year and the Directors for their confidence in my appointment and for their support. I pay tribute to Keith Ross who resigned as Managing Director in March for his vision and commitment in getting Whitehaven to where it is today.

Rob Stewart
Managing Director

DIRECTORS' REPORT

Left to right: John Conde, Rob Stewart, Neil Chatfield, Tony Haggarty

The directors present their report together with the financial report of Whitehaven Coal Limited ("the Company") and of the consolidated entity, being the Company, its subsidiaries, and the consolidated entity's interest in joint ventures for the year ended 30 June 2008 and the auditor's report thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

JOHN CONDE
BSc, BE (Electrical) (Hons), MBA (Dist)
Chairperson
Independent Non-Executive Director
Appointed: 3 May 2007
Age: 60

John has over 30 years of broad based commercial experience across a number of industries, including the energy sector. He was chairman and managing director of Broadcast Investment Holdings, the owner of a number of media assets including Channel 9 South Australia and radio stations 2UE and 4BC, as well as being a former non-executive director of BHP Billiton Limited and Excel Coal Limited. John is currently the chairman of Energy Australia, MBF Australia Limited and Sydney Symphony Limited and President of the Commonwealth Remuneration Tribunal.

ROB STEWART
ME Mining, BE Civil (Hons)
Managing Director
Appointed: 1 April 2008
Age: 57

Rob joined Whitehaven in October 2007 as CEO and was appointed Managing Director in April 2008. Rob has 35 years experience in the construction and mining industries. He joined the Company in October 2007 as Chief Executive Officer following 10 years with Thiess Pty Ltd where his most recent roles included General Manager NSW where he was responsible for Thiess' mining, construction and building business in New South Wales and as Executive Manager Mining. Rob spent the earlier part of his career with the State Electricity Commission of Victoria in a variety of management and technical roles associated with that company's mining and construction activities.

NEIL CHATFIELD
FCPA, FAICD
Independent Non-Executive Director
Appointed: 3 May 2007
Age: 54

Neil has over 30 years experience in the transport and resources sectors and until September 2008 was a director and Chief Financial Officer for Toll Holdings Limited. Neil is currently a director of Seek Limited and the Chairman of Virgin Blue Holdings Limited, both ASX-listed companies. Neil's previous roles involved senior finance positions in the coal industry including Chief Financial Officer of Cyprus Australia Coal and Oakbridge Limited.

TONY HAGGARTY
MComm
Non-Executive Director
Appointed: 3 May 2007
Age: 50

Tony has over 30 years experience in the development, management and financing of mining projects. He was a co-founder and the Managing Director of Excel Coal Limited from 1993 to late-2006. Prior to this he worked for BP Coal and BP Finance in Sydney and London, and for Agipcoal as the Managing Director of its Australian subsidiary. He is the non-executive Chairman of King Island Scheelite Limited and a non-executive Director of IMX Resources NL.

Left to right: Alex Krueger, Hans Mende, Andy Plummer, Keith Ross

ALEX KRUEGER
BS (Finance) BS (Chemical Engineering)

Non-Executive Director

Appointed: 3 May 2007

Age: 34

Alex is a Managing Director of First Reserve Corporation ("FRC"). He is also a director of Foundation Coal Holdings Inc. Alex is a senior member of the FRC investment team and his responsibilities range from deal origination and structuring to due diligence, execution and monitoring. He is involved in investment activities in all areas of the worldwide energy industry, with particular expertise in the coal sector. Prior to joining FRC, Alex worked in the Energy Group of Donaldson, Lufkin & Jenrette in Houston.

HANS MENDE
Non-Executive Director

Appointed: 3 May 2007

Age: 64

Hans has been President of the AMCI Group since he co-founded the company in 1986. He is also a Director of MMX Mineracao, New World Resources, Excel Maritime and a non-executive director of Felix Resources Limited an Australian listed company. Prior to starting AMCI Group, Mr. Mende was employed by the Thyssen group of companies in various senior executive positions. Mr. Mende graduated from the University of Cologne, Germany in 1966.

ANDY PLUMMER
BSc Mining Eng

Non-Executive Director

Appointed 3 May 2007

Age: 58

Andy has over 35 years experience in the investment banking and mining industries. He was most recently an executive director of Excel Coal Limited, responsible for the company's business development activities. He has worked in the Australian banking and finance industry since 1985 with Eureka Capital Partners, Resource Finance Corporation and Westpac. Prior to that, he was employed in a variety of management and technical positions with ARCO Coal, Utah International and Consolidation Coal. He is also a non-executive director of King Island Scheelite Ltd and Chairman of Ranamok Glass Prize Ltd.

FORMER DIRECTOR

KEITH ROSS
BE Mining (Hons)

Managing Director

Appointed: 3 May 2007

Resigned: 31 March 2008

Age: 74

Keith has over 50 years experience in the coal industry, both operational and managerial, in a number of board and senior executive positions. His previous experience has included Managing Director of AMCI (Australia), Executive Director and then Managing Director of Oakbridge Limited, General Manager of the minerals division of McIlwraith McEacharn Operations, Managing Director/General Manager of the Cook Colliery for Coal Resources of Queensland Limited and a General Manager for Bellambi Coal Company Limited. Keith has a Bachelor of Engineering (Mining) Honours 1st Class from the Sydney University and is a certificated Colliery Manager.

2. COMPANY SECRETARIES

LEIGH WHITTON
B.Com, MBA, CPA
(Company Secretary)
Appointed: 3 May 2007

Leigh has been with the Whitehaven Group since 2005 as Chief Financial Officer and Company Secretary. He has over 20 years experience in the resources industry including senior roles with Jellinbah Resources, Cyprus Australia Coal and Oakbridge. He holds a Bachelor of Commerce and a Masters of Business Administration and is a Certified Practising Accountant.

PAUL MARSHALL
LLB, Grad Dip Acc & Fin, CA
(Company Secretary)
Appointed: 15 March 2007

Paul Marshall is a Chartered Accountant. He holds a Bachelor of Laws degree and a post Graduate Diploma in Accounting and Finance. He has more than 20 years in the accountancy profession having worked for the accountancy firm Ernst and Young for ten years, and subsequently over ten years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector.

3. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares	
John Conde	301,887	–	
Rob Stewart	11,887	3,000,000	Granted on 5 September 2007 (refer details in Section 7.3 of this report)
Neil Chatfield	301,887	–	
Tony Haggarty	26,144,478	11,170,583	Granted on 3 May 2007 (refer to details in Section 7.3 of this report)
Alex Krueger	131,650,000	–	
Hans Mende	81,040,210	–	
Andy Plummer	26,038,753	11,170,583	Granted on 3 May 2007 (refer to details in Section 7.3 of this report)

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4. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit and Risk Committee Meetings		Remuneration and Nomination Committee Meetings	
Director	A	B	A	B	A	B
John Conde	12	12	4	6	3	3
Rob Stewart *	3	3	–	–	–	–
Neil Chatfield	12	12	6	6	3	3
Tony Haggarty	12	12	6	6	–	–
Alex Krueger	11	12	–	–	–	–
Hans Mende	8	12	–	–	–	–
Andy Plummer	12	12	–	–	3	3
Keith Ross **	9	9	–	–	–	–

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

* Mr Rob Stewart appointed 1 April 2008.

** Mr Keith Ross retired 31 March 2008.

5. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Scope of responsibility of Board

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of the Company's shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders.

The Board's broad function is to:

(a) determine strategy and set financial targets for the Whitehaven Group;

(b) monitor the implementation and execution of strategy and performance against financial targets; and

(c) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the consolidated entity.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Scope of responsibility of Board (continued)

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

(a) composition of the Board itself including the appointment and removal of Directors;

(b) oversight of the consolidated entity including its control and accountability system;

(c) appointment and removal of senior management and the Company Secretary;

(d) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;

(e) monitoring senior management's performance and implementation of strategy; and

(f) approving and monitoring financial and other reporting and the operation of committees.

Composition of Board

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

(a) the Board should comprise at least five directors;

(b) at least half of the Board should be non-executive directors; and

(c) the chairman of the Board should be one of the independent non-executive directors.

Board charter and policy

The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance.

These initiatives, together with the other matters provided for in the Board's charter, are designed to "institutionalise" good corporate governance and generally, to build a culture of best practice in the Company's own internal practices and in its dealings with others.

Audit and risk management committee

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. Its current members are:

(a) Neil Chatfield (Chairman);

(b) John Conde; and

(c) Tony Haggarty.

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Meetings are held at least four times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

Remuneration and nominations committee

The purpose of this committee is to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors and make recommendations to the Board in relation to the appointment of new Directors (both executive and non-executive) and senior management.

Its current members are:

(a) John Conde (Chairman);

(b) Neil Chatfield; and

(c) Andy Plummer.

Among the functions performed by the committee are the following:

(a) review and evaluation of market practices and trends on remuneration matters;

(b) recommendations to the Board in relation to the consolidated entity's remuneration policies and procedures;

(c) oversight of the performance of senior management and non-executive Directors;

(d) recommendations to the Board in relation to the remuneration of senior management and non-executive Directors;

(e) development of suitable criteria (as regards skills, qualifications and experience) for Board candidates;

(f) identification and consideration of possible candidates, and recommendation to the Board accordingly; and

(g) establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management.

Meetings are held at least three times each year.

Best practice commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this section, that are designed to achieve this objective. The Company's corporate governance charter is intended to "institutionalise" good corporate governance and, generally, to build a culture of best practice both in the Company's own internal practices and in its dealings with others.

The following are a tangible demonstration of the Company's corporate governance commitment.

Independent professional advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are borne by the Company.

Code of ethics and values

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

Code of conduct for transactions in securities

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

Charter

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted and can be inspected on its website at www.whitehaven.net.au.

Compliance with ASX corporate governance guidelines and best practice recommendations

The ASX document, "Principles of Good Corporate Governance and Best Practice Recommendations" (Guidelines) applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 1 – Lay solid foundations for management and oversight

The role of the Board and delegation to management have been formalised as described above in this section and will continue to be refined, in accordance with the Guidelines, in light of practical experience gained in operating as a listed company. The Company complies with the Guidelines in this area.

Principle 2 – Structure the Board to add value

Six of the Board (which comprises 7 Directors in total) are non-executives. The roles of chairperson and chief executive officer are not exercised by the same individual. The directors are able to obtain independent advice at the expense of the Company. Together the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company.

Director	Independent	Non-executive	Term in Office
J Conde	Yes	Yes	1 year
R Stewart	No – employed in an executive capacity	No	6 months
N Chatfield	Yes	Yes	1 year
T Haggarty	No – substantial shareholder	Yes	1 year
A Krueger	No – substantial shareholder	Yes	1 year
H Mendes	No – substantial shareholder	Yes	1 year
A Plummer	No – substantial shareholder	Yes	1 year

The Company did not comply with recommendation 2.1 of the ASX Corporate Governance best practice recommendations as during the year, following the acquisition of shares by two of the directors resulting in them becoming substantial shareholders of the Company, a majority of the Board are not considered to be independent when considered in accordance with the criteria set out in recommendation 2.1. The Board believe that the individuals on the Board can and do make quality and independent judgements in the best interest of the Company and other stakeholders.

Principle 3 – Promote ethical and responsible decision making

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities.

The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

Principle 4 – Safeguard integrity in financial reporting

The Board requires the chief executive officer and the chief financial officer to state in writing to the Board that the financial reports of the Company present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards.

The audit and risk committee (with its own charter) complies with the Guidelines. All the members of the audit committee are financially literate. The committee, which advises and reports to the Board, is appropriately constituted in that it is comprised of 3 non-executive Directors, it consists of a majority of independent directors and it is chaired by an independent chairman who is not the chairman of the Board.

Principle 5 – Make timely and balanced disclosure

The Company's current practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the Company's corporate governance charter.

Principle 6 – Respect the rights of shareholders

The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors always attend the annual general meeting and are available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

Principle 7 – Recognise and manage risks

The Board, together with management, has constantly sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible improved. The whole issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review. Review takes place at both committee level (audit and risk management committee), with meetings are least four times each year, and Board level.

The chief executive officer and the chief financial officer are required to state to the Board in writing that:

(i) that the accounts are true and fair and comply with accounting standards, are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

(ii) the Company's risk management and internal compliance is operating efficiently and effectively in all material respects.

Principle 8 – Encourage enhanced performance

The corporate governance charter adopted by the Board requires individual performance review and evaluation to be conducted formally on an annual basis. In addition, an external review of the performance of Directors and key executives is planned to take place after the completion of previous financial year audit and prior to the convening of the next annual general meeting, and this external review process will be repeated on a regular basis (at intervals not exceeding three years) to ensure independent professional scrutiny and benchmarking against developing best market practice. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively. The Company's practice complies with the Guidelines in this area.

Principle 9 – Remunerate fairly and responsibly

The Company's current practices in this area are reviewed regularly and comply with the Guidelines. Remuneration of Directors and executives is fully disclosed in the annual report. The remuneration committee, which advises and reports to the Board, is appropriately constituted in that it is comprised of 3 non-executive Directors two of whom are independent.

Principle 10 – Recognise the legitimate interests of stakeholders

The Board recognises the importance of this principle (which it believes represents not only sound ethics but also good business sense and commercial practice) and continues to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Company and its policies and practices comply with the Guidelines in this area.

6. DIVIDENDS

There were no dividends paid or declared by the Company to members during the financial year.

Declared after end of year

After the balance sheet date the following dividend was proposed by the directors. The dividend has not been provided and there are no income tax consequences.

Director	Cents per share	Total amount $'000	Franked amount per security	Date of payment
Final ordinary (Fully franked)	1.7	6,662	100%	30 September 2008

The record date for determining entitlement to the dividend was 29 August 2008.

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports.

7. REMUNERATION REPORT – AUDITED

7.1 Principles of compensation – audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the consolidated entity.

Compensation levels for key management personnel and secretaries of the Company and key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration and nominations committee obtains independent advice on the appropriateness of compensation packages of both the Company and the consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control performance
- the consolidated entity's performance including:
  - the consolidated entity's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
  - the amount of incentives within each key management person's compensation.

Compensation packages may include a mix of fixed compensation and short and long-term incentives. In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration and nomination committee through a process that considers individual and overall performance of the consolidated entity. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Short-term incentive bonus

Each year, the Managing Director assesses the performance of senior executives and may recommend the payment of a short term incentive bonus to the Board for approval.

Long-term incentive

The objective of LTI compensation is to reward and retain key management personnel in a manner which aligns this element of compensation with the creation of shareholder wealth. As such LTI grants are made to employees who are able to influence the generation of shareholder wealth and therefore have a direct impact on the Company's performance. LTI grants to executives are delivered in the form of options.

Other benefits

Other benefits include motor vehicles and some minor benefits.

Employment contracts

It is the consolidated entity's policy that service contracts are entered into with key management personnel. These contracts vary in term but are capable of termination by the consolidated entity at short notice should the specified executive commit any serious breach of any of the provisions of their agreement or is guilty of any grave misconduct or wilful neglect in the discharge of their duties.

Rob Stewart, Managing Director has a contract of employment that is unlimited in term but capable of termination by the Company other than for misconduct with 5 weeks notice or by the executive with 5 weeks notice. The contract includes provision for a termination benefit to be paid upon redundancy of six months salary excluding superannuation.

Leigh Whitton, Chief Financial Officer and Joint Company Secretary has accepted a redundancy package and will not relocate when the Company moves its head office from Brisbane to Sydney at the end of March 2009. At that time he will be compensated with three weeks payment for each year of service and a retention bonus equal to six months salary.

Casper Dieben, General Manager Open Cut Operations has a contract of employment that is dated 30 April 2007. The contract is for a three year term and can be terminated by the Company other than for misconduct by payment of the outstanding contract balance.

Non-executive directors

The constitution of the Company provides that the Directors may be paid, as remuneration for their services as Directors, a sum determined from time to time by the Company's shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree.

The maximum aggregate amount which was approved by Shareholders for fees to the Directors is $500,000 per annum. An amount of $446,900 was paid during the year ended 30 June 2008.

Remuneration provided to Executive Directors may be in addition to the sum approved by Shareholders.

With the exception of shares and options granted to entities related to Andy Plummer and Tony Haggarty under the terms of the Equity Participation and Option Deed in the 2007 financial year (refer section 7.2), non-executive directors do not receive equity instruments.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.2.1 Directors' and executive officers' remuneration (Company and Consolidated) – audited

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant consolidated entity executives who receive the highest remuneration and other key management personnel are shown in the table below. Options issued to entitities associated with Andy Plummer and Tony Haggarty under the Equity Participation and Option Deed are also disclosed in this table.

		Short-term					Post-employment	Share-based payments			
In AUD		Salary & Fees $	STI cash bonus (A) $	Non-monetary benefits $	Other benefits (B) $	Total $	Super-annuation benefits $	Options issued to senior employees (C) $	Shares $	Options issued under the Equity Participation and Option Deed (D) $	Value of options as proportion of total value %
Directors											
Non-executive directors											
John Conde (Chairman)	2008	120,000	–	–	–	120,000	10,800	–	–	–	–
	2007	30,000	–	–	–	30,000	2,700	–	–	–	–
Neil Chatfield	2008	75,000	–	–	–	75,000	6,750		–		–
	2007	18,749	–	–	–	18,749	1,689	–	–	–	–
Tony Haggarty	2008	65,400	–	–	–	65,400	–	–	–	1,309,614	95.2
	2007	16,350	–	–	–	16,350	–	–	–	27,500	62.7
Alex Krueger	2008	54,500	–	–	–	54,500	–	–	–	–	–
	2007	13,625	–	–	–	13,625	–	–	–	–	–
Hans Mende	2008	54,500	–	–	–	54,500	–	–	–	–	–
	2007	13,625	–	–	–	13,625	–	–	–	–	–
Andy Plummer	2008	59,950	–	–	–	59,950	–	–	–	1,309,614	95.6
	2007	14,988	–	–	–	14,988	–	–	–	27,500	64.7
Executive directors											
Rob Stewart (appointed 1 April 2008)*	2008	301,111	–	21,295	400,000	722,406	75,779	54,979	–	–	6.4
Keith Ross (Managing Director) (resigned 31 March 2008)	2008	435,561	–	32,747	–	468,308	69,483	–	–	–	–
	2007	338,000	–	27,394	–	365,394	–	–	–	–	–

* Rob Stewart was appointed as Chief Executive Officer 22 October 2007 and further appointed Managing Director 1 April 2008. Non-executive directors were appointed 3 May 2007, they were paid from 1 April 2007 for services associated with the IPO.

In AUD		Short-term					Post-employment	Share-based payments			
		Salary & Fees $	STI cash bonus (A) $	Non-monetary benefits $	Other benefits (B) $	Total $	Super-annuation benefits $	Options issued to senior employees (C) $	Shares $	Options issued under the Equity Participation and Option Deed (D) $	Value of options as proportion of total value %
Executives											
Leigh Whitton (CFO/Company	2008	286,320	–	30,153	–	316,473	40,711	6,286	–	–	1.7
Secretary)	2007	211,000	10,000	16,792	–	237,792	31,650	500	1,000	–	0.2
Chris Burgess (General Manager	2008	350,890	–	6,168	–	357,058	95,428	–	–	–	–
New Projects)*	2007	176,658	10,000	14,138	–	200,796	45,439	–	–	–	–
Casper Deiben (General Manager	2008	229,964	–	30,299	–	260,263	102,121	–	–	–	–
Operations) (appointed 1 May 2007)	2007	–	–	4,388	–	4,388	47,744	–	1,000	–	–
Tony Galligan (Managing	2008	220,165	–	15,189	–	235,354	100,000	6,286	–	–	1.8
Director, Whitehaven Coal Infrastructure)	2007	160,000	10,000	18,987	–	188,987	100,000	500	1,000	–	0.2
Paul Marshall (Joint Company	2008	39,600	–	–	–	39,600	–	–	–	–	–
Secretary)	2007	6,600	–	–	–	6,600	–	–	–	–	–

* Chris Burgess resigned 15 August 2008.

7.2.2 Notes in relation to the table of directors' and executive officers' remuneration – audited

A. The short-term incentive bonus is for performance during the 30 June 2006 and 30 June 2005 year.

B. An amount of $400,000 was paid to Mr Rob Stewart in two payments of $200,000 each on 24 October 2007 and 28 April 2008 as consideration for agreeing to hold the position of Chief Executive Officer effective from 22 October 2007.

C. The fair value for share options granted to the senior employees is based on the fair value of options granted, measured using a Black Scholes model. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expected option life/ Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
Managing Director							
5/9/07	22/10/12	2.0 cents	$2.50	$1.64	30%	6.75%	10%
5/9/07	22/10/12	4.8 cents	$2.50	$1.64	30%	6.75%	10%
5/9/07	22/10/12	6.9 cents	$2.50	$1.64	30%	6.75%	10%
Executives							
3/5/07	30/6/08	10.7 cents	$1.00	$1.00	30%	5.88%	10%
3/5/07	30/6/09	10.7 cents	$1.00	$1.00	30%	5.88%	10%
3/5/07	30/6/10	10.7 cents	$1.00	$1.00	30%	5.88%	10%

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.2.2 Notes in relation to the table of directors' and executive officers' remuneration – audited (continued)

D. Equity Participation and Option Deed

The fair value for options issued under the Equity Participation and Option Deed is based on the fair value of options granted, measured using a Black Scholes model. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expected option life/ Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
3/5/07	10 years	7.2 cents	$1.00	$1.00	30%	5.88%	10%

During the year ended 30 June 2007, the consolidated entity entered into an Equity Participation and Option Deed (the Deed) with entities related to Directors Andy Plummer and Tony Haggarty. In accordance with the Deed, the following shares and options in the Company have been issued to these related entities.

Shares

The related entities of Andy Plummer and Tony Haggarty hold 30 million shares in the Company (15 million shares each). The 30 million shares were issued at $0.50 per share. These shares comprise Tranche 1 (15 million shares) and Tranche 2 (15 million shares). Tranche 2 shares have been escrowed and will be released from escrow over a five year period but will be released earlier if the Company's share price reaches $2.50 or the options referred to below lapse. Dividends (net of an allowance for tax) attaching to the escrowed shares will be held in escrow accounts and released at the time the shares are released.

The company's share price reached $2.50 during the year ended 30 June 2008 and accordingly, the Tranche 2 shares have been released from escrow.

For accounting purposes, the difference between the consideration received by the Company and the fair value of the issued shares of $15,000,000 was recognised in the profit and loss for the period ended 30 June 2007 (2008: $nil).

Options

The related entities of Andy Plummer and Tony Haggarty were also granted 6 options each to acquire additional shares in the Company. The number of option shares is the percentage (the "Grant percentage" set out in the table below) of a deemed amount of issued shares. For the purposes of the Deed, the deemed number of shares is 300 million shares plus any shares issued under previous exercised options.

Each option is exercisable when the share price reaches a certain level (as set out in the table below). All share prices will be considered attained when the volume weighted average price of ordinary shares on the ASX measured over 10 consecutive trading days reaches the required amount. Options 1 and 2 were exercised during the year ended 30 June 2008. Option 3 reached the target share price during the year ended 30 June 2008 and was exercised subsequent to year end. Option 4 also reached the target share price during the year ended 30 June 2008 and the director related entities have applied to exercise the option on 25 September 2008 with shares to be issued subsequent to the date of this financial report. All options have an exercise price of $1 and must be exercised by the related entities within 90 days of being notified the Company's share price has reached the target share price.

The number of option shares to be received will be reduced if a specified percentage of the Tranche 2 shares formerly held in escrow are not held at the time of the Company's share price reaching the target share price specified in the option. For example if for option 5, only 50% of the Tranche 2 shares are held, then the number of option shares will be reduced to 50%/60% of the relevant grant percentage in the table below.

Option No.	Grant percentage	Maximum number of potential shares each	Share price	Percentage of the Tranche 2 shares released from escrow to be held
1	0.835%	2,505,000	$2.50	100%
2	1.5%	4,575,150	$3.00	90%
3	1.2%	3,769,924	$3.50	80%
4	1.195%	3,844,317	$4.00	70%
5	1.1%	3,623,277	$4.50	60%
6	1.1%	3,702,989	$5.00	50%
		22,020,657		

The options were granted for nil consideration. The fair value of the options at grant date was 7.2 cents per option share. For accounting purposes the fair value of these options attributable to the period ended 30 June 2008 of $2,619,228 (2007: $55,000) has been recognised in the profit and loss.

7.3 Equity instruments – audited

All options refer to options over ordinary shares of Whitehaven Coal Limited.

7.3.1 Options over equity instruments granted as compensation – audited

Details on options over ordinary shares in the Company that were granted to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Vesting date
Managing Director						
Rob Stewart	1,000,000	5 Sep 2007	2.0 cents	$2.50	22 Oct 2012	22/10/08
	1,000,000	5 Sep 2007	4.8 cents	$2.50	22 Oct 2012	22/10/09
	1,000,000	5 Sep 2007	6.9 cents	$2.50	22 Oct 2012	22/10/10

The fair value of these options attributable to the period ended 30 June 2008 of $54,979 has been recognised in the profit and loss of the Company.

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All executive options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable over a period of three years from grant date.

7.3.2 Modification of terms of equity-settled share-based payment transactions – audited

No terms of equity-settled share-based payment transactions have been altered or modified by the issuing entity during the reporting period.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.3.3 Exercise of options granted as compensation – audited

During the reporting period the following shares were issued on the exercise of options previously granted:

	Number of shares	Amount paid $/share
Director related entities		
Tony Haggarty	7,080,150	1.00
Andy Plummer	7,080,150	1.00
Executives		
Leigh Whitton	33,333	1.00
Tony Galligan	33,333	1.00

There are no unpaid amounts on the shares issued as a result of the exercise of the options in the 2008 financial year.

7.3.4 Analysis of options and rights over equity instruments granted as compensation – audited

Details of vesting profile of the options granted to each of the named executives and director related entities are detailed below.

	Options granted				
	Number	Date	% vested in year	% Forfeited in year	Financial years in which grant vests
Executives					
Rob Stewart	1,000,000	5 Sept 2007	–	–	2009
	1,000,000	5 Sept 2007	–	–	2010
	1,000,000	5 Sept 2007	–	–	2011
Leigh Whitton	33,333	3 May 2007	100	–	2008
	33,333	3 May 2007	–	–	2009
	33,334	3 May 2007	–	–	2010
Tony Galligan	33,333	3 May 2007	100	–	2008
	33,333	3 May 2007	–	–	2009
	33,334	3 May 2007	–	–	2010

	Options granted				
	Number	Date	% vested in year	% Forfeited in year	Share price at which grant vests
Director related entities					
Tony Haggarty	2,505,000	3 May 2007	100	–	$2.50
	4,575,150	3 May 2007	100	–	$3.00
	3,769,924	3 May 2007	100	–	$3.50
	3,844,317	3 May 2007	100	–	$4.00
	3,623,277	3 May 2007	–	–	$4.50
	3,702,989	3 May 2007	–	–	$5.00
Andy Plummer	2,505,000	3 May 2007	100	–	$2.50
	4,575,150	3 May 2007	100	–	$3.00
	3,769,924	3 May 2007	100	–	$3.50
	3,844,317	3 May 2007	100	–	$4.00
	3,623,277	3 May 2007	–	–	$4.50
	3,702,989	3 May 2007	–	–	$5.00

The options provided to the related entities of Mr Haggarty and Mr Plummer vest when the volume weighted average price of the ordinary shares on the ASX measured over 10 consecutive trading days reaches the specified share price.

7.3.5 Analysis of movements in options – audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director related entities and each key management person is detailed below.

	Granted in year $ (A)	Value of Options Exercised in year $ (B)	Lapsed in year $ (C)
Executives			
Rob Stewart	137,000	–	–
Leigh Whitton	–	93,332	–
Tony Galligan	–	93,332	–
Director related entities			
Tony Haggarty	–	12,368,520	–
Andy Plummer	–	12,368,520	–

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2008 to 1 July 2012).

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of options exercised that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes model. No options lapsed in the year.

8. PRINCIPAL ACTIVITIES

The principal activity of the Group during the period was the development and operation of coal mines in New South Wales. During the year ended 30 June 2008, Whitehaven Coal Limited and its controlled entities ("the Group") completed the acquisition of Creek Resources Pty Ltd, resulting in it holding a 100% interest in the Werris Creek coal mine, and was granted development approval for the Narrabri project and the Rocglen project. The mining lease for Narrabri was granted in January 2008 allowing for the full development of a new underground coal mine. There were no other significant changes in the nature of the activities of the Group during the period.

9 OPERATING AND FINANCIAL REVIEW

9.1 Overview of the consolidated entity

Whitehaven Coal Limited was incorporated on 15 March 2007 and legally acquired Whitehaven Coal Mining Limited and its controlled entities on 29 May 2007. During the year ended 30 June 2008, the consolidated entity acquired Creek Resources Pty Ltd, the 60% partner in the Werris Creek Joint Venture and the balance of the associated entities Werris Creek Coal Sales Pty Ltd and Werris Creek Coal Pty Ltd and purchased assets from an associate of Creek Resources to establish WC Contract Hauling Pty Ltd.

9.2 Shareholder returns

Highlights from the year include the following:

- Net Profit after Tax up 115% from the previous year to $51.9 million, including an after tax gain of $38.9 million from the sale of 7.5% of the Narrabri project.
- EBITDA increased 255% from the previous year to $91.0 million, including a pre tax gain of $55.6 million from the sale of 7.5% of the Narrabri project.
- Tonnes of coal sold up 91% from the previous year to 2.8 million tonnes (Mt).
- Revenue up 142% from the previous year to $256.5 million.
- A fully franked dividend declared of $6.7 million (1.7 cents per share) for FY2008, to be paid in September 2008.
- JORC coal resources increased by 77.6 Mt to 712.9 Mt, with marketable coal reserves increased by 19.9 Mt to 137.9 Mt.
- Acquisition of 60% of the Werris Creek mine, bringing Whitehaven's ownership to 100%.
- Planning Approval for Narrabri Stage 1 granted in November 2007 and Mining Lease granted in January 2008.
- Construction of the Narrabri project is progressing well and is on track to produce first coal in Q1 FY2010.
- Planning Approval for the Rocglen open cut mine was granted in May 2008, followed by the grant of a Mining Lease in June 2008. Mining at Rocglen commenced in July 2008 with first coal expected in Q2 FY2009.
- A 7.5% interest in the Narrabri project was sold to China's Yudean Group for A$67.5 million.
- Since 30 June 2008, Whitehaven has accepted offers from Electric Power Development Co Ltd and EDF Trading for those companies to each acquire a 7.5% stake in the Narrabri project for A$125 million and US$120 million respectively. The sales are subject to formal documentation, due diligence and usual regulatory approvals, conditional on FIRB approval and are expected to be completed during September and October 2008.
- Demand for Whitehaven's low ash, low sulphur coal continues to increase. New coal sales contracts were obtained recently for approximately 1.0 Mt per year of semi soft coking coal (SSCC) and pulverized coal injection coal (PCI) for the next three years.
- Sales prices for FY2009 have recently been settled, with averages of A$250 per tonne achieved for SSCC and PCI and A$135 per tonne for thermal coal.
- Whitehaven maintained its exceptional safety record in FY2008 with only one lost time injury recorded. Since commencing operations in 2000, Whitehaven has only had two lost time injuries over the eight year period.

9.2 Shareholder returns

The operating results are summarised below:

	2008 $000	2007 $000	Movement %
Revenue	256,462	106,201	141%
Net profit for the period attributable to members	51,854	24,095	115%
Earnings per share (cents)	14.5	8.0	81%

The consolidated entity's operations during the year focused on operating and developing coal mines. There were three operating projects during the year with total coal production (on an equity basis) of 2,275,000 tonnes compared to 1,731,000 tonnes in the 2007 year. The share price at 30 June 2008 was $4.47.

9.3 Investments for future performance

The consolidated entity has interests in three operating mines (Canyon, Tarrawonga and Werris Creek) that produce thermal coal, semi-soft coking coal and PCI coal. Most of this coal is exported out of Newcastle to major steel mills and international power utilities.

During FY2009 and FY2010, the consolidated entity plans to commence mining at two additional open cut mines (Rocglen and Sunnyside) within the Whitehaven Mining Precinct and a large underground project at Narrabri North.

The consolidated entity's key assets include:

(a) Whitehaven Mining Precinct (Canyon: 100%, Tarrawonga: 70%, Rocglen: 100% and Sunnyside: 100%);

(b) Werris Creek (100%); and

(c) Narrabri (North 92.5% and South 92.5%).

These projects are expected to result in aggregated managed production of approximately 11,000,000 tonnes per annum by FY2011.

These production forecasts do not include possible additional production from the Narrabri South, Tarrawonga underground, Canyon West, West Blue Vale or Bonshaw exploration projects.

Under agreements with the NSW Government and the Australian Rail Track Corporation, the consolidated entity has committed to underwrite 60% of the funding of a major upgrade of the Muswellbrook to Narrabri rail infrastructure which will increase the capacity of that line to more than 15 million tonnes per annum (Mtpa) over the next three years. The first stage was commissioned at the end of July 2008 lifting capacity from 4 Mtpa to 7 Mtpa. The remaining upgrades will progressively increase capacity through to 2010.

9. OPERATING AND FINANCIAL REVIEW (CONTINUED)

9.4 Review of financial condition

Capital structure and treasury policy

At 30 June 2008, the Company had 391,918,453 shares on issue with a total of 1,235 shareholders (2007: 323,000,000 shares on issue).

Liquidity and funding

The consolidated balance sheet shows the consolidated entity is well positioned for growth and with a portfolio of projects that can be used to raise the finance required for their development.

	FY 2008	FY 2007
Cash on Hand (A$ millions)	105.9	21.2
Interest Cover Ratio[1]	109.7 times	3.2 times
Interest Bearing Liabilities (A$ millions)	(55.2)	(76.7)
Net Cash/(Net Debt)	50.7	(55.5)
Net Assets (A$ millions)	489.5	252.5
Gearing Ratio[2] (%)	(11.6%)	18%

1 EBIT to Interest Expense (excluding FX in financing expense).
2 Net Debt to Net Debt plus Equity.

9.5 Operations

Details of the mine operations of the consolidated entity that operated during the 2007/08 financial year are as follows:

Whitehaven Mining Precinct

Thousand Tonnes*	FY 2008	FY 2007	% Variance
ROM Coal Production	1,876	1,388	35%
Saleable Coal Production	1,613	997	62%
Sales of produced coal	1,743	893	95%
Sales of purchased coal**	356	128	178%
Total Sales	2,099	1,021	106%
Coal stocks at end of period	198	286	(31%)

* All figures are on a 100% basis.
** Includes purchased coal.

The Whitehaven Mining Precinct (WMP) currently includes the Canyon and Tarrawonga open cut mines and the Whitehaven Coal Handling and Preparation Plant and train load-out facility.

There was one Lost Time Injury recorded in the Whitehaven Mining Precinct in FY2008 (2007: nil).

Saleable coal production of 1.613 million tonnes was 62% above the previous corresponding period.

The increase in production reflects the increasing production at Tarrawonga (+80%), partially offset by reduced production at Canyon (-33%) due to a higher strip ratio as the mine comes to the end of its life.

Planning approval was granted for work to expand the Coal Handling and Preparation Plant to increase annual washing capacity from 2 Mt per annum (Mtpa) to 3 Mtpa and to lift annual train loading capacity from 3 Mtpa to 4 Mtpa . The work will be completed in FY09.

Werris Creek

Thousand Tonnes*	FY 2008	FY 2007	% Variance
ROM Coal Production	1,116	1,289	(13%)
Saleable Coal Production	1,111	1,291	(14%)
Sales of produced coal	1,112	1,320	(16%)
Sales of purchased coal**	25	41	(39%)
Total Sales	1,137	1,361	(16%)
Coal stocks at end of period	69	56	23%

* All figures are on a 100% basis.
** Includes purchased coal.

There were no Lost Time Injuries recorded at Werris Creek in FY2008 (2007: nil).

Development Projects

Narrabri

The development application was approved for Narrabri Coal Project Stage 1 in November 2007 and the Mining Lease granted in January 2008.

The project is progressing well, but a delay in gaining approvals to commence construction and design changes have resulted in the date for producing first coal to be revised to Q1 of FY 2010.

Works are well advanced on the site access road, office and workshop area, boxcut, dams and rail loop.

Contracts have now been awarded for more than 60% of the Stage 1 work. Recent awards include: transmission substation; drift conveyor; train load out facility; rail track components, skyline stackout conveyor and drift construction.

There has been some increase in the forecast capital cost of Stage 1 caused by higher costs of materials and a decision to reduce the grade of the drifts which will reduce long term costs.

A drill program has been completed to undertake a detailed evaluation of coal seam gas in the first two longwall panels and further drilling is under way to improve detailed understanding of the conditions of early mining areas.

Rocglen

Following Planning Approval in May, the Mining Lease for the Rocglen mine was granted by the NSW Government in June 2008.

Overburden removal commenced in July 2008 and first coal is expected from this new mine in second quarter of 2009 financial year.

Sunnyside

The Environmental Assessment came off Public Exhibition on 19th May 2008 and Whitehaven has responded to all submissions received. Planning Approval is expected in October 2008.

The Mining Lease for Sunnyside should be approved promptly following Planning Approval.

Granting of the Mining Lease in September 2008 will enable first coal production from Sunnyside in Q2 FY 2009.

Bonshaw

Agreement has been reached in July 2008 for the purchase of the 1/3rd share of the Bonshaw project in northern NSW from Republic Coal Pty Ltd. This brings Whitehaven to 100% ownership of the project.

Whitehaven will pay Republic Coal a total of $2.87M for the acquisition in two tranches. The first tranche of $1.87M will be paid on transfer of the tenements and the balance is payable on the earlier of development consent being granted or Whitehaven selling or transferring a majority interest in the tenements.

9. OPERATING AND FINANCIAL REVIEW (CONTINUED)

9.5 Operations (continued)

Resources and Reserves (100% Basis)

Whitehaven's coal resources and reserves statements have been updated for both Werris Creek and Sunnyside as at 30 April 2008.

At Werris Creek, further exploration and mine planning has increased coal resources from 26 Mt to 38 Mt, with marketable reserves of 19.9 Mt.

This increase in resources and reserves provides Whitehaven with the potential to extend the life of Werris Creek up to 13 years, at the planned production rate of 1.5 Mtpa.

At Sunnyside, additional exploration has allowed the reclassification of 0.8 Mt from inferred to indicated status, and 4.1 Mt from indicated to measured. A further resource of 65.9 Mt has been identified within the Sunnyside EL area.

Whitehaven's JORC Coal Resources total 712.9 Mt[1] , an increase of 77.6 Mt (12%), with JORC Marketable Reserves of 137.9 Mt[2,3] an increase of 19.9 Mt (17%).

Mine/Project	Ownership	Status	Measured	Indicated	Inferred	Total
Canyon	100%	Operating	TBD	TBD	TBD	TBD
Tarrawonga Opencut	70%	Operating	8.3	11.0	24	43.3
Tarrawonga Seam Underground	100%	Feasibility	2.7	8.0	5	15.7
Tarrawonga Underground – other	100%	Exploration	7.3	26.0	53	86.3
Belmont Opencut	100%	Project	–	14.2	–	14.2
Sunnyside Opencut	100%	Project	4.1	2.2	–	6.3
Sunnyside – EL 5183 other	100%	Exploration	3.4	23.5	39	65.9
Canyon West	100%	Exploration	TBD	TBD	TBD	TBD
Blue Vale	100%	Exploration	2.8	1.5	0.7	5.0
WMP Total			**28.6**	**86.4**	**121.7**	**236.7**
Narrabri North	92.5%	Project	88.6	81.0	60.0	229.6
Narrabri South	92.5%	Exploration	30.6	103.0	75.0	208.6
Narrabri Total			**119.2**	**184.0**	**135.0**	**438.2**
Werris Creek Opencut	100%	Operating	30.0	5.4	2.6	38.0
Bonshaw – Arthur's Seat	66.67%	Exploration	TBD	TBD	TBD	TBD
Total			**177.8**	**275.8**	**259.3**	**712.9**

1 The coal resources and reserves have not been amended to reflect any coal extracted since the date of the relevant JORC report.
2 The JORC marketable reserves are based on geological modeling of the anticipated yield from recoverable reserves.
3 The JORC reserves are included in the JORC resources.

Mine/Project	Recoverable Reserves (Proved+Probable) (Mt)	Marketable Reserves (Mt)		
		From Proved	From Probable	Total
Canyon	–	–	–	
Tarrawonga Open Cut	8.9	–	7.7	7.7
Tarrawonga Seam Underground	–	–	–	–
Tarrawonga Seam-other	–	–	–	
RocGlen (Belmont)	10.8	–	7.6	7.6
Sunnyside	–	–	–	–
Canyon West	–	–	–	–
West Blue Vale	–	–	–	–
WMP Total	**19.7**	**–**	**15.3**	**15.3**
Narrabri North	112.0	51.1	51.6	102.7
Narrabri South	–	–	–	–
Narrabri Total	**112.0**	**51.1**	**51.6**	**102.7**
Werris Creek	19.9	17.6	2.3	19.9
Ashford – Arthur's Seat	–	–	–	–
Total	**151.6**	**68.7**	**69.2**	**137.9**

Resources and Reserves Statement

The information in this report that relates to Coal Resources and Reserves of the Whitehaven Group is based on information compiled by Mr David West, who is a Member of the Australasian Institute of Mining & Metallurgy. Mr West MAusIMM is a qualified geologist and is a full time employee of Whitehaven Coal Mining Ltd. Mr West has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration results, Mineral resources and Ore Reserves". Mr West consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

10. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that have not been noted in the review of operations that occurred during the financial year.

11. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, other than the following:

- The Group has committed to acquire the remaining one third balance of the Bonshaw Project for $2,873,000.
- Further sell downs of the Narrabri Coal Project have been agreed to:

  On 1 August 2008, the Group announced receipt of further offers from Electric Power Development Co., Ltd. ("J-Power") and EDF Trading ("EDFT") for those companies to each acquire a 7.5% stake in the Narrabri Coal Project for A$125 million and US$120 million, respectively. The sales are subject to formal documentation, due diligence and usual regulatory approvals, conditional on FIRB approval and are expected to be completed during September and October 2008.
- The directors have resolved to pay a fully franked dividend of 1.7 cents per ordinary share.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2008 but will be recognised in future financial periods.

12. LIKELY DEVELOPMENTS

The consolidated entity will continue with the operation and development of its coal projects. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the consolidated entity.

13. SHARE OPTIONS

13.1 Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following of the five most highly remunerated officers of the Company as part of their remuneration:

Officers	Number of options granted	Exercise price	Expiry date
Rob Stewart	1,000,000	$2.50	22 Oct 2010
Rob Stewart	1,000,000	$2.50	22 Oct 2011
Rob Stewart	1,000,000	$2.50	22 Oct 2012

All options were granted during the financial year. No options have been granted since the end of the financial year. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

13.2 Shares issued on exercise of options

During or since the end of the financial year, the Company issued the following ordinary shares as a result of the exercise of options (there are no amounts unpaid on the shares issued).

Officers	Number of shares	Amount paid $/share
Director related entities		
Tony Haggarty	10,850,074	1.00
Andy Plummer	10,850,074	1.00
Executives		
Leigh Whitton	33,333	1.00
Tony Galligan	33,333	1.00

13.3 Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 June 2009	$1.00	66,666
30 June 2010	$1.00	66,668
22 October 2010	$2.50	1,000,000
22 October 2011	$2.50	1,000,000
22 October 2012	$2.50	1,000,000
No expiry date	$1.00	22,341,166

All options expire on the earlier of their expiry date or termination of the employee's employment or resignation as a director of the Company. For details of options issued to key management personnel refer to section 7 of the Director's report.

14. INDEMNIFICATION AND INSURANCE OF OFFICERS

14.1 Indemnification

The Company has agreed to indemnify all current and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

14.2 Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts. Such insurance contracts insure against certain liability (subject to certain exclusions) persons who are or have been directors or officers of the Company or its controlled entities.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

15. ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The board is only aware on one environmental incident. The EPA has commenced proceedings against Werris Creek Coal Pty Ltd over a 2007 incident that occurred when the Group held a minority interest. The sale agreement for the controlling interest includes an indemnity for 60% of any costs or penalties that may arise from the incident. Given the indemnity and the recency of the EPA notice, no amounts have been provided as directors believe it is too early to assess a reliable estimate. Directors do not believe that the proceedings will have a major financial impact on the Company.

16. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit and risk management committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for non-audit services provided during the year are set out below.

	Consolidated	
In AUD	2008	2007
Other assurance services		
Accounting advice – KPMG Australia	4,200	29,726
Due diligence services – KPMG related practice	–	210,158
Other services – KPMG Australia		
Taxation services	225,377	232,555
	229,577	**472,439**

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 37 and forms part of the directors' report for financial year ended 30 June 2008.

18. ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 and dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Signed in accordance with a resolution of the directors:

John Conde
Chairman

Dated at Melbourne this 26th day of September 2008

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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

To: the directors of Whitehaven Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Jason Adams
Partner

Brisbane
26 September 2008

FINANCIAL REPORT

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Company	
In thousands of AUD	Note	2008	2007	2008	2007
Revenue	8	256,462	106,201	–	–
Cost of sales		(196,039)	(67,206)	–	–
Gross profit		**60,423**	**38,995**	**–**	**–**
Other income	9	56,475	1,140	–	–
Selling and distribution expenses		(24,631)	(28,231)	–	–
Administrative expenses		(7,061)	(6,824)	(5)	(61)
Other expenses	10	(12,646)	(15,172)	(2,687)	(15,163)
Profit/(loss) before financing income		**72,560**	**(10,092)**	**(2,692)**	**(15,224)**
Financial income	12	8,912	20,612	334	4,073
Financial expenses	12	(7,443)	(5,126)	(5,043)	(6)
Net financing income/(expense)		**1,469**	**15,486**	**(4,709)**	**4,067**
Profit/(loss) before tax		**74,029**	**5,394**	**(7,401)**	**(11,157)**
Income tax (expense)/benefit	13	(22,175)	18,701	(99)	42
Profit for the year attributable to equity holders of the parent		**51,854**	**24,095**	**(7,500)**	**(11,115)**
Earnings per share:					
Basic earnings per share (cents per share)	39	14.5	8.0		
Diluted earnings per share (cents per share)	39	14.4	8.0		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 43 to 91.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Consolidated In thousands of AUD	Note	Share capital	Retained earnings	Hedge reserve	Total
Balance at 1 July 2006		**31,000**	**20,314**	**–**	**51,314**
Net profit for the period		–	24,095	–	24,095
Total recognised income and expense for the period		–	24,095	–	24,095
Share based payments	36	–	15,163	–	15,163
Shares issued	29	162,046	–	–	162,046
Share issue costs	29	(163)	–	–	(163)
Balance at 30 June 2007		**192,883**	**59,572**	**–**	**252,455**
Balance at 1 July 2007		**192,883**	**59,572**	**–**	**252,455**
Effective portion of changes in fair value of cash flow hedges		–	–	33,643	33,643
Change in fair value of cash flow hedges transferred to profit and loss		–	–	(8,081)	(8,081)
Total income and expense recognised directly in equity		–	–	25,562	25,562
Profit for the period		–	51,854	–	51,854
Total recognised income and expense		–	51,854	25,562	77,416
Share based payments	36	–	2,687	–	2,687
Share options exercised	29	14,227	–	–	14,227
Shares issued	29	145,366	–	–	145,366
Share issue costs	29	(2,622)	–	–	(2,622)
Balance at 30 June 2008		**349,854**	**114,113**	**25,562**	**489,529**

Company In thousands of AUD	Note	Share capital	Retained earnings	Hedge reserve	Total
Balance at 1 July 2006		**–**	**–**	**–**	**–**
Net loss for the period		–	(11,115)	–	(11,115)
Total recognised income and expense for the period		–	(11,115)	–	(11,115)
Share based payments	36	–	15,163	–	15,163
Shares issued	29	322,046	–	–	322,046
Share issue costs	29	(163)	–	–	(163)
Balance at 30 June 2007		**321,883**	**4,048**	**–**	**325,931**
Balance at 1 July 2007		**321,883**	**4,048**	**–**	**325,931**
Net loss for the period		–	(7,500)	–	(7,500)
Total recognised income and expense for the period		–	(7,500)	–	(7,500)
Share based payments	36	–	2,687	–	2,687
Share options exercised	29	14,227	–	–	14,227
Shares issued	29	145,366	–	–	145,366
Share issue costs	29	(2,622)	–	–	(2,622)
Balance at 30 June 2008		**478,854**	**(765)**	**–**	**478,089**

Where applicable the amounts recognised directly in equity are net of tax.

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 43 to 91.

BALANCE SHEETS
AS AT 30 JUNE 2008

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Assets					
Cash and cash equivalents	14	105,867	21,185	50	2,815
Trade and other receivables	15	48,996	14,336	170,400	1,318
Inventories	16	9,353	10,768	–	–
Deferred stripping		23,132	11,425	–	–
Current tax receivable	23	–	25	–	–
Derivative financial instruments	17	26,670	5,202	–	–
Total current assets		**214,018**	**62,941**	**170,450**	**4,133**
Trade and other receivables	15	2,217	2,214	–	–
Biological assets	18	–	80	–	–
Investments	19	37	37	464,750	464,750
Property, plant and equipment	20	367,818	267,612	–	–
Exploration and evaluation	21	1,774	1,672	–	–
Other intangible assets	22	17,382	920	–	–
Deferred tax assets	23	–	7,876	954	2,152
Derivative financial instruments	17	20,106	8,870	–	–
Total non-current assets		**409,334**	**289,281**	**465,704**	**466,902**
Total assets		**623,352**	**352,222**	**636,154**	**471,035**
Liabilities					
Trade and other payables	24	37,871	16,135	148,070	145,104
Interest-bearing loans and borrowings	25	22,959	22,294	–	–
Employee benefits	26	2,159	1,380	–	–
Current tax payable	23	10,143	–	9,995	–
Deferred income		123	62	–	–
Provisions	27	593	708	–	–
Total current liabilities		**73,848**	**40,579**	**158,065**	**145,104**
Non-current liabilities					
Payables	24	10,431	–	–	–
Interest-bearing loans and borrowings	25	32,267	54,401	–	–
Deferred tax liabilities	23	9,957	–	–	–
Deferred income		513	262	–	–
Provisions	27	6,807	4,525	–	–
Total non-current liabilities		**59,975**	**59,188**	**–**	**–**
Total liabilities		**133,823**	**99,767**	**158,065**	**145,104**
Net assets		**489,529**	**252,455**	**478,089**	**325,931**
Equity					
Share capital	29(a)	349,854	192,883	478,854	321,883
Hedge reserve	29(d)	25,562	–	–	–
Retained earnings/(accumulated deficit)		114,113	59,572	(765)	4,048
Total equity		**489,529**	**252,455**	**478,089**	**325,931**

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 43 to 91.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Cash flows from operating activities					
Cash receipts from customers		236,464	108,668	–	–
Cash paid to suppliers and employees		(218,612)	(101,905)	(5)	(1,379)
Cash generated from operations		**17,852**	**6,763**	**(5)**	**(1,379)**
Interest paid		(4,916)	(2,489)	–	(6)
Interest received		3,398	2,428	334	67
Income taxes (paid)/received		(4,348)	(1,739)	(4,610)	–
Net cash from operating activities	**34**	**11,986**	**4,963**	**(4,281)**	**(1,318)**
Cash flows from investing activities					
Proceeds from sell down of Narrabri project	9	67,500	–	–	–
Proceeds from sale of property, plant and equipment		3,021	–	–	–
Acquisition of subsidiary, net of cash acquired	7	(36,730)	–	–	–
Cash acquired in business combination		–	17,179	–	–
Acquisition of property, plant and equipment		(40,025)	(22,244)	–	–
Acquisition of intangible		(861)	(92)	–	–
Exploration and evaluation expenditure		(104)	(604)	–	–
Issuance of loans to related entities		(7,943)	(2,514)	(144,262)	–
Loans repaid by related entities		11,338	–	–	–
Net cash from investing activities		**(3,804)**	**(8,275)**	**(144,262)**	**–**
Cash flows from financing activities					
Proceeds from the issue of share capital	29	135,366	4,296	135,366	4,296
Proceeds from the exercise of share options	29	14,227	–	14,227	–
Transaction costs paid on issue of share capital		(3,815)	(163)	(3,815)	(163)
Proceeds from the issuance of borrowings		–	35,812	–	–
Repayment of borrowings		(61,223)	(11,226)	–	–
Payment of finance lease liabilities		(8,055)	(3,478)	–	–
Dividends paid		–	(2,500)	–	–
Net cash from financing activities		**76,500**	**22,741**	**145,778**	**4,133**
Net increase in cash and cash equivalents		84,682	19,429	(2,765)	2,815
Cash and cash equivalents at 1 July		21,185	1,756	2,815	–
Cash and cash equivalents at 30 June	**14**	**105,867**	**21,185**	**50**	**2,815**

The statements of cash flows are to be read in conjunction with the notes to the financial statements as set out on pages 43 to 91.

1. REPORTING ENTITY

Whitehaven Coal Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Ground Floor 895 Ann Street, Fortitude Valley QLD 4006. The consolidated financial report of the Company for the financial year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in jointly controlled operations. The consolidated entity primarily develops and operates coal mines in New South Wales.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 26 September 2008.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in note 4.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of all entities in the consolidated entity.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 7 – business combinations
- Note 17 – valuation of financial instruments
- Notes 20 and 22 – estimates of useful lives and impairment of property, plant and equipment and intangibles
- Note 23 – utilisation of tax loss
- Notes 27 and 33 – provisions and contingencies
- Note 36 – measurement of share-based payments

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries in the consolidated entity.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the consolidated entity.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Jointly controlled operations

The interest of the consolidated entity in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) Financial instruments

(i) Non derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments (continued)

(ii) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operating activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

During the year ended 30 June 2008, the consolidated entity converted its hedge book comprising foreign currency options to forward exchange contracts.

Derivative financial instruments are recognised initially at fair value with attributable transaction costs recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

Derivatives which do not qualify for hedge accounting are measured at fair value with changes in fair value recognised in the profit and loss.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of the asset.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to production phase.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line or units of production basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mining property and development assets are depreciated on a units of production basis over the life of the economically recoverable reserves.

The depreciation rates used in the current and comparative periods are as follows:

- plant and equipment — 2 – 20%
- leased plant and equipment — 11 – 14%
- mining property and development assets — units of production

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Intangible assets

(i) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

i. the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

ii. activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity related. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and development.

(ii) Water access rights

The consolidated entity holds water access rights having a perpetual life, which have been determined to have an indefinite life. The water access rights have been recognised at cost and are assessed annually for impairment.

(iii) Rail access rights

Rail access rights have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. The carrying values of rail access rights are reviewed to ensure they are not in excess of their recoverable amounts. Rail access rights are amortised over the life of the mine or access agreement using a unit of production basis.

(iv) Other intangible assets

Other intangible assets that are acquired by the consolidated entity, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a units of production basis over the estimated useful life of the mining property to which the intangible relates.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

f) Deferred stripping costs

Expenditure incurred to remove overburden or waste material during the production phase of a mining operation is deferred to the extent it gives rise to future economic benefits and charged to operating costs on a units of production basis using the estimated average stripping ratio for the area being mined. Changes in estimates of average stripping ratios are accounted for prospectively.

For the purposes of assessing impairment, deferred stripping costs are grouped with other assets of the relevant cash generating unit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the consolidated entity's balance sheet.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of coal inventories is determined using a weighted average basis. Cost includes direct material, overburden removal, mining, processing, labour, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities.

i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

k) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Mine rehabilitation and closure

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cashflows. The estimated cost of rehabilitation includes the current cost of re-contouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in mining property and development assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Provisions (continued)

(i) Mine rehabilitation and closure (continued)

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the income statement as it occurs.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the income statement in the period in which it occurs.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the income statement as incurred.

l) Revenue

(i) Coal sold

Revenue from the sale of coal is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Risk and rewards are considered to have passed to the buyer at the time of delivery which is usually on a Free On Board (FOB) basis.

(ii) Rental income

Revenue received before it is earned is recorded as unearned lease income in the balance sheet at its net present value determined by discounting the expected notional future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(iii) Hire of plant

The consolidated entity hires plant under operating leases to its subsidiaries and joint ventures. Revenue from the plant hire is recognised in the income statement as earned.

m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

n) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the consolidated entity's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except where capitalised as part of a qualifying asset.

Foreign currency gains and losses are reported on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of recognised assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a set basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities, including subsidiaries acquired in the current year, have formed a tax-consolidated group with effect from 29 May 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Whitehaven Coal Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the “separate taxpayer within a consolidated group” approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Income tax (continued)

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

q) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the consolidated entity presents segment information in respect of its business and geographical segments (see note 6). The consolidated entity has not yet determined the potential impact of the revised standard on the consolidated entity's financial report.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the consolidated entity's 30 June 2010 financial statements. There will be no impact upon adoption of the revised standard to the consolidated entity's financial report as the consolidated entity's policy is to capitalise such costs.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the consolidated entity's June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the amending standard on the consolidated entity's financial report.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2008-6 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project* become mandatory for the consolidated entity's 30 June 2010 and 30 June 2011 financial statements, respectively. The consolidated entity has not yet determined the potential effect of the amending standards on the consolidated entity's financial report.

4. DETERMINATION OF FAIR VALUES

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipment is based on the quoted market prices for similar items.

b) Intangible assets

The fair value of water access rights with indefinite useful lives is based on the outcome of recent transactions for similar assets within the same industry, less estimated costs of disposal.

c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

d) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of foreign currency options is the estimated amount the consolidated entity would pay or receive to terminate the derivative at the balance sheet date, taking into account quoted market rates and the current creditworthiness of the counterparties.

e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

f) Share-based payment transactions

The fair value of services received in return for share options granted to the directors is based on the fair value of share options granted, measured using Black Scholes barrier options techniques, incorporating the probability of the performance hurdles being met.

The fair value of services received in return for share options granted to the senior employees is based on the fair value of share options granted, measured using a Black Scholes model.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information of publicly listed companies operating in the same industry with similar operating characteristics), weighted average expected life of the instruments (based on historical experience of similar instruments and similar option holder characteristics), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. FINANCIAL RISK MANAGEMENT

Overview

The Company and consolidated entity have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company and consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and consolidated entity's activities. The Company and consolidated entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The consolidated entity's Audit and Risk Management Committee oversees how management monitors compliance with the Company's and consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and consolidated entity.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

The Company's and consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 29 percent of the consolidated entity's revenue is attributable to sales transactions with two customers (2007: 25%).

More than 90 percent of the consolidated entity's customers have been transacting with the consolidated entity for over 5 years, losses have occurred infrequently. The consolidated entity's trade and other receivables relate mainly to coal customers.

The consolidated entity does not require collateral in respect of trade and other receivables.

The consolidated entity trades only with recognised, creditworthy third parties.

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not significant.

The Company and consolidated entity have not recognised any impairment loss for trade and other receivables during the year ended 30 June 2008 (2007: Nil).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Guarantees

The policy of the consolidated entity is to provide financial guarantees for statutory bonding requirements associated with the mining operations and for construction of the rail upgrade and other purposes such as security of leased premises. Guarantees are provided under a $50,000,000 facility. Details of outstanding guarantees are provided in note 33.

Liquidity risk

Liquidity risk is the risk that the Company and consolidated entity will not be able to meet their financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Typically, the Company and consolidated entity ensures that they have sufficient cash on demand to meet all expected operational expenses as and when due, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the consolidated entity maintains the following lines of credit:

- $1,000,000 overdraft facility that is secured by a fixed and floating charge over the assets of the consolidated entity. Interest would be payable at the rate of BBSY plus 100 basis points.
- $13,280,000 that can be drawn down to meet short-term financing needs. The facility has a 30-day maturity that renews automatically at the option of the consolidated entity. Interest would be payable at a rate of BBSY plus 150 basis points.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company and consolidated entity's income or the value of their holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company and consolidated entity enters into forward exchange contracts and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Management Committee. Where possible, the Company and consolidated entity seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Company and consolidated entity is exposed to currency risk on sales, purchases and demurrage that are denominated in a currency other than the respective functional currency of the consolidated entity, the Australian dollar (AUD). The currency in which these transactions primarily are denominated is US Dollars (USD).

The Company and consolidated entity uses forward exchange contracts (FECs) to hedge its currency risk. During the period the consolidated entity converted its economic hedge book held at 30 June 2007, comprising foreign currency options to FECs. The foreign currency options did not qualify for hedge accounting and were recognised at fair value through the income statement.

The Hedging Policy of the consolidated entity is to utilise forward exchange contracts to cover:

- 100% of contracted sales where both volume and US dollar price are fixed;
- 90% of provisional pricing where volume is fixed but pricing is provisional;
- 80% of planned sales from existing operations over a 12 month period;
- a maximum of 50% of planned sales from existing operations for between 12 and 24 months; and
- No cover should be taken out beyond 24 months other than contracted sales where both volume and US dollar prices are fixed.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

In respect of other monetary assets and liabilities denominated in foreign currencies, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalances.

The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and measures them at fair value.

The fair value of forward exchange contracts used as hedges at 30 June 2008 was $46,776,000, comprising assets that were recognised as fair value derivatives. The fair value of foreign currency options held at 30 June 2007 was $14,072,000, comprising assets that were recognised as fair value derivatives.

Interest rate risk

The consolidated entity's borrowings comprise both variable and fixed rate instruments. The variable rate borrowings expose the consolidated entity to a risk of changes in cash flows due to the changes in interest rates. The Company does not hold interest bearing liabilities. Details of the variable and fixed rate borrowings are included in note 28.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The consolidated entity defines capital as total shareholders' equity. The Board of Directors monitors the capital structure on a regular basis including the level of dividends paid to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the consolidated entity's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. SEGMENT REPORTING

Business and geographical segments

The consolidated entity operates within the coal industry in Australia. Revenue is derived from the sale of coal and hire of plant to customers in Asia and Australia.

Sales revenue by geographical location of customer

In thousands of AUD	2008	2007
Asia	249,239	101,774
Australia	7,231	4,427
	256,462	**106,201**

7. ACQUISITION OF SUBSIDIARIES

Acquisition of Creek Resources Pty Limited

On 30 November 2007 the Group acquired Creek Resources Pty Ltd, which holds a 60% interest in the Werris Creek Joint Venture. Subsequent to the acquisition, the Group owns 100% of the Werris Creek coal mine in NSW. The Group has determined, on a provisional basis, that the acquisition had the following effect on the Group's assets and liabilities on acquisition date:

In thousands of AUD	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Cash and cash equivalents	3,917		3,917
Property, plant and equipment	11,197	61,095	72,292
Trade and other receivables	4,582		4,582
Inventories	1,764		1,764
Deferred stripping	1,913		1,913
Deferred tax asset/(liability)	(619)	633	14
Trade and other payables	(6,229)		(6,229)
Interest-bearing loans and borrowings	(4,638)		(4,638)
Unsecured loans	(11,076)		(11,076)
Provisions	(1,461)		(1,461)
Net identifiable assets and liabilities	**(650)**	**61,728**	**61,078**
Goodwill on acquisition			–
Consideration paid, satisfied through issuance of shares*			(10,000)
Future consideration payable***			(10,431)
Consideration paid, satisfied in cash**			40,647
Cash acquired			(3,917)
Net cash outflow			**36,730**

* Whitehaven Coal Limited issued 3,610,108 ordinary shares.
** Includes transaction costs of $322,000.
*** Consideration payable when development consent approved for JORC reserves, which is estimated to be December 2009.

Refer to Note 24 for details of deferred purchase consideration in relation to the acquisition.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

Since its acquisition on 30 November 2007, Creek Resources Pty Ltd has contributed a loss of $1,479,000, net of tax benefit of $634,000 to the consolidated entity's net profit for the year ended 30 June 2008. If the acquisition had occurred on 1 July 2007, management estimates the consolidated revenue would have been $274,734,000 and consolidated profit for the period would have been $50,658,000.

Acquisition of hauling business

On 30 November 2007, the Group incorporated a wholly-owned subsidiary, WC Contract Hauling Pty Ltd, to acquire a business which provides hauling services. The cost of the acquisition was $2,860,000 paid in cash, which was allocated to property, plant and equipment of $1,560,000 and a contract-related intangible of $1,300,000.

Since its acquisition on 30 November 2007, WC Contract Hauling Pty Ltd has not contributed a material amount to the consolidated entity's revenue or net profit for the year ended 30 June 2008.

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
8. REVENUE				
Sale of coal	252,000	103,461	–	–
Hire of plant	4,450	2,622	–	–
Rental income	12	118	–	–
	256,462	**106,201**	**–**	**–**
9. OTHER INCOME				
Gain on sale of scrap materials	–	186	–	–
Gain on sale of cattle	23	17	–	–
Gain on sale of interest in Narrabri project*	55,629	–	–	–
Sundry income	823	937	–	–
	56,475	**1,140**	**–**	**–**

* In March 2008, the consolidated entity sold 7.5% of its Narrabri Coal Project to Upper Horn Investments (Australia) Pty Limited, part of the Guandong Yudean Group for $67,500,000, resulting in a gain on sale of $55,629,000. The tax impact on the gain was $16,689,000, resulting in an after tax gain of $38,940,000.

Further sell downs of the Narrabri Coal Project have been agreed to subsequent to year end, refer to note 35.

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
10. OTHER EXPENSES				
Loss on sale of non-current assets	5	9	–	–
Impairment of cattle	84	–	–	–
Contract termination payments	9,870	–	–	–
Share based compensation payments	2,687	15,163	2,687	15,163
	12,646	**15,172**	**2,687**	**15,163**
11. PERSONNEL EXPENSES				
Wages and salaries	15,535	9,762	–	–
Contributions to superannuation plans	1,297	1,255	–	–
Other associated personnel expenses	241	75	–	–
Increase in liability for annual leave	533	123	–	–
Increase in liability for long-service leave	60	48	–	–
Share-based compensation payments	2,687	15,163	2,687	15,163
	20,353	**26,426**	**2,687**	**15,163**

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
12. FINANCE INCOME AND EXPENSE				
Recognised in profit and loss				
Interest income on bank facilities	3,394	897	334	67
Dividend income	308	4	–	–
Net foreign exchange gain	3,200	5,881	–	4,006
Gains from derivatives not qualifying for hedge accounting	–	13,830	–	–
Gains from ineffective portion of hedges	2,010	–	–	–
Financial income	**8,912**	**20,612**	**334**	**4,073**
Interest expense on secured bank loans	(633)	(1,822)	–	–
Interest expense on finance lease liabilities	(2,357)	(1,768)	–	–
Interest expense on unsecured loan from related entity	(704)	(957)	–	–
Unwinding of discounts on provisions	(452)	(374)	–	–
Losses on derivatives not qualifying for hedge accounting	(2,985)	–	–	–
Net foreign exchange loss	–	–	(5,043)	–
Other interest charges	(312)	(205)	–	(6)
Financial expenses	**(7,443)**	**(5,126)**	**(5,043)**	**(6)**
Net financing income	**1,469**	**15,486**	**(4,709)**	**4,067**
Recognised directly in equity				
Effective portion of changes in fair value of cash flow hedges	48,061	–	–	–
Net change in fair value of cash flow hedges transferred to profit or loss – sale of coal	(11,544)	–	–	–
Income tax on income and expense recognised directly in equity	(10,955)	–	–	–
Finance income recognised directly in equity, net of tax	**25,562**	**–**	**–**	**–**

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
13. INCOME TAX (EXPENSE)/BENEFIT				
Current tax expense				
Current period	(14,959)	(799)	140	–
Adjustment for prior periods	1,035	–	–	–
	(13,924)	**(799)**	**140**	**–**
Deferred tax (expense)/benefit				
Origination and reversal of temporary differences	(8,251)	19,500	(239)	42
Income tax (expense)/benefit	**(22,175)**	**18,701**	**(99)**	**42**
Numerical reconciliation between tax benefit/ (expense) and profit before tax				
Profit for the period	51,854	24,095	(7,500)	(11,115)
Total income tax (expense)/benefit	(22,175)	18,701	(99)	42
Profit excluding income tax	**74,029**	**5,394**	**(7,401)**	**(11,157)**
Income tax using the Company's domestic tax rate of 30% (2007: 30%)	(22,209)	(1,618)	2,220	3,347
Non-deductible expenses	(901)	(5,705)	(2,319)	(3,305)
Tax benefit from joining tax consolidated group	–	25,955	–	–
Change in unrecognised temporary differences	(100)	(10)	–	–
Under/(over) provided in prior periods	1,035	79	–	–
	(22,175)	**18,701**	**(99)**	**42**
Income tax recognised directly in equity				
Derivatives	(10,955)	–	–	–
Transaction costs on issue of share capital	1,193	–	1,193	–
	(9,762)	**–**	**1,193**	**–**

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
14. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	**105,867**	**21,185**	**50**	**2,815**

The weighted average interest rate for cash balances at 30 June 2008 is 6.94% (2007: 5.69%).

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
15. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	31,791	6,446	–	–
Other trade receivables and prepayments	15,579	2,640	33	120
Receivables due from related parties	1,626	5,250	170,367	1,198
	48,996	**14,336**	**170,400**	**1,318**
Non-current				
Other trade receivables and prepayments	2,217	2,214	–	–
	2,217	**2,214**	**–**	**–**
16. INVENTORIES				
Coal stocks	7,225	10,579	–	–
Consumables and stores	2,128	189	–	–
	9,353	**10,768**	**–**	**–**
17. DERIVATIVE FINANCIAL INSTRUMENTS				
Current assets				
Forward exchange contracts – receivable	26,670	–	–	–
Foreign currency options – receivable	–	5,202	–	–
	26,670	**5,202**	**–**	**–**
Non-current assets				
Forward exchange contracts – receivable	20,106	–	–	–
Foreign currency options – receivable	–	8,870	–	–
	20,106	**8,870**	**–**	**–**

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Instruments used by the consolidated entity

The consolidated entity enters into forward exchange contracts to sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward exchange contracts is to reduce the foreign exchange rate related volatility of the consolidated entity's revenue stream and thereby assist in risk management for the consolidated entity. Forward exchange contracts are entered for future sales undertaken in US dollars.

The contracts are timed to mature when funds for coal sales are forecast to be received. At 30 June 2008, the forward exchange contracts are designated as cash flow hedges and are expected to impact profit and loss in the periods specified below. The details of outstanding forward exchange contracts at balance date are set out below.

2008 – Forward exchange contracts

In thousands of AUD (except exchange rates)	Fair Value 2008	Average Exchange Rates 2008	Fair Value 2007	Average Exchange Rates 2007
Sell US dollars				
Less than 6 months	18,224	0.8176	–	–
6 months to 1 year	8,446	0.8175	–	–
1 year to less than 2 years	13,647	0.8170	–	–
2 years to less than 3 years	6,048	0.8189	–	–
3 years to less than 4 years	411	0.8215	–	–
	46,776	**0.8178**	**–**	**–**

2007 – Foreign currency options

In thousands of AUD (except exchange rates)	Fair Value 2008	Average Exchange Rates 2008	Fair Value 2007	Average Exchange Rates 2007
Sell US dollars				
Less than 6 months	–	–	2,181	0.7677
6 months to 1 year	–	–	3,021	0.7647
1 year to less than 2 years	–	–	4,610	0.7684
2 years to less than 3 years	–	–	2,930	0.7521
3 years to less than 4 years	–	–	1,330	0.7521
	–	**–**	**14,072**	**0.7626**

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
18. BIOLOGICAL ASSETS				
Cattle	–	80	–	–
19. INVESTMENTS				
Non-current investments				
Investment in unlisted shares	37	37	–	–
Investments in subsidiaries	–	–	464,750	464,750
	37	**37**	**464,750**	**464,750**

20. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Note	Consolidated Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Total
Cost						
Balance at 1 July 2006		9,023	34,325	5,481	40,024	88,853
Acquisitions		6,915	5,949	31,584	5,420	49,868
Acquisition through business combinations		3,246	–	–	147,970	151,216
Transfer from exploration and evaluation assets	21	–	–	–	812	812
Transfer from mining property and development		–	3,389	–	(3,389)	–
Disposals		–	(117)	–	–	(117)
Balance at 30 June 2007		**19,184**	**43,546**	**37,065**	**190,837**	**290,632**
Balance at 1 July 2007		19,184	43,546	37,065	190,837	290,632
Acquisitions		12,529	4,689	18,066	24,033	59,317
Acquisition through business combinations	7	2,854	5,918	1,062	64,018	73,852
Transfer from mining property and development		–	(1,667)	–	1,667	–
Transfer to other inventory		–	(503)	–	–	(503)
Disposals		(3,068)	(36)	–	(11,390)	(14,494)
Balance at 30 June 2008		**31,499**	**51,947**	**56,193**	**269,165**	**408,804**
Depreciation						
Balance at 1 July 2006		–	(4,374)	(1,492)	(4,976)	(10,842)
Depreciation charge for the year		–	(4,386)	(3,032)	(4,877)	(12,295)
Disposals		–	117	–	–	117
Balance at 30 June 2007		**–**	**(8,643)**	**(4,524)**	**(9,853)**	**(23,020)**
Balance at 1 July 2007		–	(8,643)	(4,524)	(9,853)	(23,020)
Depreciation charge for the year		–	(6,535)	(5,976)	(5,491)	(18,002)
Transfer to mining property and development		–	102	–	(102)	–
Disposals		–	36	–	–	36
Balance at 30 June 2008		**–**	**(15,040)**	**(10,500)**	**(15,446)**	**(40,986)**
Carrying amounts						
At 1 July 2006		9,023	29,951	3,989	35,048	78,011
At 30 June 2007		**19,184**	**34,903**	**32,541**	**180,984**	**267,612**
At 1 July 2007		19,184	34,903	32,541	180,984	267,612
At 30 June 2008		**31,499**	**36,907**	**45,693**	**253,719**	**367,818**

The Company did not hold property, plant and equipment at 30 June 2008 or 30 June 2007.

20. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leased plant and machinery

The consolidated entity leases mining equipment under a number of finance lease agreements. At 30 June 2008, the consolidated entity's net carrying amount of leased plant and machinery was $45,693,000 (2007: $32,541,000). The Company does not hold leased plant and machinery. The leased equipment secures lease obligations.

Security

The assets of the consolidated entity are subject to a fixed and floating charge to secure bank loans.

21. EXPLORATION AND EVALUATION

	Consolidated		Company	
In thousands of AUD	Cost	Impairment losses	Cost	Impairment losses
Balance at 1 July 2006	1,880	–	–	–
Exploration and evaluation expenditure	604	–	–	–
Transfer to mining property and development	(812)	–	–	–
Balance at 30 June 2007	**1,672**	**–**	**–**	**–**
Balance at 1 July 2007	1,672	–	–	–
Exploration and evaluation expenditure	102	–	–	–
Transfer to mining property and development	–	–	–	–
Balance at 30 June 2008	**1,774**	**–**	**–**	**–**

Exploration and evaluation assets

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

22. OTHER INTANGIBLE ASSETS

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Water access rights	953	920	–	–
Contract related intangible	1,300	–	–	–
Less: Accumulated amortisation	(89)	–	–	–
Rail access rights	15,218	–	–	–
	17,382	**920**	**–**	**–**

In thousands of AUD	Water access rights	Contract related intangible	Rail access rights	Total
Consolidated				
Balance at 1 July 2007	920	–	–	920
Acquired during the year	33	1,300	15,218	16,551
Less: Accumulated amortisation	–	(89)	–	(89)
Balance at 30 June 2008	**953**	**1,211**	**15,218**	**17,382**

23. INCOME TAX ASSETS AND LIABILITIES

Current tax assets and liabilities

The current tax liability for the consolidated entity of $10,143,000 (2007: $nil) and Company of $9,995,000 (2007: $nil) represents the amount of income taxes payable in respect of current periods and that arise from the payment of tax not in excess of the amounts due to the relevant tax authority. The current tax asset for the consolidated entity of $nil (2007: $25,000) and for the Company of $nil (2007: $nil) represent the amount of income taxes receivable in respect of prior financial periods.

The Company liability includes the income tax payable by all members for the tax consolidated group.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Tax losses – capital	21,530	20,985	–	–
	21,530	**20,985**	**–**	**–**

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits there from.

23. INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2008	2007	2008	2007	2008	2007
Consolidated						
Property, plant and equipment	(164)	(116)	13,446	9,232	13,282	9,116
Receivables	–	–	90	–	90	–
Derivatives	–	–	9,054	848	9,054	848
Investments	–	–	1	–	1	–
Inventories	–	–	12	152	12	152
Deferred stripping	–	–	6,939	3,427	6,939	3,427
Deferred revenue	–	–	–	114	–	114
Deferred foreign exchange gain	(58)	–	51	1,193	(7)	1,193
Mining tenement	(15,727)	(18,775)	914	892	(14,813)	(17,883)
Provisions	(7,419)	(1,980)	4,565	–	(2,854)	(1,980)
Unearned income	(190)	(97)	–	–	(190)	(97)
Restructure costs	–	(661)	–	–	–	(661)
Other items	(1,557)	(10)	–	57	(1,557)	47
Tax loss carry-forwards	–	(2,152)	–	–	–	(2,152)
Tax (assets)/liabilities	**(25,115)**	**(23,791)**	**35,072**	**15,915**	**9,957**	**(7,876)**
Set off of tax	25,115	15,915	(25,115)	(15,915)	–	–
Net tax (assets)/liabilities	**–**	**(7,876)**	**9,957**	**–**	**9,957**	**(7,876)**
Company						
Investments						
Tax (assets)/liabilities	(954)	(2,152)	–	–	(954)	(2,152)
Set off tax	–	–	–	–	–	–
Net tax (assets)/liabilities	**(954)**	**(2,152)**	**–**	**–**	**(954)**	**(2,152)**

24. TRADE AND OTHER PAYABLES

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Current				
Trade payables	6,003	12,383	–	–
Other payables and accrued expenses	31,868	3,022	–	–
Payable to controlled entities	–	–	148,070	145,104
Amounts payable to joint venture partner	–	730	–	–
	37,871	**16,135**	**148,070**	**145,104**
Non-current				
Deferred purchase consideration	10,431	–	–	–
	10,431	**–**	**–**	**–**

25. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings.

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Current liabilities					
Secured bank loans		–	3,360	–	–
Finance lease liabilities		7,741	6,904	–	–
Other loans unsecured		15,218	–	–	–
Unsecured loan from related entity	37	–	12,030	–	–
		22,959	**22,294**	**–**	**–**
Non-current liabilities					
Secured bank loans		–	13,280	–	–
Finance lease liabilities		32,267	22,007	–	–
Unsecured loan from related entity	37	–	19,114	–	–
		32,267	**54,401**	**–**	**–**
		55,226	**76,695**	**–**	**–**
Financing facilities					
Secured bank loans		13,280	16,640	–	–
Bank overdraft facility		1,000	–	–	–
		14,280	**16,640**	**–**	**–**
Facilities utilised at reporting date					
Secured bank loans		–	16,640	–	–
		–	**16,640**	**–**	**–**
Facilities not utilised at reporting date					
Secured bank loans		13,280	–	–	–
Bank overdraft facility		1,000	–	–	–
		14,280	**–**	**–**	**–**

25. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Financing arrangements

Bank loans

Bank loans were repaid during the year ended 30 June 2008. In the year ended 30 June 2007 the non-current bank loans were payable on or before 30 June 2011. The loan bore interest at the quarterly "BBSY" rate plus 1.5% (2007: 1.0% to 1.5%).

The bank loans are secured by registered first mortgages over a number of the consolidated entity's freehold properties, certain items of property, plant and equipment, cash deposits, trade receivables and guarantees from related parties. The carrying values of the pledged non-current assets were as follows:

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Freehold land	31,499	19,184	–	–
Property, plant and equipment	290,626	215,887	–	–
	322,125	**235,071**	**–**	**–**

Unsecured loan from related entity

AMCI Investments Pty Ltd, a related entity, made loans totalling $35,812,000 to the consolidated entity during the year ended 30 June 2007 denominated in United States Dollars. The loans earned interest of 5% on the outstanding balance of the loan. The contract terms provided for the consolidated entity to repay the loan and interest through delivery of coal.

The consolidated entity repaid the outstanding loan and interest payable balances of $33,506,000 during the year ended 30 June 2008.

Finance lease facility

At 30 June 2008, the consolidated entity's lease liabilities are secured by the leased assets of $45,693,000 (2007:$32,541,000), as in the event of default, the leased assets revert to the lessor. The Company did not have any lease liabilities at 30 June 2008 (2007: nil).

Finance lease liabilities

Finance lease liabilities of the consolidated entity are payable as follows:

	Consolidated					
In thousands of AUD	Minimum lease payments 2008	Interest 2008	Principal 2008	Minimum lease payments 2007	Interest 2007	Principal 2007
Less than one year	10,586	2,845	7,741	8,747	1,843	6,904
Between one and five years	34,644	5,284	29,360	25,053	3,046	22,007
More than five years	2,928	21	2,907	–	–	–
	48,158	**8,150**	**40,008**	**33,800**	**4,889**	**28,911**

In thousands of AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
26. EMPLOYEE BENEFITS				
Current				
Salaries and wages accrued	428	460	–	–
Liability for long service leave	9	89	–	–
Liability for annual leave	1,722	831	–	–
	2,159	**1,380**	**–**	**–**
27. PROVISIONS				
Mine rehabilitation and closure	**7,400**	**5,233**	**–**	**–**
Current	593	708	–	–
Non-current	6,807	4,525	–	–
	7,400	**5,233**	**–**	**–**

Consolidated In thousands of AUD	Mine rehabilitation and closure
Balance at 1 July 2007	5,233
Acquired in business combination	1,461
Provisions made during the period	782
Provisions used during the period	(103)
Provisions reversed during the period	(425)
Unwind of discount	452
Balance at 30 June 2008	**7,400**

Provision for the rehabilitation of mine sites is made in accordance with note 3(k). Provision is made for separate categories of rehabilitation and reported separately. Additional provisions for rehabilitation were recorded during the year after review of costs to rehabilitate.

28. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	Note	2008	2007
Cash and cash equivalents	14	105,867	21,185
Trade and other receivables	15	51,213	16,550
Derivative financial instruments	17	46,776	14,072
Available-for-sale financial assets	19	37	37
		203,893	**51,844**

The Company's maximum exposure to credit risk at the reporting date was $170,400,000 (2007: $1,318,000) arising from receivables owing from subsidiaries.

The consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
In thousands of AUD	2008	2007
Asia	30,574	1,359
Australia	1,217	5,087
	31,791	**6,446**

Impairment losses

None of the Company's receivables are past due (2007: $nil). The aging of the consolidated entity's trade receivables at the reporting date was:

In thousands of AUD	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
Not past due	29,336	–	5,938	–
Past due 0-30 days	2,305	–	363	–
Past due 31-120 days	50	–	101	–
Past due 121 days to one year	69	–	34	–
More than one year	31	–	10	–
	31,791	**–**	**6,446**	**–**

Based on historic default rates, the consolidated entity believes that no impairment allowance is necessary in respect of trade receivables.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated 30 June 2008 In thousands of AUD	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Finance lease liabilities	40,008	48,158	5,315	5,271	10,541	24,103	2,928
Trade and other payables	48,302	49,649	37,871	–	11,778	–	–
Forward exchange contracts							
Outflow	–	452,834	111,829	66,004	154,310	120,691	–
Inflow	(46,776)	(503,488)	(130,361)	(74,977)	(169,695)	(128,455)	–
	41,534	**47,153**	**24,654**	**(3,702)**	**6,934**	**16,339**	**2,928**

Consolidated 30 June 2007 In thousands of AUD	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Secured bank loans	16,640	17,930	1,810	1,810	3,620	10,690	–
Finance lease liabilities	28,911	33,800	4,388	4,359	7,016	18,037	–
Unsecured loan from related entity	31,144	32,701	6,316	6,316	8,259	11,810	–
Trade and other payables	16,135	16,135	16,135	–	–	–	–
Foreign currency option contracts							
Outflow	–	186,091	36,617	34,392	58,207	56,875	–
Inflow	(14,072)	(206,561)	(40,311)	(38,523)	(64,871)	(62,856)	–
	78,758	**80,096**	**24,955**	**8,354**	**12,231**	**34,556**	**–**

Company 30 June 2008 In thousands of AUD	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Loans from subsidiaries	**148,037**	**148,037**	**148,037**	**–**	**–**	**–**	**–**
30 June 2007							
Loans from subsidiaries	**145,104**	**145,104**	**145,104**	**–**	**–**	**–**	**–**

28. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

Exposure to currency risk

The consolidated entity's gross balance sheet exposure to foreign currency risk at balance date was as follows, based on notional amounts:

In thousands of AUD	USD 30 June 2008	USD 30 June 2007
Cash	3,811	4,450
Trade and other receivables	36,093	3,614
Unsecured loan from related parties	–	(31,144)
Trade and other payables	(20,350)	(2,404)
Finance Lease liabilities	(10,424)	(15,073)
Gross balance sheet exposure	**9,130**	**(40,557)**

Currency risk exposure arising from derivative financial instruments is disclosed in note 17.

The Company's exposure to foreign currency payable risk was AUD148,037,000/EUR 90,244,000 (2007: AUD142,994,000/EUR 90,244,000).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	2008	2007	2008	2007
USD	0.9038	0.7857	0.9626	0.8487
EUR	–	–	0.6096	0.6311

28. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (continued)

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		Company	
Effect in thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2008				
USD	36,696	168	–	–
EUR	–	–	–	13,458
30 June 2007				
USD	–	16,321	–	–
EUR	–	–	–	13,000

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below.

	Consolidated		Company	
Effect in thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2008				
USD	(44,808)	(1,537)	–	–
EUR	–	–	–	(16,448)
30 June 2007				
USD	–	(22,623)	–	–
EUR	–	–	–	(15,887)

28. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the consolidated entity's interest-bearing financial instruments was:

In thousands of AUD	Note	Consolidated Carrying amount 2008	Consolidated Carrying amount 2007	Consolidated Carrying amount 2008	Consolidated Carrying amount 2007
Fixed rate instruments					
Financial liabilities	25	(40,008)	(60,055)	–	–
		(40,008)	**(60,055)**	**–**	**–**
Variable rate instruments					
Financial assets	15	105,867	21,185	50	2,815
Financial liabilities	25	(15,218)	(16,640)	–	–
		90,649	**4,545**	**50**	**2,815**

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

Consolidated Effect in thousands of AUD	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
30 June 2008				
Variable rate instruments	906	(906)	–	–
Cash flow sensitivity (net)	**906**	**(906)**	**–**	**–**
30 June 2007				
Variable rate instruments	45	(45)	–	–
Cash flow sensitivity (net)	**45**	**(45)**	**–**	**–**

Fair values

Fair values versus carrying amounts

The fair values of the Company and consolidated entity's financial assets and financial liabilities at 30 June 2008 and 30 June 2007 approximate their carrying amounts.

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4.

29. SHARE CAPITAL AND RESERVES

In thousands of AUD (except for shares)	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
a) Share capital				
Authorised, issued and fully paid up ordinary shares 391,918,453 (2007: 323,000,000)	349,854	192,883	478,854	321,883

b) Movements in shares on issue

Ordinary shares

	Consolidated				Company			
	2008		2007		2008		2007	
In thousands of AUD	Nos of shares 000's	000's	Nos of shares 000's	000's	Nos of shares 000's	000's	Nos of shares 000's	000's
Beginning of the financial year	323,000	192,883	31,000	31,000	323,000	321,883	–	–
Issued for cash	51,081	135,366	5,143	4,296	51,081	135,366	5,143	4,296
Exercise of share options	14,227	14,227	–	–	14,227	14,227	–	–
Acquisition of Narrabri Coal Pty Ltd	–	–	140,000	140,000	–	–	–	–
Acquisition of Whitehaven Coal Mining Ltd	–	–	–	–	–	–	147,000	147,000
Acquisition of Whitehaven Coal Holdings Pty Ltd	–	–	30,000	15,000	–	–	168,000	168,000
Acquisition of Creek Resources Pty Ltd	3,610	10,000	–	–	3,610	10,000	–	–
Share split	–	–	114,000	–	–	–	–	–
Issued to settle contract	–	–	2,750	2,750	–	–	2,750	2,750
Issued to employees	–	–	107	–	–	–	107	–
Costs of shares issued, net of tax	–	(2,622)	–	(163)	–	(2,622)	–	(163)
	391,918	**349,854**	**323,000**	**192,883**	**391,918**	**478,854**	**323,000**	**321,883**

The Company has also issued share options (see note 36).

The Company's and the consolidated entity's share capital differ as a result of reverse acquisition accounting in the prior year. The adjustment to share capital represents a net adjustment for the replacement of the legal parent's equity with that of the deemed acquirer.

c) Terms and conditions of issued capital

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly the Company does not have authorised capital or par value in respect of its issued shares. Ordinary shareholders have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on share held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

29 SHARE CAPITAL AND RESERVES (CONTINUED)

d) Hedge reserve

The hedging reserve comprises the effective portion of the cumulative change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

e) Dividends

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 1.7 cents per ordinary share to be paid on 30 September 2008 in respect of the year ended 30 June 2008 (2007: Nil).

The record date for entitlement to the dividend was 29 August 2008.

Dividend franking account

	Company	
In thousands of AUD	2008	2007
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	16,849	2,993

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities; and

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated entity at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated consolidated entity has also assumed the benefit of $nil (2007: $nil) franking credits.

30. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Less than one year	164	165	–	–
Between one and five years	112	276	–	–
More than five years	–	–	–	–
	276	**441**	**–**	**–**

The consolidated entity leases office equipment and office space under operating leases. The leases typically run for three to five years with an option to renew on the office space. None of the leases includes contingent rentals. During the year rental expense of $178,000 (2007: $99,000) was recorded under these contracts in the income statement.

Leases as lessor

The consolidated entity leases out land it will use for future mining operations under operating leases. All lease payments have been received upfront under these contracts and have been recorded as deferred income on the balance sheet.

At 30 June 2008 $7,135,000 (2007: $3,247,000) of land was leased under these operating leases.

31. CAPITAL EXPENDITURE COMMITMENTS

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Plant and equipment and intangibles				
Contracted but not provided for and payable:				
Within one year	77,970	196	–	–
One year or later and no later than five years	–	–	–	–
Later than five years	–	–	–	–
	77,970	**196**	**–**	**–**

32. EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Within one year	1,061	809	–	–
One year or later and no later than five years	1,899	1,882	–	–
Later than five years	–	–	–	–
	2,960	**2,691**	**–**	**–**

33. CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Guarantees				
(i) The consolidated entity provided bank guarantees to the Department of Mineral Resources NSW as a condition of continuation of mining and exploration licenses.	16,901	10,736	–	–
(ii) The consolidated entity provided bank guarantees to Rail Infrastructure Corporation.	28,820	–	–	–
(iii) The consolidated entity provided bank guarantees to the Salvation Army Property Trust.	28	–	–	–
	45,749	**10,736**	**–**	**–**

Contractual claim

The consolidated entity has received a claim in relation to the performance of its obligations under a coal sales contract. Based on legal advice, the directors do not expect the outcome of the claim to have a material effect on the consolidated entity's financial position. In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the consolidated entity.

33. CONTINGENCIES (CONTINUED)

Environmental incident

The EPA has commenced proceedings against Werris Creek Coal Pty Ltd over a 2007 incident that occurred when the Group held a minority interest. The terms of the purchase agreement for the consolidated entity's controlling interest included an indemnity for 60% of any costs or penalties that may arise from the incident. Given the indemnity and the recency of the EPA notice, no amounts have been provided in the financial statements as the directors believe it is too early to assess a reliable estimate. The directors do not believe that the proceedings will have a material effect on the consolidated entity's financial position.

34. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

		Consolidated		Company	
In thousands of AUD	Note	2008	2007	2008	2007
Cash flows from operating activities					
Profit/(loss) for the period		51,854	24,095	(7,500)	(11,115)
Adjustments for:					
Depreciation	20	18,002	12,295	–	–
Amortisation	22	89	–	–	–
Foreign exchange losses/(gains) unrealised		1,702	(16,437)	5,043	(4,006)
Unwinding of discounts on provisions	27	452	374	–	–
Share based compensation payments	36	2,687	15,163	2,687	15,163
Gain on sale of interest in Narrabri project	9	(55,629)	–	–	–
Loss on sale of non-current assets	10	5	9	–	–
Operating profit before changes in working capital and provisions		**19,162**	**35,499**	**230**	**42**
Change in trade and other receivables		(33,334)	1,466	(5,709)	(1,318)
Change in inventories and deferred stripping		(6,615)	(15,963)	–	–
Change in trade and other payables		13,971	3,278	–	–
Change in unearned revenue		312	86	–	–
Change in provisions and employee benefits		664	1,038	–	–
Change in tax payable		10,168	(1,013)	–	–
Change in deferred taxes		7,658	(19,428)	1,198	(42)
Cash flows from operating activities		**11,986**	**4,963**	**(4,281)**	**(1,318)**

35. SUBSEQUENT EVENTS

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years other than the following:

- The consolidated entity has committed to acquire the remaining one third balance of the Bonshaw Project for $2,873,000.
- The directors have resolved to pay a fully franked dividend of 1.7 cents per ordinary share (refer below).
- Further sell downs of the Narrabri Coal Project have been agreed to (refer below):

On 1 August 2008, the Group announced receipt of further offers from Electric Power Development Co., Ltd. ("J-Power") and EDF Trading ("EDFT") for those companies to each acquire a 7.5% stake in the Narrabri Coal Project for A$125 million and US$120 million, respectively. The sales are subject to formal documentation, due diligence and usual regulatory approvals, conditional on FIRB approval and are expected to be completed during September and October 2008.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2008 but will be recognised in future financial periods.

36. SHARE-BASED PAYMENTS

Option issuances

In the current year, the Company issued share options to the CEO/Managing Director. In the prior year the Company issued share options to two key management personnel and entities related to two directors. The terms and conditions of the grants are as follows:

Option grant to CEO/Managing Director on 5 September 2007

The Company issued share options to the Managing Director when he was appointed as Chief Executive Officer in October 2007. The terms and conditions of the grant are as follows.

Option	Exercise price	Number of instruments	Vesting conditions	Expiration date
Tranche 1	$2.50	1,000,000	1st anniversary of employment	22 October 2012
Tranche 2	$2.50	1,000,000	2nd anniversary of employment	22 October 2012
Tranche 3	$2.50	1,000,000	3rd anniversary of employment	22 October 2012
		3,000,000		

If employment is terminated within three years of commencement, any options that have not been vested will be forfeited.

Option grant to director related entities on 3 May 2007

Option	Exercise price	Maximum potential shares each	Grant percentage %	Vesting conditions	Percentage of Tranche 2 shares released from escrow to be held
Option 1	$1.00	2,505,000	0.835	$2.50/share	100
Option 2	$1.00	4,575,150	1.5	$3.00/share	90
Option 3	$1.00	3,769,924	1.2	$3.50/share	80
Option 4	$1.00	3,844,317	1.195	$4.00/share	70
Option 5	$1.00	3,623,277	1.1	$4.50/share	60
Option 6	$1.00	3,702,989	1.1	$5.00/share	50
		22,020,657			

In the year ended 30 June 2007, the related entities of directors Andy Plummer and Tony Haggarty were granted six options each to acquire additional shares in the Company under the terms of the Equity Participation and Option Deed (the Deed). The number of potential shares under the options is the "grant percentage" (set out in the table above) of a deemed amount of issued shares. For the purposes of the Deed, the deemed number of shares is 300 million shares plus any shares issued under previous exercised options.

Each option is exercisable when the share price reaches a certain level (as set out in the table above). All share prices will be considered attained when volume weighted average price of ordinary shares on the ASX measured over ten consecutive trading days reaches the required amount. Options 1 and 2 were exercised during the year ended 30 June 2008. Option 3 reached the target share price during the year ended 30 June 2008 and was exercised subsequent to year end. Option 4 also reached the target share price during the year ended 30 June 2008 and the director related entities have applied to exercise the option on 25 September 2008 with shares to be issued subsequent to the date of this financial report. All options have an exercise price of $1 and must be exercised by the related entities within 90 days of being notified the Company's share price has reached the target share price.

The maximum number of potential shares will be reduced if the relevant percentage shown in the table above of the Tranche 2 shares released from escrow are not held at the time of exercising the option on a pro rata basis. Refer below for further discussion on the Tranche 2 shares.

The options have no expiry date. Upon resignation by the director, any options that have not been vested will be forfeited.

36 SHARE-BASED PAYMENTS (CONTINUED)

Option issuances (continued)

Option grant to senior employees on 3 May 2007

Option	Exercise price	Number of instruments	Vesting conditions	Expiration date
Tranche 1	$1.00	66,666	1st anniversary after listing	30 June 2008
Tranche 2	$1.00	66,666	2nd anniversary after listing	30 June 2009
Tranche 3	$1.00	66,668	3rd anniversary after listing	30 June 2010
		200,000		

If employment is terminated within three years of commencement, any options that have not been vested will be forfeited.

Number and weighted average exercise prices of options

Movement in options	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Outstanding at beginning of period	$1.00	44,241,314	–	–
Exercised during the period	$1.00	(14,226,966)	–	–
Granted during the period	$2.50	3,000,000	$1.00	44,241,314
Outstanding at 30 June	$1.14	33,014,348	$1.00	44,241,314
Exercisable at 30 June	**$1.00**	**15,228,482**	**–**	**–**

The senior employee options outstanding at 30 June 2008 have an exercise price in the range of $1 to $2.50 and a weighted average contractual life of 4 years.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2008 was $2.75 (2007: $nil).

The fair value of options granted to entities associated with the directors is measured using Black Scholes barrier options techniques, incorporating the probability of the performance hurdles being met, with the following inputs.

The fair value of options granted to the senior employees is measured using a Black Scholes model, with the following inputs.

	Director related entities		Senior employees	
Fair value of share options and assumptions	2008	2007	2008	2007
Fair value at grant date	–	**7.2 cents**	**4.6 cents**	**10.7 cents**
Share price	–	$1	$1.64	$1
Exercise price	–	$1	$2.50	$1
Expected volatility (weighted average volatility)	–	30%	30%	30%
Option life (expected weighted average life)	–	10 years	5 years	3 years
Expected dividends	–	10%	10%	10%
Risk-free interest rate (based on government bonds)	–	5.88%	6.75%	5.88%

36. SHARE-BASED PAYMENTS (CONTINUED)

Share issuances

Shares issued to director related entities

In the year ended 30 June 2007, the Company issued 30,000,000 shares to entities related to directors Andy Plummer and Tony Haggarty for $0.50 per share under the terms of the Equity Participation and Option Deed (the Deed). The fair value of shares issued was measured using a Black Scholes model. This amounted to 30,000,000 shares issued at the $1 per share listing price.

The 30,000,000 shares issued to the investment entities comprised Tranche 1 (15 million shares) and Tranche 2 (15 million shares). Tranche 1 shares were issued on receipt of the initial subscription amount. Tranche 2 were escrowed and were to be released from escrow over a five year period but released earlier if the share price reaches $2.50 or the director related entities' options referred to above lapse. Dividends (net of an allowance for tax) attaching to the escrowed shares will be held in escrow accounts and released at the time the shares are released.

The Company's share price reached $2.50 during the year ended 30 June 2008 and accordingly, the Tranche 2 shares have been released from escrow.

Shares issued to employees

The Company issued 1,000 shares to each employee in the consolidated entity in the prior year for no consideration upon listing on the ASX in the 2007 financial year. The fair value of services received in return for shares issued was based on the fair value of the shares issued measured using a Black Scholes model. This amounted to 107,000 shares issued at the $1 per share listing price.

The following inputs were used to value these shares:

	Director related entities		Employees	
Fair value of share options and assumptions	2008	2007	2008	2007
Fair value at grant date	–	**$1**	**–**	**$1**
Share price	–	$1	–	$1
Exercise price	–	$1	–	$1
Expected volatility (weighted average volatility)	–	30%	–	30%
Option life (expected weighted average life)	–	–	–	–
Expected dividends	–	–	–	–
Risk-free interest rate (based on government bonds)	–	5.88%	–	5.88%

Employee Expenses

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Share options – director related entities	2,619	55	2,619	55
Share options – senior employees	68	1	68	1
Shares – director related entities	–	15,000	–	15,000
Shares – employees	–	107	–	107
	2,687	**15,163**	**2,687**	**15,163**

37. RELATED PARTIES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Name	Position
Non-executive directors	
John Conde	Chairman (appointed 3 May 2007)
Neil Chatfield	Director (appointed 3 May 2007)
Tony Haggarty	Director (appointed 3 May 2007)
Alex Krueger	Director (appointed 3 May 2007)
Hans Mende	Director (appointed 3 May 2007)
Andy Plummer	Director (appointed 3 May 2007)
Executive directors	
Rob Stewart	Managing Director (appointed 1 April 2008)
Keith Ross	Managing Director (resigned 31 March 2008)
Executives	
Leigh Whitton	Chief Financial Officer and Company Secretary
Tony Galligan	Managing Director Whitehaven Coal Infrastructure Pty Ltd
Chris Burgess	General Manager New Projects
Casper Dieben	General Manager Operations (appointed 1 May 2007)

Key management personnel compensation

The key management personnel compensation included in "personnel expenses" (see note 11) is as follows:

	Consolidated		Company	
In thousands of AUD	2008	2007	2008	2007
Wages and salaries	2,885,208	1,252,217	–	–
Other associated personnel expenses	135,851	181,325	–	–
Increase in liability for annual leave	276,541	84,228	–	–
Increase in liability for long service leave	32,284	30,262	–	–
Share-based compensation payments	2,686,779	15,059,000	2,686,779	15,059,000
	6,016,663	**16,607,032**	**2,686,779**	**15,059,000**

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report in the Directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

37. RELATED PARTIES (CONTINUED)

Loans from key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, at any time in the reporting period, are as follows:

AMCI Investments Pty Ltd, an entity jointly controlled by Hans Mende was repaid USD loans including accrued interest totalling $33,506,000 (2007: $nil) during the year. The balance outstanding at 30 June 2008 was nil (2007: $12,030,000 – current and $19,114,000 – non-current).

The consolidated entity paid interest of 5% on the outstanding balance of the loan, recognising interest expense of $704,000 during the year ended 30 June 2008 (2007: $957,000).

Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

These entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
Key management person and their related parties In AUD	Transaction	Note	2008	2007	2008	2007
Other related parties						
Hans Mende – AMCI International AG	Marketing fees	(i)	48,000	373,000	1,567,500	1,567,500
Hans Mende – AMCI Investments Pty Ltd	Foreign exchange derivatives	(ii)	1,867,000	(8,710,000)	–	8,710,000
Keith Ross and Hans Mende – LD Operations Pty Ltd	Mining consultant services	(iii)	–	375,000	–	–
Namoi Agricultural and Mining Pty Ltd	Royalty payments	(iv)	–	18,000	–	–

37. RELATED PARTIES (CONTINUED)

Other key management personnel transactions (continued)

(i) The consolidated entity uses the marketing services of AMCI International AG, a company jointly controlled by Hans Mende, under a contract renewable annually. In conjunction with the Company's listing on the ASX, the Company issued AMCI International AG $1,567,500 in shares to prepay the marketing contract, which was determined to be the fair value of the remaining services to be provided under the contract. Contract terms are based on market rates for these types of services.

(ii) In the prior year, the consolidated entity had entered into foreign currency options with AMCI Investments Pty Ltd, a company jointly controlled by Hans Mende. The foreign currency options were entered to economically hedge certain sales and mature over a four-year period. The consolidated entity recorded current derivative receivables of $1,874,000 and non-current derivative receivables of $6,836,000 on the balance sheet at 30 June 2007 (2008: $nil), and foreign currency gains of $8,710,000 were recognised under the options during the year ended 30 June 2007 (2008: loss of $1,867,000).

(iii) In the prior year, the consolidated entity had used the services of LD Operations Pty Ltd (LDO), a mine development company providing consulting, management and operating services to a number of coal companies in NSW and Queensland. Keith Ross and Hans Mende resigned as directors during the year and are no longer shareholders of LDO, there were no transactions during this period.

(iv) Keith Ross and Chris Burgess are shareholders of Namoi Agriculture and Mining Pty Ltd (NAM). This company has entered into an arrangement with Whitehaven for the sale of gravel by NAM from the Canyon mine site. NAM pays a royalty to Whitehaven of 20 cents per cubic metre of gravel sold.

	Consolidated		Company	
	2008	2007	2008	2007
Assets and liabilities arising from the above transactions				
Amounts receivable from and payable to key management personnel and other related parties at reporting date arising from these transactions were as follows:				
Derivative financial instruments – current	–	1,874,000	–	–
Derivative financial instruments – non-current	–	6,836,000	–	–
Total assets	**–**	**8,710,000**	**–**	**–**
Current interest bearing liability/current liabilities	–	12,030,000	–	–
Non-current interest bearing liability/non-current liabilities	–	19,114,000	–	–
Total interest bearing liabilities/total liabilities	**–**	**31,144,000**	**–**	**–**

37. RELATED PARTIES (CONTINUED)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Whitehaven Coal Limited held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Held at 1 July 2007	Issued on acquisition of subisidaries	Issued as share based compensation	Received on exercise of options	Purchased under the Equity Participation and Option Deed	Other Purchases	Sales	Held at 30 June 2008
Directors								
John Conde	250,000	–	–	–	–	51,887	–	301,887
Neil Chatfield	250,000	–	–	–	–	51,887	–	301,887
Tony Haggarty	15,150,000	–	–	–	7,080,150	254,404	(110,000)	22,374,554
Alex Krueger	131,650,000	–	–	–	–	–	–	131,650,000
Hans Mende	75,379,833	–	–	–	–	5,660,377	–	81,040,210
Andy Plummer	15,000,000	–	–	–	7,080,150	188,679	–	22,268,829
Executive directors								
Rob Stewart	–	–	–	–	–	11,887	–	11,887
Keith Ross	14,235,227	–	–	–	–	327,356	–	N/A
Executives								
Leigh Whitton	201,000	–	–	33,333	–	5,661	–	239,994
Tony Galligan	26,000	–	–	33,333	–	–	–	59,333
Chris Burgess	5,261,480	–	–	–	–	–	–	5,261,480
Casper Dieben	50,000	–	–	–	–	20,020	–	70,020

	Held at 1 July 2006	Issued on acquisition of subisidaries	Issued as share based compensation	Received on exercise of options	Purchased under the Equity Participation and Option Deed	Other Purchases	Sales	Held at 30 June 2007
Directors								
John Conde	–	–	–	–	–	250,000	–	250,000
Neil Chatfield	–	–	–	–	–	250,000	–	250,000
Tony Haggarty	–	–	–	–	15,000,000	160,000	(10,000)	15,150,000
Alex Krueger	–	131,650,000	–	–	–	–	–	131,650,000
Hans Mende	–	75,379,833	–	–	–	–	–	75,379,833
Andy Plummer	–	–	–		15,000,000	–	–	15,000,000
Executive director								
Keith Ross	–	14,215,227	–		–	20,000	–	14,235,227
Executives								
Leigh Whitton	–	–	1,000	–	–	200,000	–	201,000
Tony Galligan	–	–	1,000	–	–	25,000	–	26,000
Chris Burgess	–	5,261,480	–	–	–	–	–	5,261,480
Casper Dieben	–	–	1,000	–	–	49,000	–	50,000

37. RELATED PARTIES (CONTINUED)

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person and director related entities, including their related parties, is as follows:

	Held at 1 July 2007	Granted	Exercised	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Director related entities						
Tony Haggarty	22,020,657	–	7,080,150	14,940,507	14,694,391	7,614,241
Andy Plummer	22,020,657	–	7,080,150	14,940,507	14,694,391	7,614,241
Executives						
Rob Stewart	–	3,000,000	–	3,000,000	–	–
Leigh Whitton	100,000	–	33,333	66,667	33,333	–
Tony Galligan	100,000	–	33,333	66,667	33,333	–

	Held at 1 July 2006	Granted	Exercised	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Director related entities						
Tony Haggarty	–	22,020,657	–	22,020,657	–	–
Andy Plummer	–	22,020,657	–	22,020,657	–	–
Executives						
Leigh Whitton	–	100,000	–	100,000	–	–
Tony Galligan	–	100,000	–	100,000	–	–

No options held by key management personnel were vested but not exercisable at 30 June 2007.

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue

Mr Chris Burgess, General Manager new Projects resigned 15 August 2008.

Mr Leigh Whitton, CFO has not accepted the offer to relocate to Sydney but has agreed to remain as the Chief Financial Officer and Joint Company Secretary until 31 March 2009.

Other related party disclosures

Parent

The Company has loans payable totalling $148,037,000 to two subsidiaries at 30 June 2008 (2007: $142,994,000) in current liabilities on the balance sheet. The loans are interest free and repayable on demand but are not intended to be called by the subsidiaries during the next twelve months.

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for operating activities. Loans outstanding between the Company and its subsidiaries are repayable on demand and are non-interest bearing. During the financial year ended 30 June 2008, such loans to subsidiaries totalled $170,367,000 (2007: $1,318,000).

38. CONSOLIDATED ENTITY'S SUBSIDIARIES AND INTERESTS IN JOINT VENTURES

	Country of Incorporation	Ownership interest 2008	Ownership interest 2007
Parent entity			
Whitehaven Coal Limited	Australia		
Subsidiaries			
Whitehaven Coal Mining Limited	Australia	100	100
Namoi Mining Pty Ltd	Australia	100	100
Betalpha Pty Ltd	Australia	100	100
Betalpha Unit Trust	Australia	100	100
Tarrawonga Coal Pty Ltd	Australia	100	100
Tarrawonga Coal Sales Pty Ltd	Australia	70	70
Whitehaven Coal Holdings Limited	Australia	100	100
Whitehaven Coal Infrastructure Pty Ltd	Australia	100	100
Narrabri Coal Pty Ltd	Australia	100	100
Narrabri Coal Operations Pty Ltd	Australia	92.5	–
Narrabri Coal Sale Pty Ltd	Australia	100	–
Creek Resources Pty Ltd	Australia	100	–
Werris Creek Coal Sales Pty Ltd	Australia	100	–
Werris Creek Coal Pty Ltd	Australia	100	–
WC Contract Hauling Pty Ltd	Australia	100	–
Australian Coal Inter Holdings (NL) II B.V.	Australia	100	100
Australian Coal Inter Holdings (NL) IIA B.V.	Australia	100	100

The consolidated entity has interests in the following jointly controlled operations, whose principal activities involve the development and mining of coal:

	2008	2007
Tarrawonga Coal Project Joint Venture	70%	70%
Werris Creek Coal Joint Venture	100%	40%
Narrabri Coal Joint Venture	92.5%	–

Subsequent to 30 June 2008, further sell downs of the Narrabri Coal project have been agreed to (see note 35).

39. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $51,854,000 (2007: $24,095,000) and a weighted average number of ordinary shares outstanding during the year of 357,041,000 (2007: 301,933,000) calculated as follows:

	Consolidated	
In thousands of AUD	2008	2007
Profit attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	**51,854**	**24,095**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	323,000	300,000
Effect of shares issued at 3 December 2007	21,248	1,933
Effect of shares issued at 7 December 2007	2,038	–
Effect of shares issued at 24 January 2008	8,294	–
Effect of shares issued at 24 March 2008	2,457	–
Effect of shares issued at 6 June 2008	4	–
Weighted average number of ordinary shares at 30 June	**357,041**	**301,933**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $51,854,000 (2007: $24,095,000) and a weighted average number of ordinary shares outstanding during the year of 360,253,000 (2007:301,951,000) calculated as follows:

	Consolidated	
In thousands of AUD	2008	2007
Profit attributable to ordinary shareholders (diluted)		
Net profit attributable to ordinary shareholders (diluted)	**51,854**	**24,095**
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	357,041	301,933
Effect of share options on issue	3,212	18
Weighted average number of ordinary shares (diluted)	**360,253**	**301,951**

The options issued to director with hurdle rates of $4.50/share and $5.00/share were not included in the calculation of 2008 diluted earnings per share as they were anti-dilutive. Refer to note 36 for further information regarding the options issued to director related entities.

40. AUDITORS' REMUNERATION

In AUD	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Audit services:				
Auditors of the Company – KPMG Australia				
Audits and reviews of statutory financial statements – 2008	259,900	–	15,000	–
Audits and reviews of statutory financial statements – 2007	72,858	176,733	–	20,000
Audits of joint ventures – 2008	62,440	–	–	–
Audits of joint ventures – 2007	8,071	40,600	–	–
Reviews of financial statements to support listing	–	42,373	–	–
Other regulatory audit services	4,000	3,650	–	–
	407,269	**263,356**	**15,000**	**20,000**
Other auditors				
Audit of financial statements	–	3,800	–	–
	407,269	**267,156**	**15,000**	**20,000**
Other Services:				
Auditors of the Company – KPMG Australia				
Accounting advice	4,200	29,726	–	–
Taxation services	225,377	232,555	–	–
Auditors of the Company – KPMG related practices				
Due diligence services	–	210,158	–	30,000
	229,577	**472,439**	**–**	**30,000**

41 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Whitehaven Coal Mining Limited
- Namoi Mining Pty Ltd
- Betalpha Pty Ltd
- Tarrawonga Coal Pty Ltd
- Whitehaven Coal Holdings Limited
- Whitehaven Coal Infrastructure Pty Ltd
- Narrabri Coal Pty Ltd
- Narrabri Coal Operations Pty Ltd
- Narrabri Coal Sales Pty Ltd
- Creek Resources Pty Ltd
- Werris Creek Coal Sales Pty Ltd
- Werris Creek Coal Pty Ltd
- WC Contract Hauling Pty Ltd

The Company and each of the subsidiaries entered into the deed on 27 June 2008.

The income statement and balance sheet of the consolidated entity represents the Company and subsidiaries that are a part to the Deed of Cross Guarantee.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Whitehaven Coal Limited ("the Company"):

   a) the financial statements and notes 1 to 41 and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 12 to 91, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a); and

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in note 41 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008 pursuant to section 295A of the Corporations Act 2001.

Dated at Sydney this 26th day of September 2008.

Signed in accordance with a resolution of the directors:

John Conde
Chairman

KPMG

Independent auditor's report to the members of Whitehaven Coal Limited

Report on the financial report

We have audited the accompanying financial report of Whitehaven Coal Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 41 and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Whitehaven Coal Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

Report on the remuneration report

We have audited the Remuneration Report included in sections 7.1, 7.2 and 7.3 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Whitehaven Coal Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Jason Adams
Partner

Brisbane
26 September 2008

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS

Substantial shareholders

The number of shares held by substantial shareholders and their associates as advised in substantial shareholder notices to the Company are set out below:

Shareholder	Percentage of capital held	Number of ordinary shares held
FRC Whitehaven Holdings BV	33.59	131,650,000
AMCI International AG	13.77	53,951,500
Anthony Haggarty and HFTT Pty Ltd as trustee for the Haggarty Family Trust	5.71	22,374,554
Ranamok Pty Ltd as trustee for the Plummer Family Trust	5.68	22,268,829
Mr Hans Mende & Ingrid Mende as trustees of the Mende Family Trust	5.47	21,428,333
Fritz Kundrun as trustee of the Kundrun Family Trust	5.47	21,428,333

Voting rights

Ordinary shares

Refer to note 29 in the financial statements

Options

There are no voting rights attached to the options.

Distribution of equity security holders

Category	Number of equity security holders
1 - 1,000	571
1,001 - 5,000	1,353
5,001 - 10,000	593
10,001 - 100,000	519
100,001 and over	52
	3,088

There are 5 holders of options over ordinary shares. Refer to note 36 in the financial statements.

The number of shareholders holding less than a marketable parcel of ordinary shares is nil.

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange. The home exchange is Brisbane.

ASX ADDITIONAL INFORMATION

OTHER INFORMATION

Whitehaven Coal Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Twenty largest shareholders

Name	Number of ordinary share held	Percentage of capital held
FRC Whitehaven Holdings BV	131,650,000	32.96
ANZ Nominees Limited (Cash Income A/C)	35,890,591	8.98
UBS Wealth Management Australia Nominees Pty Ltd	29,501,578	7.39
AMCI International AG	26,975,750	6.75
HFTT Pty Ltd (Haggarty Family A/C)	26,038,753	6.52
Ranamok Pty Ltd (Plummer Family A/C)	26,038,753	6.52
National Nominees Limited	13,643,128	3.42
Fritz Kundrun (Kundrun Family A/C)	10,714,167	2.68
Mr Hans Mende & Mrs Ingrid Mende (Mende Family A/C)	10,714,167	2.68
HSBC Custody Nominees (Australia) Ltd	9,162,662	2.29
Mr MIchael Jack Quillen (Quillen Family A/C)	7,164,750	1.79
J P Morgan Nominees Australia Limited	7,123,747	1.78
Nicola Investments II LLC	5,660,377	1.42
Mr Michael Jack Quillen (Quillen Family A/C)	4,164,750	1.04
MR Keith Ross	3,646,114	0.91
Keith Ross & Alison Ross (Ross Family A/C)	3,461,500	0.87
Kirstin Investments II LLC	2,830,189	0.71
Markus Investments II LLC	2,830,188	0.71
Citicorp Nominees Pty Ltd	2,542,935	0.64
Mr Christopher John Burgess + Ms Julie Ann Mammen	1,938,440	0.49
	361,692,539	**90.55**

CORPORATE DIRECTORY

DIRECTORS
John Conde, Chairman
Rob Stewart, Managing Director
Neil Chatfield
Tony Haggarty
Alex Krueger
Hans Mende
Andy Plummer

COMPANY SECRETARIES
Leigh Whitton
Paul Marshall

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE
Ground Floor, 895 Ann Street
Fortitude Valley QLD 4006
Ph: +61 7 3000 5690
Fax: +61 7 3000 5699

AUSTRALIAN BUSINESS NUMBER
ABN 68 124 425 396

STOCK EXCHANGE LISTING
Australian Securities Exchange Ltd
ASX Code: WHC

AUDITOR
KPMG
Level 16, Riparian Plaza
71 Eagle Street
Brisbane Qld 4000
Ph: +61 7 3233 3111
Fax: +61 7 3233 3100

SHARE REGISTRY
Computershare Investor Services
Pty Limited
GPO Box 523
Brisbane QLD 4001
Ph: 1300 850505
Fax: +61 7 3237 2100

LEGAL ADVISERS
McCullough Robertson
Level 12, Central Plaza Two
66 Eagle Street
Brisbane Qld 4000

COUNTRY OF INCORPORATION
Australia

WEB ADDRESS
www.whitehaven.net.au

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