WHITEHAVEN COAL

ANNUAL REPORT 2012

Delivering growth

CHAIRMAN'S LETTER

There is a valid expectation that we will not only engage with communities through our ongoing consultation program, but continually seek and listen to the views of a wide spectrum of community groups and organisations.

Dear Whitehaven Shareholder,

2012 OVERVIEW

It has been a transformative year for Whitehaven Coal.

The successful merger with Aston Resources and the acquisitions of Boardwalk Resources and Coalworks have secured our position as one of Australia's leading independent coal miners.

We now have a business with enviable growth potential, with our existing production of around 5 Mtpa expected to grow to more than 20 Mtpa by 2015, subject to the appropriate approvals being received.

The merger of Whitehaven Coal and Aston Resources, and the acquisition of Boardwalk was announced in December 2011 and finalised in May 2012.

From the time the transactions were announced, significant focus was directed to the integration of the businesses, and planning to ensure the appropriate management resources and infrastructure capacity were available to support the anticipated growth.

This effort has now been rewarded with the Whitehaven, Aston and Boardwalk businesses, as well as the recently acquired Coalworks business, now operating as one company, with a highly experienced management team and a clearly defined future.

OPERATIONS

At an operational level we have seen the successful development of our $500 million Narrabri underground operation. Our first longwall coal was cut in June 2012 and production is continuing to increase.

Our open cut mines performed at similar levels to last year, with production hampered by exceptionally wet weather in the December and March quarters. The lower production levels had an adverse impact on overall costs, with this being exacerbated by the mine scheduling changes required to address related water management issues.

As outlined previously, we are still awaiting NSW Government approval for our Maules Creek development. The economics of this project are compelling, with an extremely competitive cost structure vis-à-vis global competitors.

The project brings very large employment and economic benefits to North West NSW with up to 1000 construction jobs and 500 permanent jobs as well as annual operating expenditure in the local region of more than $500 million a year for at least 25 years. NSW Royalties are projected to be in the order of $100 million a year.

Subsequent to balance date, the Director-General of the NSW Department of Planning and Infrastructure has issued a recommendation to the Planning Assessment Commission that the project's benefits outweigh its residual impacts and that it is in the public interest and should be approved, subject to a recommended series of conditions.

We remain confident that approvals will be forthcoming, and continue to plan for efficient and timely development of the project on that basis.

SUSTAINABILITY

We are highly aware that with our expansion comes the need for unwavering corporate responsibility.

First and foremost this responsibility is for the health and safety of our employees. We have invested significantly in our safety resources and processes during the year, including seeking broad feedback and input from our workforce as to how we can further improve. You can read more about our safety performance and initiatives, as well as our other sustainability initiatives, throughout this report.

Additional resources have also been allocated to our expanding environmental team. As mining becomes more prominent throughout the region it is clear to both mining companies and the community more broadly, that cumulative impacts need to be monitored and managed. This process is currently in its infancy but Whitehaven continues to work with government agencies and other mining companies to develop a monitoring framework that can be expanded as development increases.

In terms of our involvement with the community there is a valid expectation that we will not only engage with communities through our ongoing consultation program, but continually seek and listen to the views of a wide spectrum of community groups and organisations. Given the majority of our workforce and senior managers live in the region, this engagement is happening on a constant basis.

It is extremely important to Whitehaven that our workers live in, and enjoy being part of, the local communities in which we operate. From time-to-time we will need to rely on fly-in fly-out contractors (mainly from NSW) to supplement our local workforce, mainly during construction, but we are making every effort to build our local workforce.

We continue to work with local councils to provide input into the planning processes required to address housing demand and social impacts linked to growth in our workforce, as well as specific mine and local infrastructure issues.

Whitehaven remains the largest corporate contributor to the region with more than 1300 direct employees and contractors in the region. A large percentage of these employees reside in North West NSW, in line with our commitment to maintaining a locally-based workforce.

Economically, our contribution to the region continues to grow. Total operating expenditure in producing coal was approximately $396.7 million in FY2012, most of which was spent in local and regional economies. Royalties paid directly to the NSW Government in FY2012 were approximately $33.4 million.

In addition to this, we continue to support a wide range of community organisations with more than $115,000 donated during the year. In addition, more than $26 million has been committed to local infrastructure and community initiatives as part of our Voluntary Planning Agreements with local councils.

FINANCIAL PERFORMANCE

The company reported a net profit after tax (NPAT) before significant items, of $57.8 million, down 13% from FY2011. NPAT after significant items was $62.5 million. This result has allowed us to declare a final fully franked dividend of 3 cents per share, which, when combined with the special fully franked dividend of 50 cents per share paid earlier in the year, takes the annual dividend to 53 cents per share, fully franked.

PROPOSAL FROM TINKLER GROUP

On 10 August 2012, Whitehaven announced that it had granted the Tinkler Group access to due diligence in order to further develop an indicative and non-binding proposal for a Tinkler Group-led bid vehicle to take Whitehaven private at $5.20 cash per share.

The due diligence period expired in August and Whitehaven was advised by the Tinkler Group that a formal binding proposal of $5.20 cash per share would not be forthcoming.

The Whitehaven Board will always assess carefully firm proposals which are in the best interests of shareholders. However, our corporate focus remains on the sustainable and efficient development of our high quality coal assets to deliver value for all shareholders.

OUTLOOK

Since its formation, Whitehaven's strategy has been to maintain a clear focus on costs, to build a portfolio of assets that are well placed on the cost curve and to develop its assets in a safe, sustainable manner. This has delivered a diversified project risk profile that provides us with numerous options for further value-enhancing growth.

Our management team is highly experienced and has a track record of delivering both organic growth and greenfields developments at all stages of the commodity price cycle.

Whitehaven's Maules Creek project is a world-class example of an asset which is capable of delivering attractive returns at any stage of the cycle. We expect that this asset will enter the construction phase in the current financial year.

On behalf of the board I would like to thank our expanded management team and workforce for their considerable achievements during the year as our business has become larger and more complex.

The Hon. Mark Vaile AO
Chairman

2012 HIGHLIGHTS

Business Development Highlights

- Completed acquisition of Boardwalk Resources and the merger with Aston Resources, creating Australia's leading independent coal company with a quality portfolio of producing assets and a growth pipeline that includes some of Australia's most significant new coal projects.
- Successfully acquired Coalworks Limited.
- Completed the A$370 million sale of a 10% interest in the Maules Creek Joint Venture to J-Power Australia Pty Ltd.

Financial Highlights

- Underlying net profit after tax (NPAT), before significant items, of $57.8 million, down 13% from FY2011.
- NPAT after significant items of $62.5 million. Total significant items after tax of $4.8 million including:
  - Historical legacy contract losses pre-tax of $29.4 million (all legacy contracts fulfilled end of March 2012);
  - Aston/Boardwalk transaction costs pre-tax of $41.4 million;
  - Profit on sale of interest in Maules Creek to J-Power pre-tax of $116.2 million;
  - Accounting adjustment for the fair value of Boardwalk Resources goodwill at acquisition pre-tax of $119.8 million;
  - Initial recognition of Mineral Rent Resource Tax (MRRT) starting base as a deferred tax asset of $101.5 million.
- Declared a fully franked special dividend of 50 cents per share and a fully franked final dividend of 3 cents per share taking the total dividend for the year to 53 cents per share.
- Revenue from coal sales of $448.4 million (net of purchased coal and excluding NSW royalty), up 2.6% from FY2011.
- Cash flow and financial position - $513.6 million cash available with net cash of $24.2 million compared to $207.6 million cash available and net cash of $29.0 million at 30 June 2011.

Financial Performance

Whitehaven Coal Limited Consolidated	FY2012 $m	FY2011 $m	Movement %
Revenue	618.1	622.2	-0.7%
Net profit/(loss) for the period attributable to members	62.5	9.9	+528.8%
Add back: Significant items after tax (refer to note 7)	(4.7)	63.4	+107.5%
Net profit/(loss) before significant items	57.8	73.3	-21.2%
Profit/(loss) before net financing expense	26.0	33.7	-22.9%
Add back: Depreciation and amortisation	39.7	41.0	-3.1%
Operating EBITDA	65.7	74.7	-12.0%
Add back: Significant items before net financing expense (refer to note 7)	83.5	73.3	+13.9%
Operating EBITDA before significant items	149.2	148.0	+0.8%

ACHIEVEMENTS

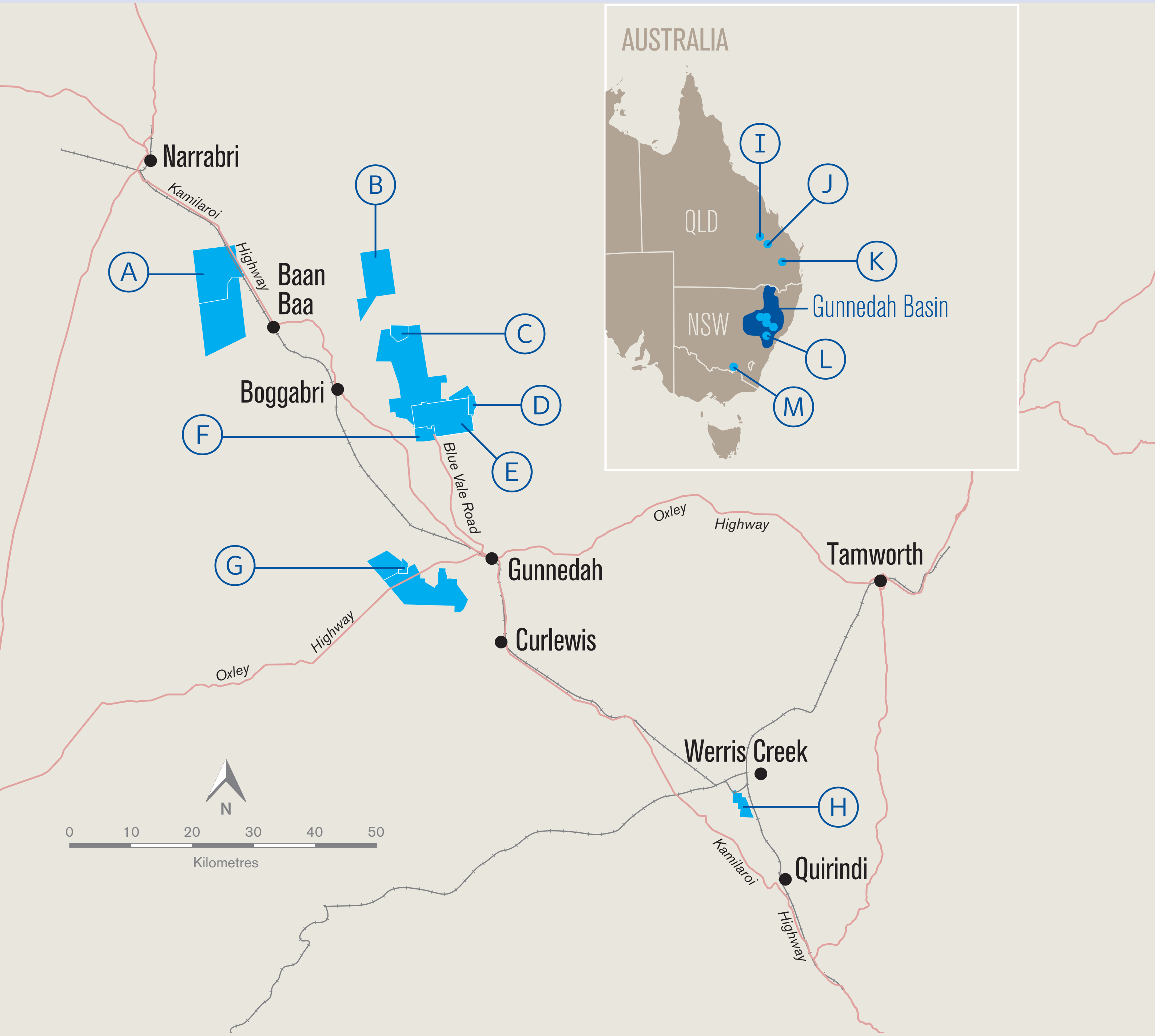
Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	FY2012	FY2011	Movement
ROM Coal Production	4,657	4,592	+1%
Saleable Coal Production	4,275	4,168	+3%
Sales of Produced Coal	4,289	4,243	+1%
Sales of Purchased Coal	1,243	1,883	-34%
Total Coal Sales	5,532	6,126	-10%
Coal Stocks at Period End	478	444	+8%

Operating Highlights

- Narrabri longwall installed in the June quarter and undergoing commissioning. More than 300 Kt of longwall coal produced to the end of August 2012.
- Saleable coal production up 3% (equity basis) to 4.28 Mtpa, and up 4% to 4.90 Mtpa (100% basis).
- Equity ROM coal production increased slightly to 4.66 Mtpa for the year - lower than anticipated due largely to significant impacts of exceptionally wet weather in the December and March quarters and consequential mine scheduling issues.
- Planning at the Vickery project has generated an open cut mine plan to produce around 4.5 Mtpa ROM for more than 25 years with a stripping ratio of approximately 10:1. Focus is on obtaining NSW Project Approval for this project and lodgment of the approval for assessment by the NSW Government is planned for the fourth quarter in CY2012.

ASSET PORTFOLIO



Key	Asset	Interest
A	Narrabri North Mine	70%
B	Maules Creek Project	75%
C	Tarrawonga Joint Venture	70%
D	Rocglen Mine	100%
E	Vickery Project	100%
F	Vickery South Project	71%
G	Sunnyside Mine	100%

Key	Asset	Interest
H	Werris Creek Mine	100%
I	Sienna Project	100%
J	Dingo Project	70%
K	Monto Project	100%
L	Ferndale Project	94%
M	Oaklands North Project	100%


RDT804
RDT 804
785B
785B

MANAGING DIRECTOR'S REPORT

Subject to approvals and other external factors, our production has the potential to quadruple from the current level of around 4.7 Mtpa to more than 20 Mtpa by 2015.

OVERVIEW

Whitehaven has continued to build its position as one of Australia's leading independent coal producers, and its growth trajectory remains highly attractive.

Subject to approvals and other external factors, our production has the potential to quadruple from the current level of around 4.7 Mtpa to more than 20 Mtpa by 2015.

Our merger with Aston Resources has brought the world-class Maules Creek coal deposit to our portfolio, and the acquisitions of Boardwalk Resources and Coalworks have further enhanced our development pipeline.

Significant work has been undertaken internally to integrate the businesses and ensure the future corporate structure and management resources are adequate to support anticipated growth.

Likewise, we have continued to carefully manage and invest in our infrastructure requirements to ensure we are well positioned to meet our growth targets.

In terms of our operating and financial performance, our underlying result has remained broadly in line with the previous year, despite weather impacts, substantial growth and change in the organisation and a reduction in coal prices.

At Narrabri, we have completed the installation of the longwall and production is steadily increasing.

The open cut mines have recovered from the exceptionally wet weather encountered in the second and third quarters, and are now operating at planned production levels.

This wet weather had a flow-on impact on costs, due to both lower production and the additional costs associated with road repairs, water management and more difficult coal recovery.

A focussed review of operating costs is currently underway to identify opportunities for reduction.

FINANCIAL PERFORMANCE

Whitehaven Coal Limited - Consolidated	FY2012 $m	FY2011 $m	Movement %
Revenue	618.1	622.2	-0.7%
Net profit for the period attributable to members	62.5	9.9	+528.8%
Add back: Significant items after tax (refer to note 7)	(4.7)	63.4	+107.5%
Net profit before significant items	57.8	73.3	-21.2%
Profit before net financing expense	26.0	33.7	-22.9%
Add back: Depreciation and amortisation	39.7	41.0	-3.1%
Operating EBITDA	65.7	74.7	-12.0%
Add back: Significant items before net financing expense (refer to note 7)	83.5	73.3	+13.9%
Operating EBITDA before significant items	149.2	148.0	+0.8%

	FY2012 $m	FY2011 $m
Cash on Hand	513.6	207.6
Interest Cover Ratio (times)[1]	6.86	7.87
Interest Bearing Liabilities	489.4	178.6
Net Cash Position	24.2	29.0
Net Assets	3,411.1	1,040.5
Gearing Ratio[2]	-0.7%	-2.9%

1 EBIT before significant items to Interest Expense excluding FX in financing expense, losses on ineffective hedges and unwind of provision discounting
2 Net Debt to Net Debt plus Equity

MANAGING DIRECTOR'S REPORT

Whitehaven's balance sheet remains strong. Cash on hand at FY2012 year-end was $513.6 million with net cash of $24.2 million compared to $207.6 million cash available and net cash of $29.0 million at 30 June 2011.

Cash flow from operations was $2.5 million for the year compared to $120.3 million for FY2011 due to an abnormally high portion of accrued costs from 2011 paid in 2012.

Our mining costs increased during the year to an average of $69.93/tonne FOB (excluding Royalty costs). This is up from last year largely as a result of wet weather and the associated impact on lower production in the open cut mines, changes to the open cut mining sequence and mine operating costs from the unavailability of blasting product for part of the year, and the flow-on effect of take or pay commitments for port and rail on lower open cut production.

SAFETY

The safety and wellbeing of our workforce remains Whitehaven's highest priority and the company's safety culture is being further developed as our business expands in size and complexity.

A key safety performance measure – lost time injury frequency rate (LTIFR) – improved during the year, with a reduction to 4.1 per million manhours from 6.4 per million manhours well below the NSW Coal Mining industry average of 5.8 per million manhours. The improved performance in our open cut operations has been particularly pleasing.

This reflects a significant emphasis on improving our performance, with additional resources allocated to our corporate safety team during the year, and ongoing increases in the number of safety-related interactions including take 5's and Planned Task Observations.

In order to further ensure a consistent approach to safety over the larger group, a series of safety days have been held, subsequent to balance date. These safety days have involved the suspension of production at each site, in turn, as more than 1000 employees and contractors take part in the full-day off-site safety event. The days have been both educational and practically-based with a number of new initiatives and safety improvements being made as a result. Whitehaven remains committed to achieving the goal of zero injuries by continually fostering awareness and cooperation in health and safety.

OPERATING PERFORMANCE

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	FY2012	FY2011	Movement
ROM Coal Production	4,657	4,592	+1%
Saleable Coal Production	4,275	4,168	+3%
Sales of Produced Coal	4,289	4,243	+1%
Sales of Purchased Coal	1,243	1,883	-34%
Total Coal Sales	5,532	6,126	-10%
Coal Stocks at Period End	478	444	+8%

Gunnedah Operations (Equity Share)

Gunnedah Operations – 000t	FY2012	FY2011	Movement
ROM Coal Production	3,129	2,620	+19%
Saleable Coal Production	2,662	2,303	+16%
Sales of Produced Coal	2,621	2,327	+13%
Sales of Purchased Coal	1,243	1,883	-34%
Total Coal Sales	3,865	4,210	-8%
Coal Stocks at Period End	342	233	+47%

MANAGING DIRECTOR'S REPORT

Werris Creek Mine (Equity Share)

Werris Creek Mine – 000t	FY2012	FY2011	Movement
ROM Coal Production	1,274	1,809	-30%
Saleable Coal Production	1,343	1,722	-22%
Sales of Produced Coal	1,407	1,777	-21%
Sales of Purchased Coal	–	–	–
Total Coal Sales	1,407	1,777	-21%
Coal Stocks at Period End	117	186	-37%

Narrabri Mine (Equity Share)

Narrabri Mine – 000t	FY2012	FY2011	Movement
ROM Coal Production	254	163	+56%
Saleable Coal Production	270	143	+88%
Sales of Produced Coal	261	139	+88%
Sales of Purchased Coal	–	–	–
Total Coal Sales	261	139	+88%
Coal Stocks at Period End	18	25	-27%

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 operations produced a solid result, although production was below planned levels due to exceptionally wet weather in both the December and March quarters. Floodwaters associated with high rainfall caused road damage, mine closures and significant in-pit water.

Whitehaven's mines and equipment did not incur any direct damage and all mines were quickly brought back into production as floodwaters receded. Water management required ongoing changes to mine scheduling.

In addition, planned mining was interrupted and production of coal reduced due to the reduction in explosives deliveries as a result of the Orica plant shutdown in Newcastle in November 2011.

The Werris Creek mine was the most adversely impacted operation in terms of both weather and explosives supply. However, production at Werris Creek is improving steadily and production of approximately 2.0 Mt is expected in FY 2013.

Following a substantial upgrade to coal resources and reserves and the extension of the Tarrawonga Joint Venture, an application has been lodged for modification to the existing Project Approval for Tarrawonga. This would allow production to increase from 2 Mtpa to 3 Mtpa and would cover mining of the full JORC reserve over more than 15 years. This application is progressing through the NSW planning process.

A revised Project Approval was received from the NSW Minister for Planning for extension of the Werris Creek mine life, to cover the full JORC reserve at up to 2.5 Mtpa over 20 years. Approval has also been received to modify the Rocglen Project Approval to take account of modified geological information.

MANAGING DIRECTOR'S REPORT

NARRABRI MINE

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

The Narrabri mine is now fully operational with all infrastructure in place. Installation of the longwall was completed and the first longwall coal cut in June 2012.

Production is steadily increasing in line with the planned commissioning process and has reached a weekly rate equivalent of up to 4.0 Mtpa. To the end of August 2012, in excess of 331 Kt of coal had been produced from the longwall face. Roof caving has occurred as predicted.

Mechanical and electrical commissioning of the longwall underground has progressed well. However, several vendor related (Caterpillar) issues remain unresolved with the equipment including full commissioning of the face automation, provision of a reliable supply of spare parts, installation of the high pressure set function of the shields and complete installation of the full longwall belt retraction system. Whitehaven is working with Caterpillar to resolve these issues.

Mining conditions underground remain excellent and development productivity is good. Main road development has advanced to longwall panel #3 and installation of the maingate conveyor for longwall panel #2 is completed, and maingate #2 development is well advanced.

Narrabri continues to successfully drain in-seam gas (85% CO2) to levels below the threshold required for continuous mining. A program of surface to in-seam (SIS) and underground in-seam (UIS) drilling is continuing and a substantial inventory of drained coal is being established, with the development roadways for longwall panel #5 now being drained.

As with the installation of any new longwall into a new seam not previously mined by this method, issues are anticipated during the ramp up phase. The operating team is actively monitoring for and addressing issues through rectification and modification works and developing operating practices.

Mine infrastructure at Narrabri is operating well, including the permanent ventilation system and CHPP. The CHPP is currently running at around 850 tph to 900 tph, short of its full capacity of 1,000 tph. It is expected to be fully optimised when large throughput tonnages of longwall coal create steady, high volume operation.

Narrabri has also commissioned an upgrade to the original Stage 1 raw coal crushing and stacking system, which is currently unutilised. When upgraded, this will provide an additional 1,000 tph of raw saleable coal crushing and stacking capacity, which will provide redundancy for the CHPP and additional capacity if and when required.

Whitehaven is continuing to actively seek and recruit experienced underground miners and professional staff, including international searches, to ensure a full complement of staff.

On an equity basis, sales of more than 400 Kt of Narrabri coal have now been made with coal stockpiling and handling systems working well and coal quality meeting expectations. Forecast production is approximately 4 Mt of ROM coal for FY2013.

DEVELOPMENT PROJECTS

Maules Creek

Whitehaven (operator) 75%
ICRA MC Pty Ltd (an entity associated with Itochu Corporation) 15%
J-Power Australia Pty Ltd 10%

The Maules Creek Coal Project resource, located in the Gunnedah Basin, is projected to support a large open cut mining operation for in excess of 30 years at an average ROM coal production rate of approximately 12 Mtpa.

NSW Government approval is still pending, despite the recommendation on 21 March 2012 of the Planning Assessment Commission (PAC) for the project to proceed subject to appropriate conditions. Whitehaven remains confident of receiving approval and is working to ensure development timelines remain on track once approval is granted.

Subsequent to balance date, the Director-General of the NSW Department of Planning and Infrastructure has issued a recommendation to the Planning Assessment Commission that the project's benefits outweigh its residual impacts and that it is in the public interest and should be approved, subject to a recommended series of conditions.

Pending approval, first coal is expected in the first quarter of calendar year 2014, ramping up to annual ROM production of 12 Mt by 2016.

Following a detailed review of the Maules Creek project plan, capital expenditure to first coal is now expected to be approximately $766 million (100% basis), an increase of approximately 6% over previous estimates. This is primarily a result of the delay in obtaining development approval.

The review also confirmed the expectation of average FOB cash operating costs of approximately A$65/t (excluding royalties). This is a very competitive operating cost structure, largely driven by Maules Creek's relatively low overburden stripping ratio of 6.4 bcm per tonne of ROM coal. This relatively low FOB cash cost, combined with a low development capital cost per annual tonne of capacity and the high value of the saleable coal, confirms the strong economics and substantial value of this project.

On 19 June 2012, Whitehaven completed the sale of 10% of its interest in Maules Creek for A$370 million to J-Power Australia Pty Ltd, a wholly-owned subsidiary of Electric Power Development Co., Ltd. (J-Power).

Vickery

Whitehaven 100%

Work continued at Vickery during the year with further drilling in the area to assist in confirming the geological model and mine development plan.

Initial mine planning has generated a pit design which produces 164 Mt of ROM coal at a stripping ratio of 10:1. Work is progressing to define an open cut mine plan for Vickery to produce around 4.5 Mtpa ROM for more than 25 years with a stripping ratio of approximately 10:1.

Under the plan, Vickery's ROM coal will be trucked to Whitehaven's Gunnedah CHPP for processing and loading, resulting in an efficient use of existing infrastructure and a relatively low capital cost development of Vickery.

Ongoing analysis of Vickery coal quality indicates that, if all ROM coal were washed, saleable coal yield would be more than 80% of predominantly low-ash, low-sulphur and low-phosphorus semi-soft coking coal. This saleable coal yield can be increased significantly by by-passing a proportion of low-ash ROM coal, similar to 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.

The recent acquisition of Coalworks provides the opportunity for Whitehaven to consider the integration of Coalworks' adjacent Vickery South Joint Venture area, which is owned 49% by Itochu, into Whitehaven's Vickery project. There are compelling operational and economic benefits to be gained from combining these two assets, which Whitehaven is discussing with Itochu.

Whitehaven intends to lodge an application for Project Approval for Vickery open cut in the fourth quarter of calendar 2012, with the aim of obtaining approval and being in a position to make a final decision on the development of the project late in calendar 2013.

OTHER PROJECTS

Whitehaven has interests in a number of other coal exploration projects, including Ferndale, Dingo, Sienna, Monto, Ashford and Oaklands North.

MANAGING DIRECTOR'S REPORT

COAL RESOURCES AND RESERVES (100% BASIS)

Whitehaven's JORC Coal Resources now total 3,706.7 Mt, with JORC Marketable Coal Reserves of 776.7 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 (Mt) – AUGUST 2012

Tenement		Measured Resource	Indicated Resource	Inferred Resource	Total Resources	Competent Person	Report Date
Bluevale Opencut	EL4699/CL316	10.5	6.3	1.8	18.6	1	Aug-12
Vickery Opencut	CL316	117.96	128.2	76.0	322.2	2	Mar-12
Vickery South Opencut	EL7407	48.0	0.1	10.4	58.5	4	Aug-12
Vickery Underground	CL316	-	-	28.0	28.0	2	Mar-12
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	6.1	1.5	19.2	1	Mar-11
Rocglen Underground	ML1620	-	2.2	1.6	3.8	1	Mar-11
Tarrawonga Opencut *	EL5967/ML1579/ CL368	41.0	31.4	17.3	89.7	1	Nov-11
Tarrawonga Underground	EL5967/ML1579	10.1	15.4	14.0	39.5	1	Nov-11
Maules Creek Opencut	CL375/AUTH346	197.22	244.4	237.0	678.6	5	Mar-11
Sunnyside Opencut	ML1624/EL5183	19.6	47.4	22.9	89.9	1	Mar-11
EL5183 Underground	EL5183	-	7.2	32.2	39.4	1	May-09
BLOCK 7 Opencut	CCL701	-	-	1.4	1.4	1	Jan-09
BLOCK 7 Underground	CCL701	-	12.9	2.5	15.4	1	Jan-09
Other Gunnedah Resources	CCL701	-	13.0	123.2	136.2	3	Mar-10
Werris Creek Opencut	ML1563/ML1672	21.8	7.7	2.0	31.5	1	May-12
Narrabri Underground**	ML1609/EL6243	153	375	254	782	3	Jun-12
Total Gunnedah Basin		**630.8**	**897.3**	**942.6**	**2470.7**		
Brunt Deposit Opencut	EL6450	-	2.6	0.3	2.9	3	Sep-09
Arthurs Seat Opencut	EL6587	-	-	1.7	1.7	3	Nov-09
Ferndale Opencut***	EL7430	-	7.8	279	286.8	2	May-12
Ferndale Underground***	EL7430	-	-	82	82	2	May-12
Oaklands North Opencut	EL6861	121	572	129	822	3	Aug-12
Pearl Creek Opencut****	EPC862	-	6.6	34	40.6	5	Jun-12
Total Other Coal Resources		**121.0**	**589.0**	**526.0**	**1236.0**		
Total Coal Resources		**751.8**	**1486.3**	**1468.6**	**3706.7**		

1. Colin Coxhead, 2. Greg Jones, 3. Tom Bradbury, 4. Mark Dawson, 5. Phil Sides.

* Whitehaven owns 70% share of ML1579 and Tarrawonga North Joint Venture Area within CL368. Combined Resource for Tarrawonga Mining Lease, Exploration Licence and Tarrawonga North Joint Venture area within CL368

** Narrabri Joint Venture - Whitehaven owns 70% share

*** Ferndale Joint Venture - Whitehaven owns 94% share

**** Dingo 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 (Mt) – AUGUST 2012

Tenement		Recoverable Reserves			Marketable Reserves			Competent Person	Report Date
		Proved	Probable	Total	Proved	Probable	Total		
Bluevale Opencut	EL4699/CL316	4.00	6.00	10.00	3.80	5.70	9.50	1	Aug-12
Vickery Opencut	CL316	84.70	65.30	150.00	67.10	49.80	116.90	2	Mar-12
Rocglen Opencut	ML1620	7.83	3.66	11.49	6.43	3.01	9.44	1	May-12
Tarrawonga Opencut *	EL5967/ ML1579/ CL368	32.20	23.10	55.30	30.10	21.60	51.70	1	Nov-11
Tarrawonga Underground	EL5967/ML1579	-	5.80	5.80	-	4.90	4.90	3	Feb-12
Maules Creek Opencut	CL375/AUTH346	171.10	190.60	361.70	141.30	187.60	328.90	1	Apr-11
Sunnyside Opencut	ML1624/EL5183	6.00	21.15	27.15	5.35	18.85	24.20	1	May-12
BLOCK 7 Underground	CCL701	-	4.00	4.00	-	4.00	4.00	3	May-09
Werris Creek Opencut	ML1563/ ML1672	20.13	7.11	27.24	20.13	7.11	27.24	1	May-12
Narrabri North Underground**	ML1609	66.00	67.40	133.40	66.00	67.40	133.40	3	Jan-10
Narrabri South Underground**	EL6243	24.70	61.50	86.20	19.40	47.10	66.50	3	Jan-10
Total Coal Reserves		**416.66**	**455.62**	**872.28**	**359.61**	**417.07**	**776.68**		

1. Doug Sillar, 2. Ross Campbell, 3. Graeme Rigg

* Whitehaven owns 70% share of ML1579 and Tarrawonga North Joint Venture Area within CL368. Combined Reserve for Tarrawonga Mining Lease, Exploration Licence and Tarrawonga North Joint Venture area within CL368

** Narrabri Joint Venture - Whitehaven owns 70% share. Reserve update in progress.

The Coal Reserves for active mining areas are current as at report date

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 statement.

JORC COMPETENT PERSONS STATEMENT

Information in this report that relates to Coal Exploration Targets, Coal Resources and Coal Reserves is based on and accurately reflects reports prepared by the Competent Person named beside the respective information. Mr Colin Coxhead is a private consultant. Mr Greg Jones is a principal consultant with JB Mining Services. Mr Phillip Sides is a senior consultant with JB Mining Services. Mr Tom Bradbury is a Senior Geologist with Geos Mining. Mr Mark Dawson is Group Geologist with Whitehaven Coal Limited. 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 Ross Campbell is a full time employee of Engenicom Pty Ltd 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

INFRASTRUCTURE

Whitehaven continues to carefully manage and invest in its infrastructure requirements, including building port capacity and upgrading the existing rail network.

The final stage of NCIG (2F) is on schedule for commissioning in mid-2013. This will take the port to its full capacity of 66 Mtpa by late 2013, of which Whitehaven's share will be approximately 6 Mtpa.

Following the merger with Aston and the extension of the Tarrawonga JV, Whitehaven now has rolling 10-year port contracts with PWCS for 6.2 Mtpa.

Whitehaven has also secured a total of 14.7 Mt in additional port capacity at Newcastle, spread over the period May 2012 to June 2016. This additional capacity covers the majority of planned growth in Whitehaven's coal exports during the period prior to the planned commissioning of the PWCS T4 facility, scheduled for 2016.

Whitehaven has nominated to PWCS for additional capacity entitlements and has received entitlements of an additional 9.2 Mtpa from T4. This gives Whitehaven long-term entitlements of 21.4 Mtpa, following commissioning of T4. This capacity is sufficient for all of Whitehaven's growth plans except Vickery, for which capacity will be sought in due course via the annual T4 nomination process.

Rail capacity is continuing to increase with the Whitehaven-owned coal train being fully utilised and two additional new Pacific National (PN) trains now operational. Trials are progressing well to increase new train size from 72 wagons to 82 wagons. This would increase train size from 5,400 tonnes to 6,150 tonnes (+14%) with enhanced utilisation of track capacity.

Whitehaven has rail track capacity in place for current and medium-term needs and is working actively with Australian Rail Track Corporation (ARTC) to ensure planned upgrades are available to meet Whitehaven's needs, consistent with the ARTC track expansion works program.

Above rail capacity is in place with the Whitehaven owned train and haulage services provided by Pacific National for more than 10 Mt. The Company is currently tendering for additional above rail services to cater for the Maules Creek, Vickery and existing Open Cut mine production increases.

MANAGEMENT

Subsequent to balance date Whitehaven has put in place a new organisational structure designed to accommodate both current and future expansion of the business and its assets.

The restructure includes the creation of seven Executive General Manager roles reporting to the Managing Director and Chief Executive Officer. Existing management will fill each of these roles.

The roles are:

General Counsel and Company Secretary – Tim Burt
EGM Projects Delivery – Brian Cole
EGM Operations and Executive Director – Allan Davies
EGM Business Development – Peter Kane
EGM Marketing – Pat Markey
EGM Corporate Services – Lance Muir
Chief Financial Officer and Company Secretary – Austen Perrin

In addition, Whitehaven has made a number of senior appointments during the year, including the appointment of Peter Wilkinson as General Manager, Open Cut operations, and Steve Bow as General Manager – Narrabri.

CORPORATE

In August 2011, the Group refinanced its existing syndicated bank facility with a series of long-term bilateral facilities put in place with a number of Australian and foreign financial institutions. The bank facilities have a five year tenor and provide Whitehaven with lines of credit up to A$350 million for working capital and general corporate purposes.

The facilities recognise Whitehaven's strong credit quality and growth prospects and will support Whitehaven's endeavours to further develop and realise the value from its existing world class coal assets.

Whitehaven also secured an expansion of its existing debt facilities by a total of A$450 million in December 2011. $255 million was drawn for the payment of the Whitehaven special dividend. The Group will be looking to maximize and refinance these existing debt facilities into a minimum 3 year tenor.

MANAGING DIRECTOR'S REPORT

ASTON MERGER AND SYNERGIES

The integration of Whitehaven, Aston, Boardwalk and Coalworks is complete with the integration of people, property and systems having progressed smoothly.

Since balance date, a new organisational structure was announced, designed to accommodate the needs of our existing business and the needs of the much larger and complex business we are becoming. The restructure included the creation of seven Executive General Manager roles, each filled by existing management.

The three companies are now operating as one and the Group remains on track to achieve the synergies as outlined in the Scheme Booklet at the time of the merger. Key short-term synergies will include reduction in costs from the procurement of tyres, fuel, explosives, above rail services, electricity, banking facilities and other corporate costs.

Longer-term synergies are expected from extensive coal blending opportunities and integrated rail and port infrastructure synergies once Maules Creek is in operation.

COALWORKS TRANSACTION

In early May, Whitehaven announced a proposal to acquire all of the Coalworks Limited (ASX:CWK) shares, that it did not already hold, through an off-market takeover bid for $1.00 per share (the Offer).

Whitehaven Coal Holdings commenced compulsory acquisition proceedings for all the ordinary shares it did not own in Coalworks on 19 July 2012. Whitehaven announced on 21 August 2012 that the compulsory acquisition process has been completed and that Whitehaven Coal Holdings now holds 100% of the ordinary shares in Coalworks.

CARBON PRICING MECHANISM

The Federal Government's carbon pricing mechanism commenced from 1 July 2012. With a price of $23 per tonne of CO_2 equivalent emissions, Whitehaven's estimate of the impact of the tax is approximately $1.60 per tonne of saleable coal from our open cut and underground mines.

OUTLOOK

The substantial developments undertaken by Whitehaven in FY2012 have positioned the company well to continue to build its position as one of Australia's leading coal producers.

Our merger with Aston and the acquisitions of Boardwalk and Coalworks have improved our operational diversification, creating a large-scale coal producer with significant growth potential.

With Narrabri's longwall operations now in ramp-up mode, a substantial increase in coal production is imminent. This adds to our open cut mines which will continue to operate at a capacity of 5.5 Mtpa. Our strong portfolio of development projects also serves to reinforce our future growth pipeline.

We have the appropriate infrastructure and organisational management structure to support our current operations as well as the significant increase we expect in production over the coming years.

Whitehaven is planning to produce approximately 9 to 10 Mtpa of thermal and metallurgical coal in the 2013 financial year with approximately 4.0 Mtpa expected from the ramp-up of longwall coal production and development coal at the Narrabri mine.

Tony Haggarty
Managing Director


RDT 575

HEALTH AND SAFETY

WHITEHAVEN SAFETY DAYS 2012

Whitehaven has recently held its inaugural series of Safety Days with more than 1000 employees and contractors participating. While the events occurred subsequent to balance date, the extensive planning process began in the first half of FY2012 and accelerated during the year. Each of Whitehaven's sites ceased production for a day as the workforce took part in the event, which included safety presentations, opportunities for employees to share their ideas for safety improvement, and general discussions of what is expected by both the company, and its employees in terms of safety.

Feedback from the event was extremely positive and a number of worthwhile safety initiatives have been implemented after being raised by employees or management on the day.

In order to ensure the day was a success, in terms of both practical outcomes and safety culture improvement, a perceptions survey of our employees and management was carried out before the event. The survey found that there is an active interest in safety improvement within Whitehaven and that there are significant opportunities for improvement in the key areas of leadership, structure and processes.

SAFETY HIGHLIGHTS

Improvement in group-wide safety statistics with lost time injury frequency rate (LTIFR) – falling to 4.1 per million manhours from 6.4 per million manhours in FY2011 - well below the NSW Coal Mining industry average of 5.8 per million manhours.

Safety values have been redefined and communicated following extensive consultation with the workforce:

- We believe that safe production is the only way.
- We believe that all incidents can be prevented and working safely is a condition of employment.
- We want and need everyone's input to do business safely.

Planned Task Observations have been introduced to our safety platform. All sites have now received training in how to conduct planned task observations. It is anticipated that the number of Planned Task Observations will continue to increase throughout FY2013 and beyond.

Whitehaven's Group Safety Standards have been reviewed to align them with the Work Health and Safety legislation which came into force in 2011. In addition, information sessions were provided for our open cut and underground management teams and broader workforce to ensure the implications of changes to the legislation were well understood.

Additional training has been provided for both supervisors and Health and Safety representatives, with more than 50 supervisors completing an advanced course during the year and 30 safety representatives undertaking either a full five-day training course or a one-day update training session.

The Whitehaven Coal Fatigue Management Standard and the hours of work at our Werris Creek mine were reviewed by a specialist consultant during the year. The results of this review were presented to the Trade & Investment Resources and Energy Advisory Body and the Government Inspector, with positive feedback received. The findings of the review are also being implemented across the wider Whitehaven group.

In addition to our existing Employee Assistance Provider (EAP), we are trialling an onsite EAP at both our Werris Creek and Tarrawonga mines. The trial is of an interventional care model that is designed to increase the visibility and accessibility of the counselling service. A counsellor is onsite one day per week at crib break and/or shift change over.

Hazard awareness training was conducted at Rocglen, Tarrawonga, Werris Creek and Sunnyside mines. The sessions included information regarding hazard management, Take 5s, job hazard assessment and incident causation.

New contractor access systems are progressively being introduced at all of our sites. For access to be permitted a contractor must have, as a minimum, the WHC Generic Induction, Site Induction and Letter of Competency. This system is now in place at all Whitehaven operating sites.

The company's revised Alcohol and Other Drugs Standard has been authorised and communicated. The alcohol limit was reduced to 0.00 grams of alcohol per 100ml of blood, from its previous limit of 0.02 grams of alcohol per 100ml of blood. The disciplinary process was reviewed and is now two strikes, reduced from three strikes. This disciplinary process now also applies to contractors.

ENVIRONMENT AND COMMUNITY

HIGHLIGHTS

Biobanking agreement

During the year Whitehaven received approval from the New South Wales Office of Environment and Heritage (OEH) to proceed with a regional Biobanking Project covering more than 1400 hectares of land near Gunnedah.

The project has been developed under the OEH's Biodiversity Banking and Offsets Scheme, and is the largest biobank established under the scheme to date. It will cater for the offset requirements of Whitehaven's Canyon, Tarrawonga and Rocglen mines – all in the Gunnedah Basin.

The agreement was welcomed by the Member for Tamworth, Kevin Anderson, and NSW Minister for the Environment, the Hon Robyn Parker. Under the agreement more than $1.8 million will be set aside by Whitehaven to improve and conserve the habitat value of the sites in the future.

Cumulative impacts and monitoring

As mining activity increases in the Gunnedah Basin, the need for monitoring of the cumulative impacts of mining in the region is becoming more important.

Whitehaven's environmental team and other representatives from its Tarrawonga mine and Maules Creek Project are working with neighbouring Boggabri Coal. The ongoing program will be finalised following consultation with the Environmental Protection Authority (EPA) and the Department of Planning and Infrastructure to ensure adequate and effective monitoring systems are in place.

This work is continuing in the current year, with a focus on collection and sharing of the data and timely responses to any issues that may arise.

Live 24-hour camera monitoring trial with EPA

Whitehaven and the Environment Protection Authority have been trialling the use of a 24-hour real time monitoring camera at the company's Tarrawonga operation. The camera allows both the EPA and Whitehaven representative to remotely view operations at the mine.

The trial has been extremely successful with both parties regularly accessing the data and using it to ensure activity at the mine is optimised to ensure the best environmental outcomes possible.

While the trial has ended, Whitehaven is investigating the funding of the camera on a long-term basis.

Rehabilitation monitoring

Whitehaven has introduced the use of highly-innovative techniques to monitor and manage its rehabilitation efforts, particularly at the Canyon mine site that was closed in 2010.

Remotely sensed data from satellite imagery, LiDAR and EM38 (electro-magnetic survey) have been combined with targeted field survey to provide a thorough picture of performance of all levels of the rehabilitation.

The monitoring has found good regeneration of the former mine site, particularly native perennial grass and herb cover. Tree and shrub plantings are also developing well and monitoring of the agricultural lands show performance is consistent with the agricultural control areas.

ENVIRONMENT AND COMMUNITY

Whitehaven remains committed to a locally-based work force

Whitehaven continues to be committed to developing and maintaining a locally-based workforce. At the end of February 2012 (before the merger with Aston resources and acquisition of Boardwalk and Coalworks) more than 75% of Whitehaven's workforce resided in north west NSW.

The decision to build a local workforce has placed pressure on housing supply in local areas and Whitehaven announced in 2011 it was working with local councils to develop a plan for easing this pressure.

Subsequent to these discussions Whitehaven has formalised agreements with a small number of developers and is continuing discussions with additional developers. These agreements will involve the development of a range of accommodation options, from family homes to home units, in a range of locations.

Whitehaven continues to support the MAC development at Narrabri and believes it has provided a real short-term solution for the demand on housing. In particular, Whitehaven expects to rely on the MAC village during the construction phase of its Maules Creek and Vickery projects.

Open days and information days

Several open days, mine tours and information sessions were held during the year across most of our sites. The Narrabri Mine hosted a Mine Tour Day for more than 250 local community members in December 2011, to coincide with completion of construction of the mine and its $150 million longwall mining unit. In addition, the Maules Creek Project held an open day in September 2011 attracting approximately 100 local residents.

Our Tarrawonga mine held two community information sessions, and our Werris Creek mine held visits for local residents and school groups.

In addition to our regular Community Consultative Committee meetings, which are held for all of our operating mines, group meetings were held with local residents to discuss specific issues including surface water at in the vicinity of the Tarrawonga mine and the breach of one of our dams at the Werris Creek mine.

Engagement in long-term planning initiatives

Whitehaven representatives from a number of areas and levels of our organisation are in regular contact with both state and local government representatives. We are a willing participant in the debate surrounding growth and development in north west NSW. In a more formal sense Whitehaven is a member of the Gunnedah Basin Coal Producers Group and the Minerals and Energy Working group which comprises representatives from all levels of government and government agencies.

By protecting and enhancing the standard of living for our existing communities we are able to attract highly-skilled workers and their families to this region – a benefit to both communities and the mining companies.

Donations and community financial support

We continue to support a wide range of community organisations with more than $115,000 donated during the year. In addition, more than $26 million has been committed to local infrastructure and community initiatives as part of our Voluntary Planning Agreements (VPA) with local councils.

Part of the money committed under these VPAs is subject to relevant approvals being received. A significant portion of the $26 million is dedicated to roads and infrastructure maintenance and development, with the remainder going to community projects including the Narrabri Pool development and airport upgrade, and community enhancement projects in Gunnedah, Boggabri, Narrabri and Werris Creek.

Whitehaven's workforce made a combined donation of $42,000 to the Westpac Rescue Helicopter Service in FY2012 and the company matched this donation, taking the total donation from the company and its employees to $84,000.

Whitehaven and its employees donated approximately $70,000 to the service in 2010 and $74,000 in 2011, taking the total donation for the past three years to approximately $230,000.

Cadetships and apprenticeships

A number of programs are in place across the Whitehaven Group. At our Maules Creek Project we have a strong apprenticeship program in place with eight young people enrolled. Five are full-time apprentices and three are school-based.

Elsewhere in the group we have approximately 88 cadets and apprentices. Our cadetship program supports individuals with their university studies and provides them with work experience and future roles at the mines. Most of our cadets and apprentices are young local people who have chosen to stay close to home and develop a career in the mining sector.

DIRECTORS' REPORT

Left to right above: Mark Vaile, John Conde, Tony Haggarty and Philip Christensen

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 2012 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:

THE HON. MARK VAILE

Chairman
Independent Non-Executive Director
Appointed: 3 May 2012

As leader of the National Party from 2005 to 2007, Mark established an extensive network of contacts throughout regional Australia, particularly in Northern New South Wales. Mark led negotiations for Australia's Free Trade Agreements with the United States, Singapore and Thailand and helped to launch negotiations with China, Japan and ASEAN. Importantly, Mark also acted as Minister for Transport and Regional Services and was instrumental in the establishment of the ARTC as operator of the Hunter Valley Rail Network. Mark was formerly the chairman of Aston Resources Limited. Mark brings significant experience as a company director and as a former senior government leader, including as Deputy Prime Minister and Minister for Trade in the Federal Government. Mark is the Chairman of CBD Energy and an independent director of Servcorp Limited and Virgin Australia Holdings Limited, all of which are listed on the ASX. Mark is also a director of Stamford Land Corporation, which is listed on the Singapore Stock Exchange, and a non-executive director of HOST-PLUS Pty Ltd.

JOHN CONDE
BSc, BE (Electrical) (Hons), MBA (Dist)

Deputy 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 and was chairman of the company prior to the merger with Aston Resources. John is chairman of Bupa Australia, Destination NSW and the Sydney Symphony. He is also president of the Commonwealth Remuneration Tribunal and a non-executive director of the Dexus Property Group and The McGrath Foundation. He retired as chairman of Ausgrid (formerly Energy Australia) in June 2012. 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.

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.

PHILIP CHRISTENSEN
BComm, LLB

Non-Executive Director
Appointed: 3 May 2012

Philip has extensive experience in the mining and energy sector. Philip has 30 years' experience with leading law firm Freehills, where his clients included Australian and international coal mining companies. Philip was formerly a director of Aston Resources Limited and Boardwalk Resources Limited. Philip was not considered independent because during the financial year he was employed by companies associated with a major shareholder Nathan Tinkler. Those employment arrangements come to an end on 29 September 2012.

Left to right above: Allan Davies, Paul Flynn, Rick Gazzard, and Christine McLoughlin

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 also worked for Patrick Corporation as Director - Operations. Currently, Allan is also a non-executive Director of Qube Logistics Holdings.

PAUL FLYNN

Non-Executive Director

Appointed: 3 May 2012

Paul has extensive experience in the mining, infrastructure, construction and energy sectors gained through 20 years as a professional advisor at Ernst & Young. Paul was formerly Chief Executive Officer and Managing Director of the Tinkler Group. Prior to joining the Tinkler Group Paul was the managing partner of Ernst & Young's Sydney office and a member of its Oceania executive team. As a partner for over eight years, Paul managed many of the firm's largest mining and energy clients across Australia, Asia, South and North America. Paul was not considered independent because during the financial year he was employed by companies associated with a major shareholder Nathan Tinkler. Those employment arrangements come to an end on 29 September 2012.

RICK GAZZARD

BE (Mining) Honours

Independent Non-Executive Director

Appointed: 3 May 2012

Rick is a mining engineer with more than 30 years' experience in the coal mining industry and a further 10 years' experience in the iron ore, base metals and gold mining industries. He holds certificates of competency as a mine manager for both the coal and metalliferous mining industries. Rick has previously held senior management positions as President of BHP Qld Coal and as General Manager of Camberwell Coal Pty Ltd and prior to those appointments had more than 10 years' experience as a mine manager/operations manager/chief mining engineer with CSR Limited and BHP. He is a former non-executive director of ASX Listed Carabella Resources, Eastern Corporation and Aston Resources Limited. Since January 2007, Rick has been an independent director of Stracon Holdings Ltd, a privately owned company with contract mining and civil construction operations in Peru and New Zealand.

CHRISTINE MCLOUGHLIN

BA, LLB (Honours), FAICD

Independent Non-Executive Director

Appointed: 3 May 2012

Christine is an experienced business executive with more than 25 years' experience working in diverse and highly regulated sectors in Australia, UK and South East Asian markets. Christine has expertise in strategy, risk and governance, stakeholder engagement and human resources across a range of industries including financial services, telecommunications, health and nuclear science. Christine is currently a non-executive Director of nib Holdings Ltd, Australian Nuclear Science & Technology Organisation (ANSTO) and Westpac's insurance companies in Australia and New Zealand.

DIRECTORS' REPORT

PREVIOUS DIRECTORS

NEIL CHATFIELD
FCPA, FAICD
Independent Non-Executive Director
Appointed: 3 May 2007
Resigned: 3 May 2012

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.

ALEX KRUEGER
BS (Finance) BS (Chemical Engineering)
Non-Executive Director
Appointed: 3 May 2007
Resigned: 3 May 2012

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
Resigned: 2 July 2012

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
Resigned: 3 May 2012

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.

2. COMPANY SECRETARIES

AUSTEN PERRIN

B.Ec, CA

Appointed: 19 November 2008

Austen has been with the Whitehaven Group since October 2008 as Chief Financial Officer and Company Secretary. He has over 20 years' experience in the transport and infrastructure industry including senior executive roles with Toll Holdings Limited including the roles of Chief Financial Officer for Toll NZ Limited and Chief Financial Officer for Pacific National Limited. He was also Chief Financial Officer for Asciano Limited.

TIMOTHY BURT

B.Ec, LLB (Hons) LLM

Appointed: 29 July 2009

Timothy joined Whitehaven as General Counsel and Company Secretary in July 2009. Prior to that, Timothy held senior legal roles at a number of listed Australian companies including Boral Ltd, United Group Ltd and Australian National Industries Ltd.

3. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares	
Mark Vaile	2,779,867	189,000	Granted on 1 May 2012 (refer to details in note 33 of the financial statements)
John Conde	378,605	–	
Tony Haggarty	33,479,897	–	
Philip Christensen	2,901,575*	189,000	Granted on 1 May 2012 (refer to details in note 33 of the financial statements)
Allan Davies	7,000,000	–	
Paul Flynn	18,382	–	
Rick Gazzard	50,000	–	
Christine McLoughlin	21,000	–	

* Includes 762,902 shares subject to restrictions. Refer to details in note 26 of the financial statements for details.

4. DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit and Risk Management Committee Meetings		Remuneration Committee Meetings		Healthy, Safety, Environment and Community Committee Meetings	
Director	A	B	A	B	A	B	A	B
Mark Vaile	6	6	–	–	2	2	–	–
John Conde	16	16	5	5	3	3	–	–
Tony Haggarty	15	16	–	–	–	–	–	–
Philip Christensen	5	6	–	–	–	–	1	1
Allan Davies	16	16	–	–	–	–	1	1
Paul Flynn	6	6	1	1	–	–	–	–
Rick Gazzard	6	6	1	1	–	–	1	1
Christine McLoughlin	6	6	–	–	2	2	1	1
Neil Chatfield	9	10	4	4	1	1	–	–
Alex Krueger	7	10	4	4	–	–	–	–
Hans Mende	13	16	–	–	1	1	–	–
Andy Plummer	10	10	–	–	–	–	–	–

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 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 The Company'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; and
- appoint and oversee the performance of executive management and to take and fulfil an effective leadership role in relation to the Whitehaven Group.

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

- determining the composition of the Board, including the appointment and removal of Directors;
- oversight of the Whitehaven Group, 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; and
- approving and monitoring financial and other reporting and the operation of Board committees ('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.

Under the terms of the Board Charter, an independent Director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment.

The Board reviews and makes a determination regarding each Director's independence on a regular basis as required by any change in circumstance that may affect an individual's independence. In making this determination regarding independence the Board has regard to all relevant facts and circumstances that apply and to the relevant guidelines but ultimately the Governance and Nomination Committee will assess whether the Director is independent of management and any business or other relationship that could materially interfere with the exercise of objective or independent judgment or the Director's ability to act in the best interests of the Company. Following that process the Governance and Nomination Committee makes recommendations to the Board prior to their final determination of an individual Director's independence. The Board retains ultimate discretion in its judgment to determine if a Director is independent.

Philip Christensen and Paul Flynn were not considered independent because during the financial year they were employed by companies associated with a major shareholder Nathan Tinkler. Those employment arrangements come to an end on 29 September 2012.

Tony Haggarty and Allan Davies were not considered independent because during the financial year they were executives of the Company.

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

Committees

The Board has established the following standing Committees:

Committee	Purpose	Membership
Audit and Risk Management Committee	Advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Whitehaven Group. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.	John Conde (Chairman) Paul Flynn Rick Gazzard
Remuneration Committee	Assists the Board and reports to it on remuneration and issues relevant to remuneration policies and practices including those for key management. The Committee is also responsible for overseeing Whitehaven's human resources strategy.	Christine McLoughlin (Chairman) Mark Vaile John Conde
Governance and Nomination Committee	Assists the Board and reports to it on issues relevant to governance policies and practices including the independence of directors and to make recommendations to the Board in relation to the appointment of new Directors. The Committee also supports and advises the Board on the oversight of succession planning for the chief executive officer and on identifying initiatives required to improve diversity.	Mark Vaile (Chairman) John Conde Philip Christensen Christine McLoughlin
Health, Safety, Environment and Community Committee	Assists the Board and reports to it on health, safety, environment and community ('HSEC') matters including Whitehaven's performance on HSEC matters, compliance with relevant HSEC laws and the adequacy and effectiveness of HSEC management systems.	Philip Christensen (Chairman) Rick Gazzard Christine McLoughlin

In addition to the standing Committees referred to above, the Board also has the ability to establish ad hoc committees formed for a limited period of time to address a specific need. One such circumstance arose during the financial year when the Company received an indicative non binding proposal from Tinkler Group Holdings Pty Limited (an entity controlled by Nathan Tinkler) relating to a possible privatisation of the Company by a Tinkler group consortium. Given the possibility that a formal proposal could ultimately develop from the preliminary approach, the Board took steps to ensure the independence of the Company's response and established a committee of Directors not associated with the bidder (the 'Independent Board Committee') to consider future developments. As a formal proposal was not able to be pursued the Independent Board Committee was disbanded.

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 charters are 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 2012 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; and
- 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 2012 financial year has been assessed in accordance with the above processes.

Principle 2 – Structure the Board to add value

Following the merger of Aston Resources Limited ('Aston') and the Company by way of scheme of arrangement in 2012, the Board was reconstituted to comprise nine directors including four independent directors. The initial Directors were Mark Vaile, John Conde, Tony Haggarty, Rick Gazzard, Philip Christensen, Hans Mende, Paul Flynn and Allan Davies. During the course of the implementation of the scheme of arrangement, the Board was supplemented by the addition of Christine McLoughlin as an independent non-executive Director.

Allan Davies has decided to not stand for re-election as a director of the Company, consistent with the ongoing review of the composition of the Board, particularly the objective of achieving an increased proportion of independent non-executive Directors. Allan will continue to serve as the Company's Executive General Manager Operations.

The Board is currently comprised as follows:

Director	Independent	Non-executive	Term in Office
Mark Vaile (Chairman)	Yes	Yes	4 months
John Conde (Deputy Chairman)	Yes	Yes	5 years
Tony Haggarty	No	No	5 years
Philip Christensen	No	Yes	4 months
Allan Davies	No	No	3 years
Paul Flynn	No	Yes	4 months
Rick Gazzard	Yes	Yes	4 months
Christine McLoughlin	Yes	Yes	4 months

The Board reviews its composition from time to time to ensure the Board benefits from an appropriate balance of skills and experience, details of the experience and skills are set on pages 30 to 31 of the Directors' report.

Whitehaven did not comply with recommendation 2.1 of the ASX Guidelines during the 2012 financial year as a majority of the Board are not considered to be independent. However, following the merger a majority of non-executive directors were considered independent.

The Board believes that the Directors on the Board can and do make quality and independent judgements in the best interests of the Company. The Board has appointed three additional independent non-executive Directors during the financial year.

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 was conducted at the time of the merger which resulted in the Board being reconstituted to comprise nine directors including four independent directors.

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 ASX Listing Rules. The Securities Trading Policy sets out the windows in which key management personnel (including Directors) and certain other employees as nominated by the Board can trade in Whitehaven's securities and provides that all key management personnel and certain other employees of Whitehaven and their families and/or trusts should not trade:

- if they have inside information (that is, information that is not generally available, or if it were generally available, a reasonable person would expect it would have a material effect on the price or value of the securities; or would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of securities);
- during certain periods pending announcements of Whitehaven's results (unless approval is obtained); or
- for more than $50,000 worth of securities without written approval from the Chairman.

In addition, key management personnel and certain other employees are required to not trade for short term or speculative gain. The Securities Trading Policy applies to all securities issued by Whitehaven and also to:

- the securities of companies which are either a joint venture partner of Whitehaven or for which Whitehaven has made (or is planning to make) a takeover offer; and
- trading by key management personnel and certain other employees in the securities of other companies in which Whitehaven has a substantial interest (10% or more).

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.

Amendments to the ASX Guidelines which seek to increase awareness regarding the benefits of workplace diversity and to promote greater transparency and actions aimed at addressing barriers to diversity applied to the Company for the first time in the 2012 financial year.

The Company recognises that people are its most important asset and is committed to maintaining and promoting workplace diversity. Diversity drives the Company's ability to attract, retain and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow the business.

While the Board considered and discussed diversity issues throughout the year, it did not have in place a formal diversity policy or measurable objectives for achieving gender diversity in accordance with ASX Recommendations 3.2 and 3.3. In light of the ongoing merger discussions and the associated uncertainty regarding the future size, scope and profile of the Whitehaven Group, the Board formed the view that it was appropriate to wait until it had greater clarity around these key matters before adopting a formal diversity policy and setting its diversity priorities going forward. However, the Company has existing arrangements in place to promote diversity, including opportunities to work flexibly and parental leave entitlements. In addition, the Company undertook a review of pay equity at one of its major operations during the 2012 financial year, which resulted in some adjustments being made to salaries to address potential inequality between male and female pay levels.

Now that the merger has taken effect and integration of the Whitehaven, Aston and Boardwalk Resources Limited businesses is underway, the Board has taken the opportunity to set its diversity vision and priorities for the Whitehaven Group, having regard to the current size, scale and workforce profile of the merged entity.

Since the end of the 2012 financial year, the Board has adopted a formal Diversity Policy which describes the Company's diversity aspirations and sets minimum expectations to be met by the Company on workforce diversity. A copy of the Diversity Policy is available on the Company's website at http://www.whitehavencoal.com.au.

Under the Diversity Policy, the Board is required to establish measurable objectives in relation to gender diversity. For the 2013 financial year, the Company's objectives are to:

- conduct training to build employee awareness and understanding of the Company's Diversity Policy and the importance of diversity in building a sustainable business;
- review the Company's employment arrangements to identify opportunities to promote and enhance diversity, and develop strategies to take advantage of these opportunities; and
- complete a review of pay equity across the business covering key diversity parameters, including gender.

The Company will assess and report on its progress against these objectives in the 2013 financial year Annual Report.

As at 30 June 2012, women comprised:

- 12.5% of directors on the Board;
- 4.3% of senior executives* across the Group; and
- 10.2% of employees across the Group.

* Senior executives comprise the CEO, his direct reports and all participants in the Company's Long Term Incentive Plan.

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. A majority of the members of the Audit and Risk Management Committee (including the chairman of the Committee) are independent Directors, and all the members are financially literate. The Audit and Risk Management 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 (under its Continuous Disclosure Policy) 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.

The Continuous Disclosure Policy sets out Whitehaven's disclosure obligations, explains what type of information needs to be disclosed and identifies who is responsible for disclosure.

The Continuous Disclosure Policy requires executive employees of Whitehaven to immediately report to the chief executive officer or if the chief executive officer is not contactable, one of his delegates (the chief financial officer or the general counsel and company secretary) once they become aware of information that is, or may be, price sensitive.

Under the Continuous Disclosure Policy, Whitehaven must not publicly disclose price-sensitive information until it has given that information to the ASX and has received an acknowledgment from the ASX that the information has been released to the market. After an acknowledgment has been received from the ASX, information disclosed to the ASX should be promptly placed on Whitehaven's website.

This policy 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 ASX 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.

A key risk related initiative introduced by the Board in FY2012 was the formation of the Health, Safety, Environment and Community Committee.

The Board has 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.

Whitehaven has a Remuneration Committee whose responsibilities include considering the Company's remuneration strategy and policy, overseeing the Company's human resources strategy 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 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 42 to 62. 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.

6. DIVIDENDS

During the year the Company paid fully franked dividends of $272,265,000, representing a final 2011 dividend of 4.1 cents per ordinary share and a special dividend for 2012 of 50.0 cents per ordinary share.

Declared after end of year

After the balance date the following dividend was proposed by the Directors.

	Cents per share	Total amount $'000	Franked amount per security	Date of payment
Final ordinary (Fully franked)	3.0	29,375	100%	28 September 2012

The record date for determining entitlement to the dividend will be 17 September 2012.

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2012 and will be recognised in subsequent financial reports.

7. REMUNERATION REPORT

7.1 Message from the Board

Dear Shareholder

As you are aware, on 2 May 2012 the merger between the Company and Aston Resources Limited came into effect (**Merger**), bringing together the assets and resources of Whitehaven Coal, Aston Resources and Boardwalk Resources. As a result of the Merger, the Company became an ASX 50 company, and one of the largest listed coal companies on the Australian Securities Exchange.

The Merger also resulted in the establishment of a new Board and committee structure with an increased focus on appropriate levels of independence and expertise. The Remuneration Committee is now a standalone committee comprised entirely of independent non-executive directors, being Christine McLoughlin (Chairman), Mark Vaile and John Conde.

There was a fundamental need, upon the completion of the Merger, for the Company to comprehensively review and reassess its remuneration framework and arrangements to ensure that remuneration aligns with the Company's strategy and reflects its increased size and scale. The Company, with the assistance of an independent external advisor, has developed a new remuneration structure that is consistent with market practice and also appropriate for the Company's particular circumstances. The revisions to our approach (described in section 7.3 of this report) are intended to support our strategy, enable us to hire, retain and motivate the high calibre of executives our business requires, and to better align the remuneration that executives receive with the interests of our shareholders.

The changes to the Company's remuneration structure have been approved by the Board. The key changes to the remuneration framework include:

- fixed remuneration and incentive opportunities commensurate with the Company's new market position;
- a revised short-term incentive plan with more clearly defined key performance indicators (**KPIs**) and a balanced scorecard approach, with deferral of 30% of any award made to KMP into shares in the Company for a further 12 and 24 month period (subject to clawback and forfeiture in certain circumstances); and
- a new long-term incentive plan for FY2013 will operate as a grant of performance rights (i.e. a right to receive a share if applicable vesting conditions are met) tested against a relative total shareholder return (**TSR**) performance hurdle that will be measured over a two to four year period. The comparator group comprises those entities within the ASX 100 Resources Index as at 24 September 2012.

The Board sought independent advice from Egan Associates to assist in benchmarking remuneration reflective of the merged entity's enhanced scale and challenges. Fixed remuneration was benchmarked at the market median with the 'at risk' performance components of remuneration more closely reflecting current market practice (including deferral of a portion of the short term incentives).

The Merger has resulted in the size of the key management personnel (KMP) team being substantially reduced from that which previously existed across the various merged entities. While there have been adjustments to reflect the new reward levels of the KMP in line with the Company's market position, the total KMP remuneration expenditure is lower as a merged group than it was as standalone entities.

As you will see in reviewing this report, some of the Directors and senior executives received payments on completion of the Merger. This was largely due to the acceleration of payments under the Company's previous short and long term incentive plans, which was considered appropriate in light of the Company's performance up to the date of the Merger. Key highlights of the Company's performance during FY2012 include:

- Underlying net profit after tax (NPAT), before significant items, of $57.8 million;
- NPAT after significant items of $62.5 million;
- Saleable coal production up 3% (equity basis) to 4.28 Mtpa, and up 4% to 4.90 Mtpa (100% basis);
- Equity ROM coal production increased slightly to 4.66 Mtpa for the year. This was lower than anticipated due largely to significant impacts of exceptional wet weather in the December and March quarters and consequential mine scheduling issues;
- The Narrabri longwall was installed in the June quarter and is currently being commissioned. First longwall coal was cut on 12 June 2012, with over 300 Kt of longwall coal produced to the end of August 2012.

Acceleration of entitlements under the Company's incentive plans was also considered desirable in order to place employees of Whitehaven Coal, Aston Resources and Boardwalk on a level playing field and to pave the way for the new remuneration arrangements to be put in place for all employees of the merged entity (with effect from 1 May 2012). The remuneration outcomes disclosed in this report for FY2012 are therefore distorted by the one-off impact of the Merger. Going forward, the new remuneration arrangements will better reinforce alignment between the Company's performance and remuneration to executives.

The following Remuneration Report provides a summary of KMP entitlements to 30 April 2012 (the date immediately prior to the Merger), remuneration which crystallised at the time of the Merger, and the remuneration levels and new remuneration framework which has been progressively implemented since 1 May 2012.

7. REMUNERATION REPORT (CONTINUED)

7.2 Key management personnel for FY2012 – audited

This Report details the remuneration of the key management personnel (KMP) of the Company during FY2012, who are listed in the table below. For the remainder of this Remuneration Report, the KMP are referred to as either senior executives or Non-executive Directors.

Name	Title (at year end)	Changes during FY2012
Non-executive Directors		
The Hon. Mark Vaile	Chairman and independent Non-executive Director	Appointed 3 May 2012
John Conde	Independent Non-executive Director	Ceased to be Chairman on 3 May 2012
Paul Flynn	Non-executive Director	Appointed 3 May 2012
Philip Christensen	Non-executive Director	Appointed 3 May 2012
Rick Gazzard	Independent Non-executive Director	Appointed 3 May 2012
Christine McLoughlin	Independent Non-executive Director	Appointed 3 May 2012
Hans Mende*	Non-executive Director	
Senior Executives		
Tony Haggarty	Managing Director	
Allan Davies	Executive Director	
Austen Perrin	Chief Financial Officer and Joint Company Secretary	
Peter Kane	Chief Operating Officer (Aston Resources and Boardwalk Operations)	Appointed 3 May 2012
Timothy Burt	General Counsel and Joint Company Secretary	

* Since the end of FY2012, Mr Mende has resigned as a Non-executive Director, effective 2 July 2012.

The following table sets out KMP departures during FY2012:

Name	Title	Changes during FY2012
Neil Chatfield	Independent Non-executive Director	Resigned 3 May 2012
Alex Krueger	Non-executive Director	Resigned 3 May 2012
Andy Plummer	Executive Director	Resigned 3 May 2012
Tony Galligan	General Manager Infrastructure	Ceased to be a KMP 1 June 2012 (and moved into a consultant role)

7.3 Introducing the new executive remuneration framework – audited

7.3.1 Overview

This section discusses the outcomes of the comprehensive remuneration review and the new remuneration framework which apply and will be in place for FY2013. The new fixed remuneration and STI arrangements were adopted with effect from 1 May 2012, while the first grants under the new LTI arrangements were made in September 2012. Full details of the new remuneration arrangements will be included in next year's Remuneration Report, however a summary of key terms is set out in this section 7.3.

Remuneration principles

- to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders and having regard to relevant Company policies;
- to attract and retain skilled executives;
- to structure short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
- to ensure any termination benefits are justified and appropriate.

Remuneration framework

Total fixed remuneration (TFR)	Short term incentives (STI)	Long term incentives (LTI)
• reviewed annually • benchmarked against peer companies in the materials, industrial and energy sectors • influenced by individual performance	• determined based on a mix of financial and non-financial measures • for KMP, 30% of STI will be deferred into shares for a further 12 – 24 month period • ability of the Remuneration Committee to reduce the number of deferred shares that vest if subsequent events show such a reduction to be appropriate ('clawback') • for KMP, the STI opportunity is set at 50% of TFR for target performance and 75% of TFR for stretch performance	• made under the new plan, which provides the Remuneration Committee with the flexibility to determine the nature, terms and conditions of the grant each year • the FY2013 grant will operate as an award of performance rights (i.e. a right to receive a share in the Company if the relative TSR performance hurdle is satisfied) • for KMP, the LTI opportunity is set at 80% of TFR

7. REMUNERATION REPORT (CONTINUED)

7.3 Introducing the new executive remuneration framework – audited (continued)

7.3.2 Transitional arrangements

In order to facilitate a smooth transition to the new remuneration framework, the following transitional arrangements have been implemented for FY2013:

- the STI for FY2013 will operate over a 14 month performance period from 1 May 2012 to 30 June 2013, in recognition of the fact that the senior executives' previous STI crystallised on the date of the Merger. This will be reflected in a slightly higher target STI opportunity for FY2013 (58% of TFR instead of the standard 50%). From FY2014 the STI performance period will be 12 months, aligned with the 1 July – 30 June financial year; and
- the LTI granted in FY2013 will be divided into three equal tranches that will vest following a 2, 3 and 4 year period (respectively), subject to performance conditions. Going forward, it is likely the LTI will be divided into two equal tranches capable of vesting following a 3 and 4 year performance period.

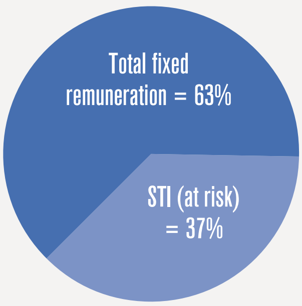
Further details of the new STI and LTI arrangements are set out below.

7.3.3 Mix and timing for delivery of remuneration

Executive remuneration for FY2013 will be a mix of fixed remuneration and variable remuneration. Variable remuneration can be earned through STI and LTI. The different elements of remuneration reflect a focus on both short-term and longer-term performance, and delivery of rewards is staggered over a multiyear timeframe to encourage sustained performance and retention.

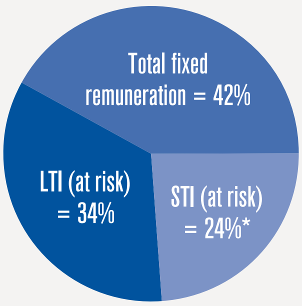
The diagrams below illustrate the remuneration mix for senior executives for FY2013.

Remuneration mix for Executive Directors FY2013
(assuming target performance for STI component)



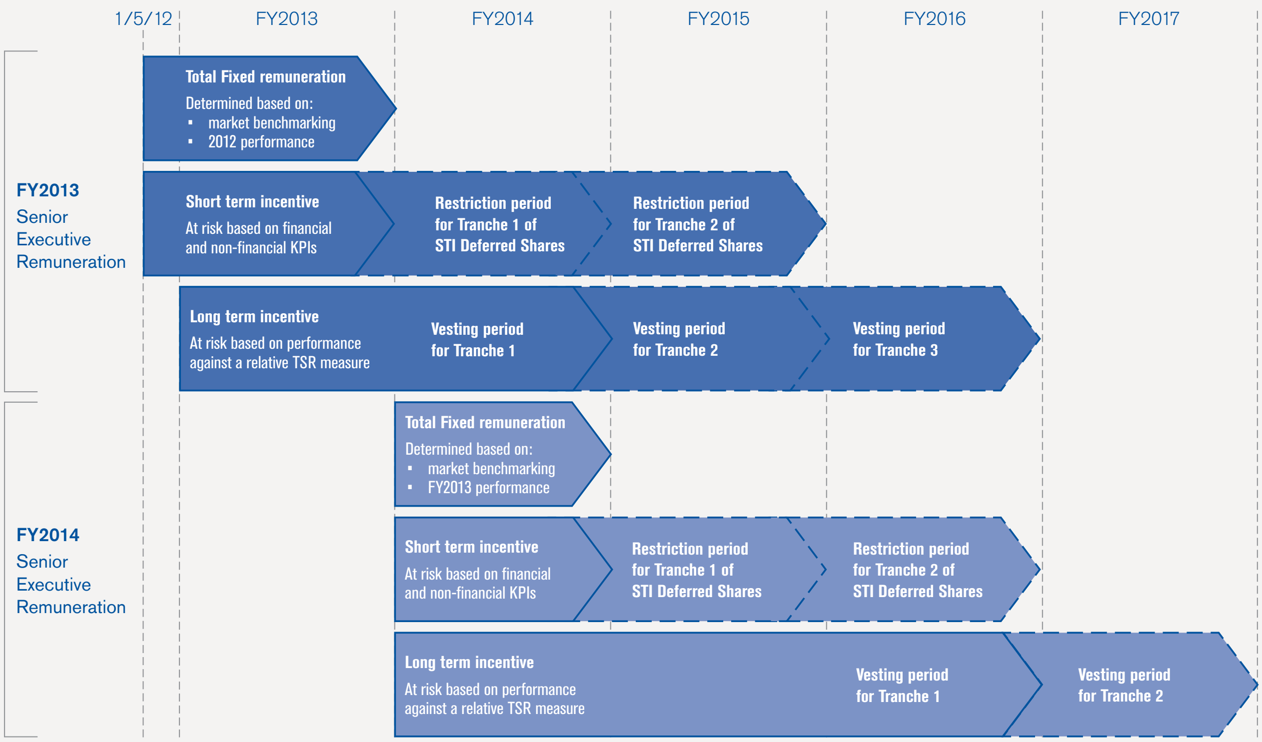
The Executive Directors have elected not to participate in the LTI for FY2013 given they already hold a significant shareholding in the Company. Their TFR and STI components will not be increased to compensate for their decision to forgo any LTI entitlement.

Remuneration mix for other senior executives FY2013
(assuming target performance for at risk components)



*As a one-off for FY2013, the target STI opportunity will be 58% of TFR, consistent with the 14 month performance period.

The diagram below shows timing for determining and delivering executive remuneration for FY2013 and FY2014, including the transitional arrangements described above:



7.3.4 Components of remuneration from FY2013

Fixed remuneration: Fixed remuneration received by senior executives comprises base salary, superannuation and other benefits and is subject to approval by the Remuneration Committee. Following the review of the executive remuneration framework by Egan Associates, fixed remuneration levels were adjusted for senior executives by reference to comparable roles in similar-sized Australian listed companies in the materials, industrials and energy sectors. The new fixed remuneration levels took effect from 1 May 2012.

Fixed remuneration and total target remuneration will typically be positioned at around the median percentile of the relevant market. The objective of this target positioning is to attract and retain the best talent in a sector where demand for skilled labour is high. Actual market positioning for each individual may deviate from (above or below) the positioning policy due to consideration of internal relativities, experience, tenure in role, individual performance and retention considerations.

Short term incentive: A new STI plan has been approved by the Board. Under the new plan, executives will have a target annual incentive equal to 50% of their TFR. A portion of the STI will be determined by Group financial performance and a portion determined by non-financial measures relevant to the executive's role. It is proposed that a minimum of 50% of KPIs will be measurable financial objectives and up to 50% will be individual performance objectives. Group financial objectives include production, cost per saleable tonne and NPAT. Individual performance objectives include safety, project management and leadership measures. 30% of any award paid will be deferred in the form of fully paid Whitehaven Coal shares (**Deferred Shares**). The Deferred Shares will vest in two equal tranches 12 months and 24 months following allocation. Participants will be required to comply with the Company's securities trading policy in respect of their Deferred Shares which includes a prohibition on hedging or otherwise protecting the value of their unvested securities. Dividends will accrue on the Deferred Shares but will only be paid to the executive at the end of the deferral period in relation to those Deferred Shares that vest.

7. REMUNERATION REPORT (CONTINUED)

7.3 Introducing the new executive remuneration framework – audited (continued)

7.3.4 Components of remuneration from FY2013 (continued)

Long term incentive: Participation in the Company's LTI plan will be through the issue of performance rights, to a value of 80% of the executive's TFR. The allocation will be based on the volume weighted average share price of Whitehaven Coal shares over the 20 trading day period commencing 10 trading days prior to 30 June 2012.

To facilitate transition to the new LTI scheme, initial grants of performance rights will be divided into three equal tranches capable of vesting after a 2, 3 and 4 year performance period. From 2014, it is likely the award will be divisible into two equal tranches capable of vesting after a 3 and 4 year performance period.

Vesting will be subject to a performance measure linked to relative TSR, which compares the TSR performance of the Company with the TSR performance of each of the entities in a comparator group. The comparator group for the FY2013 grant comprises those entities within the ASX 100 Resources Index as at 24 September 2012. A TSR hurdle was considered an appropriate benchmark in light of the Company's focus on long-term developments and capital expenditure, which is intended to generate real long-term shareholder value.

There is no re-testing of awards that do not vest. Participants will be required to comply with the Company's securities trading policy in respect of their performance rights and any shares they receive upon vesting. They will be prohibited from hedging or otherwise protecting the value of their performance rights.

In September 2012, the Company made offers to grant performance rights over 364,963 ordinary shares to senior executives named in this Remuneration Report (excluding the Executive Directors) under the new LTI plan.

7.3.5 Remuneration governance

Role of the Board and Remuneration Committee

The Board is responsible for ensuring that the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders. Consistent with this responsibility, the Board has established a Remuneration Committee (previously the Remuneration and Nominations Committee), which is currently comprised entirely of independent directors.

The role of the Remuneration Committee is to:

- review and approve the remuneration of the senior executives;
- review and approve the remuneration policies and practices for the Group generally, including incentive plans and other benefits; and
- review and make recommendations to the Board regarding the remuneration of Non-executive Directors.

Further information regarding the Remuneration Committee's role, responsibilities and membership is set out in the Corporate Governance Statement on pages 34 to 41 of this Annual Report.

Use of external advisors

The Remuneration Committee seeks and considers advice from external advisers when required. External advisors are engaged by and report directly to the Remuneration Committee. Such advice will typically cover Non-executive Director remuneration, senior executive remuneration and advice in relation to equity plans.

With effect from FY2012, the Corporations Act requires companies to disclose specific details regarding the use of remuneration consultants. The mandatory disclosure requirements only apply to those advisers that provide a 'remuneration recommendation' as defined in the Corporations Act.

The Remuneration Committee appointed Egan Associates to provide remuneration advice in FY2012. During this period, Egan Associates provided remuneration recommendations in connection with the review of the Group's remuneration framework, in particular regarding the appropriate remuneration structure and comparator group for the merged entity and remuneration quantum for both the Non-executive Directors and senior executives.

The Board is satisfied that the recommendations were free from undue influence based on the following reasons:

- The remuneration recommendations were provided directly to the members of the Remuneration Committee, none of whom are executive directors;
- the engagement of Egan Associates was overseen by the Remuneration Committee and the Committee has no reason to believe that any inappropriate pressure was placed on Egan Associates by members of the management team with a view to influencing the recommendations provided;
- Egan Associates have provided a declaration that the recommendations provided during FY2012 were free from undue influence by any members of the KMP to whom the recommendations related; and
- aside from the recommendations described above, Egan Associates also provided ad hoc support and advice as requested by the Remuneration Committee, including attendance at Committee meetings and the provision of benchmarking data and technical advice on KMP remuneration.. This additional advice did not constitute remuneration recommendations.

As required to be disclosed by the Corporations Act, within the context of the work described above, the fees paid to Egan Associates for the recommendations were $55,825 (excluding GST) and the fees for other services were $65,555 (excluding GST).

7.3.6 Employment contracts – audited

The Company entered into new employment contracts with some senior executives in FY2012 in order to align the contract terms with market practice and to ensure consistency across the executive group.

A summary of the notice periods under senior executives' contracts (all of which are of ongoing duration) are set out in the table below.

Name	Position (at year-end)	Notice
Tony Haggarty	Managing Director	1 month by either party
Allan Davies	Executive Director (who contracts his services to the Company through Dalara Management Services Pty Ltd)	1 month by either party
Peter Kane	Chief Operating Officer (Aston & Boardwalk Operations) Appointed 1 May 2012	3 months by employee 12 months by the Company
Austen Perrin	Chief Financial Officer and Joint Company Secretary Appointed 27 October 2008	3 months by employee 12 months by the Company
Timothy Burt	General Counsel and Joint Company Secretary Appointed 29 July 2009	3 months by employee 12 months by the Company

The executive contracts do not provide for any termination benefits aside from payment in lieu of notice (where applicable). Treatment of unvested incentives is dealt with in accordance with the terms of grant. In general, under the new STI and LTI arrangements, 'bad leavers' (i.e. executives who resign or are terminated for cause) will forfeit their unvested entitlements while 'good leavers' will retain their entitlements (subject to any applicable performance conditions in the case of LTI arrangements).

Tony Galligan ceased his role as General Manager Infrastructure on 31 May 2012 and commenced a new role as a consultant to the Company on 1 June 2012. Mr Galligan did not receive any termination benefits on ceasing his previous role as General Manager Infrastructure.

7. REMUNERATION REPORT (CONTINUED)

7.4 Remuneration during FY2012 – audited

7.4.1 Remuneration principles in FY2012 (Pre-merger – 1 July 2011 to 30 April 2012)

As outlined in section 7.3, a new executive remuneration framework was developed during FY2012 and is being progressively rolled out (with the fixed remuneration and STI components taking effect from 1 May 2012). For the period between 1 July 2011 and 30 April 2012, the Company's previous remuneration arrangements applied. This section describes the remuneration approach that applied during this period for the Company's senior executives. For convenience, this period will be referred to as FY2012 even though it does not align with the full financial year.

As described in the FY2011 Remuneration Report, the Remuneration Committee's overall objective for FY2012 was to ensure that remuneration provided to the senior executives was set competitively to attract and retain appropriately qualified and experienced directors and executives.

The key remuneration principles in place during FY2012 took into account:

- the appropriateness of remuneration 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 remuneration strategy;
- the achievement of strategic objectives and the broader outcome of creation of value for shareholders;
- the capability and experience of the executives;
- the executive's ability to control performance; and
- the consolidated entity's performance including:
  - the consolidated entity's earnings;
  - the growth in share price and delivering constant returns on shareholder wealth; and
  - the amount of incentives within each executive's remuneration.

Remuneration included a mix of fixed compensation and short and long-term incentives, as described below. The remuneration for certain key employees also included retention grants that were made in August 2010 and which vested in February 2012 (for those participants who remained in employment).

As noted above, the remuneration outcomes for FY2012 were significantly impacted by the Merger in May 2012, which resulted in unvested incentive entitlements crystallising for the senior executives.

7.4.2 Components of remuneration for FY2012

Fixed remuneration

Fixed remuneration comprised base salary (calculated on a total cost basis and inclusive of any fringe benefits taxes charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds, and was subject to approval by the Remuneration Committee.

Short term incentives

The table below summarises the previous approach to STI for senior executives that applied during FY2012. As explained earlier, the Company has now implemented new STI arrangements, which took effect from 1 May 2012.

Who participated?	All salaried employees, including the Executive Directors and other senior executives
What was the STI award?	Senior executives' target STI was 25% of fixed remuneration. For FY2012, the STI award was assessed at 80% of the target award, and was then prorated based on the shortened performance period (see below). This resulted in an actual STI award that was equal to 66.67% of the target STI award (i.e. 16.67% of fixed remuneration for each of the senior executives). The balance of the STI award opportunity lapsed.
What was the performance period?	The performance period was intended to be 1 July 2011 to 30 June 2012. However, in light of the Merger, the actual performance period was 1 July 2011 to 30 April 2012. The shortened performance period was considered appropriate so that all employees of the merged entity could start on the same remuneration arrangements (including a new STI plan) as of 1 May 2012. As noted above, actual STI awards were prorated in recognition of the shortened performance period.
What were the performance conditions?	Usually, payment of the STI is dependent on the Managing Director assessing the performance of the relevant senior executive and recommending the payment of an STI bonus to the Board for approval. However, for FY2012, the STI amount paid to executives upon the Merger was determined based on Group performance to the date of the merger (with all senior executives receiving the same proportion of their target STI opportunity). There were a number of significant achievements during the period from 1 July to 31 March 2012 which influenced the determination, including the increase in the Company's sales of produced coal by 7%, the increase in both ROM coal and saleable coal production by 9%, and the implementation of several key projects, in addition to the management time and effort required in connection with the Merger.
How was the STI delivered?	The STI was paid in cash following the Merger on 15 May 2012, with the exception of Mr Haggarty and Mr Plummer who were paid on 10 September 2012.

7. REMUNERATION REPORT (CONTINUED)

7.4 Remuneration during FY2012 – audited (continued)

7.4.2 Components of remuneration for FY2012 (continued)

STI awards for FY2012

Senior executive	STI earned (A$)	Percentage of target STI
Tony Haggarty	125,000	66.67%
Allan Davies	80,342	66.67%
Austen Perrin	80,642	66.67%
Timothy Burt	57,250	66.67%
Tony Galligan	65,842	66.67%
Andy Plummer	71,417	66.67%

Long term incentives

Who participated?	All senior executives across the Group, including those named in this Remuneration Report (but excluding the Executive Directors). The current Executive Directors do not participate in the Company's LTI plans, as the volume of shares in the Company that they already hold is sufficient to ensure alignment with the interests of shareholders.
What was granted?	Grants were made in the form of share acquisition rights (**SARs**) intended to vest over a three year period subject to performance against a relative TSR performance hurdle. Upon vesting, one ordinary share in the Company is provided to the participant for each SAR that vests (without any further action required by the participant). SARs and shares received upon vesting are subject to the Company's securities trading policy, which includes a prohibition on hedging or otherwise protecting the value of unvested securities.
How was the grant size determined?	Senior executives were granted SARs equal to 40% of their TFR. The SARs were valued based on the 20 day VWAP of Whitehaven shares to 1 July 2011.
What was the performance period?	The performance period was intended to run from 1 July 2011 to 30 June 2014. However, in light of the change in control of the Company and the resulting Merger, the vesting date of all outstanding equity incentives (including SARs granted in FY2012) was accelerated. This is explained in further detail below.
What was the performance condition?	The SARs were tested against a relative TSR hurdle. The TSR of the Company was measured as a percentile ranking compared to a comparator group of listed entities over the performance period. The comparator group was the entities in the S&P ASX 200 (excluding financial services companies) as at 1 July 2011. The level of vesting was determined based on the ranking against the comparator group companies in accordance with the following schedule: • in the 75th percentile or above – 100% of options vest; • between the 50th and 75th percentile – 50% of the options vest at the 50th percentile, and thereafter the percentage vesting increases by 2% for each percentile above the 50th percentile; and • below the 50th percentile – no options vest

What was the treatment on change of control?	Under the LTI plan rules, a change of control was triggered when Nathan Tinkler and his associates made an offer to acquire a relevant interest in more than 20% of the issued shares of the Company. As a result, the testing date for the LTI grants for FY2012 and previous financial years was brought forward to 16 January 2012. For the FY2012 LTI grant, 64.5% of participants' SARs vested based on performance against the relative TSR hurdle up to the testing date. Details on the vesting levels for prior year LTI grants are set out in table 7.4.3 below. Upon final court approval of the Merger, the Board exercised its discretion under the LTI plan rules to waive the performance conditions for the remaining unvested portion of the LTI (both for the FY 2012 grant and prior year grants). The Board considered this appropriate in light of the treatment of Aston Resources and Boardwalk Resources employees' LTI, which vested in full as a result of the Merger, and in order to allow the Company to implement a new remuneration framework for all employees of the merged entity.

Retention bonus

In FY2011, the Company implemented a cash-based retention bonus scheme to a group of key senior employees in the Whitehaven Group, including all senior executives other than the Managing Director and Andy Plummer. The Board considered that such bonuses were appropriate given the uncertainty at the time regarding the future of the Company and the need to motivate and retain high-calibre employees in the face of strong competition for talented executives with resource and mining experience. Payment of the bonus was subject to participating executives remaining employed by the Company for a continuous period of 18 months, up until 1 February 2012.

Under the scheme, retention amounts of an aggregate total of $6,258,120 were paid to the participating executives and senior employees who remained in the employment of the Company on 1 February 2012.

The amounts of the retention bonuses paid to senior executives are included in the statutory remuneration table on page 58. A summary of the payments is also set out below.

Senior executive	Retention bonus (A$)
Allan Davies	450,000
Austen Perrin	411,322
Timothy Burt	261,325
Tony Galligan	368,754

7. REMUNERATION REPORT (CONTINUED)

7.4 Remuneration during FY2012 – audited (continued)

7.4.3 Summary of treatment of remuneration on change of control and Merger

Component	Treatment on change of control/Merger
Fixed remuneration	No impact – fixed remuneration continued on foot until implementation of revised fixed remuneration arrangements from 1 May 2012
Short term incentive	80% of target STI (pro-rated for the 10 month performance period) vested on the Merger based on Group performance over the period from 1 July 2011 to 30 April 2012.
Long term incentive	**FY2012 grant** 64.5% vested based on performance against the relative TSR hurdle up to 16 January 2012. The Board exercised its discretion under the plan rules to vest the remaining 35.5% upon final court approval of the Merger on 18 April 2012. **Prior year grants** For the FY2011 LTI grant 93.4% vested based on performance against the relative TSR hurdle up to 16 January 2012. The Board exercised its discretion under the plan rules to vest the remaining 6.6% upon final court approval of the Merger, For the FY2010 LTI grant, 100% vested based on performance against the relative TSR hurdle up to 16 January 2012.
Retention bonus	No impact – retention payments vested prior to Merger on 1 February 2012 in accordance with original terms of the scheme

As outlined above, the Board determined to accelerate vesting of entitlements under the Company's incentive plans on the Merger. This was considered appropriate in light of the fact that the incentive entitlements of Aston Resources' and Boardwalk Resources' employees crystallised in full on the Merger. In particular, the Board was of the view that:

- Whitehaven Coal employees should not be less favourably treated as a result of the Merger than their Aston Resources and Boardwalk Resources counterparts; and
- it was preferable for all employees of the merged entity to commence on a consistent, market-appropriate remuneration structure from the date of implementation of the Merger.

The following table compares the value of remuneratin that would have been received by executives in FY2012 as part of their standard remuneration arrangements with the value of remuneration that was actually received, having regard to 'one-off' payments for FY2012 and the acceleration of benefits as a result of the Merger.

Executive	Remuneration component	Received under standard remuneration arrangements	Received as a result of Merger or one-off payment	Total actually received for FY2012
Tony Haggarty	STI	$147,163*	$125,000**	$272,163
	LTI	–	–	–
	Retention bonus	–	–	–
Andy Plummer	STI	$82,798*	$71,417**	$154,215
	LTI	–	–	–
	Retention bonus	–	–	–
Allan Davies	STI	$165,211*	$80,342**	$245,553
	LTI	–	–	–
	Retention bonus	–	$450,000	$450,000
Austen Perrin	STI	$85,064*	$201,604**	$286,668
	LTI	$263,500***	$144,215****	$407,715
	Retention bonus	–	$411,322	$411,322
Timothy Burt	STI	$55,825*	$143,125**	$198,950
	LTI	$173,494***	$98,621****	$272,115
	Retention bonus	–	$261,325	$261,325
Tony Galligan	STI	$76,332*	$65,842**	$142,174
	LTI	$202,391***	$106,621****	$309,012
	Retention bonus	–	$368,754	$368,754

* The STI amount received under standard remuneration arrangements represents the FY2011 STI award which was determined based on performance to 30 June 2011 and which was paid in line with the original terms of the STI plan in August 2011.

** The STI amount received as a result of the Merger or as a one-off payment represents the FY2012 STI award, which would ordinarily have been tested based on performance to 30 June 2012 and paid in August 2012, but which was accelerated to a vesting date of 30 April 2012 and paid on 15 May 2012 as a result of the Merger.

*** The LTI amount received under standard remuneration arrangements represents the accounting value of the FY2012 and prior year LTI grants which would have accrued during FY2012 based on the expected vesting dates.

****The LTI amount received as a result of the Merger or as a one-off payment represents the balance of the accounting value of the FY2012 and prior year LTI grants which vested in full as a result of the Merger, resulting in the full accounting value being recognised and disclosed in FY2012.

7.4.4 Equity instruments granted as remuneration

SARs granted to senior executives

Details of SARs over ordinary shares in the Company that were granted to senior executives during FY2012 are set out in the table below. The grants to senior executives constituted their full LTI entitlement for FY2012 and were made on the terms summarised above. All SARs vested in full following the change of control in the Company and subsequent approval of the Merger. Upon vesting, senior executives were allocated one fully paid ordinary share in the Company for each SAR that vested.

7. REMUNERATION REPORT (CONTINUED)

7.4 Remuneration during FY2012 – audited (continued)

7.4.4 Equity instruments granted as remuneration (continued)

Options and shares granted to Mr Kane

The options granted to Mr Kane were made in recognition of shares in Boardwalk Resources that Mr Kane was entitled to under his previous employment arrangements. The options have an exercise price of $0.0001 per option, resulting in a total payment on exercise of $97.43. Mr Kane's options vested on 1 August 2012 and are exercisable from 1 October 2012.

Whilst the options do not have any performance conditions attached to them (as they were granted in consideration for shares that Mr Kane was already entitled to under his previous employment arrangements), they are subject to a continuous service condition until 1 March 2014. If Mr Kane resigns or is terminated for cause prior to 1 March 2014, he will forfeit any options that remain unexercised and any shares he receives on exercise of the options.

The 173,938 shares granted to Mr Kane were made to compensate him for options he would have been entitled to under Boardwalk Resources' proposed LTI arrangements. No performance or vesting conditions apply to the shares, as they were granted in place of Mr Kane's pre-existing entitlements.

	Instrument	Number of instruments granted	Grant date	Fair value per instrument at grant date*	Vesting date	Expiry date
Executives						
Peter Kane	Options	974,035	1 May 2012	$5.01	1 Aug 2012	n/a
	Shares	173,938	1 May 2012	$5.18	–	–
Austen Perrin	SARs	16,667	26 Oct 2011	$4.65	1 July 2012**	1 July 2013
	SARs	16,667	26 Oct 2011	$4.51	1 July 2013**	1 July 2014
	SARs	16,666	26 Oct 2011	$4.45	1 July 2014**	1 July 2015
Timothy Burt	SARs	11,667	26 Oct 2011	$4.65	1 July 2012**	1 July 2013
	SARs	11,667	26 Oct 2011	$4.51	1 July 2013**	1 July 2014
	SARs	11,666	26 Oct 2011	$4.45	1 July 2014**	1 July 2015
Tony Galligan	SARs	11,667	26 Oct 2011	$4.65	1 July 2012**	1 July 2013
	SARs	11,667	26 Oct 2011	$4.51	1 July 2013**	1 July 2014
	SARs	11,666	26 Oct 2011	$4.45	1 July 2014**	1 July 2015

* The fair value for SARs and options granted to the senior executives is based on the fair value, measured using a Black Scholes model (for options) or a Monte Carlo simulation model (for SARs). The factors and assumptions used in determining the fair value on grant date are set out in the note 33 to the financial statements.

** Vested prior to the original vesting date as a result of the change in control of the Company and Merger. Further details regarding vesting of equity instruments in FY2012 are set out in tables 7.4.6 and 7.4.7 below.

Since the end of FY2012, the Company has made offers to grant 364,963 performance rights to the senior executives named in this Remuneration Report (excluding the Executive Directors) as part of the new LTI arrangements described in section 7.3 above. Details of performance rights offered are set out in the table below:

	Number of performance rights granted
Executives	
Peter Kane	145,985
Austen Perrin	126,521
Timothy Burt	92,457

Full details regarding the FY2013 LTI grants will be included in next year's Remuneration Report.

Mr Davies elected not to receive any new grants under the LTI for FY2012 or FY2013, as he had previously received 5,000,000 options in the Company on his appointment as a Director of the Company on 25 February 2012 (as disclosed in previous years' reports and approved by shareholders at the 2009 Annual General Meeting). The options vested in tranches over the three years prior to the Merger and were all exercised following the Merger (as shown in the table at 7.4.6). All shares that Mr Davies received on exercise of these options have been retained by him, ensuring that he has a significant shareholding in the Company and that his interests continue to be aligned with those of shareholders.

Similarly, Mr Haggarty elected not to participate in the FY2012 or FY2013 LTI grants, as he already has a substantial shareholding in the Company which is sufficient to ensure alignment with the interests of shareholders.

7.4.5 Statutory senior executive remuneration table

The following table sets out the statutory remuneration disclosures required under the *Corporations Act 2001* (Cth). The totals disclosed in this table are significantly higher than previous years' disclosures due to:

- two years' of STI awards being accrued in FY2012, rather than one as is usually the case. This is because the FY2011 STI was approved and paid in August 2011 and the FY2012 STI was paid earlier than expected in April 2012;
- the full balance of LTI values being required to be disclosed (including those granted in prior years) due to the acceleration of vesting on the Merger; and
- the full value of the retention bonus being disclosed, even though the bonus vested over an 18 month period.

As such, the information presented below for FY2012 is not comparable to the FY2011 information in the table.

7. REMUNERATION REPORT (CONTINUED)

7.4 Remuneration during FY2012 – audited (continued)

7.4.5 Statutory senior executive remuneration table (continued)

In AUD		Short-term benefits: Salary & fees	Short-term benefits: Cash bonus (A)	Short-term benefits: Non-monetary benefits (B)	Post-employment benefits: Super-annuation Benefits	Post-employment benefits: Post-employ-ment	Term-ination Benefits	Share-based payments: Shares (C)	Share-based payments: Rights and options (D)	Total Remun-eration	Share-based payments as proportion of total
Directors											
Tony Haggarty	2012	681,818	272,163	3,149	68,182	–	–	–	–	1,025,312	–
	2011	658,624	175,000	–	65,862	–	–	–	–	899,486	–
Andy Plummer*	2012	324,621	154,215	–	32,462	–	100,040	–	–	611,338	–
	2011	376,356	100,000	–	37,636	–	–	–	–	513,992	–
Allan Davies	2012	535,982	695,553	–	–	–	–	–	437,011	1,668,546	26.2%
	2011	526,877	112,500	–	–	–	–	–	2,101,608	2,740,985	76.7%
Executives											
Peter Kane**	2012	122,371	–	–	2,629	–	–	900,999	2,400,000	3,425,999	95.0%
	2011	–	–	–	–	–	–	–	–	–	–
Austen Perrin	2012	456,455	697,990	8,302	45,645	–	–	–	407,715	1,616,108	25.2%
	2011	376,356	100,000	8,281	37,636	–	–	–	368,536	890,810	41.4%
Tony Galligan***	2012	320,920	510,928	–	32,092	–	–	–	309,012	1,172,952	26.3%
	2011	346,964	92,188	–	34,696	–	–	–	291,892	765,740	38.1%
Timothy Burt	2012	323,614	460,275	8,302	32,361	–	–	–	272,115	1,096,667	24.8%
	2011	243,450	62,500	7,511	24,345	–	–	–	225,789	563,595	40.1%

* Resigned 3 May 2012

** Appointed 3 May 2012

*** Ceased to be a KMP on 1 June 2012 following change of role from full time employee to consultant

(A) The amounts disclosed as cash bonus relate to amounts approved by the Board for performance of senior executives during the previous financial year, the current financial year to 30 April 2012 and retention bonuses as applicable (refer to section 7.4 of the Remuneration Report for details).

(B) The amounts disclosed as non-monetary benefits relate to car spaces, professional fees and other similar items.

(C) Mr Kane received shares in the Company on 1 May 2012 for no consideration in recognition of the shares he would have been entitled to under his proposed LTI arrangements with his previous employer, Boardwalk Resources. These shares are not subject to any performance conditions. The market price of the Company's shares at the date of grant was $5.18.

(D) The fair value for SARs and options granted to the senior executives is based on the fair value, measured using a Black Scholes model (for options) or a Monte Carlo simulation model (for SARs). The factors and assumptions used in determining the fair value on grant date are set out in the note 33 to the financial statements.

The movement during the reporting period, by number and value, of SARs and options over ordinary shares in the Company held by director-related entities and each senior executive is detailed below. There are no unpaid amounts on the shares issued as a result of the vesting of SARs or exercise of options in FY2012.

Executive	Instrument	Balance as at 1 July 2011	Granted (number)	Granted (value) (A)	Vested (number)	Vested (value) (B)	Exercised (number)	Exercised (value) (B)	Lapsed (number)	Lapsed (value) (C)	Balance as at 30 June 2012
					SARs only	SARs only	Options only	Options only			
Allan Davies	Options	5,000,000	–	–	–	–	5,000,000	$20,300,000***	–	N/A	–
Peter Kane	Options	–	974,035	$4,800,000	–	–	–	–	–	N/A	974,035
Austen Perrin	SARs	100,000	50,000	$230,933	150,000**	$877,267**	–	–	–	N/A	–
	Options	100,000	–	–	–	–	100,000*	$462,332*	–	N/A	–
Tony Galligan	SARs	85,000	35,000	$161,653	120,000**	$704,100**	–	–	–	N/A	–
Timothy Burt	SARs	65,000	35,000	$161,653	100,000**	$584,399**	–	–	–	N/A	–

* Exercised in two tranches: 33,333 options were exercised at an exercise price of $1.00 on 27 October 2011; 66,667 options were exercised at an exercise price of $1.00 on 8 February 2012.

** Comprises SARs that vested in the ordinary course on 27 July 2011 and SARs that vested as a result of the change of control and Merger on 23 April 2012.

*** 1,666,667 options, being the final tranche of options granted in February 2009 vested on 31 October 2011. The first two tranches, comprising 3,333,333 options, vested in prior years. Mr Davies exercised all 5,000,000 options on 4 April 2012 at an exercise price of $1.70.

(A) The value of SARs and options granted in the year is the fair value of the options calculated at grant date using the Black Scholes model (for options) or the Monte Carlo simulation model (for SARs). The total value of the options granted is included in the table above.

(B) The value of SARs vested during the year is calculated as the market price of shares of the Company as at close of trading on the date the SARs vested and shares issued to senior executives. The value of options exercised during the year is calculated as the market price of the shares of the Company as at the close of trading on the date the options were exercised, less the price paid upon exercise.

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

7. REMUNERATION REPORT (CONTINUED)

7.5 Company performance – audited

The remuneration outcomes for FY2012 have been significantly distorted by the one-off impact of the Merger, which resulted in the acceleration of payments under the Company's STI and LTI plans. As a result, the correlation between Company performance and remuneration outcomes will be less evident than in previous years. However, going forward, the Company has implemented robust remuneration arrangements that ensure a direct and transparent link between performance and remuneration outcomes.

	2012	2011	2010	2009	2008
Profit attributable to the group ($000's)	62,539	9,946	114,884	244,212	51,854
Revenue ($000's)	618,087	622,186	406,807	489,397	252,000
Share price at year end (dollars per share)	$4.15	$5.83	$4.80	$3.14	$4.47
Basic EPS (cents per share)	10.9	2.0	24.2	60.5	14.5
Diluted EPS (cents per share)	10.9	2.0	24.0	60.3	14.4
Dividends paid (cents per share)	4.1	6.1	8.8	4.2	–
Special dividends paid (cents per share)	50.0	–	–	–	–

7.6 Non-executive Director remuneration – audited

This section explains the remuneration for Non-executive Directors.

7.6.1 Setting Non-executive Director remuneration

Remuneration for Non-executive Directors is designed to ensure that the Company can attract and retain suitably qualified and experienced 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.

Non-executive Directors do not receive shares, share options or any performance-related incentives as part of their remuneration from the Company.

Directors are also entitled to be remunerated for any travel and other expenses reasonably incurred when attending meetings of the Board or in connection with the business of the Company.

The Remuneration Committee reviews and makes recommendations to the Board with respect to Non-executive Directors' fees and committee fees.

7.6.2 Current fee levels and fee pool

Shareholders approved an increase to the total aggregate maximum amount of Non-executive Directors' remuneration to $2,500,000 per annum at Whitehaven's Extraordinary General Meeting held on 16 April 2012. The significant increase to the fee pool was sought to accommodate increases to Non-executive Director fees to align with the Company's increased size and scope of operations, and the increase in the number of Non-executive Directors on the Board.

As described in section 7.3 above, Egan Associates were engaged in FY2012 to provide guidance and recommendations on the appropriate remuneration arrangements for the merged entity. An increase to the Non-executive Directors' fees, based on the recommendation of Egan Associates, came into effect on 1 May 2012. The table below sets out the Board and committee fees in Australian dollars as at 30 June 2012.

	Chairman	Deputy Chairman	Member
Board	$350,000*	$262,500*	$140,000
Audit & Risk Management Committee	$40,000	–	$20,000
Remuneration Committee	$25,000	–	$12,500
Governance & Nominations Committee	No fee	–	No fee
Health, Safety, Environment & Community Committee	$25,000	–	$12,500

* This is a composite fee. The Chairman and Deputy Chairman of the Board receive no standing committee fees in addition to their Board fees.

The fees set out above are exclusive of mandatory statutory superannuation contributions made on behalf of the Non-executive Directors.

7. REMUNERATION REPORT (CONTINUED)

7.6 Non-executive Director remuneration – audited (continued)

7.6.3 Statutory disclosures

The statutory disclosures required under the *Corporations Act 2001* (Cth) and in accordance with the Accounting Standards are set out in the table below.

In AUD		Short-term benefits: Board & Committee fees	Short-term benefits: Non-monetary benefits	Post-employment benefits: Super-annuation benefits	Post-employment benefits: Termination benefits	Total: Remuneration for services as a Non-executive Director
Non-executive Directors						
The Hon. Mark Vaile (Chairman)**	2012	58,333	–	2,629	–	60,963
	2011	–	–	–	–	–
John Conde (Deputy Chairman)	2012	306.365	–	15,014	–	321,379
	2011	165,138	–	14,862	–	180,000
Neil Chatfield*	2012	201,453	–	6,881	–	208,333
	2011	91,743	–	8,257	–	100,000
Alex Krueger*	2012	62,500	–	–	–	62,500
	2011	75,000	–	–	–	75,000
Hans Mende***	2012	87,933	–	–	–	87,933
	2011	75,000	–	–	–	75,000
Philip Christensen**	2012	27,500	–	2,475	–	29,975
	2011	–	–	–	–	–
Paul Flynn**	2012	26,667	–	2,400	–	29,067
	2011	–	–	–	–	–
Rick Gazzard**	2012	28,750	–	2,588	–	31,338
	2011	–	–	–	–	–
Christine McLoughlin**	2012	29,583	–	2,588	–	32,171
	2011	–	–	–	–	–
Total	**2012**	**829,084**	**–**	**34,574**	**–**	**863,658**
	2011	**406,881**	**–**	**23,119**	**–**	**430,000**

* Resigned 3 May 2012
** Appointed 3 May 2012
*** Resigned 2 July 2012

7.7 Payments and equity to KMP in their capacity as shareholders – audited

Some members of the KMP (both senior executives and Non-executive Directors) received payments and equity grants as a result of the Merger in their capacity as shareholders of Aston Resources or of Boardwalk. These amounts did not form part of their remuneration for FY2012. The particular details of the amounts received by the KMP in their capacity as shareholders are set out in note 34 to the financial statements.

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 2012, 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 2012, the Group continued development at the Narrabri underground mine as well as exploration of its Vickery Project.

9.2 Highlights

Financial

- Underlying net profit after tax (NPAT), before significant items, of $57.8 million, down 13% from FY2011;
- NPAT after significant items of $62.5 million. Total significant items after tax of $4.8 million including:
  - Historical legacy contract losses pre-tax of $29.4 million (all legacy contracts fulfilled end of March 2012);
  - Aston/Boardwalk transaction costs pre-tax of $41.4 million;
  - Profit on sale of interest in Maules Creek to J Power pre-tax of $116.2 million;
  - Accounting adjustment for the fair value of Boardwalk Resources goodwill at acquisition pre-tax of $119.8 million;
  - Initial recognition of Mineral Rent Resource Tax (MRRT) starting base as a deferred tax asset of $101.5 million.
- A fully franked final dividend of 3 cents per share has been declared, payable on 23 September 2012. This takes the total dividend for the year to 53 cents per share after the payment earlier in the year of the special dividend of 50 cents per share;
- Revenue from coal sales of $448.4 million (net of purchased coal and excluding NSW royalty), up 2.6% from FY2011;
- Cash flow and financial position – $513.6 million cash available with net cash of $24.2 million compared to $207.6 million cash available and net cash of $29.0 million at 30 June 2011.

Operating

- The Narrabri longwall was installed in the June quarter and is currently being commissioned. First longwall coal was cut on 12 June 2012, with over 240 Kt of longwall coal produced to date during commissioning.
- Saleable coal production up 3% (equity basis) to 4.28 Mtpa, and up 4% to 4.90 Mtpa (100% basis);
- Equity ROM coal production increased slightly to 4.66 Mtpa for the year. This was lower than anticipated due largely to significant impacts of exceptional wet weather in the December and March quarters and consequential mine scheduling issues.
- NSW Project Approval for the Maules Creek project is still pending and has taken much longer than anticipated. Latest indications are that approval will be received in the September quarter. There are no apparent issues to be resolved and Whitehaven remains confident of a successful outcome. It is extremely difficult to predict the timing of approvals under the current NSW planning process, but Whitehaven is remaining optimistic that approval will be forthcoming in this timeframe.
- Planning at the Vickery project has generated an open cut mine plan to produce around 4.5 Mtpa ROM for more than 25 years with a stripping ratio of approximately 10:1. Focus is on obtaining NSW Project Approval for this project and lodgement of the approval for assessment by the NSW Government is planned for the fourth quarter in CY2012. A full review of the South Vickery project is underway. South Vickery is contiguous with Vickery and was recently acquired as part of the Coalworks acquisition.

9.3 Review of operations

The Managing Director's Report, containing a review of operations, commences on page 10 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 3.0 cents per ordinary share (refer Note 26).
- After the year end the Company approved grants of Performance Rights over up to 2,000,000 ordinary shares to key senior employees as part of its long term incentive plans. The Performance Rights will vest over the period to 23 September 2016 and are subject to market based performance hurdles.
- After the year end the Company continued its acquisition of Coalworks Limited and on 21 August completed the compulsory acquisition of all remaining shares not previously acquired.
- Narrabri longwall production has reached operational levels and from 1 August 2012 operational costs will no longer be capitalised.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2012 but will be recognised in future financial periods.

12. LIKELY DEVELOPMENTS

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

13. SHARE OPTIONS

13.1 Shares issued on exercise of options

During the reporting period employees and executives have exercised options to acquire 10,167,244 fully paid ordinary shares in Whitehaven Coal Limited at a weighted average exercise price of $1.59 per share. For details of shares issued to key management personnel on exercise of options refer to section 7 of the Directors' report.

13.2 Unissued shares under options

At the date of this report there were 17,846,945 unissued ordinary shares of the Company under options (17,846,945 at the reporting date). Refer to note 33 of the financial statements for further details of the options outstanding. 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	2012	2011
Non-audit services		
Ernst & Young		
Due diligence services	559,586	487,229
Taxation services – MRRT	437,750	–
	997,336	**487,229**

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 67 and forms part of the Directors' report for financial year ended 30 June 2012.

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:

Mark Vaile
Chairman

Dated at Sydney this 14th day of September 2012

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

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

In relation to our audit of the financial report of Whitehaven Coal Limited for the financial year ended 30 June 2012, 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
14 September 2012

FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
In thousands of AUD ($'000)	Note	2012	2011
Revenue	**8**	**618,087**	**622,186**
Operating expenses			
Before significant items		(396,690)	(405,646)
Significant items	7	(7,494)	(25,563)
		(404,184)	**(431,209)**
Depreciation and amortisation		(39,674)	(40,938)
Cost of sales		**(443,858)**	**(472,147)**
Gross profit		**174,229**	**150,039**
Other income			
Before significant items	9	17,038	15,184
Significant items	7	116,175	–
		133,213	15,184
Selling and distribution expenses		**(71,330)**	**(66,373)**
Other expenses			
Before significant items		(5,014)	(4,329)
Significant items	7	(29,490)	(41,944)
	10	**(34,504)**	**(46,273)**
Administrative expenses			
Before significant items		(12,914)	(13,053)
Significant items	7	(162,682)	(5,778)
		(175,596)	**(18,831)**
Profit before financing income/(expense)		**26,012**	**33,746**
Financial income			
Before significant items		11,229	9,169
Significant items	7	23,867	8,602
	12	**35,096**	**17,771**
Financial expenses			
Before significant items		(25,681)	(17,770)
Significant items	7	(21,525)	(24,922)
	12	**(47,206)**	**(42,692)**
Net financing expense	**12**	**(12,110)**	**(24,921)**
Profit before tax		**13,902**	**8,825**

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012

In thousands of AUD ($'000)	Note	Consolidated 2012	Consolidated 2011
Profit before tax		**13,902**	**8,825**
Income tax expense			
Before significant items		(37,270)	(25,130)
Significant items	7	85,907	26,251
	13(a)	**48,637**	**1,121**
Net profit for the year		**62,539**	**9,946**
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		9,416	136,440
Change in fair value of cash flow hedges transferred to profit and loss		(53,436)	(92,244)
Income tax on items of other comprehensive income	13(b)	13,206	(13,259)
Other comprehensive (loss)/income for the year, net of tax		**(30,814)**	**30,937**
Total comprehensive income for the year		**31,725**	**40,883**
Net Profit attributable to:			
Owners of the parent		62,539	9,946
Non-controlling interests		–	–
		62,539	**9,946**
Total comprehensive income attributable to:			
Owners of the parent		31,725	40,883
Non-controlling interests		–	–
		31,725	**40,883**
Earnings per share:			
Basic earnings per share (cents per share)	36	10.9	2.0
Diluted earnings per share (cents per share)	36	10.9	2.0

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 2012

In thousands of AUD ($'000)	Note	Consolidated 2012	Consolidated 2011
Assets			
Cash and cash equivalents	14	513,625	207,602
Trade and other receivables	15	70,192	92,365
Inventories	16	37,973	25,886
Investments	18	6,899	14,866
Current tax receivable	13	7,530	9,957
Deferred stripping		99,601	55,619
Derivative financial instruments	17	6,274	55,998
Total current assets		**742,094**	**462,293**
Trade and other receivables	15	11,128	2,702
Investments	18	5,628	1,210
Property, plant and equipment	19	2,954,158	936,987
Exploration and evaluation	20	506,069	9,422
Intangible assets	21	102,540	49,781
Total non-current assets		**3,579,523**	**1,000,102**
Total assets		**4,321,617**	**1,462,395**
Liabilities			
Trade and other payables	22	252,860	154,264
Interest-bearing loans and borrowings	23	294,416	49,436
Employee benefits	24	11,639	8,789
Deferred income		–	355
Provisions	25	5,550	4,932
Derivative financial instruments	17	2,053	7,208
Total current liabilities		**566,518**	**224,984**
Non-current liabilities			
Interest-bearing loans and borrowings	23	195,030	129,157
Deferred tax liabilities	13	78,770	38,621
Provisions	25	70,209	29,097
Total non-current liabilities		**344,009**	**196,875**
Total liabilities		**910,527**	**421,859**
Net assets		**3,411,090**	**1,040,536**

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2012

In thousands of AUD ($'000)	Note	Consolidated 2012	Consolidated 2011
Equity			
Issued capital	26(a)	3,116,769	591,339
Share-based payments reserve		67,696	24,358
Hedge reserve		2,962	33,776
Retained earnings		181,337	391,063
Equity attributable to owners of the parent		**3,368,764**	**1,040,536**
Non-controlling interest		42,326	–
Total equity attributable to equity holders of the parent		**3,411,090**	**1,040,536**

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 2012

Consolidated In thousands of AUD ($'000)	Note	Issued Capital	Share-based payments reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
Opening balance at 1 July 2010		**591,176**	**17,927**	**2,839**	**411,234**	**1,023,176**	**–**	**1,023,176**
Profit for the period		–	–	–	9,946	9,946	–	9,946
Other comprehensive income		–	–	30,937	–	30,937	–	30,937
Total comprehensive income for the period		–	–	30,937	9,946	40,883	–	40,883
Transactions with owners in their capacity as owners:								
Dividends paid	26	–	–	–	(30,117)	(30,117)	–	(30,117)
Share-based payments	33	–	6,431	–	–	6,431	–	6,431
Share options exercised	26	167	–	–	–	167	–	167
Costs of shares issued, net of tax	26	(4)	–	–	–	(4)	–	(4)
Closing balance at 30 June 2011		**591,339**	**24,358**	**33,776**	**391,063**	**1,040,536**	**–**	**1,040,536**
Opening balance at 1 July 2011		**591,339**	**24,358**	**33,776**	**391,063**	**1,040,536**	**–**	**1,040,536**
Profit for the period		–	–	–	62,539	62,539	–	62,539
Other comprehensive income		–	–	(30,814)	–	(30,814)	–	(30,814)
Total comprehensive income for the period		–	–	(30,814)	62,539	31,725	–	31,725
Transactions with owners in their capacity as owners:								
Dividends paid	26	–	–	–	(272,265)	(272,265)	–	(272,265)
Share-based payments	33	–	10,420	–	–	10,420	–	10,420
Acquisition of subsidiary	26	2,509,988	32,918	–	–	2,542,906	87,764	2,630,670
Acquisition of non-controlling interest		–	–	–	–	–	(45,438)	(45,438)
Share options exercised	26	16,200	–	–	–	16,200	–	16,200
Costs of shares issued, net of tax	26	(758)	–	–	–	(758)	–	(758)
Closing balance at 30 June 2012		**3,116,769**	**67,696**	**2,962**	**181,337**	**3,368,764**	**42,326**	**3,411,090**

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 2012

In thousands of AUD ($'000)	Note	Consolidated 2012	Consolidated 2011
Cash flows from operating activities			
Cash receipts from customers		629,321	656,836
Cash paid to suppliers and employees		(626,865)	(536,510)
Cash generated from operations		**2,456**	**120,326**
Cash paid in respect of transaction costs		(57,491)	–
Interest paid		(24,540)	(14,891)
Interest received		5,968	7,009
Income taxes refunded/(paid)		2,427	(33,075)
Net cash from/(used in) operating activities	**31**	**(71,180)**	**79,369**
Cash flows from investing activities			
Proceeds from sell down of Narrabri project		44,130	190,866
Proceeds from sell down of Maules Creek JV (net of cash disposed)		369,461	–
Proceeds from sale of property, plant and equipment		86	949
Acquisition of property, plant and equipment		(267,169)	(225,347)
Acquisition of intangible assets		(152)	(8,044)
Acquisition of investments		–	(37,365)
Proceeds from sale of investments		8,464	22,499
Exploration and evaluation expenditure		(11,183)	(4,078)
Cash acquired on business combinations		207,399	–
Contract guarantee security		669	–
Proceeds from repayments of loans advanced		2,111	8,707
Loans advanced		–	(1,693)
Net cash used in investing activities		**353,816**	**(53,506)**
Cash flows from financing activities			
Proceeds from the exercise of share options	26	16,200	167
Proceeds from issue of share capital to non-controlling interests		7,673	–
Transaction costs paid on issue of share capital		(1,083)	(6)
Proceeds from borrowings		351,949	90,677
Repayment of borrowings		(62,114)	(2,207)
Payment of finance lease liabilities		(16,973)	(17,824)
Dividends paid	26	(272,265)	(30,117)
Net cash from/(used in) financing activities		**23,387**	**40,690**
Net increase in cash and cash equivalents		306,023	66,553
Cash and cash equivalents at 1 July		207,602	141,049
Cash and cash equivalents at 30 June	**14**	**513,625**	**207,602**

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 2012 was authorised for issue in accordance with a resolution of the directors on 14 September 2012. 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 28, 259 George Street, Sydney NSW 2000. The Company is a for-profit entity, and 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 2011.

- AASB 124 Related Party Disclosures (Revised)
- 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]
- 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]
- 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]
- AASB 1054 Australian Additional Disclosures
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

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

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

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.

Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

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

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

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

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 but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale. The adoption of this amendment 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)

(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 2012 are outlined below:

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. 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 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. Consequential amendments were also made to other standards via AASB 2011-7. 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 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.

Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128. 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 12 Disclosure of Interests in Other Entities

AASB 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 judgments 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.

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 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. It also expands the disclosure requirements for all assets or liabilities carried at fair value. Consequential amendments were also made to other standards via AASB 2011-8. 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 119 Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The revised standard also changes the definition of short-term employee benefits. Consequential amendments were also made to other standards via AASB 2011-10. 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.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the 'stripping activity asset'.

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

Consequential amendments were also made to other standards via AASB 2011-12. The amendments become effective for the consolidated entity's 30 June 2014 financial statements. The consolidated entity currently includes capitalised stripping costs in deferred stripping in the statement of financial position. Depreciation of the asset is currently calculated using the estimated average stripping ratio for the area being mined. The amendments may have an impact on the calculation of depreciation of capitalised stripping costs. The consolidated entity has not yet quantified the potential impact of the amendments on the consolidated entity's financial report.

Annual Improvements to IFRSs 2009–2011 Cycle

This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

IFRS 1 First-time Adoption of International Financial Reporting Standards
- Repeated application of IFRS 1
- Borrowing costs

IAS 1 Presentation of Financial Statements
- Clarification of the requirements for comparative information

IAS 16 Property, Plant and Equipment
- Classification of servicing equipment

IAS 32 Financial Instruments: Presentation
- Tax effect of distribution to holders of equity instruments

IAS 34 Interim Financial Reporting
- Interim financial reporting and segment information for total 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)

New accounting standards and interpretations (continued)

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

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. 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 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The amendments become effective for the consolidated entity's 30 June 2016 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

a) Basis of consolidation

The consolidated financial report of the Company for the financial year ended 30 June 2012 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Inventories

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

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

Inventory are classified as follows:

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

g) Derivative financial instruments

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

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured to fair value. Any gains and losses arising from changes in the fair value of derivatives are accounted for as described below:

- The fair values of forward exchange contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.
- All attributable transaction costs are recognised in the 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 forecast sales and purchases 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 and asset purchases) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investments and other financial assets

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

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

Recognition and derecognition

Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

i) Property, plant and equipment

(i) Recognition and measurement

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

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

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'.

Assets are deemed to be commissioned when they are capable of operating in the manner intended by management, and amortisation starts from this date.

(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 – 50%
• leased plant and equipment	3 – 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 reserves at fair value at acquisition date. Correspondingly, revenue from the sale of Narrabri development coal is capitalised on the statement of financial position until longwall production reaches operational levels.

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.

(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.

(vi) Goodwill

Goodwill is recognised when the fair value of consideration paid for a business combination exceeds the fair value of the Group's share of the identifiable net assets acquired. Goodwill is not amortised, however its carrying amount is assessed annually for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Deferred stripping costs

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

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

m) Leases

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

Consolidated entity as lessee

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

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

(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').

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Revenue from the sale of Narrabri development coal is being offset against development costs capitalised on the statement of financial position until longwall production reaches operational levels.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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) Mineral Resource Rent Tax (MRRT)

On 19 March 2012, the Australian Government passed through the Senate the Minerals Resource Rent Tax Act 2012, with application to certain profits arising from the extraction of iron ore and coal in Australia. MRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, the current and deferred MRRT expense is measured and disclosed on the same basis as income tax. The MRRT is effective from 1 July 2012 however as financial reporting considerations must be made from the date of Royal Assent, the Group has recognised the impact of deferred tax originating from MRRT as at 30 June 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Income tax (continued)

(ii) 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.

(iii) 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.

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

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

Intangible assets

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

Inventories

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

Derivatives

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

The fair value of foreign currency options is the estimated amount the consolidated entity would pay or receive to terminate the derivative at the balance 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 and 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, incorporating the probability of the performance hurdles being met (for Share Acquisition Rights).

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.

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

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 (including MRRT)

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.

Mineral Resource Rent Tax (MRRT)

The MRRT legislation allows for a starting base allowance, which will be amortised and applied against the future MRRT liability. The starting base allowance is calculated as the market value of the mining and pre-mining project interests and underlying upstream project assets as at 1 May 2010. The starting base is designed to recognise investments in assets that relate to the upstream activities of a mining project interest or pre-mining project interest (starting base assets) that existed before 2 May 2010. For accounting purposes, the starting base allowance represents the MRRT tax base of the mining project interest or pre-mining project interest. The market value of the starting base was determined using a discounted cash flow methodology that requires significant judgements and estimates including:

- forecast production profiles;
- forecast future coal prices determined with reference to independent resource sector analysts;
- the calculation of appropriate discount rates;
- expected royalty rates payable; and
- the reserves estimates for the mines.

Australian Government's Carbon Pricing Mechanism

The Australian Government's *Clean Energy Act 2011* introduced a Carbon Pricing Mechanism beginning on July 1st, 2012. The carbon price 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 re-assessed the potential impact in its impairment testing at 30 June 2012, 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 2012 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 and debt. 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.

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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Foreign currency risk (continued)

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 2012 was $4,221,000 (2011: $48,790,000), comprising assets and liabilities that were recognised as fair value derivatives.

At 30 June 2012, 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 2012	USD 30 June 2011
Cash	31,801	33,517
Trade and other receivables	27,582	68,186
Trade and other payables	(5,086)	(25,135)
Finance lease liabilities	(11,421)	(15,566)
Net statement of financial position exposure	**42,876**	**61,002**

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	2012	2011	2012	2011
USD	1.0319	0.9881	1.0191	1.0739
EUR	0.7707	0.7245	0.8092	0.7405

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 2011.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or loss
30 June 2012		
USD	13,288	(3,825)
EUR	(606)	–
30 June 2011		
USD	18,057	(5,164)
EUR	(1,587)	–

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 2011.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or loss
30 June 2012		
USD	(16,241)	4,207
EUR	606	–
30 June 2011		
USD	(22,070)	5,680
EUR	1,587	–

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Credit risk

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

Exposure to credit risk

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

In thousands of AUD	Note	Carrying amount 2012	Carrying amount 2011
Cash and cash equivalents	14	513,625	207,602
Trade and other receivables	15	81,320	95,067
Derivative financial instruments	17	6,274	55,998
Investments	18	12,527	16,076
		613,746	**374,743**

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

In thousands of AUD	Carrying amount 2012	Carrying amount 2011
Asia	25,505	14,990
Europe	15	1,687
Australia	12,352	11,510
	37,872	**28,187**

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 48.3% of the consolidated entity's revenue is attributable to sales transactions with three customers (2011: 40.7% 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, 0% (2011: 44%) 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 2012 (2011: Nil).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Credit risk (continued)

Impairment losses

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

In thousands of AUD	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	31,614	–	23,616	–
Past due 0-30 days	4,051	–	2,409	–
Past due 31-120 days	1,296	–	2,140	–
Past due 121 days to one year	874	–	6	–
More than one year	37	–	16	–
	37,872	**–**	**28,187**	**–**

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 $135,000,000 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 2012						
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	83,501	108,182	11,413	10,616	20,676	29,862	35,615
Interest-bearing liabilities	405,945	417,907	275,822	6,702	25,587	104,454	5,342
Trade and other payables	252,860	252,860	241,735	10,000	1,125	–	–
Forward exchange contracts:							
Outflow	152,584	154,690	103,756	50,934	–	–	–
Inflow	(156,804)	(158,985)	(106,375)	(52,610)	–	–	–
	738,086	**774,654**	**526,351**	**25,642**	**47,388**	**134,316**	**40,957**

	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**

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	2012	2011
Fixed rate instruments		
Financial liabilities	(83,501)	(132,263)
	(83,501)	**(132,263)**
Variable rate instruments		
Financial assets	513,625	207,602
Financial liabilities	(405,945)	(46,330)
	107,680	**161,272**
Net exposure (post tax)	**24,179**	**29,009**

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 2011.

	Profit or loss	
Effect in thousands of AUD	100bp increase	100bp decrease
30 June 2012		
Variable rate instruments	1,077	(1,077)
Cash flow sensitivity (net)	**1,077**	**(1,077)**
30 June 2011		
Variable rate instruments	1,613	(1,613)
Cash flow sensitivity (net)	**1,613**	**(1,613)**

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.

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 Group held the following financial instruments carried at fair value in the statement of financial position:

In thousands of AUD	30 June 2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Forward exchange contracts – receivable	6,274	–	6,274	–
Equity shares	5,628	4,418	–	1,210
Preference shares	6,899	–	–	6,899
Liabilities measured at fair value				
Forward exchange contracts – payable	(2,053)	–	(2,053)	–

	30 June 2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Forward exchange contracts – receivable	55,998	–	55,998	–
Equity shares	1,210	–	–	1,210
Preference shares	14,866	–	–	14,866
Liabilities measured at fair value				
Forward exchange contracts – payable	(7,208)	–	(7,208)	–

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 listed shares is classified under level 1 in the fair value measurement hierarchy (refer note 18).

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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Net Fair Values (continued)

The Group holds preference shares and equity shares as available for sale financial instruments classified as level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

Reconciliation of fair value measurements of Level 3 financial instruments

In thousands of AUD	Unlisted shareholder loan notes	Unlisted preference shares	Unlisted shares
At 1 July 2010	–	–	1,210
Purchases	22,499	14,866	–
Sales	(22,499)	–	–
At 30 June 2011	**–**	**14,866**	**1,210**
At 1 July 2011	–	14,866	1,210
Sales	–	(8,464)	–
Total gains and losses recognised in OCI including FX	–	497	–
At 30 June 2012	**–**	**6,899**	**1,210**

Financial assets and liabilities by categories

In thousands of AUD		2012			2011		
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	513,625	–	–	207,602	–	–
Trade and other receivables	15	81,320	–	–	95,067	–	–
Investments	18	–	11,317	1,210	–	14,866	1,210
Other financial assets[2]		–	–	6,274	–	–	55,998
Total financial assets		**594,945**	**11,317**	**7,484**	**302,669**	**14,866**	**57,208**
Financial liabilities							
Trade and other payables	22	252,860	–	–	154,264	–	–
Borrowings	23	489,446	–	–	178,593	–	–
Other financial liabilities[2]		–	–	2,053	–	–	7,208
Total financial liabilities		**742,306**	**–**	**2,053**	**332,857**	**–**	**7,208**

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 $6.3 million (2011: $56.0 million) relating to derivatives that qualified as being in a hedging relationship. Similarly, other financial liabilities include amounts of $2.1 million (2011: $7.2 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 2012 and 30 June 2011. 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 2012			
Revenue			
Sales to external customers	621,093	25,337	646,430
Total segment revenue	**621,093**	**25,337**	**646,430**
Capitalisation of Narrabri development production revenue			(25,337)
Difference in treatment of foreign exchange on hedges			(3,006)
Total revenue per statement of comprehensive income			**618,087**
Result			
Segment result	150,690	–	150,690
Depreciation and amortisation			(39,674)
Income tax expense (excluding significant items)			(37,270)
Significant items after income tax			4,758
Net interest expense			(15,965)
Net profit after tax per statement of comprehensive income			**62,539**

Capital expenditure for the year amounted to $64,191,000 for open cut operations and $54,766,000 for underground operations.

6. SEGMENT REPORTING (CONTINUED)

In thousands of AUD	Open cut operations	Underground operations	Total
Year ended 30 June 2011			
Revenue			
Sales to external customers	651,416	10,087	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 credit (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**

Capital expenditure for the year amounted to $55,336,000 for open cut operations and $104,426,000 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	2012	2011
Total segment revenue		
China	61,688	79,043
Japan	203,619	233,754
India	52,886	17,781
Korea	13,567	–
Taiwan	84,615	96,653
UK	111,652	111,753
USA	19,269	–
Other	16,652	11,599
Australia[1]	58,426	91,265
Domestic	24,056	19,655
Total revenue	**646,430**	**661,503**

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

Total revenue by product		
Thermal	426,287	469,781
PCI	196,087	171,878
Domestic	24,056	19,844
Total revenue	**646,430**	**661,503**

Major customers

The Group has three major customers which account for 48.32% of external revenue.

7. SIGNIFICANT ITEMS

In thousands of AUD	Consolidated 2012	Consolidated 2011
Net profit for the year	62,539	9,946
Add back significant items:		
Gain on sale of joint venture interest[1]	(116,175)	–
Loss on coal trading for legacy contracts[2]	29,416	65,405
Share based compensation[3]	7,568	2,102
Due diligence costs and project costs[4]	41,377	5,778
Claim settlement[5]	1,514	–
Impairment of goodwill from acquisition of Boardwalk Resources[6]	119,791	–
Financial income on EDF receivable[7]	(23,867)	(8,602)
Finance costs on retranslation of EDF receivable[7]	21,525	24,922
Significant items before tax	**81,149**	**89,605**
Applicable income tax expense/(benefit)	15,593	(26,251)
Initial recognition of MRRT starting base temporary differences[8]	(101,500)	–
Significant items after tax	**(4,758)**	**63,354**
Net profit before significant items	57,781	73,300
Reconciliation of significant items to face of statement of comprehensive income:		
Operating expenses:		
Loss on coal trading for legacy contracts[2] – purchased coal	(7,494)	(25,563)
Other income:		
Gain on sale of joint venture interest[1]	116,175	–
Other expenses:		
Loss on coal trading for legacy contracts[2] – contract settlements	(21,922)	(39,842)
Share-based payment expense[3]	(7,568)	(2,102)
	(29,490)	**(41,944)**
Administrative expenses:		
CSN settlement[5]	(1,514)	–
Impairment of goodwill from acquisition of Boardwalk Resources[6]	(119,791)	–
Due diligence costs and project costs[4]	(41,377)	(5,778)
	(162,682)	**(5,778)**
Financial income		
Unwinding of discount on EDF receivable[7]	–	6,052
Net unrealised foreign exchange gain on translation of EDF receivable[7]	23,867	2,550
	23,867	8,602
Financial expenses		
Net realised foreign exchange losses on EDF receipts[7]	(21,525)	(24,922)
Significant items before tax	**(81,149)**	**(89,605)**

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.

7. SIGNIFICANT ITEMS (CONTINUED)

1 During the year, the Company sold a 10% joint venture interest in the Maules Creek Project to J-Power Australia Limited (J-Power), a wholly owned subsidiary of Electric Power Development Co. Ltd., for A$370 million, realising a gain on sale of $116.2 million. The sale takes the Company's interest in the project down to 75%.

2 During the prior 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 was made. During the year ended 30 June 2012, further coal purchases and contract settlements were required to fulfil legacy contracts, over and above what had been taken up in the prior year provision. These additional purchases and financial settlements resulted in a significant loss before tax of $29.4 million, made up of $7.5m of losses on sales of purchased coal and $21.9m of losses on contract settlements.

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. In addition, as a result of the acquisition of Boardwalk Resources the Company issued shares to key employees of Boardwalk in lieu of proposed long-term incentive arrangements and issued share options to key management persons.

4 During the year the Group undertook due diligence on a number of projects in relation to corporate and asset transactions. The majority of these costs relate to the acquisition of Boardwalk Resources ($7.7m) and the merger with Aston Resources ($31.0m) as well as the acquisition of Coalworks ($2.7m).

5 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.

6 Following the acquisition of Boardwalk Resources the company was required to undertake a fair value exercise of the assets and liabilities acquired. It was identified that the consideration paid by the Company was greater than the fair value of identifiable net assets acquired. The balance was initially booked as goodwill and subsequently impaired. Goodwill arose predominately from the requirements that consideration be based on the share price of Whitehaven at the date control changed which was significantly higher than at the time of the offer. In addition, accounting standards also require contingent consideration to be recorded at acquisition assuming that such amounts will be paid, adjusted for probability.

7 A receivable arising on a previous sell down of the Narrabri North Project was denominated in US$ and discounted on initial recognition. At the reporting date the receivable had been fully unwound and a net foreign exchange gain realised on receipt of the outstanding amounts in the current year.

8 During the year the federal government implemented the Mineral Resources Rent Tax regime. Under the requirements of AASB 112, the initial recognition of temporary differences between book and tax starting base values is required to be brought to account. In undertaking its starting base valuation the Company has identified temporary differences which result in the recognition of an MRRT deferred tax asset of $145.0m and a corporate tax deferred tax liability of $43.5m. The net amount of $101.5m has been recognised as an income tax benefit in the year ended 30 June 2012.

8. REVENUE

In thousands of AUD	Consolidated 2012	2011
Sale of coal	618,087	622,186

9. OTHER INCOME

In thousands of AUD	Consolidated 2012	2011
Before significant items:		
Hire of plant	4,947	4,548
Rental income	529	1,027
Gain on Sale of Non-Current assets	–	294
Unrealised gain on investments	4,766	–
Sundry income[1]	6,796	9,315
	17,038	**15,184**
Significant items:		
Gain on sale of interest in Maules Creek JV[2]	116,175	–
	116,175	**–**

1 Included within sundry income is $6.0 million (2011: $6.1 million) of the Group's share of income from the Blackjack Carbon Joint Venture.

2 During the year the Group sold 10% of its interest in the Maules Creek joint venture. Refer to Note 7 for further details of this transaction.

10. OTHER EXPENSES

In thousands of AUD	Consolidated 2012	2011
Payments for unfulfilled legacy contracts[1]	22,813	39,842
Share based compensation payments	10,420	6,431
Loss on sale of non current assets	1,271	–
	34,504	**46,273**

1 This expense relates to the cost of financial settlements of legacy contracts which could not be filled with either Whitehaven coal or purchased coal. These legacy contracts are fixed price, term contracts entered into in 2005-06 with various coal trading companies, and have now been fully settled.

11. PERSONNEL EXPENSES

In thousands of AUD	Consolidated 2012	2011
Wages and salaries	70,623	53,989
Contributions to superannuation plans	5,468	4,988
Other associated personnel expenses	4,119	2,404
Increase in liability for annual leave	1,452	1,329
Increase in liability for long-service leave	172	100
Share-based compensation payments	10,420	6,431
	92,254	**69,241**

12. FINANCE INCOME AND EXPENSE

	Consolidated	
In thousands of AUD	2012	2011
Recognised in profit and loss		
Interest income on bank facilities	5,968	7,009
Dividend income	863	1,318
Net unrealised foreign exchange gain on translation of EDF receivable[1]	23,867	2,550
Net realised foreign exchange gain	4,398	–
Unwinding of discount on EDF receivable[1]	–	6,052
Gains from ineffective portion of hedges	–	842
Financial income	**35,096**	**17,771**
Interest expense on finance lease liabilities	(8,013)	(7,449)
Unwinding of discounts on provisions	(783)	(728)
Losses from ineffective portion of hedges	(549)	–
Net realised foreign exchange loss	–	(2,056)
Net unrealised foreign exchange loss	(2,417)	(1,388)
Net realised foreign exchange losses on EDF receipts[1]	(21,525)	(24,922)
Other interest charges	(13,919)	(6,149)
Financial expenses	**(47,206)**	**(42,692)**
Net financing expense	**(12,110)**	**(24,921)**
Recognised directly in equity		
Effective portion of changes in fair value of cash flow hedges	9,416	136,440
Net change in fair value of cash flow hedges transferred to profit or loss – sale of coal	(53,436)	(92,244)
Income tax on income and expense recognised directly in equity	13,206	(13,259)
Finance expense recognised directly in equity, net of tax	**(30,814)**	**30,937**

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 2012	Consolidated 2011
a) Income tax (expense)/benefit		
Current income tax – corporate tax		
Current period	51,455	18,860
Adjustment for prior periods	(443)	3,392
	51,012	**22,252**
Deferred income tax – corporate tax		
Origination and reversal of temporary differences	(163,957)	(21,131)
Deferred income tax – MRRT		
Origination and reversal of temporary differences	161,582	–
Income tax benefit reported in the statement of comprehensive income	**48,637**	**1,121**
Numerical reconciliation between tax expense recognised in the statement of comprehensive income and profit before tax		
Profit before tax	13,902	8,825
MRRT tax benefit	161,582	–
Profit after MRRT	**175,484**	**8,825**
Income tax using the Company's domestic tax rate of 30% (2011: 30%)	(52,645)	(2,648)
Non-deductible expenses:		
Share based payments	(3,126)	(1,929)
Impairment of goodwill	(35,937)	–
Transaction costs	(9,856)	–
Other non-deductible expenses	(1,074)	2,306
MRRT tax benefit	161,582	–
Initial recognition of deferred tax liabilities	(9,864)	–
Over/(Underprovided) in prior periods	(443)	3,392
Total income tax benefit	**48,637**	**1,121**
b) Income tax recognised directly in equity		
Deferred income tax related to items charged/(credited) directly to equity		
Derivatives	13,206	(13,259)
Transaction costs on issue of share capital	326	2
Income tax expense recorded in equity	**13,532**	**(13,257)**

13. INCOME TAX (CONTINUED)

c) Recognised tax assets and liabilities

	Consolidated			
In thousands of AUD	2012 Current income tax	2012 Deferred income tax	2011 Current income tax	2011 Deferred income tax
Opening balance	9,957	(38,621)	(37,514)	(12,089)
Charged to income – corporate tax	51,012	(163,957)	22,252	(21,131)
Charged to income – MRRT	–	161,582	–	–
Charged to equity	–	13,532	–	(13,257)
Recognition of DTA on acquisition	–	36,590	–	–
Recognition of DTL on acquisition – MRRT (net of corporate tax DTA)	–	(138,908)	–	–
Recognition of DTA on current year losses	(51,012)	51,012	(18,860)	18,860
Transfer between current and deferred tax	–	–	11,004	(11,004)
Payments/(receipts)	(2,427)	–	33,075	–
Closing balance	**7,530**	**(78,770)**	**9,957**	**(38,621)**
Tax expense in statement of comprehensive income:				
Charged to income		48,637		1,121
Charged to equity		13,532		(13,257)
Amounts recognised in the statement of financial position:				
Deferred tax asset		–		–
Deferred tax liability		(78,770)		(38,621)
		(78,770)		**(38,621)**

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	2012	2011	2012	2011
Corporate tax				
Property, plant and equipment	–	–	(98,458)	(46,893)
Exploration and evaluation	–	–	(36,944)	–
Receivables	–	–	(395)	(428)
Derivatives	–	–	(1,269)	(14,476)
Investments	–	–	(1,430)	(1)
Intangibles	–	–	(1,081)	–
Deferred stripping	–	–	(29,880)	(16,686)
Deferred foreign exchange gain	1,006	7,259	–	–
Provisions	27,261	12,486	–	–
Tax losses	69,872	18,860	–	–
On MRRT	11,057	–	–	–
Other items	18,349	1,258	–	–
Tax assets/(liabilities)	**127,545**	**39,863**	**(169,457)**	**(78,484)**
Set off of tax assets	(127,545)	(39,863)	127,545	39,863
Net tax assets/(liabilities)	**–**	**–**	**(41,912)**	**(38,621)**

	Consolidated			
	Assets		Liabilities	
In thousands of AUD	2012	2011	2012	2011
MRRT				
Property, plant and equipment	16,583	–	–	–
Exploration and evaluation	–	–	(57,491)	–
Other	4,050	–	–	–
Tax assets/(liabilities)	20,633	–	(57,491)	–
Set off of tax assets	(20,633)	–	20,633	–
Net tax assets/(liabilities)	**–**	**–**	**(36,858)**	**–**
Total net deferred tax asset/(liability)	**–**	**–**	**(78,770)**	**(38,621)**

13. INCOME TAX (CONTINUED)

d) 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	2012	2011
Corporate tax		
Land and mining tenements	21,530	21,530
	21,530	**21,530**
MRRT		
Starting base assets	338,590	–
	338,590	**–**

e) 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	2012	2011
Cash and cash equivalents	513,625	207,602

The weighted average interest rate for cash balances at 30 June 2012 is 3.88% (2011: 4.01%).

15. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	37,872	28,187
Other receivables and prepayments	21,314	55,362
Receivables due from related parties	11,006	8,816
	70,192	**92,365**
Non-current		
Other receivables and prepayments	**11,128**	**2,702**

Included in Current Other Receivables is an amount of $nil (2011: $41,787,000), relating to consideration due on the sell down of the Narrabri North project. For further details of this transaction please refer to note 7.

16. INVENTORIES

Coal stocks (at net realisable value)	695	–
Coal stocks (at cost)	25,782	19,912
Consumables and stores	11,496	5,974
	37,973	**25,886**

17. DERIVATIVE FINANCIAL INSTRUMENTS

Current assets		
Forward exchange contracts – receivable	**6,274**	**55,998**
Current liabilities		
Forward exchange contracts – payable	**2,053**	**7,208**

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, and has made specific capital purchases in Euros. In order to protect against exchange rate movements and reduce the foreign exchange rate related volatility of the consolidated entity's revenue and purchase streams, the consolidated entity enters into forward exchange contracts to sell US dollars and buy Euros in the future at stipulated exchange rates. Forward exchange contracts are entered for future sales undertaken in US dollars, and future purchases undertaken in Euros.

The contracts are timed to mature when funds for coal sales are forecast to be received, and when amounts for capital purchases are forecast to be paid. At 30 June 2012, 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 2012	Average exchange rates 2012	Fair value 2011	Average exchange rates 2011
Sell US dollars				
Less than 6 months	4,637	0.9694	39,572	0.8614
6 months to 1 year	1,637	0.9694	16,426	0.9349
	6,274	**0.9694**	**55,998**	**0.8945**
Buy Euros				
Less than 6 months	(2,053)	0.5443	(7,208)	0.5707
	(2,053)	**0.5443**	**(7,208)**	**0.5707**

The ineffectiveness recognised in financial expenses in the income statement for the current year was $549,000 (see Note 12). The cumulative effective portion of $3,735,000 is reflected in other comprehensive income. The recycling of amounts from the hedge reserve to the income statement for future sales of $53,436,000, and to the balance sheet for future purchases of $5,681,000, has been recognised in revenue and property, plant and equipment respectively.

18. INVESTMENTS

In thousands of AUD	Consolidated 2012	Consolidated 2011
Current investments		
Investment in unlisted preference shares	6,899	14,866
Non-current investments		
Investment in unlisted shares	1,210	1,210
Investment in listed shares	4,418	–
	5,628	**1,210**

During the year the Group disposed of $8.0m in preference shares. In the prior 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 prior 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 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**
Balance at 1 July 2011		71,680	248,062	149,359	606,918	1,076,019
Additions		9,462	69,382	–	159,309	238,153
Transfer to plant and equipment		–	31,465	(31,465)	–	–
Disposals		(3,115)	(2,475)	–	(237,895)	(243,485)
Acquisitions on business combinations	39	47,322	9,135	–	2,005,137	2,061,594
Balance at 30 June 2012		**125,349**	**355,569**	**117,894**	**2,533,469**	**3,132,281**
Depreciation						
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)**
Balance at 1 July 2011		–	(47,836)	(41,977)	(49,219)	(139,032)
Depreciation charge for the year		–	(17,787)	(10,194)	(11,574)	(39,555)
Transfer to plant and equipment		–	(17,757)	17,757	–	–
Disposals		–	642	–	725	1,367
Acquisitions on business combinations	39	–	(903)	–	–	(903)
Balance at 30 June 2012		**–**	**(83,641)**	**(34,414)**	**(60,068)**	**(178,123)**
Carrying amounts						
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**
At 1 July 2011		71,680	200,226	107,382	557,698	936,987
At 30 June 2012		**125,349**	**271,928**	**83,480**	**2,473,401**	**2,954,158**

Leased plant and machinery

The consolidated entity leases mining equipment under a number of finance lease agreements. At 30 June 2012, the consolidated entity's net carrying amount of leased plant and machinery was $83,480,000 (2011: $107,382,000). 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 2010	5,344	–
Exploration and evaluation expenditure	4,078	–
Balance at 30 June 2011	**9,422**	**–**
Balance at 1 July 2011	9,422	–
Exploration and evaluation expenditure	11,184	–
Acquisitions on business combinations	492,103	–
Disposals	(6,640)	–
Balance at 30 June 2012	**506,069**	**–**

Exploration and evaluation assets

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

21. INTANGIBLE ASSETS

In thousands of AUD	Consolidated 2012	2011
Water access rights	7,626	4,063
Acquired haulage rights	1,300	1,300
Less: accumulated amortisation	(701)	(548)
Marketing commission rights[1]	6,687	6,687
Less: accumulated amortisation	(3,083)	(1,317)
Rail access rights[2]	–	39,596
Goodwill[3]	90,711	–
	102,540	**49,781**

The carrying amounts of water access rights, are reviewed at each balance date to determine whether there is any indication of impairment. When reviewing for indicators of impairment, the Group considers mining plans, project approvals and market values, among other factors.

In thousands of AUD	Consolidated Water access rights	Contract related intangible	Rail access rights	Marketing commission rights	Goodwill	Total
Movement in intangibles						
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**
Balance at 1 July 2011	4,063	752	39,596	5,370	–	49,781
Acquired during the year	994	–	1,571	–	–	2,565
Less: Accumulated amortisation	–	(153)	–	(1,766)	–	(1,919)
Acquisitions on business combinations	2,912	–	–	–	222,110	225,022
Disposals	(343)	–	–	–	(11,608)	(11,951)
Written off during the year	–	–	(41,167)[2]	–	(119,791)	(160,958)
Balance at 30 June 2012	**7,626**	**599**	**–**	**3,604**	**90,711**	**102,540**

1 During the prior year the consolidated entity acquired marketing commission rights (refer to note 39). The marketing commission rights were assessed as having a finite useful life and are being 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 During the current year, rail access rights held with Australian Rail Track Corporation were renegotiated and now fall under a Take or Pay agreement. The previously recognised intangible asset and related debt were extinguished as a result.

3 Goodwill of $29.9m, $64.8m and $7.6m arise at the acquisition of Boardwalk, Aston and Coalworks as a result of the recognition of deferred taxes as part of the purchase price accounting.

22. TRADE AND OTHER PAYABLES

In thousands of AUD	Consolidated 2012	2011
Current		
Trade payables	36,571	58,855
Other payables and accruals[1]	215,164	60,745
Deferred purchase consideration[2]	1,125	34,664
	252,860	**154,264**

1 Other payables and accruals include an amount of $112.3m payable for the acquisition of Coalworks under the offer made to Coalworks shareholders prior to year end.

2 Deferred purchase consideration in the prior year 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 paid all outstanding amounts in respect of 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	2012	2011
Current liabilities		
Finance lease liabilities	15,173	15,169
Secured bank loans	13,944	–
Unsecured bank loans	265,299	–
Other loans unsecured	–	34,267
	294,416	**49,436**
Non-current liabilities		
Finance lease liabilities	68,328	82,827
Secured bank loans	–	46,330
Unsecured bank loans	126,702	–
	195,030	**129,157**
Total interest-bearing liabilities	**489,446**	**178,593**
Financing facilities		
Secured bank loans	13,944	95,595
Unsecured bank loans	887,540	–
	901,484	**95,595**
Facilities utilised at reporting date		
Secured bank loans	13,944	46,330
Unsecured bank loans	392,001	–
	405,945	**46,330**
Facilities not utilised at reporting date		
Secured bank loans	–	49,265
Unsecured bank loans	495,539	–
	495,539	**49,265**

Financing facilities

In August 2011, the consolidated entity refinanced its existing bank facility with a series of unsecured bilateral facilities with credit lines of $350m and a five year tenor, and also transitioned existing secured banking facilities to the same unsecured terms. The consolidated entity expanded its debt facilities in December 2011 with an additional unsecured facility with credit lines of $450m and a one year tenor.

As a result of the acquisition of Coalworks Limited, the consolidated entity inherited a bank facility of $13.9m which is secured over land of the same value. This facility matures in October 2012.

Finance lease facility

At 30 June 2012, the consolidated entity's lease liabilities are secured by the leased assets of $83,480,000 (2011: $107,382,000), as in the event of default, the leased assets revert to the lessor.

23. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

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

	Consolidated					
In thousands of AUD	Minimum lease payments 2012	Interest 2012	Principal 2012	Minimum lease payments 2011	Interest 2011	Principal 2011
Less than one year	22,029	6,793	15,236	23,136	7,967	15,169
Between one and five years	50,538	16,312	34,226	66,942	19,807	47,135
More than five years	35,615	1,576	34,039	40,496	4,804	35,692
	108,182	**24,681**	**83,501**	**130,574**	**32,578**	**97,996**

24. EMPLOYEE BENEFITS

	Consolidated	
In thousands of AUD	2012	2011
Current		
Salaries and wages accrued	4,226	2,998
Liability for long service leave	386	215
Liability for annual leave	7,027	5,576
	11,639	**8,789**

25. PROVISIONS

Mine rehabilitation and closure	42,402	30,746
Onerous contracts	–	3,283
Take or Pay	27,751	–
Other provisions	5,606	–
	75,759	**34,029**
Current	5,550	4,932
Non-current	70,209	29,097
	75,759	**34,029**

In thousands of AUD	Mine rehabilitation and closure	Onerous contracts	Take or Pay	Other provisions
Movement in provisions				
Balance at 1 July 2011	30,746	3,283	–	–
Provisions made during the period	11,072	–	–	–
Provisions used during the period	(199)	(3,283)	–	–
Acquisitions on business combinations	–	–	31,451	5,606
Disposals	–	–	(3,700)	–
Unwind of discount	783	–	–	–
Balance at 30 June 2012	**42,402**	**–**	**27,751**	**5,606**

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 2012	Consolidated 2011
a) Share capital		
Fully paid ordinary shares 1,013,190,387 (2011: 493,816,735)	3,116,769	591,339

b) Movements in shares on issue

Ordinary shares

	Consolidated			
	2012		2011	
	Nos of shares 000's	$000's	Nos of shares 000's	$000's
Beginning of the financial year	493,817	591,339	493,650	591,176
Exercise of share options	8,200	16,200	167	167
Exercise of share acquisition rights	1,967	–		
Share based payments (Boardwalk employees)	400	–		
Issued on acquisition of Boardwalk Resources Ltd[1]	119,905	495,480	–	–
Issued on merger with Aston Resources Ltd	388,901	2,014,508	–	–
Costs of shares issued, net of tax	–	(758)	–	(4)
	1,013,190	**3,116,769**	**493,817**	**591,339**

1 The shares issued as consideration for the acquisition of Boardwalk Resources Ltd included 34,020,000 milestone shares. The milestone shares are fully paid ordinary shares subject to the terms of a restriction deed which removes their entitlements to vote, receive dividends as declared or participate in the proceeds from the sale of all surplus assets until such time as certain milestones are met.

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. Under the terms of the acquisition of Boardwalk Resources Limited, certain ordinary shares are subject to a restriction deed which removes their entitlement to vote, receive dividends as declared or participate in the proceeds from the sale of all surplus assets. These restrictions will be released on reaching certain milestones.

d) Hedge reserve

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

e) Share-based payment reserve

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

26. SHARE CAPITAL AND RESERVES (CONTINUED)

f) Dividends

	Consolidated	
In thousands of AUD	2012	2011
Recognised amounts		
Declared and paid during the year:		
Final franked dividend for 2011: 4.1c (2010:2.8c)	20,273	13,822
Interim franked dividend for 2012: nil (2011: 3.3c)	–	16,295
Special franked dividend for 2012: 50.0c (2011: nil)	251,992	–
	272,265	**30,117**
Unrecognised amounts		
Final franked dividend for 2012: 3.0c (2011: 4.1c)	**29,375**	**20,273**

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 2012 but will be brought to account in the year ending 30 June 2013.

Dividend franking account

	The Company	
In thousands of AUD	2012	2011
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	14,779	101,723

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 (2011: $nil) franking credits.

	The Company	
In thousands of AUD	2012	2011
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	(12,589)	(8,689)

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 2012 are as follows:

	Consolidated	
In thousands of AUD	2012	2011
Less than one year	5,541	3,727
Between one and five years	3,285	988
More than five years	79	–
	8,905	**4,715**

Leases as lessor

The consolidated entity leases out land it will use for future mining operations under operating leases. At 30 June 2012 $53,060,000 (2011: $32,612,000) of land was leased under these operating leases.

28. CAPITAL EXPENDITURE COMMITMENTS

	Consolidated	
In thousands of AUD	2012	2011
Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	33,541	55,866
One year or later and no later than five years	178,395	–
	211,936	**55,866**

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	2012	2011
Within one year	9,609	–
One year or later and no later than five years	5,275	6,495
	14,884	**6,495**

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	2012	2011
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	28,559	26,079
(ii) The consolidated entity provided bank guarantees to Australian Rail Track Corporation (previously to Rail Infrastructure Corporation)	20,438	38,622
(iii) The consolidated entity provided bank guarantees to the Roads and Traffic Authority of NSW	–	400
(iv) The consolidated entity provided bank guarantees to Newcastle Coal Infrastructure Group	35,590	16,920
(v) The consolidated entity provided bank guarantees to Port Waratah Coal Services Limited	29,367	6,754
(vi) The consolidated entity provided bank guarantees to Hunter Valley Energy Coal Ltd	14,432	–
(vii) The consolidated entity provided bank guarantees to various parties for office leases	905	82
	129,291	**88,857**

Tax audit

The ATO, as part of its ordinary processes in reviewing large business taxpayers, takes into account their size and complexity. The group can be expected to be subject to a high level review by the ATO in respect of ongoing taxation compliance. The ATO is currently auditing the increase in tax cost base of certain assets recorded by Whitehaven on its listing on the ASX due to tax consolidation. The audit is currently in the information gathering stage. Whitehaven directors do not believe there will be any adverse material result.

Claim from Former CEO of Aston Resources

On 12 April 2012, the former CEO of Aston Resources, Mr Hamish Collins, commenced proceedings in the Supreme Court of New South Wales against Aston Resources, a now fully owned subsidiary of Whitehaven. Mr Collins' solicitors allege that Mr Collins was entitled to 'equity participation' under the terms of his contract of employment with Aston Resources ("Claim"). While his solicitors accept that quantification of Mr Collins' Claim is 'attended by some difficulty', they allege that the Claim is valued at $157,437,500, being the amount they calculate to be equivalent in value to 5% of the midpoint of the valuations of Aston Resources' interests it acquired in the Maules Creek Project and the Dingo Tenements. Aston's view is that it has acted in a way consistent with Mr Collins' terms of employment, and having had the opportunity to review various materials related to Mr Collins claim, Whitehaven is supporting a vigorous defence of the proceedings.

31. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	Note	Consolidated 2012	Consolidated 2011
Cash flows from operating activities			
Profit for the period		62,539	9,946
Adjustments for:			
Depreciation	19	39,521	40,785
Amortisation	21	1,920	1,470
Foreign exchange losses unrealised		52	26,985
Unrealised gain on investment		(4,766)	–
Unwinding of discounts on provisions	25	783	728
Unwinding of discounts on receivables	12	–	(6,052)
Share-based compensation payments	33	10,420	6,431
Impairment of Boardwalk		119,791	–
Gain on sale of interest in Maules Creek JV	9	(116,175)	–
Gain on sale of investments		(313)	–
(Gain)/Loss on sale of non-current assets	9	1,271	(294)
Operating profit before changes in working capital and provisions		**115,043**	**79,999**
Change in trade and other receivables		(13,797)	17,542
Change in inventories and deferred stripping		(56,069)	(31,753)
Change in trade and other payables		(72,687)	45,261
Change in provisions and employee benefits		2,540	2,517
Change in tax payable		2,427	(47,471)
Change in deferred taxes		(48,637)	13,274
Cash flows from operating activities		**(71,180)**	**79,369**

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 3.0 cents per ordinary share (refer Note 26).
- After the year end the Company approved grants of Performance Rights over up to 2,000,000 ordinary shares to key senior employees as part of its long term incentive plans. The Performance Rights will vest over the period 1 July 2014 to 1 July 2016 and are subject to market based performance hurdles.
- After the year end the Company continued its acquisition of Coalworks Limited and on 21 August completed the compulsory acquisition of all remaining shares not previously acquired.
- Narrabri longwall production has reached operational levels and from 1 August 2012 operational costs will no longer be capitalised.

The financial effect of the above matters has not been brought to account in the financial statements for the year ended 30 June 2012 but will be recognised in future financial periods.

33. SHARE-BASED PAYMENTS

a) Recognised share-based payment expenses

In thousands of AUD	Consolidated 2012	Consolidated 2011
Employee expenses		
Share options – director-related entities	437	2,102
Share options – senior employees	7,911	4,329
Shares – senior employees (ex-Boardwalk)	2,072	–
	10,420	**6,431**

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)

b) Types of share-based payment plans (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, 13 October 2010 and 26 October 2011

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
Tranche 1	$0.00	240,009	1 July 2012/1 July 2013	1 July 2013
Tranche 2	$0.00	240,006	1 July 2013/1 July 2014	1 July 2014
Tranche 3	$0.00	239,985	1 July 2014/1 July 2015	1 July 2015
		2,025,000		

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%

As a result of the merger with Aston Resources the vesting period of the share acquisition rights was accelerated and all outstanding rights vested on the merger becoming effective.

33. SHARE-BASED PAYMENTS (CONTINUED)

b) Types of share-based payment plans (continued)

Option grant to senior employees on 1 May 2012

The Company issued options to Mr Kane (Chief Operating Officer – Aston and Boardwalk Operations) in recognition of shares in Boardwalk Resources that Mr Kane was entitled to under his previous employment arrangements. The options have an exercise price of $0.0001 per option, resulting in a total payment on exercise of $97.43. Mr Kane's options vested on 1 August 2012 and are exercisable from 1 October 2012.

Whilst the options do not have any performance conditions attached to them (as they were granted in consideration for shares that Mr Kane was already entitled to under his previous employment arrangements), they are subject to a continuous service condition until 1 March 2014. If Mr Kane resigns or is terminated for cause prior to 1 March 2014, he will forfeit any options that remain unexercised and any shares he receives on exercise of the options.

Option grant to ex-Aston option holders on 2 May 2012

The Company issued fully vested options over Whitehaven shares to Aston option holders as part of the Scheme of Arrangement. The terms and conditions of the grant are as follows.

Option	Exercise price	Number of instruments	Vesting conditions	Expiration date
Tranche 1	$3.15	8,619,278	Vested on issue	17 August 2015
Tranche 2	$3.33	12,354	Vested on issue	10 November 2015
Tranche 3	$4.73	8,241,278	Vested on issue	17 August 2016

Shares granted to ex-Boardwalk employees on 1 May 2012

The Company issued Whitehaven shares to Boardwalk employees in order to remunerate them for Boardwalk shares they would have become entitled to as part of the proposed Boardwalk LTI scheme. A total of 400,060 shares were issued at a price of $5.18.

33. SHARE-BASED PAYMENTS (CONTINUED)

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 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at beginning of period	$1.71	9,455,002	$1.96	8,366,667
Exercised during the period	$1.59	(10,167,244)	$1.00	(166,665)
Granted during the period	$3.56	18,566,945	$0.00	1,305,000
Forfeited during the period	$0.00	(7,758)	$0.00	(50,000)
Outstanding at 30 June	$3.71	17,846,945	$1.71	9,455,002
Exercisable at 30 June	**$3.92**	**16,872,910**	**$2.06**	**6,433,333**

The outstanding balance as at 30 June 2012 is represented by:

(i) 974,035 senior employee options over ordinary shares having an exercise price of $0.00, exercisable on meeting the above conditions and until the dates shown above.

(ii) 8,619,278 options over ordinary shares having an exercise price of $3.15, exercisable until 17 August 2012.

(iii) 12,354 options over ordinary shares having an exercise price of $3.33, exercisable until 10 November 2015.

(iv) 8,241,278 options over ordinary shares having an exercise price of $4.73, exercisable until 17 August 2016.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2012 was $5.74 (2011: $6.68).

The weighted average remaining contractual life of share options outstanding at 30 June 2012 is 3.62 years (2011: 1.91 years).

d) Option pricing models

The fair value of options granted is measured using a Black Scholes model.

The fair value of options granted under the LTI program 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 2012 and 30 June 2011:

	Options		LTI program	
Fair value of share options and assumptions	2012	2011	2012	2011
Fair value at grant date	$1.64-$5.01	–	$4.45-$4.65	$4.95-$5.33
Share price	5.18	–	$5.79	$5.73-$6.20
Exercise price	$0.00-$4.73	–	$0.00	$0.00
Expected volatility (weighted average volatility)	40%	–	40%	40%
Option life (expected weighted average life)	0-4 years	–	1-4 years	1-4 years
Expected dividends	2.75%	–	1.3%	1.0%
Risk-free interest rate (based on government bonds)	3.00%	–	3.80-4.10%	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	
The Hon. Mark Vaile	Chairman
John Conde	Deputy Chairman
Philip Christensen	Non-executive Director (appointed 3 May 3012)
Paul Flynn	Non-executive Director (appointed 3 May 3012)
Rick Gazzard	Non-executive Director (appointed 3 May 3012)
Christine McLoughlin	Non-executive Director (appointed 3 May 3012)
Neil Chatfield	Non-executive Director (resigned 3 May 2012)
Alex Krueger	Non-executive Director (resigned 3 May 2012)
Hans Mende	Non-executive Director (resigned 2 July 2012)
Tony Haggarty	Managing Director
Andrew Plummer	Executive Director (resigned 3 May 2012)
Allan Davies	Executive Director
Executives	
Peter Kane	Chief Operating Officer – Aston and Boardwalk Operations
Austen Perrin	Chief Financial Officer and Joint Company Secretary
Timothy Burt	General Counsel and Joint Company Secretary
Tony Galligan	General Manager Infrastructure (until 1 June 2012)

Key management personnel compensation

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

	Consolidated	
In AUD	2012	2011
Wages and salaries	6,152,194	3,491,742
Contributions to superannuation plans	246,117	223,294
Other associated personnel expenses	19,753	15,792
Increase in liability for annual leave	183,462	85,954
Share-based compensation payments	4,726,852	2,987,825
	11,328,378	**6,804,607**

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 previously held 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 $107,341 (2011: $353,753). This agreement included payment for utilities, parking, teleconferencing, office supplies and services and was on normal commercial terms. The sub-lease agreement was completed during the year. XLX Pty Limited also provided project consulting services to the consolidated entity during the year amounting to $nil (2011: $1,252,673). There was no outstanding balance payable to XLX Pty Limited at year-end (2011: $nil).

(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 $52,505,015 (2011: $27,919,142) and purchases of $nil (2011: $nil). 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 (2011: $nil).

(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 $nil (2011: $124,177) and purchases of $nil (2011: $nil). These transactions were carried out on an arm's length basis at market rates. There was no balance outstanding at year-end (2011: $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 2011	Received on exercise of options/ vesting of SARs	Received as remuneration	Received in capacity as shareholder as a result of Merger/ Acquisition	Other purchases	Sales	Held at 30 June 2012
Directors							
Mark Vaile	n/a	–	–	2,761,267	8,600	–	2,769,867
John Conde	378,605	–	–	–	–	–	378,605
Philip Christensen	n/a	–	–	2,901,075**	500	–	2,901,575
Paul Flynn	n/a	–	–	7,382	11,000	–	18,382
Rick Gazzard	n/a	–	–		25,000	–	50,000
Christine McLoughlin	n/a	–	–	–	11,000	–	11,000
Neil Chatfield	256,805	–	–	–	–	(50,000)	n/a[1]
Alex Krueger	–	–	–	–	–	–	n/a[1]
Hans Mende	76,019,833	–	–	–	–	(6,000,000)	70,019,833
Tony Haggarty	33,479,897	–	–	–	–	–	33,479,897
Andy Plummer	33,514,254	–	–	–	–	–	n/a[1]
Allan Davies	2,625,000	5,000,000	–	–	–	(625,000)	7,000,000
Executives							
Peter Kane	n/a	–	173,938	1,344,443***	–	–	1,518,381
Austen Perrin	–	250,000	–	–	–	(35,587)	214,413
Timothy Burt	–	100,000	–	–	48,400	–	148,400
Tony Galligan	34,000	120,000	–	–	–	(34,000)	n/a[1]

1 These parties either ceased employment with Whitehaven during the year or changed roles within Whitehaven during the year and are not considered related parties at 30 June 2012.

** Includes 762,902 shares issued subject to restrictions. Refer to note 26 for details.

*** Includes 381,451 shares issued subject to restrictions. Refer to note 26 for details.

34. RELATED PARTIES (CONTINUED)

Movements in shares (continued)

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	Received as remuneration	Received in capacity as shareholder in Merger	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

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 2011	Granted/ (Forfeited)	Exercised	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Director-related entities						
Mark Vaile	–	189,000*	–	189,000	189,000	189,000
Philip Christensen	–	189,000*	–	189,000	189,000	189,000
Allan Davies	5,000,000	–	5,000,000	–	1,666,667	–
Executives						
Peter Kane	–	974,035	–	974,035	–	–
Austen Perrin	200,000	50,000	250,000	–	183,334	–
Timothy Burt	65,000	35,000	100,000	–	100,000	–
Tony Galligan	85,000	35,000	120,000	–	120,000	–
	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						
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	–	–

* The Group issued fully vested options over Whitehaven shares in consideration for fully vested options held in Aston Resources Limited as part of the scheme of arrangement. Directors and director related entities received these options in their capacity as option holders in Aston Resources Limited and as such they do not form part of their remuneration.

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

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

	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Parent entity			
Whitehaven Coal Limited	Australia		
Subsidiaries			
Whitehaven Coal Mining Limited	Australia	100	100
Namoi Mining Pty Ltd	Australia	100	100
Namoi Agriculture & 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	100
Whitehaven Project Holdings Pty Ltd	Australia	100	100
Aston Resources Ltd	Australia	100	n/a
Aston Coal 2 Pty Ltd	Australia	100	n/a
Aston Coal 3 Pty Ltd	Australia	100	n/a
Maules Creek Coal Pty Ltd	Australia	100	n/a
Boardwalk Resources Ltd	Australia	100	n/a
Boardwalk Coal Management Pty Ltd	Australia	100	n/a
Boardwalk Coal Marketing Pty Ltd	Australia	100	n/a
Boardwalk Sienna Pty Ltd	Australia	100	n/a
Boardwalk Monto Pty Ltd	Australia	100	n/a
Boardwalk Dingo Pty Ltd	Australia	100	n/a
Boardwalk Ferndale Pty Ltd	Australia	100	n/a
Coalworks Limited	Australia	77	n/a

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

	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Jointly controlled entities			
Tarrawonga Coal Sales Pty Ltd	Australia	70	70
Blackjack Carbon Pty Ltd	Australia	50	50
Blackjack Carbon Sales Pty Ltd	Australia	50	50
Maules Creek Marketing Pty Ltd	Australia	75	n/a

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

	Ownership interest 2012 %	Ownership interest 2011 %
Tarrawonga Coal Project Joint Venture	70	70
Narrabri Coal Joint Venture	70	70
Blackjack Carbon Joint Venture	50	50
Maules Creek Joint Venture	75	n/a
Dingo Joint Venture	70	n/a
Ferndale Joint Venture	94	n/a
Vickery South Joint Venture	71	n/a

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 2012 consolidated financial statements under their respective categories.

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

In thousands of AUD	2012	2011
Statement of comprehensive income		
Operating and administration expenses	101,771	70,954
Current assets		
Cash and cash equivalents	18,174	8,510
Trade and other receivables	5,467	4,961
Inventory	11,549	9,674
Deferred stripping	25,233	15,984
Total current assets	**60,423**	**39,129**
Non-current assets		
Property, plant and equipment	738,939	419,091
Intangible assets	4,261	1,691
Total non-current assets	**743,200**	**420,782**
Total assets	**803,623**	**459,911**
Current liabilities		
Trade and other payables	48,745	53,560
Provisions	173	87
	48,918	**53,647**
Non-current liabilities		
Provisions	13,026	7,497
	13,026	**7,497**
Total liabilities	**61,944**	**61,144**
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	24,197	46,282
One year or later and no later than five years	–	–
	24,197	**46,282**

36. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 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	
	2012 $000	2011 $000
Profit attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	**62,539**	**9,946**

	Consolidated	
	2012 000's	2011 000's
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	493,817	493,650
Effect of shares issued during the year	79,937	55
Weighted average number of ordinary shares at 30 June	**573,754**	**493,705**
Basic earnings per share attributable to ordinary shareholders (cents)	**10.9**	**2.0**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 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	
	2012 $000	2011 $000
Profit attributable to ordinary shareholders (diluted)		
Net profit attributable to ordinary shareholders (diluted)	**62,539**	**9,946**

	Consolidated	
	2012 000's	2011 000's
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	573,754	493,705
Effect of share options on issue	901	6,316
Weighted average number of ordinary shares (diluted)	**574,655**	**500,021**
Diluted earnings per share attributable to ordinary shareholders (cents)	**10.9**	**2.0**

37. AUDITORS' REMUNERATION

In AUD	Consolidated 2012	Consolidated 2011
Audit services:		
Auditors of the Company – Ernst & Young		
Audit and review of statutory financial statements – current year	507,311	354,138
Audit of joint ventures	201,354	156,300
National Greenhouse Energy Reporting Act requirements	53,625	74,059
Other assurance services	21,630	7,210
	783,920	**591,707**
Non-audit services:		
Auditors of the Company – Ernst & Young		
Due diligence services	559,586	487,229
Taxation services - MRRT	437,750	–
	997,336	**487,229**

38. PARENT ENTITY INFORMATION

In thousands of AUD	Company 2012	Company 2011
Information relating to Whitehaven Coal Limited:		
Current assets	286,210	285,614
Total assets	**3,194,192**	**770,720**
Current liabilities	–	(2)
Total liabilities	**–**	**(9,694)**
Issued capital	3,245,768	720,338
Retained earnings	(119,272)	16,330
Share-based payment reserve	67,696	24,358
Total shareholders' equity	**3,194,192**	**761,026**
Profit of the parent entity	136,663	35,496
Total comprehensive income of the parent entity	136,663	35,496

39. BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS

Acquisitions in the year ended 30 June 2012

Business acquired	Principal Activity	Date of acquisition	Proportion acquired	Cost of acquisition
Boardwalk Resources Limited	Coal exploration	1 May 2012	100%	495,480
Aston Resources Limited	Coal mine development	2 May 2012	100%	2,047,426
Coalworks Limited	Coal exploration	20 June 2012	51.1%	88,862

Purchase consideration:

In thousands of AUD	Boardwalk Resources Limited[1]	Aston Resources Limited[2]	Coalworks Limited[3]
Shares issued, at fair value	444,885	2,014,508	-
Options issued, at fair value	-	32,918	-
Contingent consideration, at fair value	50,595	-	-
Cash consideration	-	-	59,193
Fair value of previously held equity interest	-	-	29,669
	495,480	**2,047,426**	**88,862**

1 The Group issued 85,885,178 ordinary shares as consideration for the 100% interest in Boardwalk Resources Limited. The fair value of these shares is the published price of the shares of the Group at the date of acquisition, which was $5.18 each. In addition, the Group issued, as contingent consideration, 34,020,000 ordinary shares which were subject to the terms of a restriction deed. The restriction deed removes their entitlements to vote, receive dividends as declared or participate in the proceeds from the sale of all surplus assets until such time as certain milestones are met. The restrictions will cease to apply upon the occurrence of certain trigger events including the grant of mining leases and environmental approvals at the Boardwalk projects. At the acquisition date the fair value of the contingent consideration was deemed to be $50,595,000, which was based on an assessment of the probability and timing of achieving the milestones required to release the restrictions over the contingent consideration.

2 The Group issued 388,901,169 ordinary shares as consideration for the 100% interest in Aston Resources Limited. The fair value of these shares is the published price of the shares of the Group at the date of acquisition, which was $5.18 each. In addition, the Group issued 16,872,910 fully vested options in consideration for options held in Aston Resources Limited. At the acquisition date the fair value of the options was deemed to be $32,918,000 (refer to note 33 for details of assumptions used in determining the fair value of options issued during the year).

3 The Group agreed to pay $1 per share under the terms of the offer made by the Group to Coalworks Limited shareholders. On 20 June 2012 the Group had received a number of acceptances such that, combined with the Group's existing equity interest in Coalworks, the Group's total ownership interest in Coalworks amounted to 51.1%. This consideration was payable on 6 July 2012 under the terms of the offer made to Coalworks shareholders.

39. BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS (CONTINUED)

Assets and liabilities acquired:

The provisional fair value of the net assets acquired as at the date of acquisition were:

In thousands of AUD	Boardwalk Resources Limited	Aston Resources Limited	Coalworks Limited
Current assets			
Cash and cash equivalents	140,678	36,909	29,812
Trade and other receivables	1,849	3,837	2,124
Other current assets	80	1,095	1,582
Non-current assets			
Investments	26,357	–	3,676
Property plant and equipment	3,361	2,036,002	21,328
Exploration expenditure	288,674	56,440	146,989
Intangible assets	–	2,912	–
Goodwill arising on initial recognition of deferred tax assets and liabilities	29,894	64,785	7,640
Deferred tax assets	16,683	76,165	3,273
Other non-current assets	–	–	225
Current liabilities			
Trade and other payables	(13,768)	(56,610)	(9,237)
Employee benefits	(832)	(277)	–
Provisions	–	(2,873)	(670)
Interest bearing liabilities	(55,777)	(38)	(13,944)
Other current liabilities	(10,000)	(47)	(5,258)
Non-current liabilities			
Trade and other payables	–	(1,275)	–
Interest bearing liabilities	–	(70)	–
Provisions	(4,933)	(28,579)	–
Deferred tax liabilities MRRT	(46,577)	(140,950)	(10,914)
Fair value of net assets acquired	**375,689**	**2,047,426**	**176,626**
Impairment write down of goodwill	119,791	–	–
Non-controlling interest at fair value	–	–	(87,764)
Total consideration	**495,480**	**2,047,426**	**88,862**
Cash flows on acquisition:			
Cash balances acquired (included in cash flows from investing activities)	(140,678)	(36,909)	(29,812)
Transaction costs (included in cash flows from operating activities)	7,565	21,523	722
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	271	756	–
Net cash (inflow)/outflow on acquisition – current year	**(132,842)**	**(14,630)**	**(29,090)**
Transaction costs – not yet paid	128	9,439	2,000

39. BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS (CONTINUED)

The fair values relating primarily to property, plant and equipment, exploration and evaluation expenditure, acquired intangibles and taxation are provisional due to the complexity of the acquisition and due to the inherently uncertain nature of the mining industry, mining properties and intangible exploration and evaluation assets, in particular. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition date at the latest.

Goodwill arises principally because of the requirement to recognise deferred income tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

The fair value of the non-controlling interest in Coalworks Limited was determined using the $1 per share offer made by the Group to Coalworks Limited shareholders.

Prior to acquisition, the Group held an existing equity interest in Coalworks Limited as an available for sale investment. The fair value gain on this investment recognised in other income in the income statement for the current year was $4,766,000 (see Note 9).

Acquisition of additional interest in Coalworks Limited

In the period from 20 June to 30 June 2012 the Group acquired additional interests in the voting shares of Coalworks Limited, increasing its ownership interest to 77.0%. Cash consideration of $53,112,000 is payable to non-controlling interest shareholders.

From the date of acquisition, the companies acquired contributed the following amounts of revenue and net profit/(loss) to the Group:

In thousands of AUD	Boardwalk Resources Limited	Aston Resources Limited	Coalworks Limited
Revenue	–	–	–
Net profit/(loss)[1]	(114,985)	116,118	–

1 Net profit/(loss) includes the gain on sale of joint venture interest and impairment of goodwill on acquisition of Boardwalk Resources (refer to note 7 for details).

If the business combinations had been completed on the first day of the financial year, the consolidated statement of comprehensive income would have included revenue of $nil and a net loss[1] of $90.9 million.

Transaction costs of $41.4 million have been expensed and are included in administrative expenses.

Acquisitions in the year ended 30 June 2011

During the year the consolidated entity acquired a coal marketing business for cash consideration of $7,024,000. The fair values of net assets acquired as at the date of acquisition were:

In thousands of AUD	Fair value at acquisition date
Non-current assets	
Property, plant and equipment	50
Marketing commission rights acquired[1]	7,000
Liabilities	
Employee benefits	(26)
Fair value of net assets acquired	**7,024**
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 were 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
- Whitehaven Blackjack Pty Ltd
- Whitehaven Project Holdings Pty Ltd
- Whitehaven Project Pty Ltd
- Aston Resources Ltd
- Aston Coal 2 Pty Ltd
- Aston Coal 3 Pty Ltd
- Maules Creek Coal Pty Ltd
- Boardwalk Resources Ltd
- Boardwalk Coal Management Pty Ltd
- Boardwalk Coal Marketing Pty Ltd
- Boardwalk Sienna Pty Ltd
- Boardwalk Monto Pty Ltd
- Boardwalk Dingo Pty Ltd
- Boardwalk Ferndale Pty Ltd

The Company and each of the subsidiaries entered into the deed on 28 June 2012.

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 2012 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 2012.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 40 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

The Hon. Mark Vaile
Chairman

Sydney
14 September 2012

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WHITEHAVEN COAL LIMITED

ERNST & YOUNG

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Independent audit 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 2012, 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 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, 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

Auditor's Opinion

In our opinion:

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

    i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Whitehaven Coal Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
14 September 2012

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
Aston Resources Investments	21.38	216,589,946
FRC Whitehaven Holdings BV	7.17	72,650,000
Hans Mende	6.91	70,019,833
Fritz Kundrun	6.85	69,433,458
Farrallon Capital Management LLC	5.74	58,153,033

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	2,056
1,001 – 5,000	3,629
5,001 – 10,000	1,311
10,001 – 100,000	1,068
100,001 and over	127
	8,191

There are 6 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 395.

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
HSBC Custody Nominees (Australia) Ltd	133,918,244	13.22
Aston Resources Investments Pty Ltd (WHC shares exclude opts A/C)	112,190,010	11.07
National Nominees Limited	95,473,214	9.42
JP Morgan Nominees Australia Limited (cash income A/C)	77,838,628	7.68
FRC Whitehaven Holdings BV	72,650,000	7.17
Boardwalk Resources Investments Pty Ltd	67,352,407	6.65
HSBC Custody Nominees (Australia) Ltd – GSCO ECA	50,780,382	5.01
JP Morgan Nominees Australia Limited	50,273,778	4.96
Citicorp Nominees Pty Ltd	48,792,484	4.82
JP Morgan Nominees Australia Limited	36,916,878	5.97
HFTT Pty Ltd (Haggarty Family A/C)	33,437,979	3.30
Ranamok Pty Ltd (Plummer Family A/C)	29,338,234	2.90
AET SFS Pty Ltd	26,678,979	2.63
BNP Paribas Noms Pty Ltd (Master Cust DRP)	19,209,389	1.90
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	10,926,669	1.08
HSBC Custody Nominees (Australia) Ltd – A/C 2	10,699,629	1.06
Aston Resources Investments Pty Ltd (WHC Option Shares A/C)	10,000,000	0.99
UBS Wealth Management Australia Nominees Pty Ltd	8,742,225	0.86
HSBC Custody Nominees (Australia) Ltd – A/C 3	8,000,198	0.79
HSBC Custody Nominees (Australia) Ltd (NT-Comnwlth Super Corp A/C)	7,126,065	0.70
Mr Michael Jack Quillen (Quillen Family A/C)	6,135,000	0.61
	879,563,514	**86.81**

This information is current as at 31 August 2012

CORPORATE DIRECTORY

DIRECTORS
The Hon. Mark Vaile, Chairman
John Conde, Deputy Chairman
Tony Haggarty, Managing Director
Paul Flynn
Philip Christensen
Rick Gazzard
Christine McLoughlin
Allan Davies

COMPANY SECRETARIES
Austen Perrin
Timothy Burt

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AUSTRALIAN BUSINESS NUMBER
ABN 68 124 425 396

STOCK EXCHANGE LISTING
Australian Securities Exchange Ltd
ASX Code: WHC

AUDITOR
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Pty Limited
GPO Box 523
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LEGAL ADVISERS
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COUNTRY OF INCORPORATION
Australia

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

www.whitehavencoal.com.au