Tax.

Whitehaven Coal is listed on the ASX. Our mining operations are located only in Australia and we have no foreign subsidiary companies, which means that transfer pricing is not a tax issue for the Group.

Whitehaven prides itself on being a socially responsible corporate citizen. In relation to tax, we adopt a conservative approach. Our culture of compliance and transparency is apparent in our policies, procedures and controls, and in our constructive relationships with tax authorities including the Australian Taxation Office (ATO), state revenue offices and local governments.

Taxes paid and collected

We pay various taxes to federal, state and local governments, and collect various tax payments on behalf of federal and state governments.

Taxes paid

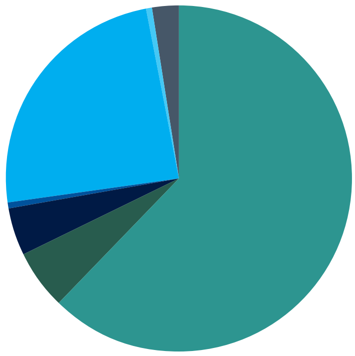
In FY20 Whitehaven contributed $244.2 million to the federal, state and local governments in the form of income tax, royalties, payroll tax and council rates. Coal royalties to the NSW Government represent the largest component of taxes paid. The royalties are *ad valorem*, calculated on gross sales less limited deductions. They are payable via monthly instalments throughout the financial year, with a balancing payment made in July to reflect the final royalty liability for that financial year. In FY20, a reduction in the average coal price resulted in lower royalty payments, which was the key driver of the decrease in taxes paid between FY19 and FY20.

Taxes collected

The largest component of taxes we collect on behalf of the Australian Government are those collected in respect of employees. These include pay as you go (PAYG) withholding tax from employees' salaries and wages. In FY20 the Group collected and remitted a total of $59.6 million to the federal government.

Taxes collected and paid by the Whitehaven Group and its joint venture (JV) partners in FY20 totalled $244.2 million.

Taxes collected and paid by the Whitehaven Group and its JV partners in FY20



- Royalties **$152.2m**
- Corporate income tax **$13.5m**
- Payroll tax **$10.8m**
- Stamp duty **$1.3m**
- Employee payroll taxes (PAYG) **$59.6m**
- Fringe benefits tax **$0.8m**
- Other taxes **$6.0m**

Total **$244.2m**

Our approach to taxation

Our strategy is focused on enhancing the strong position we have established as the coal supplier of choice, the employer of choice and the coal-mining investment of choice.

In relation to taxation matters, we adopt a conservative approach and a culture of taxation compliance. Our policy, strategies, resources, procedures and controls in relation to taxation have been established and implemented in support of this approach and culture.

There is comprehensive Board oversight of tax via the Audit and Risk Committee. A tax governance and tax risk management framework has been implemented to manage and resource Whitehaven's tax functions across the business in respect of all taxes payable and collected. The framework has been prepared referencing the ATO's public guidance, which seeks higher levels of tax transparency, governance and accountability across all taxes for Australian taxpayers, and formalises and captures our prudent approach to taxation matters.

In implementing the framework, we maintain management systems and resources to:

- Actively monitor, identify and manage tax risk
- Comply with taxation laws and reporting standards in Australia
- Lodge all taxation returns and documentation on time
- Collect and pay the calculated amounts of federal, state and local taxes, royalties, levies, duties, rates and imposts when they fall due
- Maintain, with each revenue authority, Whitehaven's standing as an organisation of integrity.

Whitehaven strives to maintain open, honest, transparent and cooperative relationships with all taxation authorities.

During FY20, the ATO completed a comprehensive Streamlined Assurance Review of the Whitehaven Group, covering four income years (2015 to 2018). There were no adjustments raised to the returns that had been lodged, and the ATO provided a 'high assurance rating', which is the best result that could have been achieved and a testament to the Group's positive compliance approach and strong tax governance and tax risk management framework.

Tax disclosures in the financial statements

Income tax

The following information has been derived from the audited financial statements prepared for FY20. The financial statements reflect the Australian corporate income tax position applying the 30% corporate tax rate. The Australian income tax law and Australian accounting standards have different rules in respect of the recognition of income and expenses. Under the accounting standards, differences between accounting and tax rules are classified as:

- **Temporary differences –** these differences neutralise between the tax and accounting treatment over time
- **Non-temporary differences –** these are permanent differences that do not neutralise between the accounting and tax treatments over time, or temporary differences that do not meet the recognition criteria under the accounting standards.

The accounting standards require the calculation of income tax expense, which includes current and deferred tax components. The current tax component represents the expected tax liability for the income year (that is, income tax payable). The deferred tax component represents income tax expected to be paid, or deductions available in future income years. The deferred tax component is recognised as a net deferred tax asset (future deductions available) or net deferred tax liability (future income tax payable) on the balance sheet.

Effective income tax rate

The effective tax rate is the income tax expense for the income year divided by the accounting profit before tax. The effective income tax rates for the Whitehaven Group for FY19 and FY20 are set out below.

Whitehaven's effective tax rate for FY20 of 29% is less than the 30% Australian corporate tax rate. This is primarily due to the permanent component of payments by the tax consolidated group for shares acquired on-market by the Group's employee share scheme trust, which is not a member of the tax consolidated group.

Reconciliation of accounting profit to income tax expense

A reconciliation of the accounting profit before tax to income tax expense is provided below. Income tax expense is calculated as the accounting profit before tax multiplied by the 30% corporate tax rate, adjusted for non-temporary (permanent) differences.

Reconciliation of accounting profit to income tax expense

	FY20	**FY19**
Statutory profit before tax ($m)	42.3	735.9
Income tax expense using the Company's domestic tax rate of 30% ($m)	(12.7)	(220.8)
Non-deductible expenses:		
Share-based payments ($m)	(1.9)	(2.3)
Other non-deductible expenses ($m)	2.0	0.4
On-market share purchases by employee share scheme trust reimbursed by the Group ($m)	1.0	8.5
Adjustments for tax of prior periods ($m)	(0.7)	6.2
Total income tax expense ($m)	(12.3)	(208.0)

Whitehaven's effective income tax rate

	FY20	**FY19**
Statutory profit before tax ($m)	42.3	735.9
Income tax expense ($m)	12.3	208
Effective tax rate (%)	29	28