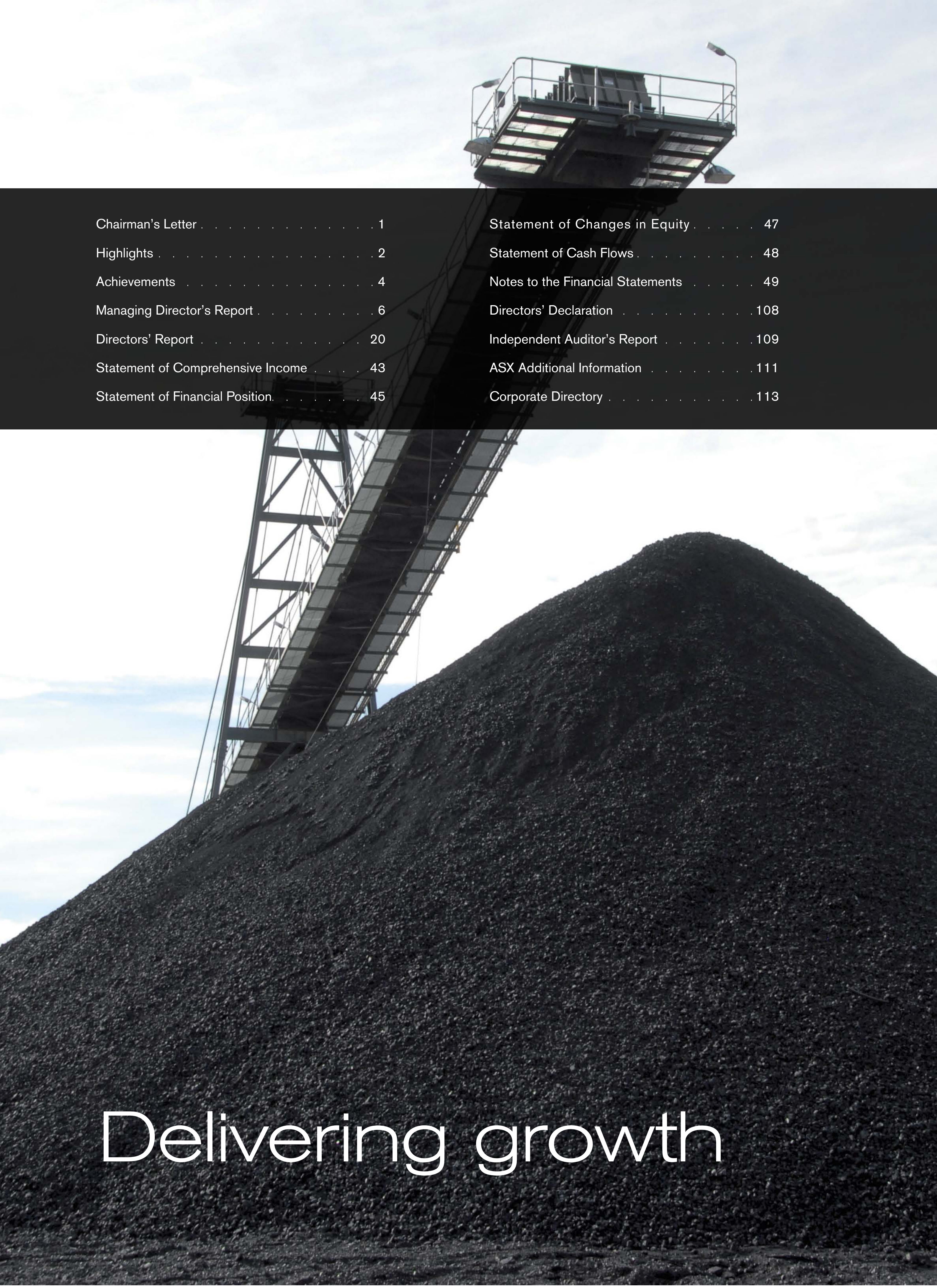
WHITEHAVEN COAL

ANNUAL REPORT 2010



Delivering growth

CHAIRMAN'S LETTER

The disciplined implementation of Whitehaven's growth plans has continued to create value for shareholders as well as opportunities for the communities in which we operate.

Dear Whitehaven Shareholder,

2010 OVERVIEW

This year Whitehaven Coal Limited (Whitehaven) cemented its position as the leading coal producer in the Gunnedah Basin, with continuing growth in its existing open cut operations and the successful commissioning of its major Narrabri underground mine.

The disciplined implementation of Whitehaven's growth plans has continued to create value for shareholders as well as opportunities for the communities in which we operate.

Whitehaven's $227 million investment in the Narrabri Mine has been a key focus during the year. I congratulate all of the individuals who contributed to bringing this modern, safe underground development into production.

Our open cut mines continued to perform well, with significant effort made to optimise the efficiency of these operations, deliver attractive products to our customers and to manage carefully our infrastructure requirements.

At the same time, the company has enhanced its development pipeline with the acquisition of the Vickery assets in the Gunnedah Basin.

SUSTAINABILITY

More than 120 people were employed by the Narrabri project during its construction and more than 25 contracting businesses were involved. Ongoing employment at the mine as it moves into full production will be approximately 210 people.

This, combined with our open cut workforce of more than 300 people makes us one of the largest employers in north west NSW, and significant contributors to the local and NSW economies.

We accept gladly our responsibilities and obligations to engage with, and participate in, the local community on many levels. Throughout the planning, development, operation and closure of our projects, Whitehaven has a strong track record of regularly engaging with relevant local communities.

In addition, our operations have contributed or agreed to commit more than $4 million to community projects as well as numerous local charities and organisations. Our decision to invest in these projects has been based on consultation with local government and our desire that such contributions should benefit a broad cross-section of the community.

As Whitehaven has increased its productive capacity over the last 12 months, it has also increased its resources to ensure appropriate environmental outcomes across our range of operations.

FINANCIAL PERFORMANCE

The company reported net profit after tax (NPAT) of $114.9 million for FY2010. This included NPAT of $59.8 million from the sale of 7.5% of the Narrabri Joint Venture and other significant items.

Underlying NPAT (before significant items) was $55.1 million.

This strong performance has allowed us to declare a fully-franked final dividend of 2.8 cents per share, payable on 30 September 2010.

SAFETY

The safety and wellbeing of our employees is critical and continues to be our number one priority. We continue to invest significant time and resources in our safety management systems and in identifying new ways to improve our safety performance. Our commitment to safety has been demonstrated during the year through maintaining our Lost Time Injury frequency ratio below industry standard, and lowering our overall number of Lost Time Injuries.

ACHIEVEMENTS

The completion of Stage 1 development of the Narrabri Mine was Whitehaven's key achievement during FY10. The significant investment we have made to date has been aimed at delivering a modern underground mine with the highest safety levels and most efficient mining practices.

The first of the mine's continuous miners began cutting coal in late June 2010, and the first shipment of coal left the mine by rail in late July.

Since then, we have received New South Wales State Government approval for Stage 2 of the Narrabri project. This approval allows Whitehaven to invest an additional $300 million in the development of a longwall mining operation and associated infrastructure at the Narrabri Mine.

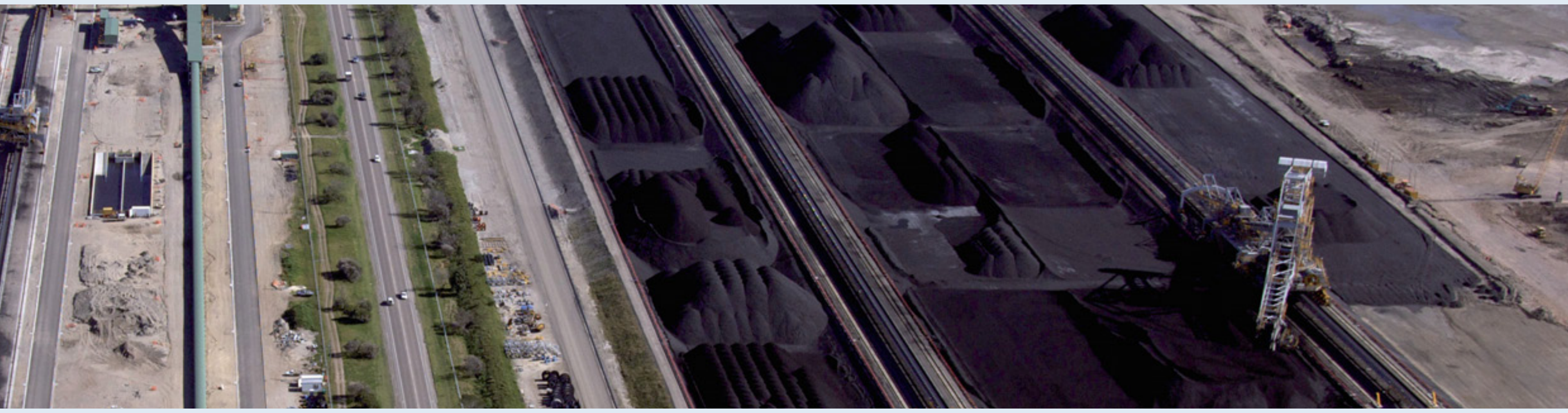
In terms of infrastructure, our investment in NCIG, our existing rail allocations and our investment in two coal trains means that we have appropriate infrastructure to meet our planned FY11 production and shipping targets.

On behalf of the board and all shareholders I thank Tony Haggarty, our Managing Director, his executive team, and all our employees and contractors for their significant and enduring contribution to the Whitehaven business and its long term value.

J.C. Conde

John Conde, AO
Chairman

2010 HIGHLIGHTS

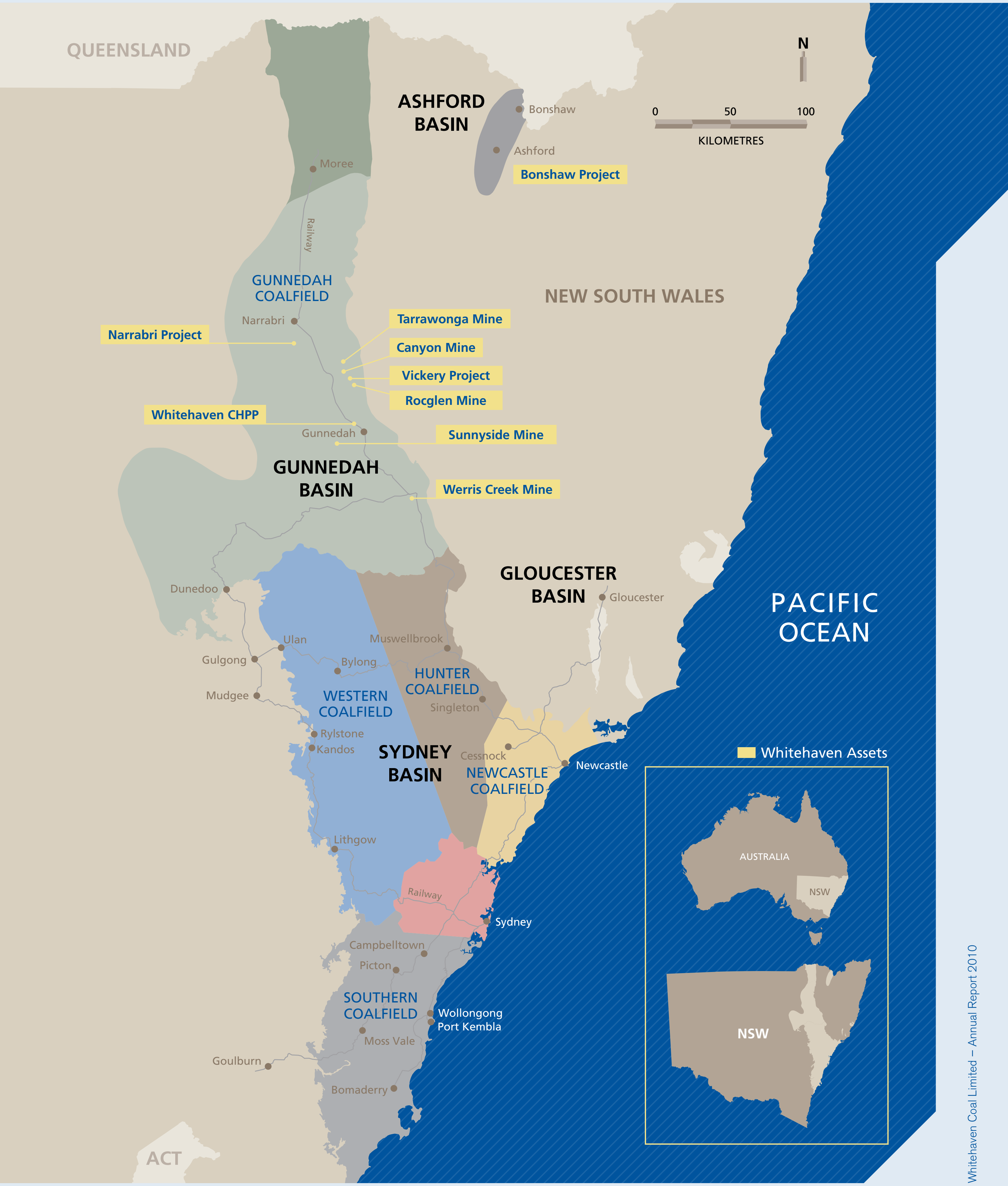


- Net profit after tax (NPAT) of $114.9 million, including NPAT of $59.8 million from the sale of 7.5% of the Narrabri Joint Venture and other significant items;
- Underlying NPAT, before significant items, of $55.1 million;
- A fully franked final dividend of 2.8 cents per share has been declared, payable on 30 September 2010;
- Revenue of $328.2 million (net of purchased coal and excluding of NSW royalty), down 8% from FY09;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $129.0 million (excluding coal purchases), reduced to $108.8 million after coal purchases;
- Cash generated from operations of $69.3 million, compared to $135.6 million in FY09;
- Proceeds received from the sale of Narrabri of $99.7 million during the year; and
- Strong cash flow and financial position – $141.0 million cash available with net cash of $46.1 million compared to $131.2 million cash available and net cash of $52.9 million at 30 June 2009.

Financial Performance

(A$ millions)	2010	2009	Movement
Sales revenue	406.8	489.4	-16.9%
EBITDA before significant items	108.8	136.3	-20.2%
EBIT before significant items	76.7	110.0	-30.3%
NPAT before significant items	55.1	77.3	-28.7%
Significant items net of tax	59.8	166.9	-64.2%
NPAT after significant items	114.9	244.2	-53.0%
EPS-diluted	24.0 cents	60.3 cents	-60.2%

NSW COALFIELDS



ACHIEVEMENTS

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	**2010**	**2009**	**Movement**
ROM Coal Production	3,724	3,025	+23%
Saleable Coal Production	3,480	2,797	+24%
Sales of Produced Coal	3,310	2,753	+20%
Sales of Purchased Coal	823	811	+1%
Total Coal Sales	4,133	3,564	+16%
Coal Stocks at Period End	430	317	+36%

Operating Highlights

- Coal sales up 16% (equity basis) compared with previous year (up 13% on 100% basis);
- Saleable coal production up 24% (equity basis) from FY09 (up 20% on 100% basis);
- The ongoing expansion of Whitehaven's open cut mines to their combined design and permitted capacity of 5.5 Mtpa of saleable coal is nearing completion;
- The expansion of the Gunnedah CHPP to its design and permitted capacity of 4.0 Mtpa of saleable coal is nearing completion;
- Construction of the Narrabri Stage 1 was completed during the final quarter of FY10 with first coal production achieved on 28 June 2010;
- NSW Government approval has been received for Narrabri Stage 2 (subsequent to balance date);
- The Stage 2 longwall equipment was specified and ordered in September 2009. Delivery is expected to commence in January 2011, with installation underground scheduled for September/October of 2011; and
- The new coal train ordered by Whitehaven in 2009 was delivered and put into service in June 2010.

MANAGING DIRECTOR'S REPORT

This places Whitehaven in a key position as one of Australia's few large independent coal producers, and the leading producer in the prospective Gunnedah Basin region of New South Wales.

This has been a very significant year for Whitehaven, with our first major underground project – the Narrabri Mine – moving into production after a three-year development phase. We have also undertaken a major expansion of our existing open cut operations, which continue to provide a substantial low-risk production base for our business.

Since balance date we have received approval from the New South Wales State Government to proceed with the $300 million Stage 2 longwall development at the Narrabri mine.

These combined initiatives deliver a significant growth profile for Whitehaven shareholders, with saleable coal production expected to increase to approximately 6 Mtpa in FY11 (100% basis) – an increase of some 50% on FY10 production.

As the longwall operation at Narrabri moves into full production in FY13, Whitehaven's annual saleable coal production capacity from existing operations will increase to in excess of 11 Mtpa.

This places Whitehaven in a key position as one of Australia's few large independent coal producers, and the leading producer in the prospective Gunnedah Basin region of New South Wales.

FINANCIAL PERFORMANCE

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $129.0 million (excluding coal purchases), reduced to $108.8 million after coal purchases.

Whitehaven's balance sheet remains very strong. Cash on hand at FY10 year-end, together with outstanding cash to be received from previously announced sales of the Narrabri JV interests and cash from operations, is expected to provide sufficient funding to complete the development of Narrabri Stage 2 and the expansion of Whitehaven's existing open cut mines. Cash flow from operations was $69.3 million for the year compared to $135.6 million for FY 2009 due to a reduction in average coal prices. Closing cash on hand at 30 June 2010 was $141.0 million, compared to $131.2 million in FY09.

Financial Performance and Balance Sheet

(A$ millions)	2010	2009
Cash on Hand	141.0	131.2
Interest Cover Ratio[1] (times)	10.43	19.45
Interest Bearing Liabilities[2]	94.9	78.2
Net Cash Position	46.1	53.0
Net Assets	1,023.2	722.8
Gearing Ratio[3] (%)	-4.7%	-7.9%

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 ($20.6 million 2010, $21.6 million 2009)

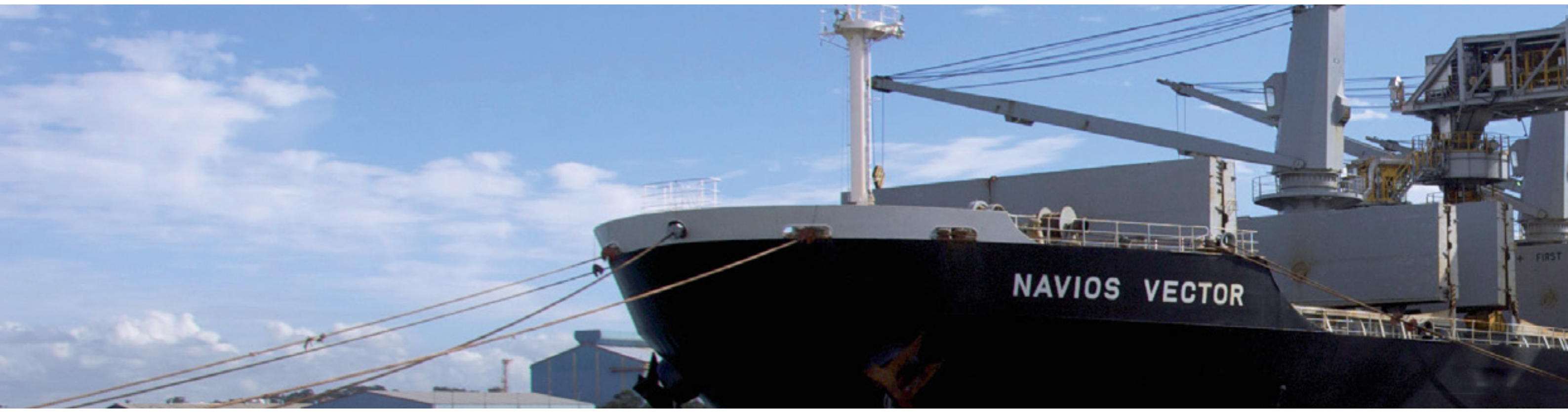
3 Net Debt to Net Debt plus Equity

OPERATING PERFORMANCE

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	2010	2009	Movement
ROM Coal Production	3,724	3,025	+23%
Saleable Coal Production	3,480	2,797	+24%
Sales of Produced Coal	3,310	2,753	+20%
Sales of Purchased Coal	823	811	+1%
Total Coal Sales	4,133	3,564	+16%
Coal Stocks at Period End	430	317	+36%

MANAGING DIRECTOR'S REPORT



OPEN CUT OPERATIONS

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) open cut mines and the Gunnedah coal handling and preparation plant and train load-out facility ("CHPP") (100% owned by Whitehaven). The Werris Creek Mine is 100% owned by Whitehaven.

Whitehaven's open cut mines continued to perform well during the year. Work has been continuing to expand the mines to their combined design and permitted capacity of approximately 5.5 Mtpa of saleable coal.

As part of this, a new Hitachi EX3600 excavator plus second hand Cat 785 rear dump trucks were delivered to Werris Creek mine in late December 2009. Other supplementary equipment including a drill, bulldozers, a grader and a front end loader were delivered in early 2010.

An additional excavator was deployed initially at Werris Creek mine in February 2010 to boost overburden capacity and this machine was then moved permanently to Tarrawonga in late May 2010 to help increase Tarrawonga production to 2 Mtpa ROM.

In conjunction with the mine expansion, the Gunnedah CHPP is undergoing a significant upgrade to facilitate treatment of increased tonnage of up to 3.5 Mtpa.

The remaining 2.0 Mtpa saleable open cut coal will be crushed and loaded from the Werris Creek site.

Both the open cut and CHPP expansions have been implemented to coincide with the ramp-up of port capacity at the NCIG loading facility in Newcastle, and the increased rail and train capacity becoming available as part of ongoing rail infrastructure upgrades.

Gunnedah Operations (Equity Share)

Gunnedah Operations – 000t	2010	2009	Movement
ROM Coal Production	2,441	1,902	+28%
Saleable Coal Production	2,200	1,690	+30%
Sales of Produced Coal	2,101	1,651	+27%
Sales of Purchased Coal	823	811	+1%
Total Coal Sales	2,924	2,462	+19%
Coal Stocks at Period End	288	233	+24%

Werris Creek Mine (Equity Share)

Werris Creek Mine – 000t	2010	2009	Movement
ROM Coal Production	1,283	1,123	+14%
Saleable Coal Production	1,280	1,107	+16%
Sales of Produced Coal	1,209	1,102	+10%
Sales of Purchased Coal	–	–	0%
Total Coal Sales	1,209	1,102	+10%
Coal Stocks at Period End	143	84	+70%

MANAGING DIRECTOR'S REPORT

NARRABRI MINE

Whitehaven (operator) 70.0%; Electric Power Development Co. Ltd 7.5%; EDF Trading 7.5%; Upper Horn Investments Limited 7.5%; Daewoo International Corporation and Korea Resources Corporation 7.5%

The construction of Narrabri Stage 1 is complete, with the exception of the final section of the third access drift. First coal production was achieved by continuous miner on 28 June 2010 and the second continuous miner unit went underground on 16 August 2010.

Except for the cost of the underground access drifts, construction costs for Narrabri Stage 1 were within budget. As previously outlined, adverse ground conditions were encountered during drift construction, with the consequential delay resulting in additional costs for this component of the project. Total Stage 1 investment was approximately $227million.

An amended Stage 1 approval for Narrabri was received in March 2010, allowing construction of the Stage 2 CHPP, ventilation shaft and other ancillary works to proceed. The full Stage 2 approval for longwall mining was granted by the NSW Minister for Planning, The Hon Tony Kelly MLC, on 28 July 2010.

The Stage 2 longwall equipment was specified and ordered in September 2009 and delivery is expected to commence in January 2011, with installation underground scheduled for the September quarter of FY11.

The Bucyrus longwall ordered for Narrabri is designed to allow retro-fitting of top coal caving (TCC) equipment in the future. TCC is a proven method of extracting thick-seam coal by longwall methods, but its applicability at Narrabri will only be proven following further technical work and operational experience. If suitable for Narrabri, TCC has the potential to substantially increase the Narrabri mine's coal reserves and annual production in the future.

Most of the other Stage 2 equipment and construction contracts have now been tendered and awarded, including the contract for the Narrabri coal handling and preparation plant ("CHPP").

The final design for the Narrabri CHPP includes a dense medium cyclone unit to allow the production of up to 40% of PCI coal. Construction of the plant is expected to be completed in May 2011.

Ongoing review of Stage 2 costs, including tendering for all major components of the work, has not identified any material change to the budget cost estimate of approximately $300 million (100% basis).

A detailed analysis of surface to in-seam (SIS) gas drainage results achieved at Narrabri over the last nine months has been carried out to produce an updated model of in-situ gas content and drainage patterns. Gas drainage to date has been successful in reducing gas content substantially with most test samples now showing gas content well below the required level. The increasing database of gas drainage results is allowing future gas drainage plans to be developed with a high level of confidence.

DEVELOPMENT PROJECTS

Vickery

Whitehaven 100%

Whitehaven's agreement with Coal & Allied Industries Limited (CAIL) to acquire the Vickery Coal Project ("Vickery") for $31.5 million cash plus approximately 1,150 ha of land was completed in January 2010. The Vickery assets acquired comprise Authorisation 406 (A406), Coal Lease 316 (CL316), approximately 3,450 ha of associated land and 399 megalitres per year of water licences.

Whitehaven holds several coal tenements adjacent to CL316 and Vickery is an important "bolt-on" acquisition for Whitehaven. It consolidates the company's significant tenement holding in the Gunnedah region. An initial JORC open cut resource of 272.7 million tonnes has been identified.

Indications are that Vickery could provide Whitehaven with a significant increase in metallurgical coal reserves. There are nine coal seams contained within the Vickery tenements of which three, the Shannon Harbour, Stratford and Cranleigh seams, are believed to have economic potential. The quality of these coal seams ranges from high volatile soft coking coal to low ash, high energy thermal coal.

Werris Creek Life of Mine Project

Whitehaven 100%

A Preliminary Environmental Assessment (PEA) has been submitted to the Department of Planning as the first step in seeking approval for an extension to the mine's life.

Ongoing exploration at the Werris Creek mine has shown that the Werris Creek coal deposit is isolated and the extent of the resource has now been fully outlined.

The Werris Creek Life of Mine Project involves a small increase in the approved rate of mining from 2.0 Mtpa to 2.5 Mtpa and the extended resource would provide an additional 20 year mine life beyond the currently approved mining area.

The PEA proposal includes an increase in ROM and Product Coal Stockpiles from 100,000 tonnes to 200,000 tonnes; construction of a rail loop to minimise impact on the current rail line and an increase in coal transport by road to domestic customers to 100,000 tonnes from 50,000 tonnes per annum.

Tarrawonga Modification

Whitehaven 70%; Idemitsu Australia Resources 30%

Ongoing exploration has resulted in a significant increase in reserves and resources at the Tarrawonga mine.

The mine is currently seeking a modification to its approvals to increase the total coal production from approximately 12.4 to 16.4 million tonnes and improve the associated infrastructure to meet the requirements of the increased tonnage.

The proposal does not involve changes to the mining method, maximum production rate (up to 2.0 Mtpa), mine workforce, or the life of the mine (i.e. 8 to 10 years).

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 completed construction of an additional two retorts adjacent to Pacific Carbon's existing Kooragang Island plant. These new retorts began operating in January 2010. 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 tonne coal supply contract to Pacific Carbon.

COAL RESOURCES AND RESERVES (100% BASIS)

Whitehaven's JORC Coal Resources now total 1,632.9 Mt, with JORC Marketable Coal Reserves of 318.1 Mt. Opencut Marketable Coal Reserves are now in place to support 5 Mtpa of saleable production for more than 20 years.

MANAGING DIRECTOR'S REPORT

JORC August Statement

WHITEHAVEN COAL LIMITED – COAL RESOURCES – AUGUST 2010

Tenement		Measured Resource	Indicated Resource	Inferred Resource	Total Resources	Competent Person	Report Date
Bluevale Opencut	EL4699/CL316	8.79	5.66	1.1	15.5	1	Sep-09
Vickery Opencut	CL316	30.00	151.60	91.1	272.7	2	Aug-10
Vickery Underground	CL316	–	–	22.0	22.0	2	Aug-10
Rocglen Opencut	ML1620	11.74	6.19	2.1	20.1	1	May-09
Rocglen Underground	ML1620	–	2.09	2.1	4.2	1	May-09
Tarrawonga Opencut *	EL5967/ML1579	17.44	41.57	19.1	78.1	1	Jun-10
Tarrawonga Underground	EL5967/ML1579	6.55	13.64	20.1	40.2	1	Jun-10
Sunnyside Opencut	ML1624/EL5183	20.35	47.84	22.9	91.1	1	May-09
EL5183 Underground	EL5183	–	7.20	32.2	39.4	1	May-09
BLOCK 7 Opencut	CCL701	–	–	1.4	1.4	1	Jan-09
BLOCK 7 Underground	CCL701	–	12.90	2.5	15.4	1	Jan-09
Other Gunnedah Resources	CCL701	–	13.00	123.2	136.2	3	Mar-10
Total Gunnedah Operations		**94.87**	**301.69**	**339.8**	**736.3**		
Total Werris Creek **	**ML1563/ EL5993/ EL7422**	**29.96**	**4.79**	**2.7**	**37.4**	**1**	**May-09**
Narrabri North Underground	ML1609	169.40	171.00	135.0	475.4	4	Dec-09
Narrabri South Underground	EL6243	45.20	114.00	220.0	379.2	4	Dec-09
Total Narrabri ***		**214.6**	**285.0**	**355.0**	**854.6**		
Brunt Deposit Opencut	EL6450	–	2.60	0.3	2.9	3	Sep-09
Arthurs Seat Opencut	EL6587	–	–	1.7	1.7	3	Nov-09
Total Ashford		**–**	**2.6**	**2.0**	**4.6**		
Total Coal Resources		**339.43**	**594.08**	**699.5**	**1,632.9**		

1. Colin Coxhead, 2. Greg Jones, 3. Tom Bradbury, 4. Chris Turvey

* Tarrawonga Joint Venture – Whitehaven owns 70% share of ML1579. Combined Resource for Tarrawonga Mining Lease and Exploration Licence

** Combined Resource for Werris Creek Mining Lease and Exploration Licences

*** Narrabri Joint Venture – Whitehaven owns 70% share

\# The Coal Resources for active mining areas are current to the pit surface as at the report date.

WHITEHAVEN COAL LIMITED – COAL RESERVES – AUGUST 2010

Tenement		Recoverable Reserves			Marketable Reserves			Competent Person	Report Date
		Proved	Probable	Total	Proved	Probable	Total		
Bluevale Opencut	EL4699/CL316	3.33	6.42	9.75	3.09	5.98	9.07	1	Jun-10
Rocglen Opencut	ML1620	8.92	3.76	12.68	7.81	3.29	11.10	1	Jun-10
Tarrawonga Opencut *	EL5967/ML1579	4.80	30.77	35.57	4.45	28.55	33.00	1	Jun-10
Tarrawonga Underground	EL5967/ML1579	–	3.70	3.70	–	3.10	3.10	2	May-09
Sunnyside Opencut	ML1624/EL5183	6.89	20.68	27.57	6.89	20.68	27.57	1	Jun-10
BLOCK 7 Underground	CCL701	–	4.00	4.00	–	4.00	4.00	2	May-09
Total Gunnedah Operations		**23.94**	**69.33**	**93.27**	**22.24**	**65.60**	**87.84**		
Total Werris Creek **	**ML1564/ EL5993/ EL7422**	**26.00**	**4.33**	**30.33**	**26.00**	**4.33**	**30.33**	**1**	**Jun-10**
Narrabri North Underground	ML1609	66.0	67.4	133.4	66.0	67.4	133.4	2	Jan-10
Narrabri South Underground	EL6243	24.7	61.5	86.2	19.4	47.1	66.5	2	Jan-10
Total Narrabri ***		**90.7**	**128.9**	**219.6**	**85.4**	**114.5**	**199.9**		
Brunt Deposit Opencut	EL6450	–	–	–	–	–	–		
Arthurs Seat Opencut	EL6587	–	–	–	–	–	–		
Total Ashford		**–**	**–**	**–**	**–**	**–**	**–**		
Total Coal Reserves		**140.64**	**202.56**	**343.2**	**133.64**	**184.43**	**318.1**		

1. Doug Sillar, 2. Graeme Rigg

* Tarrawonga Joint Venture – Whitehaven owns 70% share of ML1579. Combined Reserve for Tarrawonga Mining Lease and Exploration Licence

** Combined Reserve for Werris Creek Mining Lease and Exploration Licences

*** Narrabri Joint Venture – Whitehaven owns 70% share

The Coal Reserves for active mining areas are reported on the end of June 2010 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 14 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 Colin Coxhead is a private consultant. Mr Greg Jones is a principal consultant with JB Mining Services. Mr Tom Bradbury is a full time employee of Geos Mining. Mr Chris Turvey is a private consultant. Mr Graeme Rigg is a full time employee of Minarco-MineConsult Pty Ltd. Mr Doug Sillar is a full 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

Whitehaven is committed to ensuring its projects are carried out in accordance with site specific protocols for environmental management, and to the ongoing development of new ways to minimise our environmental impacts.

Our environmental team has been expanded during the year – in line with our overall growth – and we expect the team will continue to grow in the current year.

SAFETY

Whitehaven's safety record has continued to improve during the year, with our LTIFR being maintained below industry level and our number of Lost Time Injuries continuing to decline from 6 in FY09 to 4 in FY10.

We have been continuing to focus on safety basics and general continuous improvement.

These initiatives include increased legal compliance auditing, improved contractor management, more detailed incident reporting and further development of our overall OH&S Management System.

INFRASTRUCTURE

Whitehaven has entitlements to adequate track capacity to meet its current growth plans and is continuing to work with Australian Rail Track Corporation (ARTC), Rail Infrastructure Corporation (RIC) and other potential rail users in the Gunnedah Basin to identify and progress capital works required to meet future track capacity needs.

Whitehaven and Pacific National (PN) entered into a long-term agreement for rail haulage in December 2009. When combined with track capacity entitlements, this contract provides for rail capacity to meet Whitehaven's existing growth plans and port capacity.

The new coal train ordered by Whitehaven in 2009 was delivered and put into service in June. This train is being operated by PN under lease from Whitehaven. In addition PN is providing new trains, the first of which is expected to be provided in late calendar year 2010, with a third ordered for the last quarter of calendar year 2011.

A Capacity Framework Agreement for providing access to additional port capacity at Newcastle was agreed by Newcastle Ports Corporation, Port Waratah Coal Services (PWCS) and NCIG in April 2009 and subsequently approved by ACCC. Under this agreement, Whitehaven will have access to at least 9.5 Mtpa of port capacity from PWCS (3.6 Mtpa), NCIG Stage 1 (3.3 Mtpa) and NCIG Stage 2 (2.6 Mtpa).

The NCIG coal loading terminal (Whitehaven owns 11%) achieved practical completion as planned in June 2010 and is continuing to ramp up throughput, albeit restricted to Panamax size ships until at least mid-2011.

Whitehaven expects to have capacity of approximately 2.6 Mt at NCIG in FY 2011 which, along with 3.6 Mt from PWCS, is sufficient to meet a coal sales target of more than 6 Mt (100% basis) for FY 2011.

CORPORATE

Whitehaven was included in the ASX 200 index during the December quarter. The inclusion followed a significant increase in trading in the company's shares after the successful $208 million equity raising during July 2009.

In October 2009 Whitehaven entered into a new banking facility with ANZ and Macquarie Bank Limited to replace existing facilities which were being wound down by the company's previous financier as it withdrew from the mining and resource sectors in Australia.

The new facility is for a 3 year term and comprises bank guarantees (totalling approximately $100 million) and banking lines for commodity and foreign exchange hedging. The new facility includes a change of control provision which is triggered in the event that a change of control of Whitehaven occurs, as defined in the Corporations Act.

BOARD AND MANAGEMENT

In July 2009 Mr Timothy Burt was appointed General Counsel and Joint Company Secretary.

OUTLOOK

Whitehaven has emerged from FY10 with a strong financial position, low-risk open cut production base and attractive growth profile.

Careful management and investment in our infrastructure requirements means we have appropriate infrastructure in place to support FY11 production.

Strong fundamental growth in demand for both metallurgical and thermal coal remains, and supply continues to be constrained by infrastructure and regulatory issues.

Tony Haggarty
Managing Director

HEALTH AND SAFETY

The focus on Health and Safety of our employees and contractors continues to be at the forefront of project planning and day-to-day activities.

Whitehaven Coal has continued to improve its Health and Safety performance with increased engagement in the development of initiatives and programs from employees at all levels of the company.

Our overall LTIFR (Lost Time Injury Frequency Ratio) has continued to trend below industry levels with the number of LTIs (Lost Time Injuries) being reduced from the previous year – a strong significant achievement given the company's high level of growth and construction work.

Our core Health and Safety strategy is to develop an effective Whitehaven Coal Health and Safety Management System and prevent both overall occurrences and reoccurrence of incidents across the group. This strategy is achieved by a formal coordinated consultative approach for document development, review and implementation.

Learning from incidents within Whitehaven Coal and the mining industry is achieved through effective communication processes and robust incident management protocols. In addition, the following achievements demonstrate our continued commitment to the Health and Safety of our workforce.

Achievements

- A significant improvement was the introduction of a document control system that has resulted in the Health and Safety Management System now being coordinated across all the sites using a common approach. This has involved considerable consultation by all sites in the development of the documentation. The Whitehaven Coal Intranet has been implemented, allowing group-wide access to approved policies, standards and procedures.
- The Take 5 process was implemented at all Whitehaven sites. Take 5 is a simple and effective individual risk management tool. A Whitehaven Coal specific Take 5 booklet was developed in consultation with employees and management. During the year, Take 5 numbers across the group went from zero to more than 900 per month.
- All new employees and contractors undertake the Whitehaven Coal generic induction which is coordinated offsite using a specialist training provider. This process allows contractors to participate in the Whitehaven Coal generic induction before presenting to site for work. The induction training material was reviewed and updated to reflect current Whitehaven Coal standards and systems. Successful participants are now issued with a Whitehaven Coal generic induction card.
- The injury management system was developed, consulted and communicated with all sites. The injury management system includes the policy, standard, procedures and forms including an injury management kit. The kit is distributed to any injured person and the nominated treating doctor to provide a structured process for return to work.
- The annual legal compliance audits were conducted for all sites, excluding Narrabri (which was not in operation during the year). All of Whitehaven's open cut operations improved on previous audit results. Of particular note is the Gunnedah Coal Handling and Preparation Plant, which demonstrated a significant improvement in Health and Safety systems and processes in the field.
- Alcohol and Other Drugs standard and testing process was developed, consulted and communicated with all sites. The review included the selection and management of the alcohol and other drugs testing process and associated documentation. The testing process occurs on a regular basis with employees and contractors selected randomly.
- Industry and Investment NSW Coal Mines Health and Safety Audits were conducted throughout 2009/2010. The audits included Electrical Management, Mechanical Management, Health and Safety Systems and Contractor Management. The Northern Region, predominately Whitehaven Coal, performed well with an overall compliance percentage of 92.51.

ENVIRONMENT

Whitehaven Coal Limited 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.

As Whitehaven has increased its productive capacity over the last 12 months, it has also increased its resources to ensure appropriate environmental outcomes across our range of operations.

Whitehaven has welcomed to its Environmental team two new staff members who have recently completed an Environmental Cadetship following their successful completion of Environmental Science degrees through the University of New England and the University of Newcastle.

Both new recruits were sourced from the local area, again confirming our commitment to providing for local employment opportunities where possible.

Our most significant achievement over the last 12 months has been the completion of reshaping works associated with the Canyon mine site, which ceased production in July 2009. Rehabilitation of the Canyon site has focused on reshaping of the final void, establishment of groundcover across the reshaped area, water management structures and additional tubestock planting associated with woodland establishment across the site.

A further 4,000 trees were planted over the 2009/2010 year. Agency reviews of rehabilitation works at the Canyon site have been met with favourable responses, particularly woodland establishment and the percentage of native grass cover now prevalent across the site.

In addition to rehabilitation works at Canyon, progressive rehabilitation development continues at our Tarrawonga, Rocglen, Werris Creek and Sunnyside sites.

The Narrabri project has also been subject to environmental works over the last 12 months, particularly in terms of tree plantings across the pit top area to enhance landscape and visual amenity outcomes. Narrabri Coal is also embarking on the implementation of a real time noise management system at the Narrabri site to enhance our capacity to address any noise related impacts from the site prior to noise levels exceeding consent criteria. This system will involve a real time noise logger measuring mine related noise on a continuous cycle and sending alarm signals to site personnel prior to reaching our consent threshold, enabling active management of noise sources. The application of this methodology follows similar implementation at our Werris Creek site and will also be implemented at our Tarrawonga site in the current year.

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 consolidated financial report of Whitehaven Coal Limited ('the Company'), being the Company, its subsidiaries, and the consolidated entity's interest in joint ventures for the year ended 30 June 2010 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, Sydney Symphony Limited, Homebush Motor Racing Authority Advisory Board and Events NSW. 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 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 and a member of the Advisory Board of the Kaplan Infrastructure and Logistics Fund.

2. COMPANY SECRETARIES

AUSTEN PERRIN
B.Ec, CA

Appointed 19 November 2008

Austen has been with the 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 senior executive roles with Toll Holdings Limited including the roles of Chief Financial Officer for Toll NZ Limited and Chief Financial Officer for Pacific National Limited. He was also Chief Financial Officer for Asciano Limited.

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.

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	256,805	–	
Tony Haggarty	33,479,897	–	
Alex Krueger*	–	–	
Hans Mende	76,019,833	–	
Andy Plummer	33,514,254	–	
Allan Davies	2,625,000	5,000,000	Granted on 17 November 2009 (refer to details in Section 7.3 of this report)

* Mr Alex Krueger is a nominee of FRC Whitehaven Holdings BV (FRC) which owns 131,650,000 Whitehaven shares or approximately 26.67% of Whitehaven's 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.

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 was:

	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
Director	A	B	A	B	A	B
John Conde	15	15	6	6	2	2
Neil Chatfield	15	15	6	6	2	2
Tony Haggarty	13	15	–	–	–	–
Alex Krueger	15	15	5	6	–	–
Hans Mende	12	15	–	–	–	2
Andy Plummer	15	15	–	–	–	–
Allan Davies	15	15	–	–	–	–

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the 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 fulfil 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 the 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 to 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:

- review and evaluation of market practices and trends on remuneration matters
- recommendations to the Board in relation to the consolidated entity's remuneration policies and procedures
- oversight of the performance of senior management and non-executive Directors
- recommendations to the Board in relation to the remuneration of senior management and non-executive Directors
- development of suitable criteria (as regards skills, qualifications and experience) for Board candidates
- identification and consideration of possible candidates, and recommendation to the Board accordingly
- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management

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 2010 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 are both qualitative and quantitative and include 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 2010 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	3 years
N Chatfield	Yes	Yes	3 years
A Krueger	Yes	Yes	3 years
H Mende	No – substantial shareholder	Yes	3 years
T Haggarty	No – employed in an executive capacity	No	3 years
A Davies	No – employed in an executive capacity	No	1 year
A Plummer	No – employed in an executive capacity	No	3 years

Whitehaven did not comply with recommendation 2.1 of the ASX Guidelines during the 2010 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, 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. Such a review is scheduled to be conducted in the year ended 30 June 2011.

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 2010 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.

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 28 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 $42,403,000, representing a final 2009 dividend of 6.0 cents per ordinary share and an interim dividend for 2010 of 2.8 cents per ordinary share.

Declared after end of year

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

	Cents per share	Total amount $'000	Franked amount per security	Date of payment
Final ordinary (Fully franked)	2.8	13,822	100%	30 September 2010

The record date for determining entitlement to the dividend will be 17 September 2010.

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2010 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.

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 indices below are considered when measuring the Group's performance and benefits for shareholder wealth.

The Company does not permit directors and executives to use hedging instruments to protect the value of the equity based remuneration. An annual declaration is required from directors and executives to confirm this.

	2010	2009	2008	2007
Profit attributable to the group ($000s)	114,884	244,212	51,854	24,095
Revenue ($000s)	406,807	489,397	252,000	106,201
Share price at year end (dollars per share)	$4.80	$3.14	$4.47	$2.09
Basic EPS (cents per share)	24.2	60.5	14.5	8.0
Diluted EPS (cents per share)	24.0	60.3	14.4	8.0

After the year end the Company granted Share Acquisition Rights (SARs) over 250,000 ordinary shares to key management personnel as part of ongoing long-term incentive plans. The SARs vest over the period 1 July 2011 to 1 July 2014 and are subject to market based performance hurdles.

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: total fixed remuneration of $700,000 and the eligibility to participate in the Company's incentive schemes.

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: total fixed remuneration of $400,000 and the eligibility to participate in the Company's incentive schemes.

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 and Joint Company Secretary, 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: total fixed remuneration of $406,393 and the eligibility to participate in the Company's incentive schemes.

Tony Galligan, General Manager Infrastructure, was appointed on 22 May 2006 and has an evergreen employment agreement. The components of Mr Galligan's remuneration package include: total fixed remuneration of $368,760 and the eligibility to participate in the Company's incentive schemes.

Timothy Burt, General Counsel and Joint Company Secretary, was appointed on 29 July 2009 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 Burt's remuneration package include: total fixed remuneration of $256,393 and the eligibility to participate in the Company's incentive schemes.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

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. Non-executive directors remuneration for the year ended 30 June 2010 amounted to $356,163.

Non-executive directors do not receive equity instruments.

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

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant consolidated entity executives who receive the highest remuneration and other key management personnel are shown in the table below. Options issued to 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 $	STI cash bonus (A) $	Non-monetary benefits $	Other benefits (B) $	Super-annuation benefits $	Total $	Post-employ-ment benefits $	Options issued to directors/ senior employees (C) $	Shares issued to directors (D) $	Options issued under the EPOD (E) $	Value of options as proportion of total %
Directors												
Non-executive directors												
John Conde (Chairman)	2010	131,284	–	–	–	11,816	143,100	–	–	–	–	–
	2009	120,000	–	–	–	10,800	130,800	–	–	–	–	–
Neil Chatfield	2010	80,311	–	–	–	6,002	86,313	–	–	–	–	–
	2009	75,000	–	–	–	6,750	81,750	–	–	–	–	–
Alex Krueger ****	2010	63,375	–	–	–	–	63,375	–	–	–	–	–
	2009	122,625	–	–	–	–	122,625	–	–	–	–	–
Hans Mende	2010	63,375	–	–	–	–	63,375	–	–	–	–	–
	2009	54,500	–	–	–	–	54,500	–	–	–	–	–
Executive directors												
Tony Haggarty *	2010	661,237	112,500	–	–	52,489	826,226	–	–	–	195,000	19.1
	2009	386,714	–	–	–	38,671	425,385	–	–	–	57,500	11.9
Andy Plummer **	2010	363,629	56,250	–	–	41,988	461,867	–	–	–	195,000	29.7
	2009	193,356	–	–	–	19,336	212,692	–	–	–	57,500	21.3
Allan Davies ***	2010	628,688	67,500	–	–	–	696,188	–	9,508,046	7,175,000	–	96.0
	2009	200,531	–	–	–	–	200,531	–	–	–	–	–

* 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

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

In AUD		Salary & Fees $	STI cash bonus^ (A) $	Non-monetary benefits $	Other benefits (B) $	Superannuation benefits $	Total $	Post-employment benefits $	Options issued to directors/senior employees (C) $	Shares issued to directors (D) $	Options issued under the EPOD (E) $	Value of options as proportion of total %
			Short-term						Share-based payments			
Executives												
Austen Perrin (CFO/Company Secretary) *	2010	363,629	67,500	–	7,163	43,113	481,405	–	94,383	–	–	16.4
	2009	224,475	–	–	11,330	22,448	258,253	–	14,532	–	–	5.3
Tony Galligan (General Manager Infrastructure)	2010	307,035	77,083	26,757	–	38,412	449,287	–	–	–	–	–
	2009	325,585	–	28,390	–	32,558	386,533	–	–	–	–	–
Timothy Burt (General Council/Company Secretary) **	2010	217,071	–	–	4,449	21,507	243,027	–	–	–	–	–

^ STI cash bonus amounts relate to performance in the year ended 30 June 2009

* Austen Perrin appointed CFO 27 October 2008, appointed Joint Company Secretary 19 November 2008

** Timothy Burt appointed Joint Company Secretary 29 July 2009

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

A. The amounts disclosed as STI cash bonus relate to amounts approved by the Board for performance of senior executives during the year ended 30 June 2009.

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

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
Directors*							
17/11/09	31/10/13	$2.72	$1.70	$4.42	60%	3.50%	10%
17/11/09	31/10/13	$2.39	$1.70	$4.42	60%	3.50%	10%
17/11/09	31/10/13	$2.12	$1.70	$4.42	60%	3.50%	10%
Executives							
19/02/09	26/10/11	$1.19	$1.00	$1.51	30%	3.00%	10%
19/02/09	26/10/12	$1.36	$1.00	$1.51	30%	3.00%	10%
19/02/09	26/10/13	$1.56	$1.00	$1.51	30%	3.00%	10%

* Director refers to Mr Allan Davies whose options were granted to Dalara Investments Pty Ltd

7. REMUNERATION REPORT – AUDITED (CONTINUED)

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

In regard to the options issued to Directors, the Board committed to issue these options on 19 February 2009. The grant of these options was subsequently approved by shareholders at the AGM on 17 November 2009. Accounting standard AASB 2 deems the issue date of these options to be the date shareholder approval was formally received. Accordingly the company is required to account for the issue based on the prevailing share price at the date of the AGM.

D. Shares were issued to Dalara Investments Pty Ltd, a company controlled by Mr Allan Davies, as trustee for the AJ and LM Davies Family Trust. The Board committed to issue these shares on 19 February 2009. The grant of shares was subsequently approved by shareholders at the AGM on 17 November 2009. Accounting standard AASB 2 deems the issue date of these shares to be the date shareholder approval was formally received. Accordingly the Company is required to account for the issue based on the prevailing share price at the date of the AGM.

E. 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
03/05/07	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 was 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 was 300 million shares plus any shares issued under previous exercised options.

Each option was exercisable when the share price reached a certain level (as set out in the table below). All share prices were considered attained when the volume weighted average price of ordinary shares on the ASX measured over 10 consecutive trading days reached 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. Options 5 and 6 were exercised during the year ended 30 June 2010. All options had an exercise price of $1 and had to be exercised by the related entities within 90 days of being notified the Company's share price had reached the target share price.

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 2010 of $390,000 (2009: $115,000) has been recognised in the profit and loss.

7.3 Equity instruments – audited

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

7.3.1 Options over equity instruments granted as compensation – audited

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

	Number of options granted during 2010	Grant date	Fair value per option at grant date	Exercise price per option	Vesting date	Expiry date
Executive Director						
Allan Davies	1,666,666	17 Nov 2009	$2.72	$1.70	31 Oct 2009	31 Oct 2013
	1,666,667	17 Nov 2009	$2.39	$1.70	31 Oct 2010	31 Oct 2013
	1,666,667	17 Nov 2009	$2.12	$1.70	31 Oct 2011	31 Oct 2013

The fair value of these options attributable to the period ended 30 June 2010 of $9,508,000 has been recognised in the profit and loss.

The options will vest if Mr Davies remains with the Company for a period up to the vesting date.

Other than the SARs disclosed in section 7.1 of the remuneration report, 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 over equity instruments 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	7,326,266	1.00
Andy Plummer	7,326,266	1.00
Executives		
Tony Galligan	33,334	1.00

There are no unpaid amounts on the shares issued as a result of the exercise of the options in the 2010 financial year.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.3.4 Vesting of options over equity instruments granted as compensation – audited

Details of options vested during the year for each of the named executives and director related entities are detailed below.

	Options granted Number	Options granted Date	% vested in year	% forfeited in year	Financial years in which grant vests
Executives					
Tony Galligan	33,334	3 May 2007	100	–	2010
Austen Perrin	33,333	19 Feb 2009	100	–	2010

	Options granted Number	Options granted Date	% vested in year	% forfeited in year	Share price at which grant vests
Director related entities					
Tony Haggarty	3,623,277	3 May 2007	100	–	$4.50
	3,702,989	3 May 2007	100	–	$5.00
Andy Plummer	3,623,277	3 May 2007	100	–	$4.50
	3,702,989	3 May 2007	100	–	$5.00
Allan Davies	1,666,666	17 Nov 2009	100	–	n/a

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

The options provided to the related entity of Mr Davies vested in accordance with the vesting dates disclosed in section 7.3.1 of the remuneration report. No additional share price hurdles need to be met for the options to vest.

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			
Tony Galligan	–	120,335	–
Director related entities			
Tony Haggarty	–	26,814,133	–
Andy Plummer	–	30,257,478	–
Allan Davies	12,046,665	–	–

(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 31 October 2009 to 31 October 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 2010, Whitehaven Coal Limited and its controlled entities ("the Group") continued development at the Narrabri underground mine, reaching the coal seam in May 2010.

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 2010, the Group continued development at the Narrabri underground mine, reaching the coal seam in May 2010.

9.2 Highlights

Financial

- Net profit after tax (NPAT) of $114.9 million, including NPAT of $59.8 million from the sale of 7.5% of the Narrabri Joint Venture and other Significant Items;
- Underlying NPAT, before Significant Items, of $55.1 million;
- A fully franked final dividend of 2.8 cents per share has been declared, payable on 30 September 2010;
- Revenue of $328.2 million (net of purchased coal and excluding NSW royalty), down 8% from FY 2009;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $129.0 million (excluding coal purchases), reduced to $108.8 million after coal purchases;
- Cash generated from operations of $69.3 million, compared to $135.6 million in FY 2009;
- Proceeds received from the sale of Narrabri of $99.7 million during the year;
- Strong cash flow and financial position – $141.0 million cash available with net cash of $46.1 million compared to $131.2 million cash available and net cash of $52.9 million at 30 June 2009;

Operating

- Coal sales up 16% (equity basis) compared with previous year (up 13% on 100% basis);
- Saleable coal production up 24% (equity basis) from FY 2009 (up 20% on 100% basis);
- JORC coal resources increased to 1,632.9 Mt, with marketable coal reserves up 14% to 318.1 Mt;
- The ongoing expansion of Whitehaven's open cut mines and the Gunnedah CHPP to their combined design and permitted capacity of approximately 5.5 Mtpa of saleable coal is nearing completion;
- Construction of the Narrabri mine (Stage 1) was completed during the final quarter of FY10 with first coal production achieved on 28 June 2010;
- NSW Government approval has been received for Narrabri Stage 2 (subsequent to balance date). The Stage 2 longwall equipment was specified and ordered last September. Delivery is expected to commence in January 2011, with installation underground scheduled for September/October of 2011.
- The new coal train ordered by Whitehaven in 2009 was delivered and put into service in June 2010.
- Construction of the new NCIG coal loading terminal (Whitehaven owns 11%) achieved its objective of shipping its first coal at the end of March 2010 and achieved practical completion as planned in June.

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 the State of Affairs" and "Events Subsequent to Reporting 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:

- The directors have resolved to pay a fully franked dividend of 2.8 cents per ordinary share (refer Note 26).
- After the year end the Company granted Share Acquisition Rights (SARs) over 1,305,000 ordinary shares to key senior employees as part of ongoing long term incentive plans. The SARs vest over the period 1 July 2011 to 1 July 2014 and are subject to market based performance hurdles.
- On 28 July 2010 the Group received approval from the NSW Minister for Planning, the Hon Tony Kelly MLC, for Narrabri Coal Project Stage 2. The project approval under Part 3A of the Environmental Planning and Assessment Act 1973 will permit the development of a longwall mining operation and associated infrastructure at the Narrabri Mine to an approved level of production of 8 Mtpa. The receipt of approval for Narrabri Project Stage 2 also triggers two tranche payments related to previous sell downs of the Narrabri Joint Venture. Tranche 2 of $83 million from J Power was received on 13 August 2010. Tranche 3 of $62.5 million due from the Korean consortium is receivable on 30 November 2010.
- On 9 August 2010 the Group provided funding of $29.0 million to NCIG as part of the funding requirement of the NCIG Stage 2AA expansion. It is the Group's intention to recover this funding as NCIG secures planned investment from other external parties.
- On 5 August 2010, in response to media speculation, the Group issued an announcement to the ASX confirming that the Group has had, and will continue to have, discussions with third parties in relation to potential corporate transactions. Those discussions that are continuing are preliminary and remain incomplete, and it is highly uncertain whether they will lead to a proposal for consideration by the Company's directors and shareholders.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2010 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:

	Number of options granted	Exercise price	Expiry date
Directors			
Allan Davies	1,666,666	$1.70	31 Oct 2013
Allan Davies	1,666,667	$1.70	31 Oct 2013
Allan Davies	1,666,667	$1.70	31 Oct 2013
Officers			
Austen Perrin	100,000	$0.00	1 July 2012 to 1 July 2015
Timothy Burt	65,000	$0.00	1 July 2012 to 1 July 2015
Anthony Galligan	85,000	$0.00	1 July 2012 to 1 July 2015

All options granted to directors were granted during the financial year. Since the end of the financial year, Share Acquisition Rights ("SARs") have been granted to senior employees as part of the Group's long-term incentive plan. 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	7,326,266	1.00
Andy Plummer	7,326,266	1.00
Executives		
Leigh Whitton*	33,334	1.00
Tony Galligan	33,334	1.00

* Mr Leigh Whitton continued to hold his options following his cessation of employment with the Company on 31 December 2008.

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
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
1 July 2012	$0.00	678,346
21 October 2012	$2.50	3,000,000
26 October 2012	$1.00	66,666
2 November 2012	$1.00	33,333
1 July 2013	$0.00	434,998
26 October 2013	$1.00	66,668
31 October 2013	$1.70	5,000,000
2 November 2013	$1.00	33,334
1 July 2014	$0.00	191,656

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. NON-AUDIT SERVICES

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Management 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 their related practices for non-audit services provided during the year are set out below.

	Consolidated	
In AUD	2010	2009
Non-audit services		
Ernst & Young		
Due diligence services	–	202,996
Review of Greenhouse Gas emissions	86,684	32,000
Taxation services	40,508	–
Other assurance services	5,142	43,900
	132,334	**278,896**

16. 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 2010.

17. 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 9th day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

Ernst & Young Centre
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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 financial year ended 30 June 2010, 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
9 September 2010

Liability limited by a scheme approved
under Professional Standards Legislation

FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

In thousands of AUD ($'000)	Note	Consolidated 2010	2009
Revenue	**8**	**406,807**	**489,397**
Operating expenses		(240,545)	(296,251)
Depreciation and amortisation		(32,025)	(26,290)
Cost of sales		**(272,570)**	**(322,541)**
Gross profit		**134,237**	**166,856**
Other income			
Before significant items	9	9,427	7,598
Significant items	7	114,314	263,715
		123,741	**271,313**
Selling and distribution expenses		(51,189)	(44,433)
Other expenses			
Before significant items		(802)	(10,570)
Significant items	7	(16,683)	–
	10	**(17,485)**	**(10,570)**
Administrative expenses			
Before significant items		(14,930)	(9,446)
Significant items	7	(2,375)	(6,938)
		(17,305)	**(16,384)**
Profit before financing income		**171,999**	**366,782**
Financial income			
Before significant items		12,817	10,203
Significant items	7	4,511	7,604
	12	**17,328**	**17,807**
Financial expenses			
Before significant items		(10,857)	(10,558)
Significant items	7	(7,223)	(24,180)
	12	**(18,080)**	**(34,738)**
Net financing expense	**12**	**(752)**	**(16,931)**
Profit before tax		**171,247**	**349,851**
Income tax expense			
Before significant items		(23,595)	(32,332)
Significant items	7	(32,768)	(73,307)
	13	**(56,363)**	**(105,639)**
Profit for the year attributable to equity holders of the parent			
Before significant items		55,108	77,318
Significant items		59,776	166,894
Net profit attributable to equity holders		**114,884**	**244,212**

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
In thousands of AUD ($'000)	Note	2010	2009
Net profit attributable to equity holders		**114,884**	**244,212**
Other comprehensive loss			
Effective portion of changes in fair value of cash flow hedges		29,494	(32,887)
Change in fair value of cash flow hedges transferred to profit and loss		(48,722)	19,653
Income tax on items of other comprehensive loss	13	5,769	3,970
Other comprehensive loss for the period, net of tax		**(13,459)**	**(9,264)**
Total comprehensive income for the period		**101,425**	**234,948**
Earnings per share:			
Basic earnings per share (cents per share)	36	24.2	60.5
Diluted earnings per share (cents per share)	36	24.0	60.3
Earnings per share before significant items:			
Basic earnings per share (cents per share)	36	11.6	19.1
Diluted earnings per share (cents per share)	36	11.5	19.1

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

In thousands of AUD ($'000)	Note	Consolidated 2010	Consolidated 2009
Assets			
Cash and cash equivalents	14	141,049	131,159
Trade and other receivables	15	289,206	173,550
Inventories	16	20,921	13,869
Deferred stripping		27,903	5,716
Derivative financial instruments	17	23,127	31,208
Total current assets		**502,206**	**355,502**
Trade and other receivables	15	37,159	98,343
Investments	18	1,210	37
Property, plant and equipment	19	760,981	508,838
Exploration and evaluation	20	5,344	3,838
Intangible assets	21	43,488	37,394
Deferred stripping		928	–
Derivative financial instruments	17	–	3,047
Total non-current assets		**849,110**	**651,497**
Total assets		**1,351,316**	**1,006,999**
Liabilities			
Trade and other payables	22	128,408	64,799
Interest-bearing loans and borrowings	23	37,307	33,421
Employee benefits	24	6,245	3,966
Current tax payable	13	37,514	106,874
Deferred income		191	245
Provisions	25	1,246	1,738
Derivative financial instruments	17	14,280	3,093
Total current liabilities		**225,191**	**214,136**
Non-current liabilities			
Interest-bearing loans and borrowings	23	57,622	44,847
Deferred tax liabilities	13	12,089	4,415
Deferred income		444	701
Provisions	25	27,652	14,323
Derivative financial instruments	17	5,142	5,732
Total non-current liabilities		**102,949**	**70,018**
Total liabilities		**328,140**	**284,154**
Net assets		**1,023,176**	**722,845**

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2010

		Consolidated	
In thousands of AUD ($'000)	Note	2010	2009
Equity			
Issued capital	26(a)	591,176	367,352
Share based payments reserve		17,927	442
Hedge reserve		2,839	16,298
Retained earnings		411,234	338,753
Total equity attributable to equity holders of the parent		**1,023,176**	**722,845**

The statement of financial position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated In thousands of AUD ($'000)	Note	Issued capital	Share based payments reserve	Retained earnings	Hedge reserve	Total
Opening balance at 1 July 2008		**351,374**	**1,211**	**111,382**	**25,562**	**489,529**
Profit for the period		–	–	244,212	–	244,212
Other comprehensive income		–	–	–	(9,264)	(9,264)
Total comprehensive income for the period		–	–	244,212	(9,264)	234,948
Transactions with owners in their capacity as owners:						
Dividends paid		–	–	(16,841)	–	(16,841)
Share based payments	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**
Opening balance at 1 July 2009		**367,352**	**442**	**338,753**	**16,298**	**722,845**
Profit for the period		–	–	114,884	–	114,884
Other comprehensive income		–	–	–	(13,459)	(13,459)
Total comprehensive income for the period		–	–	114,884	(13,459)	101,425
Transactions with owners in their capacity as owners:						
Dividends paid	26	–	–	(42,403)	–	(42,403)
Share based payments	33	–	17,485	–	–	17,485
Share options exercised	26	14,753	–	–	–	14,753
Shares issued for cash	26	214,886	–	–	–	214,886
Costs of shares issued, net of tax	26	(5,815)	–	–	–	(5,815)
Closing balance at 30 June 2010		**591,176**	**17,927**	**411,234**	**2,839**	**1,023,176**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements..

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

In thousands of AUD ($'000)	Note	Consolidated 2010	2009
Cash flows from operating activities			
Cash receipts from customers		397,363	518,748
Cash paid to suppliers and employees		(328,017)	(383,132)
Cash generated from operations		**69,346**	**135,616**
Interest paid		(6,505)	(4,957)
Interest received		7,426	4,425
Income taxes paid		(109,790)	(12,419)
Net cash from/(used in) operating activities	**31**	**(39,523)**	**122,665**
Cash flows from investing activities			
Proceeds from sell down of Narrabri project		99,749	59,021
Proceeds from sale of property, plant and equipment		1,071	–
Acquisition of property, plant and equipment		(245,685)	(130,677)
Acquisition of intangible assets		(3,110)	(61)
Exploration and evaluation expenditure		(1,506)	(2,064)
Contract guarantee security		6,162	18,838
Loans advanced		(3,404)	(5,155)
Net cash used in investing activities		**(146,723)**	**(60,098)**
Cash flows from financing activities			
Proceeds from the issue of share capital	26	214,886	–
Proceeds from the exercise of share options	26	14,753	15,295
Transaction costs paid on issue of share capital		(8,306)	–
Proceeds from borrowings		32,321	–
Repayment of borrowings		(918)	–
Payment of finance lease liabilities		(14,197)	(10,729)
Dividends paid	26	(42,403)	(16,841)
Net cash from/(used in) financing activities		**196,316**	**(12,275)**
Net increase in cash and cash equivalents		9,890	50,292
Cash and cash equivalents at 1 July		131,159	80,867
Cash and cash equivalents at 30 June	**14**	**141,049**	**131,159**

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

1. REPORTING ENTITY

The financial report of Whitehaven Coal Limited ('Whitehaven' or 'Company') for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 24 August 2010. Whitehaven Coal Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities 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 that have been 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 dollars 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.

New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations, where applicable, as at 1 July 2009.

- AASB 7 Financial Instruments: Disclosures effective 1 January 2009
- AASB 8 Operating Segments effective 1 January 2009
- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009
- AASB 123 Borrowing Costs (revised 2007) effective 1 January 2009
- AASB Interpretation 15 Agreements for the Construction of Real Estate
- AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- AASB 2008-1 Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] effective 1 January 2009
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation effective 1 January 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (continued)

- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 January 2009
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate effective 1 January 2009
- AASB 2009-3 Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 and Interpretation 9] effective 30 June 2009
- AASB 2009-6 Amendments to Australian Accounting Standards operative for periods beginning on or after 1 January 2009 that end on or after 30 June 2009
- AASB 3 Business Combinations (revised 2008) effective 1 July 2009
- AASB Interpretation 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- AASB Interpretation 18 Transfers of Assets from Customers effective 1 July 2009
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 effective 1 July 2009
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 and AASB 5] effective 1 July 2009
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore, the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 5. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (continued)

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The operating segments determined in accordance with AASB 8 are based on the internal reports that are reviewed by the chief operating decision makers in the Group. AASB 8 disclosures are shown in note 6, including the related revised comparative information.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the "cost method", making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However, the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary. The receipt of dividends by Whitehaven during the year did not impact the recoverability of the investment in the subsidiary (see note 18).

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the group. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

AASB 2009-3 Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 and Interpretation 9]

These amendments to AASB Interpretation 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. AASB 139 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

Annual Improvements Project

In May 2008 and April 2009 the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- AASB 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information in note 6.
- AASB 116 Property, Plant and Equipment: replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (continued)

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 2 Share-based Payment
- AASB 5 Non-current Assets Held for Sale and Discontinued Operations
- AASB 101 Presentation of Financial Statements
- AASB 108 Accounting Policies, Change in Accounting Estimates and Error
- AASB 110 Events after the Reporting Period
- AASB 117 Leases
- AASB 118 Revenue
- AASB 119 Employee Benefits
- AASB 120 Accounting for Government Grants and Disclosures of Government Assistance
- AASB 123 Borrowing Costs
- AASB 128 Investment in Associates
- AASB 131 Interests in Joint Ventures
- AASB 136 Impairment of Assets
- AASB 138 Intangible Assets
- AASB 140 Investment Property

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2010 are outlined below:

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Improvements to IFRS project is an annual process that the IASB has adopted to deal with non-urgent but necessary amendments to IFRS. The amendments result in various accounting changes and terminology or editorial amendments. The amendments become effective for the consolidated entity's 30 June 2011 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions

The amendment clarifies that if an entity receives goods or services that are cash settled by shareholders not within the group, they are outside the scope of IFRS 2. The amendments become effective for the consolidated entity's 30 June 2011 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters

The amendments become effective for the consolidated entity's 30 June 2011 financial statements. There will be no impact upon adoption of the amendments to the consolidated entity's financial report.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB132]

The amendment will provide relief to entities that issue rights (fixed in a currency other than their functional currency), from treating the rights as derivatives with fair value changes recorded in profit or loss. The amendments become effective for the consolidated entity's 30 June 2011 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

AASB 2009-14 Amendments to Australian Accounting Standards – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]

IFRIC 14 provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendments become effective for the consolidated entity's 30 June 2012 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

AASB 2010-1 Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters

The amendments can provide relief to first-time adopters, by reducing the cost and resources required to provide certain comparative disclosures. The amendments become effective for the consolidated entity's 30 June 2011 financial statements. There will be no impact upon adoption of the amendments to the consolidated entity's financial report.

AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39 Financial Instruments; Recognition and Measurement. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The amendments become effective for the consolidated entity's 30 June 2011 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

AASB 9 Financial Instruments

Phase 1 of IFRS 9 will have a significant impact on the classification and measurement of financial assets. The amendments become effective for the consolidated entity's 30 June 2014 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

AASB 124 Related Party Disclosures (Revised)

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. The amendments become effective for the consolidated entity's 30 June 2012 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

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 2010 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. The existence and effect of potential voting rights that are currently exercisable are considered when assessing control. 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.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 July 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against the fair value adjustment to mining properties.

b) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the rates 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 date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term 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.

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of comprehensive income 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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Mining 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 statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income.

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

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

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

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

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

(ii) Water access rights

The consolidated entity holds water access rights, 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 statement of comprehensive income on a straight line basis over the estimated life of the mining property to which the intangible relates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets (continued)

(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 statement of comprehensive income as incurred.

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 statement of comprehensive income. 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 statement of comprehensive income 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 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 statement of comprehensive income, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employee benefits (continued)

(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 date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income in the period in which it occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Provisions (continued)

(i) Mine rehabilitation and closure (continued)

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

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income 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 date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Income tax (continued)

Deferred income tax is provided on all temporary differences at the balance 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Income tax (continued)

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

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

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

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

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 statement of financial position.

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.

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 statement of financial position 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 statement of comprehensive income.

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 statement of comprehensive income 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.

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

Carrying value of assets (continued)

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.

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 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.

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

Share-based payment transactions (continued)

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.

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 requiring 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 statement of financial position. 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 statement of financial position 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 statement of comprehensive income.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The consolidated entity has exposure to the following risks from their use of financial instruments:

- market risk
- credit risk
- liquidity risk

This note presents information about the consolidated entity's exposure to each of the above risks, its 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 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 consolidated entity's activities. The consolidated entity, through its training and management standards and procedures, aims 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 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 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 are subject to externally imposed capital requirements.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses

Foreign currency risk

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

The consolidated entity uses forward exchange contracts (FECs) to hedge its 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 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 2010 was $3,705,000 (2009: $25,430,000), comprising assets and liabilities that were recognised as fair value derivatives.

At 30 June 2010, the consolidated entity had the following financial instruments that were not designated in cash flow hedges that were exposed to foreign currency risk:

In thousands of USD	USD 30 June 2010	USD 30 June 2009
Cash	5,217	3,300
Trade and other receivables	124,290	128,727
Trade and other payables	(4,250)	(10,672)
Finance lease liabilities	(20,964)	(18,291)
Net statement of financial position exposure	**104,293**	**103,064**

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

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Fixed rate instruments	2010	2009	2010	2009
USD	0.8821	0.7477	0.8523	0.8114
EUR	0.6737	0.5420	0.6979	0.5751

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Foreign currency risk (continued)

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 2009.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or loss
30 June 2010		
USD	63,336	(11,124)
EUR	(4,085)	–
30 June 2009		
USD	53,521	(15,224)
EUR	–	–

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 2009.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or loss
30 June 2010		
USD	(77,411)	13,596
EUR	4,085	–
30 June 2009		
USD	(65,305)	19,121
EUR	–	–

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.

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 2010	Carrying Amount 30 June 2009
Cash and cash equivalents	14	141,049	131,159
Trade and other receivables	15	326,365	271,893
Derivative financial instruments	17	23,127	34,255
Available-for-sale financial assets	18	1,210	37
		491,751	**437,344**

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 2010	Carrying Amount 30 June 2009
Asia	32,801	30,151
Europe	10,030	–
Australia	3,499	1,113
	46,330	**31,264**

Trade and other receivables

The 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 49% of the consolidated entity's revenue is attributable to sales transactions with three customers (2009: 39% with two customers).

More than 90 percent of the consolidated entity's customers have been transacting with the consolidated entity for over five years, and losses have occurred infrequently. Of the consolidated entity's trade and other receivables, 76% 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 consolidated entity has not recognised any impairment loss for trade and other receivables during the year ended 30 June 2010 (2009: 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:

In thousands of AUD	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	44,431	–	30,906	–
Past due 0-30 days	1,219	–	200	–
Past due 31-120 days	634	–	91	–
Past due 121 days to one year	10	–	64	–
More than one year	36	–	3	–
	46,330	**–**	**31,264**	**–**

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

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 $105,866,000 facility. Details of outstanding guarantees are provided in note 30.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its 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 consolidated entity ensures that it has 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.

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 2010						
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	74,281	89,709	10,880	11,709	19,369	47,751	–
Interest bearing liabilities	20,648	31,259	1,158	1,158	2,315	9,262	17,366
Trade and other payables	128,408	128,408	94,408	34,000	–	–	–
Forward exchange contracts:							
Outflow	744,429	771,837	306,587	259,591	205,658	–	–
Inflow	(748,134)	(775,362)	(310,845)	(264,411)	(200,105)	–	–
	219,632	**245,851**	**102,188**	**42,047**	**27,237**	**57,013**	**17,366**

	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**

Amounts included in the tables above include interest bearing liabilities of $20,648,000 (2009: $21,567,000) for which the contractual cash flows extend out for more than five years. These amounts are repayable on demand, and as such the entire amount is included within current liabilities in the statement of financial position and notes to the accounts.

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 consolidated entity's interest-bearing financial instruments was:

	Consolidated Carrying amount	
In thousands of AUD	2010	2009
Fixed rate instruments		
Financial liabilities	(94,929)	(78,268)
	(94,929)	**(78,268)**
Variable rate instruments		
Financial assets	141,049	131,159
	141,049	**131,159**
Net exposure	**46,120**	**52,891**

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 2009.

	Profit or loss	
Effect in thousands of AUD	100bp increase	100bp decrease
30 June 2010		
Variable rate instruments	1,410	(1,410)
Cash flow sensitivity (net)	**1,410**	**(1,410)**
30 June 2009		
Variable rate instruments	1,312	(1,312)
Cash flow sensitivity (net)	**1,312**	**(1,312)**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

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 duration of more than 12 months to mitigate this risk. For the following financial year 50% of coal sales tonnages have had the sales price fixed.

Net Fair Values

As at 1 July 2009, the Group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – measurements based upon quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – measurements based upon inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – measurements based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is derived using valuation techniques based on observable market inputs, such as forward currency rates, at the end of the reporting period. The amounts disclosed in the statement of financial position are the fair values and are classified under level 2 in the fair value measurement hierarchy (refer note 17).

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.

Financial Assets and Liabilities by Categories

In thousands of AUD		2010		2009	
Consolidated Entity	Note	Loans and Receivables[1]	Other[2]	Loans and Receivables[1]	Other[2]
Financial Assets					
Cash and cash equivalents	14	141,049	–	131,159	–
Trade and other receivables	15	326,365	–	271,893	–
Other financial assets		–	24,337	–	34,292
Total Financial Assets		**467,414**	**24,337**	**403,052**	**34,292**
Financial Liabilities					
Trade and other payables	22	128,408	–	64,799	–
Borrowings	23	94,929	–	78,268	–
Other financial liabilities		–	19,422	–	8,825
Total Financial Liabilities		**223,337**	**19,422**	**143,067**	**8,825**

1 Loans and receivables are non-derivatives with fixed or determinable payments and are not quoted on an active market. Loans and receivables are valued at amortised cost.

2 Other financial assets include $23.1 million (2009: $34.3 million) relating to derivatives that qualified as being in a hedging relationship. Similarly, other financial liabilities include amounts of $19.4 million (2009: $8.8 million).

6. SEGMENT REPORTING

a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on "operations at individual mine sites". Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by mining operations. The Group has determined that it has two reportable segments: Open Cut Operations and Underground Operations.

The following table represents revenue and profit information for reportable segments for the years ended 30 June 2010 and 30 June 2009. The Group's financing (including finance costs and finance income), depreciation and income taxes are managed on a group basis and are not allocated to reportable segments. Information in relation to the Underground Operations segment has not yet been provided as the Narrabri project remained in the development phase until the close of the year ended 30 June 2010 and had no revenue or results.

In thousands of AUD	Open Cut Operations	Total
Year ended 30 June 2010		
Revenue		
Sales to external customers	418,106	418,106
Total segment revenue	**418,106**	**418,106**
Difference in treatment of foreign exchange on hedges		(11,299)
Total revenue per statement of comprehensive income		**406,807**
Result		
Segment result	109,808	109,808
Depreciation and amortisation		(32,025)
Income tax expense (excluding significant items)		(23,595)
Significant items after income tax		59,776
Net interest income		920
Net profit after tax per statement of comprehensive income		**114,884**

Capital expenditure for the year amounted to $111,596,000 for open cut operations and $126,647,000 for underground operations.

6. SEGMENT REPORTING (CONTINUED)

In thousands of AUD	Open Cut Operations	Total
Year ended 30 June 2009		
Revenue		
Sales to external customers	489,397	489,397
Total segment revenue	**489,397**	**489,397**
Total revenue per statement of comprehensive income		**489,397**
Result		
Segment result	136,472	136,472
Depreciation and amortisation		(26,290)
Income tax expense (excluding significant items)		(32,332)
Significant items after income tax		166,894
Net interest income		(532)
Net profit after tax per statement of comprehensive income		**244,212**

Capital expenditure for the prior year amounted to $78,109,000 for open cut operations and $93,219,000 for underground operations.

Other segment information

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.

In thousands of AUD	2010	2009
Total segment revenue		
China	22,485	12,349
Japan	128,217	209,611
India	33,563	47,161
UK	98,803	91,486
Other	8,663	14,007
Australia[1]	115,132	106,548
Domestic	11,243	8,235
Total revenue	**418,106**	**489,397**

1 Includes FOB contracts to Australian intermediaries which on-sell export coal

Total revenue by product		
Thermal	270,476	274,611
PCI	136,387	206,551
Domestic	11,243	8,235
Total revenue	**418,106**	**489,397**

Major Customers

The Group has three major customers which account for 49.3% of external revenue.

7. SIGNIFICANT ITEMS

	Consolidated	
In thousands of AUD	2010	2009
Consideration on sale of 7.5% (2009: 15%) of Narrabri joint venture interest	125,000	285,345
Transaction costs	(167)	(520)
Assets disposed	(10,519)	(23,210)
Gain on sale of joint venture interest[1]	**114,314**	**261,615**
Share based compensation[2]	(16,683)	–
Restructure costs[3]	–	(2,444)
Employee on-costs adjustment[4]	–	(1,145)
Due diligence costs and project costs[5]	(2,375)	(3,349)
Reimbursed due diligence costs	–	2,100
Financial income on unwinding of discount of EDF receivable[6]	4,511	7,604
Finance costs on retranslation of EDF receivable[6]	(7,223)	(24,180)
Significant items before tax	**92,544**	**240,201**
Applicable income tax expense	(32,768)	(73,307)
Significant items after tax	**59,776**	**166,894**
Reconciliation of significant items to face of Statement of Comprehensive Income:		
Other income:		
Gain on sale of joint venture interest[1]	114,314	261,615
Reimbursed due diligence costs	–	2,100
	114,314	**263,715**
Administrative expenses:		
Restructure costs	–	(2,444)
Employee on-costs adjustment[4]	–	(1,145)
Due diligence costs and project costs[5]	(2,375)	(3,349)
	(2,375)	**(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 year, the Company sold a further 7.5% of its joint venture interest in the Narrabri North 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 sale takes the Company's interest in the project down to 70%. The consortium will pay the A$125 million in three tranches. The first and second tranches of $32.5 million and $30 million were received during the year, as well as the consortiums 7.5% share of project development costs incurred since 1 January 2008. The third tranche of $62.5 million became payable on approval for stage 2 of the Narrabri Project from the NSW Government which was received in July 2010 (see note 32).

2 This expense relates to the issue of executive shares and executive options. The Board committed to issue these shares and options on 19 February 2009. These shares and options were subsequently approved by shareholders at the AGM on 17 November 2009. Accounting standard AASB 2 deems the issue date of these shares and options to be the date shareholder approval was formally received. Accordingly, the company is required to account for the issue based on the prevailing share price at the date of the AGM.

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

4 During the prior year the Group was made aware of an underpayment of employee on-costs. Management recorded a provision for the amounts due to be paid and associated fees for late payment.

5 During the year the Group undertook due diligence on a number of projects in relation to corporate and asset transactions.

6 A receivable arising on a previous sell down of the Narrabri North Project is denominated in US$ and has been discounted on initial recognition. At the reporting date the receivable has been retranslated to Australian dollars at current exchange rates, and the discount partially unwound. The resulting income and expense have been disclosed as significant items.

8. REVENUE

In thousands of AUD	Consolidated 2010	2009
Sale of coal	406,807	489,397

9. OTHER INCOME

Before significant items:		
Hire of plant	3,569	5,815
Rental income	350	371
Gain on Sale of Non-Current assets	165	–
Sundry income	5,343	1,412
	9,427	**7,598**
Significant items:		
Gain on sale of interest in Narrabri project*	114,314	261,615
Sundry income	–	2,100
	114,314	**263,715**

* During the year the Group sold 7.5% (2009: 15%) of its joint venture interest in the Narrabri North Project. Refer to Note 7 for further details of these transactions.

10. OTHER EXPENSES

In thousands of AUD	Consolidated 2010	2009
Payments for unfulfilled legacy contracts	–	10,298
Share based compensation payments	17,485	272
	17,485	**10,570**

11. PERSONNEL EXPENSES

Wages and salaries	37,159	28,064
Contributions to superannuation plans	3,494	2,537
Other associated personnel expenses	1,950	322
Increase in liability for annual leave	1,500	1,026
Increase in liability for long-service leave	100	6
Share-based compensation payments	17,485	272
	61,688	**32,227**

12. FINANCE INCOME AND EXPENSE

In thousands of AUD	Consolidated 2010	Consolidated 2009
Recognised in profit and loss		
Interest income on bank facilities	7,426	4,425
Dividend income	4	4
Net realised foreign exchange gain	5,387	5,774
Unwinding of discount on EDF receivable[1]	4,511	7,604
Financial income	**17,328**	**17,807**
Interest expense on finance lease liabilities	(4,923)	(4,283)
Unwinding of discounts on provisions	(852)	(699)
Losses from ineffective portion of hedges	(2,497)	(1,727)
Net unrealised foreign exchange loss	(1,002)	(3,175)
Net foreign exchange loss on translation of EDF receivable[1]	(5,199)	(23,655)
Net realised foreign exchange losses on EDF receipts[1]	(2,024)	(525)
Other interest charges	(1,583)	(674)
Financial expenses	**(18,080)**	**(34,738)**
Net financing expense	**(752)**	**(16,931)**
Recognised directly in equity		
Effective portion of changes in fair value of cash flow hedges	29,494	(32,887)
Net change in fair value of cash flow hedges transferred to profit or loss – sale of coal	(48,722)	19,653
Income tax on income and expense recognised directly in equity	5,769	3,970
Finance expense recognised directly in equity, net of tax	**(13,459)**	**(9,264)**

1 These items have been disclosed as significant items. Please refer to note 7 for further details.

13. INCOME TAX

In thousands of AUD	Consolidated 2010	Consolidated 2009
a) Income tax (expense)/benefit		
Current income tax		
Current period	(39,392)	(106,968)
Adjustment for prior periods	(1,038)	(601)
	(40,430)	**(107,569)**
Deferred income tax		
Origination and reversal of temporary differences	(15,933)	1,930
Income tax expense reported in the statement of comprehensive income	**(56,363)**	**(105,639)**
Numerical reconciliation between tax expense recognised in the statement of comprehensive income and profit before tax		
Profit/(loss) for the period	114,884	244,212
Total income tax (expense)/benefit	(56,363)	(105,639)
Profit excluding income tax	**171,247**	**349,851**
Income tax using the Company's domestic tax rate of 30% (2009: 30%)	(51,374)	(104,956)
Non-deductible expenses	(3,951)	(82)
Change in unrecognised temporary differences	–	–
Underprovided in prior periods	(1,038)	(601)
Aggregate income tax expense	**(56,363)**	**(105,639)**
b) Income tax recognised directly in equity		
Deferred income tax related to items charged/(credited) directly to equity		
Derivatives	5,769	3,970
Transaction costs on issue of share capital	2,490	(358)
Income tax expense recorded in equity	**8,259**	**3,612**

13. INCOME TAX (CONTINUED)

c) Recognised tax assets and liabilities

	Consolidated			
In thousands of AUD	2010 Current income tax	2010 Deferred income tax	2009 Current income tax	2009 Deferred income tax
Opening balance	(106,874)	(4,415)	(10,143)	(9,957)
Charged to income	(40,430)	(15,933)	(107,569)	1,930
Charged to equity	–	8,259	–	3,612
Payments	109,790	–	10,838	–
Closing balance	**(37,514)**	**(12,089)**	**(106,874)**	**(4,415)**
Tax expense in statement of comprehensive income:				
Charged to income		(56,363)		(105,639)
Charged to equity		8,259		3,612
Amounts recognised in the statement of financial position:				
Deferred tax asset		–		–
Deferred tax liability		(12,089)		(4,415)
		(12,089)		**(4,415)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the cost base available on disposal of the following items:

	Consolidated	
In thousands of AUD	2010	2009
Land and mining tenements	21,530	21,530
	21,530	**21,530**

13. INCOME TAX (CONTINUED)

c) Recognised deferred tax assets and liabilities (continued)

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

	Consolidated			
	Assets		Liabilities	
In thousands of AUD	2010	2009	2010	2009
Property, plant and equipment	–	–	(16,852)	(2,352)
Receivables	–	–	(97)	(119)
Derivatives	–	–	(1,216)	(8,756)
Investments	–	–	(1)	(1)
Inventories	–	–	–	(20)
Deferred stripping	–	–	(9,999)	(3,065)
Deferred revenue	–	–	(3,413)	(3,214)
Deferred foreign exchange gain	7,662	11,958	–	(7,062)
Provisions	10,762	5,473	–	–
Unearned income	122	214	–	–
Restructure costs	–	84	–	–
Other items	943	2,445	–	–
Tax (assets)/liabilities	**19,489**	**20,174**	**(31,578)**	**(24,589)**
Set off of tax assets	(19,489)	(20,174)	19,489	20,174
Net tax assets/(liabilities)	**–**	**–**	**(12,089)**	**(4,415)**

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.

14. CASH AND CASH EQUIVALENTS

	Consolidated	
In thousands of AUD	2010	2009
Cash and cash equivalents	141,049	131,159

The weighted average interest rate for cash balances at 30 June 2010 is 4.02% (2009: 2.59%).

15. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	46,330	31,264
Other receivables and prepayments	237,198	140,918
Receivables due from related parties	5,678	1,368
	289,206	**173,550**
Non-current		
Other receivables and prepayments	**37,159**	**98,343**

Included in Trade and Other Receivables is a 30 day term deposit for $nil (2009: $6,162,000) as security for a sale and purchase agreement with a major customer to supply coal to 31 March 2011.

Included in Current and Non-current Other Receivables are amounts of $216,402,000 and $32,570,000 respectively (2009: $121,363,000 and $88,394,000), relating to consideration due on the sell down of the Narrabri North project. For further details of this transaction please refer to note 7.

16. INVENTORIES

Coal stocks (at NRV)	–	789
Coal stocks (at cost)	17,052	10,994
Consumables and stores	3,869	2,086
	20,921	**13,869**

17. DERIVATIVE FINANCIAL INSTRUMENTS

Current assets		
Forward exchange contracts – receivable	**23,127**	**31,208**
Non-current assets		
Forward exchange contracts – receivable	**–**	**3,047**
Current liabilities		
Forward exchange contracts – payable	**14,280**	**3,093**
Non-current liabilities		
Forward exchange contracts – payable	**5,142**	**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 2010, the forward exchange contracts are designated as cash flow hedges and are expected to impact profit and loss in the periods specified below.

Forward exchange contracts

In thousands of AUD (except exchange rates)	Fair Value 2010	Average Exchange Rates 2010	Fair Value 2009	Average Exchange Rates 2009
Sell US dollars				
Less than 6 months	10,458	0.8145	19,527	0.7354
6 months to 1 year	5,319	0.8108	8,588	0.7628
1 year to less than 2 years	(5,142)	0.8246	(1,692)	0.7852
2 years to less than 3 years	–	–	(993)	0.8215
3 years to less than 4 years	–	–	–	–
	10,635	**0.8160**	**25,430**	**0.7632**
Buy Euros				
Less than 6 months	(6,251)	0.5882	–	–
6 months to 1 year	(679)	0.5902	–	–
1 year to less than 2 years	–	–	–	–
2 years to less than 3 years	–	–	–	–
3 years to less than 4 years	–	–	–	–
	(6,930)	**0.5885**	**–**	**–**

18. INVESTMENTS

In thousands of AUD	Consolidated 2010	2009
Non-current investments		
Investment in unlisted shares	1,210	37
	1,210	**37**

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 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 and freehold land		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**
Balance at 1 July 2009		41,655	114,683	76,381	343,242	575,961
Acquisitions		15,110	104,482	32,176	156,939	308,707
Transfer to plant and equipment and freehold land		727	6,725	1,439	(8,891)	–
Disposals		(3,352)	(5,492)	–	(16,497)	(25,341)
Balance at 30 June 2010		**54,140**	**220,398**	**109,996**	**474,793**	**859,327**
Depreciation						
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)**
Balance at 1 July 2009		–	(22,967)	(18,622)	(25,534)	(67,123)
Depreciation charge for the year		–	(9,415)	(10,895)	(11,562)	(31,872)
Transfer to plant and equipment		–	(1,349)	(1,195)	2,544	–
Disposals		–	649	–	–	649
Balance at 30 June 2010		**–**	**(33,082)**	**(30,712)**	**(34,552)**	**(98,346)**
Carrying amounts						
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**
At 1 July 2009		41,655	91,716	57,759	317,708	508,838
At 30 June 2010		**54,140**	**187,316**	**79,284**	**440,241**	**760,981**

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 2010, the consolidated entity's net carrying amount of leased plant and machinery was $79,284,000 (2009: $57,759,000). The leased equipment is pledged as security for the related finance lease liabilities.

20. EXPLORATION AND EVALUATION

	Consolidated	
In thousands of AUD	Cost	Impairment losses
Balance at 1 July 2008	1,774	–
Exploration and evaluation expenditure	2,064	–
Balance at 30 June 2009	**3,838**	–
Balance at 1 July 2009	3,838	–
Exploration and evaluation expenditure	1,506	–
Balance at 30 June 2010	**5,344**	–

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 2010	Consolidated 2009
Water access rights	4,063	953
Acquired Haulage Rights	1,300	1,300
Less: Accumulated amortisation	(395)	(242)
Rail access rights	38,520	35,383
	43,488	**37,394**

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 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**
Balance at 1 July 2009	953	1,058	35,383	37,394
Acquired during the year	3,110	–	3,137	6,247
Less: Accumulated amortisation	–	(153)	–	(153)
Balance at 30 June 2010	**4,063**	**905**	**38,520**	**43,488**

22. TRADE AND OTHER PAYABLES

In thousands of AUD	Consolidated 2010	Consolidated 2009
Current		
Trade payables	24,429	21,909
Other payables and accruals	61,315	34,490
Deferred purchase consideration	42,664	8,400
	128,408	**64,799**

Deferred purchase consideration relates to an amount payable under the acquisition agreement for Creek Resources Pty Ltd executed in October 2007. The amount of contingent consideration payable is calculated based on the total coal reserve tonnage within the area acquired. During the current year, a revision to the interpretation of the applicable coal reserve tonnage resulted in an increase in deferred consideration.

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	
In thousands of AUD	2010	2009
Current liabilities		
Finance lease liabilities	16,659	11,854
Other loans unsecured	20,648	21,567
	37,307	**33,421**
Non-current liabilities		
Finance lease liabilities	57,622	44,847
	94,929	**78,268**
Financing facilities		
Secured bank loans	–	2,020
Bank overdraft facility	–	1,000
	–	**3,020**
Facilities utilised at reporting date		
Secured bank loans	–	–
Bank overdraft facility	–	–
	–	**–**
Facilities not utilised at reporting date		
Secured bank loans	–	2,020
Bank overdraft facility	–	1,000
	–	**3,020**

Finance lease facility

At 30 June 2010, the consolidated entity's lease liabilities are secured by the leased assets of $79,284,000 (2009: $57,759,000), as in the event of default, the leased assets revert to the lessor.

Finance lease liabilities

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

	Consolidated					
In thousands of AUD	Minimum lease payments 2010	Interest 2010	Principal 2010	Minimum lease payments 2009	Interest 2009	Principal 2009
Less than one year	22,589	5,930	16,659	16,064	4,210	11,854
Between one and five years	67,120	9,498	57,622	51,971	7,124	44,847
More than five years	–	–	–	–	–	–
	89,709	**15,428**	**74,281**	**68,035**	**11,334**	**56,701**

24. EMPLOYEE BENEFITS

In thousands of AUD	Consolidated 2010	Consolidated 2009
Current		
Salaries and wages accrued	1,883	1,204
Liability for long service leave	115	15
Liability for annual leave	4,247	2,747
	6,245	**3,966**

25. PROVISIONS

In thousands of AUD	Consolidated 2010	Consolidated 2009
Mine rehabilitation and closure	28,898	15,710
Other provisions	–	351
	28,898	**16,061**
Current	1,246	1,738
Non-current	27,652	14,323
	28,898	**16,061**

In thousands of AUD	Mine rehabilitation and closure
Consolidated	
Balance at 1 July 2009	15,710
Provisions made during the period	13,514
Provisions used during the period	(1,178)
Unwind of discount	852
Balance at 30 June 2010	**28,898**

Increases in the provision for rehabilitation were made during the year as a result of additional disturbance at several mines which came into production, and a reassessment of the areas of disturbance and rehabilitation rates. Rehabilitation and mine closure expenditure is expected to occur over the life of the mining operations which ranges from 5 to 25 years. Refer to Note 3(r) for details on the nature of the obligation.

26. SHARE CAPITAL AND RESERVES

In thousands of AUD	Consolidated 2010	Consolidated 2009
a) Share capital		
Fully paid ordinary shares 493,650,070 (2009: 407,213,601)	591,176	367,352

b) Movements in shares on issue

Ordinary shares

	Consolidated 2010		Consolidated 2009	
	Nos of shares 000's	$000's	Nos of shares 000's	$000's
Beginning of the financial year	407,213	367,352	391,918	351,374
Issued for cash	71,684	214,886	–	–
Exercise of share options	14,753	14,753	15,295	15,295
Transfer from share based payments reserve	–	–	–	1,041
Costs of shares issued, net of tax	–	(5,815)	–	(358)
	493,650	**591,176**	**407,213**	**367,352**

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

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.

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 payments reserve

The share based payments 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.

26. SHARE CAPITAL AND RESERVES (CONTINUED)

f) Dividends

In thousands of AUD	Consolidated 2010	Consolidated 2009
Recognised amounts		
Declared and paid during the year:		
Final franked dividend for 2009: 6.0c (2008:1.7c)	28,584	6,663
Interim franked dividend for 2010: 2.8c (2009: 2.5c)	13,819	10,178
	42,403	**16,841**
Unrecognised amounts		
Final franked dividend for 2010: 2.8c (2009: 6.0c)	**13,822**	**28,583**

After the balance 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 2010 but will be brought to account in the year ending 30 June 2011.

Dividend franking account

In thousands of AUD	Company 2010	Company 2009
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	143,374	102,818

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;

(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 (2009: $nil) franking credits.

In thousands of AUD	Company 2010	Company 2009
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(5,924)	(12,250)

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 2010 are as follows:

	Consolidated	
In thousands of AUD	2010	2009
Less than one year	5,053	4,206
Between one and five years	1,348	1,099
	6,401	**5,305**

Leases as lessor

The consolidated entity leases out land it will use for future mining operations under operating leases. Some lease payments have been received upfront under these contracts and have been recorded as deferred income on the statement of financial position.

At 30 June 2010 $16,829,000 (2009: $7,135,000) of land was leased under these operating leases.

28. CAPITAL EXPENDITURE COMMITMENTS

	Consolidated	
In thousands of AUD	2010	2009
Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	148,830	54,386
One year or later and no later than five years	7,480	–
	156,310	**54,386**

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	
In thousands of AUD	2010	2009
Within one year	504	1,664
One year or later and no later than five years	6,313	5,403
	6,817	**7,067**

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	
In thousands of AUD	2010	2009
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	20,790	20,585
(ii) The consolidated entity provided bank guarantees to Rail Infrastructure Corporation	38,622	30,000
(iii) The consolidated entity provided bank guarantees to the Roads and Traffic Authority of NSW	1,650	1,700
(iv) The consolidated entity provided bank guarantees to Newcastle Coal Infrastructure Group	16,920	–
(v) The consolidated entity provided bank guarantees to Port Waratah Coal Services Limited	6,754	–
(vi) The consolidated entity provided bank guarantees to Peabody Coal Trade International Ltd	5,866	–
(vii) The consolidated entity provided bank guarantees to Westpac Banking Corporation	–	222
(viii) The consolidated entity provided bank guarantees to the Salvation Army Property Trust	–	28
	90,602	**52,535**

Contractual claim

The consolidated entity received a claim in June 2008 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.

Take-or-Pay Commitments

During the year the consolidated entity entered into contracts for rail and port capacity which are under Take-or-Pay arrangements. The minimum commitment under these contracts is detailed below:

	Consolidated	
In thousands of AUD	2010	2009
Less than one year	39,228	–
Between one and five years	113,288	–
More than five years	66,815	–
	219,331	**–**

31. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	Note	Consolidated 2010	Consolidated 2009
Cash flows from operating activities			
Profit/(loss) for the period		114,884	244,212
Adjustments for:			
Depreciation	19	31,872	26,137
Amortisation	21	153	153
Foreign exchange losses unrealised		8,698	21,652
Unwinding of discounts on provisions	25	852	699
Unwinding of discounts on receivables	12	(4,511)	–
Share based compensation payments	33	17,485	272
Gain on sale of interest in Narrabri project	9	(114,314)	(261,615)
Gain on sale of non-current assets	9	(165)	–
Operating profit before changes in working capital and provisions		**54,954**	**31,510**
Change in trade and other receivables		(18,007)	385
Change in inventories and deferred stripping		(29,682)	(12,704)
Change in trade and other payables		4,671	6,000
Change in unearned revenue		(311)	311
Change in provisions and employee benefits		2,279	1,807
Change in tax payable		(69,360)	96,729
Change in deferred taxes		15,933	(1,373)
Cash flows from operating activities		**(39,523)**	**122,665**

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:

- The directors have resolved to pay a fully franked dividend of 2.8 cents per ordinary share (refer Note 26).
- After the year end the Company granted Share Acquisition Rights (SARs) over 1,305,000 ordinary shares to key senior employees as part of ongoing long-term incentive plans. The SARs vest over the period 1 July 2011 to 1 July 2014 and are subject to market based performance hurdles.
- On 28 July 2010 the Group received approval from the NSW Minister for Planning, the Hon Tony Kelly MLC, for Narrabri Coal Project Stage 2. The project approval under Part 3A of the Environmental Planning and Assessment Act 1973 will permit the development of a longwall mining operation and associated infrastructure at the Narrabri Mine to an approved level of production of 8 Mtpa. The receipt of approval for Narrabri Project Stage 2 also triggers two tranche payments related to previous sell downs of the Narrabri Joint Venture. Tranche 2 of $83 million from J Power was received on 13 August 2010. Tranche 3 of $62.5 million due from the Korean consortium is receivable on 30 November 2010.
- On 9 August 2010 the Group provided funding of $29.0 million to NCIG as part of the funding requirement of the NCIG Stage 2AA expansion. It is the Group's intention to recover this funding as NCIG secures planned investment from other external parties.
- On 5 August 2010, in response to media speculation, the Group issued an announcement to the ASX confirming the Group has had, and continues to have, discussions with third parties in relation to potential corporate transactions. Those discussions that are continuing are preliminary and remain incomplete, and it is highly uncertain whether they will lead to a proposal for consideration by the Company's directors and shareholders.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2010 but will be recognised in future financial periods.

33. SHARE-BASED PAYMENTS

a) Recognised share-based payment expenses

	Consolidated	
In thousands of AUD	2010	2009
Employee expenses		
Share options – director-related entities	9,898	115
Shares issued – director-related entities[1]	7,175	–
Share options – senior employees	412	157
	17,485	**272**

1 Shares were issued to Dalara Investments Pty Ltd, a company controlled by Mr Allan Davies, as trustee for the AJ and LM Davies Family Trust. The Board committed to issue these shares on 19 February 2009. The shares were subsequently approved by shareholders at the AGM on 17 November 2009. Accounting standard AASB 2 deems the issue date of these shares to be the date shareholder approval was formally received. Accordingly the Company is required to account for the issue based on the prevailing share price at the date of the AGM resulting in a significantly higher valuation for accounting purposes.

b) Types of share-based payment plans

Option grant to former CEO/Managing Director on 5 September 2007

The Company issued share options to the former Chief Executive Officer when he was appointed 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	21 October 2012
Tranche 2	$2.50	1,000,000	2nd anniversary of employment	21 October 2012
Tranche 3	$2.50	1,000,000	3rd anniversary of employment	21 October 2012
		3,000,000		

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	1 July 2008	30 June 2010
Tranche 2	$1.00	16,667	1 January 2009	31 December 2010
Tranche 3	$1.00	16,666	1 July 2009	30 June 2011
Tranche 4	$1.00	66,666	26 October 2009	26 October 2011
Tranche 5	$1.00	33,333	2 November 2009	2 November 2011
Tranche 6	$1.00	33,334	1 July 2010	30 June 2012
Tranche 7	$1.00	66,666	26 October 2010	26 October 2012
Tranche 8	$1.00	33,333	2 November 2010	2 November 2012
Tranche 9	$1.00	66,668	26 October 2011	26 October 2013
Tranche 10	$1.00	33,334	2 November 2011	2 November 2013
		400,000		

33. SHARE-BASED PAYMENTS (CONTINUED)

Option grant to director-related entity on 17 November 2009

The Company issued shares to Dalara Investments Pty Ltd, a company controlled by Mr Allan Davies, as trustee for the AJ and LM Davies Family Trust, at the AGM on 17 November 2009. These options had previously been approved by the board 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	$1.70	1,666,666	31 October 2009	31 October 2013
Tranche 2	$1.70	1,666,667	31 October 2010	31 October 2013
Tranche 3	$1.70	1,666,667	31 October 2011	31 October 2013
		5,000,000		

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:

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at beginning of period	$1.25	18,119,200	$1.14	33,014,348
Exercised during the period	$1.00	(14,752,533)	$1.00	(15,295,148)
Granted during the period	$1.70	5,000,000	$1.00	400,000
Outstanding at 30 June	$1.96	8,366,667	$1.25	18,119,200
Exercisable at 30 June	**$2.18**	**4,799,998**	**$1.00**	**–**

The outstanding balance as at 30 June 2010 is represented by:

(i) 366,667 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.

(ii) 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.

(iii) 5,000,000 director-related entity options over ordinary shares having an exercise price of $1.70, exercisable on meeting the above conditions and until 31 October 2013.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2010 was $4.89 (2009: $3.10).

The weighted average remaining contractual life of share options outstanding at 30 June 2010 is 2.92 years (2009: 6.9 years).

33. SHARE-BASED PAYMENTS (CONTINUED)

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 2010 and 30 June 2009:

	Director related entities		Senior employees	
Fair value of share options and assumptions	2010	2009	2010	2009
Fair value at grant date	240.9 cents	–	–	144.3 cents
Share price	$4.42	–	–	$1.51
Exercise price	$1.70	–	–	$1.00
Expected volatility (weighted average volatility)	60%	–	–	30%
Option life (expected weighted average life)	1–3 years	–	–	1–4 years
Expected dividends	10%	–	–	10%
Risk-free interest rate (based on government bonds)	3.50%	–	–	3.00%

All shared based payments are equity settled.

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
Andrew Plummer	Executive Director
Allan Davies	Executive Director
Executives	
Austen Perrin	Chief Financial Officer and Joint Company Secretary
Timothy Burt	General Counsel and Joint Company Secretary
Tony Galligan	General Manager Infrastructure

Key management personnel compensation

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

	Consolidated	
In AUD	2010	2009
Wages and salaries	3,178,047	2,778,752
Contributions to superannuation plans	215,327	169,744
Other associated personnel expenses	38,369	46,618
Increase in liability for annual leave	82,420	70,243
Increase in liability for long service leave	–	–
Share-based compensation payments	17,167,429	211,550
	20,681,592	**3,276,907**

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 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

There were no loans outstanding to key management personnel and their related parties, at any time in the current or prior reporting periods.

Other key management personnel transactions

A number of related parties and key management persons 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.

For all related parties disclosed below, there were no guarantees given or received, or provisions for doubtful debts over the outstanding balances at year end, nor were these balances secured against any assets of the consolidated entity.

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

(i) The consolidated entity has entered into a sub-lease with XLX Pty Limited, a company of which Tony Haggarty, Andrew Plummer and Allan Davies are all directors, for office space in Sydney. Fees amounted to $311,381 (2009: $183,295). This agreement includes payment for utilities, parking, teleconferencing, office supplies and services and is on normal commercial terms. XLX Pty Limited also provided project consulting services to the consolidated entity during the year amounting to $341,661 (2009: nil). There was a balance payable to XLX Pty Limited at year end of $44,000.

(ii) The consolidated entity sells coal to and buys coal from Energy Coal Marketing Pty Ltd ("ECM"), a company controlled by Hans Mende. During the year the company made sales to ECM amounting to $43,481,042 (2009: $39,829,142) and purchases of $30,750,712. 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 $208,966 (2009: $3,015,904).

(iii) The consolidated entity sells coal to and buys coal from AMCI International AG, a company jointly controlled by Hans Mende. During the year the company made sales to AMCI amounting to $20,604,418 and purchases of $14,576,664. These transactions were carried out on an arm's length basis at market rates. There was no balance outstanding at year end.

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 2009	Received on exercise of options	Purchased under the Equity Participation and Option Deed	Other Purchases	Sales	Held at 30 June 2010
Directors						
John Conde	301,887	–	–	76,718	–	378,605
Neil Chatfield	301,887	–	–	4,918	(50,000)	256,805
Tony Haggarty	31,143,795	–	7,326,266	9,836	(5,000,000)	33,479,897
Alex Krueger	–	–	–	–	–	–
Hans Mende	75,379,833	–	–	640,000	–	76,019,833
Andy Plummer	29,883,070	–	7,326,266	4,918	(3,700,000)	33,514,254
Allan Davies[1]	125,000	–	–	2,500,000	–	2,625,000
Executives						
Austen Perrin	49,717	–	–	4,918	–	54,635
Timothy Burt	–	–	–	6,500	–	6,500
Tony Galligan	92,666	33,334	–	–	(53,000)	73,000

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
Executives						
Austen Perrin	–	–	–	49,717	–	49,717
Tony Galligan	59,333	33,333	–	–	–	92,666

1 Shares were issued to Dalara Investments Pty Ltd, a company controlled by Mr Allan Davies, as trustee for the AJ and LM Davies Family Trust. The Board committed to issue these shares on 19 February 2009. The shares were subsequently approved by shareholders at the AGM on 17 November 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 2009	Granted/ (Forfeited)	Exercised	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Director-related entities						
Tony Haggarty	7,326,266	–	7,326,266	–	7,326,266	–
Andy Plummer	7,326,266	–	7,326,266	–	7,326,266	–
Allan Davies	–	5,000,000	–	5,000,000	1,666,666	1,666,666
Executives						
Austen Perrin	100,000	–	–	100,000	33,333	33,333
Tony Galligan	33,334	–	33,334	–	33,334	–

	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						
Austen Perrin	–	100,000	–	100,000	–	–
Tony Galligan	66,667	–	33,333	33,334	33,333	–

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 below.

	Country of Incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity			
Whitehaven Coal Limited	Australia		
Subsidiaries			
Whitehaven Coal Mining Limited	Australia	100	100
Namoi Mining Pty Ltd	Australia	100	100
Namoi Agriculture and Mining Pty Limited	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	100
Australian Coal Inter Holdings 11 B.V.	Netherlands	100	100
Australian Coal Inter Holdings 11A B.V.	Netherlands	100	100
Jointly controlled entities			
Tarrawonga Coal Sales Pty Limited	Australia	70	70
Blackjack Carbon Pty Limited	Australia	50	50
Blackjack Carbon Sales Pty Limited	Australia	50	50

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

	2010	2009
Tarrawonga Coal Project Joint Venture	70%	70%
Narrabri Coal Joint Venture	70%	77.5%
Blackjack Carbon Joint Venture	50%	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 2010 consolidated financial statements under their respective categories.

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

In thousands of AUD	2010 $000	2009 $000
Statement of comprehensive income		
Operating and administration expenses	66,826	65,089
Current Assets		
Cash and cash equivalents	6,065	25,697
Trade and other receivables	3,164	4,606
Inventory	6,088	3,634
Deferred stripping	5,317	524
Total Current Assets	**20,634**	**34,461**
Non-Current Assets		
Trade and other receivables	2,054	2,274
Property, plant and equipment	246,881	136,101
Intangible assets	1,691	–
Total Non-Current Assets	**250,626**	**138,375**
Total Assets	**271,260**	**172,836**
Current Liabilities		
Trade and other payables	36,542	20,052
Provisions	270	136
	36,812	**20,188**
Non-Current Liabilities		
Provisions	6,999	4,078
	6,999	**4,078**
Total Liabilities	**43,811**	**24,266**
Guarantees		
The Joint Ventures provided bank guarantees to the Department of Mineral Resources NSW as a condition of continuation of mining and exploration licenses	3,055	3,055
Capital expenditure commitments – Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	125,491	39,123
One year or later and no later than five years	7,480	–
	132,971	**39,123**
Take-or-Pay Commitments		
Less than one year	13,889	–
Between one and five years	89,298	–
More than five years	66,815	–
	170,002	**–**

36. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 is based on the profit attributable to ordinary shareholders of $114,884,000, and profit attributable to ordinary shareholders before significant items of $55,108,000, (2009: $244,212,000 and $77,318,000) and a weighted average number of ordinary shares outstanding during the year of 475,432,000 (2009: 403,785,000) calculated as follows:

	Consolidated	
	2010 $000	2009 $000
Profit attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	**114,884**	**244,212**
Net profit attributable to ordinary shareholders before significant items	**55,108**	**77,318**

	Consolidated	
	2010 000's	2009 000's
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	407,213	391,918
Effect of shares issued during the year	68,219	11,867
Weighted average number of ordinary shares at 30 June	475,432	403,785
Basic earnings per share attributable to ordinary shareholders (cents)	**24.2**	**60.5**
Basic earnings per share before significant items attributable to ordinary shareholders (cents)	**11.6**	**19.1**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2010 is based on the profit attributable to ordinary shareholders of $114,884,000, and profit attributable to shareholders before significant items of $55,108,000 (2009: $244,212,000 and $77,318,000) and a weighted average number of ordinary shares outstanding during the year of 478,060,000 (2009: 404,884,000) calculated as follows:

	Consolidated	
	2010 $000	2009 $000
Profit attributable to ordinary shareholders (diluted)		
Net profit attributable to ordinary shareholders (diluted)	**114,884**	**244,212**
Net profit attributable to ordinary shareholders before significant items	**55,108**	**77,318**

	Consolidated	
	2010 000's	2009 000's
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	475,432	403,785
Effect of share options on issue	2,628	1,099
Weighted average number of ordinary shares (diluted)	478,060	404,884
Diluted earnings per share attributable to ordinary shareholders (cents)	**24.0**	**60.3**
Diluted earnings per share before significant items attributable to ordinary shareholders (cents)	**11.5**	**19.1**

37. AUDITORS' REMUNERATION

In AUD	Consolidated 2010	Consolidated 2009
Audit services:		
Auditors of the Company – Ernst & Young		
Audit and review of statutory financial statements – current year	342,503	370,000
Audit of joint ventures	151,723	94,500
	494,226	**464,500**
Non audit services:		
Auditors of the Company – Ernst & Young		
Due diligence services	–	202,996
Review of National Greenhouse Energy Reporting Act requirements	86,684	32,000
Taxation services	40,508	–
Other assurance services	5,142	43,900
	132,334	**278,896**

38. PARENT ENTITY INFORMATION

In thousands of AUD	Company 2010	Company 2009
Information relating to Whitehaven Coal Limited:		
Current assets	325,337	277,049
Total assets	**790,087**	**744,609**
Current liabilities	(37,527)	244,644
Total liabilities	**(41,034)**	**244,644**
Issued capital	720,175	496,352
Retained earnings	10,951	3,171
Share based payment reserve	17,927	442
Total shareholders' equity	**749,053**	**499,965**
Profit of the parent entity	49,837	23,508
Total comprehensive income of the parent entity	49,837	23,508

39. 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 statement of comprehensive income and statement of financial position 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:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

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

(d) 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 2010.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 39 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.

On behalf of the Board

John Conde
Chairman

Sydney
9 September 2010

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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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

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 consolidated entity's financial position at 30 June 2010 and of its 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 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
9 September 2010

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
Ranamok Pty Ltd*	7.65	37,214,254
Anthony Haggarty and HFTT Pty Ltd	6.78	33,479,897

* Figures are based upon the substantial shareholder notice received 20 January 2010. Current holding as at 25 August 2010 is 33,514,254 shares equating to 6.79% 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	1,501
1,001 – 5,000	2,624
5,001 – 10,000	1,082
10,001 – 100,000	895
100,001 and over	68
	6,170

There are six 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 124.

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	26.67
ANZ Nominees Limited (Cash Income A/C)	63,482,619	12.86
Citicorp Nominees Pty Ltd	52,727,383	10.68
Ranamok Pty Ltd (Plummer Family A/C)	33,514,254	6.79
HFTT Pty Ltd (Haggarty Family A/C)	33,437,979	6.77
J P Morgan Nominees Australia Limited	29,907,344	6.06
National Nominees Limited	27,582,873	5.59
HSBC Custody Nominees (Australia) Ltd	25,764,026	5.22
Mr Michael Jack Quillen (Quillen Family A/C)	7,750,000	1.57
Cogent Nominees Pty Limited	7,026,973	1.42
Nicola Investments II LLC	5,660,377	1.15
UBS Wealth Management Australia Nominees Pty Ltd	5,068,158	1.03
Kirstin Investments II LLC	2,830,189	0.57
Markus Investments II LLC	2,830,188	0.57
INVIA Custodian Pty Limited (Davies Family A/C)	2,625,000	0.53
UBS Nominees Pty Ltd	2,099,648	0.43
ARGO Investments Limited	2,000,000	0.41
AMP Life Limited	1,764,086	0.36
HSBC Custody Nominees (Australia) Limited 0 GSCO ECA	1,355,185	0.27
Corrobare Coal Pty Ltd	1,232,497	0.25
	440,308,779	**89.20**

This information is current as at 25 August 2010.

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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Australia

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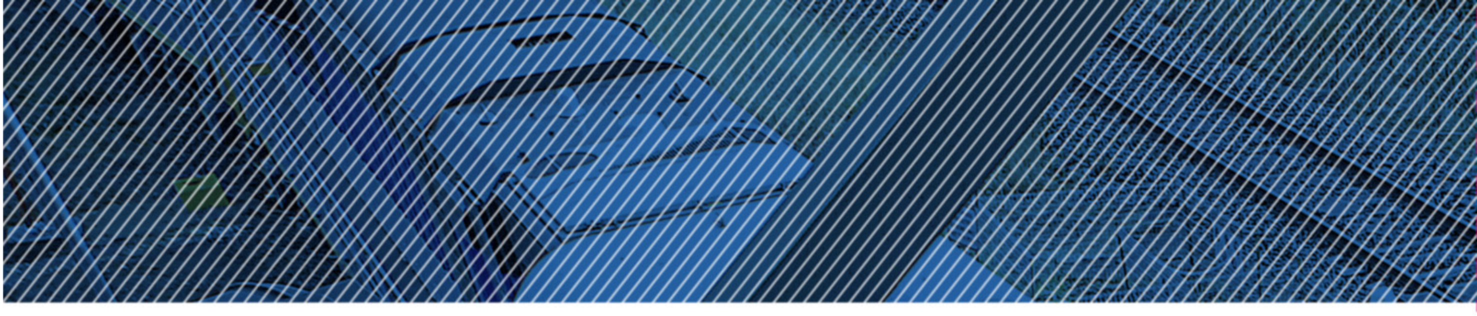

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