FULL YEAR RESULT FY2017

17 August 2017

WHITEHAVEN COAL

Record profit and distribution to shareholders

FINANCIAL PERFORMANCE

Whitehaven Coal, Australia's leading independent high quality coal company with five operating mines in North West NSW, has reported a net profit after tax of $405.4 million for the year ended 30 June 2017.
All key financial performance metrics improved on the previous corresponding period (pcp):

- Sales revenue of $1,773.2 million, up 52%;
- Operating EBITDA before significant items of $714.2 million, up 219%;
- Cash generated from operations of $655.3 million, up 143%;
- Net debt reduced to $311.1 million at 30 June 2017 with gearing at 9%;
- Drawable debt facility of $1.0 billion refinanced into a revolver with maturity extended to 2021;
- The Board has proposed to make a distribution to shareholders of 20 cents per share; and
- As per previous guidance unit costs increased modestly to $58/t.

OPERATING HIGHLIGHTS

Managed ROM coal production and sales of coal of 23.1Mt and 20.7Mt, 13% and 3% higher respectively than the pcp reflecting the ongoing ramp up of Maules Creek mine and strong performance from the Gunnedah open cuts.

Full year ROM coal production of 9.7Mt from Maules Creek, was up 24% on the pcp. ROM coal production from the smaller open cuts was 6.1Mt, up by 6% on the pcp.

Metallurgical coal sales continue to grow in line with expectations and reached 21% of total sales for the year.

Production costs were in line with guidance of $58/t excluding royalties.

GUIDANCE

FY2018 guidance for saleable coal production is expected to be in the range of 22Mt to 23Mt. Costs for the year are likely to increase slightly as production of metallurgical coal increases and the strip ratio at Maules Creek moves towards the life of mine ratio.

ECONOMIC AND SOCIAL CONTRIBUTION

During the year Whitehaven Coal and its Joint Venture partners made significant contributions to the economies of New South Wales (NSW) and the north west NSW region.

- $171.9 million paid to the NSW Government in mining royalties;
- $237 million spent with local businesses; and
- Made 90 donations to local community groups.

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

"The hard work that preceded FY2017 has been rewarded by the company reporting its highest ever profit for the year. This is a fitting result for a company celebrating its 10 year anniversary of listing on the ASX and reflects well on all of those people who have shared and participated in the journey".

"It is also pleasing to demonstrate the confidence that the board has in the business by proposing a distribution to shareholders. The company has a strong balance sheet so shareholders can expect to receive more returns".

"As I have said many times, Whitehaven's high quality coal – which produces more energy and fewer emissions per tonne than almost all competing coals – is being widely and rapidly accepted in the growing Asian market".

"The outlook for the high quality coal we produce is positive, as more HELE technology coal-fired power plants are being deployed into the Asian region".

"The release of the Finkel report and increased debate about energy security and affordability in Australia should lead to Australia following the lead of Germany, Japan and of our customer countries - by installing HELE technology to lower both emissions and the cost of electricity for all Australians".

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FINANCIAL PERFORMANCE

Key highlights

- Net profit after tax (NPAT) increased to $405.4m.
- Operating EBITDA before significant items increased by 219% to $714.2m.
- Cash generated from operations increased by 143% to $655.3m.
- Net debt of $311.1m at 30 June 2017 and gearing reduced to 9%.

	FY2017 $m's	FY2016 $m's
Revenue	**1,773.2**	**1,164.4**
Net profit before significant items	**367.2**	**20.5**
Significant items after tax	38.2	-
Net profit after tax	405.4	20.5
Operating EBITDA before significant items	**714.2**	**224.1**
Significant items before tax and financing	(55.0)	-
Net interest expense	(42.1)	(56.9)
Other financial expenses	(7.9)	(9.1)
Depreciation and amortisation	(133.9)	(130.4)
Gain on disposal of assets	0.1	-
Profit before tax	**475.4**	**27.7**

The 30 June 2017 NPAT includes the impact of the following two significant items:

- A $55.0m pre-tax impairment charge in relation to early stage exploration assets.
- Recognition of additional deferred tax assets in respect of previously unrecognised income tax losses of $76.7m.

The recognition of these items has the effect of increasing the NPAT by $38.2m. There were no significant items recognised in FY2016.

FY2017 NPAT before significant items of $367.2m represents an increase of $346.7m compared to $20.5m in FY2016. The significant turn-around in the FY2017 result was driven by a strong operating performance coupled with improved coal prices with FY2017 EBITDA before significant items of $714.2m reflecting an increase of $490.1m (219%) compared to $224.1m in FY2016.

EBITDA before significant items was underpinned by EBITDA margins improving to $46/t in FY2017 from $14/t in FY2016. The improved EBITDA margin performance reflects increased coal prices during the year, an increase in metallurgical coal sales volumes as a proportion of total sales volumes and the enduring benefit associated with the sustainable cost reductions achieved in recent years.

The key factors that contributed to the FY2017 NPAT before significant items result for the year include:

- Strong safety performance.
- Gross revenue increased to $1,773.2m in FY2017 from $1,164.4m in FY2016. The increase was driven by the A$37/t increase in A$ realised prices to average A$112/t in FY2017 from A$75/t in FY2016 and by an increase in sales volumes to 15.8Mt in FY2017 from 15.5Mt in FY2016.

- The key drivers of A$ realised prices during the period were:
  - The Newcastle GlobalCoal Index price averaged US$81/t for high quality thermal coal in FY2017, US$28/t above the average of US$53/t recorded in FY2016.
  - The Group realised an average price of US$102/t in FY2017 for its sales of metallurgical coal products. The realised price reflects a combination of quarterly benchmark linked and index based contracts.
  - The high quality of thermal coal from the Maules Creek mine typically achieved both quality and energy premiums relative to the Newcastle GlobalCoal Index price during the period. Thermal coal sales from Narrabri, Rocglen and Tarrawonga broadly received the Index price during the year.
  - An increase in the proportion of metallurgical coal sales from 15% in FY2016 to 21% in FY2017 was underpinned by increased production of metallurgical coal at Maules Creek.
  - A strengthened currency partially offset some of the benefits of improved prices – the A$ increased to average 0.75 in FY2017 from an average of 0.73 in FY2016.
  - The increase in prices for both thermal and metallurgical coal during FY2017 reflected the return of the market to supply/demand balance following production cuts in a number of key coal producing countries namely China, Indonesia, the USA and Australia.
- FOB costs per tonne of $58/t in FY2017 remain in the best cost quartile. While FOB costs per tonne have increased by $2/t from $56/t in FY2016, this is largely due to cost of producing increased metallurgical coal tonnages, the costs incurred to recover production that was lost due to wet weather in the September 2016 quarter and due to changes in the composition of the sales mix.
- Increased production from Maules Creek continues to increase the resilience of Whitehaven's portfolio both from a volume and quality perspective and helps to reduce the impact of Narrabri longwall change-outs while supporting further improvement in the utilisation of contracted rail and port capacity. Gunnedah open cuts delivered a record result at historically low operating costs.
- Selling and distribution costs reflect the benefits of larger scale operations, and utilisation of contracted infrastructure capacities.
- Administration costs were lower than the prior corresponding period.

Whitehaven's investment in the development of Maules Creek at the bottom of the coal price cycle, the ramp up of Narrabri underground and the productivity improvements exhibited at the Gunnedah open cuts have provided a solid platform for the business and ensured that the Group has been and continues to be well positioned to capitalise on an improved environment for thermal and metallurgical coal. Maules Creek delivered production in the second half FY2017 at an annualised run rate of 10.5Mt with best quartile costs and a premium product delivering significant premiums to the prevailing thermal prices. This is reflected in the significant contribution that Maules Creek has made to Whitehaven's FY2017 EBITDA.

Whitehaven has a policy to maintain a strong capital base so as to maintain investor, creditor and debt market confidence and to ensure that the business is well positioned to support attractive future growth opportunities.

CASH FLOW AND CAPITAL MANAGEMENT

Cash flow summary		FY 2017 $m's	FY 2016 $m's
Operating cash flows		**607.6**	**171.9**
Investing cash flows		(93.7)	(93.1)
Net free cash flow		513.9	78.8
Financing cash flow		(528.3)	(79.8)
Cash at the beginning of the period		101.5	102.4
Cash at the end of the period		87.1	101.5
Capital management		**30 June 2017**	**30 June 2016**
Net debt		311.1	839.3
Undrawn syndicated facility		775.0	365.0
Gearing ratio (net debt/(net debt plus equity)	(%)	9%	23%
Leverage (net debt/EBITDA)	(times)	0.4	3.8

Cash Flow

Operating cash flows of $607.6m in FY2017 increased by 254% compared to FY2016. The increase reflects both the resilience of the coal price recovery, which has seen both thermal and metallurgical coal prices being maintained at constructive levels and excellent operational performance. Costs for FY2017 were within the best cost quartile of the industry cost curve.

The strength of the operating cash flow performance has also been underpinned by the increasing scale that Maules Creek brings to the Whitehaven portfolio. Interest payments were lower as drawn debt was reduced to $398.3m at 30 June 2017 from $940.8m at 30 June 2016, while an investment in working capital occurred in FY2017 predominantly due to the increased sales prices in trade receivables balances.

Investing cash outflows of $93.7m in the year ended 30 June 2017 are consistent with FY2016. Growth capital has been allocated toward procuring the Narrabri 400 metre face, completing remaining Maules Creek project related items, main road development at Narrabri and expenditure to progress the Environmental Impact Statement (EIS) required for Government approval for an expanded Vickery mine (10Mtpa). Throughout the cycle, Whitehaven has continued to allocate sustaining capital at each of its mines to maintain safe and productive operations.

Whitehaven's liquidity position strengthened considerably during FY2017. There was $87.1m in cash and $775.0m in undrawn facilities available at 30 June 2017. Net debt of $311.1m at 30 June 2017 was a reduction of $528.2m from 30 June 2016. Whitehaven remains well within the target range on all its key capital management metrics.

As a result of the strength of Whitehaven's balance sheet, its scale of operations, and its improved earnings and cash flow generation, Whitehaven is well placed to expand its operations from its existing portfolio of opportunities or to take advantage of external growth opportunities that may arise.

Whitehaven has repaid over $600m of the senior bank facility over the last 2 ½ years and has returned to its target range for all key capital management metrics in FY2017.

Proposed Distribution to Shareholders

Directors have proposed a 20 cent per share distribution to shareholders, which is expected to comprise a 14 cent capital return and a 6 cent unfranked dividend. Whitehaven is seeking a class ruling from the ATO in relation to the proposed distribution. The proposed capital return component is subject to receiving shareholder approval at Whitehaven's Annual General Meeting (AGM) in October 2017 and, if approved by shareholders, will be paid in November 2017 along with the related unfranked dividend. Further details will be provided in the notice of meeting for the AGM.

SAFETY PERFORMANCE

Safety performance continued to improve during the year. Whitehaven's Total Recordable Injury Frequency Rate (TRIFR) of 7.4 recordable injuries per million hours at the end of June fell from 10.6 at June 2016.

The company is committed to achieve zero harm to our people and environment.

Whitehaven's TRIFR is well below the NSW coal mining average of 14.7.

OPERATING PERFORMANCE

Consolidated Equity Production and Sales

Whitehaven Total (000's t)	FY2017	FY2016	Movement
ROM Coal Production	17,718	15,760	12%
Saleable Coal Production	15,769	15,072	5%
Sales of Produced Coal	15,487	15,432	0%
Sales of Purchased Coal	328	79	n/m
Total Coal Sales	15,815	15,511	2%
Coal Stocks at Period End	2,371	1,307	81%

FY2017 production and sales results demonstrate continuing strong operational performance. Key highlights include:

- ROM and saleable coal production for the year were 12% and 5% higher, respectively than the prior corresponding period.
- Coal sales of 15.8Mt were 2% higher than the pcp.
- Sales of metallurgical coal continued to grow and represented 21% of total sales for the year.
- Coal production at Maules Creek continues to ramp up with the mine operating at 10.5Mtpa rate in the second half.
- Metallurgical coal quality from Maules Creek has exceeded early expectations and continues to attract high levels of customer interest.
- At Narrabri, the installation of the first 400 metre wide panel was completed on schedule and budget with longwall mining commencing in April.
- New full year ROM coal production records were set at the Tarrawonga and Rocglen mines of 2.7Mt and 1.6Mt respectively.

The Group's total workforce including contractors was around 1,500 people at the end of June 2017, making Whitehaven Coal the largest private sector employer in the north west NSW region. Employee and contractor numbers have grown from the beginning of the year as Maules Creek continued to ramp up production by utilising additional mining equipment.

Maules Creek Mine

Whitehaven 75% and Operator

Maules Creek Mine 100% (000's t)	FY2017	FY2016	Movement
ROM Coal Production	9,729	7,826	24%
Saleable Coal Production	8,986	7,384	22%
Sales of Produced Coal	8,879	7,421	20%
Coal Stocks at Period End	636	609	4%

The ramp up of ROM coal production at Maules Creek continues on schedule with production having reached an annualised rate of 10.5Mt in the second half of FY2017. Production for the full year was at the upper end of guidance, despite the slow start to the year brought about by unusually heavy rainfall in the September quarter.

The next step in the ramp up of Maules Creek production is expected to occur in early FY2019.

Metallurgical coal, representing 26% of total sales, continued to show year on year growth. Whitehaven and its customers are steadily executing longer term supply contracts to purchase semi soft coking coal. Coal testing programmes are demonstrating the value in use of these low ash, low sulphur and high quality semi soft coking coals. More contracts are expected to be executed over the next year. Customer interest and contract activity are both expected to escalate with the production of coal from lower seams in the deposit at Maules Creek – seams which exhibit even better quality coking characteristics than the coal produced in the preceding two years of commercial activity.

ROM coal production for FY2018 is expected to be in the range of 10.3Mt to 10.6Mt.

Narrabri Mine

Whitehaven 70% and Operator

Narrabri Mine 100% (000's t)	FY2017	FY2016	Movement
ROM Coal Production	7,267	6,888	6%
Saleable Coal Production	6,987	7,269	(4%)
Sales of Produced Coal	6,823	7,532	(9%)
Coal Stocks at Period End	318	135	136%

Another milestone occurred during the year as the installation of the 400 metre wide longwall face was completed on schedule and below budget. After some early debottlenecking, the new longwall equipment and associated infrastructure is now operating as expected with regular 200,000 tonne production weeks been achieved.

Some geotechnical issues experienced in the December quarter adversely impacted production for the full year which led to modest underperformance of the guidance target for the year. However, ROM coal production of 7.3Mt for the year leaves the mine placed as one of the leading and highly productive underground mines in Australia.

Roadway development for the next panel remains on schedule for commencement of longwall mining in panel LW108 in the first half of CY2018.

ROM coal production for the next year is forecast to be in the range of 8.0Mt to 8.4Mt. In the following two years (FY2019 and FY2020), production will be lower as the displacement caused by a fault mined through in earlier longwall panels has increased. The decision has been made to plan to step the longwall around the fault rather than attempt to mine through the fault zone due to the risk of damage and delay.

Gunnedah Open Cut Mines

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

Open Cuts 100% (000's t)	FY2017	FY2016	Movement
ROM Coal Production	6,142	5,791	6%
Saleable Coal Production	4,811	5,038	(5%)
Sales of Produced Coal	4,616	5,095	(9%)
Coal Stocks at Period End	1,886	901	109%

The Gunnedah open cut mines produced a record 6.1Mt ROM coal production for the year. The total included 2.1Mt in the final quarter of the year. The increased production was due to a concerted effort by these mines to compensate for the tonnage which was deferred at the Narrabri mine earlier in the year. The strong finish to the year and quarter has seen an increase in ROM coal stocks at all mines. These stocks will be processed and sold during the first half of FY2018. Costs have fallen at all of the operations during the year by way of improved mining practices and some economies of scale.

Rocglen and the Gunnedah CHPP have both achieved another milestone of being three years free of injuries.

ROM coal production from these mines in FY2018 will be in the range of 5.0Mt and 5.4Mt.

Vickery

Whitehaven 100%

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. Submission of the completed EIS to the Department of Planning and Infrastructure will follow within the second 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 construction commencement of the Vickery project remains market dependent, but will likely occur once Maules Creek has been fully ramped up to its 13Mtpa capacity.

Exploration

Whitehaven maintains several exploration and potential development projects in Queensland and New South Wales. With the exception of the Vickery project, these are early stage projects. The Company has reviewed these projects and recorded an impairment of $55m recognising that their development timeline is likely to be beyond other more attractive brownfield opportunities.

INFRASTRUCTURE

Rail Track

Whitehaven contracts its below rail capacity with the Australian Rail Track Corporation (ARTC). The capacity framework which governs this contract has been recently renegotiated for a further 5 year term with a material reduction in track access costs. Whitehaven continues to work with ARTC to expand effective capacity within the Gunnedah Basin without requiring additional physical infrastructure through improved operating efficiencies. The objective of this work is to improve supply chain productivity and further reduce costs.

Rail Haulage

Whitehaven has two rail haulage contracts, one with Pacific National and one with Aurizon. These contracts have a common expiry date in 2026. These contracts provide for the haulage of up to 30Mtpa which allows for all currently projected brownfield expansions. The company is able to align planned increases in production with contract rail haulage capacity by giving notice to the rail providers of the need for additional capacity. This supports the planned increases in Whitehaven's managed production levels, whilst minimising fixed cost exposure.

Port Capacity

Whitehaven holds contracts at the Port of Newcastle – either at NCIG or at PWCS – to support planned shipments. Whitehaven will require additional port capacity for the forecast production ramp up over the next 5 years. There is currently surplus port capacity available at the port for both short term surge and long term annual requirements.

OUTLOOK AND LIKELY DEVELOPMENTS

Operations

Saleable coal production guidance for FY2018 is in the range of 22Mt to 23Mt, higher than for FY2017 as Maules Creek will produce ROM coal at an annualised rate of 10.5Mt for all the year and production from Narrabri will increase. The next ramp up step for Maules Creek when additional mining equipment is introduced to the mine is scheduled to commence early in FY2019. ROM production from Narrabri will be higher following the installation of the wider longwall face and only one longwall changeout scheduled for the year. ROM coal production for the Gunnedah open cuts will return to more usual levels when compared with the strong performance in FY2017.

Maules Creek and Narrabri are tier one assets with long mine lives and industry leading low cost structures. There are opportunities to increase production at both mines in the near and medium term while prospects exist for life of mine extensions. These mines are now firmly established as key pillars underpinning Whitehaven's future success.

Demand

Whitehaven's high quality, clean coals continue to attract strong demand from a growing customer base in over ten countries. Whitehaven has attracted a number of new customers during FY2017 in countries such as China and Vietnam for semi soft coking coal sales and Malaysia for thermal coal sales.

Recent analysis by CRU, a respected industry consultant, indicates that demand for seaborne thermal coal will continue to grow steadily over the five year forecast period. The growth profile incorporates China domestic substitution for imports, modest import growth by India and strong import growth from a number of developing South East Asian countries.

Pricing

Coal demand remains strong especially in Asia and is responsible for the improvement in prices for both metallurgical and thermal coal in recent weeks. The demand for thermal coal in China increased as hot weather and reduced hydro availability increased the coal burn in thermal power stations. Imports of thermal coal into the country have been higher than anticipated and when combined with weather related constraints on supply from Indonesia and some production issues in Australia have pushed up the price of seaborne thermal coal in the past two months. While most of these issues are likely to be resolved in coming months, the confluence of events has provided a good platform for the thermal coal price as FY2018 unfolds. In the longer term, as a number of Asian countries continue to deploy new HELE power stations the demand for high quality thermal coal will continue to grow strongly.

Following a six month period of extreme price volatility, spot metallurgical coal prices after the Queensland cyclone, metallurgical coal prices are now stabilising. The price remains well supported by strong steel production in China and a number of other countries. One key area of uncertainty for the future is the pricing mechanism for all metallurgy coal types. The drawn out negotiations to settle quarterly benchmark prices for the June quarter and subsequent changes to the quarterly benchmark pricing methodology are likely to result in closer correlation between quarterly benchmark and spot index prices.