

ANNUAL RESULT FY2015

13 August 2015



Financial Results FY2015 – A year of delivery

FINANCIAL PERFORMANCE

Operating EBITDA (excluding significant items) of \$130.3 million for the year, 44% higher than the previous year.

Sales revenue of \$763.3 million, in line with the prior year.

Net loss before significant items of \$10.7m, an improvement of 62% compared with the loss of \$28.4m in the previous year.

Net profit recorded in the second half.

Net loss after significant items of \$342.7 million. This was due predominantly to three non-cash significant items including an impairment of early stage exploration assets, a charge arising following the enactment of legislation to repeal the MRRT and the successful refinance of the Group's debt facility.

FOB unit costs down by 12% to \$61/t (excluding royalties) in FY2015 compared \$69/t in FY2014.

Operating cash flow of \$213.4 million, 96% higher than previous year.

Net debt increased to \$935.8 million as spending on Maules Creek comes to an end.

Successfully re-financed debt facility with improved terms.

OPERATING HIGHLIGHTS

Significantly improved safety performance evidenced by a 35% reduction in the TRIFR to 9.2 at the end of the year.

Record ROM and saleable coal production exceeding targets.

Narrabri becoming one of the most productive longwall underground mines in Australia establishing several new production records.

First coal railed from Maules Creek three months ahead of the original schedule and mine declared commercial from 1 July 2015.

Maules Creek capex below budget.

Sustainable costs reductions achieved at all mines through a series of operational initiatives and changes.

ECONOMIC CONTRIBUTION

During FY2015 Whitehaven and its Joint Venture partners have made a significant contribution to the New South Wales and regional economies.

A total of \$129.6 million paid to the NSW Government in royalties and taxes.

Total site operating costs of \$358.1 million with most spent in the Gunnedah and Narrabri region.

Over \$125.6 million in wages, salaries, tax and superannuation paid to employees.

Over \$214.9 million spent with local businesses in the Narrabri, Gunnedah and Tamworth Shires.

Commenting on the results, Whitehaven Coal Managing Director and CEO Mr Paul Flynn said:

"This is a positive result for Whitehaven which cements its place as one of the world's leading producers of high quality coal.

"The fact that Whitehaven has delivered on its commitments, and returned to profitability in the second half despite subdued global demand for coal, is a strong endorsement of our product, performance and potential.

"Whitehaven is positive about the long term outlook for coal, and particularly the high quality coal being sought by countries that understand the crucial role it has to play in creating a lower emissions future.

"This set of numbers should give investors who have stuck with us through the harder times genuine confidence about the upside potential Whitehaven offers".

FINANCIAL PERFORMANCE

A\$ millions	FY2015	FY2014
Revenue	763.3	755.4
Net loss before significant items	(10.7)	(28.4)
Significant items after tax	(332.0)	(10.0)
Net loss for the period	(342.7)	(38.4)
Operating EBITDA before significant items	130.3	90.4
Significant items before tax and financing	(447.3)	(14.3)
Net interest expense	(67.8)	(52.8)
Depreciation and amortisation	(97.6)	(79.5)
Loss on investments and asset disposals	(0.9)	(0.1)
Loss before tax	(483.3)	(56.3)

The 30 June 2015 statutory result includes the impact of the following significant items:

- A \$355m impairment charge in relation to early stage exploration assets
- De-recognition of MRRT related deferred tax liability (\$26m) and MRRT goodwill (\$91m) balances as a result of the enactment of legislation repealing the MRRT, resulting in a net profit or loss charge of \$65m
- The write-off of \$23m of deferred up-front costs in relation to the retired debt facility

Group EBITDA before significant items of \$130.3m has increased by 44% compared to \$90.4m in FY2014. The improved result was driven by the benefits of a substantial reduction in unit costs of production, increased production and sales volumes and by eliminating coal purchases, however these improvements were partially offset by a lower average selling price realised for coal sold.

The key factors that contributed to the improved EBITDA result in the year include:

- A safer workplace.
- A strong production result. FOB costs per saleable tonne of \$61 in FY2015 have decreased by 12% from \$69 reported in FY2014. The company's FOB cost per saleable tonne has declined for 2 ½ years in the period since the commencement of the first half of FY2013. These savings have contributed to the Group being able to grow average EBITDA margins. The key drivers of the significant reduction in unit costs during the year include:
 - Productivity improvements - the underground operation at Narrabri and smaller open cut mines have contributed to improvements in output with similar or less manning:
 - Narrabri saleable coal production (equity) of 5.0Mt was 1.3Mt or 37% above production in FY2014. Production during FY2015 exceeded nameplate capacity and reflects the operational and technical improvements of the last two financial years. The increase in production, when combined with tight cost control, has led to a reduction in unit costs in FY2015
 - Production in FY2015 from smaller open cuts was slightly below FY2014, however overall unit costs decreased largely as a result of improved productivity and a focus on containing costs
 - Procurement related savings included a range of initiatives - the benefit of a full year from renegotiated explosives, rail and road haulage contracts, and from renegotiated contracts for the supply of goods and services
 - In addition, ARTC completed its Gunnedah Basin track upgrade from 25 tonne axle loads to 30 tonne axle loads in January 2015. The upgrade allows larger 8,000 tonne capacity trains to operate from all Whitehaven load points on the system
 - Port costs have also been reducing, but the Hunter Valley flood event in April led to delays at the port of Newcastle and as a consequence demurrage costs have increased this year
 - Flat administration costs – production has grown by 33% in FY2015 yet administration costs have grown by only 0.5%

- The fall in world crude oil prices in FY2015 has contributed to decreased unit costs of coal production. That fall has similarly affected all coal producers and caused a decrease in the input costs of coal production which has contributed to the falls in the US\$ prices for coal that all seaborne coal producers have experienced in CY2015
- Despite a 9% increase in FY2015 sales of coal to 9.5mt from 8.7mt (includes 0.5mt of purchased coal), gross revenues only increased by \$7.9m (1%) to \$763.3m in FY2015 from \$755.4m in FY2014. The 9% increased sales volume was largely offset by a 7% decrease in A\$ average realised selling prices
- A\$ prices fell to A\$80 per tonne in FY2015 from A\$86 per tonne in FY2014. Average US\$ denominated coal prices fell 16% while the A\$:US\$ exchange rate improved by 8%
- The mix of sales between thermal (82% of volume) and metallurgical coal products (18%) in the year ended 30 June 2015 is consistent with the previous financial year and so did not contribute to the fall in average selling prices that was experienced
- All coal sold in FY2015 was supplied from Whitehaven mines whereas in the prior financial year 0.5Mt of sales were met using purchased coal

The Group's ability to meet sales commitments exclusively with coal produced from Group owned mines reflects the benefit of the expanded portfolio of mines. As production from the Maules Creek Open Cut is ramped up in 2016 and beyond, this benefit will further improve. Maules Creek product is a high quality coal that is attractive to our customers in Japan, Korea, Taiwan and India. Its presence in the Group's portfolio will provide greater access to these premium markets.

The results of operations from Maules Creek have been treated as pre-commercial during the year ended 30 June 2015. This means that the surplus of revenues received from the sale of coal over the costs of producing the coal have not been reflected in the Statement of Comprehensive Income of the Group during the year, instead that net margin has been offset against the costs of constructing the mine as reported in the Statement of Financial Position.

Maules Creek commenced commercial operations on 1 July 2015. The financial performance of the mine will be reflected in the Group's Statement of Comprehensive Income for the financial year ending 30 June 2016.

CAPITAL MANAGEMENT

	30 June 2015	30 June 2014
Capital Management	\$m's	\$m's
Cash on Hand	102.4	103.2
Interest bearing liabilities	1,038.2	788.4
Net debt	935.8	685.2
Net Assets	2,865.0	3,206.5
Gearing Ratio	25%	18%
Undrawn syndicated facility	300.0	375.0

Cash on hand at 30 June 2015 of \$102.4m is consistent with the cash balance at 30 June 2014.

The Group established a new A\$1.4 billion Senior Secured Bank Facility in March 2015 provided by a syndicate of Australian and international banks. The new facility is comprised of \$1.2 billion drawable and a \$ 0.2 billion guarantee facility. The new facility's A\$1.2 billion drawable line of credit is for general corporate purposes and matures in July 2019.

The new facility is \$0.2 billion larger, and has more favourable terms, than the facility that it replaced. In particular, the margin and initial establishment fees have been reduced substantially from the previous facility - reflecting the credit transformation of the company.

Net Debt at 30 June 2015 was \$935.8m, an increase of \$250.6m from 30 June 2014. The increase has primarily been used to fund the Group's share of Maules Creek development expenditure, repayments made of the Group's asset leasing facilities and to meet establishment costs associated with the new debt facility.

While the gearing ratio remains low, the increase above FY2014 is largely represented by construction expenditures in relation to the Maules Creek mine. The gearing ratio has also been affected by the non-cash impairment charge in relation to exploration expenditures recorded in FY2015 and by impairment charges related to the repeal of the MRRT legislation.

Undrawn capacity of \$300m remains at 30 June 2015.

SAFETY PERFORMANCE

Whitehaven is committed to providing and maintaining a safe work environment for employees at our operations. The company provides training, equipment, resources and systems to create the safest possible work environment for our people. Building a culture of safety awareness is key to continuous improvement against targets and the industry average.

Whitehaven's safety performance, as measured by the TRIFR, was 9.2 at the end of the year, a 35% improvement in the rate at the end of the FY2014. The strong outcome followed a 37% reduction in the TRIFR during the previous year and confirms a positive trend which has been in place since the end of FY2012.

The TRIFR at the end of June was more than 40% better than the NSW average of 16.81. While Whitehaven is very pleased with the outcome for the year, more work is required to achieve the ultimate goal of zero injuries in the work place.

OPERATING PERFORMANCE

Consolidated Equity Production and Sales including pre-commercial production and sales from Maules Creek

Whitehaven Total (000t)	FY2015	FY2014	Movement
ROM Coal Production	12,205	9,177	33%
Saleable Coal Production	11,255	8,161	38%
Sales of Produced Coal	10,859	8,215	32%
Sales of Purchased Coal	0	511	-
Total Coal Sales	10,859	8,726	24%
Coal Stocks at Year End	2,035	1,275	60%

Note: The totals in the table includes pre-commercial production and sales from Maules Creek

Whitehaven continued to deliver strong production growth in FY2015 following the commencement of production from Maules Creek and an outstanding production year from the Narrabri mine. Production from the open cut mines was in line with expectations and forms a stable base for the Group.

Narrabri continues to achieve new production records by establishing weekly, monthly, quarterly and annual production records in FY2015. It was also the first year in which the mine produced well above its original design production rate of 6.0Mtpa.

Whitehaven did not purchase coal during the year as the larger portfolio of operations provided flexibility to meet contracted sales from our own production.

Narrabri Mine

Whitehaven 70% and Operator

Narrabri Mine 100% (000t)	FY2015	FY2014	Movement
ROM Coal Production	7,703	5,659	36%
Saleable Coal Production	7,193	5,249	37%
Sales of Produced Coal	7,071	5,145	37%
Coal Stocks at Year End	1,038	556	87%

Narrabri had a very strong production year. Narrabri set new mine production and roadway development records of 7.7Mt ROM coal and 19,800 metres respectively. Production in FY2015 was almost 30% above the design capacity of 6Mtpa.

A number of factors combined to deliver this strong production performance including a motivated and productive workforce, and software upgrades to the longwall which have increased longwall automation and reduced down time. As a direct consequence of the higher production levels, production costs have fallen with Narrabri confirming its place as Whitehaven's lowest cost mine.

One longwall move was completed during the first half of the year when mining in the third panel (LW03) was completed. Mining recommenced in LW04 on schedule in late November 2014 after the six week changeout was completed. Because of the record production rates in FY2015 it is anticipated that two full longwall changeouts will be necessary in FY2016. Consequently, production in FY2016 is forecast to be lower than for FY2015.

Narrabri has further production growth potential. A decision to widen the longwall face to 400 metres, from the current 300 metres, will be taken during the September quarter 2015. This low risk option will increase production and reduce operating costs at the mine.

Maules Creek Mine

Whitehaven 75% and Operator

Maules Creek 100% (000t)	FY2015
ROM Coal Production	2,614
Saleable Coal Production	2,231
Sales of Produced Coal	1,769
Coal Stocks at Year End	779

Note: Pre-commercial production and sales

Whitehaven's newest mine, Maules Creek, commenced railing coal in December 2014, less than a year after construction commenced. The mine, when operating at its annualised design capacity of 12mtpa saleable coal, in 2018, will double Whitehaven's coal production to over 23Mtpa making the company the largest independent coal producer in Australia.

Monthly production has gradually been increasing with the addition of management, mining equipment and employees. Mine production in the June half of FY2015 achieved an annualised rate of 6Mt. Mine production will increase in the December half of FY2016 when additional excavators and trucks are commissioned, and staff are recruited and trained. The additional mining equipment commenced arriving on site late in FY2015 and once commissioned will increase production to an annualised rate of about 8.5Mt early in the second half of FY2016.

Capital invested at the mine during the construction phase will be around \$27 million less than the original estimate of \$767 million. The savings were due to a combination of good construction contractor performance and the strong leadership of the Whitehaven project management team.

Last year, as part of the employee recruitment process at Maules Creek, Whitehaven adopted a policy to grow Aboriginal participation in the workforce. At 30 June 2015 there were 30 employees at Maules Creek identifying as Aboriginal. This represents 15% of the Maules Creek workforce and it exceeds the initial target that was set last year of 10% of employees within five years.

Demand for Maules Creek thermal coal has been strong. Production for the first year is completely sold out. Feedback from customers has been positive with the delivered coal either meeting or exceeding their expectations. Production of metallurgical coal products will commence in the first half of FY2016 with trial cargoes to several steelmakers. Interest from Japan is high following a marketing campaign by the Group's marketing team.

Open Cut Mines

Rocglen and Werris Creek 100% owned by Whitehaven and Tarrawonga 70%

Open Cuts 100% (000t)	FY2015	FY2014	Movement
ROM Coal Production	5,498	5,874	(6%)
Saleable Coal Production	5,095	5,060	1%
Sales of Produced Coal	5,147	5,206	(1%)
Coal Stocks at Year End	824	982	(16%)

Saleable coal production of 5.1Mt from the three smaller open cut mines met expectations for the year. The focus at each of the mines during the year was on cost reduction to ensure that each mine contributed positive cash flow to Whitehaven. New rosters, full year procurement benefits and operating initiatives were introduced during the year. The open cuts have been able to maintain saleable coal production levels following the changes. The changes at both Werris Creek and the Gunnedah CHPP, regrettably, led to some redundancies at each operation.

It is expected that production levels from these open cut mines can be maintained at current levels for the next three years before Reserves at Rocglen are exhausted in FY2019.

Vickery

Whitehaven 100%

Vickery is a high quality metallurgical and thermal coal project with products that are expected to be highly sought after by customers in premium markets. While Whitehaven has not yet commenced the process to form a joint venture at Vickery, the interest level displayed by strategic investors is high.

Vickery has the potential to become Whitehaven's third major mine in the Gunnedah Basin when it is developed. Timing of the development has not been determined but it is likely to occur following the full ramp up of Maules Creek to its 13Mtpa ROM capacity.

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

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

Whitehaven has begun the process of compiling the necessary work and documentation needed to apply to increase the approval rate from 4.5Mtpa to 8Mtpa. When the process has advanced sufficiently Whitehaven will look to form a joint venture with potential strategic investors who are prepared to sign off-take contracts for the products. Up to 30% of the project would be sold to the incoming party or parties. The funds raised from the sale would be used to fund Whitehaven's share of the project development costs.

Other Projects

Whitehaven has several exploration and potential development projects in Queensland and New South Wales. These are early stage exploration projects. A decision was taken to record an impairment charge for these early stage projects in FY2015 because of the change in timeframe for their likely development, due to changes in market prospects for certain coal types.

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

INFRASTRUCTURE

Whitehaven has sufficient below rail and above rail contracts in place to deliver its coal to port. There is sufficient port capacity available for FY2016. However, Whitehaven will require additional port capacity in FY2017 and beyond and is confident, given the surplus capacity available at Newcastle, of being able to obtain the capacity from other users who are unable to utilise their allocations.

MARKET OUTLOOK

Whitehaven aims to become the premier independent coal company listed in Australia. This transformation commenced with the successful development of the Narrabri underground coal mine and has further advanced with the development of Maules Creek. The next major step toward achieving this goal will be when the Maules Creek mine achieves its design capacity of 13Mtpa ROM coal in FY2018. Significant progress was made during 2015 when the mine was declared commercial on 1 July 2015.

In FY2015 Whitehaven's Narrabri mine produced a record 7.7Mt of ROM Coal to become one of the most productive and lowest cost underground mines in Australia. Production from the mine in FY2016 will be lower than in FY2015 as two longwall changeouts will occur during the financial year. Maules Creek will continue to ramp up production and is expected to produce about 7.3Mt of ROM coal. The other open cut mines will produce a similar amount of coal in FY2016 as in FY2015 taking total production from all the mines to about 19.4Mt ROM coal.

Management remains focused on improving productivity and delivering further cost reductions across the operations. Additional production growth, underlying cost reductions and improvements in productivity have successfully positioned Whitehaven in the lowest cost quartile of the current coal industry cost curve. Further work will continue in these areas in an effort to cement the past three years' achievements in cost reductions.

In the higher quality segment of the seaborne thermal coal market where Whitehaven sells much of its coal, product availability is restricted which is providing price support. Continued demand growth in the premium seaborne thermal coal markets is likely to continue to support current pricing and lead to price increases once the market has progressed through the current rebalancing phase.

Although Whitehaven is not selling to China, Chinese imports of both metallurgical and thermal seaborne coal during the first half of calendar year 2015 have declined significantly following the introduction of new import policies. The lower demand from the seaborne market has generally caused coal prices to fall. In response, producers have cut metallurgical coal production and redirected their coal into other end markets, however, increases in metallurgical coal production from Queensland's Bowen Basin producers has largely left the seaborne metallurgical coal market oversupplied. These factors have caused prices for metallurgical coal to fall. Further production cuts are required to rebalance the market.

Several Australian and Indonesian thermal producers have announced production cuts in response to lower Chinese demand and softer prices for high ash coal. These cuts are expected to reduce the oversupply particularly in the lower quality segment of the thermal coal market.