WHITEHAVEN COAL

ANNUAL REPORT 2009

Delivering growth

CHAIRMAN'S LETTER

Dear Whitehaven Shareholder,

Whitehaven Coal Limited (Whitehaven) has reported a strong financial result for the year, underlining the company's ability to deliver growth – both in terms of our operations and value for shareholders.

SUSTAINABILITY

The significant expansion of Whitehaven's operations is being carried out with a strong focus on safety, the environment and the communities in which we operate.

Our commitment to safety has been demonstrated over the course of the year by our maintaining a LTIFR level below industry standard. We have also improved our risk management processes, and made further improvements in the Occupational Health and Safety Management System.

In terms of the environment, our new projects have provided an opportunity for us to ensure we have best practice environmental plans in place including rigorous monitoring procedures and community consultation frameworks. We continue to welcome feedback from all stakeholder groups in the areas where we operate.

FINANCIAL PERFORMANCE

The company reported net profit after tax (NPAT) of $244.2 million for FY2009. This included NPAT of $166.9 million from the sale of 15% of the Narrabri Joint Venture and other significant items.

Underlying NPAT (before significant items) was $77.3 million, more than five times the FY2008 level.

This strong performance has allowed us to declare a fully-franked final dividend of 6.0 cents per share, payable on 30 September 2009.

In addition, our business reported a strong cash position, with $135.6 million being generated from operations, compared to $17.9 million in FY2008, and $131.2 million cash available at year end. This compares with $80.9 million cash available at 30 June 2008.

ACHIEVEMENTS

During the year, Whitehaven brought the Rocglen and Sunnyside mines near Gunnedah into production. In addition, the Werris Creek mine's performance improved considerably during the second half of the year, following the company's move to 100% ownership and operator in late 2008.

This has further enhanced Whitehaven's core, low-risk opencut business which now has the capacity to produce up to 5 Mtpa of saleable coal (managed basis 100%) from four opencut mines.

Construction of the world-class Narrabri underground project is advancing with the coal seam expected to be intersected by the end of this calendar year.

Development and expansion of our operations is being closely co-ordinated with the associated infrastructure requirements, with both rail and port capacity being managed to meet the company's short and medium term growth plans.

MANAGEMENT CHANGES

A significant restructuring and expansion of the Whitehaven management team was undertaken during the year, in line with the company's rapid growth. Tony Haggarty was appointed Managing Director in October 2008, and both Andy Plummer and Allan Davies have been appointed Executive Directors. Under Tony's leadership an experienced executive team has been developed, providing Whitehaven with the skills and depth required to continue delivering value-enhancing operational growth. Further details of the executive team are available on Page 18 of this report.

RECENT DEVELOPMENTS

Capital Raising

Subsequent to balance date, Whitehaven undertook a capital raising through an institutional placement and a share purchase plan. The institutional placement raised net cash of $177 million, while the share purchase plan raised $26 million.

Refinancing

Whitehaven is in the final stages of negotiation with two banks to refinance its existing bank guarantee and foreign exchange (FX) facilities and to consolidate existing equipment leasing and overdraft facilities. Negotiations are expected to be completed and facilities available for drawdown before the end of September 2009. Whitehaven's current bank is winding down lending support for the mining and resource sectors in Australia and is withdrawing its existing financing facilities on 30 September 2009.

OUTLOOK

Coal demand has slowed as a result of the global economic downturn. However, the structural uptrend continues as demand for thermal coal remains strong and demand for metallurgical coal continues to recover, with China importing much larger tonnages of Australian thermal coal and India appearing to follow.

On behalf of the board and all shareholders I thank Tony Haggarty and his executive team, as well as all of our employees and contractors for their leadership and contribution to Whitehaven's strong FY2009 performance.

J C. Conde

John Conde, AO
Chairman

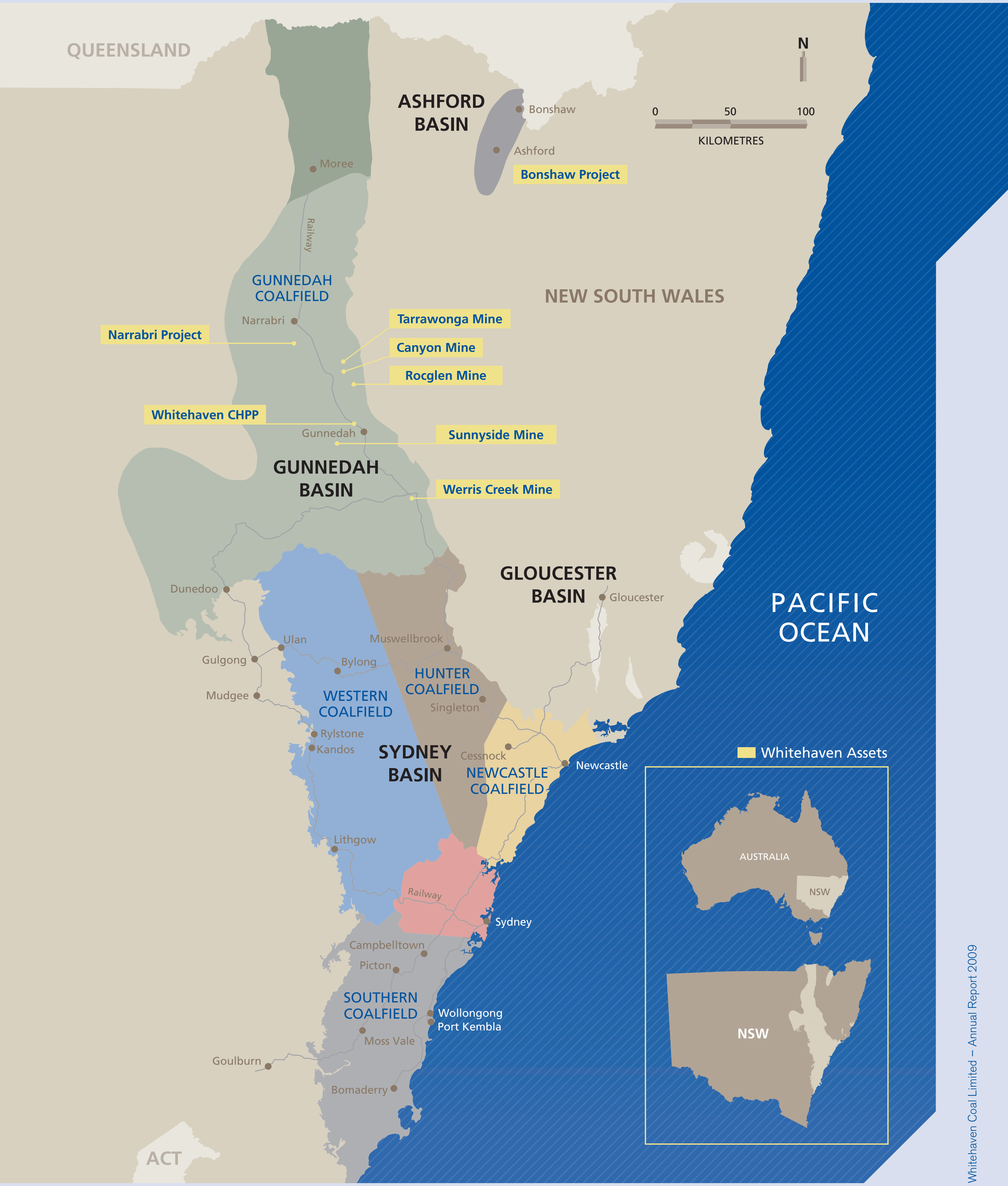
2009 HIGHLIGHTS

- Reported net profit after tax (NPAT) of $244.2 million, including NPAT of $166.9 million from the sale of 15% of the Narrabri Joint Venture and other significant items;
- Underlying NPAT, before significant items, of $77.3 million, more than five times the FY 2008 level;
- Fully franked final dividend of 6.0 cents per share declared;
- Revenue of $356.3 million (net of purchased coal and excluding NSW royalty), up 92% from FY 2008;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $174.5 million (excluding coal purchases);
- Cash generated from operations of $135.6 million, compared to $17.9 million in FY 2008;
- Proceeds received from the sale of Narrabri of $59.0 million during the year;
- Strong cash flow and financial position – $131 million cash available with net cash of $53 million;
- Institutional placement raised additional net cash of $177 million subsequent to balance date.

Financial Performance

(A$ millions)	2009	2008	Movement
Sales revenue	489.4	252.0	+94.2%
EBITDA before significant items	136.3	34.9	+290.5%
EBIT before significant items	110.0	16.9	+550.9%
NPAT before significant items	77.3	12.9	+499.2%
Significant items net of tax	166.9	38.9	+329.0%
NPAT after significant items	244.2	51.9	+370.5%
EPS-diluted	60.3 cents	14.4 cents	+318.8%

NSW COALFIELDS



ACHIEVEMENTS

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total (Thousand tonnes)	2009	2008	Movement
ROM Coal Production	3,025	2,275	+33%
Saleable Coal Production	2,797	2,050	+36%
Sales of Produced Coal	2,753	2,007	+37%
Sales of Purchased Coal	811	406	+100%
Total Coal Sales	3,564	2,413	+48%
Coal Stocks at Period End	317	212	+50%

Operating Highlights

- Coal sales up 48% (equity basis) compared with previous year (up 42% on 100% basis);
- Saleable coal production up 36% (equity basis) from FY 2008 (up 20% on 100% basis);
- JORC coal resources increased to 761.8 Mt, with marketable coal reserves more than doubled to 278.6 Mt;
- Opencut marketable coal reserves increased to 106 Mt, sufficient to support opencut saleable coal production of 5 Mtpa for more than 20 years;
- Rocglen and Sunnyside opencut mines were commissioned successfully;
- Owner operation was introduced at Werris Creek mine in December 2008, resulting in an increase in saleable production rate from 0.9 Mtpa in Q2 to 1.4 Mtpa in Q4;
- Narrabri Stage 1 construction is on track to reach the coal seam late in 2009;
- Rail track upgrades were commissioned, resulting in more paths and longer trains;
- Development of the NCIG port facility is progressing on schedule. First coal is scheduled to be shipped by the end of March 2010.
- Excellent safety record maintained.

MANAGING DIRECTOR'S REPORT

The past year has been one of transformation for Whitehaven as we have demonstrated our ability to generate both green-fields and organic growth.

During the past year we have commissioned two new opencut mines, and construction of our world-class Narrabri underground mine has proceeded to schedule with the coal seam expected to be reached by the end of 2009.

In addition, our coal reserves and resources have been expanded significantly through successful exploration programs and we have been active in developing value-enhancing joint venture opportunities.

This has required significant effort and focus from our management team, many of whom joined us during the course of the year, as well as great commitment from all of Whitehaven's employees and the many contractors we work in partnership with.

I want to express my thanks to all the members of our team for achieving an excellent outcome during a year of considerable change and challenges.

FINANCIAL PERFORMANCE

Whitehaven reported strong earnings and revenue growth for the year to June 30, 2009 (FY 2009). Revenue for the year was $356.3 million (net of purchased coal and excluding NSW royalty), up 92% from FY 2008.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $174.5 million (excluding coal purchases), reduced to $136.3 million after coal purchases.

The company's balance sheet remains very strong with a cash position which gives us the financial capacity to fund our new project development pipeline and to meet working capital commitments.

Cash flow from operations of $135.6 million for the year compared to $17.9 million for FY 2008. Overall net cash flows from operating activities were $122.7 million for the year versus $12 million for FY 2008. Closing cash on hand at 30 June 2009 was $131.2 million, compared to $80.9 million in FY 2008.

Financial Performance And Balance Sheet

(A$ millions)	2009	2008
Cash on Hand	131.2	80.9
Interest Cover Ratio[1] (times)	19.45 times	3.80 times
Interest Bearing Liabilities[2]	78.2	55.2
Net Cash Position	53.0	25.6
Net Assets	722.8	489.5
Gearing Ratio[3] (%)	-7.9%	-5.5%

1 EBIT before significant items to Interest Expense excluding FX in financing expense, losses on ineffective hedges and unwind of provision discounting
2 Interest bearing liabilities include loans from Rail Infrastructure Corporation for track upgrades ($21.6 million 2009, $15.2 million 2008)
3 Net Debt to Net Debt plus Equity

OPERATING PERFORMANCE

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total (Thousand tonnes)	2009	2008	Movement
ROM Coal Production	3,025	2,275	+33%
Saleable Coal Production	2,797	2,050	+36%
Sales of Produced Coal	2,753	2,007	+37%
Sales of Purchased Coal	811	406	+100%
Total Coal Sales	3,564	2,413	+48%
Coal Stocks at Period End	317	212	+50%

MANAGING DIRECTOR'S REPORT

Gunnedah Operations (Equity Share)

Gunnedah Operations (Thousand tonnes)	2009	2008	Movement
ROM Coal Production	1,902	1,501	+27%
Saleable Coal Production	1,690	1,266	+33%
Sales of Produced Coal	1,651	1,088	+52%
Sales of Purchased Coal	811	381	+113%
Total Coal Sales	2,462	1,469	+67%
Coal Stocks at Period End	233	143	+63%

The Gunnedah Operations include the Canyon (100% owned by Whitehaven), Tarrawonga (70% owned by Whitehaven), Rocglen (100% owned by Whitehaven), and Sunnyside (100% owned by Whitehaven) opencut mines and the Whitehaven coal handling and preparation plant and train load-out facility ('CHPP') (100% owned by Whitehaven).

Gunnedah saleable coal production of 1.69 Mt was 33% above the previous year, due to continuing solid performance from Tarrawonga and the commencement of operations at Rocglen and Sunnyside. Last coal was produced from the Canyon mine in July 2009 with progressive rehabilitation program nearing completion.

Werris Creek Mine (Equity Share)

Werris Creek Mine (Thousand tonnes)	2009	2008	Movement
ROM Coal Production	1,123	774	+45%
Saleable Coal Production	1,107	784	+41%
Sales of Produced Coal	1,102	919	+20%
Sales of Purchase Coal	–	25	-100%
Total Coal Sales	1,102	944	+17%
Coal Stocks at Period End	84	69	+22%

Whitehaven took operational control of Werris Creek in December 2008. Saleable coal production has increased steadily since then and was running at capacity of 1.4 Mtpa in the last quarter of FY 2009.

DEVELOPMENT PROJECTS

Narrabri

Construction of Narrabri Stage 1 continues to progress on plan. Surface works are well advanced and construction of the three drifts is progressing well. The coal seams are expected to be reached in late 2009. Contracts have been awarded for all Narrabri Stage 1 work. Total expenditure up to the end of June 2009 was approximately $135 million. Construction costs for Narrabri Stage 1 are still expected to be within 10% of the $186 million budget; however the final cost of the underground drifts remains exposed to ground conditions as work progresses.

Detailed design of Stage 2 for installation and operation of the longwall is progressing well with lodging of an application for approval with the NSW Department of Planning lodged on 28 August 2009.

Subsequent to balance date, Whitehaven announced that it has entered into a Heads of Agreement to sell a 7.5% interest in its Narrabri Joint Venture Project to a Korean Consortium for A$125 million plus 7.5% of all costs incurred since 1 January 2008 (estimated to be in excess of A$11 million). In addition, the consortium will contribute 7.5% of the project's future costs.

The Korean consortium comprises Daewoo International Corporation (Daewoo) and Korea Resources Corporation (KORES). Daewoo is a major manufacturing, investment and trading conglomerate and is one of Korea's largest companies. KORES is a Korean government corporation which invests in natural resources. Subject to completion, the A$125 million purchase price will be paid in three tranches:

- A$32.5 million upon completion of the sale;
- A$30.0 million by 15 November 2009; and
- A$62.5 million by December 2010 (subject to Narrabri Stage 2 approval).

As part of the transaction, Whitehaven has agreed to sell to Daewoo up to 1.5 Mtpa of Korean specification coal. This annual tonnage is benchmarked to 25% of Narrabri's annual production over the life of the mine and can be supplied by Whitehaven from any source. The price of coal sold to Daewoo will be based upon the published NEWC globalCOAL Index with appropriate adjustments for calorific value.

The transaction is subject to the approval of the Whitehaven, Daewoo and KORES Boards, and the obtaining of relevant Australian and Korean regulatory approvals.

Bonshaw

Exploration and evaluation work continued at Bonshaw during the year in accordance with tenement work programs.

Blackjack Joint Venture

During the last quarter of FY 2009 a wholly-owned subsidiary of Whitehaven entered into a 50:50 joint venture called the Blackjack Joint Venture (Blackjack JV) with Modderriver Minerals Pty Ltd, an associate of Pacific Carbon Pty Ltd. Whitehaven currently supplies some 80,000 tonnes of coal to Pacific Carbon's Kooragang Island plant at Newcastle, where coal is used to produce retort coke, a product for which international demand is growing strongly.

The Blackjack JV is now constructing an additional two retorts adjacent to Pacific Carbon's existing Kooragang Island plant. These new retorts are expected to be commissioned over the next six months. In addition, the Blackjack JV has project approval for the construction of a new six-retort coke plant at Gunnedah. The timing of construction of this plant is dependent on sufficient demand being secured for the additional coke. Good progress is being made in this regard.

Under the terms of the Blackjack JV, Whitehaven is providing 100% of the capital required to construct these new coke plants, estimated to be approximately $15 million in total with Modderriver's 50% share being funded by Whitehaven as an interest bearing loan, to be repaid by Modderriver from its 50% share of Blackjack JV cash flow.

Whitehaven is the exclusive coal supplier to the Blackjack JV, and when completed the eight new coke retorts will consume approximately 240,000 tonnes of coal. This is in addition to Whitehaven's existing 80,000 tonnes coal supply contract to Pacific Carbon.

COAL RESOURCES AND RESERVES (100% Basis)

Whitehaven's JORC Coal Resources now total 761.8 Mt, with JORC Marketable Coal Reserves of 278.6 Mt. Opencut Marketable Coal Reserves are now in place to support 5 Mtpa of saleable production for more than 20 years.

JORC August Statement

WHITEHAVEN COAL LIMITED – COAL RESOURCES – AUGUST 2009 – (100% BASIS)

Tenement		Measured Resource	Indicated Resource	Inferred Resource	Total Resources	Competent Person	Report Date
West Bluevale Opencut	EL4699	2.76	1.49	0.7	5.0	1	Aug-07
Rocglen Opencut	ML1620	11.74	6.19	2.1	20.1	2	May-09
Rocglen Underground	ML1620	–	2.09	2.1	4.2	2	May-09
Tarrawonga Opencut *	EL5967/ML1579	7.36	37.57	9.9	54.8	2	May-09
Tarrawonga Underground	EL5967/ML1579	8.44	18.10	25.3	51.8	2	May-09
Sunnyside Opencut	ML1624/EL5183	20.35	47.84	22.9	91.1	2	May-09
EL5183 Underground	EL5183	–	7.20	32.2	39.4	2	May-09
BLOCK 7 Opencut	CCL701	–	–	1.4	1.4	2	Jan-09
BLOCK 7 Underground	CCL701	–	12.90	2.5	15.4	2	Jan-09
Total Gunnedah Operations		**50.65**	**133.38**	**99.1**	**283.2**		
Total Werris Creek **		**29.96**	**4.79**	**2.7**	**37.4**	**2**	**May-09**
Narrabri North Underground	ML1609	88.64	81.00	60.0	229.6	3	Aug-07
Narrabri South Underground	EL6243	30.66	103.00	75.0	208.7	3	Aug-07
Total Narrabri ***		**119.30**	**184.00**	**135.0**	**438.3**		
Brunt Deposit Opencut	EL6450	–	2.60	0.3	2.9	4	Feb-09
Total Ashford		**–**	**2.60**	**0.3**	**2.9**		
Total Coal Resources		**199.91**	**324.77**	**237.1**	**761.8**		

1. Greg Jones, 2. Colin Coxhead, 3. Patrick Hanna, 4. Tom Bradbury

* Tarrawonga Joint Venture – Whitehaven owns 70% share of ML 1579. Combined Reserve for Tarrawonga Mining Lease and Exploration Licence

** Combined Reserve for Werris Creek Mining Lease, Exploration Licence and Exploration Licence Application

*** Narrabri Joint Venture – Whitehaven owns 77.5% share

The Coal Resources for active mining areas are reported on the end of May 2009 pit surface

WHITEHAVEN COAL LIMITED – COAL RESERVES – AUGUST 2009 – (100% BASIS)

Tenement		Recoverable Reserves			Marketable Reserves			Competent Person	Report Date
		Proved	Probable	Total	Proved	Probable	Total		
West Bluevale opencut	EL4699	–	–	–	–	–	–		
Rocglen Opencut	ML1620	9.83	3.87	13.70	8.60	3.38	11.98	1	May-09
Tarrawonga Opencut *	EL5967/ML1579	6.59	30.82	37.41	6.11	28.59	34.70	1	May-09
Tarrawonga Underground	EL5967/ML1579	–	–	–	–	–	–		
Sunnyside Opencut	ML1624/EL5183	7.14	20.85	27.99	7.14	20.85	27.99	1	May-09
EL5183 Underground	EL5183	–	–	–	–	–	–		
BLOCK 7 Opencut	CCL701	–	–	–	–	–	–		
BLOCK 7 Underground	CCL701	–	–	–	–	–	–		
Total Gunnedah Operations		**23.56**	**55.54**	**79.10**	**21.85**	**52.82**	**74.67**		
Total Werris Creek **	**ML1564/ EL5993/ ELA3727**	**27.60**	**4.38**	**31.98**	**27.60**	**4.40**	**32.00**	**1**	**May-09**
Narrabri North Underground	ML1609	53.7	58.3	112.0	51.1	51.6	102.7	2	Nov-07
Narrabri South Underground	EL6243	16.8	73.1	89.9	13.0	56.2	69.2	2	Jan-09
Total Narrabri ***		**70.5**	**131.4**	**201.9**	**64.1**	**107.8**	**171.9**		
Brunt Deposit Opencut	EL6450	–	–	–	–	–	–		
Total Ashford		**–**	**–**	**–**	**–**	**–**	**–**		
Total Coal Reserves		**121.66**	**191.32**	**312.98**	**113.55**	**165.02**	**278.57**		

1. Paul Westcott, 2. Graeme Rigg

* Tarrawonga Joint Venture – Whitehaven owns 70% share of ML 1579. Combined Reserve for Tarrawonga Mining Lease and Exploration Licence

** Combined Reserve for Werris Creek Mining Lease, Exploration Licence and Exploration Licence Application

*** Narrabri Joint Venture – Whitehaven owns 77.5% share

\# The Coal Reserves for active mining areas are reported on the end of May pit surface

\## Coal Reserves are quoted as a subset of Coal Resources

\### Marketable Reserves are based on geological modeling of the anticipated yield from Recoverable Reserves

NB: Refer to Page 12 for full JORC competent persons statements.

MANAGING DIRECTOR'S REPORT

JORC COMPETENT PERSONS STATEMENT

Information in this report that relates to Coal Resources and Reserves is based on and accurately reflects reports prepared by the Competent Person named beside the respective information. All these persons are consultants for Whitehaven Coal Limited. Mr Greg Jones is a principal consultant employed by JB Mining Services. Mr Colin Coxhead is a private consultant. Mr Patrick Hanna is a private consultant. Mr Tom Bradbury is a full time employee of Geos Mining. Mr Graeme Rigg is a full time employee of Minarco-MineConsult Pty Ltd. Mr Paul Westcott is a part time employee of Minarco-MineConsult Pty Ltd.

Named Competent Persons consent to the inclusion of material in the form and context in which it appears. This Coal Resources and Reserves statement was compiled by Mr Mark Dawson, Group Geologist, Whitehaven Coal Limited. All Competent Persons named are Members of the Australian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and have the relevant experience in relation to the mineralisation being reported on by them to qualify as Competent Persons as defined in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

THE ENVIRONMENT

Responsible management of the environment within which we operate remains a high priority for Whitehaven 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.

Progressive rehabilitation is underway at each of the company's operations and full rehabilitation at the Canyon mine, which ceased operation in July 2009, is almost complete. For further information on the company's environmental initiatives please visit the company's website.

SAFETY

Whitehaven continued its commitment to Health and Safety throughout the year with excellent performance and system improvements. This commitment has been demonstrated over the course of the year by maintaining our LTIFR level below industry standard. We have also improved our understanding of the company's risk profile and risk management processes and achieved further improvements in the Occupational Health and Safety Management System.

The company has seen rapid growth in the workforce with both employee and contractor numbers increasing. The primary focus throughout the year has been to continue developing an Occupational Health and Safety Management System that meets the needs of the workforce and mitigates risk while maintaining focus on routine work practices.

INFRASTRUCTURE

Rail track capacity upgrades by ARTC[1] as far as Gunnedah were completed in December 2008, providing track and train capacity to deliver Whitehaven's current requirement for an average of 300,000 tonnes per month to be railed to port from Gunnedah and Werris Creek.

Further ARTC track upgrades were completed during June 2009 to extend this additional capacity to Narrabri. Whitehaven and ARTC are now focusing on the further track upgrades required to meet ongoing growth requirements from the Gunnedah basin.

An Implementation Memorandum regarding a system for providing long-term access to port capacity at Newcastle was agreed by Newcastle Ports Corporation, PWCS[2] and NCIG[3] in April 2009 and submitted to the ACCC[4] for approval. Detailed documentation to support this agreement is close to finalisation. Under the agreement, Whitehaven will have access to at least 9.5 Mtpa of port capacity from PWCS and NCIG stages 1 and 2.

1 ARTC – Australian Rail Track Corporation
2 PWCS – Port Waratah Coal Service
3 NCIG – Newcastle Coal Infrastructure Group
4 ACCC – Australian Competition and Consumer Commission

Construction of the new NCIG coal loading terminal (Whitehaven owns 11%) remains on track with first coal shipments expected in early 2010.

CORPORATE

Institutional Placement And Share Purchase Plan

Subsequent to balance date, Whitehaven undertook a capital raising through an institutional placement and a share purchase plan. The institutional placement raised net cash of $177 million, while the share purchase plan raised $26 million.

The institutional placement was oversubscribed with strong demand from both existing and new Australian and international investors.

The strong support shown by both existing and new institutional investors is an endorsement of Whitehaven's business and growth plans. These funds will provide Whitehaven with additional capital to fund new growth opportunities and strategic initiatives, increase working capital and provide balance sheet flexibility. The capital raising has also increased free float and liquidity in Whitehaven's shares.

Relocation Of Head Office

During the year, the company's head office was moved from Brisbane to Sydney.

BOARD AND MANAGEMENT

In October 2008, Mr Andy Plummer was appointed an Executive Director – Business Development, providing support to the Managing Director and Chief Financial Officer. Mr Plummer was a non-executive director of Whitehaven from May 2007 and was an executive director of Excel Coal with responsibility for the company's business development activities.

In February 2009, Mr Allan Davies was appointed Executive Director – Operations. Mr Davies is a professionally qualified mining engineer with 35 years mining experience in the Australian and international coal and metalliferous mining industries and is a registered mine manager in Australia and South Africa.

In October 2008, Mr Austen Perrin was appointed Chief Financial Officer, and in July 2009 Mr Timothy Burt was appointed General Counsel and Joint Company Secretary.

OUTLOOK

Coal demand has slowed as a result of the global economic downturn, however the structural uptrend continues as demand for thermal coal remains strong and demand for metallurgical coal continues to recover, with China importing much larger tonnages of Australian thermal coal and India appearing to follow.

Supply is expected to remain constrained by infrastructure in the short term, with a general trend to higher production costs, slower and more difficult mine development and increasing time for approvals providing ongoing constraints to new supply.

Australia is well placed to protect and gain market share in the coming years with major Asian power utilities and steel mills looking to Australia as a reliable, long-term supplier of high quality coals.

Contracted coal prices for 2009 hard coking coal settled around US$128/t FOB, with semi-soft coking and PCI coals settling around US$80/t. Demand for metallurgical coal is recovering and spot prices are being reported at levels substantially above contract prices.

Thermal coal contracts for 2009 settled around US$70-72/t FOB. Spot market prices for thermal coal are around US$72/t with forward thermal coal prices stronger at around US$77/t for calendar year 2010 and around US$87/t for calendar year 2011.

Tony Haggarty
Managing Director

SAFETY

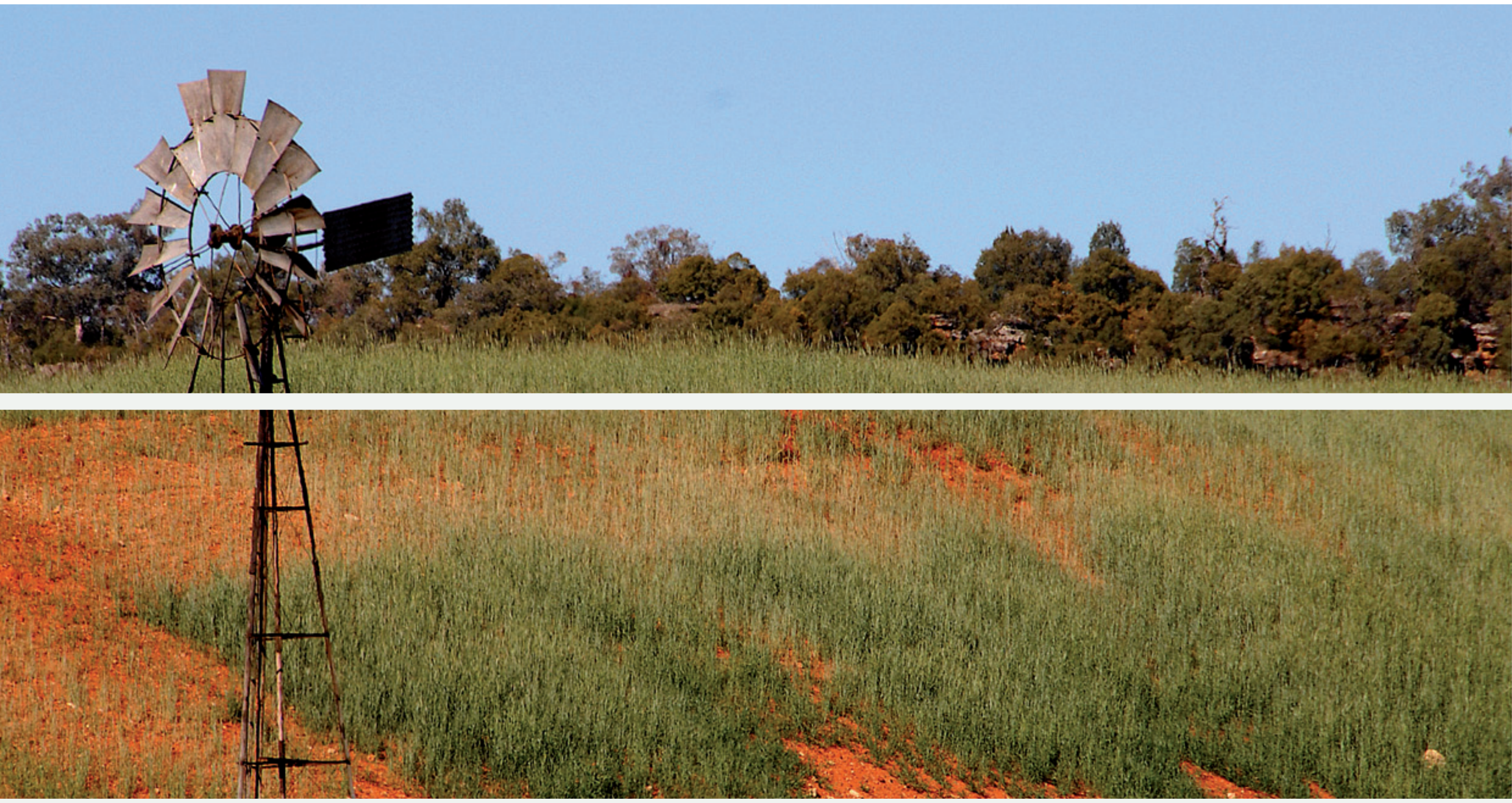
Whitehaven Coal Limited continued its commitment to health and safety throughout the year with excellent performance and system improvements. This commitment has been demonstrated over the course of the year by maintaining a LTIFR level below industry standard, improved understanding of the company's risk profile and risk management processes and continuous improvement of the Occupational Health and Safety Management System.

The Whitehaven Group has seen rapid growth in the workforce with both employee and contractor numbers increasing. The diversity of the workforce ranges from local farmers to experienced coal miners which adds complexity in managing risk at the coal face and implementing systems to grow with the company. The primary focus throughout the year has been to continue developing an Occupational Health and Safety Management System that meets the needs of the workforce and mitigates risk while maintaining focus on routine work practices.

Achievements

- Appointment of the Group OH&S Manager and OH&S Advisor. In January 2009 Whitehaven appointed Justin Lawrence to the role of Group OH&S Manager. Following this appointment Rachael Schneider commenced in the role of OH&S Advisor in June 2009. The focus for the first half of 2009 was system review and improvements, incident reporting and data capture and compliance.
- Coordination of the legal compliance audit program. All sites, excluding Narrabri Underground due to Whitehaven not being the operator, were involved in a legal compliance audit to the Coal Mines Health and Safety legislation.
- Coal Handling Preparation Plant Occupational Health and Safety Management System Review. A full review of the Occupational Health and Safety Management System of the Coal Handling Preparation Plant was coordinated with involvement from all levels of the workforce. A detailed action plan supports the review with individuals assigned actions to implement system improvements.
- Improvements to the Health and Safety Communications Process. A system to improve health and safety communications across the group was developed and implemented. The system incorporates learnings from Whitehaven incidents, communication of safety programs and initiatives and general tool box talk topics. The communications process improves the sharing of information to all levels of the organisation.
- Preparation of crisis management protocols for improved response if the worst case scenario occurs. Work has commenced on the establishment of a crisis management plan, crisis management duty cards and crisis management facilities for both the underground and opencut operations. Crisis management is a risk mitigation process to ensure family, media, legal, community and business concerns are managed in a controlled form.
- Employee Assistance Program implementation. A reputable employee assistance company has been engaged to provide confidential support and counselling to Whitehaven employees and immediate family members. The program consists of a 24 hour 7 day a week support service that is able to be utilised over the phone or by arranging face-to-face appointments.
- Health and Safety document management and consolidation. An intranet is currently under construction to improve access and availability of documents. The intranet includes provision for a document management system that will ensure only the latest version of a controlled document is available.

ENVIRONMENT



Whitehaven is committed to ensuring its projects are carried out in accordance with site specific protocols for environmental management. Each site has its own set of specific environmental management plans designed to ensure minimal impact from the operation on the environment and local community.

Over the course of the year, Whitehaven commenced operations at its Rocglen and Sunnyside Open Cut operations. The commencement of operations at these sites followed a rigorous process of development of required environmental management plans and the implementation of effective environmental monitoring.

The development of these two operations also culminated in the establishment of the Rocglen and Sunnyside Community Consultative Committees which meet on a quarterly basis. Each committee provides the local community with an opportunity to assess and comment on environmental performance at each site and raise issues of community concern. Both committees are operating effectively and provide an appropriate means of information transfer between the local community and the mine.

Achievements

- Continued progressive rehabilitation of the Tarrawonga site. A further 20 hectares of the out of pit waste emplacement has received rehabilitation treatment of reshaping, subsoil/topsoil replacement, drainage installation and seeding to cover crop. Approximately 4,000 tree seedlings were also planted over this period.
- Rehabilitation and landscaping across the pit top area of the Narrabri project including seeding and fertilizing, drainage installation and planting of approximately 300 tree seedlings for improved visual amenity of the pit top area.
- Finalisation of the Canyon Closure Plan. This plan provides the blueprint for completion of rehabilitation requirements at the Canyon site and establishes clear completion criteria requirements to enable appropriate review of rehabilitation outcomes prior to lease relinquishment.
- Ongoing rehabilitation of the Canyon site including planting of approximately 4,000 tree seedlings, seeding/fertilizing of reshaped areas, shaping of the final landform and establishment of appropriate drainage controls. Final reshaping to the void is expected to be completed by the end of 2009, with ongoing rehabilitation works and monitoring to continue in accordance with the mine closure plan over the next five years.
- Determination of the Whitehaven Regional Biodiversity Offset area, comprising 1,500ha of established woodland and areas for progressive regeneration. Whitehaven Coal Limited is one of the first mining operations to develop a regional offset proposal in accordance with the Department of Environment and Climate Change's BioBanking methodology. Establishment of the regional offset area is being undertaken with the full support of both the Department of Environment and Climate Change and Department of Planning as an improved environmental outcome to what was initially proposed in the development consent for the Canyon mine. On completion, management of the offset area will be undertaken in accordance with a management plan subject to annual review through the DECC. Whitehaven Coal Limited will also provide up-front in perpetuity management costs for the ongoing management of the offset area in accordance with the BioBanking methodology.
- Whitehaven Coal Limited has continued its support of two environmental cadets throughout the year providing scholarships for their ongoing studies at university and providing paid work opportunities on our mine sites during university breaks. Both cadets are from the local area and will have full time employment with Whitehaven's Environment team on completion of their studies in 2010.

DIRECTORS' REPORT



Left to right:

John Conde, Neil Chatfield, Tony Haggarty, Alex Krueger, Hans Mende, Andy Plummer, Allan Davies

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 2009 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)
Chairman
Independent Non-Executive Director
Appointed: 3 May 2007

John has over 30 years of broad-based commercial experience across a number of industries, including the energy sector. John is chairman of Energy Australia, BUPA Australia Health Pty Ltd, Sydney Symphony Limited and Homebush Motor Racing Authority Advisory Board. He is also president of the Commonwealth Remuneration Tribunal and a non-executive director of Dexus Property Group. He was formerly 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.

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

Neil is an established executive and non-executive director with experience across a range of industries and is currently the Chairman of Virgin Blue Holdings Ltd, and a Non-Executive Director of Seek Ltd, Transurban Group and Grange Resources, all ASX listed companies. He has over 30 years experience in the resources and transport and logistics sectors and has extensive experience in financial management, capital markets, mergers and acquisitions, and risk management. Neil was most recently Executive Director and Chief Financial Officer of ASX listed Toll Holdings Limited, Australia's largest transport and logistics company, a position he held for over 10 years. Prior to joining Toll, Neil held a number of senior financial and general management roles in the resources and transport industries.

TONY HAGGARTY
MComm
Non-Executive Director
Appointed: 3 May 2007
Managing Director
Appointed: 17 October 2008

Tony has over 30 years experience in the development, management and financing of mining companies, and was co-founder and Managing Director of Excel Coal Limited from 1993 to 2006. Prior to this, Tony worked for BP Coal and BP Finance in Sydney and London, and for Agipcoal as the Managing Director of its Australian subsidiary. Tony was appointed to the Board of Whitehaven on 3 May 2007 and was appointed Managing Director on 17 October 2008. He is also non-executive chairman of King Island Scheelite Limited and a non-executive director of IMX Resources Limited.




ALEX KRUEGER
BS (Finance) BS (Chemical Engineering)

Independent Non-Executive Director

Appointed: 3 May 2007

Alex is a Managing Director of First Reserve Corporation (FRC). 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

Hans has been President of the AMCI Group since he co-founded the company in 1986. Prior to starting AMCI Group, Mr. Mende was employed by the Thyssen group of companies in various senior executive positions.

Other current Directorships held by Hans include MMX Mineracao, New World Resources, Excel Maritime and a non-executive director of Felix Resources Limited, an ASX listed company.

ANDY PLUMMER
BSc Mining Eng

Non-Executive Director

Appointed 3 May 2007

Executive Director

Appointed: 17 October 2008

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 was appointed to the Board of Whitehaven on 3 May 2007 and was appointed Executive Director on 17 October 2008. He is also a non-executive director of King Island Scheelite Limited and Chairman of Ranamok Glass Prize Ltd.

ALLAN DAVIES
BE (Mining) Honours

Executive Director

Appointed 25 February 2009

Allan is a mining engineer and has 35 years experience in the Australian and international coal and metalliferous mining industries. He is a registered mine manager in Australia and South Africa. Allan was a founding director of Excel Coal Limited and as Executive Director – Operations for Excel Coal Limited, Allan had direct responsibility for operations and construction projects. From 2000 until early 2006, Allan worked for Patrick Corporation as Director operations. Currently, Allan is a non-executive director of QR Limited, a member of the Advisory Board of the Kaplan Infrastructure and Logistics Fund and a non-executive director of QMastor Limited.

FORMER DIRECTORS
ROB STEWART
ME Mining, BE Civil (Hons)

Retired 17 October 2008

Rob Stewart joined Whitehaven in October 2007 as CEO and became Managing Director in April 2008. He retired in October 2008.

2. COMPANY SECRETARIES

TIMOTHY BURT

B.Ec, LLB (Hons), LLM

Appointed 29 July 2009

Timothy joined Whitehaven as General Counsel and Company Secretary in July 2009. Prior to that, Timothy held senior legal roles at a number of listed Australian companies including Boral Ltd, United Group Ltd and Australian National Industries Ltd. Timothy has completed Chartered Secretaries Australia's Graduate Diploma of Applied Corporate Governance.

AUSTEN PERRIN

B.Ec, CA

Appointed 19 November 2008

Austen has been with Whitehaven Group since October 2008 as Chief Financial Officer and Company Secretary. He has over 20 years experience in the transport and infrastructure industry including Chief Financial Officer for Asciano Ltd and the Chief Financial Officer for Toll NZ Limited.

FORMER COMPANY SECRETARIES

PAUL MARSHALL

LLB, Grad Dip Acc & Fin, CA

Resigned: 4 September 2009

Paul has 25 years in the accountancy profession having worked for the accountancy firm Ernst & Young for ten years, and subsequently fifteen years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He resigned on 4 September 2009.

LEIGH WHITTON

B.Com, MBA, CPA

Resigned: 31 December 2008

Leigh joined Whitehaven Group in 2005 as was appointed Chief Financial Officer and Company Secretary on 3 May 2007. He resigned in December 2008.

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	378,605	–	
Neil Chatfield	306,805	–	
Tony Haggarty	31,153,631	7,326,266	Granted on 3 May 2007 (refer to details in Section 7.3 of this report)
Alex Krueger *	–	–	
Hans Mende	76,019,833	–	
Andy Plummer	29,887,988	7,326,266	Granted on 3 May 2007 (refer to details in Section 7.3 of this report)
Allan Davies **	125,000	–	

* Mr Alex Krueger is a nominee of FRC Whitehaven Holdings BV (FRC) which owns 131,650,000 Whitehaven shares or approximately 28.14% of Whitehavens share capital. Mr Krueger neither has a relevant interest in those shares nor is he an associate of FRC under section 12 of the Corporations Act.

** In February 2009 the Board resolved to issue to a related company of Mr Allan Davies 2,500,000 ordinary shares and an option to acquire 5,000,000 ordinary shares in three separate tranches, subject to obtaining shareholder approval.

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:

	Directors' Meetings		Audit and Risk Committee Meetings	
Director	A	B	A	B
John Conde	15	16	3	3
Neil Chatfield	16	16	3	3
Tony Haggarty *	16	16	1	1
Alex Krueger	16	16	2	2
Hans Mende	11	16	–	–
Andy Plummer	16	16	–	–
Allan Davies **	8	8	–	–
Rob Stewart ***	2	2	–	–

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

* Mr Tony Haggarty resigned from the Audit and Risk Committee on 17 October 2008 when he became an executive Director
** Mr Allan Davies appointed 25 February 2009
*** Mr Rob Stewart retired 17 October 2008

Due to the frequency with which the Board met, the functions of the Remuneration and Nominations Committee were carried out by the Board throughout the 2009 financial year.

5. CORPORATE GOVERNANCE STATEMENT

The Board of Whitehaven Coal Limited (the 'Company') is committed to achieving the highest standards of corporate governance and to conducting its operations and corporate activities safely and in accordance with all applicable laws and regulatory obligations. This Corporate Governance Statement sets out the key details of Whitehaven's corporate governance framework.

Scope of responsibility of Board

The Board has a formal Board Charter which sets out the responsibilities, structure and composition of the Board. It provides that the Board's broad function is to:

- determine strategy and set financial targets for the Whitehaven Group
- monitor the implementation and execution of strategy and performance against financial targets
- appoint and oversee the performance of executive management and to take and fulfill an effective leadership role in relation to Whitehaven

The Charter sets out the responsibilities which are specifically reserved for the Board. These include the following:

- composition of the Board, including the appointment and removal of Directors
- oversight of the Company, including its control and accountability systems
- appointment and removal of senior management and the Company Secretary
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance
- monitoring senior management's performance and implementation of strategy
- approving and monitoring financial and other reporting and the operation of committees

Day-to-day management of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the Managing Director and senior executives, who operate in accordance with Board approved policies and delegated limits of authority.

A copy of the Board Charter can be viewed on Whitehaven's website.

Audit and Risk Management Committee

The purpose of Audit and Risk Management 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) Alex Krueger

The Committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. 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 the Remuneration and Nominations 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) Hans Mende.

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.

Due to the frequency with which the Board met, the functions of the Remuneration and Nominations Committee were carried out by the Board throughout the 2009 financial year.

Best practice commitment

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

Independent professional advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice concerning any aspect of Whitehaven's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by the Company.

Compliance with ASX corporate governance guidelines and best practice recommendations

The Board has assessed the Company's practice against the Australian Securities Exchange Corporate Governance Council's '*Corporate Governance Principles and Recommendations*' ('**ASX Guidelines**'). Whitehaven complied with the ASX Guidelines in all material respects throughout the 2009 financial year. Where the Company has an alternative approach, this has been disclosed and explained.

Principle 1 – Lay solid foundations for management and oversight

The role of the Board and delegation to senior management have been formalised as described above.

On an annual basis, the Board reviews the performance of the Managing Director. The assessment criteria used in these reviews is both qualitative and quantitative and includes the following:

- financial performance
- safety performance
- strategic actions

The Managing Director annually reviews the performance of Whitehaven's senior executives using criteria consistent with the above.

The performance of the Managing Director and the Company's senior executives during the 2009 financial year has been assessed in accordance with the above processes.

Principle 2 – Structure the Board to add value

The Board reviews its composition from time to time to ensure the Board benefits from an appropriate balance of skills and experience. The Board is currently comprised as follows:

Director	Independent	Non-executive	Term in Office
J Conde (Chairman)	Yes	Yes	2 years
N Chatfield	Yes	Yes	2 years
A Krueger	Yes	Yes	2 years
H Mendes	No – substantial shareholder	Yes	2 years
T Haggarty	No – employed in an executive capacity	No	2 years
A Davies	No – employed in an executive capacity	No	6 months
A Plummer	No – employed in an executive capacity	No	2 years

Whitehaven did not comply with recommendation 2.1 of the ASX Guidelines during the 2009 financial year as a majority of the Board are not considered to be independent when considered in accordance with the criteria set out in recommendation 2.1. Notwithstanding this, the Board believes that the individuals on the Board can and do make quality and independent judgements in the best interests of the Company and other stakeholders. The Board regularly assesses the independence of each non-executive Director.

The Board periodically undertakes an evaluation of the performance of the Board and its Committees. The evaluation encompasses a review of the structure and operation of the Board, and the skills and characteristics required by the Board to maximise its effectiveness, and the appropriateness of the Board's practices and procedures to meet the present and future needs of the Company. A formal assessment of the Board's performance was conducted in August 2009.

In addition to the above, Whitehaven's corporate governance charter requires an external review of the performance of the Board at intervals not exceeding three years, to ensure independent professional scrutiny and benchmarking against developing best market practice.

Principle 3 – Promote ethical and responsible decision making

Whitehaven has a Code of Ethics and Values and a Code of Conduct for Transactions in Securities. The purpose of these codes is to provide Directors and employees with guidance on what is acceptable behaviour, including in dealings in the Company's securities. The codes require all Directors, managers and employees to maintain the highest standards of honesty and integrity. The Code of Ethics and Values and the Code of Conduct for Transactions in Securities can be viewed on Whitehaven's website.

Principle 4 – Safeguard integrity in financial reporting

Whitehaven is committed to a transparent system for auditing and reporting of the Company's financial performance. Whitehaven's Audit and Risk Management Committee performs a central function in achieving this goal. The Chair and members of the Committee are independent directors, and all the members of the Committee are financially literate. The Committee holds discussions with external auditors without management present as required.

The Audit and Risk Management Committee's Charter can be viewed on Whitehaven's website.

Principle 5 – Make timely and balanced disclosure

Whitehaven has in place practices and procedures which are aimed at ensuring timely compliance with the Company's obligations under the *Corporations Act 2001* (Cth) and ASX Listing Rules. These practices and procedures require information which may need to be disclosed to be brought to the attention of the Board for consideration as to whether disclosure is required. These practices and procedures can be viewed on Whitehaven's website.

Principle 6 – Respect the rights of shareholders

The Board recognises the importance of ensuring that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders in the following ways:

- regular announcements are made to the Australian Securities Exchange in accordance with the Company's continuous disclosure obligations, including quarterly reports, half-year results, full-year results and an Annual Report. These announcements are available on Whitehaven's website
- Whitehaven's Annual Report is delivered to those shareholders who have elected to receive it
- through participation at the Company's annual general meeting. The Board encourages full participation of shareholders at the Annual General Meeting
- the Company's external auditors attend the annual general meeting and are available to answer shareholders' questions

Whitehaven's policy on communications with shareholders can be viewed on Whitehaven's website.

Principle 7 – Recognise and manage risks

Whitehaven recognises that risk is a part of doing business and that effective risk management is fundamental to achieving the Company's strategic and operational objectives.

Whitehaven has a Risk Management Framework which provides the approach, infrastructure and processes for risk management at the Company. This Framework is constantly evolving, enabling the Company to manage its risks effectively and efficiently. The key components of the Framework are as follows:

Risk Management Policy – This Policy provides an overview of Whitehaven's approach to risk management, and includes a summary of the roles and responsibilities of both the Board and management.

Risk Management Standards – These Standards define the minimum risk management requirements that apply to Whitehaven's operations. They address the identification, assessment and management of all material risks that could impact the Company's objectives.

Risk Management Guidelines – These Guidelines provide guidance to Directors and management as to what needs to be done to meet the objectives of the Risk Management Policy and the Risk Management Standards.

Under the supervision of the Board, management is responsible for identifying and managing risks. The Board is responsible for ensuring that a sound system of risk oversight and management exists and that internal controls are effective. In particular, the Board ensures that the principal strategic, operational, financial reporting and compliance risks are identified, and that systems are in place to manage and report on these risks.

The Board, together with management, constantly seeks 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 Whitehaven'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 the Audit and Risk Management Committee level and at Board level.

Senior management has reported to the Audit and Risk Management Committee and the Board on the effectiveness of the management of the business risks faced by Whitehaven during the 2009 financial year. The Board has also received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

Whitehaven's remuneration policy and practices are designed to attract, motivate and retain high quality people. The policy is built around the following principles:

- remuneration being competitive in the markets in which the Company operates
- remuneration being linked to Company performance and the creation of shareholder value
- a proportion of remuneration to be dependent upon performance against key business measures, both financial and non-financial

Whitehaven has a Remuneration and Nominations Committee whose responsibilities include considering the Company's remuneration strategy and policy and making recommendations to the Board that are in the best interests of the Company and its shareholders. The Committee is comprised of a majority of independent Directors, is chaired by an independent Director and has three members. Due to the number of Board meetings during the 2009 financial year, the functions of the Committee were carried out by the Board.

The Remuneration and Nominations Committee has a formal charter which sets out its roles and responsibilities, composition structure and membership requirements. A copy of this charter can be viewed on Whitehaven's website.

The remuneration of non-executive Directors is fixed by way of cash and superannuation contributions. Non-executive Directors do not receive any options, bonus payments or other performance related incentives, nor are they provided with any retirement benefits other than superannuation.

More information relating to the remuneration of non-executive Directors and senior managers is set out in the Remuneration Report on pages 27 to 34. As required by the Corporations Act, a resolution that the Remuneration Report be adopted will be put to the vote at the Annual General Meeting, however, the vote will be advisory only and will not bind the Directors of the Company.

Whitehaven's Code of Conduct for Transactions in Securities prohibits executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under the Company's equity based remuneration schemes.

6. DIVIDENDS

During the year the company paid fully franked dividends of $16,841,000, representing a final 2008 dividend of 1.7 cents per ordinary share and an interim dividend for 2009 of 2.5 cents per ordinary share.

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)	6.0	28,583	100%	30 September 2009

The record date for determining entitlement to the dividend will be 18 September 2009.

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2009 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 including the five most highly remunerated executives.

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 Nominations 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.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

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.

The grant of options is a direct link between director, executive and shareholder wealth. The following indices are considered when measuring the Group's performance and benefits for shareholder wealth:

	2009	2008	2007	2006
Profit/(loss) attributable to the group ($000's)	244,212	51,854	24,095	11,697
Revenue ($000's)	489,397	252,000	106,201	88,957
Share price at year end (dollars per share)	$3.14	$4.47	$2.09	n/a
Basic EPS (cents per share)	60.5	14.5	8.0	3.9
Diluted EPS (cents per share)	60.3	14.4	8.0	3.9

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.

Tony Haggarty, Managing Director, was appointed on 17 October 2008 and has an evergreen employment agreement, which can be terminated by either party with three months notice or payment in lieu thereof. The components of Mr Haggarty's remuneration package include: a salary inclusive of superannuation of $600,000 and the eligibility to participate in the Company's bonus scheme.

Andy Plummer, Executive Director, was appointed on 17 October 2008 and has an evergreen employment agreement, which can be terminated by either party with three months notice or payment in lieu thereof. The components of Mr Plummer's remuneration package include: a salary inclusive of superannuation of $300,000 and the eligibility to participate in the Company's bonus scheme.

Allan Davies contracts his services to Whitehaven through Dalara Management Services Pty Ltd. This service agreement can be terminated by either party with one months notice or payment in lieu thereof.

Austen Perrin, Chief Financial Officer, was appointed on 27 October 2008 and has an evergreen employment agreement which can be terminated by either party with three months notice or payment in lieu thereof. The components of Mr Perrin's remuneration package include: a salary inclusive of superannuation of $360,000 and the eligibility to participate in the Company's bonus scheme.

Non-executive directors

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

The maximum aggregate amount which was approved by shareholders for fees to the Non-executive directors is $500,000 per annum. An amount of $380,951 was paid during the year ended 30 June 2009.

Non-executive directors do not receive equity instruments.

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 tables below. Options issued to entities associated with Andy Plummer and Tony Haggarty under the Equity Participation and Option Deed are also disclosed in this table.

		Short-term							Share-based payments		
In AUD		Salary & Fees $	Non-monetary benefits $	Other benefits (A) $	Termination benefits (B) $	Superannuation benefits (A) $	Total $	Post-employment benefits $	Options issued to senior employees (C) $	Options issued under the Equity Participation and Option Deed (D) $	Value of options as proportion of total %
Directors											
Non-executive directors											
John Conde (Chairman)	2009	120,000	–	–	–	10,800	130,800	–	–	–	–
	2008	120,000	–	–	–	10,800	130,800	–	–	–	–
Neil Chatfield	2009	75,000	–	–	–	6,750	81,750	–	–	–	–
	2008	75,000	–	–	–	6,750	81,750	–	–	–	–
Alex Krueger ******	2009	118,083	–	–	–	–	118,083	–	–	–	–
	2008	–	–	–	–	–	–	–	–	–	–
Hans Mende	2009	49,958	–	–	–	–	49,958	–	–	–	–
	2008	54,500	–	–	–	–	54,500	–	–	–	–
Executive directors											
Tony Haggarty *	2009	386,714	–	–	–	38,671	425,385	–	–	57,500	11.9
	2008	65,400	–	–	–	–	65,400	–	–	1,309,614	95.2
Andy Plummer **	2009	193,356	–	–	–	19,336	212,692	–	–	57,500	21.3
	2008	59,950	–	–	–	–	59,950	–	–	1,309,614	95.6
Allan Davies ***	2009	200,531	–	–	–	–	200,531	–	–	–	–
Rob Stewart ****	2009	227,273	–	1,865	336,703	22,727	588,568	–	82,018	–	12.2
	2008	301,111	21,295	400,000	–	75,779	798,185	–	54,979	–	6.4
Keith Ross *****	2008	435,561	32,747	–	–	69,483	537,791	–	–	–	–

* Tony Haggarty appointed Managing Director 17 October 2008;

** Andy Plummer appointed Executive Director – Business Development, 17 October 2008;

*** Allan Davies appointed Executive Director – Operations, 25 February 2009;

**** Rob Stewart, Managing Director, retired 17 October 2008;

***** Keith Ross, Managing Director, resigned 31 March 2008;

****** in 2009 Alex Krueger was paid $68,125 for Directors Fees earned in prior periods

7. REMUNERATION REPORT – AUDITED (CONTINUED)

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

In AUD		Short-term Salary & Fees $	Non-monetary benefits $	Other benefits (A) $	Termin-ation benefits (B) $	Super-annuation benefits (A) $	Total $	Post-employ-ment benefits $	Share-based payments Options issued to senior employees (C) $	Options issued under the Equity Participation and Option Deed (D) $	Value of options as proportion of total %
Executives											
Austen Perrin (CFO/Company Secretary) *	2009	224,475	–	11,330	–	22,448	258,253	–	14,532	–	5.3
Tony Galligan (General Manager Infrastructure)	2009	325,585	28,390	–	–	32,558	386,533	–	–	–	–
	2008	220,165	15,189	–	–	100,000	335,354	–	6,286	–	1.8
Leigh Whitton (CFO/Company Secretary) **	2009	164,550	–	5,033	417,683	16,455	603,721	–	–	–	–
	2008	286,320	30,153	–	–	40,711	357,184	–	6,286	–	1.7
Chris Burgess (General Manager New Projects)	2008	350,890	–	6,168	–	95,428	452,486	–	–	–	–
Casper Deiben (General Manager Operations)	2008	229,964	30,299	–	–	102,121	362,384	–	–	–	–
Paul Marshall (Joint Company Secretary)	2008	39,600	–	–	–	–	39,600	–	–	–	–

* Austen Perrin appointed CFO 27 October 2008, appointed Joint Company Secretary 19 November 2008; **Leigh Whitton resigned 31 December 2008

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

A. 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. The remaining amounts disclosed as other benefits relate to car spaces, professional fees and other similar items.

B. An amount of $336,703 was paid to Mr Rob Stewart on retirement as Managing Director. An amount of $417,683 was paid to Mr Leigh Whitton on termination of his contract as CFO and Joint Company Secretary. These payments include pay-out of accrued leave entitlements.

C. The fair value for share options granted to the directors and 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
Executives							
19/02/09	26/10/11	119.3 cents	$1.00	$1.51	30%	3.00%	10%
19/02/09	26/10/12	136.3 cents	$1.00	$1.51	30%	3.00%	10%
19/02/09	26/10/13	156.1 cents	$1.00	$1.51	30%	3.00%	10%

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 related entities of Andy Plummer and Tony Haggarty were granted six 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. Options 3 and 4 were exercised during the year ended 30 June 2009. 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 2009 of $115,000 (2008: $2,619,228) has been recognised in the profit and loss.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

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 2009	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Vesting date
CFO						
Austen Perrin	33,333	19 Feb 2009	119.3 cents	$1.00	26 Oct 2011	26 Oct 2011
	33,333	19 Feb 2009	136.3 cents	$1.00	26 Oct 2012	26 Oct 2012
	33,334	19 Feb 2009	156.1 cents	$1.00	26 Oct 2013	26 Oct 2013

The fair value of these options attributable to the period ended 30 June 2009 of $14,532 has been recognised in the profit and loss.

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

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.

7.3.3 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	7,614,241	1.00
Andy Plummer	7,614,241	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 2009 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	100	–	2009
	1,000,000	5 Sept 2007	100	–	–
	1,000,000	5 Sept 2007	100	–	–
Leigh Whitton **	33,333	3 May 2007	100	–	2009
	33,334	3 May 2007	–	–	2010
Tony Galligan	33,333	3 May 2007	100	–	2009
	33,334	3 May 2007	–	–	2010

* Mr Rob Stewart's options vested upon his retirement from the Company on 17 October 2008.

** Mr Leigh Whitton continues to hold his options following his cessation of employment with the Company.

	Options granted				
	Number	Date	% vested in year	% forfeited in year	Share price at which grant vests
Director related entities					
Tony Haggarty	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	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. REMUNERATION REPORT – AUDITED (CONTINUED)

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 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			
Austen Perrin	137,233	–	–
Leigh Whitton	–	69,999	–
Tony Galligan	–	69,999	–
Director related entities			
Tony Haggarty	–	15,983,211	–
Andy Plummer	–	15,983,211	–

(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 2013).

(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 2009, Whitehaven Coal Limited and its controlled entities ('the Group') completed the development of and began operating from the Rocglen and Sunnyside mines. Development continued at the Narrabri underground mine during the year.

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 2009, the Group completed the development of the Rocglen and Sunnyside mines and began operations. Development of infrastructure and underground drift construction continued at the Narrabri underground mine during the year.

9.2 Highlights

Financial

- Reported net profit after tax (NPAT) of $244.2 million, including NPAT of $166.9 million from the sale of 15% of the Narrabri Joint Venture and other Significant Items;
- Underlying NPAT, before Significant Items, of $77.3 million, more than five times the FY 2008 level;
- A fully franked final dividend of 6.0 cents per share has been declared, payable on 30 September 2009;
- Revenue of $356.3 million (net of purchased coal and excluding NSW royalty), up 92% from FY 2008;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $174.5 million (excluding loss on coal purchases), reduced to $136.3 million after coal purchases;
- Cash generated from operations of $135.6 million, compared to $17.9 million in FY 2008;
- Proceeds received from the sale of Narrabri of $59.0 million during the year;
- Strong cash flow and financial position – $131.2 million cash available with net cash of $53 million compared to $80.9 million cash available and net cash of $25.6 million at 30 June 2008;
- Subsequent to balance date, an institutional placement was completed on 30 July 2009, raising additional net cash of $177 million. In addition to the institutional placement, a Share Purchase Plan was completed, raising $26 million.

Operating

- Coal sales up 48% (equity basis) compared with previous year (up 42% on 100% basis);
- Saleable coal production up 36% (equity basis) from FY 2008 (up 20% on 100% basis);
- JORC coal resources increased to 761.8 Mt, with marketable coal reserves more than doubled to 278.6 Mt;
- Opencut marketable coal reserves increased to 106 Mt, sufficient to support opencut saleable coal production of 5 Mtpa for more than 20 years;
- Rocglen and Sunnyside opencut mines were commissioned successfully;
- Owner operation was introduced at Werris Creek mine in December 2008, resulting in an increase in saleable production rate from 0.9 Mtpa in Q2 to 1.4 Mtpa in Q4;
- Narrabri Stage 1 construction is on track to reach the coal seam late in 2009;
- Rail track upgrades were commissioned through to Narrabri, resulting in more paths and longer trains;
- Development of the NCIG port facility is progressing on schedule. First coal is scheduled to be shipped by the end of March 2010.

9.3 Review of operations

The Managing Director's Report, containing a review of operations, commences on page 6 of this Annual Financial Report. This, together with the Chairman's Letter and the sections headed 'Significant Changes in State of Affairs' and 'Significant Events Subsequent to Balance Date' in this report, provides a review of operations of the consolidated entity during the year and subsequent to the reporting date.

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

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:

- During July 2009, the Group ceased operations from the Canyon mine as it had reached the end of its mine life.
- On 6 August 2009, the Group announced it had entered into a Heads of Agreement to sell a 7.5% interest in its Narrabri Joint Venture Project to a Korean Consortium, comprising Daewoo International Corporation (Daewoo) and Korea Resources Corporation (KORES), for A$125 million plus 7.5% of all costs incurred since 1 January 2008. The transaction is subject to the approval of Whitehaven, Daewoo and KORES Boards, and the obtaining of relevant Australian and Korean regulatory approvals.
- On 30 July 2009, Whitehaven Coal Limited successfully completed an institutional placement of 60,680,040 new ordinary shares at $3.05 per share, raising approximately net $177 million ('Institutional Placement'). The Institutional Placement was oversubscribed with strong demand from both existing and new Australian and international investors.
- On 7 September 2009, Whitehaven Coal Limited successfully raised $26 million under a Share Purchase Plan. A total of 8,501,896 ordinary shares were issued under the plan at a price of $3.05 per share, the same price as the institutional placement completed on 30 July 2009.
- The directors have resolved to pay a fully franked dividend of 6.0 cents per ordinary share (refer Note 26).

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2009 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
Austen Perrin	33,333	$1.00	26 Oct 2011
Austen Perrin	33,333	$1.00	26 Oct 2012
Austen Perrin	33,334	$1.00	26 Oct 2013

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 the financial year, the Company issued the following ordinary shares as a result of the exercise of options.

	Number of shares	Amount paid $/share
Director related entities		
Tony Haggarty	7,614,241	1.00
Andy Plummer	7,614,241	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 2010	$1.00	66,668
30 June 2010	$1.00	33,333
31 December 2010	$1.00	16,667
30 June 2011	$1.00	16,666
26 October 2011	$1.00	66,666
2 November 2011	$1.00	33,333
30 June 2012	$1.00	33,334
21 October 2012	$2.50	3,000,000
26 October 2012	$1.00	66,666
2 November 2012	$1.00	33,333
26 October 2013	$1.00	66,668
2 November 2013	$1.00	33,334
4 April 2017	$1.00	14,652,532

For details of options issued to key management personnel refer to section 7 of the Directors' 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 EPA prosecuted Werris Creek Coal Pty Ltd for a breach of condition of an environmental licence. Werris Creek Coal Pty Ltd pleaded guilty to the strict liability offence and was fined $49,000. This money is to be allocated to the local Quipolly Dam Regeneration Project. Werris Creek Coal Pty Ltd was also ordered to pay the prosecutors costs of $34,700 and put a notice in the Sydney Morning Herald and Australian Financial Review to publicise the offence to deter other offenders. The Judge found that the breach of licence was not foreseeable, that minor or no environmental harm was caused and Werris Creek Coal is only responsible because it is the licence holder. Sixty per cent of the costs and fine monies are recoverable under the Sale of Shares agreement.

16. NON-AUDIT SERVICES

During the year Ernst & Young and KPMG, the Company's current and previous auditor respectively, have 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, Ernst & Young and KPMG, and their related practices for non-audit services provided during the year are set out below.

	Consolidated	
In AUD	2009	2008
Non-audit services		
Ernst & Young		
Due diligence services	202,996	–
Review of Greenhouse Gas emissions	32,000	–
Other assurance services	43,900	–
	278,896	**–**
KPMG Australia		
Accounting advice	–	4,200
Taxation services	96,780	225,377
	96,780	**229,577**

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 41 and forms part of the Directors' report for financial year ended 30 June 2009.

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 Sydney this 16th day of September 2009

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

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Auditor's Independence declaration to the Directors of Whitehaven Coal Limited

In relation to our audit of the financial report of Whitehaven Coal Limited for the year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
16 September 2009

FINANCIAL REPORT

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
In thousands of AUD	Note	2009	2008	2009	2008
Revenue	8	489,397	252,000	–	–
Operating expenses		(296,251)	(177,948)		
Depreciation and amortisation		(26,290)	(18,091)	–	–
Cost of sales		**(322,541)**	**(196,039)**	**–**	**–**
Gross profit		**166,856**	**55,961**	**–**	**–**
Other income					
Before significant items	9	7,598	5,308	–	–
Significant items	9	263,715	55,629	–	–
		271,313	**60,937**	**–**	**–**
Selling and distribution expenses		(44,433)	(24,631)	–	–
Other expenses	10	(10,570)	(12,646)	(272)	(2,687)
Administrative expenses					
Before significant items		(9,446)	(7,061)	–	(5)
Significant items	7	(6,938)	–	–	–
		(16,384)	**(7,061)**	**–**	**(5)**
Profit/(loss) before financing income		**366,782**	**72,560**	**(272)**	**(2,692)**
Financial income	12	10,203	8,912	30,047	334
Financial expenses					
Before significant items	12	(10,558)	(7,443)	(8,881)	(5,043)
Significant items	7	(16,576)	–	–	–
		(27,134)	**(7,443)**	**(8,881)**	**(5,043)**
Net financing income/(expense)	**12**	**(16,931)**	**1,469**	**21,166**	**(4,709)**
Profit/(loss) before tax		**349,851**	**74,029**	**20,894**	**(7,401)**
Income tax (expense)/benefit					
Before significant items		(32,332)	(5,486)	2,614	(99)
Significant items	7	(73,307)	(16,689)	–	–
	13	**(105,639)**	**(22,175)**	**2,614**	**(99)**
Profit/(loss) for the year attributable to equity holders of the parent					
Before significant items		77,318	12,914	23,508	(7,500)
Significant items		166,894	38,940	–	–
Net profit/(loss) attributable to equity holders		**244,212**	**51,854**	**23,508**	**(7,500)**
Earnings per share:					
Basic earnings per share (cents per share)	36	60.5	14.5		
Diluted earnings per share (cents per share)	36	60.3	14.4		
Earnings per share before significant items:					
Basic earnings per share (cents per share)	36	19.1	3.6		
Diluted earnings per share (cents per share)	36	19.1	3.5		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 48 to 99.

BALANCE SHEETS
AS AT 30 JUNE 2009

In thousands of AUD	Note	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Assets					
Cash and cash equivalents	14	131,159	80,867	81	50
Trade and other receivables	15	173,550	48,996	276,968	170,400
Inventories	16	13,869	9,353	–	–
Deferred stripping		5,716	2,029	–	–
Derivative financial instruments	17	31,208	26,670	–	–
Total current assets		**355,502**	**167,915**	**277,049**	**170,450**
Trade and other receivables	15	98,343	27,217	–	–
Investments	18	37	37	464,750	464,750
Property, plant and equipment	19	508,838	388,921	–	–
Exploration and evaluation	20	3,838	1,774	–	–
Intangible assets	21	37,394	17,382	–	–
Deferred tax assets	13	–	–	2,810	954
Derivative financial instruments	17	3,047	20,106	–	–
Total non-current assets		**651,497**	**455,437**	**467,560**	**465,704**
Total assets		**1,006,999**	**623,352**	**744,609**	**636,154**
Liabilities					
Trade and other payables	22	64,799	37,871	156,918	148,070
Interest-bearing loans and borrowings	23	33,421	22,959	–	–
Employee benefits	24	3,966	2,159	–	–
Current tax payable	13	106,874	10,143	87,726	9,995
Deferred income		245	123	–	–
Provisions	25	1,738	593	–	–
Derivative financial instruments	17	3,093	–	–	–
Total current liabilities		**214,136**	**73,848**	**244,644**	**158,065**
Non-current liabilities					
Payables	22	–	10,431	–	–
Interest-bearing loans and borrowings	23	44,847	32,267	–	–
Deferred tax liabilities	13	4,415	9,957	–	–
Deferred income		701	513	–	–
Provisions	25	14,323	6,807	–	–
Derivative financial instruments	17	5,732	–	–	–
Total non-current liabilities		**70,018**	**59,975**	**–**	**–**
Total liabilities		**284,154**	**133,823**	**244,644**	**158,065**
Net assets		**722,845**	**489,529**	**499,965**	**478,089**
Equity					
Issued capital	26(a)	367,352	351,374	496,352	480,374
Share based payments reserve		442	1,211	442	1,211
Hedge reserve		16,298	25,562	–	–
Retained earnings/(accumulated deficit)		338,753	111,382	3,171	(3,496)
Total equity attributable to equity holders of the parent		**722,845**	**489,529**	**499,965**	**478,089**

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 48 to 99.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated In thousands of AUD	Note	Issued capital	Share based payments reserve	Retained earnings	Hedge reserve	Total
Opening balance at 1 July 2007		**192,883**	**44**	**59,528**	**–**	**252,455**
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	33,643	33,643
Change in fair value of cash flow hedges transferred to profit and loss, net of tax		–	–	–	(8,081)	(8,081)
Total income and expense recognised directly in equity		–	–	–	25,562	25,562
Net profit for the period		–	–	51,854	–	51,854
Total recognised income and expense for the period		–	–	51,854	25,562	77,416
Share based payments, net of tax	33	–	2,687	–	–	2,687
Share options exercised	26	14,227	–	–	–	14,227
Transfer from share based payment reserve	26	1,520	(1,520)	–	–	–
Shares issued	26	145,366	–	–	–	145,366
Share issue costs	26	(2,622)	–	–	–	(2,622)
Closing balance at 30 June 2008		**351,374**	**1,211**	**111,382**	**25,562**	**489,529**
Opening balance at 1 July 2008		**351,374**	**1,211**	**111,382**	**25,562**	**489,529**
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	(23,021)	(23,021)
Change in fair value of cash flow hedges transferred to profit and loss, net of tax		–	–	–	13,757	13,757
Total income and expense recognised directly in equity		–	–	–	(9,264)	(9,264)
Net profit for the period		–	–	244,212	–	244,212
Total recognised income and expense for the period		–	–	244,212	(9,264)	234,948
Dividends paid		–	–	(16,841)	–	(16,841)
Share based payments, net of tax	33	–	272	–	–	272
Share options exercised	26	15,295	–	–	–	15,295
Transfer from share based payment reserve	26	1,041	(1,041)	–	–	–
Costs of shares issued, net of tax	26	(358)	–	–	–	(358)
Closing balance at 30 June 2009		**367,352**	**442**	**338,753**	**16,298**	**722,845**

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

Company In thousands of AUD	Note	Issued capital	Share based payments reserve	Retained earnings	Hedge reserve	Total
Opening balance at 1 July 2007		**321,883**	**44**	**4,004**	**–**	**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	33	–	2,687	–	–	2,687
Transfer from share based payment reserve	26	1,520	(1,520)	–	–	–
Share options exercised	26	14,227	–	–	–	14,227
Shares issued	26	145,366	–	–	–	145,366
Share issue costs	26	(2,622)	–	–	–	(2,622)
Closing balance at 30 June 2008		**480,374**	**1,211**	**(3,496)**	**–**	**478,089**
Opening balance at 1 July 2008		**480,374**	**1,211**	**(3,496)**	**–**	**478,089**
Net loss for the period		–	–	23,508	–	23,508
Total recognised income and expense for the period		–	–	23,508	–	23,508
Dividends paid		–	–	(16,841)	–	(16,841)
Share based payments	33	–	272	–	–	272
Transfer from share based payment reserve	26	1,041	(1,041)	–	–	–
Share options exercised	26	15,295	–	–	–	15,295
Cost of shares issued net of tax	26	(358)	–	–	–	(358)
Closing balance at 30 June 2009		**496,352**	**442**	**3,171**	**–**	**499,965**

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 48 to 99.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
In thousands of AUD	Note	2009	2008	2009	2008
Cash flows from operating activities					
Cash receipts from customers		518,748	236,464	–	–
Cash paid to suppliers and employees		(383,132)	(218,612)	–	(5)
Cash generated from operations		**135,616**	**17,852**	**–**	**(5)**
Interest paid		(4,957)	(4,916)	–	–
Interest received		4,425	3,398	47	334
Income taxes paid		(12,419)	(4,348)	(12,419)	(4,610)
Net cash from/(used in) operating activities	**31**	**122,665**	**11,986**	**(12,372)**	**(4,281)**
Cash flows from investing activities					
Proceeds from sell down of Narrabri project	7	59,021	67,500	–	–
Proceeds from sale of property, plant and equipment		–	3,021	–	–
Acquisition of subsidiary, net of cash acquired		–	(36,730)	–	–
Acquisition of property, plant and equipment		(130,677)	(40,027)	–	–
Acquisition of intangible assets		(61)	(861)	–	–
Exploration and evaluation expenditure		(2,064)	(102)	–	–
Contract guarantee security		18,838	(25,000)	–	–
Loans to related entities		(5,155)	(7,943)	13,949	(144,262)
Loans repaid by related entities		–	11,338	–	–
Net cash from/(used in) investing activities		**(60,098)**	**(28,804)**	**13,949**	**(144,262)**
Cash flows from financing activities					
Proceeds from the issue of share capital	26	–	135,366	–	135,366
Proceeds from the exercise of share options	26	15,295	14,227	15,295	14,227
Transaction costs paid on issue of share capital		–	(3,815)	–	(3,815)
Repayment of borrowings		–	(61,223)	–	–
Payment of finance lease liabilities		(10,729)	(8,055)	–	–
Dividends paid		(16,841)	–	(16,841)	–
Net cash from/(used in) financing activities		**(12,275)**	**76,500**	**(1,546)**	**145,778**
Net increase/(decrease) in cash and cash equivalents		50,292	59,682	31	(2,765)
Cash and cash equivalents at 1 July		80,867	21,185	50	2,815
Cash and cash equivalents at 30 June	**14**	**131,159**	**80,867**	**81**	**50**

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements as set out on pages 48 to 99.

1. REPORTING ENTITY

The financial report for Whitehaven Coal Limited ('Whitehaven' or 'Company') for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 16 September 2009. Whitehaven Coal Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publically traded on the Australian Stock Exchange. The address of the Company's registered office is Level 9, 1 York Street, Sydney NSW 2000. The principal activity of the consolidated entity is the development and operation of coal mines in New South Wales.

2. BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report has been prepared on a historical cost basis except for derivative financial instruments which are measured at fair value (refer note 3g).

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.

a) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

b) Functional and presentation currency

Both the functional and presentation currency of the Company and of all entities in the consolidated entity is Australian dollars ($).

3. SUMMARY OF 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.

Comparative information

The income statement comparatives have been restated to show $4,450,000 plant hire revenue as other income rather than operating income as disclosed in the annual financial report for the year ended 30 June 2008.

The balance sheet comparatives have been restated to reflect share based payment transactions in a share based payment reserve rather than retained earnings as disclosed in the 30 June 2008 financial report. The impact of this restatement has been to increase share capital by $1,520,000, decrease retained earnings by $2,731,000 and recognise a share based payment reserve of $1,211,000.

The balance sheet comparatives have been restated to show $25,000,000 cash held as security for a sale and purchase agreement as trade and other receivables.

The balance sheet comparatives have been restated to show overburden in advance, incurred prior to production, in mine development. The impact of this restatement has been to decrease deferred stripping assets by $21,103,000 and to increase mining property and development by $21,103,000.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation

The consolidated financial report of the Company for the financial year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in jointly controlled operations.

(i) Subsidiaries

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. In assessing control, potential voting rights that are currently exercisable are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

(ii) Jointly controlled operations

The consolidated entity recognises its interest in jointly controlled operations by recognising its interest in the assets and liabilities of the joint venture. The consolidated entity also recognises the expenses it incurs and its share of the 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 initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet 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 as at the date of the initial transaction.

c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. For the purpose of the Statement of Cash Flows, 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.

e) Trade and other receivables

Trade receivables, which generally have 5-21 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Recoverability of trade receivables is reviewed on an ongoing basis.

Receivables due in more than one year are recognised initially at fair value, discounted back to net present value based on appropriate discount rates for the consolidated entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) 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.

Inventory are classified as follows:

- Run of mine: material extracted from through the mining process.
- Finished goods: products that have passed through all stages of the production process.
- Consumables: goods or supplies to be either directly or indirectly consumed in the production process.

g) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its risks associated with foreign currency rate fluctuations arising from operating activities.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured to fair value. Any gains and losses arising from changes in the fair value of derivatives are accounted for as described below. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. All attributable transaction costs are recognised in the income statement as incurred.

Cash flow hedges

Cash flow hedges are hedges of the consolidated entity's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. Changes in the fair value of the 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.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (coal sales) when the forecast transaction occurs.

The consolidated entity tests each of the designated cash flow hedges for effectiveness on at each balance date, both retrospectively and prospectively, by using the dollar offset method. If the testing falls within the 80:125 range, the hedge is considered to be highly effective and continues to be designated as a cash flow hedge.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if it no longer meets the criteria for hedge accounting (due to it being ineffective), then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction occurs.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investments and other financial assets

Financial assets in the scope of AASB 139 are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets.

Financial assets are recognised initially at fair value plus, for assets not at fair value through profit or loss, any directly attributable transaction costs.

Recognition and derecognition

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 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.

i) 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'.

(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 the income statement 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Mine development costs

The cost of acquiring mineral reserves and mineral resources are capitalised on the balance sheet as incurred. Capitalised costs (development expenditure) include expenditure incurred to expand the capacity of a mine and to maintain production. Mine development costs include acquired proved and probable mineral resources at cost at acquisition date.

Mineral reserves and capitalised mine development expenditure are, upon commencement of production, depreciated over the remaining life of mine. The net carrying amounts of mineral reserves and resources and capitalised mine development expenditure at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

k) 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 equipment.

(ii) Water access rights

The consolidated entity holds water access rights, 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 sold 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 straight line basis over the estimated life of the mining property to which the intangible asset 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 the income statement as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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.

m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

Consolidated entity as lessee

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement. 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.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and a reduction of the liability.

n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than 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.

o) Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

p) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

q) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages, salaries, annual leave and sick leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled i.e. at undiscounted amounts based on remuneration wage and salary rates 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employee benefits (continued)

(iii) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(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.

r) 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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of 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 based on 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Contributed equity

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.

t) Revenue recognition

(i) Sale of coal

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. Transfer of risk and rewards are considered to have passed to the buyer under the terms of the individual contracts.

(ii) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. 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.

(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.

u) 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.

v) 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 assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities based on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, other than for the following temporary differences:

- when the deferred income tax asset/liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit,
- when the taxable temporary difference is associated with investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Income tax (continued)

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets and liabilities, and the deferred tax assets and liabilities 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.

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 controlled entities 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.

(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.

w) Goods and services tax

Revenues, 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 and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) 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 2009, 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.

Revised AASB 1039 *Concise Reporting*. AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements. The consolidated entity has not yet determined the potential impact of the revised standard on the consolidated entity's financial report.

AASB 8 and AASB 2007-3 *Operating Segments and consequential amendments to other Australian Accounting Standards* introduce 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 accounting standards. 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.

Revised AASB 127 *Consolidated and Separate Financial Statements*. There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures.

AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* change 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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expense. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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.

Mine rehabilitation

The consolidated entity assesses its mine rehabilitation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions at balance date represent management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the balance sheet by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the carrying value, that portion of the increased is charged directly to expense. For closed mines, changes to estimated costs are recognised immediately in the income statement.

Exploration and evaluation expenditure

The application of the consolidated entity's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the income statement in the period when the new information becomes available.

Carrying value of assets

All mining assets are amortised over the shorter of the estimated remaining useful life or remaining mine life. For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on proved and probable mineral reserves, as the useful lives of these assets are considered to be limited to the life of the relevant mine.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the coal price assumption may change which may then impact our estimated life of mine determinant which could result in a material adjustment to the carrying value of tangible assets.

The consolidated entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as spot and future coal prices, discount rates, foreign currency exchange rates, estimates of costs to produce reserves and future capital expenditure. The related carrying amounts are disclosed in note 19.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Intangible assets

The fair values of intangible assets with indefinite useful lives are based on the outcome of recent transactions for similar assets within the same industry, less estimated costs of disposal.

Inventories

Costs that are incurred in or benefit the productive process are accumulated as stockpiles. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing and long-term sale prices, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the tonnes of contained anthracite are based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys. Although the quantities of recoverable anthracite are reconciled, the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result the process is constantly monitored and the engineering estimates are refined based on actual results over time. The related carrying amounts are disclosed in note 16.

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.

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.

Share-based payment transactions

The consolidated entity measures the cost of equity settled transactions with employees and director-related entities by reference to the fair value of the equity instruments at the date at which they are granted.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Mineral reserves and resources

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made including factors such as estimates of future operating performance, future capital requirements and short and long-term coal prices. The consolidated entity is required to determine and report reserves and resources under the Australian Code for Reporting Mineral Resources and Ore Reserves December 2004 (the JORC Code). The JORC Code requires the use of reasonable investment assumptions to calculate reserves and resources. Changes in reported reserves and resources can impact the carrying value of property, plant and equipment, provision for rehabilitation as well as the amount charged for amortisation and depreciation.

Overburden in advance

The consolidated entity defers advanced stripping costs incurred during the production stage of its operations. This calculation involves the use of judgements and estimates such as estimates of the tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio). These changes are accounted for prospectively.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Taxation

The consolidated entity's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

- market risk
- credit risk
- liquidity 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.

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 is subject to externally imposed capital requirements.

Risk exposures and responses

Foreign currency risk

The Company and consolidated entity are 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 use forward exchange contracts (FECs) to hedge their currency risk.

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 contracted sales where volume is fixed but pricing is provisional;
- 80% of planned sales from existing operations over a 12 month period; and
- a maximum of 50% of planned sales from existing operations for between 12 and 24 months.

No cover is be taken out beyond 24 months other than contracted sales where both volume and US dollar prices are fixed.

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 as cash flow hedges and measures them at fair value.

The fair value of forward exchange contracts used as hedges at 30 June 2009 was $25,430,000 (2008: 46,776,000), comprising assets and liabilities that were recognised as fair value derivatives.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Foreign currency risk (continued)

At 30 June 2009, the consolidated entity had the following financial instruments that were exposed to foreign currency risk:

In thousands of USD	USD 30 June 2009	USD 30 June 2008
Cash	3,300	3,668
Trade and other receivables	128,727	34,743
Trade and other payables	(10,672)	(19,588)
Finance lease liabilities	(18,291)	(10,034)
Net balance sheet exposure	**103,064**	**8,789**

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

The Company's exposure to foreign currency payable risk was AUD156,917,000/EUR 90,244,000 (2008: AUD148,037,000/EUR 90,244,000).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Fixed rate instruments	2009	2008	2009	2008
USD	0.7477	0.9038	0.8114	0.9626
EUR	0.5420	0.6102	0.5751	0.6096

Sensitivity analysis

A 10 per cent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
Effect in thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2009				
USD	–	(15,224)	–	–
EUR	–	–	–	14,262
30 June 2008				
USD	–	(1,022)	–	–
EUR	–	–	–	13,458

A 10 per cent weakening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and pre tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
Effect in thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2009				
USD	–	19,121	–	–
EUR	–	–	–	(17,437)
30 June 2008				
USD	–	834	–	–
EUR	–	–	–	(16,448)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables, available for sale financial assets, derivative financial instruments and the granting of financial guarantees. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets, as outlined below. For the Company it arises from receivables due from subsidiaries.

Exposure to credit risk

The consolidated entity's maximum exposure to credit risk at the reporting date was:

In thousands of AUD	Note	Carrying Amount 30 June 2009	Carrying Amount 30 June 2008
Cash and cash equivalents	14	131,159	80,867
Trade and other receivables	15	271,893	76,213
Derivative financial instruments	17	34,255	46,776
Available-for-sale financial assets	18	37	37
		437,344	**203,893**

The company's exposure to credit risk at the reporting date was $276,968,000 (2008: $170,400,000) arising from receivables from subsidiaries.

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

In thousands of AUD	Carrying Amount 30 June 2009	Carrying Amount 30 June 2008
Asia	30,151	30,574
Australia	1,113	1,217
	31,264	**31,791**

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 39 percent of the consolidated entity's revenue is attributable to sales transactions with two customers (2008: 29%).

More than 90 percent of the consolidated entity's customers have been transacting with the consolidated entity for over 5 years, and losses have occurred infrequently. Of the consolidated entity's trade and other receivables, 77% relate to receivables resulting from the sell down of the Narrabri Joint Venture (refer to note 7). The remaining 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 2009 (2008: Nil).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Credit risk (continued)

Impairment losses

The aging of the consolidated entity's trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
In thousands of AUD	2009	2009	2008	2008
Not past due	30,906	–	29,336	–
Past due 0-30 days	200	–	2,305	–
Past due 31-120 days	91	–	50	–
Past due 121 days to one year	64	–	69	–
More than one year	3	–	31	–
	31,264	**–**	**31,791**	**–**

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

None of the Company's trade and other receivables are past due (2008: $nil).

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 $52,900,000 facility. Details of outstanding guarantees are provided in note 30.

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.
- $2,020,000 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Liquidity risk (continued)

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

	Consolidated 30 June 2009						
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	56,701	68,035	8,033	8,031	16,132	35,839	–
Interest bearing liabilities	21,567	33,575	1,158	1,158	2,315	9,262	19,682
Trade and other payables	64,799	64,799	56,399	8,400	–	–	–
Forward exchange contracts:							
Outflow	589,152	609,413	193,675	183,493	216,542	15,703	–
Inflow	(614,583)	(635,084)	(213,352)	(192,308)	(214,817)	(14,607)	–
	117,636	**140,738**	**45,913**	**8,774**	**20,172**	**46,197**	**19,682**

	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	–	–
Interest bearing liabilities	15,218	15,218	15,218	–	–	–	–
Forward exchange contracts:							
Outflow	408,315	452,834	111,829	66,004	154,310	120,691	–
Inflow	(455,091)	(503,488)	(130,361)	(74,977)	(169,695)	(128,455)	–
	56,752	**62,371**	**39,872**	**(3,702)**	**6,934**	**16,339**	**2,928**

Amounts included in the tables above include interest bearing liabilities of $21,567,000 (2008: $nil) for which the contractual cash flows extend out for more than 5 years. These amounts are repayable on demand, and as such the entire amount is included within current liabilities in the balance sheet and notes to the accounts.

	Company						
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
30 June 2009							
Loans from subsidiaries	156,918	156,918	156,918	–	–	–	–
30 June 2008							
Loans from subsidiaries	148,037	148,037	148,037	–	–	–	–

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

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 consolidated entity does not engage in any hedging to mitigate interest rate risk, instead management analyses its exposure on an ongoing basis.

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

	Consolidated Carrying amount		Company Carrying amount	
In thousands of AUD	2009	2008	2009	2008
Fixed rate instruments				
Financial liabilities	(78,268)	(40,008)	–	–
	(78,268)	(40,008)	–	–
Variable rate instruments				
Financial assets	131,159	80,867	81	50
Financial liabilities	–	(15,218)	–	–
	131,159	**65,649**	**81**	**50**
Net exposure	**52,891**	**25,641**	**81**	**50**

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 2008. The Company's exposure to interest rate risk is small, and as such no sensitivity analysis has been undertaken.

	Profit or loss		Equity	
Effect in thousands of AUD	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2009				
Variable rate instruments	1,312	(1,312)	–	–
Cash flow sensitivity (net)	1,312	(1,312)	–	–
30 June 2008				
Variable rate instruments	656	(656)	–	–
Cash flow sensitivity (net)	656	(656)	–	–

Commodity price risk

The consolidated entity's major commodity price exposure is to the price of coal. The consolidated entity has chosen not to hedge against the movement in coal prices but enters into sales contracts with durations of more than 12 months to mitigate this risk. For the following financial year 78% of coal sales tonnages have had the sales price fixed.

Net Fair Values

The carrying values of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 3 to the financial statements.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Financial Assets and Liabilities by Categories

Consolidated Entity

		2009			2008		
In thousands of AUD	Note	Loans and Receivables	At fair value through profit and loss	Other	Loans and Receivables	At fair value through profit and loss	Other
Financial Assets							
Cash and cash equivalents	14	131,159	–		80,867		
Trade and other receivables	15	271,893	–		76,213		
Other financial assets	17, 18	–	34,255	37	–	46,776	37
Total Financial Assets		**403,052**	**34,255**	**37**	**157,080**	**46,776**	**37**
Financial Liabilities							
Trade and other payables	22	64,799	–	–	48,302	–	–
Borrowings	23	78,268	–	–	55,226	–	–
Other financial liabilities	17	–	8,825	–	–	–	–
Total Financial Liabilities		**143,067**	**8,825**	**–**	**103,528**		**–**

Company

		2009		2008	
In thousands of AUD	Note	Loans and Receivables	Other	Loans and Receivables	Other
Financial Assets					
Cash and cash equivalents	14	81		50	
Trade and other receivables	15	276,968		170,400	
Other financial assets	18		464,750		464,750
Total Financial Assets		**277,049**	**464,750**	**170,450**	**464,750**
Financial Liabilities					
Trade and other payables		**156,918**		**148,037**	

6. SEGMENT REPORTING

Business and geographical segments

The consolidated entity undertakes coal mining in New South Wales. Revenue is derived from the sale of coal to customers in Asia and Australia.

Sales revenue by geographical location of customer

	Consolidated	Consolidated
In thousands of AUD	2009	2008
Asia	481,162	249,239
Australia	8,235	2,761
	489,397	**252,000**

7. SIGNIFICANT ITEMS

In thousands of AUD	Consolidated 2009	Consolidated 2008
Consideration on sale of 15% of Narrabri joint venture interest	285,345	67,500
Transaction costs	(520)	–
Assets disposed	(23,210)	(11,871)
Gain on sale of joint venture interest[1]	**261,615**	**55,629**
Restructure costs[2]	(2,444)	–
Employee on-costs adjustment[3]	(1,145)	–
Due diligence costs[4]	(3,349)	–
Reimbursed due diligence costs	2,100	–
Finance costs on retranslation of EDF receivable[1]	(16,576)	–
Significant items before tax	**240,201**	**55,629**
Applicable income tax expense	(73,307)	(16,689)
Significant items after tax	**166,894**	**38,940**
Reconciliation of significant items to face of Income Statement:		
Other income:		
Gain on sale of joint venture interest	261,615	55,629
Reimbursed due diligence costs	2,100	–
	263,715	**55,629**
Administrative expenses:		
Restructure costs	(2,444)	–
Employee on-costs adjustment	(1,145)	–
Due diligence costs	(3,349)	–
	(6,938)	**–**

Significant items are amounts considered by the Company not to be in the normal course of operations and are generally one-off or non-recurring.

1 During the half-year period, the Company sold a further 15% of its joint venture interest in the Narrabri North Project, taking its interest in the project down to 77.5%. EDF Trading (EDFT) and Electric Power Development Co. Ltd (J-Power) each purchased 7.5% interests, joining Upper Horn Investments Limited (UHI), as joint venturers in this project.

EDFT will pay the Company US$120 million in a series of tranches over the next three calendar years, and will contribute its 7.5% share of all development costs incurred since 1 January 2008.

The receivable is denominated in US$ and has been discounted on initial recognition. At the reporting date the receivable has been retranslated and the discount unwound. The resulting expense has been disclosed as a significant item.

J-Power agreed to pay the Company AU$125 million, to be settled in two tranches, plus J-Power's 7.5% share of project development costs incurred since 1 January 2008. The first tranche of AU$41.7 million was received during the year, as well as J-Power's 7.5% share of project development costs incurred since 1 January 2008. The second tranche will be payable when the Company obtains NSW Government approval for Stage 2 of the Narrabri Project.

2 Following strategic management changes to the Group, the corporate office was relocated from Brisbane to Sydney. This has resulted in costs of $2,444,000 associated with redundancies and office closures.

3 During the year the Group was made aware of an underpayment of employee on-costs. Management has recorded a provision for the amounts that are due to be paid and associated fees for late payment. As at 30 June 2009, $700,000 of the provision had been utilised for payment of employee on-costs.

4 During the year the Group undertook a number of due diligence projects in relation to potential acquisitions and mergers which did not proceed.

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
8. REVENUE				
Sale of coal	489,397	252,000	–	–
9. OTHER INCOME				
Before significant items:				
Hire of plant	5,815	4,450	–	–
Rental income	371	12		
Sundry income	1,412	823	–	–
Gain on sale of cattle	–	23	–	–
	7,598	**5,308**	**–**	**–**
Significant items:				
Gain on sale of interest in Narrabri project*	261,615	55,629	–	–
Sundry income	2,100	–		
	263,715	**55,629**	**–**	**–**

* During the year the Group sold 15% (2008: 7.5%) of its joint venture interest in the Narrabri North Project. Refer to Note 7 for further details of these transactions. Further sell downs of the Narrabri Coal Project have been agreed to subsequent to year end, refer to note 32.

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
10. OTHER EXPENSES				
Loss on sale of non-current assets	–	5	–	–
Impairment on disposal of cattle	–	84	–	–
Payments for unfulfilled legacy contracts	10,298	9,870	–	–
Share-based compensation payments	272	2,687	272	2,687
	10,570	**12,646**	**272**	**2,687**
11. PERSONNEL EXPENSES				
Wages and salaries	28,064	15,535	–	–
Contributions to superannuation plans	2,537	1,297	–	–
Other associated personnel expenses	322	241	–	–
Increase in liability for annual leave	1,026	533	–	–
Increase in liability for long-service leave	6	60	–	–
Share-based compensation payments	272	2,687	272	2,687
	32,227	**20,353**	**272**	**2,687**

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
12. FINANCE INCOME AND EXPENSE				
Recognised in profit and loss				
Interest income on bank facilities	4,425	3,394	47	334
Dividend income	4	308	30,000	–
Net realised foreign exchange gain	5,774	3,200	–	–
Gains from ineffective portion of hedges	–	2,010	–	–
Financial income	**10,203**	**8,912**	**30,047**	**334**
Interest expense on secured bank loans	–	(633)	–	–
Interest expense on finance lease liabilities	(4,283)	(2,357)	–	–
Interest expense on unsecured loan from related entity	–	(704)	–	–
Unwinding of discounts on provisions	(699)	(452)	–	–
Losses on derivatives not qualifying for hedge accounting	–	(2,985)	–	–
Losses from ineffective portion of hedges	(1,727)	–	–	–
Net unrealised foreign exchange loss	(3,175)	–	(8,881)	(5,043)
Net foreign exchange loss on translation of EDF receivable	(16,576)	–	–	–
Other interest charges	(674)	(312)	–	–
Financial expenses	**(27,134)**	**(7,443)**	**(8,881)**	**(5,043)**
Net financing income	**(16,931)**	**1,469**	**21,166**	**(4,709)**
Recognised directly in equity				
Effective portion of changes in fair value of cash flow hedges	(32,887)	48,061	–	–
Net change in fair value of cash flow hedges transferred to profit or loss – sale of coal	19,653	(11,544)	–	–
Income tax on income and expense recognised directly in equity	3,970	(10,955)	–	–
Finance (expense)/income recognised directly in equity, net of tax	**(9,264)**	**25,562**	**–**	**–**

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
13. INCOME TAX				
a) Income tax (expense)/benefit				
Current income tax				
Current period	(106,968)	(14,959)	400	140
Adjustment for prior periods	(601)	1,035	–	–
	(107,569)	**(13,924)**	**400**	**140**
Deferred income tax				
Origination and reversal of temporary differences	1,930	(8,251)	2,214	(239)
Income tax expense reported in the income statement	**(105,639)**	**(22,175)**	**2,614**	**(99)**
Numerical reconciliation between tax expense recognised in the income statement and profit before tax				
Profit/(loss) for the period	244,212	51,854	23,508	(7,500)
Total income tax (expense)/benefit	(105,639)	(22,175)	2,613	(99)
Profit excluding income tax	**349,851**	**74,029**	**20,895**	**(7,401)**
Income tax using the Company's domestic tax rate of 30% (2008: 30%)	(104,956)	(22,209)	(6,269)	2,220
Non-deductible expenses	(82)	(901)	(117)	(2,319)
Intra-group dividend – non taxable	–	–	9,000	–
Change in unrecognised temporary differences	–	(100)	–	–
Underprovided in prior periods	(601)	1,035	–	–
Aggregate income tax expense	**(105,639)**	**(22,175)**	**2,614**	**(99)**
b) Income tax recognised directly in equity				
Deferred income tax related to items charged/(credited) directly to equity				
Derivatives	3,970	(10,955)	–	–
Transaction costs on issue of share capital	(358)	1,193	(358)	1,193
Income tax expense recorded in equity	**3,612**	**(9,762)**	**(358)**	**1,193**

13. INCOME TAX (CONTINUED)

c) Recognised deferred tax assets and liabilities

	Consolidated			
In thousands of AUD	2009 Current income tax	2009 Deferred income tax	2008 Current income tax	2008 Deferred income tax
Opening balance	(10,143)	(9,957)	25	8,056
Charged to income	(107,569)	1,930	(13,924)	(8,251)
Charged to equity	–	3,612	–	(9,762)
Payments	10,838	–	3,756	–
Closing balance	**(106,874)**	**(4,415)**	**(10,143)**	**(9,957)**
Tax expense in income statement		(105,639)		(22,175)
Amounts recognised in the balance sheet:				
Deferred tax asset		–		–
Deferred tax liability		(4,415)		(9,957)
		(4,415)		**(9,957)**

	Company			
In thousands of AUD	2009 Current income tax	2009 Deferred income tax	2008 Current income tax	2008 Deferred income tax
Opening balance	(9,995)	954	–	2,152
Charged to income	400	2,214	140	(239)
Charged to equity	–	(358)	–	(1,193)
Transfer of tax balances from tax consolidated group	(77,837)	–	(10,135)	234
Payments	(294)	–	–	–
Closing balance	**(87,726)**	**2,810**	**(9,995)**	**954**
Tax expense in income statement		2,614		(99)
Amounts recognised in the balance sheet:				
Deferred tax asset		2,810		954
Deferred tax liability		–		–
		2,810		**954**

Unrecognised deferred tax assets

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

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Land and mining tenements	21,530	21,530	–	–
	21,530	**21,530**	**–**	**–**

13. INCOME TAX (CONTINUED)

c) Recognised deferred tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following:

	Consolidated			
	Assets		Liabilities	
In thousands of AUD	2009	2008	2009	2008
Property, plant and equipment	168	164	(18,363)	(13,446)
Receivables	–	–	(119)	(90)
Derivatives	–	–	(8,756)	(9,054)
Investments	–	–	(1)	(1)
Inventories	–	–	(20)	(12)
Deferred stripping	–	–	(3,065)	(6,939)
Deferred revenue	–	–	(3,214)	–
Deferred foreign exchange gain	11,958	58	(7,062)	(51)
Mining tenement	15,930	15,727	(87)	(914)
Provisions	5,473	7,419	–	(4,565)
Unearned income	214	190	–	–
Restructure costs	84	–	–	–
Other items	2,445	1,557	–	–
Tax (assets)/liabilities	**36,272**	**25,115**	**(40,687)**	**(35,072)**
Set off of tax assets	(36,272)	(25,115)	36,272	25,115
Net tax assets/(liabilities)	**–**	**–**	**4,415**	**(9,957)**

	Company			
	Assets		Liabilities	
In thousands of AUD	2009	2008	2009	2008
Investments	2,810	954	–	–
Net tax assets/(liabilities)	**2,810**	**954**	**–**	**–**

d) Tax consolidation

The Company and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 29 May 2007. The consolidated tax group has entered into both a tax funding arrangement and a tax sharing agreement.

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
14. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	**131,159**	**80,867**	**81**	**50**

The weighted average interest rate for cash balances at 30 June 2009 is 2.59% (2008: 6.94%).

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
15. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	31,264	31,791	–	–
Other trade receivables and prepayments	140,918	15,579	–	33
Receivables due from related parties	1,368	1,626	276,968	170,367
	173,550	**48,996**	**276,968**	**170,400**
Non-current				
Other trade receivables and prepayments	**98,343**	**27,217**	**–**	**–**

Included in Trade and Other Receivables is a 30-day term deposit for $6,162,000 (2008: $25,000,000) as security for a sale and purchase agreement with a major customer to supply coal to 31 March 2010.

Included in Current and Non-current Trade and Other Receivables are amounts of $121,353,000 and $88,394,000 respectively, relating to consideration due on the sell down of the Narrabri North project. For further details of this transaction please refer to note 7.

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
16. INVENTORIES				
Coal stocks (at NRV)	789	–	–	–
Coal stocks (at cost)	10,994	7,225	–	–
Consumables and stores	2,086	2,128	–	–
	13,869	**9,353**	**–**	**–**
17. DERIVATIVE FINANCIAL INSTRUMENTS				
Current assets				
Forward exchange contracts – receivable	**31,208**	**26,670**	**–**	**–**
Non-current assets				
Forward exchange contracts – receivable	**3,047**	**20,106**	**–**	**–**
Current liabilities				
Forward exchange contracts – payable	**3,093**	**–**	**–**	**–**
Non-current liabilities				
Forward exchange contracts – payable	**5,732**	**–**	**–**	**–**

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Instruments used by the consolidated entity

Derivative financial instruments are used by the consolidated entity in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

Forward currency contracts – cash flow hedges

The consolidated entity undertakes sales in US dollars. In order to protect against exchange rate movements and reduce the foreign exchange rate related volatility of the consolidated entity's revenue stream, the consolidated entity enters into forward exchange contracts to sell US dollars in the future at stipulated exchange rates. 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 2009, 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.

Forward exchange contracts

In thousands of AUD (except exchange rates)	Fair Value 2009	Average Exchange Rates 2009	Fair Value 2008	Average Exchange Rates 2008
Sell US dollars				
Less than six months	19,527	0.7354	18,224	0.8176
Six months to one year	8,588	0.7628	8,446	0.8175
One year to less than two years	(1,692)	0.7852	13,647	0.8170
Two years to less than three years	(993)	0.8215	6,048	0.8189
Three years to less than four years	–	–	411	0.8215
	25,430	**0.7632**	**46,776**	**0.8178**

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
18. INVESTMENTS				
Non-current investments				
Investment in unlisted shares	37	37	–	–
Investments in subsidiaries	–	–	464,750	464,750
	37	**37**	**464,750**	**464,750**

19. PROPERTY, PLANT AND EQUIPMENT

		Consolidated				
In thousands of AUD	Note	Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Total
Cost						
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
Reclassification of initial boxcuts		–	–	–	21,103	21,103
Acquisition through business combinations		2,854	5,918	1,062	64,018	73,852
Transfer to 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**	**290,268**	**429,907**
Balance at 1 July 2008		31,499	51,947	56,193	290,268	429,907
Acquisitions		8,551	52,009	27,058	81,646	169,264
Transfer to plant and equipment		2,031	11,272	(6,870)	(6,433)	–
Disposals		(426)	(545)	–	(22,239)	(23,210)
Balance at 30 June 2009		**41,655**	**114,683**	**76,381**	**343,242**	**575,961**
Depreciation						
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)**
Balance at 1 July 2008		–	(15,040)	(10,500)	(15,446)	(40,986)
Depreciation charge for the year		–	(5,243)	(10,806)	(10,088)	(26,137)
Transfer to plant and equipment		–	(2,684)	2,684	–	–
Disposals		–	–	–	–	–
Balance at 30 June 2009		**–**	**(22,967)**	**(18,622)**	**(25,534)**	**(67,123)**
Carrying amounts						
At 1 July 2007		19,184	34,903	32,541	180,984	267,612
At 30 June 2008		**31,499**	**36,907**	**45,693**	**274,822**	**388,921**
At 1 July 2008		31,499	36,907	45,693	274,822	388,921
At 30 June 2009		**41,655**	**91,716**	**57,759**	**317,708**	**508,838**

19. 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 2009, the consolidated entity's net carrying amount of leased plant and machinery was $57,759,000 (2008: $45,693,000). The Company does not hold leased plant and machinery. The leased equipment is pledged as security for the related finance lease liabilities.

Security

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

20. EXPLORATION AND EVALUATION

	Consolidated		Company	
In thousands of AUD	Cost	Impairment losses	Cost	Impairment losses
Balance at 1 July 2007	1,672	–	–	–
Exploration and evaluation expenditure	102	–	–	–
Balance at 30 June 2008	**1,774**	**–**	**–**	**–**
Balance at 1 July 2008	1,774	–	–	–
Exploration and evaluation expenditure	2,064	–	–	–
Balance at 30 June 2009	**3,838**	**–**	**–**	**–**

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.

21. INTANGIBLE ASSETS

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Water access rights	953	953	–	–
Acquired Haulage Rights	1,300	1,300	–	–
Less: Accumulated amortisation	(242)	(89)	–	–
Rail access rights	35,383	15,218	–	–
	37,394	**17,382**	**–**	**–**

The consolidated entity has entered into agreements with the Rail Infrastructure Corporation and Australian Rail Track Corporation 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 three years. The initial funding for the upgrade has been obtained by Rail Infrastructure Corporation and 60% of this will be subject to repayment by the consolidated group over 15 years. The corresponding asset has been recognised and represents the group's right to rail access over that period. The access rights will be amortised on a units sold basis reflecting the economic benefit derived over the life of the access once the upgrades are complete.

In thousands of AUD	Water access rights	Contract related intangible	Rail access rights	Total
Consolidated – movement in intangibles				
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**
Balance at 1 July 2008	953	1,211	15,218	17,382
Acquired during the year	–	–	20,165	20,165
Less: Accumulated amortisation	–	(153)	–	(153)
Balance at 30 June 2009	**953**	**1,058**	**35,383**	**37,394**

22. TRADE AND OTHER PAYABLES

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Current				
Trade payables	21,909	6,003	–	–
Other payables and accrued expenses	34,490	31,868	–	–
Deferred purchase consideration	8,400	–	–	–
Payable to controlled entities	–	–	156,918	148,070
	64,799	**37,871**	**156,918**	**148,070**
Non-current				
Deferred purchase consideration	**–**	**10,431**	**–**	**–**

23. INTEREST-BEARING LOANS AND BORROWINGS

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

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Current liabilities				
Finance lease liabilities	11,854	7,741	–	–
Other loans unsecured	21,567	15,218	–	–
	33,421	**22,959**	**–**	**–**
Non-current liabilities				
Finance lease liabilities	44,847	32,267	–	–
	44,847	**32,267**	**–**	**–**
	78,268	**55,226**	**–**	**–**
Financing facilities				
Secured bank loans	2,020	13,280	–	–
Bank overdraft facility	1,000	1,000	–	–
	3,020	**14,280**	**–**	**–**
Facilities utilised at reporting date				
Secured bank loans	–	–	–	–
Bank overdraft facility	–	–	–	–
	–	**–**	**–**	**–**
Facilities not utilised at reporting date				
Secured bank loans	2,020	13,280	–	–
Bank overdraft facility	1,000	1,000	–	–
	3,020	**14,280**	**–**	**–**

23. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Financing arrangements

Bank loans

Bank loans were repaid during the year ended 30 June 2008. The loan attracts interest at the quarterly 'BBSY' rate plus 1.5%.

The bank loans were 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	2009	2008	2009	2008
Freehold land	41,655	31,499	–	–
Property, plant and equipment	409,424	290,626	–	–
	451,079	**322,125**	**–**	**–**

Finance lease facility

At 30 June 2009, the consolidated entity's lease liabilities are secured by the leased assets of $57,759,000 (2008: $45,693,000), as in the event of default, the leased assets revert to the lessor. The Company did not have any lease liabilities at 30 June 2009 (2008: nil).

Finance lease liabilities

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

	Consolidated					
In thousands of AUD	Minimum lease payments 2009	Interest 2009	Principal 2009	Minimum lease payments 2008	Interest 2008	Principal 2008
Less than one year	16,064	4,210	11,854	10,586	2,845	7,741
Between one and five years	51,971	7,124	44,847	34,644	5,284	29,360
More than five years	–	–	–	2,928	21	2,907
	68,035	**11,334**	**56,701**	**48,158**	**8,150**	**40,008**

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
24. EMPLOYEE BENEFITS				
Current				
Salaries and wages accrued	1,204	428	–	–
Liability for long service leave	15	9	–	–
Liability for annual leave	2,747	1,722	–	–
	3,966	**2,159**	**–**	**–**
25. PROVISIONS				
Mine rehabilitation and closure	15,710	7,400	–	–
Other provisions	351	–	–	–
	16,061	**7,400**	**–**	**–**
Current	1,738	593	–	–
Non-current	14,323	6,807	–	–
	16,061	**7,400**	**–**	**–**

Consolidated In thousands of AUD	Mine rehabilitation and closure
Balance at 1 July 2008	7,400
Provisions made during the period	7,611
Unwind of discount	699
Balance at 30 June 2009	**15,710**

Increases in the provision for rehabilitation were made during the year as a result of additional disturbance at several mines, which came into production.

26. SHARE CAPITAL AND RESERVES

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
a) Share capital				
Authorised, issued and fully paid up ordinary shares 407,213,601 (2008: 391,918,453)	367,352	351,374	496,352	480,374

b) Movements in shares on issue

Ordinary shares

	Consolidated				Company			
	2009		2008		2009		2008	
	Nos of shares 000s	$000s	Nos of shares 000s	$000s	Nos of shares 000s	$000s	Nos of shares 000s	$000s
Beginning of the financial year	391,918	351,374	323,000	192,883	391,918	480,374	323,000	321,883
Issued for cash	–	–	51,081	135,366	–	–	51,081	135,366
Exercise of share options	15,295	15,295	14,227	14,227	15,295	15,295	14,227	14,227
Transfer from share based payment reserve	–	1,041	–	1,520	–	1,041	–	1,520
Acquisition of Creek Resources Pty Ltd	–	–	3,610	10,000	–	–	3,610	10,000
Costs of shares issued, net of tax	–	(358)	–	(2,622)	–	(358)	–	(2,622)
	407,213	**367,352**	**391,918**	**351,374**	**407,213**	**496,352**	**391,918**	**480,374**

The Company has also issued share options (see note 33).

The Company's and the consolidated entity's share capital differ as a result of reverse acquisition accounting in 2007. 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

Fully paid ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company and carry the right to receive dividends as declared. In the event of a winding up of the Company, fully paid ordinary shares carry the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

26. 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) Share based payment reserve

The share based payment reserve is used to record the value of share based payments provided to director-related entities and senior employees under share option plans. Refer to note 33 for further details of these plans.

f) Dividends

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Recognised amounts				
Declared and paid during the year:				
Final franked dividend for 2008: 1.7c (2007: nil)	6,663	–	6,663	–
Interim franked dividend for 2009: 2.5c (2008: nil)	10,178	–	10,178	–
	16,841	**–**	**16,841**	**–**
Unrecognised amounts				
Final franked dividend for 2009: 6.0c (2008: 1.7c)	**28,583**	**6,663**	**28,583**	**6,663**

After the balance sheet date the above dividends were proposed for approval at the Company's Annual General Meeting. These amounts have not been recognised as a liability in the financial statements for the year ended 30 June 2009 but will be brought to account in the year ending 30 June 2010.

Dividend franking account

	Company	
In thousands of AUD	2009	2008
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	102,818	16,849

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 (2008: $nil) franking credits.

27. OPERATING LEASES

Consolidated entity as lessee

The consolidated entity leases mining equipment, office equipment and office space under operating leases. The leases typically run for one to five years with an option to renew on the mining equipment and office space. None of the leases include contingent rentals.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2009 are as follows:

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Less than one year	4,206	164	–	–
Between one and five years	1,099	112	–	–
	5,305	**276**	**–**	**–**

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 2009 $7,135,000 (2008: $7,135,000) of land was leased under these operating leases.

28. CAPITAL EXPENDITURE COMMITMENTS

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Plant and equipment and intangibles				
Contracted but not provided for and payable:				
Within one year	54,386	73,775	–	–
One year or later and no later than five years	–	–	–	–
	54,386	**73,775**	**–**	**–**

29. 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	2009	2008	2009	2008
Within one year	1,664	1,061	–	–
One year or later and no later than five years	5,403	1,899	–	–
	7,067	**2,960**	**–**	**–**

30. 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	2009	2008	2009	2008
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.	20,585	16,901	–	–
(ii) The consolidated entity provided bank guarantees to Rail Infrastructure Corporation.	30,000	28,820	–	–
(iii) The consolidated entity provided bank guarantees to the Roads and Traffic Authority of NSW.	1,700	–	–	–
(iv) The consolidated entity provided bank guarantees to Westpac Banking Corporation.	222	–	–	–
(v) The consolidated entity provided bank guarantees to the Salvation Army Property Trust.	28	28	–	–
	52,535	**45,749**	**–**	**–**

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.

31. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	Note	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Cash flows from operating activities					
Profit/(loss) for the period		244,212	51,854	23,508	(7,500)
Adjustments for:					
Depreciation	19	26,137	18,002	–	–
Amortisation	21	153	89	–	–
Foreign exchange losses unrealised		21,652	1,702	8,881	5,043
Unwinding of discounts on provisions	25	699	452	–	–
Share-based compensation payments	33	272	2,687	272	2,687
Non-cash dividends		–	–	(30,000)	–
Gain on sale of interest in Narrabri project	9	(261,615)	(55,629)	–	–
Loss on sale of non-current assets	10	–	5	–	–
Operating profit before changes in working capital and provisions		**31,510**	**19,162**	**2,661**	**230**
Change in trade and other receivables		385	(33,334)		(5,709)
Change in inventories and deferred stripping		(12,704)	(6,615)	–	–
Change in trade and other payables		6,000	13,971	–	–
Change in unearned revenue		311	312	–	–
Change in provisions and employee benefits		1,807	664	–	–
Change in tax payable		96,729	10,168	(106)	–
Change in deferred taxes		(1,373)	7,658	(14,927)	1,198
Cash flows from operating activities		**122,665**	**11,986**	**(12,372)**	**(4,281)**

32. 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:

- During July 2009, the Group ceased operations from the Canyon mine as it had reached the end of its mine life.
- On 6 August 2009, the Group announced it had entered into a Heads of Agreement to sell a 7.5% interest in its Narrabri Joint Venture Project to a Korean Consortium, comprising Daewoo International Corporation (Daewoo) and Korea Resources Corporation (KORES), for A$125 million plus 7.5% of all costs incurred since 1 January 2008. The transaction is subject to the approval of Whitehaven, Daewoo and KORES Boards, and the obtaining of relevant Australian and Korean regulatory approvals.
- On 30 July 2009, Whitehaven Coal Limited successfully completed an institutional placement of 60,680,040 new ordinary shares at $3.05 per share, raising approximately net $177 million ('Institutional Placement'). The Institutional Placement was oversubscribed with strong demand from both existing and new Australian and international investors.
- On 7 September 2009, Whitehaven Coal Limited successfully raised $26 million under a Share Purchase Plan. A total of 8,501,896 ordinary shares were issued under the plan at a price of $3.05 per share, the same price as the institutional placement completed on 30 July 2009.
- The directors have resolved to pay a fully franked dividend of 6.0 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 2009 but will be recognised in future financial periods.

33. SHARE-BASED PAYMENTS

a) Recognised share-based payment expenses

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Employee expenses				
Share options – director-related entities	115	2,619	115	2,619
Share options – senior employees	157	68	157	68
	272	**2,687**	**272**	**2,687**

b) Types of share-based payment plans

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		

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. 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.

The options have an expiry date of 4 April 2017. Upon resignation by the director, any options that have not been vested will be forfeited.

33. SHARE-BASED PAYMENTS (CONTINUED)

b) Types of share-based payment plans (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		

Option grant to senior employees on 19 February 2009

The Company issued share options to senior employees on 19 February 2009. The terms and conditions of the grant are as follows.

Option	Exercise price	Number of instruments	Vesting conditions	Expiration date
Tranche 1	$1.00	33,333	30 June 2010	30 June 2010
Tranche 2	$1.00	16,667	31 December 2010	31 December 2010
Tranche 3	$1.00	16,666	30 June 2011	30 June 2011
Tranche 4	$1.00	66,666	26 October 2011	26 October 2011
Tranche 5	$1.00	33,333	2 November 2011	2 November 2011
Tranche 6	$1.00	33,334	30 June 2012	30 June 2012
Tranche 7	$1.00	66,666	26 October 2012	26 October 2012
Tranche 8	$1.00	33,333	2 November 2012	2 November 2012
Tranche 9	$1.00	66,668	26 October 2013	26 October 2013
Tranche 10	$1.00	33,334	2 November 2013	2 November 2013
		400,000		

c) Movement in options

The following table illustrates the number and weighted average exercise prices of, and movements in, share options issued during the year:

Movement in options	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at beginning of period	$1.14	33,014,348	$1.00	44,241,314
Exercised during the period	$1.00	(15,295,148)	$1.00	(14,226,966)
Granted during the period	$1.00	400,000	$2.50	3,000,000
Outstanding at 30 June	$1.25	18,119,200	$1.14	33,014,348
Exercisable at 30 June	**$1.00**	**–**	**$1.00**	**15,228,482**

33. SHARE-BASED PAYMENTS (CONTINUED)

c) Movement in options (continued)

The outstanding balance as at 30 June 2009 is represented by:

(i) 66,668 senior employee options over ordinary shares having an exercise price of $1, exercisable on meeting the above conditions and until 30 June 2010.

(ii) 400,000 senior employee options over ordinary shares having an exercise price of $1.00, exercisable on meeting the above conditions and until the dates shown above.

(iii) 14,652,532 director-related entity options over ordinary shares having an exercise price of $1, exercisable on meeting the above conditions and with an average estimated remaining contractual life of four years.

(iv) 3,000,000 senior employee options over ordinary shares having an exercise price of $2.50, exercisable on meeting the above conditions and until 22 October 2012.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2009 was $3.10 (2008: $2.75).

The weighted average remaining contractual life of share options outstanding at 30 June 2009 is 6.9 years (2008: 8.3 years).

d) Option pricing models

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.

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

The following table lists the inputs to the models used for the years ended 30 June 2009 and 30 June 2008:

	Senior employees	
Fair value of share options and assumptions	2009	2008
Fair value at grant date	144.3 cents	4.6 cents
Share price	$1.51	$1.64
Exercise price	$1.00	$2.50
Expected volatility (weighted average volatility)	30%	30%
Option life (expected weighted average life)	1-4 years	5 years
Expected dividends	10%	10%
Risk-free interest rate (based on government bonds)	3%	6.75%

34. 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
Directors	
John Conde	Chairman
Neil Chatfield	Non-executive Director
Alex Krueger	Non-executive Director
Hans Mende	Non-executive Director
Tony Haggarty	Managing Director (appointed non-executive director 3 May 2007, appointed managing director 17 October 2008)
Andrew Plummer	Executive Director (appointed non-executive director 3 May 2007, appointed executive director 17 October 2008)
Allan Davies	Executive Director (appointed 25 February 2009)
Rob Stewart	Managing Director (retired 17 October 2008)
Executives	
Austen Perrin	Chief Financial Officer and Joint Company Secretary (appointed 27 October 2008)
Leigh Whitton	Chief Financial Officer and Company Secretary (resigned 31 March 2009)
Tony Galligan	General Manager Infrastructure
Chris Burgess	General Manager New Projects (resigned 15 August 2008)

Key management personnel compensation

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

	Consolidated		Company	
In AUD	2009	2008	2009	2008
Wages and salaries	2,939,413	2,830,708	–	–
Other associated personnel expenses	46,617	135,851	–	–
Increase in liability for annual leave	70,243	276,541	–	–
Increase in liability for long service leave	–	32,284	–	–
Share-based compensation payments	211,550	2,686,779	211,550	2,686,779
	3,267,823	**5,962,163**	**211,550**	**2,686,779**

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.

34. 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:

In the prior year an amount was repaid to AMCI Investments Pty Ltd, an entity jointly controlled by Hans Mende, including accrued interest, totalling $33,506,000 (2009: $nil). The consolidated entity paid interest of 5% on the outstanding balance of the loan, recognising interest expense of $704,000 during the prior year (2009: $nil). The balance was fully repaid during the prior year.

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:

(i) The consolidated entity entered into a sub-lease with XLX Pty Limited, a company of which Tony Haggarty, Andrew Plummer and Allan Davis are all directors, for office space in Sydney. Fees amounted to $183,295. This agreement includes payment for utilities, parking, teleconferencing, office supplies and services and is on normal commercial terms.

(ii) The consolidated entity sells coal to Energy Coal Marketing Pty Ltd ('ECM'), a company controlled by Hans Mende. During the year the company made sales to ECM amounting to $39,829,142. These transactions were carried out on an arm's length basis at market rates. At the year end there was a balance owed to the consolidated entity amounting to $3,015,904.

(iii) The consolidated entity used 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.

(iv) In the year ended 30 June 2007, 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. During the prior year the consolidated entity converted its hedge book comprising foreign currency options to forward exchange contracts and there have been no further transactions with AMCI Investments Pty Ltd. In the year ended 30 June 2008 the consolidated entity recognised a foreign currency loss under the options of $1,867,000 (2009: $nil).

34. 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:

No. of shares	Held at 1 July 2008	Received on exercise of options	Purchased under the Equity Participation and Option Deed	Other Purchases	Sales	Held at 30 June 2009
Directors						
John Conde	301,887	–	–	–	–	301,887
Neil Chatfield	301,887	–	–	–	–	301,887
Tony Haggarty	22,374,554	–	7,614,241	1,155,000	–	31,143,795
Alex Krueger	–	–	–	–	–	–
Hans Mende	75,379,833	–	–	–	–	75,379,833
Andy Plummer	22,268,829	–	7,614,241	–	–	29,883,070
Allan Davies	125,000	–	–	–	–	125,000
Rob Stewart	11,887	–	–	–	–	n/a[1]
Executives						
Austen Perrin	–	–	–	49,717	–	49,717
Leigh Whitton	239,994	33,333	–	–	–	n/a[1]
Tony Galligan	59,333	33,333	–		(1,000)	91,666
Chris Burgess	5,261,480	–	–	–	–	n/a[1]
Casper Dieben	70,020	–	–	–	–	n/a

No. of shares	Held at 1 July 2007	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	–	–	–	–	–	–
Hans Mende	75,379,833	–	–	5,660,377	(5,660,377)	75,379,833
Andy Plummer	15,000,000	–	7,080,150	188,679	–	22,268,829
Rob Stewart	–	–	–	11,887	–	11,887
Keith Ross	14,235,227	–	–	327,356	–	n/a[1]
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

1 These parties have ceased employment with Whitehaven during the year and are not considered related parties at 30 June 2009.

34. 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 2008	Granted/ (Forfeited)	Exercised	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Director-related entities						
Tony Haggarty	14,940,507	–	7,614,241	7,326,266	–	–
Andy Plummer	14,940,507	–	7,614,241	7,326,266	–	–
Executives						
Rob Stewart	3,000,000	–	–	n/a[1]	–	–
Leigh Whitton	66,667	–	33,333	n/a[1]	33,333	–
Tony Galligan	66,667	–	33,333	33,334	33,333	–

	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	–

1 These parties have ceased employment with Whitehaven during the year and are not considered related parties at 30 June 2009.

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 Timothy Burt was appointed General Counsel and Company Secretary on 20 July 2009.

Other related party disclosures

Parent

The Company has loans payable totalling $156,917,000 to two subsidiaries at 30 June 2009 (2008: $148,037,000) 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 2009, such loans to subsidiaries totalled $276,968,000 (2008: $170,367,000).

35. CONSOLIDATED ENTITY'S SUBSIDIARIES, ASSOCIATES AND INTERESTS IN JOINT VENTURES

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the below.

	Country of Incorporation	Ownership interest 2009	Ownership interest 2008
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
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	100	100
Narrabri Coal Sales Pty Ltd	Australia	100	100
Creek Resources Pty Ltd	Australia	100	100
Werris Creek Coal Sales Pty Ltd	Australia	100	100
Werris Creek Coal Pty Ltd	Australia	100	100
WC Contract Hauling Pty Ltd	Australia	100	100
Whitehaven Blackjack Pty Ltd	Australia	100	–
Australian Coal Inter Holdings 11 B.V.	Netherlands	100	100
Australian Coal Inter Holdings 11A B.V.	Netherlands	100	100
Associates			
Tarrawonga Coal Sales Pty Ltd	Australia	70	70

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

	2009	2008
Tarrawonga Coal Project Joint Venture	70%	70%
Narrabri Coal Joint Venture	77.5%	92.5%
Blackjack Carbon Joint Venture	50%	–

The consolidated entity's share of the above jointly controlled entities has been recorded using the proportional consolidation method. The amounts set out below are included in the 30 June 2009 consolidated financial statements under their respective categories.

35. CONSOLIDATED ENTITY'S SUBSIDIARIES, ASSOCIATES AND INTERESTS IN JOINT VENTURES (CONTINUED)

	2009 $000	2008 $000
Income Statement		
Operating and administration expenses	65,089	44,660
Current Assets		
Cash and cash equivalents	25,697	1,407
Trade and other receivables	4,606	838
Inventory	3,634	4,202
Deferred stripping	524	1,457
Total Current Assets	**34,461**	**7,904**
Non-Current Assets		
Trade and other receivables	2,274	2,714
Property, plant and equipment	136,101	43,627
Total Non-Current Assets	**138,375**	**46,341**
Total Assets	**172,836**	**54,245**
Current Liabilities		
Trade and other payables	20,052	9,809
Provisions	136	56
	20,188	**9,865**
Non-Current Liabilities		
Provisions	4,078	1,577
	4,078	**1,577**
Total Liabilities	**24,266**	**11,442**

36. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $244,212,000, and profit attributable to ordinary shareholders before significant items of $77,318,000 (2008: $51,854,000 and $12,914,000) and a weighted average number of ordinary shares outstanding during the year of 403,785,000 (2008: 357,041,000) calculated as follows:

	Consolidated	
In thousands of AUD	2009	2008
Profit attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	**244,212**	**51,854**
Net profit attributable to ordinary shareholders before significant items	**77,318**	**12,914**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	391,918	323,000
Effect of shares issued during the year	11,867	34,041
Weighted average number of ordinary shares at 30 June	403,785	357,041
Basic earnings per share attributable to ordinary shareholders (cents)	**60.5**	**14.5**
Basic earnings per share before significant items attributable to ordinary shareholders (cents)	**19.1**	**3.6**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $244,212,000, and profit attributable to shareholders before significant items of $77,318,000 (2008: $51,854,000 and 12,914,000) and a weighted average number of ordinary shares outstanding during the year of 404,884,000 (2008:360,253,000) calculated as follows:

	Consolidated	
In thousands of AUD	2009	2008
Profit attributable to ordinary shareholders (diluted)		
Net profit attributable to ordinary shareholders (diluted)	**244,212**	**51,854**
Net profit attributable to ordinary shareholders before significant items	**77,318**	**12,914**
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	403,785	357,041
Effect of share options on issue	1,099	3,212
Weighted average number of ordinary shares (diluted)	404,884	360,253
Diluted earnings per share attributable to ordinary shareholders (cents)	**60.3**	**14.4**
Diluted earnings per share before significant items attributable to ordinary shareholders (cents)	**19.1**	**3.5**

The options issued to director-related entities with hurdle rates of $4.50/share and $5.00/share were not included in the calculation of 2009 diluted earnings per share as they were anti-dilutive. Refer to note 33 for further information regarding the options issued to director-related entities.

37. AUDITORS' REMUNERATION

In AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Audit services:				
Auditors of the Company – Ernst & Young				
Audit and review of statutory financial statements current year	370,000	–	15,000	–
Audit of joint ventures	94,500	–	–	–
	464,500	**–**	**15,000**	**–**
Previous auditors of the Company – KPMG				
Audit and review of statutory financial statements	–	419,100	–	15,000
Audit of joint ventures	–	107,040	–	–
Other regulatory audit services	–	8,000	–	–
	–	**534,140**	**–**	**15,000**
Non audit services:				
Auditors of the Company – Ernst & Young				
Due diligence services	202,996	–	–	–
Review of National Greenhouse Energy Reporting Act requirements	32,000	–	–	–
Other assurance services	43,900	–	–	–
	278,896	**–**	**–**	**–**
Previous Auditors of the Company – KPMG				
Accounting advice	–	4,200	–	–
Taxation services	96,780	225,377	–	–
	96,780	**229,577**	**–**	**–**

During the year the Company and the consolidated entity changed auditors from KPMG Australia to Ernst & Young.

38. 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 Deed of Cross Guarantee includes the Company and subsidiaries which are included within the income statement and balance sheet of the consolidated entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Whitehaven Coal Limited ('Whitehaven' or 'the Company'), I state that:

1. In the opinion of the directors of Whitehaven Coal Limited ('the Company'):
   a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity 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 2009 and of their performance for the financial year ended on that date; and
      (ii) complying with Accounting Standards and the Corporations Regulations 2001;
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in note 38 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

Dated at Sydney this 16th day of September 2009.

Signed in accordance with a resolution of the directors:

John Conde
Chairman

ERNST & YOUNG

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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, which comprises the balance sheets as at 30 June 2009, 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, other explanatory notes 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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

ERNST & YOUNG

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Auditor's Opinion

In our opinion:

1. 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 financial position of Whitehaven Coal Limited and the consolidated entity at 30 June 2009 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*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2009. 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 Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Whitehaven Coal Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
16 September 2009

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	27.63	131,650,000
Hans Mende	15.96	76,019,833
Fritz Kundrun	15.82	75,379,833
AMCI International AG	11.32	53,951,500
Anthony Haggarty and HFTT Pty Ltd*	7.37	29,988,795
Ranamok Pty Ltd	6.27	29,887,988

* Figures are based upon the substantial shareholder notice received on 29 September 2008. Current holding as at 11 September 2009 is 31,153,631 shares equating to 6.54% of capital.

Voting rights

Ordinary shares

Refer to note 26 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	699
1,001 – 5,000	1,695
5,001 – 10,000	1,027
10,001 – 100,000	1,038
100,001 and over	87
	4,546

There are five holders of options over ordinary shares. Refer to note 33 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.

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 shares held	Percentage of capital held
FRC Whitehaven Holdings BV	131,650,000	27.63
ANZ Nominees Limited (Cash Income A/C)	59,444,541	12.48
UBS Wealth Management Australia Nominees Pty Ltd	57,923,997	12.16
HFTT Pty Ltd (Haggarty Family A/C)	30,937,988	6.49
Ranamok Pty Ltd (Plummer Family A/C)	29,887,988	6.27
National Nominees Limited	29,377,448	6.17
JP Morgan Nominees Australia Limited	22,965,345	4.82
HSBC Custody Nominees (Australia) Ltd	13,818,806	2.90
Mr Michael Jack Quillen (Quillen Family A/C)	7,164,750	1.50
Cogent Nominees Pty Limited	5,753,151	1.21
Nicola Investments II LLC	5,660,377	1.19
Kirstin Investments II LLC	2,830,189	0.59
Markus Investments II LLC	2,830,188	0.59
Citicorp Nominees Pty Limited (Cfs Future Leaders Fund A/C)	2,799,939	0.59
Citicorp Nominees Pty Ltd	2,684,659	0.56
CS Fourth Nominees Pty Ltd	2,248,893	0.47
Mr Michael Jack Quillen	2,164,750	0.45
ARGO Investments Limited	2,094,397	0.44
AMP Life Limited	2,084,870	0.44
Ms Julie Ann Mammen	1,661,520	0.35
	415,661,473	**87.25**

This information is current as at 11 September 2009

CORPORATE DIRECTORY

DIRECTORS

John Conde, Chairman
Tony Haggarty, Managing Director
Neil Chatfield
Alex Krueger
Hans Mende
Andy Plummer
Allan Davies

COMPANY SECRETARIES

Austen Perrin
Timothy Burt

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STOCK EXCHANGE LISTING

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ASX Code: WHC

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COUNTRY OF INCORPORATION

Australia

WEB ADDRESS

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Design and production: Dupree Design Group www.dupree.com.au

www.whitehavencoal.com.au