2 OCTOBER 2013

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

Dear Sir

2013 Annual Report

We attach the Company's 2013 Annual Report which is being sent to shareholders today.

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

Yours faithfully

Timothy Burt
Company Secretary

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WHITEHAVEN COAL

ANNUAL REPORT 2013

THE EMERGING FORCE IN THE AUSTRALIAN COAL MINING INDUSTRY

Contents

We are building one of Australia's most significant, modern, sustainably-minded mining companies.

One that is committed to bringing benefits to our shareholders, our workforce and our communities.

Highlights

Financial Highlights

- Operating EBITDA before significant items of $18.6 million for the financial year;
- Net loss after tax (NLAT), before significant items, of $60.7 million, down from a net profit after tax (NPAT) of $57.8 million in the previous financial year, reflecting:
  - Significant lower average coal prices (AU$83.81/t in FY2013 versus AU$111.72/t in FY2012). The fall in prices was predominantly due to market weakness coupled with Narrabri thermal coal being sold at a price below the Newcastle benchmark;
  - Accounting impact of placing the Sunnyside mine into care and maintenance;
  - Revised life of mine plans and reduced operating cost initiatives for the Tarrawonga and Rocglen mines;
  - Impact of the Boggabri train derailment in the first half of the year;
  - Take or pay costs due to the delayed ramp up of the Narrabri mine.
- Paid a fully franked final dividend of 3 cents per share in the first half of the year related to the previous year profits.
- Revenue from coal sales of $622.2 million up 0.7% from FY2012;
- Cash flow and financial position - $110.5 million cash available with net debt of $471.6 million compared to $513.6 million cash available and net cash of $24.2 million at 30 June 2012.

Financial Performance

	FY2013 $`M	FY2012 $`M	Movement
Revenue	**622.2**	618.1	+0.7%
Net profit/(loss) for the period attributable to members	**(82.2)**	62.5	-231.4%
Add back: Significant items after tax (refer to note 7)	**21.5**	(4.7)	+551.6%
Net profit/(loss) before significant items	**(60.7)**	57.8	-205.0%
Profit/(loss) before net financing expense	**(69.6)**	26.0	-367.6%
Add back: Depreciation and amortisation	**58.5**	39.7	+47.4%
Operating EBITDA	**(11.1)**	65.7	-116.9%
Add back: Significant items before net of financing expense (refer to note 7)	**29.7**	83.5	-64.4%
Operating EBITDA before significant items	**18.6**	149.2	-87.5%

Operating Highlights

- Final approval obtained from both the NSW State Government and the Federal Government for the large and low cost Maules Creek project, securing the Company's future production growth.
- Whitehaven produced a record 9.07Mt ROM coal and 8.20Mt of saleable coal on a 100% basis in FY2013, an increase of 71% and 67% respectively.
- Commissioning of the Narrabri longwall proceeded successfully with the mine ramping up to produce 3.68Mt of ROM coal and 3.47Mt saleable coal on a 100% basis during the year.
- The Narrabri team successfully completed the first longwall changeout a day ahead of schedule and the mine is now running at an annualised rate of 6.0Mtpa.
- The expansion project at the Werris Creek mine that increases production to 2.5Mtpa is on target for completion in the first half of FY2014.
- Equity ROM coal production increased significantly to 7.35Mtpa for the year compared to 4.66Mt the previous year despite the closure of the Sunnyside open cut.
- Whitehaven completed the acquisitions of Coalworks Limited and Itochu's minority interest in the Vickery South project which gives the Company 100% ownership of the project.
- Cost-cutting initiatives continue to deliver benefits flowing through from:
  - Revised mine plan with lower stripping ratios at the Tarrawonga and Rocglen mines;
  - Reduction in the number of contractors, employees and hired equipment at the Tarrawonga and Rocglen mines; and
  - Placing the Sunnyside mine in to care and maintenance.

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	2013	2012	Movement
ROM Coal Production	7,352	4,657	+58%
Saleable Coal Production	6,630	4,275	+55%
Sales of Produced Coal	6,441	4,289	+50%
Sales of Purchased Coal	982	1,243	-21%
Total Coal Sales	7,423	5,532	+34%
Coal Stocks at Period End	841	478	+76%

Chairman's Letter

Our underlying open cut business is performing well; our modern, world-class Narrabri underground operation is approaching its full production rates; and our Tier 1 Maules Creek asset has received all approvals required to commence construction.

Dear shareholder,
It has been an extremely eventful and challenging year for Whitehaven Coal and our team.

As the leading, independent, listed coal business, we are uniquely positioned in the Australian coal mining industry.

Our underlying open cut business is performing well; our modern, world-class Narrabri underground operation is approaching its full production rates; and our Tier 1 Maules Creek asset has received all approvals required to commence construction.

Our growth trajectory is ambitious, but very achievable, and we have assembled a serious team of the most highly-skilled and experienced professionals in the industry to ensure we deliver these coal resources to our customers in the most sustainable, efficient and cost-effective way possible.

The development of our major greenfield projects is not without its challenges. Our team is methodically finding innovative solutions to these challenges, while ensuring the broader perspective remains in sight.

Coal markets and their impact on our business

Global coal markets continue to suffer. Low prices, combined with a generally high Australian dollar have forced us to review all aspects of our business. Given both prices and currency are beyond our control, we are left with no option but to reduce costs, improve efficiency and optimise our operations.

Notwithstanding the Australian dollar is now moving in the right direction for our business, the focus on costs is being maintained.

There is no doubt that external factors have seriously impacted our financial performance for the year. Our overall financial result of a loss of $82.2 million was disappointing, although in line with expectations.

Notwithstanding the recent pressure on coal prices, we believe coal has an important long-term role in the global energy mix, and that Whitehaven will remain a competitive participant in the industry. Our semi-soft coking coal is increasingly being sought after as a viable alternative to hard coking coal in the steel making process.

Coal is not only one of Australia's largest export industries, but one of the world's most reliable sources of cost-effective energy – underpinning economic growth and increased standards of living in many countries around the globe. Our coal is relatively clean and high in energy with low trace elements, low ash, low sulphur and low phosphorous. As the world moves towards cleaner sources of coal it actually benefits both Whitehaven and Australian coal producers more broadly.

Our management team has responded well to these challenges, making a number of difficult decisions. We have placed our Sunnyside operation on care and maintenance and increased production at Werris Creek, revised mine plans at our Tarrawonga and Rocglen mines have reduced strip ratios and a shared services facility has been developed to reduce corporate costs.

Maules Creek

Securing government approval for our Maules Creek project was a key milestone in the Company's development. It will see us more than double in size, and will lower our overall cost of production.

One of the best things we can do to future proof our business in these difficult times is to bring on stream the lowest cost production we can. Maules Creek achieves this objective.

As has been widely reported there was a legal challenge to the Federal Minister's approval decision. The challenge does not prevent work commencing on the project. We are working vigorously to have first coal by the first quarter of CY2015. Our Maules Creek team remains extremely focused on putting the appropriate planning in place to facilitate an on-time and on-budget construction process.

Chairman's Letter

Narrabri

Our Narrabri mine commenced development in early 2010 and the longwall operation began in June 2012. In this short period of time we have built a new, largely local, highly skilled workforce which has achieved some outstanding results.

The first longwall change out was completed in July this year, on-time and on-budget – by industry standards this was an excellent outcome.

The mine is now operating consistently at levels approaching its full production rates and preparation is commencing for the second longwall changeout. Significant work to address the quality of the Narrabri thermal coal product was completed recently ensuring that all thermal coal sold in FY2014 will meet Newcastle benchmark specifications.

Sustainability

We are running a sustainable business within a sustainable industry.

Whitehaven has been operating in partnership with the north-west New South Wales community (where all our production is located) since 1999. We are the largest coal producer in the Gunnedah Basin, with our coal travelling by rail to the Port of Newcastle before being shipped to our customers in Japan, Korea, Taiwan, India and China.

We want to ensure that the overall impact of our business, our people and our operations is positive for the community in which we live.

Our challenge, every day, is to conduct our business in the most ethical, efficient, and sustainable manner possible.

This year we have provided shareholders and stakeholders with a detailed sustainability review. This review starts on page 20 of this document and outlines our approach and performance in relation to our people, our communities, the environment and health and safety. It also provides context by outlining the broad benefits we bring to the broader community.

Like all extractive industries, our operations do impact on the environment and communities. We aim to minimise, and where possible, eliminate these impacts – and to ensure that our presence delivers the communities in which we operate the greatest net benefit possible. Our target is to ensure we have zero environmental incidents.

We want to do this in the most ethical and rigorous manner possible and this can only be achieved through open and honest consultation and partnership with our broad range of stakeholders.

We understand that our social licence to operate is dependent on operating not just technically within our approved conditions, but through endeavouring to listen, understand and genuinely engage with members of our broader stakeholder community.

Importantly, we also make a significant economic contribution to the community, through long-term employment, royalties, contributions to local councils to support infrastructure, contracts with local businesses and the investment we make each year in running our business.

We are very proud that more than 80% of our 600-plus employees live and work locally – where they, and their families, form a large part of our local community. What is good for the community is also good for them, and vice versa.

The health and safety of our people is paramount and our approach to health and safety is non-negotiable. Our most important asset is our people. We want them to return home safely to their families and friends at the end of every work day.

Management and people

I would like to take this opportunity to thank both Tony Haggarty and Paul Flynn. Paul assumed the role of Managing Director and Chief Executive Officer from Tony in March 2013.

Tony indicated publicly at the time of the merger that he would be continuing as Managing Director of the merged entity, but not indefinitely, and this position was reaffirmed at the Company's AGM in November 2012.

As one of Australia's most successful and respected mining company executives, Tony's contribution and commitment to the growth and development of Whitehaven and its operations has been outstanding.

His reputation both within and outside our business is exemplary and we enjoy his ongoing contribution to our business as a Non-executive Director.

Since taking on the role Paul has displayed unquestionable commitment and brought his own energy and rigor to the role. We welcome his approach to the complex business challenges we face, and his focus on ensuring not only our "front bench" but all levels of our business are prepared for the next phase of our development.

On behalf of the Board I thank Paul, Tony, and our highly capable senior management team and workforce for their efforts during FY2013.

The Hon. Mark Vaile AO
Chairman

Managing Director's Report

It gives me great pleasure to report to you as Whitehaven's Managing Director following my appointment to the role in March this year.

Our growth plans will transform this business – we have almost doubled the size of the business in the past year, and we plan to more than double it again in the next three years – taking us from a 5Mt producer in FY2012 to a 22Mt producer in FY2017.

In effect we are working from our already-strong base of open cut production to build one of Australia's most significant, modern, sustainably-minded mining companies.

My focus has been on ensuring the challenges presented as part of this growth are managed efficiently, and that we retain and attract the best people to our business. People who can meet the many challenges of our growth profile, understand the expectations of our stakeholders, and keep their focus on the broader goals.

I am particularly pleased that this year we have provided shareholders and stakeholders with a much more detailed overview of our sustainability practices. This report begins on page 20 of this document and clearly outlines our commitment, approach and performance in relation to safety, environment, economic contributions, community and our people.

This is a critical part of our business and we will continue to provide detailed information on our sustainability performance to our shareholders and all other stakeholders.

Industry overview

It has been an eventful year where the Australian coal industry as a whole was under significant pressure from weaker prices and a strong Australian dollar. Many coal mining companies in Australia have been forced to make tough decisions in an effort to restore their competitiveness and survive in the current environment.

Despite the weak coal market conditions Whitehaven has made significant progress on a number of the key components of its strategy to become the premier independent listed coal producer in Australia. One of the difficult decisions made in the first half was the closure and placement into care and maintenance of the higher cost Sunnyside open cut. All Whitehaven's direct employees affected by the decision were offered roles at our other operations, although there were a number of redundancies among the contractor workforce.

Financial performance

The financial performance of the Company for FY2013 was impacted by low coal prices, a strong Australian dollar and cost pressures across the coal industry in Australia. The loss of $82.2 million is not an acceptable outcome and the Company has taken measures to reduce costs and improve margins at all of the mines in the portfolio. The resolution of lower than expected energy and moisture in the Narrabri thermal product and cost reductions at the open cuts will go a long way to restoring margins across the operations. In addition, the production ramp up at Narrabri will lower costs on a unit basis from the mine.

Safety

Whitehaven is committed to protecting workers from injury or illness while working at any of our operations. We take the commitment seriously and expect those working for us to share the same level of commitment. I am pleased to report that the performance at the Narrabri underground mine improved considerably during FY2013 with the Total Recordable Injury Frequency Rate (TRIFR) declining to 22.36 in the year from 34.61 the previous year, an outstanding achievement in a new mine with a relatively inexperienced workforce. There was a slight deterioration in the safety performance at the open cuts in FY2013. For more information on our safety performance please refer to page 32 of this report.

Operations overview

In early July 2013 we received the highly-anticipated unconditional Federal Government approval required for the development and construction of the Tier 1 Maules Creek project. It has been a long and arduous process to obtain all of the necessary approvals from the various Government authorities.

Managing Director's Report

As widely reported the start of construction was delayed by a legal challenge brought by a group with funding from the Environmental Defenders Office. Construction activity can now commence when contracts are let and salvage works by indigenous groups are completed. The project has been through one of the most rigorous planning approvals processes ever undertaken by a mine in New South Wales and has been reviewed by a wide range of highly regarded environmental experts. We are confident that the management plans that are being put in place provide a solid foundation for the operation's ongoing sustainability.

Pleasingly, despite the suspension of mining at the Sunnyside open cut, overall open cut coal production exceeded the previous year's production. Werris Creek was able to lift its ROM coal production by 32% and total open cut production increased by 9% for ROM coal and 5% for saleable coal production to 5.4Mt and 4.7Mt respectively. As part of a cost reduction programme during the year the mine plans for each of the open cuts were reviewed and the strip ratio effectively reduced for the next two years. This change has led to a reduction of the number of trucks required for overburden removal and lowering costs for those two years.

In another measure aimed at reducing costs and running the business more efficiently a shared services function has been established along with the appointment of a group procurement manager. These administrative changes are required as the Company progresses through its strong growth phase that will occur over the next three years.

Whitehaven's current flagship mine, the Narrabri underground coal mine, performed impressively during its first year of longwall production, especially since the mine is still in the ramp up phase. Production from the longwall commenced just prior to the beginning of the year and achieved a total of 3.7Mt ROM coal (100% basis) for the full year. Saleable coal production on the same basis was 3.5Mt.

The relatively new workforce, which is now almost completely Whitehaven direct employees, has performed exceedingly well with safety improving as the year advanced and the first longwall move being completed safely on time and budget in July 2013.

Infrastructure

From an infrastructure perspective Whitehaven was obliged to make take or pay payments to infrastructure providers during FY2013. The situation will persist into FY2014, albeit at lower charges following a reduction in the rates through the two major port facilities. For the longer term Whitehaven was able to negotiate a new rail haulage contract for up to 16Mtpa with Aurizon. The contract is structured for volumes to increase in line with the growing production.

Outlook

Whitehaven's longer-term aim is to become the premier independent listed coal company in Australia. The process commenced with the successful development and ramp up of production from the Narrabri underground coal mine and will continue from the construction and development of our second Tier 1 asset, the Maules Creek project.

The outlook for the coal industry and coal prices remains subdued, although recent data from China does indicate that low prices are having an impact on production in that country with small producers cutting output. While the Company does not expect any improvement in coal prices in the short-term, the weaker Australian dollar will help to increase revenues in FY2014. Sales revenue will also be increased by having resolved the energy levels in the Narrabri thermal coal product as the coal will be sold at Newcastle bench mark prices in FY2014. We will remain focused on cost cutting across all of the mines which will leave Whitehaven well placed to cope in the current market environment.

Conclusion

I would like to thank our Board, management team and broader workforce for their efforts during what has been a difficult year for the Company and the coal industry generally.

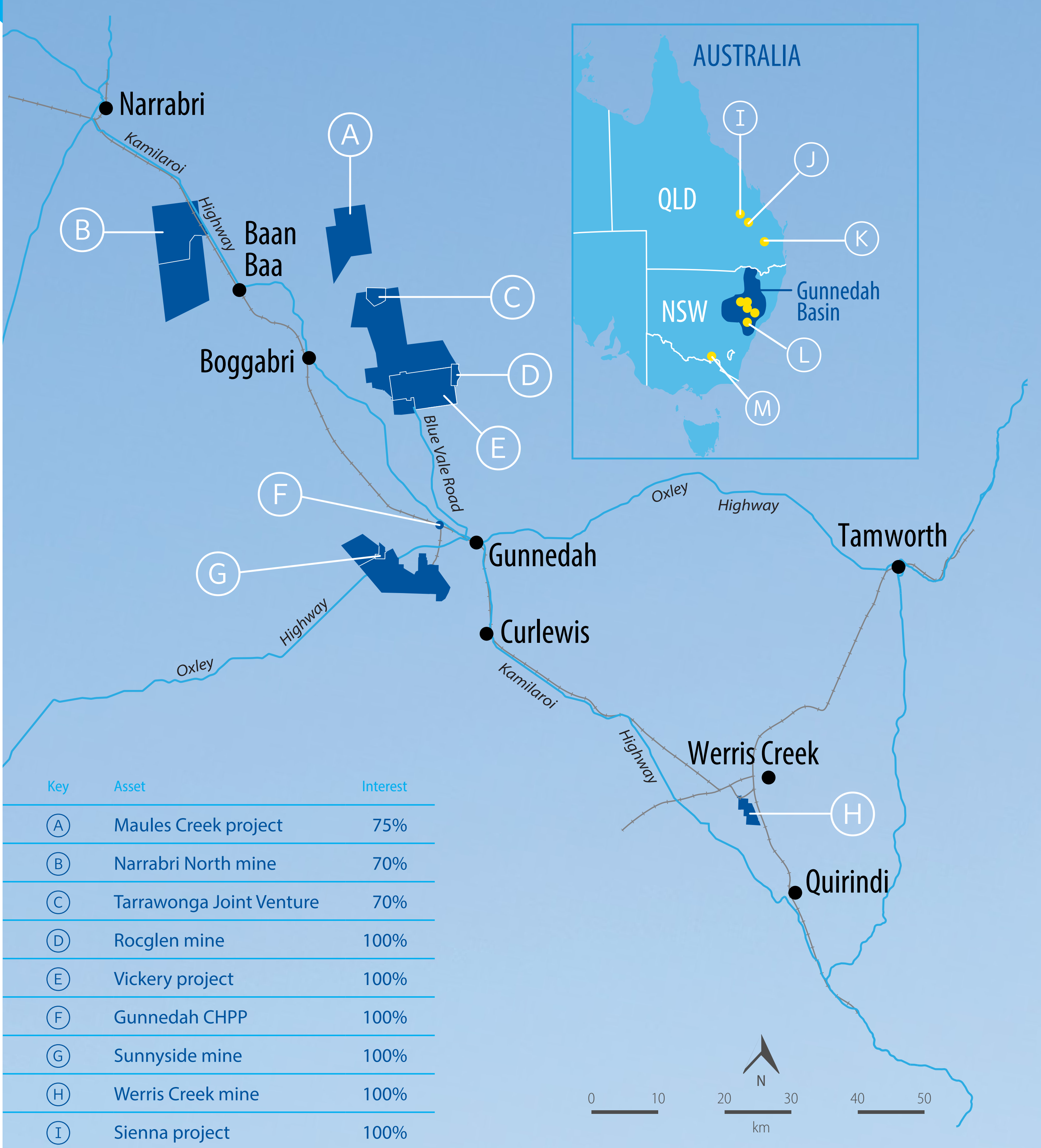
The opportunities for our people and our business are immense. Being involved in the greenfield development of three major projects, Narrabri, Maules Creek and the longer-term Vickery project, is an opportunity both I, and others in our business have embraced, and valued – despite the many challenges involved.

These opportunities are also attracting excellent people to our business, ensuring that we will have the resources we need to continue to deliver.

These developments will be transformational for Whitehaven and will underpin our goal of making Whitehaven the premier independent coal company in Australia.

Paul Flynn
Managing Director and Chief Executive Officer

Operations Review



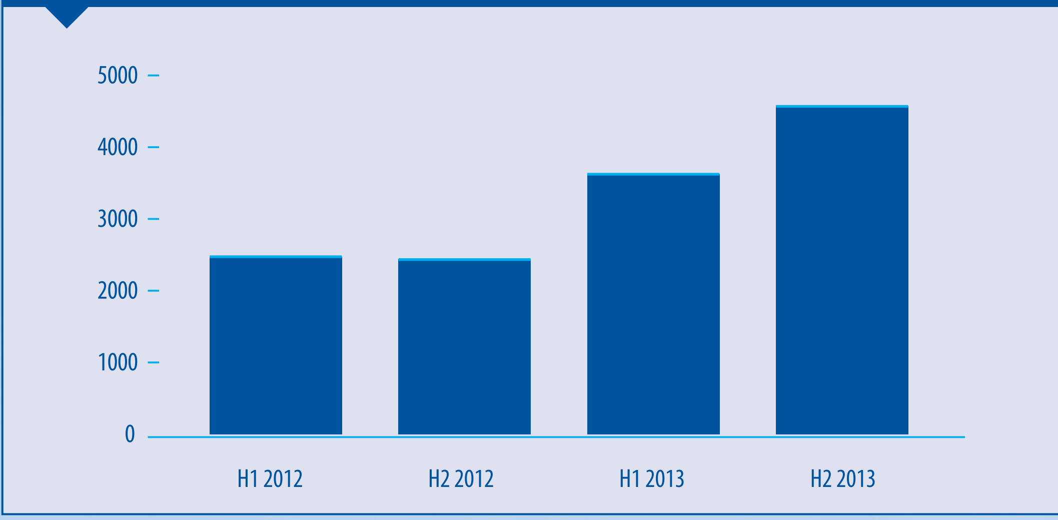
Key	Asset	Interest
A	Maules Creek project	75%
B	Narrabri North mine	70%
C	Tarrawonga Joint Venture	70%
D	Rocglen mine	100%
E	Vickery project	100%
F	Gunnedah CHPP	100%
G	Sunnyside mine	100%
H	Werris Creek mine	100%
I	Sienna project	100%
J	Dingo project	70%
K	Monto project	100%
L	Ferndale project	94%
M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

Whitehaven has almost doubled production over a two year period and will more than double production again as the Maules Creek project moves into production.

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	2013	2012	Movement
ROM Coal Production	7,352	4,657	+58%
Saleable Coal Production	6,630	4,275	+55%
Sales of Produced Coal	6,441	4,289	+50%
Sales of Purchased Coal	982	1,243	-21%
Total Coal Sales	7,423	5,532	+34%
Coal Stocks at Period End	841	478	+76%

Whitehaven Group Saleable Coal Production by Half Year (100%, 000t)

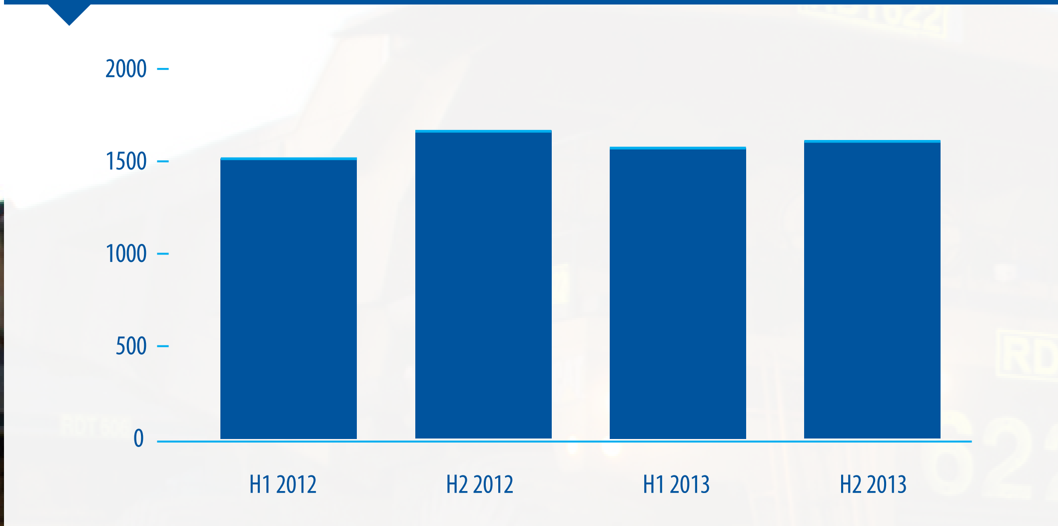


Gunnedah Operations

Gunnedah Operations (Equity Share)

Gunnedah Operations – 000t	2013	2012	Movement
ROM Coal Production	3,099	3,129	-1%
Saleable Coal Production	2,656	2,662	0%
Sales of Produced Coal	2,601	2,621	-1%
Sales of Purchased Coal	982	1,243	-21%
Total Coal Sales	3,583	3,865	-7%
Coal Stocks at Period End	379	342	+11%

Gunnedah Saleable Coal Production by Half Year (100%, 000t)



Gunnedah Operations

Ownership:

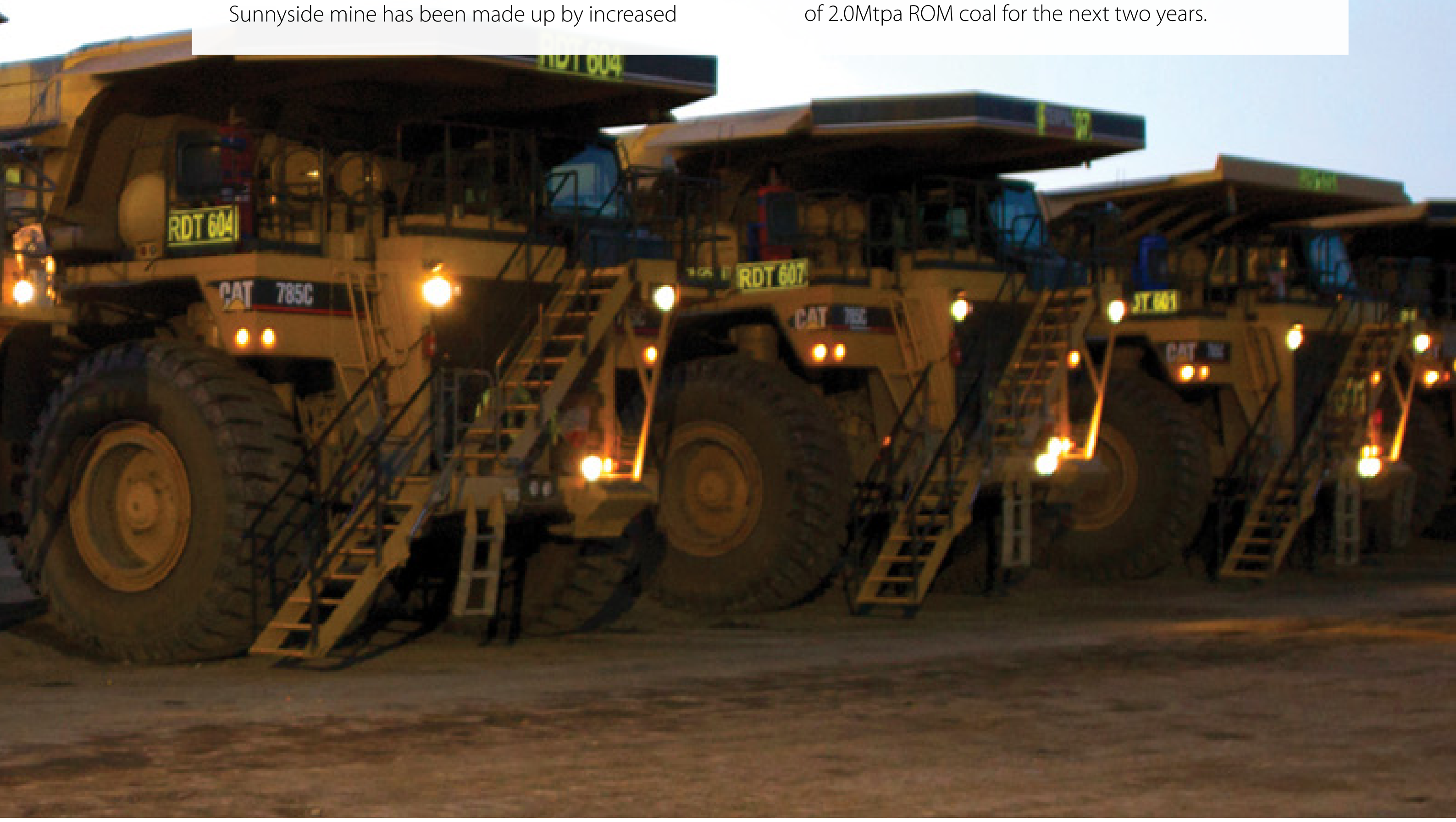
- Tarrawonga - Whitehaven Coal 70% and operator, Idemitsu 30%
- Rocglen - Whitehaven Coal 100%
- Sunnyside - Whitehaven Coal 100%
- Gunnedah - CHPP: Whitehaven 100%

The Gunnedah operations include the Tarrawonga, Rocglen, and Sunnyside open cut mines and the Gunnedah coal handling and preparation plant (CHPP) and train load out facility. ROM coal from each of the open cut mines is road transported on a dedicated haul road to the CHPP located near Gunnedah. Product is then loaded onto trains for railing to the coal terminals in Newcastle.

Operations at the Gunnedah open cuts have progressed through a number of changes during the year. In the first instance a review of the Sunnyside open cut resulted in placing the mine into care and maintenance as the high cost mine was not profitable in the current coal price environment. Mining at Sunnyside was halted late in the first half of the year and ROM coal stocks were depleted by the end of the year. This decision resulted in several contract positions being made redundant. However, all Whitehaven employees were offered roles at the other group mines. Production of 0.4Mtpa ROM coal from Sunnyside mine has been made up by increased production from the Werris Creek mine, leaving overall output by the Company unchanged.

In response to the current coal market conditions a detailed review of both the Rocglen and Tarrawonga open cuts was carried out in the second half of the year. As a consequence, the mine plans at both open cuts have been amended to reduce the strip ratio, resulting in the number of trucks required for overburden removal reducing by four. Several positions were made redundant. This will result in lower costs for both mines with production maintained at about 3.5Mtpa ROM coal.

An application was lodged early in the year with both the New South Wales (NSW) State Government and the Federal Government, seeking approval to increase production from 2.0Mtpa to 3.0Mtpa and extend the mine life from 2017 to 2030 at the Tarrawonga open cut. The project was approved by the NSW Planning Assessment Commission (PAC) in January which was followed later in the year by Federal Government approval. The project is now approved to mine a total of 50.5Mt of coal in the period up until 2030. The current life of the Tarrawonga mine based on Marketable Reserves of 46.8Mt is about 15 years based on 3.0Mtoa ROM production. As a result of the recent cost cutting review the mine will be operated at a rate of 2.0Mtpa ROM coal for the next two years.

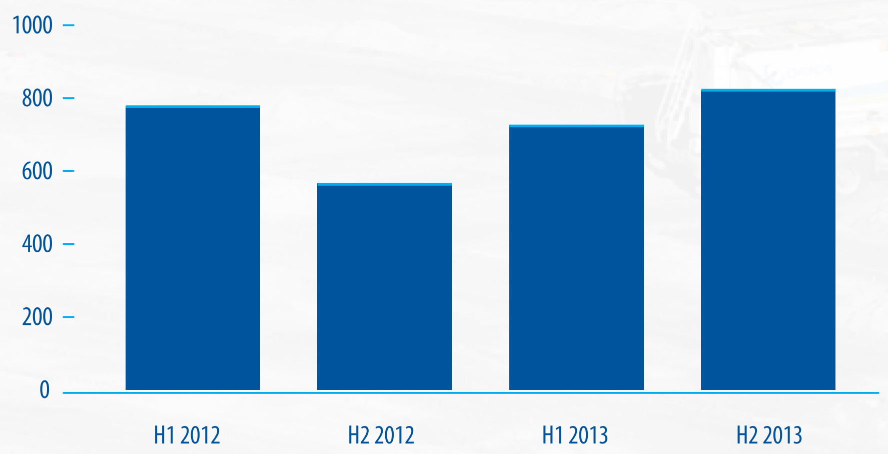


Werris Creek mine

Werris Creek mine (Equity Share)

Werris Creek mine – 000t	2013	2012	Movement
ROM Coal Production	1,677	1,274	+32%
Saleable Coal Production	1,547	1,343	+15%
Sales of Produced Coal	1,510	1,407	+7%
Sales of Purchased Coal	-	-	-
Total Coal Sales	1,510	1,407	+7%
Coal Stocks at Period End	323	117	+176%

Werris Creek Saleable Coal Production by Half Year (100%, 000t)



Werris Creek mine

Ownership:

- Whitehaven 100%

The Werris Creek mine which is Whitehaven's lowest cost mine performed strongly during the year with ROM coal production increasing by 32% to 1.68Mt and saleable coal production increasing by 15% to 1.55Mt from the previous year. The increase was due to the introduction of a larger excavator and trucks to the mine as production was increased to compensate for the closure of the Sunnyside mine. The mine does not have a CHPP so coal production is sold on a ROM basis or blended with other coals from the portfolio.

Approvals were obtained from the NSW State Government allowing for the increase of ROM coal production to 2.5Mtpa from the previous level of 2.0Mtpa. As part of the expansion project the mine infrastructure is being relocated and the rail loading facilities are being upgraded with the work expected to be completed in the September quarter of 2013.

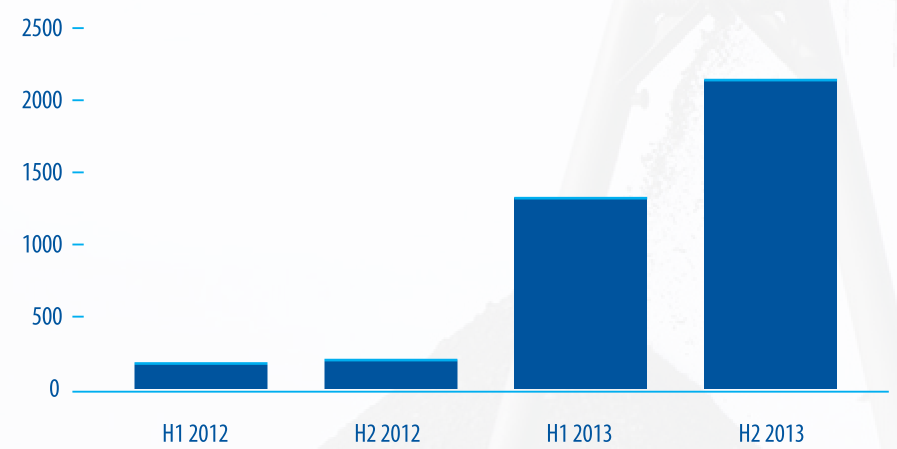
A recently completed assessment of the project, incorporating new geological information along with more detailed analysis of old underground mining data, has revealed some deterioration of the quality and recoverability of the coal and shortened the mine life. Current Reserves are sufficient for about an eight-year mine life. As the mine remains one of Whitehaven's lowest cost mines it has been decided to blend higher quality coal from the other mines with some of the coal produced at Werris Creek to improve its saleability and pricing in the current market.

Narrabri mine

Narrabri mine (Equity Share)

Narrabri mine – 000t	2013	2012	Movement
ROM Coal Production	2,575	254	+915%
Saleable Coal Production	2,426	270	+799%
Sales of Produced Coal	2,330	261	+794%
Sales of Purchased Coal	-	-	-
Total Coal Sales	2,330	261	+794%
Coal Stocks at Period End	139	18	+660%

Narrabri Saleable Coal Production by Half Year (100%, 000t)



Narrabri mine

Ownership:

- Whitehaven: 70% and operator, Electric Power Development Co. Ltd 7.5%, EDF Trading 7.5%, Upper Horn Investments Limited 7.5%, Daewoo International Corporation and Korea Resources Corporation 7.5%.

Following the installation of the new longwall in June 2012 the Narrabri mine ramped up output in line with schedule over the course of FY2013. Production reached an annualised rate of 5.2Mt on a 100% basis for the March 2013 quarter, within reach of the targeted 6.0Mtpa (100% basis) expected as the operation settles into steady state production. This was an exceptionally strong performance for a new longwall operating in a region with some identified technical risks and is a reflection of the detailed planning process developed prior to the installation.

Several technical issues were overcome during the year, as is usual in the startup of a large underground longwall mine. Importantly the longwall completed the first panel in June and successfully achieved the six week schedule to move the equipment into the second panel of the mine. Key technical risks associated with gas drainage and roof caving have been dealt with appropriately and will become part of normal operating practices at the mine.

On 28 November 2012 a train carrying Narrabri's coal derailed near Boggabri, damaging a section of line and making the rail line impassable. The Australian Rail Track Corporation (ARTC) undertook extensive emergency repairs to the line and it was re-opened on 20 December. While stockpile capacity was extended at the mine, full capacity was reached during the rail closure period and mine production ceased. Production from the longwall recommenced on 28 December 2012. Unutilised take or pay commitments for port and rail due to the derailment were in excess of $2.5 million.

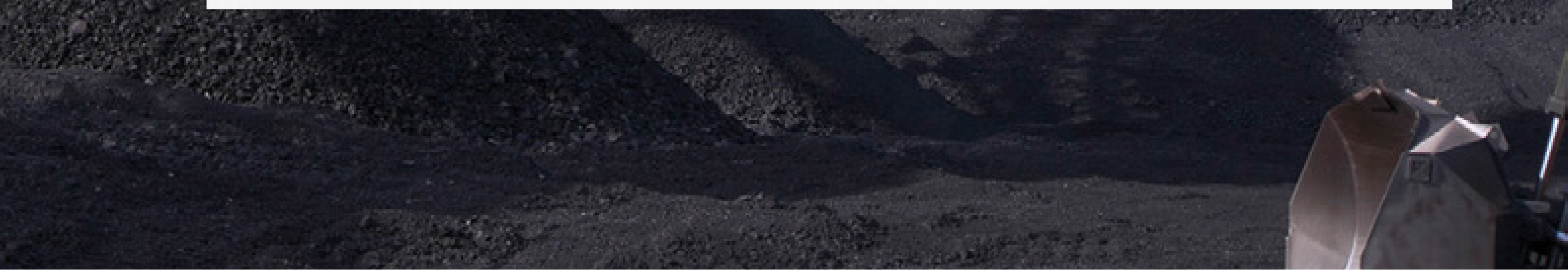
Underground roadway development for the second panel was completed well in advance of the longwall move in June 2013. Development for the third panel was almost completed at the end of the year. The next longwall move into the third panel at the mine is planned for February 2014. As roadway development for the longwall panels is well ahead of schedule the operations team at the mine has reduced the number of continuous miners required for underground development to three units. The result is that one of the continuous miner units at the mine can be stood down for a period leading to a reduction in costs at the mine.

Pleasingly, the site's workforce now consists almost entirely of Whitehaven employees who live in the local region, one of Whitehaven's key objectives. This was achieved in part as a result of our Narrabri Trainee Programme which is detailed in section 2.2 of our Sustainability Review.

The CHPP struggled throughout the year to reach its design capacity of 1,000tph. However, by the end of the period it was operating consistently in the range of 900tph to 1,000tph. Sedgman, the builder and operator of the plant, is in the process of conducting performance tests at the plant with effective completion expected in the first half of FY2014. The original bypass equipment used for the early development phase of the mine has been recommissioned following some modifications. The circuit which has a capacity of 1,000tph can place coal directly onto the product stockpiles without having to pass through the CHPP. This provides the mine with the flexibility to either bypass the entire production of the mine or wash the entire production of the mine, or any combination of both determined by management and market needs.

Low ash high CV ROM coal that passes through the by-pass circuit is blended with washed thermal product to increase energy levels to create a product that is sold as a Newcastle benchmark coal. During FY2013 low energy levels in the thermal coal product produced from the CHPP resulted in the coal being sold at a price below the Newcastle benchmark price.

There are several potential benefits that accrue to the mine by using the by-pass circuit. However key objectives are to achieve a higher price for the thermal product and to reduce costs by not having to wash all of the ROM coal produced by the longwall. Another potential benefit is that more high value PCI coal can be produced by the mine in the future thereby enhancing the financial returns. In FY2014 the mine is scheduled to produce 0.65Mt of PCI coal and about 4.85Mt of thermal coal.



Development projects

Maules Creek project

The Maules Creek Coal project located in the Gunnedah Basin is a large open cut mining operation with an expected life of over 30 years. ROM coal production rate will be about 13Mtpa and product about 11Mtpa. The products from the mine will include semi-soft coking coal, PCI coals and premium low ash thermal coal.

NSW Government approval was granted on 25 October 2012 with Federal Government conditional approval granted on 11 February 2013. This was followed with a final approval of all conditions to allow for construction to commence by the Federal Government on 4 July 2013.

Subsequent to balance date, a group represented by the taxpayer funded Environmental Defenders Office commenced proceedings in the Federal Court against the Federal Minister for the Environment and the Company challenging the validity of the approval granted by the Federal Minister.

The Application filed with the Federal Court contends that the Minister committed errors of law in granting the approval on 11 February 2013. In this litigation, the Federal Court has jurisdiction to determine whether the Federal Minister committed an error of law in granting the approval.

For updates refer to the Company's website.

Capital expenditure to first coal remains as advised and is approximately $767 million (100% basis) with about $170 million already spent. The remaining $597 million will be incurred over the next one to two years with Whitehaven's share 75% of the total.

Maules Creek is expected to have an average whole of life FOB cash operating costs of approximately A$67/t (excluding royalties) which is a very competitive operating cost structure, largely driven by Maules Creek's relatively low overburden stripping ratio of 6.4 bcm per tonne of ROM coal. The low FOB cash cost, combined with a low development capital cost per annual tonne of capacity and the high value of the saleable coal, confirms the strong economics and substantial value of this project.

Existing unutilised debt facilities at 30 June 2013 are expected to be sufficient to meet Maules Creek capital expenditure commitments based upon the projected mine development timeline. However, final timing will be dependent upon the startup of construction which may be impacted by the current litigation.

Vickery project

Following the acquisition of Coalworks, completed in August 2012, and the subsequent acquisition of Itochu Corporation's interest in the Vickery South project, Whitehaven owns 100% of the Vickery South project along with the Vickery project. As with other mines, Whitehaven will consider the potential of introducing joint venture partners to the project similar to the Narrabri and Maules Creek joint venture arrangements.

The enlarged project area presents the Company with an opportunity to combine the Vickery project and the Vickery South project into one large project, subject to relevant approvals processes. The combined Resource for both project areas is 507.6Mt (148.1Mt Measured, 183.5Mt Indicated and 176.0Mt Inferred). The Marketable Reserve for the consolidated Vickery project is 180.0Mt (all of which is Probable category).

Initial mine planning on the Vickery project has generated an open cut design which produces 164Mt of ROM coal. Vickery could produce about 4.5Mtpa ROM for more than 30 years at an average strip ratio of approximately 10:1. Another key advantage for the project is the potential to use the Gunnedah CHPP for washing coal. This would significantly reduce the capital investment required for the mine. Products would be similar to Maules Creek as the same coal seams are being mined at Vickery and include a semi-soft coking coal and thermal coal.

The Vickery project Preliminary Environmental Assessment was lodged with the NSW Department of Planning and Infrastructure (DP&I) in November 2011 and the Environmental Impact Statement was placed on public display from 5 March 2013 to 12 April 2013.

Whitehaven has reviewed the submissions made during the exhibition period and issued a Response to Submissions to the DP&I. A number of additional submissions were made after the formal close of the exhibition period leading Whitehaven to prepare and submit an additional Response to Submissions on 17 July 2013. The current time table would indicate a determination is likely in the first quarter of CY2014

Other projects

Whitehaven has interests in a number of other coal exploration projects, including Ferndale, Dingo, Sienna, Monto, Ashford and Oaklands North. The Company decided to restrict expenditure on these projects to the minimum required to keep them in good standing with the Government authorities. The strategy is likely to persist throughout FY2014.

Infrastructure

Whitehaven currently uses both the Port Waratah Coal Services (PWCS) coal terminal and the NCIG coal terminal at the port of Newcastle, NSW to load its coal for export to the Asian region. Both of these coal terminals are world class facilities and are used by many other coal producers in the Hunter Valley and surrounding coal basins.

Whitehaven has an equity interest in NCIG that entitles the Company to about 6.0Mtpa capacity at the port when it is operating at its full capacity of 66Mtpa. The NCIG terminal completed its final 2F expansion in June 2013 which lifted its throughput capacity to 66Mtpa.

The Company currently has a rolling ten-year contract with PWCS that provides the Company with 5.3Mtpa until CY2015. From CY2015 Whitehaven's rolling ten-year contracted volume at PWCS increases to 12.8Mtpa. In addition, Whitehaven had acquired a total of 16.4Mt of port allocation spread between May 2012 and June 2016. These tonnes were to be used for the production from the new Narrabri and Maules Creek mines in the Gunnedah Basin. However, due to delays in the approval process for both of the mines the Company had excess port allocation in FY2013 and expects to have excess allocation in FY2014.

The cost of take or pay obligations in FY2013 caused an increase in production costs across the Company of about $3/t on an FOB basis. Recent reductions in port costs at both PWCS and NCIG are likely to save Whitehaven about $16 million in take or pay costs in FY2014. Total take or pay costs in FY2014 are expected to be about $3/t of coal production for the year.

Rail haulage contracts are currently in place for a total of 9.5Mtpa and Whitehaven has entered into a long-term haulage contract with Aurizon for a total of up to 16Mtpa to be increased in line with requirements as projects come on stream.

A trial to test 30 tonne axle load locomotives on the Gunnedah rail line commenced on 1 August 2013. Initial results of the trial are positive and it is envisaged that full 30 tonne axle load operations will commence in 2015 and train sizes will increase from 6,300 tonnes to about 8,000 tonnes resulting in a cost reduction on a $/t basis for coal hauled in those larger trains.

Below rail contracts with ARTC are in place to match the port and rail haulage contracts.

Resources and Reserves

COAL RESOURCES AND RESERVES (100% BASIS)

Whitehaven Coal Limited - Coal Resources - August 2013

Tenement		Measured Resource	Indicated Resource	Inferred Resource	Total Resources	Competent Person	Report Date
Vickery Opencut	CL316/EL4699/EL7407	148.08	183.5	176.0	507.6	2	Feb-13
Vickery Underground	CL316	–	–	29.0	29.0	2	Feb-13
Rocglen Opencut	ML1620	11.3	2.7	0.3	14.3	1	May-13
Rocglen Underground	ML1620	–	2.4	1.1	3.5	1	May-13
Tarrawonga Opencut*	EL5967/ML1579/CL368	39.7	26.7	17.6	84.0	1	May-13
Tarrawonga Underground	EL5967/ML1579	9.9	15.4	16.4	41.7	1	May-13
Maules Creek Opencut**	CL375/AUTH346	197.22	244.4	237.0	678.6	4	Mar-11
Sunnyside Opencut	ML1624/EL5183	19.6	47.4	22.9	89.9	1	Mar-11
EL5183 Underground	EL5183	–	7.2	32.2	39.4	1	May-09
BLOCK 7 Opencut	CCL701	–	–	1.4	1.4	1	Jan-09
BLOCK 7 Underground	CCL701	–	12.9	2.5	15.4	1	Jan-09
Other Gunnedah Resources	CCL701	–	13.0	123.2	136.2	3	Mar-10
Werris Creek Opencut	ML1563/ML1672	20.9	5.3	1.7	27.9	1	May-13
Narrabri Underground***	ML1609/EL6243	188.4	381	181	750.4	5	Jun-13
Total Gunnedah Basin		635.1	941.9	842.3	2419.3		
Brunt Deposit Opencut	EL6450	–	2.6	0.3	2.9	3	Sep-09
Arthurs Seat Opencut	EL6587	–	–	1.7	1.7	3	Nov-09
Ferndale Opencut	EL7430	103.23	135.4	134	372.6	2	Jan-13
Ferndale Underground	EL7430	–	–	73	73	2	Jan-13
Oaklands North Opencut	EL6861	121	572	129	822	3	Aug-12
Pearl Creek Opencut****	EPC862	–	14.4	38.0	52.4	4	Jan-13
Total Other Coal Resources		224.2	724.4	376.0	1324.6		
Total Coal Resources		859.3	1666.3	1218.3	3743.9		

1 Colin Read
2 Greg Jones
3 Tom Bradbury
3 Phil Sides
4 John Rogis
* Whitehaven owns 70% share of ML1579 and Tarrawonga North Joint Venture Area within CL368 and EL5967. The total combined resource for Tarrawonga Mining Lease (ML1579), Exploration Licence (EL5967) and Tarrawonga North Joint Venture (CL368) is reported.
** Maules Creek Joint Venture – Whitehaven owns 75%share
*** Narrabri Joint Venture – Whitehaven owns 70% share
**** Dingo Joint Venture – Whitehaven owns 70% share
# The Coal Resources for active mining areas are current to the pit surface as at the report date

Resources and Reserves

Whitehaven Coal Limited - Coal Reserves - August 2013

Tenement		Recoverable Reserves Proved	Recoverable Reserves Probable	Recoverable Reserves Total	Marketable Reserves Proved	Marketable Reserves Probable	Marketable Reserves Total	Competent Person	Report Date
Vickery Opencut	CL316/EL4699/EL7407	–	204	204	–	180	180	1	Aug-13
Rocglen Opencut	ML1620	8.1	0.5	8.6	6.6	0.4	7.0	1	May-13
Tarrawonga Opencut *	EL5967/ML1579/CL368	31.5	19.8	51.3	28.7	18.1	46.8	1	May-13
Maules Creek Opencut**	CL375/AUTH346	171.1	190.6	361.7	141.3	187.6	328.9	1	Apr-11
Werris Creek Opencut	ML1563/ML1672	16.7	4.3	21.0	16.7	4.3	21.0	1	May-13
Narrabri North Underground***	ML1609	63.4	83	146.4	59.5	78	137.5	2	Jun-13
Narrabri South Underground***	EL6243	–	94	94	–	75	75	2	Jun-13
Total Coal Reserves		**290.8**	**596.2**	**887.0**	**252.8**	**543.2**	**796.2**		

1 Doug Sillar
2 Graeme Rigg
* Whitehaven owns 70% share of ML1579 and Tarrawonga North Joint Venture Area within CL368 and EL5967. The total combined resource for Tarrawonga Mining Lease (ML1579), Exploration Licence (EL5967) and Tarrawonga North Joint Venture (CL368) is reported
** Maules Creek Joint Venture – Whitehaven owns 75% share
*** Narrabri Joint Venture – Whitehaven owns 70% share
**** Dingo Joint Venture – Whitehaven owns 70% share
# The Coal Reserves for active mining areas are current as at report date
Coal Reserves are quoted as a subset of Coal Resources
Marketable Reserves are based on geological modelling of the anticipated yield from Recoverable Reserves.

JORC Competent Persons Statement

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

Named Competent Persons consent to the inclusion of material in the form and context in which it appears. This Coal Resources and Reserves statement was compiled by Mr Mark Dawson, Group Geologist, Whitehaven Coal Limited. All Competent Persons named are Members of the Australian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and have the relevant experience in relation to the mineralisation being reported on by them to qualify as Competent Persons as defined in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

Sustainability Review

page

We want to ensure that the overall impact of our business, our people and our operations is positive for the world in which we live.

Our challenge, every day, is to conduct our business in the most ethical, efficient and sustainable manner possible.

1 · Sustainability Overview

We want to ensure that the overall impact of our business, our people and our operations is positive for the world in which we live.

Our challenge, every day, is to conduct our business in the most ethical, efficient and sustainable manner possible.

Our business

Whitehaven has been operating in partnership with the north-west New South Wales community (where all our production is located) since 1999. We are the largest coal producer in the Gunnedah Basin, with our coal travelling by rail to the Port of Newcastle before being shipped to our customers in Japan, Korea, Taiwan, India and China.

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

Our coal is relatively clean and high in energy. It is used in the production of electricity, steel, specialty metals and in general industrial markets. Whitehaven's coal has low trace elements, low-ash, low-sulphur, low-phosphorus. As the world moves towards cleaner sources of coal it actually benefits both Whitehaven and Australian coal producers more broadly.

Economic, environmental and community impacts

Whitehaven makes a significant economic contribution to the community, through long-term employment, royalties, contributions to local councils to support infrastructure, contracts with local businesses and the investment we make each year in running our business.

We understand that it is not just bringing these benefits that assists the north-west New South Wales community, but the way we conduct ourselves in bringing those benefits.

Like all extractive industries, our operations do impact on the environment and communities. We aim to minimise, and where possible, eliminate these impacts – and to ensure that our presence delivers the communities in which we operate the greatest net benefit possible. Our target is to ensure we have zero environmental incidents.

We want to do this in the most ethical and rigorous manner possible and this can only be achieved through open and honest consultation and partnership with our broad range of stakeholders.

> We are running a sustainable business within a sustainable industry.

We understand that our social licence to operate is dependent on operating not just technically within our approved conditions, but through endeavouring to listen, understand and genuinely engage with members of our broader stakeholder community.

We measure our stakeholder engagement performance through the strong support we have obtained from the majority of local stakeholders. We are committed to earning and maintaining their ongoing support.

In addition to our proactive approach to managing the sustainable development of our coal resources, our industry and our operations are working within an increasingly stringent regulatory environment. This regulatory environment covers all aspects of our operations from our engagement with communities, including social impacts and cultural heritage, to our specific environmental impacts – air quality, noise, biodiversity, surface and ground water, visual amenity, and land rehabilitation.

In Whitehaven's case, four of our five mining operations have been through the full approvals process in the past two years.[1] This sets us apart from our peers and means that our mines are now operating under the highest environmental standards and requirements in the NSW mining industry.

The stakeholder consultation undertaken as part of these approval processes was broad and detailed, and exceeded the standards required by general compliance. All of the documents associated with these approvals, including independent studies, consent conditions and management plans are available publicly on our website.

www.whitehavencoal.com.au/environment.cfm

1 In the past three years Whitehaven has completed the full Federal and New South Wales approvals process for: the Narrabri underground mine; Rocglen extension; Tarrawonga Extension; Werris Creek Extension; and Maules Creek project.

1 · Sustainability Overview

Our people and their health and safety

We are very proud that more than 80% of our 600-plus employees live and work locally – where they, and their families, form a large part of our local community. What is good for the community is also good for them, and vice versa.

The health and safety of our people is paramount and our approach to health and safety is non-negotiable. Our most important asset is our people. We want them to return home safely to their families and friends at the end of every work day.

We continually strive to improve our management processes and empower our workforce to act on unsafe conditions. Whitehaven's board and management believe that safe production is the only way, and this value further supports our target of zero injuries and illnesses.

Conclusion

Finally, we encourage anyone reading this report to provide us with feedback about his or her interaction with Whitehaven or the contents of this report. We aim to operate at the highest standards of corporate responsibility and welcome any comments in relation to this. Please contact us at:

community@whitehavencoal.com.au

(Note, site-based comments or feedback should still be directed to the site-based communications email addresses or hotlines).

1.1 ABOUT OUR SUSTAINABILITY REVIEW

This sustainability review has been prepared to inform all of our stakeholders – including our workforce, suppliers, customers, local communities, neighbours, investors and others – in relation to Whitehaven's approach to sustainability.

The review reflects the merger of Whitehaven Coal and Aston Resources, which took place in May 2012, and the subsequent significant increase in the size and complexity of the business.

We understand that with the increase in scale of our mining operations, there is greater interest from all our stakeholders in our operations, the benefits they bring, and the impacts they make.

Our overall corporate strategy and background information about all of our operations is contained earlier in this document.

This is the first time Whitehaven has provided a comprehensive sustainability review.

In the following pages we seek to review in an honest and transparent fashion, how we have performed during the period.

This review deals primarily with events that occurred during FY2013 and any significant event leading up to the time of publishing. From a business perspective the most significant events during the year were the ramp-up of our Narrabri underground operations, the formal approval of our Maules Creek project, and the placement of our Sunnyside mine into care and maintenance.

As stated above, we encourage anyone reading this report to provide us with feedback about his or her interaction with Whitehaven or the contents of this report.

1.2 GOVERNANCE

Health and Safety, Environment and Community performance is overseen by the Whitehaven Board's Health, Safety, Environment and Community Committee. The primary function of this committee is to assist the Whitehaven Board in enabling the Company to operate its business safely, responsibly and sustainably. The Committee's Charter is available on the Whitehaven website.

www.whitehavencoal.com.au/about_us/corporate_governance.cfm

As stated in the Company's Board Charter it is Whitehaven's belief that the Company's sense of responsibility to stakeholders generally is an essential part of its role within the broad community and represents not only sound ethics but also good business sense and commercial practice.

Sustainability is also assessed through Whitehaven's Risk Management Framework. Whitehaven recognises that risk is a part of doing business and that effective risk management is fundamental to achieving the Company's strategic and operational objectives – including achieving sustainability objectives.

The Risk Management Framework is constantly evolving, enabling the Company to manage its risks effectively and efficiently. The key components of the Framework are detailed on page 82 of this report.

1.3 HEALTH, SAFETY & ENVIRONMENT POLICY

Whitehaven's Health Safety and Environment Policy, which was updated in 2012, outlines the Company's overall approach to these issues.

"Whitehaven Coal intends to conduct business in a way that maintains a safe and healthy workplace for its workers, visitors and the surrounding community, and protects the environment in all stages of exploration, project development and construction, mining, processing and train loading.

Whitehaven Coal aims to:

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

Whitehaven Coal will strive to achieve these goals by:

- Considering health, safety, welfare and environmental matters when planning and completing work activities.
- Consulting and communicating in a fair and effective manner regarding health, safety, welfare and environmental matters.
- Having in place processes for identifying hazards and eliminating or minimising health, safety, welfare and environmental risks and impacts.
- Having in place processes for receiving and considering information regarding incidents, hazards, risks and impacts, and responding to that information in a timely way, including lessons applied and shared.
- Working to improve safety and environmental performance through continuous improvement.
- Providing an effective injury management and return to work program for employees.
- Complying with applicable health, safety and environmental legal and other requirements.
- Providing workers with necessary health, safety, welfare and environmental information, instruction, training and supervision to allow for the safe performance of their work.
- Making available for use, and using, health, safety, welfare and environmental resources and processes to implement and maintain the requirements of this Policy and associated health, safety, welfare and environmental management systems.
- Verifying the availability and use of health, safety and welfare resources and processes."*

*Excerpt from Whitehaven Coal Health Safety and Environment Policy

2 · People

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

2 · People

2.1 OUR APPROACH

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

2.2 OUR PERFORMANCE

Diversity

Diversity is important to our business. A diverse workforce achieves business benefits, and for this reason Whitehaven believes it is important and strives to achieve a more diverse workforce. Diversity drives the Company's ability to attract, retain and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow the business.

The Board has adopted a Diversity Policy which describes the Company's diversity aspirations and sets minimum expectations to be met by the Company on workforce diversity. A copy of the Diversity Policy is available on the Company's website:

www.whitehavencoal.com.au/about_us/corporate_governance.cfm

Under the Diversity Policy, the Board has established measurable objectives. In FY2013 we set ourselves the following diversity objectives:

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

In response to these objectives the Company:

- completed Diversity Awareness training for management personnel with further training for operational personnel being conducted.
- conducted a review of pay equity across the business with no material pay gaps identified
- review completed to identify existing employment arrangements offered to employees. Further work to formalise a policy on employee arrangements will be undertaken in FY2014.

The Company has set the following diversity objectives for FY2014:

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

The Company will assess and report on its progress against these objectives in the 2014 financial year Annual Report.

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

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

This data is available on page 81 of this report.

Training

Training occurs at many levels across the business. In FY2013 the highlight of our training efforts was the Narrabri mine Trainee Program which has seen almost 60 people trained to work underground (see case study below).

Behaviour based safety training

In May 2013 a pilot behaviour based safety training program commenced at our Rocglen open cut mine. The purpose of the program was to increase awareness of human error prevention techniques to aid in reducing injury rates and to determine the suitability of the program for other Whitehaven operations. The principles taught throughout the program were initially introduced to the workforce at the Safety Days.

The core units were rolled out in sessions of two – four hours, each approximately two – four weeks apart. The program was delivered by a training provider with PowerPoint presentation slides, video clips, activities, and by completing the Human Error Prevention Personal Passport. Each session had a mix of operations, maintenance and management with between 15 – 20 attendees per session.

As part of completing the human error prevention training, the participants learned new skills that enabled them to utilise the principles in their daily activities to prevent and/or minimise human error. Each participant received a manual and DVDs for viewing at home, a Human Error Prevention Personal Passport and access to the online course for themselves and members of their immediate family.

2 · People

Narrabri mine Trainee Program

The Narrabri mine Trainee Program is a successful initiative that has delivered tangible benefits for Whitehaven, the individuals involved, and the community.

Since commencing production in 2010 Whitehaven's Narrabri mine has employed almost 60 inexperienced underground tradespersons and operators as trainees under its "cleanskins" program. These people are either local, or have moved to the region permanently as a result of their employment.

The number of inexperienced people who can be introduced into the mine is restricted by the number of experienced people available to provide close personal supervision for the twelve months it takes to train people up to a satisfactory safety standard.

The Narrabri mine now hires almost its entire workforce directly, and by far the majority of them live in the local region. The team, including those recruited under the trainee program successfully completed the mine's first longwall changeout, on-time and on-budget. This was a highly commendable achievement and a clear indication of the success of the program and the individuals undertaking it. More information regarding the performance of our Narrabri mine is available on page 14 of this report.

Other training

Throughout the year Whitehaven provided training for employees to enable them to safely undertake their role. The type of training varies depending on the duties to be performed and is specific to each role. A training needs analysis tool has been developed to enable operations to determine this training requirement. Based on the training needs analysis a training plan is produced to detail when and what training is to be undertaken.

In addition to role specific training, other external and Whitehaven training and awareness information is provided to our employees, contractors and management. The following are examples of training provided throughout the reporting period:

- First Aid Training
- Supervisor Training
- Manual Handling Training
- Generic and Site Health and Safety Inductions
- Mines Rescue and Emergency Management Training
- Internal Auditing Training
- Toolbox Talks
- Incident Management System Training
- New equipment familiarisation
- Health and Safety Standards / procedures and assessments
- Mechanical / Electrical / Operational skills training

Apprenticeships, traineeships, scholarships and cadetships

As at June 30, 2013 Whitehaven employed 13 apprentices, both full-time and schools-based.

The apprentice program is in line with Whitehaven's philosophy of continually enhancing its locally-based workforce and is designed to encourage students to pursue a career that interests them, while continuing their education.

The school-based program allows students to commence an apprenticeship while carrying out their studies at the same time. This means that when students complete Year 12, not only will they have completed their HSC but they will also have completed the first 12 months of their apprenticeship.

The program also has advantages for local businesses, with apprentices completing a set amount of on-the-job training with a local company which is sponsored by Whitehaven.

Local businesses have the services of an employee for a period of time after which the apprentice continues their training at one of Whitehaven's mine sites.

The Whitehaven Coal Apprentice Program is developed and operated in partnership with local group training provider, New England North West Group Training.

University Scholarships have been offered to three successful applicants, at one per year since 2010. These scholarships were offered to all local high schools in Gunnedah and Narrabri Shires. The successful applicants each year have come from Narrabri Shire Council area. Students have selected courses at universities in Sydney, Brisbane and Armidale respectively. The scholarships are for four years each, and will be used to assist with expenses such as travel, text books, living away from home expenses and course fees.

The students are offered vacation work, to assist them in gaining valuable practical experience to supplement their university coursework.

2 · People

Case Study
Gomeroi Skills Audit

Whitehaven has been a proud supporter of the recent comprehensive audit of the work skills of Gomeroi Indigenous people in the Narrabri region.

The audit was a joint initiative between the Gomeroi people and local industry and was designed to identify the skills that already exist, opportunities for training, and the potential roles available for Gomeroi people in local industry.

The Gomeroi Skills Audit was formed through an agreement between Whitehaven and the Gomeroi Traditional Owners Group as part of the development of the Narrabri Underground Coal mine. The audit was funded by the Cotton Catchment Communities CRC, the Gomeroi Traditional Owners Group, the Cotton Research and Development Corporation (CRDC), and Whitehaven.

The Gomeroi Skills Audit focused on the Gomeroi people in the Narrabri region, Gomeroi descendants living off country, and the wider Aboriginal community. Gomeroi Country extends from the QLD border region across to much of north-western NSW including the towns of Walgett, Mungindi, Tamworth, Collarenebri, Moree, Narrabri, Gunnedah, Breeza, Quirindi, Coonamble, Inverell, Ashford and Muswellbrook.

The project aimed to identify innate skills which could be further developed to equip Gomeroi people for employment opportunities. Through identifying the existing skills, more effective training opportunities for Aboriginal workers are being identified.

The outcomes of the Audit are the property of the community and the people who have volunteered for assessment.

Workplace Behaviour Policy

Whitehaven is committed to providing a workplace that is safe and where all employees, potential employees, clients, contractors and other external parties are free from discrimination, vilification, sexual harassment, bullying and victimisation.

Whitehaven introduced its Workplace Behaviour Policy, and conducted training in relation to it, in the second half of FY2012. This Policy is now fully integrated in our general induction process.

The Policy addresses discrimination, sexual harassment, bullying, victimisation and complaint procedures.

The policy applies to everyone who works at Whitehaven or on any Whitehaven site, including employees, potential employees and contractors. We also expect our clients and customers to behave in a manner which is consistent with this policy.

Workplace agreements

Subsequent to balance date Whitehaven's Rocglen and Sunnyside Open Cut (Production) Enterprise Agreement and the Open Cut Operations (Tarrawonga) Enterprise Agreement have been ratified following detailed and ongoing engagement with the Construction, Forestry, Mining And Energy Union and our employees.

Both of these Enterprise Agreements are valid for three years, and they can be found on the Fair Work Commission's website:

www.fwc.gov.au

Employee Assistance Programs

During the year, Whitehaven introduced a second Employee Assistance Program (EAP).

An EAP is a free-of-charge, workplace-based program designed to support the emotional, mental and general psychological wellbeing of all employees and includes services for immediate family members. It is a confidential, third-party service that assists employees and their families in dealing with issues that may include, but are not limited to, relationships, health, trauma, substance abuse, gambling and other addictions, financial problems, depression, anxiety disorders, psychiatric disorders, communication problems and coping with change.

Whitehaven now provides both a remote telephone counselling service and a combined phone/on-site service.

3 · Health and Safety

The health and safety of our workforce is paramount. We want our employees and contractors to return home safely to their families and friends at the end of every work day. We are constantly working to improve our safety performance and processes to make working at Whitehaven a safe and rewarding experience.

3 · Health and Safety

3.1 OUR APPROACH TO ENSURING THE HEALTH AND SAFETY OF OUR WORKFORCE

Whitehaven is committed to protecting our workers (employees and contractors) from injury or illness while working at any of our operations, construction projects or exploration areas. We take this commitment seriously and expect those working for us to share the same level of commitment.

Whitehaven aims to:

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

These objectives have been communicated to our workers in the form of the Whitehaven Coal Health, Safety and Environment (HSE) Policy approved by the Managing Director. They underpin our three-yearly Health and Safety Strategic Plan and our annual Health and Safety schedule, which was renewed at the commencement of 2013.

Whitehaven's Health and Safety Management Systems are based on the requirements of AS 4801 – Occupational Health and Safety Management Systems and relevant Health and Safety legislation. Our management systems have been tailored to the specific activities including the:

- Open Cut Health and Safety Management System
- Underground Health and Safety Management System
- Construction Health and Safety Management System; and
- Exploration Health and Safety Management System.

The specific activity-based Health and Safety Systems are supported by the overarching Group Health and Safety Management System. The Group Health and Safety System comprises mining, construction and exploration standards that are consistent across these activities. For example, risk management, confined spaces, working at heights, alcohol and other drugs, fatigue management, etc.

Whitehaven's Health and Safety Systems are supported by a robust Health and Safety planning process aimed at delivering improved Health and Safety performance. A Company-wide three-year Health and Safety Strategic Plan is developed by senior management identifying key Health and Safety Improvement Programs for implementation at each of the operations. The 2013 Improvement Programs include:

- Golden Rules and Health & Safety Tolerance Levels
- Behavioural Health and Safety Program
- Contractor Management – Compliance and Behaviour
- Significant Incident Learnings
- Whitehaven Group Health and Safety Auditing Program

Based on the three-year Health and Safety Strategic Plan an annual Health and Safety schedule is developed to monitor the completion of assigned actions. Development of the annual Health and Safety Schedule is through close consultation with Senior Management and Health and Safety personnel. Key milestones achieved to the 2013 Health and Safety Schedule include:

- Completion of the SafeStart Pilot Program at Rocglen Open Cut mine
- Implementation of an Incident Management Database
- Review of the Change Management Standards
- Completion of Supervisor Health and Safety Training
- Development of a Training Needs Analysis
- Internal Auditor Training – Whitehaven Group Standards
- Distribution of the Whitehaven 2013 Safety Calendar
- Improvement to Whitehaven's injury management protocols
- Communication of Whitehaven's Health and Safety Values

The 2013 annual Health and Safety Schedule continues to be implemented with action completion regularly monitored by the Group Health & Safety Manager.

3 · Health and Safety

3.2 OUR PERFORMANCE

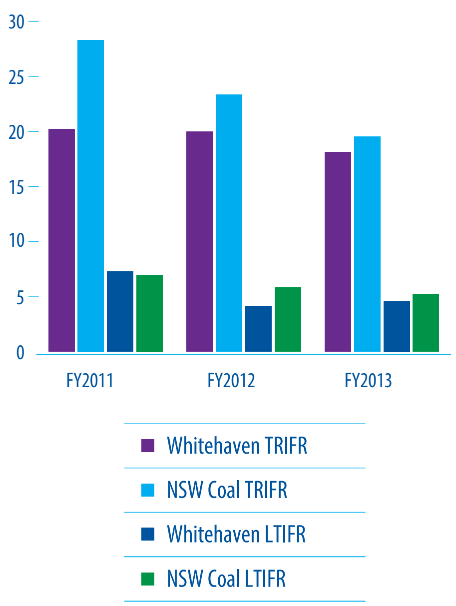
Overview

Whitehaven's Health and Safety performance measures include all our employees and contractors conducting work at our mining, construction and exploration areas. The data is benchmarked against NSW Coal data provided by the NSW Department of Trade & Investment – Mine Safety (report can be found at www.resources.nsw.gov.au/safety).

Over the past three years we have continued to reduce our total recordable injury frequency rate. (Figure (1). Total recordable injuries include lost time injuries, restricted work day injuries and medical treatment injuries as per the definitions detailed in AS1885 and the relevant NSW Health and Safety legislation.

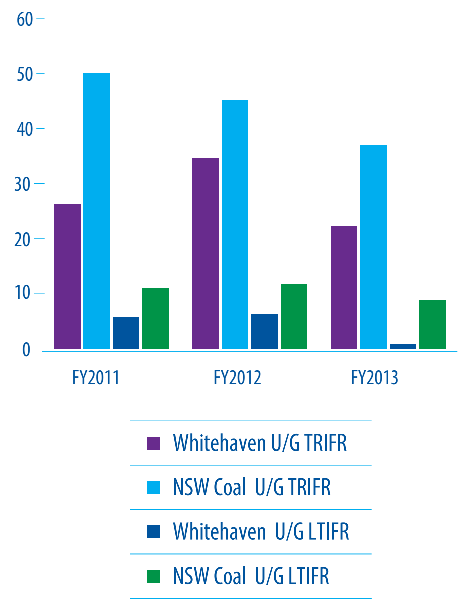
As a group from FY2011 to FY2012 we significantly reduced our lost time injury frequency rate (LTIFR)[2] from 7.13 to 4.17, although in FY2013 this increased slightly to 4.63 against a target of zero (Figure 1). The increase in lost time injuries on last years results is being addressed by introducing a behaviour based safety program.

Figure 1 – Whitehaven Group Frequency Rates FY2011 – FY2013



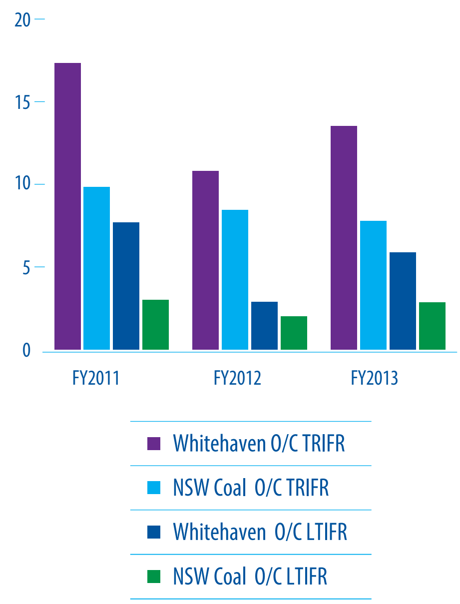
The underground operations considerably improved Health and Safety performance both in regards to lost time and total recordable injuries (Figure 2). The Total Recorded Injury Frequency rate (TRIFR)[3] reduced to 22.36 in FY2013 from 34.61 in FY2012. The LTIFR reduced significantly to 0.86 from 6.29 with only one lost time injury recorded in the reporting period.

Figure 2 – Underground Operations Frequency Rates FY2011 – FY2013



The open cut operations continued to work on improving safety performance, although in FY2013 the results for LTIFR and TRIFR trended up (Figure 3). In the Open Cut Operations we experienced a number of low severity lost time injuries. The open cut operations had eight lost time injuries, four of which resulted in the loss of seven shifts in total (an average of 1.75 shifts lost per injury). Of course, any lost time injury is cause for concern, but our approach to injury management ensures that the amount of time off work is minimised.

Figure 3 – Open Cut Operations Frequency Rates FY2011 – FY2013



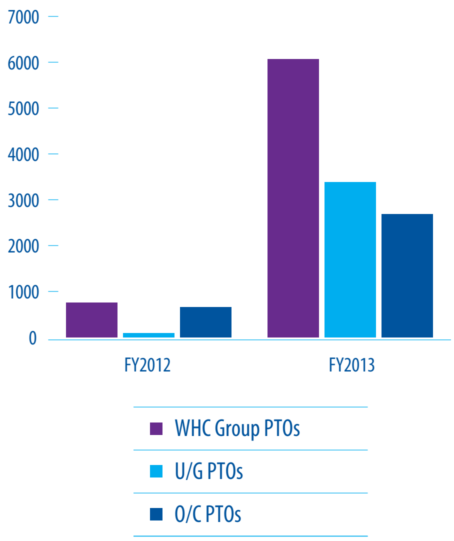
2 LTIFR represents the number of lost time injuries for each 1,000,000 hours worked.

3 TRIFR represents the combined number of medical treatment, restricted work day and lost time injuries for each 1,000,000 hours worked.

3 · Health and Safety

A key positive performance measure for Whitehaven is the number of Planned Task Observations (PTO) conducted at our mining, construction and exploration areas (Figure 4). PTOs involve the observation of all steps of a task as it is being carried out to ensure procedures are safe, accurate and being followed correctly.

Figure 4 – Whitehaven Group, Underground Operations & Open Cut Operations Planned Task Observations FY2012 – FY2013



Whitehaven introduced the PTO process across its operations in late FY2011 with the aim of improving safety outcomes for the Company. Following a steady uptake in FY2012 the number of PTOs completed in FY2013 reached a total of 6,070, significantly higher than the 758 completed in FY2012. In an effort to maintain the momentum of the process, the Company has set a new target for FY2014 of one PTO per manager/ supervisor per week. Progress against this target is reported to the Board each month in an effort to reinforce the importance of the process to improving safety outcomes across the Company.

Health & safety initiatives

Safety Day

In August 2012 Whitehaven arranged a series of 'Safety Days' with the following objectives:

- Demonstrate that Whitehaven Coal is serious about the safety of employees and contractors and that everyone has the right to go home safe at the end of the work day.
- Communicate that unsafe behaviour is not acceptable and all incidents are to be reported.
- Reinforce some of our key safety processes; and to
- Communicate and receive feedback on our Safety Values.

Seven Safety Days were held in total with five occurring for the open cut operations and two for the Narrabri mine. Over 1,200 workers attended, including Board members, senior management, employees and contractors. Production ceased at each of the respective operations while their safety day occurred.

In response to the feedback received a Safety Day action plan was developed and is being implemented across all Whitehaven operations. The remaining Safety Day actions will be completed by end the of calendar year 2013.

Safety Day 2012

Safety Values

An important objective of the Whitehaven Safety Days was to communicate a draft set of safety values with the intention of receiving feedback from Whitehaven employees and contractors.

As a result of the feedback received the following Whitehaven Safety Values were finalized and communicated to the workforce:

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

The Whitehaven Safety Values have been communicated by site toolbox talks[4], 2013 Safety Calendar and included in the Whitehaven Group Generic Induction.

4 A toolbox talk is a short, 10-15 minute discussion led by supervisors with their employees, also allowing employees to ask questions and make comments. A toolbox talk is usually focused on one specific topic – in many cases toolbox talks relate to safety initiatives.

3 · Health and Safety

Incident Management System

During the 2013 reporting period Whitehaven commenced work to implement a Company-wide electronic incident management system. Configuration of the system occurred up until the go live date of 1 July 2013.

The initial focus of the incident management system has been to implement a robust notification, investigation and action tracking process at Whitehaven. In the future the additional options such as risk management, audits and safety observations will be considered for implementation to further support our existing safety processes.

In addition to the health and safety initiatives conducted within the business Whitehaven continues to support a range of external initiatives including the Westpac Rescue Helicopter Service, Gunnedah Rural Health Centre, and the New South Wales Minerals Council Safety Conference.

Back Care Sessions

Throughout July and August 2012, as part of the Safety Days, Whitehaven arranged a series of back care sessions to increase awareness of manual handling risks and sprain/strain injuries. The sessions were facilitated by an Occupational Therapist with previous experience within the mining industry.

The service provider delivered interactive one hour workshops based on musculoskeletal health education aimed at reducing soft tissue injuries for workers.

Whitehaven workers were educated on why they need to maintain safe working habits, how to prevent injury through understanding of anatomy, anatomical positioning and muscle imbalances. The workshops were tailored to Whitehaven's needs and expectations, and equipped our workers with some tools which they could apply at work and at home.

The Workshop components included:

- Basic back anatomy
- Disc bulge
- Joint movement for lubrication
- Abdominal bracing
- What is a SafeSpine (sitting, standing, lifting, lying down)
- Soft tissue creep
- Set up versus trigger
- The solution: Reset

Following the back care session Whitehaven worked with the service provider to develop back care prompt cards for operators, mechanical and administrative workers. The prompt cards were distributed to the workforce for use during day-to-day work as a reminder of the principles taught throughout the back care sessions.

In addition to the back care sessions and prompt cards a number of manual handling training sessions and toolbox talks have been coordinated at Whitehaven during the reporting period. Manual handling principles are also presented at the Whitehaven induction.

Case Study
Lessons from the Pike River mine Incident

In 2010, 29 workers were tragically killed at New Zealand's Pike River underground coal mine after a number of underground explosions. The disaster was the subject of the Royal Commission on the Pike River Mine Tragedy. The Pike River mine is not related in any way to Whitehaven or its operations.

Following the release of the Commission's Findings, the Whitehaven Board instigated an internal review process to ensure that any key learnings were acted upon. Our review process commenced with a workshop that involved the Whitehaven Board and Senior Management from the Executive and Operational teams and external legal advisers. The aim of the first workshop was to review the Royal Commission's findings into the reasons for the incident and to determine if Whitehaven had any similar issues. The workshop focused on management and technical issues and involved both Underground and open cut activities.

A key action flowing from the review was a Whitehaven Board decision to retain a technical expert to conduct a technical review of the Pike River learnings applicable to the Narrabri Underground Mine. The expert who was appointed was closely involved in the Pike River Royal Commission.

The technical review was conducted at site and included a series of documentation reviews and interviews with management and workforce representatives.

The overall outcome of the technical review was that Narrabri Underground Mine is operating to a high standard of Health and Safety Management. The review found underground standards at the mine are high.

The mine ventilation system was considered by the expert to be properly designed and in line with industry best practice.

The review also included verification interviews and discussions with a cross section of site personnel, including both management and frontline workers, to assess the understanding and implementation of current systems and processes. The outcome of this review was also positive, with the mine's safety culture seen as effective and well understood.

4 · Economic Impacts

Whitehaven makes a significant economic contribution to the community, through long-term employment, royalties, contributions to local councils to support infrastructure, contracts with local businesses and the investment we make each year in running our business.

4 · Economic Impacts

4.1 OUR APPROACH TO MAXIMISING THE ECONOMIC BENEFIT FOR THE COMMUNITY

We want to ensure that our presence delivers the communities in which we operate with the greatest net benefit possible.

We understand that it is not just bringing the benefits that assist the region, but the way we conduct ourselves in bringing those benefits.

By far the biggest economic contribution we make is the provision of long-term employment in the communities we operate in. In FY2013 our total payroll expenditure to direct employees was $85.9 million.

We are committed to supporting our local workforce, and we endeavour to source local goods, equipment and contractors, wherever possible.

Local suppliers are encouraged to lodge their credentials with the Company so that we can better understand how we can support them build their businesses. We have presented to numerous business groups and forums to assist them in understanding what Whitehaven requires from its suppliers and contractors.

4.2 OUR PERFORMANCE

Overview

Economically, our contribution to the region continues to grow. Total operating expenditure in producing coal was approximately $487.4 million in FY2013.

Royalties paid directly to the NSW Government in FY2013 were approximately $40.9 million.

In addition to this, we continue to support a wide range of community organisations with more than $100,000 donated during FY2013. On top of this, more than $18 million has been committed or provided to local infrastructure and community initiatives as part of our Voluntary Planning Agreements[5] with local councils.

All of these local commitments are detailed further in the community section of this review on page 54.

Further information on the economic benefits of each of our projects are detailed in the Environmental Assessments for each project and are available on our website.

www.whitehavencoal.com.au/environment.cfm

5 As part of its approval process, Whitehaven is required to enter into Voluntary Planning Agreements with local government. Guidelines are set down for the quantum of these payments. In Whitehaven's case we have entered into agreements that are well in excess of the stated guidelines. See section 6 of this document for further information.

Case Study
What Maules Creek means for the economy

Our recently approved Maules Creek project is about to commence construction. It will create:

- Employment of up to 470 full-time employees during operation.
- Employment of more than 240 full-time equivalent contractors during the construction phase.
- Expected royalty payments to the NSW Government over the first 21 years of more than $4.4 billion.*
- $1.9 billion in annual direct and indirect output or business turnover in the regional economy.*
- $2.8 billion in annual direct and indirect output or business turnover for the NSW State economy.*
- $54 million in annual household income.*
- Voluntary Planning Agreement commitments (in excess of government requirements) of $13 million to Narrabri Shire Council including $6 million towards road and infrastructure upgrade projects and $5 million toward the upgrade of the Narrabri airport.
- An annual payment to Narrabri Shire Council of approximately $800,000 at full production

* Figures provided by Gillespie Economics for the Maules Creek Coal project Environmental Assessment 2011. Full report is provided in Appendix Q of the Maules Creek Environmental Assessment 2011.

4 · Economic Impacts

Our Workforce – Local jobs – Local rewards

Overall, Whitehaven currently employs more than 600 people and this number is expected to expand to more than 1,000 employees in the next five years with the development of the Maules Creek open cut mine.

More than 80% of these employees reside in north-west NSW, in line with our commitment to maintaining a locally-based workforce. The current number of Whitehaven employees and the council area in which they reside is as follows:

WHITEHAVEN WORKFORCE STATISTICS – JUNE 2013

Local Government Area/Region of employee residence	Number*	Overall percentage
Gunnedah Shire	252	41%
Narrabri Shire	105	17%
Tamworth Shire	91	15%
Liverpool Plains Shire	65	11%
Newcastle/Hunter region	43	7%
Sydney	23	4%
Queensland	3	0.5%
NSW Other	35	6%
TOTAL	617	

*includes Full Time Equivalent (FTE) contractors

Whitehaven is committed to developing and maintaining, wherever possible, a locally-based workforce. We want to ensure that the communities in which we operate gain the benefits of us being there. The most tangible way to do this is through long-term stable employment.

It is extremely important to Whitehaven that our employees live in, and enjoy being part of, the local communities in which we operate – mainly Narrabri, Gunnedah, Boggabri, Quirindi and Werris Creek.

At times our projects will require fly-in-fly out (FIFO) and/or contractor employment to support our base local employment – particularly during construction. It is inevitable that we will require a combination of employment options, but we will seek to minimise the size and duration of the FIFO requirements.

The underlying intent is to maintain and grow our locally-based workforce through bringing people to the region permanently and providing training to locals.

5 · Environment

Like all extractive industries, our operations can impact on the environment and our local communities. We aim to minimise, and where possible, eliminate these impacts – and to ensure that our presence delivers the environment and communities in which we operate with the greatest net benefit possible.

5 · Environment

5.1 OUR APPROACH TO MANAGING ENVIRONMENTAL IMPACTS

Mining has well-understood and well-documented impacts on the environment. These impacts can be well managed.

As a business our track record for managing these impacts is strong. Under our recently received approvals Whitehaven is operating under the highest environmental standards and requirements in the NSW mining industry and we are always striving to improve our performance.

Our approach is two-fold. It involves both our statutory requirements and our Company-led commitment to achieve and where possible exceed these requirements.

Statutory regulation of environmental impacts

Firstly, all environmental aspects of our operations, including air quality, biodiversity, water, noise, cultural heritage and social impacts, among others, are tightly regulated by our consent conditions which are set by the State and Federal Governments. In addition to these approval requirements, our activities are also subject to participation and reporting in relation to Federal programs such as the Energy Efficiency Opportunities Act and the National Greenhouse and Energy Reporting Act.

In recent years, these consents have become more and more detailed and in the case of our recently approved Maules Creek project we have more than 100 State Government conditions.

These consent conditions for each of our projects involve the development of site-specific management plans on each area of environmental impact, and identified commitments as to how these impacts will be managed.

These management plans are approved by the NSW Department of Planning and Infrastructure (DP&I) and have been reviewed by other stakeholders including government agencies, local government, and site community consultative committees for consultation purposes.

Copies of all approved management plans are available on the Company's website:

www.whitehavencoal.com.au/environment.cfm

Whitehaven corporate approach and commitment to environmental management

Our environmental management is fully integrated into our operations by both our corporate team and our site-based environmental professionals within an Environmental Management Strategy. Our overall approach to environmental management is encapsulated in our Health, Safety & Environment Policy (page 24). Whitehaven is currently reviewing its Environmental Management System to assess readiness for certification with ISO14001. An Independent Environmental Audit of our projects suggests certification based on existing processes and procedures is achievable.

Our Environmental Management Strategy for our operations presents the strategic framework for environmental management including identification of statutory requirements, the roles, responsibilities and accountabilities of key personnel, the procedures in place to keep the community and regulatory authorities informed as to our environmental performance, how we respond to complaints, resolve disputes and respond to any non-compliance or emergency situations.

5.2 OUR PERFORMANCE

Overview

Whitehaven's environmental performance was strong in FY2013 – an overall improvement on the previous year.

As outlined above, Whitehaven reviews its environmental performance both by statutory regulation and our own internal measures. These measures include review of all monitoring data comparative to compliance requirements, including real time monitoring networks on a daily basis, independent assessment of rehabilitation performance and biodiversity offset management, and monthly reporting of performance to management.

At a statutory level, nine environmental incidents occurred during the year. These nine incidents are summarised in the table below. Relevant government agencies, including the Environmental Protection Authority (EPA), were notified of the incidents and actions taken to mitigate the impacts and reduce potential for future incidents.

Two Penalty Infringement Notices (PINs) totalling $3,000 were issued by the EPA in relation to incidents during the FY2013. Both of these PINs related to a wet weather surface water discharge at our Melville site – approximately 6km to the south of the Company's Gunnedah Coal Handling and Preparation Plant (CHPP). The Melville site, an old open cut mine site, is used to store fine rejects from the dewatering process at the CHPP.

Nine incidents is unacceptable to us, and to the community, and Whitehaven is continually working to improve its performance.

Our aim is for zero environmental incidents. We understand that environmental incidents are not acceptable to our workforce, our community and our shareholders, and we continue to review our procedures accordingly in order to achieve our aim of zero environmental incidents.

5 · Environment

Environmental Incidents – FY2013

Project	Date	Nature of Breach	Rectification and Prevention activity
Whitehaven CHPP	7 August 2012	Noise	Investigation with acoustic consultant to identify the cause of elevated noise levels. EPA applied a Pollution Reduction Program to the CHPP Environment Protection Licence to undertake mitigation measures at the CHPP to ensure ongoing compliance is achieved. The associated property has been purchased by Whitehaven Coal.
Rocglen mine	28 September 2012	Noise	1dB exceedance of noise criteria. Met with affected landholder to discuss options for mitigation or noise reduction, including implementation of real time noise management at site. Activation of real time noise management has resulted in ongoing compliance.
Narrabri mine	17 January 2013	Trucking Trial	Narrabri Coal commenced a trial trucking program of coal to the Gunnedah CHPP following a derailment that prevented Narrabri Coal being transported by rail. DoPI issued advice confirming that the trucking trial was a breach of the Narrabri approval, which required all coal to be transported by rail. The trucking trial had ceased prior to the notice being issued. No regulatory action was taken by the DoPI.
Melville Emplacement Area	30 January 2013	Water Discharge	A contour failure resulted in surface water flows off site during a wet weather event. The surface flows comprised coal fines, which ended up in a dam off the Melville emplacement site. The contour was subsequently repaired and additional surface water detention structures constructed on the site. The impacted dam was drained and cleaned to the satisfaction of all parties. The EPA issued two Penalty Infringement Notices related to pollution of waters and failure to maintain structures in proper operating condition.
Whitehaven CHPP	15 April 2013	Dust	Exceedance of air quality criteria (PM10[6] 24hr criteria). Whilst composition analysis of the dust identified coal dust comprised just 20% of the sample, it still constituted an exceedance of the air quality criteria. A meeting was held with the affected landholders to discuss options including dust mitigation measures at site and the possible fitment of a first flush diverter system on the residence rainwater tank to minimise potential for coal dust to enter the tank.
Whitehaven CHPP	19 April 2013	Noise	Measured exceedance of noise criteria at adjacent property. Noise mitigation measures undertaken since prior exceedance had not been sufficient to achieve compliance. As a consequence, an agreement for purchase of the property was reached with the affected landholder.
Whitehaven CHPP	3 May 2013	Dust	Exceedance of air quality criteria (PM10 24hr criteria). As with the previous incident, there were various contributions to dust levels, including farming of adjacent paddocks. A meeting was held with the affected landholders to discuss options including dust mitigation measures at site and the possible fitment of a first flush diverter system on the residence rainwater tank to minimise potential for coal dust to enter the tank.
Whitehaven CHPP	9 May 2013	Dust	Exceedance of air quality criteria (PM10 24hr criteria). As with the previous incident, there were various contributions to dust levels, including farming of adjacent paddocks. A meeting was held with the affected landholders to discuss options for resolution, including activation of sprays on bypass stockpiles, use of water carts on access road, use of street sweeper on access road and highway to reduce dust lift off.
Narrabri mine	21 May 2013	Noise	An exceedance of noise criteria was measured at an adjacent private property. The EPA issued a warning letter requiring the site to return to compliance. A meeting has been held with the affected landholder with a view to achieving noise compliance or entering into appropriate arrangements with the affected landholder. Since this event, measured noise levels have been within compliance limits.

6 PM10 – for further descriptions of PM10 thresholds and other air quality monitoring standards please refer to the definitions on page 44 of this report.

5 · Environment

Whitehaven also received a caution notice from the Department of Planning and Infrastructure relating to a trucking trial undertaken by our Narrabri underground during a four week rail outage in December. The rail outage meant that all other rail users, including general freight and the grain industry, commenced trucking along the impacted stretch of rail.

Under its consent conditions, the Narrabri mine is not permitted to send any coal from the mine by truck. After detailed consultation with local and state government, road users and local landholders a small number of covered coal trucks travelled from the site over a 24-hour period.

Whitehaven personnel monitored the trial at a number of points along the route, including loading and unloading. While Whitehaven was pleased with the level of professionalism shown by its haulage contractor the Company believed the risks associated with the extra traffic (from other rail users) and interaction with other heavy vehicles was unacceptable, and the trial ceased.

No regulatory action was taken by the Department as the trial ceased prior to receiving the notice.

During the year Whitehaven also received the two PINs for a breach at one of the dams on the Werris Creek site, that occurred in March 2012. Fines associated with the PINs totalled $4,500.

Ongoing audit process

Whitehaven's projects are subject to Independent Environmental Audit on a cyclical basis, in accordance with Project Approval requirements.

During FY2013, our Rocglen project was subject to an independent audit which has been submitted to the Department of Planning and Infrastructure for approval. The audit found:

"Whitehaven Coal has implemented comprehensive environmental management and monitoring systems at its Rocglen Coal mine, including environmental management controls for both construction and operation. Whitehaven Coal's management team and environmental personnel have shown considerable commitment to environmental performance at the site. This is reflected through the overall positive responses received from government agencies interviewed for the audit as well as the general compliance with environmental performance found as part of this audit." (Umwelt: 2013)

Whitehaven's other operating projects including Narrabri underground, Rocglen, Sunnyside, Tarrawonga and Werris Creek were all subject to audit during 2011, with these results available on the Whitehaven website. Narrabri, Sunnyside, Tarrawonga and Werris Creek operations will be due for audit during FY2014, with Maules Creek's first audit due in FY2015.

5 · Environment

5.3 LAND MANAGEMENT & REHABILITATION

Whitehaven is committed to carrying out rehabilitation activities in a manner that will lead to the development of a post-mining landscape that meets the objectives of being safe, stable and non-polluting and exhibits biodiversity values that are generally consistent or better than pre-mining biodiversity levels.

Overview

Under our approved management plans we aim to progressively rehabilitate the landform that we disturb and to identify and recover suitable resources (such as topsoil, habitat trees and other habitat features) during clearing activities, that will assist in meeting broader biodiversity related objectives.

Across the group, rehabilitation activity was significantly higher in FY2013 than the previous year with approximately 86.5 hectares of land added to the rehabilitation areas. In total, Whitehaven currently has 470.7ha under rehabilitation.

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

www.whitehavencoal.com.au/environment.cfm

Specific initiatives

During FY2013, a key focus on rehabilitation has been in those areas where our mining operations are most visible in order to address visual amenity impacts.

Particular attention has been paid to reshaping and seeding the eastern emplacement area at Werris Creek, which is adjacent to the Werris Creek-Quirindi Road. At Rocglen, a large proportion of the southern face of the western emplacement and lower tiers of the northern emplacement have been reshaped and seeded, being visible from the adjacent Wean Road.

Case Study
Canyon

The Canyon site is Whitehaven's oldest operation, with mining ceasing there in 2009. The rehabilitation on site is now maturing and provides a successful case study in mine-site regeneration.

We continue to use innovative techniques on site including remotely sensed data from satellite imagery, LiDAR and EM38 (electro-magnetic survey) along with field surveys to provide a thorough picture of performance of all levels of the rehabilitation.

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

5 · Environment

Our rehabilitation efforts are subject to annual monitoring by appropriately qualified and independent ecologists to provide advice on rehabilitation progression toward completion criteria set out in our management plans.

The annual monitoring report for our Canyon site (under closure) has confirmed that pasture establishment areas are progressing towards a condition class equivalent to those in non-mined control plots. Similarly, as our woodland rehabilitation areas become more mature, the ecological functionality of these areas increases.

Our recently approved Maules Creek project has developed what we consider to be a comprehensive rehabilitation management plan that takes into account the cumulative impacts of other mining operations in the general precinct. Our rehabilitation management plans relevant to our Tarrawonga, Rocglen and Werris Creek operations are also based on current best practice, with these plans being relatively new following recent project approvals.

Whitehaven also owns a substantial area of land around its operations, which act as a buffer, or have been acquired as a consequence of predicted impacts. It has been usual practice for a large proportion of these properties to be leased back to the original landowners to enable the continuation of agricultural practices on these properties. The remaining properties have been licensed to the agricultural sector to experienced farmers to ensure minimal impact on agricultural production.

Management and maintenance of these properties are defined in the lease and licence agreements established with the landholders with specific reference to control of noxious plants and feral animals and the adoption of up-to-date farming and livestock management practices, in an endeavour to maintain and improve the integrity of the farming asset. A number of local agents are utilised for the selection of appropriate farmers and to review the farming practices applied with the licence and lease requirements.

5 · Environment

5.4 AIR QUALITY

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

Leading technology, such as real time monitoring, combines with our site managements' genuine awareness of the impacts each site can make, to deliver acceptable outcomes.

Overview

The effect of dust is manageable and a large number of initiatives have been put in place across our operations to minimise these impacts. You can find more information about the mitigation measures on page 45 of this report.

On a day-to day basis, our air emissions are regulated by the National Air Quality Standards and measured by compliance against the 24hr average PM10 target of 50ug/m^3 at our PM10 monitoring sites. Our monitoring sites are located in immediate proximity to each of our operations.

As part of the monitoring network, Whitehaven also has real time PM2.5 monitors obtaining background dust data relevant to our Maules Creek project and our Vickery project.

The controls and management procedures are reviewed in response to the results of air quality monitoring, complaints or comments made through community consultation. Any changes made are noted as part of annual environmental reporting to the NSW Government and are available on the Company's website.

www.whitehavencoal.com.au/environment.cfm

5 · Environment

Air quality monitoring results are available to the public via the Company's website and are tabled with the relevant Community Consultative Committees[7] at each meeting.

www.whitehavencoal.com.au/community.cfm

Air quality performance

Overall, Whitehaven's air quality performance for the year was solid. While three exceedences were recorded adjacent to our Gunnedah CHPP site, in some cases these coincided with elevated background PM10 concentrations associated with non-mining sources. Notwithstanding this, the Company is working to reduce potential dust lift off from around the CHPP to minimise the potential for exceedances related to Whitehaven operations.

On what basis do we measure our air quality performance? What is PM10?

Whitehaven monitors the impacts of its operations on surrounding air quality via a number of mechanisms, including measuring the extent of deposited dust (visible dust that can impact on amenity), and PM10, which is the microscopic dust particles less than 10 micron in diameter.

PM10 particles are more associated with potential health impacts, and as a consequence, operations are subject to meeting PM10 concentration thresholds.

Whitehaven also monitors for PM2.5, which are even finer microscopic particles. At this stage, there are no set concentration limits for PM2.5 set for Australia, but we can compare measured PM2.5 levels with the advisory reporting standards and goals for PM2.5.

Specific initiatives

Real time monitoring

In the case of Tarrawonga, real time air quality monitoring results are published on the website daily, in line with the most up-to-date monitoring standards. Maules Creek will provide this data on the website once operations commence. Our other operations, while not required under their consents to publish daily monitoring data, are expected to move to this standard during the FY2014.

The initiatives at Tarrawonga and Maules Creek will be combined with similar practices at the adjacent Boggabri Coal mine (owned and operated by Idemitsu Resources) to deliver a leading practice real time monitoring network (RTMN) that will monitor impacts and generate alarms so that the mines can manage operations in order to keep air quality emissions below the relevant criteria at neighbouring properties. The RTMN is part of the overall approach to addressing cumulative impacts from the three mines.

The RTMN will have predictive capabilities that will enable the mines to manage operations based on forecast weather conditions and dust dispersion modelling to avoid impacts and plan daily activities. The RTMN will monitor and log the noise and dust impacts and will provide validated data that will be available for public viewing.

Quirindi rail dust monitoring project

Whitehaven's commitment to air quality management does not end at the site.

The Company has instigated its own dust monitoring trial in the township of Quirindi, near the Werris Creek mine, to assess dust impacts associated with the rail transport of coal to the port. The study, which has been carried out with the support of the Liverpool Plains Shire Council, involves six dust monitors at varying distances from the track, and on both sides of the track, within the township of Quirindi.

The locations of the dust monitors were chosen in consultation with the Liverpool Plains Shire Council and each of the monitors are located on Council property.

Deposited dust is sent for analysis on a monthly basis to determine its likely origin and at this stage samples have shown no exceedence on generally accepted, government-endorsed air quality levels.

7 For more detail about our Community Consultative Committees please see page 55 of this report.

5 · Environment

Case Study
INVIRON

In FY2013, our environmental team introduced InViron technology to our business, enabling us to integrate and maintain large volumes of environmental-related data from all of our operations, into a centralised database.

This accumulation of data ensures we have effective control over day-to-day management, monitoring, analysis and reporting, based on set targets and objectives, and allows us simple access to our data in the most efficient way possible.

A wide range of environmental data is tracked across air, water, land and waste issues and is fully integrated with our environmental analysis laboratories to ensure current, accurate analysis and timely alerts in the event that any analysis result exceeds compliance criteria.

Case Study
How do we mitigate air-quality impacts

Mitigation efforts include, but are not limited to:

- Where practicable, soil stripping is undertaken at a time when there is sufficient soil moisture and low winds to prevent significant dust lift-off.
- Dust suppression by application of water by water carts, with high use roads regularly watered. Site access roads are sealed.
- Drill rigs utilise water injection or alternatively, are fitted with dust collectors.
- Blasting is conducted before the establishment, or after the break up of, low-level atmospheric temperature inversions.
- Predictive meteorological forecasting and predictive air dispersion modelling, together with real time monitoring data, will be used to inform operational practices in advance of the commencement of shift.
- All roads are speed limited and enforced to ensure that dust generation is at acceptable levels.
- All conveyors are fitted with appropriate cleaning and collection devices to minimise the amount of material falling from the return of conveyor belts, and sprays are used to reduce fine dust.
- Trucks transporting coal offsite from the Coal Processing Area must are covered immediately after loading.
- Exhausts on earthmoving equipment and on-site vehicles are compliant with NSW EPA emission requirements and have the exhausts directed upwards or to the side (where applicable) so as not to cause dust lift-off.
- Some flexibility exists to temporarily cease operation in the event of protracted dry periods, high winds, or significant dust generation and dispersal towards the surrounding residences.

5 · Environment

5.5 NOISE

Managing noise makes a tangible difference in the quality of living for our neighbours – particularly where we are operating in close proximity to towns. Whitehaven continuously seeks to ensure that noise is within acceptable limits by implementing appropriate management practices and/or providing noise mitigation measures.

Overview

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

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

Real-time noise monitoring is now in place at all of our active mine sites, allowing our site-based environmental staff and management to manage noise impacts based on weather forecasts and atmospheric conditions. This real-time monitoring is also a key component of the cumulative impacts management in the Boggabri Tarrawonga Maules Creek mining precinct (see more detail page 47).

Any noise breaches are immediately reported to the relevant government departments including the Environmental Protection Authority.

Case Study
Werris Creek – Noise management

Our Werris Creek mine is the only operation we have which is in close proximity (4km) to a town.

During FY2013, Whitehaven has undertaken significant investment in noise reduction practices at the Werris Creek operation.

This has included the employment of Noise Control Operators at site, whose role is to monitor real time noise levels as recorded by our real time noise units in Werris Creek and the Quipolly area. The Noise Control Operators then provide advice to the mining supervisors in relation to noise levels from the mine, and if it is necessary, they then relocate equipment or stand equipment down.

Our real time noise monitoring within the town limits has shown that these initiatives have made a significant difference.

In addition to this, Whitehaven undertook an extensive program of retrofitting a Cat785 dump truck (in operation at Werris Creek) with sound attenuation equipment comprising modified exhaust, radiator enclosure and engine bay cover, to determine the level of noise reduction that could be achieved on the Cat785 fleet.

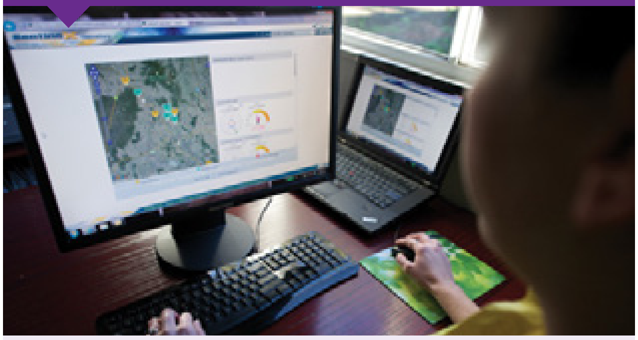
As a consequence of this work, a further four Cat785 dump trucks will be retrofitted with sound attenuation equipment during FY2014.

At the same time we are gradually replacing some of our Cat785 fleet at Werris Creek with Cat793XQ trucks. These trucks are factory fitted with sound suppression technology and operate at substantially lower noise levels compared to the Cat785 trucks as evidenced by on site noise measurement tests by acoustic consultants.

Noise management is a critical component of all our operations, and learnings from the works undertaken at our Werris Creek site will provide valuable information relative to equipment type and noise mitigation should this be necessary at any of Whitehaven's other operations.

5 · Environment

Case Study
Boggabri Tarrawonga Maules Creek (BTM) cumulative impacts monitoring



With the recent State and Federal approvals to extensions at the existing Boggabri Coal mine (owned and operated by Idemitsu Resources) and Tarrawonga mine, and the impending construction of the Maules Creek mine, it is a requirement in each project's approval to work cooperatively in the establishment of a cumulative impact monitoring and management program.

Cumulative impact management programs are specifically required in relation to noise, air quality, water management, biodiversity and cultural heritage.

Works have already commenced on the establishment of these programs, which will include the acquisition and operation of equipment to measure cumulative impacts, particularly in terms of noise, air quality and water management. In fact, the operations have been working together on cumulative impact initiatives since late 2011, well before their approvals were received.

The intent of these programs is to be able to identify the source of impact prior to exceeding compliance levels, and for an appropriate response at the source of impact to ensure compliance.

The three projects have agreed to the use of a single monitoring network and data sharing arrangements to ensure cumulative impacts can be managed appropriately.

It is expected that cumulative monitoring plans for air, noise and water will be established and operational during FY2014. It is also expected that the Regional Cultural Heritage Strategy, and Stage 2 of the required Regional Biodiversity Strategy for the precinct will be completed during FY2014.

The Cultural Heritage Strategy will guide the Company's interaction with indigenous groups and cultural heritage values.

During the year we exceeded our noise criteria on four occasions – two of these exceedences occurred at our Gunnedah CHPP, one at our Narrabri mine and one at our Rocglen mine (for further detail of these exceedances please see the table on page 39 of this report). All of these incidents have been reported to the EPA and discussions have been underway with affected landholders to ensure the most appropriate solution is reached.

At Narrabri, we have undertaken preliminary discussions with the affected landholder in terms of determining an appropriate resolution and to minimise our impacts. This includes the re-deployment of our real time noise monitor to a location in close proximity to the residence to verify ongoing noise performance and appropriate management actions at site. Over the past two months, Narrabri has been operating in compliance with the noise criteria following noise surveys undertaken by acoustical consultants.

At Rocglen, the noise impacts were discussed with the affected landholder, utilising the results from real time monitoring. In addition, improved practices at site, with the initiation of in-pit dumping at night, has significantly reduced noise impacts, with no further exceedances reported since this initial event.

At our CHPP, works were initiated under a Pollution Reduction Program with the EPA to mitigate the noise impacts at a nearby affected property. However, following completion of the first stage of the PRP, it was identified with the affected landholder that acquisition was the preferred outcome. As a consequence, this property was purchased by the Company, and as a result, is now project related and not subject to the noise criteria.

5.6 BIODIVERSITY

Whitehaven has acquired more than 7,307[8] hectares of land which are now being managed as biodiversity offset areas.

This is four[9] times the amount of land to be impacted by our mining operations.

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

This does not include the 10,742 hectares covered by the Maules Creek Biodiversity Offset Strategy, as conditioned by the NSW State Government. The Maules Creek project proposes to impact 2,177 hectares of vegetation with an offsets package comprising of an overall ratio of 5 to 1.

When assessing biodiversity values a wide range of factors are taken into account, in particular flora and fauna, as well as suitable corridors for native fauna to travel.

Overview

Biodiversity is managed as required by the government approved management plans developed for each site. The intent from these plans is to ensure that the areas set aside for biodiversity and conservation improve in biodiversity value over time, thereby adding value to the conservation estate.

Management practices for our offset areas include weed and feral animal management, maintenance of fences and ongoing engagement with neighbours including private landholders and the NSW Office of Environment and Heritage (OEH). These plans are all available on the Company's website.

www.whitehavencoal.com.au/environment.cfm

In addition to our groundbreaking biobanking agreement (detailed below), the following initiatives have been put in place.

Werris Creek – Whitehaven has an established biodiversity offset area relevant to its Werris Creek mine, comprising some 1,319ha, located to the east of the mine site. Works are progressing on the establishment of covenants on title for in-perpetuity protection of the offset area with the Department of Planning and Infrastructure and it is expected this will be finalised during FY2014. This offset site is also subject to a Biodiversity Offset Management Plan that will be tied to the covenants for ongoing management actions.

Narrabri – The Narrabri underground operation has an established biodiversity offset area, comprising some 2,833ha of land, with areas adjacent to Mt Kaputar National Park and the Pilliga and Jacks Creek State Forests. Management plans have been prepared for these offset areas and are currently awaiting formal endorsement by the relevant government agencies. Appropriate in-perpetuity security for the offset areas will be established during FY2014.

Tarrawonga – With the recent Tarrawonga extension approval, additional offset areas have been established adjacent to Mt Kaputar National Park, comprising some 1,660ha. A management plan for this area has been prepared and is currently being reviewed by relevant government agencies. Appropriate in-perpetuity security for the offset area will be established during FY2014.

Leard Forest Precinct Regional Biodiversity Strategy – Whitehaven is also participating in the development of a Leard Forest Precinct Regional Biodiversity Strategy, comprising the Whitehaven operations of Maules Creek and Tarrawonga, and Idemitsu Resources Boggabri Coal project. This strategy will be developed during FY2014 and will identify a coordinated approach to offset management and priority offset areas for the Leard Forest Mining Precinct area.

8 excludes Maules Creek
9 excludes Maules Creek

5 · Environment

Biobanking agreement

During FY2013 Whitehaven's Regional Biobank site was registered – the largest registered biobank site in New South Wales.

Established as Biobank Agreement 43, this Biobank area comprises the offset requirements relevant to Whitehaven's Canyon, Rocglen and Tarrawonga (excluding 2013 extension) requirements, and comprises an area of 1,495ha.

BioBanking is a market-based scheme that enables 'biodiversity credits' to be generated by landowners who commit to enhance and protect biodiversity values on their land through a biobanking agreement.

These credits can then be sold, generating funds for the management of the site. Credits can be used to counterbalance (or offset) the impacts on biodiversity values that are likely to occur as a result of development. The credits can also be sold to those seeking to invest in conservation outcomes, including philanthropic organisations and government.

The Biobank is located on the western fall of the Kelvin Range, located to the east of our Rocglen mine site. The Biobank site will conserve and manage four types of vegetation, including two endangered ecological communities which are listed under the Threatened Species Conservation Act 1995, being the White Box Grassy Woodland and the Semi Evergreen Vine Thicket. The site will also provide potential habitat for wildlife such as koalas, owls, bats and lizards, including threatened species such as the Grey Crowned Babbler and Square Tailed Kite.

As part of the establishment of the Biobank site, Whitehaven has paid the in-perpetuity management costs for the site into the Biobanking Trust Fund, comprising some $1,687,935.

FY2014 will be the first year of active management in the biobank area, with the release of funds from the trust for the first year of management actions.

5 · Environment

Case Study
Maules Creek

The Maules Creek project falls within the Leard State Forest – an area that has predominantly been used for forestry and mining activities. Under the Brigalow and Nandewar Community Conservation Area Act 2005 (BNC Act), State Forest land within the boundary was zoned for forestry and mining purposes.

The Maules Creel project is not located on or in close vicinity to the prime agricultural land of the Liverpool Plains.

Leading ecological specialists prepared an Ecological Impact Assessment for the Maules Creek project and a range of environmental experts continue to work with Whitehaven to fine tune the most effective approach to ecological impacts.

This approach is also being developed in consultation with the local community and other relevant stakeholders.

Biodiversity offset areas totalling 10,742 hectares, or 5 times the area of land that will be disturbed have been purchased by Whitehaven and will be managed closely, in consultation with the State Government and neighbouring landholders, to ensure their biodiversity values are maintained and enhanced.

The Project will affect approximately 544 hectares of the native vegetation, (458 ha of Box Gum Woodland and 86 ha of Derived Native Grassland) conforming to the community listed as an Endangered Ecological Community (EEC) under the Threatened Species Conservation Act 1995 and a Critically Endangered Ecological Community under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act).

There are at least 405,000 ha of the Box Gum Woodland community remaining in Australia, of which more than half occurs in NSW. The Maules Creek project is expected to disturb only 0.27% of the community remaining in NSW. The mine plan has been amended to avoid the disturbance of over 100 ha of these classified communities.

The threatened fauna species that have the potential to occur within the project boundary are mobile, and in some cases comprise bats and migratory species of birds. Due to their mobile nature the impact on them will not be as significant with their ability to relocate within the region. This is supported by the biodiversity offset strategy, where a legally binding conservation covenant is required to protect suitably habitat into perpetuity.

The area is not a generally recognised koala habitat and does not conform with preferred koala habitat conditions.

For more information about biodiversity management at Maules Creek site you can visit the environment section of the Whitehaven Coal website.

www.whitehavencoal.com.au/environment.cfm

5 · Environment

5.7 WATER MANAGEMENT

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

Our operations have limited impacts on the ground water systems in the area. In terms of surface water all of our sites are "nil discharge" sites, which means that all surface water must be contained on site and can only be released if the water quality is within stringent water quality guidelines.

Our two most recent approvals, the Maules Creek project and the Tarrawonga expansion project were two of the first projects to have been subject to scrutiny by the Federal Government's Independent Expert Committee on Coal Seam Gas and Large Mining Development. The Committee was set up in late 2012 and provides scientific advice to decision makers on the impact that coal seam gas and large coal mining development may have on Australia's water resources.

Surface water

Overview

FY2013 has seen an improved performance by Whitehaven in relation to management of surface water, and in particular, wet weather discharge events.

In particular, our Narrabri, Tarrawonga and Rocglen mines have implemented improved water management practices, including establishment of additional storage capacity, improved water treatment techniques to reduce sediment load, and improved water use from nominated wet weather discharge dams to reduce discharge events.

This is evidenced by no instances of non-compliance in relation to wet weather discharge at any of these sites over the financial year.

At our active sites, water use for dust suppression purposes over an annualised period comprised 78ML at our Narrabri mine, 605ML at our Tarrawonga mine, 100ML at our Rocglen mine and 388ML at our Werris Creek mine. This water was sourced predominantly from in-pit or surface water capture in adjoining sediment dams.

At our recently approved Maules Creek mine, which will be Whitehaven's largest, detailed studies have been carried out to assess potential surface and ground water impacts.

The views of the Federal Government's Independent Expert Committee on Coal Seam Gas and Large Mining Development were considered by the Federal Department of Sustainability, Environment, Water, Population and Communities and subsequently the Federal Minister for the Environment in his approval of the projects. All issues raised have been addressed in the Maules Creek approved Water Management Plan, which now represents a leading-edge environmental approach to surface and ground water management, and also deals with the cumulative impacts associated with other adjacent mining projects.

Ground water

Overview

Our ground water impacts overall are minimal. Ground water is a key component of our environmental assessments and is thoroughly assessed through the establishment of groundwater models for each project. We control our impacts by ensuring our groundwater use is within our licensed entitlement, and through regularly observing potential impacts through a network of monitoring bores located within our project sites and in the wider locality.

Our operations are not located on the black-soil alluvial plains located in the region.

Whitehaven retains several groundwater allocations across its operations, albeit we have made limited use of these allocations over FY2013.

Rocglen pumped less than 1ML from its 120ML allocation, while Tarrawonga did not utilize any of its 50ML allocation for the period. Water use from the sites was predominantly from surface water sediment dams or from water captured in pit, comprising both surface flows and groundwater interception.

Our Werris Creek mine did use its entitlements, utilizing 48ML of its 50ML allocation. This water use was associated with dewatering of the former Werris Creek underground workings.

5 · Environment

Case Study
Getting to know the Namoi

Whitehaven was the proud financial supporter of a Department of Primary Industries (DPI) Fisheries initiative to survey a 13 kilometre stretch of the Namoi River that fronts the Vickery South project area. The initiative was designed to capture information about the quality of the local environment.

Details collected along the river focused on riverbank condition, the location of weeds and the presence of in-stream habitat, including aquatic vegetation, logs (snags) and the riverbed profile. The mapping project will also be used to guide Whitehaven in the future management and rehabilitation of the river and adjacent land.

Funding for on-ground works along the Namoi Demonstration Reach is supported through the Australian Government's Clean Energy Future Biodiversity Fund.

As outlined in the Surface Water commentary above, the ground water impacts of our Maules Creek project and the proposed extension of our Tarrawonga mine, were both reviewed by the Federal Government's Independent Expert Committee on Coal Seam Gas and Large Mining Development.

All issues raised have been addressed in the Maules Creek approved Water Management Plan, which now represents a leading-edge environmental approach to surface and ground water management, and also deals with the cumulative impacts associated with other adjacent mining projects.

5 · Environment

5.8 ENERGY & GREENHOUSE EMISSIONS

Energy

Whitehaven is a participant in the Energy Efficiency Opportunities Program, in accordance with requirements of the Energy Efficiency Opportunities Act as coordinated by the Commonwealth Department of Resources, Energy and Tourism.

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

Performance

In December 2012, Whitehaven published its Public Report under the program, which is available on the Whitehaven website. The report identified energy consumption levels as follows:-

- Rocglen – 371,098 GJ
- Tarrawonga – 690,254 GJ
- Werris Creek – 514,199 GJ

The public report also identified energy savings opportunities for these projects over the reporting period. Rocglen operation implemented three opportunities resulting in energy savings of 1,345 GJ, with a further four opportunities still to be implemented, representing possible savings of 937 GJ. A further four opportunities still remain under investigation, which could result in a further 8,608GJ in energy savings.

Tarrawonga implemented six opportunities resulting in energy savings of 8,327 GJ. A further four opportunities remain to be implemented, with potential savings of 28,996 GJ, whilst a further four opportunities require additional investigation, which could result in a further 12,996 GJ in energy savings.

Werris Creek implemented three opportunities resulting in energy savings of 5,240 GJ. A further six opportunities are still to be implemented representing savings of up to 16,856 GJ. Another six opportunities are still under investigation, which could result in a further 21,867 GJ in savings.

Whitehaven is due to provide its public and government report for the FY2013 by 31 December 2013.

Greenhouse emissions

Whitehaven reports Greenhouse emissions through the National Greenhouse and Energy Reporting (NGER) system. Development of the FY2013 report is well underway in preparation for lodgement by 31 October 2013. Key issues that will influence the outcome of the FY2013 report include the cessation of production activity at our Sunnyside operation during November 2012. The increased production activity at our Narrabri operation with commencement of the first longwall will also influence overall electricity consumption figures.

In addition to these issues, Whitehaven progressed a drilling program during this reporting period to directly measure methane content of coal seams within our projects. As a consequence of this work, Whitehaven will be able to report fugitive emissions from the open cut pits based on measured gas content, as compared to previous reports whereby default factors for NSW were used. The direct measurement of gas content from the drilling program has confirmed that the methane levels in the coal seams are substantially less than the level applied through use of the default factor.

During the FY2012 NGER's reporting period, Whitehaven operations contributed 414,871t CO_2-e in Scope 1 and Scope 2 greenhouse emissions. In the prior reporting period, Whitehaven operations contributed 460,831t CO2-e in Scope 1 and Scope 2 greenhouse emissions. Actual energy production was also higher during FY2012 compared to FY2011. Our emissions profile over the next reporting period, which will include production levels from our Narrabri project at or near maximum production levels will provide a better understanding of our emissions performance comparative to previous years.

5.9 WASTE – GENERAL

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

Across our operations, 1,036t of general waste was collected by waste collection contractors for additional sorting and classification at the contractor's facilities. Further to this, 510,800L of waste oil was collected for recycling by a waste oil contractor, and 158t of scrap metal collected by scrap metal merchants for recycling.

Mine waste (overburden) is managed in accordance with each operating sites Mining Operations Plan, and is profiled as either out of pit or in pit overburden emplacement. This material is rehabilitated by placement of subsoil and topsoil, and planted out to native vegetation and/or pasture establishment.

Waste from the coal washing process at our CHPP is separated into coarse and fine reject product. Coarse reject is backloaded by truck to our Tarrawonga pit, where it is emplaced within an approved emplacement area within the mine pit, and subsequently buried by overburden material before final shaping and rehabilitation. Fine reject is pumped from the CHPP to a series of settlement ponds where it is allowed to consolidate, with water from the reject recycled through the plant. The consolidated reject is excavated and transported to a former mine void at our Melville emplacement area, where it is used to fill the void to facilitate final rehabilitation.

Whitehaven participated in a waste audit during FY2013 which was coordinated by the EPA.

6 · Communities

We understand that our social licence to operate is dependent on operating not just technically within our approved conditions, but through listening, understanding and genuinely engaging with members of our community.

We see our community as including all of our stakeholders – from our international customer base through to the local communities in which we operate and our direct neighbours.

We continue to have the strong support of a majority of local stakeholders and we are committed to earning and maintaining their ongoing support, and ensuring we make a meaningful contribution to their community.

6 · Communities

6.1 OUR APPROACH TO WORKING IN PARTNERSHIP WITH OUR COMMUNITY

Our approach to community relations is fully integrated into our operations by both our corporate team and our site-based management. Our overall approach to dealing with the stakeholders is encapsulated in our Board's Health, Safety, Environment & Community Committee Charter. The Committee's Charter is available on the Company's website.

www.whitehavencoal.com.au/about_us/corporate_governance.cfm

6.2 STAKEHOLDER ENGAGEMENT & CONSULTATION

Overview

Since Whitehaven's inception in 1999 the Company has focused on high-level, personal contact and engagement with a wide range of stakeholders, and in particular, our neighbours and local landholders.

As our business has expanded to include more operations and larger operations, we have aimed to continue this personal approach albeit it on a wider scale. Communication with local stakeholders continues to occur every day in our business both in terms of communication with individuals, and with broader representative groups. It is an integral part of our day-to-day operations.

We also engage where possible with outside stakeholders who are wishing to learn more about coal mining in the Gunnedah Basin and the management of environmental and social impacts in our area.

Given the close proximity of our operations, we engage with the same stakeholder groups across multiple mine sites. These include all levels of government in the local areas, as well as local community groups and indigenous groups.

We are committed to providing transparent, accurate and timely communication, and to providing appropriate channels through which stakeholders can contact us in a timely and efficient manner.

In March 2013, the full Whitehaven Board held its regular Board meeting at the Narrabri mine site and included meetings to discuss long-term planning issues with the Gunnedah Shire Council.

This meeting provided a range of Whitehaven directors with the opportunity to hear directly from councils their views on both the benefits our business brings to the region, and the way impacts can be best managed.

During the application and approval processes Whitehaven has provided one-on-one discussions with local land owners who have the potential to be impacted by these proposed projects. In addition, community meetings have been conducted in the towns closest to the proposed projects.

Importantly, given that Whitehaven's workforce, by majority, lives and works in the local area, we are constantly receiving feedback and advice from community members in relation to our operations.

We are also participants in and contributors to a number of industry working groups. These include the Minerals and Energy Working Group. The Minerals and Energy Working Group is chaired by an independent Chairman and made up of mining and energy representatives, State Government representatives, Premier's Department and Local Government representatives. The Working Group reviews issues affecting the Gunnedah Basin and the planned expansion of the mining and resource industries. These issues include housing, training opportunities and general infrastructure impacts. The Working Group provides a forum for engagement with a range of stakeholders including government departments not directly dealing with the mining industry.

Community consultative committees

Community Consultative Committees (CCC) are in place at each of our operations as outlined in the NSW State Government Guidelines.

The purpose of a CCC is to provide a forum for open discussion between representatives of the Company, the community, the council and other stakeholders on issues directly relating to the mine's operations, environmental performance and community relations, and to keep the community informed on these matters.

CCC meetings are held quarterly, and the minutes of these meetings are available on our website:

www.whitehavencoal.com.au/community.cfm

We greatly appreciate the interest from our CCC members and the important role they play as a conduit between Whitehaven and the broader community. We seek to respond positively to all feedback received through the CCC process.

6 · Communities

Working with our stakeholders

Stakeholder Group	Methods of communication and engagement (including but not limited to)
Community Groups (Interest groups, industry groups, community service providers, sporting groups and service groups)	• Ongoing and regular liaison on long-term planning objectives and specific issues • Briefings and consultation on specific issues • Consultation in relation to approvals processes • Consultation into ongoing site-based management plans and annual environmental reports • Community meetings • Community Consultative Committees
Customers	• Briefings and engagement on specific issues and general corporate approach
Federal Government	• Ongoing liaison on long-term planning objectives and specific issues • Briefings and consultation on specific issues • Approval of operations under EPBC Act. • Consultation into ongoing site-based management plans and annual environmental reports
Indigenous Communities	• Ongoing consultation under Cultural Heritage Management Plans on a site-by-site basis including indigenous representatives attending sites to oversee clearance operations and salvage works • Ongoing discussion on Native Title negotiations • Participation in local indigenous initiatives • Specific discussions on Maules Creek Cultural Heritage issues • Community Meetings • Community Consultative Committees
Investors	• Engagement with our investors is managed under the Whitehaven Continuous Disclosure Policy (available on the Company's website) and general communications protocols.
Landholders and community members	• Personal meetings or discussions • Group meetings in relation to site-based issues (eg. surface water or air quality) • Site-based newsletters • Community Consultative Committees • Site visits • Community meetings • Site hotlines • Website updates • Invitations to participate in formal planning processes
Local Government	• Ongoing and regular liaison on long-term planning objectives and specific issues • Briefings and consultation on specific issues • Consultation in relation to approvals processes • Consultation into ongoing site-based management plans and annual environmental reports • Community Consultative Committees • Community meetings
Media	• Briefings and engagement on specific issues and general corporate approach
NGOs	• We are aware that there are other parties which may have a different view to us and we are willing to engage in constructive dialogue with them.
State Government	• Ongoing and regular liaison on long-term planning objectives and specific issues • Ongoing consultation in relation to specific site approvals and operations within consents • Approval of management plans and review of annual environmental reviews from each site • Briefings and consultation on specific issues
Suppliers	• Briefings and engagement on specific issues and general corporate approach
Workers/Employees	• Ongoing engagement on both site-specific and corporate initiatives.

6 · Communities

Case Study
Helping others understand mining in our region

Whitehaven is an enthusiastic advocate for mining in the region. During the financial year we worked with a number of groups to provide tours and information about our operations as well as the broader perspective on mining in the region, its benefits, and the management of both physical environmental, and social impacts.

These groups included:

Sydney Leadership – Whitehaven participated in a two-day regional study tour to Gunnedah for a group of 25 senior leaders from Sydney and other regional centres. The group was seeking to understand the economic, social and environmental landscape of the region and how leaders were addressing the challenges associated with ongoing expansion of mining operations in the region.

Association of Mining Related Councils – meeting of 17 delegates from a wide number of Local Government Areas hosted at the Narrabri mine site, including presentations and site surface tour.

Corowa Landcare Group (Oaklands EC) – Undertook a tour of Rocglen mine and Canyon Rehabilitation Area with a view to reporting back to Corowa Shire Council.

Boggabri Drovers Campfire – This annual event attracts hundreds of travellers to the region for a weekend of local events. Our Narrabri mine hosted bus tours for the participants enabling them to see first hand the surface operations of the mine and have questions answered in relation to both the mine and the industry.

Economic Development and Business Forums – Whitehaven representatives are regularly invited to attend and present at regional economic development forums, including Gunnedah, Narrabri and Tamworth.

6.3 CULTURAL HERITAGE

To support Whitehaven's commitment to protecting the cultural heritage of the local indigenous communities where we operate, all of our sites have in place Cultural Heritage Management Plans which are publicly available on the Company's website.

www.whitehavencoal.com.au

The plans provide, among other things, a set of procedures to:

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

All of the plans were developed following consultation with stakeholders from the local Aboriginal community who are identified through processes consistent with the NSW Office of Environment and Heritage's Aboriginal Cultural Heritage Community Consultation Requirements for Proponents (DECCW,2010).

6.4 COMMUNITY INVESTMENT

Whitehaven makes its community investments in a number of ways. These investments are designed to make a tangible tong-term improvement to large cross-sections of the community and its infrastructure.

We work closely with local government, and where relevant, the NSW State Government, to identify projects that fit with the local communities' long-term planning objectives and can support communities beyond the life of our mining projects.

The contributions consist of our Voluntary Planning Agreements (which are in excess of required amounts), our sponsorships and donations, and other voluntary investments.

6 · Communities

Voluntary Planning Agreements

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

Site		VPA payments
Maules Creek	$6,000,000 over two years	Funds to be utilised on the upgrade of infrastructure and roads including Therribri Road and Tarrioro Bridge.
	$5,000,000 over five years	Funds to be utilised on the upgrade of the Narrabri Airport.
	$800,000 over three years	Funds to be utilised on various projects within the township of Boggabri and its surrounds.
	$275,000 over three years	Funds to be contributed to the Maules Creek Community.
	$1,250,000 over two years	Funds to be utilised on CBD upgrades in the Narrabri Shire
	$100,000	To be allocated to an environmental fund.
	Ongoing – Approx $800,000pa	Payment to Narrabri Shire council of $0.075 per saleable tonne, to be paid monthly. At full production this is expected to equate to approximately $800,000 per annum.
Tarrawonga	$1,400,000 over one year	Funds to be utilised for the construction of sealed roads around the Tarrawonga mine site with an emphasis on sealing Manila Road for the benefit of local residents. Unallocated funds to be spent at the discretion of Narrabri Shire Council.
	$100,000	To be allocated to an environmental fund.
	Ongoing – Approx $150,000pa	Payment to Narrabri Shire Council of $0.075 per saleable tonne, to be paid monthly. At full production this is expected to equate to approximately $150,000 per annum.
Werris Creek	$300,000	Spend over six years in consultation with Liverpool Plains Shire Council and community with two-thirds to be spent in Werris Creek township.
Narrabri	$2.9 million	Commenced in 2010 with funds directed to Narrabri Shire Council for a range of requirements including the redevelopment of the Narrabri Swimming Pool Complex
Rocglen	$500,000 over five years	

6 · Communities

Narrabri Housing

This year saw the opening of the Narrabri Aquatic Complex, to which Whitehaven contributed $1.5 million. In our discussions with Narrabri Shire Council we highlighted that we were looking to support a project that benefited the whole community – young, elderly, special needs, schools, sporting groups and community generally. The pool project met all of these criteria and the Shire now has a state-of-the-art facility that will provide great benefits to the current community and future generations.

Housing

We want to bring economic benefits to the community, and where possible we want to rely on a local workforce. While this initiative is widely supported in the community, it does bring its own challenges – in particular the impact on housing demand.

Whitehaven announced in late 2011 that it would continue to work with local government and developers to support property development in the Narrabri and Gunnedah regions.

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

During FY2013 Whitehaven Coal constructed five new houses in the new Rocky Creek estate in Narrabri.

The keys for these completed homes were received in August 2013, with interest already received from key personnel for both renting and purchasing these properties. Assessment of this pilot program will guide Whitehaven as to the most appropriate strategy for housing to attract and retain staff as the Company continues to grow.

These developments allow us to attract staff giving them the opportunity for a limited rental subsidy with the option of purchasing the properties.

6 · Communities

Sponsorships and donations

In FY2013 Whitehaven continued to support a broad range of community organisations, with an overarching objective of ensuring our financial support was directed to initiatives that benefit a broad cross-section of the relevant community.

In FY2013 these totalled over $100,000 with some examples including:

Gunnedah Rural Health Centre	Donation – new medical centre	$10,000
Australian Cotton Fibre Expo	Sponsorship	$2,000
Gunnedah Community Scholarship Fund	Tertiary Education	$2,000
Gunnedah Show Society	2013 Gunnedah Show	$4,000
Narrabri Education Foundation	Education Foundation	$10,000
Rotary Club Tamworth	Science and Engineering challenge	$2,000
Westpac Rescue Helicopter	Match staff contributions	$44,750
Gunnedah Show Society	Show Rodeo	$4,000
Quirindi Show Society	2013 Quirindi Show	$2,000
Maules Creek Campdraft Club	Up the Creek Campdraft	$8,000

6 · Communities

Case Study
Westpac Rescue Helicopter

Whitehaven's workforce has made a combined donation of $44,750 to the Westpac Rescue Helicopter Service in FY2013. Whitehaven has matched this workforce contribution taking the total donation from the Company and its employees to $89,500.

The Westpac Rescue Helicopter is a vital service to the north west NSW community.

Whitehaven and its employees donated approximately $84,000 to the service in 2012 and $74,000 in 2011, taking the total donation for the past three years to approximately $247,500.

Whitehaven applauds the commitment of the helicopter crew members and support crew, and wants to ensure the service continues to thrive in our region.

6 · Communities

6.5 EDUCATION

Where possible Whitehaven's financial contributions to the local communities are directed to areas where the can benefit a broad cross-section of the community and make a lasting difference. Educational initiatives meet this objective.

Australian Museum's Science Unleashed Festival – Narrabri

In November 2012 Whitehaven was a key sponsor of the Australian Museum's Science Unleashed Festival which holds hands-on science activities, talks, shows and workshops for school students at the Museum, in Sydney suburbs and in NSW regional locations.

The two-day event consisted of one day for primary school students and one day for secondary school students. Students also had a unique opportunity to talk to scientists and learn all about the huge variety of careers in science, engineering, technology and innovation at the event.

Tamworth Science and Engineering Challenge

The Science and Engineering Challenge is a nationwide outreach program led by the University of Newcastle in conjunction with various partners and sponsors. The Challenge is designed to inspire students to study science and engineering at a senior level.

Each day the students participate in a range of exciting hands-on activities that are designed to demonstrate the varied and practical elements of a career in the disciplines of science and engineering. The Challenge is a practical day of fun, teamwork and discovery.

Whitehaven was a major sponsor of the Tamworth event in March 2013, with Whitehaven staff also participating in the day.

Dorothea McKellar Poetry Award

The Dorothea McKellar Poetry Award is the oldest and largest poetry competition for school aged children in Australia. It is a unique national project, giving Australia's youth a voice and an opportunity to strive for excellence in literature.

The Dorothea Mackellar Memorial Society is based in Gunnedah, north-west NSW and Whitehaven is a proud sponsor of the annual event. The Mackellar family owned several properties including 'Kurrumbede' which is now owned by Whitehaven.

Boggabri Sacred Heart School Transition Program

Whitehaven Coal has made a contribution to the development of a new initiative at Boggabri's Sacred Heart School. The program is designed to assist pre-school children make the transition from pre-school or home into kindergarten. Research indicates this enhances the child's learning capacity enabling children to adapt quickly to the new environment of school.

Gunnedah Community Scholarship

Whitehaven is proud to continue its involvement in the Gunnedah Community Scholarship program. This initiative gives local children who have completed their Higher School Certificate and are considering or have commenced tertiary education the opportunity to obtain financial assistance to allow them to pursue their tertiary studies. There have been a number of successful applicants that have returned to the district to further their careers following the receipt of their qualifications.

Narrabri Education Foundation

The Narrabri Education Fund is a regional fund established to assist selected students in the pursuit of specialised qualifications such as medicine with the aim of attracting these professionals back to the region to help alleviate the gap in these types of professions in rural NSW.

Indigenous writers and artists youth workshops

During FY2013 Whitehaven Coal undertook to sponsor an important initiative to bring the Young Australian Art & Writers Awards program and its Young Indigenous Art & Literacy counterpart to the schools of the towns and communities in north-west NSW – from Quirindi and Werris Creek up to Gunnedah, Boggabri and Narrabri. A total of 15 schools will participate and receive visits by some of Australia's leading artists and authors who set up workshops and provide students with expert direction in creative art and written expression. In particular Indigenous students are encouraged to utilise their "Dreamtime" as an art concept, and then to write a short story to explain the meaning of their completed artwork. This program is in nearly 300 outback and remote schools with the (very successful) objective of lifting school attendance levels, obtaining better outcomes, and helping to address the high attrition rates.

The Authors who attend are highly skilled in communicating their skills to disadvantaged and Indigenous children and young adults. Boxes of their books and other popular and appropriate titles will be delivered to these schools, along with supplies of art and writing materials all monogrammed with the Whitehaven name and logo, as part of this sponsorship.

6 · Communities

6.6 COMPLAINTS

Overview

Whitehaven has an easily accessible complaints process with all details outlined in site-specific newsletters, through advertising in local newspapers, and the Company's website.

www.whitehavencoal.com.au

There were 150 complaints during FY2013 across Whitehaven's operations, relating to a wide range of matters including dust, noise, blasting, traffic and others.

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

Narrabri – 13 (12 dust, 1 rubbish on side roads)

Tarrawonga – 35 (24 dust, 2 blast, 1 water discharge, 5 traffic, 1 lights, 2 noise)

Werris Creek – 53 (12 noise, 13 dust, 4 lights, 18 blast, 2 water discharge, 1 clearing, 3 odour)

Rocglen – 9 (3 noise, 2 dust, 1 blast, 1 feral animals, 1 stock, 1 water)

Sunnyside – 1 (1 traffic)

CHPP – 39 (37 noise, 2 traffic)

The number of complaints is consistent with the previous year, however the proportions related to sites have changed, with Narrabri complaints up 100%, Tarrawonga complaints relatively unchanged, Werris Creek complaints down 40%, Rocglen complaints unchanged, Sunnyside complaints down 200% and CHPP complaints up 500%. Whilst Narrabri complaints were up 100%, all but two complaints were from one person. In terms of the substantial increase in complaints at the CHPP, these complaints were from two people, one of which Whitehaven has acquired his property.

Whitehaven treats each complaint seriously and responds direct to the complainant within 24 hours of a complaint being received. All complaints are investigated to ascertain the cause of a complaint and identify any measures that can be engaged to rectify the situation. A complaints record is retained for each site identifying the complaint, action taken in response to the complaint and when that action has been completed.

Directors' Report

Mark Vaile, John Conde

The Directors present their report together with the consolidated financial report of Whitehaven Coal Limited ('the Company' or 'Whitehaven'), being the Company, its subsidiaries, and the consolidated entity's interest in joint ventures for the year ended 30 June 2013 and the auditor's report thereon.

1. DIRECTORS

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

THE HON. MARK VAILE

Chairman
Independent Non-Executive Director
Appointed: 3 May 2012

As 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 Stamfordland Corp which is listed on the Singapore Stock Exchange and a Director Trustee of HostPlus Superfund and Chairman of Palisade Regional Infrastructure Fund.

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

Deputy Chairman
Independent Non-Executive Director
Appointed: 3 May 2007

John has over 30 years of broad-based commercial experience across a number of industries, including the energy sector, and was Chairman of the Company prior to the merger with Aston Resources. John is chairman of Bupa Australia, Destination NSW and the Sydney Symphony. He is also President of the Commonwealth Remuneration Tribunal and a non-executive Director of the Dexus Property Group and The McGrath Foundation. He retired as Chairman of Ausgrid (formerly Energy Australia) in June 2012. He was formerly Chairman and Managing Director of Broadcast Investment Holdings, as well as being a former non-executive Director of BHP Billiton Limited and Excel Coal Limited.

PAUL FLYNN
BComm, FCA

Managing Director
Appointed: 25 March 2013
Non-Executive Director
Appointed: 3 May 2012

Paul has extensive experience in the mining, infrastructure, construction and energy sectors gained through 20 years as a professional advisor at Ernst & Young. Paul was formerly Chief Executive Officer and Managing Director of the Tinkler Group. Prior to joining the Tinkler Group Paul was the managing partner of Ernst & Young's Sydney office and a member of its Oceania executive team. As a partner for over eight years, Paul managed many of the firm's largest mining and energy clients across Australia, Asia, South and North America. Paul has also fulfilled various leadership roles with large corporations on secondment including as the CFO of a top 50 listed company.

Paul Flynn, Tony Haggarty, Philip Christensen, Rick Gazzard, Christine McLoughlin

TONY HAGGARTY
MComm, FAICD

Non-Executive Director from 25 March 2013
Previously Managing Director to 24 March 2013
Appointed: 17 October 2008

Tony has over 30 years' experience in the development, management and financing of mining companies, and was co-founder and Managing Director of Excel Coal Limited from 1993 to 2006. Prior to this, Tony worked for BP Coal and BP Finance in Sydney and London, and for Agipcoal as the Managing Director of its Australian subsidiary. Tony was appointed to the Board of Whitehaven on 3 May 2007 and was appointed Managing Director on 17 October 2008.

PHILIP CHRISTENSEN
BComm, LLB

Independent Non-Executive Director
Appointed: 3 May 2012

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

RICK GAZZARD
BE (Mining) Honours

Independent Non-Executive Director
Appointed: 3 May 2012

Rick is a mining engineer with more than 30 years' experience in the coal mining industry and a further 10 years' experience in the iron ore, base metals and gold mining industries. He holds certificates of competency as a mine manager for both the coal and metalliferous mining industries. Rick has previously held senior management positions as President of BHP Qld Coal and as General Manager of Camberwell Coal Pty Ltd and prior to those appointments had more than 10 years' experience as a mine manager/operations manager/chief mining engineer with CSR Limited and BHP. He is a former non-executive Director of ASX listed Carabella Resources, Eastern Corporation and Aston Resources Limited.

CHRISTINE MCLOUGHLIN
BA, LLB (Honours), FAICD

Independent Non-Executive Director
Appointed: 3 May 2012

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

1. DIRECTORS (CONTINUED)

Previous Directors

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Allan Davies BE (Mining) Honours Executive Director Appointed: 25 February 2009 Retired: 1 November 2012	Allan is a mining engineer and has over 35 years' experience in the Australian and international coal and metalliferous mining industries. He is a registered mine manager in Australia and South Africa. Allan was a founding Director of Excel Coal Limited and as Executive Director – Operations for Excel Coal Limited, Allan had direct responsibility for operations and construction projects. From 2000 until early 2006, Allan also worked for Patrick Corporation as Director – Operations. Currently, Allan is also a non-executive Director of Qube Logistics Holdings.
Hans Mende Non-Executive Director Appointed: 3 May 2007 Resigned: 2 July 2012	Hans has been President of the AMCI Group since he co-founded the Company in 1986. Prior to starting AMCI Group, Hans was employed by the Thyssen group of companies in various senior executive positions. Other current Directorships held by Hans include Excel Maritime Inc., White Energy, New World Resources and MMX Mineracao. Hans was previously a non-executive Director of Felix Resources Limited an ASX listed company.

2. COMPANY SECRETARIES

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Austen Perrin B.Ec, CA Appointed: 19 November 2008	Austen has been with the Whitehaven Group since October 2008 as Chief Financial Officer and Company Secretary. He has over 20 years' experience in the transport and infrastructure industry including senior executive roles with Toll Holdings Limited including the roles of Executive Director and Chief Financial Officer for Toll NZ Limited and Chief Financial Officer for Pacific National Limited. He was also Chief Financial Officer for Asciano Limited.
Timothy Burt B.Ec, LLB (Hons) LLM Appointed: 29 July 2009	Timothy joined Whitehaven as General Counsel and Company Secretary in July 2009. He has 18 years' ASX listed company legal, secretarial and governance experience across a range of industries. Prior to joining Whitehaven, Timothy held senior roles at ASX listed companies Boral Limited, UGL Limited and Australian National Industries Limited. He holds a Master of Laws from the University of Sydney.

3. DIRECTORS' INTERESTS

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

	Ordinary shares	Options over ordinary shares	
Mark Vaile	2,787,767	189,000	Granted on 1 May 2012 (refer to details in note 32 of the financial statements)
John Conde	378,605	-	
Paul Flynn	39,382	-	
Philip Christensen	2,901,575*	189,000	Granted on 1 May 2012 (refer to details in note 32 of the financial statements)
Rick Gazzard	125,000	-	
Tony Haggarty	33,479,897	-	
Christine McLoughlin	21,000	-	

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

4. DIRECTORS' MEETINGS

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

	Directors' Meetings[1]		Audit & Risk Management Committee Meetings		Remuneration Committee Meetings[2]		Health, Safety, Environment & Community Committee Meetings		Governance & Nominations Committee Meetings		Independent Board Committee	
Director	A	B	A	B	A	B	A	B	A	B	A	B
Mark Vaile	20	20	1	1	10	10	–	–	3	3	5	5
John Conde	20	18	6	6	10	10	–	–	3	3	5	5
Paul Flynn	20	19	5	5	–	–	–	–	–	–	–	–
Tony Haggarty	20	19	–	–	–	–	–	–	–	–	5	5
Philip Christensen	20	19	–	–	–	–	4	4	3	3	–	–
Allan Davies	11	11	–	–	–	–	1	1	–	–	5	4
Rick Gazzard	20	20	6	6	–	–	4	4	–	–	5	4
Christine McLoughlin	20	19	–	–	10	10	3	3	3	3	5	5
Hans Mende	–	–	–	–	–	–	–	–	–	–	–	–

A – Number of meetings held during the time the Director held office during the year
B – Number of meetings attended
1 12 of the Board meetings were unscheduled meetings
2 4 of the Remuneration Committee meetings were combined Governance & Nominations Committee meetings dealing with CEO succession and remuneration

5. OPERATING AND FINANCIAL REVIEW

Financial Highlights

- Operating EBITDA before significant items of $18.6 million for the financial year;
- Net loss after tax (NLAT), before significant items, of $60.7 million, down from a net profit after tax (NPAT) of $57.8 million in the previous financial year, reflecting
  - Significant lower average coal prices (AU$83.81/t in FY2013 versus AU$111.72/t in FY2012). The fall in prices was predominantly due to market weakness coupled with a significant amount of Narrabri thermal coal being sold at a price below the Newcastle benchmark;
  - Accounting impact of placing the Sunnyside mine into care and maintenance;
  - Revised life of mine plans and reduced operating cost initiatives for Tarrawonga and Rocglen;
  - Impact of the Boggabri train derailment in the first half of the year;
  - Take or pay cost due to the delayed startup of Narrabri.
- Paid a fully franked final dividend of 3 cents per share in the first half of the year related to the previous year profits.
- Revenue from coal sales of $622.2 million (including purchased coal), up 0.7% from FY2012.
- Cash flow and financial position – $110.5 million cash available with net debt of $471.6 million compared to $513.6 million cash available and net cash of $24.2 million at 30 June 2012.

Operating Highlights

- Final approval obtained from both the NSW State Government and the Federal Government for the large scale and low cost Maules Creek project securing the Company's future production growth.
- Whitehaven produced a record 9.07Mt ROM coal and 8.20Mt of saleable coal on a 100% basis in FY2013, an increase of 71% and 67% respectively.
- Commissioning of the Narrabri longwall proceeded successfully with the mine ramping up to produce 3.68Mt of ROM coal and 3.47Mt of saleable coal on a 100% basis during the year.
- The Narrabri team successfully completed the first longwall changeout a day ahead of schedule and the mine is now running at an annualised rate of 6.0Mtpa.
- The expansion project at Werris Creek that increases production to 2.5Mtpa is on target for completion in the first half of FY2014.
- Equity ROM coal production increased significantly to 7.35Mtpa for the year compared to 4.66Mt the previous year despite the closure of the Sunnyside open cut.
- Whitehaven completed the acquisitions of Coalworks Limited and Itochu's minority interest in the Vickery South project which gives the Company 100% ownership of the project.
- Cost-cutting initiatives continue to deliver benefits flowing through from:
  - Revised mine plan with lower stripping ratios at Tarrawonga and Rocglen;
  - Reduction in the number of contractors, employees and hired equipment at Tarrawonga and Rocglen; and
  - Placing the Sunnyside open cut mine in care and maintenance.

Directors' Report

Overview

Whitehaven is positioning itself as a company with high quality long life assets, a strong growth profile and low cost mines readily able to provide quality coal to Asian based power and steel industries.

The past year has witnessed the combination of assets from the merger of Whitehaven and Aston, the engagement of an able and experienced management team to lead the Company through its strong growth phase, the ramp up of the large Narrabri underground mine, a review of current mining operations to ensure they remain competitive in the current market environment and obtaining various Government approvals for the Maules Creek project.

Production growth emerged with equity saleable production increasing by a significant 55% to 6.63Mt for the year – the first step in a strong growth phase to occur over the next three years.

The Company's safety performance continued to improve over the year with the new Narrabri mine leading the way with an outstanding performance in its first year of longwall production.

The long and extended approval process for the Maules Creek project was finally completed with all the required approvals obtained from both the NSW State and Australian Federal Governments. Commencement of construction is now awaiting the completion of final negotiations and consultation with local indigenous groups and the outcome of a Federal Court challenge relating to the Minister's approval of the project.

Following the successful acquisition of the remaining interest in the Vickery South project during the year Whitehaven is currently examining studying the enlarged project area to optimise potential resources and have commenced the approvals process.

Whitehaven responded to the current weak market environment by limiting spending on the remainder of its growth projects.

Risk Factors

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

Operating Risks

The Company's coal mining operations will be subject to operating risks that could result in decreased coal production which could reduce its revenues. Operational difficulties may impact the amount of coal produced at its coal mine, delay coal deliveries or increase the cost of mining for a varying length 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.

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Risk Factors (continued)

Development Risks

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

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

Financing Risks

Whitehaven believes it has sufficient undrawn credit from its existing debt facilities to meet its capital expenditure commitments for the development of Maules Creek based upon its existing development timeline and expected generation of coal sales at the beginning of CY2015. If the Maules Creek development timeline is extended due to circumstances beyond Whitehaven's control then additional funding alternatives may need to be explored depending on operating cash flows from its existing mines and the ability to defer development capital expenditure on the project.

Geology Risks

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

Market Risks

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

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

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

Financial Performance

Gross revenue generated for FY2013 was $622.2 million, up 0.7% on the previous year. Sales were impacted by falling world coal prices for both thermal and metallurgical coal.

Net loss after tax was $82.2 million for FY2013 compared to the previous year of a net profit after tax of $62.5 million.

Whitehaven's balance sheet remains strong. Cash on hand at FY2013 year-end was $110.5 million available with net debt of $471.6 million compared to $513.6 million cash on hand and net cash of $24.2 million at 30 June 2012.

Cash outflow from operations was $16.2 million for the year compared to a cash inflow of $2.5 million for FY2012 as a result of general working capital movements.

Existing unutilised debt facilities at FY2013 year end are sufficient to meet Maules Creek capital expenditure commitments based upon the projected mine development timeline which has coal sales being generated from first quarter CY2015.

Directors' Report

	FY2013 $`M	FY2012 $`M	Movement
Revenue	622.2	618.1	+0.7%
Net profit/(loss) for the period attributable to members	(82.2)	62.5	-231.4%
Add back: Significant items after tax (refer to note 7)	21.5	(4.7)	+551.6%
Net profit/(loss) before significant items	(60.7)	57.8	-205.0%
Profit/(loss) before net financing expense	(69.6)	26.0	-367.6%
Add back: Depreciation and amortisation	58.5	39.7	+47.4%
Operating EBITDA	(11.1)	65.7	-116.9%
Add back: Significant items before net financing expense (refer to note 7)	29.7	83.5	-64.4%
Operating EBITDA before significant items	18.6	149.2	-87.5%

	FY2013 $`M	FY2012 $`M
Cash on Hand	110.5	513.6
Interest Cover Ratio (times)[1]	(1.14)	6.86
Interest Bearing Liabilities	582.1	489.4
Net (Debt)/Cash Position	(471.6)	24.2
Net Assets	3,297.3	3,424.3
Gearing Ratio[2]	12.5%	0%

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

Safety

Whitehaven is committed to protecting workers from injury or illness while working at any of our operations, construction projects or exploration areas. We take this commitment seriously and expect those working for us to share the same level of commitment. Whitehaven aims to:

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

These objectives have been communicated to our workers in the form of the Whitehaven Coal Health, Safety and Environment (HSE) Policy approved by the Managing Director. The objectives detailed in the Whitehaven HSE Policy have been depicted in our three-yearly Health and Safety Strategic Plan and our annual Health and Safety schedule renewed at the commencement of 2013.

Health and Safety Performance is overseen by the Whitehaven Board's Health, Safety, Environment and Community Committee. The primary function of this committee is to assist the Whitehaven Board in enabling the Company to operate its business safely, responsibly and sustainably.

Whitehaven's Health and Safety performance measures include all our employees and contractors conducting work at our mining, construction and exploration areas. Over the previous three years we have continued to reduce our total recordable injury frequency rate. Total recordable injuries include lost time injuries, restricted work day injuries and medical treatment injuries as per the definitions detailed in the AS1885 and the relevant NSW Health and Safety legislation.

From FY2011 to FY2012 we reduced our lost time injury frequency rate from 7.13 to 4.17, although in 2013 this increased slightly to 4.63.

Underground operations improved Health and Safety performance both in regards to lost time and total recordable injuries. The TRIFR reduced to 22.36 in FY2013 from 34.61 in FY2012. The LTIFR reduced to 0.86 from 6.29 with only one lost time injury recorded in the reporting period.

Open cut operations continued to work on improving safety performance, although in FY2013 results for LTIFR and TRIFR trended up.

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Safety (continued)

A key positive performance measure for Whitehaven is the number of safety observations conducted at operation, construction or exploration areas. Late in 2011 Whitehaven introduced the behavioural safety observation process, with a steady uptake in 2012. From 2012 to 2013 safety observations were a key focus for Whitehaven with a marked improvement achieved in the number of observations completed, increasing from 758 to 6,070.

Operating Performance

Consolidated Equity Production and Sales (Equity Share)

Whitehaven Total – 000t	2013	2012	Movement
ROM Coal Production	7,352	4,657	+58%
Saleable Coal Production	6,630	4,275	+55%
Sales of Produced Coal	6,441	4,289	+50%
Sales of Purchased Coal	982	1,243	-21%
Total Coal Sales	7,423	5,532	+34%
Coal Stocks at Period End	841	478	+76%

Gunnedah Operations

Ownership: Tarrawonga – Whitehaven 70% and Operator and Idemitsu 30%; Rocglen – Whitehaven 100% and Sunnyside – Whitehaven 100%; Gunnedah CHPP – Whitehaven 100%.

The Gunnedah operations include the Tarrawonga, Rocglen and Sunnyside open cut mines and the Gunnedah coal handling and preparation plant (CHPP) and train load out facility.

Operations at the Gunnedah open cuts have progressed through a number of changes during the year. In the first instance a review of the Sunnyside open cut resulted in placing the mine into care and maintenance as the high cost mine was not profitable in the current coal price environment. The decision resulted in several contract positions being made redundant. All Whitehaven employees were offered roles at the other group mines. Production of 0.4Mtpa ROM coal from Sunnyside mine has been made up by increased production from the Werris Creek mine leaving overall output by the Company unchanged.

An application was lodged early in the year with both the New South Wales (NSW) State Government and the Federal Government seeking approval to increase production from 2.0Mtpa to 3.0Mtpa and extend the mine life from 2017 to 2030 at the Tarrawonga open cut. The project was approved by the NSW Planning and Assessment Commission (PAC) in January which was followed later in the year by Federal Government approval. The project is now approved to mine a total of 50.5Mt of coal in the period up until 2030.

In response to the current coal market conditions a detailed review of both the Rocglen and Tarrawonga open cuts was carried out in the second half of the year. As a consequence, the mine plans at both open cuts are being revised to reflect the reduced strip ratio. Therefore the number of trucks required for overburden removal has been reduced by four and several positions were made redundant. This will result in lower costs for both of the mines. In the short-term production will be maintained at about 3.5Mtpa ROM coal from both open cuts.

Gunnedah Operations (Equity Share)

Gunnedah Operations – 000t	2013	2012	Movement
ROM Coal Production	3,099	3,129	-1%
Saleable Coal Production	2,656	2,662	0%
Sales of Produced Coal	2,601	2,621	-1%
Sales of Purchased Coal	982	1,243	-21%
Total Coal Sales	3,583	3,865	-7%
Coal Stocks at Period End	379	342	+11%

Werris Creek mine

Ownership: Whitehaven 100%

The Werris Creek mine performed strongly for the year with ROM coal production increasing by 32% to 1.68Mt and saleable coal production increasing by 15% to 1.55Mt. The increase was due to the introduction of a larger excavator and trucks to the mine as production was increased to compensate for the closure of the Sunnyside mine.

Approvals were obtained from the NSW State Government allowing for the increase of ROM coal production to 2.5Mtpa from the previous level of 2.0Mtpa. As part of the expansion project the mine infrastructure is being relocated and the rail loading facilities are being upgraded with the work expected to be completed in the September quarter of 2013.

A recently completed assessment of the project, incorporating new geological information along with more detailed analysis of old underground mining data, has revealed some deterioration of the quality and recoverability of the coal. This has resulted in a reduction in the Reserves that will be produced from the project for the balance of its life. As the mine remains one of Whitehaven's lowest cost mines it has been decided to blend higher quality coal from the other mines with some of the coal produced at Werris Creek to improve its saleability and pricing in the current market.

Werris Creek mine (Equity Share)

Werris Creek mine – 000t	2013	2012	Movement
ROM Coal Production	1,677	1,274	+32%
Saleable Coal Production	1,547	1,343	+15%
Sales of Produced Coal	1,510	1,407	+7%
Sales of Purchased Coal	–	–	–
Total Coal Sales	1,510	1,407	+7%
Coal Stocks at Period End	323	117	+176%

Narrabri mine

Ownership: Whitehaven 70% and Operator; ElectricPower Development Co. Ltd 7.5%; EDF Trading 7.5%; Upper Horn Investments Limited 7.5%; Daewoo International Corporation and Korea Resources Corporation 7.5%.

The Narrabri mine ramped up output in line with schedule during FY2013 with production reaching an annualised rate of 5.2Mt on a 100% basis for the March 2013 quarter. The targeted production of 6.0Mtpa (100% basis) is within reach and should be achieved as the mine settles into steady state production.

A number of technical issues were overcome during the year, as is usual in the startup of a large underground longwall mine. Importantly the longwall completed the first panel in June and successfully achieved the six week schedule to move the equipment into the second panel of the mine. Key technical risks associated with gas drainage and roof caving have been dealt with appropriately and will become normal operating practices at the mine.

On 28 November 2012 a train carrying Narrabri's coal derailed near Boggabri, damaging a section of line and making the rail line impassable. The Australian Rail Track Corporation (ARTC) undertook extensive emergency repairs to the line and it was re-opened on 20 December. While stockpile capacity was extended at the mine, full capacity was reached during the rail closure period and longwall production ceased. Longwall production recommenced on 28 December 2012. Unutilised take or pay commitments for port and rail due to the derailment were in excess of $2.5 million.

Underground roadway development for the second panel was completed well in advance of the longwall move in June 2013. This has allowed the number of continuous miners required at the mine to fall from four units to three units bringing the added benefit of lower costs. Roadway development for the third panel is already nearly completed several months in advance of the longwall move currently scheduled for February 2014.

The site's workforce now consists almost entirely of Whitehaven employees who live in the local region. This is an important outcome for the mine and Company as Whitehaven endeavours to employ locally where possible. Specialist contractors will continue to be employed when required at the mine.

The CHPP struggled throughout the year to reach its design capacity of 1,000tph however, by the end of the period it was operating consistently in the range of 900tph to 1,000tph. The original bypass equipment used for the early development phase of the mine has been recommissioned. The circuit has a capacity of 1,000tph and will reduce the amount of coal that has to be washed which in turn will reduce overall moisture levels in the thermal product. An added benefit is that processing costs will decline as less coal has to be washed in the future. The current products from the mine are 0.65Mtpa of PCI coal with the balance thermal coal.

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

High moisture in the thermal coal product produced by the CHPP during FY2013 reduced the energy level in the coal and resulted in an achieved sales price below the Newcastle benchmark price. However in early FY2014, following the startup of the by-pass circuit, which effectively places crushed ROM coal directly onto the product stockpiles, a blended coal product has been produced at the mine. The thermal coal product consists of a mix of by-pass coal and washed thermal coal from the CHPP. The blended product meets the Newcastle benchmark specifications enabling the thermal coal produced at Narrabri to achieve Newcastle benchmark prices in the future.

It is anticipated through further test work to refine the blend by using less by-pass coal in the thermal coal product that more PCI coal can be produced from the mine in the future. This outcome will be positive for both margins and the profitability of the mine. Several customers have already provided indications that they would like to purchase more PCI coal from the mine in the future.

Narrabri mine (Equity Share)

Narrabri mine – 000t	2013	2012	Movement
ROM Coal Production	2,575	254	+915%
Saleable Coal Production	2,426	270	+799%
Sales of Produced Coal	2,330	261	+794%
Sales of Purchased Coal	–	–	–
Total Coal Sales	2,330	261	+794%
Coal Stocks at Period End	139	18	+660%

Development Projects

Maules Creek

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

The Maules Creek Coal project located in the Gunnedah Basin is a large open cut mining operation with an expected life of over 30 years. ROM coal production rate will be about 13Mtpa. The products from the mine will include a semi soft coking coal and premium low ash thermal coal.

NSW Government approval was granted on 25 October 2012 with Federal Government conditional approval granted on 11 February 2013. This was followed with a final approval of approval conditions to allow for construction to commence by the Federal Government on 4 July 2013.

Subsequent to balance date, a group represented by the taxpayer funded Environmental Defenders Office commenced proceedings in the Federal Court against the Federal Minister for the Environment and the Company challenging the validity of the approval granted by the Federal Minister for the Company's Maules Creek project.

The Application filed with the Federal Court contends that the Minister committed errors of law in granting the approval on 11 February 2013. In this litigation, the Federal Court has jurisdiction to determine whether the Federal Minister committed an error of law in granting the approval.

A hearing date has been scheduled for mid September 2013 and is expected to take three days. The judgement is likely to be handed down about a month after the hearing.

Capital expenditure to first coal remains as advised at approximately $767 million (100% basis) with about $170 million already spent. The remaining $597 million will be incurred over the next one to two years with Whitehaven's share 75% of the total. The project is fully funded with the refinancing conducted in December 2012.

Maules Creek is expected to have average whole of life FOB cash operating costs of approximately A$67/t (excluding royalties) which is a very competitive operating cost structure, largely driven by Maules Creek's relatively low overburden stripping ratio of 6.4 bcm per tonne of ROM coal. The low FOB cash cost, combined with a low development capital cost per annual tonne of capacity and the high value of the saleable coal, confirms the strong economics and substantial value of this project.

Existing unutilised debt facilities at 30 June 2013 are expected to be sufficient to meet Maules Creek capital expenditure commitments based upon the projected mine development timeline. However, final timing will be dependent upon the start-up of construction.

Vickery

Ownership: Whitehaven 100%

Following the acquisition of Coalworks, completed in August 2012, and the subsequent acquisition of Itochu Corporation's interest in the Vickery South coal project, Whitehaven owns 100% of the Vickery South coal project along with the Vickery project. At some point in the future Whitehaven could consider the potential of introducing joint venture partners to the project similar the Narrabri and Maules Creek joint venture arrangements.

The enlarged project area presents Whitehaven with the opportunity to combine the Vickery project and the Vickery South coal project into one large project, subject to relevant approvals processes. The combined Resource for both project areas is 507.6Mt (148.1Mt Measured, 183.5Mt Indicated and 176.0Mt Inferred). The Marketable Reserve for the consolidated Vickery project is 180.0Mt (all of which is Probable Category).

Initial mine planning on the Vickery project has generated an open cut design which produces 164Mt of ROM coal at a stripping ratio of 10:1. Vickery could produce about 4.5Mtpa ROM for more than 30 years at an average strip ratio of approximately 10:1. Another key advantage for the project is the potential to use the Gunnedah CHPP for washing coal. This would significantly reduce the capital investment required for the mine. Products would be similar to Maules Creek as the same coal seams are being mined at Vickery and include a semi soft coking coal and thermal coal.

The Vickery Project Preliminary Environmental Assessment was lodged with the NSW Department of Planning and Infrastructure (DP&I) in November 2011 and the Environmental Impact Statement was placed on public display from 5 March 2013 to 12 April 2013.

Whitehaven has reviewed the submissions made during the exhibition period and issued a Response to Submissions to the DP&I. A number of additional submissions were made after the formal close of the exhibition period leading Whitehaven to prepare and submit an additional Response to Submissions on 17 July 2013. The current timetable would indicate a determination is likely in the first quarter of CY2014.

Other Projects

Whitehaven has interests in a number of other coal exploration projects, including Ferndale, Dingo, Sienna, Monto, Ashford and Oaklands North. Spending in FY2013 has been incurred on exploration drilling to maintain the assets in good standing with Government authorities and is expected to be similar in FY2014.

Infrastructure

Whitehaven currently uses both the Port Waratah Coal Services (PWCS) coal terminal and the NCIG coal terminal at the port of Newcastle, NSW to load its coal for export to the Asian region. Both of these coal terminals are world class facilities and are used by many other coal producers in the Hunter valley and surrounding coal basins.

Whitehaven has an equity interest in NCIG that entitles the Company to about 6.0Mtpa capacity at the port when it is operating at its full capacity of 66Mtpa. The NCIG terminal completed its final 2F expansion in June 2013 which has lifted its throughput capacity to 66Mtpa.

The Company currently has a rolling ten year contract with PWCS that provides the Company with 5.3Mtpa until CY2015. From CY2015 Whitehaven rolling ten year contracted volume at PWCS increases to 12.8Mtpa. In addition, Whitehaven had acquired a total of 16.4Mt of port allocation spread between May 2012 and June 2016. These tonnes were to be used for the production from the new Narrabri and Maules Creek mines in the Gunnedah Basin. However due to delays in the approval process for both of the mines the Company had excess port allocation in FY2013 and expects to have excess allocation in FY2014.

The cost of take or pay obligations in FY2013 caused an increase in production costs across the Company of about $3/t on an FOB basis. Recent reduction in port costs at both PWCS and NCIG are likely to save Whitehaven about $16 million in take or pay costs in FY2014 representing about $8 million saving at each port.

Rail haulage contracts are currently in place for a total of 9.5Mtpa and Whitehaven has entered into a long-term haulage contract with Aurizon for a total of up to 16Mtpa to be increased in line with requirements as projects come on stream.

A trial to test 30 tonne axle load locomotives on the Gunnedah rail line commenced on 1 August 2013. Initial results of the trial are positive and it is envisaged that full 30 tonne axle load operations will commence in 2015 and train sizes will increase from 6,300 tonnes to about 8,000 tonnes resulting in a cost reduction on a $/t basis for coal hauled in those larger trains.

Below rail contracts with ARTC are in place to match the port and rail haulage contracts.

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Corporate

Whitehaven is committed to improving efficiencies through the Stage 2 Operational Review with a key focus on reducing mine operating costs, overheads and extracting operational efficiencies in the face of continuing low coal prices and the high Australian dollar.

As part of Stage 2 of the operations review, the Company will undertake a restructure to move its finance and administration to a shared service function over coming months to improve process and streamline efficiency.

The Group integration of Whitehaven, Aston and Boardwalk remains on track to realise the synergies as outlined in the Scheme Booklet at the time of the merger. The Company has recently implemented a group procurement function to target reductions in costs in key areas of expenditure including tyres, fuel, explosives, electricity, road haulage services and corporate costs.

Longer-term synergies continue to be expected from extensive coal blending opportunities and integrated rail and port infrastructure synergies once Maules Creek is in operation. The acquisition of Boardwalk and Aston by Whitehaven also resulted in a step-up in the tax base of those companies' assets, generating tax synergies.

Whitehaven had cash on hand at 30 June 2013 of $110.5 million and had drawn $445 million from its bank facility of $1.2 billion. The facility has a four year tenor and provides lines of credit comprising $1.0 billion revolving and term, and $0.2 billion guarantee facilities. No debt serviceability covenant is required to be tested until 31 December 2014.

Whitehaven had a total of approximately US$67.5 million in forward US$/A$ exchange contracts at the end of June, at an average exchange rate of AUD 1.00 = US$ 0.9725.

Carbon Pricing Mechanism

The Federal Government's Carbon Pricing Mechanism commenced from 1 July 2012. Whitehaven has conducted analysis of the CO_2 emissions at each of its operating open cut mines, which has been independently reviewed, and determined from gas measurement that none of the mines meet the facility threshold to be liable to pay any carbon tax. The Narrabri underground mine which drains CO2 gas from the mine prior to mining is liable and paid carbon tax of about $1.77 per tonne of saleable coal from that operation.

Outlook and Likely Developments

Whitehaven's longer-term aim is to become the premier independent coal company listed in Australia. The process commenced with the successful development of the Narrabri underground coal mine and will continue with its production ramp up to full production during FY2014.

Gaining all of the Government approvals required for the Maules Creek project will see construction of this tier 1 mine commence and advance during FY2014. When completed and operating the mine will enable Whitehaven to more than double its production from current level. The low cost production will ensure that Whitehaven remains one of the lowest cost producers in Australia.

Existing unutilised debt facilities at 30 June 2013 are expected to be sufficient to meet Maules Creek capital expenditure commitments based upon the projected mine development timeline. However, final timing will be dependent upon the start-up of construction.

While the Company does not expect an improvement in coal prices in the short-term, the weaker Australian dollar will help to increase revenues in FY2014. In addition recent cost cutting across all of the mines will leave Whitehaven well placed to cope with the current market environment.

Whitehaven expects to produce and sell approximately 11Mt (100% basis) of coal in FY2014.

6. CORPORATE GOVERNANCE STATEMENT

The Company is committed to achieving the highest standards of corporate governance and to conducting its operations and corporate activities safely and in accordance with all applicable laws and regulatory obligations. This Corporate Governance Statement sets out the key details of the Company's corporate governance framework.

Scope of responsibility of the Board

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

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

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

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

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

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

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

Paul Flynn is not considered independent because during the financial year he was an executive of the Company. Tony Haggarty is not considered independent because of his recent transition from Managing Director to Non-executive Director.

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

6. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Committees

The Board has established the following standing Committees:

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

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

Best practice commitment

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

Independent professional advice

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

Compliance with ASX corporate governance guidelines and best practice recommendations

The Board has assessed the Company's practice against the Australian Securities Exchange Corporate Governance Council's '*Corporate Governance Principles and Recommendations*' ('ASX Guidelines'). Whitehaven complied with the ASX Guidelines in all material respects throughout the 2013 financial year. Where the Company has an alternative approach, this has been disclosed and explained.

Principle 1 – Lay solid foundations for management and oversight

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

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

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

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

The performance of the Managing Director and the Company's senior executives during the 2013 financial year has been assessed in accordance with the above processes.

Principle 2 – Structure the Board to add value

Following the merger of Aston Resources Limited ('Aston') and the Company, the Board was made up of nine Directors including five independent Directors. The initial Directors were Mark Vaile, John Conde, Tony Haggarty, Rick Gazzard, Philip Christensen, Christine McLoughlin, Hans Mende, Paul Flynn and Allan Davies.

During the course of the year Hans Mende and Allan Davies resigned as Directors. In addition Paul Flynn replaced Tony Haggarty as Managing Director and CEO, while Mr Haggarty remained on the Board as a Non-executive Director.

The Board reviews its composition from time to time to ensure the Board benefits from an appropriate balance of skills and experience. Details of the experience and skills are set out on pages 64 to 65 of the Directors' report.

The Board is currently comprised as follows:

Director	Independent	Non-executive	Term in Office
Mark Vaile (Chairman)	Yes	Yes	1 year, 4 months
John Conde (Deputy Chairman)	Yes	Yes	6 years
Paul Flynn	No	No	1 year, 4 months
Philip Christensen	Yes	Yes	1 year, 4 months
Rick Gazzard	Yes	Yes	1 year, 4 months
Tony Haggarty	No	Yes	6 years
Christine McLoughlin	Yes	Yes	1 year, 4 months

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

The most recent evaluation was conducted in July/August 2013.

6. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 3 – Promote ethical and responsible decision making

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

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

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

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

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

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

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

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

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

Under the Diversity Policy, the Board has established measurable objectives. In FY2013 we set ourselves the following diversity objectives:

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

In response to these objectives the Company:

- completed Diversity Awareness Training for management personnel with further training for operational personnel being conducted.
- conducted a review of pay equity across the business with no material pay gaps identified
- review completed to identify existing employment arrangements offered to employees. Further work to formalise a policy on employee arrangements will be undertaken in FY2014.

The Company's diversity policy will be overseen at Board level by the Health, Safety, Environment and Community Committee and, at management level by the standing Environment and Community Committee.

The Company has set the following diversity objectives for FY2014:

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

The Company will assess and report on its progress against these objectives in the 2014 financial year Annual Report.

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

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

As at 30 June 2013, women comprised:

- 14.3% of Directors on the Board (12.5% at 30 June 2012)
- 7.1% of senior executives (4.3% at 30 June 2012)
- 9.5% of employees across the Group (10.2% at 30 June 2012).

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

Principle 4 – Safeguard integrity in financial reporting

Whitehaven is committed to a transparent system for auditing and reporting of the Company's financial performance. Whitehaven's Audit and Risk Management Committee performs a central function in achieving this goal. A majority of the members of the Audit and Risk Management Committee (including the Chairman of the Committee) are independent Directors, and all the members are financially literate. The Audit and Risk Management Committee holds discussions with external auditors without management present as required.

The Audit and Risk Management Committee's Charter can be viewed on Whitehaven's website.

Principle 5 – Make timely and balanced disclosure

Whitehaven has in place (under its Continuous Disclosure Policy) practices and procedures which are aimed at ensuring timely compliance with the Company's obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules. The Continuous Disclosure Policy sets out Whitehaven's disclosure obligations, explains what type of information needs to be disclosed and identifies who is responsible for disclosure.

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

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

This policy can be viewed on Whitehaven's website.

6. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 6 – Respect the rights of shareholders

The Board recognises the importance of ensuring that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders in the following ways:

- regular announcements are made to ASX in accordance with the Company's continuous disclosure obligations, including quarterly reports, half-year results, full-year results and an Annual Report. These announcements are available on Whitehaven's website;
- Whitehaven's Annual Report is delivered to those shareholders who have elected to receive it;
- through participation at the Company's Annual General Meeting. The Board encourages full participation of shareholders at the Annual General Meeting;
- the Company's external auditors attend the Annual General Meeting and are available to answer shareholders' questions,

Whitehaven's policy on communications with shareholders can be viewed on Whitehaven's website.

Principle 7 – Recognise and manage risks

Whitehaven recognises that risk is a part of doing business and that effective risk management is fundamental to achieving the Company's strategic and operational objectives.

Whitehaven has a Risk Management Framework which provides the approach, infrastructure and processes for risk management at the Company. This Framework is constantly evolving, enabling the Company to manage its risks effectively and efficiently. The key components of the Framework are as follows:

Risk Management Policy – This Policy provides an overview of Whitehaven's approach to risk management, and includes a summary of the roles and responsibilities of both the Board and management.

Risk Management Standards – These Standards define the minimum risk management requirements that apply to Whitehaven's operations. They address the identification, assessment and management of all material risks that could impact the Company's objectives.

Risk Management Guidelines – These Guidelines provide guidance to Directors and management as to what needs to be done to meet the objectives of the Risk Management Policy and the Risk Management Standards.

Under the supervision of the Board, management is responsible for identifying and managing risks. The Board is responsible for ensuring that a sound system of risk oversight and management exists and that internal controls are effective. In particular, the Board ensures that the principal strategic, operational, financial reporting and compliance risks are identified, and that systems are in place to manage and report on these risks.

The Board, together with management, constantly seeks to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved.

The Board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

Whitehaven's remuneration policy and practices are designed to attract, motivate and retain high quality people. The policy is built around the following principles:

- remuneration being competitive in the markets in which the Company operates;
- remuneration being linked to Company performance and the creation of shareholder value.

Whitehaven has a Remuneration Committee whose responsibilities include considering the Company's remuneration strategy and policy, overseeing the Company's human resources strategy and making recommendations to the Board that are in the best interests of the Company and its shareholders. The Committee is comprised of a majority of independent Directors, is chaired by an independent Director and has three members.

The Remuneration Committee has a formal charter which sets out its roles and responsibilities, composition structure and membership requirements. A copy of this charter can be viewed on Whitehaven's website.

The remuneration of non-executive Directors is fixed by way of cash and superannuation contributions. Non-executive Directors do not receive any options, bonus payments or other performance related incentives, nor are they provided with any retirement benefits other than superannuation.

More information relating to the remuneration of non-executive Directors and senior managers is set out in the Remuneration Report on pages 84 to 102. As required by the Corporations Act, a resolution that the Remuneration Report be adopted will be put to the vote at the Annual General Meeting, however the vote will be advisory only and will not bind the Directors of the Company.

7. DIVIDENDS

During the year the Company paid fully franked dividends of $29,375,000, representing a final 2012 dividend of 3.0 cents per ordinary share.

Declared after end of year

Directors have resolved not to declare a dividend in respect of FY2013.

8. REMUNERATION REPORT

8.1 Overview

As explained in last year's Remuneration Report, the Board undertook a comprehensive review of the Company's remuneration framework and arrangements following the merger between the Company and Aston Resources. Over the past 12 months, we have progressively implemented that framework, which was strongly endorsed by our shareholders at last year's Annual General Meeting. The principles underlying the framework and its outcomes to date are described in this Remuneration Report.

FY2013 was a challenging year for the Company. While the market for the Company's shares is largely reflective of the external challenges that face the resources industry generally, such as the high exchange rate and the fall in the global market price for coal, there are a number of unique factors outside of the Company's direct control that have impacted on our business plans in particular. These include:

- delays in government approval processes and their impact on the development of Maules Creek; and
- market speculation regarding the position of a key shareholder in the Company.

Despite these challenges, the Board considers that the executive leadership team performed well during the year, in particular achieving integration following the merger with Aston Resources. However, the Board shares our shareholders' disappointment with the Company's share price performance and the fact that we recorded a loss this year. In this context, and given that some financial targets were not met, the Board has capped incentives paid to the executive leadership team at a maximum of 12.5% of their fixed remuneration and determined that there will be no fixed remuneration increases for the executive leadership team or fee increases for Non-executive Directors for FY2014.

In order to help clearly explain remuneration outcomes for FY2013, we have included a new section (8.2) in the Remuneration Report this year describing 'Realised Remuneration', which shows the remuneration actually received by the Managing Director and Chief Executive Officer and other executive KMP during FY2013. It is in addition to the mandatory disclosures required by the Corporations Act and the Accounting Standards, which can be found in section 8.8.

As flagged to shareholders in the Company's announcement to the ASX on 16 October 2012, the smooth and effective succession of the Company's leadership has been a priority for the Company since the merger. As part of this succession planning, FY2013 saw the leadership of our Company transition to Paul Flynn, who became the Managing Director and Chief Executive Officer of the Company on 25 March 2013. The appointment of Mr Flynn followed a thorough executive search process led by an external firm, Spencer Stuart, which involved the consideration of a number of internal and external candidates. During the process it became clear that Mr Flynn's combination of resources industry experience, leadership skills and financial acumen made him the best candidate to take over the role of Managing Director and Chief Executive Officer. The key terms of Mr Flynn's new contract of employment were disclosed to the ASX on 21 February 2013. At that time the Board also invited Mr Tony Haggarty to continue as a Non-executive Director of the Company. Mr Haggarty's extensive experience in the coal industry and his relationships with the Company's long-term customers are highly valued by the Board.

Mr Flynn's appointment as CEO formed part of a broader drive since the merger to build and strengthen the executive leadership team. In appointing new members to the team, the Company has deepened its level of expertise in the coal sector which will complement the Company's growth strategy. Notably the appointment of Jamie Frankcombe (Executive General Manager – Operations), Brian Cole (Executive General Manager – Project Delivery, a newly created role), Jonathan Vandervoort (Executive General Manager – Infrastructure, a newly created role) and Pat Markey (Executive General Manager – Marketing) bring a depth of industry experience that complements the rest of the executive leadership team, and leaves the Company well-positioned with an experienced, balanced and capable team to improve the Company's performance and deliver ongoing value for shareholders.

The Remuneration Committee remains committed to ensuring that the Company's remuneration framework operates effectively in order to appropriately incentivise and reward senior executives while being transparently aligned with shareholder interests. In this regard, throughout FY2013 the Remuneration Committee gave careful consideration to whether to introduce a second performance hurdle to apply to the long-term incentive awards. Whilst the Remuneration Committee reviewed and considered a number of possible additional hurdles, it was decided to defer the selection and implementation of a second hurdle given the current transformational circumstances of the Company. However the Remuneration Committee still contemplates introducing a second hurdle in the future.

The Company will be seeking approval from shareholders at the upcoming Annual General Meeting for the grant of performance rights under the long-term incentive plan to the Managing Director and Chief Executive Officer, as well as approval of any deferred shares that may become payable to Mr Flynn in relation to the FY2014 short-term incentive. Full details of those grants (including the applicable performance hurdle and vesting schedule) will be set out in the Notice of Meeting.

8.2 Realised remuneration

Details of the remuneration of the executive key management personnel (**KMP**) prepared in accordance with statutory obligations and accounting standards, are contained in section 8.8 of this Remuneration Report.

To give shareholders a better understanding of the remuneration actually received by executive KMP, the table below sets out the cash and other benefits executive KMP have received (or will receive) based on their performance in FY2013. The amounts disclosed in the table, while not in accordance with the accounting standards, are considered more helpful for shareholders in demonstrating the linkages between Company performance and remuneration outcomes for executives.

Name	Fixed[1]	STI[2]	LTI[3]	Cessation[4]	Other[5]	Total
Paul Flynn	$567,790	–	N/A	–	$32,640	$600,430
Tony Haggarty	$594,524	–	N/A	$141,459	$7,920	$743,903
Timothy Burt	$475,000	$69,298	N/A	–	$11,264	$555,562
Brian Cole	$650,100	$84,157	N/A	–	$400,000	$1,134,257
Allan Davies	$585,468	–	N/A	–	–	$585,468
Jamie Frankcombe	$364,583	$44,949	N/A	–	$204,400	$613,932
Peter Kane	$357,143	–	N/A	$782,636	–	$1,139,779
Austen Perrin	$650,000	$75,863	N/A	–	$11,333	$737,196

1 Fixed remuneration comprises base salary and superannuation, as well as Directors' fees in respect of any period during the year for which the relevant individual served as a non-executive Director (in relation to Mr Flynn and Mr Haggarty).

2 STI represents the amount of the STI that will be paid to the executive for FY2013 performance (with 30% of this amount deferred into restricted shares in the Company and subjected to a continued service based vesting condition).

3 LTI represents the value of performance rights that vested during the year. No LTI was available for vesting during FY2013.

4 Section 8.7.3 sets out further details regarding the cessation arrangements and payments.

5 Other includes parking, long service leave accruals, and signing payments. Mr Flynn received $30,000 as a dislocation allowance upon his commencement as Managing Director and Chief Executive Officer in recognition of costs and expenses he had incurred as a result of foregoing another opportunity. Mr Frankcombe received a sign on grant of shares in the Company with a face value of $200,000 (subject to a one-year service-based vesting condition). Mr Cole received a sign on fee of $400,000 on joining the Company as compensation for long-term incentives that had vested but that he forfeited as a result of leaving his previous employer at a time convenient for the Company. Section 8.7.2 sets out further details of these payments.

8. REMUNERATION REPORT (CONTINUED)

8.3 Key management personnel for FY2013 – audited

This Report details the remuneration of the key management personnel (KMP) of the Company during FY2013, who are listed in the table below. For the remainder of this Remuneration Report, the KMP are referred to as either executive KMP or Non-executive Directors.

Name	Title (at year end)	Changes during FY2013
Non-executive Directors		
The Hon. Mark Vaile	Chairman and independent Non-executive Director Chair of Governance & Nominations Committee	
John Conde	Independent Non-executive Director Deputy Chairman Chair of Audit & Risk Committee	
Philip Christensen	Independent Non-executive Director Chair of Health, Safety, Environment & Community Committee	
Rick Gazzard	Independent Non-executive Director	
Tony Haggarty	Non-executive Director	Appointed 25 March 2013 Mr Haggarty was previously the Managing Director of the Company and ceased in this role on 24 March 2013
Christine McLoughlin	Independent Non-executive Director Chair of Remuneration Committee	
Senior Executives		
Paul Flynn	Managing Director and Chief Executive Officer	Appointed 25 March 2013 Mr Flynn was previously a Non-executive Director of the Company and ceased in this role on 24 March 2013
Timothy Burt	General Counsel and Joint Company Secretary	
Brian Cole	Executive General Manager – Project Delivery	
Jamie Frankcombe	Executive General Manager – Operations	Appointed 4 February 2013
Austen Perrin	Chief Financial Officer and Joint Company Secretary	

The following table sets out KMP departures during FY2013:

Name	Title	Change during FY2013
Hans Mende	Non-executive Director	Resigned 2 July 2012
Allan Davies	Executive Director	Mr Davies retired as an Executive Director of the Company on 1 November 2012 and ceased to be a member of the KMP on 4 February 2013 upon Mr Frankcombe's appointment
Peter Kane	Executive General Manager – Business Development	Ceased on 21 December 2012

8.4 Remuneration principles and framework – audited

8.4.1 Overview

This section discusses the core principles and components of the Company's new remuneration framework.

Remuneration principles

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

Remuneration framework

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

8.4.2 Remuneration governance

Role of the Board and Remuneration Committee

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

The role of the Remuneration Committee is to:

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

Further information regarding the Remuneration Committee's role, responsibilities and membership is set out in the Corporate Governance Statement on pages 77 to 83 of this Annual Report.

8. REMUNERATION REPORT (CONTINUED)

8.4 Remuneration principles and framework – audited (continued)

8.4.2 Remuneration governance (continued)

Use of external advisers

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

The Corporations Act requires companies to disclose specific details regarding the use of remuneration consultants. The mandatory disclosure requirements only apply to those advisers that provide a 'remuneration recommendation' as defined in the Corporations Act. The only remuneration consultant engaged during FY2013 to provide a remuneration recommendation was Egan Associate as a continuation of their FY2012 engagement to advise on the new remuneration structure and arrangements for senior executives. The specific recommendations provided related to the LTI, including proposed award allocations and performance hurdles, and assistance with determining the appropriate remuneration for incoming senior executives. Other services included attendance at Remuneration Committee meetings, assistance with communication of the new remuneration arrangements, and provision of benchmarking information.

The Board is satisfied that the recommendations were free from undue influence on the basis that:

- the remuneration recommendations were provided directly to the members of the Remuneration Committee, none of whom are executive Directors;
- the engagement of Egan Associates was overseen by the Remuneration Committee and the Committee has no reason to believe that any inappropriate pressure was placed on Egan Associates by members of the management team with a view to influencing the recommendations provided; and
- Egan Associates has provided a declaration that the recommendations provided during FY2013 were free from undue influence by any members of the KMP to whom the recommendations related. The Board is satisfied that the recommendations provided by Egan Associates were so provided.

Aside from the recommendations described above, Egan Associates also provided ad hoc support and advice as requested by the Remuneration Committee, including attendance at Committee meetings and the provision of benchmarking data and technical advice on KMP remuneration. This additional advice did not constitute remuneration recommendations.

As required to be disclosed by the Corporations Act, within the context of the work described above, the fees paid to Egan Associates for the recommendations were $11,135 (excluding GST) and the fees for other services were $53,860 (excluding GST).

There were no other remuneration recommendations provided to the Remuneration Committee during FY2013. However, Ernst & Young provided information and conducted workshops in relation to the introduction of a possible second performance hurdle to apply to the LTI (but this did not entail a 'remuneration recommendation' as defined in the Corporations Act). The fees paid to Ernst & Young for this work were $28,000.

8.5 Detail of components of executive KMP remuneration – audited

This section describes in greater detail the different components of executive KMP remuneration for FY2013.

8.5.1 Transitional arrangements in place for FY2013

In order to facilitate a smooth transition to the new remuneration framework, the following transitional arrangements were in place for FY2013:

- the STI for FY2013 operated over a 14 month performance period from 1 May 2012 to 30 June 2013, in recognition of the fact that the executive KMP's previous STI crystallised on the date of the merger with Aston Resources. This resulted in a higher target STI opportunity for FY2013 (58% of TFR instead of the standard 50%). From FY2014 onwards the STI performance period will be 12 months, aligned with the 1 July – 30 June financial year; and
- the LTI granted in FY2013 was divided into three equal tranches that will vest following a 2, 3 and 4 year period (respectively), subject to performance conditions. For FY2014, the LTI will be divided into two equal tranches capable of vesting following 3 and 4 year performance periods.

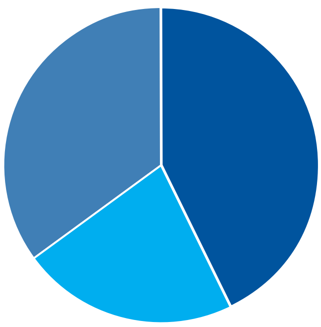
8.5.2 Mix and timing of remuneration in FY2013

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

The diagram below illustrates the remuneration mix for executive KMP for FY2013.

Remuneration mix for senior executives FY2013

(assuming target performance for at risk components)



Total fixed remuneration	43%
STI (at risk)	22%
LTI (at risk)	35%

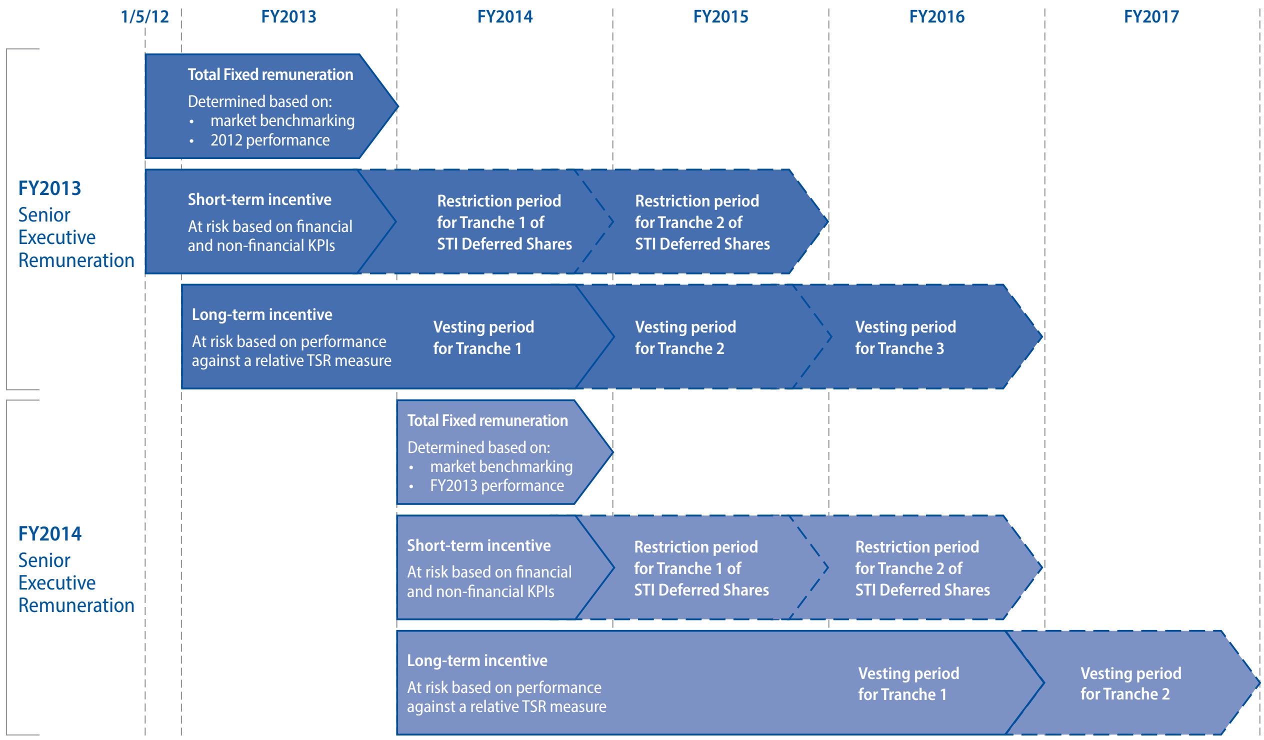
Given their existing significant shareholding in the Company, Mr Haggarty and Mr Davies elected not to receive an LTI award for FY2013. Accordingly, their remuneration mix was 63% TFR and 37% STI (at risk remuneration). The TFR and STI components were not increased to compensate their decision to forego any LTI entitlement.

8. REMUNERATION REPORT (CONTINUED)

8.5 Detail of components of executive KMP remuneration – audited (continued)

8.5.2 Mix and timing of remuneration in FY2013 (continued)

The diagram below shows timing for determining and delivering executive remuneration for FY2013 and FY2014.



8.5.3 Fixed remuneration

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

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

In the case of the incoming CEO, his total remuneration package was benchmarked against comparable ASX100 resources sector companies. The remuneration package agreed with Mr Flynn was the benchmarked CEO package originally recommended by an external remuneration consultant, Egan Associates, for Mr Haggarty, but Mr Haggarty elected not to take that package at the time due to his significant shareholding in the Company. While this resulted in Mr Flynn receiving a higher remuneration package than that paid to the previous CEO, this is a reflection of the fact that Mr Haggarty's remuneration package was significantly below the benchmark level for CEOs of peer companies.

8.5.4 Short-term incentive for FY2013

The following table summarises the terms of the STI that applied during FY2013.

Who participated?	All salaried employees. Mr Flynn did not participate in the FY2013 STI as he did not commence his role as CEO until 25 March 2013. Consequently, his FY2014 STI grant will operate over an extended 15-month period from 25 March 2013 to 30 June 2014, with subsequent annual performance periods commencing on 1 July.
What was the performance period?	The STI for FY2013 operated over a 14 month performance period from 1 May 2012 to 30 June 2013, in recognition of the fact that the senior executives' previous STI crystallised on the date of the Merger. From FY2014 the STI performance period will be 12 months, aligned with the 1 July – 30 June financial year.
What was the target STI award?	Senior executives' target STI was 50% of fixed remuneration pro-rated over extended 14 month performance period. The maximum STI amount actually paid for FY2013 was 25% of this target.
What were the performance conditions and how were they assessed?	The STI for the senior executives was assessed by the CEO and approved by the Board having regard to Group financial performance and as well as non-financial measures. Group financial considerations included production, cost per saleable tonne, and NPAT. Individual performance objectives included safety, project management and leadership measures.
Why were these performance conditions chosen?	These performance conditions were chosen as they were directly linked to the operational priorities of the Company following the merger with Aston Resources, including bringing the Narrabri Longwall project safely into production and achieving our merger synergies.
What performance level was achieved?	The Company surpassed the threshold production target of 8.9 million ROM tonnes for the year. However, other financial targets of NPAT and cost per saleable tonne were not met. Whilst the safety target was not met, there will continue to be a strong emphasis on demanding safety targets for the FY2014 STI award. Some individuals also met personal milestone based performance objectives, such as securing the $1.2 billion finance facility, the successful installation and ramp up of the longwall at Narrabri, implementation of cost cutting initiatives, extensive engagement in planning approval processes and putting long-term infrastructure in place.
How was the STI delivered?	70% of the STI award (for those senior executives who received an STI) will be paid to the executives in cash in September 2013. The remaining 30% of the award will be delivered in the form of fully paid Whitehaven Coal shares (**Deferred Shares**). The Deferred Shares vest in two equal tranches 12 months and 24 months following allocation, unless the executive resigns or is terminated for cause. Senior executives are required to comply with the Company's securities trading policy in respect of their Deferred Shares, which includes a prohibition on hedging or otherwise protecting the value of their unvested securities. As the Deferred Shares form part of remuneration already earned, dividends accrue on the Deferred Shares but will only be paid to the senior executive at the end of the deferral period in relation to those Deferred Shares that vest. In the event of a takeover or any proposed transaction that, in the Board's opinion, is likely to result in a change of control, the Deferred Shares will vest.

8. REMUNERATION REPORT (CONTINUED)

8.5 Detail of components of executive KMP remuneration – audited (continued)

8.5.5 STI award outcomes for KMP

As noted in the table above, whilst the Board was pleased with the production targets and individual milestones achieved by senior executives, as well as the significant improvements in safety measures, the Board determined that the financial performance of the Company did not justify the full payment of the STI award for FY2013 and, as such, a maximum of 25% of the target STI award was paid to KMP (i.e. a maximum of 12.5% of their fixed remuneration).

KMP	STI earned (A$)	Percentage of target STI
Tony Haggarty	N/A	N/A
Allan Davies	N/A	N/A
Timothy Burt	69,298	25%
Brian Cole	84,157	25%
Jamie Frankcombe	44,949	25%
Peter Kane	N/A	N/A
Austen Perrin	75,863	20%

8.5.6 2012 Long-term incentive grant

The following table describes the terms of the LTI granted in 2012 (**2012 LTI grant**).

Who participated?	All senior executives across the Group were eligible to participate in the LTI, and participated on the terms and conditions set out below. Mr Haggarty and Mr Davies elected not to participate in the 2012 LTI grant, as the volume of shares in the Company that they already held was sufficient to ensure alignment with the interests of shareholders. Mr Flynn did not receive an LTI in 2012 (as he was still a Non-executive Director at the time the grant was made) but will participate in the LTI from 2013 (subject to shareholder approval). Further details regarding Mr Flynn's contract and participation in the Company's incentive plans are set out in section 8.7.1.
What was granted?	Senior executives were granted performance rights with a face value equal to 80% of their TFR. The number of rights granted was determined by reference to the volume weighted average price of the Company's shares over the 20 trading day period commencing 10 trading days prior to 30 June 2012.
What is the performance period?	To facilitate transition to the new LTI scheme, the performance period for the 2012 LTI grant is divided into three equal tranches capable of vesting after a 2, 3 and 4 year performance period (respectively). The 2013 LTI award will be divided into two equal tranches capable of vesting after a 3 and 4 year performance period.

What is the performance condition?	The performance rights are subject to a relative TSR hurdle. The TSR of the Company is measured as a percentile ranking compared to a comparator group of listed entities over the relevant performance period for the tranche. The comparator group for the 2012 grant is the entities in the ASX 100 Resources Index as at 24 September 2012 (**Grant Date**). A TSR hurdle was considered an appropriate benchmark in light of the Company's focus on long-term developments and capital expenditure, which is intended to generate real long-term shareholder value. The level of vesting was determined based on the ranking against the comparator group companies in accordance with the following schedule: • in the 75th percentile (i.e. top quartile) or above – 100% of performance rights vest; • between the 50th and 75th percentile – 50% of the performance rights vest at the 50th percentile, and thereafter the percentage vesting increases by 2% for each percentile above the 50th percentile; and • below the 50th percentile – no performance rights vest.
How will the performance condition be calculated?	Unless the Remuneration Committee determines otherwise, the TSR of a Company for a performance period will be calculated adopting the following determination of the relevant opening and closing share prices: • the volume weighted average share price over the 20 trading day period commencing 10 trading days before the Grant Date (opening share price); and • the volume weighted average share price over the corresponding 20 trading day period at the conclusion of the relevant Performance Period (closing share price). There is no re-testing of awards that do not vest.
Do the performance rights attract dividend and voting rights?	Performance rights do not carry voting or dividend rights. Shares allocated on vesting of performance rights rank equally with other ordinary shares on issue, including in relation to dividend and voting rights. Participants are required to comply with the Company's securities trading policy in respect of their performance rights and any shares they receive upon vesting. They are prohibited from hedging or otherwise protecting the value of their performance rights.
What happens in the event of a change in control?	In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the Board has a discretion to determine that vesting of some or all of any unvested performance rights should be accelerated.
What happens if an executive ceases employment during the performance period?	In general, unless the Board determines otherwise, where an executive's employment is terminated: • for cause: all unvested performance rights will lapse. • due to resignation or by mutual agreement with the Company: unvested performance rights will remain on foot and subject to the original performance hurdle. However, the Board may at its discretion determine to lapse any or all of the unvested performance rights and ordinarily, in the case of a resignation, would be expected to do so; • for any other reason: unvested performance rights will remain on foot and subject to the original performance hurdle, with a 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.

8. REMUNERATION REPORT (CONTINUED)

8.5 Detail of components of executive KMP remuneration – audited (continued)

8.5.7 Equity instruments granted as remuneration

Performance rights granted to KMP

Details of performance rights granted to KMP during FY2013 are set out in the table below. The grants to KMP constituted their full LTI entitlement for FY2013 and were made on the terms summarised in section 8.5.6 above.

	Number of performance rights granted	Grant date	Fair value per performance rights at grant date*	Vesting date
KMP				
Austen Perrin	42,174	24 September 2012	$1.70	23 September 2014
	42,174	24 September 2012	$1.83	23 September 2015
	42,173	24 September 2012	$1.92	23 September 2016
Timothy Burt	30,819	24 September 2012	$1.70	23 September 2014
	30,819	24 September 2012	$1.83	23 September 2015
	30,819	24 September 2012	$1.92	23 September 2016
Brian Cole	42,174	24 September 2012	$1.70	23 September 2014
	42,174	24 September 2012	$1.83	23 September 2015
	42,173	24 September 2012	$1.92	23 September 2016
Former KMP				
Peter Kane	48,662	24 September 2012	$1.70	23 September 2014
	48,662	24 September 2012	$1.83	23 September 2015
	48,661	24 September 2012	$1.92	23 September 2016

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

Mr Haggarty and Mr Davies elected not to participate in any new grants under the 2012 LTI given their existing substantial shareholding in the Company which was sufficient to ensure alignment with the interests of shareholders.

8.5.8 Proposed changes to long-term incentive in 2013

In response to feedback received from shareholders, and to ensure that no unintended 'uplift' is received by KMP if the unusual volatility of the Company's share price since the merger continues, the Remuneration Committee will introduce a number of changes to the LTI that will apply to the 2013 LTI grant:

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

The Remuneration Committee will also continue to give careful consideration as to whether to introduce a second performance hurdle for LTI grants made in subsequent years.

8.6 Company performance

FY2013 has been a challenging year for the Company, and the lower remuneration outcomes for the executive KMP this year reflect this. Key financial targets were not fully achieved and accordingly the STI paid to the executives was capped at a maximum of 12.5% of their fixed remuneration (or 25% of target STI). No LTI was available for vesting in FY2013. Whilst many of the executives benefitted from equity vesting in the previous financial year as a result of the merger with Aston Resources, like shareholders they have been impacted by the falling share price of the Company.

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

	2013	2012	2011 (pre–merger)	2010 (pre–merger)	2009 (pre–merger)
Profit/(loss) attributable to the group ($000s)	(82,164)	62,539	9,946	114,884	244,212
Revenue ($000s)	622,159	618,087	622,186	406,807	489,397
Share price at year end (dollars per share)	$2.30	$4.15	$5.83	$4.80	$3.14
Basic EPS (cents per share)	(8.4)	10.9	2.0	24.2	60.5
Diluted EPS (cents per share)	(8.4)	10.9	2.0	24.0	60.3
Dividends paid (cents per share)	3.0	4.1	6.1	8.8	4.2
Special dividends paid (cents per share)	–	50.0	–	–	–

8. REMUNERATION REPORT (CONTINUED)

8.7 Employment contracts – audited

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

8.7.1 Appointment of new Managing Director and CEO

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

Fixed remuneration	Mr Flynn's total fixed remuneration (**TFR**) is $1,300,000 per annum, which includes salary, superannuation contributions, any components under Whitehaven's salary packaging guidelines and all Director's fees. While Mr Flynn's TFR is significantly higher than the TFR for the former CEO, the Company received external advice that Mr Haggarty was underpaid in comparison to CEOs of comparable ASX listed entities. Notably, the remuneration package received by Mr Flynn was originally recommended for Mr Haggarty (although Mr Haggarty elected not to accept any increase due to his significant shareholding in the Company). Upon Mr Flynn's appointment, the Board, having regard to recommendations received from the Remuneration Committee and external benchmarking data and advice from Egan Associates, determined that $1,300,000 continued to be the appropriate level of TFR for the CEO and in line with the Company's stated market positioning. TFR will be reviewed annually from 2014 onwards.
Short-term incentive	Mr Flynn is eligible to participate in the annual STI plan, as described in section 8.5 of this Remuneration Report. At target level of performance, his STI opportunity is 50% of TFR, with up to 75% of TFR for stretch performance. For the FY2014 grant, 70% of Mr Flynn's STI award will be measured by reference to clear financial and project milestone targets, including EBITDA, costs per saleable tonne, production targets and Maules Creek milestones, with the remaining 30% tested against defined individual measures (such as safety improvement targets and identified leadership components). The performance period for Mr Flynn's initial STI grant will operate over an extended period from his commencement date of 25 March 2013 to 30 June 2014. Subsequent annual performance periods will commence on 1 July.
Long-term incentive	Mr Flynn is eligible to participate in the LTI plan on terms similar to those applicable to grants made to other senior executives of Whitehaven (as set out in section 8.5) and subject to receiving any required or appropriate shareholder approval. Shareholder approval for the initial grant will be sought at the 2013 Annual General Meeting. The initial grant is proposed to be made in the form of performance rights. If they vest, those rights would provide Paul with an entitlement to receive 590,909 Whitehaven shares with a face value equal to $1,300,000 at the commencement of the performance period (100% of TFR at the date of Mr Flynn's appointment, with 20% representing a pro rata portion of the FY2013 LTI opportunity and 80% representing his FY2014 LTI opportunity). If there is a change of control of Whitehaven in the first 12 months following Mr Flynn's appointment as CEO, unvested incentive awards will vest on a basis consistent with target performance. If the change of control occurs prior to the initial LTI award being granted, Mr Flynn is entitled under his employment agreement to receive a cash payment equivalent to the value of the performance rights that would have vested (again, based on target performance).

8.7.1 Appointment of new Managing Director and CEO (continued)

Transitional payments	In the period prior to commencing his role as Managing Director and Chief Executive Officer and before he was earning an executive salary, Mr Flynn worked closely with Mr Haggarty to ensure a smooth leadership transition. In particular, during this period Mr Flynn performed extra services including undertaking a cost review across Whitehaven's operations. In these circumstances, recognising the special exertion of Mr Flynn in addition to his usual role as a non-executive Director, the Board considered it appropriate to pay Mr Flynn a fee of $3,750 for each additional day of service. In aggregate $88,125 was paid to Mr Flynn prior to his formally commencing in an executive capacity. These transitional payments are captured in the realised remuneration table in section 8.2 and the statutory remuneration table in section 8.9.3.
Treatment of previous non-executive Director service agreement	Mr Flynn was previously appointed as a non-executive Director of Whitehaven and was entitled to Board and committee fees and statutory superannuation contributions. These fees were prorated to the date of Mr Flynn's appointment as Managing Director and Chief Executive Officer, and full details regarding what Mr Flynn was paid in his capacity as a non-executive Director during FY2013 are set out in section 8.9.3 of this Remuneration Report. No termination benefits were payable under his non-executive Director services agreement.
Other key terms	Other key terms of Mr Flynn's service agreement include the following: • his employment is ongoing, subject to twelve months' notice of termination by Whitehaven or six months' notice of termination by Mr Flynn. • the Company may terminate without notice in certain circumstances, including serious misconduct or negligence in the performance of duties. Mr Flynn may terminate immediately in the case of fundamental change to his role (i.e. there is a substantial diminution to his responsibilities), in which case his entitlements will be the same as if the Company terminated him without cause. • the consequences for unvested incentive awards on termination of Mr Flynn's employment will be in accordance with the Company's STI and LTI plans. • Mr Flynn will have post-employment restraints for a period of three months. No additional amounts will be payable in respect of this restraint period.

8.7.2 Senior executive contracts

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

Name and position (at year-end)	Notice
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
Austen Perrin Chief Financial Officer and Joint Company Secretary Appointed 27 October 2008	3 months by employee 12 months by the Company

8. REMUNERATION REPORT (CONTINUED)

8.7 Employment contracts – audited (continued)

8.7.2 Senior executive contracts (continued)

The executive contracts give the Company discretion to make payment in lieu of notice. No notice is required where termination is for cause.

Treatment of unvested incentives is dealt with in accordance with the terms of grant. In general, under the new STI and LTI arrangements, '*bad leavers*' (i.e. executives who resign or are terminated for cause) will in most cases forfeit their unvested entitlements while '*good leavers*' will retain their entitlements (subject to any applicable performance conditions in the case of LTI arrangements).

Mr Frankcombe received a sign-on grant of shares in the Company with a face value of $200,000 on commencement of his employment, subject to a one-year service-based vesting condition. If Mr Frankcombe resigns or is terminated for cause during this vesting period, the shares will be forfeited. If Mr Frankcombe satisfies the vesting period, or if his employment is terminated other than for cause or resignation, the shares will immediately vest.

Mr Cole received a sign-on payment of $400,000 as compensation for long-term incentives he forfeited on leaving his previous employer. These incentives had already met the applicable performance hurdles but were subject to a further service condition. Payment of this amount was considered appropriate in order to secure Mr Cole's employment with the Company at a crucial time in the development of Maules Creek.

8.7.3 Senior executive departures during FY2013

Mr Haggarty

Mr Haggarty ceased to be Managing Director and CEO of the Company on 24 March 2013. Mr Haggarty's termination arrangements were in line with his service agreement, comprising statutory entitlements for accrued but untaken leave totalling $141,459. No other payments were made to Mr Haggarty upon his cessation as Managing Director and CEO.

Whitehaven entered into a new services agreement with Mr Haggarty in relation to his role as a non-executive Director of Whitehaven on 25 March 2013, under which Mr Haggarty will be paid a Director's fee on the same basis as other non-executive Directors of Whitehaven.

Mr Kane

On 16 November 2012 we announced to the ASX that the Company would scale back its Business Development Unit and Brisbane presence. As part of this change, Mr Kane's role as Executive General Manager – Business Development was made redundant. The payments made to Mr Kane as a result of his redundancy totalled $782,636, comprising one year's payment in lieu of notice in accordance with his employment contract and accrued but untaken leave. Performance rights granted to Mr Kane as part of the FY2013 LTI award remain on foot and will be tested in the normal course following the end of the relevant performance period. Options previously granted to Mr Kane (that were granted in consideration for shares that Mr Kane was already entitled to under his previous employment arrangements with Boardwalk, full details of which were disclosed in the FY2012 Remuneration Report) vested in August 2012 and became exercisable in October 2012, in line with the original conditions of grant.

Mr Davies

As Mr Davies was engaged via a contractor arrangement, no amounts were payable on cessation of his employment.

8.8 Statutory senior executive remuneration table – audited

The following table sets out the statutory remuneration disclosures required under the Corporations Act 2001 (Cth) and has been prepared in accordance with the appropriate accounting standards and has been audited. The remuneration shown in the table below for Mr Flynn and Mr Haggarty relates only to their respective periods as Executive Directors of the Company. Details of remuneration received in their capacity as Non-executive Directors is disclosed in section 8.9.

								Share-based payments			
In AUD		Salary & fees	Cash bonus (A)	Non-monetary benefits (B)	Super-annuation Benefits	Short-term incentive (C)	Termin-ation Benefits	Shares (D)	Rights and options (E)	Total Remun-eration	Share-based payments as prop-ortion of total
Directors											
Paul Flynn*	2013	346,349	30,000	2,640	5,976	–	–	–	–	384,965	–
Tony Haggarty**	2013	508,658	–	7,920	50,866	–	141,459	–	–	708,903	–
	2012	681,818	272,163	3,149	68,182	–	–	–	–	1,025,312	–
Andy Plummer	2012	324,621	154,215	–	32,462	–	100,040	–	–	611,338	–
Allan Davies***	2013	585,468	–	–	–	–	–	–	–	585,468	–
	2012	535,982	695,553	–	–	–	–	–	437,011	1,668,546	26.2%
Continuing Executives											
Timothy Burt	2013	431,818	–	11,264	43,182	69,298	–	–	44,842	600,404	7.5%
	2012	323,614	460,275	8,302	32,361	–	–	–	272,115	1,096,667	24.8%
Brian Cole	2013	591,000	400,000	–	59,100	84,157	–	–	61,363	1,195,620	5.1%
Jamie Frankcombe	2013	331,439	–	4,400	33,144	44,949	–	200,000	–	613,932	32.6%
Austen Perrin	2013	590,909	–	11,333	59,091	75,863	–	–	61,363	798,559	7.7%
	2012	456,455	697,990	8,302	45,645	–	–	–	407,715	1,616,107	25.2%
Former Executives											
Tony Galligan	2012	320,920	510,928	–	32,092	–	–	–	309,012	1,172,952	26.3%
Peter Kane****	2013	327,654	–	–	29,489	–	782,636	–	2,747,038	3,886,817	70.7%
	2012	122,371	–	–	2,629	–	–	900,999	2,400,000	3,425,999	96.4%

* Commenced role as Managing Director and CEO on 25 March 2013

** Ceased role as Managing Director on 24 March 2013

*** Ceased to be a member of KMP on 4 February 2013

**** Ceased 21 December 2012

A Mr Flynn received $30,000 as a dislocation allowance upon his commencement as Managing Director and Chief Executive Officer in recognition of costs and expenses he had incurred as a result of foregoing another opportunity. Mr Cole was a paid a sign on fee to compensate for remuneration he would forfeit on leaving his previous employer at a time that was critical for WHC. The amounts disclosed as cash bonus for FY2012 relate to amounts approved by the Board for performance of KMP during the FY2011 financial year, the FY2012 financial year to 30 April 2012 and retention bonuses as applicable (refer to section 7.4 of the FY2012 Remuneration Report for details).

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

C Refer to section 8.5 of the remuneration report for details of the FY 2013 STI.

D Mr Frankcombe received a sign on grant of shares in the Company with a face value of $200,000 (subject to a one-year service-based vesting condition). Mr Kane received shares in the Company on 1 May 2012 for no consideration in recognition of the shares he would have been entitled to under his proposed LTI arrangements with his previous employer, Boardwalk Resources. These shares were not subject to any performance conditions. The market price of the Company's shares at the date of grant was $5.18.

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

8. REMUNERATION REPORT (CONTINUED)

8.8 Statutory senior executive remuneration table – audited (continued)

8.8.1 Movement of performance rights and options – audited

The movement during the reporting period, by number and value, of performance rights over ordinary shares in the Company held by each senior executive is detailed below (except in the case of Mr Kane, who received options over ordinary shares).

Executive	Instrument	Balance as at 1 July 2012	Granted (number)	Granted (value) (A)	Vested (number)	Vested (value) (B)	Exercised (number)	Exercised (value) (B)	Lapsed (number)	Lapsed (value) (C)	Balance as at 30 June 2013
					Performance Rights only	Performance Rights only	Options only	Options only			
Timothy Burt	Performance Rights	–	92,457	167,964	–	–	–	–	–	N/A	92,457
Brian Cole	Performance Rights	–	126,521	229,846	–	–	–	–	–	N/A	126,521
Austen Perrin	Performance Rights	–	126,521	229,846	–	–	–	–	–	N/A	126,521
Peter Kane	Options	974,035	–	–	–	–	974,035	2,902,527	–	N/A	–
	Performance Rights	–	145,985	265,206	–	–	–	–	–	N/A	N/A

A The value of performance rights granted in the year is the fair value of the performance rights at grant date using the Monte Carlo simulation model. The total value of the performance rights granted is included in the table above.

B The value of options exercised during the period is calculated as the market price of the shares of the Company as at the close of trading on the date the options were exercised, less the price paid upon exercise. No performance rights vested during the period.

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

8.9 Non-executive Director remuneration – audited

This section explains the remuneration for Non-executive Directors.

8.9.1 Setting Non-executive Director remuneration

Remuneration for Non-executive Directors is designed to ensure that the Company can attract and retain suitably qualified and experienced Directors. The constitution of the Company provides that the Non-executive Directors may be paid, as remuneration for their services as Non-executive Directors, a sum determined from time to time by the Company's shareholders in general meeting, with that sum to be divided amongst the Non-executive Directors in such manner and proportion as they agree.

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

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

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

8.9.2 Current fee levels and fee pool

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

As described in the FY2012 Remuneration Report, Egan Associates were engaged last year to provide guidance and recommendations on the appropriate remuneration arrangements for the merged entity. Changes to the Non-executive Directors' fees, based on the recommendation of Egan Associates, came into effect on 1 May 2012 and therefore applied for the whole of FY2013. The table below sets out the Board and committee fees in Australian dollars as at 30 June 2013. There will be no fee increases for Non-executive Directors in FY2014.

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

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

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

In addition to the meetings that the Non-executive Directors attended (as shown on page 67 of this Annual Report), the Non-executive Directors participated in a number of onsite safety days at Narrabri and site visits to port facilities and underground and open cut mines.

All Directors hold shares in the Company (note 33 to the financial statements discloses each director's shareholding as at 30 June 2013).

8. REMUNERATION REPORT (CONTINUED)

8.9 Non-executive Director remuneration – audited (continued)

8.9.3 Statutory disclosures

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

The remuneration shown in the table below for Mr Flynn and Mr Haggarty relates only to their respective periods as Non-executive Directors of the Company. Details of remuneration received in their capacity as Executive Directors are disclosed in section 8.8.

		Short-term benefits			Post-employment benefits		Total
In AUD		Board & Committee fees	Non-monetary benefits	Other benefits (non-cash)	Super-annuation benefits	Termination benefits	Remuneration for services as a Non-executive Director
Non-executive Directors							
The Hon. Mark Vaile	2013	350,000	–	–	16,470	–	366,470
(Chairman)	2012*	58,333	–	–	2,629	–	60,963
John Conde	2013	262,500	–	–	16,470		278,970
(Deputy Chairman)	2012	306,365	–	–	15,014	–	321,379
Tony Haggarty	2013**	35,000	–	–	–	–	35,000
Philip Christensen	2013	165,000	–	–	14,850	–	179,850
	2012*	27,500	–	–	2,475	–	29,975
Paul Flynn	2013***	204,950[1]	–	–	10,514		215,465
	2012*	26,667	–	–	2,400	–	29,067
Rick Gazzard	2013	172,500			15,525		188,025
	2012*	28,750	–	–	2,588	–	31,338
Christine McLoughlin	2013	177,500	–	–	15,975		193,475
	2012*	29,583	–	–	2,588	–	32,171
Neil Chatfield	2012	201,453	–	–	6,881	–	208,333
Alex Krueger	2012	62,500	–	–	–	–	62,500
Hans Mende	2012	87,933	–	–	–	–	87,933
Total	**2013**	**1,367,450**	**–**	**–**	**89,804**	**–**	**1,457,255**
	2012	**829,084**	**–**	**–**	**34,574**	**–**	**863,658**

* Appointed 3 May 2012
** Appointed 25 March 2013
*** Ceased to be a Non-executive Director on 24 March 2013
1 Mr Flynn received $88,125 in additional fees for time spent participating in investor roadshow presentations and cost review exercises while he was still a Non-executive Director (and prior to him becoming Managing Director and CEO). Mr Flynn received his Director's fee on a pro-rata basis up to 25 March 2013.

9. PRINCIPAL ACTIVITIES
The principal activity of the Group during the period was the development and operation of coal mines in New South Wales. During the year ended 30 June 2013, Whitehaven Coal Limited and its controlled entities ('the Group') finalised development at the Narrabri underground mine and commenced operational mining.

10. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that have not been noted in the review of operations that occurred during the financial year.

11. EVENTS SUBSEQUENT TO REPORTING DATE
In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years other than the following:

The Maules Creek project received approval from the Federal Government under the Environment Protection and Biodiversity Conservation Act 1999 (Cth) on 11 February 2013. Under the terms of that approval, commencement of construction was conditional on the further approval of subsidiary management plans. Approval of those subsidiary management plans occurred on 4 July 2013, at which time the Maules Creek project had in place all requisite approvals to commence construction.

Subsequent to balance date, a group represented by the taxpayer funded Environmental Defenders Office commenced proceedings in the Federal Court against the Federal Minister for the Environment and the Company challenging the validity of the approval granted by the Federal Minister for the Company's Maules Creek project.

The Application filed with the Federal Court contends that the Minister committed errors of law in granting the approval on 11 February 2013. In this litigation, the Federal Court has jurisdiction to determine whether the Federal Minister committed an error of law in granting the approval.

A hearing date has been scheduled for mid-September 2013 and is expected to take three days. The judgement is likely to be handed down about a month after the hearing.

12. SHARE OPTIONS

12.1 Shares issued on exercise of options
During the reporting period employees and executives have exercised options to acquire 974,035 fully paid ordinary shares in Whitehaven Coal Limited at a weighted average exercise price of $0.0001 per share. For details of shares issued to key management personnel on exercise of options refer to section 8 of the Directors' report.

12.2 Unissued shares under options
At the date of this report there were 16,872,910 unissued ordinary shares of the Company under options (16,872,910 at the reporting date). Refer to note 32 of the financial statements for further details of the options outstanding. For details of options issued to key management personnel refer to section 8 of the Directors' report.

13. INDEMNIFICATION AND INSURANCE OF OFFICERS

13.1 Indemnification
The Company has agreed to indemnify all current and former Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

13.2 Insurance premiums
During the financial year the Company has paid premiums in respect of Directors' and officers' liability and legal expenses insurance contracts. Such insurance contracts insure against certain liability (subject to certain exclusions) persons who are or have been Directors or officers of the Company or its controlled entities.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

14. 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.

15. NON-AUDIT SERVICES

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

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

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

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

	Consolidated	
In AUD	2013	2012
Non-audit services		
Ernst & Young		
Due diligence services	235,500	559,586
Taxation services – MRRT	193,553	437,750
Other non-audit services	120,479	–
	549,532	997,336

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

The Lead auditor's independence declaration is set out on page 106 and forms part of the Directors' report for financial year ended 30 June 2013.

17. ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 and dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Mark Vaile
Chairman

Dated at Sydney this 27th day of August 2013

Auditor's Independence Declaration

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

In relation to our audit of the financial report of Whitehaven Coal Limited for the financial year ended 30 June 2013 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Trent van Veen
Partner
Sydney
27 August 2013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Financial Report

Statement of Comprehensive Income
for the year ended 30 June 2013

In thousands of AUD ($'000)	Note	Consolidated 2013	Consolidated 2012
Revenue	8	**622,159**	**618,087**
Operating expenses		(513,209)	(404,184)
Depreciation and amortisation		(58,538)	(39,674)
Cost of sales		**(571,747)**	**(443,858)**
Gross profit		**50,412**	**174,229**
Other income	9	11,344	133,213
Selling and distribution expenses		(97,211)	(71,330)
Other expenses	10	(194)	(34,504)
Administrative expenses		(33,951)	(175,596)
Profit/(loss) before financing income/(expense)		**(69,600)**	**26,012**
Financial income	12	7,496	35,096
Financial expenses	12	(53,019)	(47,206)
Net financing expense	12	**(45,523)**	**(12,110)**
Profit/(loss) before tax		**(115,123)**	**13,902**
Income tax (expense)/benefit	13a)	32,959	48,637
Net profit/(loss) for the year		**(82,164)**	**62,539**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net movement on cash flow hedges		(9,049)	(44,020)
Income tax effect	13b)	2,715	13,206
Other comprehensive (loss)/income for the year, net of tax		**(6,334)**	**(30,814)**
Total comprehensive (loss)/income for the year		**(88,498)**	**31,725**
Net Profit/(loss) attributable to:			
Owners of the parent		(82,164)	62,539
Non-controlling interests		–	–
		(82,164)	**62,539**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(88,498)	31,725
Non-controlling interests		–	–
		(88,498)	**31,725**
Earnings/(loss) per share:			
Basic earnings/(loss) per share (cents per share)	35	(8.4)	10.9
Diluted earnings/(loss) per share (cents per share)	35	(8.4)	10.9

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

Statement of Financial Position
as at 30 June 2013

In thousands of AUD ($'000)	Note	Consolidated 2013	Consolidated 2012
Assets			
Cash and cash equivalents	14	110,516	513,625
Trade and other receivables	15	87,297	70,192
Inventories	16	58,235	37,973
Investments	18	–	6,899
Current tax receivable	13	–	7,530
Deferred stripping		97,381	99,601
Derivative financial instruments	17	120	6,274
Total current assets		**353,549**	**742,094**
Trade and other receivables	15	37,843	15,521
Investments	18	1,052	5,628
Property, plant and equipment	19	3,115,176	2,945,301
Exploration and evaluation	20	574,459	532,181
Intangible assets	21	99,696	102,540
Total non-current assets		**3,828,226**	**3,601,171**
Total assets		**4,181,775**	**4,343,265**
Liabilities			
Trade and other payables	22	137,266	252,860
Interest-bearing loans and borrowings	23	25,242	294,416
Employee benefits	24	11,107	11,639
Current tax payable	13	13,935	–
Provisions	25	43,642	15,341
Derivative financial instruments	17	4,938	2,053
Total current liabilities		**236,130**	**576,309**
Non-current liabilities			
Interest-bearing loans and borrowings	23	556,838	195,030
Deferred tax liabilities	13	42,122	77,449
Provisions	25	49,409	70,209
Total non-current liabilities		**648,369**	**342,688**
Total liabilities		**884,499**	**918,997**
Net assets		**3,297,276**	**3,424,268**
Equity			
Issued capital	26(a)	3,146,301	3,116,769
Share-based payments reserve		71,371	67,696
Hedge reserve		(3,372)	2,962
Retained earnings		69,798	181,337
Equity attributable to owners of the parent		3,284,098	3,368,764
Non-controlling interest		13,178	55,504
Total equity		**3,297,276**	**3,424,268**

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

Statement of Changes in Equity
for the year ended 30 June 2013

Consolidated In thousands of AUD ($'000)	Note	Issued capital	Share-based payments reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
Opening balance at 1 July 2011		**591,339**	**24,358**	**33,776**	**391,063**	**1,040,536**	**–**	**1,040,536**
Profit for the period		–	–	–	62,539	62,539		62,539
Other comprehensive income		–	–	(30,814)	–	(30,814)	–	(30,814)
Total comprehensive income for the period		–	–	(30,814)	62,539	31,725	–	31,725
Transactions with owners in their capacity as owners:							–	
Dividends paid	26	–	–	–	(272,265)	(272,265)	–	(272,265)
Share-based payments	32	–	10,420	–	–	10,420	–	10,420
Acquisition of subsidiary	26	2,509,988	32,918	–	–	2,542,906	100,942	2,643,848
Acquisition of non-controlling interest		–	–	–	–	–	(45,438)	(45,438)
Share options exercised	26	16,200	–	–	–	16,200	–	16,200
Costs of shares issued, net of tax	26	(758)	–	–	–	(758)	–	(758)
Closing balance at 30 June 2012		**3,116,769**	**67,696**	**2,962**	**181,337**	**3,368,764**	**55,504**	**3,424,268**
Opening balance at 1 July 2012		**3,116,769**	**67,696**	**2,962**	**181,337**	**3,368,764**	**55,504**	**3,424,268**
Profit/(Loss) for the period		–	–	–	(82,164)	(82,164)	–	(82,164)
Other comprehensive income		–	–	(6,334)	–	(6,334)	–	(6,334)
Total comprehensive income for the period		–	–	(6,334)	(82,164)	(88,498)	–	(88,498)
Transactions with owners in their capacity as owners:							–	
Dividends paid	26	–	–	–	(29,375)	(29,375)	–	(29,375)
Share-based payments	32	–	3,675	–	–	3,675	–	3,675
Acquisition of subsidiary	26	29,594	–	–	–	29,594	–	29,594
Acquisition of non-controlling interest		–	–	–	–	–	(42,326)	(42,326)
Costs of shares issued, net of tax	26	(62)	–	–	–	(62)	–	(62)
Closing balance at 30 June 2013		**3,146,301**	**71,371**	**(3,372)**	**69,798**	**3,284,098**	**13,178**	**3,297,276**

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

Statement of Cash Flows
for the year ended 30 June 2013

		Consolidated	
In thousands of AUD ($'000)	Note	2013	2012
Cash flows from operating activities			
Cash receipts from customers		620,415	629,321
Cash paid to suppliers and employees		(636,620)	(626,865)
Cash generated from operations		(16,205)	2,456
Cash paid in respect of transaction costs		(3,542)	(57,491)
Interest paid		(38,005)	(24,540)
Interest received		3,593	5,968
Income taxes refunded/(paid)		21,839	2,427
Net cash from/(used in) operating activities	30	(32,320)	(71,180)
Cash flows from investing activities			
Proceeds from sell down of Narrabri project		–	44,130
Proceeds from sell down of Maules Creek JV (net of cash disposed)		–	369,461
Proceeds from sale of property, plant and equipment		2,557	86
Acquisition of property, plant and equipment		(262,157)	(267,169)
Acquisition of intangible assets		–	(152)
Acquisition of Coalworks Limited		(154,880)	–
Proceeds from sale of investments		6,991	8,464
Exploration and evaluation expenditure		(26,040)	(11,183)
Cash acquired on business combinations		–	207,399
Contract guarantee security		–	669
Proceeds from repayments of loans advanced		1,557	2,111
Net cash from/(used in) investing activities		(431,972)	353,816
Cash flows from financing activities			
Proceeds from the exercise of share options	26	–	16,200
Proceeds from issue of share capital to non-controlling interests		–	7,673
Transaction costs paid on issue of share capital		(89)	(1,083)
Proceeds from borrowings		455,250	351,949
Repayment of borrowings		(348,217)	(62,114)
Payment of finance lease liabilities		(16,386)	(16,973)
Dividends paid	26	(29,375)	(272,265)
Net cash from/(used in) financing activities		61,183	23,387
Net change in cash and cash equivalents		(403,109)	306,023
Cash and cash equivalents at 1 July		513,625	207,602
Cash and cash equivalents at 30 June	14	110,516	513,625

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

Notes to the Financial Statements
30 June 2013

1. REPORTING ENTITY

The financial report of Whitehaven Coal Limited ('Whitehaven' or 'Company') for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 27 August 2013. Whitehaven Coal Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The address of the Company's registered office is Level 28, 259 George Street, Sydney NSW 2000. The Company is a for-profit entity, and the principal activity of the consolidated entity is the development and operation of coal mines in New South Wales.

2. BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available for sale financial assets that have been measured at fair value (refer to notes 3g and 3h).

The Company is of a kind referred to in ASIC Class Order 98/100 and dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

As outlined in Note 38 as a result of the finalisation of acquisition accounting in relation to certain assets comparative information has been restated. The presentation of financial information may also differ to the previous financial report to facilitate comparability of current year financial information.

a) Statement of compliance

The financial report also complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

b) Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries in the consolidated entity.

New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations where applicable from 1 July 2012.

- AASB 2013-2 'Amendments to AASB 1038 – *Regulatory Capital*'
- AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: *Recovery of Underlying Assets*' [AASB 112]
- AASB 2011-9 'Amendments to Australian Accounting Standards -Presentation of Other Comprehensive Income' [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 2013-2 'Amendments to AASB 1038 – Regulatory Capital'

This Standard makes amendments to AASB 1038 Life Insurance Contracts as a consequence of changes to the Australian Prudential Regulation Authority's reporting requirements relating to life insurers, particularly Prudential Standard LPS 110 Capital Adequacy, applicable from 1 January 2013.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

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

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

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

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

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

This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the adoption of this amendment did not have any impact on the financial position or performance of the Group.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2013 are outlined below:

AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10. The amendments become effective for the consolidated entity's 30 June 2014 financial statements

Based on the Directors' preliminary assessment, when the Group applies the amendments to AASB 10 for the first time for the year ending 30 June 2014, there will not be a material impact on the financial position or performance of the Group.

AASB 11 Joint Arrangements

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

Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. The amendments become effective for the consolidated entity's 30 June 2014 financial statements.

Based on the Directors' preliminary assessment, when the Group applies the amendments to AASB 11 for the first time for the year ending 30 June 2014, there will not be a material impact on the financial position or performance of the Group.

AASB 12 Disclosure of Interests in Other Entities

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

The amendments become effective for the consolidated entity's 30 June 2014 financial statements.

Based on the Directors' preliminary assessment, when the Group applies the amendments to AASB 12 for the first time for the year ending 30 June 2014, there will be no impact on the financial position or performance of the Group, however the application may result in more extensive disclosures in the financial statements.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. It also expands the disclosure requirements for all assets or liabilities carried at fair value. Consequential amendments were also made to other standards via AASB 2011-8. The amendments become effective for the consolidated entity's 30 June 2014 financial statements.

The Directors anticipate that AASB 13 will be adopted in the Group's consolidated financial statements for the annual period ending 30 June 2014 and that the application of the new Standard will not have a material impact on the financial position or performance of the Group, however may result in more extensive disclosures in the financial statements.

AASB 119 Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The revised standard also changes the definition of short-term employee benefits. Consequential amendments were also made to other standards via AASB 2011-10. The amendments become effective for the consolidated entity's 30 June 2014 financial statements

The amendments to AASB 119 require retrospective application. Based on the Directors' preliminary assessment, when the Group applies the amendments from AASB 119 for the first time for the year ending 30 June 2014, there will not be a material impact on the financial position or performance of the Group.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (IFRIC20)

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

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

Effective 1 July 2013 the consolidated entity will revise its accounting policy in relation to overburden in advance to comply with the requirements of IFRIC20. The consolidated entity currently uses an average life of mine strip ratio for open cut mines. Whitehaven's new accounting policy will use a strip by strip analysis when calculating the amount of deferred stripping costs. Preliminary results of this analysis indicate that a material adjustment is likely to arise to the overburden in advance currently recorded as an asset, however as the results are not consistent across individual mines and are dependent on adoption of revised life of mine models, the quantum of the adjustment to retained earnings is currently not determinable.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met. The amendments become effective for the consolidated entity's 30 June 2014 financial statements.

Based on the Directors' preliminary assessment, when the Group applies the amendments to AASB 2012-2 for the first time for the year ending 30 June 2014, there will not be a material impact on the financial position or performance of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and interpretations (continued)

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

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle

AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:

- Repeat application of AASB 1 is permitted (AASB 1)
- Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

The amendments become effective for the consolidated entity's 30 June 2014 financial statements. The Group expects no impact on its financial position, performance, disclosures or stated accounting policies from the adoption of these amendments.

AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039

AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

The amendments become effective for the consolidated entity's 30 June 2014 financial statements. The Group expects no impact on its financial position, performance, disclosures or stated accounting policies from the adoption of these amendments.

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

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The amendments become effective for the consolidated entity's 30 June 2014 financial statements

Based on the Directors' preliminary assessment, when the Group applies the amendments to AASB 2011-4 for the first time for the year ending 30 June 2014, there will be no impact on the financial position or performance of the Group, however the application may result in changes to disclosures in the financial statements.

AASB 1053 Application of Tiers of Australian Accounting Standards

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

(a) Tier 1: Australian Accounting Standards

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

Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.

The amendments become effective for the consolidated entity's 30 June 2014 financial statements. The Group expects no impact on its financial position, performance, disclosures or stated accounting policies from the adoption of these amendments.

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

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

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

Interpretation 21 Levies (IFRIC21)

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

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

AASB 9 Financial Instruments

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

Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.

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

a) Basis of consolidation

The consolidated financial report of the Company for the financial year ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in jointly controlled operations.

(i) Subsidiaries

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing control. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Jointly controlled operations

The consolidated entity recognises its interest in jointly controlled operations by recognising its interest in the assets and liabilities of the joint venture. The consolidated entity also recognises the expenses it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

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

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

c) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- nature of the production processes,
- type or class of customer for the products and services,
- methods used to distribute the products or provide the services, and if applicable
- nature of the regulatory environment.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. For the purpose of the Statement of Cash Flows, bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents.

e) Trade and other receivables

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

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

f) Inventories

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

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

Inventory are classified as follows:

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

g) Derivative financial instruments

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

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

Cash flow hedges

Cash flow hedges are hedges of the consolidated entity's exposure to variability in cash flows that is attributable to a particular risk associated with forecast sales and purchases that could affect profit or loss. Changes in the fair value of the hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (coal sales and asset purchases) when the forecast transaction occurs.

The consolidated entity tests each of the designated cash flow hedges for effectiveness at each balance date, both retrospectively and prospectively, by using the dollar offset method. If the testing falls within the 80:125 range, the hedge is considered to be highly effective and continues to be designated as a cash flow hedge.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if it no longer meets the criteria for hedge accounting (due to it being ineffective), then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction occurs.

Economic hedges

Derivatives which do not qualify for hedge accounting are measured at fair value with changes in fair value recognised in profit or loss.

h) Investments and other financial assets

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

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

Recognition and derecognition

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

i) Property, plant and equipment

(i) Recognition and measurement

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

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

Mining property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to production phase.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income'.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line or units of production basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mining property and development assets are depreciated on a units of production basis over the life of the economically recoverable reserves.

The depreciation rates used in the current and comparative periods are as follows:

• plant and equipment	2 – 50%
• leased plant and equipment	3 – 14%
• mining property and development assets	units of production

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

j) Mine development costs

The cost of acquiring mineral reserves and mineral resources are capitalised on the statement of financial position as incurred. Capitalised costs (development expenditure) include expenditure incurred to expand the capacity of a mine and to maintain production. Mine development costs include acquired proved and probable mineral reserves at fair value at acquisition date. Correspondingly, revenue from the sale of Narrabri development coal is capitalised on the statement of financial position until longwall production reaches operational levels.

Mineral reserves and capitalised mine development expenditure are, upon commencement of production, depreciated over the remaining life of mine. The net carrying amounts of mineral reserves and resources and capitalised mine development expenditure at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

k) Intangible assets

(i) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

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

Exploration and evaluation assets are assessed for impairment if

i) sufficient data exists to determine technical feasibility and commercial viability, and
ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity related. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

(ii) Water access rights

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

(iii) Rail access rights

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

(iv) Other intangible assets

Other intangible assets that are acquired by the consolidated entity, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated life of the mining property to which the intangible relates.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income as incurred.

(vi) Goodwill

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

l) Deferred stripping costs

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

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

m) Leases

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

Consolidated entity as lessee

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

o) Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

p) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

q) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages, salaries, annual leave and sick leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled i.e. at undiscounted amounts based on remuneration wage and salary rates including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Defined contribution superannuation funds

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

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

r) Provisions

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

(i) Mine rehabilitation and closure

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Contributed equity

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

t) Revenue and other income recognition

(i) Sale of coal

Revenue from the sale of coal is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Transfer of risk and rewards are considered to have passed to the buyer under the terms of the individual contracts.

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

(ii) Rental income

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Revenue received before it is earned is recorded as unearned lease income in the statement of financial position at its net present value, determined by discounting the expected notional future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

(iii) Hire of plant

The consolidated entity hires plant under operating leases to its subsidiaries and joint ventures. Revenue from the plant hire is recognised in the statement of comprehensive income as earned.

u) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the consolidated entity's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except where capitalised as part of a qualifying asset.

Foreign currency gains and losses are reported on a net basis.

v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities based on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, other than for the following temporary differences:

- when the deferred income tax asset/liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit,
- when the taxable temporary difference is associated with investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets and liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(i) Mineral Resource Rent Tax (MRRT)

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

(ii) Tax consolidation

The Company and its wholly-owned Australian resident controlled entities formed a tax-consolidated group with effect from 29 May 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Whitehaven Coal Limited.

Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within a consolidated group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(iii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expense. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Mine rehabilitation

The consolidated entity assesses its mine rehabilitation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions at balance date represent management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expense. For closed mines, changes to estimated costs are recognised immediately in the statement of comprehensive income.

Exploration and evaluation expenditure

The application of the consolidated entity's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the statement of comprehensive income in the period when the new information becomes available.

Carrying value of assets

All mining assets are amortised over the shorter of the estimated remaining useful life or remaining mine life. For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on proved and probable mineral reserves as the useful lives of these assets are considered to be limited to the life of the relevant mine.

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

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

Inventories

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

Derivatives

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

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

Non-derivative financial liabilities

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

Share-based payment transactions

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

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

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

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

Mineral reserves and resources

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

Overburden in advance

The consolidated entity defers advanced stripping costs incurred during the production stage of its operations. This calculation involves the use of judgements and estimates such as estimates of the tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio). These changes are accounted for prospectively.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Taxation (Including MRRT)

The consolidated entity's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Mineral Resource Rent Tax (MRRT)

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

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

Australian Government's Carbon Pricing Mechanism

The Australian Government's *Clean Energy Act 2011* introduced a Carbon Pricing Mechanism beginning on July 1st, 2012. The carbon price has the potential to significantly impact the assumptions used for the purpose of the value in use calculations in asset impairment testing. The Group has re-assessed the potential impact in its impairment testing at 30 June 2013, and does not believe any impairment of assets would be required. The carrying amount of the assets that could be affected by the implementation of the government's proposed emissions trading scheme as at 30 June 2013 are disclosed in note 19.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The consolidated entity has exposure to the following risks from their use of financial instruments:

- market risk
- credit risk
- liquidity risk

This note presents information about the consolidated entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The consolidated entity defines capital as total shareholders' equity and debt. The Board monitors the capital structure on a regular basis including the gearing ratio and level of dividends paid to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

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

In thousands of AUD	2013	2012
Interest-bearing loans and borrowings	582,080	489,446
Less: cash and cash equivalents	(110,516)	(513,625)
Net debt	471,564	(24,179)
Equity	3,297,276	3,424,268
Total capital	3,297,276	3,424,268
Capital and net debt	**3,768,840**	**3,400,089**
Gearing ratio	13%	0%

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses

Foreign currency risk

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

The consolidated entity uses forward exchange contracts (FECs) to hedge its currency risk.

The Hedging Policy of the consolidated entity is to utilise forward exchange contracts to cover up to:

- 100% of contracted sales where both volume and US dollar price are fixed;
- 90% of contracted sales where volume is fixed but pricing is provisional;
- 80% of planned sales from existing operations over a 12 month period; and
- a maximum of 50% of planned sales from existing operations for between 12 and 24 months.

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

In respect of other monetary assets and liabilities denominated in foreign currencies, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalances.

The consolidated entity classifies its forward exchange contracts as cash flow hedges and measures them at fair value.

The fair value of forward exchange contracts used as hedges at 30 June 2013 was a liability of $4,938,000 (2012: $4,221,000 asset), comprising assets and liabilities that were recognised as fair value derivatives.

At 30 June 2013, the consolidated entity had the following financial instruments that were not designated in cash flow hedges that were exposed to foreign currency risk:

In thousands of USD	USD 30 June 2013	USD 30 June 2012
Cash	25,682	31,801
Trade and other receivables	38,212	27,582
Trade and other payables	(21,030)	(5,086)
Finance lease liabilities	(8,637)	(11,421)
Net statement of financial position exposure	**34,227**	**42,876**

Currency risk exposure arising from derivative financial instruments is disclosed in note 17.

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Fixed rate instruments	2013	2012	2013	2012
USD	1.0271	1.0319	0.9275	1.0191
EUR	0.7949	0.7707	0.7095	0.8092

Notes to the Financial Statements
30 June 2013

Sensitivity analysis

A 10 per cent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or (loss)
30 June 2013		
USD	6,710	(3,355)
EUR	–	–
30 June 2012		
USD	13,288	(3,825)
EUR	(606)	–

A 10 per cent weakening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Consolidated	
Effect in thousands of AUD	Equity	Profit or loss
30 June 2013		
USD	(8,201)	3,690
EUR	–	–
30 June 2012		
USD	(16,241)	4,207
EUR	606	–

Credit risk

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

Exposure to credit risk

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

In thousands of AUD	Note	Carrying amount 2013	Carrying amount 2012
Cash and cash equivalents	14	110,516	513,625
Trade and other receivables	15	125,140	85,713
Derivative financial instruments	17	120	6,274
Investments	18	1,052	12,527
		236,828	**618,139**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Exposure to credit risk (continued)

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

In thousands of AUD	Carrying amount 2013	Carrying amount 2012
Asia	30,191	25,505
Europe	12,058	15
Australia	7,529	12,352
	49,778	37,872

Trade and other receivables

The consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 42.1% of the consolidated entity's revenue is attributable to sales transactions with three customers (2012: 48.3% with three customers).

More than 70 percent of the consolidated entity's customers have been transacting with the consolidated entity for over five years, and losses have occurred infrequently. The remaining trade and other receivables relate mainly to coal customers.

The consolidated entity does not require collateral in respect of trade and other receivables.

The consolidated entity trades only with recognised, creditworthy third parties.

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not significant.

The consolidated entity recognised an impairment loss for trade and other receivables of $58,000 during the year ended 30 June 2013 (2012: Nil).

Impairment losses

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

In thousands of AUD	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	43,121	–	31,614	–
Past due 0-30 days	5,443	–	4,051	–
Past due 31-120 days	396	–	1,296	–
Past due 121 days to one year	839	(58)	874	–
More than one year	37	–	37	–
	49,836	(58)	37,872	–

Based on historic default rates, the consolidated entity believes that no additional impairment allowance is necessary in respect of trade receivables.

Guarantees

The policy of the consolidated entity is to provide financial guarantees for statutory bonding requirements associated with the mining operations and for construction of the rail upgrade and other purposes such as security of leased premises. Guarantees are provided under the $1,200,000 Senior Secured Bank Facility. Details of outstanding guarantees are provided in note 29.

Liquidity risk

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

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

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

	Consolidated 30 June 2013						
In thousands of AUD	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Finance lease liabilities	79,352	99,836	12,070	11,000	22,071	54,695	–
Interest-bearing liabilities	502,728	513,759	5,589	5,492	10,662	474,471	17,545
Trade and other payables	137,266	137,266	137,266	–	–	–	–
Forward exchange contracts:							
Outflow	73,804	74,386	74,386	–	–	–	–
Inflow	(68,866)	(69,409)	(69,409)	–	–	–	–
	724,284	755,838	159,902	16,492	32,733	529,166	17,545

	Consolidated 30 June 2012						
In thousands of AUD	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Finance lease liabilities	83,501	108,182	11,413	10,616	20,676	29,862	35,615
Interest-bearing liabilities	405,945	417,907	275,822	6,702	25,587	104,454	5,342
Trade and other payables	252,860	252,860	241,735	10,000	1,125	–	–
Forward exchange contracts:							
Outflow	152,584	154,690	103,756	50,934	–	–	–
Inflow	(156,804)	(158,985)	(106,375)	(52,610)	–	–	–
	738,086	774,654	526,351	25,642	47,388	134,316	40,957

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Interest rate risk

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

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

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

	Consolidated Carrying amount	
In thousands of AUD	2013	2012
Fixed rate instruments		
Financial liabilities	(79,352)	(83,501)
	(79,352)	**(83,501)**
Variable rate instruments		
Financial assets	110,516	513,625
Financial liabilities	(502,728)	(405,945)
	(392,212)	**107,680**
Net exposure (post tax)	**(471,564)**	**24,179**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss	
Effect in thousands of AUD	100bp increase	100bp decrease
30 June 2013		
Variable rate instruments	(3,922)	3,922
Cash flow sensitivity (net)	**(3,922)**	**3,922**
30 June 2012		
Variable rate instruments	1,077	(1,077)
Cash flow sensitivity (net)	**1,077**	**(1,077)**

	Equity	
	100bp increase	100bp decrease
30 June 2013		
Variable rate instruments	1,648	(1,745)
Cash flow sensitivity (net)	**1,648**	**(1,745)**
30 June 2012		
Variable rate instruments	–	–
Cash flow sensitivity (net)	**–**	**–**

Commodity price risk

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

Net Fair Values

The Group complies with AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – measurements based upon quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – measurements based upon inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
- Level 3 – measurements based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

The fair value of derivative financial instruments is derived using valuation techniques based on observable market inputs, such as forward currency rates, at the end of the reporting period. The amounts disclosed in the statement of financial position are the fair values and are classified under level 2 in the fair value measurement hierarchy (refer note 17).

The fair value of the Group's investment in listed shares is classified under level 1 in the fair value measurement hierarchy (refer note 18).

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

The carrying values of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 3 to the financial statements.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk exposures and responses (continued)

Net Fair Values (continued)

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

Reconciliation of fair value measurements of Level 3 financial instruments

In thousands of AUD	Unlisted preference shares	Unlisted shares
At 1 July 2011	14,866	1,210
Sales	(8,464)	–
Total gains and losses recognised in OCI including FX	497	–
At 30 June 2012	**6,899**	**1,210**
At 1 July 2012	6,899	1,210
Sales	(6,991)	(1,173)
Total gains and losses recognised in OCI including FX	92	–
At 30 June 2013	**–**	**37**

Financial assets and liabilities by categories

In thousands of AUD		2013			2012		
Consolidated Entity	Note	Loans & receivables[1]	Available for sale	Other	Loans & receivables[1]	Available for sale	Other
Financial assets							
Cash and cash equivalents	14	110,516	–	–	513,625	–	–
Trade and other receivables	15	125,140	–	–	85,713	–	–
Investments	18	–	1,015	37	–	11,317	1,210
Other financial assets[2]	17	–	–	120	–	–	6,274
Total financial assets		**235,656**	**1,015**	**157**	**599,338**	**11,317**	**7,484**
Financial liabilities							
Trade and other payables	22	137,266	–	–	252,860	–	–
Borrowings	23	582,080	–	–	489,446	–	–
Other financial liabilities[2]	17	–	–	4,938	–	–	2,053
Total financial liabilities		**719,346**	**–**	**4,938**	**742,306**	**–**	**2,053**

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 $0.1 million (2012: $6.3 million) relating to derivatives that qualified as being in a hedging relationship. Similarly, other financial liabilities include amounts of $4.9 million (2012: $2.1 million)

6. SEGMENT REPORTING

a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on 'operations at individual mine sites'. Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by mining operations. The Group has determined that it has two reportable segments: Open Cut Operations and Underground Operations.

The following table represents revenue and profit information for reportable segments for the years ended 30 June 2013 and 30 June 2012. The Group's financing (including finance costs and finance income), depreciation and income taxes are managed on a group basis and are not allocated to reportable segments.

In thousands of AUD	Open cut operations	Underground operations	Total
Year ended 30 June 2013			
Revenue			
Sales to external customers	457,261	164,371	621,632
Total segment revenue	**457,261**	**164,371**	**621,632**
Difference in treatment of foreign exchange on hedges			527
Total revenue per statement of comprehensive income			**622,159**
Result			
Segment result	9,071	(1,032)	8,039
Depreciation and amortisation			(58,538)
Income tax benefit/(expense)			32,959
Significant items before income tax			(29,651)
Net interest expense			(34,973)
Net profit/(loss) after tax per statement of comprehensive income			**(82,164)**

Capital expenditure for the year amounted to $139,344,000 for open cut operations and $26,962,000 for underground operations.

6. SEGMENT REPORTING (CONTINUED)

a) Identification of reportable segments (continued)

In thousands of AUD	Open cut operations	Underground operations	Total
Year ended 30 June 2012			
Revenue			
Sales to external customers	621,093	25,337	646,430
Total segment revenue	**621,093**	**25,337**	**646,430**
Capitalisation of Narrabri development production revenue			(25,337)
Difference in treatment of foreign exchange on hedges			(3,006)
Total revenue per statement of comprehensive income			**618,087**
Result			
Segment result	150,690	–	150,690
Depreciation and amortisation			(39,674)
Income tax expense			48,637
Significant items before income tax			(81,149)
Net interest expense			(15,965)
Net profit after tax per statement of comprehensive income			**62,539**

Capital expenditure for the 2012 year amounted to $64,191,000 for open cut operations and $54,766,000 for underground operations.

Other segment information

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.

In thousands of AUD	2013	2012
Total segment revenue		
China	57,896	61,688
India	21,661	52,886
Japan	185,330	203,619
Korea	155,934	13,567
Taiwan	–	84,615
UK	108,285	111,652
USA	–	19,269
Other	40,504	16,652
Australia[1]	30,053	58,426
Domestic	21,969	24,056
Total revenue	**621,632**	**646,430**

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

In thousands of AUD	2013	2012
Total revenue by product		
Thermal	459,975	426,287
PCI	139,688	196,087
Domestic	21,969	24,056
Total revenue	**621,632**	**646,430**

Major customers

The Group has three major customers which account for 42.1% of external revenue.

7. SIGNIFICANT ITEMS

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

	Consolidated	
In thousands of AUD	2013	2012
Included within the balances presented on the face of the Consolidated Statement of Comprehensive Income:		
Operating expenses:		
Suspension of mining activities and office closures[1]	(25,768)	–
Loss on coal trading for legacy contracts[2] – purchased coal	–	(7,494)
	(25,768)	(7,494)
Other income:		
Gain on sale of joint venture interest[3]	–	116,175
Other expenses:		
Loss on coal trading for legacy contracts[2] – contract settlements	–	(21,922)
Share-based payment expense[4]	(2,441)	(7,568)
	(2,441)	(29,490)
Administrative expenses:		
Due diligence costs and project costs[5]	(1,442)	(41,377)
Impairment of goodwill from acquisition of Boardwalk Resources[6]	–	(119,791)
CSN Claim settlement[7]	–	(1,514)
	(1,442)	(162,682)
Significant items before tax and financing	**(29,651)**	**(83,491)**
Financial income		
Net unrealised foreign exchange gain on translation of EDF receivable[8]	–	23,867
	–	23,867
Financial expenses		
Net realised foreign exchange losses on EDF receipts[8]	–	(21,525)
Significant items before tax	**(29,651)**	**(81,149)**
Applicable income tax (expense)/benefit	8,163	(15,593)
Initial recognition of MRRT starting base temporary differences[9]	–	101,500
Significant items after tax	**(21,488)**	**4,758**

7. SIGNIFICANT ITEMS (CONTINUED)

1 During the current year, mining activities at the Sunnyside mine were suspended indefinitely, open cut operations were restructured, and the Company's Business Development Unit and Brisbane presence were scaled back. The cost relates to deferred stripping, inventory, mining property and development and exploration assets that have been written off, and costs incurred in the restructure and closure of the operations.

During the year, the Company informed the market that these developments were to be undertaken and believes the disclosure of the costs associated provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

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

The Company believes the disclosure of the coal purchase costs and contract settlements provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

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

The Company believes the disclosure of the income from the disposal provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

4 As a result of the acquisition of Boardwalk Resources, the Company issued share options to a key employee of Boardwalk in lieu of proposed long-term incentive arrangements. The related expense has been recognised over the vesting period of the options. The options fully vested during the current year. During the prior year the expense related to executive shares and executive options issued in 2009 which were classified as significant. The expense was recognised over the vesting period of the options, which ended during the previous year.

The Company believes the disclosure of the costs associated with these incentive arrangements, which were provided outside what would ordinarily be provided under the Company's long-term incentive arrangements, provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

5 During the current year the Group incurred transaction costs related to the acquisition of Coalworks Limited and due diligence costs incurred in responding to an indicative and non-binding proposal which was not forthcoming. During the prior year the Group incurred transaction costs related to the merger with Aston Resources ($31.0m) and acquisition of Boardwalk Resources ($7.7m) and Coalworks Limited ($2.7m).

The Company believes the disclosure of the transaction costs associated with the Corporate entity provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

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

The Company believes the disclosure of the impairment costs associated with the Boardwalk acquisition provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

7 The consolidated entity received a claim in June 2008 in relation to the performance of its obligations under a coal sales contract. The claim was settled on 1 July 2011 for an amount of US$1,625,000.

8 A receivable arising on a previous sell down of the Narrabri North project was denominated in US$ and discounted on initial recognition. During the previous year the receivable was fully unwound and a net foreign exchange gain realised on receipt of the outstanding amounts.

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

The Company believes the disclosure of the income tax benefit associated with recognition of an MRRT deferred tax asset provides readers of the financial statements with further meaningful insights to understand the financial performance of the Group.

8. REVENUE

In thousands of AUD	Consolidated 2013	2012
Sale of coal	622,159	618,087

9. OTHER INCOME

Before significant items:		
Hire of plant	4,951	4,947
Rental income	1,111	529
Gain on sale of non-current assets	138	–
Unrealised gain on investments	–	4,766
Sundry income[1]	5,144	6,796
	11,344	17,038
Significant items:		
Gain on sale of interest in Maules Creek JV[2]	–	116,175
	–	116,175

1 Included within sundry income is $4.3 million (2012: $6.0 million) of the Group's share of income from the Blackjack Carbon Joint Venture.

2 During the year ended 30 June 2012 the Group sold 10% of its interest in the Maules Creek joint venture. Refer to Note 7 for further details of this transaction.

10. OTHER EXPENSES

In thousands of AUD	Consolidated 2013	2012
Payments for unfulfilled legacy contracts[1]	–	22,813
Share-based compensation payments	3,675	10,420
Loss on sale of non-current assets	–	1,271
Write back of claim settlement costs[2]	(3,481)	–
	194	34,504

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

2 Legal claims were settled at costs lower than estimated and provided for in the prior year, resulting in a credit to profit and loss in the current year.

11. PERSONNEL EXPENSES

In thousands of AUD	Consolidated 2013	2012
Wages and salaries	75,893	70,623
Contributions to superannuation plans	5,902	5,468
Other associated personnel expenses	4,820	4,119
Increase in liability for annual leave	709	1,452
(Decrease)/Increase in liability for long-service leave	(284)	172
Share-based compensation payments	3,675	10,420
	90,715	**92,254**

12. FINANCE INCOME AND EXPENSE

	2013	2012
Recognised in profit and loss		
Interest income on bank facilities	3,726	5,968
Dividend income	609	863
Net unrealised foreign exchange gain on translation of EDF receivable[1]	–	23,867
Net realised foreign exchange gain	3,150	4,398
Gains from ineffective portion of hedges	11	–
Financial income	7,496	35,096
Interest expense on finance lease liabilities	(7,182)	(8,013)
Unwinding of discounts on provisions	(792)	(783)
Losses from ineffective portion of hedges	–	(549)
Unrealised loss on investments	(1,989)	–
Finance charges payable under debt facilities	(11,372)	–
Net unrealised foreign exchange loss	(167)	(2,417)
Net realised foreign exchange losses on EDF receipts1	–	(21,525)
Interest on drawn debt facility	(20,249)	(6,637)
Other interest charges	(11,268)	(7,282)
Financial expenses	(53,019)	(47,206)
Net financing expense	(45,523)	(12,110)
Recognised directly in equity		
Net change in cash flow hedges	(9,049)	(44,020)
Income tax effect	2,715	13,206
Finance expense recognised directly in equity, net of tax	(6,334)	(30,814)

1 These items have been disclosed as significant items. Please refer to note 7 for further details.

13. INCOME TAX

In thousands of AUD	Consolidated 2013	2012
a) Income tax (expense)/benefit		
Current income tax – corporate tax		
Current period	89,997	51,455
Adjustment for prior periods	(231)	(443)
	89,766	51,012
Deferred income tax – corporate tax		
Origination and reversal of temporary differences	(56,807)	(163,957)
Deferred income tax – MRRT		
Origination and reversal of temporary differences	–	161,582
Income tax benefit reported in the statement of comprehensive income	**32,959**	**48,637**
Numerical reconciliation between tax expense recognised in the statement of comprehensive income and profit before tax		
Profit/(loss) before tax	(115,123)	13,902
MRRT tax benefit	–	161,582
Profit/(loss) after MRRT	(115,123)	175,484
Income tax using the Company's domestic tax rate of 30% (2012: 30%)	34,537	(52,645)
Non-deductible expenses:		
Share-based payments	(1,043)	(3,126)
Impairment of goodwill	–	(35,937)
Transaction costs	–	(9,856)
Other non-deductible expenses	(304)	(1,074)
MRRT tax benefit	–	161,582
Initial recognition of deferred tax liabilities	–	(9,864)
Over/(Under) provided in prior periods	(231)	(443)
Total income tax benefit	**32,959**	**48,637**
b) Income tax recognised directly in equity		
Deferred income tax related to items charged/(credited) directly to equity		
Derivatives	2,715	13,206
Transaction costs on issue of share capital	27	326
Income tax expense recorded in equity	**2,742**	**13,532**

13. INCOME TAX (CONTINUED)

c) Recognised tax assets and liabilities

In thousands of AUD	Consolidated 2013 Current income tax	2013 Deferred income tax	2012 Current income tax	2012 Deferred income tax
Opening balance	7,530	(77,449)	9,957	(38,621)
Charged to income – corporate tax	89,766	(56,807)	51,012	(163,957)
Charged to income – MRRT	–	–	–	161,582
Charged to equity	–	2,742	–	13,532
Recognition of DTA on acquisition	–	–	–	37,911
Recognition of DTL on acquisition – MRRT (net of corporate tax DTA)	–	–	–	(138,908)
Recognition of DTA on current year losses	(89,766)	89,766	(51,012)	51,012
Transfer between current and deferred tax	374	(374)	–	–
Payments/(receipts)	(21,839)	–	(2,427)	–
Closing balance	**(13,935)**	**(42,122)**	**7,530**	**(77,449)**
Tax expense in statement of comprehensive income:				
Charged to income		32,959		48,637
Charged to equity		2,742		13,532
Amounts recognised in the statement of financial position:				
Deferred tax asset		–		–
Deferred tax liability		(42,122)		(77,449)
		(42,122)		**(77,449)**

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

	Consolidated			
	Assets		Liabilities	
In thousands of AUD	2013	2012	2013	2012
Corporate tax				
Property, plant and equipment	–	–	(138,100)	(98,458)
Exploration and evaluation	–	–	(57,169)	(36,944)
Receivables	–	–	(274)	(395)
Derivatives	1,445	–	–	(1,269)
Investments	273	–	–	(1,430)
Intangibles	–	–	–	(1,081)
Deferred stripping	–	–	(29,215)	(29,880)
Deferred foreign exchange gain	1,059	1,006	–	–
Provisions	29,580	27,261	–	–
Tax losses	159,804	69,872	–	–
On MRRT	11,057	11,057	–	–
Other items	16,277	19,670	–	–
Tax assets/(liabilities)	219,495	128,866	(224,758)	(169,457)
Set off of tax assets	(219,495)	(128,866)	219,495	128,866
Net tax assets/(liabilities)	**–**	**–**	**(5,263)**	**(40,591)**
MRRT				
Property, plant and equipment	33,526	16,583	–	–
Exploration and evaluation	–	–	(57,845)	(57,491)
Decrease in MRRT asset recognised	(16,589)	–	–	–
Other	4,050	4,050	–	–
Tax assets/(liabilities)	20,987	20,633	(57,845)	(57,491)
Set off of tax assets	(20,987)	(20,633)	20,987	20,633
Net tax assets/(liabilities)	**–**	**–**	**(36,858)**	**(36,858)**
Total net deferred tax assets/(liabilities)	**–**	**–**	**(42,122)**	**(77,449)**

13. INCOME TAX (CONTINUED)

d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the cost base available on disposal of the following items:

	Consolidated	
In thousands of AUD	2013	2012
Corporate tax		
Land and mining tenements	21,530	21,530
	21,530	21,530
MRRT		
MRRT assets not recognised	355,179	338,590
	355,179	338,590

e) Tax consolidation

The Company and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 29 May 2007. The consolidated tax group has entered into both a tax funding arrangement and a tax sharing agreement.

14. CASH AND CASH EQUIVALENTS

	Consolidated	
In thousands of AUD	2013	2012
Cash and cash equivalents	110,516	513,625

The weighted average interest rate for cash balances at 30 June 2013 is 2.06% (2012: 3.88%).

15. TRADE AND OTHER RECEIVABLES

	Consolidated	
In thousands of AUD	2013	2012
Current		
Trade receivables	49,778	37,872
Other receivables and prepayments	23,235	21,314
Receivables due from related parties	14,284	11,006
	87,297	70,192
Non-current		
Other receivables and prepayments	37,843	15,521

16. INVENTORIES

Coal stocks (at net realisable value)	16,925	695
Coal stocks (at cost)	24,021	25,782
Consumables and stores	17,289	11,496
	58,235	37,973

17. DERIVATIVE FINANCIAL INSTRUMENTS

Current assets		
Interest rate swap and forward exchange contracts – receivable	120	6,274
Current liabilities		
Forward exchange contracts – payable	4,938	2,053

Instruments used by the consolidated entity

Derivative financial instruments are used by the consolidated entity in the normal course of business in order to hedge exposure to fluctuations in foreign exchange and interest rates.

Interest rate swaps – cash flow hedges

The consolidated entity has debt facilities subject to variable interest rates. In order to protect against interest rate movements and reduce the interest rate related volatility of the consolidated entity's financial expenses, the consolidated entity enters into interest rate swaps. The fair value of interest rate swaps at 30 June 2013 was $120,000 (2012: nil).

Forward currency contracts – cash flow hedges

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

The contracts are timed to mature when funds for coal sales are forecast to be received, and when amounts for capital purchases are forecast to be paid. At 30 June 2013, the forward exchange contracts are designated as cash flow hedges and are expected to impact profit and loss in the periods specified below.

Forward exchange contracts

In thousands of AUD (except exchange rates)	Fair value 2013	Average exchange rates 2013	Fair value 2012	Average exchange rates 2012
Sell US dollars				
Less than 6 months	4,938	0.9725	4,637	0.9694
6 months to 1 year	–	–	1,637	0.9694
	4,938	0.9725	6,274	0.9694
Buy Euros				
Less than 6 months	–	–	(2,053)	0.5443
	–	–	(2,053)	0.5443

The ineffectiveness recognised in financial expenses in the income statement for the current year was $nil (see Note 12). The cumulative effective portion of $3,530,000 is reflected in other comprehensive income. The recycling of gains from the hedge reserve to the income statement for sales amounted to $7,893,000, which has been recognised in revenue. The recycling of losses from the hedge reserve to the balance sheet for purchases amounted to $2,374,000, which has been recognised in property, plant and equipment.

18. INVESTMENTS

	Consolidated	
In thousands of AUD	2013	2012
Current investments		
Investment in unlisted preference shares	–	6,899
Non-current investments		
Investment in unlisted shares	37	1,210
Investment in listed shares	1,015	4,418
	1,052	5,628

During the year the Group disposed of the remaining $6.9m in preference shares in NCIG. During the year ended 30 June 2011 the Group acquired a total of $37.3m in preference shares ($14.8m) and shareholder loan notes ($22.5m) as part of the funding requirement of the NCIG Stage 2AA expansion. The shareholder loan notes were all disposed of during the year of acquisition and during the prior year $8.0m in preference shares were disposed as NCIG secured funding from other investors. As part of one of these disposals the Company issued a put option giving the acquirer the right, subject to certain criteria being met, to sell back the shareholder loan notes. The likelihood of the put option being exercised is considered remote.

19. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Note	Freehold land	Plant and equipment	Leased plant and equipment	Mining property and development	Total
		Consolidated				
Cost						
Balance at 1 July 2011		71,680	248,062	149,359	606,918	1,076,019
Additions		9,462	69,382	–	159,309	238,153
Transfer to plant and equipment		–	31,465	(31,465)	–	–
Disposals		(3,115)	(2,475)	–	(237,895)	(243,485)
Acquisitions on business combinations	38	28,674	9,135	–	2,014,928	2,052,737
Balance at 30 June 2012		**106,701**	**355,569**	**117,894**	**2,543,260**	**3,123,424**
Balance at 1 July 2012		106,701	355,569	117,894	2,543,260	3,123,424
Additions		21,648	66,359	68	150,152	238,227
Transfer to plant and equipment		(457)	94,980	(5,810)	(88,713)	–
Disposals		(75)	(3,204)	–	–	(3,279)
Impairment*		–	(3)	–	(2,521)	(2,524)
Balance at 30 June 2013		**127,817**	**513,701**	**112,152**	**2,602,178**	**3,355,848**
Depreciation						
Balance at 1 July 2011		–	(47,836)	(41,977)	(49,219)	(139,032)
Depreciation charge for the year		–	(17,787)	(10,194)	(11,574)	(39,555)
Transfer to plant and equipment		–	(17,757)	17,757	–	–
Disposals		–	642	–	725	1,367
Acquisitions on business combinations	38	–	(903)	–	–	(903)
Balance at 30 June 2012		**–**	**(83,641)**	**(34,414)**	**(60,068)**	**(178,123)**
Balance at 1 July 2012		–	(83,641)	(34,414)	(60,068)	(178,123)
Depreciation charge for the year		–	(32,521)	(9,659)	(16,103)	(58,283)
Transfer to plant and equipment		–	(3,307)	3,307	–	–
Disposals		–	1,107	–	–	1,107
Impairment*		–	–	–	(5,373)	(5,373)
Balance at 30 June 2013		**–**	**(118,362)**	**(40,766)**	**(81,544)**	**(240,672)**
Carrying amounts						
At 1 July 2011		71,680	200,226	107,382	557,699	936,987
At 30 June 2012		**106,701**	**271,928**	**83,480**	**2,483,192**	**2,945,301**
At 1 July 2012		106,701	271,928	83,480	2,483,192	2,945,301
At 30 June 2013		**127,817**	**395,339**	**71,386**	**2,520,634**	**3,115,176**

* Impairment charge relates to placement of Sunnyside mine into care and maintenance.

Leased plant and machinery

The consolidated entity leases mining equipment under a number of finance lease agreements. At 30 June 2013, the consolidated entity's net carrying amount of leased plant and machinery was $71,386,000 (2012: $83,480,000). The leased equipment is pledged as security for the related finance lease liabilities.

20. EXPLORATION AND EVALUATION

In thousands of AUD	Consolidated Cost	Consolidated Impairment losses
Balance at 1 July 2011	9,422	–
Exploration and evaluation expenditure	11,184	–
Acquisitions on business combinations	518,215	–
Disposals	(6,640)	–
Balance at 30 June 2012	**532,181**	**–**
Balance at 1 July 2012	532,181	–
Exploration and evaluation expenditure	12,684	–
Acquisitions on business combinations	29,594	–
Balance at 30 June 2013	**574,459**	**–**

Exploration and evaluation assets

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. Exploration and evaluation assets include tenements granted by the Queensland State Government which are subject to periodic relinquishment requirements of up to 20% per year.

21. INTANGIBLE ASSETS

In thousands of AUD	Consolidated 2013	Consolidated 2012
Water access rights	8,539	7,626
Acquired haulage rights	1,300	1,300
Less: accumulated amortisation	(854)	(701)
Marketing commission rights[1]	6,687	6,687
Less: accumulated amortisation	(6,687)	(3,083)
Goodwill[3]	90,711	90,711
	99,696	**102,540**

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

21. INTANGIBLE ASSETS (CONTINUED)

	Consolidated					
In thousands of AUD	Water access rights	Contract related intangible	Rail access rights	Marketing commission rights	Goodwill	Total
Movement in intangibles						
Balance at 1 July 2011	4,063	752	39,596	5,370	–	49,781
Acquired during the year	994	–	1,571	–	–	2,565
Less: Amortisation charge	–	(153)	–	(1,766)	–	(1,919)
Acquisitions on business combinations	2,912	–	–	–	222,110	225,022
Disposals	(343)	–	–	–	(11,608)	(11,951)
Written off during the year	–	–	(41,167)[2]	–	(119,791)	(160,958)
Balance at 30 June 2012	**7,626**	**599**	**–**	**3,604**	**90,711**	**102,540**
Balance at 1 July 2012	7,626	599	–	3,604	90,711	102,540
Acquired during the year	913	–	–	–	–	913
Less: Amortisation charge	–	(153)	–	(3,604)	–	(3,757)
Balance at 30 June 2013	**8,539**	**446**	**–**	**–**	**90,711**	**99,696**

1 During the year ended 30 June 2011 the consolidated entity acquired marketing commission rights. The marketing commission rights were assessed as having a finite useful life and are being amortised over specific sales tonnages using a fixed cost per tonne. The amortisation has been recognised in the statement of comprehensive income in the line item 'selling and distribution expenses'.

2 During the prior year, rail access rights held with Australian Rail Track Corporation were renegotiated and now fall under a Take or Pay agreement. The previously recognised intangible asset and related debt were extinguished as a result.

3 During the prior year, goodwill of $29.9m, $64.8m and $7.6m arose on the acquisition of Boardwalk, Aston and Coalworks as a result of the recognition of deferred taxes as part of the purchase price accounting.

22. TRADE AND OTHER PAYABLES

	Consolidated	
In thousands of AUD	2013	2012
Current		
Trade payables	64,468	36,571
Other payables and accruals[1]	72,798	215,164
Deferred purchase consideration	–	1,125
	137,266	**252,860**

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

23. INTEREST-BEARING LOANS AND BORROWINGS

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

In thousands of AUD	Consolidated 2013	2012
Current liabilities		
Finance lease liabilities	16,995	15,173
Secured bank loans	8,247	13,944
Unsecured bank loans	–	265,299
	25,242	**294,416**
Non-current liabilities		
Finance lease liabilities	62,357	68,328
Secured bank loans	494,481	–
Unsecured bank loans	–	126,702
	556,838	**195,030**
Total interest-bearing liabilities	**582,080**	**489,446**
Financing facilities		
Secured bank loans	1,057,728	13,944
Unsecured bank loans	–	887,540
	1,057,728	**901,484**
Facilities utilised at reporting date		
Secured bank loans	502,728	13,944
Unsecured bank loans	–	392,001
	502,728	**405,945**
Facilities not utilised at reporting date		
Secured bank loans	555,000	–
Unsecured bank loans	–	495,539
	555,000	**495,539**

Financing facilities

On 21 December 2012 the Company entered into a A$1.2 billion Senior Secured Bank Facility. The facility has a four year tenor and provides Whitehaven with lines of credit up to A$1.2 billion comprising A$1.0 billion revolving and term facility, and A$0.2 billion guarantee facilities. This facility was used to replace the Company's existing bank facilities. During the period an amount of $445 million was drawn down under the new facility, of which $325 million was used to repay debt drawn on the old facilities, In addition $10 million was drawn down under finance leases. Other loans of $23 million were repaid during the period.

Finance lease facility

At 30 June 2013, the consolidated entity's lease liabilities are secured by the leased assets of $71,386,000 (2012: $83,480,000), as in the event of default, the leased assets revert to the lessor.

23. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

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

	Consolidated					
In thousands of AUD	Minimum lease payments 2013	Interest 2013	Principal 2013	Minimum lease payments 2012	Interest 2012	Principal 2012
Less than one year	23,070	6,075	16,995	22,029	6,793	15,236
Between one and five years	76,766	14,409	62,357	50,538	16,312	34,226
More than five years	–	–	–	35,615	1,576	34,039
	99,836	20,484	79,352	108,182	24,681	83,501

24. EMPLOYEE BENEFITS

	Consolidated	
In thousands of AUD	2013	2012
Current		
Salaries and wages accrued	3,270	4,226
Liability for long service leave	101	386
Liability for annual leave	7,736	7,027
	11,107	11,639

25. PROVISIONS

Mine rehabilitation and closure	52,104	42,402
Take or Pay	26,165	27,751
Other provisions	14,782	15,397
	93,051	85,550
Current	43,642	15,341
Non-current	49,409	70,209
	93,051	85,550

In thousands of AUD	Mine rehabilitation and closure	Take or Pay	Other provisions
Movement in provisions			
Balance at 1 July 2012	42,402	27,751	15,397
Provisions made during the period	9,778	–	58
Provisions used during the period	(868)	(2,526)	(673)
Unwind of discount	792	940	–
Balance at 30 June 2013	52,104	26,165	14,782

Increases in the provision for rehabilitation were made during the year as a result of additional disturbance at several mines and a reassessment of the areas of disturbance and rehabilitation rates. Rehabilitation and mine closure expenditure is expected to occur over the life of the mining operations which ranges from 5 to 25 years. Refer to Note 3(r) for details on the nature of the obligation

26. SHARE CAPITAL AND RESERVES

a) Share capital

In thousands of AUD	Consolidated 2013	Consolidated 2012
Fully paid ordinary shares 1,025,692,710 (2012: 1,013,190,387)	3,146,301	3,116,769

b) Movements in shares on issue

	Consolidated			
	2013		2012	
	Nos of shares 000's	$000's	Nos of shares 000's	$000's
Ordinary shares				
Beginning of the financial year	1,013,190	3,116,769	493,817	591,339
Exercise of share options	974	–	8,200	16,200
Exercise of share acquisition rights	–	–	1,967	–
Share-based payments	58	–	400	–
Issued on acquisition of Boardwalk Resources Ltd[1]	–	–	119,905	495,480
Issued on merger with Aston Resources Ltd	–	–	388,901	2,014,508
Issued on acquisition of Vickery Pty Ltd	11,471	29,594	–	–
Costs of shares issued, net of tax	–	(62)	–	(758)
	1,025,693	3,146,301	1,013,190	3,116,769

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

The Company issued performance rights during the prior year and has on issue share options (see note 32).

c) Terms and conditions of issued capital

Fully paid ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company and carry the right to receive dividends as declared. In the event of a winding up of the Company, fully paid ordinary shares carry the right to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Under the terms of the acquisition of Boardwalk Resources Limited, certain ordinary shares are subject to a restriction deed which removes their entitlement to vote, receive dividends as declared or participate in the proceeds from the sale of all surplus assets. These restrictions will be released on reaching certain milestones.

d) Hedge reserve

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

e) Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to Director-related entities and senior employees under share option plans. Refer to note 32 for further details of these plans.

26. SHARE CAPITAL AND RESERVES (CONTINUED)

f) Dividends

	Consolidated	
In thousands of AUD	2013	2012
Recognised amounts		
Declared and/or paid during the year:		
Final franked dividend for 2012: 3.0c (2011: 4.1c)	29,375	20,273
Interim franked dividend for 2013: nil (2012: nil)	–	–
Special franked dividend for 2013: nil (2012: 50c)	–	251,992
	29,375	**272,265**
Unrecognised amounts		
Final franked dividend for 2013: nil (2012: 3.0c)	**–**	**29,375**

The above final dividend was declared after the year end in the prior year. These amounts were not recognised as a liability in the financial statements for the year ended 30 June 2012 and have been brought to account in the year ending 30 June 2013.

Dividend franking account

	The Company	
In thousands of AUD	2013	2012
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	14,782	14,779

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated entity at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated consolidated entity has also assumed the benefit of $nil (2012: $nil) franking credits.

	The Company	
In thousands of AUD	2013	2012
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	–	(12,589)

27. OPERATING LEASES

Consolidated entity as lessee

The consolidated entity leases mining equipment, office equipment and office space under operating leases. The leases typically run for one to five years with an option to renew on the mining equipment and office space. None of the leases include contingent rentals.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2013 are as follows:

	Consolidated	
In thousands of AUD	2013	2012
Less than one year	5,290	5,541
Between one and five years	1,442	3,285
More than five years	–	79
	6,732	8,905

Leases as lessor

The consolidated entity leases out land it will use for future mining operations under operating leases. At 30 June 2013 $55,849,000 (2012: $53,060,000) of land was leased under these operating leases.

28. CAPITAL EXPENDITURE COMMITMENTS

	Consolidated	
In thousands of AUD	2013	2012
Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	76,559	33,541
One year or later and no later than five years	84,862	178,395
	161,421	211,936

29. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Consolidated	
In thousands of AUD	2013	2012
Guarantees		
(i) The consolidated entity provided bank guarantees to the Department of Mineral Resources NSW as a condition of continuation of mining and exploration licenses	29,089	28,559
(ii) The consolidated entity provided bank guarantees to Australian Rail Track Corporation (previously to Rail Infrastructure Corporation)	21,631	20,438
(iii) The consolidated entity provided bank guarantees to Newcastle Coal Infrastructure Group	34,539	35,590
(iv) The consolidated entity provided bank guarantees to Port Waratah Coal Services Limited	18,605	29,367
(v) The consolidated entity provided bank guarantees to Hunter Valley Energy Coal Ltd	41,538	14,432
(vi) The consolidated entity provided bank guarantees to various parties for office leases	905	905
(vii) The consolidated entity provided bank guarantees to Transgrid	4,000	–
(viii) The consolidated entity provided bank guarantees to the Minister Administering the Crown Lands Act 1989	60	–
	150,367	129,291

Claim from contractor

During the year Whitehaven received a claim from one of its contractors for breach of contract. The claim is in the sum of $4.4 million. Whitehaven denies any breach of contract and the claimant has not provided any substantive argument to support its allegation. Whitehaven will vigorously defend the proceedings.

30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD		Consolidated 2013	2012
Cash flows from operating activities			
Profit for the period		(82,164)	62,539
Adjustments for:			
Depreciation		58,203	39,521
Amortisation		42,162	1,920
Finance costs		12,065	–
Foreign exchange losses unrealised		63	52
Unrealised loss/(gain) on investment		1,989	(4,766)
Unwinding of discounts on provisions	25	792	783
Share-based compensation payments	32	3,675	10,420
Impairment of assets		22,207	119,791
Increase in financial instruments		(739)	–
Gain on sale of interest in Maules Creek JV	9	–	(116,175)
Gain on sale of investments		–	(313)
(Gain)/Loss on sale of non-current assets	9	(138)	1,271
Operating profit before changes in working capital and provisions		**58,115**	**115,043**
Change in trade and other receivables		(55,509)	(13,797)
Change in inventories and deferred stripping		(31,574)	(56,069)
Change in trade and other payables		15,392	(72,687)
Change in provisions and employee benefits		(7,623)	2,540
Change in tax payable		72,919	2,427
Change in deferred taxes		(84,040)	(48,637)
Cash flows from operating activities		**(32,320)**	**(71,180)**

31. SUBSEQUENT EVENTS

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years other than the following:

The Maules Creek project received approval from the Federal Government under the Environment Protection and Biodiversity Conservation Act 1999 (Cth) on 11 February 2013. Under the terms of that approval, commencement of construction was conditional on the further approval of subsidiary management plans. Approval of those subsidiary management plans occurred on 4 July 2013, at which time the Maules Creek project had in place all requisite approvals to commence construction.

Subsequent to balance date, a group represented by the taxpayer funded Environmental Defenders Office commenced proceedings in the Federal Court against the Federal Minister for the Environment and the Company challenging the validity of the approval granted by the Federal Minister for the Company's Maules Creek project.

The Application filed with the Federal Court contends that the Minister committed errors of law in granting the approval on 11 February 2013. In this litigation, the Federal Court has jurisdiction to determine whether the Federal Minister committed an error of law in granting the approval.

A hearing date has been scheduled for mid-September 2013 and is expected to take three days. The judgement is likely to be handed down about a month after the hearing.

32. SHARE-BASED PAYMENTS

a) Recognised share-based payment expenses

	Consolidated	
In thousands of AUD	2013	2012
Employee expenses		
Share options – Director-related entities	–	437
Share options and performance rights – senior employees	1,234	7,911
Shares – senior employees (ex-Boardwalk)	2,441	2,072
	3,675	10,420

b) Types of share-based payment plans

Option grant to senior employees on 1 May 2012

The Company issued options to Mr Kane (Chief Operating Officer – Aston and Boardwalk Operations) in recognition of shares in Boardwalk Resources that Mr Kane was entitled to under his previous employment arrangements. The options had an exercise price of $0.0001 per option, resulting in a total payment on exercise of $97.43. Mr Kane's options vested on 1 August 2012 and were exercised on 2 November 2012.

Whilst the options did not have any performance conditions attached to them (as they were granted in consideration for shares that Mr Kane was already entitled to under his previous employment arrangements), the Ordinary Shares issued upon exercise are subject to restrictions on transfer, voting, dividend and distribution rights until 1 March 2014.

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

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

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

Performance Share Right grant to senior employees on 24 September 2012

The Company issued 1,575,301 performance share rights to key senior employees as part of the revised long-term incentive plan.

The terms and conditions of the grant are as follows.

Performance share rights	Exercise price	Number of instruments	Vesting conditions	Expiration date
Tranche 1	$0.00	525,113	23 September 2014	23 September 2014
Tranche 2	$0.00	525,102	23 September 2015	23 September 2015
Tranche 3	$0.00	525,086	23 September 2016	23 September 2016
		1,575,301		

The performance share rights vest over the period 23 September 2012 to 23 September 2016 and are subject to a performance measure linked to relative total shareholder return (TSR). The performance measure compares the TSR performance of the Company with the TSR performance of each of the entities in a comparator group. The comparator group for the FY2013 grant comprises those entities within the ASX 100 Resources Index as at 24 September 2012.

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

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

c) Movement in options and performance share rights

The following table illustrates the number and weighted average exercise prices of, and movements in, performance share rights during the year:

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at beginning of period	$3.71	17,846,945	$1.71	9,455,002
Exercised during the period	$0.00	(974,035)	$1.59	(10,167,244)
Granted during the period	$0.00	1,575,301	$3.56	18,566,945
Forfeited during the period	$0.00	(183,471)	$0.00	(7,758)
Outstanding at 30 June	$3.62	18,264,740	$3.71	17,846,945
Exercisable at 30 June	**$3.92**	**16,872,910**	**$3.92**	**16,872,910**

32. SHARE-BASED PAYMENTS (CONTINUED)

The outstanding balance as at 30 June 2013 is represented by:

i) 8,619,278 options over ordinary shares having an exercise price of $3.15, exercisable until 17 August 2015.
ii) 12,354 options over ordinary shares having an exercise price of $3.33, exercisable until 10 November 2015.
iii) 8,241,278 options over ordinary shares having an exercise price of $4.73, exercisable until 17 August 2016.
iv) 1,391,830 performance share rights over ordinary shares having an exercise price of nil, exercisable between 23 September 2014 to 23 September 2016.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2013 was $2.98 (2011: $5.74).

The weighted average remaining contractual life of share options outstanding at 30 June 2013 is 2.59 years (2012: 3.62 years).

d) Option pricing models

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

The fair value of options granted under the LTI program is measured using a Monte Carlo Simulation model incorporating the probability of the performance hurdles being met.

The following table lists the inputs to the models used for the years ended 30 June 2013 and 30 June 2012:

	Options		LTI Program	
	FY2013	FY2012	FY2013	FY2012
Fair value of share options and assumptions				
Fair value at grant date	–	$1.64 – $5.01	$1.70 – $1.92	$4.45 – $4.65
Share price	–	$5.18	$2.92	$5.79
Exercise price	–	$0.00 – $4.73	$0.00	$0.00
Expected volatility (weighted average volatility)	–	40%	40%	40%
Option life (expected weighted average life)	–	0–4 years	2–4 years	1–4 years
Expected dividends	–	2.75%	0.0%	1.3%
Risk-free interest rate (based on government bonds)	–	3.00%	2.6 – 2.7%	3.80 – 4.10%

All shared-based payments are equity settled.

33. RELATED PARTIES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Name	Position
Directors	
The Hon. Mark Vaile	Chairman
John Conde	Deputy Chairman
Philip Christensen	Non-executive Director
Paul Flynn	Managing Director (appointed 25 March 2013), Non-executive Director (to 24 March 2013)
Rick Gazzard	Non-executive Director
Christine McLoughlin	Non-executive Director
Tony Haggarty	Non-executive Director (from 25 March 2013), Managing Director (to 24 March 2013)
Hans Mende	Non-executive Director (resigned 2 July 2012)
Allan Davies	Executive Director (resigned 1 November 2012)
Executives	
Jamie Frankcombe	EGM Operations (appointed 4 February 2013)
Austen Perrin	Chief Financial Officer and Joint Company Secretary
Timothy Burt	General Counsel and Joint Company Secretary
Brian Cole	EGM Projects Delivery (appointed 1 July 2012)
Peter Kane	EGM Business Development (resigned 21 December 2012)
Allan Davies	EGM Operations (resigned 3 February 2013)

Key management personnel compensation

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

	Consolidated	
In AUD	2013	2012
Wages and salaries	6,788,074	6,152,194
Contributions to superannuation plans	370,651	246,117
Other associated personnel expenses	37,557	19,753
Increase/(decrease) in liability for annual leave	(78,966)	183,462
Share-based compensation payments	3,114,606	4,726,852
	10,231,922	11,328,378

33. RELATED PARTIES (CONTINUED)

Loans from key management personnel and their related parties

There were no loans outstanding to key management personnel and their related parties, at any time in the current or prior reporting periods.

Other key management personnel transactions

Apart from the details disclosed in this note, no Director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end

A number of related parties and key management persons hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

These entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related entities on an arm's length basis.

For all related parties disclosed below, there were no guarantees given or received, or provisions for doubtful debts over the outstanding balances at year end, nor were these balances secured against any assets of the consolidated entity.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

(i) During the year the Company paid legal fees of $13,388 relating to share and option rights granted to an entity associated with former Director, Allan Davies, on his becoming a Director of the Company in 2009 including in relation to the timing of the grant of those rights.

(ii) The consolidated entity has previously held a sub-lease on normal commercial terms with XLX Pty Limited, a company of which Tony Haggarty, Andrew Plummer and Allan Davies are all Directors, for office space in Sydney. Fees in the prior year amounted to $107,341. The sub-lease agreement was completed during the prior year.

(iii) The consolidated entity sells coal to and buys coal from Energy Coal Marketing Pty Ltd ('ECM'), a company formerly controlled by Hans Mende. During the prior year the Company made sales to ECM amounting to $52,505,015. These transactions were carried out on an arm's length basis at market rates.

Movements in shares

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

No. of shares	Held at 1 July 2012	Received on exercise of options	Received as remuneration	Received in capacity as shareholder as a result of Merger/ Acquisition	Other purchases	Sales	Held at 30 June 2013
Directors							
Mark Vaile	2,769,867	–	–	–	17,900	–	2,787,767
John Conde	378,605	–	–	–	–	–	378,605
Philip Christensen	2,901,575*	–	–	–	–	–	2,901,575
Paul Flynn	18,382	–	–	–	21,000	–	39,382
Rick Gazzard	50,000	–	–	–	75,000	–	125,000
Christine McLoughlin	11,000	–	–	–	10,000	–	21,000
Hans Mende	70,019,833	–	–	–	–	–	n/a[1]
Tony Haggarty	33,479,897	–	–				33,479,897
Allan Davies	7,005,000	–	–	–	–	–	n/a[1]
Executives							
Jamie Frankcombe	n/a	–	57,687	–	20,000	–	77,687
Austen Perrin	214,413	–	–	–	–	(107,394)	107,019
Timothy Burt	148,400	–	–	–	–	–	148,400
Brian Cole	–	–	–	–	–	–	–
Peter Kane	1,518,381**	974,035	–	–	–	–	n/a[1]

1 These parties either ceased employment with Whitehaven during the year or changed roles within Whitehaven during the year and are not considered related parties at 30 June 2013.

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

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

33. RELATED PARTIES (CONTINUED)

Movements in shares (continued)

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

No. of shares	Held at 1 July 2011	Received on exercise of options/vesting of SARs	Received as remuneration	Received in capacity as shareholder as a result of Merger/ Acquisition	Other purchases	Sales	Held at 30 June 2012
Directors							
Mark Vaile	n/a	–	–	2,761,267	8,600	–	2,769,867
John Conde	378,605	–	–	–	–	–	378,605
Philip Christensen	n/a	–	–	2,901,075*	500	–	2,901,575
Paul Flynn	n/a	–	–	7,382	11,000	–	18,382
Rick Gazzard	n/a	–	–	–	50,000	–	50,000
Christine McLoughlin	n/a	–	–	–	11,000	–	11,000
Hans Mende	76,019,833	–	–	–	–	(6,000,000)	70,019,833
Tony Haggarty	33,479,897	–	–	–	–	–	33,479,897
Allan Davies	2,630,000	5,000,000	–	–	–	(625,000)	7,005,000
Executives							
Peter Kane	n/a	–	173,938	1,344,443**	–	–	1,518,381
Austen Perrin	–	250,000	–	–	–	(35,587)	214,413
Timothy Burt	–	100,000	–	–	48,400	–	148,400

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

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

Options and rights over equity instruments

The movement during the reporting period in the number of options and rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person and Director-related entities, including their related parties, is as follows:

	Held at 1 July 2012	Granted/ (Forfeited)	Exercised	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Director-related entities						
Mark Vaile	189,000	–	–	189,000	–	189,000
Philip Christensen	189,000	–	–	189,000	–	189,000
Executives						
Timothy Burt	–	92,457	–	92,457	–	–
Brian Cole	–	126,521	–	126,521	–	–
Peter Kane	974,035	145,985	974,035	n/a[1]	974,035	–
Austen Perrin	–	126,521	–	126,521	–	–

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

1 These parties ceased employment with Whitehaven during the year and are not considered related parties at 30 June 2013.

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

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

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

		Ownership interest	
	Country of incorporation	2013 %	2012 %
Parent entity			
Whitehaven Coal Limited	Australia		
Subsidiaries			
Whitehaven Coal Mining Limited	Australia	100	100
Namoi Mining Pty Ltd	Australia	100	100
Namoi Agriculture & Mining Pty Limited	Australia	100	100
Betalpha Pty Ltd	Australia	100	100
Betalpha Unit Trust	Australia	100	100
Tarrawonga Coal Pty Ltd	Australia	100	100
Whitehaven Coal Holdings Limited	Australia	100	100
Whitehaven Coal Infrastructure Pty Ltd	Australia	100	100
Narrabri Coal Pty Ltd	Australia	100	100
Narrabri Coal Operations Pty Ltd	Australia	100	100
Narrabri Coal Sales Pty Ltd	Australia	100	100
Creek Resources Pty Ltd	Australia	100	100
Werris Creek Coal Sales Pty Ltd	Australia	100	100
Werris Creek Coal Pty Ltd	Australia	100	100
WC Contract Hauling Pty Ltd	Australia	100	100
Whitehaven Blackjack Pty Ltd	Australia	100	100
Whitehaven Project Pty Ltd	Australia	100	100
Whitehaven Project Holdings Pty Ltd	Australia	100	100
Aston Resources Ltd	Australia	100	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 Ltd	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	77
Yarrawa Coal Pty Ltd	Australia	100	77
Loyal Coal Pty Ltd	Australia	93	72
Ferndale Coal Pty Ltd	Australia	93	72
Coalworks (Oaklands North) Pty Ltd	Australia	100	77
CWK Nominees Pty Ltd	Australia	100	77

Oaklands Land Pty Ltd	Australia	100	77
Coalworks (Vickery South) Pty Ltd	Australia	100	77
Coalworks Vickery South Operations Pty Ltd	Australia	100	77
Vickery South Marketing Pty Ltd	Australia	100	55
Vickery South Operations Pty Ltd	Australia	100	55
Vickery Pty Ltd	Australia	100	–

The consolidated financial statements include a share of the financial statements of the jointly controlled entities listed below.

		Ownership interest	
	Country of incorporation	2013 %	2012 %
Jointly controlled entities			
Tarrawonga Coal Sales Pty Ltd	Australia	70	70
Blackjack Carbon Pty Ltd	Australia	–*	50
Blackjack Carbon Sales Pty Ltd	Australia	–*	50
Maules Creek Marketing Pty Ltd	Australia	75	75
Boggabri-Maules Creek Rail Pty Ltd	Australia	39	39

* The Group disposed of its 50% interest in the Blackjack Carbon joint venture on 28 June 2013. Results of the joint venture up to this date are included in the consolidated financial statements.

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

	Ownership interest	
	2013 %	2012 %
Tarrawonga Coal Project Joint Venture	70	70
Narrabri Coal Joint Venture	70	70
Blackjack Carbon Joint Venture	–*	50
Maules Creek Joint Venture	75	75
Dingo Joint Venture	70	70
Ferndale Joint Venture	94	94
Vickery South Joint Venture	100	71
Boggabri-Maules Creek Rail Spur Joint Venture	39	39

* The Group disposed of its 50% interest in the Blackjack Carbon joint venture on 28 June 2013. Results of the joint venture up to this date are included in the consolidated financial statements.

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

The consolidated entity's share of the above jointly controlled entities has been recorded using the proportional consolidation method. The amounts set out below are included in the 30 June 2013 consolidated financial statements under their respective categories.

In thousands of AUD	2013	2012
Statement of comprehensive income		
Operating and administration expenses	190,958	101,771
Current assets		
Cash and cash equivalents	21,365	18,174
Trade and other receivables	5,187	5,467
Inventory	29,068	11,549
Deferred stripping	19,103	25,233
Total current assets	**74,723**	**60,423**
Non-current assets		
Property, plant and equipment	886,906	738,939
Intangible assets	4,261	4,261
Total non-current assets	**891,167**	**743,200**
Total assets	**965,890**	**803,623**
Current liabilities		
Trade and other payables	49,844	48,745
Provisions	217	173
	50,061	**48,918**
Non-current liabilities		
Provisions	15,542	13,026
	15,542	**13,026**
Total liabilities	**65,603**	**61,944**
Guarantees		
(i) The Joint Ventures provided bank guarantees to various parties	52,561	3,055
Capital expenditure commitments – Plant and equipment and intangibles		
Contracted but not provided for and payable:		
Within one year	13,803	24,197
One year or later and no later than five years	–	–
	13,803	**24,197**

35. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share at 30 June 2013 is based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year calculated as follows:

Profit/(loss) attributable to ordinary shareholders

	Consolidated 2013 $000	Consolidated 2012 $000
Net profit/(loss) attributable to ordinary shareholders	(82,164)	62,539

Weighted average number of ordinary shares

	Consolidated 2013 000's	Consolidated 2012 000's
Issued ordinary shares at 1 July	979,170	493,817
Effect of shares issued during the year	4,223	79,937
Weighted average number of ordinary shares at 30 June	983,393	573,754
Basic (loss)/earnings per share attributable to ordinary shareholders (cents)	(8.4)	10.9

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share at 30 June 2013 is based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding adjusted for the diluting impact of potential equity instruments calculated as follows:

Profit/(loss) attributable to ordinary shareholders (diluted)

	Consolidated 2013 $000	Consolidated 2012 $000
Net profit/(loss) attributable to ordinary shareholders (diluted)	(82,164)	62,539

Weighted average number of ordinary shares (diluted)

	Consolidated 2013 000's	Consolidated 2012 000's
Weighted average number of ordinary shares (basic)	983,393	573,754
Effect of share options on issue	–	901
Weighted average number of ordinary shares (diluted)	983,393	574,655
Diluted (loss)/earnings per share attributable to ordinary shareholders (cents)	(8.4)	10.9

36. AUDITORS' REMUNERATION

	Consolidated	
In AUD	2013	2012
Audit services:		
Auditors of the Company – Ernst & Young		
Audit and review of statutory financial statements – current year	565,900	507,311
Audit of joint ventures	258,335	201,354
National Greenhouse Energy Reporting Act assurance	92,959	53,625
Other assurance services	37,495	21,630
	954,689	783,920
Non-audit services:		
Auditors of the Company – Ernst & Young		
Due diligence services	235,500	559,586
Taxation services – MRRT	193,553	437,750
Other non-audit services	120,479	–
	549,532	997,336

37. PARENT ENTITY INFORMATION

	Company	
In thousands of AUD	2013	2012
Information relating to Whitehaven Coal Limited:		
Current assets	214,982	286,210
Total assets	3,338,048	3,194,192
Current liabilities	–	–
Total liabilities	–	–
Issued capital	3,275,300	3,245,768
Retained earnings	(8,623)	(119,272)
Share-based payment reserve	71,371	67,696
Total shareholders' equity	3,338,048	3,194,192
Profit/(loss) of the parent entity	29,379	136,663
Total comprehensive income of the parent entity	29,379	136,663

38. BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS

Acquisitions in the year ended 30 June 2013

Business acquired	Principal Activity	Date of acquisition	Proportion acquired	Cost of acquisition
Vickery Pty Limited	Coal exploration	8 March 2013	100.0%	29,594

Purchase consideration:

In thousands of AUD	Vickery Pty Limited[1]
Shares issued, at fair value	29,594
	29,594

1 The Group acquired Vickery Pty Limited (formerly ICRA Vickery Pty Limited) which held the remaining interest in the Vickery South project which the Group did not own, including a 29% joint venture interest and a right to increase to a 49% interest through farm-in arrangements which are nearing completion. It also involves the termination of Itochu's exclusive off-take and sales agency arrangements relating to the Project. The consideration for the transaction was the issue of 11.47 million shares in Whitehaven Coal Limited to Itochu.

Assets and liabilities acquired

In thousands of AUD	Vickery Pty Limited
Exploration expenditure	29,594
Fair value of net assets acquired	29,594
Total consideration	29,594
Cash flows on acquisition:	
Cash balances acquired (included in cash flows from investing activities)	–
Transaction costs (included in cash flows from operating activities)	99
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	29
Net cash (inflow)/outflow on acquisition – current year	128

Acquisition of additional interest in Coalworks Limited

In the period from 1 July to 21 August 2012 the Group acquired additional interests in the voting shares of Coalworks Limited, increasing its ownership interest to 100%. Cash consideration of $42,354,000 was paid to non-controlling interest shareholders.

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

In thousands of AUD	Coalworks Limited
Revenue	–
Net profit/(loss)	–

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

Transaction costs of $0.8 million have been expensed and are included in administrative expenses.

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

Acquisitions in the year ended 30 June 2012

Business acquired	Principal Activity	Date of acquisition	Proportion acquired	Cost of acquisition
Boardwalk Resources Limited	Coal exploration	1 May 2012	100%	495,480
Aston Resources Limited	Coal mine development	2 May 2012	100%	2,047,426
Coalworks Limited	Coal exploration	20 June 2012	51.1%	162,431

Purchase consideration:

In thousands of AUD	Boardwalk Resources Limited[1]	Aston Resources Limited[2]	Coalworks Limited (restated)[2]
Shares issued, at fair value	444,885	2,014,508	–
Options issued, at fair value	–	32,918	–
Contingent consideration, at fair value	50,595	–	–
Cash consideration	–	–	59,193
Fair value of previously held equity interest	–	–	29,669
Value of farm-in option forgone	–	–	73,569
	495,480	**2,047,426**	**162,431**

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

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

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

Assets and liabilities acquired:

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

In thousands of AUD	Boardwalk Resources Limited	Aston Resources Limited (restated)	Coalworks Limited (restated)
Current assets			
Cash and cash equivalents	140,678	36,909	29,812
Trade and other receivables	1,849	3,837	2,124
Other current assets	80	1,095	1,582
Non-current assets			
Investments	26,357	–	3,676
Property plant and equipment	3,361	2,045,793	2,680
Exploration expenditure	288,674	56,440	246,670
Intangible assets	–	2,912	–
Goodwill arising on initial recognition of deferred tax assets and liabilities	29,894	64,785	7,640
Deferred tax assets	16,683	76,165	4,594
Other non-current assets	–	–	4,618
Current liabilities			
Trade and other payables	(13,768)	(56,610)	(9,237)
Employee benefits	(832)	(277)	–
Provisions	–	(12,664)	(670)
Interest bearing liabilities	(55,777)	(38)	(13,944)
Other current liabilities	(10,000)	(47)	(5,258)
Non-current liabilities			
Trade and other payables	–	(1,275)	–
Interest bearing liabilities	–	(70)	–
Provisions	(4,933)	(28,579)	–
Deferred tax liabilities MRRT	(46,577)	(140,950)	(10,914)
Fair value of net assets acquired	**375,689**	**2,047,426**	**263,373**
Impairment write down of goodwill	119,791	–	–
Non-controlling interest at fair value	–	–	(100,942)
Total consideration	**495,480**	**2,047,426**	**162,431**
Cash flows on acquisition:			
Cash balances acquired (included in cash flows from investing activities)	(140,678)	(36,909)	(29,812)
Transaction costs (included in cash flows from operating activities)	7,565	21,523	722
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	271	756	–
Net cash (inflow)/outflow on acquisition – current year	**(132,842)**	**(14,630)**	**(29,090)**
Transaction costs – not yet paid	128	9,439	2,000

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

The net assets recognised in the year ended 30 June 2012 were based on a provisional assessment of fair values as the Group had not completed its review of the fair value of the assets and liabilities acquired at the date the June 2012 financial statements were approved for issue, due to the complexity of the acquisition and due to the inherently uncertain nature of the mining industry, mining properties and intangible exploration and evaluation assets, in particular. The review of the fair value of the assets and liabilities acquired was completed within 12 months of the acquisition date, leading to the following restatements:

The assets and liabilities of Aston Resources were restated to increase the fair value of provisions by $9.8m, with a corresponding increase in value of mineral tenement.

The assets and liabilities of Coalworks Limited were restated to reduce the fair value of land acquired by $18.6m, increase the value of mining property by $99.6m, recognising deferred tax assets of $1.3m, other non-current assets of $4.4m and recognising an additional non-controlling interest of $13.2m. This followed a restatement of the fair value of consideration in recognition of the farm-in option forgone previously recognised on acquisition of Boardwalk Resources Limited amounting to $73.6m.

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

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

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

Acquisition of additional interest in Coalworks Limited

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

From the date of acquisition, the companies acquired contributed the following amounts of revenue and net profit/(loss) to the Group in the year ended 30 June 2012:

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

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

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

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

39. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Whitehaven Coal Mining Limited
- Namoi Mining Pty Ltd
- Betalpha Pty Ltd
- Tarrawonga Coal Pty Ltd
- Whitehaven Coal Holdings Limited
- Whitehaven Coal Infrastructure Pty Ltd
- Narrabri Coal Pty Ltd
- Narrabri Coal Operations Pty Ltd
- Narrabri Coal Sales Pty Ltd
- Creek Resources Pty Ltd
- Werris Creek Coal Sales Pty Ltd
- Werris Creek Coal Pty Ltd
- WC Contract Hauling Pty Ltd
- Whitehaven Blackjack Pty Ltd
- Whitehaven Project Holdings Pty Ltd
- Whitehaven Project Pty Ltd
- Aston Resources Ltd
- Aston Coal 2 Pty Ltd
- Aston Coal 3 Pty Ltd
- Maules Creek Coal Pty Ltd
- Boardwalk Resources Ltd
- Boardwalk Coal Management Pty Ltd
- Boardwalk Coal Marketing Pty Ltd
- Boardwalk Sienna Pty Ltd
- Boardwalk Monto Pty Ltd
- Boardwalk Dingo Pty Ltd
- Boardwalk Ferndale Pty Ltd
- Coalworks Limited
- Yarrawa Coal Pty Ltd
- Coalworks (Oaklands North) Pty Ltd
- CWK Nominees Pty Ltd
- Oaklands Land Pty Ltd
- Coalworks (Vickery South) Pty Ltd
- Coalworks Vickery South Operations Pty Ltd
- Vickery South Marketing Pty Ltd
- Vickery South Operations Pty Ltd
- Vickery Pty Ltd

The Company and each of the relevant subsidiaries entered into the deed on 27 June 2008 with subsequent assumption deeds entered into on 27 June 2012 and 25 June 2013.

The Deed of Cross Guarantee includes the Company and subsidiaries which are included within the statement of comprehensive income and statement of financial position of the consolidated entity.

Directors' Declaration

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

In the opinion of the Directors:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2013.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 39 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

The Hon. Mark Vaile
Chairman
Sydney

27th August 2013

Independent Auditor's Report
to the members of Whitehaven Coal Limited

Ernst & Young
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Independent auditor's report to the members of Whitehaven Coal Limited

Report on the financial report

We have audited the accompanying financial report of Whitehaven Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, 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.

Independent Auditor's Report
to the members of Whitehaven Coal Limited

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 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Trent van Veen
Partner
Sydney
27 August 2013

ASX Additional Information

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

Shareholdings

Substantial shareholders

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

Shareholder	Percentage of capital held	Number of ordinary shares held per most recent substantial shareholder notice
Farrallon Capital Management LLC	16.62	170,414,721
FRC Whitehaven Holdings BV	7.08	72,650,000
Fritz Kundrun	6.77	69,433,458
Hans Mende	5.97	61,216,735
Martua Sitorus	5.82	59,673,423
Deutsche Bank AG	5.02	51,442,759
Prudential PLC	5.01	51,434,648

Voting rights

Ordinary shares

Refer to note 26 in the financial statements.

Options

There are no voting rights attached to the options.

Distribution of equity security holders

Category	Number of equity security holders
1 – 1,000	2,031
1,001 – 5,000	3,618
5,001 – 10,000	1,493
10,001 – 100,000	1,368
100,001 and over	120
	8,630

There are five holders of options over ordinary shares. Refer to note 32 in the financial statements.

The number of shareholders holding less than a marketable parcel of ordinary shares is 605.

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
HSBC Custody Nominees (Australia) Ltd – GSCO ECA	177,582,568	17.31
HSBC Custody Nominees (Australia) Ltd	135,624,925	13.22
Citicorp Nominees Pty Ltd	109,967,404	10.72
National Nominees Limited	94,537,758	9.22
JP Morgan Nominees Australia Limited (Cash Income A/C)	73,023,593	7.12
FRC Whitehaven Holdings BV	70,865,222	6.91
JP Morgan Nominees Australia Limited	50,423,177	4.92
HSBC Custody Nominees (Australia) Ltd – A/C 2	29,210,969	2.85
AET SFS Pty Ltd (Boardwalk Res Inv P/C)	26,678,979	2.60
HFTT Pty Ltd (Haggarty Family A/C)	25,437,979	2.48
Ranamok Pty Ltd (Plummer Family A/C)	24,908,124	2.43
BNP Paribas Noms Pty Ltd (DRP)	15,197,957	1.48
HSBC Custody Nominees (Australia) Ltd – A/C 3	13,745,088	1.34
UOB Kay Hian (Hong Kong) Ltd (Clients A/C)	13,000,031	1.27
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	9,182,379	0.90
HFTT Pty Ltd (Haggarty Family A/C)	8,000,000	0.78
UBS Wealth Management Australia Nominees Pty Ltd	6,538,398	0.64
Mr Michael Jack Quillen (Quillen Family A/C)	6,135,000	0.60
Decisive Investments Pty Ltd (Decisive Investments A/C)	6,000,000	0.58
Warbont Nominees Pty Ltd (Settlement Entrepot A/C)	4,777,207	0.47
	900,836,758	87.83

This information is current as at 23 August 2013

Corporate Directory

Directors

The Hon. Mark Vaile,
Chairman

John Conde,
Deputy Chairman

Paul Flynn,
Managing Director and Chief Executive Officer

Tony Haggarty

Philip Christensen

Rick Gazzard

Christine McLoughlin

Raymond Zage

Company Secretaries

Austen Perrin

Timothy Burt

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Stock Exchange Listing

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ASX Code: WHC

Auditor

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Legal Advisers

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Country of Incorporation

Australia

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