Whitehaven Coal Limited
and its controlled entities

ABN 68 124 425 396

Annual Financial Report

For the year ended 30 June 2014

Contents

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 (a) Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other directorships
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 NSW. 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

2 DIRECTORS AND EXECUTIVES (CONT'D)

2 (a) Directors (cont'd)

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Paul Flynn BComm, FCA Managing Director 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. Prior to joining the Tinkler Group, Paul was the managing partner of Ernst & Young's Sydney office and a member of its Oceania executive team. As a partner for over eight years, Paul managed many of the firm's largest mining and energy clients across Australia, Asia, South and North America. Paul has also fulfilled various leadership roles with large corporations on secondment including as the CFO of a top 50 listed company.
Rick Gazzard BE (Mining) Honours Independent Non-Executive Director Appointed: 3 May 2012	Rick is a mining engineer with more than 30 years' experience in the coal mining industry and a further 10 years' experience in the iron ore, base metals and gold mining industries. He holds certificates of competency as a mine manager for both the coal and metalliferous mining industries. Rick has previously held senior management positions as President of BHP Qld Coal and as General Manager of Camberwell Coal Pty Ltd and prior to those appointments had more than 10 years' experience as a mine manager/operations manager/chief mining engineer with CSR Limited and BHP. He is a former non-executive director of ASX Listed Carabella Resources, Eastern Corporation and Aston Resources Limited.
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.
Christine McLoughlin BA, LLB (Honours), 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.

2 DIRECTORS AND EXECUTIVES (CONT'D)

2 (a) Directors (cont'd)

Name, qualifications and independence status	Experience, special responsibilities and other directorships
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.

2 (b) Senior Executives

Paul Flynn — Managing Director and Chief Executive Officer

Refer to details set out in section 2(a) Directors on page 3.

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.

Kevin Ball — Chief Financial Officer

BComm, CA

Appointed as Chief Financial Officer of Whitehaven Coal in December 2013, Kevin 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.

Kevin is a Chartered Accountant having spent 11 years with Ernst & Young predominantly in the natural resources group and has a graduate Diploma in Geoscience (Mineral Economics) from Macquarie University.

2 DIRECTORS AND EXECUTIVES (CONT'D)

2 (b) Senior Executives (cont'd)

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 $2.8 billion.

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 NSW and Queensland coal industry.

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 of 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.

Jonathan Vandervoort — Executive General Manager - Infrastructure

BCom, GAICD, FCPA, FAIM, Director Hunter Business Chamber

Jonathan was appointed Executive General Manager – Infrastructure in January 2013. Jonathan has been involved in the Australian coal mining industry for more than 30 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 NSW's 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 $A1 billion infrastructure financing package and led the design of the commercial framework that underpins terminal and coal chain infrastructure expansion across the Hunter Valley.

2 DIRECTORS AND EXECUTIVES (CONT'D)

2 (c) Directors' interests

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

	Ordinary shares	Options over ordinary shares	
Mark Vaile	2,787,767	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	-	
Ray Zage	-	-	

2 (d) 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:

Director	Directors' Meetings		Audit & Risk Management Committee Meetings		Remuneration Committee Meetings		Health, Safety, Environment & Community Committee Meetings		Governance & Nominations Committee Meetings	
	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
Ray 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 (a) 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 (b) 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 (c) 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.

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 (d) 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 (e) Non-audit services

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

3 (e) Non-audit services (cont'd)

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	**Consolidated 2014**	**Consolidated 2013**
Non-audit services		
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 (f) 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 2 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 (g) 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

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.

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.

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.

CASH FLOWS & CAPITAL MANAGEMENT

	FY2014	FY2013
Cash flows		
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

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

CASH FLOW COMMENTARY (CONT'D)

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 programme. Development at Narrabri is focussed 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.

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.

REVIEW OF OPERATIONS - HIGHLIGHTS

CONSOLIDATED EQUITY PRODUCTION AND SALES

Whitehaven Total - 000t	**2014**	2013	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 5 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

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

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 NSW 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.

REVIEW OF OPERATIONS - MAULES CREEK PROJECT

Ownership: Whitehaven 75% and Operator; ICRA MC Pty Ltd (an entity associated with Itochu Corporation) 15%; J-Power Australia Pty Ltd 10%.

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 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.

REVIEW OF OPERATIONS - MINE BY MINE ANALYSIS

NARRABRI (Managed)

Ownership: Whitehaven 70% and Operator; J-Power 7.5%; EDF Trading 7.5%; Upper Horn Investments Limited 7.5%; Daewoo International Corporation and Korea Resources Corporation 7.5%.

Narrabri – 000t (100%)	**2014**	2013	Movement
ROM Coal Production	**5,659**	3,679	54%
Saleable Coal Production	**5,249**	3,466	51%
Sales of Produced Coal	**5,145**	3,328	55%
Coal Stocks at Period End	**556**	199	179%

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 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.

WERRIS CREEK

Ownership: Whitehaven 100%

Werris Creek – 000t	**2014**	2013	Movement
ROM Coal Production	**2,356**	1,677	40%
Saleable Coal Production	**2,310**	1,547	49%
Sales of Produced Coal	**2,326**	1,510	54%
Coal Stocks at Period End	**415**	323	28%

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.

GUNNEDAH OPERATIONS (Managed)

Ownership: Tarawonga - Whitehaven 70% and Operator and Idemitsu 30%; Rocglen – Whitehaven 100%

Gunnedah Operation – 000t (100%)	**2014**	2013	Movement
ROM Coal Production	**3,518**	3,409	3%
Saleable Coal Production	**2,750**	2,757	-
Sales of Produced Coal	**2,880**	2,650	9%
Coal Stocks at Period End	**567**	472	20%

Note – Sunnyside excluded from prior year numbers.

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.

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 1.2Mpta.

DEVELOPMENT PROJECTS

VICKERY

Ownership: Whitehaven 100%

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

Whitehaven owns 100% of the project and will consider introducing joint venture partners to the project, similar to the arrangements 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 its spending on those tenements.

INFRASTRUCTURE

There are three major infrastructure components required to enable coal exports – rail track access, 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 this 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 CY2015). After 2015 the Company has entered into a 10 year rolling contract for 12.4Mtpa at PWCS to cater for the growing production from the Maules Creek project.

Whitehaven had surplus port capacity of about 7Mt in 2014 as a result of approval delays impacting commencement of construction of Maules Creek. 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.

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

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 it 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 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.

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.

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.

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

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

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

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

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

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

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. Ray 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.

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.

Best practice commitment

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

Independent professional advice

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

Compliance with ASX corporate governance guidelines and best practice recommendations

The Board has assessed the Company's practice against the Australian Securities Exchange Corporate Governance Council's '*Corporate Governance Principles and Recommendations – 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	Compliant with ASX Principles	On Company website
Principle 1 - Lay solid foundations for management and oversight	Board Charter	Sets out the role and responsibilities of the Board.	See page 22 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 23 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 26 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 26 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 26 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 26 for further details	Y	Y
	Diversity Policy	Describes Whitehaven's diversity aspirations and promotes diversity at all levels within the Whitehaven Group.	See page 27 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 23 for a summary of responsibilities	Y	Y
Principle 5 - Make timely and balanced disclosure	Continuous Disclosure Policy	Requires timely disclosure of market sensitive information.	See page 28 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 the Whitehaven's approach to risk management and includes a summary of the roles and responsibilities of both the Board and management.	See page 29 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 23 for a summary of responsibilities	Y	Y

Principle 1 – Lay solid foundations for management and oversight

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

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

- financial performance;
- safety performance; and
- strategic actions.

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

The performance of the Managing Director and the Company's senior executives during the 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
Ray 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 Ray 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 2 to 4 of the Directors' report.

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); and
- 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; and
- trading by key management personnel and certain other employees in the securities of other companies in which Whitehaven has a substantial interest (10% or more).

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.

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.

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 30 to 50. 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 Remuneration report (cont'd)

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'd)

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	
Ray Zage	Non-executive Director	Appointed 27 August 2013

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

Name	Title (at year end)	Changes during FY2014
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:

Name	Title	Change during FY2014
Austen Perrin	Chief Financial Officer and Joint Company Secretary	Resigned 15 January 2014

6 Remuneration report (cont'd)

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; and
- 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 22 to 29.

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; and
- 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.

6 Remuneration report (cont'd)

6.4 Remuneration governance – audited (cont'd)

6.4.3 Remuneration principles and framework (cont'd)

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

6.4.4 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 Remuneration report (cont'd)

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.

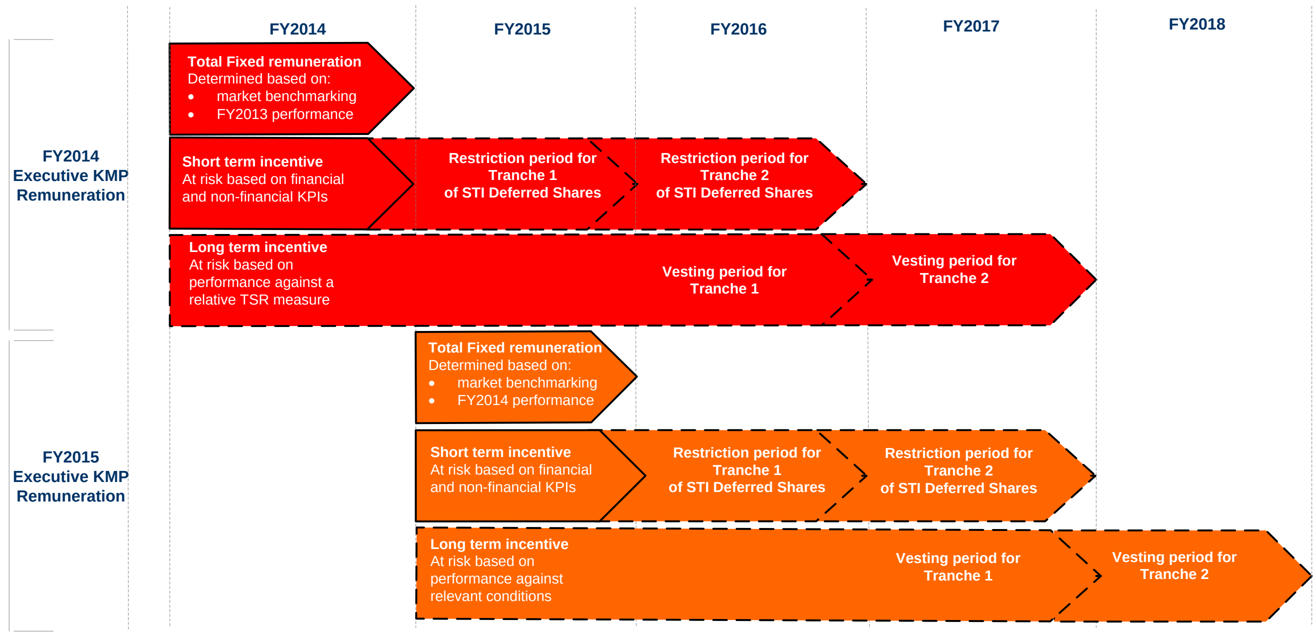
6.5.1 Mix and timing of remuneration in FY2014

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 multiyear 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 Remuneration report (cont'd)

6.5 Detail of components of executive KMP remuneration – audited (cont'd)

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 recognize 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.

6.5.3 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.

6 Remuneration report (cont'd)

6.5 Detail of components of executive KMP remuneration - audited (cont'd)

6.5.3 Short term incentive for FY2014 (cont'd)

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%.

6 Remuneration report (cont'd)

6.5 Detail of components of executive KMP remuneration - audited (cont'd)

6.5.3 Short term incentive for FY2014 (cont'd)

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.

6.5.4 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.

KMP	STI earned (A$)		Percentage of maximum STI
	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.

6 Remuneration report (cont'd)

6.5 Detail of components of executive KMP remuneration - audited (cont'd)

6.5.5 2013 Long term incentive grant (cont'd)

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 ; and • 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.

6 Remuneration report (cont'd)

6.5 *Detail of components of executive KMP remuneration - audited (cont'd)*

6.5.5 2013 Long term incentive grant (cont'd)

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.

6.5.6 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 November 2013	$0.33	30 June 2016
	295,454	4 November 2013	$0.44	30 June 2017
Kevin Ball	48,190	23 December 2013	$0.61	30 June 2016
	48,190	23 December 2013	$0.71	30 June 2017
Timothy Burt	84,822	9 October 2013	$0.61	30 June 2016
	84,821	9 October 2013	$0.71	30 June 2017
Brian Cole	116,090	9 October 2013	$0.61	30 June 2016
	116,089	9 October 2013	$0.71	30 June 2017
Jamie Frankcombe	156,250	9 October 2013	$0.61	30 June 2016
	156,250	9 October 2013	$0.71	30 June 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 Remuneration report (cont'd)

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 Remuneration report (cont'd)

6.7 Employment contracts – audited (cont'd)

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'd)

6.7 Employment contracts – audited (cont'd)

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.

6 Remuneration report (cont'd)

6.8 Statutory senior executive remuneration table – audited (cont'd)

In AUD	FY	Salary & fees	Cash bonus (A)	Non-monetary benefits (B)	Super-annuation Benefits	Short term incentive (C)	Termination Benefits	Share-based payments: Shares (D)	Share-based payments: Rights and options (E)	Total Remuneration	Share-based payments 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

6 Remuneration report (cont'd)

6.8 Statutory senor executive remuneration table – audited (cont'd)

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 Remuneration report (cont'd)

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 Remuneration report (cont'd)

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.

6.9.2 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 Remuneration report (cont'd)

6.9 Non-executive Director remuneration – audited (cont'd)

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
Ray 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 Remuneration report (cont'd)

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.

6.12 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
Ray 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.

6 Remuneration report (cont'd)

6.12 Additional disclosures relating to shares and options and rights over equity instruments (cont'd)

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

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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

Trent van Veen
Partner
27 August 2014

Whitehaven Coal Limited and its controlled entities
Statement of comprehensive income
For the year ended 30 June 2014

	Note	Consolidated	
In thousands of AUD ($'000)		**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.

Whitehaven Coal Limited and its controlled entities
Statement of financial position
As at 30 June 2014

In thousands of AUD ($'000)	Note	Consolidated 2014	Consolidated 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	*26(a)*	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.

Whitehaven Coal Limited and its controlled entities
Statement of changes in equity
For the year ended 30 June 2014

Consolidated *In thousands of AUD ($'000)*	**Note**	**Issued Capital**	**Share-based payments reserve**	**Hedge reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Opening balance at 1 July 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.

Whitehaven Coal Limited and its controlled entities
Statement of cash flows
For the year ended 30 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.

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.

3 Summary of significant accounting policies (cont'd)

New accounting standards and interpretations (cont'd)

(i) Changes in accounting policy and disclosures (cont'd)

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.

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.

3 Summary of significant accounting policies (cont'd)

New accounting standards and interpretations (cont'd)

(i) Changes in accounting policy and disclosures (cont'd)

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.

3 Summary of significant accounting policies (cont'd)

New accounting standards and interpretations (cont'd)

(i) Changes in accounting policy and disclosures (cont'd)

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'd)

New accounting standards and interpretations (cont'd)

(i) Changes in accounting policy and disclosures (cont'd)

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

3 Summary of significant accounting policies (cont'd)

New accounting standards and interpretations (cont'd)

(i) Changes in accounting policy and disclosures (cont'd)

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.

3 Summary of significant accounting policies (cont'd)

New accounting standards and interpretations (cont'd)

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

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.

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.

3 Summary of significant accounting policies (cont'd)

New accounting standards and interpretations (cont'd)

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

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 judgment 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 judgment 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.

3 Summary of significant accounting policies (cont'd)

New accounting standards and interpretations (cont'd)

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

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 Programmes

(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'd)

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.

3 Summary of significant accounting policies (cont'd)

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'd)

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.

3 Summary of significant accounting policies (cont'd)

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'd)

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:

i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

i) sufficient data exists to determine technical feasibility and commercial viability, and
ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are 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.

3 Summary of significant accounting policies (cont'd)

k) Intangible assets (cont'd)

(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.

3 Summary of significant accounting policies (cont'd)

n) Impairment

(i) Financial assets

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

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

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

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.

3 Summary of significant accounting policies (cont'd)

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.

3 Summary of significant accounting policies (cont'd)

r) Provisions (cont'd)

(i) Mine rehabilitation and closure

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

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

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

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

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

s) Contributed equity

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

t) Revenue 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.

3 Summary of significant accounting policies (cont'd)

t) Revenue and other income recognition (cont'd)

(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.

3 Summary of significant accounting policies (cont'd)

v) Income tax (cont'd)

(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.

(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.

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

4 Significant accounting judgements, estimates and assumptions (cont'd)

Inventories

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

Derivatives

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

The fair value of foreign currency options is the estimated amount the consolidated entity would pay or receive to terminate the derivative at the balance date, taking into account quoted market rates and the current creditworthiness of the counterparties.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

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

The fair value of services received in return for share options granted to the directors and senior employees is based on the fair value of share options granted, measured using a Black Scholes model (for options) or a Monte Carlo simulation model, incorporating the probability of the performance hurdles being met (for Share Acquisition Rights).

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information of publicly listed companies operating in the same industry with similar operating characteristics), weighted average expected life of the instruments (based on historical experience of similar instruments and similar option holder characteristics), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Mineral reserves and resources

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

4 Significant accounting judgements, estimates and assumptions (cont'd)

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; and
- 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%

5 Financial risk management objectives and policies (cont'd)

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

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

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	**USD**	**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'd)

Risk exposures and responses (cont'd)

Foreign currency risk (cont'd)

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.

Effect in thousands of AUD	**Consolidated**	
	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.

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

5 Financial risk management objectives and policies (cont'd)

Risk exposures and responses (cont'd)

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:

In thousands of AUD		**Carrying amount**	**Carrying amount**
		2014	**2013**
	Note		
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:

In thousands of AUD	**Carrying amount**	**Carrying amount**
	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).

5 Financial risk management objectives and policies (cont'd)

Risk exposures and responses (cont'd)

Credit risk (cont'd)

Impairment losses

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

In thousands of AUD	**Gross 2014**	**Impairment 2014**	**Gross 2013**	**Impairment 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.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Typically, the consolidated entity ensures that it has sufficient cash on demand to meet all expected operational expenses as and when due, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

5 Financial risk management objectives and policies (cont'd)

Risk exposures and responses (cont'd)

Liquidity risk (cont'd)

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

5 Financial risk management objectives and policies (cont'd)

Risk exposures and responses (cont'd)

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	
In thousands of AUD	Carrying amount	
	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)

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.

Effect in thousands of AUD	Profit or loss	
	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	
	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)

5 Financial risk management objectives and policies (cont'd)

Risk exposures and responses (cont'd)

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), and
• Level 3 - measurements based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

In thousands of AUD	**30 June 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)	-

	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.

5 Financial risk management objectives and policies (cont'd)

Risk exposures and responses (cont'd)

Net Fair Values (cont'd)

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**

Financial assets and liabilities by categories

In thousands of AUD		**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'd)

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.

In thousands of AUD	Consolidated 2014	Consolidated 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

	2014	2013
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 (continued)

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:

In thousands of AUD	Consolidated			
	Assets		**Liabilities**	
Corporate tax	**2014**	**2013**	**2014**	**2013**
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

13 Income tax (continued)

c) Recognised tax assets and liabilities

In thousands of AUD	Consolidated			
	Assets		Liabilities	
	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:

In thousands of AUD	Consolidated	
	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

	2014	2013
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

	2014	2013
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

	2014	2013
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

	2014	2013
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).

17 Derivative financial instruments (cont'd)

Instruments used by the consolidated entity (cont'd)

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 below.

Forward exchange contracts

In thousands of AUD (except exchange rates)	**Fair value**	**Average exchange rates**	**Fair value**	**Average exchange rates**
Sell US dollars	**2014**	**2014**	**2013**	**2013**
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.

In thousands of AUD	**Consolidated**	
	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

	Note	Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Total
				Consolidated		
In thousands of AUD						
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.

19 Property, plant and equipment (cont'd)

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

In thousands of AUD	Consolidated Cost	Consolidated 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

In thousands of AUD	Consolidated 2014	Consolidated 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

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'd)

In thousands of AUD

Movement in intangibles

	Consolidated					
	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
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.

Finance lease liabilities

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

23 Interest-bearing loans and borrowings (cont'd)

In thousands of AUD	Consolidated					
	Minimum lease payments 2014	Interest 2014	Principal 2014	Minimum lease payments 2013	Interest 2013	Principal 2013
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

In thousands of AUD	Consolidated 2014	2013

24 Employee benefits

	2014	2013
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

	2014	2013
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

In thousands of AUD

Movement in provisions	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*

In thousands of AUD	**Consolidated**	
	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**	
	Nos of shares 000's	**$000's**	**Nos 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'd)

f) Dividends

In thousands of AUD	Consolidated 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; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated consolidated entity has also assumed the benefit of $nil (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:

In thousands of AUD	**Consolidated**	
	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

In thousands of AUD	**Consolidated**	
	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.

In thousands of AUD	Consolidated 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

In thousands of AUD		**Consolidated 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

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

32 Share-based payments (cont'd)

b) Types of share-based payment plans (cont'd)

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

32 Share-based payments (cont'd)

c) Movement in options and performance rights (cont'd)

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).

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.

	Country of incorporation	**Ownership interest**	
		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

34 Consolidated entity's subsidiaries, associates and interests in joint operations (cont'd)

	Country of incorporation	Ownership interest 2014 %	2013 %
Subsidiaries (continued)			
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
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.

	Country of incorporation	Ownership interest 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.

34 Consolidated entity's subsidiaries, associates and interests in joint operations (cont'd)

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:

Profit / (loss) attributable to ordinary shareholders	**Consolidated 2014 $000**	**Consolidated 2013 $000**
Net loss attributable to ordinary shareholders	(38,385)	(88,675)

	Consolidated 2014 000's	**Consolidated 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:

Profit/(loss) attributable to ordinary shareholders (diluted)	**Consolidated 2014 $000**	**Consolidated 2013 $000**
Net loss attributable to ordinary shareholders (diluted)	(38,385)	(88,675)

	Consolidated 2014 000's	**Consolidated 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

In AUD	Consolidated	
	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

In thousands of AUD	Company	
	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

38 Business combinations and acquisitions of non-controlling interests (cont'd)

Assets and liabilities acquired (cont'd)

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.

Directors' declaration

In accordance with a resolution of the directors of Whitehaven Coal Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of Whitehaven Coal Limited are in accordance with the Corporations Act 2001, including:

> (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 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.

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

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 Aug 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 5 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