



Whitehaven Coal Limited
and its controlled entities

ABN 68 124 425 396

Annual Financial Report

For the year ended 30 June 2007

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The directors present their report together with the financial report of Whitehaven Coal Limited ('the Company') and of the consolidated entity, being the Company, its subsidiaries, and the consolidated entity's interest in joint ventures for the year ended 30 June 2007 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:

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
<p>John Conde</p> <p>BSc, BE (Electrical) (Hons), MBA (Dist) Chairperson Independent Non-Executive Director</p> <p>Appointed: 3 May 2007</p>	59	<p>John has over 30 years of broad based commercial experience across a number of industries, including the energy sector. He was chairman and managing director of Broadcast Investment Holdings, the owner of a number of media assets including Channel 9 South Australia and radio stations 2UE and 4BC, as well as being a former non-executive director of Excel Coal Limited. John is currently the chairman of Energy Australia, MBF Australia Limited and Sydney Symphony Limited, President of the Commonwealth Remuneration Tribunal and a board member of the Scouts Australia Foundation.</p>
<p>Keith Ross</p> <p>BE Mining (Hons) Managing Director</p> <p>Appointed: 3 May 2007</p>	73	<p>Keith has over 50 years experience in the coal industry, both operational and managerial, in a number of board and senior executive positions. His previous experience has included Managing Director of AMCI (Australia), Executive Director and then Managing Director of Oakbridge Limited, General Manager of the minerals division of Mcllwraith McEacharn Operations, Managing Director/General Manager of the Cook Colliery for Coal Resources of Queensland Limited and a General Manager for Bellambi Coal Company Limited. Keith has a Bachelor of Engineering (Mining) Honours 1st Class from the Sydney University and is a certificated Colliery Manager.</p>
<p>Neil Chatfield</p> <p>FCPA, AICD Independent Non-Executive Director</p> <p>Appointed: 3 May 2007</p>	53	<p>Neil has over 25 years experience in the transport and resources sectors and is currently a director and Chief Financial Officer for Toll Holdings Limited, a director of Seek Limited, and Chairman of Virgin Blue Holdings Limited, all ASX-listed companies. Neil's previous roles involved senior finance positions in the coal industry including Chief Financial Officer of Cyprus Australia Coal and Oakbridge Limited.</p>
<p>Tony Haggarty</p> <p>MComm Independent Non-Executive Director</p> <p>Appointed: 3 May 2007</p>	49	<p>Tony has over 30 years experience in the development, management and financing of mining projects. He was a co-founder and the Managing Director of Excel Coal Limited from 1993 to late-2006. Prior to this he worked for BP Coal and BP Finance in Sydney and London, and for Agipcoal as the Managing Director of its Australian subsidiary. He is the non-executive Chairman of King Island Scheelite Limited and a non-executive Director of Illawarra Coke Company Pty Ltd.</p>
<p>Alex Krueger</p> <p>BS (Finance) BS (Chemical Engineering) Independent Non-Executive Director</p> <p>Appointed: 3 May 2007</p>	33	<p>Alex is a Managing Director of First Reserve Corporation ("FRC"). He is also a director of Foundation Coal Holdings Inc. Alex is a senior member of the FRC investment team and his responsibilities range from deal origination and structuring to due diligence, execution and monitoring. He is involved in investment activities in all areas of the worldwide energy industry, with particular expertise in the coal sector. Prior to joining FRC, Alex worked in the Energy Group of Donaldson, Lufkin & Jenrette in Houston.</p>

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Hans Mende Independent Non-Executive Director Appointed: 3 May 2007	63	Hans has been President and Chief Operating Officer of AMCI (USA), since he co-founded the company in 1986, and remains one of its largest shareholders. Hans is also a director of MMX Mineracao and a director of Quintana Maritime. Prior to starting AMCI (USA), Hans was employed by Thyssen consolidated entity of Companies, in various senior executive positions within the organisation. He was responsible for the worldwide raw material trading activities of the consolidated entity (coal, iron-ore, steel, scrap, fertilisers and turn-key projects) where he developed strong international marketing skills and overall management expertise. When he left Thyssen in 1986, he was President of their international trading company, which had revenues in excess of US\$1b.
Andy Plummer BSc Mining Eng Independent Non-Executive Director Appointed 3 May 2007	57	Andy has 35 years experience in the investment banking and mining industries. He was most recently an executive director of Excel Coal Limited, responsible for the company's business development activities. He has worked in the Australian banking and finance industry since 1985 with Eureka Capital Partners, Resource Finance Corporation and Westpac. Prior to that, he was employed in a variety of management and technical positions with ARCO Coal, Utah International and Consolidation Coal. He is also a director of King Island Scheelite Ltd, XLX Pty Ltd and Chairman of Ranamok Glass Prize Ltd.
Former directors		
Stephen Bizzell B.Com, CA Executive Director Appointed: 15 March 2007 Resigned: 3 May 2007	39	Stephen Bizzell is a Chartered Accountant and has worked independently since 1994. Work undertaken by Stephen has included acting as lead adviser and principal on numerous transactions, providing advice on corporate structuring issues, private and public capital raisings, ASX listings, valuations, mergers, acquisitions and divestments and strategic and general corporate advice to a large range of clients in a variety of industries.
Dominic Kazlauskas BCom LLB(Hons) MappFin Executive Director Appointed: 15 March 2007 Resigned: 3 May 2007	34	Dominic Kazlauskas spent seven years as a corporate lawyer involved in capital raisings, mergers and acquisitions, venture capital and private equity transactions across a broad range of industries. Work performed by Dominic has included acting as lead adviser on ASX listings and capital raisings and general corporate advice across a variety of industries.
Paul Marshall LLB, Grad Dip Acc & Fin, CA Executive Director Appointed: 15 March 2007 Resigned: 3 May 2007	45	Paul Marshall is a Chartered Accountant. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raisings and company listings and company secretarial responsibilities.

2 Company secretaries

Leigh Whitton
 B.Com, MBA, CPA
 (Company Secretary)
 Appointed: 3 May 2007

Leigh has been with the Whitehaven Group since 2005 as Chief Financial Officer and Company Secretary. He has over 20 years experience in the resources industry including senior roles with Jellinbah Resources, Cyprus Australia Coal and Oakbridge. He holds a Bachelor of Commerce and a Masters of Business Administration and is a Certified Practising Accountant.

Paul Marshall
 LLB, Grad Dip Acc & Fin,
 CA
 (Company Secretary)
 Appointed: 15 March
 2007

Paul Marshall is a Chartered Accountant. He holds a Bachelor of Laws degree and a post Graduate Diploma in Accounting and Finance. He has more than 20 years in the accountancy profession having worked for the accountancy firm Ernst and Young for ten years, and subsequently over ten years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector.

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 S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares	
John Conde	250,000	-	
Keith Ross	14,235,227	-	
Neil Chatfield	250,000	-	
Tony Haggarty	15,150,000	6	exercisable over a maximum of 22,020,657 ordinary shares (refer to details on the Equity Participation and Option Deed in Sections 6.1, 6.2, 6.3.1, 6.3.2 and 6.3.3 of this report)
Alex Krueger	131,650,000	-	
Hans Mende	75,379,833	-	
Andy Plummer	15,000,000	6	exercisable over a maximum of 22,020,657 ordinary shares (refer to details on the Equity Participation and Option Deed in Sections 6.1, 6.2, 6.3.1, 6.3.2 and 6.3.3 of this report)

4 Directors' meeting

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

Director	Board Meetings		Audit and Risk Committee Meetings*		Remuneration and Nomination Committee Meetings*	
	A	B	A	B	A	B
John Conde	5	5	-	-	-	-
Keith Ross	5	5	-	-	-	-
Neil Chatfield	5	5	-	-	-	-
Tony Haggarty	5	5	-	-	-	-
Alex Krueger	5	5	-	-	-	-
Hans Mende	3	5	-	-	-	-
Andy Plummer	5	5	-	-	-	-
Stephen Bizzell	3	3	-	-	-	-
Dominic Kazlauskas	1	3	-	-	-	-
Paul Marshall	3	3	-	-	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

*The Company listed on the ASX in June 2007. Committees were established in relation to the listing on the ASX in particular in relation to the ASX Corporate Governance Guidelines. Neither Committee met in the month of June 2007.

5 Corporate governance statement

This statement outlines the main corporate governance practices in place since the ASX listing of the Company, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Scope of responsibility of Board

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of the Company's shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders.

The Board's broad function is to:

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

5 Corporate governance statement (cont'd)

Scope of responsibility of Board (cont'd)

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- (a) composition of the Board itself including the appointment and removal of Directors;
- (b) oversight of the consolidated entity including its control and accountability system;
- (c) appointment and removal of senior management and the Company secretary;
- (d) reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
- (e) monitoring senior management's performance and implementation of strategy; and
- (f) approving and monitoring financial and other reporting and the operation of committees.

Composition of Board

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- (a) the Board should comprise at least five directors;
- (b) at least half of the Board should be non-executive directors; and
- (c) the chairman of the Board should be one of the independent non-executive directors.

Board charter and policy

The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance.

These initiatives, together with the other matters provided for in the Board's charter, are designed to 'institutionalise' good corporate governance and generally, to build a culture of best practice in the Company's own internal practices and in its dealings with others.

Audit and risk management committee

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. Its current members are:

- (a) Neil Chatfield (Chairman);
- (b) John Conde; and
- (c) Tony Haggarty.

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. Meetings are held at least four times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

5 Corporate governance statement (cont'd)

Remuneration and nominations committee

The purpose of this committee is to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive Directors and make recommendations to the Board in relation to the appointment of new Directors (both executive and non-executive) and senior management.

Its current members are:

- (a) John Conde (Chairman);
- (b) Neil Chatfield; and
- (c) Andy Plummer.

Among the functions performed by the committee are the following:

- (a) review and evaluation of market practices and trends on remuneration matters;
- (b) recommendations to the Board in relation to the consolidated entity's remuneration policies and procedures;
- (c) oversight of the performance of senior management and non-executive Directors;
- (d) recommendations to the Board in relation to the remuneration of senior management and non-executive Directors;
- (e) development of suitable criteria (as regards skills, qualifications and experience) for Board candidates;
- (f) identification and consideration of possible candidates, and recommendation to the Board accordingly; and
- (g) establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management.

Meetings are held at least three times each year.

Best practice commitment

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

The following are a tangible demonstration of the Company's corporate governance commitment.

Independent professional advice

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are borne by the Company.

Code of ethics and values

The Company has developed and adopted a detailed code of ethics and values to guide Directors in the performance of their duties.

Code of conduct for transactions in securities

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

5 Corporate governance statement (cont'd)

Charter

The code of ethics and values and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter which has been formally adopted and can be inspected on its website at www.whitehaven.net.au.

Compliance with ASX corporate governance guidelines and best practice recommendations

The ASX document, '*Principles of Good Corporate Governance and Best Practice Recommendations*' (**Guidelines**) applying to listed entities was published in March 2003 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Board has assessed the Company's current practice against the Guidelines and outlines its assessment below:

Principle 1 – Lay solid foundations for management and oversight

The role of the Board and delegation to management have been formalised as described above in this section and will continue to be refined, in accordance with the Guidelines, in light of practical experience gained in operating as a listed company. The Company complies with the Guidelines in this area.

Principle 2 – Structure the Board to add value

Six of the Board (which comprises 7 Directors in total) are non-executives.

Together the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company.

Principle 3 – Promote ethical and responsible decision making

The Board has adopted a detailed code of ethics and values and a detailed code of conduct for transactions in securities. The purpose of these codes is to guide Directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities.

The Board will ensure that restrictions on dealings in securities are strictly enforced. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

Principle 4 – Safeguard integrity in financial reporting

The audit and risk committee (with its own charter) complies with the Guidelines. All the members of the audit committee are financially literate.

Principle 5 – Make timely and balanced disclosure

The Company's current practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the Company's corporate governance charter.

Principle 6 – Respect the rights of shareholders

The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors always attend the annual general meeting and are available to answer shareholders' questions. The Company's policies comply with the Guidelines in relation to the rights of shareholders.

5 Corporate governance statement (cont'd)

Principle 7 – Recognise and manage risks

The Board, together with management, has constantly sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible improved. The whole issue of risk management is formalised in the Company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will continue to be kept under regular review. Review takes place at both committee level (audit and risk management committee), with meetings are least four times each year, and Board level.

Principle 8 – Encourage enhanced performance

The corporate governance charter adopted by the Board requires individual performance review and evaluation to be conducted formally on an annual basis. In addition, an external review of the performance of Directors and key executives is planned to take place after the completion of previous financial year audit and prior to the convening of the next annual general meeting, and this external review process will be repeated on a regular basis (at intervals not exceeding three years) to ensure independent professional scrutiny and benchmarking against developing best market practice. The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively. The Company's practice complies with the Guidelines in this area.

Principle 9 – Remunerate fairly and responsibly

The Company's current practices in this area are reviewed regularly and comply with the Guidelines. Remuneration of Directors and executives is fully disclosed in the annual report. The remuneration committee, which advises and reports to the Board, is appropriately constituted in that it is comprised of 3 non-executive Directors.

Principle 10 – Recognise the legitimate interests of stakeholders

The Board recognises the importance of this principle (which it believes represents not only sound ethics but also good business sense and commercial practice) and continues to develop and implement procedures to ensure compliance with legal and other obligations to legitimate stakeholders. The Company and its policies and practices comply with the Guidelines in this area.

6 Remuneration report

6.1 Principles of compensation - audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the consolidated entity including the five most highly remunerated S300A executives.

Compensation levels for key management personnel and secretaries of the Company and key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration and nominations committee obtains independent advice on the appropriateness of compensation packages of both the Company and the consolidated entity given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

6 Remuneration report (cont'd)

6.1 Principles of compensation – audited (cont'd)

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control performance
- the consolidated entity's performance including:
 - the consolidated entity's earnings
 - the growth in share price and delivering constant returns on shareholder wealth
 - the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives. In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration and nomination committee through a process that considers individual and overall performance of the consolidated entity. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company.

Short-term incentive bonus

Each year, the Managing Director assesses the performance of senior staff and may recommend the payment of a short term incentive bonus to the board for approval.

Long-term incentive

Options were issued to two senior managers at the time that the Company listed on the Australian Securities Exchange. The options will vest over a three year period. In addition at the time that the Company listed all permanent employees were gifted 1,000 shares on the condition that they are not permitted to dispose of the shares until the earlier of 3 years after the gift or the time when they cease to be employed by the consolidated entity.

Service contracts

It is the consolidated entity's policy that service contracts are entered into for with key management personnel. These contracts vary in term but are capable of termination by the consolidated entity at short notice should the specified executive commit any serious breach of any of the provisions of their agreement or is guilty of any grave misconduct or wilful neglect in the discharge of their duties

6 Remuneration report (cont'd)

6.1 Principles of compensation – audited (cont'd)

Service contracts (cont'd)

Keith Ross, Managing Director, has a contract of employment dated 28 February 2005 with the Company. The contract specifies the duties and obligations to be fulfilled by the chief executive officer. The contract is for a three year term and can be terminated before the expiry by payment of a termination payment equal to the balance of the contract term and a further twelve month termination payment.

Leigh Whitton, Company Secretary and Chief Financial Officer, has a contract of employment dated 6 May 2005 with the Company. The contract specifies the duties and obligations to be fulfilled by the Chief Financial Officer. The contract is for a three year term and can be terminated before expiry by payment of a termination payment equal to the balance of the contract term or one year, whichever is the greater. The contract can also be terminated without notice for gross misconduct.

Non-executive directors

The constitution of the Company provides that the Directors may be paid, as remuneration for their services as Directors, a sum determined from time to time by the Company's shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree.

The maximum aggregate amount which has been approved by Shareholders for payment to the Directors is \$500,000 per annum. An amount of approximately \$447,000 per annum is to be paid to the Directors for the current year.

Remuneration provided to Executive Directors may be in addition to the sum approved by Shareholders.

Whitehaven Coal Limited and its controlled entities
Directors' report
30 June 2007

6 Remuneration report (cont'd)

6.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant consolidated entity executives who receive the highest remuneration and other key management personnel are:

2007		Short-term				Post-employment	Share-based payments		Total	Proportion of remuneration performance related %	Value of options as proportion of remuneration %	
		Salary & fees \$	STI cash bonus (A) \$	Non-monetary benefits \$	Total	Super-annuation benefits \$	Options \$	Shares \$				
<i>In AUD</i>												
Directors												
Non-executive directors *												
	John Conde (Chairman) (appointed 3/5/07)	2007	30,000	-	-	30,000	2,700	-	-	32,700	-	-
	Neil Chatfield (appointed 3/5/07)	2007	18,749	-	-	18,749	1,689	-	-	20,438	-	-
	Tony Haggarty (appointed 3/5/07)	2007	16,350	-	-	16,350	-	-	-	16,350	-	-
	Alex Krueger (appointed 3/5/07)	2007	12,500	-	-	12,500	1,125	-	-	13,625	-	-
	Hans Mende (appointed 3/5/07)	2007	12,500	-	-	12,500	1,125	-	-	13,625	-	-
	Andy Plummer (appointed 3/5/07)	2007	14,988	-	-	14,988	-	-	-	14,988	-	-
Executive directors												
	Keith Ross (Managing Director)	2007	338,000	-	27,394	365,394	-	-	-	365,394	-	-
	Stephen Bizzell (appointed 15 March 2007, resigned 3 May 2007)	2007	-	-	-	-	-	-	-	-	-	-
	Dominic Kazlauskas (appointed 15 March 2007, resigned 3 May 2007)	2007	-	-	-	-	-	-	-	-	-	-
	Paul Marshall (appointed 15 March 2007, resigned 3 May 2007)	2007	-	-	-	-	-	-	-	-	-	-

* Although non-executive directors were appointed 3/5/07, they were paid from 1/4/07 for services associated with the IPO

Whitehaven Coal Limited and its controlled entities
 Directors' report
 30 June 2007

6 Remuneration report (cont'd)

6.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (cont'd)

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant consolidated entity executives who receive the highest remuneration and other key management personnel are:

2007		Short-term				Post-employment	Share-based payments		Total	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
		Salary & fees \$	STI cash bonus (A) \$	Non-monetary benefits \$	Total	Super-annuation benefits \$	Options (B) \$	Shares \$			
<i>In AUD</i>											
Executives											
Leigh Whitton (CFO/Company Secretary)	2007	211,000	10,000	16,792	237,792	31,650	500	1,000	270,942	3.7	0.2
Chris Burgess (General Manager New Projects)	2007	176,658	10,000	14,138	200,796	45,439	-	-	246,235	4.1	-
Casper Deiben (General Manager Operations) (appointed 1 May 2007)	2007	-	-	4,388	4,388	47,744	-	1,000	53,132	-	-
Tony Galligan (Managing Director, Whitehaven Coal Infrastructure)	2007	160,000	10,000	18,987	188,987	100,000	500	1,000	290,487	3.4	0.2
Total compensation: key management personnel (consolidated)	2007	990,745	30,000	81,899	1,102,644	231,472	1,000	3,000	1,338,116	-	-
Total compensation: key management personnel (company)	2007	-	-	-	-	-	1,000	3,000	4,000	-	-

6 Remuneration report (cont'd)

6.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (cont'd)

Equity Participation and Option Deed

The consolidated entity has entered into an Equity Participation and Option Deed (the Deed) with entities related to Directors Andy Plummer and Tony Haggarty. In accordance with the Deed, the following shares and options in the Company have been issued to these related entities.

Shares

The related entities of Andy Plummer and Tony Haggarty hold 30 million shares in the Company (15 million shares each). The 30 million shares were issued at \$0.50 per share. These shares comprise Tranche 1 (15 million shares) and Tranche 2 (15 million shares). Tranche 2 shares have been escrowed and are subject to the holding requirements set out below. They will be released from escrow over a five year period but will be released earlier if the Company's share price reaches \$2.50 or the options referred to below lapse. Dividends (net of an allowance for tax) attaching to the escrowed shares will be held in escrow accounts and released at the time the shares are released.

In order for Tranche 2 shares to be released from escrow, the related entities of Andy Plummer and Tony Haggarty must each hold the following proportions of Tranche 1 shares:

- (a) Years 1 and 2 – 100% of Tranche 1 shares;
- (b) Year 3 – 80% of Tranche 1 shares; and
- (c) Year 4 and 5 – 50% of Tranche 1 shares.

If these prescribed numbers of Tranche 1 Shares are not held on the relevant release date, then some of the Tranche 2 shares to be released from escrow on that date will be forfeited on a pro rata basis. For example if for the year 3 release from escrow only 50% of the Tranche 1 shares are held, then the amount of shares released would be equal to 50%/80% with the remaining shares that would otherwise have been released on that date (i.e. 30%/80%) to be forfeited.

For accounting purposes, the difference between the consideration received by the Company and the fair value of the issued shares of \$15,000,000 has been recognised in the profit and loss for the period ended 30 June 2007.

Options

The related entities of Andy Plummer and Tony Haggarty have also been granted 6 options each to acquire additional shares in the Company. The number of option shares is the percentage (set out in the table below) of a deemed amount of issued shares. For the purposes of the Deed, the deemed number of shares is 300 million shares plus any shares issued under previous exercised options.

Each option is exercisable when the share price reaches a certain level (as set out in the table below). All share prices will be considered attained when the volume weighted average price of ordinary shares on the ASX measured over 10 consecutive trading days reaches the required amount. All options have an exercise price of \$1.

6 Remuneration report (cont'd)

6.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (cont'd)

The number of option shares will be reduced if the relevant percentage shown in the table below of the Tranche 2 shares released from escrow are not held at the time of exercising the option on a pro rata basis. For example if for option 3, only 50% of the Tranche 2 shares are held, then the number of option shares will be reduced to 50%/80% of the relevant grant percentage in the table below.

Option no.	Grant percentage (aggregate)	Maximum number of potential shares	Share price	Percentage of the Tranche 2 shares released from escrow to be held
1	1.67%	2,505,000	\$2.50	100%
2	3.0%	4,575,150	\$3.00	90%
3	2.4%	3,769,924	\$3.50	80%
4	2.39%	3,844,317	\$4.00	70%
5	2.2%	3,623,277	\$4.50	60%
6	2.2%	<u>3,702,989</u>	\$5.00	50%
		<u>22,020,657</u>		

The options were granted for nil consideration. The fair value of the options at grant date was 7.2 cents per option share. The fair value of these options attributable to the period ended 30 June 2007 of \$55,000 has been recognised in the profit and loss of the Company.

The fair value of these options have been determined using Black Scholes barrier option techniques, incorporating the probability of the performance hurdles being met.

Whitehaven Coal Limited and its controlled entities
 Directors' report
 30 June 2007

6 Remuneration report (cont'd)

6.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (cont'd)

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the four named Company executives and relevant consolidated entity executives who receive the highest remuneration and other key management personnel are:

2006 ¹		Short-term				Post-employment	Share-based payments		Total	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
		Salary & fees \$	STI cash bonus (A) \$	Non-monetary benefits \$	Total	Super-annuation benefits \$	Options \$	Shares \$			
<i>In AUD</i>											
Directors											
Non-executive directors											
	2006	-	-	-	-	-	-	-	-	-	-
	2006	-	-	-	-	-	-	-	-	-	-
	2006	-	-	-	-	-	-	-	-	-	-
	2006	-	-	-	-	-	-	-	-	-	-
	2006	-	-	-	-	-	-	-	-	-	-
Executive directors											
	2006	257,500	-	19,300	277,000	21,260	-	-	298,260	-	-
	2006	172,439	10,000	15,183	197,622	17,833	-	-	215,455	4.6	-
Executives											
	2006	156,122	10,000	14,854	180,976	12,883	-	-	193,859	5.2	-
	2006	18,256	-	2,029	20,285	11,410	-	-	31,695	-	-
	2006	604,317	20,000	51,366	675,883	63,386	-	-	739,269	-	-
	2006	-	-	-	-	-	-	-	-	-	-

¹ In 2006, those listed were directors and senior executives of Whitehaven Coal Mining Limited

6 Remuneration report (cont'd)

6.2 Notes in relation to the table of directors' and executive officers remuneration – audited (cont'd)

- A. The short-term incentive bonus is for performance during the 30 June 2006 and 30 June 2005 financial year.
- B. The fair value of services received in return for share options granted to the senior employees is based on the fair value of share options granted, measured using a Black Scholes model.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option life/ Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
Director Related							
Entiess							
3/5/07	10 years	7.2 cents	\$1.00	\$1.00	30%	5.88%	10%
Executives							
3/5/07	30/6/08	10.7 cents	\$1.00	\$1.00	30%	5.88%	10%
3/5/07	30/6/09	10.7 cents	\$1.00	\$1.00	30%	5.88%	10%
3/5/07	30/6/10	10.7 cents	\$1.00	\$1.00	30%	5.88%	10%

6.3 Equity instruments

All options refer to options over ordinary shares of Whitehaven Coal Limited.

6.3.1 Options over equity instruments granted as compensation – audited

Details on options over ordinary shares in the Company that were granted to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted during 2007	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Number of options vested during 2007
Director related entities						
Tony Haggarty	6	3 May 2007	7.2 cents	\$1.00	none	-
Andy Plummer	6	3 May 2007	7.2 cents	\$1.00	none	-

Investment entities associated with Andy Plummer and Tony Haggarty have been granted options to acquire additional shares in the Company, details are set out in section 6.2 for a maximum number of potential shares of 22,020,657 each.

Executives						
Leigh Whitton	33,333	3 May 2007	10.7 cents	\$1.00	30 June 2008	-
	33,333	3 May 2007	10.7 cents	\$1.00	30 June 2009	-
	33,334	3 May 2007	10.7 cents	\$1.00	30 June 2010	-
Tony Galligan	33,333	3 May 2007	10.7 cents	\$1.00	30 June 2008	-
	33,333	3 May 2007	10.7 cents	\$1.00	30 June 2009	-
	33,334	3 May 2007	10.7 cents	\$1.00	30 June 2010	-

6 Remuneration report (cont'd)

6.3.1 Options over equity instruments granted as compensation – audited (cont'd)

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

All executive options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable over a period of three years from grant date. For options granted in the current year, the earliest exercise date is 2 June 2008.

Further details, including grant dates and exercise dates regarding options granted to director related entities and executives are in note 34 to the financial statements.

6.3.2 Modification of terms of equity-settled share-based payment transactions - audited

No terms of equity-settled share-based payment have been altered or modified by the issuing entity during the reporting period.

6.3.3 Exercise of options granted as compensation - audited

During the reporting period no shares were issued on the exercise of options previously granted as compensation.

6.3.4 Analysis of options and rights over equity instruments granted as compensation – unaudited

Details of vesting profile of the options granted as remuneration to each of the five named Company executives and relevant consolidated entity executives and other key management personnel are detailed below.

Executives	Options granted		% vested in year	% Forfeited in year	Financial years in which grant vests	Value yet to vest \$
	Number	Date				
Leigh Whitton	33,333	2 June 2007	-	-	2008	3,060
Leigh Whitton	33,333	2 June 2007	-	-	2009	3,560
Leigh Whitton	33,334	2 June 2007	-	-	2010	3,580
Tony Galligan	33,333	2 June 2007	-	-	2008	3,060
Tony Galligan	33,333	2 June 2007	-	-	2009	3,560
Tony Galligan	33,334	2 June 2007	-	-	2010	3,580

For details of options granted to entities associated with directors refer to section 6.2.

6 Remuneration report (cont'd)

6.3.5 Analysis of movements in options – unaudited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by entities associated with each Company director and each of the five named Company executives and relevant consolidated entity executives and other key management personnel is detailed below.

	Value of options			Total option value in year \$
	Granted in year \$	Exercised in year \$	Forfeited in year \$	
Director related entities (a)				
Tony Haggarty	1,590,000	-	-	1,590,000
Andy Plummer	1,590,000	-	-	1,590,000
	3,180,000	-	-	3,180,000
Executives (b)				
Leigh Whitton	10,700	-	-	10,700
Tony Galligan	10,700	-	-	10,700
	21,400	-	-	21,400

- (a) The value of options granted in the year to entities related to directors is based on the fair value of share options granted, measured using Black Scholes barrier options techniques, incorporating the probability of the performance hurdles being met. The total value of the options granted is included in the table above. This amount is allocated to remuneration over an estimated 10 year vesting period.
- (b) The value of options granted in the year to executives is the fair value of the options calculated at grant date using Black Scholes model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 3 May 2007 to 30 June 2010).

7 Principal activities

The principal activity of the consolidated entity during the year was the development and operation of open cut coal mines in New South Wales. During the year the consolidated entity completed the acquisition of a portfolio of coal assets and successfully listed on the Australian Securities Exchange in June 2007. There were no other significant changes in the nature of the activities of the consolidated entity during the year.

8 Operating and financial review

8.1 Overview of the consolidated entity

Whitehaven Coal Limited was incorporated on 15 March 2007 and legally acquired Whitehaven Coal Mining Limited and its controlled entities on 29 May 2007. In accordance with AASB 3 *Business Combinations*, this acquisition was determined to be a "reverse acquisition". In a reverse acquisition, the legal acquirer becomes the accounting subsidiary and the legal acquiree becomes the accounting parent. As a result of the reverse acquisition, the income statement for the consolidated entity for the period ended 30 June 2007 comprises the following material trading results:

- Whitehaven Coal Limited for the period 29 May 2007 to 30 June 2007;
- Whitehaven Coal Holdings Pty Ltd for the period 16 April 2007 to 30 June 2007;
- Whitehaven Coal Mining Limited for the period 1 July 2006 to 30 June 2007;
- Betalpha Pty Ltd for the period 1 July 2006 to 30 June 2007; and
- Narrabri Coal Pty Ltd for the period 16 April 2007 to 30 June 2007.

8.2 Shareholder returns

Highlights from the year include the following:

- Net Profit After Tax of \$24,095,000 on sales of 1,460,000 tonnes of coal
- EBITDA (adjusted for one off listing and restructure costs) of \$39,400,000
- Successful IPO and listing on the ASX in June 2007
- Tarawonga open cut mine successfully commissioned
- Owner operation implemented at Canyon and Tarawonga with significant cost savings
- Environmental Assessments lodged for the Narrabri, Belmont and Sunnyside development projects
- Additional resources identified at Narrabri South

The operating results are summarised below:

Whitehaven Coal Limited - Consolidated	2007	2006	Movement
	\$000	\$000	%
Revenue	106,201	88,957	19.38%
Net profit for the period attributable to members	24,095	11,697	105.99%
Earnings per share (cents)	8.0	3.9	105.13%

The consolidated entity's operations during the year focused on operating and developing coal mines. There were two operating projects during the year with total coal production (on an equity basis) of 1,731,000 tonnes compared to 1,069,000 tonnes in the 2006 year. The Company completed a listing on the Australian Securities Exchange with an initial public offering of 1.9 million shares at \$1 per share. The share price at 30 June 2007 was \$2.09.

8 Operating and financial review (cont'd)

8.3 Investments for future performance

The consolidated entity has interests in three operating mines (Canyon, Tarrawonga opencut and Werris Creek) that produce thermal coal, semi-soft coking coal and PCI coal. Most of this coal is exported out of Newcastle to major steel mills and international power utilities.

During FY2008 and FY2009, the consolidated entity plans to commence mining at two additional open cut mines (Belmont and Sunnyside) within the Whitehaven Mining Precinct and a large underground project at Narrabri North.

The consolidated entity's key assets include:

- (a) Whitehaven Mining Precinct (Canyon: 100%, Tarrawonga: 70%, Belmont: 100% and Sunnyside: 100%);
- (b) Werris Creek (40%); and
- (c) Narrabri (North and South: 100%).

These projects are expected to result in aggregated managed production of approximately 11,000,000 tonnes per annum by FY2011.

These production forecasts do not include possible additional production from the Narrabri South, Tarrawonga underground, Canyon West, West Blue Vale or Bonshaw exploration projects.

Under an agreement completed with the NSW Government, the consolidated entity has committed to underwrite 60% of the funding of a major upgrade of the Werris Creek to Narrabri rail infrastructure which will increase the capacity of that line to more than 10 million tonnes per annum over the next two years. The first stage is to be commissioned in the first quarter of calendar year 2008 and will provide a 70% increase of the current capacity.

8.4 Review of financial condition

Capital structure and treasury policy

Whitehaven Coal Limited completed its Initial Public Offer and listed on the ASX on 1 June 2007 following strong demand from both retail and institutional investors. Under the offer, a total of 1.9 million shares were offered at \$1.00 per share. At the time of listing the Company had 978 shareholders, with approximately 87% of shares held by directors, management, and employees.

At 30 June 2007, the Company had 323,000,000 shares on issue with a total of 1,235 shareholders.

Liquidity and funding

The consolidated balance sheet shows the consolidated entity is well positioned for growth and with a portfolio of projects that can be used to raise the finance required for their development.

<i>In thousands of AUD</i>	FY 2007	FY 2006
Cash on hand	21,185	1,756
Interest cover ratio ¹	6.5	5.8
Interest bearing liabilities	76,695	25,593
Net debt	55,510	23,837
Net assets	252,455	51,314
Gearing ratio ²	18%	32%

¹ EBIT to Interest Expense

² Net Debt to Net Debt plus Equity

8.5 Operations

Details of the mine operations of the consolidated entity that operated during the 2006/07 financial year are as follows:

WHITEHAVEN MINING PRECINCT

<i>Thousand Tonnes</i> *	FY 2007	FY 2006	% Variance
ROM Coal Production	1,388	708	96%
Saleable Coal Production	997	563	77%
Coal Sold **	1,021	731	40%
Coal stocks at end of period	286	35	717%

** All figures are on a 100% basis, ** Includes purchased coal*

The Whitehaven Mining Precinct currently includes the Canyon and Tarrawonga open cut mines and the Whitehaven Coal Handling and Preparation Plant and train load-out facility.

There were no Lost Time Injuries recorded in the Whitehaven Mining Precinct in FY2007.

Saleable coal production of 0.997 million tonnes was 77% above the previous corresponding period.

The Tarrawonga mine commenced production in September 2006 and overburden removal has increased to budgeted rates by the end of FY 2007. There has been a large increase in coal stocks and overburden in advance.

WERRIS CREEK

<i>Thousand Tonnes</i> *	FY 2007	FY 2006	% Variance
ROM Coal Production	1,289	903	43%
Saleable Coal Production	1,291	824	57%
Coal Sold **	1,361	880	55%
Coal stocks at end of period	56	52	8%

** All figures are on a 100% basis, ** Includes purchased coal*

There were no Lost Time Injuries recorded at Werris Creek in FY2007.

Saleable coal production of 1.291 million tonnes was 57% above the previous corresponding period.

8.5 Operations (cont'd)

Strategy and future performance

Coal prices and marketing

The current medium term outlook for thermal coal and semi-soft demand and price outcomes remains strong and it is expected that this may be reflected in higher US\$ prices for the consolidated entity's products in Japanese Financial Year ("JFY") 08 (commencing 1 April 2007).

Outlook

- Productivity will continue at current high levels.
- Coal prices for JFY08 expected to increase in line with current spot prices.
- Production and sales will be limited by port constraints.
- Production from Belmont and Sunnyside projects may not commence until FY09 due to processing delays in the approval process.
- Rail capacity to Gunnedah to increase by 70% with longer trains commencing in Q1 CY08.
- Planning approval for the Narrabri North Coal project expected to allow commencement of construction by the end of CY07.

9 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.

10 Dividends

There were no dividends paid or declared by the Company to members during, or since the end of, the financial year.

11 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report 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.

12 Likely developments

The consolidated entity will continue with the operation and development of its coal projects. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the consolidated entity.

13 Share options

13.1 Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following of the five most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Officers			
Leigh Whitton	33,333	\$1.00	30 June 2008
Leigh Whitton	33,333	\$1.00	30 June 2009
Leigh Whitton	33,334	\$1.00	30 June 2010
Tony Galligan	33,333	\$1.00	30 June 2008
Tony Galligan	33,333	\$1.00	30 June 2009
Tony Galligan	33,334	\$1.00	30 June 2010

In addition there are a total of 12 options exercisable over a maximum of 44,041,314 ordinary shares. Full details of these options are set out in section 6.2 of the Director's report.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

13.2 Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

All options were granted during the financial year. No options have been granted since the end of the financial year.

13.3 Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 June 2008	\$1.00	66,666
30 June 2009	\$1.00	66,666
30 June 2010	\$1.00	66,668

All options expire on the earlier of their expiry date or termination of the employee's employment. For details of options issued to entities related to directors refer to section 6 of the Director's report.

14 Indemnification and insurance of officers

14.1 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.

14.2 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.

15 Environmental regulation

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The directors are not aware of any significant breaches of environmental regulations.

16 Non-audit services

During the year KPMG, 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, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

<i>In AUD</i>	Consolidated 2007	Consolidated 2006
Audit services:		
Auditors of the Company (KPMG Australia)		
Audits of statutory financial statements	217,333	39,600
Other auditors		
Audit of financial statements	3,800	4,274
	221,133	43,874
Services other than statutory audit:		
Other regulatory audit services – KPMG Australia		
Coalsuper Retirement Income Fund contributions audit	2,100	2,675
LSL Levy contributions audit	1,550	1,975
Other assurance services		
Reviews of financial statements to support listing	42,373	-
Accounting advice – KPMG Australia	29,726	-
Due diligence services – KPMG related practice	210,158	-
Other services		
Taxation services	232,555	31,828
	518,462	36,478

17 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 27 and forms part of the directors' report for financial year ended 30 June 2007.

18 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:

A handwritten signature in black ink, appearing to read 'Neil Chatfield', written over a horizontal line.

Neil Chatfield

Director

Dated at Melbourne this 27th day of September 2007



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Whitehaven Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Simon Crane'.

Simon Crane
Partner

Brisbane

27 September 2007

Whitehaven Coal Limited and its controlled entities
Income statements
For the year ended 30 June 2007

	Note	Consolidated 2007	Consolidated 2006 Restated*	Company 2007
<i>In thousands of AUD</i>				
Revenue	7	106,201	88,957	-
Cost of sales		(67,206)	(56,953)	-
Gross profit		38,995	32,004	-
Other income	8	1,140	395	-
Selling and distribution expenses		(28,231)	(19,074)	-
Administrative expenses		(6,824)	(2,057)	(61)
Other expenses	9	(15,172)	-	(15,163)
(Loss)/profit before financing income		(10,092)	11,268	(15,224)
Financial income	11	20,612	5,071	4,073
Financial expenses	11	(5,126)	(907)	(6)
Net financing income		15,486	4,164	4,067
Profit/(loss) before tax		5,394	15,432	(11,157)
Income tax benefit/(expense)	12	18,701	(3,735)	42
Profit for the year attributable to equity holders of the parent		24,095	11,697	(11,115)
Earnings per share:				
Basic earnings per share (cents per share)	37	8.0	3.9	
Diluted earnings per share (cents per share)	37	8.0	3.9	

* see correction of error – note 40

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 32 to 68.

Whitehaven Coal Limited and its controlled entities
Statements of changes in equity
For the year ended 30 June 2007

Consolidated	Note	Issued capital	Retained earnings	Hedge reserve	Total
<i>In thousands of AUD</i>					
Opening balance at 1 July 2005		31,000	20,617	3,393	55,010
Net gain on derivative instruments transferred to profit and loss		-	-	(3,393)	(3,393)
Net profit for the period – restated*	40	-	11,697	-	11,697
Total recognised income and expense for the period		-	11,697	-	11,697
Dividends paid	27	-	(12,000)	-	(12,000)
Closing balance at 30 June 2006		31,000	20,314	-	51,314

	Note	Issued capital	Retained earnings	Hedge reserve	Total
<i>In thousands of AUD</i>					
Opening balance at 1 July 2006		31,000	20,314	-	51,314
Net profit for the period		-	24,095	-	24,095
Total recognised income and expense for the period		-	24,095	-	24,095
Share based payments	34	-	15,163	-	15,163
Shares issued	27	162,046	-	-	162,046
Share issue costs	27	(163)	-	-	(163)
Closing balance at 30 June 2007		192,883	59,572	-	252,455

Company	Note	Issued capital	Retained earnings	Hedge reserve	Total
<i>In thousands of AUD</i>					
Opening balance at 1 July 2006		-	-	-	-
Net profit for the period		-	(11,115)	-	(11,115)
Total recognised income and expense for the period		-	(11,115)	-	(11,115)
Share based payments	34	-	15,163	-	15,163
Shares issued	27	322,046	-	-	322,046
Share issue costs	27	(163)	-	-	(163)
Closing balance at 30 June 2007		321,883	4,048	-	325,931

Amounts are net of tax.

* See correction of error – note 40

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 32 to 68.

Whitehaven Coal Limited and its controlled entities

Balance sheets

As at 30 June 2007

<i>In thousands of AUD</i>	Note	Consolidated 2007	Consolidated 2006 Restated*	Company 2007
Assets				
Cash and cash equivalents	13	21,185	1,756	2,815
Trade and other receivables	14	14,336	18,467	1,318
Inventories	15	10,768	1,521	-
Deferred stripping		11,425	4,707	-
Current tax receivable	22	25	-	-
Derivative financial instruments	16	5,202	116	-
Total current assets		62,941	26,567	4,133
Trade and other receivables	14	2,214	256	-
Biological assets	17	80	80	-
Investments	18	37	37	464,750
Property, plant and equipment	19	267,612	78,011	-
Exploration and evaluation	20	1,672	1,880	-
Other intangible assets	21	920	-	-
Deferred tax assets	22	7,876	-	2,152
Derivative financial instruments	16	8,870	186	-
Total non-current assets		289,281	80,450	466,902
Total assets		352,222	107,017	471,035
Liabilities				
Trade and other payables	23	16,135	13,020	145,104
Interest-bearing loans and borrowings	24	22,294	6,760	-
Employee benefits	25	1,380	1,119	-
Current tax payable	22	-	988	-
Deferred income		62	-	-
Provisions	26	708	1,384	-
Total current liabilities		40,579	23,271	145,104
Non-current liabilities				
Interest-bearing loans and borrowings	24	54,401	18,833	-
Deferred tax liabilities	22	-	11,624	-
Deferred income		262	-	-
Provisions	26	4,525	1,975	-
Total non-current liabilities		59,188	32,432	-
Total liabilities		99,767	55,703	145,104
Net assets		252,455	51,314	325,931
Equity				
Share capital	27	192,883	31,000	321,883
Retained earnings		59,572	20,314	4,048
Total equity		252,455	51,314	325,931

* See correction of error – note 40

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 32 to 68.

Whitehaven Coal Limited and its controlled entities
Statements of Cash flows
For the year ended 30 June 2007

<i>In thousands of AUD</i>	Note	Consolidated 2007	Consolidated 2006	Company 2007
Cash flows from operating activities				
Cash receipts from customers		108,668	95,051	-
Cash paid to suppliers and employees		(101,905)	(69,010)	(1,379)
Cash generated from operations		6,763	26,041	(1,379)
Interest paid		(2,489)	(472)	(6)
Interest received		2,428	314	67
Income taxes (paid)/received		(1,739)	310	-
Net cash from operating activities	32	4,963	26,193	(1,318)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		-	105	-
Cash acquired in business combination		17,179	-	-
Acquisition of property, plant and equipment		(54,287)	(31,610)	-
Acquisition of intangible		(92)	-	-
Exploration and evaluation expenditure		(604)	(110)	-
Issuance of loans to related entities		(2,514)	(5,166)	-
Net cash from investing activities		(40,318)	(36,781)	-
Cash flows from financing activities				
Proceeds from the issue of share capital		4,296	-	4,296
Transaction costs paid on issue of share capital		(163)	-	(163)
Proceeds from the issuance of borrowings		67,855	20,832	-
Repayment of borrowings		(11,226)	-	-
Payment of finance lease liabilities		(3,478)	(1,382)	-
Dividends paid		(2,500)	(9,500)	-
Net cash from financing activities		54,784	9,950	4,133
Net increase in cash and cash equivalents		19,429	(638)	2,815
Cash and cash equivalents at 1 July		1,756	2,394	-
Cash and cash equivalents at 30 June	13	21,185	1,756	2,815

The statements of cashflows are to be read in conjunction with the notes to the financial statements as set out on pages 32 to 68.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

1 Reporting entity

Whitehaven Coal Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Ground Floor 895 Ann Street, Fortitude Valley QLD 4006. The consolidated financial report of the Company for the financial year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in jointly controlled operations. Whitehaven Coal Limited was incorporated on 15 March 2007 and legally acquired Whitehaven Coal Mining Limited and its controlled entities on 29 May 2007. In accordance with AASB 3 *Business Combinations*, this acquisition was determined to be a "reverse acquisition". In a reverse acquisition, the legal acquirer becomes the accounting subsidiary and the legal acquiree becomes the accounting parent. As a result of the reverse acquisition, the income statement for the consolidated entity for the period ended 30 June 2007 comprises the following material trading results:

- Whitehaven Coal Limited for the period 29 May 2007 to 30 June 2007;
- Whitehaven Coal Holdings Pty Ltd for the period 16 April 2007 to 30 June 2007;
- Whitehaven Coal Mining Limited for the period 1 July 2006 to 30 June 2007;
- Betalpha Pty Ltd for the period 1 July 2006 to 30 June 2007; and
- Narrabri Coal Pty Ltd for the period 16 April 2007 to 30 June 2007.

The consolidated entity primarily develops and operates coal mines in New South Wales.

As the Company was incorporated on 15 March 2007, the results and cash flows for the Company are for the period from incorporation to 30 June 2007. Accordingly, there is no comparative information for the Company.

2 Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the consolidated entity also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 *Financial Instruments: Presentation and Disclosure* in respect of certain disclosure requirements.

The financial statements were approved by the Board of Directors on 26 September 2007.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the consolidated entity.

The Company is of a kind referred to in ASIC Class Order 98/100 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.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

2 Basis of preparation (cont'd)

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 – business combinations
- Note 16 – valuation of financial instruments
- Note 22 – utilisation of tax loss
- Notes 26 and 31 – provisions and contingencies
- Note 34 – measurement of share-based payments

3 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.

The entity has elected to early adopt the following accounting standards and amendments:

- AASB 101 *Presentation of Financial Statements* (October 2006)
- ED 151 Australian Additions to, and Deletion from, IFRSs

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

a) Basis of consolidation (cont'd)

(ii) Jointly controlled operations

The interest of the consolidated entity in unincorporated joint ventures are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of 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.

b) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) Financial instruments

(i) Non derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. 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. 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 liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. 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 for the purpose of the statement of cash flows.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

(ii) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operating activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value with attributable transaction costs recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss as part of foreign currency gains and losses.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

(iii) Share capital

Ordinary shares

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.

Dividends

Dividends are recognised as a liability in the period in which are declared.

d) 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.

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.

(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 profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis or units of production 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 – 20% |
| • leased plant and equipment | 11 – 14% |
| • mining property and development assets | units of production |

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

3 Significant accounting policies (cont'd)

e) 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 income statement.

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 development.

(ii) Water access rights

The consolidated entity holds water access rights having a perpetual life, which have been determined to have an indefinite life. The water access rights have been recognised at cost and will be assessed annually for impairment.

f) 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.

g) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the consolidated entity's balance sheet.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

h) 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 mining 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.

i) Impairment

(i) Financial assets

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 biological assets, inventories and deferred tax assets, are reviewed at each balance sheet 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.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement, 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 first to reduce the carrying amount of any goodwill allocated to cash-generating units (consolidated entity of units) and then, to reduce the carrying amount of the other assets in the unit (consolidated entity of units) on a pro rata basis.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

j) Employee benefits

(i) Defined contribution superannuation funds

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

(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 sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date 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.

(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.

k) Provisions

A provision is recognised in the balance sheet 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 economic benefits will be required to settle 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 closure, rehabilitation, site restoration and dismantling

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 employing 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.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

k) Provisions (cont'd)

(i) Mine closure, rehabilitation, site restoration and dismantling (cont'd)

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 income statement 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 income statement. 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 income statement 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 income statement as incurred.

l) Revenue

(i) Coal sold

Revenue from the sale of coal is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Rental income

Revenue received before it is earned is recorded as unearned lease income in the balance sheet 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. Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(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 income statement as earned.

m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. 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.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

n) 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.

o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of recognised assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by law at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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) Tax consolidation

The Company and its wholly-owned Australian resident entities have 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/income, 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.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

o) Income tax (cont'd)

(i) Tax consolidation (cont'd)

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.

(ii) 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.

p) Goods and services tax

Revenue, 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 balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. 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.

q) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

3 Significant accounting policies (cont'd)

r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- *AASB 7 Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the consolidated entity's financial instruments and share capital.
- *AASB 2005-10 Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts arising from the release of AASB 7*. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

4 Determination of fair values

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

a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipment is based on the quoted market prices for similar items.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

4 Determination of fair values (cont'd)

b) Intangible assets

The fair value of water access rights with indefinite useful lives is based on the outcome of recent transactions for similar assets within the same industry, less estimated costs of disposal.

c) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

d) Derivatives

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 sheet date, taking into account quoted market rates and the current creditworthiness of the counterparties.

e) 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.

f) Share-based payment transactions

The fair value of services received in return for share options granted to the directors is based on the fair value of share options granted, measured using Black Scholes barrier options techniques, incorporating the probability of the performance hurdles being met.

The fair value of services received in return for share options granted to the senior employees is based on the fair value of share options granted, measured using a Black Scholes model.

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.

5 Segment reporting

Business and geographical segments

The consolidated entity operates within the coal industry in Australia.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

6 Acquisition of subsidiaries

Acquisition of Whitehaven Coal Limited and Whitehaven Coal Holdings Pty Ltd

Whitehaven Coal Limited was incorporated on 15 March 2007 and legally acquired Whitehaven Coal Mining Limited and its controlled entities on 29 May 2007. In accordance with AASB 3 *Business Combinations*, this acquisition was determined to be a "reverse acquisition". In a reverse acquisition, the legal acquirer becomes the accounting subsidiary and the legal acquiree becomes the accounting parent.

The reverse acquisition had the following effect on the consolidated entity's assets and liabilities on acquisition date:

	Pre – acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
<i>In thousands of AUD</i>			
Trade and other receivables	19	-	19
Cash and cash equivalents	17,179	-	17,179
Net identifiable assets and liabilities	<u>17,198</u>	-	<u>17,198</u>
Goodwill on acquisition			-
Consideration paid, satisfied in issuance of shares*			<u>17,198</u>

* Whitehaven Coal Mining Limited issued 5,150,000 notional shares to acquire Whitehaven Coal Limited and Whitehaven Coal Holdings Pty Ltd.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

Since their acquisition on 29 May 2007, Whitehaven Coal Limited contributed a loss of \$14,165,000, net of tax benefit of \$42,000, to the consolidated entity's net profit for the year ended 30 June 2007.

Acquisition of Narrabri Coal Pty Limited

Whitehaven Coal Mining Limited legally acquired Narrabri Coal Pty Ltd on 16 April 2007. The acquisition had the following effect on the consolidated entity's assets and liabilities on acquisition date:

	Note	Pre – acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
<i>In thousands of AUD</i>				
Property, plant and equipment	19	10,963	139,901	150,864
Trade and other receivables		103	-	103
Deferred tax asset		81	352	433
Trade and other payables		<u>(11,400)</u>	-	<u>(11,400)</u>
Net identifiable assets and liabilities		<u>(253)</u>	<u>140,253</u>	<u>140,000</u>
Goodwill on acquisition				-
Consideration paid, satisfied in issuance of shares*				<u>140,000</u>

* Whitehaven Coal Mining Limited issued 140,000,000 shares to acquire Narrabri Coal Pty Ltd.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

Since its acquisition on 16 April 2007, Narrabri Coal Pty Ltd contributed a profit of \$12,000, net of tax benefit of \$250,000, to the consolidated entity's net profit for the year ended 30 June 2007.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
7 Revenue			
Sale of coal	103,461	88,912	-
Hire of plant	2,622	-	-
Rental income	118	45	-
	<u>106,201</u>	<u>88,957</u>	<u>-</u>
8 Other income			
Gain on sale of scrap materials	186	235	-
Gain on sale of cattle	17	16	-
Gain on sale of non-current assets	-	30	-
Management income from joint venture participant	846	-	-
Sundry income	91	114	-
	<u>1,140</u>	<u>395</u>	<u>-</u>
9 Other expenses			
Loss on sale of non-current assets	9	-	-
Share based compensation payments	15,163	-	15,163
	<u>15,172</u>	<u>-</u>	<u>15,163</u>
10 Personnel expenses			
Wages and salaries	9,762	1,315	-
Superannuation	1,255	414	-
Other associated personnel expenses	75	87	-
Increase in liability for annual leave	123	294	-
Increase in liability for long-service leave	48	4	-
Share-based compensation payments	15,163	-	15,163
	<u>26,426</u>	<u>2,114</u>	<u>15,163</u>
11 Finance income and expense			
Interest income on bank facilities	897	314	67
Interest income on loans to related entities	-	533	-
Dividend income	4	4	-
Net foreign exchange gain	5,881	1,207	4,006
Gains from derivatives not qualifying for hedge accounting	13,830	3,013	-
Financial income	<u>20,612</u>	<u>5,071</u>	<u>4,073</u>
Interest expense on secured bank loans	(1,822)	(238)	-
Interest expense on finance lease liabilities	(1,768)	(241)	-
Interest expense on unsecured loan from related entity	(957)	-	-
Unwinding of discounts on provisions	(374)	(198)	-
Other interest charges	(205)	(230)	(6)
Financial expenses	<u>(5,126)</u>	<u>(907)</u>	<u>(6)</u>
Net financing income	<u>15,486</u>	<u>4,164</u>	<u>4,067</u>

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
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In thousands of AUD

	Consolidated 2007	Consolidated 2006 restated*	Company 2007
12 Income tax benefit/(expense)			
Current tax expense			
Current period	(799)	(2,297)	-
Adjustment for prior periods	-	906	-
	<u>(799)</u>	<u>(1,391)</u>	<u>-</u>
Deferred tax benefit/(expense)			
Origination and reversal of temporary differences	19,500	(2,344)	42
Change in unrecognised temporary differences	-	-	-
	<u>19,500</u>	<u>(2,344)</u>	<u>42</u>
Income tax benefit/(expense)	<u>18,701</u>	<u>(3,735)</u>	<u>42</u>
Numerical reconciliation between tax benefit/(expense) and profit before tax			
Profit for the period	24,095	11,697	(11,115)
Total income tax benefit/(expense)	<u>18,701</u>	<u>(3,735)</u>	<u>42</u>
Profit excluding income tax	<u>5,394</u>	<u>15,432</u>	<u>(11,157)</u>
Income tax using the Company's domestic tax rate of 30% (2006: 30%)	(1,618)	(4,630)	3,347
Non-deductible expenses	(5,705)	346	(3,305)
Recognition of previously unrecognised temporary differences	-	(348)	-
Tax benefit from joining tax consolidated group	25,955	-	-
Change in unrecognised temporary differences	(10)	(9)	-
Under/(over) provided in prior periods	79	906	-
	<u>18,701</u>	<u>(3,735)</u>	<u>42</u>

* See correction of error – note 40

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

In thousands of AUD

	Consolidated 2007	Consolidated 2006	Company 2007
13 Cash and cash equivalents			
Cash and cash equivalents in the statement of cash flows	21,185	1,756	2,815

The weighted average interest rate for cash balances at 30 June 2007 is 5.69% (2006: 4.75%)

14 Trade and other receivables

Current

Trade receivables	6,446	7,406	-
Other trade receivables and prepayments	2,640	1,976	120
Receivables due from related parties	5,250	9,085	1,198
	<u>14,336</u>	<u>18,467</u>	<u>1,318</u>

Non-current

Other trade receivables and prepayments	2,214	256	-
	<u>2,214</u>	<u>256</u>	<u>-</u>

Receivables denominated in currencies other than the functional currency comprise \$3,614,000 of trade receivables denominated in US dollars (2006: \$4,629,000)

15 Inventories

Work in progress	10,238	377	-
Finished goods	530	1,144	-
Inventories at cost	<u>10,768</u>	<u>1,521</u>	<u>-</u>

16 Derivative financial instruments

Current assets

Foreign currency options – receivable	5,202	116	-
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Non-current assets

Foreign currency options – receivable	8,870	186	-
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Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

16 Derivative financial instruments (cont'd)

Instruments used by the consolidated entity

The consolidated entity enters into foreign currency options to sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the foreign currency options is to reduce the foreign exchange rate related volatility of the consolidated entity's revenue stream and thereby assist in risk management for the consolidated entity. Foreign currency options contracts are entered for future sales undertaken in US dollars.

The contracts are timed to mature when funds for coal sales are forecast to be received. The details of outstanding foreign currency options at balance date are set out below.

In thousands of AUD (except exchange rates)

	Sell US Dollars	Average Exchange Rates	Sell US Dollars	Average Exchange Rates
Settlement	2007	2007	2006	2006
Less than 6 months	2,181	0.7677	66	0.7541
6 months to 1 year	3,021	0.7647	50	0.7526
1 year to less than 2 years	4,610	0.7684	123	0.7589
2 years to less than 3 years	2,930	0.7521	63	0.7562
3 years to less than 4 years	1,330	0.7521	-	-
	<u>14,072</u>	<u>0.7626</u>	<u>302</u>	<u>0.7562</u>

In thousands of AUD

	Consolidated 2007	Consolidated 2006	Company 2007
17 Biological assets			
Cattle	80	80	-
	<u>80</u>	<u>80</u>	<u>-</u>
18 Investments			
<i>Non-current investments</i>			
Investment in unlisted shares – at cost	37	37	-
Investments in subsidiaries	-	-	464,750
	<u>37</u>	<u>37</u>	<u>464,750</u>

Whitehaven Coal Limited and its controlled entities
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19 Property, plant and equipment

	Note	Freehold land	Plant and equipment	Consolidated Leased plant and equipment Restated*	Mining property and development	Capital works in progress	Total
<i>In thousands of AUD</i>							
Cost							
Balance at 1 July 2005		7,212	10,048	4,596	32,807	1,865	56,528
Acquisitions		1,811	21,769	885	6,869	-	31,334
Transfer from exploration and evaluation assets	20	-	-	-	1,160	-	1,160
Transfer from mining property and development		-	812	-	(812)	-	-
Transfers from capital works in progress		-	1,865	-	-	(1,865)	-
Disposals		-	(169)	-	-	-	(169)
Balance at 30 June 2006		9,023	34,325	5,481	40,024	-	88,853
Balance at 1 July 2006		9,023	34,325	5,481	40,024	-	88,853
Acquisitions		6,915	5,949	31,584	5,420	-	49,868
Acquisition through business combinations	6	3,246	-	-	147,970	-	151,216
Transfer from exploration and evaluation assets	20	-	-	-	812	-	812
Transfer from mining property and development		-	3,389	-	(3,389)	-	-
Disposals		-	(117)	-	-	-	(117)
Balance at 30 June 2007		19,184	43,546	37,065	190,837	-	290,632
Depreciation							
Balance at 1 July 2005		-	(2,904)	(781)	(1,806)	-	(5,491)
Depreciation charge for the year		-	(1,565)	(711)	(3,170)	-	(5,446)
Disposals		-	95	-	-	-	95
Balance at 30 June 2006		-	(4,374)	(1,492)	(4,976)	-	(10,842)
Balance at 1 July 2006		-	(4,374)	(1,492)	(4,976)	-	(10,842)
Depreciation charge for the year		-	(4,386)	(3,032)	(4,877)	-	(12,295)
Disposals		-	117	-	-	-	117
Balance at 30 June 2007		-	(8,643)	(4,524)	(9,853)	-	(23,020)
Carrying amounts							
At 1 July 2005		7,212	7,143	3,815	31,001	1,865	51,037
At 30 June 2006		9,023	29,950	3,989	35,048	-	78,011
At 1 July 2006		9,023	29,950	3,989	35,048	-	78,011
At 30 June 2007		19,184	34,903	32,541	180,984	-	267,612

The Company did not hold property, plant and equipment at 30 June 2007.

*See correction of error – note 40.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
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19 Property, plant and equipment (cont'd)

Leased plant and machinery

The consolidated entity leases mining equipment under a number of finance lease agreements. At 30 June 2007, the consolidated entity's net carrying amount of leased plant and machinery was \$32,541,000 (2006: \$3,989,000). The Company does not hold leased plant and machinery. The leased equipment secures lease obligations.

Security

The assets of the consolidated entity are subject to a fixed and floating charge to secure bank loans.

20 Exploration and evaluation

<i>In thousands of AUD</i>	Consolidated		The Company	
	Cost	Impairment losses	Cost	Impairment losses
Balance at 1 July 2005	1,770	-	-	-
Exploration and evaluation expenditure	1,270	-	-	-
Transfer to mining property and development	(1,160)	-	-	-
Balance at 30 June 2006	<u>1,880</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 July 2006	1,880	-	-	-
Exploration and evaluation expenditure	604	-	-	-
Transfer to mining property and development	(812)	-	-	-
Balance at 30 June 2007	<u>1,672</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

21 Other intangible assets

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
Water access rights	920	-	-
Less: Accumulated amortisation	-	-	-
	<u>920</u>	<u>-</u>	<u>-</u>

22 Income tax assets and liabilities

Current tax assets and liabilities

The current tax asset for the consolidated entity of \$25,000 (2006: \$nil) represents the amount of income taxes recoverable in respect of current periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority. The current tax liability for the consolidated entity of \$nil (2006: \$988,000) and for the Company of \$nil represent the amount of income taxes payable in respect of prior financial periods.

The Company liability includes the income tax payable by all members for the tax consolidated entity.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
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In thousands of AUD

	Consolidated 2007	Consolidated 2006	Company 2007
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22 Income tax assets and liabilities (cont'd)

Unrecognised deferred tax assets

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

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
Deductible temporary differences	20,985	106	-
Tax losses - revenue	-	-	-
	20,985	106	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits there from.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Consolidated						
Property, plant and equipment	(116)	-	9,232	3,593	9,116	3,593
Derivatives	-	-	848	224	848	224
Inventories	-	-	152	17	152	17
Deferred stripping	-	-	3,427	1,243	3,427	1,243
Deferred revenue	-	-	114	-	114	-
Deferred foreign exchange gain	-	-	1,193	-	1,193	-
Mining tenement	(18,775)	-	892	7,829	(17,883)	7,829
Provisions	(1,980)	(1,385)	-	-	(1,980)	(1,385)
Unearned income	(97)	-	-	-	(97)	-
Restructure costs	(661)	(43)	-	-	(661)	(43)
Other items	(10)	(28)	57	174	47	146
Tax loss carry-forwards	(2,152)	-	-	-	(2,152)	-
Tax (assets)/liabilities	(23,791)	(1,456)	15,915	13,080	(7,876)	11,624
Set off of tax	15,915	1,456	(15,915)	(1,456)	-	-
Net tax (assets)/liabilities	(7,876)	-	-	11,624	(7,876)	11,624
Company						
Investments						
Tax (assets)/liabilities	(2,152)	-	-	-	(2,152)	-
Set off tax	-	-	-	-	-	-
Net tax (assets)/liabilities	(2,152)	-	-	-	(2,152)	-

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<i>In thousands of AUD</i>		Consolidated 2007	Consolidated 2006	Company 2007
23	Trade and other payables			
	Current			
	Trade payables	12,383	8,207	-
	Other payables and accrued expenses	3,022	492	-
	Dividends payable	-	2,500	-
	Payable to controlled entities	-	-	142,994
	Amounts payable to joint venture partner	730	1,821	-
		<u>16,135</u>	<u>13,020</u>	<u>142,994</u>
24	Interest-bearing loans and borrowings			
	This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings.			
	Current liabilities			
	Current portion of secured bank loans	3,360	5,575	-
	Current portion of finance lease liabilities	6,904	1,185	-
	Current portion of unsecured loan from related entity	35 12,030	-	-
		<u>22,294</u>	<u>6,760</u>	<u>-</u>
	Non-current liabilities			
	Secured bank loans	13,280	16,880	-
	Finance lease liabilities	22,007	1,953	-
	Unsecured loan from related entity	35 19,114	-	-
		<u>54,401</u>	<u>18,833</u>	<u>-</u>
		<u>76,695</u>	<u>25,593</u>	<u>-</u>
	Financing facilities			
	Secured bank loans	16,640	22,455	-
		<u>16,640</u>	<u>22,455</u>	<u>-</u>
	Facilities utilised at reporting date			
	Secured bank loans	16,640	22,455	-
		<u>16,640</u>	<u>22,455</u>	<u>-</u>
	Facilities not utilised at reporting date			
	Secured bank loans	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>

Financing arrangements

Bank loans

The non-current bank loans of the Company are payable on or before 30 June 2011. Instalments are payable quarterly, refer to note 39 for timing of payments. The loan bears interest at the quarterly "BBSY" rate plus 1.5% (2006: 1.0% to 1.5%).

The bank loans are secured by registered first mortgages over a number of the consolidated entity's freehold properties, certain items of property, plant and equipment, cash deposits, trade receivables and guarantees from related parties. The carrying values of the pledged non-current assets are as follows:

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

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006 Restated*	Company 2007
Freehold land	19,184	9,023	-
Property, plant and equipment	215,887	64,999	-
	<u>235,071</u>	<u>74,022</u>	<u>-</u>

* See correction of error – note 40.

Unsecured loan from related entity

AMCI Investments Pty Ltd, a related entity, made loans totalling \$35,812,000 (2006: \$nil) to the consolidated entity during the year. The consolidated entity pays interest of 5% on the outstanding balance of the loan.

In accordance with the contract, the consolidated entity repays the loan and interest through delivery of coal. Refer to the maturity analysis table in note 39 for forecasted deliveries of coal.

Finance lease facility

At 30 June 2007, the consolidated entity's lease liabilities are secured by the leased assets of \$32,541,000 (2006: \$3,989,000), as in the event of default, the leased assets revert to the lessor. The Company did not have any lease liabilities at 30 June 2007.

Finance lease liabilities

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

<i>In thousands of AUD</i>	Consolidated					
	Minimum lease payments 2007	Interest 2007	Principal 2007	Minimum lease payments 2006	Interest 2006	Principal 2006
Less than one year	8,747	1,843	6,904	1,358	173	1,185
Between one and five years	25,053	3,046	22,007	2,027	73	1,954
More than five years	-	-	-	-	-	-
	<u>33,800</u>	<u>4,889</u>	<u>28,911</u>	<u>3,385</u>	<u>246</u>	<u>3,139</u>

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
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25 Employee benefits

Current

Salaries and wages accrued	460	370	-
Liability for long service leave	89	41	-
Liability for annual leave	831	708	-
	<u>1,380</u>	<u>1,119</u>	<u>-</u>

26 Provisions

Mine rehabilitation	1,861	1,670	-
Mine closure	2,019	782	-
Site restoration	876	811	-
Dismantling	477	96	-
	<u>5,233</u>	<u>3,359</u>	<u>-</u>
Current	708	1,384	-
Non-current	4,525	1,975	-
	<u>5,233</u>	<u>3,359</u>	<u>-</u>

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
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26 Provisions (cont'd)

In thousands of AUD

	Mine rehabilitation	Mine closure	Site restoration	Dismantling	Total
Consolidated					
Balance at 1 July 2006	1,670	782	811	96	3,359
Provisions made during the period	236	1,115	46	318	1,715
Provisions used during the period	(171)	-	(44)	-	(215)
Unwind of discount	126	122	63	63	374
Balance at 30 June 2007	<u>1,861</u>	<u>2,019</u>	<u>876</u>	<u>477</u>	<u>5,233</u>

Provision for the rehabilitation of mine sites is made in accordance with note 3(k). Provision is made for separate categories of rehabilitation and reported separately. Additional provisions for rehabilitation were recorded during the year in line with a new mine being developed and commencing production.

In thousands of AUD (except for shares)

	Consolidated 2007	Consolidated 2006	Company 2007
27 Share capital			
a) Share capital			
Authorised, issued and fully paid up ordinary shares 323,000,000 (2006: 31,000,000)	<u>192,883</u>	<u>31,000</u>	<u>321,883</u>

b) Movements in shares on issue

Ordinary shares

	Consolidated 2007		Consolidated 2006		Company 2007	
	Nos of shares 000's	\$000's	Nos of shares 000's	\$000's	Nos of shares 000's	\$000's
	Beginning of the financial year	31,000	31,000	31,000	31,000	-
Issued for cash	5,143	4,296	-	-	5,143	4,296
Acquisition of Narrabri Coal Pty Ltd	140,000	140,000	-	-	-	-
Acquisition of Whitehaven Coal Mining Ltd	-	-	-	-	147,000	147,000
Acquisition of Whitehaven Coal Holdings Pty Ltd	30,000	15,000	-	-	168,000	168,000
Share split	114,000	-	-	-	-	-
Issued to settle contract	2,750	2,750	-	-	2,750	2,750
Issued to employees	107	-	-	-	107	-
Costs of shares issued	-	(163)	-	-	-	(163)
	<u>323,000</u>	<u>192,883</u>	<u>31,000</u>	<u>31,000</u>	<u>323,000</u>	<u>321,883</u>

c) Terms and conditions of issued capital

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly the Company does not have authorised capital or par value in respect of its issued shares. Ordinary shareholders have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on share held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

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27 Share capital (cont'd)

d) Dividends

Dividends recognised in the prior year are:

	Dollars per share	Total amount	Franked/ unfranked	Date of payment
2006				
Final 2005 ordinary – tranche 1	7.12	9,500,000	Unfranked	11 October 2005
Final 2005 ordinary – tranche 2	1.88	2,500,000	Unfranked	19 January 2007
Total amount	9.00	12,000,000		

No dividends were declared during the 2007 year.

After the balance sheet date no dividends were proposed by the directors.

In thousands of AUD

Dividend franking account	The Company	
	2007	2006
30 per cent franking credits available to shareholders of Whitehaven Coal Limited for subsequent financial years	2,993	1,254

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 (2006: \$nil) franking credits.

28 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
Less than one year	165	81	-
Between one and five years	276	12	-
More than five years	-	-	-
	441	93	-

The consolidated entity leases office equipment and office space under operating leases. The leases typically run for three to five years with an option to renew on the office space. None of the leases includes contingent rentals. During the year rental expense of \$99,000 (2006: \$36,000) was recorded under these contracts in the income statement.

Leases as lessor

The consolidated entity leases out land it will use for future mining operations under operating leases. All lease payments have been received upfront under these contracts and have been recorded as deferred income on the balance sheet.

At 30 June 2007 \$3,247,000 (2006: \$nil) of land was leased under these operating leases.

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<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
29 Capital expenditure commitments			
Plant and equipment			
<i>Contracted but not provided for and payable:</i>			
Within one year	196	-	-
One year or later and no later than five years	-	-	-
Later than five years	-	-	-
	196	-	-

30 Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
Within one year	809	1,001	-
One year or later and no later than five years	1,882	2,487	-
Later than five years	-	204	-
	2,691	3,692	-

31 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.

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
Contingent liabilities considered remote			
<i>Guarantees</i>			
(i) The consolidated entity provided bank guarantees to the Department of Mineral Resources NSW as a condition of continuation of mining and exploration licenses.	10,736	9,152	-

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30 June 2007

<i>In thousands of AUD</i>		Consolidated 2007	Consolidated 2006	Company 2007
32	Reconciliation of cash flows from operating activities			
	Cash flows from operating activities			
	Profit for the period	24,095	11,697	(11,115)
	<i>Adjustments for:</i>			
	Depreciation and amortisation	19	12,295	5,446
	Foreign exchange gains unrealised		(18,205)	(634)
	Unwinding of discounts on provisions		374	198
	Interest on finance leases		1,768	241
	Share based compensation payments	10	15,163	-
	Loss/(gain) on sale of non-current assets		9	(30)
	Operating profit before changes in working capital and provisions	35,3499	16,918	42
	Change in trade and other receivables	1,466	5,208	(1,318)
	Change in inventories	(15,963)	(2,215)	-
	Change in trade and other payables	3,278	942	-
	Change in unearned revenue	86	-	-
	Change in provisions and employee benefits	1,038	5,861	-
	Change in tax payable	(1,013)	310	-
	Change in deferred taxes	(19,428)	(831)	(42)
	Cash flows from operating activities	4,963	26,193	(1,318)

33 Subsequent events

There has not arisen in the interval between the end of the financial year and date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the result of those operations, or the state of the consolidated entity in future financial years.

Whitehaven Coal Limited and its controlled entities
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30 June 2007

34 Share-based payments

Option issuances

The Company issued share options to two senior employees and entities related to two directors at the time of listing the Company on the ASX. The terms and conditions of the grants are as follows.

Option grant to director related entities on 3 May 2007

Option	Maximum potential shares each	Grant percentage	Vesting conditions	Percentage of Tranche 2 shares released from escrow to be held
- Option 1	2,505,000	1.67	\$2.50/share	100
- Option 2	4,575,150	3.00	\$3.00/share	90
- Option 3	3,769,924	2.40	\$3.50/share	80
- Option 4	3,844,317	2.39	\$4.00/share	70
- Option 5	3,623,277	2.20	\$4.50/share	60
- Option 6	3,702,989	2.20	\$5.00/share	50
	22,020,657			

The related entities of two directors have been granted six options each to acquire additional shares in the Company. The number of potential shares under the options is the percentage (set out in the table above) of a deemed amount of issued shares. For the purposes of the agreement, the deemed number of shares is 300 million shares plus any shares issued under previous exercised options.

Each option is exercisable when the share price reaches a certain level (as set out in the table above). All share prices will be considered attained when volume weighted average price of ordinary shares on the ASX measured over ten consecutive trading days reaches the required amount. All options have an exercise price of \$1.

The maximum number of potential shares will be reduced if the relevant percentage shown in the table above of the Tranche 2 shares released from escrow are not held at the time of exercising the option on a pro rata basis. Refer below for further discussion the Tranche 2 shares.

The options have no expiry date.

Option grant to senior employees on 3 May 2007

Option	Number of instruments	Vesting conditions	Expiration date
- Tranche 1	66,666	1 st anniversary after listing	30 June 2008
- Tranche 2	66,666	2 nd anniversary after listing	30 June 2009
- Tranche 3	66,668	3 rd anniversary after listing	30 June 2010
	200,000		

	Weighted average exercise price 2007	Number of options 2007
Outstanding at beginning of period	-	-
Granted during the period	1.00	22,220,657
Outstanding at 30 June	1.00	22,220,657
Exercisable at 30 June	-	-

The senior employee options outstanding at 30 June 2007 have an exercise price of \$1 and a weighted average contractual life of 2 years.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

34 Share-based payments (cont'd)

Option issuances (cont'd)

The fair value of options granted to entities associated with the directors is measured using Black Scholes barrier options techniques, incorporating the probability of the performance hurdles being met, with the following inputs.

The fair value of options granted to the senior employees is measured using a Black Scholes model, with the following inputs.

	Director related entities	Director related entities	Senior employees	Senior employees
	2007	2006	2007	2006
<i>Fair value of share options and assumptions</i>				
Fair value at grant date	7.2 cents	-	10.7 cents	-
Share price	\$1	-	\$1	-
Exercise price	\$1	-	\$1	-
Expected volatility (weighted average volatility)	30%	-	30%	-
Option life (expected weighted average life)	10 years	-	3 years	-
Expected dividends	10%	-	10%	-
Risk-free interest rate (based on government bonds)	5.88%	-	5.88%	-

Share issuances

Shares issued to directors

The Company issued 30,000,000 shares to entities related to two directors for \$0.50 per share in conjunction with listing on the ASX. The fair value of shares issued is measured using a Black Scholes model. This amounted to 30,000,000 shares issued at the \$1 per share listing price.

Investment entities associated with two directors hold 30 million shares. These shares comprise Tranche 1 (15 million shares) and Tranche 2 (15 million shares). Tranche 1 shares were issued on receipt of the initial subscription amount.. Tranche 2 will be escrowed and subject to satisfying the holding requirements set out below, will be released from escrow over a five year period but will be released earlier if the share price reaches \$2.50 or the director related entities' options referred to above lapse. Dividends (net of an allowance for tax) attaching to the escrowed shares will be held in escrow accounts and released at the time the shares are released.

In order for Tranche 2 shares to be released from escrow, the investment entities must each hold the following proportions of Tranche 1 shares:

- (a) Years 1 and 2 – 100% of Tranche 1 shares;
- (b) Year 3 – 80% of Tranche 1 shares; and
- (c) Year 4 and 5 – 50% of Tranche 1 shares.

If these prescribed numbers of Tranche 1 shares are not held on the relevant release date, then the Tranche 2 shares to be released from escrow on that date will be forfeited on a pro rata basis.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

34 Share-based payments (cont'd)

Share issuances (cont'd)

Shares issued to employees

The Company issued 1,000 shares to each employee in the consolidated entity for no consideration upon listing on the ASX. The fair value of services received in return for shares issued is based on the fair value of the shares issued measured using a Black Scholes model. This amounted to 107,000 shares issued at the \$1 per share listing price.

The following inputs were used to value these shares:

	Director related entities 2007	Director related entities 2006	Employees 2007	Employees 2006
<i>Fair value of share options and assumptions</i>				
Fair value at grant date	\$1	-	\$1	-
Share price	\$1	-	\$1	-
Exercise price	\$1	-	\$1	-
Expected volatility (weighted average volatility)	30%	-	30%	-
Option life (expected weighted average life)	-	-	-	-
Expected dividends	-	-	-	-
Risk-free interest rate (based on government bonds)	5.88%	-	5.88%	-

Employee Expenses

In AUD

	Consolidated 2007	Company 2007
Share options granted in 2007 – director related entities	55,000	55,000
Share options granted in 2007 – senior employees	1,000	1,000
Shares granted in 2007 – director related entities	15,000,000	15,000,000
Shares granted in 2007 – employees	107,000	107,000
	<u>15,163,000</u>	<u>15,163,000</u>

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

35 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:

Non-executive directors

Name	Position
John Conde	Chairman (appointed 3 May 2007)
Neil Chatfield	Director (appointed 3 May 2007)
Tony Haggarty	Director (appointed 3 May 2007)
Alex Krueger	Director (appointed 3 May 2007)
Hans Mende	Director (appointed 3 May 2007)
Andy Plummer	Director (appointed 3 May 2007)

Executive director

Keith Ross	Managing Director
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Executives

Leigh Whitton	Chief Financial Officer and Company Secretary
Tony Galligan	Managing Director Whitehaven Coal Infrastructure Pty Ltd
Chris Burgess	General Manager New Projects
Casper Dieben	General Manager Operations (appointed 1 May 2007)

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 10) is as follows:

<i>In thousands of AUD</i>	Consolidated 2007	Consolidated 2006	Company 2007
Wages and salaries	1,252,217	729,177	-
Other associated personnel expenses	181,325	64,711	-
Increase in liability for annual leave	84,228	24,469	-
Increase in liability for long service leave	30,262	-	-
Share-based compensation payments	15,059,000	-	15,059,000
	<u>16,607,032</u>	<u>818,357</u>	<u>15,059,000</u>

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report in the Directors' report in sections 6.1, 6.2, 6.3.1, 6.3.2 and 6.3.3.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

35 Related parties (cont'd)

Loans from key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, at any time in the reporting period, are as follows:

AMCI Investments Pty Ltd, an entity jointly controlled by Hans Mende, made loans totalling \$35,812,000 (2006: \$nil) to the consolidated entity during the year. The balance outstanding at 30 June 2007 is \$12,030,000 in current liabilities and \$19,114,000 in non-current liabilities on the balance sheet.

The consolidated entity pays interest of 5% on the outstanding balance of the loan, recognising interest expense of \$957,000 during the year ended 30 June 2007.

In accordance with the contract, the consolidated entity repays the loan and interest through delivery of coal.

Other key management personnel transactions

A number of key management persons, or their related parties, 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.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

<i>In AUD</i>	Transaction	Note	Transactions value year ended 30 June		Balance outstanding as at 30 June	
			2007	2006	2007	2006
Key management person and their related parties						
Other related parties						
Hans Mende – AMCI International AG	Marketing fees	(i)	373,000	393,000	1,567,500	19,000
Hans Mende – AMCI Investments Pty Ltd	Foreign exchange derivatives	(ii)	8,710,000	-	8,710,000	-
Keith Ross – LD Operations Pty Ltd	Mining consultant services	(iii)	375,000	132,000	-	-
Namoi Agricultural and Mining Pty Ltd	Royalty payments	(iv)	18,000	-	-	-

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

35 Related parties (cont'd)

Other key management personnel transactions (cont'd)

- (i) The consolidated entity uses the marketing services of AMCI International AG, a company jointly controlled by Hans Mende, under a contract renewable annually. In conjunction with the Company's listing on the ASX, the Company issued AMCI International AG \$1,567,500 in shares to prepay the marketing contract, which was determined to be the fair value of the remaining services to be provided under the contract. Contract terms are based on market rates for these types of services.
- (ii) The consolidated entity entered into foreign currency options with AMCI Investments Pty Ltd, a company jointly controlled by Hans Mende. The foreign currency options were entered to economically hedge certain sales and mature over a four-year period. The consolidated entity recorded current derivative receivables of \$1,874,000 and non-current derivative receivables of \$6,836,000 on the balance sheet at 30 June 2007, and foreign currency gains of \$8,710,000 were recognised under the options during the year ended 30 June 2007.
- (iii) LD Operations Pty Ltd is a mine development company providing consulting, management and operating services to a number of coal companies in NSW and Queensland. Keith Ross and Hans Mende (directors of the Company) are shareholders of LDO. LDO is providing consulting and management services to Whitehaven at its Narrabri project and has provided statutory management services at Tarrawonga opencut mine.
- (iv) Keith Ross, Michael Quillen and Chris Burgess are shareholders of Namoi Agriculture and Mining Pty Ltd ACN 109 750 370 (NAM). This company has entered into an arrangement with Whitehaven for the sale of gravel by NAM from the Canyon mine site. NAM pays a royalty to Whitehaven of 20 cents per cubic metre of gravel sold.

	Consolidated 2007	Company 2007	Consolidated 2006
Assets and liabilities arising from the above transactions			
Amounts receivable from and payable to key management personnel and other related parties at reporting date arising from these transactions were as follows:			
Derivative financial instruments	1,874,000	-	-
Prepayment	309,500	-	-
Current receivables	2,183,500	-	-
Derivative financial instruments	6,836,000	-	-
Prepayments	1,258,000	-	-
Non-current receivables	8,094,000	-	-
<i>Total assets</i>	10,277,500	-	-
Current interest bearing liability/current liabilities	12,030,000	-	-
Non-current interest bearing liability/non-current liabilities	19,114,000	-	-
Total interest bearing liabilities/total liabilities	31,144,000	-	-

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

35 Related parties (cont'd)

Options and rights over equity instruments

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

	Held at 1 July 2006	Granted as compensation	Exercised	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Directors						
Tony Haggarty	-	22,020,657	-	22,020,657	-	-
Andy Plummer	-	22,020,657	-	22,020,657	-	-
Executives						
Leigh Whitton	-	100,000	-	100,000	-	-
Tony Galligan	-	100,000	-	100,000	-	-

No options existed during the 2006 financial year. No options held by key management personnel are vested but not exercisable at 30 June 2007.

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:

	Held at 1 July 2006	Issued on acquisition of subsidiaries	Issued as share based compensation	Purchased under the Equity Participation and Option Deed	Other Purchases	Transfers	Held at 30 June 2007
Directors							
John Conde	-	-	-	-	250,000	-	250,000
Neil Chatfield	-	-	-	-	250,000	-	250,000
Tony Haggarty	-	-	-	15,000,000	160,000	(10,000)	15,150,000
Alex Krueger	-	131,650,000	-	-	-	-	131,650,000
Hans Mende	-	75,379,833	-	-	-	-	75,379,833
Andy Plummer	-	-	-	15,000,000	-	-	15,000,000
Executive director							
Keith Ross	-	14,215,227	-	-	20,000	-	14,235,227
Executives							
Leigh Whitton	-	-	1,000	-	200,000	-	201,000
Tony Galligan	-	-	1,000	-	25,000	-	26,000
Chris Burgess	-	5,261,480	-	-	-	-	5,261,480
Casper Dieben	-	-	1,000	-	49,000	-	50,000

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

35 Related parties (cont'd)

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue

Robert Stewart will commence as Chief Executive Officer of Whitehaven Coal Limited on 22 October 2007.

Parent

The Company has loans payable totalling \$142,994,000 to two subsidiaries at 30 June 2007 in current liabilities on the balance sheet. The loans are interest free and repayable on demand but are not intended to be called by the subsidiaries during the next twelve months.

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for operating activities. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2007, such loans to subsidiaries totalled \$1,318,000.

36 Consolidated entity's subsidiaries and interests in joint ventures

	Country of Incorporation	Ownership interest	
		2007	2006
Parent entity			
Whitehaven Coal Limited	Australia		
Subsidiaries			
Whitehaven Coal Mining Limited	Australia	100	-
Namoi Mining Pty Ltd	Australia	100	100
Betalpha Pty Ltd	Australia	100	100
Betalpha Unit Trust	Australia	100	100
Tarrawonga Coal Pty Ltd	Australia	100	100
Tarrawonga Coal Sales Pty Ltd	Australia	70	70
Whitehaven Coal Holdings Limited	Australia	100	-
Whitehaven Coal Infrastructure Pty Ltd	Australia	100	100
Narrabri Coal Pty Ltd	Australia	100	100

The consolidated entity has interests in the following jointly controlled operations, whose principal activities involve the development and mining of coal:

	2007	2006
Tarrawonga Coal Project Joint Venture	70%	-
Werris Creek Coal Joint Venture	40%	40%

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

37 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the consolidated entity at 30 June 2007 was based on the profit attributable to ordinary shareholders of \$24,095,000 (2006: \$11,697,000) and a weighted average number of ordinary shares outstanding during the year of 301,933,000 (2006: 300,000,000) calculated as follows:

Profit attributable to ordinary shareholders	Consolidated 2007	Consolidated 2006
<i>In thousands of AUD</i>		
Net profit attributable to ordinary shareholders	24,095	11,697

Weighted average number of ordinary shares

Issued ordinary shares at 1 July	300,000	300,000
Effect of shares issued at 29 May 2007	1,933	-
Weighted average number of ordinary shares at 30 June	301,933	300,000

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2007 was based on the profit attributable to ordinary shareholders of \$24,095,000 (2006: \$11,697,000) and a weighted average number of ordinary shares outstanding during the year of 301,951,000 (2006: 300,000,000) calculated as follows:

Profit attributable to ordinary shareholders (diluted)	Consolidated 2007	Consolidated 2006
<i>In thousands of AUD</i>		
Net profit attributable to ordinary shareholders (diluted)	24,095	11,697
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	301,933	300,000
Effect of share options on issue	18	-
Weighted average number of ordinary shares (diluted)	301,951	300,000

The options issued to director related entities were not included in the calculation of 2007 diluted earnings per share as they were anti-dilutive. No such options existed in the year ended 2006. Refer to note 34 for further information regarding the options issued to director related entities.

38 Auditors' remuneration

In AUD

	Consolidated 2007	Consolidated 2006	Company 2007	Company 2006
Audit services:				
Auditors of the Company - KPMG Australia				
Audits of statutory financial statements	217,333	39,600	-	-
Reviews of financial statements to support listing	42,373	-	-	-
Other regulatory audit services	3,650	4,650	-	-
	263,356	44,250		
Other auditors				
Audit of financial statements	3,800	4,274	-	-
	267,156	48,254		
Other Services:				
Auditors of the Company - KPMG Australia				
Accounting advice	29,726	-	-	-
Taxation services	232,555	31,828	-	-
Auditors of the Company - KPMG related practices				
Due diligence services	210,158	-	30,000	-
	472,439	31,828	30,000	

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

39 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business. Derivatives are used to economically mitigate exposure to fluctuations in foreign exchange rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

At the reporting date there were significant concentrations of credit risk in relation to the derivative financial instruments. Transactions involving derivatives are with counterparties who have sound credit ratings. Management does not expect any counterparty to fail to meet its obligations.

There were no other significant concentrations of credit risk at reporting date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

Interest rate risk

The consolidated entity's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Maturity analysis

The carrying amounts of financial instruments exposed to interest rate risk are contracted to mature in the following periods after the reporting date. Cash and cash equivalents have not been included.

30 June 2007

Consolidated
In thousands of
AUD

	Note	Weighted Average Interest Rate	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Total
Finance lease liabilities	24	7.38%	(6,904)	(5,457)	(5,904)	(6,344)	(4,302)	(28,911)
Unsecured loan from related entity	24	5.00%	(12,030)	(7,866)	(7,740)	(3,508)	-	(31,144)
Secured bank loans	24	8.37%	(3,360)	(3,360)	(3,360)	(6,560)	-	(16,640)
			<u>(22,294)</u>	<u>(16,683)</u>	<u>(17,004)</u>	<u>(16,412)</u>	<u>(4,302)</u>	<u>(76,696)</u>

30 June 2006

Consolidated
In thousands of
AUD

	Note		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Total
Finance lease liabilities	24	7.00%	(1,185)	(1,910)	(44)	-	-	(3,139)
Secured bank loans	24	7.21%	(5,575)	(3,600)	(3,360)	(3,360)	(6,560)	(22,455)
			<u>(6,760)</u>	<u>(5,510)</u>	<u>(3,404)</u>	<u>(3,360)</u>	<u>(6,560)</u>	<u>(25,594)</u>

Whitehaven Coal Limited and its controlled entities
Notes to the financial statements
30 June 2007

39 Financial instruments (cont'd)

Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Australian dollars. The currency giving rise to this risk is US Dollars.

The consolidated entity holds foreign currency options to cover a maximum of 80% of forecasted US Dollar sales within 12 months of balance date, 60% between 12 and 24 months and 40% between 24 and 30 months. Beyond 30 months foreign currency option coverage was restricted to contracted sales where the US Dollar price and the quantity is known.

Subsequent to reporting date the consolidated entity settled all foreign currency options and entered into forward exchange contracts to cover the same forecasted sales detailed above. Management expect the forward exchange contracts to qualify for hedge accounting.

Recognised assets and liabilities

The consolidated entity determined its foreign currency options did not qualify for hedge accounting. The net fair value of foreign currency options at 30 June 2007 was \$14,072,000 (2006: \$302,000), comprising current assets of \$5,202,000 (2006: \$116,000), non-current assets of \$8,870,000 (2006: \$186,000) and liabilities of \$nil (2006: \$nil).

Fair values

The fair values of the consolidated entity's financial assets and financial liabilities at 30 June 2007 and 30 June 2006 approximate their carrying amounts.

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4.

40 Correction of an error

Subsequent to issuing its financial report dated 13 November 2006 for the year ended 30 June 2006, the directors determined certain assets in mining property and development were not depreciated when one of the consolidated entities mines commenced production at the beginning of the 2006 financial year. As a result, additional depreciation expense should have been recognised in the income statement.

Accordingly, the income statement for the year ended 30 June 2006 has been restated to recognise the additional depreciation expense for these assets. The impact of this restatement on the prior year financial position and performance is as follows:

- At 30 June 2006 retained earnings and mining property and development (accumulated depreciation) decreased by \$1,940,000;
- For the year ended 30 June 2006 cost of sales (depreciation expense) increased by \$2,771,000, tax expense decreased by \$831,000 and net profit for the year decreased by \$1,940,000; and
- Basic earnings per share and diluted earnings per share decreased by 0.6 cents.

Directors' declaration

- 1 In the opinion of the directors of Whitehaven Coal Limited ('the Company'):
 - (a) the financial statements and notes and the remuneration disclosures that are contained in sections 6.1, 6.2, 6.3.1, 6.3.2 and 6.3.3 of the Remuneration report in the Directors' report, set out on pages 11 to 19, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2007 and of their performance, for the financial 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 report also complies with International Financial Reporting Standards as disclosed in note 2(a);
 - (c) the remuneration disclosures that are contained in sections 6.1, 6.2, 6.3.1, 6.3.2 and 6.3.3 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and
 - (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2007.

Dated at Melbourne 27th day of September 2007.

Signed in accordance with a resolution of the directors:



Neil Chatfield

Director



Independent auditor's report to the members of Whitehaven Coal Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Whitehaven Coal Limited (the Company), which comprises the balance sheets as at 30 June 2007 and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 40 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in sections 6.1, 6.2, 6.3.1, 6.3.2 and 6.3.4 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards but that the financial report of the Company does not comply.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' 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 control. 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 and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

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 Company's and the Group's financial position as at 30 June 2007 and of their 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; and
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in sections 6.1, 6.2, 6.3.1, 6.3.2 and 6.3.4 of the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG

KPMG

Simon Crane
Partner

Brisbane

27 September 2007

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 held by substantial shareholders and their associates are set out below:

Shareholder	Percentage of capital held	Number of ordinary shares held
FRC Whitehaven Holdings BV	40.76	131,650,000
AMCI International AG	16.70	53,951,500
Mr Hans Mende & Ingrid Mende as trustees of the Mende Family Trust	6.63	21,428,333
Fritz Kundrun as trustee of the Kundrun Family Trust	6.63	21,428,333

Voting rights

Ordinary shares

Refer to note 27 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	153
1,001 - 5,000	476
5,001 - 10,000	309
10,001 - 100,000	385
100,001 and over	38
	<hr/>
	1,361

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

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

Name	Number of ordinary shares held	Percentage of capital held
FRC Whitehaven Holdings BV	131,650,000	40.76
AMCI International AG	53,951,500	16.70
Mr Hans Mende & Ingrid Mende as trustees of the Mende Family Trust	21,428,333	6.63
Fritz Kundrun as trustee of the Kundrun Family Trust	21,428,333	6.63
HFTT Pty Ltd as trustee of the Haggarty Family Trust	15,000,000	4.64
Ranamok Pty Ltd as trustee of the Ranamok Family Trust	15,000,000	4.64
Mr Michael Quillen	14,329,500	4.44
Mr Keith Ross	7,292,227	2.26
Keith Ross and Alison Ross as trustees of the Ross Family Trust	6,923,000	2.14
National Nominees Limited	4,844,244	1.50
J P Morgan Nominees Australia Limited	3,174,158	0.98
Mr Christopher John Burgess & Ms Julie Ann Mammen	1,938,440	0.60
Mr Christopher John Burgess	1,661,520	0.51
Julie Ann Mammen	1,661,520	0.51
Corrobare Coal Pty Ltd	1,182,500	0.37
ANZ Nominees Limited	1,113,079	0.34
Argo Investments Limited	700,000	0.22
Whittingham Securities Pty Ltd	500,000	0.15
Cogent Nominees Pty Limited	426,273	0.13
FETA Nominees Pty Limited	390,903	0.12
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	304,595,530	94.30