12 September 2014

The Manager
Company Announcements Office
Australian Securities Exchange
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

2014 Annual Report

Attached is Whitehaven Coal Limited's 2014 Annual Report.

The Annual Report will be posted on Whitehaven's website: www.whitehavencoal.com.au.

Yours faithfully

Timothy Burt
Company Secretary

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WHITEHAVEN COAL 2014 ANNUAL REPORT

THE EMERGING FORCE IN COAL MINING

WHITEHAVEN COAL

WHITEHAVEN

"We take great pride in that Whitehaven started in the Gunnedah Basin and that we focus on employing a local workforce wherever possible."

– Paul Flynn, Managing Director and CEO

VISION, OBJECTIVES & MISSION

VISION

To be Australia's leading independent coal company.

STRATEGIC OBJECTIVES

Sustainable growth and operational excellence.

MISSION

To grow total shareholder value through:

- the operation of large, long-life, low-cost assets
- support of an efficient, agile and dynamic workforce
- forging long-term, mutually rewarding relationships with customers, suppliers, regulators, employees, the community and shareholders.

NUMBER OF EMPLOYEES

655 FTE (75% of these live and work in the area of our operations in North West New South Wales).

EXPENDITURE

In 2014 Whitehaven Coal paid:

- over $110.2m in salaries, wages, tax and superannuation to its employees (on a 100% joint venture basis)
- $70.8m in royalties to the New South Wales Government (on a 100% joint venture basis)
- over $350m on mining, washing and delivering coal onto trains at our mine sites
- over $200m in port and rail charges for track access haulage costs and port costs
- more than $150,000 towards local education activities and community groups.

75%

of full time employees live and work in the area of our operations in North West NSW

over $110.2m

in salaries, wages, tax and superannuation to employees

$70.8m

in royalties to the NSW Government

$350m+

on mining, washing and delivering coal onto trains

$200m

in port and rail freight charges

FINANCIAL PERFORMANCE

FINANCIAL HIGHLIGHTS

Whitehaven reported a significantly improved financial result for FY2014 when compared to the previous year. The operating EBITDA of $90.4m represented an improvement of 429% on the operating EBITDA of $17.1m in FY2013. Despite the higher operating result Whitehaven reported a full year loss after tax of $38.4m, a significant improvement on the loss after tax of $88.7m reported in FY2013.

Coal sales revenue including sales of purchased coal increased by 21% to $755.4m as a result of higher coal sales volumes of 8.7Mt including purchased coal (0.5Mt) compared to total sales of 7.4Mt in FY2013. The average coal sales price for FY2014 was slightly lower than the previous year.

The improved financial result from Whitehaven can be attributed to the ongoing focus on costs across the entire business. Fully absorbed costs of coal sold for the year were $69 per tonne (from $76 per tonne) – down 9% year-on-year. Whitehaven was able to reduce costs in a number of specific areas of the business during the year. These included lower explosive costs following the initiation of a new supply contract, lower transportation costs, both road and rail and lower port charges. It is anticipated that further costs will be taken out of the business in FY2015.

INVESTMENT PROPOSITION

- low cost production
- high quality, world class assets
- strong growth profile
- high quality coal.

PERFORMANCE SUMMARY

Revenue
Operating EBITDA before significant items
Net loss after tax
Net debt
Gearing
Earnings per share
NTA/share

2014	2013	Variance
$755.4m	$622.2m	21%
$90.4m	$17.1m	429%
$38.4m	$88.7m	57%
$685.2m	$471.6m	
18%	13%	
-3.9c	-9.0c	
$3.02	$3.06	

↑21%
$755.4m
(2013 $622.2m)

revenue

↑429%
$90.4m
(2013 $17.1m)

EBITDA (excluding significant items)

$38.4m
(2013 $88.7m)

net loss after tax

$685.2m
(2013 $471.6m)

net debt

18%
(2013 13%)

gearing

$3.02
(2013 $3.06)

NTA/share

OPERATING PERFORMANCE

HIGHLIGHTS

- Improved safety performance across all the mines following the introduction of the *Seven Safehaven Rules* across the Company with the Company reporting its lowest TRIFR rate for five years.
- Achieved record production from Werris Creek, Tarrawonga and Narrabri mines during the year with saleable coal production reaching 8.2Mt (equity basis) for the year, 23% higher than the preceding year.
- Overcame the quality issues with Narrabri thermal coal early in the year enabling all product to be sold at benchmark quality.
- Completed the second longwall changeout at Narrabri on schedule and on budget.
- Resolved all legal hurdles which enabled construction of the Maules Creek project to commence in late December 2013.
- Maules Creek project on budget and on time for first coal to be railed in the March 2015 quarter.
- Completed the expansion of the Werris Creek mine which increased production capacity at the mine to 2.5Mtpa.
- Benefits of the new centralised procurement system are becoming apparent with cost reductions achieved from a number of suppliers.
- Significant reduction in fully absorbed FOB costs across the portfolio of mines during the year.
- Extended the current rail haulage contract until 2026 at reduced haulage charges.
- Benefited from a reduction in port charges following refinancing of NCIG and the deferral of the T4 project at PWCS.

PERFORMANCE SUMMARY

Consolidated Equity Production and Sales (Equity Share)
ROM Coal Production
Saleable Coal Production
Sales of Produced Coal
Sales of Purchased Coal
Total Coal Sales
Coal Stocks at Period End

	2014 (000t)	2013 (000t)	Variance
	9,177	7,352	25%
	8,161	6,630	23%
	8,215	6,441	28%
	511	982	(48%)
	8,726	7,423	18%
	1,275	841	52%

$110.2m

salaries, wages, tax and superannuation to employees

655

number of employees (FTE)

$70.8m

in royalties to the NSW Government (on a 100% joint venture basis)

$350m+

total mine site production costs

$69

Fully absorbed costs of coal sold, per tonne (down from $76 year-on-year)

HEALTH & SAFETY PERFORMANCE

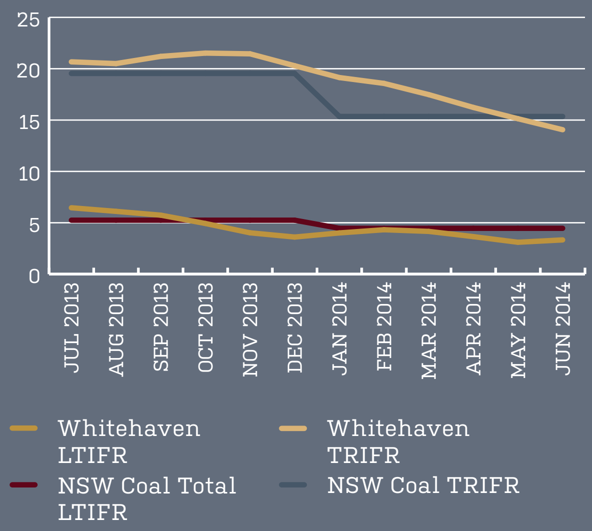
HIGHLIGHTS

- Established the *Seven Safehaven Rules* across all mine sites.
- Achieved lowest Whitehaven Coal group-wide total recordable injury frequency rate (TRIFR) for five years, at 14.06. Down 30% from 20.11 in 2013 (below industry rate of 15.35).
- 42% reduction in Whitehaven Coal group-wide lost time injury frequency rate (LTIFR) to 3.33 (down from 5.56 year-on-year).
- Achieved a record number of Planned Task Observations for a month in April 2014.
- Gunnedah Open Cut Operations (Rocglen, Tarrawonga, Werris Creek, Gunnedah CHPP) achieved a seven month period without a lost time injury and a four month period without any recordable injuries.
- Rocglen, Gunnedah CHPP, Maules Creek Operations and Maules Creek Construction Project recorded zero lost time injuries for the financial year.
- Record number of Take 5s (individual task based risk assessments) were completed in the month of June with over 18,000 recorded.
- Record number of task based safety observations were completed.

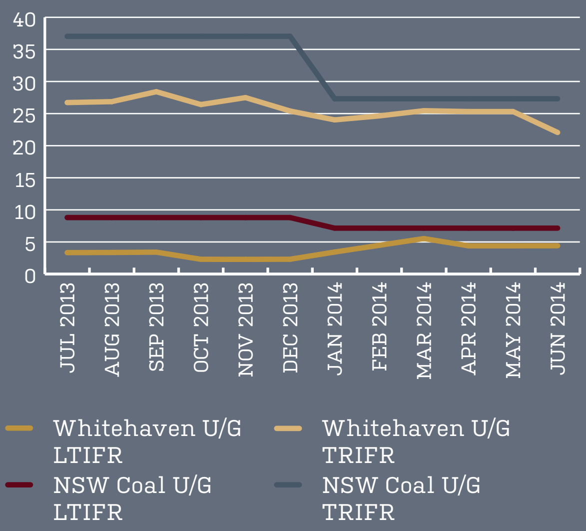
CHALLENGES

- Target to achieve zero injuries and illnesses, zero plant and equipment damage and zero environmental incidents.
- Continue to work to ensure TRIFR rates continue to trend further below industry average.
- Continue implementation of Safety Leadership Program and Safehaven rules across the Company.

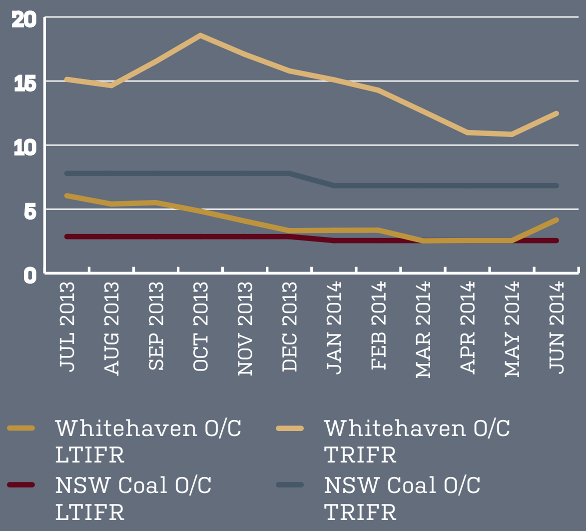
WHITEHAVEN COAL GROUP 12 MONTH ROLLING AVERAGE



WHITEHAVEN COAL UNDERGROUND 12 MONTH ROLLING AVERAGE



WHITEHAVEN COAL OPEN CUT 12 MONTH ROLLING AVERAGE



14.06

TRIFR rate across the Group (lowest rate for 5 years)

4 months

Total recordable injury free period acheived at Open Cut Operations

7 months

Lost time injury free period at Gunnedah Open Cut Operations

over 18,000

Take 5s recorded in the month of June

7

Established the *7 Safehaven Rules*

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"The future for Whitehaven is almost unlimited."

– Paul Verner, Group Treasurer

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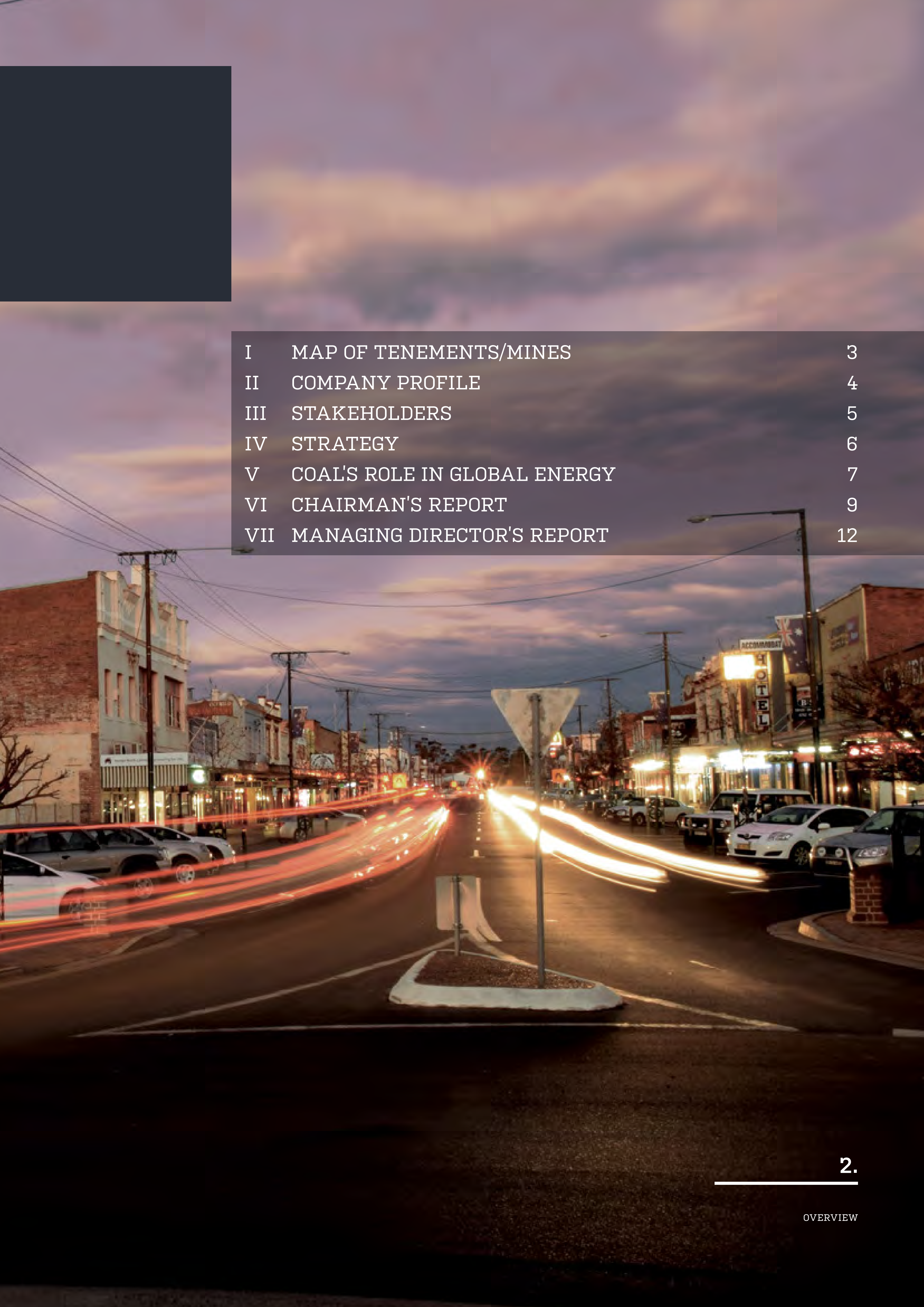
OVERVIEW

"I think what makes Whitehaven stand out is that it is a local company."

– Jill Johnson,
Group Environmental Manager



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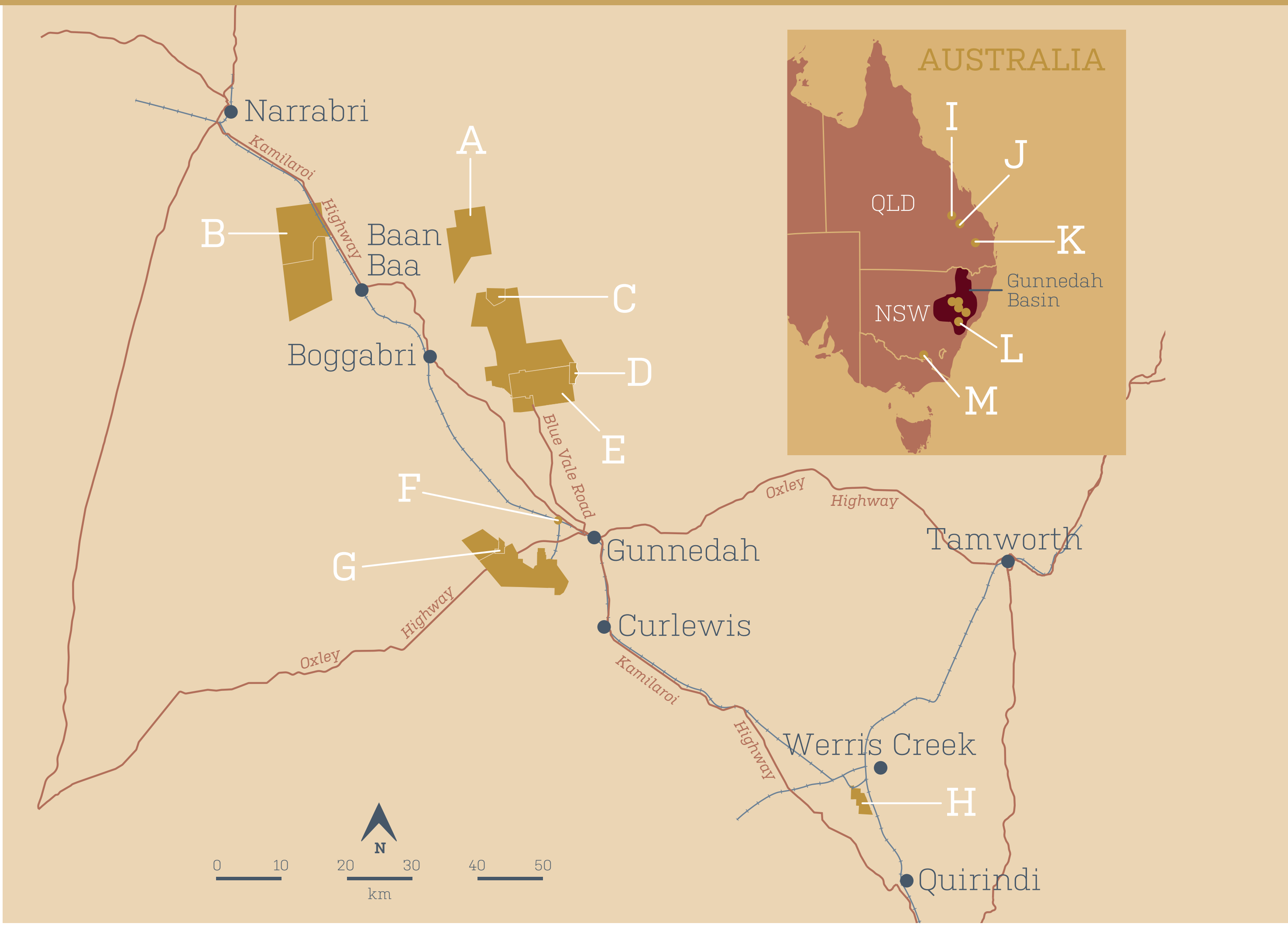
I MAP OF TENEMENTS/ MINES



Key	Asset	Interest
A	Maules Creek project	75%
B	Narrabri North mine	70%
C	Tarrawonga mine	70%
D	Rocglen mine	100%
E	Vickery project	100%
F	Gunnedah CHPP	100%
G	Sunnyside mine	100%
H	Werris Creek mine	100%
I	Dingo project	70%
J	Sienna project	100%
K	Monto project	100%
L	Ferndale project	94%
M	Oaklands North project	100%

COMPANY PROFILE

II

THE COMPANY

Whitehaven Coal Limited is a public company that has been listed on the Australian Stock Exchange (ASX) since 2007. The ASX code is WHC. The principal activities of the Group are exploration, project evaluation, project development and coal mining activities in New South Wales' Gunnedah Basin.

Coal sales and marketing are undertaken globally. Operating since 1999, our coal travels by rail to the Port of Newcastle before being shipped to our customers in Japan, Korea, Taiwan, India and China.

The Company's coal mines and tenements are listed on the table on the opposite page.

LOCATION

Whitehaven Coal is based in New South Wales with mining assets in the Gunnedah Basin, a Corporate Office in Newcastle and Head Office located in the state's capital, Sydney. The Company also has several coal exploration assets in Queensland's Bowen Basin and a Sales Office in Tokyo, Japan.

MARKET POSITION

Whitehaven Coal's principal products are high quality, low ash and low sulphur thermal coal and metallurgical coals used in the production of steel. The product split is around 80% thermal coal and 20% metallurgical coal.

For detailed information of the role coal plays in global energy demand see pages 7 to 8.

BUSINESS OVERVIEW

Whitehaven Coal owns three operating open cut mines, one large underground mine and is building one of Australia's largest, lowest cost open cut mines at Maules Creek.

Our operating mining operations are at Narrabri, Werris Creek, Tarrawonga and Rocglen, with a centralised washing plant at Gunnedah.

Whitehaven Coal provides the expertise to manage the mines and an exploration program on behalf of a number of joint venture participants.

All production and sales at our mines are managed by Whitehaven Coal and the Company is entitled to its joint venture share of the proceeds produced from each of the mines. All sales and production statistics in this Annual Report represent Whitehaven Coal's attributable share unless otherwise stated. For further information on the Company's performance at its mines please see Growth – Operations on page 15.

BUSINESS STRUCTURE

Whitehaven Coal's major assets are:

- Maules Creek 75%
- Narrabri 70%
- Werris Creek 100%
- Tarrawonga 70%
- Rocglen 100%

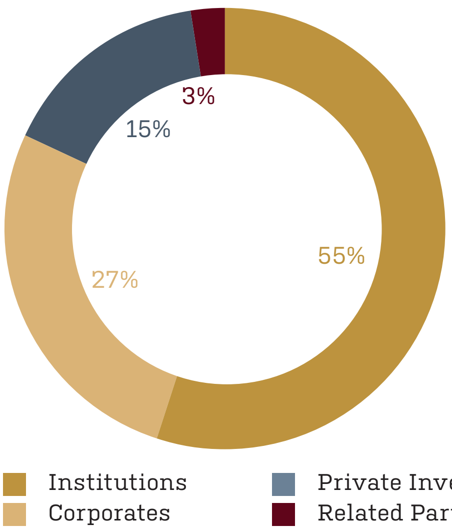
Some of Whitehaven Coal's mines and exploration tenements are held within unincorporated joint ventures. This structure has allowed the Company to gain significant strategic benefits by involving other parties in its projects. For more detail on Growth – New Projects see page 31.

III STAKEHOLDERS

SHAREHOLDERS

Whitehaven Coal has 1025.8m shares on issue and more than 8,000 shareholders. The shareholder base is made up of international and Australian institutions and retail and other investors. For further shareholder information see pages 191 to 193.

BREAKDOWN OF WHITEHAVEN COAL SHAREHOLDERS



CUSTOMERS

Whitehaven Coal's customer base comprises major world steel producers and a number of electricity power companies with several located in Japan, Korea, Taiwan, India and China. For more information see page 29.

PEOPLE

The Company's people underpin its achievements. Whitehaven Coal employs around 655 people directly and a number of contractors depending on operational needs. Valuing the input of all employees and contract staff will ensure future success and position Whitehaven as a leader within the sector. To that end, Whitehaven Coal places significant emphasis on workplace health and safety and the training and development of its employees. For more information see page 55.

COMMUNITY

Whitehaven Coal is dedicated to giving back to the communities that host its operations. For a summary of initiatives see pages 66 to 67.

ENVIRONMENT

Whitehaven Coal is conscious of its environmental responsibility, recognises increasing community expectations and is committed to meeting these expectations by ensuring it is proactive in its approach to environmental management. For more information see pages 46 to 54.

FUTURE GROWTH

The Company has plans for a sustainable future and aims to double its 2014 production to achieve sales of 23Mtpa on a 100% basis by FY2018 through the development of the Maules Creek project. For more information see pages 35 to 36.

STRATEGY IV

Listed in 2007, Whitehaven Coal is on track to become Australia's leading independent coal company. The Company's focus is on high margin or low cost coal assets with a strong market demand and product diversification capability.

The Company's goal is to double production from our 2014 level to achieve sales of 23Mtpa by FY2018 on a 100% basis. To achieve this, Whitehaven Coal will focus on two strategic objectives – operational excellence and sustainable growth.

In FY2014 Narrabri produced 5.7Mt and is planned during FY2015 to produce 6.5Mtpa (managed basis), while Maules Creek will commence operations at an annualised production rate of 6Mtpa in the March quarter of 2015 and is expected, in a few short years, to expand to its approved production level of 13Mtpa. These two large scale, low cost, high quality, long lived assets are key to Whitehaven achieving its aim.

Management remains focused on improving productivity and delivering further cost reductions. The centralised procurement function introduced during FY2014 year is expected to continue to assist by developing increased discipline and embedding improved purchasing processes in Whitehaven's business. The combination of production growth, underlying cost reductions and ongoing improvements in productivity are expected to position Whitehaven in the lowest quartile of the cost curve for Australian coal producers.

OPERATIONAL EXCELLENCE

This will be achieved by managing the Company's assets in the most effective and efficient way. This will be done by:

- continually improving safety performance across all sites
- respecting the environment
- achieving production and sales targets
- focusing on and managing costs
- attracting and retaining high quality people.

SUSTAINABLE GROWTH

This will be achieved by ensuring the business has sufficient resources to underpin growth. This will be done by:

- focusing on continued exploration of the tenement portfolio to increase resources
- assessing expansion opportunities from existing assets
- developing operating assets from the tenement portfolio
- assessing potential acquisitions that support sustainable growth
- increasing the customer base and focusing on value adding propositions for customers
- investing in learning and development to build talent.

DOUBLING 2014 PRODUCTION TO ACHIEVE SALES OF 23MTPA BY FY2018 ON A 100% BASIS

Whitehaven Coal's vision is to become the leading indepenent coal company in Australia, delivering long-term shareholder value.

V COAL'S ROLE IN GLOBAL ENERGY

Coal has many important uses worldwide. The most significant uses are in electricity generation, steel production and cement manufacturing.

Coal is not only one of Australia's largest export industries but one of the world's most reliable sources of cost-effective energy – underpinning economic growth and increased standards of living in many countries around the globe. We believe coal has an important long-term role in the global energy mix. Coal is the cheapest, lowest risk energy source available.

There are two primary types of black coal produced – metallurgical coal and thermal. Metallurgical coal is used in the production of iron and steel, and thermal is used for power generation.

WHITEHAVEN'S POSITION IN THE COAL MARKET

Our coal is relatively clean and high in energy. Whitehaven's coal has low trace elements, low ash, low sulphur, low phosphorous, making it an attractive energy source for our customers. As the world moves towards cleaner sources of coal it actually benefits both Whitehaven Coal and Australian coal producers more broadly.

Recent studies conducted by the International Energy Agency (IEA) and several major oil and gas companies indicate that while coal's share of the energy market will decline over time, actual consumption will increase over the next 25 years.

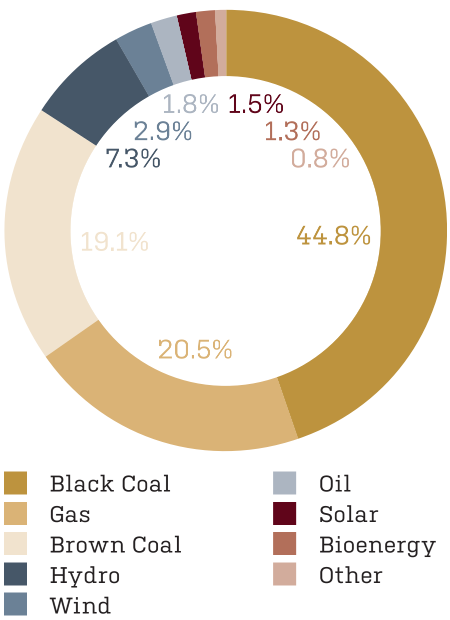
The increase will come as a number of developing countries grow and lift their populations out of poverty.

Coal is a low cost source of energy mined in about 70 countries around the world. Its key uses are in electricity generation, steel making and cement manufacture. Coal has contributed significantly to lifting millions of people out of poverty by the provision of grid electricity in many countries with China being the most recent example.

IN AUSTRALIA

- 64% of electricity is sourced from low cost coal.
- Contributed more than 15% of total exports.
- The coal economy represented over 3% ($44 billion) of GDP.
- Directly employs over 54,000 people paying $6 billion in wages and salaries.
- Provides indirect employment for another 150,000 people.
- Paid over $3 billion in royalties to the States in 2012/13.
- Paid over $2 billion in company taxes in 2012/13.
- Mining uses less than 0.1% of land in New South Wales.
- Mining uses less than 1.4% of the total water consumed in New South Wales. (Mines recycle up to 80% of the water they use. Agriculture uses 49.2% of New South Wales water.)

AUSTRALIAN ELECTRICITY GENERATION 2012/2013



Source: Energy Supply Association of Australia

COAL FAST FACTS

64%
of grid electricity in Australia is provided by coal

54.9k
direct employment in the coal industry in Australia

$6b
in wages paid every year in the coal industry in Australia

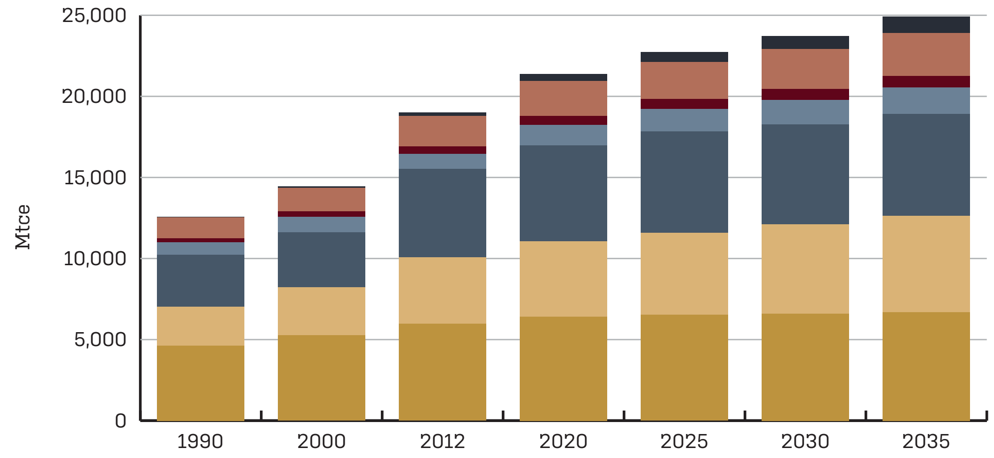
$260m
total committed to date to the COAL21 fund supporting low emmissions technologies

$17.7b
tax paid by the coal industry in Australia between FY2007 and FY2013

WORLD PRIMARY ENERGY DEMAND

- About 1.6 billion people in the world still have no access to electricity.
- Today, 2.6 billion people still rely on traditional biomass energy for cooking.
- The average sized car requires about half a tonne of coal for the steel.
- Energy coal demand is expected to increase at a compound rate of 2.4% until 2035 according to the IEA.
- Coal consumption is expected to grow by about 864Mtce (million tonnes of coal equivalent) from an estimated 5,446Mtce in 2012 to a forecast 6,310Mtce in 2035 making up about 25% of primary energy supply (International Energy Agency 2013 New Policies Scenario Forecasts).
- Total energy demand increases by 31% over the period while coal demand increases by 16%.

WORLD PRIMARY ENERGY DEMAND



Source: International Energy Agency *2013 New Policies Scenario Forecasts*

VI CHAIRMAN'S REPORT

Despite a very challenging year for the coal industry, we have made significant progress toward our goal of transforming Whitehaven into one of Australia's largest independent coal producers.

This year has seen Whitehaven achieve production records at Narrabri, Werris Creek and Tarrawonga mines. Supporting this is the development of our Maules Creek open cut mine near Gunnedah, the largest mine of its type being brought to market anywhere in Australia.

Our team's management of the development of Maules Creek has been highly professional and, to date, the project has been delivered on time and on budget. This reflects well on the Tier 1 executive and management team we have assembled, which is clearly capable of establishing Whitehaven as a global industry leader.

Maules Creek – a transformational asset

Capable of producing over 12 million tonnes per annum (Mtpa) of coal over 30 years, the Maules Creek mine confers a scale on Whitehaven that few of our peers in Australia could hope for. Moreover, it will be producing exactly the type of high-energy coal low in impurities that our international customers are now specifying.

It is increasingly obvious from the contact the Board and senior management have had with our Asian markets that the global shift to cleaner, more efficient coal is underway and irreversible. Governments, including China, are responding to the environmental challenge and requiring their industries source higher-energy, higher-quality coal.

This plays to the strengths of the Australian industry generally, and Whitehaven in particular.

Whitehaven already produces a high-quality thermal product with low levels of ash, sulphur, phosphorous and other impurities. Maules Creek will increase the proportion of higher-value PCI coal and semi-soft coking coal we sell, giving us diversification in product exposure and enhanced flexibility in global markets.

By repositioning Whitehaven further down the cost curve, Maules Creek also future-proofs our company. When it is fully operational our expected fully absorbed costs of coal sold will sit around $67 per tonne, placing us in the lowest-cost quartile among Australian producers, strengthening our resilience to adverse industry conditions.

Affirming our social license to operate

Whitehaven is acutely aware of the community sensitivities to the development of the Maules Creek project. We believe we have addressed these sensitivities in the approval process for the project. Indeed, the conditions applied to this project are more stringent than any comparable project previously. That Whitehaven has complied with every condition speaks to our commitment to securing a 'social license' to operate the mine.

This commitment extends to the local region. Whitehaven has worked assiduously to involve the local townships of Narrabri, Gunnedah and Boggabri in this project. The benefits to these communities are already tangible in the form of jobs, services and investment during the construction stage. Once operational, the mine will deliver long-term employment and supply opportunities – services and consumables – for local businesses.

Up to 75% of our workforce in the Gunnedah Basin currently resides locally and this will increase once Maules Creek is operating. We are grateful for the role local communities have played in Whitehaven's success to date and do not take this support for granted.

Growing momentum across Whitehaven operations

The success to date of the Maules Creek rollout reflects a growing momentum and confidence within Whitehaven as we capture the opportunities flowing from the merger with Aston Resources.

A particularly pleasing aspect of FY2014 has been the discipline with which management has reduced expenses, driven efficiencies and extracted the benefits of scale. Measures have included renegotiating rail and port charges on more favourable terms, centralising administrative functions in Newcastle and implementing procurement at the Group level.

When this is coupled with productivity gains at the Narrabri longwall operation and Tarrawonga and Rocglen mines, it is clear that strong progress has been made in optimising Whitehaven's operating platform. The Board's intention is that a lean cost base remains a permanent feature of Whitehaven's operations.

Financial performance affected by difficult market conditions

These operational achievements take on added importance in light of external market conditions, which continue to weigh on Whitehaven's financial performance.

Amid continued softness in coal pricing and an unhelpful currency, a 25% increase in production to 10.3 million tonnes (100% basis) translated to a 21.4% increase in revenue to $755.4m in FY2014. The net loss after tax narrowed to $38.4m from $88.7m the previous year. There was no dividend declared in FY2014, in line with current dividend policy.

While these results are difficult for shareholders to accept, they reflect external conditions over which we have little or no control. From the Board's perspective, the management imperative in such an environment is to tighten control over costs and productivity. Senior management deserves credit for executing so well against this imperative.

Importantly, Whitehaven's funding position remains healthy, with net debt as at 30 June $685.2m and gearing at a modest 18%. Remaining draw-downs on our senior debt facility to accommodate capex on Maules Creek will leave Whitehaven comfortably within the available limits of this facility.

Board and governance

Philip Christensen announced his intention to step down as a Non-executive Director, effective 14 July 2014.

As Chair of the Health, Safety, Environment & Community Committee Philip has had an important role shaping our community engagement and environmental strategies and driving the safety improvement agenda. We thank Philip for his contribution and wish him well in his future endeavours.

At the same time we welcome Kevin Ball to the ranks of the senior leadership team following his appointment as Chief Financial Officer in December 2013. To further support our future growth, Whitehaven has also appointed a new Executive General Manager for Marketing and opened a sales office in Japan, a key market for Whitehaven.

Positive outlook

Despite the difficult conditions at present, shareholders have reason to be upbeat about Whitehaven's prospects over the short to medium term. Maules Creek is only months away from generating significant cash, and within a few years Whitehaven will be one of Australia's largest, and lowest-cost, producers of high quality coal.

Meanwhile, global demand for coal in absolute tonnage terms continues to rise steadily. Australian exports are estimated to rise to 437 million tonnes by FY2019, up from 336 million tonnes in FY2013, and prices are forecast to have recovered significantly from present levels over this period.

As a 23Mtpa producer, with pre-approvals in place at Vickery to expand to an additional 5Mtpa if required, Whitehaven is ideally placed to participate in this growth. We thank shareholders for their support and look forward to rewarding their patience in the coming years.

Mark Vaile
Chairman

MANAGING DIRECTOR'S REPORT

Whitehaven has telegraphed its ambition to become one of Australia's largest coal producers, based on Tier 1 assets in the Gunnedah Basin. Principal among these is our fully operational Narrabri underground mine and Maules Creek, a world-class project capable of supplying up to 12 million tonnes per annum (Mtpa) of high quality metallurgical and thermal coal.

I am pleased to report Maules Creek is proceeding to plan and budget. As at 30 June more than half of the project's $767m capex budget had been incurred and the remainder committed to tender, and we are on schedule to deliver the first coal from Maules Creek in the March quarter of 2015.

Strong operating performance offsetting the impact of challenging conditions

Despite headwinds in the form of a high currency and subdued coal pricing, operating efficiencies and cost reductions underpinned an improved operating result in FY2014.

Excluding significant items, earnings before interest, tax, depreciation and amortisation (EBITDA) for FY2014 was $90.4m, well up on $17.1m in the previous year. The average fully absorbed costs of coal sold for FY2014 was $69 per tonne, down from $76 per tonne, while the EBITDA margin on coal sold was 13%, up from 3% in the prior year.

Production volumes were strong, with 10.3 million tonnes (100% basis) of saleable coal produced, up from 8.2 million tonnes in FY2013. Average revenue per tonne of coal sold, net of purchased coal and royalties, was $79.29, up slightly on the $78.58 achieved in the previous year.

Longwall operations at Narrabri were particularly pleasing, with this mine producing 5.7 million tonnes of ROM coal, above its nameplate capacity on an annualised basis. Independent benchmarks now place Narrabri among the top three most productive longwall mines in Australia. Coal quality issues at the mine have been addressed and longwall changeovers have been consistently good. Longer panels mean there will be fewer changeovers on average in future years, reducing Narrabri's cost profile further.

Elsewhere, revised mine plans at Tarrawonga and Rocglen have led to improved strip ratios and labour productivity. Expanded operations at Werris Creek, our lowest-cost mine, also contributed to the improved operating result.

Whitehaven entered into new rail haulage agreements with our rail partners Aurizon and Pacific National Coal during the year. These contracts reflect the higher volumes that will be forthcoming in coming years and have the effect of reducing haulage costs, and therefore average fully absorbed costs of coal sold. Port charges were reduced and a shift to group-wide procurement saw the cost of key inputs including fuel, explosives and equipment shaved.

On the safety front, extra tonnes without a safe work environment would be unacceptable. Whitehaven delivered a 30% reduction in total recordable injury frequency rate (TRIFR) and a 42% reduction in lost time injury frequency rate (LTIFR) across all mines.

TRIFR and LTIFR for longwall operations are now well below New South Wales coal industry averages. Extending this performance to our open cut mines is a key priority. New safety principles were introduced under the *Seven Safehaven Rules* program during the year and all levels of leadership have been charged with driving awareness of these principles throughout mine operations.

Strengthened executive management

Operational gains in FY2014 have coincided with a significant strengthening of Whitehaven's executive management. Kevin Ball was appointed Chief Financial Officer to replace the long-serving Austen Perrin, whose contribution has been greatly valued.

In a challenging market environment, Whitehaven Coal has made strong progress in the past year toward unlocking value from the unique coal assets at our disposal, after executing successfully against key priorities.

Over the past two years other key appointments included Executive General Managers for Operations, Infrastructure and HR, Project Delivery (including Maules Creek) and Marketing, and new managers at each of Whitehaven's mines.

The benefits of this enhanced leadership capability, already evident in the FY2014 operating result, will become even more apparent as our production ramps up in coming years.

Developing our flagship asset

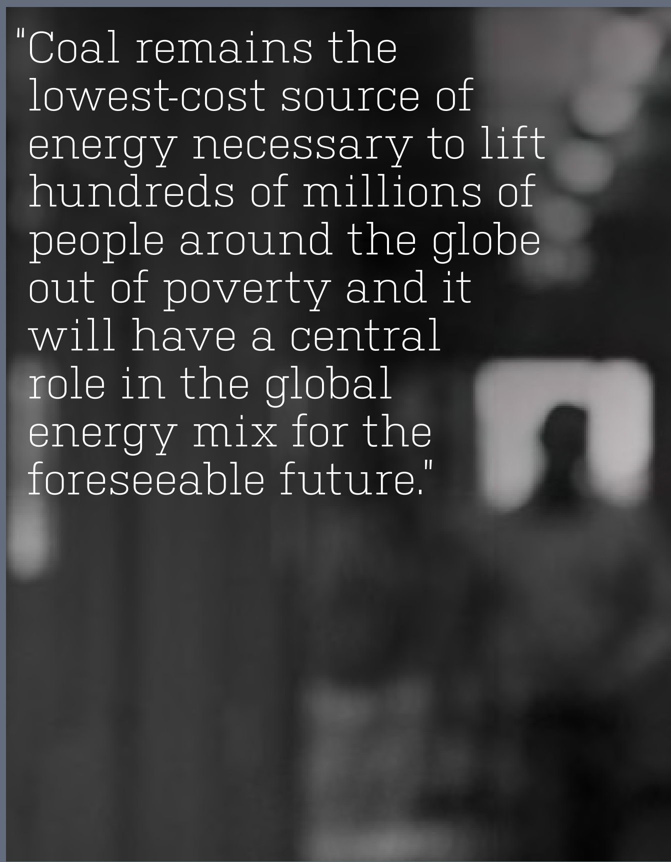
Maules Creek is the jewel in Whitehaven's crown – a 30-year resource of high-energy coal with a simple, stable geology and low strip ratio. When operating at capacity from FY2017, the mine will transform the economics of Whitehaven's output. We will be a lower-cost, higher-margin producer, less reliant on thermal coal, more resilient to adverse cyclical shifts and better placed to meet global demand for cleaner coal.

By undertaking development at a relatively soft point in the industry cycle, Whitehaven has benefited from lower development costs, such as labour, equipment and services. This puts the project on a low capex and low opex footing, a rare double in mine development terms.

Work to secure markets for Maules Creek product is well underway following the appointment of a market development officer based in Japan in May 2014. An experienced Japanese coal industry professional, this representative has already opened dialogue with potential customers in Japan and elsewhere in north Asia.

Spreading the benefits of Maules Creek

As a proudly Australian company that calls the Gunnedah Basin its home, Whitehaven values local communities and is keen to ensure benefits flowing from Maules Creek accrue locally. Under agreements with local Councils, Whitehaven has already funded important civil infrastructure, including an airport upgrade at Narrabri. The completed mine will extend townships in the Gunnedah Basin access to new economic opportunities, including more than 400 permanent mine jobs.



Whitehaven takes pride in our focus on local employees rather than a fly-in-fly-out workforce and this will be even more pronounced when Maules Creek is operational. This is good for local towns, and good for business. Experience tells us that a permanent local workforce is more stable and more productive than any alternative.

Another beneficiary from Maules Creek is the local indigenous community. Around 100 people have been engaged to advise on cultural heritage aspects of the construction phase.

Whitehaven's goal is that within five years of the mine commencing, 10% of the 400 plus-strong workforce to be local indigenous people. Our strategy includes local training programs and a requirement that contractors engaged at Maules Creek involve indigenous people in the work they undertake.

Market dynamics play to Whitehaven's competitive advantage

Amid ongoing global debate around carbon emissions any notion that the global shift toward 'cleaner' forms of energy threatens the viability of coal is misplaced.

Coal remains the lowest-cost source of energy necessary to lift hundreds of millions of people around the globe out of poverty and it will have a central role in the global energy mix for the foreseeable future. Indeed, all forecasts are for continued strong growth in demand globally in absolute tonnage terms.

What the environmental dynamic does imply, however, is a requirement for premium, higher-energy coal that leaves a lighter footprint. In other words, exactly the type of coal that Whitehaven will be supplying at scale over the coming decades.

Whitehaven is at an exciting juncture in its evolution, and in coming years is poised to reap significant benefits from our investment in the growth opportunity. I want to take the opportunity to thank Whitehaven employees and our supporters for their commitment and support to date.

Paul Flynn
Managing Director and CEO

GROWTH – OPERATIONS

"Whitehaven's culture is to look to employ local first wherever possible."

– Jamie Frankcombe,
Executive General Manager Operations

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I SNAPSHOT

Whitehaven Coal is a company transitioning from an operator of several relatively small open cut mines into a major coal producer in an Australian and global context. Production in 2014 was double the 5.0Mt produced in 2012 and is set to double again when the Maules Creek project is fully ramped. The fast pace of growth has led to a complete renewal of the senior management team over the past year with a number of highly experienced executives joining the Company to ensure that the growth can be managed successfully over the next three years.

Evidence of success is available following the startup of the world class and highly productive Narrabri underground coal mine which is already capable of producing in excess of its initial design capacity. The operating team has progressively set new production records and completed two longwall changeouts on budget and on time in the first two years of commercial operations. An outstanding achievement for a new mine operating in a region with no previous underground mines.

The Narrabri mine along with the Maules Creek project under construction will deliver large volumes of high quality low cost thermal and metallurgical coal for many years into the future underpinning the Company, its shareholders and the community in which it operates.

"We want our employees to move to and live in the communities in which we operate wherever possible and be able to go home and spend quality time with their families at the end of every shift."

– Jamie Frankcombe,
Executive General Manager Operations

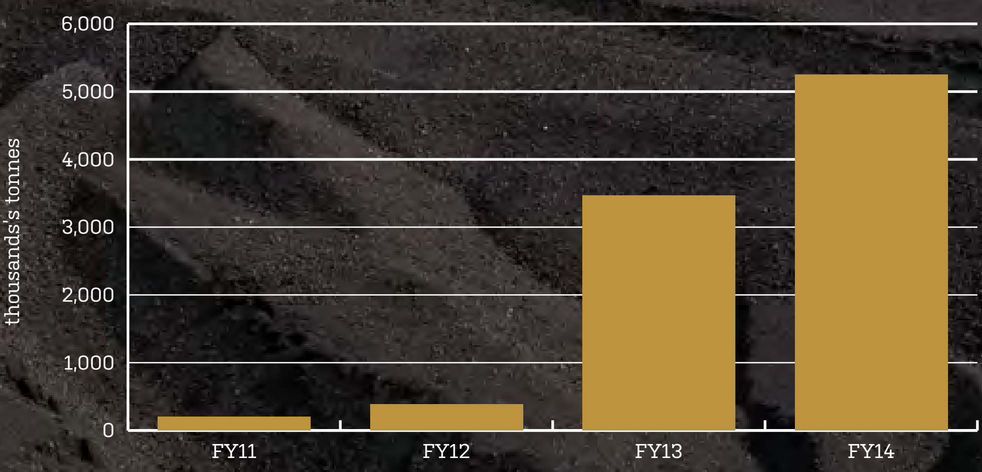
ACHIEVEMENTS II

- Improved safety performance across all the mines following the introduction of the *Seven Safehaven Rules* across the Company with the Company reporting its lowest TRIFR rate for five years
- Achieved record production from Werris Creek, Tarrawonga and Narrabri mines during the year with saleable coal production reaching 8.2Mt (equity basis) for the year, 23% higher than the preceding year
- Overcame the quality issues with Narrabri thermal coal early in the year enabling all product to be sold at benchmark quality
- Completed the second longwall changeout at Narrabri on schedule and on budget
- Resolved all legal hurdles which enabled construction of the Maules Creek project to commence in late December 2013
- Maules Creek project on budget and on time for first coal to be railed in the March 2015 quarter
- Completed the expansion of the Werris Creek mine which increased production capacity at the mine to 2.5Mtpa
- Benefits of the new centralised procurement system are becoming apparent with cost reductions achieved from a number of suppliers
- Significant reduction in fully absorbed FOB costs across the portfolio of mines during the year
- Extended the current rail haulage contract until 2026 at reduced haulage charges
- Benefited from a reduction in port charges following refinancing of NCIG and the deferral of the T4 project at PWCS.

2014 has been a challenging year for Whitehaven Coal and the coal industry in general. However, the Company has made significant progress on a number of its goals during the period.

III NARRABRI

PRODUCTION – SALEABLE COAL



"It was a record-breaking year of production at Narrabri."

Construction of the Narrabri underground mine commenced in 2009 with first coal produced from underground development in 2010. Commercial coal production from the initial longwall panel began in October 2012 following the installation and commissioning of the longwall equipment.

Whitehaven Coal's ownership:	70%
Other owners:	7.5% J-Power 7.5% EDF Trading 7.5% Upper Horn Investments 7.5% Daewoo International Corporation and Korea Resources Corporation
Tenements:	ML 1609, EL 6243
Location:	17km southeast of Narrabri, 70km northwest of Gunnedah and about 380km from Newcastle
Coal types:	About 80% high CV, low ash thermal coal and 20% PCI coal
Life-of-mine:	22 years
Mining operations:	Coal is mined using Caterpillar longwall equipment cutting a 4.2 metre section in 300 metre wide panels from the Hoskissons Seam which averages about 9 metres thick in the mine area. Design capacity of the mine is 6.0Mtpa. Whitehaven Coal operates the mine and surface facilities using its own employees. Surface facilities consist of a CHPP (1000tph), by-pass circuit, stockpile area and train load out bin.
Employees:	Total of 329 including contractors
2014 production target:	5.5Mt ROM coal and 5.3Mt product (100% basis)
2014 actual production:	5.66Mt ROM coal and 5.25Mt product (100% basis)
2015 production target:	6.5Mt ROM coal and 6.2Mt product (100% basis)

NARRABRI IN 2014

Narrabri performed strongly during the year setting a number of weekly, quarterly and full year production records (0.26Mt in a week in June and 1.9Mt ROM coal in the December quarter). Total production was constrained by two scheduled longwall moves which reduced cutting time by about nine weeks during the year. Each move takes about six weeks to complete. The moves during the year were completed on time and on budget. This was an exceptional result as Narrabri is a new mine. Mining of the third longwall panel is advancing to schedule and is due to be completed in October 2014. As the length of the longwall panels increase in the future the number of change outs will decline to about one in most future financial years.

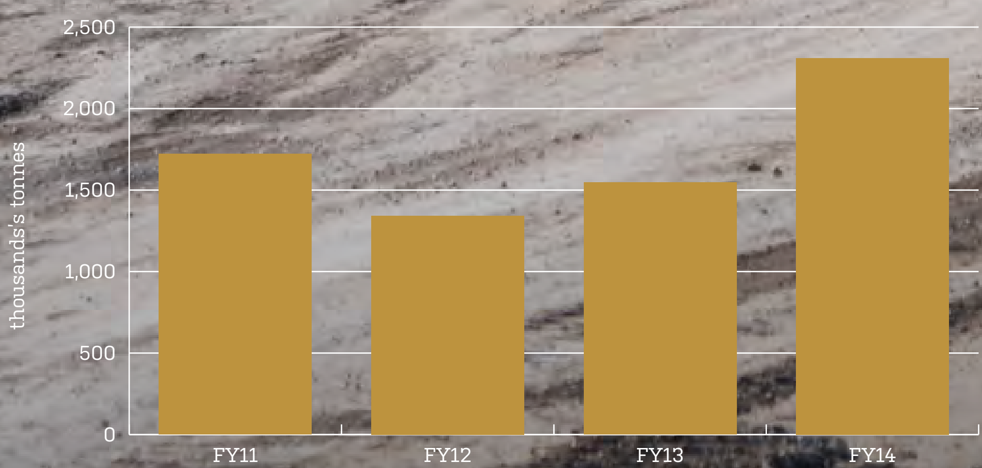
In another positive reflection on the workforce at Narrabri, efficiencies have been obtained by optimising the configuration of the continuous miner fleet. The fleet has been reduced from four machines to three machines while development rates have been able to be maintained and longwall float remains at an appropriate level.

Early in the year Whitehaven resolved the impact of low energy levels in its Narrabri thermal coal product. The reinstallation of the upgraded by-pass circuit enabled blending of crushed ROM coal with washed thermal coal product resulting in a thermal coal product that meets the Newcastle thermal coal benchmark specifications. Consequently, all Narrabri coal sold during the year has met the required specifications.

Whitehaven took over operating the CHPP from a contractor in February 2014. The Company expects to reduce costs and operate all the surface facilities at the mine more efficiently following the change.

IV WERRIS CREEK

PRODUCTION – SALEABLE COAL



"Strong operational performance delivered a production record for the full year at Werris Creek."

Production at Werris Creek began in 2005 with the development of a multi-seam open cut mine. In December 2013 an expansion was completed lifting production to about 2.5Mtpa. Current Reserves are sufficient for a mine life of about eight years.

Whitehaven Coal's ownership:	100%
Tenements:	ML 1563 and ML 1672
Location:	4km south of Werris Creek, 15km north of Quirindi and about 250km from Newcastle
Coal types:	About 87% thermal coal and 13% PCI coal
Life-of-mine:	8 years
Mining operations:	The mine is located in a discrete synclinal basin with mining currently taking place at the deepest section of the deposit. Conventional truck shovel open cut mining is used in a multi-seam deposit producing ROM coal which is crushed and loaded unwashed onto trains.
2014 production target:	2.3Mt coal
2014 actual production:	2.36Mt coal
2015 production target:	2.5Mt coal

WERRIS CREEK IN 2014

A recently completed expansion (December 2013) has increased production capacity of the mine to 2.5Mtpa from the previous level of 2.0Mtpa. New facilities built at the mine include a rail loop, train load out bin, crusher relocation and offices. The work effectively recapitalises the mine for the remainder of its life. Following completion of the expansion at Werris Creek, the mine is forecast to maintain its position as Whitehaven's lowest cost producer.

Werris Creek performed well during the year setting new production records in the final quarter and for the full year. Improved mining conditions and a renewed focus by the team combined with the increased installed capacity enabled the mine to set these new records.

V TARRAWONGA

PRODUCTION – SALEABLE COAL

"The team at Tarrawonga exceeded target and created a production record for the full year."

Production at the Tarrawonga mine commenced in September 2006. The mine utilises conventional open cut mining techniques to mine a number of coal seams in the deposit. Crushed ROM coal is road hauled to the Gunnedah CHPP for washing and load out to trains.

Whitehaven Coal's ownership:	70%
Other owner:	30% Idemitsu
Tenements:	ML 1579, EL 5967 and CL368
Location:	16km northeast of Boggabri in Central North New South Wales
Coal types:	About 50% high CV, low ash thermal coal and 50% PCI coal and semi soft coking coal
Life-of-mine:	Over 15 years
Mining operations:	Conventional truck shovel open cut mine producing about 2.0Mtpa (permitted for 3.0Mtpa) ROM coal. The ROM coal is crushed on site and then road hauled about 40 kilometres to the Gunnedah CHPP for washing and loading onto trains on the main line.
2014 production target:	2.0Mt ROM coal and 1.8Mt product (100% basis)
2014 actual production:	2.19Mt ROM coal and 1.91Mt product (100% basis)
2015 production target:	2.0Mt ROM coal and 1.9Mt product (100% basis)

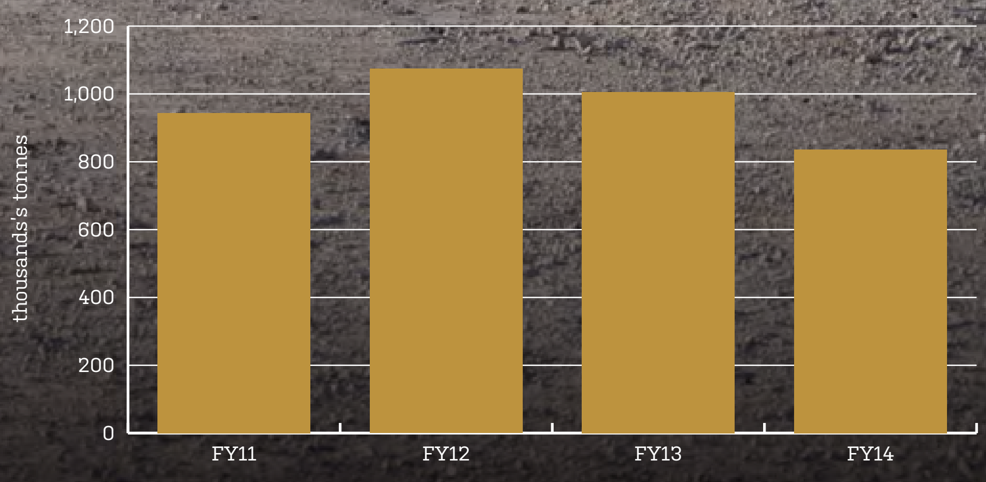
TARRAWONGA IN 2014

Tarrawonga performed strongly in 2014, exceeding its target production for the year and creating a new production record for the full year. Changes to the mine plan were adopted in the second half of the previous year. The revised strip ratio is 10% lower than the previous year and production at these levels is expected to be sustained for about three years. Initiatives to improve productivity and further reduce costs are ongoing.

Production at Tarrawonga was halted on several occasions for short periods throughout the year due to protestor activity associated with the construction of the Maules Creek project. While the protest activity did not impact on overall production levels from the mine during the year, the incidents are concerning from a safety perspective. Ongoing vigilance is required to ensure the safety of our employees.

VI ROCGLEN

PRODUCTION – SALEABLE COAL



Production at Rocglen began in 2008 with the development of a multi-seam open cut mine. Conventional truck shovel mining techniques are used for mining the structurally challenging deposit.

Whitehaven Coal's ownership:	100%
Tenements:	ML 1620
Location:	28km north of Gunnedah
Coal types:	Low ash thermal coal
Life-of-mine:	3 years
Mining operations:	The mine is located on the eastern side of the Maules Creek Sub-basin and is geologically complex with faulting and folding across the several seams in the deposit. Conventional truck shovel open cut mining is used to mine the deposit producing ROM coal which is crushed on site and then road hauled to Gunnedah for washing. All ROM coal production is washed.
2014 production target:	1.3Mt ROM coal and 1.0Mt product
2014 actual production:	1.32Mt ROM coal and 0.84 Mt product
2015 production target:	1.2Mt ROM coal and 0.9Mt product

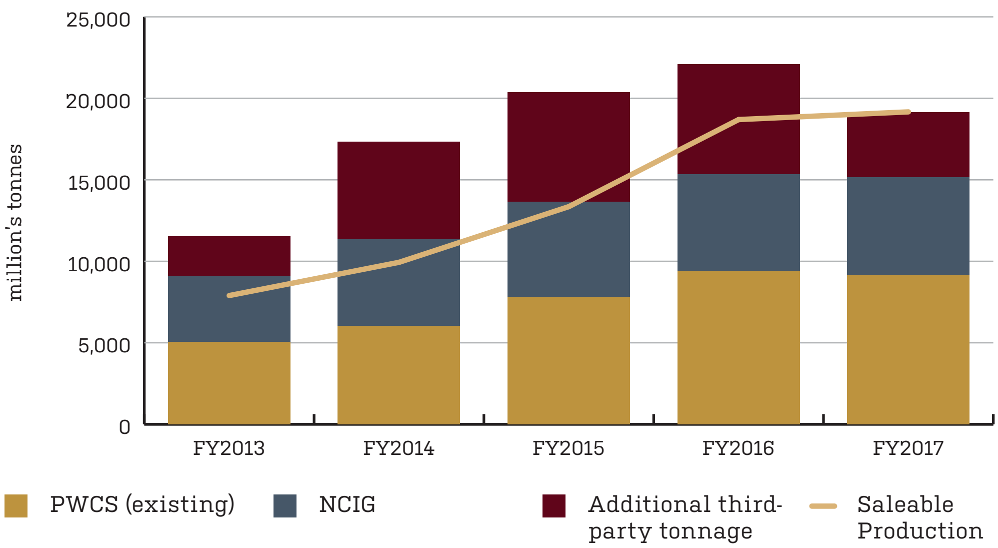
ROCGLEN IN 2014

A mine plan review of the Rocglen open cut mine completed in the second half of 2013 led to a reduction in the workforce and the strip ratio at the mine along with a shortening of the mine life. The main aim of the review was to reduce mining costs. The production outlook for the mine over the next two years is flat with expected ROM coal production of about 1.2Mtpa.

VII INFRASTRUCTURE

Coal sales and marketing are undertaken globally. Operating since 1999, our coal travels by rail to the Port of Newcastle before being shipped to our customers in Japan, Korea, Taiwan, India and China.

PORT CAPACITY VS EXPORT SALEABLE PRODUCTION



One of the key components of being a successful coal miner is to have access to the infrastructure required to transport coal to a coal terminal and to be able to load the coal onto a ship for delivery to export market customers. Whitehaven has acquired sufficient rail and port capacity to enable the shipment of all its current production along with future production from Maules Creek.

There are three major components required for infrastructure access to enable coal exports – rail track, rail haulage and port capacity.

RAIL TRACK ACCESS

Whitehaven has sufficient contracted rail capacity with the Australian Rail Track Corporation (ARTC) to deliver both current production and also expected future production levels. ARTC has been upgrading the Gunnedah Basin rail lines to cater for the expected increased production from Whitehaven and other companies using the rail system. ARTC's key focus was to upgrade the rail line to 30 tonne axle load standard. Other works included increased passing loops, replacing rail track, replacing timber sleepers with concrete sleepers and yard upgrades. The initial 30 tonne axle load trial which began in August 2013 by using a large locomotive equipped with extensive monitoring equipment has been successfully completed. The trial period has been extended to 2015 to allow further monitoring, with incremental increases in train speeds, to be undertaken. The track upgrade is on target to accommodate full 30 tonne axle load operations in line with the commencement of production from Maules Creek. The improvement will allow large capacity trains (up to 8,000 tonne) to use the system. With the completion of Scone and Gunnedah yard reconfiguration in the coming months and full 30 tonne axle load operations by the end of the year there will be sufficient track capacity for current operations and Maules Creek producing up to 9.0Mtpa. ARTC is well advanced on the design work and environmental assessment for additional passing loops to provide further capacity as the Maules Creek project ramps up to 13Mtpa.

RAIL HAULAGE

Whitehaven has two rail haulage contracts in place extending out to 2026. The current operating contract with Pacific National for 9.5Mtpa was renegotiated and extended to 2026 with the revised contract commencing on 1 January 2014. Haulage costs were reduced from the previous contract as fewer and larger 30 tonne axle load trains will be used to haul up to 11.5Mtpa of coal under the revised contract.

The second haulage contract is with Aurizon for an amount of up to 16.0Mtpa commencing with the startup of the Maules Creek project. Large 30 tonne axle load trains will be used in the contract and Aurizon will provide additional trains progressively as the Maules Creek project is expanded up to its full capacity. Aurizon have already begun hauling coal from existing operations under a short-term spot contract which has assisted them in establishing operations in the region ready for the commencement of Maules Creek operations.

PORT CAPACITY

The Company has capacity at NCIG (6.0Mtpa) through Whitehaven's equity share of the coal terminal and at the PWCS terminal (5.3Mtpa until FY2015). NCIG is important for Whitehaven as it enables the blending of coal on dedicated stockpiles prior to loading. After 2015 the Company has entered into a ten year rolling contract for 12.4Mtpa at PWCS to cater for the growing production from the Maules Creek project.

Whitehaven had surplus port capacity in 2014, as a result of approval delays impacting commencement of construction of Maules Creek. Excess port capacity in 2015 is expected to be 7Mt declining to 3Mt in 2016. By 2017 Whitehaven will require additional port capacity as the Maules Creek project ramps up to 13Mtpa. Discussions are in place with a number of producers to secure the additional port capacity.

Whitehaven has acquired sufficient rail and port capacity to enable the shipment of all its current production along with future production from Maules Creek.

VIII CUSTOMERS

Whitehaven sells coal to a wide range of customers in the Asian region. As the Company produces both thermal coal and metallurgical coal it sells to three distinct groups of customers – power generators, general industry and steel makers.

The product split in 2014 was 82% thermal and 18% metallurgical coal.

During the year the Company increased its presence in Asia by opening a Sales and Marketing office in Tokyo, Japan, staffed by a full time employee. This was a significant move for the Company and is expected to result in higher sales into the premier Asian markets.

THERMAL COAL

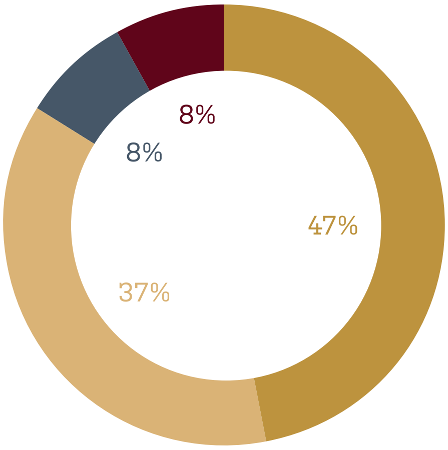
The key markets for Whitehaven are in Japan and Korea where electricity generators are prepared to pay a premium for the high quality coal that Whitehaven currently produces and more importantly will produce when the Maules Creek project comes into production next year. Our joint venture partners in the Narrabri mine have life-of-mine offtake contracts which account for most of the mine output. These contracts are for an agreed tonnage each year sold at the prevailing Newcastle market price.

METALLURGICAL COAL

Whitehaven produces two main metallurgical coal products namely PCI coal and semi soft coking coal. The PCI coal is sourced from Narrabri and Werris Creek mines. Sales in 2014 were 1.988Mt with most sold to customers in India where steel makers have become accustomed to using the coal in their blast furnaces. India is the second largest importer of metallurgical coal after Japan as it does not have domestic sources of good quality metallurgical coal.

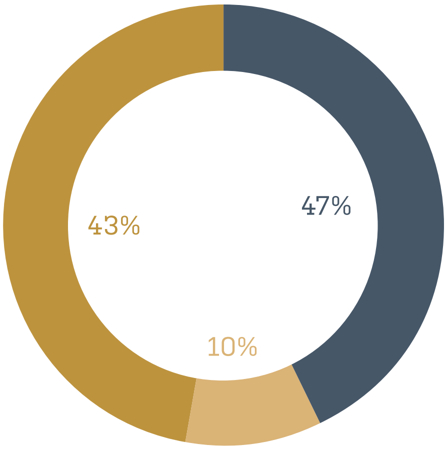
Semi soft coking coal produced by the Tarrawonga mine is sold to a number of steel makers in the Asia region. The coal is used by steel makers in their coke blends. Significant quantities of this coal will be produced by Maules Creek after the mine ramps up to full production.

THERMAL COAL SALES 2014



Japan
Korea
China
Other

METALLURGICAL COAL SALES 2014



Japan
Taiwan
India

COAL MARKET OUTLOOK IX

2014 has been a challenging year in both the thermal and metallurgical coal markets. Prices have fallen during the year and the Australian dollar has remained high. Most coal producers delivering into the seaborne market are under financial pressure as profit margins have declined and are responding by cutting costs and increasing production to reduce unit costs.

Global population is growing steadily and demand for energy per person is also growing.

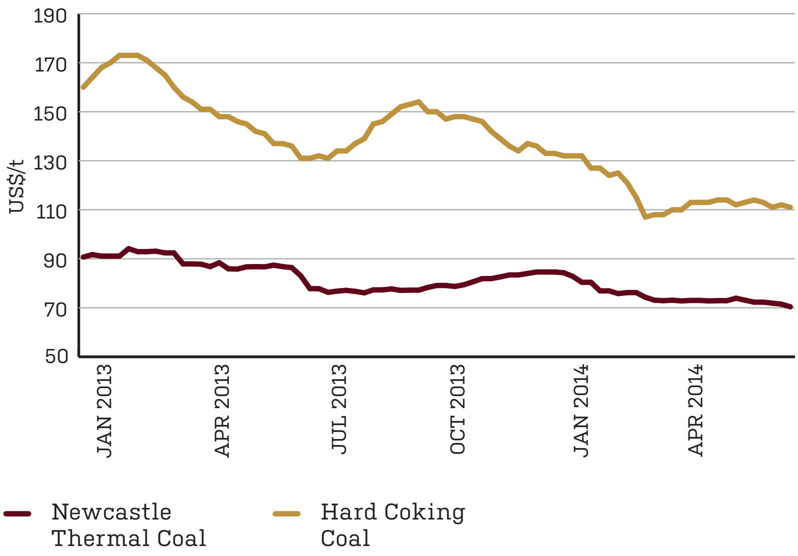
With demand for energy growing, even though coal's share of energy supply is expected to fall in the future, actual tonnage consumed will continue to rise.

METALLURGICAL COAL

The recent roll over of contract prices for metallurgical coal products has come after some initial production cuts. It is estimated that about 19.3Mtpa of cuts have occurred in Canada, Australia and the United States. Australian metallurgical coal production increased from a low point of 133Mt in 2011, the flood effected year, to an estimated 185Mt in 2014, an increase of 52Mtpa, representing about 62% of the seaborne metallurgical coal market. Several new mines began production over the period and all incumbent producers are maximising production in an effort to reduce unit costs in response to the low price.

On the demand side the growth in consumption has been significant over the same period increasing from about 237Mt in 2011 to 299Mt in 2014, a rise of 62Mt. However, the growth has not been sufficient to counter the increased production. Additional producer discipline is required to rebalance the market to create the environment for a sustained price increase.

METALLURGICAL AND THERMAL COAL PRICES



THERMAL COAL

The price of thermal coal has stabilised in recent months with many global suppliers to the seaborne market loss-making. For example in Queensland it is estimated by the Queensland Resources Council that about half (30Mt of 60Mt) annual thermal coal production is being produced at a loss on a fully absorbed costs of coal sold basis.

An underground coal mine in New South Wales was recently placed into care and maintenance in response to low prices.

The thermal coal market is transitioning from a period of strong growth of an estimated 7.5% per year over the last five years as China and India installed significant amounts of new electricity generating capacity. Forecasts indicate that coal demand growth will moderate to about an annualised rate of 2.7% over the next five years. Consequently, coal production growth will have to slow in response to the reduced demand growth and mine closures are expected across the industry. Despite this, we believe demand for Whitehaven's high quality coal will be strong into the future.

GROWTH – NEW PROJECTS

"Over the years I've seen the Company build up. To see so many new faces is really exciting."

– Adrian Guest,
Open Cut Operator

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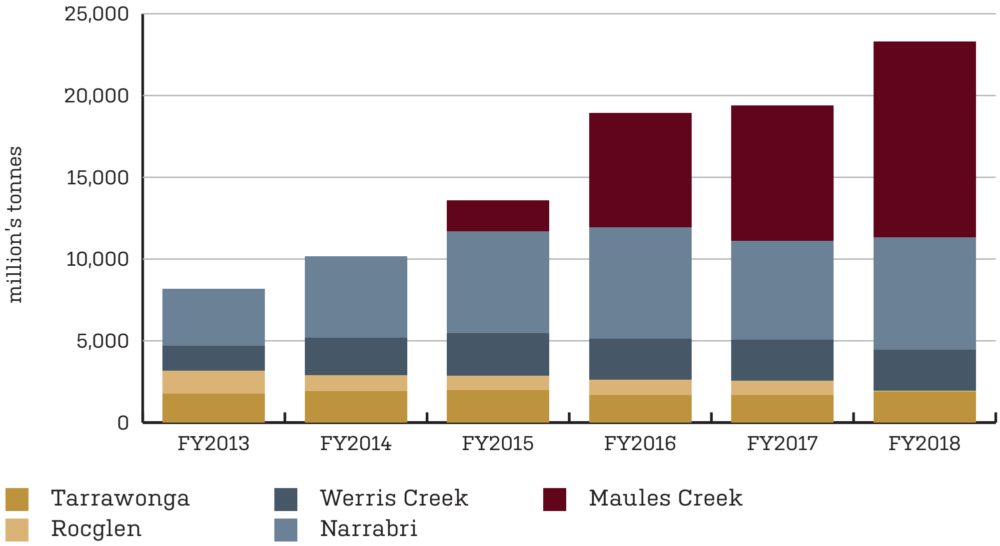
I SNAPSHOT

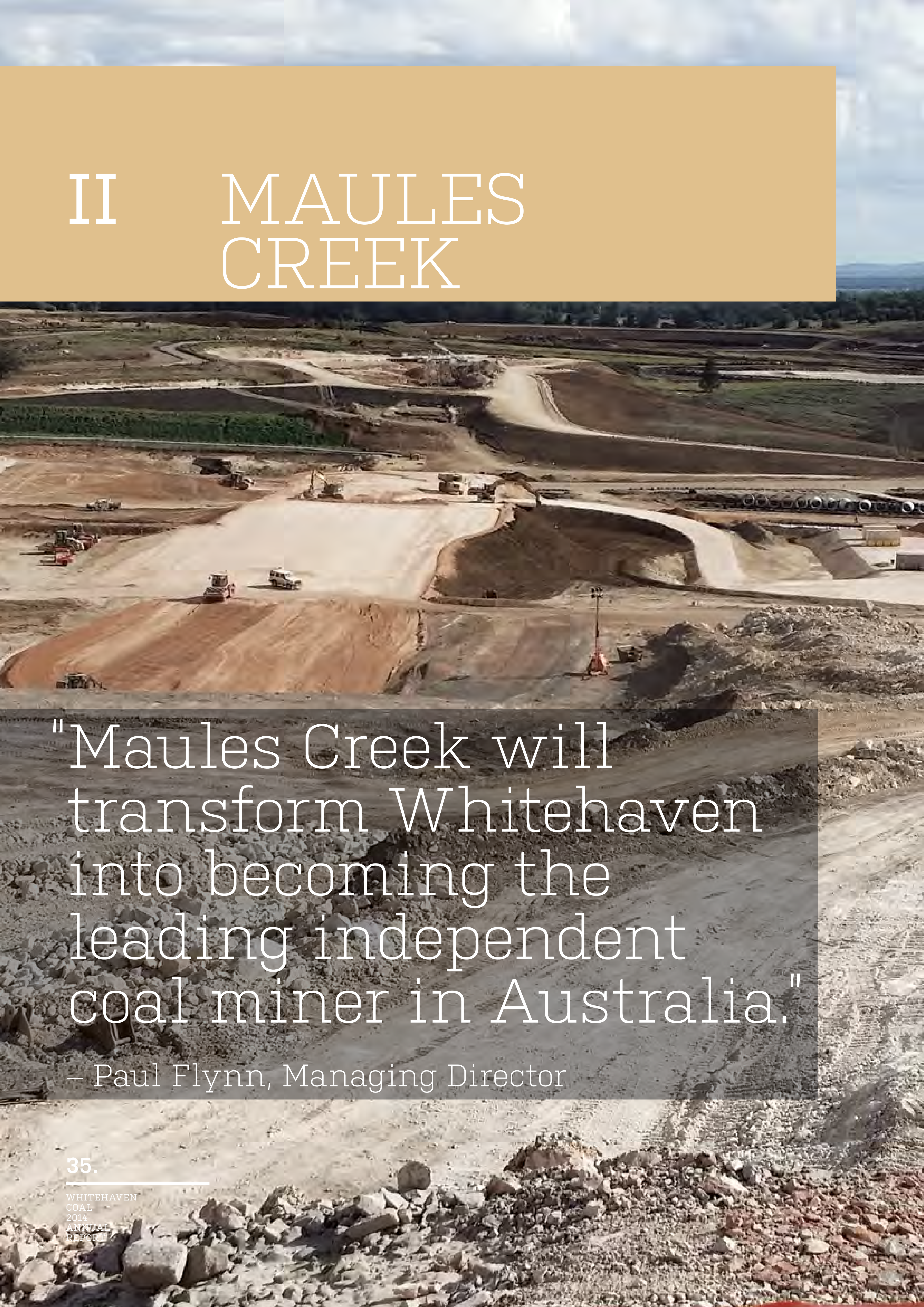
Whitehaven Coal is well placed to complete its growth ambitions as the construction of the Maules Creek project is advancing. Production has doubled from 2012 levels and will double again by FY2018.

SALEABLE PRODUCTION BY MINE



Whitehaven has been operating in partnership with the North West New South Wales community since 1999.


40
AREA
KEEP
LEFT



II MAULES CREEK

"Maules Creek will transform Whitehaven into becoming the leading independent coal miner in Australia."

– Paul Flynn, Managing Director

The Maules Creek project is the largest coal mine being built in Australia. The project will transform Whitehaven into the leading independent coal miner in Australia and a major economic contributor to the Gunnedah Basin region of New South Wales.

Whitehaven Coal's ownership:	75%
Other owners:	15% ICRA MC Pty Ltd (an entity associated with Itochu Corporation) 10% J-Power Australia Pty Limited
Tenements:	CL 375, AUTH346
Location:	45km southeast of Narrabri, 17km northeast of Boggabri
Coal types:	High CV, low ash, low sulphur thermal coal (50%) and 50% metallurgical coal (SSCC and PCI)
Life-of-mine:	30 years
Mining operations:	Coal will be mined using Ultra class trucks and excavators for overburden removal with a conventional coaling fleet. Production will commence at 6.0Mtpa ROM coal and expand to 13Mtpa by 2018 through the acquisition of additional equipment. Surface facilities consist of a CHPP (capacity 1800tph), by-pass circuit, stockpile area and train load out bin.
Employees:	Total of 450 including contractors when fully ramped
2015 production target:	1.9Mt ROM pre-commercial coal (thermal) with first railings in March

MAULES CREEK IN 2014

Maules Creek is the largest coal mine being built in Australia. It will become one of the lowest cost producers of high quality coal in the country and support the Group's strategy of positioning over 75% of total production in the lowest quartile of the cost curve for Australian coal producers. The low strip ratio of 6.4:1 over the mine life illustrates the sound economics of the mine compared to other open cuts where strip ratios generally rise as mine life increases.

The estimated capital expenditure for the project is $767 million including contingency of about $70 million. The project is on schedule and on budget with first coal expected to be railed in the March 2015 quarter. The longest lead time component of the project is the construction of the rail line and loop which is proceeding on time and on budget.

Mining equipment is being mobilised on site and mining of the box cut commenced in August 2014. The initial production run rate from the mine will be 6Mtpa with approvals in place to expand annual production to 13Mtpa. It is expected that the ramp up to the approved production level will occur over a three year time period subject to prevailing market conditions. The addition of this production will significantly increase the size, diversity and flexibility of Whitehaven's broader production portfolio.

The Maules Creek mine will produce high quality, low impurity coals that are expected to attract strong demand from both power companies and steel makers. The thermal coal can be sold without washing as a high energy, low ash and low sulphur coal. It will be a sought after product in Japan and Korea where customers are focused upon capturing the environmental benefits delivered by high quality coal.

Whitehaven recently opened a representative office in Japan to enhance and improve the marketing effort into the Asian region. The aim is to increase the contracted sales volumes of both its thermal and metallurgical coals produced by Maules Creek into the region.

Whitehaven has a policy of hiring from the local area so that a large number of the jobs created by the project will be sourced in the region. The employment policy, combined with Voluntary Planning Agreements with the local Council, will see significant economic benefits flow directly to the local community with cash derived from the project circulated into the community and local businesses.

SUSTAINABILITY

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I SUSTAINABILITY COMMITMENT & GOVERNANCE

Whitehaven Coal is committed to developing its coal mining resources in a sustainable manner to maximise economic and social benefits. It is Whitehaven Coal's belief that this sense of responsibility to stakeholders represents not only sound ethics but also good business sense.

Whitehaven Coal's corporate sustainability program has five main elements:

- Working to create wealth for shareholders
- Respecting, supporting, encouraging and engaging employees by ensuring a safe workplace and supportive culture
- Considering all aspects of the environment in the planning, development and operational phases of activities and implementing environmentally responsible practices and procedures wherever possible
- Building, maintaining and strengthening relationships with the communities which host our operations
- Communicating effectively with a broad range of stakeholders.

Health and Safety, Environment and Community performance is overseen by the Board's Health, Safety, Environment and Community Committee. Its charter is available on the Company website.

ACHIEVEMENTS AND CHALLENGES

Health and Safety

Providing a safe working environment for Whitehaven Coal's people is the cornerstone of the Company's operational excellence objective. We want our people to return home safely to their family and friends after every day they come to work.

Our target is to achieve zero injuries and illnesses. There was an overall improvement in safety performance across our operations. The Whitehaven Coal Group Total Recordable Injury Frequency Rate (TRIFR) is better than it has been in the Company's history and continues to trend down, however there is still work required to ensure the level continues to dive below the industry average. The Whitehaven Coal Group TRIFR is at 14.06, marginally below the New South Wales Coal Industry rate of 15.35, reinforcing that the Company needs to remain vigilant about safety every day.

People

Our most important asset is our people. We need to ensure their health and safety at work, but also provide them with opportunities, a rewarding career path and a workplace within which they are treated respectfully and fairly.

Whitehaven Coal's turnover improved in the year. While there were difficult market conditions and increased turnover across the industry, the Company remained committed to investing in its talent during the year. Whitehaven Coal is proud that 75% of our 650-plus workforce live in the area of our mining operations.

Stakeholder Engagement

Regular and pro-active stakeholder engagement activities were undertaken during the year. The Company was committed to communicating with stakeholders in a timely and balanced fashion during this time, utilising a combination of community meetings, one-on-one meetings with potentially impacted landowners and neighbours, distribution of newsletters, press releases through all forms of media, interviews with radio and TV, letter drops and attendance at community events and meetings and community consultative committees.

Community Support

Whitehaven Coal has a history of supporting the communities in which it operates .
The Company continued its support for the Westpac Rescue Helicopter and financially supported a variety of educational and health orientated projects throughout North Western New South Wales. In addition to contributions to infrastructure through planning agreements with the local Government authorities, Whitehaven made discretionary donations amounting to $150,000 during the year.

Environmental Responsibility

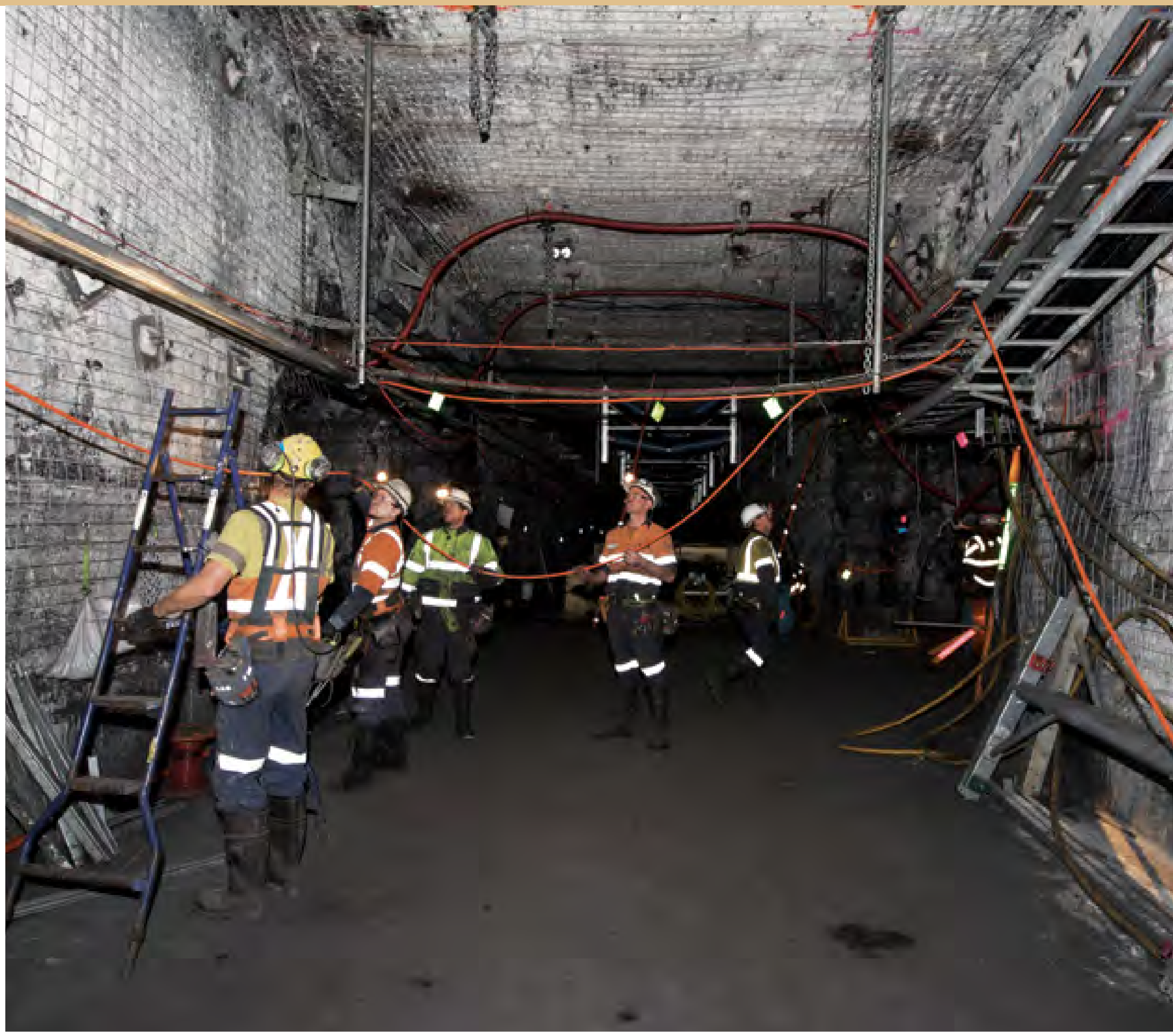
Like all extractive industries, our operations do impact on the environment and communities. We aim to minimise, and where possible, eliminate these impacts. Our target is to ensure we have zero environmental incidents.

In the past four years a number of our operations have been through the full Federal and New South Wales approvals process – Narrabri underground mine, Rocglen extension, Tarrawonga extension, Werris Creek extension and Maules Creek project. This sets us apart from our peers and means that our mines are operating under the highest environmental standards in the New South Wales mining industry.

Biodiversity

Whitehaven Coal is committed to carrying out rehabilitation activities in a manner that will lead to the development of a post mining landscape that meets the objectives of being safe, stable and non-polluting and exhibits biodiversity values that are generally consistent or better than pre-mining levels. In total, Whitehaven Coal currently has over 400 hectares under rehabilitation and over 18,000 hectares of biodiversity offsets.

III HEALTH & SAFETY



"Safety is our number one priority. We have an established safety management system and we expect people to take personal accountability for their actions. That can be as simple as completing 'take fives' before they do their job or participating in employee consultations or risk assessments."

– Justin Lawrence,
Group Manager Health and Safety

VALUING SAFE PEOPLE AND PRACTICES

Providing a safe working environment for employees is critical at Whitehaven Coal and is key to the Company's performance.

Whitehaven Coal provides training, equipment, resources and systems to create the safest possible work environment for our people. Building a culture of safety awareness is key to continuous improvement against targets and industry averages.

As part of the Company's Health and Safety Policy, Whitehaven Coal aims to:

- achieve zero workplace injuries and illnesses
- achieve zero plant and equipment damage
- achieve zero environmental incidents.

2014 PERFORMANCE

Whitehaven Coal achieved a number of safety milestones during the year:

- lowest Whitehaven Coal Group TRIFR for five years
- the Open Cut Operations achieved a Total Recordable Injury Free period of four months
- the Underground Operations remained below the New South Wales coal industry rates for Lost Time and Total Recordable Injuries
- a record number of Planned Task Observations for a month in April 2014
- an average of 430 people engaged on site construction activity at Maules Creek, as at 30 June 2014 more than 400,000 hours had been worked with no LTI's recorded.

The Company operates to a three year Health and Safety Strategic Plan, renewed in 2013, and an Annual Health and Safety Schedule.

The Whitehaven Coal Group TRIFR is at 14.06, which is marginally below the New South Wales Coal Industry rate of 15.35, reinforcing that the Company needs to remain vigilant about safety every day.

Key safety programs and milestones achieved during the year were:

- implementation of the *Seven Safehaven Rules*
- implementation of the electronic INX Incident Management System
- commencement of the Whitehaven Coal Safety Leadership Program
- new Explosives Management System developed.

During the year Whitehaven Coal launched the *Seven Safehaven Rules* campaign with the main purpose being developing a set of meaningful rules that assist in preventing high consequence incidents. A key principle of our Health and Safety Management is to identify unsafe behaviours and hazards prior to undertaking a task and implementing robust Health and Safety control measures to prevent injuries and incidents.

In order to officially launch the *Seven Safehaven Rules* Whitehaven Coal held the Safehaven Conference. The Safehaven Conference had approximately 120 attendees from the operating and construction sites. The intent of the day was to communicate the *Seven Safehaven Rules*, launch our Safehaven Logo and to receive feedback from workers on our Safety improvements and opportunities. Presentations were delivered on the following items:

- *Seven Safehaven Rules* & Safehaven Logo
- Open Cut & Underground Safety Performance
- Safety Leadership Program
- Mine Safety History – Lessons
- Special guest presenter.

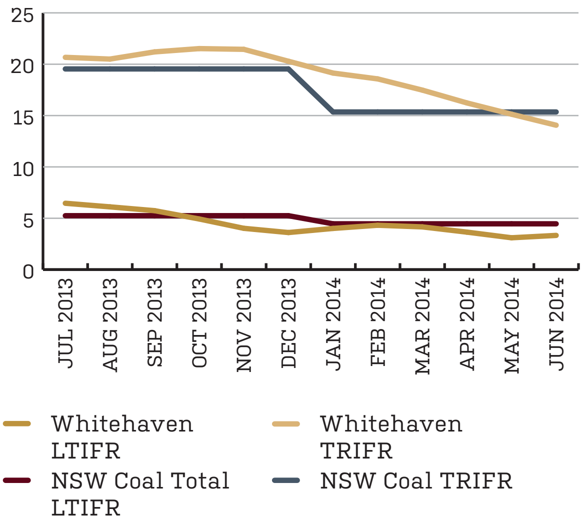
Our most important asset is our people. Their health and safety is paramount. We want them to return home safely to their families and friends after every day they come to work.

In addition to the presentations on the day, feedback sessions were facilitated by the Site Safety and Training staff. The purpose of the feedback sessions was to understand the current health and safety issues and opportunities for improvement. The data from the feedback session has been reviewed and collated into an action list to ensure the deficiencies are addressed. In broad terms areas for improvement generally across the Group include Training and Competency and operational positive communication. Safety Culture and Safety Information were perceived by the Group as working well or being positive within the Company.

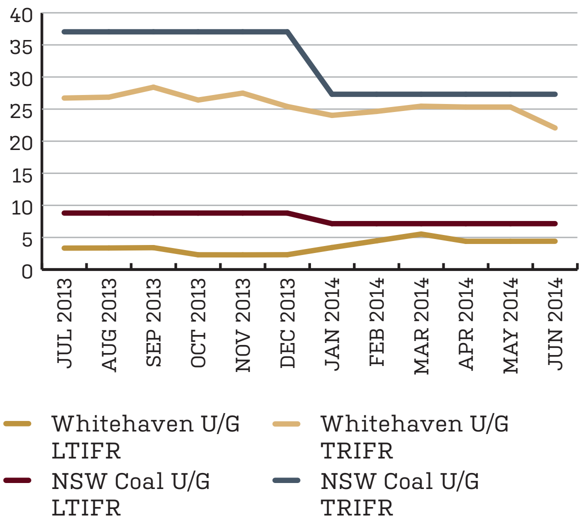
The Safety Leadership Program is another significant Safety Initiative that Whitehaven Coal has commenced implementation of across the Group. The aim of the Safety Leadership Program is to improve the level of Safety Leadership of our frontline leaders. The initial stage of the program commenced in February 2014 with a definition workshop involving the Whitehaven Coal senior leadership group. The purpose of the workshop was to set the expectations, as defined by the management group, of frontline supervisors in regards to safety management. The outcome of the workshop is the Whitehaven Coal Safety Leadership Standard, which is common across the Group.

Following the Safety Leadership defining workshop the next stages of the program is to conduct capability reviews, coaching and tutorials. Approximately 100 frontline leaders will participate in the Safety Leadership Program. An outline of the process is detailed in the chart opposite:

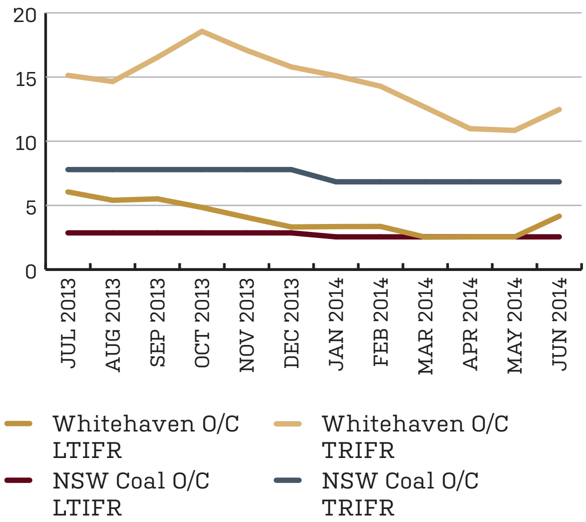
WHITEHAVEN COAL GROUP 12 MONTH ROLLING AVERAGE



WHITEHAVEN COAL UNDERGROUND 12 MONTH ROLLING AVERAGE



WHITEHAVEN COAL OPEN CUT 12 MONTH ROLLING AVERAGE



SAFETY LEADERSHIP PROCESS

Define & Design

1. Set program
2. Define operating standards with key Leaders via workshops
3. Prepare documents, materials and delivery plan
4. Communicate and engage with participants re. program
5. Mobilise coaches

Capability Review 1

1. Conduct initial capability review for each participant
2. Undertake in-field, against standard by STS Coach
3. Observe, review of documentation and check with Manager to ensure robust capability review
4. Identify gaps against standard and agree development priorities
5. Provide interim report on organisational gaps etc.

Coaching & Tutorials

1. Develop coaching plans
2. Conduct in-field coaching
3. Tutorials to address organisation-wide gaps
4. Coach the coach

Capability Review 2

1. Conduct follow-up Capability Review
2. Focus on gaps identified in initital Capability Review
3. Provide final results and feedback for each participant
4. Provide final report on organisational improvements, gaps and further actions

Review & Sustainability

1. Implement actions from report after Capability Review 2
2. Integrate Operation Standards to on-boarding and performance processes
3. Consider self-assessment
4. Commence self perform coaching
5. Refresh standards every 12 months
6. Continued reviews and actions

ENVIRONMENTAL GOVERNANCE

IV

Structure:	Whitehaven Coal has Environment and Community Management Meetings to oversee reporting and monitoring of all environmental and sustainability activities across the Company. Regular reports are provided to the Board on environmental performance. The Company monitors and identifies statutory requirements, roles, responsibilities and accountabilities of key personnel, procedures to keep stakeholders informed on our environmental performance and details on complaints and dispute management and handling of emergency situations.
Legislative Framework:	In order to achieve stated objectives, mining operations follow the procedures set out in the Environmental Impact Statements, Environmental Management Strategy and site specific management plans. Site specific plans are submitted to the New South Wales Government for review and approval and updated as required (ie. with major changes to site operations or routine reviews, normally on a two yearly basis) on an annual basis. Each Mining Operations Plan and amendments to these plans are subject to New South Wales Government approval.
Education:	Whitehaven Coal employees and contractors are informed of applicable environmental and statutory and contractual obligations where relevant to their role and location in which they work. The program to make employees aware of these obligations requires site-based employees to undergo a site specific induction when they commence employment which includes training in environmental awareness.
Reporting and Monitoring:	The Board and Management are provided with regular environmental performance reports and all non-compliance issues are reported to the Board. Ongoing liaison is undertaken with the relevant Government departments to ensure awareness of any changes to policies and guidelines and to ensure that conditions are not breached.
Communication and Consultation:	Maintaining open communication and consultation with local communities is a priority for Whitehaven Coal. Regular community meetings are held to discuss environmental performance, progress and future plans. Whitehaven Coal realises the importance of building and maintaining strong local relationships.

More than 75% of our employees live in North West NSW, the area of our mining operations.

V ENVIRONMENTAL RESPONSIBILITY

With our recently received approvals, Whitehaven Coal is operating under the highest environmental standards and requirements in the NSW mining industry. For instance, the under-construction Maules Creek project has more than 100 State Government conditions to comply with.

Whitehaven Coal's commitment to sustainable growth includes managing the impact of the Company's operations on the environment

Whitehaven Coal focuses its efforts on:

- Adopting best practice in mine planning, operations and rehabilitation
- Minimising water discharge from mine sites to the environment
- Reducing energy consumption.

With our recently received approvals, Whitehaven Coal is operating under the highest environmental standards and requirements in the New South Wales mining industry. For instance, the Maules Creek project has more than 100 State Government conditions to comply with.

Our approach to managing environmental impacts involves both our statutory requirements and our Company-led commitment to exceed these requirements where possible.

These include monitoring data, including real-time monitoring, comparative to compliance requirements on a daily basis, independent assessment of rehabilitation and biodiversity offset management and monthly reporting of performance to management.

Copies of all approved management plans are available at www.whitehavencoal.com.au

ENVIRONMENTAL PERFORMANCE

Whitehaven Coal's target for 2014 was to have no environmental non-compliances. Unfortunately the business had a number of non-compliances as outlined below.

Narrabri

The New South Wales Environment Protection Authority (EPA) issued a Warning Letter to the Narrabri mine in May 2014 following a public dust complaint in January 2014. The coal dust was generated from general coal processing areas as well as one dozer which remained in operation despite the dusty conditions. Narrabri mine has been working closely with the EPA following the incident through Pollution Reduction Programs.

Noise exceedances were recorded during monitoring in September 2013. The EPA and Department of Primary Industries were notified of the exceedances and negotiations have commenced for acquisition of one affected property and building works to the other affected property in an effort to reduce noise impacts for the landholder.

Tarrawonga

A non-compliance with the EPA for the site occurred on 17 April 2014 when two blasts were initiated without prior notification to the EPA and neighbours.

Gunnedah CHPP

Monitoring at an adjacent privately-owned residence was not undertaken at the required every six days interval for 24 monitoring events as a result of access being denied to the property. The EPA was notified of the access issues and the monitor has subsequently been moved to a project-related property to avoid access issues.

Routine quarterly noise monitoring identified noise criteria exceedances in August 2013 and May 2014. The EPA and affected landholders have been notified and Whitehaven continues to investigate opportunities to minimise noise levels at the CHPP.

Analysis of one monitoring parameter required by the EPA was not undertaken for quarterly surface water monitoring in August 2013 as a result of an administrative error. The error was rectified immediately and monitoring has been undertaken in accordance with EPL requirements since the incident.

Sunnyside

On 30 October 2013 a Notice of Clean-Up Action was issued from the EPA for air pollution at the premises as a result of uncontrolled spontaneous combustion at the mine. Following issue of the Notice, a management plan for the spontaneous combustion was developed by Whitehaven which was subsequently added to the Environment Protection Licence as a Pollution Reduction Program. The bulk earthworks have been completed and the site is currently being monitored.

On 26 February 2014, a blast was initiated at the site (as part of the spontaneous combustion management works) and recorded airblast overpressure exceedances at three of the four monitoring locations. The exceedances occurred as a result of a number of deficiencies during loading of the shot, in particular inadequate stemming of some blast holes. The EPA and affected landholders were notified of the exceedances and EPA issued the site with an Official Caution in May 2014. An Incident Cause Analysis Method (ICAM) investigation highlighted areas for improvement and the remaining shot at Sunnyside was initiated without incident.

Werris Creek

The EPA issued an Official Caution in January 2014 for dust emissions from crushing of coal during an EPA site visit in November 2013. At the time of the visit, the site was in a transitional period whereby coal loading and crushing infrastructure was being relocated, with temporary coal crushing systems in place. Whitehaven acknowledged the EPA's concerns but refuted some of their claims on the basis that particular crushing infrastructure was not operational at the times noted. Construction of the infrastructure has been finalised and dust suppression equipment is operating effectively.

Four noise exceedances, three in July 2013 and one in September 2013, were recorded during routine monitoring. All exceedances were reported to relevant agencies and since the exceedances the entire Werris Creek truck fleet has been fitted with noise attenuation equipment.

No other reportable environmental incidents occurred over the financial year.

Whitehaven Coal's commitment to sustainable growth requires the Company to successfully rehabilitate mined areas. The impact of mining operations can be minimised when this is carried out well with mined areas being returned to land use capabilities similar to pre-mined land uses.

"Mining does create an impact on the environment. It's our job to minimise that impact and to remediate it once mining has finished."

– Jill Johnson,
Group Environmental Manager

VI ENVIRONMENTAL INITIATIVES

WATER MANAGEMENT

Water is a precious commodity. In the Gunnedah Basin water is a key resource for a range of individuals and industries, in particular the agricultural sector.

Our operations have limited impacts on the ground water systems in the area. In terms of surface water all of our sites must attempt to contain all water on-site with discharges only permitted from licenced discharge points whereby the water to be released is within stringent water quality guidelines.

FY2014 has seen a continued improvement by Whitehaven in relation to management of surface water, and in particular, wet weather discharge events. Implementation of improved water management practices in FY2013 has assisted Whitehaven this year as evidenced by no non-compliant wet weather discharges for the year.

Whitehaven retains several groundwater allocations across its operations.

Rocglen pumped 39ML from its 120ML allocation, whilst Tarrawonga did not utilise any of its 50ML allocation for the period. Narrabri dewatered 370ML from its mine workings for reuse in surface and underground operations. In addition, 210ML was pumped from an offsite bore whilst 10ML was pumped from the Namoi River. Water use at Narrabri remained well within the site's licenced water allocation. Water use at the sites was predominantly from surface water sediment dams or from water captured in pit, comprising both surface flows and groundwater interception.

Groundwater allocations for Werris Creek during the year were from two licences for 211ML and 50ML respectively. An estimate of Werrie Basalt aquifer groundwater make was 32ML within the incidental groundwater licence WAL 32224 allocation of 211ML/year. No groundwater was extracted directly from the former underground workings under licence WAL29506 (50ML allocation) because the bore pump was removed by mining during the period.

Maules Creek Project has a high security water license from the Namoi River. It pumped 81ML of the 3000ML allocation.

LAND MANAGEMENT

Whitehaven Coal's mine sites undertake rehabilitation as soon as possible after disturbance.

Any rehabilitation since the start of mine life is monitored for many years to identify and rectify any issues so as to ensure long-term success.

All sites have approved management plans, and annual environmental management reports which address the site's approach to land management and rehabilitation, and annual performance. Management plans and reports are available on the Company's website.

MANAGING WASTE EFFECTIVELY

Whitehaven Coal's operations focus on waste avoidance, reduction, recycling and disposal. This helps the business avoid direct or indirect impacts on the health of the communities and ecologies surrounding Whitehaven Coal's mine sites.

All waste from mining operations is removed by a registered contractor who recycles or disposes of it appropriately.

Whitehaven manages waste in accordance with waste management plans relevant to each operating site. Waste oil and scrap metal is recycled via waste management contractor collections. Whitehaven also recycles cardboard, paper, and printer ink cartridges from administration areas.

AIR QUALITY

Managing air quality is critical to our operations and our neighbours. Dust is generated through loading, transporting and unloading coal and overburden, blasting and simply moving equipment around site.

Leading technology such as real time monitoring is in place to monitor and minimise these impacts. On a day-to day basis, our air emissions are regulated by the National Air Quality Standards. Air quality monitoring results are available to the public via the Company's website and are tabled with the relevant Community Consultative Committees at each meeting.

In 2014, Whitehaven Coal's air quality performance for the year was generally in compliance, with the following issues identified on privately owned properties:

CHPP – three annual average deposited dust exceedances and four PM10 24 hour exceedances. The dust levels are not necessarily completely associated with operations at the CHPP as monitors are in close proximity to unsealed roads or other dust generating activities.

Specific air quality initiatives in 2014 have focused on development and implementation of EPA's Pollution Reduction Program initiatives in relation to:

- definition of adverse conditions and implementation of Trigger Action Response Plans for the operating open cuts
- particulate matter control best practice implementation for wheel generated dust for the operating open cuts including participation in an ACARP study for assessing wheel generated dust and effectiveness of dust suppression methods
- reduction of coal dust tracking from the Gunnedah CHPP, specifically incorporating upgrade of the truck washbay at the site
- development and implementation of air quality control protocols for use in adverse weather conditions for the Gunnedah CHPP and Narrabri mine
- participation in a New South Wales Minerals Council study relating to coal train dust.

NOISE

Noise Impact Assessments are carried out routinely on all of Whitehaven's operations and projects. Given the recent approvals (or re-approvals) of most of our sites, the Company is operating under the most stringent noise guidelines set down for mining projects in New South Wales.

As part of their approvals, each site also has a State Government approved Noise Management Plan under which noise reduction initiatives are put in place, monitoring conducted and noise levels reported to the appropriate agencies and stakeholder groups.

Real-time noise monitoring is now in place at all of our active mine sites, allowing our site-based environmental staff and management to manage noise impacts based on weather forecasts and atmospheric conditions. This real-time monitoring is also a key component of the cumulative impacts management in the Tarrawonga/Maules Creek/Boggabri mining precinct.

Any noise breaches are immediately reported to the relevant Government departments including the Environment Protection Authority.

During the year we exceeded our noise criteria during five separate routine noise monitoring events across three sites (Werris Creek, Gunnedah CHPP and Narrabri).

BIODIVERSITY

Whitehaven has acquired more than 18,000 hectares of land which are now being managed as biodiversity offset areas. The total area for biodiversity offsets is significantly greater than the amount of land to be impacted by our mining operations.

These areas have been carefully selected, based on guidance from independent experts and regulatory authorities, to ensure they represent like-for-like, or better, biodiversity values to the areas impacted by our mining operations.

The Maules Creek Coal Project has secured approximately 20,000ha of land which will provide approximately 13,000ha of offsets for the project. The Maules Creek offsets represent a ratio of almost 10 to 1 for CEEC and a total of 6 to 1 for the area being impacted by the project.

CARBON

Whitehaven Coal recognises that there are risks and costs associated with carbon emissions from mining operations.

Whitehaven has been a participant in the Energy Efficiency Opportunities Program, in accordance with requirements of the Energy Efficiency Opportunities Act as coordinated by the Commonwealth Department of Industry.

Whitehaven is in its fourth year of its first five year reporting cycle, with our Tarrawonga, Rocglen and Werris Creek operations involved in this cycle based on energy consumption figures.

In May 2014, Whitehaven received advice that the Federal Government had decided to close the Energy Efficiency Opportunities (EEO) Program, with effect from 29 June 2014. Despite the EEO requirements being removed, Whitehaven continues to remain committed to ensuring its operations are as energy efficient as possible.

Whitehaven has acquired more than 18,000 hectares of land which are now being managed as biodiversity offset areas. The total area for biodiversity offsets is significantly greater than the amount of land to be impacted by our mining operations.

Carbon Performance

In December 2013, Whitehaven published on its website the Public Report required under the program. The report identified energy consumption levels as follows:

Rocglen – 367,482 GJ
Tarrawonga – 709,167 GJ
Werris Creek – 656,142 GJ

The Public Report noted the following energy savings opportunities:

- Consolidation of the Rocglen mine fleet, with an excavator and associated rear dump trucks being stood down and haul distances being reduced
- Streamlined mine planning and scheduling at Tarrawonga to encourage more efficient use of dozers, water carts and graders
- Timers on external lights at Werris Creek's office and workshop facilities.

Narrabri and Gunnedah CHPP operations were not required to be included in the EEO reporting cycle.

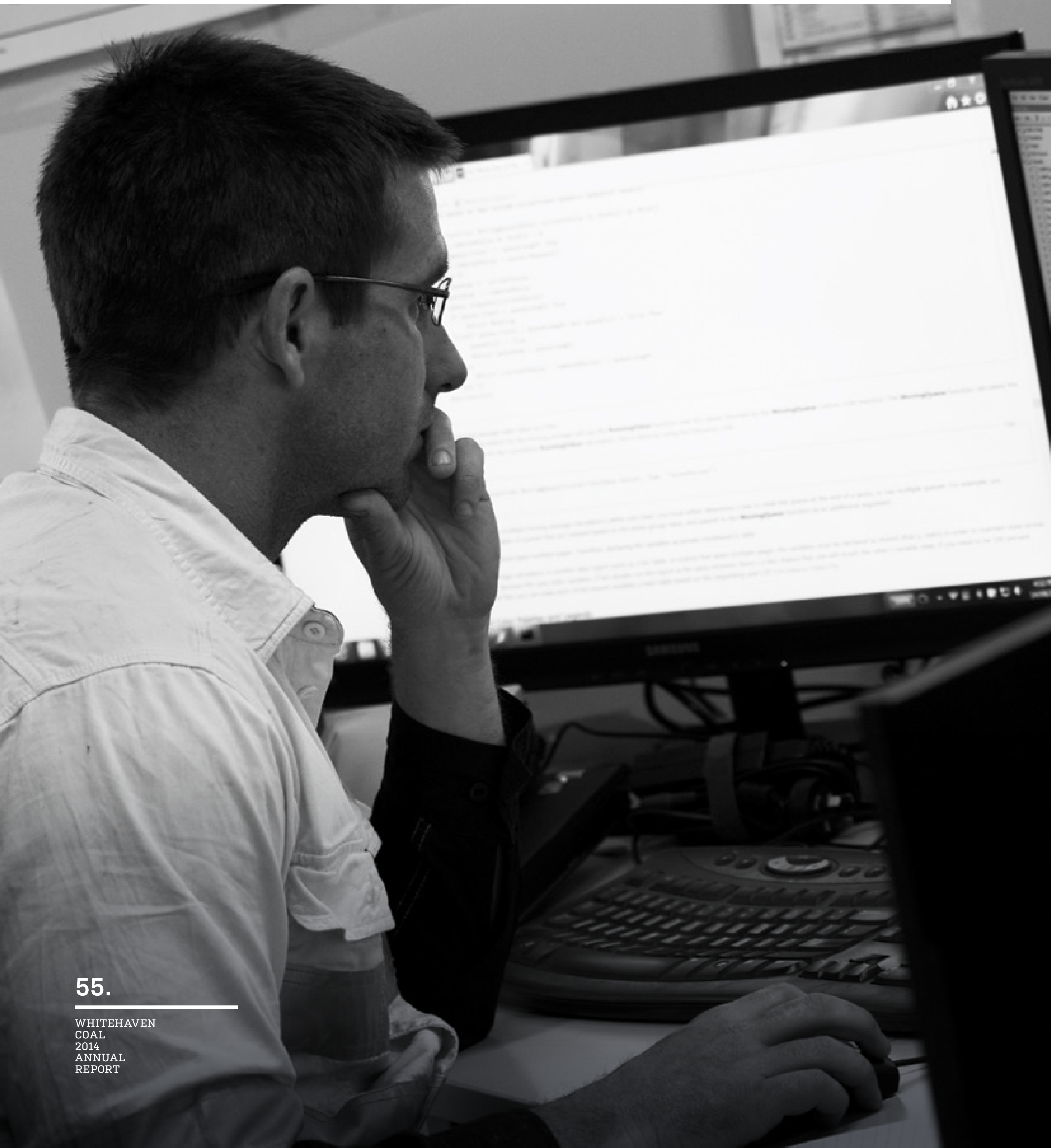
GREENHOUSE EMISSIONS

Whitehaven reports greenhouse gas emissions through the National Greenhouse and Energy Reporting system. Development of the 2013–14 report is underway in preparation for lodgement by 31 October 2014.

Whitehaven continues to report fugitive emissions from the open cut pits based on measured gas content, rather than the New South Wales default factor, as a result of previous drilling efforts. The direct measurement of gas content from the drilling program has confirmed that the methane levels in the coal seams are substantially less than the level applied through use of the default factor.

During the 2012-13 NGER's reporting period, Whitehaven operations contributed 459,512t CO2-e in Scope 1 and Scope 2 greenhouse emissions, which is an increase of approximately 45,000t CO2-e from the previous financial year. Emissions will continue to increase as a result of increased production at the Narrabri mine and commencement of operations at Maules Creek.

VII PEOPLE



"Having worked in a number of locations in Australia and lived in a number of mining towns, moving to Gunnedah has really been a breath of fresh air for myself and my family."

– Anthony Margetts, Operations Manager Tarrawonga

PEOPLE

Whitehaven Coal has approximately 655 employees spread across our corporate office and mine sites. This is expected to increase to more than 1000 employees in the next four years with the development of the Maules Creek mine.

More than 75% of these employees live in North West New South Wales, the area of our mining operations.

At times our projects require a fly-in fly-out and/or contractor employment particularly during construction. The Company always seeks to keep this number to a minimum where possible.

OUR VALUES

Respect

Treat each other, and the communities in which we operate, with fairness. Ensuring the overall impact of our business, our people and our operations is positive for the world in which we live.

Discipline

Let's be clear, concise, upfront and uncomplicated. We should take pride in our efforts and focus on the things that matter most.

Teamwork

Together, we can show how a nimble, fast-moving company can have a positive impact.

Integrity

Striving to deliver on our promises. We aim, every day, to conduct our business in the most ethical, efficient and sustainable manner possible.

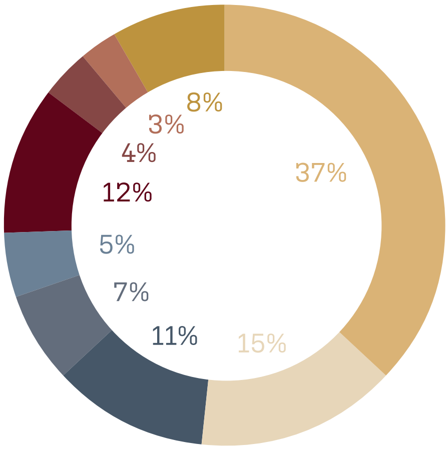
Commitment

Let's take pride in our ability to act quickly, with energy, enthusiasm and passion.

Performance

Achieving superior business results by stretching our capabilities.

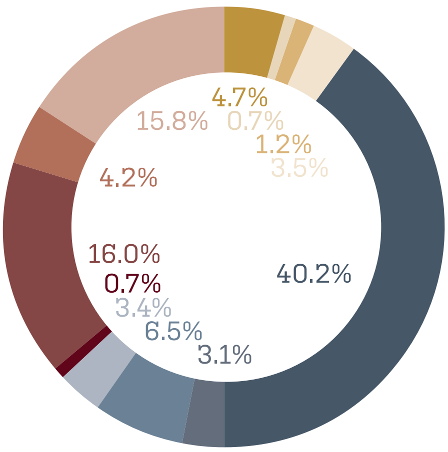
EMPLOYEE RESIDENCY



- Gunnedah Shire
- Narrabri Shire
- Tamworth Shire
- Liverpool Plains Shire
- Boggabri
- Newcastle/ Hunter Region
- Sydney
- Queensland
- NSW Other

Because of rounding, these totals do not add up to 100

EMPLOYEES BY SITE



- CHPP
- Gunnedah
- Maintenance
- Maules Creek
- Narrabri
- Newcastle
- Rocglen
- Sydney
- Shared Services
- Tarrawonga
- Tech Services
- Werris Creek

As at June 30, (FTE – Full Time Equivalent)

EMPLOYEE TURNOVER

Whitehaven Coal's employee turnover has seen a significant improvement declining from 18% in 2013 to 14% in 2014. This can be attributed to increased focus by the Company to implement strategies aimed at retaining talent.

The distribution of employees across the Company reflects current operations. Narrabri has the highest number of employees with 263 employees (not including contractors). Some operational activities across our sites are undertaken by contractors.

Whitehaven Coal's overall age profile is balanced, however there is a need to address skill shortages in particular skill specialisms where the Company has a number of older staff nearing retirement. In 2015 the business will be investing more flexible work practices to support employees with families.

The business uses trade apprenticeships and graduate programs to help create a more diverse demographic in the workforce. As at 30 June 2014, Whitehaven employed and sponsored apprentices through a partnership with New England North West Group Training. The business will also be investing and implementing policies to increase employment opportunities for Aboriginal young people.

The growth in the Company over time has increased the need for effective internal communication and more resource has been added to support this. In 2014 the Company kept staff up to date on current business issues through a regular newsletter. The Company's results are presented to staff and people join together from across the business for strategy days throughout the year.

The business leaders place a high priority on ensuring employees feel respected and valued. As a result, in-house research was conducted on the operating culture to gauge what changes are needed to ensure operational effectiveness in the next 12 months.

DIVERSITY AND WORKPLACE BEHAVIOUR

Whitehaven Coal continues to pursue diversity across mine sites and the rest of the business – whether that be culture, ethnicity, age or Aboriginal and female participation.

Women currently comprise 8.3% of the workforce. The business will be looking at how the percentage of women can be increased throughout 2015 as part of a broader effort to attract and retain staff.

The Company supports a diverse workplace by making sure employees are aware of their entitlements and obligations. This effort is supported by policies and procedures in respect to harassment, discriminatory employment practices and unethical business practices.

The Company's Diversity Policy sets minimum expectations to be met by the Company on workforce diversity. A copy of the policy is available on the Company's website at whitehavencoal.com.au/about_us/corporate_governance.cfm

In FY2014 we set a number of diversity objectives. These were to develop and implement recruitment and promotion guidelines aimed at enhancing diversity, gather data from employees on gender equality matters and formalising policy on employee arrangements to support employees with families.

Whitehaven Coal continues to pursue diversity across mine sites and the rest of the business – whether that be culture, ethnicity, age or Aboriginal and female participation.

In response to these objectives the Company during the year:

- developed a new standardised employment template and rolled out Diversity Guidelines to assist managers in the application of the Diversity Policy
- implemented a new approval to recruit process and a procedure encouraging promotion opportunities for female employees
- included Diversity Objectives within advertisements for Maules Creek recruitment
- trained and promoted a number of female employees including to the vacant role of Group Environment Manager. Elsewhere, a number of office based female staff requested and were trained and transferred into mine operator roles, traditionally male based roles.

ETHNIC DIVERSITY AND ABORIGINAL ENGAGEMENT

There are a number of activities underway to promote greater Ethnic Diversity and Aboriginal Engagement including the development of an Aboriginal Engagement Framework that include:

- employment of a full time Aboriginal Community Relations Manager
- an agreed "business as usual" target for Aboriginal employment of 10% of the Maules Creek workforce over the next three to five years, supported by our recruitment providers and contractors
- Management Awareness communication and training. An induction package has been developed at Maules Creek and will be used as a template to roll out awareness training, conducted by a representative of the Aboriginal groups, across the business
- internal review to identify suitable positions and training, and prepare 'employment ready' candidates in the short-term
- investigation of partnerships with Aboriginal groups to provide a long-term 'employment ready' Aboriginal workforce in our working communities.

ANNUAL WGEA DIVERSITY REPORT

The 2013-14 Workplace Gender Equality Agency (WGEA) report for the 12 months ended 31 March 2014 was submitted by the due date of 31 May 2014. A copy of the final report is available on the Whitehaven website.

The Company has set a number of diversity objectives for FY2015 which will be reported on in the 2015 Annual Report.

Whitehaven Coal is committed to Health and Safety and we will continue to train our workers to ensure that they are competent to perform tasks safely.

MEASUREABLE OBJECTIVE	2015 TARGETS AND INITIATIVES
1. Representation and Participation *Increase representation of Aboriginal employees and representation of female employees in non-traditional areas such as mining operations, trades and engineering and leadership roles.*	• Employee turnover is expected to remain low at existing Whitehaven operations. Opportunities exist at the new Maules Creek operation where we will engage a single recruitment provider to: a. Ensure advertisements target Aboriginal and female candidates in addition to candidates with previous mining experience b. Establish an assessment centre to identify the best candidates with the ability to learn mining roles without necessarily having current industry experience c. Ensure the interview process is absent of bias and that the best candidates are offered positions.
2. Leadership and Culture Development *Deliver development solutions to remove gender bias and create an inclusive culture.*	• Review all mine site roles to determine the roles that best suit flexible work arrangements for working mothers and primary care givers, as a guide to management • Review of Leave Policy to include parental leave, ceremonial leave and flexible work options • Conduct diversity education and refresher training in relation to: a. anti-discrimination and sexual harassment linked to Whitehaven's Workplace Behaviour Policy b. Aboriginal cultural awareness. • Extend employee consultation by formalising an annual on-site event to create interaction between board members and interested employees to discuss diversity-related issues.
3. Systems, Processes and Performance Metrics *Review practices to identify and enhance reporting to demonstrate the achievement of targets and initiatives.*	• Further enhance recruitment and reporting systems to: a. More readily track turnover, vacancies and number of Aboriginal and female applications, interviews, appointment rates and record exit interviews b. Capture employees seeking flexible work arrangements as well as specific needs of employees who are carers c. Monitor performance at a site level.

MEASUREABLE OBJECTIVE	2015 TARGETS AND INITIATIVES
4. Community and Industry *Involvement in local community and industry initiatives to promote diversity.*	• Development of an Aboriginal Engagement Strategy, including investigation of partnerships with Aboriginal groups to provide a long-term 'employment ready' Aboriginal workforce • Involvement in industry recognition of women in the workplace such as the annual Women in Mining Awards • Continued sponsorship of female apprentices and promotion of female cadet work experience programs • Assess what services are available in the community to assist working mothers and primary care givers, including child care and respite care.

TRAINING

Whitehaven Coal is committed to Health and Safety and we will continue to train our workers to ensure that they are competent to perform tasks safely. As part of this commitment we have developed a training needs analysis to manage our training processes. In addition, each of the operations have recently resubmitted the Coal Services Order 34 Training and Competency Management Plans. The Training and Competency Management Plans have all been approved with minor changes required. Some key training conducted over the course of the year includes:

- Ongoing Whitehaven Coal Generic Inductions and familiarisations
- Mining Supervisor (S1, S2, S3 & G2) Training
- Alcohol and Other Drugs Testing Training
- Mines Rescue Training
- Safety Observation Training
- First Aid Training
- Chem Alert – Hazardous Chemical Training
- ICAM Incident Investigation Training
- Open Cut Examiner and Deputy Training
- Regular Toolbox and Safety Awareness Training
- Equipment Module and Skills Training
- Contractor Management Training.

Whitehaven Coal uses a combination of internal training conducted by our authorised trainers and assessors and external training provided by registered training organisations. We will continue to provide training to workers and staff on a training needs basis.

VIII STAKEHOLDER ENGAGEMENT

"Whitehaven takes great pride in our long-standing links with the local communities including the fact that the majority of the Company's workforce live in the areas of operation."

– Tim Muldoon, Group Manager Community Relations and Property

Engaging with stakeholders is an important component of the Company's commitment to sustainable growth.

The Whitehaven Coal Communications Plan provides the basis for targeted engagement with stakeholders, both internal and external, in a timely and informative fashion. The plan includes:

Investor relations: Whitehaven Coal communicates with investors, analysts and shareholders. Brokers, analysts and shareholders are encouraged to contact the Company with questions or requests for information.

Whitehaven Coal website: Whitehaven Coal regularly publishes Company information and announcements on its website (www.whitehavencoal.com.au).

Proactive and reactive media relations: Whitehaven Coal publishes regular updates on the business through the ASX and on our website and on our community activities through statements to the local, regional and national media.

Communications with key Government and industry bodies: Paul Flynn, CEO and Managing Director, is an executive member of the World Coal Association and New South Wales Mining. Management also represent the business through their memberships in a diverse range of Government and industry forums.

Sponsorships and Donations Program: Whitehaven Coal provides support to the communities near the mine sites and invests in developing skills and knowledge of the broader mining industry.

The table below provides an outline of some of the stakeholder activities conducted in 2014.

Whitehaven Coal strives to inform stakeholders about the Company's performance and future plans in an open and transparent way.

STAKEHOLDER ACTIVITIES CONDUCTED IN 2014

Issue	Relevant Stakeholder	Response
Corporate activity	Shareholders, employees, institutional investors and media	Whitehaven Coal regularly updated the media and investors throughout the year. The full Whitehaven Coal Board holds regular Board meetings in the area of operations. Given that Whitehaven Coal's workforce, by majority, live and work in the local area, the Company regularly receives community feedback in relation to our operations. The Company also held regular site visits for investors and analysts during the year.
Market disclosure	Shareholders, institutional investors, brokers and analysts	Whitehaven Coal conducted half and full year roadshows at locations including Sydney, Melbourne and in Europe, USA, Canada and Asia. Major issues impacting on Whitehaven Coal's performance were continually disclosed in the market.

Issue	Relevant Stakeholder	Response
New projects – Maules Creek	Landowners, local communities, Local and State Government bodies	Whitehaven Coal engaged directly with landowners, members of local communities and State, Local and the Federal Government to ensure they were informed about the Company's proposed activities for new projects and the potential impact of these activities. The Company will continue to consult with these groups as part of the continuing development of the Maules Creek project.
Carbon and energy management	Federal Government, State Government, industry group and employees	Whitehaven Coal continued to participate in policy development to support energy efficiency initiatives and maintain the international competitiveness of the Australian coal industry. We are participants in a number of industry working groups including the Minerals and Energy Working Group which reviews issues affecting the Gunnedah Basin.
Blasting	Adjacent landowners	Blast monitoring was proactively carried out by mine staff during the year. Regular blast monitoring is carried out to assess the impact of mining activities on neighbours. The Company has increased the frequency of communications to affected neighbours, including more frequent community meetings at our Werris Creek site. Community Consultative Committees are in place at each of our operations to provide a forum for the community, councils and other stakeholders to discuss matters relating to the Company.

COMPLAINTS

There were 174 complaints during FY2014 across Whitehaven Coal operations, relating to a wide range of matters including dust, noise, blasting, traffic.

Whitehaven treats each complaint seriously with an investigation undertaken for every complaint to ascertain the cause of a complaint and identify any measures that can be engaged to rectify the situation. A complaints record is retained for each site identifying the complaint, action taken in response to the complaint and when that action has been closed out. Complaints registers are available on Whitehaven's website.

On a site by site basis, complaint numbers were as follows:

- Narrabri – 40 (26 dust, 11 noise, 1 light, 1 odour, 1 relating to tenant of sublet property)
- Tarrawonga – 14 (6 dust, 2 noise, 4 blasting, 2 traffic)
- Maules Creek Project – 8 (2 Blasting, 2 traffic, 1 dust, 1 visual, 1 surface water, 1 other)
- Werris Creek – 95 (10 noise, 13 dust, 6 lights, 62 blast, 1 water, 3 odour)
- Rocglen – 2 (2 blasting)
- Sunnyside – 7 (7 spontaneous combustion)
- Gunnedah CHPP – 8 (4 noise/vibration, 1 coal dust, 1 train noise, 2 coal fines tracked onto Kamilaroi Highway).

The number of complaints at the Gunnedah CHPP and Tarrawonga decreased significantly as a result of the acquisition of properties of key complainants near both sites. Rocglen complaints have also decreased, likely due to focus on in-pit dumping which minimises offsite impacts particularly in relation to noise and lighting.

Narrabri complaints increased compared to FY2013, generally in relation to dust from the coal processing area resulting from a hot dry summer and coal being stockpiled for long periods of time. The site is in the process of addressing the issues through modifications to the infrastructure and training and awareness of site personnel. Dust complaints were in relation to visual dust as dust swab samples at properties around the mine showed <1% coal dust settling on the complainant's residences.

The number of blasting complaints increased at Werris Creek due to an increase in the size of blasts triggered by the arrival of larger mining equipment in June 2013. There was no blasting related non-compliance with largest vibration measured during the period 1.05mm/s, which is only 10% of the maximum blasting regulatory limit. A blast on 8 July 2013 recorded an overpressure of 119dB(L) and accounted for 12% of total complaints at Werris Creek for the year. Subsequently, Werris Creek management have proactively held two community meetings in November 2013 and March 2014 on blasting so as to increase the community awareness of the issues and included presentations on the blasting process, the effects of geology and soils, and what the impacts of blasting are on buildings and structures to further educate the local community.

Sunnyside complaints increased significantly, despite the site being in care and maintenance, with all complaints relating to the smell of spontaneous combustion in the pit leaving the site. No further complaints have been received in relation to this matter since remediation works were completed.

IX CULTURAL HERITAGE

During 2014 Whitehaven Coal employed a dedicated Aboriginal Community Relations Officer and undertook a number of meetings and field inspections with various Traditional Owners groups and Registered Aboriginal Parties associated with the Company's portfolio, including the development of the Maules Creek project.

Whitehaven Coal aims to develop and maintain long-term working relationships with Traditional Owner groups associated with its operations, including providing employment opportunities where possible. All of our sites have in place Cultural Heritage Management Plans which set to:

- enable the identification and conservation of cultural heritage places and objects within the mine sites and cultural values overall
- provide management strategies for the parts of the sites which are not affected by mining or mining-related activities
- establish protocols with the local Aboriginal community for involvement in management works and access to sites and salvaged cultural materials
- ensure all Whitehaven employees, contractors and suppliers are aware of their obligations, responsibilities and procedures under the relevant legislation.

Whitehaven is developing an Aboriginal Engagement Strategy to build on and develop relationships with the Aboriginal community within the region.

Whitehaven's goal is that within five years of operations commencing at Maules Creek that 10% of the 400-strong workforce will be local indigenous people, reflecting the local community at large. Our strategy includes local training programs and a requirement that contractors engaged at Maules Creek involve indigenous people in the work they undertake.

Whitehaven worked with more 190 Registered Aboriginal Parties during the year on construction at Maules Creek. Our expenditure during the year on cultural heritage related issues relating to Maules Creek was:

- payments to Registered Aboriginal Parties for salvage work, Walk-on-Country and associated meetings – $2.525m
- payments to others for archaeological-related cultural heritage work – $2.942m

Whitehaven has facilitated the employment of nine local indigenous people with contractors working on the Maules Creek project.

"Whitehaven's goal is that within five years of operations commencing at Maules Creek that 10% of the 400-strong workforce will be local Aboriginal people, reflecting the local community at large. Our strategy includes local training programs and a requirement that contractors engaged at Maules Creek involve indigenous people in the work they undertake."

– Bob Sutherland,
Aboriginal Community Relations Officer

COMMUNITY SUPPORT

X

The Company takes great pride in our long-standing links with the local communities including the fact that the majority of the Company's workforce live in the areas of operation.

The Sponsorship and Donations Policy sets out the objective of the program and criteria for assessing requests for support and funding. The objectives are to:

- develop strategic, long-term partnerships with community organisations
- foster support for the Company from communities impacted by Whitehaven Coal's activities
- support a range of local not-for-profit organisations to increase community confidence in Whitehaven Coal as a fair and responsible Company.

Priority is given to supporting projects within Whitehaven Coal's broad communities which in general meet the following criteria:

- health – support for projects and organisations that promote healthy lifestyles
- educational initiatives – support for the development of academic and other skills
- projects where Whitehaven Coal's donation supports the broad local community – support for organisations which have significant local, state, national or international reach.

INVESTING IN EDUCATION

Whitehaven Coal considers it essential to invest in the development and training of future employees in the resources sector. The Company supported a number of education initiatives to $42,000 over the past financial year including:

- Young Indigenous Writers and Arts Program – $13,000
- Narrabri Education Foundation – $10,000
- Country Education Foundation – $10,000
- Gunnedah Community Scholarship Fund – $2,000.

Whitehaven also supported Walhallow Public School, Sacred Heart School (Boggabri Transition Program), Live and Learn Locally, Tamworth Rotary Club (Science and Engineering Challenge), Gunnedah South Public School Sunnyside Farm (Annual Fete and Books), Curlewis Public School, Quirindi Public School, St Mary's Gunnedah (Academic Awards), Narrabri High School (Presentation Night) and Quirindi High School (Presentation Night).

The Company also employs apprentices, both full time and schools-based. The Whitehaven Coal Apprenticeship Program is developed and operated in partnership with local group training provider, New England North West Group Training.

Whitehaven also supported additional community activities and events to a further $110,000 during the year. Activities supported included:

- Westpac Community Rescue Helicopter – a not-for-profit charity that provides rescue transport services across the North West New South Wales communities (matching staff donations) – $46,725 (totalling $93,450).
- Winanga-Li Aboriginal Child and Family Centre community mini-bus – $40,000
- Dorothea Mackellar Memorial Poetry Competition – $5,000
- Gunnedah Sundowner Memorial Bike Race – $5,000

The Company is dedicated to supporting communities through sustainable development and through a formal sponsorships and donations program.

Pictured below are – Back: Philip Christensen (former Whitehaven Director), Wayne Griffiths (Winanga-Li Manager and CEO), Paul Flynn (Whitehaven Managing Director). Front: Bob Sutherland (Whitehaven Aboriginal Community Relations Officer), Chanoah Hazell (Winanga-Li Finance and Administration Officer), and Tim Muldoon (Whitehaven Group Manager Community Relations and Property).

Whitehaven also supported additional community activities and events to a further $110,000 during the year – including a donation of $40,000 to the Winanga-Li Aboriginal Child and Family Centre for the purchase of the centre's existing mini-bus whose lease expired at 30 June 2014.

- Gunnedah Show Society – $4,000
- Westpac Rescue Helicopter Gunnedah Charity Bowls Day – $2,000
- Narrabri Lions Club charity flower show – $1,000
- Curabubula Red Cross Art Show – $1,000.

Other organisations supported during the year included Gunnedah West Rotary charity golf day, Boggabri Home and Community Care Meals on Wheels, Werris Creek Can Assist organisation, Narrabri and District Aid Service, Rotary Club Gunnedah Gallop, UNE Earth Service Facility NZ geologists tour, Lifeline, Maules Creek community Movember cricket day, Boggabri Christmas Fair colouring competition, Gunnedah Carols in the Park, Boggabri Community Church Carols in the Park, 2014 Kilarney Bike Classic and Maules Creek Community Camp Draft.

VOLUNTARY PLANNING AGREEMENTS

As part of its approval process, Whitehaven is required to enter into Voluntary Planning Agreements with local Government. Guidelines are set down for the quantum of these payments. In Whitehaven's case we have entered into agreements that are well in excess of the stated guidelines.

Site	Amount provided in total	VPA commitments previously made by Whitehaven
Maules Creek	$6,000,000 over two years	Funds to be utilised on the upgrade of infrastructure and road including Therribri Road and Tarrioro Bridge.
	$5,000,000 over five years	Funds to be utilised on the upgrade of the Narrabri Airport.
	$800,000 over three years	Funds to be utilised on various projects within the township of Boggabri and its surrounds.
	$275,000 over three years	Funds to be contributed to the Maules Creek Community.
	$1,250,000 over two years	Funds to be utilised on CBD upgrades in the Narrabri Shire.
	$100,000	To be allocated to an environmental fund.
	Ongoing – approx $800,000pa	Payment to Narrabri Shire council of $0.075 per salable tonne, to be paid monthly. At full production this is expected to equate to approximately $800,000 per annum.
Tarrawonga	$1,400,000 over one year	Funds to be utilised for the construction of sealed roads around the Tarrawonga mine site with an emphasis on sealing Manila Road for the benefit of local residents. Unallocated funds to be spent at the discretion of Narrabri Shire Council.
	$100,000	To be allocated to an environmental fund.
	Ongoing – approx $150,000pa	Payment to Narrabri Shire Council of $0.075 per salable tonne, to be paid monthly. At full production this is expected to equate to approximately $150,000 per annum.
Werris Creek	$300,000	Spend over six years in consultation with Liverpool Plains Shire Council and community with two thirds to be spent in Werris Creek township.
Narrabri	$2,900,000	Commenced in 2010 with funds directed to Narrabri Shire council for a range of requirements including the redevelopment of the Narrabri Swimming Pool Complex.
Rocglen	$500,000 over five years	For local infrastructure matters.

FINANCIAL CONTRIBUTION TO THE ECONOMY

XI

As a responsible corporate citizen, Whitehaven Coal contributes financially to the economy at both a state and federal level and to the communities in which it operates

In 2014 Whitehaven Coal spent:

- over $110.2m in salaries, wages, tax and superannuation to its employees (on a 100% joint venture basis)
- $70.8m in royalties to the New South Wales Government (on a 100% joint venture basis)
- over $350m on mining, washing and delivering coal onto trains at our mine sites
- over $200m in port and rail charges for track access haulage costs and port costs
- more than $150,000 towards local education activities and community groups.

The Company also made a substantial contribution to the local communities in which it operates through the purchase of services and supplies as well as through donations and sponsorships.

Employees and contractors at our mines and Maules Creek project also add a significant economic contribution to the Gunnedah, Narrabri, Boggabri and Werris Creek townships through their purchases from local businesses.

Under New South Wales Government regulations, a royalty of 8.2% (open cut) and 7.2% (underground) is payable on all Whitehaven Coal's revenue. The royalty amount is based on the AUD sales price less allowable beneficiation costs and levies.

XII PROJECTS UNDER EVALUATION

VICKERY

The open cut could be developed following the full ramp up of the Maules Creek project.

Whitehaven Coal's ownership:	100%
Tenements:	CL 136, EL 4699, EL 7407
Location:	20km southeast of Boggabri, 25km north of Gunnedah
Coal types:	High energy low ash, low sulphur thermal coal 50% and 50% metallurgical coal (SSCC and PCI)
Mining operations:	The Vickery open cut mine has a strip ratio of 10:1. Initial production is likely to be about 4.5Mtpa. In the longer term production could reach 8.0Mtpa.

Vickery in 2014

Approval of the project is nearing completion from the New South Wales Department of Planning and Infrastructure. The project does not require approvals from the Federal Government.

Whitehaven owns 100% of the project and will consider the potential of introducing joint venture partners to the project in the future. The arrangements would be similar to those that currently apply at Narrabri and Maules Creek where the joint venture partners have offtake contracts with the mine.

EXPLORATION PROSPECTS

Whitehaven has several other exploration and potential development projects in Queensland and New South Wales. In the current market environment the Company is focused on maintaining the tenements in good standing but is limiting the spending on those tenements.

X III RESOURCES & RESERVES

COAL RESOURCES - AUGUST 2014

Tenement		Measured Resource	Indicated Resource	Inferred Resource	Total Resource	Competent Person	Report Date
Vickery Opencut	CL316/EL4699/ EL7407	148	184	176	508	1	Feb 13
Vickery Underground	CL316	–	–	29	29	1	Feb 13
Rocglen Opencut	ML1620	8	4	1	13	2	Apr 14
Rocglen Underground	ML1620	–	2	2	4	2	Apr 14
Tarrawonga Opencut*	EL5967/ML1579 ML1685/ML1693	43	26	13	82	3	Apr 14
Tarrawonga Underground	EL5967/ML1579 ML1685/ML1693	10	15	14	39	3	Apr 14
Maules Creek Opencut**	CL375/AUTH346/ EL8072	370	230	50	650	3	Jun 14
Werris Creek Opencut	ML1563/ML1672	22	2	1	25	3	Apr 14
Narrabri Underground***	ML1609/EL6243	180	380	180	740	3	Jun 14
Gunnedah Opencut	ML1624/EL5183/ CCL701	7	47	89	143	3	Aug 14
Gunnedah Underground	ML1624/EL5183/ CCL701	2	138	24	164	3	Aug 14
Bonshaw Opencut	EL6450/EL6587	–	4	7	11	3	Aug 14
Ferndale Opencut	EL7430	103	135	134	372	1	Jan 13
Ferndale Underground	EL7430	–	–	73	73	1	Jan 13
Oaklands North Opencut	EL6861	110	260	580	950	3	Aug 14
Pearl Creek Opencut****	EPC862	–	14	38	52	4	Jan 13
TOTAL COAL RESOURCES		**1003**	**1441**	**1411**	**3855**		

1. Greg Jones, 2. Ben Thompson, 3. Mark Dawson, 4. Phil Sides

* Whitehaven owns 70% share of opencut resources within ML1579, ML1685 and ML1693. The total combined resource for Tarrawonga Mining Leases (ML1579, 1685 and 1693) and Exploration Licence (EL5967) is reported.

** Maules Creek Joint Venture - Whitehaven owns 75% share.

*** Narrabri Joint Venture - Whitehaven owns 70% 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.

COAL RESERVES - AUGUST 2014

Tenement		Recoverable Reserves Proved	Recoverable Reserves Probable	Recoverable Reserves Total	Marketable Reserves Proved	Marketable Reserves Probable	Marketable Reserves Total	Competent Person	Report Date
Vickery Opencut	CL316/EL4699/ EL7407	–	204	204	–	180	180	1	Apr 14
Rocglen Opencut	ML1620	4.8	0.9	5.8	3.7	0.7	4.4	1	Apr 14
Tarrawonga Opencut*	EL5967/ML1579 ML1685/ML1693	28	16	44	26	15	41	1	Apr 14
Maules Creek Opencut**	CL375/AUTH346/ EL8072	237	145	382	222	128	350	1	Apr 14
Werris Creek Opencut	ML1563/ML167	17	1	18	17	1	18	1	Apr 14
Narrabri North Underground***	ML1609	57	83	140	54	79	133	2	Jun 14
Narrabri South Underground***	EL6243	–	94	94	–	75	75	2	Jun 14
TOTAL COAL RESERVES		**344**	**544**	**888**	**323**	**478**	**801**		

1. Doug Sillar, 2. Graeme Rigg

* Whitehaven owns 70% share of opencut resources within ML1579, ML1685 and ML1693. The total combined resource for Tarrawonga Mining Leases (ML1579, 1685 and 1693) and Exploration Licence (EL5967) is reported.

** Maules Creek Joint Venture - Whitehaven owns 75% share.

*** Narrabri Joint Venture - Whitehaven owns 70% share.

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 - totals may not equal the sum of the parts due to rounding

Please see the Whitehaven Coal website (**www.whitehavencoal.com.au**) for all the Coal Resource and Coal Reserve Table 1 details.

Information in this report that relates to Coal Resources and Coal Reserves is based on and accurately reflects reports prepared by the Competent Person named beside the respective information. Mr Greg Jones is a principal consultant with JB Mining Services. Mr Phillip Sides is a senior consultant with JB Mining Services. Mr Mark Dawson is Group Geologist with Whitehaven Coal Limited. Mr Ben Thompson is a Geologist with Whitehaven Coal. Mr Graeme Rigg is a full time employee of RungePincockMinarco Ltd. Mr Doug Sillar is a full time employee of RungePincockMinarco Ltd.

Named Competent Persons consent to the inclusion of material in the form and context in which it appears. 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, 2012 Edition).

LEADERSHIP & MANAGEMENT

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I DIRECTORS

The Directors present their report together with the consolidated financial report of Whitehaven Coal Limited ('the Company' or 'Whitehaven'), being the Company, its subsidiaries, and the consolidated entity's interest in joint ventures for the year ended 30 June 2014 and the auditor's report thereon.

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

THE HON. MARK VAILE AO

Chairman
Independent Non-Executive Director
Appointed: 3 May 2012

As Deputy Prime Minister of Australia and Leader of the National Party from 2005 to 2007, Mark established an extensive network of contacts throughout Australia and East Asia. His focus at home was with regional Australia and particularly northern New South Wales. As one of Australia's longest serving Trade Ministers from 1999 through until 2006 Mark led negotiations which resulted in Free Trade Agreements being concluded with the United States of America, Singapore and Thailand as well as launching negotiations with China, Japan and ASEAN.

Importantly, early in his Ministerial career as the Minister for Transport and Regional Services, Mark was instrumental in the establishment of the ARTC which operates the Hunter Valley rail network.

Mark brings significant experience as a company Director having been Chairman of Aston Resources and CBD Energy Limited, and is currently an independent Director on the boards of Virgin Australia Limited and Servcorp Limited which are both listed on the ASX. Mark is also a Director of Stamford Land Corp which is listed on the Singapore Stock Exchange, a Director Trustee of HostPlus Superfund and Chairman of Palisade Regional Infrastructure Fund.

JOHN CONDE AO

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 and New Zealand, Cooper Energy Limited, the Sydney Symphony Orchestra and The McGrath Foundation. He is also President of the Commonwealth Remuneration Tribunal and a Non-executive Director of the Dexus Property Group. He retired as Chairman of Ausgrid (formerly Energy Australia) in June 2012 and as Chairman of Destination NSW in February 2014. He was formerly Chairman and Managing Director of Broadcast Investment Holdings, as well as a Non-executive Director of BHP Billiton Limited and Excel Coal Limited.

PAUL FLYNN

BComm, FCA
Managing Director and Chief Executive Officer
Appointed: 25 March 2013
Previously 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 where he was integral in negotiating the merger of Aston Resources Limited with Whitehaven Coal Limited. Prior to joining the Tinkler Group, Paul was the Managing Partner of Ernst & Young's Sydney office responsible for over 2000 staff and 150 partners 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 has also fulfilled various leadership roles with large corporations on secondment including as the CFO of a top 50 listed company. Paul is a Director of the Newcastle Coal Infrastructure Group Ltd, Australian Coal Association Low Emission Technology Pty Limited, World Coal Association and an executive committee member of New South Wales Minerals Council.

TONY HAGGARTY

MComm, FAICD
Non-executive Director from 25 March 2013
Previously Managing Director to 24 March 2013
Appointed: 3 May 2007

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.

RICK GAZZARD

BE (Mining) (Hons)
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 Queensland 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.

CHRISTINE MCLOUGHLIN

BA, LLB (Hons), FAICD
Independent Non-executive Director
Appointed: 3 May 2012

Christine has more than 25 years' experience in diverse and highly regulated sectors in Australia, UK and South East Asian markets. Christine has expertise in strategy, risk stakeholder engagement and human resources in industries including financial services, telecommunications, health and nuclear science. Christine is currently a Director of NIB Holdings Ltd, and Westpac's insurance companies (until September 2014) and Chairman of the Australian Payments Council. She was formerly a Director of the Australian Nuclear Science & Technology Organisation (ANSTO) and the Victorian Transport Accident Commission.

RAYMOND ZAGE

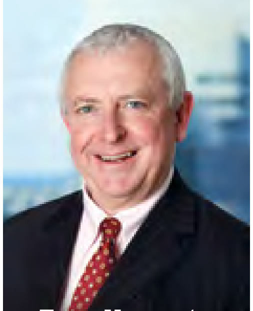
BSc (Finance)
Non-executive Director
Appointed: 27 August 2013

Raymond is the Managing Director and Chief Executive Officer of Farallon Capital Asia which is responsible for investing capital in Asia on behalf of Farallon Capital Management, one of the largest alternative asset managers in the world. Raymond has been involved in investments throughout Asia in various industries including financial services, infrastructure, manufacturing, energy and real estate. Previously Raymond was in the investment banking division of Goldman, Sachs & Co. in Singapore, New York and Los Angeles.

PHILIP CHRISTENSEN

BComm, LLB
Independent Non-executive Director
Appointed: 3 May 2012
Resigned: 14 July 2014

Philip has extensive experience in the mining and energy sector. Philip had 30 years' experience with leading law firm Herbert Smith Freehills, where his clients included Australian and international coal mining companies. Philip was admitted to the Freehills partnership in 1988 and worked in the Jakarta, Singapore, Sydney and Brisbane offices. Philip was an Executive Director of the Tinkler Group from 2010 to 2012. Philip was a Non-executive Director of Aston Resources Limited from the time of the IPO until the merger with Whitehaven. Philip resigned in July 2014 to take up a full-time executive role with an international law firm.


Tony Haggarty

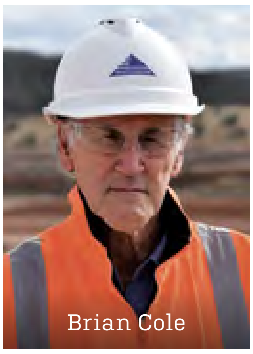

Rick Gazzard


Christine McLoughlin


Raymond Zage


Philip Christensen

II SENIOR EXECUTIVES



The Senior Executives of the Company are:

PAUL FLYNN

Managing Director and Chief Executive Officer

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 where he was integral in negotiating the merger of Aston Resources Limited with Whitehaven Coal Limited. Prior to joining the Tinkler Group, Paul was the Managing Partner of Ernst & Young's Sydney office responsible for over 2000 staff and 150 partners 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 has also fulfilled various leadership roles with large corporations on secondment including as the CFO of a top 50 listed company. Paul is a Director of the Newcastle Coal Infrastructure Group Ltd, Australian Coal Association Low Emission Technology Pty Limited, World Coal Association and an executive committee member of New South Wales Minerals Council.

JAMIE FRANKCOMBE

Executive General Manager – Operations
BE(Mining), MBA(Technology)

Jamie was appointed Executive General Manager – Operations in February 2013. Jamie was previously Director Operations at Fortescue Metals Group Ltd. Prior to that he has had extensive senior experience in coal mine operations and development including as the Chief Operating Officer of PT Adaro Indonesia, Executive General Manager – Americas for Xstrata Coal and General Manager Operations for Xstrata Coal's Hunter Valley open cut operations.

Jamie holds a Bachelor of Engineering (Mining) from Wollongong University and a Master of Business Administration (Technology) from APESMA Deakin University. Additionally he holds First Class Certificate of Competency qualifications for both the New South Wales and Queensland coal industry.

BRIAN COLE

Executive General Manager – Project Delivery
BE(Civil-H1), M Eng Science, MBA, Fellow IE Aust, C P Eng., M AIMM

Brian has more than 35 years of experience in heavy engineering projects and operations at an executive level in the energy related sector and is currently focused on the Maules Creek project and other brownfields capital projects within the Whitehaven portfolio. Most recently Brian managed the construction of the three stages of the third coal terminal in Newcastle for NCIG with a combined capital cost circa $2.8B.


Kevin Ball


Jonathan Vandervoort


Scott Knights


Timothy Burt

KEVIN BALL

Chief Financial Officer
BComm, CA

Appointed as Chief Financial Officer of Whitehaven Coal in December 2013, Kevin Ball has over 25 years' experience working in the mineral and energy industry across coal, oil and gas and in complex consulting practices. Kevin was the Commercial Manager at Springvale Coal for a number of years, CFO at the Milestone Group and CFO of Delhi Petroleum. Kevin later gained experience in listed companies in roles that combined finance and operational divisional leadership as the General Manager Finance at Chandler Macleod Group and, as the Group Financial Controller of Environmental Group. A finance graduate of the University of New South Wales, Kevin is a Chartered Accountant having spent 11 years with Ernst & Young at the commencement of his career predominantly in EY's natural resources group and has a graduate Diploma in Geoscience (Mineral Economics) from Macquarie University.

JONATHAN VANDERVOORT

Executive General Manager – Infrastructure
BCom, GAICD, FCPA, FAIM, Director Hunter Business Chamber

Jonathan has been involved in the Australian coal mining industry for more than thirty years, initially in senior management roles with Peabody and Rio Tinto at various coal mines in both the Hunter Valley and in Central Queensland. For ten years before joining Whitehaven Jonathan was instrumental in developing the New South Wales coal infrastructure network, including five years as the founding Chief Executive Officer of Hunter Valley Coal Chain Coordinator, HVCCC. During his tenure as CEO, HVCCC became internationally recognised as the model of supply chain management. This followed from Jonathan's five year period as Chief Financial Officer at Port Waratah Coal Services Limited where he established an $1 billion infrastructure financing package and led the design of the commercial framework that underpins terminal and coal chain infrastructure expansion across the Hunter Valley. Jonathan joined Whitehaven Coal in January 2013 as Executive General Manager Infrastructure responsible for providing infrastructure to support Whitehaven's existing and developing mining operations.

SCOTT KNIGHTS

Executive General Manager – Marketing
BEcons (Hons)

Scott was appointed Executive General Manager – Marketing in August 2014. Prior to joining Whitehaven he was Vice President Sales, Marketing and Logistics for Peabody Energy Australia. Scott has over 23 years experience in a wide range of commercial roles including marketing, sales, logistics, management and business strategy in the commodities sector, working for Peabody Energy, Rio Tinto, PwC and Renison Goldfields Consolidated.

TIMOTHY BURT

General Counsel & Company Secretary
B.Ec, LLB (Hons) LLM

Timothy joined Whitehaven as General Counsel and Company Secretary in July 2009. He has 18 years' ASX Listed company legal, secretarial and governance experience across a range of industries. Prior to joining Whitehaven, Timothy held senior roles at ASX listed companies Boral Limited, UGL Limited and Australian National Industries Limited. He holds a Master of Laws from the University of Sydney.

FINANCIAL REPORT

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I DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Whitehaven Coal Limited ('the Company' or 'Whitehaven'), being the Company, its subsidiaries, and the consolidated entity's interest in joint ventures for the year ended 30 June 2014 and the auditor's report thereon.

1 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 2014, Whitehaven Coal Limited and its controlled entities ('the Group') commenced construction of the Maules Creek open cut mine.

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

2 DIRECTORS AND EXECUTIVES

2.1 DIRECTORS

See pages 75 to 76.

2.2 SENIOR EXECUTIVES

See pages 77 to 78.

2.3 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:

Director	Ordinary shares	Options over ordinary shares	
Mark Vaile	2,787,767	189,000	Granted on 1 May 2012
John Conde	378,605	–	
Paul Flynn	39,382	–	
Rick Gazzard	200,000	–	
Tony Haggarty	20,049,787	–	
Christine McLoughlin	21,000	–	
Raymond Zage	–	–	

2.4 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 & Risk Management Committee Meetings		Remuneration Committee Meetings		Health, Safety, Environment & Community Committee Meetings		Governance & Nominations Committee Meetings	
Director	A	B	A	B	A	B	A	B	A	B
Mark Vaile	14	14	6	6	6	6	–	–	1	1
John Conde	14	14	6	6	6	6	–	–	1	1
Paul Flynn	14	14	–	–	–	–	–	–	–	–
Philip Christensen	14	14	–	–	–	–	2	2	1	1
Rick Gazzard	14	14	6	6	–	–	2	2	–	–
Tony Haggarty	14	12	–	–	–	–	2	2	–	–
Christine McLoughlin	14	14	–	–	6	6	–	–	1	1
Raymond Zage	13	12	–	–	–	–	–	–	–	–

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

3 OTHER

3.1 DIVIDENDS

Paid during the year

During the year the Company did not pay any dividends.

Declared after end of year

Directors have resolved not to declare a dividend in respect of FY2014.

3.2 SHARE OPTIONS

Shares issued on exercise of options

During the reporting period no options have been exercised.

Unissued shares under options

At the date of this report there were 16,872,901 unissued ordinary shares of the Company under options (16,872,901 at the reporting date). Refer to note 32 of the financial statements for further details of the options outstanding.

3.3 INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify, to the fullest extent permitted by law, all current and former Directors of the Company against liabilities that may arise from their position as Directors of the Company and its controlled entities. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

3 OTHER (CONT.)

3.3 INDEMNIFICATION AND INSURANCE OF OFFICERS (CONT.)

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

3.4 INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

3.5 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 & Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

In AUD **Non-audit services**	**Consolidated 2014**	**Consolidated 2013**
Ernst & Young		
Due diligence services	–	235,500
Taxation services - MRRT	–	193,553
Other non-audit services	149,253	120,479
	149,253	**549,532**

3.6 AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 324DAA Corporations Act 2001 and the recommendation of the Audit & Risk Management Committee, the auditor's rotation period as auditor was extended for two years to 30 June 2015, subject to an annual performance assessment by the Chair of the Audit & Risk Management Committee.

The Board is satisfied that the extension will maintain the quality of the audit and will not give rise to any conflicts of interest for the reasons set out below:

1. A new independent partner was appointed for the 2014 year end.
2. Extending the time period of the Lead Partner allows the preservation of knowledge on the engagement given the changes in operations and the Board and Audit & Risk Management Committee composition.
3. The existing independence and service metrics in place are sufficient to ensure that auditor independence would not be diminished by such an extension.

The auditor's independence declaration forms part of the Directors' report for financial year ended 30 June 2014.

3.7 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.

4 OPERATING AND FINANCIAL REVIEW

4.1 FINANCIAL HEADLINES

- Statutory loss after tax decreased by 57% to $38.4m
- Operating EBITDA before significant items increased by 429% to $90.4m
- Operating cash flows increased by 436% to $108.6m
- Net debt of $685.2m at 30 June 2014
- Conservatively geared at 18% at 30 June 2014.

The following table summarises the key reconciling items between the Group's statutory loss and operating EBITDA before significant items.

Whitehaven Coal Limited – Consolidated	FY2014 $ million	FY2013 $ million	*Movement %*
Revenue	755.4	622.2	*21*
Net loss for the period attributable to members	(38.4)	(88.7)	*57*
Add back: Significant items after tax (refer to note 7)	10.0	21.5	*53*
Net loss before significant items	(28.4)	(67.2)	*58*
Loss before tax	(56.3)	(124.4)	*547*
Add back: Net interest expense (refer to note 12)	52.8	47.1	*(12)*
Add back: Depreciation and amortisation	79.5	62.8	*(27)*
Add back: Loss on investments and asset disposals	0.1	1.9	*95*
Operating EBITDA including significant items	76.1	(12.6)	*704*
Add back: Significant items before tax and financing (refer to note 7)	14.3	29.7	*52*
Operating EBITDA before significant items	**90.4**	**17.1**	***429***

Note – The prior year has been restated to reflect the impact of IFRIC 20 (see note 3). Narrabri main road amortisation has been reclassified from operating expenses to depreciation and amortisation. FX gains and losses reported in net financial income/expense are included in EBITDA.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

4.1 FINANCIAL HEADLINES (CONT.)

The 30 June 2014 statutory result reflects the impact of the following significant items (refer to note 7):

- Costs to remediate a spontaneous combustion incident at Sunnyside. Amounts have also been set aside to cover future costs at Sunnyside while in care and maintenance
- During the year the Group incurred redundancy costs following a restructure of the Gunnedah Coal Preparation and Handling Plant
- The Company was advised in July 2014 that a domestic customer had been placed into voluntary administration. A provision has been established to cover balances owing at 30 June 2014 which are not expected to be recovered
- Costs associated with the cancellation of an infrastructure sharing agreement
- Minor write-offs of previously capitalised exploration expenditure.

4.2 REVIEW OF FINANCIAL PERFORMANCE

Group EBITDA before significant items of $90.4m has increased by 429% compared to the prior year EBITDA of $17.1m. A range of operational factors favourably impacted the result. These include:

- An increase in total revenue of $133.2m from $622.2m in the prior year to $755.4m in the year ended 30 June 2014. This was driven by record sale volumes with sales of produced coal of 8.2Mt up by 1.8Mt (28%) compared to the prior year. The increased sales are underpinned by record production at Narrabri, Werris Creek and Tarrawonga
  - Narrabri production (equity) of 4.0Mt was up significantly on the prior year of 2.6Mt. Production rates during the year consistently exceeded nameplate capacity and the energy issues experienced in the prior year have been fully resolved. Unit costs have reduced in line with the increased production rates and with improved productivity and cost control
  - Werris Creek production of 2.4Mt is up by 0.7Mt or 40% compared to production of 1.7Mt in the prior year. This reflects the completion of the expansion project during the first half which increased production capacity at Werris Creek to 2.5Mtpa.
- The increased production levels were underpinned by productivity improvements at each mine. The Narrabri mine has benefitted from the learnings associated with mining the first and second longwall panels, there have been efficiencies at Werris Creek following completion of the expansion project and a range of operating initiatives and Tarrawonga has benefitted from the introduction of a slightly revised mine plan. These strong production results from Narrabri and Werris Creek, along with the planned commencement of production at Maules Creek in the coming 12 months, are expected to position Whitehaven in the lowest quartile of the cost curve for Australian coal producers
- The strong production results have made a contribution to reducing the unit cost per tonne of delivered coal across all aspects of the Group's supply chain. The fully absorbed cost per tonne of $69 has reduced from $76 in the prior year. Fully absorbed costs per tonne have declined consistently on a half on half basis since the first half of the prior year. These savings have contributed to a substantial increase in the margin per tonne of coal sold compared to the prior year
- The result has also benefitted from a range of non-production related cost savings during the year. These savings have stemmed from the re-negotiation of a number of supplier contracts, particularly in relation to rail, road haulage, explosives and mine services. These results were underpinned by the introduction of a centralised procurement function during the first half of the year which has added greater discipline and improved structure to the Group's approach to supplier negotiations
- The strong result has been achieved notwithstanding the impact of the Narrabri longwall outage early in the final quarter. The coal shortfall resulted in a requirement to purchase 0.3Mt of coal to fulfil order requirements. This resulted in lost margins for the Group given that sales of purchased coal are generally made at nil (or negative) margins
- In overall terms coal purchases have reduced significantly compared to the prior year and in the absence of significant outages the current production profile is well matched to sales commitments both in volume and

quality terms. The commencement of production at Maules Creek will provide further flexibility in this regard and further minimise scenarios in which purchases of coal might be required.

4.3 CASH FLOWS & CAPITAL MANAGEMENT

Cash flows	FY2014	FY2013
Operating cash flows ($ million)	**108.6**	(32.3)
Investing cash flows ($ million)	**(319.9)**	(432.0)
Senior facility drawings ($ million)	**180.0**	445.0

Capital management & balance sheet	30 June 2014	30 June 2013
Cash on hand ($ million)	**103.2**	110.5
Undrawn syndicated facility ($ million)	**375.0**	555.0
Interest bearing liabilities ($ million)	**788.4**	582.1
Net debt ($ million)	**685.2**	471.6
Net assets ($ million)	**3,206.5**	3,240.6
Gearing ratio[1]	**17.6%**	12.7%

[1] Net Debt to Net Debt plus Equity

4.4 CASH FLOW COMMENTARY

Operating cash flows

Operating cash flows of $108.6m have increased significantly compared to the operating cash outflow of $32.3m in the prior year. The improvement reflects the following factors:

- The increase in EBITDA before significant items from $17.1m in the prior year to $90.4m (an increase of $73.3m). This reflects increased sales volumes during the year (Narrabri and Werris Creek), higher average margins and improved coal availability relative to the prior year
- Reduction in coal purchases from 1.0Mt in the prior year to 0.5Mt in the current year (due to the increased production reliability both in quality and quantity terms). The reduction in purchased coal has been driven primarily by the general stability of production from the Narrabri longwall during the year and the fact that the current production profile is sufficient to meet sales commitments
- The prior year was impacted by the closure costs at Sunnyside of $7.6m
- The receipt of a refund of $25m from the Australian Taxation Office ("ATO") following a favourable resolution in respect of a claim for exploration costs at the Narrabri mine.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

4.4 CASH FLOW COMMENTARY (CONT.)

Investing cash flows

Investing cash outflows have decreased to $319.9m in the year to 30 June 2014 from $432.0m in the prior year. The prior year was impacted by a $154.9m cash investment to acquire the remaining non-controlling interest in Coalworks. After adjusting for this there has been an increase in investing cash outflows from $277.1m in the prior year to $319.9m in the current year. This reflects the following offsetting factors:

- The ramp up in development spend at Maules Creek following the Federal Court judgement in December 2013. Since this time significant progress has been made in relation to all the major components of the project. The project remains on time and on budget with first coal expected to be railed in the March quarter of 2015
- Development spend at Narrabri has reduced considerably compared to the prior year. This largely reflects the benefit of efficiencies obtained by optimising the configuration of the continuous miner fleet and adjusting the gas drainage program. Development at Narrabri is focused on ensuring that there is an optimum level of float available to facilitate an efficient transition to subsequent longwall panels
- Management have continued to focus on reducing non-essential capital spend across the Group. This has resulted in reductions in capital spend across the majority of operations. As part of this focus, expenditure on exploration projects has largely focused on meeting obligations that exist under the various licensing arrangements.

The capital costs associated with the Werris Creek expansion were broadly split evenly between the current and prior years and were financed by finance lease arrangements.

4.5 CAPITAL MANAGEMENT AND BALANCE SHEET COMMENTARY

Cash on hand at 30 June 2014 of $103.2m is broadly in line with the 30 June 2013 balance.

There were $180.0m in drawings on the corporate debt facility during the year with total undrawn capacity of $375.0m remaining at 30 June 2014. Drawings during the year have primarily been utilised to fund the Group's share of Maules Creek development expenditure along with financing repayments due on the Group's finance lease and ECA facilities. The facility will continue to be directed to funding the Group's share of remaining development expenditure at Maules Creek.

Total interest bearing liabilities at 30 June 2014 were $788.4m. This represents an increase of $206.3m relative to the balance at 30 June 2013 ($582.1m). The increase is primarily made up of the corporate facility drawings of $180.0m noted above; new finance leases of $56.8m to fund expansion equipment at Werris Creek; offset by $32.8m of finance lease and Export Credit Agreement ("ECA") facility repayments.

In December 2013, Whitehaven received approvals from its banking consortium to amend the Company's A$1.2 billion corporate debt facility to realign the interest coverage ratio test with the revised Maules Creek production timeline. The first date for the interest coverage ratio test is now the earlier of December 2015 and the first half year following achievement of quarterly saleable production at Maules Creek of 3.5Mtpa on an annualised basis. We expect to achieve this annualised production rate in the June 2015 quarter as a result of which the Company will not be required to satisfy the interest cover covenant test until December 2015.

While the gearing ratio remains low, it is increasing in line with the capital spend profile at Maules Creek.

4.6 REVIEW OF OPERATIONS – HIGHLIGHTS

Consolidated Equity Production and Sales

Whitehaven Total	2014 000t	2013 000t	Movement %
ROM Coal Production	**9,177**	7,352	25
Saleable Coal Production	**8,161**	6,630	23
Sales of Produced Coal	**8,215**	6,441	28
Sales of Purchased Coal	**511**	982	(48)
Total Coal Sales	**8,726**	7,423	18
Coal Stocks at Period End	**1,275**	841	52

The production numbers in the table above are presented on an equity basis. Production tables and associated commentary set out in the mine-by-mine analysis are presented on a managed (100%) basis.

- Improved safety performance across all the mines following the introduction of the "Safehaven Rules" across the Company with the Company reporting its lowest TRIFR rate for five years
- Achieved record production from Werris Creek, Tarrawonga and Narrabri mines during the year with saleable coal production reaching 8.2Mt (equity basis) for the year, 23% higher than the preceding year
- Overcame the quality issues with Narrabri thermal coal early in the year enabling all product to be sold at benchmark quality
- Completed the second longwall changeout at Narrabri on schedule and budget
- Resolved all legal hurdles which enabled construction of the Maules Creek project to commence in late December 2013
- Maules Creek project on budget and time for first coal to be railed in the March 2015 quarter
- Completed the expansion of the Werris Creek mine which increased production capacity at the mine to 2.5Mtpa
- Benefits of the new centralised procurement system are becoming apparent with cost reductions achieved from a number of suppliers
- Significant reduction in fully absorbed FOB costs across the portfolio of mines during the year
- Extended the current rail haulage contract until 2026 at reduced haulage charges
- Benefitted from a reduction in port charges following refinancing of NCIG and the deferral of the T4 project at PWCS.

4.7 REVIEW OF OPERATIONS – SAFETY

Providing a safe working environment for employees is critical at Whitehaven Coal and is key to the Company's performance.

Whitehaven Coal provides training, equipment, resources and systems to create the safest possible work environment for our people. Building a culture of safety awareness is key to continuous improvement against targets and industry averages.

As part of the Company's Health and Safety Policy, Whitehaven Coal aims to:

- Achieve zero workplace injuries and illnesses
- Achieve zero plant and equipment damage
- Achieve zero environmental incidents.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

4.7 REVIEW OF OPERATIONS – SAFETY (CONT.)

2014 Performance

Whitehaven Coal achieved a number of safety milestones in FY2014:

- Achieved lowest Whitehaven Coal Group TRIFR for 5 years
- The Open Cut Operations achieved a Total Recordable Injury Free period of 4 months
- The Underground Operations remained below the New South Wales coal industry rates for Lost Time and Total Recordable Injuries
- With an average of 430 people engaged on site construction activity at Maules Creek, as at 30 June 2014 more than 400,000 hours had been worked with no LTIs recorded
- Implemented the electronic INX Incident Management System
- Completed the risk management review process for the Whitehaven Coal Group Standards
- Implemented the Safehaven Rules.

The Company operates to a three year Health and Safety Strategic Plan, renewed in 2013, and an Annual Health and Safety Schedule.

4.8 REVIEW OF OPERATIONS – MAULES CREEK

See pages 35 to 36.

4.9 REVIEW OF OPERATIONS – MINE BY MINE ANALYSIS

See pages 19 to 26.

4.10 DEVELOPMENT PROJECTS

See page 69.

4.11 EXPLORATION PROSPECTS

See page 69.

4.12 INFRASTRUCTURE

See pages 27 to 28.

4.13 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 Australian Government repealed the carbon tax effective 1 July 2014. The benefit to the Group is expected to be around $1/tonne as a result of the avoidance of the direct carbon tax cost and other indirect benefits
- Subsequent to the end of the financial year the Group executed binding agreements with members of the existing banking syndicate for the provision of an additional $50m of secured debt financing under terms that are broadly consistent with those of the existing corporate debt facility.

4.14 OUTLOOK AND LIKELY DEVELOPMENTS

Whitehaven aims to become the premier independent coal company listed in Australia. This transformation commenced with the successful development of the Narrabri underground coal mine, gathered pace in FY2014 when Narrabri achieved its nameplate capacity and is expected to accelerate again when production commences from the world class Maules Creek mine.

In FY2014 Narrabri produced 5.7Mt and is planned during FY2015 to produce 6.5Mtpa (managed basis), while Maules Creek will commence operations at an annualised production rate of 6Mtpa in the March quarter of 2015 and is expected, in a few short years, to expand to its approved production level of 13Mtpa. These two large scale, low cost, high quality, long lived assets are key to Whitehaven achieving its aim.

Management remains focused on improving productivity and delivering further cost reductions. The centralised procurement function introduced during the FY2014 year is expected to continue to assist by developing increased discipline and embedding improved purchasing processes in Whitehaven's business. The combination of production growth, underlying cost reductions and ongoing improvements in productivity are expected to position Whitehaven in the lowest quartile of the cost curve for Australian coal producers.

At a macro level both thermal and metallurgical US dollar coal prices are currently at cyclical lows and exchange rates remain historically high. However, a series of recent mine closures, production cutbacks and sustained growth in global coal demand combine to cause Whitehaven to be cautiously optimistic about the near and long-term outlook for coal prices. Examples that give cause for optimism include over 20Mtpa of metallurgical coal production being recently idled in North America and Australia, and an Australian thermal coal mine being placed into care and maintenance. In addition China's largest coal miner, recently announced plans to cut output by 50Mt echoing a move by China National Coal Association, which called for a 10% reduction (or circa 360Mt) in China's domestic coal production. More broadly, the combination of a shortage of quality coal and the inevitable re-balancing of supply with demand is expected to benefit Whitehaven as a producer of high quality, low cost, low impurity coals.

Whitehaven's $1.2bn corporate debt facility has been well suited to the Company during the construction of Maules Creek. The facility has a maturity date of 21 December 2016. Over the course of the next twelve months, management will continue to work with its advisors to refine its debt capital markets strategy better to match the tenor of its debt to the long life of its portfolio of high quality assets.

4.15 RISKS RELATING TO WHITEHAVEN'S FUTURE PROSPECTS

Whitehaven operates in the coal sector. There are many factors, both specific to Whitehaven and to the coal industry in general, which may, either individually or in combination, affect the future operating and financial performance of the Group, its prospects and/or the value of Whitehaven shares. Many of the circumstances giving rise to these risks are beyond the control of the Whitehaven Directors and its management. The major risks believed to be associated with investment in Whitehaven are as follows:

Operating risks

The Company's coal mining operations will be subject to operating risks that could result in decreased coal production which could reduce its revenues. Operational difficulties may impact the amount of coal produced at its coal mines, delay coal deliveries or increase the cost of mining for varying lengths of time. Such difficulties include (but are not limited to) weather (including flooding) and natural disasters, unexpected maintenance or technical problems, failure of key equipment, depletion of the Company's Reserves, increased or unexpected reclamation costs and interruptions due to transportation delays.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

4.15 RISKS RELATING TO WHITEHAVEN'S FUTURE PROSPECTS (CONT.)

Development risks

There is a risk that circumstances (including unforeseen circumstances) may cause delays to project development, exploration milestones or other operating factors, resulting in the receipt of revenue at a date later than expected. Additionally, the construction of new projects/expansion by the Company may exceed the currently envisaged timeframe or cost for a variety of reasons outside of the control of the Company.

In relation to the construction of the Maules Creek project, the currently envisaged timeframe or cost may be exceeded for a variety of reasons outside of the control of Whitehaven. These may include delays in the construction of mine infrastructure. There are many milestones which need to be met in a timely fashion for production to commence and there is a risk that circumstances (including unforeseen circumstances) may cause delay, resulting in the receipt of revenue at a later date than expected.

Financing risks

Whitehaven believes it has sufficient undrawn credit from its existing debt facilities to meet its capital expenditure commitments for the development of Maules Creek based upon its existing development timeline and expected generation of coal sales in the March quarter of 2015. If the Maules Creek development timeline is extended or the costs of its construction increase due to circumstances beyond Whitehaven's control then additional funding alternatives may need to be explored depending upon operating cash flows from its existing mines and its ability to defer development capital expenditure.

Geology risks

Resource and Reserve estimates are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from those in the estimates.

Market risks

The Company's future financial performance will be impacted by future coal prices and foreign exchange rates.

The factors which affect coal prices and demand include the outcome of future sales contract negotiations, general economic activity, industrial production levels, changes in foreign exchange rates, changes in energy demand and demand for steel, changes in the supply of seaborne coal, changes in international freight rates or other transportation infrastructure and costs, the cost of other commodities and substitutes for coal, market changes in coal quality requirements and Government regulation which restricts the use of coal, imposes taxation on the resources industry or otherwise affects the likely volume of sales or pricing of coal.

Sales made under export contracts are denominated in US dollars. The Company uses forward exchange contracts (FECs) to hedge some of its currency risk in line with its hedging policy.

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.

5.1 SCOPE OF RESPONSIBILITY OF THE BOARD

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

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

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 judgement 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 judgement to determine if a Director is independent.

Paul Flynn is not considered independent because during the financial year he was an executive of the Company. Tony Haggarty is not considered independent because of his transition from Managing Director to Non-executive Director in March 2013. Raymond Zage is not considered independent because of his relationship with a major shareholder of the Company.

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

5 CORPORATE GOVERNANCE STATEMENT (CONT.)

5.2 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. The Audit and Risk Management Committee also has an important role in ensuring that the audit is of high quality, and that there is active engagement with the auditors. It is also actively involved in the appointment of auditors and ensures that the audit is conducted to the highest standard..	John Conde (Chairman) Mark Vaile 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 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.	Tony Haggarty (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.

5.3 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.

5.4 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.

5.5 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 – 2nd edition' ('ASX Guidelines'). Whitehaven complied with the ASX Guidelines in all material respects throughout the 2014 financial year. Where the Company has an alternative approach, this has been disclosed and explained.

Compliance with the policy requirements of the ASX Guidelines, and details of associated corporate governance documents are summarised in the following table.

ASX Principle	Corporate governance document	Aim of corporate governance document	Other comments	A	B
Principle 1 – Lay solid foundations for management and oversight	Board Charter	Sets out the role and responsibilities of the Board.	See page 92 for a summary of responsibilities	Y	Y
Principle 2 – Structure the Board to add value	Governance & Nomination Committee Charter	Sets out the role and responsibilities of the Governance & Nomination Committee	See page 93 for a summary of responsibilities	Y	Y
Principle 3 – Promote ethical and responsible decision making	Code of Ethics and Values	Provides guidance for Directors on acceptable behaviour to promote the highest standards of honesty and integrity.	See page 96 for further details	Y	Y
	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.	See page 96 for further details	Y	Y
	Anti-Corruption Policy	Sets out what conduct is expected of Whitehaven and its employees and provides guidance on how to recognise and deal with instances of bribery and corruption.	See page 96 for further details	Y	Y
	Political Donations Policy	Sets out the circumstances under which Whitehaven and its Directors may make political donations and the internal reporting requirements in respect of any donations made.	See page 96 for further details	Y	Y
	Diversity Policy	Describes Whitehaven's diversity aspirations and promotes diversity at all levels within the Whitehaven Group.	See page 96 for diversity disclosures	Y	Y
Principle 4 – Safeguard integrity in corporate reporting	Audit & Risk Management Committee Charter	Sets out the roles and responsibilities of the Audit & Risk Management Committee.	See page 93 for a summary of responsibilities	Y	Y

A – Compliant with ASX Principles
B – On Company Website

5 CORPORATE GOVERNANCE STATEMENT (CONT.)

5.5 COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES AND BEST PRACTICE RECOMMENDATIONS (CONT.)

ASX Principle	Corporate Governance document	Aim of corporate governance document	Other comments	A	B
Principle 5 – Make timely and balanced disclosure	Continuous Disclosure Policy	Requires timely disclosure of market sensitive information.	See page 98 for further details	Y	Y
Principle 6 – Respect the rights of security holders	Communications Policy	The Continuous Disclosure Policy includes guidelines on how Whitehaven communicates with its shareholders.	Included within the Continuous Disclosure Policy	Y	Y
Principle 7 – Recognise and manage risk	Risk Management Policy	Details Whitehaven's approach to risk management and includes a summary of the roles and responsibilities of both the Board and management.	See page 98 for further details	Y	N
Principle 8 – Remunerate fairly and responsibly	Remuneration Committee Charter	Sets out the roles and responsibilities of the Remuneration Committee	See page 93 for a summary of responsibilities	Y	Y

A – Compliant with ASX Principles
B – On Company Website

PRINCIPLE 1 – Lay solid foundations for management and oversight

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

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

- financial performance
- safety performance
- strategic actions.

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

The performance of the Managing Director and the Company's senior executives during the 2014 financial year has been assessed in accordance with the above processes.

PRINCIPLE 2 – Structure the Board to add value

The Board is currently comprised as follows:

Director	Independent	Non-executive	Term in Office
Mark Vaile (Chairman)	Yes	Yes	2 years, 4 months
John Conde (Deputy Chairman)	Yes	Yes	7 years
Paul Flynn	No	No	2 years, 4 months
Rick Gazzard	Yes	Yes	2 years, 4 months
Tony Haggarty	No	Yes	7 years
Christine McLoughlin	Yes	Yes	2 years, 4 months
Raymond Zage	No	Yes	1 year

The Board reviews its composition from time to time to ensure the Board benefits from an appropriate balance of skills and experience. During the year the Board appointed Raymond Zage as a Non-executive Director. Philip Christensen resigned from the Board in July 2014 to take up a full time executive position.

Details of the experience and skills of the Directors are set out on pages 75 and 76 of this document.

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 during the financial year. The Board has determined that it benefits from a variety of perspectives and skills and remains of a size which facilitates effective decision making. In terms of composition, the Board is of the view that its current Directors possess an appropriate mix of skills, experience and diversity to enable the Board to discharge its responsibilities and deliver the Company's corporate objectives.

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 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 employees 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)
- for more than $50,000 worth of securities without the written approval from the Chairman.

In addition, key management personnel and certain other employees are required not to 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
- 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).

Whitehaven has an Anti-Corruption Policy which establishes a standard of behaviour and integrity, honesty and transparency which applies to anyone who is employed by or works in the Whitehaven Group. The policy sets out what conduct is expected of Whitehaven and its employees and provides guidance on how to recognise and deal with instances of corruption and bribery. The Anti-Corruption Policy can be viewed on Whitehaven's website.

Whitehaven has a Political Donations Policy which sets out the circumstances under which Whitehaven and its Directors may make political donations and the internal reporting requirements in respect of any donations made. Whitehaven is committed to transparency in respect of its political donations and to ensuring compliance with its political donations disclosure obligations. The Political Donations Policy can be viewed on Whitehaven's website.

Diversity

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.

The Board has adopted a 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.

The recruitment and selection processes adopted by Whitehaven ensure that staff and management are selected in a non-discriminatory manner based on merit.

5 CORPORATE GOVERNANCE STATEMENT (CONT.)

5.5 COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES AND BEST PRACTICE RECOMMENDATIONS (CONT.)

PRINCIPLE 3 – Promote ethical and responsible decision making (cont.)

Under the Diversity Policy, the Board has established measurable objectives. In FY2014 we set the following diversity objectives:

- develop and implement recruitment and promotion guidelines aimed at enhancing diversity
- gather data from employees on gender equality matters and formalise policy on employee arrangements to support employees with families.

In response to these objectives the Company:

- developed and implemented a standard employment template for all new staff
- implemented a new approval to recruit process with focus on identifying internal promotion opportunities for female employees and opportunities to target advertising to attract more Aboriginal and female applicants
- rolled out diversity guidelines to all managers to assist in the application of the Diversity Policy including minimum expectations to support:
  - employees with families
  - training women in the workplace
  - recruitment strategies that promote recognition of gender diversity and under-represented groups
  - vacation/work experience opportunities for young people from under-represented groups
  - partnerships with Indigenous programs in regional areas to develop longer term benefits to Whitehaven and the communities we operate in.

The Company's diversity policy is overseen at Board level by the Remuneration Committee.

The Company has set the following diversity objectives for FY2015:

- increase representation of indigenous and female employees
- continue to create an inclusive culture
- enhance reporting on the achievement of targets and initiatives
- involvement in local community and industry initiatives to promote diversity.

The Company will assess and report on its progress against these objectives in the 2015 Annual Report.

Each year, Whitehaven Coal Limited is required to provide the Workplace Gender Equality Agency (WGEA) with data relating to gender diversity in our business.

Gender diversity is only one element of diversity across our business, but it is extremely important when we look at our overall performance, our broader culture, our ability to attract highly skilled people, and our productivity.

As at 30 June 2014, women comprised:

- 12.5% of Directors on the Board
- 8.3% of senior executives
- 8.8% of employees across the Group.

A full copy of the WGEA report can be viewed on Whitehaven's website.

PRINCIPLE 4 – Safeguard integrity in financial reporting

Whitehaven is committed to a transparent system for auditing and reporting of the Company's financial performance. Whitehaven's Audit and Risk Management Committee performs a central function in achieving this goal. 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 the 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.

5 CORPORATE GOVERNANCE STATEMENT (CONT.)

5.5 COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES AND BEST PRACTICE RECOMMENDATIONS (CONT.)

PRINCIPLE 7 – Recognise and manage risks (cont.)

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 99 to 116. 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 REMUNERATION REPORT

6.1 OVERVIEW

The Remuneration Report for the year ending 30 June 2014 (**FY2014**) is designed to explain clearly and transparently to shareholders the remuneration arrangements and outcomes for our senior executives and non-executive Directors.

There were several highlights this year that are bringing us towards our goal of creating the premier independent listed coal producer in Australia: completion of the first and second longwall changeout on time and on budget, completion of the Werris Creek expansion, record production and sales at Narrabri in the second half of the year, Government approval of the Maules Creek project, and the stabilisation of our share register. It has been a difficult year for the coal industry generally, with a continuing high exchange rate and lower global market price for coal. Whitehaven also experienced a number of challenges including delays to the approval process for the development of Maules Creek and some operational issues at Narrabri.

Our Managing Director and Chief Executive Officer, Paul Flynn, has a strong executive team following the broader drive in 2013 to build and strengthen this leadership group. The team comprises Jamie Frankcombe (Executive General Manager – Operations), Brian Cole (Executive General Manager – Project Delivery), Kevin Ball (Chief Financial Officer), Timothy Burt (General Counsel and Company Secretary), Jonathan Vandervoort (Executive General Manager – Infrastructure), and Scott Knights (Executive General Manager – Marketing). The Board believes that the Company is well-positioned with an experienced, balanced and capable leadership team to improve the Company's performance and deliver value for shareholders.

During the year we continued to effect the refreshed remuneration framework that was introduced in 2012. The principles underlying the framework and its outcomes to date are described in this Remuneration Report. The Remuneration Committee remains committed to ensuring that the Company's remuneration framework operates effectively in order to appropriately incentivise and reward senior executives in executing our strategy while being aligned with shareholder interests. As part of our process of continuous improvement and in response to feedback received from shareholders, the Board is introducing an additional performance condition to apply to the long-term incentive, based on achieving defined long-term cost targets. The long-term incentive will also continue to be tested against a Total Shareholder Return (TSR) performance condition.

The Company will be seeking approval from shareholders at the Annual General Meeting for the grant of performance rights under the long-term incentive plan to the Managing Director and Chief Executive Officer. Full details of this grant (including the applicable performance hurdles and vesting schedule) will be set out in the Notice of Meeting.

We have included a section in the Remuneration Report (section 6.2) that sets out 'Realised Remuneration', which is intended to explain remuneration outcomes by showing the remuneration actually received by the Managing Director and Chief Executive Officer and other executive key management personnel during FY2014. It is in addition to the mandatory disclosures required by the Corporations Act and the Accounting Standards, which can be found in section 6.8.

6.2 REALISED REMUNERATION

Details of the remuneration of the executive key management personnel (**KMP**) prepared in accordance with statutory obligations and accounting standards are contained in section 6.8 of this Remuneration Report.

To give shareholders a better understanding of the remuneration actually received by executive KMP, the table below sets out the cash and other benefits executive KMP have received (or will receive) based on their performance in FY2014. The amounts disclosed in the table, while not in accordance with the accounting standards, are considered more helpful for shareholders in demonstrating the linkages between Company performance and remuneration outcomes for executives.

Name	Fixed[1]	STI[2]	LTI[3]	Cessation[4]	Other[5]	Total
Paul Flynn	1,300,000	809,435	N/A	–	11,160	2,120,595
Kevin Ball*	263,592	114,895	N/A	–	–	378,487
Timothy Burt	475,000	217,346	N/A	–	11,160	703,506
Brian Cole	650,100	298,359	N/A	–	15,463	963,922
Jamie Frankcombe	875,000	437,500	N/A	–	11,160	1,323,660
Austen Perrin**	350,906	–	N/A	542,419	5,580	898,905

[1] Fixed remuneration comprises base salary and superannuation.

[2] STI represents the amount of the STI that will be paid to the executive for FY2014 performance (with 30% of this amount deferred into restricted shares in the Company and subject to a continued service based vesting condition). Mr Flynn's STI operated over a 15 month period in recognition of the fact that he did not participate in the FY2013 STI grant.

[3] No LTI was available for vesting during FY2014.

[4] Section 6.7.3 sets out further details regarding the cessation arrangements and payments.

[5] Other includes parking, motor vehicle benefits and other similar items.

* Commenced role as Chief Financial Officer on 16 December 2013.

** Ceased role as Chief Financial Officer on 15 January 2014.

6 REMUNERATION REPORT (CONT.)

6.3 KEY MANAGEMENT PERSONNEL FOR FY2014 – AUDITED

This Report details the remuneration during FY2014 of the key management personnel (KMP) of the Company, who are listed in the table below. For the remainder of this Remuneration Report, the KMP are referred to as either executive KMP or Non-executive Directors.

Name	Title (at year end)	Changes during FY2014
Non-executive Directors		
The Hon. Mark Vaile	Chairman and independent Non-executive Director Chair of Governance & Nominations Committee	
John Conde	Independent Non-executive Director Deputy Chairman Chair of Audit & Risk Management Committee	
Philip Christensen*	Independent Non-executive Director Chair of Health, Safety, Environment & Community Committee	
Rick Gazzard	Independent Non-executive Director	
Tony Haggarty	Non-executive Director	
Christine McLoughlin	Independent Non-executive Director Chair of Remuneration Committee	
Raymond Zage	Non-executive Director	Appointed 27 August 2013

* Mr Christensen resigned as a Non-executive Director effective 14 July 2014

Executive KMP		
Paul Flynn	Managing Director and Chief Executive Officer	
Kevin Ball	Chief Financial Officer	Appointed 16 December 2013
Timothy Burt	General Counsel and Company Secretary	
Brian Cole	Executive General Manager – Project Delivery	
Jamie Frankcombe	Executive General Manager – Operations	

The following table sets out KMP departures during FY2014:

Austen Perrin	Chief Financial Officer and Joint Company Secretary	Resigned 15 January 2014

6.4 REMUNERATION GOVERNANCE – AUDITED

This section describes the role of the Board, Remuneration Committee and external advisers when making remuneration decisions, and sets out an overview of the principles and policies that underpin the Company's remuneration framework.

6.4.1 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, whose role 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
- review and make recommendations to the Board regarding the remuneration of Non-executive Directors.

The Remuneration Committee comprises three independent Non-executive Directors: Christine McLoughlin (Committee Chair), John Conde, and Mark Vaile. 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.

Further information regarding the Remuneration Committee's role, responsibilities and membership is set out in the Corporate Governance Statement on pages 92 to 99.

6.4.2 Use of external advisors

From time to time, the Remuneration Committee seeks and considers advice from external advisers. 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.

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. This year, Egan Associates provided benchmarking data and technical advice on KMP remuneration to the Remuneration Committee. However, this advice did not constitute "remuneration recommendations" for the purposes of the Corporations Act.

6.4.3 Remuneration principles and framework

As described in previous Remuneration Reports, our remuneration policies were significantly revamped in 2012 around the following core 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
- to ensure any termination benefits are justified and appropriate.

These principles are reflected in the Company's remuneration framework, which comprises both fixed and 'at risk' remuneration components as indicated below. Details of each of these components and how they applied during FY2014 are described in section 6.5.

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 is 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 .	• provides the Remuneration Committee with the flexibility to determine the nature, terms and conditions of the grant each year • operates 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 face value of the LTI opportunity is currently set at 80% of TFR.

6 REMUNERATION REPORT (CONT.)

6.4 REMUNERATION GOVERNANCE – AUDITED (CONT.)

6.4.4 Looking ahead

Proposed changes to long-term incentive

In response to feedback received from shareholders, the Remuneration Committee gave careful consideration throughout FY2014 in relation to the introduction of a second performance hurdle for LTI grants in subsequent years. As a result, the Board has resolved to introduce a second performance hurdle for future grants based on cost per tonne targets ("cost hurdle") that would apply to 40% of the LTI grant. To ensure consistency with shareholder expectations, the Board will retain a discretion to adjust the outcome of the cost hurdle (upwards or downwards) to account for unforeseeable considerations and impacts. The remaining 60% of the LTI grant will continue to be tested against a TSR performance condition.

No increases to levels of remuneration

In line with Company policy and executives' service agreements, remuneration levels are reviewed annually based on market benchmarking and individual performance. Whilst the Remuneration Committee considered that the executive KMP performed strongly throughout the year, the Committee determined not to increase remuneration levels for FY2015 in light of the disappointing performance of the Company's share price and the experience of our shareholders this year. The only exception to this was an increase to the fixed remuneration of Mr Burt (General Counsel and Company Secretary), in order to reflect his expanded role and accountabilities, including in relation to liaising with the Company's joint venture partners.

6.5 DETAIL OF COMPONENTS OF EXECUTIVE KMP REMUNERATION – AUDITED

This section describes in greater detail the different components of executive KMP remuneration for FY2014.

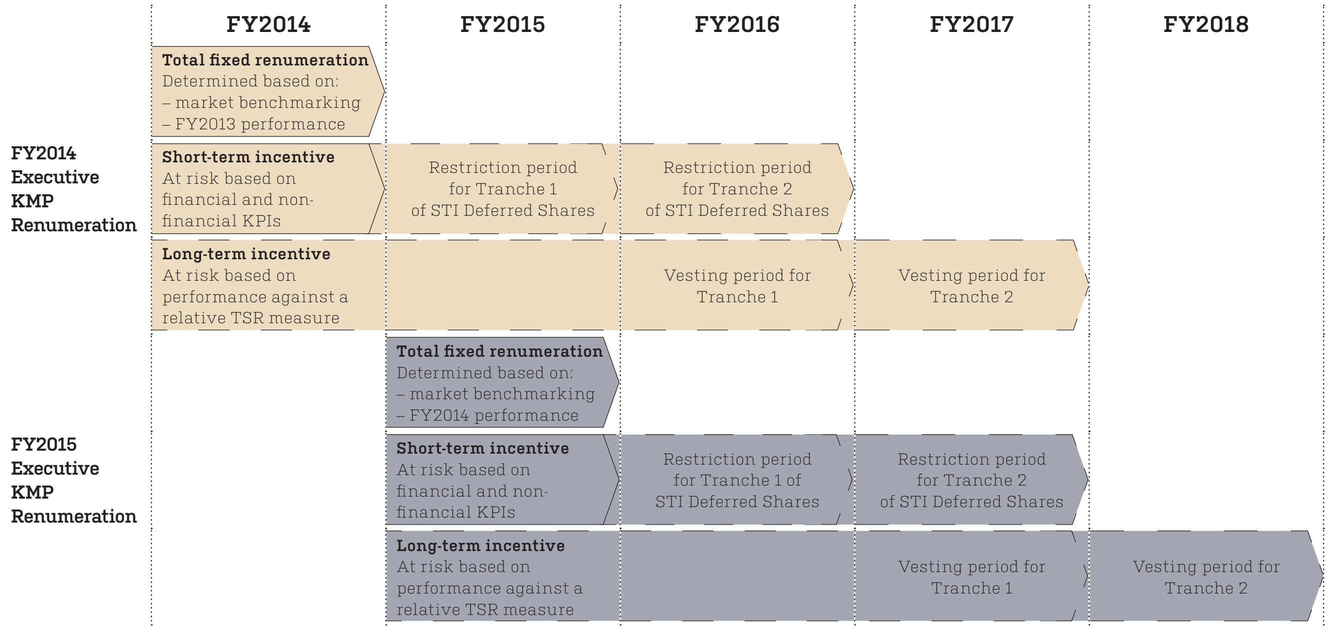
6.5.1 Mix and timing of remuneration in FY2014

As outlined above, executive remuneration is delivered as a mix of fixed and variable 'at risk' 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. Delivery of rewards over a multi-year timeframe creates a layered retention effect and encourages sustained performance.

The diagram below illustrates the remuneration mix for executive KMP for FY2014 (assuming target performance for at risk components). Mr Flynn had a slightly different remuneration mix to other executive KMP during FY2014 in light of the transitional arrangements that applied to his first year as Managing Director and CEO.

	Fixed	At risk	
	Total fixed remuneration	STI	LTI
Managing Director and CEO	38%	24%	38%
Other executive KMP	43%	22%	35%

The diagram below shows timing for determining and delivering executive remuneration for FY2014 and FY2015.



6.5.2 Fixed remuneration

Fixed remuneration received by executive KMP comprises base salary, superannuation and other benefits and is subject to approval by the Remuneration Committee.

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 recognise the need to meet the market in order to attract and retain the best talent in a sector where demand for skilled labour is high, while still ensuring appropriate restraint in respect of executive remuneration. 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.

6.5 DETAIL OF COMPONENTS OF EXECUTIVE KMP REMUNERATION – AUDITED (CONT.)

6.5.3 Short-term incentive for FY2014

The following table summarises the terms of the STI that applied during FY2014.

Who participated?	All executive KMP.
What was the performance period?	For all executive KMP other than the CEO, the STI for FY2014 operated over a 12 month performance period from 1 July 2013 to 30 June 2014. As explained in last year's Remuneration Report, Mr Flynn's STI grant operated over an extended 15 month period in recognition of the fact that he did not participate in the FY2013 grant (as he commenced in his role as CEO on 25 March 2013).
What was the target STI award?	Senior executives' target STI was 50% of fixed remuneration over the 12 month performance period with up to 75% of fixed remuneration for stretch performance. The STI amount actually awarded for FY2014 is shown in section 6.5.4.
What were the performance conditions and how were they assessed?	The following performance conditions applied to the FY2014 STI: • ROM production targets (managed basis) • FOB cost per saleable tonne (managed basis) • EBITDA (before significant items) • specific objectives in relation to Maules Creek and Narrabri • safety (total recordable injury frequency rate (TRIFR)) • leadership and individual key performance indicators as agreed between the CEO and the Board. The performance conditions for the senior executives was assessed by the CEO and approved by the Board. The Remuneration Committee and the Board assessed and approved the STI reward paid to the CEO. The weightings of each performance condition were tailored to reflect the executive KMP's role.
Why were these performance conditions chosen?	These performance conditions were chosen as they were directly linked to the operational priorities of the Company.

What performance level was achieved?	A snapshot of the performance levels achieved for FY2014 is set out below:

	Actual	Target	Outcome
ROM production (managed)	11.5Mt	11.4Mt	Exceeded target
FOB cost per saleable tonne (managed)	$69.70	$70.98	Exceeded target
EBITDA (before significant items)	$90m	$94m	Not met
Maules Creek	Achieved	On time and budget at June 14	Met
Narrabri	Resolved	Resolve moisture issues in thermal product	Met
Safety (TRIFR)	14.06	18.10	Exceeded target

In FY2014, record production was achieved at Narrabri, Werris Creek and Tarrawonga. Notably, the ROM coal target of 11.4Mt (managed basis) was exceeded by an actual outcome of 11.5 Mt. The longwall at Narrabri came into full production in FY2014 and performed extremely well, with full year production of 5.7Mt (managed basis). In addition, following resolution of all outstanding regulatory processes, construction on Maules Creek commenced and it is currently tracking well to plan.

As a result of a concerted effort by management to lower operating costs and implement savings with the Company's major suppliers, costs declined throughout the year. The actual outcome for the costs target (managed basis) was $69.70/t FOB for FY2014, which exceeded the target of $70.98/t FOB.

Lower coal prices and higher realised foreign exchange rates contributed to the target EBITDA of $94 million not being achieved. Accordingly, no portion of the EBITDA component vested.

In terms of safety, a TRIFR of 14.06 meant that the target of 18.1 was surpassed and above target performance achieved. This is the lowest TRIFR achieved by the Company for 5 years. This significant improvement was due to a renewed focus by management and all leaders across the Company on safety issues, including the introduction of the 'Safehaven Rules' and an increased focus on reviewing all incidents and potential incidents.

Some individuals also met personal milestone based performance objectives including overcoming the quality issues with Narrabri thermal coal early in the year enabling all product to be sold at benchmark quality and realigning the interest coverage ratio test on the corporate debt facility with the revised Maules Creek production timeline.

The Board considered the CEO outperformed in several areas which were not directly reflected in the STI outcomes. While leading a significant structural change from a largely contractor based workforce to a majority of direct employees living locally, Mr Flynn has also managed a Company-wide cultural transformation to an overarching productivity focus with inbuilt tight cost controls. The Board considered this as essential given the challenging market conditions we have been experiencing. In light of the structural and cultural transformation the CEO has delivered, the Board exercised its discretion in accordance with the terms of the grant to adjust the CEO's total award upwards by 15%.

How was the STI delivered?

70% of the STI award will be paid to the executives in cash in September 2014.

The remaining 30% of the award will be delivered in the form of fully paid Whitehaven Coal shares (**Deferred Shares**). The Deferred Shares vest in two equal tranches 12 months and 24 months following allocation, unless the executive resigns or is terminated for cause. As the Deferred Shares form part of remuneration already earned, dividends accrue on the Deferred Shares but will only be paid to the senior executive at the end of the deferral period in relation to those Deferred Shares that vest.

Senior executives are 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. In the event of a takeover or any proposed transaction that, in the Board's opinion, is likely to result in a change of control, the Deferred Shares will vest.

6 REMUNERATION REPORT (CONT.)

6.5 DETAIL OF COMPONENTS OF EXECUTIVE KMP REMUNERATION – AUDITED (CONT.)

6.5.4 STI award outcomes for KMP

As noted in the table above, executive KMP performed well across several components of the FY2014 STI. However, as the target EBITDA was not met, the award did not vest in full. The individual outcomes for each member of the executive KMP are set out in the table below.

	STI earned (A$)		Percentage of maximum STI
KMP	Paid as cash	Deferred into shares	
Paul Flynn	566,605	242,830	71%
Kevin Ball	80,427	34,468	71%
Timothy Burt	152,142	65,204	70%
Brian Cole	208,851	89,508	77%
Jamie Frankcombe	306,250	131,250	73%

6.5.5 2013 Long-term incentive grant

As flagged in last year's Remuneration Report, the Board has introduced a number of changes to the LTI granted in 2013 (**2013 LTI grant**). These included:

- **longer performance periods:** the 2013 LTI grant was divided into two equal tranches capable of vesting following three and four year performance periods (respectively); and
- **more challenging vesting schedule for TSR hurdle:** the vesting schedule that applies to the TSR hurdle was modified for the 2013 LTI grant so that vesting at the 50th percentile of the ASX 100 Resources Index is 35%, and thereafter additional vesting occurs on a pro rata straight line basis up to the 75th percentile where 100% of performance rights vest. The Remuneration Committee considers that this is appropriately challenging and will reward executives for achieving above median returns.

The following table describes the full terms of the 2013 LTI grant.

Who participated?	All executive KMP.
What was granted?	Other than the Managing Director and CEO, executive KMP were granted performance rights with a face value equal to 80% of their TFR. The number of rights granted was determined by reference to the volume weighted average price of the Company's shares over the 20 trading day period commencing 10 trading days prior to 30 June 2013. Consistent with shareholder approval obtained at the Annual General Meeting last year, Mr Flynn was granted performance rights with a face value equal to 100% of his TFR at the date of his appointment as Managing Director and CEO, with 20% representing a pro rata portion of the FY2013 LTI opportunity and 80% representing his FY2014 LTI opportunity. The number of rights granted to Mr Flynn was calculated by reference to the volume weighted average price of the Company's shares over the 20 trading day period commencing 10 days prior to 25 March 2013 (the date Mr Flynn commenced employment as Managing Director and CEO of the Company). There is no exercise price payable on vesting of the performance rights.
What is the performance period?	The performance period for the 2013 LTI grant is divided into two equal tranches capable of vesting after a 3 and 4 year performance period (respectively).

What is the performance condition?	The performance rights are subject to a relative TSR hurdle. The TSR of the Company is measured as a percentile ranking compared to a comparator group of listed entities over the relevant performance period for the tranche. The comparator group for the 2013 grant is the entities in the ASX 100 Resources Index as at 1 July 2013 (**Grant Date**). 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. 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 (i.e. top quartile) or above – 100% of performance rights vest • between the 50th and 75th percentile – 35% of the performance rights vest at the 50th percentile, and thereafter additional vesting will occur on a pro rata straight line basis up to the 75th percentile • below the 50th percentile – no performance rights vest. Notably, for the 2014 grant, the Board has resolved to introduce a new performance condition in addition to the TSR performance condition – see section 6.4.4 for details.
How will the performance condition be calculated?	Unless the Remuneration Committee determines otherwise, the TSR of a company for a performance period will be calculated adopting the following determination of the relevant opening and closing share prices: • the volume weighted average share price over the 20 trading day period commencing 10 trading days before the Grant Date (opening share price); and • the volume weighted average share price over the corresponding 20 trading day period at the conclusion of the relevant Performance Period (closing share price). There is no re-testing of awards that do not vest.
Do the performance rights attract dividend and voting rights?	Performance rights do not carry voting or dividend rights. Shares allocated on vesting of performance rights rank equally with other ordinary shares on issue, including in relation to dividend and voting rights. Participants are required to comply with the Company's securities trading policy in respect of their performance rights and any shares they receive upon vesting. They are prohibited from hedging or otherwise protecting the value of their performance rights.
What happens in the event of a change in control?	In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the Board has a discretion to determine that vesting of some or all of any unvested performance rights should be accelerated.
What happens if an executive ceases employment during the performance period?	In general, unless the Board determines otherwise, where an executive's employment is terminated: • for cause: all unvested performance rights will lapse • due to resignation or by mutual agreement with the Company: unvested performance rights will remain on foot and subject to the original performance hurdle. However, the Board may at its discretion determine to lapse any or all of the unvested performance rights and ordinarily, in the case of a resignation, would be expected to do so • for any other reason: unvested performance rights will remain on foot and subject to the original performance hurdle, with Board discretion to determine that some of the performance rights (up to a pro rata portion based on how much of the performance period remains) will lapse. The performance rights that remain on foot will be tested in the normal course following the end of the relevant performance period.

6 REMUNERATION REPORT (CONT.)

6.5 DETAIL OF COMPONENTS OF EXECUTIVE KMP REMUNERATION – AUDITED (CONT.)

6.5.6 Equity instruments granted as remuneration

Performance rights granted to KMP

Details of performance rights granted to KMP during FY2014 are set out in the table below. The grants to KMP constituted their full LTI entitlement for FY2014 and were made on the terms summarised in section 6.5.5 above.

KMP	Number of performance rights granted	Grant date	Fair value per performance rights at grant date*	Vesting date
Paul Flynn	295,455	4 Nov 2013	$0.33	30 Jun 2016
	295,454	4 Nov 2013	$0.44	30 Jun 2017
Kevin Ball	48,190	23 Dec 2013	$0.61	30 Jun 2016
	48,190	23 Dec 2013	$0.71	30 Jun 2017
Timothy Burt	84,822	9 Oct 2013	$0.61	30 Jun 2016
	84,821	9 Oct 2013	$0.71	30 Jun 2017
Brian Cole	116,090	9 Oct 2013	$0.61	30 Jun 2016
	116,089	9 Oct 2013	$0.71	30 Jun 2017
Jamie Frankcombe	156,250	9 Oct 2013	$0.61	30 Jun 2016
	156,250	9 Oct 2013	$0.71	30 Jun 2017

* The fair value for performance rights granted to the KMP is based on the fair value at the grant date, measured using a Monte Carlo simulation model. The factors and assumptions used in determining the fair value are set out in the note 32 to the financial statements.

6.6 COMPANY PERFORMANCE

A snapshot of key Company performance measures for the past five years is set out below:

	2014	2013	2012	2011 (pre-merger)	2010 (pre-merger)
Profit/(loss) attributable to the Group ($000's)	(38,385)	(88,675)	62,539	9,946	114,884
Revenue ($000's)	755,406	622,159	618,087	622,186	406,807
Share price at year end (dollars per share)	$1.43	$2.30	$4.15	$5.83	$4.80
Basic EPS (cents per share)	(3.9)	(9.0)	10.9	2.0	24.2
Diluted EPS (cents per share)	(3.9)	(9.0)	10.9	2.0	24.0
Dividends paid (cents per share)	–	3.0	4.1	6.1	8.8
Special dividends paid (cents per share)	–	–	50.0	–	–

6.7 EMPLOYMENT CONTRACTS – AUDITED

The following section sets out an overview of the remuneration and other key terms of employment for the executive KMP, as provided in their service agreements.

6.7.1 Managing Director and CEO

Paul Flynn was appointed as Managing Director and CEO of the Company on 25 March 2013. This table outlines the key terms of Mr Flynn's contract of employment, as disclosed to the ASX on 21 February 2013.

Fixed remuneration	Mr Flynn's total fixed remuneration (**TFR**) is $1,300,000 per annum, which includes salary, superannuation contributions, any components under Whitehaven's salary packaging guidelines and all Director's fees. TFR is reviewed annually.
Short-term incentive	Mr Flynn is eligible to participate in the annual STI plan, as described in section 6.5 of this Remuneration Report. At target level of performance, his STI opportunity is 50% of TFR, with up to 75% of TFR for stretch performance.
Long-term incentive	Mr Flynn is eligible to participate in the LTI plan on terms similar to those applicable to grants made to other senior executives of Whitehaven (as set out in section 6.5) and subject to receiving any required or appropriate shareholder approval.
Previous Non-executive Director service agreement	Mr Flynn was previously appointed as a Non-executive Director of Whitehaven and was entitled to Board and committee fees and statutory superannuation contributions.
Other key terms	Other key terms of Mr Flynn's service agreement include the following: • his employment is ongoing, subject to twelve months' notice of termination by Whitehaven or six months' notice of termination by Mr Flynn. • the Company may terminate without notice in certain circumstances, including serious misconduct or negligence in the performance of duties. Mr Flynn may terminate immediately in the case of fundamental change to his role (i.e. there is a substantial diminution to his responsibilities), in which case his entitlements will be the same as if the Company terminated him without cause. • the consequences for unvested incentive awards on termination of Mr Flynn's employment will be in accordance with the Company's STI and LTI plans. • Mr Flynn will have post-employment restraints for a period of three months. No additional amounts will be payable in respect of this restraint period.

6.7.2 Senior executive contracts

A summary of the notice periods and key terms of the current executive KMP contracts are set out in the table below. All of the contracts below are of ongoing duration.

Name and position (at year-end)	Notice
Kevin Ball Chief Financial Officer Appointed 16 December 2013	3 months by employee 6 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
Brian Cole Executive General Manager – Project Delivery Appointed 1 July 2012	6 months by employee or the Company
Jamie Frankcombe Executive General Manager – Operations Appointed 4 February 2013	3 months by employee 6 months by the Company

The executive contracts give the Company discretion to make payment in lieu of notice. No notice is required where termination is for cause. The contracts do not provide for any termination payments other than payment in lieu of notice.

Treatment of unvested incentives is dealt with in accordance with the terms of grant. In general, under the STI and LTI arrangements, unvested entitlements will be forfeited where an executive is terminated for cause or, subject to the Board's discretion, where they resign. In all other circumstances where the Board considers the executive to be a 'good leaver', outgoing executives will generally retain their entitlements (subject to any applicable performance conditions in the case of LTI arrangements).

6 REMUNERATION REPORT (CONT.)

6.7 EMPLOYMENT CONTRACTS – AUDITED (CONT.)

6.7.3 Senior executive departures during FY2014

Mr Perrin

Mr Perrin resigned as Chief Financial Officer of the Company on 15 January 2014. The Board considered Mr Perrin to be a 'good leaver' and his termination arrangements were in line with his service agreement and the Company's incentive plans. These payments comprised statutory entitlements for accrued but untaken leave totalling $57,637, an amount of $51,449 representing accrued long service leave and a termination payment of $433,333, representing 8 months' payment in lieu of notice. Performance rights granted under the 2012 LTI grant remained on foot and subject to the original performance conditions under the terms of grant. Mr Perrin did not receive any STI payment in respect of FY2014 and did not participate in the 2013 LTI grant.

6.8 STATUTORY SENIOR EXECUTIVE REMUNERATION TABLE – AUDITED

The following table sets out the statutory remuneration disclosures required under the Corporations Act 2001 (Cth) and has been prepared in accordance with the appropriate accounting standards and has been audited.

The remuneration shown in the table below for Mr Flynn and Mr Haggarty relates only to their respective periods as Executive Directors of the Company in the current and comparative reporting periods. Details of remuneration received in their capacity as Non-executive Directors are disclosed in section 6.9.

								Share-based payments			
In AUD	FY	Salary & fees	Cash bonus (A)	Non-monetary benefits (B)	Super-annuation Benefits	Short-term incentive (C)	Termi-nation Benefits	Shares (D)	Rights & options (E)	Total Remune-ration	Share-based pay-ments as proportion of total
Directors											
Paul Flynn*	2014	1,275,000	–	11,160	25,000	809,435	–	–	48,011	2,168,606	2.2%
	2013	346,349	30,000	2,640	5,976	–	–	–	–	384,965	–
Tony Haggarty**	2013	534,524	–	7,920	25,000	–	141,459	–	–	708,903	–
Continuing Executives											
Kevin Ball***	2014	249,956	–	–	13,636	114,895	–	–	14,860	393,347	3.8%
Timothy Burt	2014	450,000	–	11,160	25,000	217,346	–	–	85,945	789,451	10.9%
	2013	450,000	–	11,264	25,000	69,298	–	–	44,842	600,404	7.5%
Brian Cole	2014	615,100	–	15,463	35,000	298,359	–	–	117,615	1,081,537	10.9%
	2013	625,100	400,000	–	25,000	84,157	–	–	61,363	1,195,620	5.1%
Jamie Frankcombe	2014	850,000	–	11,160	25,000	437,500	–	–	48,182	1,371,842	3.5%
	2013	339,593	–	4,400	25,000	44,949	–	200,000	–	613,932	32.6%
Former Executives											
Austen Perrin****	2014	325,906	–	5,580	25,000	–	542,419	–	168,484	1,067,389	15.8%
	2013	625,000	–	11,333	25,000	75,863	–	–	61,363	798,559	7.7%

* Commenced role as Managing Director and CEO on 25 March 2013. Mr Flynn's STI operated over a 15 month period in recognition of the fact that he did not participate in the FY2013 STI grant.

** Ceased role as Managing Director on 24 March 2013.

*** Commenced role as Chief Financial Officer on 16 December 2013.

**** Ceased role as Chief Financial Officer on 15 January 2014.

A In FY2013 Mr Flynn received $30,000 as a dislocation allowance upon his commencement as Managing Director and Chief Executive Officer in recognition of costs and expenses he had incurred as a result of foregoing another opportunity. Mr Cole was paid a sign on fee to compensate for remuneration he would forfeit on leaving his previous employer at a time that was critical for the Company.

B The amounts disclosed as non-monetary benefits relate to car spaces, motor vehicle benefits and other similar items.

C Refer to section 6.5 of the remuneration report for details of the FY 2014 STI.

D In FY2013 Mr Frankcombe received a sign on grant of shares in the Company with a face value of $200,000, which were subject to a one-year service-based vesting condition, and these vested on 4 February 2014.

E The fair value for Performance Rights granted to the KMP is based on the fair value at the grant date, measured using a Monte Carlo simulation model. The factors and assumptions used in determining the fair value are set out in note 32 to the financial statements.

6.8.1 Movement of equity instruments – audited

The movement during the reporting period, by number and value, of performance rights over ordinary shares and deferred shares in the Company held by each senior executive is detailed below.

Executive	Instrument	Balance as at 1 July 2013	Granted (number) (A)	Granted (value) (B)	Vested (number)	Vested (value) (C)	Lapsed (number)	Lapsed (value) (D)	Balance as at 30 June 2014
Paul Flynn	Performance Rights (LTI)	–	590,909	227,500	–	–	–	N/A	590,909
Kevin Ball	Performance Rights	–	96,380	63,611	–	–	–	N/A	96,380
Timothy Burt	Performance Rights	92,457	169,643	111,964	–	–	–	N/A	262,100
	Deferred Shares (STI)	–	10,292	20,789	–	–	–	–	10,292
Brian Cole	Performance Rights	126,521	232,179	153,238	–	–	–	N/A	358,700
	Deferred Shares (STI)	–	12,499	25,247	–	–	–	–	12,499
Jamie Frankcombe	Performance Rights	–	312,500	206,250	–	–	–	N/A	312,500
	Deferred Shares (STI)	–	6,676	13,485	–	–	–	–	6,676
Austen Perrin	Performance Rights	126,521	–	–	–	–	–	N/A	N/A

A The number of deferred shares granted during FY2014 reflects the deferred component of the FY2013 STI award, calculated by reference to the volume weighted average price of the Company's shares for the 20 day trading period commencing 10 trading days prior to 27 August 2013. The grant date of the deferred shares was 27 August 2013. The deferred shares are subject to a further one and two year service based vesting condition, as disclosed in last year's Remuneration Report.

B The value of performance rights granted in the year is the fair value of the performance rights at grant date using the Monte Carlo simulation model. The total value of the performance rights granted is included in the table above. The unvested performance rights and deferred shares have a minimum value of zero if they do not meet the relevant performance or service conditions. The maximum value of unvested performance rights and deferred shares is the sale price of the Company's shares at the date of vesting.

C No performance rights vested during the period.

D The value of performance rights that lapsed during the year represents the benefit forgone and is calculated at the date the performance rights lapsed using the Monte Carlo simulation model. No performance rights lapsed in the year.

6.9 NON-EXECUTIVE DIRECTOR REMUNERATION – AUDITED

This section explains the remuneration for Non-executive Directors.

6.9.1 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.

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.

6 REMUNERATION REPORT (CONT.)

6.9 NON-EXECUTIVE DIRECTOR REMUNERATION – AUDITED (CONT.)

6.9.2 Current fee levels and fee pool

The table below sets out the Board and committee fees in Australian dollars as at 30 June 2014.

Consistent with the review of the executive KMP remuneration levels, the Board determined that there would be no fee increases for Non-executive Directors in FY2015.

	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.

In addition to the meetings that the Non-executive Directors attended (as shown on page 6), the Non-executive Directors participated in site visits to port facilities and underground and open cut mines. The Chairman of the Health, Safety, Environment & Community Committee (who has oversight of the Company's health and safety framework) also attended a number of onsite safety days.

6.9.3 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.

The remuneration shown in the table below for Mr Flynn and Mr Haggarty relates only to their respective periods as Non-executive Directors of the Company in the current or comparative reporting period. Details of remuneration received in their capacity as Executive Directors are disclosed in section 6.8.

		Short – term benefits			Post – employment benefits		Total
In AUD		Board & Committee fees	Non-monetary benefits	Other benefits (non-cash)	Super-annuation benefits	Termination benefits	Remuneration for services as a Non-executive Director
Non – executive Directors							
The Hon. Mark Vaile (Chairman)	2014	350,000	–	–	17,774	–	367,774
	2013	350,000	–	–	16,470	–	366,470
John Conde (Deputy Chairman)	2014	262,500	–	–	17,774		280,274
	2013	262,500	–	–	16,470		278,970
Philip Christensen*	2014	165,000	–	–	15,263	–	180,263
	2013	165,000	–	–	14,850	–	179,850
Paul Flynn**	2013	204,950[1]	–	–	10,514		215,464
Rick Gazzard	2014	172,500			15,956		188,456
	2013	172,500			15,525		188,025
Tony Haggarty***	2014	151,458	–	–	14,010	–	165,468
	2013	35,000	–	–	–	–	35,000
Christine McLoughlin	2014	177,500	–	–	16,419		193,919
	2013	177,500	–	–	15,975		193,475
Raymond Zage****	2014	–[2]	–	–	–	–	–
Total	**2014**	**1,278,958**	**–**	**–**	**97,196**	**–**	**1,376,154**
	2013	**1,367,450**	**–**	**–**	**89,804**	**–**	**1,457,254**

* Resigned 14 July 2014.

** Ceased to be a Non-executive Director on 24 March 2013.

*** Appointed 25 March 2013.

**** Appointed 27 August 2013.

[1] Mr Flynn received $88,125 in additional fees for time spent participating in investor roadshow presentations and cost review exercises while he was still a Non-executive Director (and prior to him becoming Managing Director and CEO). Mr Flynn received his director's fee on a pro rata basis up to 25 March 2013.

[2] Mr Zage elected not to receive any Board & Committee fees.

6.10 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.

6.11 OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

Apart from the details disclosed in this report, 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.

6 REMUNERATION REPORT (CONT.)

6.12 ADDITIONAL DISCLOSURES RELATING TO SHARES AND OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties is as follows:

No. of shares	Held at 1 July 2013	Received on vesting of LTI	Received as remuneration	Other net change	Held at 30 June 2014
Directors					
Mark Vaile	2,787,767	–	–	–	2,787,767
John Conde	378,605	–	–	–	378,605
Philip Christensen*	2,901,575	–	–	(1,335,000)	1,566,575
Paul Flynn	39,382	–	–	–	39,382
Rick Gazzard	125,000	–	–	75,000	200,000
Tony Haggarty	33,479,897	–	–	(13,430,110)	20,049,787
Christine McLoughlin	21,000	–	–	–	21,000
Raymond Zage	–	–	–	–	–
Executives					
Kevin Ball	–	–	–		–
Timothy Burt	152,400	–	10,292**	(7,500)	155,192
Brian Cole	–	–	12,499**	–	12,499
Jamie Frankcombe	77,687	–	6,676**	100,000	184,363
Austen Perrin	107,019	–	–	–	n/a[1]

[1] These parties either ceased employment with the Company during the year or changed roles within Whitehaven during the year and are not considered related parties at 30 June 2014.

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

** Shares received as part of FY2013 STI and subject to restrictions.

The movement during the reporting period in the number of options and rights 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 2013	Granted / (Forfeited)	Exercised	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Director-related entities						
Mark Vaile	189,000*	–	–	189,000	–	189,000
Philip Christensen	189,000*	–	–	189,000	–	189,000
Paul Flynn	–	590,909	–	590,909	–	–
Executives						
Kevin Ball	–	96,380	–	96,380	–	–
Timothy Burt	92,457	169,643	–	262,100	–	–
Brian Cole	126,521	232,179	–	358,700	–	–
Jamie Frankcombe	–	312,500	–	312,500	–	–
Austen Perrin	126,521	–	–	n/a[1]	–	–

[1] These parties ceased employment with the Company during the year and are not considered related parties at 30 June 2014.

* The Group issued fully vested options over the Company's 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.

Signed in accordance with a resolution of the Directors:

Mark Vaile
Chairman

Dated at Sydney this 27th day of August 2014

Building a better working world

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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 2014 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
27 August 2014

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III CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

		Consolidated	
In thousands of AUD ($'000)	Note	2014	2013[1]
Revenue	8	755,406	622,159
Other income	9	8,497	12,443
Operating expenses (including coal purchases)		(413,183)	(430,801)
Selling and distribution expenses		(189,654)	(157,439)
Government royalties		(54,222)	(38,792)
Administrative expenses		(24,623)	(23,470)
Other expenses	10	(6,907)	(194)
Depreciation and amortisation		(79,491)	(62,808)
Loss before net financial expense		**(4,177)**	**(78,902)**
Financial income	12	6,609	7,496
Financial expenses	12	(58,766)	(53,019)
Net financial expense	**12**	**(52,157)**	**(45,523)**
Loss before tax		**(56,334)**	**(124,425)**
Income tax benefit	13a)	17,949	35,750
Net loss for the period		**(38,385)**	**(88,675)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net movement on cash flow hedges		4,351	(9,049)
Income tax effect	13b)	(1,305)	2,715
Other comprehensive income / (loss) for the period, net of tax		**3,046**	**(6,334)**
Total comprehensive loss for the period, net of tax		**(35,339)**	**(95,009)**
Net loss for the period attributable to:			
Owners of the parent		(38,385)	(88,675)
Non-controlling interests		–	–
Total comprehensive loss for the period, net of tax attributable to:			
Owners of the parent		(35,339)	(95,009)
Non-controlling interests		–	–
Earnings per share:			
Basic loss per share (cents per share)	35	(3.9)	(9.0)
Diluted loss per share (cents per share)	35	(3.9)	(9.0)

[1] As restated due to the adoption of IFRIC 20 at the transition date of 1 July 2012. Refer to note 3 for further detail.

The Company has made the decision to reclassify some items of expenditure. This included moving rail freight costs from operating expenses to selling and distribution expenses, and showing Government royalties separately from selling and distribution expenses. The comparative period has been restated to reflect these changes.

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

IV STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

In thousands of AUD ($'000)	Note	Consolidated 2014	2013[1]
Assets			
Cash and cash equivalents	14	103,167	110,516
Trade and other receivables	15	70,262	87,297
Inventories	16	61,122	58,235
Derivative financial instruments	17	–	120
Total current assets		**234,551**	**256,168**
Trade and other receivables	15	29,672	37,843
Investments	18	568	1,052
Property, plant and equipment	19	3,384,937	3,131,622
Exploration and evaluation	20	526,914	574,459
Intangible assets	21	105,843	99,696
Total non-current assets		**4,047,934**	**3,844,672**
Total assets		**4,282,485**	**4,100,840**
Liabilities			
Trade and other payables	22	155,688	137,266
Interest-bearing loans and borrowings	23	33,084	25,242
Employee benefits	24	12,900	11,107
Current tax payable	13	6,219	13,935
Provisions	25	22,995	43,642
Derivative financial instruments	17	466	4,938
Total current liabilities		**231,352**	**236,130**
Non-current liabilities			
Interest-bearing loans and borrowings	23	755,308	556,838
Deferred tax liabilities	13	29,931	17,841
Provisions	25	59,358	49,409
Total non-current liabilities		**844,597**	**624,088**
Total liabilities		**1,075,949**	**860,218**
Net assets		**3,206,536**	**3,240,622**
Equity			
Issued capital	26a)	3,146,300	3,146,301
Share-based payments reserve		35,206	34,152
Hedge reserve		(326)	(3,372)
Retained earnings		12,178	50,363
Equity attributable to owners of the parent		**3,193,358**	**3,227,444**
Non-controlling interest		13,178	13,178
Total equity		**3,206,536**	**3,240,622**

[1] As restated due to the adoption of IFRIC 20 at the transition date of 1 July 2012. Refer to note 3 for further detail.

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 30TH JUNE 2014

CONSOLIDATED *In thousands of AUD ($'000)*	Note	Issued Capital	Share -based payments reserve	Hedge reserve	Retained earnings	Total	Non -con- trolling interest	Total equity
Opening balance at 1 July 2012[1]		**3,116,769**	**35,359**	**2,962**	**163,531**	**3,318,621**	**55,504**	**3,374,125**
Loss for the period		–	–	–	(88,675)	(88,675)	–	(88,675)
Other comprehensive income		–	–	(6,334)	–	(6,334)	–	(6,334)
Total comprehensive income for the period		**–**	**–**	**(6,334)**	**(88,675)**	**(95,009)**	**–**	**(95,009)**
Transactions with owners in their capacity as owners:							–	
Dividends paid	26	–	–	–	(29,375)	(29,375)	–	(29,375)
Share – based payments	32	–	3,675	–	–	3,675	–	3,675
Transfer on exercise of share based payments		–	(4,882)	–	4,882	–	–	–
Acquisition of subsidiary	26	29,594	–	–	–	29,594	–	29,594
Acquisition of non – controlling interest		–	–	–	–	–	(42,326)	(42,326)
Costs of shares issued, net of tax	26	(62)	–	–	–	(62)	–	(62)
Closing balance at 30 June 2013		**3,146,301**	**34,152**	**(3,372)**	**50,363**	**3,227,444**	**13,178**	**3,240,622**
Opening balance at 1 July 2013[1]		**3,146,301**	**34,152**	**(3,372)**	**50,363**	**3,227,444**	**13,178**	**3,240,622**
Loss for the period		–	–	–	(38,385)	(38,385)	–	(38,385)
Other comprehensive income		–	–	3,046	–	3,046	–	3,046
Total comprehensive income for the period		**–**	**–**	**3,046**	**(38,385)**	**(35,339)**	**–**	**(35,339)**
Transactions with owners in their capacity as owners:								
Share – based payments	32	–	1,254	–	–	1,254	–	1,254
Transfer on exercise of share based payments		–	(200)	–	200	–	–	–
Costs of shares issued, net of tax	26	(1)	–	–	–	(1)	–	(1)
Closing balance at 30 June 2014		3,146,300	35,206	(326)	12,178	3,193,358	13,178	3,206,536

[1] As restated due to the adoption of IFRIC 20 at the transition date of 1 July 2012. Refer to note 3 for further detail.

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

VI STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014

In thousands of AUD ($'000)	Note	Consolidated 2014	2013
Cash flows from operating activities			
Cash receipts from customers		773,612	620,415
Cash paid to suppliers and employees		(648,185)	(636,620)
Cash generated from operations		125,427	(16,205)
Cash paid in respect of transaction costs		–	(3,542)
Interest paid		(42,895)	(38,005)
Interest received		5,054	3,593
Income taxes refunded		21,020	21,839
Net cash from / (used in) operating activities	**30**	**108,606**	**(32,320)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		31	2,557
Purchase of property, plant and equipment		(310,852)	(262,157)
Purchase of intangible assets		(6,300)	–
Acquisition of Coalworks Limited		–	(154,880)
Proceeds from sale of investments		–	6,991
Exploration and evaluation expenditure		(2,813)	(26,040)
Proceeds from repayments of loans advanced		–	1,557
Net cash used in investing activities		**(319,934)**	**(431,972)**
Cash flows from financing activities			
Transaction costs paid on issue of share capital		(2)	(89)
Proceeds from borrowings		236,784	455,250
Repayment of borrowings		(8,247)	(348,217)
Payment of finance lease liabilities		(24,556)	(16,386)
Dividends paid	26	–	(29,375)
Net cash from financing activities		**203,979**	**61,183**
Net change in cash and cash equivalents		(7,349)	(403,109)
Cash and cash equivalents at 1 July		110,516	513,625
Cash and cash equivalents at 30 June	14	**103,167**	**110,516**

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

VII NOTES TO THE CONSOLIDATED STATEMENTS

1 REPORTING ENTITY

The financial report of Whitehaven Coal Limited ('Whitehaven' or 'Company') for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 27 August 2014. 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 and available for sale financial assets that have been measured at fair value (refer to notes 3g and 3h).

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 in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations effective as of 1 July 2013.

The Group has applied, for the first time, certain standards and amendments that may require restatement of previous financial statements. These include Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine, AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 119 Employee Benefits (Revised 2011), AASB 13 Fair Value Measurement and amendments to AASB 101 Presentation of Financial Statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

AASB 101 Clarification of the requirement for comparative information (Amendment)

The amendment to AASB 101 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 July 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes.

The nature and the impact of each new standard/amendment is described below:

AASB 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to AASB 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with AASB 132. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with AASB 132. The Group does not have financial assets and liabilities with rights to set-off arrangements therefore the amendment does not have an impact on the Group.

AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements

AASB 10 establishes a single control model that applies to all entities including structured entities. AASB 10 replaces the parts of previously existing AASB 127 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in AASB 10, all three criteria must be met, including:

(a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

AASB 10 had no impact on the consolidation of investments held by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

AASB 11 Joint Arrangements and AASB 128 Investment in Associates and Joint Ventures

AASB 11 replaces AASB 131 Interests in Joint Ventures and SIC-13 jointly controlled entities — Non-monetary Contributions by Venturers. AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method.

The application of AASB 11 and AASB 128 did not impact the Group's accounting for its interests in joint arrangements because the Group determined that its joint arrangements and jointly controlled entities that were previously classified as jointly controlled assets were classified as joint operations under AASB 11.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The application of the standard did not result in any additional disclosures for the Group.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under IFRS for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of AASB 13 has not materially impacted the fair value measurements carried out by the Group.

AASB 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures. The Group provides these disclosures in note 5.

AASB 2013-3 Amendments to AASB136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the unintended consequences of AASB 13 on the disclosures required under AASB136. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided AASB 13 is also applied. The Group has early adopted these amendments to AASB 136 in the current period. These amendments would continue to be considered for future disclosures.

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

The Interpretations Committee issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (IFRIC 20), effective 1 January 2013. Prior to the issuance of IFRIC 20, the accounting for production stripping costs had been based on general IFRS principles.

Previously, the Group capitalised production stripping costs for those operations where this was considered to be the most appropriate basis for matching the cost against the related economic benefits and the effect was material. This was generally the case where there were fluctuations in stripping ratios over the life of the mine.

The amount of stripping costs capitalised was based on the life-of-mine average strip ratio that was obtained by dividing the total volume of waste expected to be mined over the life of the mine by the quantity (e.g., tonnes) of economically recoverable reserves expected to be mined across the life of the mine.

Production stripping costs incurred in the period were deferred to the extent that the current period actual strip ratio exceeded the life-of-mine average strip ratio. Such deferred costs were then charged to profit or loss to the extent that, in subsequent periods, the current period actual strip ratio fell below the life-of-mine average strip ratio until those deferred costs were fully depleted. No stripping liabilities were recognised. The life-of-mine ratio was based on economically recoverable reserves of the mine.

IFRIC 20 now provides specific guidance on how to account for production stripping costs. It requires such costs to be capitalised where certain recognition criteria are met. IFRIC 20 differs from the life-of-mine average strip ratio approach in a number of ways, including:

a) The level at which production stripping costs are to be assessed, i.e., at a component level rather than a life-of-mine level
b) The way in which any stripping activity assets are to be depreciated.

In addition, specific transitional rules are provided to deal with any opening deferred stripping balances an entity may have recognised under its previous accounting policy.

Identification of stripping activity assets

The first difference is the requirement to identify the components of each ore body. This will determine whether any stripping activity assets should be recognised and, if so, the level at which such assets are initially recognised. IFRIC 20 defines a component as a specific volume of the ore body that is made more accessible by the stripping activity. An identified component of the ore body is considered to typically be a subset of the total ore body of the mine. This effectively requires that a lower unit of account than the entire life-of-mine (which is used in the current life-of-mine average strip ratio approach) is to be used. A mine may have several components, which are identified based on the mine plan. As well as providing a basis for measuring the costs reliably at recognition stage, the identification of components is necessary for the subsequent depreciation or amortisation of the stripping activity asset, which will take place as each identified component is mined.

Depreciation of the stripping activity asset(s)

The second difference relates to the way in which the stripping activity asset(s) are depreciated. As described above, under the life-of-mine average strip ratio approach, the deferred stripping balance was released to profit or loss when the actual ratio fell below the average expected ratio. IFRIC 20 requires that any stripping activity asset(s) is to be depreciated/amortised over the expected useful life of the identified component of the ore body that has been made more accessible by the activity. The method used should be the one that best reflects the consumption of economic benefits. IFRIC 20 requires the use of the units of production method unless another method is more appropriate.

Transition

IFRIC 20 is applied prospectively to production stripping costs incurred on or after the beginning of the earliest period presented, which is 1 July 2012 for the Group. Any previously recognised asset balance(s) that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) was required to be reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset could be associated. Such balances are then depreciated/amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance related.

If there was no identifiable component of the ore body to which the predecessor asset related, it was written off via opening retained earnings at 1 July 2012.

Impact as at transition date (1 July 2012) and on the comparative financial information for the year ended 30 June 2013

In accordance with the transitional provisions of IFRIC 20, this new policy has been applied prospectively from the start of the comparative period, being 1 July 2012. As a result of the adoption of the interpretation, the adjustments outlined below were made to the financial statements.

The Group had previously accounted for production stripping costs using the life-of-mine average strip ratio approach (explained above). As at 1 July 2012, there was a deferred stripping balance of $99.6 million.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The adoption of IFRIC 20 had the following impact at the transition date of 1 July 2012 and for the year ended 30 June 2013:

In thousands of AUD	1 July 2012	IFRIC20 Adjustment	1 July 2012 Restated
Deferred stripping	99,601	(99,601)	–
Property, plant & equipment	2,945,301	27,968	2,973,269
Other assets	1,298,363	–	1,298,363
Deferred tax liabilities	(77,449)	21,490	(55,959)
Other liabilities	(841,548)	–	(841,548)
Net assets	**3,424,268**	**(50,143)**	**3,374,125**
Retained earnings	213,674	(50,143)	163,531
Other reserves	3,210,594	–	3,210,594
Total equity	**3,424,268**	**(50,143)**	**3,374,125**

In thousands of AUD	30 June 2013	IFRIC 20 Adjustment	30 June 2013 Restated
Net loss before tax	(115,123)	(9,302)	(124,425)
Tax benefit	32,959	2,791	35,750
Net loss after tax	**(82,164)**	**(6,511)**	**(88,675)**
Deferred stripping	97,381	(97,381)	–
Property, plant & equipment	3,115,176	16,446	3,131,622
Other assets	969,218	–	969,218
Deferred tax liabilities	(42,122)	24,281	(17,841)
Other liabilities	(842,377)	–	(842,377)
Net assets	**3,297,276**	**(56,654)**	**3,240,622**
Retained earnings	107,017	(56,654)	50,363
Other reserves	3,190,259	–	3,190,259
Total equity	**3,297,276**	**(56,654)**	**3,240,622**

AASB 119 Employee Benefits (Revised 2011)

AASB 119 (Revised 2011) changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months of the reporting date. The application of the standard did not have a material effect on the Group.

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. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(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 2014 are outlined below:

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The amendments become effective for the consolidated entity's 30 June 2015 financial statements.

Based on the Directors' preliminary assessment, when the Group applies the amendments to AASB 2012-3 for the first time for the year ending 30 June 2015, there will not be a material impact on the financial position or performance of the Group.

Interpretation 21 Levies (IFRIC21)

This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation. The amendments become effective for the consolidated entity's 30 June 2015 financial statements.

Based on the Directors' preliminary assessment, when the Group applies the amendments for the first time for the year ending 30 June 2015, there will not be a material impact on the financial position or performance of the Group.

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.

Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2017. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.

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 2017 financial statements. The consolidated entity has not yet determined the potential impact of the amendments on the consolidated entity's financial report.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]

AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]

These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.

These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders [AASB 1038]

AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.

Annual Improvements to IFRSs 2010–2012 Cycle

This standard sets out amendments to International Financial Reporting Standards (IFRS) 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 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
- IAS 16 & IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Annual Improvements to IFRSs 2011–2013 Cycle

This standard sets out amendments to International Financial Reporting Standards (IFRS) 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 13 – Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.
- IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgement is based on guidance in IFRS 3.

AASB 1031 Materiality

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.

- Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.
- Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.
- Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

IFRS 14 Interim standard on regulatory deferral accounts

This interim standard provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. It is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with entities that already apply IFRS, but do not recognise regulatory deferral accounts.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

a) IAS 11 Construction Contracts
b) IAS 18 Revenue
c) IFRIC 13 Customer Loyalty Programs
d) IFRIC 15 Agreements for the Construction of Real Estate
e) IFRIC 18 Transfers of Assets from Customers
f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

a) Step 1: Identify the contract(s) with a customer
b) Step 2: Identify the performance obligations in the contract
c) Step 3: Determine the transaction price
d) Step 4: Allocate the transaction price to the performance obligations in the contract
e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Early application of this standard is permitted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

a) BASIS OF CONSOLIDATION

The consolidated financial report of the Company for the financial year ended 30 June 2014 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 control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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.

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

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

f) INVENTORIES

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

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

Inventories are classified as follows:

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

g) DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated entity uses derivative financial instruments to hedge its risks associated with foreign currency and interest 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:

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.

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 accumulated 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 (CONT.)

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 at the cash-generating unit level or when events and changes in circumstances indicate that the carrying amount may not be recoverable on an individual mine basis. 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:

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

b) 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:

a) sufficient data exists to determine technical feasibility and commercial viability, and

b) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are not allocated to cash-generating units.

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.

l) DEFERRED STRIPPING COSTS

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

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

m) LEASES

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

Consolidated entity as lessee

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

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

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

n) IMPAIRMENT

(i) Financial assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

n) IMPAIRMENT (CONT.)

(ii) Non-financial assets

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

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

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

r) PROVISIONS

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

(i) Mine rehabilitation and closure

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 AND OTHER INCOME 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.

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 joint operations 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 net 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) Minerals 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 since 30 June 2012.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

v) INCOME TAX (CONT.)

(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.

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

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

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.

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.

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 volume 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.

Minerals 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
- the reserves estimates for the mines.

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 gearing ratio and 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.

The Group's gearing ratio is calculated as net debt divided by total capital plus net debt.

In thousands of AUD	2014	2013
Interest-bearing loans and borrowings	788,392	582,080
Less: cash and cash equivalents	(103,167)	(110,516)
Net debt	**685,225**	**471,564**
Equity	3,206,536	3,240,622
Total capital	**3,206,536**	**3,240,622**
Capital and net debt	**3,891,761**	**3,712,186**
Gearing ratio	18%	13%

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 up to:

- 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
- a maximum of 50% of planned sales from existing operations for between 12 and 24 months.

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

As at year end there are no outstanding forward exchange contracts. 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 2014 was nil (2013: $4,938,000 liability), comprising assets and liabilities that were recognised as fair value derivatives.

At 30 June 2014, 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	30 June 2014	30 June 2013
Cash	24,155	25,682
Trade and other receivables	27,380	38,212
Trade and other payables	(5,646)	(21,030)
Finance lease liabilities	(2,370)	(8,637)
Net statement of financial position exposure	**43,519**	**34,227**

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	**2014**	**2013**	**2014**	**2013**
USD	0.9187	1.0271	0.9420	0.9275
EUR	–	0.7949	–	0.7095

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

RISK EXPOSURES AND RESPONSES (CONT.)

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 2013.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or (loss)
30 June 2014		
USD	–	(4,200)
30 June 2013		
USD	6,710	(3,355)

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 2013.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or (loss)
30 June 2014		
USD	–	4,260
30 June 2013		
USD	(8,201)	3,690

Credit risk

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

Exposure to credit risk

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

		Carrying amount	
In thousands of AUD	Note	2014	2013
Cash and cash equivalents	14	103,167	110,516
Trade receivables	15	32,688	49,778
Derivative financial instruments	17	–	120
Investments	18	568	1,052
		136,423	**161,466**

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

	Carrying amount	
In thousands of AUD	2014	2013
Asia	27,572	30,191
Europe	1,494	12,058
Australia	3,622	7,529
	32,688	**49,778**

Trade 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 45.9% of the consolidated entity's revenue is attributable to sales transactions with three customers (2013: 42.1% with three customers).

More than 60% of the consolidated entity's customers have been transacting with the consolidated entity for over five years, and losses have occurred infrequently. The remaining trade receivables relate mainly to coal customers.

The consolidated entity does not require collateral in respect of trade 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 recognised an impairment loss for trade receivables of $2,892,000 during the year ended 30 June 2014 (2013:$58,000).

Impairment losses

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

	Gross	Impairment	Gross	Impairment
In thousands of AUD	2014	2014	2013	2013
Not past due	33,328	(1,634)	43,121	–
Past due 0 – 30 days	1,127	(1,053)	5,443	–
Past due 31 – 120 days	1,010	(205)	396	–
Past due 121 days to one year	104	–	839	(58)
More than one year	11	–	37	–
	35,580	**(2,892)**	**49,836**	**(58)**

The Company was advised in July 2014 that a domestic customer had been placed into voluntary administration. A provision has been established to cover balances owed at 30 June 2014 which are not expected to be recovered. Based on historic default rates, the consolidated entity believes that no additional 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 the A$1.2 billion Senior Secured Bank Facility. Details of outstanding guarantees are provided in note 29.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

RISK EXPOSURES AND RESPONSES (CONT.)

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.

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

	Consolidated 30 June 2014						
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	113,911	138,057	14,436	18,519	17,544	87,558	–
Interest – bearing liabilities	674,481	682,678	5,387	5,275	10,247	653,206	8,563
Trade and other payables	155,688	155,688	155,688	–	–	–	–
Forward exchange contracts							
Outflow	–	–	–	–	–	–	–
Inflow	–	–	–	–	–	–	–
	944,080	**976,423**	**175,511**	**23,794**	**27,791**	**740,764**	**8,563**

	Consolidated 30 June 2013						
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	79,352	99,836	12,070	11,000	22,071	54,695	–
Interest – bearing liabilities	502,728	513,759	5,589	5,492	10,662	474,471	17,545
Trade and other payables	137,266	137,266	137,266	–	–	–	–
Forward exchange contracts							
Outflow	73,804	74,386	74,386	–	–	–	–
Inflow	(68,866)	(69,409)	(69,409)	–	–	–	–
	724,284	**755,838**	**159,902**	**16,492**	**32,733**	**529,166**	**17,545**

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.

Management analyses interest rate exposure on an ongoing basis. The consolidated entity uses interest rate swaps to mitigate interest rate risk.

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	**2014**	**2013**
Fixed rate instruments		
Financial liabilities	(113,911)	(79,352)
	(113,911)	**(79,352)**
Variable rate instruments		
Financial assets	103,167	110,516
Financial liabilities	(674,481)	(502,728)
	(571,314)	**(392,212)**
Net exposure (post tax)	**(685,225)**	**(471,564)**

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

RISK EXPOSURES AND RESPONSES (CONT.)

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 2013.

	Profit or (loss)	
Effect in thousands of AUD	100bp Increase	100bp Decrease
30 June 2014		
Variable rate instruments	(5,713)	(5,713)
Cash flow sensitivity (net)	**(5,713)**	**(5,713)**
30 June 2013		
Variable rate instruments	(3,922)	3,922
Cash flow sensitivity (net)	**(3,922)**	**3,922**

	Equity	
Effect in thousands of AUD	100bp Increase	100bp Decrease
30 June 2014		
Variable rate instruments	1,235	(1,300)
Cash flow sensitivity (net)	**1,235**	**(1,300)**
30 June 2013		
Variable rate instruments	1,648	(1,745)
Cash flow sensitivity (net)	**1,648**	**(1,745)**

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

The Group complies with 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)
- 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 2014	Level 1	Level 2	Level 3
Assets measured at fair value				
Equity shares	568	531	–	37
Liabilities measured at fair value				
Interest rate swaps – payable	(466)	–	(466)	–

In thousands of AUD	30 June 2013	Level 1	Level 2	Level 3
Assets measured at fair value				
Interest rate swaps – receivable	120	–	120	–
Equity shares	1,052	1,015	–	37
Liabilities measured at fair value				
Forward exchange contracts – payable	(4,938)	–	(4,938)	–

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 Group's holding in unlisted shares is minor and any reasonably possible change in assumptions would not have a material impact on the Group's financial statements.

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.

During the year the Group held 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 preference shares	Unlisted shares
At 1 July 2012	6,899	1,210
Sales	(6,991)	(1,173)
Total gains and losses recognised in OCI including FX	92	–
At 30 June 2013	**–**	**37**
At 1 July 2013	–	37
Sales	–	–
Total gains and losses recognised in OCI including FX	–	–
At 30 June 2014	**–**	**37**

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

RISK EXPOSURES AND RESPONSES (CONT.)

Financial assets and liabilities by categories

		2014			2013		
Consolidated Entity	**Note**	**Loans & receivables[1]**	**Available for sale**	**Other**	**Loans & receivables[1]**	**Available for sale**	**Other**
Financial assets							
Cash and cash equivalents	14	103,167	–	–	110,516	–	–
Trade and other receivables	15	99,934	–	–	125,140	–	–
Investments	18	–	531	37	–	1,015	37
Other financial assets[2]	17	–	–	–	–	–	120
Total financial assets		**203,101**	**531**	**37**	**235,656**	**1,015**	**157**
Financial liabilities							
Trade and other payables	22	155,688	–	–	137,266	–	–
Borrowings	23	788,392			582,080	–	–
Other financial liabilities[2]	17	–	–	466	–	–	4,938
Total financial liabilities		**944,080**	**–**	**466**	**719,346**	**–**	**4,938**

[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 nil (2013: $0.1 million) relating to derivatives that qualified as being in a hedging relationship. Similarly, other financial liabilities include amounts of $0.5 million (2013: $4.9 million)

6 SEGMENT REPORTING

a) IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its reportable 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 Group has determined that it has two reportable segments: Open Cut Operations and Underground Operations. Discrete financial information about each of these segments is reported to the executive management team on at least a monthly basis.

Unallocated includes coal trading, corporate, marketing and infrastructure functions which are managed on a group basis and are not allocated to reportable segments.

The following table represents revenue and profit information for reportable segments for the years ended 30 June 2014 and 30 June 2013. 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	Unallocated	Open cut operations	Underground operations	Total
Year ended 30 June 2014				
Revenue				
Sales to external customers	29,940	402,144	323,322	755,406
Total segment revenue	29,940	402,144	323,322	755,406
Total revenue per statement of comprehensive income				**755,406**
Result				
Segment result	(30,605)	48,507	72,463	90,365
Depreciation and amortisation				(79,491)
Income tax benefit				17,949
Significant items before income tax				(14,259)
Loss on investments and asset disposals				(84)
Net interest expense				(52,865)
Net loss after tax per statement of comprehensive income				**(38,385)**
Capital expenditure				
Segment expenditure	**9,738**	**260,913**	**28,953**	**299,604**

6 SEGMENT REPORTING (CONT.)

a) IDENTIFICATION OF REPORTABLE SEGMENTS (CONT.)

In thousands of AUD	Unallocated	Open cut operations	Underground operations	Total
Year ended 30 June 2013				
Revenue				
Sales to external customers	88,544	368,717	164,371	621,632
Total segment revenue	88,544	368,717	164,371	621,632
Difference in treatment of foreign exchange on hedges				527
Total revenue per statement of comprehensive income				**622,159**
Result				
Segment result	(13,946)	24,029	6,939	17,022
Depreciation and amortisation				(62,808)
Income tax benefit				35,750
Significant items before income tax				(29,651)
Loss on investments and asset disposals				(1,851)
Net interest expense				(47,137)
Net loss after tax per statement of comprehensive income				**(88,675)**
Capital expenditure				
Segment expenditure	**9,071**	**130,273**	**43,535**	**182,879**

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	2014	2013
Total segment revenue		
China	62,041	57,896
India	27,064	21,661
Japan	220,788	185,330
Korea	227,125	155,934
Switzerland	54,958	22,960
UK	139,881	108,285
Other	5,648	17,544
Australia[1]	1,959	30,053
Domestic	15,942	21,969
Total revenue	**755,406**	**621,632**

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

Total revenue by product		
Thermal	575,839	459,975
PCI	163,625	139,688
Domestic	15,942	21,969
Total revenue	**755,406**	**621,632**

Major customers

The Group has three major customers which account for 45.9% of external revenue.

7 SIGNIFICANT ITEMS

The items below are significant to the understanding of the overall results of the consolidated group. The Company believes the disclosure of these items provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

	Consolidated	
In thousands of AUD	2014	2013
Included within the balances presented on the face of the Consolidated Statement of Comprehensive Income:		
Operating expenses:		
Suspension of mining activities and office closures[1]	(5,473)	(25,768)
Restructuring costs[2]	(522)	–
	(5,995)	**(25,768)**
Other expenses:		
Contract cancellation costs[3]	(2,521)	–
Write off of exploration and related assets[4]	(2,340)	–
Share – based payment expense[5]	–	(2,441)
	(4,861)	**(2,441)**
Administrative expenses:		
Separation costs[2]	(511)	–
Bad debt provisions[6]	(2,892)	–
Due diligence costs and project costs[7]	–	(1,442)
	(3,403)	**(1,442)**
Significant items before tax	**(14,259)**	**(29,651)**
Applicable income tax (expense)/benefit	**4,278**	**8,163**
Significant items after tax	**(9,981)**	**(21,488)**

[1] During the prior year, mining activities at the Sunnyside mine were suspended indefinitely and the Company's Business Development Unit and Brisbane presence were scaled back. The cost relates to inventory, mining property and development and exploration assets that have been written off, and costs incurred in the closure of the operations.
During the current year work was undertaken to remediate a spontaneous combustion incident at the Sunnyside mine and an additional provision was raised to cover ongoing care and maintenance costs.

[2] During the year the Group incurred redundancy costs as a result of a restructure of its Gunnedah CHPP workforce ($0.5m). Separation costs were also incurred following the resignation of the former CFO ($0.5m).

[3] During the year the Group incurred costs in relation to the cancellation of an infrastructure sharing agreement.

[4] During the year the Group wrote off a number of small amounts of exploration and related expenditure.

[5] As a result of the acquisition of Boardwalk Resources, the Company issued share options to a key employee of Boardwalk in lieu of proposed long-term incentive arrangements. The related expense has been recognised over the vesting period of the options. The options fully vested during the prior year.

[6] The Company was advised in July 2014 that a domestic customer had been placed into voluntary administration. A provision has been established to cover balances owed at 30 June 2014 which are not expected to be recovered.

[7] During the prior year the Group incurred transaction costs related to the acquisition of Coalworks Limited and due diligence costs incurred in responding to an indicative and non-binding proposal which was not forthcoming.

In thousands of AUD	Consolidated 2014	2013

8 REVENUE

Sale of coal	755,406	622,159

9 OTHER INCOME

Equipment and other hire income	5,992	6,050
Rental income	1,473	1,111
Gain on sale of non-current assets	–	138
Contract compensation income	924	–
Sundry income[1]	108	5,144
	8,497	**12,443**

[1] Included within sundry income in the prior year is $4.3 million of the Group's share of income from the Blackjack Carbon Joint Venture (current year: nil).

10 OTHER EXPENSES

Contract cancellation costs[1]	2,521	–
Share based compensation payments	1,254	3,675
Loss on sale of non-current assets	792	–
Write off of exploration and related assets[2]	2,340	–
Write back of claim settlement costs[3]	–	(3,481)
	6,907	**194**

[1] During the year the Group incurred costs in relation to the cancellation of an infrastructure sharing agreement.

[2] During the year the Group wrote off a number of small amounts of exploration and related expenditure.

[3] Legal claims were settled at costs lower than estimated and provided for in the 2012 year, resulting in a credit to profit and loss in the 2013 year.

In thousands of AUD	Consolidated 2014	2013

11 PERSONNEL EXPENSES

Wages and salaries	87,720	75,893
Contributions to superannuation plans	6,352	5,902
Other associated personnel expenses	3,620	4,820
Increase in liability for annual leave	1,170	709
Decrease in liability for long-service leave	(232)	(284)
Share-based compensation payments	1,254	3,675
	99,884	**90,715**

12 FINANCE INCOME AND EXPENSE

Recognised in profit and loss		
Interest income[1]	5,054	3,726
Dividend income	95	609
Unrealised gain on investments	708	–
Net realised foreign exchange gain	752	3,150
Gains from ineffective portion of hedges	–	11
Financial income	**6,609**	**7,496**
Interest expense on finance lease liabilities[1]	(9,170)	(7,182)
Unwinding of discounts on provisions[1]	(2,212)	(792)
Unrealised loss on investments	–	(1,989)
Finance charges payable under debt facilities[1]	(11,640)	(11,372)
Net unrealised foreign exchange loss	(847)	(167)
Interest on drawn debt facility[1]	(21,160)	(20,249)
Other interest charges[1]	(13,737)	(11,268)
Financial expenses	(58,766)	(53,019)
Net financing expense	**(52,157)**	**(45,523)**
Recognised directly in equity		
Net change in cash flow hedges	4,351	(9,049)
Income tax effect	(1,305)	2,715
Finance expense recognised directly in equity, net of tax	**3,046**	**(6,334)**

[1] Included within net interest expense of $52,865,000 (2013: $47,137,000).

In thousands of AUD	Consolidated 2014	2013

13 INCOME TAX

a) INCOME TAX (EXPENSE)/BENEFIT

Current income tax – corporate tax		
Current period	68,204	89,997
Adjustment for prior periods	(21)	(231)
	68,183	89,766
Deferred income tax – corporate tax		
Origination and reversal of temporary differences	(50,234)	(54,016)
Deferred income tax – MRRT		
Origination and reversal of temporary differences	–	–
Income tax benefit reported in the statement of comprehensive income	**17,949**	**35,750**

Numerical reconciliation between tax expense recognised in the statement of comprehensive income and profit before tax		
Profit/(loss) before tax	(56,334)	(124,425)
MRRT tax benefit	–	–
Profit/(loss) after MRRT	(56,334)	(124,425)

Income tax benefit using the Company's domestic tax rate of 30% (2013: 30%)	16,900	37,328
Non-deductible expenses:		
Share based payments	(376)	(1,043)
Other non-deductible expenses	(64)	(304)
Uplift on immediate deduction of exploration licence	7,729	–
Franking deficit tax liability	(6,219)	–
Over/(Underprovided) in prior periods	(21)	(231)
Total income tax benefit	**17,949**	**35,750**

b) INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Deferred income tax related to items charged/(credited) directly to equity		
Derivatives	(1,305)	2,715
Transaction costs on issue of share capital	1	27
Income tax expense recorded in equity	**(1,304)**	**2,742**

13 INCOME TAX (CONT.)

c) RECOGNISED TAX ASSETS AND LIABILITIES

In thousands of AUD	Consolidated 2014 Current income tax	2014 Deferred income tax	2013 Current income tax	2013 Deferred income tax
Opening balance	(13,935)	(17,841)	7,530	(55,959)
Charged to income – corporate tax	68,183	(50,234)	89,766	(54,016)
Charged to equity	–	(1,304)	–	2,742
Recognition of DTA on current year losses	(66,673)	66,673	(89,766)	89,766
Transfer between current and deferred tax	27,225	(27,225)	374	(374)
Payments/(receipts)	(21,019)	–	(21,839)	–
Closing balance	**(6,219)**	**(29,931)**	**(13,935)**	**(17,841)**
Tax expense in statement of comprehensive income:				
Charged to income		17,949		35,750
Charged to equity		(1,304)		2,742
Amounts recognised in the statement of financial position:				
Deferred tax asset		–		–
Deferred tax liability		(29,931)		(17,841)
		(29,931)		**(17,841)**

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

	Consolidated			
	Assets		Liabilities	
In thousands of AUD	2014	2013	2014	2013
Corporate tax				
Property, plant and equipment	–	–	(205,150)	(138,100)
Exploration and evaluation	–	–	(57,738)	(57,169)
Receivables	–	–	(375)	(274)
Derivatives	140	1,445	–	–
Investments	257	273	–	–
Deferred stripping	–	–	(5,004)	(4,935)
Deferred foreign exchange gain	1,352	1,059	–	–
Provisions	27,803	29,580	–	–
Tax losses	222,804	159,804	–	–
On MRRT	11,057	11,057	–	–
Other items	11,781	16,277	–	–
Tax assets/(liabilities)	275,194	219,495	(268,267)	(200,478)
Set off of tax assets	(275,194)	(219,495)	275,194	219,495
Net tax assets/(liabilities)	**–**	**–**	**6,927**	**19,017**

	Consolidated			
	Assets		Liabilities	
In thousands of AUD	2014	2013	2014	2013
MRRT				
Property, plant and equipment	–	–	(68,443)	(26,103)
Exploration and evaluation	–	–	(57,845)	(57,845)
Losses and royalty credits	85,380	43,040	–	–
Other	4,050	4,050	–	–
Tax assets/(liabilities)	89,430	47,090	(126,288)	(83,948)
Set off of tax assets	(89,430)	(47,090)	89,430	47,090
Net tax assets/(liabilities)	**–**	**–**	**(36,858)**	**(36,858)**
Total net deferred tax asset/(liability)	**–**	**–**	**(29,931)**	**(17,841)**

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	2014	2013
Corporate tax		
Land and mining tenements	21,530	21,530
Tax losses (brought into group)	82,310	–
	103,840	**21,530**
MRRT		
MRRT assets not recognised	421,767	379,428
	421,767	**379,428**

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.

In thousands of AUD	Consolidated 2014	2013

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	103,167	110,516

The weighted average interest rate for cash balances at 30 June 2014 is 1.62% (2013: 2.06%).

15 TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	32,688	49,778
Other receivables and prepayments	25,972	23,235
Receivables due from related parties	11,602	14,284
	70,262	**87,297**
Non-current		
Other receivables and prepayments	29,672	37,843

16 INVENTORIES

Coal stocks[1] (at net realisable value)	1,956	16,925
Coal stocks[1] (at cost)	41,270	24,021
Consumables and stores	17,896	17,289
	61,122	**58,235**

[1] Coal stocks include run of mine and product coal.

17 DERIVATIVE FINANCIAL INSTRUMENTS

Current assets		
Interest rate swap and forward exchange contracts – receivable	–	120
Current liabilities		
Interest rate swap and forward exchange contracts – payable	466	4,938

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 and interest rates.

Interest rate swaps – cash flow hedges

The consolidated entity has debt facilities subject to variable interest rates. In order to protect against interest rate movements and reduce the interest rate related volatility of the consolidated entity's financial expenses, the consolidated entity enters into interest rate swaps. The fair value of interest rate swaps at 30 June 2014 was a payable of $466,000 (2013: $120,000 receivable).

Forward currency contracts – cash flow hedges

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

The contracts are timed to mature when funds for coal sales are forecast to be received. At 30 June 2014, the forward exchange contracts are designated as cash flow hedges and are expected to impact profit and loss in the periods specified opposite.

Forward exchange contracts

	Fair value	Average exchange rates	Fair value	Average exchange rates
In thousands of AUD (except exchange rates)	2014	2014	2013	2013
Sell US dollars				
Less than 6 months	–	–	4,938	0.9725
6 months to 1 year	–	–	–	–
	–	**–**	**4,938**	**0.9725**

The ineffectiveness recognised in financial expenses in the income statement for the current year was $nil (see Note 12). The cumulative effective portion of $1,439,000 is reflected in other comprehensive income. The recycling of losses from the hedge reserve to the income statement for sales amounted to $2,912,000, which has been recognised in revenue.

	Consolidated	
In thousands of AUD	2014	2013

18 INVESTMENTS

Non-current investments		
Investment in unlisted shares	37	37
Investment in listed shares	531	1,015
	568	**1,052**

19 PROPERTY, PLANT AND EQUIPMENT

		Consolidated				
In thousands of AUD	Note	Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Total
Cost						
Balance at 1 July 2012		106,701	355,569	117,894	2,568,427	3,148,591
Additions		21,648	66,359	68	365,711	453,786
Transfer to plant and equipment		(457)	94,980	(5,810)	(88,713)	–
Disposals		(75)	(3,204)	–	–	(3,279)
Impairment*		–	(3)	–	(14,627)	(14,630)
Balance at 30 June 2013		**127,817**	**513,701**	**112,152**	**2,830,798**	**3,584,468**
Balance at 1 July 2013		127,817	513,701	112,152	2,830,798	3,584,468
Additions		26,505	41,975	–	446,716	515,196
Transfer to plant and equipment		–	(27,978)	31,595	(3,617)	–
Transfer from exploration and evaluation	20	–	–	–	49,754	49,754
Disposals		(10)	(1,549)	–	–	(1,559)
Balance at 30 June 2014		**154,312**	**526,149**	**143,747**	**3,323,651**	**4,147,859**
Depreciation						
Balance at 1 July 2012		–	(83,641)	(34,414)	(57,267)	(175,322)
Depreciation charge for the year		–	(32,521)	(9,659)	(231,078)	(273,258)
Transfer to plant and equipment		–	(3,307)	3,307	–	–
Disposals		–	1,107	–	–	1,107
Impairment*		–	–	–	(5,373)	(5,373)
Balance at 30 June 2013		**–**	**(118,362)**	**(40,766)**	**(293,718)**	**(452,846)**
Balance at 1 July 2013		–	(118,362)	(40,766)	(293,718)	(452,846)
Depreciation charge for the year		–	(33,617)	(12,079)	(265,122)	(310,818)
Transfer to plant and equipment		–	(20,069)	20,069	–	–
Disposals		–	742	–	–	742
Balance at 30 June 2014		**–**	**(171,306)**	**(32,776)**	**(558,840)**	**(762,922)**
Carrying amounts						
At 1 July 2012		106,701	271,928	83,480	2,511,160	2,973,269
At 30 June 2013		**127,817**	**395,339**	**71,386**	**2,537,080**	**3,131,622**
At 1 July 2013		127,817	395,339	71,386	2,537,080	3,131,622
At 30 June 2014		**154,312**	**354,843**	**110,971**	**2,764,811**	**3,384,937**

* Impairment charge relates to placement of Sunnyside mine into care and maintenance.

Leased plant and machinery

The consolidated entity leases mining equipment under a number of finance lease agreements. At 30 June 2014, the consolidated entity's net carrying amount of leased plant and machinery was $110,971,000 (2013: $71,386,000). The leased equipment is pledged as security for the related finance lease liabilities. During the year the Group entered into sale and leaseback transactions resulting in the reclassification of items of equipment between property, plant and equipment and leased plant and equipment.

20 EXPLORATION AND EVALUATION

	Consolidated	
In thousands of AUD	Cost	Impairment losses
Balance at 1 July 2012	532,181	–
Exploration and evaluation expenditure	12,684	–
Acquisitions on business combinations	29,594	–
Balance at 30 June 2013	**574,459**	**–**
Balance at 1 July 2013	574,459	–
Exploration and evaluation expenditure	3,049	–
Transfer to property, plant and equipment	(49,754)	–
Amounts written off	(840)	–
Balance at 30 June 2014	**526,914**	**–**

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. Exploration and evaluation assets include tenements granted by the Queensland State Government which are subject to periodic relinquishment requirements of up to 20% per year.

21 INTANGIBLE ASSETS

	Consolidated	
In thousands of AUD	2014	2013
Water access rights	8,577	8,539
Acquired haulage rights	1,300	1,300
Less: accumulated amortisation	(1,007)	(854)
Rail access rights[1]	6,262	–
Goodwill[2]	90,711	90,711
	105,843	**99,696**

[1] As part of the agreement to cancel previously existing infrastructure sharing arrangements Whitehaven agreed to pay 10.1% of the construction cost of the shared portion of the Boggabri - Maules Creek rail spur. In return, Whitehaven receives access to rail tonnes on the joint rail spur.

[2] Goodwill arose on the acquisition of Boardwalk, Aston and Coalworks during the year ended 30 June 2012 as a result of the recognition of deferred taxes on the implementation of the MRRT legislation as part of the purchase price accounting.

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.

21 INTANGIBLE ASSETS (CONT.)

Movement in intangibles

	Consolidated					
In thousands of AUD	Water access rights	Contract related intangible	Rail access rights[1]	Marketing commission rights	Goodwill[2]	Total
Balance at 1 July 2012	7,626	599	–	3,604	90,711	102,540
Acquired during the year	913	–	–	–	–	913
Less: Amortisation charge	–	(153)	–	(3,604)	–	(3,757)
Balance at 30 June 2013	**8,539**	**446**	**–**	**–**	**90,711**	**99,696**
Balance at 1 July 2013	8,539	446	–	–	90,711	99,696
Acquired during the year	38	–	6,262	–	–	6,300
Less: Amortisation charge	–	(153)	–	–	–	(153)
Balance at 30 June 2014	**8,577**	**293**	**6,262**	**–**	**90,711**	**105,843**

[1] As part of the agreement to cancel previously existing infrastructure sharing arrangements Whitehaven agreed to pay 10.1% of the construction cost of the shared portion of the Boggabri - Maules Creek rail spur. In return, Whitehaven receives access to rail tonnes on the joint rail spur.

[2] Goodwill arose on the acquisition of Boardwalk, Aston and Coalworks during the year ended 30 June 2012 as a result of the recognition of deferred taxes on the implementation of the MRRT legislation as part of the purchase price accounting.

Goodwill of $37.5m arising from the introduction of the MRRT has been allocated to exploration and evaluation assets. The recoverable amount of exploration and evaluation assets including the associated goodwill arising from the introduction of the MRRT has been assessed with respect to AASB 6 Exploration for and Evaluation of Mineral Resources. There are currently no facts or circumstances that suggest the carrying amount exceeds the recoverable amount. Refer to Significant Accounting Policies note 3.

Goodwill of $53.2m has been allocated to the open cuts CGU. This goodwill was not created as a result of a business combination but was created upon the introduction of the MRRT. As the underlying assets in the CGU are finite life assets (lives of 4 to 38 years) the goodwill will become impaired progressively as mining is undertaken and reserves in situ decrease. The potential repeal of MRRT legislation will necessitate a review of the carrying value of goodwill.

The recoverable amount of the open cut CGU has been determined based on the value in use calculation which uses cash flows modelled over the life of the proved remaining reserves of the open cut mines using cash flow projections that incorporate detailed financial budgets approved by senior management covering a three year period, and life-of-mine models. A pre-tax discount rate of 11% and expense growth rate of 2.5% was applied to the resulting cash flows.

The calculation of the value in use of the open cut CGU is most sensitive to the assumption of $A coal prices. Management has considered the possibility of changes in coal prices to an extent greater or less than those that have been forecast. Changes in coal prices may occur upon change in aggregate demand for coal or upon changes in aggregate supply of substitute coal in the seaborne coal market. If future prices of coal change unfavourably and management is unable to reduce operating costs, for example by changing the volume of production, labour productivity, the relevant stripping ratio, saleable product yield or transportation and port costs then the Group may have an impairment. Management believe that any reasonably possible change in the key assumption upon which the open cuts CGU recoverable amount is based would not cause the goodwill allocated to the open cuts CGU carrying amount to exceed its recoverable amount. However based on current production estimates goodwill will start to become impaired on the earlier of two years of production, or in the absence of mining being undertaken, if there was a decrease in coal prices of $A15 per tonne, without offsetting reductions in the costs of production, extending over the initial three year period of the cash flow analysis.

In thousands of AUD	Consolidated 2014	2013

22 TRADE AND OTHER PAYABLES

	2014	2013
Current		
Trade payables	49,500	64,468
Other payables and accruals	106,188	72,798
	155,688	**137,266**

23 INTEREST-BEARING LOANS AND BORROWINGS

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

	2014	2013
Current liabilities		
Finance lease liabilities	24,837	16,995
Secured bank loans	8,247	8,247
	33,084	**25,242**
Non-current liabilities		
Finance lease liabilities	89,074	62,357
Secured bank loans	666,234	494,481
	755,308	**556,838**
Total interest-bearing liabilities	**788,392**	**582,080**

	2014	2013
Financing facilities		
Secured bank loans	1,049,481	1,057,728
Facilities utilised at reporting date		
Secured bank loans	674,481	502,728
Facilities not utilised at reporting date		
Secured bank loans	375,000	555,000

Financing facilities

On 21 December 2012 the Company entered into a A$1.2 billion Senior Secured Bank Facility. The facility has a four year tenor and provides Whitehaven with lines of credit up to A$1.2 billion comprising of A$1.0 billion revolving and term facility, and A$0.2 billion guarantee facilities. During the period an amount of $180 million was drawn down under the bank facility. In addition $56.8 million was drawn down under finance leases. Other loans of $8 million were repaid during the year. The security provided in relation to the facility is a fixed and floating charge over the assets of the Group.

Finance lease facility

At 30 June 2014, the consolidated entity's lease liabilities are secured by the leased assets of $110,971,000 (2013: $71,386,000), as in the event of default, the leased assets revert to the lessor.

23 INTEREST-BEARING LOANS AND BORROWINGS (CONT.)

Finance lease liabilities

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

	Consolidated					
	2014			2013		
In thousands of AUD	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	32,955	8,118	24,837	23,070	6,075	16,995
Between one and five years	105,102	16,028	89,074	76,766	14,409	62,357
More than five years	–	–	–	–	–	–
	138,057	**24,146**	**113,911**	**99,836**	**20,484**	**79,352**

	Consolidated	
In thousands of AUD	2014	2013

24 EMPLOYEE BENEFITS

Current		
Salaries and wages accrued	4,125	3,270
Liability for long service leave	(131)	101
Liability for annual leave	8,906	7,736
	12,900	**11,107**

25 PROVISIONS

Mine rehabilitation and closure	62,900	52,104
Take or pay	9,776	26,165
Other provisions	9,677	14,782
	82,353	**93,051**

Current	22,995	43,642
Non-current	59,358	49,409
	82,353	**93,051**

Movement in provisions

In thousands of AUD	Mine rehabilitation and closure	Take or Pay	Other provisions
Balance at 1 July 2013	52,104	26,165	14,782
Provisions made during the period	10,206	–	2,576
Provisions used during the period	(1,622)	(17,329)	(7,681)
Unwind of discount	2,212	940	–
Balance at 30 June 2014	**62,900**	**9,776**	**9,677**

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.

Other provisions include amounts recognised on acquisition of subsidiaries as part of the purchase price allocation and amounts for costs expected to be incurred for maintaining Sunnyside in care and maintenance.

26 SHARE CAPITAL AND RESERVES

a) SHARE CAPITAL

	Consolidated	
In thousands of AUD	2014	2013
Fully paid ordinary shares 1,025,760,027 (2013: 1,025,692,710)	3,146,300	3,146,301

b) MOVEMENTS IN SHARES ON ISSUE

Ordinary shares

	Consolidated			
	2014		2013	
	No. of shares 000's	$000's	No. of shares 000's	$000's
Beginning of the financial year	1,025,693	3,146,301	1,013,190	3,116,769
Exercise of share options	–	–	974	–
Share based payments	67	–	58	–
Issued on acquisition of Vickery Pty Ltd	–	–	11,471	29,594
Costs of shares issued, net of tax	–	(1)	–	(62)
	1,025,760	**3,146,300**	**1,025,693**	**3,146,301**

The Company issued performance rights during the prior year and has on issue share options (refer to note 32).

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, 34,020,000 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 and long-term incentive plans. Refer to note 32 for further details of these plans.

26 SHARE CAPITAL AND RESERVES (CONT.)

f) DIVIDENDS

	Consolidated	
In thousands of AUD	2014	2013
Recognised amounts		
Declared and/or paid during the year:		
Final franked dividend for 2013: nil (2012: 3.0c)	–	29,375
Interim franked dividend for 2014: nil (2013: nil)	–	–
	–	**29,375**
Unrecognised amounts		
Final franked dividend for 2014: nil (2013: nil)	–	–

Final dividends are declared after the year end and are not recognised as a liability in the financial statements for the current year. These are brought to account in the following year.

Dividend franking account

	The Company	
In thousands of AUD	2014	2013
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	–	14,782

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
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 (2013: $nil) franking credits.

	The Company	
In thousands of AUD	2014	2013
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	–	–

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 2014 are as follows:

	Consolidated	
In thousands of AUD	2014	2013
Less than one year	905	5,290
Between one and five years	1,372	1,442
More than five years	–	–
	2,277	**6,732**

Leases as lessor

The consolidated entity leases out land it will use for future mining operations under operating leases. At 30 June 2014 $97,409,000 (2013: $55,849,000) of land was leased under these operating leases.

28 CAPITAL EXPENDITURE COMMITMENTS

	Consolidated	
In thousands of AUD	2014	2013
Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	124,445	76,559
One year or later and no later than five years	–	84,862
	124,445	**161,421**

29 CONTINGENCIES

The Group has provided the following guarantees at 30 June 2014.

		Consolidated	
In thousands of AUD		**2014**	**2013**
Guarantees			
(i)	The consolidated entity provided bank guarantees to the Department of Mineral Resources NSW as a condition of continuation of mining and exploration licenses	26,946	29,089
(ii)	The consolidated entity provided bank guarantees to Australian Rail Track Corporation	23,492	21,631
(iii)	The consolidated entity provided bank guarantees to Newcastle Coal Infrastructure Group	29,743	34,539
(iv)	The consolidated entity provided bank guarantees to Port Waratah Coal Services Limited	17,963	18,605
(v)	The consolidated entity provided bank guarantees to Hunter Valley Energy Coal Ltd	7,112	41,538
(vi)	The consolidated entity provided bank guarantees to various parties for office leases	952	905
(vii)	The consolidated entity provided bank guarantees to Transgrid	8,950	4,000
(viii)	The consolidated entity provided bank guarantees to the Minister Administering the Crown Lands Act 1989	60	60
(ix)	The consolidated entity provided bank guarantees for the Boggabri – Maules Creek Rail Spur	26,269	–
(x)	The consolidated entity provided bank guarantees to the Minister Administering the Mining Act 1992	34,537	–
(xi)	The consolidated entity provided bank guarantees to the Department of Trade and Investment	5,589	–
		181,613	**150,367**

30 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

		Consolidated	
In thousands of AUD	Note	2014	2013
Profit for the period		(38,385)	(88,675)
Adjustments for:			
Depreciation		79,338	62,473
Amortisation		66,913	37,892
Finance costs		12,723	12,065
Foreign exchange losses unrealised		847	63
Unrealised (gain) / loss on investment		(708)	1,989
Unwinding of discounts on provisions	25	2,212	792
Share-based compensation payments	32	1,254	3,675
Write off of assets		4,803	22,207
Increase in financial instruments		–	(739)
Loss /(gain) on sale of non-current assets	9,10	792	(138)
Operating profit before changes in working capital and provisions		**129,789**	**51,604**
Change in trade and other receivables		9,503	(55,509)
Change in inventories and deferred stripping		876	(25,063)
Change in trade and other payables		(41,915)	15,392
Change in provisions and employee benefits		7,285	(7,623)
Change in tax payable		(7,715)	72,919
Change in deferred taxes		10,783	(84,040)
Cash flows from operating activities		**108,606**	**(32,320)**

31 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 Australian Government repealed the carbon tax effective 1 July 2014. The benefit to the Group is expected to be around $1/tonne as a result of the avoidance of the direct carbon tax cost and other indirect benefits.
- Subsequent to the end of the financial year the Group executed binding agreements with members of the existing banking syndicate for the provision of an additional $50m of secured debt financing under terms that are broadly consistent with those of the existing corporate debt facility.

32 SHARE-BASED PAYMENTS

a) RECOGNISED SHARE-BASED PAYMENT EXPENSES

Employee expenses

	Consolidated	
In thousands of AUD	2014	2013
Share options and performance rights – senior employees	1,254	1,234
Shares – senior employees (ex-Boardwalk)	-	2,441
	1,254	**3,675**

32 SHARE-BASED PAYMENTS (CONT.)

b) TYPES OF SHARE-BASED PAYMENT PLANS

Performance Right grant to senior employees (FY2013)

The Company issued 1,575,301 performance rights to senior employees under the Company's long-term incentive program in FY2013. The terms and conditions of the grant are as follows.

Performance Rights	Exercise Price	Number of instruments	Vesting conditions	Expiration date
– LTI tranche 1	$0.00	525,113	23 September 2014	23 September 2014
– LTI tranche 2	$0.00	525,102	23 September 2015	23 September 2015
– LTI tranche 3	$0.00	525,086	23 September 2016	23 September 2016
		1,575,301		

The performance rights vest over the period 23 September 2012 to 23 September 2016 and are subject to a performance measure linked to relative total shareholder return (TSR). The performance measure 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.

The performance 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 between 50th and 75th percentile – sliding scale of vesting between 50% and 100%
- TSR over vesting period equal to the 50th percentile – 50% vest
- TSR over vesting period below the 50th percentile – 0% vest.

Performance Right grant to CEO and senior employees (FY2014)

The Company issued 3,107,441 performance rights to the CEO and senior employees under the Company's medium and long-term incentive programs in FY2014. The terms and conditions of the grant are as follows.

Performance Rights	Exercise Price	Number of instruments	Vesting conditions	Expiration date
– MTI	$0.00	633,717	30 June 2015	30 June 2015
– LTI tranche 1	$0.00	1,236,868	30 June 2016	30 June 2016
– LTI tranche 2	$0.00	1,236,856	30 June 2017	30 June 2017
		3,107,441		

The performance rights vest over the period 1 July 2013 to 30 June 2017 and are subject to a performance measure linked to relative total shareholder return (TSR). The performance measure 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 FY2014 grant comprises those entities within the ASX 100 Resources Index as at 1 July 2013.

The performance 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 between 50th and 75th percentile – sliding scale of vesting between 35% and 100%
- TSR over vesting period equal to the 50th percentile – 35% vest
- TSR over vesting period below the 50th percentile – 0% vest.

c) MOVEMENT IN OPTIONS AND PERFORMANCE RIGHTS

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

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at beginning of period	$3.62	18,264,731	$3.71	17,846,936
Exercised during the period	$0.00	–	$0.00	(974,035)
Granted during the period	$0.00	3,107,441	$0.00	1,575,301
Forfeited during the period	$0.00	(225,405)	$0.00	(183,471)
Outstanding at 30 June	**$3.13**	**21,146,767**	**$3.62**	**18,264,731**
Exercisable at 30 June	**$3.92**	**16,872,901**	**$3.92**	**16,872,901**

The outstanding balance as at 30 June 2014 is represented by:

i) 8,619,278 options over ordinary shares having an exercise price of $3.15, exercisable until 17 August 2015.

ii) 12,345 options over ordinary shares having an exercise price of $3.33, exercisable until 10 November 2015.

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

iv) 1,259,736 performance rights over ordinary shares having an exercise price of nil, exercisable between 23 September 2014 and 23 September 2016.

v) 3,014,130 performance rights over ordinary shares having an exercise price of nil, exercisable between 30 June 2015 and 30 June 2017.

No share options were exercised during the year ended 30 June 2014. The weighted average share price at the date of exercise for share options exercised during the prior year was $2.98.

The weighted average remaining contractual life of share options and performance rights outstanding at 30 June 2014 is 1.69 years (2013: 2.59 years).

32 SHARE-BASED PAYMENTS (CONT.)

d) OPTION PRICING MODELS

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

The fair value of performance rights 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 2014 and 30 June 2013:

FY2014	MTI	LTI	LTI	LTI	LTI
Grant date	9 Oct 13	9 Oct 13	9 Oct 13	4 Nov 13	4 Nov 13
Vesting date	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 16	30 Jun 17
Fair value at grant date	$0.46	$0.61	$0.71	$0.33	$0.44
Share price	$1.825	$1.825	$1.825	$1.545	$1.545
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00
Expected volatility	35%	35%	35%	35%	35%
Performance Right life	2 years	3 years	4 years	3 years	4 years
Expected dividends	0.75%	1%	1.1%	1%	1.1%
Risk-free interest rate	2.7%	2.9%	3.2%	2.9%	3.2%

FY2013	LTI	LTI	LTI
Grant date	24 Sep 12	24 Sep 12	24 Sep 12
Vesting date	23 Sep 14	23 Sep 15	23 Sep 16
Fair value at grant date	$1.70	$1.83	$1.92
Share price	$2.92	$2.92	$2.92
Exercise price	$0.00	$0.00	$0.00
Expected volatility	40%	40%	40%
Performance Right life	2 years	3 years	4 years
Expected dividends	0%	0%	0%
Risk-free interest rate	2.7%	2.6%	2.6%

All shared-based payments are equity settled.

33 RELATED PARTIES

Compensation to key management personnel of the Group

	Consolidated	
In thousands of AUD	2014	2013
Short-term employee benefits	6,881	5,804
Contributions to superannuation plans	342	371
Termination benefits	542	924
Share-based compensation payments	483	3,115
Total compensation	**8,248**	**10,214**

34 CONSOLIDATED ENTITY'S SUBSIDIARIES, ASSOCIATES AND INTERESTS IN JOINT OPERATIONS

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

		Ownership interest	
	Country of incorporation	2014 (%)	2013 (%)
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 Ltd	Australia	100	100
Betalpha Pty Ltd	Australia	100	100
Betalpha Unit Trust	Australia	100	100
Tarrawonga Coal Pty Ltd	Australia	100	100
Whitehaven Coal Holdings Pty Ltd	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 Employee Share Plan Pty Ltd	Australia	100	100
Aston Resources Limited	Australia	100	100
Aston Coal 2 Pty Ltd	Australia	100	100
Aston Coal 3 Pty Ltd	Australia	100	100
Maules Creek Coal Pty Ltd	Australia	100	100
Boardwalk Resources Limited	Australia	100	100
Boardwalk Coal Management Pty Ltd	Australia	100	100
Boardwalk Coal Marketing Pty Ltd	Australia	100	100
Boardwalk Sienna Pty Ltd	Australia	100	100
Boardwalk Monto Pty Ltd	Australia	100	100
Boardwalk Dingo Pty Ltd	Australia	100	100
Boardwalk Ferndale Pty Ltd	Australia	100	100
Coalworks Limited	Australia	100	100
Yarrawa Coal Pty Ltd	Australia	100	100
Loyal Coal Pty Ltd	Australia	93	93
Ferndale Coal Pty Ltd	Australia	93	93
Coalworks (Oaklands North) Pty Ltd	Australia	100	100
CWK Nominees Pty Ltd	Australia	100	100
Oaklands Land Pty Ltd	Australia	100	100

34 CONSOLIDATED ENTITY'S SUBSIDIARIES, ASSOCIATES AND INTERESTS IN JOINT OPERATIONS (CONT.)

		Ownership interest	
	Country of incorporation	2014 (%)	2013 (%)
Subsidiaries (continued)			
Coalworks (Vickery South) Pty Ltd	Australia	100	100
Coalworks Vickery South Operations Pty Ltd	Australia	100	100
Vickery South Marketing Pty Ltd	Australia	100	100
Vickery South Operations Pty Ltd	Australia	100	100
Vickery Pty Ltd	Australia	100	100

The consolidated financial statements include a share of the financial statements of the joint operations listed below.

		Ownership interest	
	Country of incorporation	2014 (%)	2013 (%)
Joint operations:			
Tarrawonga Coal Project Joint Venture		70	70
Narrabri Coal Joint Venture		70	70
Maules Creek Joint Venture		75	75
Dingo Joint Venture		70	70
Ferndale Joint Venture		94	94
Boggabri-Maules Creek Rail Spur Joint Venture		39	39
Tarrawonga Coal Sales Pty Ltd[1]	Australia	70	70
Maules Creek Marketing Pty Ltd[1]	Australia	75	75
Boggabri-Maules Creek Rail Pty Ltd[1]	Australia	39	39

[1] The joint operations above operate as the sales and marketing vehicles or manager of the related unincorporated joint operations and require joint consent from all joint venture partners on all significant management and financial decisions. As such the Group recognises its share of assets, liabilities, revenues and expenses of the above entities as joint operations under AASB11.

The consolidated entity has included its share of the above unincorporated joint operations' assets, liabilities, revenue and expenses in the consolidated financial statements. The amounts set out below are included in the 30 June 2014 consolidated financial statements under their respective categories.

In thousands of AUD	2014	2013
Statement of comprehensive income		
Operating and administration expenses	228,270	190,958
Current assets		
Cash and cash equivalents	25,893	21,365
Trade and other receivables	6,887	5,187
Inventory	30,542	29,068
Total current assets	**63,322**	**55,620**
Non-current assets		
Property, plant and equipment	1,074,400	886,906
Intangible assets	4,257	4,261
Total non-current assets	**1,078,657**	**891,167**
Total assets	**1,141,979**	**946,787**
Current liabilities		
Trade and other payables	102,829	49,844
Provisions	314	217
	103,143	**50,061**
Non-current liabilities		
Provisions	19,737	15,542
	19,737	**15,542**
Total liabilities	**122,880**	**65,603**
Guarantees		
The Joint Ventures provided bank guarantees to various parties	74,601	52,561
Capital expenditure commitments – Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	123,651	13,803
One year or later and no later than five years	–	–
	123,651	**13,803**

35 EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share

The calculation of basic earnings/(loss) per share at 30 June 2014 is based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year calculated as follows:

	Consolidated	
	2014 $000	2013 $000
Profit / (loss) attributable to ordinary shareholders		
Net loss attributable to ordinary shareholders	(38,385)	(88,675)

	Consolidated	
	2014 000's	2013 000's
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	991,673	979,170
Effect of shares issued during the year	5	4,223
Weighted average number of ordinary shares at 30 June	**991,678**	**983,393**
Basic loss per share attributable to ordinary shareholders (cents)	**(3.9)**	**(9.0)**

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share at 30 June 2014 is based on the profit/(loss) 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	
	2014 $000	2013 $000
Profit/(loss) attributable to ordinary shareholders (diluted)		
Net loss attributable to ordinary shareholders (diluted)	(38,385)	(88,675)

	Consolidated	
	2014 000's	2013 000's
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	991,678	983,393
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted)	**991,678**	**983,393**
Diluted loss per share attributable to ordinary shareholders (cents)	**(3.9)**	**(9.0)**

36 AUDITORS' REMUNERATION

	Consolidated	
In AUD	2014	2013
Audit services:		
Auditors of the Company - Ernst & Young		
Audit and review of statutory financial statements – current year	688,500	565,900
Audit of joint ventures	305,400	258,335
National Greenhouse Energy Reporting Act assurance	31,389	92,959
Other assurance services	13,300	37,495
	1,038,589	**954,689**
Non-audit services:		
Auditors of the Company – Ernst & Young		
Due diligence services	-	235,500
Taxation services – MRRT	-	193,553
Other non-audit services	149,253	120,479
	149,253	**549,532**

37 PARENT ENTITY INFORMATION

	Company	
In thousands of AUD	2014	2013
Information relating to Whitehaven Coal Limited:		
Current assets	140,979	139,568
Total assets	**3,383,387**	**3,319,017**
Current liabilities	6,219	13,951
Total liabilities	**6,219**	**13,951**
Issued capital	3,275,299	3,275,300
Retained earnings	(38,617)	(41,605)
Share-based payment reserve	72,625	71,371
Total shareholders' equity	**3,309,307**	**3,305,066**
Profit / (loss) of the parent entity	2,988	(3,602)
Total comprehensive income of the parent entity	2,988	(3,602)

38 BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS

Acquisitions in the year ended 30 June 2014

There were no business combinations or acquisitions of non-controlling interests in the current year.

Acquisitions in the year ended 30 June 2013

Business acquired	Principal Activity	Date of acquisition	Proportion acquired	Cost of acquisition
Vickery Pty Limited	Coal exploration	8 March 2013	100%	29,594

Purchase consideration:

In thousands of AUD	Vickery Pty Limited[1]
Shares issued, at fair value	29,594
	29,594

[1] The Group acquired Vickery Pty Limited (formerly ICRA Vickery Pty Limited) which held the remaining interest in the Vickery South Project which the Group did not own, including a 29% joint venture interest and a right to increase to a 49% interest through farm-in arrangements which were nearing completion. It also involved the termination of Itochu's exclusive off-take and sales agency arrangements relating to the Project. The consideration for the transaction was the issue of 11.47 million shares in Whitehaven Coal Limited to Itochu.

Assets and liabilities acquired

In thousands of AUD	Vickery Pty Limited
Exploration expenditure	29,594
Fair value of net assets acquired	**29,594**
Total consideration	**29,594**

Cash flows on acquisition:	
Cash balances acquired (included in cash flows from investing activities)	–
Transaction costs (included in cash flows from operating activities)	99
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	29
Net cash outflow on acquisition	**128**

Acquisition of additional interest in Coalworks Limited

In the period from 1 July to 21 August 2012 the Group acquired additional interests in the voting shares of Coalworks Limited, increasing its ownership interest to 100%. Cash consideration of $42,354,000 was paid 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	Coalworks Limited
Revenue	–
Net profit / (loss)	–

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 of $nil.

Transaction costs of $0.8 million were expensed and are included in administrative expenses.

39 DEED OF CROSS GUARANTEE

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

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 Pty Ltd
- 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 Employee Share Plan Pty Ltd
- Whitehaven Project Pty Ltd
- Aston Resources Limited
- Aston Coal 2 Pty Ltd
- Aston Coal 3 Pty Ltd
- Maules Creek Coal Pty Ltd
- Boardwalk Resources Limited
- 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
- Coalworks Limited
- Yarrawa Coal Pty Ltd
- Coalworks (Oaklands North) Pty Ltd
- CWK Nominees Pty Ltd
- Oaklands Land Pty Ltd
- Coalworks (Vickery South) Pty Ltd
- Coalworks Vickery South Operations Pty Ltd
- Vickery South Marketing Pty Ltd
- Vickery South Operations Pty Ltd
- Vickery Pty Ltd

The Company and each of the relevant subsidiaries entered into the deed on 27 June 2008 with subsequent assumption deeds entered into on 27 June 2012 and 25 June 2013.

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.

VIII DIRECTOR'S 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 2014 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 2014.

e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 39 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

The Hon. Mark Vaile
Chairman
Sydney
27th August 2014

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

Report on the financial report

We have audited the accompanying financial report of Whitehaven Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2a), 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.

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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.

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 2014 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 2a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Whitehaven Coal Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Trent van Veen
Partner
Sydney
27 August 2014

X 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	Date of substantial shareholder notice
Farallon Capital Management LLC	16.62	170,414,721	19 June 2013
Fritz Kundrun	13.27	136,106,950	26 August 2014
Hans Mende	12.37	126,929,763	26 August 2014
AMCI Group	10.88	111,649,992	26 August 2014
Prudential PLC	8.04	82,569,754	4 August 2014
Martua Sitorus	5.82	59,673,423	20 June 2013
Manning & Napier Advisors, LLC	5.03	51,552,017	19 December 2013
Kerry Group Limited	5.00	51,323,822	19 May 2014

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	2,015
1,001 - 5,000	3,182
5,001 - 10,000	1,373
10,001 - 100,000	1,462
100,001 and over	131
	8,163

There are five holders of options over ordinary shares. Refer to note 32 in the financial statements.

The number of shareholders holding less than a marketable parcel of ordinary shares is 650.

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
CITICORP NOMINEES PTY LTD	182,565,577	17.80
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD – GSCO ECA	169,004,892	16.48
NATIONAL NOMINEES LIMITED	132,215,118	12.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	109,604,978	10.69
JP MORGAN NOMINEES AUSTRALIA LIMITED	93,556,287	9.12
FRC WHITEHAVEN HOLDINGS BV	63,698,492	6.21
AET SFS PTY LTD (BOARDWALK RES INV P/C)	26,678,979	2.60
RANAMOK PTY LTD (PLUMMER FAMILY A/C)	23,443,182	2.29
BNP PARIBAS NOMS PTY LTD (DRP)	22,796,551	2.22
HFTT PTY LTD (HAGGARTY FAMILY A/C)	20,007,869	1.95
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD – A/C 2	15,830,475	1.54
UOB KAY HIAN (HONG KONG) LTD (CLIENTS A/C)	13,502,377	1.32
MR MICHAEL JACK QUILLEN (QUILLEN FAMILY A/C)	6,135,000	0.60
CITICORP NOMINEES PTY LTD (COLONIAL FIRST STATE INV A/C)	6,019,069	0.59
DECISIVE INVESTMENTS PTY LTD (DECISIVE INVESTMENTS A/C)	6,000,000	0.58
VESADE PTY LTD	5,795,052	0.56
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	4,447,321	0.43
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD – GSCO ECA	4,409,572	0.43
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD – A/C 3	3,836,204	0.37
ARGO INVESTMENTS LIMITED	3,656,652	0.36
	913,203,647	**89.03**

This information is current as at 18 August 2014.

CORPORATE DIRECTORY XI

Directors

The Hon. Mark Vaile, Chairman

John Conde, Deputy Chairman

Paul Flynn, Managing Director and CEO

Rick Gazzard

Tony Haggarty

Christine McLoughlin

Raymond Zage

Company Secretary

Timothy Burt

Registered and Principal Administrative Office

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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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680 George Street
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Share Registry

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Country of Incorporation

Australia

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