Whitehaven Coal Limited
and its controlled entities

ABN 68 124 425 396

Annual Financial Report

For the year ended 30 June 2016

Financial Report 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 Group's interest in joint operations for the year ended 30 June 2016 and the auditor's report thereon.

1 PRINCIPAL ACTIVITIES

The principal activity of Whitehaven Coal Limited and its controlled entities (the 'Group') during the period was the development and operation of coal mines in New South Wales. During the year ended 30 June 2016, commercial production commenced at the Maules Creek open cut mine.

In the opinion of the directors, there were no significant changes in the state of affairs of the Group 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 and qualifications	Experience, special responsibilities and other directorships
The Hon. Mark Vaile AO Chairman 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, Chairman of Palisade Regional Infrastructure Fund and Independent Director and Chairman of SmartTrans Limited.
John Conde AO BSc, BE (Electrical) (Hons), MBA (Dist) Deputy Chairman 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 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 the Sydney Symphony Orchestra in May 2015. He was previously chairman of Ausgrid (formerly Energy Australia) and Destination NSW. 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.)

2 (a) Directors (cont.)

Name and qualifications	Experience, special responsibilities and other directorships
Dr Julie Beeby BSc (Hons I), PhD (Physical Chemistry), MBA, FAICD Non-Executive Director Appointed: 17 July 2015	Julie has more than 25 years' experience in the minerals and petroleum industries in Australia including major Australian and US resources companies and as Chief Executive Officer of WestSide Corporation, an ASX listed, Queensland-based coal seam gas company. Julie has technical, operations and strategy expertise and has held senior and executive positions in coal mining, mining services and coal seam gas after commencing her career in coal and mineral processing research. Julie is currently the Chairman the Queensland Electricity Transmission Corporation Limited, Powerlink Queensland, and non-executive director of OZ Minerals Limited. Julie has previously held non-executive director positions on the Boards of Gloucester Coal Limited, Forge Group Limited, CRC Mining, Queensland Resources Council and Australian Coal Research.
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 and was instrumental in the merger of Whitehaven Coal with Aston Resources. Paul joined the Board of Whitehaven on 3 May 2012 and assumed the role of Managing Director and CEO on 27 March 2013. 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.
Tony Haggarty MComm, FAICD, CPA 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 until 27 March 2013.
Christine McLoughlin BA, LLB (Honours), FAICD Non-Executive Director Appointed: 3 May 2012	Christine has more than 25 years' experience working in diverse and highly regulated sectors in Australia, UK and South East Asian markets. Christine has expertise in strategy, risk, stakeholder engagement and human resources in industries including financial services, telecommunications, health and nuclear science. Christine is currently a Director of Suncorp Group Limited, nib Holdings Ltd and Spark Infrastructure Group and Chairman of Stadium Australia. She was formerly Chairman of the Australian Payments Council and a former Director of the Australian Nuclear Science & Technology Organisation (ANSTO), the Victorian Transport Accident Commission and Westpac insurance companies in Australia and New Zealand.

2 DIRECTORS AND EXECUTIVES (CONT.)

2 (a) Directors (cont.)

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.
Rick Gazzard BE (Mining) Honours Non-Executive Director Appointed: 3 May 2012 Resigned: 16 July 2015	Rick is a mining engineer with more than 30 years' experience in the coal mining industry and a further 10 years' experience in the iron ore, base metals and gold mining industries. He holds certificates of competency as a mine manager for both the coal and metalliferous mining industries. Rick has previously held senior management positions as President of BHP Queensland Coal and as General Manager of Camberwell Coal Pty Ltd and prior to those appointments had more than 10 years' experience as a mine manager/operations manager/chief mining engineer with CSR Limited and BHP. He is a former non-executive director of ASX Listed Carabella Resources, Eastern Corporation and Aston Resources Limited.

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.

2 DIRECTORS AND EXECUTIVES (CONT.)

2 (b) Senior Executives (cont.)

Kevin Ball — Chief Financial Officer

BComm, CA

Appointed as Chief Financial Officer of Whitehaven Coal in December 2013, Kevin has over 30 years' experience working in the mineral and energy industry across coal, oil and gas and in complex consulting practices.

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.

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 19 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.

Brian Cole — Executive General Manager - Project Delivery

BE (Civil-H1), M Eng Science, MBA, Fellow IE Aust, C P Eng., M AIMM

Brian was appointed Executive General Manager – Project Delivery in June 2012.

Brian has more than 35 years of experience in heavy engineering projects and operations at an executive level in the energy related sector and has been 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 of 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.

2 DIRECTORS AND EXECUTIVES (CONT.)

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
Mark Vaile	2,567,767
John Conde	888,620
Julie Beeby	55,000
Paul Flynn	383,792[1]
Tony Haggarty	21,796,293
Christine McLoughlin	55,000
Ray Zage	-

[1] Includes shares subject to restrictions granted as part of the FY2014 STI which were held by the Whitehaven Coal Limited Equity Incentive Plan Trust at 30 June 2016.

There were no interests in options issued by the Company held by Directors as at the date of this report.

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	11	11	6	6	4	4	-	-	1	1
John Conde	11	11	6	6	4	4	-	-	1	1
Julie Beeby	10	10	-	-	-	-	4	4	-	-
Paul Flynn	11	11	-	-	-	-	-	-	-	-
Tony Haggarty	11	10	6	6	-	-	4	4	-	-
Christine McLoughlin	11	11	-	-	4	4	4	4	1	1
Ray Zage	11	10	-	-	-	-	-	-	-	-

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 the 2016 financial year.

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 no unissued ordinary shares of the Company under options (8,241,278 at the reporting date). Refer to note 5.5 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 persons who are or have been directors or officers of the Company or its controlled entities against certain liabilities (subject to certain exclusions).

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) Rounding

The Company is of a kind referred to in ASIC Class Order 2016/191 and dated 24 March 2016 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 profit after tax increased to $20.5m.
- Operating EBITDA before significant items increased by 72% to $224.1m.
- Cash generated from operations increased by 76% to $269.3m.
- Net debt of $859.1m at 30 June 2016.
- Conservatively geared at 23% at 30 June 2016.

The 30 June 2016 statutory result includes no significant items. The 30 June 2015 statutory result included the impact of the significant items set out at note 2.2.

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

Whitehaven Coal Limited – Consolidated	FY2016 $ million	FY2015 $ million
Revenue	1,164.4	763.3
Net profit / (loss) before significant items	**20.5**	**(10.7)**
Significant items after tax (refer to note 2.2)	-	(332.0)
Net profit / (loss) for the period	20.5	(342.7)
Operating EBITDA before significant items	**224.1**	**130.3**
Significant items before tax and financing (refer to note 2.2)	-	(447.3)
Net interest expense (refer to note 5.2)	(56.9)	(31.0)
Other financial expenses	(9.1)	(37.4)
Depreciation and amortisation	(130.4)	(97.6)
Loss on asset disposals	-	(0.3)
Profit / (loss) before tax	27.7	(483.3)

REVIEW OF FINANCIAL PERFORMANCE

FY2016 net profit after tax ("NPAT") of $20.5m represents an increase of $31.2m compared to the net loss before significant items of $10.7m in FY2015. The FY2016 NPAT result was driven by a strong operating performance with FY2016 EBITDA before significant items of $224.1m reflecting an increase of $93.8m (72%) compared to $130.3m in FY2015.

The return to profit in FY2016 was driven by the benefits of a significant increase in production and sales volumes along with a 12% increase in EBITDA margins to 19% from 17% in FY2015. The improved margin performance reflects a substantial reduction in unit costs of production which more than offset a lower average selling price realised for coal sold.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

The key factors that contributed to the FY2016 NPAT result for the year include:

- Strong safety performance.
- The commencement of commercial production at Maules Creek. This underpinned the production result with group ROM production of 15.8mt, up 55% compared to 10.2mt in FY2015. Run rate ROM production at Maules Creek at the end of FY2016 was above 9.5Mtpa.
- FOB costs per tonne of $56 in FY2016 have decreased by 8% from $61 reported in FY2015. FOB costs per tonne have decreased for 3 ½ years since the first half of FY2013. These savings have contributed to the Group being able to consistently defend and grow average EBITDA margins. The key drivers of the significant reduction in unit costs during the year were:
    - The commencement of commercial production at Maules Creek at a lower unit cost than the mine portfolio average.
    - Continued productivity improvements at Narrabri and the Gunnedah open cut mines:
        - Narrabri production rates continue to improve due to an ongoing focus on operational and technical improvements. Increased automation has led to consistent performance on the longwall, development rates continue to improve and longwall change-outs are increasingly efficient. Further productivity and cost improvements are expected when mining transitions to 400 metre wide panels late in FY2017.
        - Narrabri unit cost performance was achieved despite the reduction in ROM production in FY2016 caused by the impact of two change-outs during the year.
        - Production in FY2016 from the Gunnedah Open Cuts was slightly above FY2015, however overall unit costs decreased significantly due to an ongoing focus on containing costs, efficiencies associated with blasting and overburden movement initiatives and ongoing productivity improvements.
    - Procurement initiatives continue to result in contracts for goods and services being re-negotiated on improved terms.
    - Stable production from Maules Creek has increased the resilience of the overall portfolio. This has reduced the impact of longwall change-outs and supported a further improvement in the utilisation of contracted rail and port capacity.
    - The decline in rail, port and demurrage unit costs reflects a sustained focus on logistics management across the business.
    - Administration costs remain broadly consistent despite the growth in production of 55%.
    - The fall in world crude oil prices in FY2016 has contributed to decreased unit costs of coal production.
- Gross revenue increased by $401.1m to $1,164.4m in FY2016. The increase was driven by increased sales volumes with total sales of 15.5mt up by 63% on FY2015 sales volumes of 9.5mt. The increase in sales volumes was partly offset by a fall in A$ prices to A$75 per tonne in FY2016 from A$80 per tonne in FY2015 average (US$ denominated coal prices fell 19% while the A$:US$ exchange rate improved by 14%).
- The mix of sales between thermal (84%) and metallurgical coal products (16%) in the year ended 30 June 2016 is slightly down on FY2015 where metallurgical coal sales represented 18% of total sales. The reduction in the proportion of metallurgical sales is primarily due to the mix at Maules Creek being below the portfolio average in the first year of commercial production. The proportion of metallurgical coal sales is expected to increase progressively over the next four years as the high quality Maules Creek semi-soft coking coal gains increased market acceptance and term based contracts are concluded.
- Realised prices have been supported by the quality of thermal coal from Maules Creek. Sales of Maules Creek thermal coal have typically achieved substantial quality and energy premiums relative to the Newcastle Index price during the year. The quality of the thermal coal from Maules Creek has also provided opportunities to increase sales to customers in premium markets, particularly Japan and Taiwan.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

CASH FLOWS & CAPITAL MANAGEMENT

	FY2016	FY2015
Cash flows		
Cash from operations ($ million)	**269.3**	152.7
Investing cash flows ($ million)	**(93.1)**	(376.7)
Senior facility (repayment) / drawings ($million)	**(65.0)**	275.0
Capital management & balance sheet	**30 June 2016**	**30 June 2015**
Cash on hand ($ million)	**101.5**	102.4
Undrawn syndicated facility ($ million)	**365.0**	300.0
Interest bearing liabilities ($ million)	**960.6**	1,038.2
Net debt ($ million)	**859.1**	935.8
Net assets ($ million)	**2,888.7**	2,865.0
Gearing ratio[1]	**22.9%**	24.6%
Leverage[2]	**3.8**	7.2

[1]Net Debt/(Net Debt plus Equity)

[2]Net Debt/EBITDA

CASH FLOW COMMENTARY

Operating cash flows

Cash generated from operations of $269.3m increased by 76% from the prior year. The improvement is due to the following:

- An increase in EBITDA before significant items of $93.8m ($224.1m in FY2016 from $130.3m in FY2015), largely driven by increased sales volumes and improved margins in FY2016.
- A net reduction in inventory during the year due to sales of produced coal of 15.4mt exceeding saleable production of 15.1mt.
- Partially offset by increased investment in gate road development in FY2016 in preparation for the increased length of upcoming longwall panels.

Investing cash flows

Investing cash outflows of $93.1m in the year ended 30 June 2016 is a decrease of $283.6m compared to FY2015. The decrease was primarily due to the reduction in Maules Creek construction expenditure due to the substantial completion of the project during FY2015. Other factors which affected investing cash outflows include:

- Decreased main road development expenditure at Narrabri.
- Expenditure of $21.2m in relation to the Narrabri 400m wide face expansion project.
- Remaining capital spend across the group was tightly controlled and related to sustaining capital required at each of the mines and expenditure at Vickery.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

CAPITAL MANAGEMENT AND BALANCE SHEET COMMENTARY

Cash on hand at 30 June 2016 of $101.5m is consistent with the cash balance at 30 June 2015.

Net Debt at 30 June 2016 was $859.1m, a decrease of $76.7m from 30 June 2015. The decrease has primarily been due to repayments of $65m on the senior syndicated facility and principal amortisation of finance leases.

The gearing ratio has fallen due to the reduction in net debt at 30 June 2016. Undrawn capacity of $365m existed at 30 June 2016.

CONSOLIDATED EQUITY PRODUCTION, SALES AND COAL STOCKS

Whitehaven Total (000t)	FY2016	FY2015[1]	Movement
ROM Coal Production	15,760	12,205	29%
Saleable Coal Production	15,072	11,255	34%
Sales of Produced Coal	15,432	10,859	42%
Sales of Purchased Coal	79	-	-
Total Coal Sales	15,511	10,859	43%
Coal Stocks at Year End	1,307	2,035	(36%)

[1]The data set out in the above table is presented on an equity basis. The FY2015 data includes the Group's share of Maules Creek pre-commercial production, sales and coal stock tonnages.

Significant highlights for FY2016 include:

- Rocglen and Gunnedah CHPP achieving two years with zero recordable injuries.
- Record ROM and Saleable coal production for the year.
- Ramp up at Maules Creek is running on schedule with the ongoing focus on cost management contributing to lower costs than expected.
- Metallurgical coal quality from Maules Creek has exceeded expectations and is attracting high levels of interest from Asian steelmakers.
- The final capital cost of $701 million for Maules Creek came in below the original budget of $767 million.
- Strong production from Narrabri in a year with two complete longwall moves.
- Two new monthly production records set at Narrabri.
- Narrabri face widening project and budget on schedule to coincide with the next longwall changeout in H2 FY2017.
- Strong production and lower costs from the three smaller open cut mines.
- Further sustainable cost reductions achieved at all operating mines during the year, continuing the trend of reductions in unit costs for seven successive halves.

There were 843 FTE Whitehaven employees at the end of FY2016. Approximately 80% of these employees live in the region of our operations. This is consistent with Whitehaven's aim to ensure that the local community is a key beneficiary of the Group's operations. Employee and contractor numbers have grown from the beginning of FY2016 as Maules Creek has expanded. A total of 11% of the Group's employees self-identify as Aboriginal and/or Torres Strait Islander. Approximately 10% of the Group's employees are female.

REVIEW OF OPERATIONS - SAFETY

Providing a safe working environment for employees is critical at Whitehaven Coal and is key to the Group's improving financial performance. Whitehaven Coal provides training, equipment, resources and systems to create the safest possible work environment at each site. Building a culture of safety awareness is the foundation for continuous improvement to exceed targets and to exceed industry averages.

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

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

4 OPERATING AND FINANCIAL REVIEW (CONT.)

2016 PERFORMANCE

The introduction of the seven "Safehaven Rules" in late FY2014 has embedded safety as a cornerstone of the Group's culture. Ongoing education and training ensures that safety remains front of mind for all employees and continues to deliver improved safety outcomes at most operations.

- Both Rocglen and the Gunnedah CHPP achieved two years without a recordable injury.
- Whitehaven Coal Group TRIFR of 10.6 at the end of the year.
- The TRIFR is significantly below the NSW average coal mining rate of 15.5.

MAULES CREEK

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

Maules Creek 100% (000t)	FY2016	FY2015[1]	Movement
ROM Coal Production	7,826	2,614	199%
Saleable Coal Production	7,384	2,231	231%
Sales of Produced Coal	7,421	1,769	320%
Coal Stocks at Year End	609	779	(22%)

[1]FY2015 includes pre-commercial production and sales

Commercial production at Maules Creek commenced on 1 July 2015 with the mine producing 7.4Mt saleable coal in FY2016. The mine was operating at an annualised ROM production rate of over 9.5Mt at the end of FY2016 following its production ramp up during the year. Maules Creek was awarded Mining Operation of the Year by NSW Minerals Council, a significant achievement in its first year of operation.

Construction activities at the mine were effectively completed early in FY2016 with total capital expenditure for the project $701 million. The project came in under the budget of $767 million and ahead of the original schedule. Maules Creek is one of the lowest cost coal mining projects developed over the past decade.

A key feature of Maules Creek's performance during FY2016 has been the high quality of its thermal and metallurgical coal products. Maules Creek thermal coal is one of the highest quality coals sold into the Asian seaborne market. Many of our customers are utilising this high energy, low ash coal in new High Energy Low Emission ('HELE') technology power stations to reduce their emissions. The quality of its metallurgical coal product has exceeded the expectations of most steel makers. Many steel makers have provided feedback in relation to the positive contribution of Maules Creek semi soft coking coal to their coking blends. Sales of semi-soft coking coal during FY2016 were above expectations and sales are expected to increase as production ramps up to the approved production level of 13Mtpa.

Maules Creek's coal reserves have been updated as part of Whitehaven's annual update of its coal resources and reserves under the JORC code 2012. This update incorporates an increase in Maules Creek coal reserves to 510Mt. This represents an upgrade of 129Mt relative to the coal reserves of 381Mt declared at the end of FY2015.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

NARRABRI

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 Mine 100% (000t)	FY2016	FY2015	Movement
ROM Coal Production	6,888	7,703	(11%)
Saleable Coal Production	7,269	7,193	1%
Sales of Produced Coal	7,532	7,071	7%
Coal Stocks at Year End	135	1,038	(87%)

The Narrabri underground mine continued to deliver excellent results and has broken a series of production records. In CY2015 the mine produced 8.3Mt ROM coal making it one of Australia's most productive and lowest cost coal mines. The CY2015 result was followed in CY2016 by two monthly production records of 981kt in January and 1,057kt in April. Roadway development, which is important to maintain longwall mining continuity, increased to 22,098 metres from 19,800 metres in the previous year.

ROM coal production for FY2016 was 6.9Mt. The 11% reduction in FY2016 production relative to FY2015 was due to the completion of two full longwall change-outs during the year. This equates to approximately 12 weeks of lost production.

At the end of FY2016 mining had commenced in LW06, the final 300 metre wide panel. Mining in LW07, the first 400 metre wide panel, is scheduled to commence in the second half of FY2017. Work on the longwall expansion has progressed well with the surface infrastructure and electrical upgrades being completed on schedule.

In December 2015 the NSW Department of Planning and Environment granted approval to increase Narrabri's annual production limit from 8.0Mtpa to 11.0Mtpa ROM coal. This provides the necessary headroom to support an expected increase in production from the 400 metre wide panel.

OPEN CUT MINES (EXCLUDING THE MAULES CREEK MINE)

Ownership: Werris Creek Whitehaven 100%; Rocglen Whitehaven 100%; Tarrawonga Whitehaven 70% and operator and Idemitsu 30%

Open Cuts 100% (000t)	FY2016	FY2015	Movement
ROM Coal Production	5,791	5,498	5%
Saleable Coal Production	5,038	5,140	(2%)
Sales of Produced Coal	5,095	5,147	(1%)
Coal Stocks at Year End	901	824	9%

Whitehaven's three smaller open cuts – Tarrawonga, Rocglen and Werris Creek - performed strongly with ROM production of 5.8Mt and saleable production of 5.0Mt for the year. Sustainable cost reductions have been recorded at each of the mines, largely due to the implementation of more efficient mining practices and procurement driven cost savings.

Tarrawonga has successfully utilised improved mining techniques to reduce overburden removal costs. This has led to an improvement in its financial contribution to the Group and its record ROM production for the year.

Rocglen and the Gunnedah Coal Handling and Preparation Plant ("CHPP") have both achieved two years free of injuries.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

DEVELOPMENT PROJECTS

VICKERY

Ownership: Whitehaven 100%

Vickery is a high quality metallurgical and thermal coal project with products that are expected to be sought after in the premium markets of Asia. Approval is in place for a 4.5Mtpa mining operation at Vickery however Whitehaven is focussed on progressing an application for a larger scale 10Mtpa project. Several parties have expressed their desire to acquire an interest in the project.

Vickery has the potential to become Whitehaven's third major mine in the Gunnedah Basin. The timing of Vickery's development is likely to follow the full ramp up of Maules Creek to its approved production level of 13Mtpa ROM which is scheduled to occur for FY2019.

The Vickery open cut project was approved by the New South Wales Department of Planning and Infrastructure on September 19, 2014. The approval is for an open cut project to produce 4.5Mtpa ROM coal, with the coal to be transported along an approved haulage route to the Gunnedah CHPP.

Since 2012, when Whitehaven lodged its application with the NSW Government for a 4.5Mtpa project, the Company has increased the total Resources and Reserves in the Vickery project area. These larger Reserves support a higher annual production rate while maintaining a mine life of more than 20 years and project economics improve significantly in the higher production case.

EXPLORATION PROJECTS

Whitehaven has several exploration and potential development projects in Queensland and New South Wales. These are early stage exploration projects.

In the current market environment the Company is focused on maintaining the tenements in good standing but continues to limit its spending on those projects.

INFRASTRUCTURE

Rail Track

Whitehaven contracts below rail capacity with the Australian Rail Track Corporation (ARTC).

Whitehaven is working with ARTC to improve operating efficiencies and to provide additional capacity without the need to construct new rail infrastructure. The objective of this work is to improve supply chain productivity and to reduce the costs.

Rail Haulage

Whitehaven has two rail haulage contracts, one with Pacific National and one with Aurizon. These contracts have a common expiry date in 2026. The Pacific National contract provides for the haulage of up to 13Mtpa and the Aurizon contract provides for up to 16Mtpa. The company is able to align planned increases in production with contract rail haulage capacity by giving notice to the rail providers of the need for additional capacity. The contract structures support the planned increases in Whitehaven's managed production levels whilst minimising additional cost exposure.

Port Capacity

The company holds contracts for sufficient capacity at the port of Newcastle – either at NCIG or at PWCS – to support planned shipments in CY2017. Whitehaven will require additional port capacity for the forecast production ramp up over the next 5 years. Current surplus port capacity is expected to provide opportunity to secure Whitehaven's requirements.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

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 Group, the results of those operations, or the state of affairs of the Group, in future financial years other than the following:

In July 2016, the Group repaid a further $35 million of debt drawn under the senior bank facility.

OUTLOOK AND LIKELY DEVELOPMENTS

OPERATIONS

In FY2016 Whitehaven's Narrabri mine produced a record 7.3Mt of saleable coal to remain one of the most productive and lowest cost underground mines in Australia. Production in FY2017 is expected to increase. Mining is scheduled to transition to the first 400 metre wide panel around the start of the fourth quarter of FY2017.

Maules Creek will continue to ramp up its production level to an annualised rate of 10.5Mt ROM coal in the second half of FY2017 and is expected to produce 9.0Mt of saleable coal for the financial year. The smaller open cut mines will produce a similar amount of coal in FY2017 as in FY2016.

Management remains focused on improving productivity and lowering costs so as to remain in the lowest cost quartile.

DEMAND

Whitehaven's high quality clean coals are attracting growing demand from new and existing customers. With the restricted availability of these coals in the seaborne market Whitehaven is well placed to increase the premium it receives for its coals and grow overall sales from both Maules Creek and Narrabri. It is positive to note that Whitehaven's customers in Asia are adding more coal fired power station capacity and are seeking increased tonnages of coal from Whitehaven.

PRICING

After five years of declining prices coal markets appear to have found a bottom in the first quarter of CY2016. The Newcastle GlobalCoal Index coal price has increased from a low of about US$48/t in early January to be $68/t in mid-August. Metallurgical coal prices have also risen over the last year.

Whitehaven remains cautiously optimistic in the short term. However, in the medium to longer term, as demand for low priced reliable electricity continues to grow in the Asian region, Whitehaven is confident the coal prices will rise and that Whitehaven's high quality coals will continue to attract a premium price in the market.

4 OPERATING AND FINANCIAL REVIEW (CONT.)

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. 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:

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.

OPERATING RISKS

The Company's coal mining operations are 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.

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.

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.

5 AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

5 (a) Auditor's independence declaration

The auditor's independence declaration forms part of the Directors' report for financial year ended 30 June 2016. It is set out on page 45.

5 (b) Non-audit services

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

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

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

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

In AUD	**Consolidated 2016 $**	**Consolidated 2015 $**
Non-audit services		
Ernst & Young		
Taxation services	42,712	126,962
Other non-audit services	99,500	65,000
Review of National Greenhouse Energy Reporting Act requirements	11,068	64,849
Assurance services for refinancing	-	299,134
	153,280	**555,945**

2016 REMUNERATION REPORT (AUDITED)

Dear Shareholder

We present our Remuneration Report for the financial year ended 30 June 2016 (**FY2016**). The report is designed to explain to shareholders our remuneration arrangements as we strive to achieve our goal of becoming the premier independent listed coal producer in Australia.

The Board is committed to applying a fair and responsible executive remuneration framework, which operates effectively to appropriately incentivise and reward senior executives to execute our strategy while being aligned with shareholder interests. Our strategy has been to build a portfolio of assets that is in the best quartile of the coal cost curve and to develop and operate our assets in a safe and sustainable manner. The Board believes that the current framework has been effective and is proposing further enhancements as the Company grows.

Managing Director and Chief Executive Officer, Paul Flynn, is supported by a strong executive leadership group and the Board believes that the Company is well positioned to continue to improve its performance and to deliver value for shareholders. At the 2015 Annual General Meeting, shareholders voted almost 96% in favour of our Remuneration Report.

Financial Year ended 30 June 2016 (FY2016)

The Remuneration Committee considered that the Executive Key Management Personnel (**Executive KMP**) have continued to successfully execute our strategy. The Executive KMP have focused on key projects and initiatives including:

- Improving safety outcomes;
- ramping up coal production, coal processing and coal sales at Maules Creek (to achieve an annualised ROM production rate of 9.5mt);
- furthering engineering works and receiving all regulatory approvals necessary to deploy a wider longwall face at Narrabri;
- improving the sustainability of the Company by driving FY2016 costs lower to $56/t;
- improving community engagement in the Gunnedah and Narrabri region; and
- reducing debt.

In FY2016, remuneration for Executive KMP was positioned between the 50th and 75th percentile of the market comparator group. Remuneration is benchmarked against an appropriate market comparator group consisting of Australian listed companies, which have been identified as relevant competitors for talent and operate in similar business environments. The Board considers company size, complexity and business challenges when it builds its comparator group. Our overarching objective is to motivate, attract and retain a leading management team while at the same time exercising appropriate restraint.

Short Term Incentive **(STI)** awards to Executive KMP for their performance during the year will be paid in September 2016. Executive KMP achieved between 72% and 78% of the maximum possible award. 70% of each Executive KMP's FY2016 STI award will be paid in September and 30% of each Executive KMP's FY2016 STI award will be deferred into equity which will vest in two tranches at the end of FY2017 and FY2018.

The two tranches of the Long Term Incentive (**LTI**) that were tested during FY2016 each lapsed when the Company's Relative TSR performance failed to reach the required threshold vesting levels.

The upcoming Financial Year (FY2017)

As the Company grows the Board continues to refine its remuneration arrangements. Changes proposed by the Board for FY2017 have been considered in the context of both our strategy and consideration of relevant benchmarks.

For FY2017 the total potential remuneration of our Managing Director and Chief Executive Officer will be increased, by increasing the STI potential to 100% of Total Fixed Remuneration (**TFR**). The uplift in STI will be delivered in deferred equity - the STI award will be 50% in cash and 50% in deferred equity. This change will also align the CEO's at-risk remuneration component with shareholder interests.

The introduction of a Costs Hurdle into our LTI structure in 2014 has been effective. Whitehaven is now in the lowest quartile for costs of production, and as a consequence, has returned to profitability in what are widely acknowledged as very difficult times for our industry. Tightly controlling costs of production is a key plank in our strategy. The Board has been considering whether relative TSR continues to be the most appropriate second hurdle. The Board continues to engage in stakeholder consultation on the selection of the second hurdle. Details of the final LTI structure and hurdles for FY2017 will be included in the Notice of Meeting for our upcoming AGM where the LTI grant for the CEO for FY2017 will be tabled for approval.

The Board has decided not to increase Non-executive Directors fees for FY2017, but will review them against the market in the coming year.

We thank our Executive KMP and their teams for their commitment and contribution to Whitehaven. We hope shareholders find the information provided in the Remuneration Report informative, and we welcome your feedback.

Yours sincerely,

The Hon. Mark Vaile AO	**Christine McLoughlin**
Chairman	Chairman of the Remuneration Committee

TABLE OF REMUNERATION REPORT CONTENTS

1. INTRODUCTION

This Remuneration Report forms part of the Directors Report.

In accordance with Section 308 (3C) of the Corporations Act 2001 (Cth) (Corporations Act), the external auditors, Ernst & Young, have audited this Remuneration Report.

This report details the remuneration and fees during FY2016 of the 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.

1.1 Key Management Personnel for FY2016

This Report details the remuneration during FY2016 of

Name	Role held during FY2016	Committee positions held
Non-executive Directors		
The Hon. Mark Vaile	Chairman and Non-executive Director	Chairman of Governance & Nomination Committee Member of Audit & Risk Management Committee Member of Remuneration Committee Chairman of Governance & Nomination Committee
John Conde	Deputy Chairman and Non-executive Director	Chairman of Audit & Risk Management Committee Member of Remuneration Committee Member of Governance & Nomination Committee
Dr Julie Beeby *(Commenced 17 July 2015)*	Non-executive Director	Member of Health, Safety, Environment & Community Committee
Tony Haggarty	Non-executive Director	Chairman of Health, Safety, Environment & Community Committee Member of Audit & Risk Management Committee
Christine McLoughlin	Non-executive Director	Chairman of Remuneration Committee Member of Governance & Nomination Committee Member of Health, Safety, Environment & Community Committee
Ray Zage	Non-executive Director	
Rick Gazzard *(Retired 16 July 2015)*	Non-executive Director	

Remuneration report (cont.)

1.1 Key Management Personnel for FY2016 (cont.)

Executive KMP	Role held during FY2016
Paul Flynn	Managing Director and Chief Executive Officer
Kevin Ball	Chief Financial Officer
Timothy Burt	General Counsel and Company Secretary
Brian Cole	Executive General Manager - Project Delivery
Jamie Frankcombe	Executive General Manager - Operations
Scott Knights	Executive General Manager – Marketing

1.2 Summary of Company performance

Against a challenging environment of 7% lower AUD coal prices, Whitehaven has increased ROM production by 30%, lowered costs by 8% and delivered a Net Profit after Tax of $20.5m. The Company's return to profit in FY2016 and the repayment of debt are the obvious indicators of strength of the performance of the Executive KMP and management.

There were many highlights in FY2016 including:

TRIFR of 10.6 improved by 6%	Net Profit After Tax of $20.5m
ROM Production of 20.5 Mt increased by 30%	Costs of Production $56/t decreased by 8%
Saleable Production of 19.7Mt increased by 35%	Cash generated from operations of $269m increased by 76%.
Coal Sales of 20.1Mt increased by 44%	EBITDA of $224m increased by 72%

As a consequence of the Group's strong operational and financial outcomes, Whitehaven decreased net debt by $77m and leverage for the trailing twelve months has decreased to 3.8x EBITDA.

Remuneration report (cont.)

1.2 Summary of Company performance (cont.)

Company performance for the last five years

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

	2016	2015	2014	2013	2012
Revenue ($m's)	1,164.4	763.3	755.4	622.2	618.1
EBITDA ($m's)	224.1	130.3	90.4	17.1	149.2
Profit/(loss) attributable to the group ($m's)	20.5	(342.7)	(38.4)	(88.7)	62.5
Share price at year end (dollars per share)	$1.08	$1.32	$1.43	$2.30	$4.15*
Basic EPS (cents per share)	2.1	(33.3)	(3.9)	(9.0)	10.9
Diluted EPS (cents per share)	2.1	(33.3)	(3.9)	(9.0)	10.9
Dividends paid (cents per share)	-	-	-	3.0	4.1
Special dividends paid (cents per share)	-	-	-	-	50.0
Total Reportable Injury Frequency Rate (TRIFR)	10.6	11.3**	14.1	20.1	34.6
Saleable Production – Mt	19.7	11.3	8.2	6.6	4.3

* The opening share price for 2012 was $5.83.

** FY2015 TRIFR from continuing operations. The FY2015 Total Group TRIFR was disclosed at 9.2, however in FY2016 two injuries were later classified as recordable and this increased the Total Group TRIFR from 9.2 to 9.7. The FY2015 Total Group TRIFR benefitted from the Maules Creek Construction programme helping to lower the TRIFR from continuing operations of 11.3 to a TRIFR of 9.7.

2. REMUNERATION GOVERNANCE

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

2.1 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 Executive KMP;
- 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 Non-executive Directors: Christine McLoughlin (Committee Chairman), 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 Company's Corporate Governance Statement.

Remuneration report (cont.)

2.2 Use of external remuneration advisors

From time to time, the Remuneration Committee seeks and considers advice from external advisors who are engaged by and report directly to the Remuneration Committee. Such advice will typically cover Non-executive Director fees, Executive KMP 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. The Committee did not receive any remuneration recommendations.

2.3 Executive KMP remuneration principles and framework

The Company's Executive KMP remuneration policies are based on 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, 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 FY2016 are described in the table below and in section 3.

Total fixed remuneration (TFR)	Short term incentives (STI)	Long term incentives (LTI)
– reviewed annually by the Remuneration Committee – benchmarked against peer companies – influenced by individual performance and experience	– determined based on a mix of financial and non-financial measures – 30% of STI is deferred into rights to receive shares in the Company subject to meeting service based vesting conditions (with vesting periods of 12 and 24 months) – ability of the Remuneration Committee to reduce the number of deferred equity instruments that vest if subsequent events show such a reduction to be appropriate (clawback) – STI opportunity is set at 50% of TFR for target performance and at 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 specified performance hurdles are satisfied) – the face value of the LTI opportunity is currently set at between 80% and 100% of TFR – contains two independent performance hurdles - Relative TSR and Costs

Remuneration report (cont.)

3. REMUNERATION OF THE EXECUTIVE KMP FOR FY2016

This section describes in greater detail the different components of Executive KMP remuneration for FY2016.

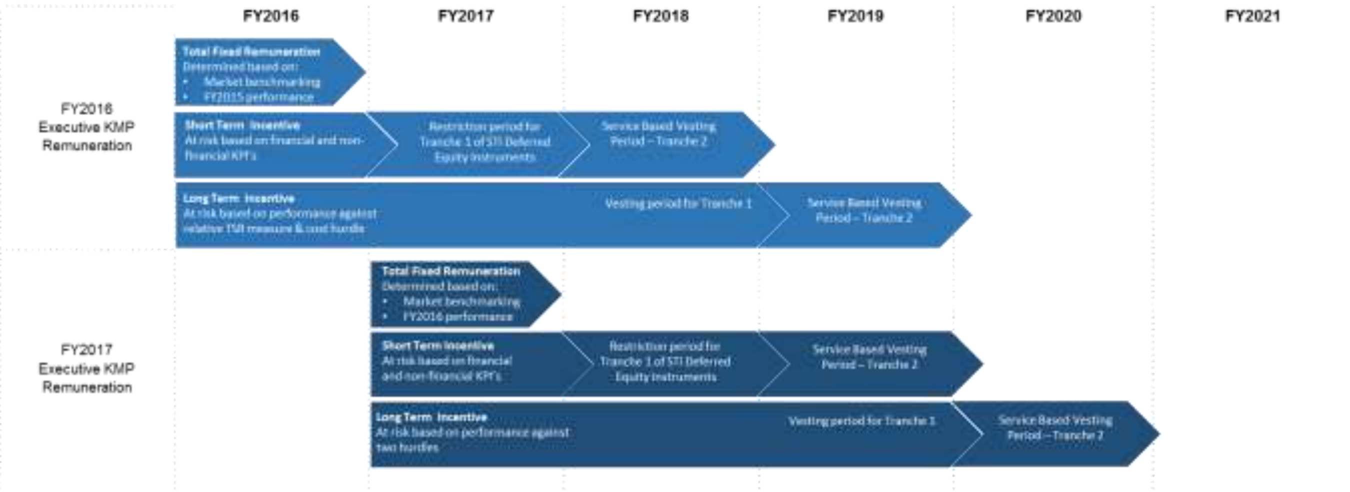
3.1 Mix and timing of Executive KMP remuneration

Executive KMP remuneration is delivered as a mix of fixed and at-risk remuneration. At-risk remuneration can be earned through both STI and LTI and is delivered to Executive KMP over multiyear timeframes to create a layered retention effect and to encourage sustained performance.

The table below illustrates the remuneration mix for Executive KMP for FY2016 (assuming Target performance for at-risk components).

	Fixed	At-risk	
	TFR	**STI**	**LTI**
Managing Director & Chief Executive Officer	40%	20%	40%
Executive General Manager – Operations	42%	21%	37%
Other Executive KMP	43%	22%	35%

The diagram below shows timing for determining and delivering Executive KMP remuneration for FY2016 and FY2017**:**



3.2 Benchmarking total remuneration

While benchmarking is a useful starting point, it is only one input used by the Board when determining total remuneration for Executive KMP. Remuneration is benchmarked against an appropriate market comparator group adopted by the Board. The market comparator group consists of Australian listed companies, which have been identified as relevant competitors of Whitehaven that operate in similar business environments. The Board considers company size, complexity and business challenges when it builds its comparator group. The objective of the Board's positioning is to meet the market so as to attract and retain Executive KMP while still ensuring appropriate restraint in respect of executive remuneration. Actual market positioning for each individual may deviate from the positioning policy (above or below) due to considerations such as internal relativities, experience, tenure in role, individual performance and retention considerations.

Remuneration report (cont.)

3.3 Fixed remuneration

Fixed remuneration received by Executive KMP is subject to approval by the Remuneration Committee. Fixed remuneration is comprised of base salary and superannuation. In line with Company policy and executives' service agreements, remuneration levels are reviewed annually based on market benchmarking and individual performance.

Fixed remuneration will typically be positioned between the 50^{th} and 75^{th} percentile of the market comparator group adopted by the Board.

3.4 STI for FY2016

The following table details the terms of the STI that applied during FY2016.

Who participated?	All Executive KMP.
What was the performance period?	The STI for FY2016 operated over a 12 month performance period from 1 July 2015 to 30 June 2016.
What was the target STI award?	Executive KMPs' target STI was 50% of fixed remuneration over the 12 month performance period with up to 75% of fixed remuneration for stretch performance. The minimum possible total value of an STI grant is nil. The STI amount actually awarded to each Executive KMP in FY2016 is shown later in this section 3.7.
What were the performance conditions, why were they chosen and how were they assessed?	The following KPIs were adopted as performance conditions and applied to the FY2016 STI: • Safety (TRIFR) • FOB cost per saleable tonne (equity basis) • ROM production (managed basis) • Net Profit After Tax (NPAT) • Leadership and individual key performance indicators as agreed between the Managing Director and Chief Executive Officer and the Board, for example project development targets. These performance conditions were chosen as they were directly linked to the financial and operational priorities of the Company. At the commencement of FY2016, the Board set Target KPIs, the achievement of which was expected to be critical to the success of the Company as it continued to grow ROM coal production volumes closer to the Board target of 23Mtpa and as it commenced the debt repayment process at this time in the coal cycle. The KPIs remain appropriate as they are aligned with the interests of shareholders. The Board designed these KPIs to ensure that the balance sheet of the Group was stronger at the end of the financial year even though difficult circumstances were anticipated. The Group's return to NPAT continues the story of delivering upon promises. The Board was mindful that all Target KPIs had been met or exceeded, and resolved that the STI awards should therefore be approved as assessed. The Remuneration Committee and the Board assessed and approved the STI performance conditions applying to the Managing Director's STI award. The performance conditions for Other Executive KMP were assessed by the Managing Director and approved by the Board.

Remuneration report (cont.)

3.4 STI for FY2016 (cont.)

The weightings of each performance condition are set out in the following table.

	Managing Director	CFO	Company Secretary / Group Counsel	EGM Projects	EGM Operations	EGM Marketing
Safety (TRIFR)	20%	20%	20%	20%	20%	20%
FOB cost per saleable tonne	15%	20%	20%	10%	20%	15%
ROM production	20%	10%	20%	10%	20%	10%
NPAT	25%	20%	20%	20%	20%	25%
Individual Leadership KPIs	20%	30%	20%	40%	20%	30%

What performance level was achieved?

A snapshot of the performance levels achieved for FY2016 is set out below:

Performance condition [1]	YoY[2]	Actual	Target	Outcome
Safety[3]	6%	10.6	10.6	Target
FOB cost per saleable tonne	8%	$56/t	$60.38	Exceeded Stretch
ROM production	30%	20.5Mt	19.4Mt	Between Target and Stretch
NPAT	NM[4]	$20.5m	$1.0m	Between Target and Stretch

1. Excludes individual leadership KPIs
2. Year on year improvement
3. Target TRIFR from continuing operations 10.6
4. Not meaningful

Additional detail on each KPI is set out below.

Safety

The emphasis on a safe working environment has continued to drive a sustained reduction in the TRIFR rate. Against tough market conditions the Whitehaven view that "tonnes cannot come at the expense of safety" is embedded in the Company. Our operations have performed very safely – our TRIFR of 10.6 is superior to the NSW coal industry average, and is a 6% improvement in TRIFR rate from our continuing operations when compared with FY2015. The progress of the Company to improve safety processes and standards now positions the Company above the average for the NSW coal industry.

FOB cost per saleable tonne

The effort to lower operating costs continues. Costs for FY2016 were driven substantially lower than the previous year and well below target. The actual outcome for the FY2016 Costs target (equity basis) was $56/t FOB, which exceeded the stretch target. This cost performance helped to increase EBITDA margins to $14/t in FY2016 from ~$13/t in FY2015 in the face of falling prices.

ROM production (managed)

In FY2016, first commercial production from Maules Creek was achieved. Narrabri met its target and our Gunnedah open cut mines exceeded their respective production targets for the year.

NPAT

Cost control across overburden removal, coal mining, transportation, coal preparation, port, rail, sales and marketing and administration, combined with record production and sales volumes to underpin the Company's return to profitability. The reported NPAT of $20.5m approached the stretch target despite the very difficult coal price environment.

Individual Leadership KPIs

The Managing Director's KPIs are cascaded into the Company to site management level. Below site management level a mix of specific site based and Company-wide targets are adopted as appropriate. The STI classification weightings that apply for the Managing Director are broadly consistent when cascaded into the Company.

Remuneration report (cont.)

3.4 STI for FY2016 (cont.)

How is the STI delivered?	70% of the STI award will be paid to the Executive KMP in cash in September 2016. The remaining 30% of the STI award will be deferred into rights to receive Whitehaven ordinary shares (**Deferred Equity**), which will vest and become exercisable subject to meeting service conditions. In accordance with the service conditions, half of the Deferred Equity will vest and become exercisable at the completion of FY2017, while the other half will vest and become exercisable at the completion of FY2018. There is no exercise price payable upon vesting or exercise of Deferred Equity. On exercise of Deferred Equity, each right entitles the recipient to one ordinary share in the Company. Vested Deferred Equity that has not been exercised by 13 August 2025 (the expiry date) will automatically be exercised. Deferred Equity will not vest if the Executive KMP resigns or is terminated for cause or the Board applies its discretion to clawback some or all of the Deferred Equity. Dividends do not accrue on Deferred Equity. Executive KMP are required to comply with the Company's securities trading policy in respect of their Deferred Equity, 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 Equity will vest and become exercisable.

3.5 LTI for FY2016

The following table describes the full terms of the FY2016 LTI grants to Executive KMP

Who participated?	All Executive KMP.
How much LTI was granted?	LTI is granted to Executive KMP in the form of performance rights, being rights to receive ordinary shares subject to meeting performance conditions and exercise by the Executive KMP. There is no exercise price payable on vesting or exercise of the performance rights. On exercise, each performance right entitles the recipient to one ordinary share in the Company. Vested performance rights that have not been exercised by 13 August 2025 (the expiry date) will automatically be exercised. The Managing Director was granted performance rights with a face value equal to 100% of his TFR and the EGM Operations was granted performance rights with a face value equal to 90% of his TFR, Other KMP were granted performance rights with a face value equal to 80% of their TFR. The number of performance 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 1 July 2015. Shareholder approval was obtained at the 2015 Annual General Meeting for the FY2016 grant of performance rights to Mr Flynn.
What are the performance conditions?	The award was split into the following components: • **TSR Rights:** 60% of the award is subject to a relative TSR performance hurdle, which compares the TSR performance of the Company with the TSR performance of a peer group of companies operating in the Australian resources sectors; and • **Costs Target Rights**: 40% of the award is subject to the Company achieving a defined cost per tonne target Costs Hurdle – see below.

Remuneration report (cont.)

3.5 LTI for FY2016 (cont.)

Why were these performance conditions chosen?	A relative TSR performance hurdle was chosen because: 1. it allows for an objective external assessment of the shareholder value created by the Company relative to a comparator group of peers over a sustained period; 2. it is familiar to shareholders. The Costs Hurdle was chosen and set at a level which is aligned to the Company's vision to be Australia's leading independent coal producer and positioned in the lowest cost quartile of Australian coal producers. Tight control of costs of production (i.e. in the lowest cost quartile) is a key plank in our strategy. For this reason we have a cost metric in both our short and long term incentive structures. Lowest quartile costs protect and preserve shareholder value in difficult times and support enhanced returns when the commodity cycle recovers. With costs in the lowest quartile the Company has access to lower cost debt and larger liquidity pools, it is able to avoid dilutive and often expensive equity raisings, and its employees and suppliers have confidence in the Company's sustainability and ability to provide opportunities to grow.
What are the performance periods?	The TSR Rights are divided into two equal tranches capable of vesting and becoming exercisable after a three and four year performance period (respectively), with each performance period commencing on 1 July 2015. The Costs Target Rights will be based on the FOB cost per saleable tonne achieved on a Company-wide basis for the year ending 30 June 2018.

Remuneration report (cont.)

3.5 LTI for FY2016 (cont.)

How will the performance condition be calculated for the TSR Rights?

The TSR of the Company for the FY2016 LTI grant is measured as a percentile ranking compared to the below comparator group of listed entities over the relevant performance period for the tranche. The TSR comparator group is established before the commencement of the respective performance period.

BHP Billiton	Rio Tinto	Woodside Petroleum
Origin Energy	Oil Search	Newcrest Mining
South32	Caltex Australia	Santos
Fortescue Metals Group	Alumina	Iluka Resources
WorleyParsons	Sims Metal Management	Liquefied Natural Gas
BlueScope Steel	New Hope Corp	Sirius Resources
Whitehaven Coal	Beach Energy	Northern Star Resources
OZ Minerals	Evolution Mining	Independence Group

The level of vesting will be determined based on the ranking against the comparator group companies in accordance with the following schedule:

- at the 75th percentile or above – 100% of the TSR Rights vest;
- between the 50th and 75th percentile –vesting will occur on a pro rata straight line basis;
- at 50th percentile - 35% of the TSR Rights vest; and
- below the 50th percentile - no TSR Rights vest.

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 1 July 2015 (opening share price); and
- the volume weighted average share price over the corresponding 20 trading day period at the conclusion of the performance period ending 30 June 2018 and 30 June 2019, as applicable (closing share price).

Remuneration report (cont.)

3.5 LTI for FY2016 (cont.)

How will the performance condition be calculated for the Costs Target Rights?

The Remuneration Committee has set the LTI Costs Hurdle having regard to the Company's budgeted cost forecasts and to the current coal industry cost curve as measured by a recognised expert. The Board is satisfied that the LTI Costs Hurdle is challenging and that achievement of the performance condition will place the Company in the lowest cost quartile of the current coal industry cost curve.

Testing will occur at the end of FY2018 based on the average costs achieved on a Company-wide basis over the 12 month period from 1 July 2017 to 30 June 2018. Full vesting will only occur if the Board is satisfied that performance meets or exceeds the Maximum as set out below. The Board may, where it is appropriate to do so, revise the targets below to take account of mergers, acquisitions and divestments or other exceptional circumstances.

Vesting will occur based on the following schedule:

- Maximum or above – 100% of Costs Target Rights vest;
- Between Gateway and Maximum – 35% of the Costs Target Rights vest at Gateway performance and thereafter additional vesting will occur on a pro rata straight line basis up to stretch performance;
- Gateway - 35% of Costs Target Rights vest; and
- Below Gateway – no Costs Target Rights vest.

Due to the commercially sensitive nature of this hurdle, the exact target will not be disclosed until the year of testing. However, retrospective disclosure of the outcomes against the target will be provided in the Remuneration Report for the year of testing.

To the extent that the Costs Hurdle is satisfied at the end of FY2018:

- 50% of the Costs Target Rights that vest will immediately become exercisable; and
- The remaining 50% will be subject to a further one year service condition prior to vesting and becoming exercisable.

Notwithstanding the vesting schedule above, the Board retains discretion to lapse any or all Costs Target Rights if the Board considers that vesting would be inappropriate in light of the intent and purpose of the target.

Re-testing

All performance rights that do not vest following testing will lapse immediately. There is no re-testing of awards that do not vest.

Do the performance rights attract dividend and voting rights?

Performance rights do not carry voting or dividend rights.

Shares allocated on exercise 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 exercise. They are prohibited from hedging or otherwise protecting the value of their performance rights.

Remuneration report (cont.)

3.5 LTI for 2016 (cont.)

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

Remuneration report (cont.)

3.6 Rights granted to Executive KMP

Details of rights granted to Executive KMP under the STI and LTI during FY2016 are set out in the table below. The grants to Executive KMP included the Deferred Equity component of their FY2015 STI and their full 2015 LTI opportunity (granted in FY2016) and were made on the terms summarised in sections 3.4 and 3.5 above.

KMP	Plan	Number of rights granted	Performance hurdle*	Grant date	Fair value per right at grant date**	Latest Vesting date
Paul Flynn	STI	97,312	Service ***	8 April 2016	$1.29	27 August 2016
	STI	97,311	Service ***	8 April 2016	$1.29	27 August 2017
	STI	69,284	Contingent ****	8 April 2016	$1.29	27 August 2017
	LTI	308,372	TSR	8 April 2016	$0.16	30 June 2018
	LTI	308,372	TSR	8 April 2016	$0.20	30 June 2019
	LTI	411,163	Costs hurdle	8 April 2016	$0.57	30 June 2018
					$0.55	30 June 2019
Kevin Ball	STI	37,791	Service ***	8 April 2016	$1.29	27 August 2016
	STI	37,791	Service ***	8 April 2016	$1.29	27 August 2017
	STI	29,070	Contingent ****	8 April 2016	$1.29	27 August 2017
	LTI	111,628	TSR	8 April 2016	$0.16	30 June 2018
	LTI	111,628	TSR	8 April 2016	$0.20	30 June 2019
	LTI	148,837	Costs hurdle	8 April 2016	$0.57	30 June 2018
					$0.55	30 June 2019
Timothy Burt	STI	37,791	Service ***	8 April 2016	$1.29	27 August 2016
	STI	37,791	Service ***	8 April 2016	$1.29	27 August 2017
	STI	29,070	Contingent ****	8 April 2016	$1.29	27 August 2017
	LTI	94,884	TSR	8 April 2016	$0.16	30 June 2018
	LTI	94,883	TSR	8 April 2016	$0.20	30 June 2019
	LTI	126,512	Costs hurdle	8 April 2016	$0.57	30 June 2018
					$0.55	30 June 2019
Brian Cole	STI	49,128	Service ***	8 April 2016	$1.29	27 August 2016
	STI	49,128	Service ***	8 April 2016	$1.29	27 August 2017
	STI	37,791	Contingent ****	8 April 2016	$1.29	27 August 2017
	LTI	123,349	TSR	8 April 2016	$0.16	30 June 2018
	LTI	123,349	TSR	8 April 2016	$0.20	30 June 2019
	LTI	164,465	Costs hurdle	8 April 2016	$0.57	30 June 2018
					$0.55	30 June 2019

Remuneration report (cont.)

3.6 Rights granted to Executive KMP (cont.)

Jamie Frankcombe	STI	68,678	Service ***	8 April 2016	$1.29	27 August 2016
	STI	68,678	Service ***	8 April 2016	$1.29	27 August 2017
	STI	33,916	Contingent ****	8 April 2016	$1.29	27 August 2017
	LTI	186,802	TSR	8 April 2016	$0.16	30 June 2018
	LTI	186,802	TSR	8 April 2016	$0.20	30 June 2019
	LTI	249,070	Costs hurdle	8 April 2016	$0.57	30 June 2018
					$0.55	30 June 2019
Scott Knights	STI	28,403	Service ***	8 April 2016	$1.29	27 August 2016
	STI	28,403	Service ***	8 April 2016	$1.29	27 August 2017
	STI	22,724	Contingent ****	8 April 2016	$1.29	27 August 2017
	LTI	92,093	TSR	8 April 2016	$0.16	30 June 2018
	LTI	92,093	TSR	8 April 2016	$0.20	30 June 2019
	LTI	122,791	Costs hurdle	8 April 2016	$0.57	30 June 2018
					$0.55	30 June 2019

** To the extent that the Costs Hurdle is satisfied at the end of FY2018, 50% of the rights will vest and become exercisable immediately and the remaining 50% will continue on foot, subject to a further one year service condition.*

*** The fair value for rights granted to the Executive 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 5.5 to the financial statements.*

**** Service STI is the Deferred Equity component of FY2015 STI and is subject to service conditions of one and two years, respectively. There is no exercise price payable on vesting or exercise of Deferred Equity. On exercise of Deferred Equity, each right entitles the recipient to one ordinary share in the Company. Vested Deferred Equity that has not been exercised by 13 August 2025 (the expiry date) will automatically be exercised.*

***** Contingent STI relates to STI amounts in FY2015 for above Target EBITDA performance and above Target Maules Creek performance that were subject to further performance conditions. In August 2016 the Board confirmed that both elements had been achieved and therefore in August 2016 the Contingent STI vested and became exercisable. On exercise of Contingent STI, each right entitles the recipient to one ordinary share in the Company. Vested Deferred Equity that has not been exercised by 13 August 2025 (the expiry date) will automatically be exercised.*

Remuneration report (cont.)

3.6 Rights granted to Executive KMP (cont.)

A summary of the LTI performance rights shown above (i.e. the face value and the fair value of the LTI granted to each Executive KMP) is set out in the table below.

Executive KMP	Number of performance rights granted	Face value of performance rights at grant date	Fair value of performance rights at grant date
Paul Flynn	1,027,907	$1,326,000	$341,265
Kevin Ball	372,093	$480,000	$123,535
Timothy Burt	316,279	$408,000	$105,005
Brian Cole	411,163	$530,400	$136,506
Jamie Frankcombe	622,674	$803,250	$206,728
Scott Knights	306,977	$396,000	$101,916

3.7 Executive KMP realised remuneration outcomes

The table below is designed to give shareholders a better understanding of the actual remuneration outcomes for Executive KMP in FY2016. It includes:

- Fixed remuneration earned in FY2016;
- STI earned in respect of FY2016 performance (including cash payable in September 2016 and Deferred Equity STI which may vest and become exercisable in later years);
- LTI that reached the end of its performance period on 30 June 2016;
- any termination benefits provided in FY2016; and
- any non-monetary benefits provided to Executive KMP in FY2016 (including fringe benefits)

The amounts disclosed in the table, while not in accordance with accounting standards, are considered more helpful for shareholders to demonstrate the linkage between Company performance and remuneration outcomes for executives for FY2016

Name	TFR[1]	STI[2]	LTI[3]	Cessation[4]	Other[5]	Total Remuneration	FY2016 Deferred Equity STI [6]	FY2015 Contingent STI Award[7]
Paul Flynn	1,326,000	772,046	N/A	-	12,020	2,110,066	231,614	89,375
Kevin Ball	600,000	337,193	N/A	-	-	937,193	101,158	37,500
Timothy Burt	510,000	298,346	N/A	-	12,020	820,366	89,504	37,500
Brian Cole	663,000	356,023	N/A	-	8,824	1,027,847	106,807	48,750
Jamie Frankcombe	892,500	522,104	-	-	12,020	1,426,624	156,631	43,750
Scott Knights	495,000	276,821	N/A	-	-	771,821	83,046	29,312

1 Fixed remuneration comprises base salary and superannuation.

2 STI represents the total amount of STI that each Executive KMP is able to earn based on FY2016 performance including the 30% portion that is awarded as Deferred Equity, where vesting of rights is subject to meeting further service based conditions. Refer to section 3.4 for further details.

3 No LTI vested during FY2016. See section 3.5 for details of LTI.

4 There were no cessation payments during FY2016.

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

6 Deferred Equity STI refers to the amount of STI deferred into rights that are the subject to further service based conditions refer Section 3.4 for further details.

7 Contingent STI refers to STI amounts in FY2015 for above Target EBITDA performance and above Target Maules Creek performance that were subject to further performance conditions. The first component (60%) would not vest unless the Company returned to profit prior to 30 June 2017 while the second component (40%) would only fully vest if the unexpended contingency for the Maules Creek Project exceeded a stretch target of $37m. In August 2016 the Board declared that each of these contingent conditions had been met. The details of these contingent awards were fully disclosed in the Company's Remuneration Report for the year ended 30 June 2015.

Remuneration report (cont.)

3.7 Executive KMP realised remuneration outcomes (cont.)

The individual STI outcome for each Executive KMP is set out in the table below.

	STI earned ($A)				
Executive KMP	**Paid as cash ($)**	**Deferred Equity ($)**	**Total ($)**	**Percentage of maximum STI received**	**Percentage of maximum STI forfeited**
Paul Flynn	540,432	231,614	772,046	78%	22%
Kevin Ball	236,035	101,158	337,193	75%	25%
Timothy Burt	208,842	89,504	298,346	78%	22%
Brian Cole	249,216	106,807	356,023	72%	28%
Jamie Frankcombe	365,473	156,631	522,104	78%	22%
Scott Knights	193,775	83,046	276,821	75%	25%

Details of the remuneration of KMP prepared in accordance with statutory obligations and accounting standards are contained in section 5 of this Remuneration Report.

4 EXECUTIVE KMP EMPLOYMENT CONTRACTS

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

All Executive KMP 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).

Managing Director

Paul Flynn was appointed as Managing Director and CEO of the Company on 27 March 2013. This table outlines the key terms of Mr Flynn's contract of employment.

Fixed remuneration	Mr Flynn's annual TFR for FY2017 is $1,352,520 (FY2016: $1,326,000) which includes salary, superannuation contributions, and any components under Whitehaven's salary packaging guidelines and all Director fees. TFR is reviewed annually.
Short term incentive	Mr Flynn is eligible to participate in the annual STI plan, as described in section 3.4. At Target performance, his FY2017 STI opportunity is 100% of TFR (FY2016: 50%), with up to 125% of TFR for Stretch performance (FY2016:75%).
Long term incentive	Mr Flynn is eligible to participate in the LTI plan as described in section 3.5, and subject to receiving required or appropriate shareholder approval. Mr Flynn's LTI grant will be 100% of his TFR for FY2017 (FY2016: 100%).

Remuneration report (cont.)

4 EXECUTIVE KMP EMPLOYMENT CONTRACTS (CONT.)

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 in 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

Other Executive KMP contracts

A summary of the notice periods and key terms of the current 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
Scott Knights Executive General Manager – Marketing Appointed 18 August 2014	6 months by employee or the Company

5 EXECUTIVE KMP - STATUTORY REMUNERATION TABLE

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

Remuneration report (cont.)

5 EXECUTIVE KMP – STATUTORY REMUNERATION TABLE (CONT.)

In AUD	FY	Salary & Fees	Non – Monetary Benefits (A)	Superannuation Benefits	STI (B)	Termination Benefits	Share-based payments: Shares	Share-based payments: Rights and options (C)	Total Remuneration
Executive Directors									
Paul Flynn	2016	1,291,000	12,020	35,000	772,046	-	-	321,283	2,431,349
	2015	1,275,518	11,530	24,482	926,250	-	-	180,678	2,418,458
Other Executive KMP									
Kevin Ball	2016	575,000	-	25,000	337,193	-	-	114,962	1,052,155
	2015	475,000	-	25,000	362,500	-	-	61,606	924,106
Timothy Burt	2016	480,000	12,020	30,000	298,346	-	-	147,782	968,148
	2015	469,697	11,530	30,000	362,500	-	-	116,809	990,536
Brian Cole	2016	623,600	8,824	39,400	356,023	-	-	195,860	1,223,707
	2015	615,100	18,193	35,000	471,250	-	-	157,000	1,296,543
Jamie Frankcombe	2016	857,500	12,020	35,000	522,104	-	-	229,867	1,656,491
	2015	850,000	11,530	25,000	634,375	-	-	137,379	1,658,284
Scott Knights	2016	470,000	-	25,000	276,821	-	-	84,766	856,587
	2015	371,032	-	22,520	273,575	-	-	-	667,127

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

B. Refer to section 3.7 for details of the FY2016 STI – approximately 70% will be paid in September 2016 while 30% will be subject to further service based vesting conditions.

C. The fair value for LTI 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 5.5 to the financial statements.

Remuneration report (cont.)

6 NON-EXECUTIVE DIRECTOR FEES AND FEE POOL

This section explains the fees for Non-executive Directors.

6.1 Setting Non-executive Director fees

Non-executive Directors fees are designed to ensure that the Company can attract and retain suitably qualified and experienced Non-executive Directors.

Non-executive Directors do not receive shares, share options or any performance-related incentives as part of their fees from the Company. However, although there is no formal minimum shareholding, Non-executive Directors are strongly encouraged to hold shares.

Non-executive Directors are also entitled to be reimbursed for 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.

In 2012 the shareholders approved a total aggregate maximum amount of Non-executive Directors' fees of $2,500,000 per annum.

6.2 Current Non-executive Director fee levels and fee pool

The table below sets out the Board and Committee fees in Australian dollars as at 30 June 2016. The Board determined that there would be no fee increases for Non-executive Directors for FY2017. Director fees have remained unchanged since 2012.

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

** The Chairman and Deputy Chairman of the Board do not receive Committee fees in addition to their Board fees.*

The fees set out above exclude 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 mines, coal handling and preparation plants and participated in the Company's annual safety day.

Remuneration report (cont.)

6.3 Non-executive Director fees - statutory disclosures

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

		Short-term benefits			Post-employment benefits		Total
In AUD		**Board & Committee fees**	**Non-monetary benefits**	**Other benefits (non-cash)**	**Super-annuation benefits**	**Termination benefits**	**fees for services as a Non-executive Director**
Non-executive Directors							
The Hon. Mark	2016	350,000	-	-	19,308	-	369,308
Vaile (Chairman)	2015	350,000	-	-	18,783	-	368,783
John Conde	2016	262,500	-	-	19,308		281,808
(Deputy Chairman)	2015	262,500	-	-	18,783		281,283
Dr Julie Beeby*	2016	145,869	-	-	13,858	-	159,727
	2015	-	-	-	-	-	-
Tony Haggarty	2016	185,000	-	-	17,575	-	202,575
	2015	165,000	-	-	15,675	-	180,675
Christine McLoughlin	2016	177,500	-	-	16,863		194,363
	2015	177,500	-	-	16,863		194,363
Ray Zage	2016	-***	-	-	-	-	-
	2015	-***	-	-	-	-	-
Rick Gazzard**	2016	14,375	-	-	1,366	-	15,741
	2015	172,500			16,388		188,888
Philip Christensen****	2016	-	-	-	-	-	-
	2015	5,979	-	-	568	-	6,547
Total	**2016**	**1,135,244**	**-**	**-**	**88,278**	**-**	**1,223,522**
	2015	**1,133,479**	**-**	**-**	**87,060**	**-**	**1,220,539**

* Appointed 17 July 2015
** Resigned 16 July 2015
*** Mr Zage elected not to receive any Board & Committee fees in FY2015 and FY2016
**** Resigned 14 July 2014

7.0 RELATED PARTY TRANSACTIONS AND ADDITIONAL DISCLOSURES

7.1 Loans with Executive KMP and Non-executive Directors

There were no loans outstanding to any Executive KMP or any Non-executive Director or their related parties, at any time in the current or prior reporting periods.

7.2 Other KMP transactions

Apart from the details disclosed in this report, no Executive KMP or Non-executive Director or their related parties have entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving those people's interests existing at year-end.

Remuneration report (cont.)

7.3 Movement in equity instruments held by Executive KMP

The movement during the reporting period, by number and value of equity instruments in the Company held by each Executive KMP is detailed below.

Executive KMP	Instrument	Balance as at 1 July 2015 (number)	Granted (number) (A)	Granted (value) (B) $	Vested (number)	Vested (value) (C) $	Lapsed (number)	Lapsed (year of grant) (D)	Balance as at 30 June 2016 (number)
Paul Flynn	Performance Rights (LTI)	1,303,238	1,027,907	341,265	-	-	-	-	2,331,145
	Deferred Rights (STI)	-	263,907	340,438	-	-	-	-	263,907
	Deferred Shares (STI)	126,410	-	-	63,205	121,354	-	-	63,205
Kevin Ball	Performance Rights (LTI)	370,353	372,093	123,535	-	-	-	-	742,446
	Deferred Rights (STI)	-	104,652	135,000	-	-	-	-	104,652
	Deferred Shares (STI)	19,150	-	-	9,575	18,384	-	-	9,575
Timothy Burt	Performance Rights (LTI)	505,254	316,279	105,005	-	-	30,819*	2012	790,714
	Deferred Rights (STI)	-	104,652	135,000	-	-	-	-	104,652
	Deferred Shares (STI)	39,083	-	-	22,115	42,974	-	-	16,968
Brian Cole	Performance Rights (LTI)	672,745	411,163	136,506	-	-	42,174*	2012	1,041,734
	Deferred Rights (STI)	-	136,047	175,500	-	-	-	-	136,047
	Deferred Shares (STI)	52,846	-	-	29,548	57,357	-	-	23,298
Jamie Frankcombe	Performance Rights (LTI)	791,952	622,674	206,728	-	-	-	-	1,414,626
	Deferred Rights (STI)	-	171,272	220,938	-	-	-	-	171,272
	Deferred Shares (STI)	71,625	-	-	37,482	72,298	-	-	34,143
Scott Knights	Performance Rights (LTI)	246,575	306,977	101,916	-	-	-	-	553,552
	Deferred Rights (STI)	-	79,530	102,591	-	-	-	-	79,530

*The performance period for Tranche 2 of the 2012 LTI grant expired on 23 September 2015 and all of the rights lapsed as a result of the performance condition not being met.

Remuneration report (cont.)

7.3 Movement in equity instruments held by Executive KMP (cont.)

(A) The number of rights granted during FY2016 includes the Deferred Equity component of the FY2015 STI award and the FY2015 Contingent 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 1 July 2015. The grant date of the rights was 8 April 2016. Further details are provided in section 3.4.

(B) The value of LTI performance rights granted in the year is the fair value of the performance rights at grant date using the Monte Carlo simulation model.
The value of deferred STI rights granted in the year has been calculated using the volume weighted average price of the Company's shares for the 20 day trading period commencing 10 trading days prior to 1 July 2015.
Unvested LTI performance rights and unvested STI rights have a minimum value of zero if they do not meet the relevant performance or service conditions.
The maximum value of unvested LTI performance rights, unvested deferred STI rights and unvested STI deferred shares is the sale price of the Company's shares at the date of vesting, or where applicable, exercise.

(C) No LTI awards vested or were exercised during the period.
Tranche 2 of the FY2013 STI deferred shares vested during the period. The vested value has been calculated using the volume weighted average price of the Company's shares for the 20 day trading period commencing 10 trading days prior to the effective grant date of 27 August 2013.
Tranche 1 of the FY2014 STI deferred shares vested during the period. The vested value has been calculated using the volume weighted average price of the Company's shares for the 20 day trading period commencing 10 trading days prior to the effective grant date of 27 August 2014.

(D) The year in which the lapsed performance rights, rights or deferred shares were granted.

Remuneration report (cont.)

7.4 Additional disclosures relating to ordinary shares

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

No. of shares	Held at 1 July 2015	Received on vesting of STI/LTI	Received as remuneration	Other net change	Held at 30 June 2016
Directors					
Mark Vaile	2,567,767	-	-	-	2,567,767
John Conde	378,605	-	-	510,015	888,620
Dr Julie Beeby*	-	-	-	55,000	55,000
Paul Flynn	265,792***	-	-	118,000	383,792****
Rick Gazzard**	200,000	N/A	N/A	N/A	N/A
Tony Haggarty	20,060,787	-	-	1,735,506	21,796,293
Christine McLoughlin	55,000	-	-	-	55,000
Ray Zage	-	-	-	-	-
Executive					
Kevin Ball	44,150***	-	-	80,000	124,150****
Timothy Burt	224,129***	-	-	-	224,129****
Brian Cole	59,096***	-	-	-	59,096****
Jamie Frankcombe	327,650***	-	-	100,000	427,650****
Scott Knights	-	-	-	40,000	40,000

* Dr Julie Beeby commenced 17 July 2015

**Rick Gazzard resigned 16 July 2015

*** Includes shares subject to restrictions granted as part of the FY2013 and FY2014 STI which were held by the Whitehaven Coal Limited Equity Incentive Plan Trust at 1 July 2015

****Includes shares subject to restrictions granted as part of the FY2014 STI which were held by the Whitehaven Coal Limited Equity Incentive Plan Trust at 30 June 2016

Remuneration report (cont.)

7.5 Additional disclosures relating to options and rights over equity instruments

The movement during the reporting period in the number of options and performance rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each Executive KMP and each Non-executive Director, including their related parties, is as follows:

	Held at 1 July 2015	Granted	Exercised	Lapsed/ Forfeited**	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016
Directors							
Mark Vaile*	189,000	-	-	189,000	-	-	-
Paul Flynn	1,303,238	1,291,814	-	-	2,595,052	-	-
Executives							
Kevin Ball	370,353	476,745	-	-	847,098	-	-
Timothy Burt	505,254	420,931	-	30,819	895,366	-	-
Brian Cole	672,745	547,210	-	42,174	1,177,781	-	-
Jamie Frankcombe	791,952	793,946	-	-	1,585,898	-	-
Scott Knights	246,575	386,507	-	-	633,082	-	-

* 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.
** The performance period for Tranche 2 of the 2012 LTI grant expired on 23 September 2015 and all of the rights lapsed as a result of the performance condition not being met.

Signed in accordance with a resolution of the Directors:

The Hon. Mark Vaile AO
Chairman
Dated at Sydney this 18th day of August 2016

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

As lead auditor for the audit of Whitehaven Coal Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Whitehaven Coal Limited and the entities it controlled during the financial year.

Ernst & Young

Ryan Fisk
Partner
18 August 2016

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Notes to the Consolidated Financial Statements Index

Whitehaven Coal Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Revenue	*2.1*	1,164,437	763,290
Other income		8,356	10,713
Operating expenses		(509,815)	(358,089)
Coal purchases		(5,616)	-
Selling and distribution expenses		(314,248)	(202,226)
Government royalties		(88,155)	(58,120)
Impairment of assets	*2.2*	-	(445,363)
Administrative expenses		(26,321)	(24,750)
Depreciation and amortisation		(130,385)	(97,584)
Other expenses		(4,505)	(2,784)
Profit / (loss) before net financial expense		**93,748**	**(414,913)**
Financial income		1,056	4,756
Financial expenses		(67,130)	(73,160)
Net financial expense	*5.2*	**(66,074)**	**(68,404)**
Profit / (loss) before tax		27,674	(483,317)
Income tax (expense) / benefit	*2.3(a)*	(7,186)	140,592
Net profit / (loss) for the year		**20,488**	**(342,725)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net movement on cash flow hedges	*5.2*	1,186	(1,507)
Income tax effect	*2.3(b)*	(356)	452
Other comprehensive income / (loss) for the period, net of tax	*5.2*	**830**	**(1,055)**
Total comprehensive income / (loss) for the period, net of tax		**21,318**	**(343,780)**
Net profit / (loss) for the period attributable to:			
Owners of the parent		20,488	(330,625)
Non-controlling interests		-	(12,100)
Total comprehensive income / (loss) for the period, net of tax attributable to:			
Owners of the parent		21,318	(331,680)
Non-controlling interests		-	(12,100)
Earnings per share:			
Basic earnings / (loss) per share (cents per share)	*2.4*	2.1	(33.3)
Diluted earnings / (loss) per share (cents per share)	*2.4*	2.1	(33.3)

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

Whitehaven Coal Limited
Consolidated statement of financial position
As at 30 June 2016

	Note	2016 $'000	2015 $'000
Assets			
Cash and cash equivalents		101,453	102,393
Trade and other receivables[1]	*3.1*	68,347	95,066
Inventories	*3.2*	68,737	89,892
Derivative financial instruments	*5.3(d)*	351	162
Total current assets		**238,888**	**287,513**
Trade and other receivables[1]	*3.1*	28,964	30,162
Investments		37	37
Property, plant and equipment	*4.1*	3,497,613	3,539,244
Exploration and evaluation	*4.2*	206,583	201,346
Intangible assets	*4.3*	19,818	19,954
Deferred tax assets	*2.3(c)*	103,573	111,115
Total non-current assets		**3,856,588**	**3,901,858**
Total assets		**4,095,476**	**4,189,371**
Liabilities			
Trade and other payables	*3.3*	135,928	147,422
Interest bearing loans and borrowings	*5.1*	24,451	21,750
Employee benefits	*7.1*	16,872	14,055
Current tax payable	*2.3(c)*	-	42,331
Provisions	*4.4*	7,260	7,380
Derivative financial instruments	*5.3(e)*	1,138	2,136
Total current liabilities		**185,649**	**235,074**
Non-current liabilities			
Interest bearing loans and borrowings	*5.1*	936,115	1,016,481
Provisions	*4.4*	84,996	72,782
Total non-current liabilities		**1,021,111**	**1,089,263**
Total liabilities		**1,206,760**	**1,324,337**
Net assets		**2,888,716**	**2,865,034**
Equity			
Issued capital	*5.4(a)*	3,144,944	3,146,147
Share based payments reserve		18,417	36,543
Hedge reserve		(551)	(1,381)
Retained earnings		(275,172)	(317,353)
Equity attributable to owners of the parent		**2,887,638**	**2,863,956**
Non-controlling interest		1,078	1,078
Total equity		**2,888,716**	**2,865,034**

[1]The comparative period has been restated to better reflect the current and non-current classification of other receivables. Current 'Trade and other receivables' as at 30 June 2015 as previously reported was $101.1m. This has been reduced by $6.0m to align with the current year's presentation. Correspondingly, non-current 'Trade and other receivables' as at 30 June 2015 has increased by $6.0m.

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

Whitehaven Coal Limited
Consolidated statement of changes in equity
For the year ended 30 June 2016

	Note	Issued Capital $'000	Share Based Payment Reserve $'000	Hedge Reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Opening balance at 1 July 2014		**3,146,300**	**35,206**	**(326)**	**12,178**	**3,193,358**	**13,178**	**3,206,536**
Loss for the period		-	-	-	(330,625)	(330,625)	(12,100)	(342,725)
Other comprehensive income		-	-	(1,055)	-	(1,055)	-	(1,055)
Total comprehensive income for the year		**-**	**-**	**(1,055)**	**(330,625)**	**(331,680)**	**(12,100)**	**(343,780)**
Transactions with owners in their capacity as owners:								
Share based payments	*5.5(a)*	-	2,431	-	-	2,431	-	2,431
Transfer on exercise/lapse of share based payments		-	(1,094)	-	1,094	-	-	-
Purchase of shares through employee share plan	*5.4(b)*	(148)	-	-	-	(148)	-	(148)
Cost of shares issued, net of tax	*5.4(b)*	(5)	-	-	-	(5)	-	(5)
Closing balance at 30 June 2015		**3,146,147**	**36,543**	**(1,381)**	**(317,353)**	**2,863,956**	**1,078**	**2,865,034**
Opening balance at 1 July 2015		**3,146,147**	**36,543**	**(1,381)**	**(317,353)**	**2,863,956**	**1,078**	**2,865,034**
Profit for the period		-	-	-	20,488	20,488	-	20,488
Other comprehensive income		-	-	830	-	830	-	830
Total comprehensive income for the year		**-**	**-**	**830**	**20,488**	**21,318**	**-**	**21,318**
Transactions with owners in their capacity as owners:								
Share based payments	*5.5(a)*	-	3,715	-	-	3,715	-	3,715
Transfer on exercise/lapse of share based payments		148	(21,841)	-	21,693	-	-	-
Purchase of shares through employee share plan	*5.4(b)*	(1,351)	-	-	-	(1,351)	-	(1,351)
Closing balance at 30 June 2016		**3,144,944**	**18,417**	**(551)**	**(275,172)**	**2,887,638**	**1,078**	**2,888,716**

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

Whitehaven Coal Limited
Consolidated statement of cash flows
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash receipts from customers		1,188,341	740,162
Cash paid to suppliers and employees[1]		(919,010)	(587,442)
Cash generated from operations		269,331	152,720
Interest paid		(56,123)	(39,914)
Interest received		1,056	4,752
Income taxes (paid) / refunded		(42,331)	36,111
Net cash from operating activities	*3.4*	**171,933**	**153,669**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		902	-
Purchase of property, plant and equipment[1]		(88,867)	(370,851)
Purchase of intangible assets		-	(4,975)
Exploration and evaluation expenditure		(5,107)	(851)
Net cash used in investing activities		**(93,072)**	**(376,677)**
Cash flows from financing activities			
Net proceeds from issue / (purchase) of shares		(1,351)	(153)
Proceeds from borrowings	*5.1*	9,450	1,125,000
Repayment of borrowings		(73,610)	(858,246)
Payment of finance facility upfront costs		(787)	(27,084)
Payment of finance lease liabilities		(13,503)	(17,283)
Net cash (used in) / from financing activities		**(79,801)**	**222,234**
Net change in cash and cash equivalents		(940)	(774)
Cash and cash equivalents at 1 July		102,393	103,167
Cash and cash equivalents at 30 June		**101,453**	**102,393**

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

[1] The Group has made the decision to reclassify cash flows relating to Narrabri deferred development expenditure as 'Cash paid to suppliers and employees'. The comparative period has been restated to reflect this change. 'Purchase of property, plant and equipment' for the year ended 30 June 2015 as previously reported was $430.6m. This has been reduced by $59.7m to align with the current year's presentation. Correspondingly, 'Cash paid to suppliers and employees' for the year ended 30 June 2015 has been increased by $59.7m. The change has been made to improve clarity of financial information. Narrabri deferred development expenditure includes the costs of developing future longwall gateroads, longwall move costs and gas drainage costs associated with future longwall panels. These costs are incurred and spent, deferred and the associated amortisation charge is included in operating expenses in the consolidated statement of comprehensive income when the longwall panel is mined.

1 About this report

1.1 Reporting entity

Whitehaven Coal Limited ('Whitehaven' or 'Company) is a for-profit entity, and the principal activity of Whitehaven and its controlled entities (referred to as the 'Group') is the development and operation of coal mines in New South Wales. The consolidated general purpose financial report of the Group for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 18 August 2016. 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.

1.2 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 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).

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 note 5.3).

The Company is of a kind referred to in ASIC Class Order 2016/191 and dated 24 March 2016 and in accordance with that Class Order, all financial information has been presented in Australian dollars and rounded to the nearest thousand dollars unless otherwise stated.

1.3 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Judgements and estimates which are material to the financial report are found in the following notes: i) 2.3 Taxes; ii) 4.1 Property, plant and equipment; iii) 4.2 Exploration and evaluation; iv) 4.4 Provisions; and v) 6.1 Group's subsidiaries and interests in joint operations.

1.4 Summary of other significant accounting policies

The accounting policies set out below, and in the notes, have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries in the Group. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate.

(i) Basis of consolidation

The consolidated financial report of the Company for the financial year ended 30 June 2016 comprises the Company and its subsidiaries and the Group's interest in jointly controlled operations (together referred to as the 'Group').

(ii) 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 consolidated statement of comprehensive income.

Both the functional and presentation currency of the Company and of all entities in the Group is Australian dollars ($).

(iii) Notes to the consolidated financial statements

The notes to these consolidated financial statements have been organised into logical groupings to present more meaningful and dynamic information to users. To the extent possible the relevant accounting policies and numbers have been provided in the same note. The Group has also reviewed the notes for materiality and relevance and provided additional information where considered material and relevant to the operations, financial position and performance of the Group.

2 Group performance

2.1 Segment reporting

Accounting policy:

The Group identifies its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources. The performance of operating segments is evaluated at least monthly based on revenues and profit before taxes and is measured in accordance with the Group's accounting policies.

a) Identification of reportable segments

The Group has determined that it has two reportable segments: Open Cut Operations and Underground Operations.

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

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.

The following table represents revenue and profit information for reportable segments:

	Open Cut Operations $'000	Underground Operations $'000	Unallocated Operations $'000	Total $'000
Year ended 30 Jun 2016				
Revenue				
Sales to external customers	771,036	397,207	(3,806)	1,164,437
Total segment revenue	771,036	397,207	(3,806)	1,164,437
Total revenue per consolidated statement of comprehensive income				**1,164,437**
Result				
Segment result	129,759	116,203	(21,829)	224,133
Depreciation and amortisation				(130,385)
Income tax expense				(7,186)
Net finance expense				(66,074)
Net profit after tax per consolidated statement of comprehensive income				**20,488**
Capital expenditure				
Segment expenditure[1]	19,117	54,074	8,230	81,421

	Open Cut Operations $'000	Underground Operations $'000	Unallocated Operations $'000	Total $'000
Year ended 30 Jun 2015				
Revenue				
Sales to external customers	365,809	406,093	(8,612)	763,290
Total segment revenue	365,809	406,093	(8,612)	763,290
Total revenue per consolidated statement of comprehensive income				**763,290**
Result				
Segment result	36,694	113,538	(19,982)	130,250
Depreciation and amortisation				(97,584)
Income tax benefit				140,592
Significant items before income tax and financing *(see note 2.2)*				(447,253)
Loss on investments and asset disposals				(884)
Net finance expense				(67,846)
Net loss after tax per consolidated statement of comprehensive income				**(342,725)**
Capital expenditure				
Segment expenditure[1]	239,630	43,861	6,689	290,180

[1] Open Cut operations includes Maules Creek expenditure

2 Group performance (cont.)

2.1 Segment reporting (cont.)

Accounting policy:

Revenue from the sale of coal is recognised and measured at the fair value of consideration received or receivable to the extent that:

i) it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured;
ii) the significant risks and rewards of ownership have been transferred to the buyer; and
iii) 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 Maules Creek development coal in the previous year was offset against development costs capitalised on the consolidated statement of financial position until production reached commercial levels on 1 July 2015.

Other segment information

Revenue from external customers is attributed to geographic location based on final shipping destination.

	2016	**2015**
	$'000	**$'000**
Revenue by geographic location		
Japan	631,524	274,520
Korea	148,496	253,324
Taiwan	141,122	50,890
India	84,522	106,834
China	50,928	14,957
Other	39,660	57,555
Mexico	21,636	-
Malaysia	20,962	-
Chile	20,710	-
Domestic	4,877	5,210
Total revenue	**1,164,437**	**763,290**
Revenue by product		
Thermal	950,398	589,856
Metallurgical	209,162	168,224
Domestic	4,877	5,210
Total revenue	**1,164,437**	**763,290**

Major customers

The Group has three major customers which account for 34.4% (2015: 36.1%) of external revenue.

2 Group performance (cont.)

2.2 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.

	Note	2016 $'000	2015 $'000
Included within the balances presented on the face of the Consolidated Statement of Comprehensive Income:			
Operating expenses:			
Restructuring costs[1]		-	(585)
Impairment of assets			
Impairment of exploration and related assets[2]		-	(354,652)
Impairment of MRRT goodwill[3]		-	(90,711)
		-	**(445,363)**
Administrative expenses:			
Bad debt provisions[4]		-	(1,305)
Financial expenses:			
Write-off of finance facility upfront costs	*5.1*	-	(23,093)
Significant items before tax		**-**	**(470,346)**
Applicable income tax (expense)/benefit		-	112,573
De-recognition of MRRT net deferred tax liability [3]		-	25,801
Tax benefit on refund of overpaid tax [5]		-	42,331
Franking deficit tax charge [5]		-	(42,331)
Significant items after tax		**-**	**(331,972)**

[1] During the prior year, the Group incurred redundancy costs of $0.6m as a result of a restructure of its workforce.

[2] During the prior year, an impairment charge of $355m was taken in respect of early stage exploration assets. The impairment charge reflected the recently changed coal market environment and prospects for early stage exploration assets and particularly assets higher in ash and lower in energy. This included assets that would have been targeted towards customers in China.

[3] De-recognition of MRRT related deferred tax balances in the prior year as a result of the enactment of legislation repealing the MRRT. This included the MRRT goodwill that arose on the acquisition of Aston $53.2m (allocated to the open-cut segment), Boardwalk ($29.9m) and Coalworks ($7.6m) that were not allocated during the year ended 30 June 2012 as a result of the recognition of deferred taxes on the implementation of the MRRT legislation. This MRRT goodwill, being an intangible asset was created upon the introduction of the MRRT. The carrying value of the MRRT goodwill was reviewed in the prior year following the enactment of legislation repealing the MRRT, and as a result was fully reversed, together with the associated deferred tax assets and liabilities initially recognised on introduction of the MRRT legislation.

[4] The Company was advised in July 2014 that a domestic customer had been placed into voluntary administration. A provision was established to cover balances owed which were not expected to be recovered. This outstanding debt was written off in the current financial year.

[5] During the prior year the company received a tax refund of $42.3m following conclusion of an outstanding tax matter resulting in a tax benefit being recognised in the consolidated statement of comprehensive income. As a result of the tax refund the company was required to pay franking deficit tax of $42.3m to rebalance its franking account, resulting in recognition of an income tax expense in the consolidated statement of comprehensive income. This amount was paid on 31 July 2015 and will remain as a credit available to the company to offset future tax liabilities.

2 Group performance (cont.)

2.3 Taxes

Accounting policy:

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.
Current tax assets and liabilities 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 tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised. The tax rate and laws used to determine the amounts are based on those enacted or substantively enacted at the balance date

Deferred tax expense is the movement in the temporary differences between the carrying amount of an asset or liability in the consolidated statement of financial position and its tax base. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither accounting profit nor the taxable profit.

Deferred income tax assets, including unused tax losses, are recognised in relation to deductible temporary differences and carried forward income tax losses only to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences and carried forward income tax losses 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 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.

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. On 5 September 2014 the MRRT Repeal and Other Measures Bill 2014 received Royal Assent. Following the enactment of this legislation the MRRT balances were derecognised (see Note 2.2).

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.

The Company and its wholly-owned Australian resident controlled entities continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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 to next page).

2 Group performance (cont.)

2.3 Taxes (cont.)

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 receivable (payable) is at call. 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.

Goods and Services Tax

Revenues, expenses and assets (excluding receivables) 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 consolidated statement of financial position.

Cash flows are included in the consolidated 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.

Significant accounting judgements, estimates and assumptions

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.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, rehabilitation 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 consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognised which may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of comprehensive income.

2 Group performance (cont.)

2.3 Taxes (cont.)

a) Income tax (expense)/benefit

	2016 $'000	2015 $'000
Current income tax - corporate tax		
Current period	25,691	60,401
Adjustment for prior periods	-	(888)
	25,691	59,513
Deferred income tax – corporate tax		
Origination and reversal of temporary differences	(34,862)	55,278
Adjustment for prior periods	1,985	-
De-recognition of MRRT net deferred tax liability	-	25,801
Income tax (expense) / benefit reported in the consolidated statement of comprehensive income	(7,186)	140,592

Numerical reconciliation between tax expense recognised in the consolidated statement of comprehensive income and profit before tax

	2016 $'000	2015 $'000
Profit/(loss) before tax	27,674	(483,317)
Income tax (expense)/benefit using the Company's domestic tax rate of 30% (2015: 30%)	(8,302)	144,995
Non-deductible expenses:		
Share based payments	(1,115)	(729)
Impairment of goodwill	-	(27,213)
Impairment of exploration assets	-	(28,668)
Other non-deductible expenses/adjustments	246	(1,374)
De-recognition of MRRT net deferred tax liability	-	25,801
Recognition of tax losses	-	28,668
Tax benefit on refund of overpaid tax	-	42,331
Franking deficit tax liability	-	(42,331)
Over/(under) provided in prior periods	1,985	(888)
Total income tax (expense)/benefit	(7,186)	140,592

b) Income tax recognised directly in equity

	2016 $'000	2015 $'000
Deferred income tax related to items (charged)/credited directly to equity		
Derivatives	(356)	452
Transaction costs on issue of share capital	-	1
Income tax expense recorded in equity	(356)	453

2 Group performance (cont.)

2.3 Taxes (cont.)

c) Recognised tax assets and liabilities

	2016 Current income tax payable $'000	2016 Deferred income tax $'000	2015 Current income tax payable $'000	2015 Deferred income tax $'000
Opening balance	(42,331)	111,115	(6,219)	(29,931)
Charged to income – corporate tax	25,691	(34,862)	59,513	55,279
Charged to equity	-	(356)	-	453
Recognition of deferred tax asset on current year losses	(25,691)	25,691	(59,513)	59,513
De-recognition of MRRT net deferred tax liability	-	-	-	25,801
Franking deficit tax payable	-	-	(42,331)	42,331
Tax benefit on refund of overpaid tax	-	-	-	(42,331)
Over/(under) provided in prior periods	-	1,985	-	-
Payments/(receipts)	42,331	-	6,219	-
Closing balance	-	103,573	(42,331)	111,115
Tax expense in consolidated statement of comprehensive income:				
Charged to income		(7,186)		140,592
Charged to equity		(356)		453
Amounts recognised in the consolidated statement of financial position:				
Deferred tax asset (net)		103,573		111,115
Deferred tax liability (net)		-		-
		103,573		111,115

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

	Assets		Liabilities	
Corporate tax	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**
Property, plant and equipment	-	-	(302,459)	(265,748)
Exploration and evaluation	13,539	16,435	-	-
Receivables	-	-	(1,696)	(499)
Investments	358	358	-	-
Deferred stripping	-	-	(2,356)	(5,186)
Derivatives	-	-	(236)	(592)
Deferred foreign exchange gain	-	-	(294)	(47)
Provisions	30,943	25,384	-	-
Tax losses	356,815	329,396	-	-
Other items	8,959	11,614	-	-
Tax assets/(liabilities)	410,614	383,187	(307,041)	(272,072)
Set off of tax (liabilities)/assets	(307,041)	(272,072)	307,041	272,072
Net tax assets/(liabilities)	103,573	111,115	-	-

2 Group performance (cont.)

2.3 Taxes (cont.)

d) ***Unrecognised deferred tax assets***

Deferred tax assets have not been recognised in respect of the following items:

	2016 $'000	2015 $'000
Corporate tax		
Tax losses	31,219	32,164
Tax credits	73,289	30,958
	104,508	63,122

2.4 Earnings / (loss) per share

Basic earnings / (loss) per share

The calculation of basic earnings/(loss) per share 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:

	2016	2015
Profit / (loss) attributable to ordinary shareholders		
Net profit / (loss) attributable to ordinary shareholders ($'000)	20,488	(330,625)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July (000's)	992,026	991,740
Effect of shares issued / (acquired) during the year (000's)	(1,554)	129
Weighted average number of ordinary shares at 30 June (000's)	**990,472**	**991,869**
Basic earnings / (loss) per share attributable to ordinary shareholders (cents)	**2.1**	**(33.3)**

Diluted earnings / (loss) per share

The calculation of diluted earnings/(loss) per share 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:

	2016	2015
Profit/(loss) attributable to ordinary shareholders (diluted)		
Net profit / (loss) attributable to ordinary shareholders (diluted) ($'000)	20,488	(330,625)
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic) (000's)	990,472	991,869
Effect of share options / performance rights on issue (000's)	8,612	-
Weighted average number of ordinary shares (diluted) (000's)	**999,084**	**991,869**
Diluted earnings / (loss) per share attributable to ordinary shareholders (cents)	**2.1**	**(33.3)**

3 Working capital and cash flows

3.1 Trade and other receivables

Accounting policy:

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 any allowance for impairment. Recoverability of trade receivables is reviewed on an ongoing basis.

Current	**2016 $'000**	**2015 $'000**
Trade receivables	47,586	56,686
Other receivables and prepayments	15,986	29,889
Receivables due from related parties	4,775	8,491
	68,347	**95,066**
Non-current		
Other receivables and prepayments	**28,964**	**30,162**

3.2 Inventories

Accounting policy:

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. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained coal is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Coal stocks [1]	44,536	67,563
Consumables and stores	24,201	22,329
	68,737	**89,892**

[1]Coal stocks include run of mine and product coal.

3.3 Trade and other payables

Accounting policy:

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost when goods and services are received, whether or not billed to the Group, prior to the end of the reporting period. Due to their short-term nature they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Current		
Trade payables	57,241	46,935
Other payables and accruals	78,687	100,487
	135,928	**147,422**

3 Working capital and cash flows (cont.)

3.4 Reconciliation of cash flows from operating activities

Accounting policy:

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. For the purpose of the consolidated statement of cash flows, cash and cash equivalents is equal to the balance disclosed in the consolidated statement of financial position.

		2016 $'000	2015 $'000
Profit/ (loss) for the period		20,488	(342,725)
Adjustments for:			
Depreciation and amortisation		130,385	97,584
Amortisation of deferred development costs	*4.1*	55,134	75,357
Development costs deferred	*4.1*	(65,798)	(59,704)
Write-off of finance facility upfront costs	*2.2*	-	23,093
Amortisation of finance facility upfront costs		6,835	11,433
Non cash interest expense accruals		1,925	(4,046)
Foreign exchange losses / (gains) unrealised		770	(5,023)
Unrealised loss on investment		-	531
Unwinding of discounts on provisions	*4.4*	2,327	2,427
Share-based compensation payments	*5.5(a)*	3,715	2,431
Write-off of assets[1]		-	444,668
Loss on sale of non-current assets		-	353
Subtotal		**155,781**	**246,379**
Change in trade and other receivables		21,590	(22,694)
Change in inventories and deferred stripping		29,539	(2,983)
Change in trade and other payables		(1,543)	36,510
Change in provisions and employee benefits		1,711	938
Change in tax payable		(42,331)	36,111
Change in deferred taxes		7,186	(140,592)
Cash flows from operating activities		**171,933**	**153,669**

[1]The prior year balance includes the impairment of the MRRT goodwill of $90.7m and exploration and related assets of $354.7m, partially offset by other net write-off and reversals totalling $0.7m.

4 Resource assets and liabilities

4.1 Property, plant and equipment

Accounting policy:

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost of property, plant and equipment and mining property and development assets include initial cost to acquire, construct, install or complete production and infrastructure facilities, such as cost of materials, direct labour, capitalised borrowing costs and transferred exploration and evaluation assets. Costs of dismantling and site rehabilitation are also capitalised, if the recognition criteria is met.

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.

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 Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of comprehensive income as incurred.

4 Resource assets and liabilities (cont.)

4.1 Property, plant and equipment (cont.)

Mining property and development

When commercially recoverable reserves are determined and such proposed development receives the appropriate approvals, capitalised exploration and evaluation expenditure is transferred to mining property and development. All subsequent development expenditure is similarly capitalised, to the extent that commercial viability conditions continue to be satisfied.

Deferred development

Deferred development mainly comprises capitalised costs (deferred development expenditure) related to underground mining incurred to expand the capacity of a mine and to maintain production.

Deferred stripping

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. The stripping activity asset is subsequently depreciated on a units of production basis over the life of the identified component of the ore body that became more accessible as a result of the stripping activity.

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

Depreciation

Depreciation and amortisation is charged to the consolidated statement of comprehensive income on a straight line basis at the rates indicated below. Depreciation commences on assets when it is deemed they are capable of operating in the manner intended by management:

• freehold land	not depreciated
• plant and equipment	2% – 50%
• leased plant and equipment	3% – 14%
• mining property and development, deferred development and deferred stripping	units of production

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Impairment

The carrying amounts of the Group's non-financial assets, other inventories and deferred taxes, 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.

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'). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal ('FVLCD'). In assessing FVLCD, 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.

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

4 Resource assets and liabilities (cont.)

4.1 Property, plant and equipment (cont.)

Significant accounting judgements, estimates and assumptions

Recoverable amount of assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and FVLCD. These calculations require the use of estimates and assumptions.

Expected future cash flows used to determine the FVLCD of 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, stripping ratio, production rates and future capital expenditure. It is reasonably possible that these assumptions may change which may then impact the estimated life of mine which could result in a material adjustment to the carrying value of tangible assets.

The determination of FVLCD for a CGU is considered to be a Level 3 fair value measurement, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

The recoverable amount has been determined by the FVLCD method, determined based on the net present value of the future estimated cash flows. These cash flows are discounted using a real pre-tax discount rate of 11%. The coal prices and foreign exchange rates applied for the first three years of the cash flow estimates are based on detailed financial budgets approved by senior management which includes consideration of external sources. Long term estimates are based on a consideration of third party forecasts and management estimates in respect of long term incentive coal prices in the seaborne export coal market.

Costs to dispose are estimated based on the current market rate applied by advisors in respect of the disposal of mining assets.

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 Group is required to determine and report Reserves and Resources under the Australian Code for Reporting Mineral Resources and Ore Reserves December 2012 (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 Resource assets and liabilities (cont.)

4.1 Property, plant and equipment (cont.)

Year ended 30 June 2016	Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Subtotal	Deferred development[1]	Deferred stripping[1]	Subtotal	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
Balance at 1 July 2015	156,857	566,149	129,683	3,011,883	**3,864,572**	252,773	508,480	**761,253**	**4,625,825**
Additions	4,362	42,632	-	40,299	**87,293**	65,798	268,738	**334,536**	**421,829**
Transfer to land and plant and equipment	1,238	189,913	-	(191,151)	**-**	-	-	**-**	**-**
Disposals	-	(21,143)	-	-	**(21,143)**	-	-	**-**	**(21,143)**
Balance at 30 June 2016	162,457	777,551	129,683	2,861,031	**3,930,722**	318,571	777,218	**1,095,789**	**5,026,511**
Accumulated depreciation									
Balance at 1 July 2015	**-**	(219,988)	(35,222)	(172,553)	**(427,763)**	(167,623)	(491,195)	**(658,818)**	**(1,086,581)**
Depreciation charge for the year	-	(45,481)	(10,701)	(73,622)	**(129,804)**	(55,134)	(278,170)	**(333,304)**	**(463,108)**
Disposals	-	20,791	-	-	**20,791**	-	-	**-**	**20,791**
Balance at 30 June 2016	**-**	(244,678)	(45,923)	(246,175)	**(536,776)**	(222,757)	(769,365)	**(992,122)**	**(1,528,898)**
Carrying amount at 30 June 2016	162,457	532,873	83,760	2,614,856	**3,393,946**	95,814	7,853	**103,667**	**3,497,613**

[1] 'Deferred development' and 'Deferred stripping' were previously included in the 'Mining, property and development' asset class. These have now been reclassified into their own category in order to improve clarity of financial information. The depreciation expense for deferred development and deferred stripping assets is included in the 'Operating expenses' line in the Consolidated statement of comprehensive income. Spend on these assets incurred throughout the financial year is included in 'Cashflows from operating activities' in the Consolidated statement of cashflows.

4 Resource assets and liabilities (cont.)

4.1 Property, plant and equipment (cont.)

Year ended 30 June 2015	Note	Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Subtotal	Deferred development	Deferred Stripping	Subtotal	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost										
Balance at 1 July 2014		154,312	526,149	143,747	2,773,774	**3,597,982**	193,069	356,808	**549,877**	**4,147,859**
Additions		2,545	26,244	190	266,690	**295,669**	59,704	151,672	**211,376**	**507,045**
Transfer to plant and equipment		-	14,254	(14,254)	-	**-**	-	-	**-**	**-**
Transfer to exploration and evaluation	*4.2*	-	-	-	(28,581)	**(28,581)**	-	-	**-**	**(28,581)**
Disposals		-	(498)	-	-	**(498)**	-	-	**-**	**(498)**
Balance at 30 June 2015		156,857	566,149	129,683	3,011,883	**3,864,572**	252,773	508,480	**761,253**	**4,625,825**
Accumulated depreciation										
Balance at 1 July 2014		-	(171,306)	(32,776)	(126,445)	**(330,527)**	(92,267)	(340,128)	**(432,395)**	**(762,922)**
Depreciation charge for the year		-	(40,451)	(10,683)	(46,094)	**(97,228)**	(75,357)	(151,066)	**(226,423)**	**(323,651)**
Transfer to plant and equipment		-	(8,237)	8,237	-	**-**	-	-	**-**	**-**
Disposals		-	142	-	-	**142**	-	-	**-**	**142**
Impairment		-	(136)	-	(14)	**(150)**	-	-	**-**	**(150)**
Balance at 30 June 2015		**-**	(219,988)	(35,222)	(172,553)	**(427,763)**	(167,624)	(491,194)	**(658,818)**	**(1,086,581)**
Carrying amount at 30 June 2015		156,857	346,161	94,461	2,839,330	**3,436,809**	85,149	17,286	**102,435**	**3,539,244**

4 Resource assets and liabilities (cont.)

4.1 Property, plant and equipment (cont.)

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.

Group as lessee

Finance Leases

Finance leases, which transfer to the Group 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. Refer to Note 5.1.

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 consolidated 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 Leases

Operating lease payments are recognised as an expense in the consolidated 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. Refer to Note 7.3.

The Group leases mining equipment under a number of finance lease agreements. At 30 June 2016, the Group's net carrying amount of leased plant and machinery was $83,760,000 (2015: $94,461,000).The leased equipment is pledged as security for the related finance lease liabilities. During the prior 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.

4.2 Exploration and evaluation

Accounting policy:

Exploration and evaluation assets, including the costs of acquiring licences, are capitalised on an area of interest basis and only after the Company has obtained the legal rights to explore the area.

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.

Where a potential impairment is indicated, an assessment is performed for each area of interest or at the CGU level, in line with the assessment disclosed at note 4.1. To the extent that capitalised expenditure is not expected to be recovered it is charged to the consolidated statement of comprehensive income. 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.

<u>Significant accounting judgements, estimates and assumptions</u>

The application of the Group'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 indicating that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of comprehensive income in the period when the new information becomes available.

4 Resource assets and liabilities (cont.)

4.2 Exploration and evaluation (cont.)

Significant accounting judgements, estimates and assumptions (cont.)

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

Exploration and evaluation assets	**$'000**
Balance at 1 July 2015	201,346
Exploration and evaluation expenditure	5,237
Balance at 30 June 2016	**206,583**
Balance at 1 July 2014	526,914
Exploration and evaluation expenditure	851
Transfer from property, plant and equipment	28,581
Impairment[1]	(355,000)
Balance at 30 June 2015	**201,346**

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.

[1]During the prior year, an impairment charge of $355m was taken in respect of early stage exploration assets, which is not allocated to a segment. The impairment charge reflected the change in coal market environment and prospects for early stage exploration assets. Exploration and evaluation assets are carried at their fair value less impairment.

4.3 Intangible assets

Accounting policy:

Water access rights

The Group 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. The carrying amounts of water access rights are reviewed at each balance date to determine whether there is any indication of impairment. When reviewing for indicators of impairment, the Group considers mining plans, project approvals and market values, among other factors, in line with those disclosed at note 4.1.

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. Rail access rights are amortised over the life of the mine or access agreement.

Movement in intangibles

	Water access rights $'000	**Contract related intangible $'000**	**Rail access rights [1] $'000**	**MRRT Goodwill $'000**	**Total $'000**
Balance at 1 July 2015	8,577	140	11,237	-	19,954
Additions during the year	4	-	-	-	4
Less: Amortisation charge	-	(140)	-	-	(140)
Balance at 30 June 2016	**8,581**	**-**	**11,237**	**-**	**19,818**
Balance at 1 July 2014	8,577	293	6,262	90,711	105,843
Additions during the year	-	-	4,975	-	4,975
Less: Amortisation charge	-	(153)	-	-	(153)
Less: MRRT goodwill impairment	-	-	-	(90,711)	(90,711)
Balance at 30 June 2015	**8,577**	**140**	**11,237**	**-**	**19,954**

[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.

4 Resource assets and liabilities (cont.)

4.4 Provisions

Accounting policy:

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that resources will be expended to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

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 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 expense in the consolidated statement of comprehensive income as it occurs.

For closed mines, changes to estimated costs are recognised immediately in the consolidated statement of comprehensive income.

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

Significant accounting judgements, estimates and assumptions

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.

Movements in provision	**Mine rehabilitation and closure $'000**	**Other provisions $'000**	**Total $'000**
Balance at 1 July 2015	76,458	3,704	80,162
Provisions made during the period	10,608	-	10,608
Provisions used during the period	-	(841)	(841)
Unwind of discount	2,327	-	2,327
Balance at 30 June 2016	**89,393**	**2,863**	**92,256**

In thousands of AUD ($'000)	**2016**	**2015**
Current	7,260	7,380
Non-current	84,996	72,782
Balance at 30 June	**92,256**	**80,162**

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 expenditure is expected to occur over the life of the mining operations which ranges from 4 to 42 years. Refer above 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 mine in care and maintenance.

5 Capital structure and funding

5.1 Interest-bearing loans and borrowings

Accounting policy:

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.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	2016 $'000	2015 $'000
Current liabilities		
Finance lease liabilities	14,420	13,503
Secured loans	10,031	8,247
	24,451	**21,750**
Non-current liabilities		
Senior bank facility	835,000	900,000
Finance lease liabilities	69,073	83,494
Secured loans	32,042	32,987
	936,115	**1,016,481**
	960,566	**1,038,231**
Financing facilities	1,351,766	1,338,231
Facilities utilised at reporting date	960,566	1,038,231
Facilities not utilised at reporting date	391,200	300,000

Financing facilities

On 26 March 2015 the Company entered into a $1.4 billion senior secured bank facility. The facility has a maturity date of July 2019 and provides Whitehaven with lines of credit up to A$1.4 billion comprising of A$1.2 billion revolving and term facility, and $0.2 billion guarantee facilities. This facility was used to replace the Company's previous $1.2 billion facility. As a result, in the prior year the Company wrote off $23.1 million of finance upfront costs relating to the $1.2 billion facility.

During the current year $65 million of debt drawn under the senior bank facility was repaid (2015: An amount of $225 million was drawn down under the old facility. A further $900 million was drawn down under the new facility, of which $850 million was used to repay debt drawn on the old facility). An amount of $9.5 million was drawn down under other loans (2015: $nil) and $8.6 million of other loans were repaid during the year (2015: $8.3 million). The security provided in relation to the facilities is a fixed and floating charge over substantially all of the assets of the Group.

During the year the Company entered into an additional $65 million of secured bilateral bank guarantee facilities.

Finance lease facility

At 30 June 2016, the Group's lease liabilities are secured by the leased assets of $83,760,000 (2015: $94,461,000), as in the event of default, the leased assets revert to the lessor.

Finance lease liabilities of the Group are payable as follows:

	Minimum lease payments 2016 $'000	Interest 2016 $'000	Principal 2016 $'000	Minimum lease payments 2015 $'000	Interest 2015 $'000	Principal 2015 $'000
Less than one year	20,405	5,985	14,420	20,405	6,902	13,503
Between one and five years	72,875	3,802	69,073	93,280	9,786	83,494
	93,280	9,787	83,493	113,685	16,688	96,997

5 Capital structure and funding (cont.)

5.2 Finance income and expense

Accounting policy:

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses in relation to finance leases, 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.

	2016 $'000	2015 $'000
Recognised in profit or loss		
Interest income	1,056	1,025
Interest on tax refund	-	3,727
Dividend income	-	4
Financial income	**1,056**	**4,756**
Interest expense on finance lease liabilities	(6,768)	(8,002)
Interest on drawn debt facility	(41,857)	(17,715)
Other interest charges	(9,343)	(10,005)
Interest and financing costs	(57,968)	(35,722)
Net interest expense	(56,912)	(30,966)
Write-off of finance facility upfront costs	-	(23,093)
Unwinding of discounts on provisions	(2,327)	(2,350)
Unrealised loss on investments	-	(531)
Amortisation of finance facility upfront costs	(6,835)	(11,433)
Net foreign exchange loss on finance leases	-	(31)
Other financial expenses	(9,162)	(37,438)
Net financial expense	**(66,074)**	**(68,404)**
Recognised directly in equity		
Net change in cash flow hedges	1,186	(1,507)
Income tax effect	(356)	452
Financial income / (expense) recognised directly in equity, net of tax	**830**	**(1,055)**

5 Capital structure and funding (cont.)

5.3 Financial risk management objectives and policies

Accounting policy:

The Group 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.

Cash flow hedges

Cash flow hedges are hedges of 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.

Each designated cash flow hedge is tested for hedge 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, 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.

Impairment of 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 for 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.

a) Overview

The Group's overall risk management program seeks to mitigate risks and reduce the volatility of the Group's financial performance. Financial risk management is carried out centrally by the Group's Audit and Risk Management Committee under policies approved by the Board of Directors. The Committee reports regularly to the Board on its activities and also reviews policies and systems regularly to reflect changes in market conditions and Group's activities.

The Group's principal financial risks are associated with:

- market risk
- credit risk
- liquidity risk

5 Capital structure and funding (cont.)

5.3 Financial risk management objectives and policies (cont.)

b) 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 Group defines capital as total shareholders' equity and debt. The Board manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

There were no changes in the Group's approach to capital management during the year.

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

	2016 $'000	2015 $'000
Interest-bearing loans and borrowings	960,566	1,038,231
Less: cash and cash equivalents	(101,453)	(102,393)
Net debt	**859,113**	**935,838**
Equity	2,887,638	2,863,956
Equity and net debt	**3,746,751**	**3,799,794**
Gearing ratio	23%	25%

c) Risk exposures and responses

Market Risk - Foreign currency risk

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

The Group uses forward exchange contracts (FECs) to hedge its currency risk from 100% of contracted sales where both volume and US dollar price are fixed to 50% of planned sales from existing operations for a period of 12 to 24 months. No cover is taken out beyond 24 months other than contracted sales where both volume and US dollar prices are fixed.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group 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.

During the current year ended 30 June 2016, a net foreign exchange gain of $1.3m was recognised (2015: net foreign exchange loss of $2.8m).

The Group designates its forward exchange contracts in cash flow hedges and measures them at fair value.

The fair value of forward exchange contracts used as hedges at 30 June 2016 was $0.3m (2015: $0.1m), comprising assets and liabilities that were recognised as derivatives.

At 30 June 2016, the Group had the following financial instruments that were not designated in cash flow hedges that were exposed to foreign currency risk:

	2016 $'000	2015 $'000
Cash	21,834	11,613
Trade and other receivables	7,612	42,486
Trade and other payables	(6,795)	(5,682)
Net statement of financial position exposure	22,651	48,417

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Fixed rate instruments	**2016**	**2015**	**2016**	**2015**
USD	0.7283	0.8282	0.7387	0.7649

5 Capital structure and funding (cont.)

5.3 Financial risk management objectives and policies (cont.)

c) *Risk exposures and responses (cont.)*

Market Risk - Foreign currency risk

Sensitivity analysis
A change in 10 per cent 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 2016.

	Equity $'000	Profit or (loss) $'000
30 June 2016		
USD strengthening by 10 per cent	-	(2,788)
USD weakening by 10 per cent	-	3,407
30 June 2015		
USD strengthening by 10 per cent	-	(5,755)
USD weakening by 10 per cent	-	7,033

Market Risk - Interest rate risk

The Group's borrowings comprise both variable and fixed rate instruments. The variable rate borrowings expose the Group to a risk of changes in cash flows due to the changes in interest rates.

Management analyses interest rate exposure on an ongoing basis and uses interest rate swaps to mitigate interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2016 $'000	Carrying amount 2015 $'000
Fixed rate instruments		
Financial liabilities	(83,493)	(96,997)
	(83,493)	(96,997)
Variable rate instruments		
Financial assets	101,453	102,393
Financial liabilities	(877,073)	(941,234)
	(775,620)	(838,841)
Net exposure	(859,113)	(935,838)

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 2015.

	Equity $'000	Profit or (loss) $'000
30 June 2016		
100bp increase	566	(7,756)
100bp decrease	(587)	7,756
30 June 2015		
100bp increase	877	(8,388)
100bp decrease	(918)	8,388

5 Capital structure and funding (cont.)

5.3 Financial risk management objectives and policies (cont.)

c) Risk exposures and responses (cont.)

Market Risk - Commodity price risk

The Group's major commodity price exposure is to the price of coal. The Group has chosen not to hedge against the movement in coal prices.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade receivables, available for sale financial assets, derivative financial instruments and the granting of financial guarantees. The Group'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 Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2016 $'000**	**2015 $'000**
Cash and cash equivalents		101,453	102,393
Trade and other receivables	*3.1*	47,586	56,686
Derivative financial instruments	*5.3(d)*	351	162
Investments		37	37
		149,427	159,278

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

Asia	29,030	45,964
Europe	10,845	8,132
Australia	7,711	2,590
	47,586	56,686

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group'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 34.4% of the Group's revenue is attributable to sales transactions with three customers (2015: 36.1% with three customers).

More than 60% (2015: 88%) of the Group's current customers have been transacting with the Group for over five years, and losses have occurred infrequently.

The Group trades only with recognised, creditworthy third parties and generally does not require collateral in respect of trade receivables.

Receivable balances are monitored on an ongoing basis and as a result the exposure to bad debts is not significant.

The Group recognised an impairment loss for trade receivables of $nil during the year ended 30 June 2016 (2015:$1,305,000).

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

	Gross 2016 $'000	**Impairment 2016 $'000**	**Gross 2015 $'000**	**Impairment 2015 $'000**
Not past due	46,456	-	55,619	-
Past due 0-30 days	832	-	168	-
Past due 31-120 days	298	-	536	-
Past due 121 days to one year	-	-	-	-
More than one year	-	-	4,024	(3,661)
	47,586	-	60,347	(3,661)

5 Capital structure and funding (cont.)

5.3 Financial risk management objectives and policies (cont.)

c) Risk exposures and responses (cont.)

The Company was advised in July 2014 that a domestic customer had been placed into voluntary administration. A provision was established to cover balances owed which are not expected to be recovered. During the current financial year this balance was subsequently written off.

Guarantees

The policy of the Group 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$1.4 billion senior secured bank facility and $65 million of secured bilateral bank guarantee facilities. Details of outstanding guarantees are provided in note 7.4.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

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

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

	30 June 2016						
	Carrying amount	**Contractual cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities							
Finance lease liabilities	83,493	93,280	10,203	10,203	55,239	17,635	-
Interest bearing liabilities	877,073	882,144	5,436	5,719	11,080	857,251	2,658
Trade and other payables	135,928	135,928	135,928	-	-	-	-
Forward exchange contracts:							
Outflow	38,116	37,579	37,579	-	-	-	-
Inflow	(38,396)	(37,857)	(37,857)	-	-	-	-
	1,096,214	1,111,074	151,289	15,922	66,319	874,886	2,658

	30 June 2015						
	Carrying amount	**Contractual cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities							
Finance lease liabilities	96,997	113,685	10,203	10,203	20,405	72,874	-
Interest bearing liabilities	941,234	947,016	5,176	5,071	9,822	926,947	-
Trade and other payables	147,422	147,422	147,422	-	-	-	-
Forward exchange contracts:							
Outflow	25,166	103,788	103,788	-	-	-	-
Inflow	(25,268)	(104,230)	(104,230)	-	-	-	-
	1,185,551	1,207,681	162,359	15,274	30,227	999,821	-

5 Capital structure and funding (cont.)

5.3 Financial risk management objectives and policies (cont.)

d) 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 consolidated statement of financial position:

	30 June 2016 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets measured at fair value				
Equity shares	37	-	-	37
Forward exchange contracts - receivable	351	-	351	-
	388	-	351	37
Liabilities measured at fair value				
Forward exchange contracts - payable	(71)	-	(71)	-
Interest rate swaps - payable	(1,067)	-	(1,067)	-
	(1,138)	-	(1,138)	-

	30 June 2015 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets measured at fair value				
Equity shares	37	-	-	37
Forward exchange contracts - receivable	162	-	162	-
	199	-	162	37
Liabilities measured at fair value				
Forward exchange contracts - payable	(60)	-	(60)	-
Interest rate swaps – payable	(1,005)	-	(1,005)	-
Commodity swaps - payable	(1,071)	-	(1,071)	-
	(2,136)	-	(2,136)	-

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 consolidated statement of financial position are the fair values and are classified under level 2 in the fair value measurement hierarchy.

The fair value of the Group's investment in unlisted shares is classified under level 3 in the fair value measurement hierarchy. 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 materially approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 3.1, 3.3 and 5.1 to the financial statements.

5 Capital structure and funding (cont.)

5.3 Financial risk management objectives and policies (cont.)

e) Financial assets and liabilities by categories

		2016			2015		
	Note	Loans and receivables[1] $'000	Available for sale $'000	Other[2] $'000	Loans and receivables[1] $'000	Available for sale $'000	Other[2] $'000
Financial assets							
Cash and cash equivalents		101,453	-	-	102,393	-	-
Trade and other receivables	*3.1*	97,311	-	-	125,228	-	-
Investments		-	-	37	-	-	37
Other financial assets[2]	*5.3(d)*	-	-	351	-	-	162
Total financial assets		**198,764**	**-**	**388**	**227,621**	**-**	**199**

[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 $0.4 million (2015: $0.2 million) relating to derivatives in designated hedges.

		2016			2015		
	Note	Loans at amortised cost[1] $'000	Available for sale $'000	Other[2] $'000	Loans at amortised cost[1] $'000	Available for sale $'000	Other[2] $'000
Financial liabilities							
Trade and other payables	*3.3*	135,928	-	-	147,422	-	-
Borrowings	*5.1*	960,566	-	-	1,038,231	-	-
Other financial liabilities[2]	*5.3(d)*	-	-	1,138	-	-	2,136
Total financial liabilities		**1,096,494**	**-**	**1,138**	**1,185,653**	**-**	**2,136**

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

[2] Other financial liabilities include $1.1 million (2015: $2.1 million) relating to derivatives in designated hedges.

5 Capital structure and funding (cont.)

5.4 Share capital and reserves

Accounting policy:

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.

a) Share capital

	2016 $'000	2015 $'000
Fully paid ordinary shares 1,026,045,885 (2015: 1,026,045,885)	3,144,944	3,146,147

b) Movements in Ordinary shares on issue

	2016		2015	
	No. of shares 000's	$000	No. of shares 000's	$000
Beginning of the financial year	1,026,046	3,146,147	1,025,760	3,146,300
Share based payments	-	-	286	-
Transfer of shares by share plan	-	148	-	-
Shares purchased by share plan	-	(1,351)	-	(148)
Costs of shares issued, net of tax	-	-	-	(5)
	1,026,046	**3,144,944**	**1,026,046**	**3,146,147**

At 30 June 2016, a trust on behalf of the Company held 3,707,778 (30 June 2015: 443,588) ordinary fully paid shares in the Company. These were purchased during the year for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 5.5 for further details on the performance rights plan.

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 5.5 for further details of these plans.

f) Dividends

No dividends were paid during the year ended 30 June 2016 (2015: nil).

The directors resolved not to pay a dividend for the year ended 30 June 2016.

Dividend franking account

As at 30 June 2016 there were no franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years (2015: nil).

5 Capital structure and funding (cont.)

5.5 Share-based payments

Accounting policy:

The grant date fair value of options and performance rights 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. Once the instruments have vested, no further expenses are recognised nor reserves reversed in respect to costs already charged. However, where the share rights or options have lapsed after vesting the Group transfers the equivalent amount of the cumulative cost for the lapsed awards from the share based payments reserve to another component of equity.

a) Recognised share-based payment expenses

Employee expenses

	2016 $'000	2015 $'000
Share options and performance rights – senior employees	3,715	2,431

b) Types of share-based payment plans

Performance Right grant to CEO and senior employees

The Company issued performance rights to the CEO and senior employees under the Company's medium and long term incentive programs in FY2015 and FY2016.The terms and conditions of the grant are as follows.

Performance Rights	**FY2016**		FY2015	
	Number of instruments	**Vesting and expiration date**	**Number of instruments**	**Vesting and expiration date**
MTI	1,166,796	30 June 2017	1,225,363	30 June 2016
LTI tranche 1	1,371,895	30 June 2018	1,072,548	30 June 2017
LTI tranche 2	1,371,887	30 June 2019	1,072,533	30 June 2018
LTI tranche 3	1,829,189	30 June 2018/19	1,430,057	30 June 2017/18
Total	5,739,767		4,800,501	

The performance rights are subject to a performance measure linked to relative total shareholder return (TSR) and a costs hurdle. The TSR performance measure compares the TSR performance of the Company with the TSR performance of a peer group of companies operating in the Australian resources sector. The costs hurdle performance measure relates to the Company's achieving a defined cost per tonne target. Detailed disclosures of outcomes against the target are provided in the Remuneration Report.

5 Capital structure and funding (cont.)

5.5 Share-based payments (cont.)

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 2016	Number of options/rights 2016	Weighted average exercise price 2015	Number of options/rights 2015
Outstanding at beginning of period	$2.70	24,517,802	$3.13	21,146,767
Exercised during the period	$0.00	-	$0.00	-
Granted during the period	$0.00	6,925,746[1]	$0.00	4,830,468[2]
Forfeited during the period	$0.00	(280,435)	$0.00	(520,051)
Lapsed during the period	$0.00	(9,017,088)	$0.00	(939,382)
Outstanding at 30 June	$1.76	22,146,025	$2.70	24,517,802
Exercisable at 30 June	$4.73	8,241,278	$3.92	16,872,910

[1]Includes 1,185,979 performance rights granted during the year under the FY2015 STI scheme.
[2]Includes 29,967 performance rights granted during the year under the FY2014 program.

The outstanding balance as at 30 June 2016 is represented by:

i) 8,241,278 options over ordinary shares having an exercise price of $4.73, exercisable until 17 August 2016. These options were granted in May 2012 to Aston Resources option holders as part of the Scheme of Arrangement.

ii) 342,799 performance rights over ordinary shares having an exercise price of nil, exercisable on 23 September 2016

iii) 2,085,138 performance rights over ordinary shares having an exercise price of nil, exercisable between 30 June 2016 and 30 June 2017

iv) 4,632,137 performance rights over ordinary shares having an exercise price of nil, exercisable between 30 June 2016 and 30 June 2018

v) 6,844,673 performance rights over ordinary shares having an exercise price of nil, exercisable between 13 August 2016 and 30 June 2019

No share options were exercised during the year ended 30 June 2016 (2015: nil).

The weighted average remaining contractual life of share options and performance rights outstanding at 30 June 2016 is 0.87 years (2015: 0.96 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 2016 and 30 June 2015:

FY2016	**MTI**	**LTI**	**LTI**	**LTI**	**LTI**
Grant date	8 Apr 16	8 Apr 16	8 Apr 16	8 Apr 16	8 Apr 16
Vesting date	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 18	30 Jun 19
Fair value at grant date	$0.09	$0.16	$0.20	$0.57	$0.55
Share price	$0.595	$0.595	$0.595	$0.595	$0.595
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00
Expected volatility	50%	50%	50%	50%	50%
Performance Right life	2 years	3 years	4 years	3 years	4 years
Expected dividends	0%	1.2%	2.3%	1.2%	2.3%
Risk-free interest rate	1.9%	1.8%	1.8%	1.8%	1.8%

5 Capital structure and funding (cont.)

5.5 Share-based payments (cont.)

FY2015	**MTI**	**LTI**	**LTI**	**LTI**	**LTI**
Grant date	16 Jan 15	16 Jan 15	16 Jan 15	16 Jan 15	16 Jan 15
Vesting date	30 Jun 16	30 Jun 17	30 Jun 18	30 Jun 17	30 Jun 18
Fair value at grant date	$0.68	$0.71	$0.72	$1.17	$1.13
Share price	$1.190	$1.190	$1.190	$1.190	$1.190
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00
Expected volatility	40%	40%	40%	40%	40%
Performance Right life	2 years	3 years	4 years	3 years	4 years
Expected dividends	0%	0.8%	1.4%	0.8%	1.4%
Risk-free interest rate	2.2%	2.1%	2.1%	2.1%	2.1%

All shared-based payments are equity settled.

6 Group Structure

6.1 Group's subsidiaries and interests in joint operations

Accounting policy:

Subsidiaries

Subsidiaries are all those entities over which the Group 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

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.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Jointly controlled operations

Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant strategic and/or key operating decisions require unanimous consent of the parties sharing control. The Group recognises its interest in jointly controlled operations by recognising its interest in the assets and liabilities of the joint operation. The Group 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 operation.

<u>Significant accounting judgements, estimates and assumptions</u>

The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds with respect to the work programme and budget approval, investment decision approval, voting rights in joint operating committees and changes to joint arrangement participant holdings. Where the Group has control judgement is also required to assess whether the arrangement is a joint operation or a joint venture.

6 Group structure (cont.)

6.1 Group's subsidiaries and interests in joint operations (cont.)

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

	Country of incorporation	Ownership interest and voting rights	
		2016	2015
Parent entity			
Whitehaven Coal Limited	Australia		
Subsidiaries			
Whitehaven Coal Mining Limited	Australia	100%	100%
Namoi Mining Pty Ltd	Australia	100%	100%
Namoi Agriculture & Mining Pty Ltd	Australia	100%	100%
Betalpha Pty Ltd	Australia	100%	100%
Betalpha Unit Trust	Australia	100%	100%
Tarrawonga Coal Pty Ltd	Australia	100%	100%
Whitehaven Coal Holdings Pty Ltd	Australia	100%	100%
Whitehaven Coal Infrastructure Pty Ltd	Australia	100%	100%
Narrabri Coal Pty Ltd	Australia	100%	100%
Narrabri Coal Operations Pty Ltd	Australia	100%	100%
Narrabri Coal Sales Pty Ltd	Australia	100%	100%
Creek Resources Pty Ltd	Australia	100%	100%
Werris Creek Coal Sales Pty Ltd	Australia	100%	100%
Werris Creek Coal Pty Ltd	Australia	100%	100%
WC Contract Hauling Pty Ltd	Australia	100%	100%
Whitehaven Blackjack Pty Ltd	Australia	100%	100%
Whitehaven Project Pty Ltd	Australia	100%	100%
Whitehaven Employee Share Plan Pty Ltd	Australia	100%	100%
Aston Resources Limited	Australia	100%	100%
Aston Coal 2 Pty Ltd	Australia	100%	100%
Aston Coal 3 Pty Ltd	Australia	100%	100%
Maules Creek Coal Pty Ltd	Australia	100%	100%
Boardwalk Resources Limited	Australia	100%	100%
Boardwalk Coal Management Pty Ltd	Australia	100%	100%
Boardwalk Coal Marketing Pty Ltd	Australia	100%	100%
Boardwalk Sienna Pty Ltd	Australia	100%	100%
Boardwalk Monto Pty Ltd	Australia	100%	100%
Boardwalk Dingo Pty Ltd	Australia	100%	100%
Boardwalk Ferndale Pty Ltd	Australia	100%	100%
Coalworks Limited	Australia	100%	100%
Yarrawa Coal Pty Ltd	Australia	100%	100%
Loyal Coal Pty Ltd	Australia	92.5%	92.5%
Ferndale Coal Pty Ltd	Australia	92.5%	92.5%
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%

6 Group structure (cont.)

6.1 Group's subsidiaries and interests in joint operations (cont.)

The consolidated financial statements include a share of the financial statements of the joint operations listed below.

	Country of incorporation	Ownership interest and voting rights	
		2016	2015
Tarrawonga Coal Project Joint Venture[1]		70%	70%
Narrabri Coal Joint Venture[1]		70%	70%
Maules Creek Joint Venture[1]		75%	75%
Dingo Joint Venture[1]		70%	70%
Ferndale Joint Venture[1]		94%	94%
Boggabri-Maules Creek Rail Spur Joint Venture[1]		39%	39%
Tarrawonga Coal Sales Pty Ltd[2]	Australia	70%	70%
Maules Creek Marketing Pty Ltd[2]	Australia	75%	75%
Boggabri-Maules Creek Rail Pty Ltd[2]	Australia	39%	39%

[1] These entities have been classified as joint operations under AASB11 *Joint Arrangements*, as these joint arrangements are not structured through separate vehicles.

[2] 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 *Joint Arrangements*.

6.2 Parent entity information

	Company	
	2016 $'000	2015 $'000
Information relating to Whitehaven Coal Limited:		
Current assets	63	6,886
Total assets	**2,815,799**	**2,790,877**
Current liabilities	61,960	42,331
Total liabilities	**61,960**	**42,331**
Issued capital	3,275,296	3,275,296
Retained earnings	(539,874)	(564,384)
Share based payments reserve	18,417	37,634
Total shareholders' equity	**2,753,839**	**2,748,546**
Profit / (loss) of the parent entity	1,726	(563,186)
Total comprehensive income / (loss) of the parent entity	1,726	(563,186)

6 Group structure (cont.)

6.3 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 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 subsidiaries subject to the Deed are:

- Whitehaven Coal Mining Limited (lead entity)
- 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 Deed of Cross Guarantee includes the Company and subsidiaries which are included within the consolidated statement of comprehensive income and consolidated statement of financial position of the Group. The consolidated statement of comprehensive income and consolidated statement of financial position of the entities that are members of the Closed Group are as follows.

Statement of comprehensive income	**Closed group**	
	2016	**2015**
	$'000	**$'000**
Profit / (loss) before tax	30,164	(483,317)
Income tax (expense) / benefit	(7,186)	140,592
Profit / (loss) before tax	**22,978**	**(342,725)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net movement on cash flow hedges	1,186	(1,507)
Income tax effect	(356)	452
Other comprehensive (loss) / income for the period, net of tax	**830**	**(1,055)**
Total comprehensive (loss) / income for the period, net of tax	**23,808**	**(343,780)**

6 Group structure (cont.)

6.3 Deed of Cross Guarantee (cont.)

	Closed group	
	2016	2015
Statement of financial position	**$'000**	**$'000**
Assets		
Cash and cash equivalents	101,329	102,269
Trade and other receivables	70,699	97,418
Inventories	68,737	89,892
Derivative financial instruments	351	162
Total current assets	**241,116**	**289,741**
Trade and other receivables	28,964	30,162
Investments	37	37
Property, plant and equipment	3,497,316	3,538,947
Exploration and evaluation	202,428	197,191
Intangible assets	19,818	19,954
Deferred tax assets	103,573	111,115
Total non-current assets	**3,852,136**	**3,897,406**
Total assets	**4,093,252**	**4,187,147**
Liabilities		
Trade and other payables	134,327	147,421
Interest bearing loans and borrowings	23,561	21,750
Employee benefits	16,872	14,055
Current tax payable	-	42,331
Provisions	7,260	7,380
Derivative financial instruments	1,138	2,136
Total current liabilities	**183,158**	**235,073**
Non-current liabilities		
Interest bearing loans and borrowings	936,115	1,016,481
Provisions	84,996	72,782
Total non-current liabilities	**1,021,111**	**1,089,263**
Total liabilities	**1,204,269**	**1,324,336**
Net assets	**2,888,983**	**2,862,811**
Issued capital	3,142,439	3,143,642
Share based payments reserve	18,417	36,543
Hedge reserve	(551)	(1,381)
Retained earnings	(272,400)	(317,071)
Non-controlling interest	1,078	1,078
Equity	**2,888,983**	**2,862,811**

6 Group structure (cont.)

6.4 Related parties

Compensation to Executive KMP and Non-executive Directors of the Group

	2016 $'000	2015 $'000
Short term employee benefits	8,040	8,273
Contributions to superannuation plans	278	249
Share-based compensation payments	1,095	653
Total compensation	**9,413**	**9,175**

7 Other notes

7.1 Employee benefits

Accounting policy:

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.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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.

Long-term service benefits

The Group'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 high quality corporate bonds at the balance date which have maturity dates approximating to the terms of the Group's obligations.

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the consolidated statement of comprehensive income as incurred.

Consolidated Statement of Comprehensive Income	2016 $'000	2015 $'000
Wages and salaries	126,280	91,892
Contributions to superannuation plans	8,325	6,662
Other associated personnel expenses	3,109	3,248
Increase in liability for annual leave	1,319	802
Increase / (decrease) in liability for long service leave	110	405
Share based compensation payments[1]	3,715	2,431
	142,858	**105,440**

[1] Disclosed in "Other expenses" in the Statement of Comprehensive Income.

Consolidated Statement of Financial Position		
Salaries and wages accrued	5,461	4,073
Liability for long service leave	384	274
Liability for annual leave	11,027	9,708
	16,872	**14,055**

7 Other notes (cont.)

7.2 Auditors' Remuneration

In AUD ($)	**2016**	**2015**
Audit services:		
Auditors of the Company - Ernst & Young		
Audit and review of statutory financial statements current year	500,000	652,200
Audit of joint ventures	275,000	373,478
	775,000	**1,025,678**
Non audit services:		
Auditors of the Company - Ernst & Young		
Taxation services	42,712	126,962
Other non-audit services	99,500	65,000
Review of National Greenhouse Energy Reporting Act requirements	11,068	64,849
Assurance services for refinancing	-	299,134
	153,280	**555,945**

7.3 Commitments

Operating leases - Group as lessee

The Group leases mining equipment, office equipment and office space under operating leases. The leases typically run for one to five years on commercial terms. None of the leases includes contingent rentals. The operating lease expenses recognised in profit or loss in the current year amounted to $29,346,000 (2015: $1,378,000).

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

	2016 $'000	**2015 $'000**
Less than one year	36,554	23,254
Between one and five years	87,200	76,541
	123,754	**99,795**

Capital expenditure commitments

Plant and equipment and intangibles

Contracted for but not provided for and payable:		
Within one year [1]	**34,593**	**21,706**

[1] There were no commitments for capital expenditure beyond one year.

7.4 Contingencies

Bank guarantees		**2016 $'000**	**2015 $'000**
The Group provided bank guarantees to			
(i)	Government departments as a condition of continuation of mining and exploration licenses	79,104	49,375
(ii)	Rail capacity providers	21,357	30,027
(iii)	Port capacity providers	69,708	88,291
(iv)	Electricity network access supplier	26,499	26,200
(vi)	Other	1,880	2,117
		198,548	**196,010**

Litigation

There is a number of legal and potential claims against the Group which have arisen in the ordinary course of business. As the Group believes that it has no liability for such matters, a provision has not been made for any potential adverse outcome. The Group will defend these claims and believes that any adverse outcome would not be material based on information currently available to the Group.

7.5 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 Group, the results of those operations, or the state of affairs of the Group, in future financial years other than the following:

In July 2016, the Group repaid a further $35 million of debt drawn under the senior bank facility.

7.6 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 2015.

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

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

Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

(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 ended 30 June 2015 are outlined below:

AASB 9 Financial Instruments

A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition. The Group has not yet determined the potential impact of the amendments on the Group's financial report. This standard applies to annual reporting periods beginning on or after 1 January 2018.

AASB 15 Revenue from Contracts with Customers

AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The Group is in the process of determining the potential impact of the amendments on the Group's financial report. This standard applies to annual reporting periods beginning on or after 1 January 2018.

AASB 16 Leases

IFRS 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. IFRS 16 contains disclosure requirements for lessees. This standard applies to annual reporting periods beginning on or after 1 January 2019.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle

The subjects of the principal amendments to the Standards in respect to AASB 119 Employee Benefits can be described below:

- Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.

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 2016 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 1; 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 2016.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 6.3 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 AO
Chairman

Paul Flynn
Managing Director and
Chief Executive Officer

Sydney
18th August 2016

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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 2016, 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 1.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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 2016 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 1.2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
18 August 2016

ASX additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings

Substantial shareholders

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

Shareholder	Percentage of capital held	Number of ordinary shares held	Date of substantial shareholder notice
Farallon Capital Management LLC	16.61%	170,414,721	19 June 2013
Fritz Kundrun*	12.09%	124,042,252	17 Oct 2014
Hans Mende*	11.13%	114,190,086	17 Oct 2014
Prudential PLC	10.09%	103,608,536	18 July 2016
AMCI Group*	8.40%	86,170,596	17 Oct 2014
Kerry Group Limited	5.00%	51,323,822	19 May 2014

* The holdings of Mr Kundrun and Mr Mende both include the 86,170,596 shares owned by AMCI Group.

Voting rights

Ordinary shares

Refer to note 5.4 in the financial statements

Options

There are no voting rights attached to the options.

Distribution of equity security holders

Category	Number of equity security holders
1 - 1,000	1,780
1,001 - 5,000	2,520
5,001 - 10,000	1,114
10,001 - 100,000	1,410
100,001 and over	166
	6,990

There are 2 holders of options over ordinary shares. Refer to note 5.5(c) in the financial statements.

The number of shareholders holding less than a marketable parcel of ordinary shares is 602.

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.

ASX additional information

Twenty largest shareholders (legal ownership)

Name	**Number of ordinary shares held**	**Percentage of capital held**
CITICORP NOMINEES PTY LTD	268,432,246	26.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	168,100,146	16.38
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	147,353,119	14.36
J P MORGAN NOMINEES AUSTRALIA LIMITED	108,805,366	10.60
NATIONAL NOMINEES LIMITED	70,094,769	6.83
AET SFS PTY LTD <BOARDWALK RES INV P/C>	26,678,979	2.60
HFTT PTY LTD <HAGGARTY FAMILY A/C>	20,018,869	1.95
BNP PARIBAS NOMS PTY LTD <DRP>	19,463,095	1.90
RANAMOK PTY LTD <PLUMMER FAMILY A/C>	16,758,226	1.63
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	14,674,896	1.43
BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	13,502,377	1.32
MR MICHAEL JACK QUILLEN <QUILLEN FAMILY A/C>	6,135,000	0.60
VESADE PTY LTD	5,795,052	0.56
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	5,390,000	0.53
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	4,855,831	0.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	4,575,486	0.45
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED GSCO ECA	4,409,572	0.43
WHITEHAVEN EMPLOYEE SHARE PLAN PTY LIMITED <EQUITY INCENTIVE PLAN A/C>	3,707,778	0.36
INVIA CUSTODIAN PTY LIMITED <AJ & LM DAVIES FAMILY A/C>	3,500,000	0.34
WENDMAR PTY LIMITED <MARK VAILE FAMILY A/C>	2,524,635	0.25
	914,775,442	**89.16**

This information is current as at 11 August 2016

Glossary of terms and abbreviations

ARTC	Australian Rail Track Corporation
ASEAN	Association of Southeast Asian Nations
CHPP	Coal Handling Preparation Plant
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
FEC	Forward Exchange Contract
FOB	Free-on-Board
FVLCD	Fair Value Less Costs of Disposal
HELE	High Energy Low Emissions
JORC	Joint Ore Resources Committee
KMP	Key Management Personnel
LTI	Long Term Incentive
LW	Longwall
MRRT	Minerals Resource Rent Tax
Mt	Million tonnes
MTI	Medium Term Incentive
Mtpa	Million tonnes per annum
NCIG	Newcastle Coal Infrastructure Group
PWCS	Port Waratah Coal Services
ROM	Run of Mine
STI	Short Term Incentive
t	Tonne
TAL	Tonne Axle Loads
TFR	Total Fixed Remuneration
TRIFR	Total Recordable Injury Frequency Rate
TSR	Total Shareholder Return