

# QUARTERLY REPORT

16 January 2017



## December Quarter 2016 – Increasing Met Coal Sales

### HIGHLIGHTS

- Continuing Improvement in safety performance - TRIFR 7.2 at the end of December from 9.9 at the end of September
- Record managed quarterly and half year metallurgical coal sales of 1.2Mt and 2.0Mt respectively
- Managed quarterly ROM coal production 5.5Mt
- Managed quarterly saleable coal production 5.1Mt for quarter, up 2% on previous corresponding period
- Managed quarterly coal sales 5.3Mt , up 7% on previous corresponding period
- First half managed ROM coal production 10.9Mt, up 17% on previous corresponding period
- First half managed saleable coal production 10.2Mt, up 10% on previous corresponding period
- First half managed coal sales 10.3Mt, up 9% on previous corresponding period
- Maules Creek operating at 10.5Mtpa rate at half year end
- Expansion to the 400 metre wide panel at Narrabri on schedule to commence production in the June quarter FY2017

## MANAGED PRODUCTION AND SALES HIGHLIGHTS

Thousands of tonnes	Quarter Ended			YTD		
	Dec 2016	Dec 2015	Change	Dec 2016	Dec 2015	Change
Managed ROM Coal Production	5,452	5,403	1%	10,890	9,270	17%
Managed Saleable Coal Production	5,061	4,947	2%	10,224	9,253	10%
Managed Total Coal Sales	5,251	4,916	7%	10,278	9,397	9%

## WHITEHAVEN EQUITY PRODUCTION AND SALES SUMMARY

Thousands of tonnes	Quarter Ended			YTD		
	Dec 2016	Dec 2015	Change	Dec 2016	Dec 2015	Change
<b>Whitehaven Equity Totals</b>						
Equity ROM Coal Production	4,086	4,066	0%	8,192	7,085	16%
Equity Saleable Coal Production	3,794	3,732	2%	7,694	7,041	9%
Equity Sales of Produced Coal	3,953	3,782	5%	7,758	7,298	6%
Equity Coal Stocks at period end	1,171	1,358	(14%)	1,171	1,358	(14%)

## SAFETY

Safety performance improved during the quarter with Whitehaven's TRIFR of 7.2 recordable injuries per million hours worked at the end of December compared to a TRIFR of 9.9 at 30 September 2016. Whitehaven's TRIFR of 7.2 is at the lowest level recorded by the Company. The introduction of Whitehaven's Safehaven Rules programme in 2014 followed up by safety behavioural training has combined to improve overall safety performance.

Whitehaven's TRIFR is well below the NSW coal mining average of 15.5.

## COAL SALES

Managed coal sales in the December quarter were 5.25Mt, 7% higher than the previous corresponding period. Equity coal sales in the December quarter were 3.95Mt, 5% higher than the previous corresponding period. Metallurgical coal sales comprised 22% of equity coal sales while low CV thermal coal sales fell to 8% of equity sales.

Sales of metallurgical coal achieved a new quarterly record in the December quarter and were 43% higher than in the September quarter as production and sales of Maules Creek semi soft coking coal gathered momentum.

Managed and equity coal sales for the first half were 10.28Mt and 7.76Mt, 9% and 6% higher respectively, than the previous corresponding period. Managed metallurgical coal sales for the half were 2.0Mt an increase of 58% on the previous corresponding period and a new period record.

Metallurgical coal sales from Maules Creek mine in the December quarter represented 29% of the total coal sales from the mine. The semi soft coking coal output from the mine continues to attract strong market interest especially in a period where many steel makers were trying to reduce the use of high priced hard coking coal. The low ash, sulphur and phosphorous characteristics combined with good coking properties of the coal from Maules Creek continue to attract new customers.

## MAULES CREEK MINE

### *Whitehaven 75%*

ROM coal production from Maules Creek continued to recover from the impacts of heavy rainfall in the September quarter (1.90Mt) with the mine producing 2.46Mt in the December quarter, 40% higher than the 1.75Mt produced in the previous corresponding period. Saleable coal production for the quarter was 2.23Mt compared to 1.69Mt in the previous corresponding period. Coal sales for the quarter were 2.12Mt up 34% from the previous corresponding period.

ROM and saleable coal production for the first half were 4.36Mt and 4.01Mt respectively, higher by 32% and 27% respectively, compared to the previous corresponding period. Production of metallurgical coal in the first half was 1.15Mt, 29% of the total. Expectations are for metallurgical coal production to increase to approximately 1.7Mt in the second half representing 35% of total sales for the half. The ramp up in metallurgical coal production and sales is exceeding initial forecasts as steel makers are attracted to the high quality of the product. The mines' first term contract for metallurgical coal was signed with a large Asian based steelmaker for a material portion of CY2017's metallurgical coal production. Negotiations with several other steelmakers are at an advanced stage and further long term contracts are expected to be executed in coming months.

Equipment for the next ramp up phase at Maules Creek is in place with the mine operating at an annualised rate of 10.5Mtpa from late December. As a result production from the mine in the second half of the year is expected to be higher than in the first half.

## NARRABRI MINE

### *Whitehaven 70%*

As indicated in the ASX release dated 9 January, ROM coal production at Narrabri was impacted by adverse geotechnical conditions in LW106. The conditions which are confined to an area located in the second half of the longwall block caused longwall retreat rates in the quarter to be lower than planned. The proven method of pre-conditioning the roof strata will be utilised in the zone in LW107.

ROM coal production in the December quarter was 1.87Mt and 4.22Mt for the first half, 24% lower and 22% higher respectively than in the previous corresponding periods.

Saleable coal production for the quarter and half year was 1.87Mt and 4.09Mt compared to 2.17Mt and 3.74Mt respectively in the previous corresponding period.

Sales for the December quarter were 2.10Mt, 4% lower than in the previous corresponding period. Sales for the half were 4.0Mt compared to 3.73Mt in the previous corresponding period.

Roadway development for the quarter and half year was 5,136 metres and 10,799 metres respectively, in line with budget.

Development for LW107 is complete and pre-installation of new longwall equipment has commenced. LW107 is the first 400 metre wide panel at Narrabri operations and is expected to deliver reduced unit costs and an increase in production at the mine. Production in the panel is scheduled to commence during the June quarter of FY2017.

## GUNNEDAH OPEN CUTS

The three Gunnedah open cuts produced 1.13Mt of ROM coal for the quarter compared to 1.19Mt in the previous corresponding period. ROM coal production for the first half was 2.31Mt compared to 2.51Mt in the previous corresponding period.

Some operational changes were introduced in the quarter to manage the cumulative road haulage capacity from Tarrawonga and Rocglen within the currently approved level of 3.5Mtpa on a calendar year basis. Towards the end of the December quarter, production from Rocglen was reduced and employees temporarily transferred to Maules Creek as a mitigation measure to remain within the approved limit. Management are currently seeking a modification that will increase the annual truck haulage limit to 4.0Mtpa for calendar year 2017, to take advantage of the improved operating performance of these mines. Approval of the modification is expected early in 2017.

## Tarrawonga Mine

### *Whitehaven 70%*

Tarrawonga produced 0.639Mt of ROM coal in the quarter compared to 0.536Mt in the previous corresponding period. Saleable coal production was 0.496Mt for the quarter, similar to the previous corresponding period. Coal sales for the period were 0.512Mt, 10% higher than the previous corresponding period.

ROM coal production for the first half was 1.14Mt, 7% higher than for the previous corresponding period. Saleable coal production for the period was 1.01Mt compared to 0.995Mt, similar to the previous corresponding period. Sales of coal for the first half were 1.037Mt, 5% higher than for the previous corresponding period.

## Rocglen Mine

Rocglen produced 0.242Mt ROM coal for the quarter compared to 0.350Mt in the previous corresponding period. As already indicated production from the mine was reduced for several weeks in the latter part of the quarter. Production in the second half will return to normal levels with high in-pit stocks available to be mined during the March quarter. Saleable coal production and coal sales for the quarter were 0.185Mt and 0.207Mt respectively, similar to the previous corresponding period.

ROM coal production in the first half was 0.568Mt compared to 0.587Mt in the previous corresponding period. Saleable coal production and coal sales in the first half were 0.404Mt and 0.440Mt respectively.

## Werris Creek Mine

The mine produced 0.246Mt of ROM coal in the quarter compared to 0.304Mt in the previous corresponding period. Production was lower than expected as the mine worked to recover from the heavy rain experienced during the September quarter. As is usual in the mining sequence at Werris Creek, production in the second half of the year will be higher than in the first half. Coal sales for the quarter were 0.295Mt compared to 0.489Mt in the previous corresponding period.

ROM coal production in the first half was 0.602Mt compared to 0.852Mt in the previous corresponding period. Saleable coal production and coal sales in the first half were 0.718Mt and 0.679Mt respectively.

## 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. The decision on the preferred rail route is close to being finalised. Submission of the completed EIS to the Department of Planning and Infrastructure is expected to occur within the first half of CY2017. Discussions with numerous interested parties regarding the formation of a joint venture will commence following the lodgement of the EIS.

Timing for start-up of the Vickery project remains market dependent, but will likely occur once Maules Creek has been fully ramped up to its 13Mtpa capacity.

## CORPORATE

There are US\$126.0 million in forward A\$/US exchange contracts currently in place at an average exchange rate of A\$1.00 = US\$0.7411. These contracts are deliverable between January 2017 and October 2017.

## COAL PRICES - EQUITY

Whitehaven achieved an average price of US\$104/t in the December quarter for its sales of metallurgical coal products (22% of the total equity sales). The achieved price reflects a combination of index linked and spot contracts with a number of these deliveries having their prices set in the September quarter.

The globalCOAL NEWC Index thermal coal price averaged US\$94.71/t for the December quarter, US\$27/t or 40% higher than in the September quarter. globalCOAL NEWC Index prices rose until mid-November peaking at US\$109/t and then declined to end the year at US\$94/t.

Whitehaven achieved an average price of US\$92/t for its thermal coal sales during the quarter. These sales included fixed price sales of low CV coal (about 8%, equity basis of total thermal coal sales) and a range of globalCOAL NEWC Index priced contracts.

High quality Maules Creek thermal coal sales achieved an average premium of more than 9% above the prevailing Index price at the time of the sale.

In periods of volatile coal prices, Whitehaven's mix of sales contracts causes realised prices to lag index movements. During the period from September 2016 to date there was a departure from historical price relationships between various coal types. This departure has caused some short term deviation from historically expected outcomes, which has moderated since the quarter end.

## **COAL OUTLOOK**

Whitehaven expects pricing for semi soft coking coal in the March quarter to be higher than the December quarter following the increases in the settled benchmark prices for metallurgical coal agreed in late December. Hard coking coal contract pricing for the March 2017 quarter was settled at US\$285/t. Semi soft coking coal settled at US\$171/t representing an increase of 32% over the December quarter price. Spot metallurgical coal prices for coal deliveries in the March Quarter have weakened since the start of the year and prices for each thermal coal grade have retreated from their mid-November highs. However, Whitehaven expects prices for high quality thermal coal to remain well supported over 2017.

## **EXPLORATION**

Other than on site exploration work, no material expenditure was incurred in exploration by Whitehaven during the December quarter.

**PRODUCTION AND SALES BY MINE**

Thousands of tonnes	Quarter Ended			YTD		
	Dec 2016	Dec 2015	Change	Dec 2016	Dec 2015	Change
<b>Maules Creek</b>						
ROM Coal Production	2,455	1,748	40%	4,355	3,297	32%
Saleable Coal Production	2,234	1,687	32%	4,006	3,166	27%
Sales of Produced Coal	2,123	1,582	34%	4,095	3,217	27%
Coal Stocks at period end	486	403	21%	486	403	21%
<b>Narrabri</b>						
ROM Coal Production	1,869	2,464	(24%)	4,222	3,462	22%
Saleable Coal Production	1,865	2,168	(14%)	4,088	3,741	9%
Sales of Produced Coal	2,104	2,183	(4%)	3,990	3,733	7%
Coal Stocks at period end	227	731	(69%)	227	731	(69%)
<b>Tarrowonga</b>						
ROM Coal Production	639	536	19%	1,143	1,072	7%
Saleable Coal Production	496	477	4%	1,010	995	1%
Sales of Produced Coal	512	464	10%	1,037	989	5%
Coal Stocks at period end	449	261	72%	449	261	72%
<b>Rocglen</b>						
ROM Coal Production	242	350	(31%)	568	587	(3%)
Saleable Coal Production	185	190	(3%)	404	379	6%
Sales of Produced Coal	207	198	4%	440	370	19%
Coal Stocks at period end	138	159	(13%)	138	159	(13%)
<b>Werris Creek</b>						
ROM Coal Production	246	304	(19%)	602	852	(29%)
Saleable Coal Production	281	425	(34%)	718	972	(26%)
Sales of Produced Coal	295	489	(40%)	679	1,071	(37%)
Coal Stocks at period end	195	202	(4%)	195	202	(4%)
<b>Whitehaven Group Totals</b>						
ROM Coal Production	5,452	5,403	1%	10,890	9,270	17%
Saleable Coal Production	5,061	4,947	2%	10,224	9,253	10%
Sales of Produced Coal	5,241	4,916	7%	10,240	9,379	9%
Sales of Purchased Coal	11	-	-	38	18	109%
Total Coal Sales	5,251	4,916	7%	10,278	9,397	9%
Coal Stocks at period end	1,495	1,756	(15%)	1,495	1,756	(15%)