WHITEHAVEN COAL

ANNUAL REPORT 2011

Delivering growth

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CHAIRMAN'S LETTER

We recognise that the scale and nature of our operations demand a high level of corporate responsibility in terms of the safety of our workforce, consultation with local communities and environmental management.

Dear Whitehaven Shareholder,

2011 OVERVIEW

Whitehaven Coal Limited is the largest and most established coal producer in the Gunnedah Basin, planning to produce approximately 7 Mtpa of thermal and metallurgical coal in the 2012 financial year.

We have a reputation for successfully implementing our growth plans and this year was no different.

Our open cut mines and Gunnedah Coal Handling and Preparation Plant underwent significant expansion during the year and in the June quarter produced at an annual rate of almost 6 Mtpa.

We now have an efficient and flexible open cut production base with significant growth coming from our Narrabri underground mine and the proposed Vickery open cut beyond that.

Our Narrabri mine has delivered its first full year of development production and now has four continuous miners operating underground. The Stage 2 surface works, including the Coal Handling and Preparation Plant and fan shaft are nearing completion and the longwall is currently being constructed with a view to commencing longwall production in February 2012.

At Vickery, our ongoing exploration work has defined a substantial open cut resource. The development of this operation, which could begin in 2013, would contribute to taking our planned production levels to approximately15 Mtpa over the next five years.

SUSTAINABILITY

Our mines are the largest employer in north-west New South Wales with more than 450 direct employees and a large number of contract service jobs supported. This direct employment is expected to increase to more than 800 during the next five years as our growth plans are realised.

Total operating expenditure in producing coal was approximately $247 million in FY2011, most of which was spent in the local and regional economies. This total operating expenditure is expected to increase to more than $825 million per year by 2015.

Royalties paid directly to the New South Wales Government in FY2011 were approximately $28 million, rising to more than $100 million per year by 2015.

We recognise that the scale and nature of our operations demand a high level of corporate responsibility in terms of the safety of our workforce, consultation with local communities and environmental management. We are a willing and engaged participant in the various policy debates surrounding regional development and mining.

We have stated publicly on many occasions that we are committed to a locally-based workforce and are actively engaged with local councils around the region to assist with long-term planning outcomes to support this objective.

Despite the challenges raised by the skills shortage in the regions, we do not believe a permanent fly-in fly-out workforce is a good outcome for either our workforce or the community.

As such we are working with local councils as they develop sensible planning to protect and enhance the standard of living for our existing communities, which in turn assists in attracting highly-skilled workers and their families to this region.

In terms of the environmental initiatives, we have engaged extensively with local communities and this has resulted in a number of sensible variations to our mining plans. In addition, we have expanded our environmental management team, who are now working proactively with other companies in the Gunnedah Basin to assess and address the cumulative impacts of our combined developments.

FINANCIAL PERFORMANCE

The company reported net profit after tax (NPAT) of $9.9 million for FY2011. This included a net loss after tax of $63.4 million from significant items.

Underlying NPAT (before significant items) was $73.3 million.

This performance has allowed us to declare a fully-franked final dividend of 4.1 cents per share, payable on 30 September 2011.

SAFETY

The safety and wellbeing of our workforce is our highest priority and we are focussing on further developing our safety culture and commitment. Significant progress has been made during the year with an increased number of individual hazard assessments (Take 5s) and toolbox talks as well as improvement in incident investigation and root

cause analysis. Despite the increased awareness of safety across the business, our key safety performance measure – Lost Time Injury Frequency Rate – has shown an increase this year, particularly in our open cut mines. We are determined to rectify this trend in LTIFR and several initiatives have been introduced to further develop our safety culture and on-site supervision. Additional resources have been allocated to our corporate safety team as well as site-based safety professionals.

ACHIEVEMENTS

The expansion of our open cut mines and the successful commissioning of our world class Narrabri mine have been our most significant achievements for the year. At the same time we have remained focussed on our pipeline of growth opportunities and have identified attractive development assets – in particular Vickery.

Access to infrastructure is a critical component in delivering growth and significant work has been done to ensure we have appropriate rail and port allocations to underpin increased production, as well as the necessary CHPP capacity. These initiatives are outlined in detail in the Managing Director's Report.

FORMAL PROCESS

As widely reported during the year, in October 2010, following numerous approaches to the company over several months, Whitehaven announced that it was commencing a formal process to enable selected interested parties to conduct due diligence and submit proposals for a potential corporate transaction with the company.

In April 2011 we advised that the formal process was reaching a conclusion with shortlisted parties having completed due diligence and submitted formal proposals.

After further negotiation of these proposals, the Whitehaven Board determined that no proposal was sufficiently attractive to warrant recommendation to shareholders.

The process was then terminated, allowing the Board and management to continue to focus on our existing high quality coal assets and to examine attractive growth opportunities.

On behalf of all non-executive directors, I thank Tony Haggarty and his most capable executive team for their dedication, discipline and commitment to delivering profitable growth to our shareholders and for the leadership position they are taking in our business and the Gunnedah Basin coal industry.

J.C. Conde

John Conde, AO
Chairman

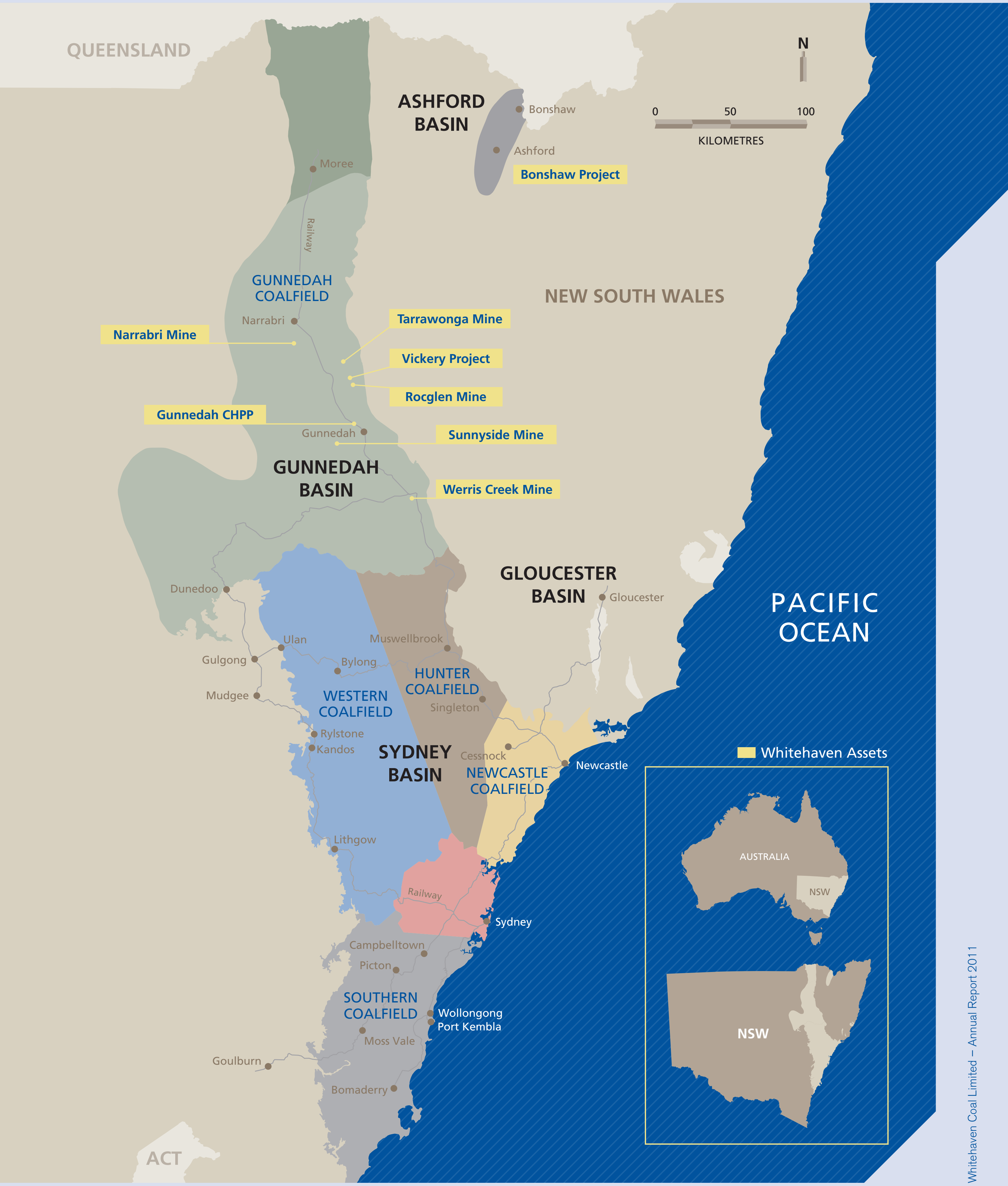
2011 HIGHLIGHTS

- Underlying net profit after tax (NPAT), before Significant Items, of $73.3 million, up 33% from FY2010;
- NPAT after significant items of $9.9 million. Total significant items after tax of $63.4 million including:
  - $45.8 million from losses incurred on legacy contracts from both purchased coal and financial settlements
  - $11.6 million foreign exchange loss relating to the outstanding USD receivable from EDF for its Narrabri JV purchase.
- A fully franked final dividend of 4.1 cents per share has been declared, payable on 30 September 2011. This takes the total dividend for the year to 7.4 cents per share;
- Revenue of $437.0 million (net of purchased coal and excluding NSW royalty), up 33% from FY2010;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $189.7 million (excluding coal purchases), reduced to $148.0 million after coal purchases;
- Cash generated from operations of $120.3 million, compared to $69.3 million in FY2010;
- Proceeds received from the sale of Narrabri of $190.8 million during the year;
- Strong cash flow and financial position – $207.6 million cash available with net cash of $29.0 million compared to $141.0 million cash available and net cash of $46.1 million at 30 June 2010;

Financial Performance

(A$ millions)	2011	2010	Movement
Sales revenue	622.2	406.8	+52.9%
EBITDA before significant items	148.0	108.8	+36.0%
EBIT before significant items	107.0	76.7	+39.5%
NPAT before significant items	73.3	55.1	+33.0%
Significant items net of tax	(63.4)	59.8	-206.0%
NPAT after significant items	9.9	114.9	-91.3%
EPS-diluted	2.0 cents	24.0 cents	-91.7%

NSW COALFIELDS



ACHIEVEMENTS

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	2011	2010	Movement
ROM Coal Production	4,592	3,724	+23%
Saleable Coal Production	4,168	3,480	+20%
Sales of Produced Coal	4,243	3,310	+28%
Sales of Purchased Coal	1,883	823	+129%
Total Coal Sales	6,126	4,133	+48%
Coal Stocks at Period End	444	430	+3%

Operating Highlights

- Saleable coal production up 20% (equity basis) to 4.2 Mtpa and up 19% (100% basis) to 4.7 Mtpa;
- Successful expansion of Whitehaven's open cut mines which operated at an annual rate of almost 6 Mtpa of ROM coal in the June quarter;
- Narrabri mine production ramp up continuing with four continuous miners now operating and excellent underground mining conditions;
- Narrabri Coal Handling and Preparation Plant (CHPP) commenced commissioning in August 2011;
- Definition of a 439 Mt open cut coal resource at Vickery with preliminary work indicating an open cut mine plan for Vickery of 4.5 Mtpa ROM for at least 25 years with a stripping ratio of approximately 10:1;
- Continuing investment in infrastructure with rail and port capacity secured to meet growth profile;
- Expansion of the Gunnedah CHPP completed with washing capacity increased to 3 Mtpa and total coal handling and rail loading capacity of 4.2 Mtpa;
- Heads of agreement signed with Idemitsu to extend the existing Tarrawonga Joint Venture and share new CHPP and rail infrastructure.

MANAGING DIRECTOR'S REPORT

We now have an efficient and flexible open cut production base with significant growth coming from our Narrabri underground mine and the Vickery open cut beyond that.

Our key achievement this year has been to implement our growth plans and increase saleable production and margin while at the same time continuing to enhance our future growth profile.

We now have an efficient and flexible open cut production base with significant growth coming from our Narrabri underground mine and the Vickery open cut beyond that.

More than $225 million in new capital was invested in our business during the year, resulting in our open cut mines delivering their planned expansion to 5.5 Mtpa, and in the June quarter surpassing this target to produce at a rate of almost 6 Mtpa.

At our new Narrabri mine we now have four continuous miners operating underground and the $130 million longwall is under construction. Our Narrabri CHPP commenced commissioning in August.

Continuing exploration and mine planning at our Vickery Project has delivered excellent results with the definition of a 439 Mt open cut coal resource with preliminary work indicating an open cut mine plan for Vickery of 4.5 Mtpa ROM for at least 25 years with a stripping ratio of approximately 10:1.

In addition, government approval is expected to be granted for the Werris Creek and Rocglen extension projects during the current quarter, and we are expecting to lodge an Environmental Assessment for the Tarrawonga extension by the end of this calendar year.

Overall, these development plans will see the investment of more than $600 million in additional new capital in north west NSW over the next five years.

While the impact of legacy contracts on our earnings for the year has been disappointing, it is encouraging to note that we expect to have fulfilled all but 230 kt of these contracts by the end of the calendar year.

FINANCIAL PERFORMANCE

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $189.7 million (excluding coal purchases), reduced to $148.0 million after coal purchases.

Whitehaven's balance sheet remains very strong. Cash on hand at FY2011 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 $120.3 million for the year compared to $69.3 million for FY2010 due to increased coal sales. Closing cash on hand at 30 June 2011 was $207.6 million, compared to $141.0 million in FY2010.

Financial Performance

(A$ millions)	2011	2010	Movement
Sales revenue	622.2	406.8	+52.9%
EBITDA before significant items	148.0	108.8	+36.0%
EBIT before significant items	107.0	76.7	+39.5%
NPAT before significant items	73.3	55.1	+33.0%
Significant items net of tax	(63.4)	59.8	-206.0%
NPAT after significant items	9.9	114.9	-91.3%
EPS-diluted	2.0 cents	24.0 cents	-91.7%

MANAGING DIRECTOR'S REPORT

Financial Performance and Balance Sheet

(A$ millions)	2011	2010
Cash on Hand	207.6	141.0
Interest Cover Ratio[1] (times)	7.87	10.43
Interest Bearing Liabilities[2]	178.6	94.9
Net Cash Position	29.0	46.1
Net Assets	1,040.5	1,023.2
Gearing Ratio[3] (%)	-2.9%	-4.7%

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 Country Rail Infrastructure Authority (formerly Rail Infrastructure Corporation) for track upgrades ($34.3 million 2011, $20.6 million 2010)

3 Net Debt to Net Debt plus Equity

OPERATING PERFORMANCE

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	2011	2010	Movement
ROM Coal Production	4,592	3,724	+23%
Saleable Coal Production	4,168	3,480	+20%
Sales of Produced Coal	4,243	3,310	+28%
Sales of Purchased Coal	1,883	823	+129%
Total Coal Sales	6,126	4,133	+48%
Coal Stocks at Period End	444	430	+3%

MANAGING DIRECTOR'S REPORT

OPEN CUT OPERATIONS

The Gunnedah Operations include the 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.

Our open cut mines and Gunnedah CHPP underwent significant expansion during the year and in the June quarter produced at an annual rate of almost 6 Mtpa.

In addition to this expansion, a number of approvals are currently being sought for extension of our existing projects. It is expected that the Werris Creek and Rocglen extension projects will receive NSW Government approval in the current quarter.

We have received Director General's Requirements in relation to our Tarrawonga Extension and are expecting to lodge an Environmental Assessment with the NSW Government by the end of this calendar year.

In addition, Whitehaven has entered into a Heads of Agreement with Boggabri Coal Pty Limited, a wholly-owned subsidiary of Idemitsu Australia Resources Pty Ltd (Idemitsu) in relation to an extension of the existing Tarrawonga Joint Venture. The proposed extension of the JV has benefits for both parties and promotes the most efficient use of assets in this part of the Gunnedah Basin.

Under the proposed arrangements:

- Tolling arrangements would be put in place to provide the Tarrawonga JV with access to the Boggabri Coal CHPP and rail spur; and
- Tenement ownership within the expanded JV area would be restructured to ensure WHC and Boggabri Coal continue to hold a 70% and 30% interest respectively in each tenement within the project area.

The Agreement is subject to a number of conditions, including approval of expansion plans at both Tarrawonga and Boggabri Coal. The Boggabri Coal expansion includes the development of a rail spur and CHPP.

Gunnedah Operations (Equity Share)

Gunnedah Operations – 000t	2011	2010	Movement
ROM Coal Production	2,620	2,441	+7%
Saleable Coal Production	2,303	2,200	+5%
Sales of Produced Coal	2,327	2,101	+11%
Sales of Purchased Coal	1,883	823	+129%
Total Coal Sales	4,210	2,924	+44%
Coal Stocks at Period End	233	288	-19%

Werris Creek Mine (Equity Share)

Werris Creek Mine – 000t	2011	2010	Movement
ROM Coal Production	1,809	1,283	+41%
Saleable Coal Production	1,722	1,280	+34%
Sales of Produced Coal	1,777	1,209	+47%
Sales of Purchased Coal	–	–	0%
Total Coal Sales	1,777	1,209	+47%
Coal Stocks at Period End	186	143	+30%

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%

Development of the Narrabri mine is proceeding as planned with construction of Stage 2 facilities and delivery of longwall and other equipment on schedule and budget. The Narrabri CHPP has begun commissioning and the upgraded ventilation fans and shaft are well advanced.

Pre-drainage of CO2 from the coal seam is working well with confidence in gas extraction methods and gas modelling continuing to grow as the inventory of drained coal grows.

Mining conditions underground are excellent and development rates have improved as skills and experience grow and as development has moved away from pit-bottom setup into normal main road and longwall gate road development.

Some delays continue to be experienced in development as a result of the difficulty in recruiting experienced underground mine workers. However, at current development rates, commencement of longwall extraction is scheduled for February 2012.

Development of the main gate and tail gate roads for the first longwall panel is on the critical path for commencement of longwall mining and progress against schedule is being monitored closely.

Sales of more than 200 Kt of Narrabri coal have now been made, with coal stockpiling and handling systems working well and coal quality meeting expectations.

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

Narrabri Mine (Equity Share)

Narrabri Mine – 000t	2011	2010	Movement
ROM Coal Production	163	–	–
Saleable Coal Production	143	–	–
Sales of Produced Coal	139	–	–
Sales of Purchased Coal	–	–	–
Total Coal Sales	139	–	–
Coal Stocks at Period End	25	–	–

DEVELOPMENT PROJECTS

Vickery

Whitehaven 100%

Work has continued at Vickery to further define JORC resources and reserves and to define the mine development plan. To date, a JORC open cut coal resource of 439 Mt has been defined in the combined Vickery area (Vickery, Merton, Bluevale and Canyon Extended). Current mine planning has defined an open cut JORC marketable reserve of some 113 Mt and further work is expected to increase these reserves.

Work is now well advanced to define an open cut mine plan for the Vickery area. Whitehaven expects this work to produce an open cut mine plan for Vickery of around 4.5 Mtpa ROM for at least 25 years with a stripping ratio of approximately 10:1.

Ongoing analysis of Vickery coal quality indicates that, if all ROM coal is washed, saleable coal yield would be more than 80% of predominantly low ash, low sulphur, low phosphorus semi-soft coking and PCI coal, along with a component of low-ash, low-sulphur, high-energy thermal coal.

This saleable coal yield can be increased significantly by by-passing a proportion of low-ash ROM coal, as is done with Whitehaven's Tarrawonga coal. This will provide the Vickery project with a high degree of flexibility in producing metallurgical or premium thermal coal, depending on market conditions from time to time.

Whitehaven currently plans to lodge an application for development approval for Vickery in early 2012, with the aim of having approval and being in a position to commence mine production in calendar 2013.

MANAGING DIRECTOR'S REPORT

COAL RESOURCES AND RESERVES (100% BASIS)

Whitehaven's JORC Coal Resources now total 1,771.5 Mt, with JORC Marketable Coal Reserves of 426.1 Mt. Open cut Marketable Coal Reserves are now in place to support 5 Mtpa of saleable production for more than 20 years.

JORC August Statement

WHITEHAVEN COAL LIMITED – COAL RESOURCES – AUGUST 2011

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	46.87	165.00	95.0	306.9	2	Jul-11
Vickery Underground	CL316	–	–	21.0	21.0	2	Jul-11
Merton Opencut	ML1471/EL4699	–	–	111.7	111.7	1	Feb-11
Canyon Extended	CL316/EL4699 ML1471	–	–	5.1	5.1	1	Feb-11
Rocglen Opencut	ML1620	11.66	6.10	1.5	19.2	1	Mar-11
Rocglen Underground	ML1620	–	2.24	1.6	3.8	1	Mar-11
Tarrawonga Opencut *	EL5967/ML1579	30.66	28.00	14.3	73.0	1	Jun 2010 &
Tarrawonga Underground	EL5967/ML1579	10.88	13.87	14.8	39.6	1	Mar 2011
Sunnyside Opencut	ML1624/EL5183	19.60	47.40	22.9	89.9	1	Mar-11
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		**128.46**	**301.37**	**448.3**	**878.1**		
Total Werris Creek **	**ML1563/ EL5993/ EL7422**	**23.35**	**8.25**	**2.6**	**34.2**	**1**	**Mar-11**
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	–	2.6	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		**366.41**	**597.22**	**807.9**	**1,771.5**		

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 Reserve 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 2011

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
Vickery Opencut	CL316	37.90	91.10	129.00	30.20	74.30	104.50	2	Aug-11
Rocglen Opencut	ML1620	9.20	3.80	13.00	7.60	3.10	10.70	1	Mar-11
Tarrawonga Opencut *	EL5967/ML1579	21.70	22.20	43.90	20.30	20.70	41.00	1	Mar-11
Tarrawonga Underground	EL5967/ML1579	–	3.70	3.70	–	3.10	3.10	3	May-09
Sunnyside Opencut	ML1624/EL5183	6.60	21.10	27.70	5.80	18.90	24.70	1	Mar-11
BLOCK 7 Underground	CCL701	–	4.00	4.00	–	4.00	4.00	3	May-09
Total Gunnedah Operations		**78.73**	**152.32**	**231.05**	**66.99**	**130.08**	**197.07**		
Total Werris Creek **	**ML1564/ EL5993/ EL7422**	**21.50**	**7.60**	**29.10**	**21.50**	**7.60**	**29.10**	**1**	**Mar-11**
Narrabri North Underground	ML1609	66.0	67.4	133.4	66.0	67.4	133.4	3	Jan-10
Narrabri South Underground	EL6243	24.7	61.5	86.2	19.4	47.1	66.5	3	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		**190.93**	**288.82**	**479.8**	**173.89**	**252.18**	**426.1**		

1. Doug Sillar, 2. William Dean, 3. 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 below for full JORC competent persons statements.

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. Mr William Dean is a full-time employee of UGM Australia.

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).

MANAGING DIRECTOR'S REPORT

SAFETY

The safety and wellbeing of our workforce is our key priority and our safety culture is being further developed as our business expands in size and complexity. We recorded a significant increase in the number of individual hazard assessments and toolbox talks as well as improving our incident investigation and root cause analysis.

Despite the increased awareness of safety across the business, our key safety performance measure – Lost Time Injury Frequency Rate – has shown an increase this year, particularly in our open cut mines. We are determined to rectify this trend in LTIFR and a number of initiatives including increased on-site supervision have been introduced to ensure our workforce is focussed and proactively takes responsibility for their own safety, and the safety of their workmates.

Additional resources have been allocated to our corporate safety team as well as site-based safety professionals.

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.

In terms of the environmental initiatives, we have worked hard to increase our level of engagement with local communities and this has resulted in a number of constructive variations to our mining plans. In addition, we have expanded our environmental management team, who are now working proactively with other companies in the Gunnedah Basin to assess and address the cumulative impacts of our combined developments.

COMMUNITY

Whitehaven continues to work closely with the communities we operate in.

It is extremely important to Whitehaven that our workers live in, and enjoy being part of, the local communities in which we operate. We do not believe camp-based accommodation is an appropriate long-term solution for the Whitehaven workforce, and we do not believe a permanent fly-in fly-out workforce is a good outcome for either our workforce or the community.

As such, Whitehaven recently announced it is preparing a plan for supporting property development in Narrabri and Gunnedah. This decision follows consultation with the Narrabri Shire Council, Gunnedah Shire Council and Liverpool Plains Shire Council.

Sensible planning is beneficial to both communities and mining companies. By protecting and enhancing the standard of living for existing communities, the mining sector is able to attract highly-skilled workers and their families to this region.

Whitehaven is continuing to hold regular discussions with local governments and other interested parties to help ensure that appropriate long-term planning is put in place to address the growing population and associated demand on infrastructure.

Whitehaven continues to support a broad range of community organisations and projects, with more than $150,000 donated during the year. The recipients include health and education providers, sporting groups, charities and community wide events.

In addition to these community donations, Whitehaven has contributed or committed more than $10 million to regional roadworks and major infrastructure projects including the Narrabri Pool redevelopment.

INFRASTRUCTURE

Subsequent to balance date, Whitehaven announced that it has entered into long-term arrangements with Australian Rail Track Corporation (ARTC) for rail track access between the Company's mines and Newcastle Port.

These arrangements are structured to provide Whitehaven with the rail track capacity that it will require to match long-term production and port capacity. They are based upon the Hunter Valley Rail Access Undertaking approved by the Australian Competition and Consumer Commission (ACCC) in June 2011 and operate on a rolling ten-year term.

Entry into these arrangements with ARTC represents a significant milestone for Whitehaven, securing the required long-term rail track capacity to support our significant growth plans.

In addition, Whitehaven and Pacific National (PN) entered into a long-term agreement for rail haulage in December 2009.

The new coal train ordered by Whitehaven in 2009 was delivered and put into service in the September 2010 quarter. This train is being operated by PN under lease from Whitehaven. A second new train was delivered by PN in January 2011 and a third new train will be provided by PN in October 2011.

A Capacity Framework Agreement for providing access to additional port capacity at Newcastle was agreed by Newcastle Ports Corporation, PWCS and NCIG in April 2009 and subsequently approved by ACCC. Under this agreement, Whitehaven will have access to approximately 10.2 Mtpa of port capacity from PWCS and NCIG.

Stage 1 of the new NCIG coal loading terminal (Whitehaven owns 11%) is continuing to ramp up to its 30 Mtpa capacity. Construction of the second stage (2AA) of NCIG is underway and is expected to be commissioned in mid-2012, taking the capacity of NCIG to 53 Mtpa. Final feasibility of the last stage of NCIG (2F) is complete and commitment to construction is expected in August. This will take the port to its full capacity of 66 Mtpa in late 2013, of which Whitehaven's share will be approximately 6 Mtpa.

CORPORATE

As widely reported during the year, in October 2010, following numerous approaches to the company over several months, Whitehaven announced that it was commencing a formal process to enable selected interested parties to conduct due diligence and submit proposals for a potential corporate transaction with the company.

In April 2011 we advised that the formal process was reaching a conclusion with shortlisted parties having completed due diligence and submitted formal proposals.

After further negotiation of these proposals, the Whitehaven Board determined that no proposal was sufficiently attractive to warrant recommendation to shareholders.

The process was then terminated, allowing the Board and management to continue to focus on our existing high quality coal assets and to examine attractive growth opportunities.

CARBON TAX

The Federal government recently announced details of a proposed carbon tax commencing on 1st July 2012. The proposal is for a price commencing at \$23 per tonne of $CO2$ equivalent. At this price, the company's current estimate of the impact of the tax is approximately \$1.60 per tonne of saleable coal from the company's open cut and underground mines. Further work is being undertaken to firm up the impact of the carbon tax on Whitehaven business and we will advise as more information becomes available.

OUTLOOK

Whitehaven has emerged from FY2011 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 planned future production.

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

Tony Haggarty
Managing Director

HEALTH AND SAFETY

Highlights

- Continuing improvement in Whitehaven's safety culture
- Increased number of individual hazard assessments (Take 5s)
- Focus on hazard reporting and management
- Improved incident investigation for high risk incidents and underlying root cause analysis
- Increased number of toolbox talks and ongoing communication of health and safety topics to our workforce

Achievements

Emergency services familiarisation – Local emergency service organisations participated in familiarisation sessions at our Narrabri and Tarrawonga mines. These sessions allowed local emergency services to understand site emergency plans and Whitehaven's emergency procedures.

Supervisor training – A new Whitehaven-specific supervisor training package has been introduced. The supervisor training package is based on the S1, S2 & S3 nationally recognised training modules, and is designed using Whitehaven's own Health and Safety System. Twenty supervisors have been trained in two sessions.

Legal obligations information sessions – A number of information sessions have been held across sites to outline individual's legal obligations to OHS through the use of case studies and recent legal proceedings.

Job demands assessments – An Occupational Therapist was engaged to develop job demands assessments. The purpose is to identify the functional demands of each role to assist in the injury management process.

Contractor safety meeting – More than 150 contracting companies attended the Whitehaven Coal Contractor Safety meeting. The meeting provided contractors an opportunity to learn more about Whitehaven Coal, our contractor management standard, OHS legislation and our contractor documentation requirements.

Risk management audits – Risk management audits have been carried out across the company and the information is being used to develop ongoing safety improvements.

Hazard recognition training – Hazard recognition training has been conducted at some operations. The training specifically included equipment damage incidents and risk management tools. Topics included risk perception, incident causation, hazard identification, Take 5's and JHA's.

Manual handling training – Open cut and CHPP maintenance employees attended manual handling safety training sessions designed to raise awareness in correct lifting techniques, use of mechanical aids and the potential for sprain/strain injuries caused by manual handling.

ENVIRONMENT

Environmental highlights 2011

- Implementation of real time noise monitoring at Narrabri, Tarrawonga and Werris Creek operations.
- Recruitment of a full-time Environmental Officer for Narrabri site to cater for expanding operations as commencement of longwall operation approaches.
- Focus on community engagement at our open cut mines. This has included circulation of newsletters to surrounding residents to keep them informed of developments. This has also included a Community Open Day at the Werris Creek Mine, where residents were encouraged to attend and discuss any concerns with experts (specialist consultants) in air quality, noise, flora and fauna, groundwater, surface water and cultural heritage. A similar event is planned for the local community around the Tarrawonga site later in the year. Planning is also underway for an Open Day at our Narrabri site to provide the community with the opportunity to visit a working mine and understand the longwall mining process.
- General terms of agreement reached with the NSW Department of Primary Industries and the Office of Environment and Heritage on the biodiversity offset requirements for the Narrabri project. The offset package comprises approximately 1200ha of land immediately adjacent to Mt Kaputar National Park which can ultimately be incorporated into the Park management in the near term. It also includes post mining rehabilitation of woodland areas associated with the Narrabri Mining Lease.

- Rehabilitation works have commenced at our Sunnyside Mine, including initial planting of Koala feed tree species as a means of enhancing koala corridor connections, which is part of the Sunnyside rehabilitation strategy.
- Undertaking trials at our Rocglen site using compost materials as a means of enhancing biological activity in low nutrient soils.
- Whitehaven Regional Biobank site nearing formal registration. While the site has not yet been resgistered as a Biobank, Whitehaven has been actively managing the biobank site for conservation purposes for the last two years. This includes the exclusion of grazing and the introduction of feral animal control activities which has seen the removal of over 500 wild goats. Ongoing weed control activities are underway including active application of cochineal grub into Prickly Pear as a biological control.
- Whitehaven is working with the Namoi Catchment management Authority on Green Cestrum control in and around the Maules Creek area, including substantial works on the bed and bank of Maules Creek as part of a wider catchment strategy for Green Cestrum control.
- General infill planting in rehabilitation at both Canyon and Tarrawonga sites.

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 2011 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 Ausgrid, Bupa Australia and the Sydney Symphony. He is also president of the Commonwealth Remuneration Tribunal and a Non-Executive Director of the Dexus Property Group. He is also Chairman of Destination NSW (which incorporates his previous chairmanships of Events NSW and the Homebush Motor Racing Authority). He was formerly Chairman and Managing Director of Broadcast Investment Holdings, 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

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)
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 mining 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, Hans was employed by the Thyssen group of companies in various senior executive positions.

Other current directorships held by Hans include Excel Maritime Inc., White Energy, New World Resources and MMX Mineracao. Hans was previously a Non-Executive Director of Felix Resources Limited, an ASX listed company.

ANDY PLUMMER
BSc Mining Eng
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 over 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 QRNational and a member of the Advisory Board of Qube Logistics.

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, LLM (Hons)

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 note 33 of the financial statements)

* 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	17	17	3	5	2	2
Neil Chatfield	17	17	5	5	2	2
Tony Haggarty	16	17	–	–	–	–
Alex Krueger	16	17	3	5	–	–
Hans Mende	16	17	–	–	1	2
Andy Plummer	16	17	–	–	–	–
Allan Davies	17	17	–	–	–	–

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 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 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 2011 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 includes the following:

- financial performance
- safety performance
- strategic actions

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

The performance of the Managing Director and the Company's senior executives during the 2011 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	4 years
N Chatfield	Yes	Yes	4 years
A Krueger	No – affiliated with substantial shareholder	Yes	4 years
H Mende	No – substantial shareholder	Yes	4 years
T Haggarty	No – employed in an executive capacity	No	4 years
A Davies	No – employed in an executive capacity	No	2 years
A Plummer	No – employed in an executive capacity	No	4 years

Whitehaven did not comply with recommendation 2.1 of the ASX Guidelines during the 2011 financial year as a majority of the Board are not considered to be independent when considered in accordance with the criteria set out in recommendation 2.1. Notwithstanding this, the Board believes that the individuals on the Board can and do make quality and independent judgements in the best interests of the Company and other stakeholders. The Board regularly assesses the independence of each non-executive Director.

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

The most recent evaluation of the performance of the Whitehaven Board was conducted in the 2011 financial year.

Principle 3 – Promote ethical and responsible decision making

Whitehaven has a Code of Ethics and Values. The purpose of this code is to provide Directors and employees with guidance on what is acceptable behaviour. The code requires all Directors, managers and employees to maintain the highest standards of honesty and integrity. The Code of Ethics and Values can be viewed on Whitehaven's website.

Whitehaven has a Securities Trading Policy which it has disclosed to the ASX in accordance with the listing rules. The policy sets out the windows in which employees and Directors can trade in Whitehaven's securities. Under the policy all employees and Directors are prohibited from trading in Whitehaven's securities when they are in possession of price sensitive information that is not generally available.

The recruitment and selection processes adopted by Whitehaven ensure that staff and management are selected in a non-discriminatory manner based on merit. Whitehaven also values diversity in the organisation. In light of recent amendments to the ASX's Corporate Governance Principles, Whitehaven intends to formalise and publish its diversity policy and set suitable diversity targets and benchmarks against which it will report.

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 2011 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 32 to 38. 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 $30,117,000, representing a final 2010 dividend of 2.8 cents per ordinary share and an interim dividend for 2011 of 3.3 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)	4.1	20,273	100%	30 September 2011

The record date for determining entitlement to the dividend will be 16 September 2011.

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2011 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.

	2011	2010	2009	2008	2007
Profit attributable to the group ($000's)	9,946	114,884	244,212	51,854	24,095
Revenue ($000's)	622,186	406,807	489,397	252,000	106,201
Share price at year end (dollars per share)	$5.83	$4.80	$3.14	$4.47	$2.09
Basic EPS (cents per share)	2.0	24.2	60.5	14.5	8.0
Diluted EPS (cents per share)	2.0	24.0	60.3	14.4	8.0

After the year-end the Company agreed to grante Share Acquisition Rights (SARs) over 120,000 ordinary shares to key management personnel (excluding Executive Directors) as part of ongoing long-term incentive plans. The SARs vest over the period 1 July 2012 to 1 July 2015 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 $724,486 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 $413,992 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 $422,273 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 $381,660 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 $275,306 and the eligibility to participate in the Company's incentive schemes.

During the year, the consolidated entity implemented a retention bonus scheme for key senior employees (excluding the Managing Director) in the Whitehaven Group. Under the scheme, retention amounts up to an aggregate total of $1,491,401 are payable to those key management personnel identified in this remuneration report who remain in the employment of the Whitehaven Group on 1 February 2012. These amounts will become payable earlier than 1 February 2012 if an employee is terminated for any reason other than serious misconduct or material breach of employment conditions.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.1 Principles of compensation – 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 2011 amounted to $430,000.

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 benefit $	Other benefits (B) $	Termination benefits $	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 %
Directors													
Non-Executive Directors													
John Conde (Chairman)	2011	165,138	–	–	–	–	14,862	180,000	–	–	–	–	–
	2010	131,284	–	–	–	–	11,816	143,100	–	–	–	–	–
Neil Chatfield	2011	91,743	–	–	–	–	8,257	100,000	–	–	–	–	–
	2010	80,311	–	–	–	–	6,002	86,313	–	–	–	–	–
Alex Krueger	2011	75,000	–	–	–	–	–	75,000	–	–	–	–	–
	2010	63,375	–	–	–	–	–	63,375	–	–	–	–	–
Hans Mende	2011	75,000	–	–	–	–	–	75,000	–	–	–	–	–
	2010	63,375	–	–	–	–	–	63,375	–	–	–	–	–
Executive Directors													
Tony Haggarty	2011	658,624	175,000	–	–	–	65,862	899,486	–	–	–	–	–
	2010	661,237	112,500	–	–	–	52,489	826,226	–	–	–	195,000	19.1
Andy Plummer	2011	376,356	100,000	–	–	–	37,636	513,992	–	–	–	–	–
	2010	363,629	56,250	–	–	–	41,988	461,867	–	–	–	195,000	29.7
Allan Davies	2011	526,877	112,500	–	–	–	–	639,377	–	2,101,608	–	–	76.7
	2010	628,688	67,500	–	–	–	–	696,188	–	9,508,046	7,175,000	–	96.0

In AUD		Salary & Fees $	STI cash bonus (A) $	Non-monetary benefits $	Other benefits (B) $	Termination benefits $	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)	2011	376,356	100,000	–	8,281	–	37,636	522,273	–	368,536	–	–	41.4
	2010	363,629	67,500	–	7,163	–	43,113	481,405	–	94,383	–	–	16.4
Tony Galligan (General Manager Infrastructure)	2011	346,964	92,188	–	–	–	34,696	473,848	–	291,892	–	–	38.1
	2010	307,035	77,083	26,757	–	–	38,412	449,287	–	–	–	–	–
Timothy Burt (General Counsel/ Company Secretary) *	2011	243,450	62,500	–	7,511	–	24,345	337,806	–	225,789	–	–	40.1
	2010	217,071	–	–	4,449	–	21,507	243,027	–	–	–	–	–

* Timothy Burt appointed Joint Company Secretary 29 July 2009

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 previous financial year.

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 (for options) or a Monte Carlo simulation model (for Share Acquisition Rights). 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%
04/08/10	01/07/12	$5.33	$0.00	$5.73	40%	4.60%	1%
04/08/10	01/07/13	$5.09	$0.00	$5.73	40%	4.70%	1%
13/10/10	01/07/12	$5.20	$0.00	$6.20	40%	4.70%	1%
13/10/10	01/07/13	$5.00	$0.00	$6.20	40%	4.70%	1%
13/10/10	01/07/14	$4.95	$0.00	$6.20	40%	4.80%	1%

* Director refers to Mr Allan Davies whose options were granted to Dalara Investments Pty Ltd as trustee for the AJ and LM Davies Family Trust

7. REMUNERATION REPORT – AUDITED (CONTINUED)

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

If employment is terminated any options that have not 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 2011 of $nil (2010: $390,000) 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 2011	Grant date	Fair value per option at grant date	Exercise price per option	Vesting date	Expiry date
Executives						
Austen Perrin	40,000	4 Aug 2010	$5.33	$0.00	1 July 2011	1 July 2012
	20,000	4 Aug 2010	$5.09	$0.00	1 July 2012	1 July 2013
	13,334	13 Oct 2010	$5.20	$0.00	1 July 2011	1 July 2012
	13,333	13 Oct 2010	$5.00	$0.00	1 July 2012	1 July 2013
	13,333	13 Oct 2010	$4.95	$0.00	1 July 2013	1 July 2014
Timothy Burt	26,667	4 Aug 2010	$5.33	$0.00	1 July 2011	1 July 2012
	13,333	4 Aug 2010	$5.09	$0.00	1 July 2012	1 July 2013
	8,334	13 Oct 2010	$5.20	$0.00	1 July 2011	1 July 2012
	8,333	13 Oct 2010	$5.00	$0.00	1 July 2012	1 July 2013
	8,333	13 Oct 2010	$4.95	$0.00	1 July 2013	1 July 2014
Tony Galligan	33,333	4 Aug 2010	$5.33	$0.00	1 July 2011	1 July 2012
	16,667	4 Aug 2010	$5.09	$0.00	1 July 2012	1 July 2013
	11,667	13 Oct 2010	$5.20	$0.00	1 July 2011	1 July 2012
	11,667	13 Oct 2010	$5.00	$0.00	1 July 2012	1 July 2013
	11,666	13 Oct 2010	$4.95	$0.00	1 July 2013	1 July 2014

The fair value of these options attributable to the period ended 30 June 2011 of $886,000 has been recognised in the profit and loss.

The options will vest on meeting the total shareholder return hurdles as set out in note 33(b) and if the employees remain with the Company at 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 no shares were issued on the exercise of options previously granted to Director-related entities or executives.

7. REMUNERATION REPORT – AUDITED (CONTINUED)

7.3 Equity instruments – 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	Grant date	% vested in year	% Forfeited in year	Financial years in which grant vests
Executives					
Austen Perrin	33,333	19 Feb 2009	100	–	2011
Director-related entities					
Allan Davies	1,666,666	17 Nov 2009	100	–	2011

The options provided to executives and the related entity of Mr Davies vested in accordance with the vesting dates disclosed in note 33 of the financial statements.

7.3.5 Analysis of movements in options – audited

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

	Granted in year $ (A)	Value of options exercised in year $ (B)	Lapsed in year $ (C)
Executives			
Austen Perrin	517,000	–	–
Timothy Burt	336,250	–	–
Tony Galligan	439,250	–	–

(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 or the Monte Carlo simulation model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting periods 4 August 2010 to 1 July 2013.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. No options were exercised during the year.

(C) The value of options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes model or the Monte Carlo simulation 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 2011, Whitehaven Coal Limited and its controlled entities ('the Group') continued development at the Narrabri underground mine.

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 2011, the Group continued development at the Narrabri underground mine.

9.2 Highlights

Financial

- Underlying net profit after tax (NPAT), before Significant Items, of $73.3 million, up 33% from FY2010;
- NPAT after significant items of $9.9 million. Total significant items after tax of $63.4 million including:
  - $45.8 million from losses incurred on legacy contracts from both purchased coal and financial settlements
  - $11.6 million foreign exchange loss relating to the outstanding USD receivable from EDF for its Narrabri JV purchase.
- A fully franked final dividend of 4.1 cents per share has been declared, payable on 30 September 2011. This takes the total dividend for the year to 7.4 cents per share;
- Revenue of $437.0 million (net of purchased coal and excluding NSW royalty), up 33% from FY2010;
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of $189.7 million (excluding coal purchases), reduced to $148.0 million after coal purchases;
- Cash generated from operations of $120.3 million, compared to $69.3 million in FY2010;
- Proceeds received from the sale of Narrabri of $190.8 million during the year;
- Strong cash flow and financial position – $207.6 million cash available with net cash of $29.0 million compared to $141.0 million cash available and net cash of $46.1 million at 30 June 2010;

Operating

- Saleable coal production up 20% (equity basis) to 4.2 Mtpa and up 19% (100% basis) to 4.7 Mtpa;
- Successful expansion of Whitehaven's open cut mines which operated at an annual rate of almost 6 Mtpa of ROM coal in the June quarter;
- Narrabri mine production ramp up continuing with four continuous miners now operating and excellent underground mining conditions;
- Narrabri Coal Handling and Preparation Plant (CHPP) commenced commissioning in August 2011;
- Definition of a 439 Mt open cut coal resource at Vickery with preliminary work indicating an open cut mine plan for Vickery of 4.5 Mtpa ROM for at least 25 years with a stripping ratio of approximately 10:1;
- Continuing investment in infrastructure with rail and port capacity secured to meet growth profile;
- Expansion of the Gunnedah CHPP completed with washing capacity increased to 3 Mtpa and total coal handling and rail loading capacity of 4.2 Mtpa;
- Heads of agreement signed with Idemitsu to extend the existing Tarrawonga Joint Venture and share new CHPP and rail infrastructure.

9. OPERATING AND FINANCIAL REVIEW (CONTINUED)

9.3 Review of operations

The Managing Director's Report, containing a review of operations, commences on page 8 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 4.1 cents per ordinary share (refer Note 26).
- After the year end the Company agreed to grante Share Acquisition Rights (SARs) over 720,000 ordinary shares to key senior employees (excluding Executive Directors) as part of ongoing long-term incentive plans. The SARs vest over the period 1 July 2012 to 1 July 2015 and are subject to market based performance hurdles.
- On 16 August 2011, the Company entered into long-term arrangements with Australian Rail Track Corporation (ARTC) for rail track access between the Company's mines and Newcastle Port.
- On 27 July 2011, 651,679 ordinary shares were issued pursuant to the vesting of employee SARs.
- The consolidated entity received a claim in June 2008 in relation to the performance of its obligations under a coal sales contract. The claim was settled on 1 July 2011 for an amount of US$1,625,000.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2011 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.

The Government released the draft Clean Energy Bill 2011 (the 'Bill' or the 'Scheme') which will have an impact on the Australian economy, and also on the Group. The Bill, which is not substantially enacted, is expected to be finalised in November 2011 with a commencement date of 1 July 2012. Management is currently reviewing its operations, expected financial impacts and opportunities, based on the information released, however this may change as the Bill is finalised.

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 or agreed to grant 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
Officers			
Austen Perrin	150,000	$0.00	1 July 2012 to 1 July 2015
Timothy Burt	100,000	$0.00	1 July 2012 to 1 July 2015
Anthony Galligan	120,000	$0.00	1 July 2012 to 1 July 2015

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, no Director-related entity nor executive of the Company exercised any options.

13. SHARE OPTIONS (CONTINUED)

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
26 October 2011	$1.00	33,333
30 June 2012	$1.00	33,334
21 October 2012	$2.50	3,000,000
26 October 2012	$1.00	33,333
1 July 2013	$0.00	658,340
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	424,996
1 July 2015	$0.00	239,985

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 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	2011	2010
Non-audit services		
Ernst & Young		
Due diligence services	487,229	–
Review of Greenhouse Gas emissions	74,059	86,684
Taxation services	–	40,508
Other assurance services	7,210	5,142
	568,498	**132,334**

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 45 and forms part of the Directors' report for financial year ended 30 June 2011.

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 23rd day of August 2011

AUDITOR'S INDEPENDENCE DECLARATION

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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 2011, 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
23 August 2011

FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

In thousands of AUD ($'000)	Note	Consolidated 2011	Consolidated 2010
Revenue	**8**	**622,186**	**406,807**
Operating expenses			
Before significant items		(405,646)	(240,545)
Significant items	7	(25,563)	–
		(431,209)	**(240,545)**
Depreciation and amortisation		(40,938)	(32,025)
Cost of sales		**(472,147)**	**(272,570)**
Gross profit		**150,039**	**134,237**
Other income			
Before significant items	9	15,184	9,427
Significant items	7	–	114,314
		15,184	**123,741**
Selling and distribution expenses		(66,373)	(51,189)
Other expenses			
Before significant items		(4,329)	(802)
Significant items	7	(41,944)	(16,683)
	10	**(46,273)**	**(17,485)**
Administrative expenses			
Before significant items		(13,053)	(14,930)
Significant items	7	(5,778)	(2,375)
		(18,831)	**(17,305)**
Profit before financing income		**33,746**	**171,999**
Financial income			
Before significant items		9,169	12,817
Significant items	7	8,602	4,511
	12	**17,771**	**17,328**
Financial expenses			
Before significant items		(17,770)	(10,857)
Significant items	7	(24,922)	(7,223)
	12	**(42,692)**	**(18,080)**
Net financing expense	**12**	**(24,921)**	**(752)**
Profit before tax		**8,825**	**171,247**

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
In thousands of AUD ($'000)	Note	2011	2010
Profit before tax		**8,825**	**171,247**
Income tax expense			
Before significant items		(25,130)	(23,595)
Significant items	7	26,251	(32,768)
	13	**1,121**	**(56,363)**
Profit for the year attributable to equity holders of the parent			
Before significant items		73,300	55,108
Significant items		(63,354)	59,776
Net profit attributable to equity holders		**9,946**	**114,884**
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		136,440	29,494
Change in fair value of cash flow hedges transferred to profit and loss		(92,244)	(48,722)
Income tax on items of other comprehensive income	13	(13,259)	5,769
Other comprehensive income for the period, net of tax		**30,937**	**(13,459)**
Total comprehensive income for the period		**40,883**	**101,425**
Earnings per share:			
Basic earnings per share (cents per share)	36	2.0	24.2
Diluted earnings per share (cents per share)	36	2.0	24.0
Earnings per share before significant items:			
Basic earnings per share (cents per share)	36	14.8	11.6
Diluted earnings per share (cents per share)	36	14.7	11.5

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 2011

In thousands of AUD ($'000)	Note	Consolidated 2011	Consolidated 2010
Assets			
Cash and cash equivalents	14	207,602	141,049
Trade and other receivables	15	92,365	289,206
Inventories	16	25,886	20,921
Investments	18	14,866	–
Current tax receivable	13	9,957	–
Deferred stripping		55,619	27,903
Derivative financial instruments	17	55,998	23,127
Total current assets		**462,293**	**502,206**
Trade and other receivables	15	2,702	37,159
Investments	18	1,210	1,210
Property, plant and equipment	19	936,987	760,981
Exploration and evaluation	20	9,422	5,344
Intangible assets	21	49,781	43,488
Deferred stripping		–	928
Total non-current assets		**1,000,102**	**849,110**
Total assets		**1,462,395**	**1,351,316**
Liabilities			
Trade and other payables	22	154,264	128,408
Interest-bearing loans and borrowings	23	49,436	37,307
Employee benefits	24	8,789	6,245
Current tax payable	13	–	37,514
Deferred income		355	191
Provisions	25	4,932	1,246
Derivative financial instruments	17	7,208	14,280
Total current liabilities		**224,984**	**225,191**
Non-current liabilities			
Interest-bearing loans and borrowings	23	129,157	57,622
Deferred tax liabilities	13	38,621	12,089
Deferred income		–	444
Provisions	25	29,097	27,652
Derivative financial instruments	17	–	5,142
Total non-current liabilities		**196,875**	**102,949**
Total liabilities		**421,859**	**328,140**
Net assets		**1,040,536**	**1,023,176**

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2011

		Consolidated	
In thousands of AUD ($'000)	Note	2011	2010
Equity			
Issued capital	26(a)	591,339	591,176
Share-based payments reserve		24,358	17,927
Hedge reserve		33,776	2,839
Retained earnings		391,063	411,234
Total equity attributable to equity holders of the parent		**1,040,536**	**1,023,176**

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 2011

Consolidated In thousands of AUD ($'000)	Note	Issued capital	Share based payments reserve	Retained earnings	Hedge reserve	Total
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**
Opening balance at 1 July 2010		**591,176**	**17,927**	**411,234**	**2,839**	**1,023,176**
Profit for the period		–	–	9,946	–	9,946
Other comprehensive income		–	–	–	30,937	30,937
Total comprehensive income for the period		–	–	9,946	30,937	40,883
Transactions with owners in their capacity as owners:						
Dividends paid	26	–	–	(30,117)	–	(30,117)
Share-based payments	33	–	6,431	–	–	6,431
Share options exercised	26	167	–	–	–	167
Shares issued for cash	26	–	–	–	–	–
Costs of shares issued, net of tax	26	(4)	–	–	–	(4)
Closing balance at 30 June 2011		**591,339**	**24,358**	**391,063**	**33,776**	**1,040,536**

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 2011

In thousands of AUD ($'000)	Note	Consolidated 2011	Consolidated 2010
Cash flows from operating activities			
Cash receipts from customers		656,836	397,363
Cash paid to suppliers and employees		(536,510)	(328,017)
Cash generated from operations		**120,326**	**69,346**
Interest paid		(14,891)	(6,505)
Interest received		7,009	7,426
Income taxes paid		(33,075)	(109,790)
Net cash from/(used in) operating activities	**31**	**79,369**	**(39,523)**
Cash flows from investing activities			
Proceeds from sell down of Narrabri project		190,866	99,749
Proceeds from sale of property, plant and equipment		949	1,071
Acquisition of property, plant and equipment		(225,347)	(245,685)
Acquisition of intangible assets		(8,044)	(3,110)
Acquisition of investments		(37,365)	–
Proceeds from sale of investments		22,499	–
Exploration and evaluation expenditure		(4,078)	(1,506)
Contract guarantee security		–	6,162
Proceeds from repayments of loans advanced		8,707	–
Loans advanced		(1,693)	(3,404)
Net cash used in investing activities		**(53,506)**	**(146,723)**
Cash flows from financing activities			
Proceeds from the issue of share capital	26	–	214,886
Proceeds from the exercise of share options	26	167	14,753
Transaction costs paid on issue of share capital		(6)	(8,306)
Proceeds from borrowings		90,677	32,321
Repayment of borrowings		(2,207)	(918)
Payment of finance lease liabilities		(17,824)	(14,197)
Dividends paid	26	(30,117)	(42,403)
Net cash from/(used in) financing activities		**40,690**	**196,316**
Net increase in cash and cash equivalents		66,553	9,890
Cash and cash equivalents at 1 July		141,049	131,159
Cash and cash equivalents at 30 June	**14**	**207,602**	**141,049**

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 2011 was authorised for issue in accordance with a resolution of the directors on 23 August 2011. 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 also complies with 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 2010.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2010
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] effective 1 July 2010
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] effective 1 July 2010
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB139] effective 1 July 2010
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

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

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 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 subject of amendments to the standards are set out below:

- AASB 5 Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations
- AASB 8 Disclosure of information about segment assets
- AASB 101 Current/non-current classification of convertible instruments
- AASB 107 Classification of expenditure that does not give rise to an asset
- AASB 117 Classification of leases of land
- AASB 118 Determining whether an entity is acting as a principal or an agent
- AASB 136 Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation
- AASB 139 Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract

The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]

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 adoption of this amendment did not have any impact on the financial position or the performance of the Group.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]

The amendment provides 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 adoption of this amendment did not have any impact on the financial position or the performance of the Group.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB139]

The principal amendments to the standards are set out below:

Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value.

Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses.

Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.

Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.

The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

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

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 adoption of this amendment did not have any impact on the financial position or the performance of the Group.

(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 2011 are outlined below:

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 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and interpretations 10 & 12]

These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard shall be applied when AASB 9 is applied. 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.

AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. 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 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.

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 1053 Application of Tiers of Australian Accounting Standards

This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements

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 1054 Australian Additional Disclosures

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in certain areas. 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 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. 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 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. 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 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. 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 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]

The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities, the change in fair value is accounted for differently. 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.

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 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments become effective for the consolidated entity's 30 June 2013 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]

This Standard amendments many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054. 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 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053. 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.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. 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.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. 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.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. 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.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. 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.

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 2011 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 exchange 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 profit or 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 equipment.

(ii) Water access rights

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

(iii) Rail access rights

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

(iv) Other intangible assets

Other intangible assets that are acquired by the consolidated entity, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Contributed equity

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

t) Revenue recognition

(i) Sale of coal

Revenue from the sale of coal is recognised in the 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/benefit, 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 exceeds the carrying value, that portion of the increase 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 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 or Monte Carlo simulation model, 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 (for options) or a Monte Carlo simulation model (for Share Acquisition Rights).

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.

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

Australian Government's proposed carbon pricing mechanism

The Australian Government announced the 'Securing a Clean Energy Future – the Australian Government's Climate Change Plan' on 10 July 2011. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation has yet to be drafted, and must be voted on and passed by both houses of Parliament.

The introduction of a carbon pricing mechanism has the potential to significantly impact the assumptions used for the purpose of the value in use calculations in asset impairment testing. The Group has assessed the potential impact in its impairment testing at 30 June 2011, and does not believe any impairment of assets would be required. The carrying amount of the assets that could be affected by the implementation of the government's proposed emissions trading scheme as at 30 June 2011 are disclosed in note 19.

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 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 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 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 2011 was $48,790,000 (2010: $3,705,000), comprising assets and liabilities that were recognised as fair value derivatives.

At 30 June 2011, 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 2011	USD 30 June 2010
Cash	33,517	5,217
Trade and other receivables	68,186	124,290
Trade and other payables	(25,135)	(4,250)
Finance lease liabilities	(15,566)	(20,964)
Net statement of financial position exposure	**61,002**	**104,293**

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	2011	2010	2011	2010
USD	0.9881	0.8821	1.0739	0.8523
EUR	0.7245	0.6737	0.7405	0.6979

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 2010.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or loss
30 June 2011		
USD	18,057	(5,164)
EUR	(1,587)	–
30 June 2010		
USD	63,336	(11,124)
EUR	(4,085)	–

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 2010.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or loss
30 June 2011		
USD	(22,070)	5,680
EUR	1,587	–
30 June 2010		
USD	(77,411)	13,596
EUR	4,085	–

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:

		Carrying amount	Carrying amount
In thousands of AUD	Note	30 June 2011	30 June 2010
Cash and cash equivalents	14	207,602	141,049
Trade and other receivables	15	95,067	326,365
Derivative financial instruments	17	55,998	23,127
Available-for-sale financial assets	18	16,076	1,210
		374,743	**491,751**

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

	Carrying amount	Carrying amount
In thousands of AUD	30 June 2011	30 June 2010
Asia	14,990	32,801
Europe	1,687	10,030
Australia	11,510	3,499
	28,187	**46,330**

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 40.7% of the consolidated entity's revenue is attributable to sales transactions with three customers (2010: 49% with three 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, 44% (2010: 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 2011 (2010: Nil).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Credit risk (continued)

Impairment losses

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

	Gross	Impairment	Gross	Impairment
In thousands of AUD	2011	2011	2010	2010
Not past due	23,616	–	44,431	–
Past due 0-30 days	2,409	–	1,219	–
Past due 31-120 days	2,140	–	634	–
Past due 121 days to one year	6	–	10	–
More than one year	16	–	36	–
	28,187	**–**	**46,330**	**–**

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 $95,000,000 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 2011						
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	97,996	130,574	13,561	9,576	21,742	45,201	40,494
Interest-bearing liabilities	80,598	115,661	2,036	2,036	14,812	36,427	60,350
Trade and other payables	154,264	154,264	119,600	34,664	–	–	–
Forward exchange contracts:							
Outflow	329,229	336,458	197,712	138,746	–	–	–
Inflow	(378,019)	(386,268)	(230,505)	(155,763)	–	–	–
	284,068	**350,689**	**102,404**	**29,259**	**36,554**	**81,628**	**100,844**

	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**

Amounts included in the tables above include interest bearing liabilities of $34,268,000 (2010: $20,648,000) 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	2011	2010
Fixed rate instruments		
Financial liabilities	(132,263)	(94,929)
	(132,263)	**(94,929)**
Variable rate instruments		
Financial assets	207,602	141,049
Financial liabilities	(46,330)	–
	161,272	**141,049**
Net exposure	**29,009**	**46,120**

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 2010.

	Profit or loss	
Effect in thousands of AUD	100bp increase	100bp decrease
30 June 2011		
Variable rate instruments	1,613	(1,613)
Cash flow sensitivity (net)	**1,613**	**(1,613)**
30 June 2010		
Variable rate instruments	1,410	(1,410)
Cash flow sensitivity (net)	**1,410**	**(1,410)**

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 a 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 of 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 fair value of the Group's investment in unlisted shares is classified under level 3 in the fair value measurement hierarchy (refer note 18).

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		2011			2010		
Consolidated Entity	Note	Loans and receivables[1]	Available for sale	Other	Loans and receivables[1]	Available for sale	Other
Financial assets							
Cash and cash equivalents	14	207,602	–	–	141,049	–	–
Trade and other receivables	15	95,067	–	–	326,365	–	–
Investments	18	–	14,866	1,210	–	–	1,210
Other financial assets[2]		–	–	55,998	–	–	23,127
Total financial assets		**302,669**	**14,866**	**57,208**	**467,414**	**–**	**24,337**
Financial liabilities							
Trade and other payables	22	154,264	–	–	128,408	–	–
Borrowings	23	178,593	–	–	94,929	–	–
Other financial liabilities[2]		–	–	7,208	–	–	19,422
Total financial liabilities		**332,857**	**–**	**7,208**	**223,337**	**–**	**19,422**

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 $56.0 million (2010: $23.1 million) relating to derivatives that qualified as being in a hedging relationship. Similarly, other financial liabilities include amounts of $7.2 million (2010: $19.4 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 2011 and 30 June 2010. 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.

In thousands of AUD	Open cut operations	Underground operations	Total
Year ended 30 June 2011			
Revenue			
Sales to external customers	651,416	10,087[1]	661,503
Total segment revenue	**651,416**	**10,087**	**661,503**
Capitalisation of Narrabri development production revenue			(10,087)
Difference in treatment of foreign exchange on hedges			(29,230)
Total revenue per statement of comprehensive income			**622,186**
Result			
Segment result	94,576	–	94,576
Depreciation and amortisation			(40,938)
Income tax expense (excluding significant items)			26,251
Significant items after income tax			(63,353)
Net interest income			(6,590)
Net profit after tax per statement of comprehensive income			**9,946**

1 Sales to external customers for underground operations relate to sales of Narrabri development production coal.

Capital expenditure for the year amounted to $55,336,000 for open cut operations and $104,426,000 for underground operations.

6. SEGMENT REPORTING (CONTINUED)

In thousands of AUD	Open cut operations	Underground 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.

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	2011	2010
Total segment revenue		
China	79,043	22,485
Japan	233,754	128,217
India	17,781	33,563
Taiwan	96,653	–
UK	111,753	98,803
Other	11,599	8,663
Australia[1]	91,265	115,132
Domestic	19,655	11,243
Total revenue	**661,503**	**418,106**

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

Total revenue by product		
Thermal	469,781	270,476
PCI	171,878	136,387
Domestic	19,844	11,243
Total revenue	**661,503**	**418,106**

Major customers

The Group has three major customers which account for 40.7% of external revenue.

7. SIGNIFICANT ITEMS

In thousands of AUD	Consolidated 2011	2010
Consideration on sale of 7.5% of Narrabri joint venture interest	–	125,000
Transaction costs	–	(167)
Assets disposed	–	(10,519)
Gain on sale of joint venture interest[1]	**–**	**114,314**
Loss on coal trading for legacy contracts[2]	(65,405)	–
Share based compensation[3]	(2,102)	(16,683)
Due diligence costs and project costs[4]	(5,778)	(2,375)
Financial income on EDF receivable[5]	8,602	4,511
Finance costs on retranslation of EDF receivable[5]	(24,922)	(7,223)
Significant items before tax	**(89,605)**	**92,544**
Applicable income tax expense	26,251	(32,768)
Significant items after tax	**(63,354)**	**59,776**
Reconciliation of significant items to face of statement of comprehensive income:		
Operating expenses:		
Loss on coal trading for legacy contracts[2] – purchased coal	(25,563)	–
Other income:		
Gain on sale of joint venture interest[1]	–	114,314
Other expenses:		
Loss on coal trading for legacy contracts[2] – contract settlements	(39,842)	–
Share-based payment expense[3]	(2,102)	(16,683)
	(41,944)	**(16,683)**
Administrative expenses:		
Due diligence costs and project costs[4]	(5,778)	(2,375)
Financial income		
Unwinding of discount on EDF receivable[5]	6,052	4,511
Net unrealised foreign exchange gain on translation of EDF receivable[5]	2,550	–
	8,602	**4,511**
Financial expenses		
Net realised foreign exchange losses on EDF receipts	(24,922)	(7,223)
Significant items before tax	**(89,605)**	**92,544**

1 During the prior 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 paid the A$125 million in three tranches. The first and second tranches of $32.5 million and $30 million were received during the prior 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 was received in the current year following the Company obtaining NSW Government approval for stage 2 of the Narrabri Project.

2 During the year a significant amount of coal was purchased to fulfil legacy contracts which could not be filled from Whitehaven's own production, resulting in a significant loss before tax amounting to $22.3 million. Where contracts could not be filled with either Whitehaven coal or purchased coal, financial settlements were undertaken resulting in a loss before tax of $39.8 million. In addition, provision for future losses on sales of coal into legacy contracts of $3.3 million before tax have been made.

7. SIGNIFICANT ITEMS (CONTINUED)

3 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.

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

5 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.

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.

8. REVENUE

	Consolidated	
In thousands of AUD	2011	2010
Sale of coal	622,186	406,807

9. OTHER INCOME

	2011	2010
Before significant items:		
Hire of plant	4,548	3,569
Rental income	1,027	350
Gain on Sale of Non-Current assets	294	165
Sundry income[1]	9,315	5,343
	15,184	**9,427**
Significant items:		
Gain on sale of interest in Narrabri project[2]	–	114,314
	–	**114,314**

1 Included within sundry income is $6.1 million (2010: $2.9 million) of the Group's share of income from the Blackjack Carbon Joint Venture.

2 During the prior year the Group sold 7.5% of its joint venture interest in the Narrabri North Project. Refer to Note 7 for further details of this transaction.

10. OTHER EXPENSES

	Consolidated	
In thousands of AUD	2011	2010
Payments for unfulfilled legacy contracts	39,842	–
Share based compensation payments	6,431	17,485
	46,273	**17,485**

11. PERSONNEL EXPENSES

	2011	2010
Wages and salaries	53,989	37,159
Contributions to superannuation plans	4,988	3,494
Other associated personnel expenses	2,404	1,950
Increase in liability for annual leave	1,329	1,500
Increase in liability for long-service leave	100	100
Share-based compensation payments	6,431	17,485
	69,241	**61,688**

12. FINANCE INCOME AND EXPENSE

In thousands of AUD	Consolidated 2011	2010
Recognised in profit and loss		
Interest income on bank facilities	7,009	7,426
Dividend income	1,318	4
Net unrealised foreign exchange gain on translation of EDF receivable	2,550	–
Net realised foreign exchange gain	–	5,387
Unwinding of discount on EDF receivable[1]	6,052	4,511
Gains from ineffective portion of hedges	842	–
Financial income	**17,771**	**17,328**
Interest expense on finance lease liabilities	(7,449)	(4,923)
Unwinding of discounts on provisions	(728)	(852)
Losses from ineffective portion of hedges	–	(2,497)
Net realised foreign exchange loss	(2,056)	–
Net unrealised foreign exchange loss	(1,388)	(1,002)
Net unrealised foreign exchange loss on translation of EDF receivable[1]	–	(5,199)
Net realised foreign exchange losses on EDF receipts[1]	(24,922)	(2,024)
Other interest charges	(6,149)	(1,583)
Financial expenses	**(42,692)**	**(18,080)**
Net financing expense	**(24,921)**	**(752)**
Recognised directly in equity		
Effective portion of changes in fair value of cash flow hedges	136,440	29,494
Net change in fair value of cash flow hedges transferred to profit or loss – sale of coal	(92,244)	(48,722)
Income tax on income and expense recognised directly in equity	(13,259)	5,769
Finance expense recognised directly in equity, net of tax	**30,937**	**(13,459)**

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 2011	Consolidated 2010
a) Income tax (expense)/benefit		
Current income tax		
Current period	18,860	(39,392)
Adjustment for prior periods	3,392	(1,038)
	22,252	**(40,430)**
Deferred income tax		
Origination and reversal of temporary differences	(21,131)	(15,933)
Income tax benefit/(expense) reported in the statement of comprehensive income	**1,121**	**(56,363)**
Numerical reconciliation between tax expense recognised in the statement of comprehensive income and profit before tax		
Profit/(loss) for the period	9,946	114,884
Total income tax benefit/(expense)	1,121	(56,363)
Profit excluding income tax	**8,825**	**171,247**
Income tax using the Company's domestic tax rate of 30% (2010: 30%)	(2,648)	(51,374)
Non-deductible expenses	377	(3,951)
Change in unrecognised temporary differences	–	–
Over/(Underprovided) in prior periods	3,392	(1,038)
Aggregate income tax benefit/(expense)	**1,121**	**(56,363)**
b) Income tax recognised directly in equity		
Deferred income tax related to items charged/(credited) directly to equity		
Derivatives	(13,259)	5,769
Transaction costs on issue of share capital	2	2,490
Income tax expense recorded in equity	**(13,257)**	**8,259**

13. INCOME TAX (CONTINUED)

c) Recognised tax assets and liabilities

	Consolidated			
In thousands of AUD	2011 Current income tax	2011 Deferred income tax	2010 Current income tax	2010 Deferred income tax
Opening balance	(37,514)	(12,089)	(106,874)	(4,415)
Charged to income	22,252	(21,131)	(40,430)	(15,933)
Charged to equity	–	(13,257)	–	8,259
Recognition of DTA on current year losses	(18,860)	18,860	–	–
Transfer between current and deferred tax	11,004	(11,004)	–	–
Payments	33,075	–	109,790	–
Closing balance	**9,957**	**(38,621)**	**(37,514)**	**(12,089)**
Tax expense in statement of comprehensive income:				
Charged to income		1,121		(56,363)
Charged to equity		(13,257)		8,259
Amounts recognised in the statement of financial position:				
Deferred tax asset		–		–
Deferred tax liability		(38,621)		(12,089)
		(38,621)		**(12,089)**

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	2011	2010
Land and mining tenements	21,530	21,530
	21,530	**21,530**

13. INCOME TAX (CONTINUED)

c) Recognised tax assets and liabilities (continued)

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

	Consolidated			
	Assets		Liabilities	
In thousands of AUD	2011	2010	2011	2010
Property, plant and equipment	–	–	(46,893)	(16,852)
Receivables	–	–	(428)	(97)
Derivatives	–	–	(14,476)	(1,216)
Investments	–	–	(1)	(1)
Deferred stripping	–	–	(16,686)	(9,999)
Deferred revenue	–	–	–	(3,413)
Deferred foreign exchange gain	7,259	7,662	–	–
Provisions	12,486	10,762	–	–
Unearned income	–	122	–	–
Tax losses	18,860	–	–	–
Other items	1,258	943	–	–
Tax assets/(liabilities)	**39,863**	**19,489**	**(78,484)**	**(31,578)**
Set off of tax assets	(39,863)	(19,489)	39,863	19,489
Net tax assets/(liabilities)	**–**	**–**	**(38,621)**	**(12,089)**

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	2011	2010
Cash and cash equivalents	207,602	141,049

The weighted average interest rate for cash balances at 30 June 2011 is 4.01% (2010: 4.02%).

15. TRADE AND OTHER RECEIVABLES

	2011	2010
Current		
Trade receivables	28,187	46,330
Other receivables and prepayments	55,362	237,198
Receivables due from related parties	8,816	5,678
	92,365	**289,206**
Non-current		
Other receivables and prepayments	**2,702**	**37,159**

Included in Current and Non-current Other Receivables are amounts of $41,787,000 and $nil respectively (2010: $216,402,000 and $32,570,000), 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

	2011	2010
Coal stocks (at cost)	19,912	17,052
Consumables and stores	5,974	3,869
	25,886	**20,921**

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2011	2010
Current assets		
Forward exchange contracts – receivable	**55,998**	**23,127**
Current liabilities		
Forward exchange contracts – payable	**7,208**	**14,280**
Non-current liabilities		
Forward exchange contracts – payable	**–**	**5,142**

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 2011, 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 2011	Average exchange rates 2011	Fair value 2010	Average exchange rates 2010
Sell US dollars				
Less than 6 months	39,572	0.8614	10,458	0.8145
6 months to 1 year	16,426	0.9349	5,319	0.8108
1 year to less than 2 years	–	–	(5,142)	0.8246
	55,998	**0.8945**	**10,635**	**0.8160**
Buy Euros				
Less than 6 months	(7,208)	0.5707	(6,251)	0.5882
6 months to 1 year	–	–	(679)	0.5902
	(7,208)	**0.5707**	**(6,930)**	**0.5885**

18. INVESTMENTS

In thousands of AUD	Consolidated 2011	Consolidated 2010
Current investments		
Investment in unlisted preference shares	14,866	–
Non-current investments		
Investment in unlisted preference shares	1,210	1,210

During the year the Group acquired a total of $37.3m in preference shares ($14.8m) and shareholder loan notes ($22.5m) as part of the funding requirement of the NCIG Stage 2AA expansion. The shareholder loan notes were all disposed of during the year as NCIG secured funding from other investors. As part of one of these disposals the Company issued a put option giving the acquirer the right, subject to certain criteria being met, to sell back the shareholder loan notes. The likelihood of the put option being exercised is considered remote.

19. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Note	Consolidated Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Total
Cost						
Balance at 1 July 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**
Balance at 1 July 2010		54,140	220,398	109,996	474,793	859,327
Acquisitions		19,556	26,944	40,333	130,460	217,293
Transfer to plant and equipment and mining property and development		(1,665)	970	(970)	1,665	–
Disposals		(351)	(250)	–	–	(601)
Balance at 30 June 2011		**71,680**	**248,062**	**149,359**	**606,918**	**1,076,019**
Depreciation						
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)**
Balance at 1 July 2010		–	(33,082)	(30,712)	(34,552)	(98,346)
Depreciation charge for the year		–	(13,399)	(12,719)	(14,667)	(40,785)
Transfer to plant and equipment		–	(1,454)	1,454	–	–
Disposals		–	99	–	–	99
Balance at 30 June 2011		**–**	**(47,836)**	**(41,977)**	**(49,219)**	**(139,032)**
Carrying amounts						
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**
At 1 July 2010		54,140	187,316	79,284	440,241	760,981
At 30 June 2011		**71,680**	**200,226**	**107,382**	**557,698**	**936,987**

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 2011, the consolidated entity's net carrying amount of leased plant and machinery was $107,382,000 (2010: $79,284,000). 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 2009	3,838	–
Exploration and evaluation expenditure	1,506	–
Balance at 30 June 2010	**5,344**	–
Balance at 1 July 2010	5,344	–
Exploration and evaluation expenditure	4,078	–
Balance at 30 June 2011	**9,422**	–

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

	Consolidated	
In thousands of AUD	2011	2010
Water access rights	4,063	4,063
Acquired haulage rights	1,300	1,300
Less: accumulated amortisation	(548)	(395)
Marketing commission rights[1]	6,687	–
Less: accumulated amortisation	(1,317)	–
Rail access rights[2]	39,596	38,520
	49,781	**43,488**

1 During the year the consolidated entity acquired marketing commission rights (refer to note 39). The marketing commission rights have been assessed as having a finite useful life and are amortised over specific sales tonnages using a fixed cost per tonne. The amortisation has been recognised in the statement of comprehensive income in the line item 'selling and distribution expenses'.

2 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. 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.

	Consolidated				
In thousands of AUD	Water access rights	Contract related intangible	Rail access rights	Marketing commission rights	Total
Movement in intangibles					
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**
Balance at 1 July 2010	4,063	905	38,520	–	43,488
Acquired during the year	–	–	1,076	6,687	7,763
Less: Accumulated amortisation	–	(153)	–	(1,317)	(1,470)
Balance at 30 June 2011	**4,063**	**752**	**39,596**	**5,370**	**49,781**

22. TRADE AND OTHER PAYABLES

	Consolidated	
In thousands of AUD	2011	2010
Current		
Trade payables	58,855	24,429
Other payables and accruals	60,745	61,315
Deferred purchase consideration	34,664	42,664
	154,264	**128,408**

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, the consolidated entity made a payment of $8 million on account for the 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	2011	2010
Current liabilities		
Finance lease liabilities	15,169	16,659
Other loans unsecured	34,267	20,648
	49,436	**37,307**
Non-current liabilities		
Finance lease liabilities	82,827	57,622
Secured bank loans	46,330	–
	129,157	**57,622**
Total interest-bearing liabilities	**178,593**	**94,929**
Financing facilities		
Secured bank loans	**95,595**	**–**
Facilities utilised at reporting date		
Secured bank loans	**46,330**	**–**
Facilities not utilised at reporting date		
Secured bank loans	**49,265**	**–**

Financing facilities

At 30 June 2011, the consolidated entity's financing facilities are secured by a fixed and floating charge over the assets of the consolidated entity.

Finance lease facility

At 30 June 2011, the consolidated entity's lease liabilities are secured by the leased assets of $107,382,000 (2010: $79,284,000), 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 2011	Interest 2011	Principal 2011	Minimum lease payments 2010	Interest 2010	Principal 2010
Less than one year	23,136	7,967	15,169	22,589	5,930	16,659
Between one and five years	66,942	19,807	47,135	67,120	9,498	57,622
More than five years	40,496	4,804	35,692	–	–	–
	130,574	**32,578**	**97,996**	**89,709**	**15,428**	**74,281**

24. EMPLOYEE BENEFITS

In thousands of AUD	Consolidated 2011	Consolidated 2010
Current		
Salaries and wages accrued	2,998	1,883
Liability for long service leave	215	115
Liability for annual leave	5,576	4,247
	8,789	**6,245**

25. PROVISIONS

In thousands of AUD	2011	2010
Mine rehabilitation and closure	30,746	28,898
Onerous contracts	3,283	–
	34,029	**28,898**
Current	4,932	1,246
Non-current	29,097	27,652
	34,029	**28,898**

In thousands of AUD	Mine rehabilitation and closure	Onerous contracts
Movement in provisions		
Balance at 1 July 2010	28,898	–
Provisions made during the period	1,380	3,283
Provisions used during the period	(260)	–
Unwind of discount	728	–
Balance at 30 June 2011	**30,746**	**3,283**

Increases in the provision for rehabilitation were made during the year as a result of additional disturbance at several mines 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 2011	Consolidated 2010
a) Share capital		
Fully paid ordinary shares 493,816,735 (2010: 493,650,070)	591,339	591,176

b) Movements in shares on issue

Ordinary shares

	Consolidated 2011		Consolidated 2010	
	Nos of shares 000's	$000's	Nos of shares 000's	$000's
Beginning of the financial year	493,650	591,176	407,213	367,352
Issued for cash	–	–	71,684	214,886
Exercise of share options	167	167	14,753	14,753
Costs of shares issued, net of tax	–	(4)	–	(5,815)
	493,817	**591,339**	**493,650**	**591,176**

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

26. SHARE CAPITAL AND RESERVES (CONTINUED)

f) Dividends

In thousands of AUD	Consolidated 2011	Consolidated 2010
Recognised amounts		
Declared and paid during the year:		
Final franked dividend for 2010: 2.8c (2009:6.0c)	13,822	28,584
Interim franked dividend for 2011: 3.3c (2010: 2.8c)	16,295	13,819
	30,117	**42,403**
Unrecognised amounts		
Final franked dividend for 2011: 4.1c (2010: 2.8c)	**20,273**	**13,822**

The above final dividend was declared after the year end. These amounts have not been recognised as a liability in the financial statements for the year ended 30 June 2011 but will be brought to account in the year ending 30 June 2012.

Dividend franking account

In thousands of AUD	The Company 2011	The Company 2010
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	101,723	143,374

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 (2010: $nil) franking credits.

In thousands of AUD	The Company 2011	The Company 2010
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	(8,689)	(5,924)

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 includes contingent rentals.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2011 are as follows:

	Consolidated	
In thousands of AUD	2011	2010
Less than one year	3,727	5,053
Between one and five years	988	1,348
	4,715	**6,401**

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 2011 $32,612,000 (2010: $16,829,000) of land was leased under these operating leases.

28. CAPITAL EXPENDITURE COMMITMENTS

	Consolidated	
In thousands of AUD	2011	2010
Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	55,866	148,830
One year or later and no later than five years	–	7,480
	55,866	**156,310**

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	2011	2010
Within one year	–	504
One year or later and no later than five years	6,495	6,313
	6,495	**6,817**

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	2011	2010
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	26,079	20,790
(ii) The consolidated entity provided bank guarantees to Rail Infrastructure Corporation	38,622	38,622
(iii) The consolidated entity provided bank guarantees to the Roads and Traffic Authority of NSW	400	1,650
(iv) The consolidated entity provided bank guarantees to Newcastle Coal Infrastructure Group	16,920	16,920
(v) The consolidated entity provided bank guarantees to Port Waratah Coal Services Limited	6,754	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 Jones Lang LeSalle	82	–
	88,857	**90,602**

Take-or-Pay commitments

The consolidated entity has 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	2011	2010
Less than one year	46,457	39,228
Between one and five years	141,128	113,288
More than five years	58,100	66,815
	245,685	**219,331**

Retention bonus scheme

During the year, the consolidated entity implemented a retention bonus scheme for 28 key senior employees in the Whitehaven Group. Under the scheme, retention amounts up to an aggregate total of $6,638,119 are payable to those key senior employees who remain in the employment of the Whitehaven Group on 1 February 2012. These amounts will become payable earlier than 1 February 2012 if an employee is terminated for any reason other than serious misconduct or material breach of employment conditions.

31. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

		Consolidated	
In thousands of AUD	Note	2011	2010
Cash flows from operating activities			
Profit for the period		9,946	114,884
Adjustments for:			
Depreciation	19	40,785	31,872
Amortisation	21	1,470	153
Foreign exchange losses unrealised		26,985	8,698
Unwinding of discounts on provisions	25	728	852
Unwinding of discounts on receivables	12	(6,052)	(4,511)
Share-based compensation payments	33	6,431	17,485
Gain on sale of interest in Narrabri project	9	–	(114,314)
Gain on sale of non-current assets	9	(294)	(165)
Operating profit before changes in working capital and provisions		**79,999**	**54,954**
Change in trade and other receivables		17,542	(18,007)
Change in inventories and deferred stripping		(31,753)	(29,682)
Change in trade and other payables		45,541	4,671
Change in unearned revenue		(280)	(311)
Change in provisions and employee benefits		2,517	2,279
Change in tax payable		(47,471)	(69,360)
Change in deferred taxes		13,274	15,933
Cash flows from operating activities		**79,369**	**(39,523)**

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 4.1 cents per ordinary share (refer Note 26).
- After the year end the Company granted Share Acquisition Rights (SARs) over 720,000 ordinary shares to key senior employees as part of ongoing long-term incentive plans. The SARs vest over the period 1 July 2012 to 1 July 2015 and are subject to market based performance hurdles.
- On 27 July 2011, 651,679 ordinary shares were issued pursuant to the vesting of employee SARs.
- On 16 August 2011, the Company entered into long-term arrangements with Australian Rail Track Corporation (ARTC) for rail track access between the Company's mines and Newcastle Port.
- The consolidated entity received a claim in June 2008 in relation to the performance of its obligations under a coal sales contract. The claim was settled on 1 July 2011 for an amount of US$1,625,000.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2011 but will be recognised in future financial periods.

33. SHARE-BASED PAYMENTS

a) Recognised share-based payment expenses

	Consolidated	
In thousands of AUD	2011	2010
Employee expenses		
Share options – director-related entities	2,102	9,898
Shares issued – director-related entities[1]	–	7,175
Share options – senior employees	4,329	412
	6,431	**17,485**

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 share options to Dalara Management Pty Limited, an entity related to Allan Davies, 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		

Option grant to senior employees on 4 August 2010 and 13 October 2010

The Company issued share acquisition rights to senior employees under the company's long-term incentive program. The terms and conditions of the grant are as follows.

Option	Exercise price	Number of instruments	Vesting conditions	Expiration date
Tranche 1	$0.00	486,671	1 July 2011/1 July 2012	1 July 2012
Tranche 2	$0.00	243,329	1 July 2012/1 July 2013	1 July 2013
Tranche 1	$0.00	191,675	1 July 2011/1 July 2012	1 July 2012
Tranche 2	$0.00	191,669	1 July 2012/1 July 2013	1 July 2013
Tranche 3	$0.00	191,656	1 July 2013/1 July 2014	1 July 2014
		1,305,000		

The share acquisition rights vest subject to achieving a total shareholder return ('TSR') as follows:

- TSR over vesting period above 75th percentile – 100% vest
- TSR over vesting period below the 50th percentile – 0% vest
- TSR over vesting period between 50th and 75th percentile – sliding scale of vesting between 0% and 100%

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 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at beginning of period	$1.96	8,366,667	$1.25	18,119,200
Exercised during the period	$1.00	(166,665)	$1.00	(14,752,533)
Granted during the period	$0.00	1,305,000	$1.70	5,000,000
Forfeited during the period	$0.00	(50,000)	–	–
Outstanding at 30 June	$1.71	9,455,002	$1.96	8,366,667
Exercisable at 30 June	**$2.06**	**6,433,333**	**$2.18**	**4,799,998**

33. SHARE-BASED PAYMENTS (CONTINUED)

c) Movement in options (continued)

The outstanding balance as at 30 June 2011 is represented by:

(i) 200,002 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.

(iv) 1,255,000 share acquisition rights having an exercise price of $0.00, exercisable on meeting the above conditions and until the dates shown above.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2011 was $6.68 (2010: $4.89).

The weighted average remaining contractual life of share options outstanding at 30 June 2011 is 1.91 years (2010: 2.92 years).

d) Option pricing models

The fair value of options granted to director-related entities is measured using a Black Scholes model.

The fair value of options granted to the senior employees is measured using a Monte Carlo Simulation model incorporating the probability of the performance hurdles being met.

The following table lists the inputs to the models used for the years ended 30 June 2011 and 30 June 2010:

	Director-related entities		Senior employees	
Fair value of share options and assumptions	2011	2010	2011	2010
Fair value at grant date	–	$2.41	$4.95-$5.33	–
Share price	–	$4.42	$5.73-$6.20	–
Exercise price	–	$1.70	$0.00	–
Expected volatility (weighted average volatility)	–	60%	40%	–
Option life (expected weighted average life)	–	1-3 years	1-4 years	–
Expected dividends	–	10%	1%	–
Risk-free interest rate (based on government bonds)	–	3.50%	4.60-4.80%	–

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	2011	2010
Wages and salaries	3,491,742	3,178,047
Contributions to superannuation plans	223,294	215,327
Other associated personnel expenses	15,792	38,369
Increase in liability for annual leave	85,954	82,420
Increase in liability for long service leave	–	–
Share-based compensation payments	2,987,825	17,167,429
	6,804,607	**20,681,592**

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 $353,753 (2010: $311,381). 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 $1,252,673 (2010: $341,661). There was no outstanding balance payable to XLX Pty Limited at year end (2010: $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 $27,919,142 (2010: $43,481,042) and purchases of $nil (2010: $30,750,712). These transactions were carried out on an arm's length basis at market rates. At the year end there was no balance owed to the consolidated entity (2010: $208,966).

(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 $124,177 (2010: $20,604,418) and purchases of $nil (2010: $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 (2010: $nil).

34. RELATED PARTIES (CONTINUED)

Movements in shares

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

No. of shares	Held at 1 July 2010	Received on exercise of options	Purchased under the Equity Participation and Option Deed	Other purchases	Sales	Held at 30 June 2011
Directors						
John Conde	378,605	–	–	–	–	378,605
Neil Chatfield	256,805	–	–	–	–	256,805
Tony Haggarty	33,479,897	–	–	–	–	33,479,897
Alex Krueger	–	–	–	–	–	–
Hans Mende	76,019,833	–	–	–	–	76,019,833
Andy Plummer	33,514,254	–	–	–	–	33,514,254
Allan Davies	2,625,000	–	–	–	–	2,625,000
Executives						
Austen Perrin	54,635	–	–	–	(54,635)	–
Timothy Burt	6,500	–	–	–	(6,500)	–
Tony Galligan	73,000	–	–	–	(39,000)	34,000

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

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 2010	Granted/ (Forfeited)	Exercised	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Director-related entities						
Tony Haggarty	–	–	–	–	–	–
Andy Plummer	–	–	–	–	–	–
Allan Davies	5,000,000	–	–	5,000,000	1,666,667	3,333,333
Executives						
Austen Perrin	100,000	100,000	–	200,000	33,333	66,666
Timothy Burt	–	65,000	–	65,000	–	–
Tony Galligan	–	85,000	–	85,000	–	–

	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	–

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.

		Ownership interest	
	Country of incorporation	2011 %	2010 %
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
Whitehaven Project Pty Ltd	Australia	100	n/a
Whitehaven Project Holdings Pty Ltd	Australia	100	n/a
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:

	2011	2010
Tarrawonga Coal Project Joint Venture	70%	70%
Narrabri Coal Joint Venture	70%	70%
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 2011 consolidated financial statements under their respective categories.

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

In thousands of AUD	2011 $000	2010 $000
Statement of comprehensive income		
Operating and administration expenses	70,954	66,826
Current assets		
Cash and cash equivalents	8,510	6,065
Trade and other receivables	4,961	3,164
Inventory	9,674	6,088
Deferred stripping	15,984	5,317
Total current assets	**39,129**	**20,634**
Non-current assets		
Trade and other receivables	–	2,054
Property, plant and equipment	419,091	246,881
Intangible assets	1,691	1,691
Total non-current assets	**420,782**	**250,626**
Total assets	**459,911**	**271,260**
Current liabilities		
Trade and other payables	53,560	36,542
Provisions	87	270
	53,647	**36,812**
Non-current liabilities		
Provisions	7,497	6,999
	7,497	**6,999**
Total liabilities	**61,144**	**43,811**
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	46,282	125,491
One year or later and no later than five years	–	7,480
	46,282	**132,971**
Take-or-Pay commitments		
Less than one year	28,801	13,889
Between one and five years	101,433	89,298
More than five years	58,100	66,815
	188,334	**170,002**

36. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year calculated as follows:

	Consolidated	
	2011 $000	2010 $000
Profit attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	**9,946**	**114,884**
Net profit attributable to ordinary shareholders before significant items	**73,300**	**55,108**

	Consolidated	
	2011 000's	2010 000's
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	493,650	407,213
Effect of shares issued during the year	55	68,219
Weighted average number of ordinary shares at 30 June	493,705	475,432
Basic earnings per share attributable to ordinary shareholders (cents)	**2.0**	**24.2**
Basic earnings per share before significant items attributable to ordinary shareholders (cents)	**14.8**	**11.6**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding adjusted for the diluting impact of potential equity instruments calculated as follows:

	Consolidated	
	2011 $000	2010 $000
Profit attributable to ordinary shareholders (diluted)		
Net profit attributable to ordinary shareholders (diluted)	**9,946**	**114,884**
Net profit attributable to ordinary shareholders before significant items	**73,300**	**55,108**

	Consolidated	
	2011 000's	2010 000's
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	493,705	475,432
Effect of share options on issue	6,316	2,628
Weighted average number of ordinary shares (diluted)	500,021	478,060
Diluted earnings per share attributable to ordinary shareholders (cents)	**2.0**	**24.0**
Diluted earnings per share before significant items attributable to ordinary shareholders (cents)	**14.7**	**11.5**

37. AUDITORS' REMUNERATION

In AUD	Consolidated 2011	2010
Audit services:		
Auditors of the Company – Ernst & Young		
Audit and review of statutory financial statements – current year	354,138	342,503
Audit of joint ventures	156,300	151,723
	510,438	**494,226**
Non-audit services:		
Auditors of the Company – Ernst & Young		
Due diligence services	487,229	–
Review of National Greenhouse Energy Reporting Act requirements	74,059	86,684
Taxation services	–	40,508
Other assurance services	7,210	5,142
	568,498	**132,334**

38. PARENT ENTITY INFORMATION

In thousands of AUD	Company 2011	2010
Information relating to Whitehaven Coal Limited:		
Current assets	285,614	325,337
Total assets	**770,720**	**790,087**
Current liabilities	(2)	(37,527)
Total liabilities	**(9,694)**	**(41,034)**
Issued capital	720,338	720,175
Retained earnings	16,330	10,951
Share-based payment reserve	24,358	17,927
Total shareholders' equity	**761,026**	**749,053**
Profit of the parent entity	35,496	49,837
Total comprehensive income of the parent entity	35,496	49,837

39. BUSINESS COMBINATIONS – ACQUISITIONS

During the year the consolidated entity acquired a coal marketing business. The provisional fair values of identifiable assets and liabilities acquired as at the date of acquisition were:

In thousands of AUD	Fair value at acquisition date	Carrying value
Assets		
Property, plant and equipment	**50**	**50**
Liabilities		
Employee benefits	**(26)**	**(26)**
Total net identifiable assets at fair value	24	
Marketing commission rights acquired[1]	7,000	
Total consideration	**7,024**	

1 The marketing commission rights arise as a result of acquiring interests in existing marketing agreements. The consolidated entity will receive the benefit of cost savings on marketing commissions that would have otherwise been payable under the marketing agreements. Of the total cost savings on marketing commissions, $0.3m related to marketing commissions payable as at the date of acquisition and were expensed on acquisition. The remaining $6.7m of cost savings have been recognised as an intangible asset (refer to note 21).

40. 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, I state that:

In the opinion of the directors:

(a) the financial statements and notes of Whitehaven Coal Limited 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 2011 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 company 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 2011.

(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

J.C. Conde

John Conde
Chairman

Sydney
23 August 2011

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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers 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 complied with 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

Opinion

In our opinion:

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

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Whitehaven Coal Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
23 August 2011

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 recorded as owned by substantial shareholders and their associates in the most recent substantial shareholder notices advised to the Company by these shareholders are set out below:

Shareholder	Percentage of capital held	Number of ordinary shares held per most recent substantial shareholder notice
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 10 August 2011 is 33,514,254 shares equating to 6.78% 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	1,580
1,001 – 5,000	2,524
5,001 – 10,000	845
10,001 – 100,000	686
100,001 and over	70
	5,705

There are 28 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 190.

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 (legal ownership)

Name	Number of ordinary shares held	Percentage of capital held
FRC Whitehaven Holdings BV	80,650,000	16.31
JP Morgan Nominees Australia Limited (Cash Income A/C)	63,981,745	12.94
Citicorp Nominees Pty Ltd	54,145,503	10.94
UBS Wealth Management Australia Nominees Pty Ltd	52,360,193	10.59
JP Morgan Nominees Australia Limited	36,916,878	7.47
National Nominees Limited	36,779,297	7.44
Ranamok Pty Ltd (Plummer Family A/C)	33,514,254	6.78
HFTT Pty Ltd (Haggarty Family A/C)	33,437,979	6.76
HSBC Custody Nominees (Australia) Ltd	18,717,433	3.79
Cogent Nominees Pty Limited	7,780,369	1.57
Mr Michael Jack Quillen (Quillen Family A/C)	7,085,000	1.43
Nicola Investments II LLC	5,660,377	1.14
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
Tasman Asset Management Ltd (Tyndall Australian Share Whole)	2,129,099	0.43
ARGO Investments Limited	2,111,698	0.43
UBS Nominees Pty Ltd	2,060,843	0.42
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled A/C)	1,905,279	0.39
Cogent Nominees Pty Limited (SMP Accounts)	1,760,165	0.36
	449,281,489	**90.86**

This information is current as at 10 August 2011

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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COUNTRY OF INCORPORATION

Australia

WEB ADDRESS

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www.whitehavencoal.com.au