

# QUARTERLY REPORT

16 July 2018



WHITEHAVEN COAL

## June Quarter Production Report

### HIGHLIGHTS

- Strong safety performance – Group TRIFR at the end of June was 6.91.
- June quarter ROM coal production of 5.9Mt, saleable coal production of 4.7Mt and coal sales of 4.8Mt including purchased coal.
- Full year ROM coal production of 22.9Mt in line with the previous year.
- Full year saleable coal production of 20.9Mt, in line with the previous year and within the guidance range.
- Full year coal sales, including purchased coal of 22.1Mt, up 7% on the previous year.
- Maules Creek produced 2.9Mt ROM coal for the quarter and a record 11.0Mt ROM coal, up 13% for the year.
- Record Maules Creek saleable coal production of 9.7Mt, up 8% for the year.
- All mining equipment required to operate Maules Creek at the approved rate of 13Mtpa is onsite and operating.
- Gunnedah open cuts delivered record saleable coal production of 5.4Mt, up 12% and coal sales of 5.3Mt, up 16% from the previous year.
- Completed purchase of 100% of Winchester South metallurgical project in Queensland.
- Completed acquisition of the 30% joint venture interest in Tarrawonga, increasing ownership to 100%.

**Paul Flynn, Managing Director and CEO, Whitehaven Coal**

*“With thermal coal pricing at seven year highs, and against the backdrop of continuing strong demand, Whitehaven remains on track for a record set of financials in FY18.”*

*“The period has seen a record production result for Maules Creek and continued strong performance of the Gunnedah open cuts, which has helped to achieve sales within the guidance range.”*

## MANAGED PRODUCTION AND SALES HIGHLIGHTS

Thousands of tonnes	Quarter Ended			YTD		
	Jun 2018	Jun 2017	Change	Jun 2018	Jun 2017	Change
Managed ROM Coal Production	5,854	6,573	(11%)	22,924	23,137	(1%)
Managed Saleable Coal Production	4,749	5,478	(13%)	20,880	20,782	0%
Managed Total Coal Sales	4,767	5,477	(13%)	22,061	20,672	7%

## WHITEHAVEN EQUITY PRODUCTION AND SALES SUMMARY

Thousands of tonnes	Quarter Ended			YTD		
	Jun 2018	Jun 2017	Change	Jun 2018	Jun 2017	Change
<b>Whitehaven Equity Totals</b>						
Equity ROM Coal Production	4,698	5,110	(8%)	17,727	17,718	0%
Equity Saleable Coal Production	3,836	4,198	(9%)	16,160	15,767	2%
Equity Sales of Produced Coal	3,601	4,134	(13%)	16,109	15,487	4%
Sales of Purchased Coal	308	72	327%	1,256	328	283%
Total Equity Coal Sales	3,909	4,206	(7%)	17,365	15,815	10%
Equity Coal Stocks at period end	2,621	2,371	11%	2,621	2,371	11%

## SAFETY

Whitehaven's TRIFR at the end of June was 6.91, a small deterioration from the end of March rate of 5.51.

Whitehaven's TRIFR remains well below the NSW coal mining average of 14.67.

## COAL SALES AND PRICING

Managed coal sales, including sales of purchased coal, for the June quarter were 4.8Mt, down 13% on the previous corresponding period, which can be attributed to a combination of lower coal availability from Narrabri and weather-related port congestion at the Port of Newcastle which caused some sales slippage from June into July.

These factors also contributed to a reduction in equity coal sales, including purchased coal, to 3.9Mt in the June quarter, down 7% on the previous corresponding period.

June quarter benchmark prices, which utilised the backward looking average indexes for metallurgical coal were US\$196/t for hard coking coal, US\$140/t (estimated) for LV PCI and US\$132/t for SSCC.

Whitehaven achieved an average price of US\$131/t for its metallurgical coal sales in the June quarter.

Continued strong global economic activity during the June quarter saw the globalCoal Newc (gC Newc) thermal coal price well-supported to an average of US\$105/t for the quarter. After considering the ash and energy premium Maules Creek thermal coal is achieving in the market relative to the SSCC spot price of US\$121/t, incremental Maules Creek production was recalibrated toward thermal coal during the quarter. Limitations on the availability of PCI from Narrabri and Werris Creek also reduced the volume of metallurgical coal sales during the quarter.

Maules Creek achieved a quarterly average price 9.0% higher than the gC Newc index price for its sales of thermal coal during the quarter.

Strong March and June production quarters at Werris Creek and out of seam dilution from weighting events at Narrabri contributed to above-trend sales of low CV coal in the quarter which decreased the average sales price for thermal coal to below the gC Newc quarterly average.

The following table provides quarterly data on equity sales, sales mix and coal pricing.

		Sep-17	Dec-17	Mar-18	Jun-18	FY2018
<b>Equity Coal Sales</b>	<b>Mt</b>	<b>4.7</b>	<b>4.5</b>	<b>4.2</b>	<b>3.8</b>	<b>17.3</b>
<b>Coal Sales Mix</b>						
High CV Thermal Coal	%	72	68	69	59	<b>67</b>
Low CV Thermal Coal	%	15	17	9	23	<b>16</b>
Metallurgical Coal	%	13	15	22	18	<b>17</b>
<b>Pricing</b>						
NEWC Index	US\$/t	95	98	103	105	<b>100</b>
JSM Quarterly	US\$/t	120	126	150	132	<b>132</b>
Average Spot Price	US\$/t	114	116	127	121	<b>120</b>
<b>Pricing Achieved</b>						
Thermal Coal	US\$/t	91	98	105	98	<b>98</b>
Metallurgical Coal	US\$/t	109	113	123	131	<b>119</b>
<b>Premium/(Discount)</b>						
Thermal to NEWC Index	%	-3%	-1%	2%	-7%	<b>-2%</b>
Metallurgical to JSM Qtrly*	%	-9%	-11%	-18%	-1%	<b>-10%</b>
Metallurgical to Spot Price	%	-5%	-3%	-3%	8%	<b>-1%</b>

\* Only applicable for tonnes sold under the term contracts  
Equity sales in the June Quarter and full year do not include sales for Sunnyside

## MAULES CREEK MINE

### *Whitehaven 75%*

A new quarterly production record of 2.931Mt of ROM coal was established at Maules Creek, with the mine operating at an annualised rate of 11.7Mt in the final quarter of the year. Saleable coal production for the quarter was 2.428Mt, marginally lower than in the previous corresponding period. Coal sales were 2.352Mt, up slightly on the previous quarter.

ROM coal production for the full year was 10.953Mt, up 13% on the previous year. Saleable coal production for the year was 9.664Mt, 8% higher than the previous year. Coal sales for the year were 9.641Mt, up 9% on the previous year.

All of the equipment required for the mine to operate at its fully approved rate of 13Mtpa ROM coal is now on site. Production is expected to increase in FY2019 and Maules Creek is on track to achieve its approved limit of 13Mt ROM coal in FY2020.

Metallurgical coal sales of 0.738Mt in the June quarter represented 31% of the total sales from the mine. Metallurgical coal sales for the full year were 2.272Mt representing 23% of total sales. The margin between the spot price for semi soft coking coal and the price achieved for thermal coal sales caused Maules Creek to preference sales of thermal coal over metallurgical coal from the mine during the year.

## NARRABRI MINE

### *Whitehaven 70%*

ROM coal production for the June quarter was 1.190Mt, down 29% on the previous corresponding period. Saleable coal production for the quarter was 0.878Mt and coal sales were 0.800Mt for the quarter.

Full year ROM coal production of 6.289Mt was 13% lower than the previous year. Saleable coal production was 5.840Mt, 16% lower than the previous year and coal sales for the year were 5.760Mt.

ROM coal production at Narrabri in the June quarter and second half of FY2018 was impacted by a series of longwall face mechanical issues and by localised weighting events. These factors combined to slow the rate of

longwall retreat and have delayed the commencement of the longwall changeout, previously scheduled to occur prior to the end of FY2018. The changeout into longwall panel LW108, the next panel, will commence in July and longwall production is expected to recommence in September.

Installation of the accelerated secondary support regime has progressed ahead of schedule in the panel gates roads and in the mains development roadways.

Roadway development for the June quarter and full year was 4,579 metres and 17,145 metres respectively.

## **GUNNEDAH OPEN CUTS**

The Gunnedah open cuts performed strongly in the June quarter and for the year. Production was higher than expected and costs are now inside the first quartile. Tarrawonga, Rocglen and Werris Creek and the rehabilitation programme at Sunnyside produced a total of 1.732Mt of ROM coal for the June quarter and 5.683Mt for the year.

Saleable coal production for the quarter was 1.443Mt and coal sales for the period were 1.295Mt.

Saleable coal production for the full year was 5.377Mt and coal sales 5.322Mt higher by 12% and 16% respectively than the previous year.

Safety performance across the sites remains strong with both Rocglen and the Gunnedah CHPP achieving over 2,000 days injury-free days.

### **Tarrawonga Mine**

Tarrawonga produced 0.601Mt of ROM coal in the quarter. Saleable coal production and coal sales for the quarter were 0.464Mt and 0.390Mt respectively. Whitehaven completed the acquisition of the 30% joint venture interest held by Idemitsu during the period which will lead to increased equity coal production of about 0.7MT ROM coal from the mine for FY2019.

ROM coal production for the full year of 2.289Mt, was below the previous year but in line with budget. Saleable coal production and coal sales were 2.162Mt and 2.121Mt respectively, similar to the previous year.

### **Rocglen Mine**

Rocglen produced 0.314Mt ROM coal for the quarter. Saleable coal production and coal sales for the quarter were 0.235Mt and 0.213Mt respectively. The mine is scheduled to cease ROM coal production at the end of FY2019 when Reserves are exhausted and will then undergo a rehabilitation programme for about 18 months.

Full year ROM coal production was 1.077Mt. Saleable coal production and coal sales were 0.955Mt and 0.988Mt respectively, similar to the previous year.

### **Werris Creek Mine**

Werris Creek produced 0.583Mt of ROM coal in the quarter. Saleable coal production and coal sales for the quarter were 0.632Mt and 0.616Mt respectively.

ROM coal production for the full year was 1.960Mt, 8% higher than the previous year. Saleable coal production and coal sales for the year were 2.091Mt and 2.112Mt respectively both over 25% higher than the previous year.

### **Sunnyside Mine**

Coal mining in support of the mine closure Mining Operations Plan continued during the quarter with a total of 0.234Mt ROM coal produced. Mining at Sunnyside in support of the Sunnyside rehabilitation programme is expected to be completed at the end of FY2019.

Saleable coal production for the quarter was 0.111Mt and coal sales were 0.076Mt.

ROM coal production for the year was 0.356Mt. Saleable coal production and coal sales were 0.169Mt and 0.100Mt respectively for the year.

## **VICKERY PROJECT**

A significant milestone was achieved during the quarter when all rail corridor access agreements were concluded with the relevant parties in support of the development of the high-quality Vickery Project. The various impact assessments required by regulators and associated peer reviews are also complete. Work to conclude the final

components of the Environmental Impact Statement (EIS) will be concluded in July and it is expected the EIS will be lodged with the Department of Planning and Environment in the second half of August.

Timing for start-up of the Vickery project remains market dependent but, given recent conditions, is likely to occur rapidly after all approvals are received. Discussions with numerous parties that have expressed interest in joint venture partner opportunities in Vickery will commence following EIS lodgement.

## **WINCHESTER SOUTH PROJECT**

Whitehaven completed the full acquisition of the Winchester South project during the June quarter. This project provides another growth option for the company in addition to the Vickery project. Whitehaven paid US\$150 million to Rio Tinto (of the US\$200m payable) for its 75% interest in the Winchester South project during the quarter and on a prorata basis acquired and settled the purchase of the remaining 25% interest from the minority joint venture partner. Whitehaven will pay Rio Tinto the remaining US\$50 million in the June quarter FY2019.

Whitehaven has commenced integrating the Winchester South project into its Technical Services and Long Term Mine Planning Team while also commencing the process to recruit a Project Director to oversee and guide the project through to approval, construction, development and operation.

## **CORPORATE**

Cost pressures due to lower production at Narrabri and higher diesel prices have slightly increased full year costs to \$62/t.

There are US\$33 million in forward A\$/US exchange contracts currently in place at an average exchange rate of A\$1.00 = US\$0.7556. These contracts are deliverable between July and September 2018.

There are three changes to accounting standards expected between FY2018 and FY2020:

1. IFRS 15 – Revenue from contracts with customers
2. IFRS 9 - Financial Instruments
3. IFRS 16 - Leases

Neither IFRS 9 nor IFRS 15 are expected to impact future Whitehaven financial reports, however IFRS 16 – Leases is noteworthy because the majority of mobile fleet at Maules Creek has been procured using operating leases and hire arrangements. Adoption of IFRS 16 will require reclassification of lease costs and hire costs from operating costs to depreciation and financing charges. This change will also require disclosure of an increase in assets and liabilities on the balance sheet. Whitehaven has undertaken a rigorous process in preparation of implementing IFRS 16 and, in the interests of improving comparability of results between itself and other major and mid-tier mining houses, is considering early adopting IFRS16 from 1 July 2018.

## **COAL OUTLOOK**

Global demand for thermal coal in the first half of 2018 continued to grow and follows an increase of 2% year on year (YonY) growth in 2017.

The appetite for high quality coal in the Asian region continues to grow, with India and China leading demand. Coal demand in the EU meanwhile continues its slow decline. China has surprised many commentators with YonY power demand increasing by 8.5% in the first five months of the calendar year. Coal fired generation expanded by 6% YonY in the same period, driven firstly by a colder than expected winter and followed by an early summer and strong industrial demand. Domestic coal production and distribution constraints in China have caused it to increase its draw on seaborne coal markets.

Coal supply from other countries has been constrained, for example in South Africa, Eskom has been forced to make significant short term coal purchases of export coal to meet domestic generation needs. In Australia, production growth has been limited by producer discipline and by rail issues in Queensland, leaving mainly Indonesia and the United States as the two sources of increased supply into the seaborne market during calendar year 2018.

The combination of these factors has elevated prices for all thermal coal types but most particularly in the high quality thermal segment. With peak Northern Hemisphere demand in July and August impacting demand, prices are likely to remain well supported in the short to medium term.

The demand for metallurgical coals, especially hard coking coal in the first half remained robust as steel producer's maximized production to capture the benefit of strength in steel prices. Seaborne coal supply remained tight driving steel producers to diversify their supply sources to ensure the supply of raw materials necessary for uninterrupted steel production. Semi-soft coal demand has been tempered somewhat by the push for increased coke production which is driving more hard coking coal in their coke blends. The dispute in Queensland between the regulator and Aurizon continues with railings constrained. If the dispute persists, metallurgical coal prices are expected to remain well supported in the next year.

## EXPLORATION

Exploration expenditure incurred by Whitehaven during the June quarter was \$1.6m.

PRODUCTION AND SALES BY MINE						
Thousands of tonnes	Quarter Ended			YTD		
	Jun 2018	Jun 2017	Change	Jun 2018	Jun 2017	Change
<b>Maules Creek</b>						
ROM Coal Production	2,931	2,764	6%	10,953	9,729	13%
Saleable Coal Production	2,428	2,478	(2%)	9,664	8,986	8%
Sales of Produced Coal	2,352	2,591	(9%)	9,641	8,879	9%
Coal Stocks at period end	646	636	1%	646	636	1%
<b>Narrabri</b>						
ROM Coal Production	1,190	1,675	(29%)	6,289	7,267	(13%)
Saleable Coal Production	878	1,570	(44%)	5,840	6,987	(16%)
Sales of Produced Coal	800	1,510	(47%)	5,760	6,823	(16%)
Coal Stocks at period end	639	318	101%	639	318	101%
<b>Tarrawonga</b>						
ROM Coal Production	601	896	(33%)	2,289	2,692	(15%)
Saleable Coal Production	464	633	(27%)	2,162	2,241	(4%)
Sales of Produced Coal	390	608	(36%)	2,121	2,178	(3%)
Coal Stocks at period end	620	718	(14%)	620	718	(14%)
<b>Rocglen</b>						
ROM Coal Production	314	494	(36%)	1,077	1,641	(34%)
Saleable Coal Production	235	277	(15%)	955	934	2%
Sales of Produced Coal	213	245	(13%)	988	903	9%
Coal Stocks at period end	255	545	(53%)	255	545	(53%)
<b>Sunnyside</b>						
ROM Coal Production	234	-	-	356	-	-
Saleable Coal Production	111	-	-	169	-	-
Sales of Produced Coal	76	-	-	100	-	-
Coal Stocks at period end	253	-	-	253	-	-
<b>Werris Creek</b>						
ROM Coal Production	583	744	(22%)	1,960	1,809	8%
Saleable Coal Production	632	520	22%	2,091	1,635	28%
Sales of Produced Coal	616	442	39%	2,112	1,535	38%
Coal Stocks at period end	562	623	(10%)	562	623	(10%)
<b>Whitehaven Group Managed Totals</b>						
ROM Coal Production	5,854	6,573	(11%)	22,924	23,137	(1%)
Saleable Coal Production	4,749	5,478	(13%)	20,880	20,782	0%
Sales of Produced Coal	4,448	5,396	(18%)	20,722	20,318	2%
Sales of Purchased Coal	319	81	294%	1,339	354	278%
Total Coal Sales	4,767	5,477	(13%)	22,061	20,672	7%
Coal Stocks at period end	2,974	2,841	5%	2,974	2,841	5%