

# QUARTERLY REPORT

17 October 2016



## September Quarter 2016 – Strong production performance

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### HIGHLIGHTS

- Improved safety performance - TRIFR 9.9 at the end of September from 10.6 at the end of June
- December quarter semi soft coking coal settled at US\$130/t up 86% on September quarter
- Managed ROM coal production 5.4Mt up 41% on previous corresponding period (pcp)
- Managed saleable coal production 5.2Mt for quarter up 20% on previous corresponding period
- Managed and equity coal sales 5.0Mt and 3.8Mt respectively for quarter up 12% and 8% on previous corresponding period
- The 10.5Mtpa ramp up at Maules Creek on schedule for the second half of FY2017
- First excavator required for the 10.5Mtpa ramp up stage at Maules Creek commenced operating in the quarter
- Expansion to the 400 metre wide panel at Narrabri on schedule to commence production in H2 FY2017

## PRODUCTION AND SALES HIGHLIGHTS

Thousands of tonnes	Quarter Ended			YTD		
	Sep 2016	Sep 2015	Change	Sep 2016	Sep 2015	Change
<b>Managed ROM Coal Production</b>	<b>5,438</b>	3,867	<b>41%</b>	<b>5,438</b>	3,867	<b>41%</b>
<b>Managed Saleable Coal Production</b>	<b>5,164</b>	4,306	<b>20%</b>	<b>5,164</b>	4,306	<b>20%</b>
<b>Managed Total Coal Sales</b>	<b>5,027</b>	4,481	<b>12%</b>	<b>5,027</b>	4,481	<b>12%</b>

## WHITEHAVEN EQUITY PRODUCTION AND SALES SUMMARY

Thousands of tonnes	Quarter Ended			YTD		
	Sep 2016	Sep 2015	Change	Sep 2016	Sep 2015	Change
<b>Whitehaven Equity Totals</b>						
Equity ROM Coal Production	4,106	3,020	36%	4,106	3,020	36%
Equity Saleable Coal Production	3,900	3,308	18%	3,900	3,308	18%
Equity Sales of Produced Coal	3,805	3,516	8%	3,805	3,516	8%
Equity Coal Stocks at period end	1,310	1,371	(4%)	1,310	1,371	(4%)

## SAFETY

Safety performance improved during the quarter with Whitehaven's TRIFR at 9.9 recordable injuries per million hours worked at the end of September compared to a TRIFR of 10.6 at 30 June. Whitehaven's TRIFR of 9.9 is well below the NSW coal mining average of 15.5.

## COAL SALES

Managed coal sales in the September quarter were 5.03Mt, 12% higher than the previous corresponding period, with metallurgical coal sales 16% of the total and low CV thermal coal sales comprising 10% of the total. The balance comprised GlobalCoal NEWC Index thermal coal sales.

Metallurgical coal sales from Maules Creek mine were just over 20% of sales from the mine, as semi soft coking coal output from the mine continues to attract strong market interest. Whitehaven continues to make good progress with trial shipments of Maules Creek semi soft coking coal to a number of steelmakers in the Asian region. Longer term metallurgical sales contracts for Maules Creek semi soft coking coal have been executed with a number of users. Prices linked to the semi soft coking coal benchmark price.

## MAULES CREEK MINE

### *Whitehaven 75%*

Maules Creek began its second year of commercial production strongly by producing 1.900Mt ROM coal for the September quarter. This was 23% higher than the 1.549Mt produced in the September quarter last year. Production during the quarter was adversely impacted by more than 300mm of rainfall during the quarter. The rainfall has filled all on site dams and provided security of water supply for the mine for a number of years.

Saleable coal production for the quarter was 1.772Mt compared to 1.479Mt in the previous corresponding period. Coal sales for the quarter were 1.972Mt with metallurgical coal sales comprising 20% of total sales. The next ramp up phase at Maules Creek is to increase ROM coal production to 10.5Mtpa in the second half of FY2017. The ramp

up requires the introduction of two excavators and supporting truck fleet. One of the excavators commenced operating at the mine during the quarter and the second excavator is due to commence operating in November. Once the additional trucks arrive on site and are commissioned the mine will be operating at the full 10.5Mtpa rate early in the second half of FY2017.

An employee family day held at the mine late September was a success with over 380 attendees on the day.

## **NARRABRI MINE**

### *Whitehaven 70%*

Narrabri produced 2.353Mt ROM coal in the September quarter, 136% higher than in the pcp when a longwall change out occurred. Saleable coal production was 2.223Mt compared to 1.573Mt, an increase of 41% on the previous corresponding period.

Roadway development for the quarter was 5,633 metres. Development of LW107, the next longwall production panel is almost complete. Development of LW108 has commenced and roadway development is on target to maintain positive longwall float and continuity of longwall production at the mine.

A single longwall change for this financial year out is scheduled for H2 FY2017. The current longwall panel, LW06 will be the last planned 300 metre wide panel at the mine. Production from the first 400 metre wide panel (LW07) is expected to commence in H2 FY2017.

Sales for the September quarter were 1.886Mt compared to 1.550Mt in the previous corresponding.

## **GUNNEDAH OPEN CUTS**

The three Gunnedah open cuts produced 1.185Mt of ROM coal for the quarter compared to 1.319Mt in the previous corresponding period. Heavy rainfall reduced operational hours and consequently production at all of the mines during the quarter.

### **Tarrawonga Mine**

#### *Whitehaven 70%*

Tarrawonga produced 0.503Mt of ROM coal in the quarter compared to 0.535Mt in the previous corresponding period. Saleable coal production was 0.513Mt for the quarter, similar to the previous corresponding period. Coal sales for the period were 0.525Mt, similar to the previous corresponding period.

### **Rocglen Mine**

Rocglen produced 0.326Mt ROM coal for the quarter compared to 0.236Mt in the previous corresponding period. Saleable coal production and coal sales for the quarter were 0.218Mt and 0.233Mt respectively, 15% and 36% higher than the previous corresponding period.

### **Werris Creek Mine**

The mine produced 0.356Mt of ROM coal in the quarter compared to 0.548Mt in the previous corresponding period. Restructuring of the operation earlier this calendar year has resulted in improved efficiencies and lower costs. Coal sales for the quarter were 0.383Mt compared to 0.582Mt in the previous corresponding period.

## **VICKERY PROJECT**

Work progressed on the various studies to produce the Environmental Impact Statement (EIS) required for Government approval for an expanded Vickery mine (10Mtpa). Drafting of the EIS document and supporting documents is nearing completion. A number of options for connecting the mine to the main rail line have been identified and assessment of the optimal rail path is underway. When the optimal path is chosen, the completed EIS will be submitted to the Department of Planning and Infrastructure for approval. This is likely to occur within the next six months. Discussions with numerous interested parties regarding the formation of a joint venture will commence following the lodgment of the EIS.

Timing for start-up of the Vickery project remains market dependent, but will not occur prior to Maules Creek having been fully ramped up to 13Mtpa.

## CORPORATE

The Senior Secured Bank Facility credit limit was reduced by \$100 million, reducing the drawable line of credit from \$1.2 billion to \$1.1 billion.

There are US\$65.0 million in forward A\$/US exchange contracts currently in place at an average exchange rate of A\$1.00 = US\$0.7548. These contracts are deliverable between October 2016 and January 2017.

## COAL PRICES

Given the trailing nature of quarterly pricing arrangements, Whitehaven achieved an average price of US\$70/t in the September quarter from sales of metallurgical coal products (16% of the total sales). The achieved price reflected the price for metallurgical coal that had been contracted for the September quarter benchmark linked prices as well as some volumes sold at higher spot prices.

The GlobalCOAL NEWC Index thermal coal price averaged US\$67/t for the September quarter, US\$15/t or 30% higher than the June quarter. GlobalCOAL NEWC Index prices rose in each month of the quarter – July US\$61/t, August US\$67/t and September US\$73/t. Maules Creek thermal coal sales achieved an average premium of more than 8% above the prevailing Index price at the time of the sale. Whitehaven achieved an average price of US\$64/t for all of its thermal coal sales during the quarter. These sales included sales of low CV coal representing about 14% (equity) of total thermal coal sales which had been contracted and priced in June and early in the quarter.

As is usual in any period in which coal prices rise sharply, most producers will lag the rising spot price as sales comprise a mix of various contracted pricing periods and price linkages.

## COAL OUTLOOK

While underlying demand has been strong, the recent higher pricing has been accelerated by the implementation of the Chinese Government policy supply side reform targeting the closure of some high cost, inefficient and environmentally lower quality production capacity from Chinese supply. In addition, supply cuts by both swing seaborne metallurgical and thermal coal producers, weather related production issues in a number of countries and infrastructure constraints in Australia and Columbia have placed further pressure on coal supply.

Whitehaven expects pricing for metallurgical coal products in the December quarter to be significantly higher than September quarter. December quarter settlements for the three main metallurgical coal types have completed. Low volatile PCI coal settled at US\$133/t, an increase of US\$58/t or 77% and hard coking coal settled at US\$200/t, up 116% on the prior quarter and semi soft coking coal settled at US\$130/t up about 86% on the September quarter. Thermal coal prices are expected to be well supported over the remainder of FY2017.

## EXPLORATION

Whitehaven spent a total of \$0.033 million on exploration during the September quarter.

<b>PRODUCTION AND SALES BY MINE</b>						
Thousands of tonnes	Quarter Ended			YTD		
	Sep 2016	Sep 2015	Change	Sep 2016	Sep 2015	Change
<b>Narrabri</b>						
ROM Coal Production	2,353	998	136%	2,353	998	136%
Saleable Coal Production	2,223	1,573	41%	2,223	1,573	41%
Sales of Produced Coal	1,886	1,550	22%	1,886	1,550	22%
Coal Stocks at period end	540	461	17%	540	461	17%
<b>Tarrawonga</b>						
ROM Coal Production	503	535	(6%)	503	535	(6%)
Saleable Coal Production	513	519	(1%)	513	519	(1%)
Sales of Produced Coal	525	524	0%	525	524	0%
Coal Stocks at period end	390	260	50%	390	260	50%
<b>Maules Creek</b>						
ROM Coal Production	1,900	1,549	23%	1,900	1,549	23%
Saleable Coal Production	1,772	1,479	20%	1,772	1,479	20%
Sales of Produced Coal	1,972	1,635	21%	1,972	1,635	21%
Coal Stocks at period end	338	534	(37%)	338	534	(37%)
<b>Rocglen</b>						
ROM Coal Production	326	236	38%	326	236	38%
Saleable Coal Production	218	189	15%	218	189	15%
Sales of Produced Coal	233	172	36%	233	172	36%
Coal Stocks at period end	182	94	93%	182	94	93%
<b>Werris Creek</b>						
ROM Coal Production	356	548	(35%)	356	548	(35%)
Saleable Coal Production	437	546	(20%)	437	546	(20%)
Sales of Produced Coal	383	582	(34%)	383	582	(34%)
Coal Stocks at period end	222	371	(40%)	222	371	(40%)
<b>Whitehaven Group Totals</b>						
ROM Coal Production	5,438	3,867	41%	5,438	3,867	41%
Saleable Coal Production	5,164	4,306	20%	5,164	4,306	20%
Sales of Produced Coal	5,000	4,463	12%	5,000	4,463	12%
Sales of Purchased Coal	27	18	49%	27	18	49%
Total Coal Sales	5,027	4,481	12%	5,027	4,481	12%
Coal Stocks at period end	1,673	1,721	(3%)	1,673	1,721	(3%)