

ANNEXURE (A)

Whitehaven Coal Mining Limited

ABN 65 086 426 253

**Financial Report
For the year ended
30 June 2004**

*This is Annexure (A) of 24 pages referred to
in Form 388 Copy of Financial Statements
and Reports.*


LEIGH McCLELLAND WHITTON
Secretary

7/2/05

Whitehaven Coal Mining Limited
ABN 65 086 426 253

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Company information

Principal Registered Office

Whitehaven Coal Mining Limited
Ground Floor, Ann Place
895 Ann Street
Fortitude Valley Qld 4006

Other Information

Whitehaven Coal Mining Limited, incorporated and domiciled in Australia, is an unlisted public company limited by shares.

Whitehaven Coal Mining Limited
ABN 65 086 426 253

Directors' report

The directors present their report together with the financial report of Whitehaven Coal Mining Limited ("the company") for the year ended 30 June 2004 and the auditor's report thereon.

Directors

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

Name	Age	Executive/Non-executive	Date of appointment
Keith Ross	71	Executive	1 March 1999
Hans Mende	60	Executive	1 March 1999
Fritz Kundrun	68	Non-executive	1 March 1999
Michael Quillen	56	Non-executive	1 March 1999

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year are:

Director	Number of meetings held	Number of meetings attended
H Mende	2	2
F Kundrun	2	2
M Quillen	2	1
K Ross	2	2

Principal activities

The principal activity of the company during the year was the operation of an open cut coal mine.

Review and result of operations

The operating profit after income tax amounted to \$2,254,827 (2003: \$2,816,099).

The company's operations during the year focused on the Whitehaven open-cut coal mine. During the financial year, the mine produced 776,856 tonnes (2003: 720,565) of run of mine coal.

State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the company that occurred during the financial year.

Environmental regulation

The company'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.

Dividends

Dividends paid or declared by the company to members since the end of the previous financial year were:

Type	Cents per share	Total amount	Franked/unfranked	Date of payment
<i>Declared after end of year</i>				
- Final 2004 ordinary	100.0	1,000,000	franked	24 Sep 2004

All the franked dividends paid or declared by the company since the end of the previous financial year were franked at 30%.

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Directors' report

Events subsequent to balance date

For reporting periods starting on or after 1 July 2005, the company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. At balance date, it was not possible to quantify the effect of the convergence to IFRS and AASBs are currently under development.

Other than the matter discussed above, 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 company, the results of those operations, or the state of affairs of the company, in future financial years.

Likely developments

Information about likely developments in the operations of the company 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 company.

Indemnification and insurance of officers

Indemnification

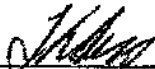
Since the end of the previous financial year, the company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the company.

Insurance premiums

During the financial year the company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2004 and since the end of the financial year, the company has paid or agreed to pay, premiums in respect of such insurance contracts for the year ending 30 June 2005. Such insurance contracts insure against certain liability (subject to certain exclusions) persons who are or have been directors or officers of the company.

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.

Signed in accordance with a resolution of the directors:



Keith Ross
Director

Dated at Brisbane this 9th day of December 2004.

Whitehaven Coal Mining Limited
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Statement of financial performance
for the year ended 30 June 2004

	Note	2004 \$	2003 \$
Revenue from sale of coal	2	44,572,355	37,581,045
Cost of goods sold		(37,516,437)	(30,069,878)
Gross profit from sale of coal		7,055,918	7,511,167
Other revenue from ordinary activities	2	366,236	451,883
Selling and distribution expenses		(3,296,535)	(2,341,285)
Administration expenses		(443,841)	(1,257,160)
Borrowing costs	3	(324,625)	(211,391)
Other expenses from ordinary activities		(100,549)	(129,665)
Profit from ordinary activities before related income tax expense		3,256,604	4,023,549
Income tax expense relating to ordinary activities	5	(1,001,777)	(1,207,450)
Net profit	18	2,254,827	2,816,099

The statement of financial performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 22.

Whitehaven Coal Mining Limited
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Statement of financial position
as at 30 June 2004

	Note	2004 \$	2003 \$
<i>Current assets</i>			
Cash assets	6	1,694,741	185,748
Inventories	7	2,448,385	3,835,871
Receivables	8	8,522,970	7,261,496
Other financial assets	9	1,156,142	1,333,533
Current tax assets		362,931	617,098
Other	10	1,430,163	1,093,637
Total current assets		15,615,332	14,327,383
<i>Non-current assets</i>			
Receivables	8	3,192,057	5,584,751
Exploration, evaluation and development expenditure	11	2,101,265	2,282,249
Property, plant and equipment	12	13,565,875	13,051,083
Deferred tax assets	5	288,140	363,183
Total non-current assets		19,147,337	21,281,266
Total assets		34,762,669	35,608,649
<i>Current liabilities</i>			
Payables	13	5,369,455	4,867,874
Interest-bearing liabilities	14	2,300,376	2,662,303
Provisions	15	201,719	184,496
Other	16	5,729,825	6,017,483
Total current liabilities		13,601,375	13,732,156
<i>Non-current liabilities</i>			
Interest-bearing liabilities	14	2,397,712	2,743,287
Provisions	15	305,000	447,984
Deferred tax liabilities	5	1,667,521	1,068,514
Other	16	2,504,277	5,584,751
Total non-current liabilities		6,874,510	9,844,536
Total liabilities		20,475,885	23,576,692
Net assets		14,286,784	12,031,957
<i>Equity</i>			
Contributed equity	17	1,000,000	1,000,000
Retained profits	18	13,286,784	11,031,957
Total equity		14,286,784	12,031,957

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 22.

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Statement of cash flows
for the year ended 30 June 2004

	Note	2004 \$	2003 \$
Cash flows from operating activities			
Cash receipts in the course of operations		38,625,397	38,110,423
Cash payments in the course of operations		(33,439,487)	(30,505,310)
Interest received		92,070	57,587
Borrowing costs paid		(222,717)	(180,024)
Income tax paid		<u>(72,463)</u>	<u>(3,535,331)</u>
Net cash provided by operating activities	22(ii)	<u>4,982,800</u>	<u>3,947,345</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,054,868)	(6,576,570)
Proceeds from the sale of property, plant and equipment		48,000	31,505
Payments for exploration, evaluation and production expenditure		<u>(154,280)</u>	<u>(770,617)</u>
Net cash used in investing activities		<u>(1,161,148)</u>	<u>(7,315,682)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	3,683,607
Repayment of borrowings		(1,449,175)	(1,096,407)
Proceeds from borrowings from related parties		-	722,661
Repayment of loan from related parties		(450,000)	(5,481)
Finance lease payments		<u>(413,484)</u>	<u>(440,159)</u>
Net cash provided by financing activities		<u>(2,312,659)</u>	<u>2,864,221</u>
Net increase/(decrease) in cash held		1,508,993	(504,116)
Cash at the beginning of the financial year		<u>183,748</u>	<u>689,864</u>
Cash at the end of the financial year	22(i)	<u>1,694,741</u>	<u>185,748</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 22.

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Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

In the opinion of the directors, the company is not a reporting entity. The financial report of the company has been drawn up as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of the Corporations Act 2001.

The financial report has been prepared on the accrual basis of accounting as defined in AASB 1001, *Accounting Policies*, using the historical cost convention and going concern assumption. Except where stated, it does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001, the recognition and measurement aspects of all applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board that have material effect. The financial report does not include the disclosure requirements of the following pronouncements having a material effect:

- AASB 1005 Segment Reporting
- AASB 1017 Related Party Disclosures
- AASB 1033 Presentation and Disclosure of Financial Instruments
- AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards

(b) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Sales revenue

Sales revenue represents revenue earned from the sale of coal. Sales revenue is recognised (net of any allowances) when the control of the product passes to the customer.

Interest revenue

Interest is recognised as it accrues.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amounts of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

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Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(d) Taxation

The company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt or if relating to tax losses when realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(e) Exploration, evaluation and development expenditure

Exploration, evaluation and mine development costs, including original costs of acquisition, are accumulated in respect of each separate area of interest. These costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped, either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

(f) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

The accounting for hedges is set out in Note 1(j).

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Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(g) Borrowing costs

Borrowing costs include interest and ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(h) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (refer Note 1(e)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

(i) Inventories

Inventories are carried at the lower of cost allocated and net realisable value.

Cost is allocated on an average basis and includes direct material, labour, related transportation costs to the point of sale and other fixed and variable overhead costs directly related to mining activities.

Net realisable value is determined on the basis of normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(j) Derivatives

The company is exposed to changes in foreign exchange rates from its activities. The company uses forward foreign exchange contracts and currency option contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

Hedges

Transactions are designated as a hedge of a specific purchase or sale of goods only when they are expected to reduce exposure to the risks being hedged, they are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable that the anticipated transaction will occur as designated.

Where hedge transactions are designated as a hedge of the purchase or sale of goods or services, gains and losses arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the transaction. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

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Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(j) Derivatives (cont'd)

Hedges (cont'd)

The net amounts receivable or payable under foreign exchange contracts and the associated deferred gains or losses are recorded in the statement of financial position from the date of inception of the hedge transaction when recognised, the net receivables or payables are revalued using the foreign currency current at reporting date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains and losses that arose on the hedge prior to its termination are included in the statement of financial performance for the period.

Where a hedge is redesignated as a hedge of another transaction, gains and losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. Where the original anticipated transaction is no longer expected to occur, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur, the gains and losses are recognised immediately in the statement of financial performance.

(k) Cash assets

Cash assets are carried at face value of the amounts deposited. The carrying amounts of cash assets approximate fair value.

(l) Receivables

Receivables are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful amounts. There are no doubtful amounts for the year ended 30 June 2004 (2003: Nil). The carrying amount of receivables approximates net fair value.

(m) Acquisitions of assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the company include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(g).

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Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(m) Acquisitions of assets (cont'd)

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the company in future years, otherwise, the costs are expensed as incurred.

(n) Depreciation and amortisation

Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Useful lives

All assets with the exception of freehold land, have limited useful lives and are depreciated/amortised using either the straight line method over their useful lives, or on a units of production basis over the life of the economically recoverable reserves being 2.1 million tonnes (2003: 2.9 million tonnes).

Assets are depreciated or amortised from the date of acquisition, or in respect of internally constructed assets, from the time an asset is complete and held ready for use.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation/amortisation rates for current and prior year are as follows:

- Plant and equipment 5% – 20%.
- Leased plant and equipment 11%

(o) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company. Trade accounts payable are normally settled within 60 days. The carrying amount of accounts payable approximates net fair value.

(p) Interest bearing liabilities

Loans are carried on the statement of financial position at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Accrued liabilities".

(q) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

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Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(r) Provisions

A provision is recognised when a legal, equitable or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision.

Rehabilitation

Provision has been made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated, as if the mine was shutdown at reporting date. Provision has been made in full for all disturbed areas at 30 June 2004 based on current estimates of cost of topsoiling and revegetation employing current technology while having regard to current legislative requirements. The costs per hectare have not been discounted to their present value.

Changes in cost estimates are dealt with on a prospective basis. Significant uncertainty exists as to the eventual amount of rehabilitation obligations which will be incurred due to the following factors:

- Uncertainty as to the remaining life of existing operating sites; and
- The impact of changes in environmental legislation.

(s) Leased assets

Leases under which the company assumes substantially all of the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payment are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

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Notes to the financial statements
for the year ended 30 June 2004

1 Statement of significant accounting policies (cont'd)

(f) Employee entitlements

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salary, annual leave and sick leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the company expects to pay as at reporting date including related on-costs.

Superannuation

The company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

(u) Overburden in Advance

Expenditure incurred in the removal of overburden from coal deposits is deferred, and expensed in operating expenditure as the coal is extracted. The balance of the amount deferred is reviewed at each reporting date to determine the amount (if any) which is no longer recoverable out of future revenue. Any amounts so determined are expensed in the statement of financial performance.

	2004	2003
	\$	\$
2 Revenue from ordinary activities		
Revenue from sale of coal	<u>44,572,355</u>	<u>37,581,045</u>
Other revenues:		
<i>From operating activities</i>		
Net foreign exchange gain	88,027	165,912
Interest - Other parties	56,206	64,602
Gross proceeds from sale of non-current assets	48,000	31,505
Other income	174,003	189,864
Total other revenues	<u>366,236</u>	<u>451,883</u>
Total revenue from ordinary activities	<u>44,938,591</u>	<u>38,032,928</u>

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Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	\$	\$
3 Profit from ordinary activities before income tax expense		
<i>(a) Individually significant expenses included in profit from ordinary activities before income tax expense:</i>		
Costs incurred on proposed float of company	-	722,661
<i>(b) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:</i>		
Government royalties on mineral sales or production	1,497,180	1,371,432
Depreciation and amortisation of:		
- Plant and equipment	1,205,041	410,164
- Leased assets	261,743	104,518
- Exploration, evaluation and development expenditure	335,264	322,768
Less: Capitalised depreciation and amortisation	<u>(91,532)</u>	<u>-</u>
	<u>1,710,516</u>	<u>837,450</u>
Borrowing costs	324,625	211,391
Net expense for movement in provisions	(125,761)	447,984
Net foreign exchange (gain)/loss	(88,027)	(165,912)
Loss on disposal of property, plant and equipment	24,942	98,159
Operating lease rental expense – minimum lease payments	256,309	95,424
4 Auditors' remuneration		
Audit services – Auditors of the company		
Audit of financial report	16,350	15,875
Other services – Auditors of the company		
Taxation services	6,252	4,042
Other accounting assistance	1,950	417,183
5 Income tax		
<i>(a) Income tax expense</i>		
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	976,981	1,207,065
Increase in income tax expense due to:		
Non-deductible amortisation	25,141	20,485
Non-deductible entertainment/legal	2,124	2,623
Decrease in income tax expense due to:		
Over provision in prior year	-	(20,513)
Sundry	<u>(2,469)</u>	<u>(2,210)</u>
Income tax expense attributable to profit from ordinary activities	<u>1,001,777</u>	<u>1,207,450</u>

Whitehaven Coal Mining Limited
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Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	\$	\$
5 Income tax (cont'd)		
<i>(a) Income tax expense (cont'd)</i>		
Income tax expense attributable to profit from ordinary activities is made up of:		
Current income tax provision	327,727	685,368
Deferred income tax provision	599,007	818,324
Future income tax benefit	75,043	(275,729)
Under/(over) provision in prior year	-	(20,513)
	<u>1,001,777</u>	<u>1,207,450</u>
<i>(b) Deferred tax liabilities</i>		
<i>Provision for deferred income tax</i>		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:		
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	1,360,987	1,015,140
Other	<u>306,534</u>	<u>53,374</u>
	<u>1,667,521</u>	<u>1,068,514</u>
<i>(c) Deferred tax assets</i>		
<i>Future income tax benefit</i>		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:		
Provisions	152,016	189,745
Expenditure currently not deductible for tax	<u>136,124</u>	<u>173,438</u>
	<u>288,140</u>	<u>363,183</u>
6 Cash assets		
Cash at bank and on hand	1,694,741	145,248
Short term deposits	-	40,500
22(i)	<u>1,694,741</u>	<u>185,748</u>

Whitehaven Coal Mining Limited
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Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	\$	\$
7 Inventories		
Run of mine coal - at cost	316,378	1,451,464
Product coal - at cost	2,053,627	2,384,407
Cattle - at cost	78,380	-
	<u>2,448,385</u>	<u>3,835,871</u>
A registered floating charge exists over the company's inventories in respect of coal mined under a mining contract.		
8 Receivables		
<i>Current</i>		
Trade debtors	1,637,039	382,931
Amounts receivable under derivative contracts	6,359,342	6,583,730
Advances to related parties	318,110	-
Sundry receivables	208,479	294,835
	<u>8,522,970</u>	<u>7,261,496</u>
<i>Non-current</i>		
Amounts receivable under derivative contracts	<u>3,192,057</u>	<u>5,584,751</u>
9 Other financial assets		
Deposit on hedge facility	<u>1,356,142</u>	<u>1,333,533</u>
10 Other assets		
<i>Current</i>		
Overburden removed in advance	1,416,626	1,070,080
Prepayments	13,537	23,557
	<u>1,430,163</u>	<u>1,093,637</u>
11 Exploration, evaluation and development expenditure		
Exploration phase, at cost	1,176,088	1,062,412
Production phase, at cost	2,191,818	2,151,214
Accumulated amortisation	<u>(1,266,641)</u>	<u>(931,377)</u>
	<u>2,101,265</u>	<u>2,282,249</u>

The ultimate recoupment of costs carried forward for exploration phase is dependent upon the successful development and commercial exploration or sale of the respective areas.

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Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	\$	\$
12 Property, plant and equipment		
Freehold land, at cost	<u>2,792,434</u>	<u>2,161,289</u>
Plant and equipment, at cost	9,727,322	9,474,143
Accumulated depreciation	<u>(1,714,550)</u>	<u>(555,954)</u>
	<u>8,012,772</u>	<u>8,918,189</u>
Leased plant and equipment at cost	3,075,776	2,076,123
Accumulated amortisation	<u>(366,262)</u>	<u>(104,518)</u>
	<u>2,709,514</u>	<u>1,971,605</u>
Capital works in progress, at cost	51,155	-
Total property, plant and equipment, at net book value	<u>13,565,875</u>	<u>13,051,083</u>
<i>Reconciliations</i>		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
<i>Freehold land</i>		
Carrying amount at beginning of year	2,161,289	2,156,967
Additions	<u>631,145</u>	<u>4,322</u>
Carrying amount at end of year	<u>2,792,434</u>	<u>2,161,289</u>
<i>Plant and equipment</i>		
Carrying amount at beginning of year	8,918,189	2,441,890
Transfers from capital work-in-progress	372,565	7,016,126
Disposals	(72,941)	(129,663)
Depreciation	<u>(1,205,041)</u>	<u>(410,164)</u>
Carrying amount at end of year	<u>8,012,772</u>	<u>8,918,189</u>
<i>Leased plant and equipment</i>		
Carrying amount at beginning of year	1,971,605	-
Additions	999,652	2,076,123
Amortisation	<u>(261,743)</u>	<u>(104,518)</u>
Carrying amount at end of year	<u>2,709,514</u>	<u>1,971,605</u>
<i>Capital work-in-progress</i>		
Carrying amount at beginning of year	-	443,878
Additions	423,720	6,572,248
Transfers to plant and equipment	<u>(372,565)</u>	<u>(7,016,126)</u>
Carrying amount at end of year	<u>51,155</u>	<u>-</u>

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Notes to the financial statements
for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
13 Payables			
Trade creditors		2,747,570	3,762,275
Accrued liabilities		2,349,224	382,938
Amounts payable to related parties		<u>272,661</u>	<u>722,661</u>
		<u>5,369,455</u>	<u>4,867,874</u>
14 Interest-bearing liabilities			
<i>Current</i>			
Lease liabilities	20	430,062	198,609
Loans – secured		1,855,795	2,449,175
Loans from directors – unsecured		<u>14,519</u>	<u>14,519</u>
		<u>2,300,376</u>	<u>2,662,303</u>
<i>Non-current</i>			
Lease liabilities	20	2,034,815	1,489,523
Loans – secured		<u>362,897</u>	<u>1,253,764</u>
		<u>2,397,712</u>	<u>2,743,287</u>

Loans – secured

The loans are secured by a registered mortgage over a number of the company's freehold properties, certain items of property, plant and equipment, cash deposits, trade receivables and guarantees from related parties. The facilities available to the Company in relation to secured loans were fully utilised at balance date. The carrying value of pledged non-current assets are as follows:

	2004 \$	2003 \$
Freehold land	667,353	1,467,676
Property, plant and equipment	<u>6,643,463</u>	<u>6,304,593</u>
	<u>7,310,816</u>	<u>7,772,269</u>

The non-current loans are due to be repaid on or before 31 December 2005.

Lease liabilities

The company's lease liabilities are secured by the leased assets with a written down value of \$2,709,514 (2003: \$1,971,605) as in the event of default, the assets revert to the lessor.

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Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	\$	\$
15 Provisions		
<i>Current</i>		
Provision for annual leave	51,719	34,496
Provision for rehabilitation	<u>150,000</u>	<u>150,000</u>
	<u>201,719</u>	<u>184,496</u>
<i>Non-current</i>		
Provision for rehabilitation	<u>305,000</u>	<u>447,984</u>
<i>No of employees</i>	<i>No.</i>	<i>No.</i>
Number of employees at year end	11	9
	2004	2003
	\$	\$
16 Other liabilities		
<i>Current</i>		
Deferred foreign exchange hedge gains	19 <u>5,729,825</u>	<u>6,017,483</u>
	<u>5,729,825</u>	<u>6,017,483</u>
<i>Non Current</i>		
Deferred foreign exchange hedge gains	19 <u>2,504,277</u>	<u>5,584,751</u>
	<u>2,504,277</u>	<u>5,584,751</u>
17 Contributed equity		
<i>Issued and paid-up share capital</i>		
1,000,000 (2003: 1,000,000) ordinary shares, fully paid	<u>1,000,000</u>	<u>1,000,000</u>
<p>Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.</p>		
	2004	2003
	\$	\$
18 Retained profits		
Retained profits at the beginning of the year	11,031,957	8,215,858
Net profit	<u>2,254,827</u>	<u>2,816,099</u>
Retained profits at the end of the financial year	<u>13,286,784</u>	<u>11,031,957</u>

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Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	\$	\$
20 Commitments (cont'd)		
<i>Finance lease payment commitments</i>		
Finance lease commitments are payable:		
Within one year	558,675	303,338
One year or later and no later than five years	<u>2,256,677</u>	<u>1,747,964</u>
	2,815,352	2,051,302
Less: Future lease finance charges	<u>350,475</u>	<u>363,170</u>
	<u>2,464,877</u>	<u>1,688,132</u>
Lease liabilities provided for in the financial statements:		
Current – Note 14	430,062	198,609
Non-current - Note 14	<u>2,034,815</u>	<u>1,489,523</u>
	<u>2,464,877</u>	<u>1,688,132</u>

The entity leases mining plant and equipment under finance leases expiring in five years.

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year	390,285	437,213
One year or later and no later than five years	<u>81,850</u>	<u>342,985</u>
	<u>472,135</u>	<u>780,198</u>

The entity leases mining, plant and equipment under non-cancellable operating leases expiring in two years.

21 Contingent liabilities

The company has provided bank guarantees totalling \$45,000 (2003: \$731,000) to the Department of Mineral Resources NSW as a condition of the continuation of mining and exploration licences.

Whitehaven Coal Mining Limited
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Notes to the financial statements
for the year ended 30 June 2004

	Note	2004 \$	2003 \$
22 Notes to the statement of cash flows			
(i) Reconciliation of cash			
For the purpose of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:			
Cash assets	6	<u>1,694,741</u>	<u>185,748</u>
(ii) Reconciliation of profits from ordinary activities after income tax to net cash provided by operating activities			
Profit from ordinary activities after income tax		2,254,827	2,816,099
Add/(less) items classified as financing activities and non-cash items:			
Amortisation and depreciation		1,710,516	837,450
Amounts set aside to provisions		(125,761)	456,574
Unrealised foreign exchange loss/gain		(653,956)	(732,370)
Loss on disposal of non-current assets		24,942	98,159
Finance charges on capitalised leases		<u>102,248</u>	<u>52,166</u>
Net cash provided by operating activities before change in assets and liabilities		3,312,816	3,528,078
Change in assets and liabilities			
(Increase)/decrease in inventories		1,479,018	710,893
(Increase)/decrease in other assets		(196,025)	(696,070)
(Increase)/decrease in trade debtors and sundry receivables		(1,133,960)	372,099
(Increase)/decrease in tax assets		329,210	(892,827)
(Increase)/decrease in advances to related parties		(318,110)	490,022
(Decrease)/increase in payables		910,844	1,870,204
(Decrease)/increase in tax liabilities		<u>599,007</u>	<u>(1,435,054)</u>
Net cash provided by operating activities		<u>4,982,800</u>	<u>3,947,345</u>

(iii) Non Cash financing and investing activities

During the financial year, the company acquired plant and equipment with an aggregate fair value of \$999,632 (2003: \$2,076,123) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

Whitehaven Coal Mining Limited
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Notes to the financial statements
for the year ended 30 June 2004

	2004	2003
	\$	\$
23 Dividend franking account		
30% franking credits available to shareholders of the company for subsequent financial years	<u>3,845,105</u>	<u>3,482,173</u>

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- a) franking credits/debits that will arise from the payment/receipt of the amount of the provision for income tax/refund due; and
- b) 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 profits to declare dividends.

Subsequent event

Since the end of the financial year the directors declared the following fully franked dividend:

	Cents per share	Total \$	Date of payment
Final – 2004 ordinary	100	1,000,000	24 September 2004

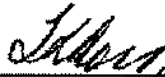
The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial reports.

Whitehaven Coal Mining Limited
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Directors' declaration

1. In the opinion of the directors of Whitehaven Coal Mining Limited:
 - (a) The company is not a reporting entity;
 - (b) The financial statements and notes, set out on pages 3 to 22, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the company as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the basis of accounting described in Note 1(a); and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements to the extent described in Note 1(a); and
 - (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Keith Ross
Director



Dated

**Independent audit report to the members of
Whitehaven Coal Mining Limited
ABN 65 086 426 253**

Scope

We have audited the financial report of Whitehaven Coal Mining Limited for the financial year ended 30 June 2004, being a special purpose financial report consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes and the director's declaration, set out on pages 3 to 23. The company's directors are responsible for the financial report. The Directors have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Act 2001 and the needs of members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company. No opinion is expressed whether the accounting policies used, and described in Note 1, are appropriate to meet the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the requirements of the Corporations Act 2001. We disclaim any responsibility for any reliance on this report, or on the financial report to which it relates, to any person other than the members, or for any purpose other than that for which it is prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1(a) to the financial statements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows. These policies do not require the application of all accounting standards nor other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Whitehaven Coal Mining Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
 - (ii) complying with AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", AASB 1018 "Statement of Financial Performance", AASB 1040 "Statement of Financial Position", AASB 1034 "Financial Report Presentation and Disclosures" and other Accounting Standards in Australia to the extent described in Note 1 and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia to the extent described in Note 1(a) to the financial statements.


KPMG

S Crune
Partner

Brisbane, 9 December 2004