HALF YEAR RESULT FY2018

16 February 2018

WHITEHAVEN COAL

Higher coal prices drive record H1 profit

FINANCIAL PERFORMANCE

Whitehaven Coal has reported a net profit after tax of $257.2 million for the half year ended 31 December 2017. All key financial performance metrics improved on the previous corresponding period (pcp):

- Sales revenue of $1,146.4 million, up by 39% pcp;
- Operating EBITDA of $460.6 million rose by 42% on pcp on higher coal prices;
- Cash generated from operations of $409.7 million, an increase of 55% on pcp;
- Net debt was reduced to $146.9 million with gearing falling to 4%;
- The Board has resolved to pay an interim dividend of 13 cents per share.

OPERATING HIGHLIGHTS

Equity ROM coal production and sales of coal including purchased coal of 8.4Mt and 9.2Mt, 2% and 18% higher respectively than the pcp reflecting the ongoing ramp up of Maules Creek mine and solid production from the other mines in the portfolio.

The sales mix for the half year comprised 68% high CV thermal, 17% low CV thermal and 15% metallurgical coal. The higher proportion of low CV coal in total sales was due to stock reductions which had been built in the final quarter of the previous year.

FOB costs of $60/t were consistent with guidance for the half year[1].

GUIDANCE

FY2018 guidance for saleable coal production was revised to the range of 20.5Mt to 21.0Mt following reduced production from the Narrabri mine during the first half. Costs for the year are likely to increase slightly as modestly higher costs at Narrabri are factored into the result.

ECONOMIC AND SOCIAL CONTRIBUTION

During the half year Whitehaven Coal and its Joint Venture partners made significant contributions to the New South Wales (NSW) economy and to local economies in NW NSW.

- A total of $116.3 million paid to the NSW Government in mining royalties
- Spending $135.3 million with local businesses, supporting local employment
- Making charitable contributions to over 40 local community groups
- Delivering on our target to ensure at least 10 per cent of the Maules Creek workforce is made up of Aboriginal or Torres Strait Islander people.

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

“It is pleasing to report a record first half-year profit. The result represents the culmination of a growth strategy that has been in place for a number of years. Firstly, the development of the Narrabri underground mine set the company on a growth path. This was followed by the development of the Maules Creek open cut mine which added significant production to the portfolio. At the same time, the successful reduction in costs across the entire Whitehaven business and recent higher coal prices have enabled the company to generate this great result.

“We continue to see strong interest from potential new customers throughout Asia. Many are seeking Whitehaven’s high quality coal for their power stations and steel mills – either planned, under-construction or newly built.

“Now that our major capital programme is behind us it is pleasing to reward shareholders with an interim dividend. The dividend points to the confidence that Whitehaven’s Board has in the future prospects of the company.

[1] FOB costs excluding royalty

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FINANCIAL PERFORMANCE

	H1 FY2018 $m's	H1 FY2017 $m's
Revenue	**1,146.4**	**823.5**
Net profit for the period	**257.2**	**157.5**
Operating EBITDA before significant items	**460.6**	**324.8**
Profit before tax	**372.8**	**226.0**

REVIEW OF FINANCIAL PERFORMANCE

H1 FY2018 NPAT of $257.2m represents an increase of 63% above the H1 FY2017 reported NPAT of $157.5m. The increased NPAT result was driven by a 32% increase in per tonne EBITDA margins which rose to $54/t in H1 FY2018 from $41/t in H1 FY2017. The increased EBITDA margin reflects largely the benefits of higher coal prices in the period combined with continuing cost control.

The key factors that contributed to the increased H1 FY2018 NPAT result include:

- Strong safety performance.
- Gross revenue increased by $322.9m to $1,146.4m in H1 FY2018. The increase was driven by the substantial increase in A$ realised prices to an average of A$124/t in H1 FY2018 up from A$106/t in H1 FY2017. The increase in sales volumes from 7.8Mt to 9.2Mt also contributed. The key drivers of A$ realised prices during the period include:
    - The Newcastle GlobalCoal Index price averaged US$96/t for the first half, US$15/t higher than the average of US$81/t in the prior corresponding period
    - The Group realised an average price of US$95/t for all of its thermal coal in the half year.
    - The Group realised an average price of US$111/t in the first half 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
    - Optimisation of the product sales mix to take advantage of the strong prices for high quality thermal coal, with little incentive to switch into incremental SSCC volumes
    - Offset by a strengthened currency – the average AUD:USD exchange rate increased to 0.78 in H1 FY2018 from 0.75 in the prior corresponding period; and
    - The increase in prices for both thermal and metallurgical coal during H1 FY2018 reflects China's steady draw on the seaborne thermal coal market and strong Asian demand for high quality coals, reflecting buoyant Asian economic conditions.
- FOB costs per tonne of A$60 in H1 FY2018 have been held relatively flat with costs in H2 FY2017 but have increased from A$56/t in H1 FY2017. The cost performance reflects the impact of changes in mix. Specifically, the relative contribution of Narrabri tonnes (Whitehaven's lowest cost mine) to the Group's sales mix decreased due to lower ROM production volumes at Narrabri compared with the contribution from the open cut mines. At Maules Creek, costs have been affected by higher strip ratio and longer haul distances, while the Gunnedah open cuts have continued their strong cost performance.
- Increased Maules Creek production has strengthened the portfolio, reducing the impact of Narrabri longwall change-outs while supporting further improvement in the utilisation of contracted infrastructure capacity on the rail and at the port.
- Increased coal purchases to optimise price margins and maximise the delivery of Whitehaven's high quality thermal coals into high margin sales contracts.
- Selling and distribution costs reflect the benefits of a recent renegotiation of the below rail capacity contract with ARTC which resulted in a reduction in track access costs.
- Decreased administration costs.

CASH FLOW AND CAPITAL MANAGEMENT

Cash flow summary		H1 FY2018 $m's	H1 FY2017 $m's
Operating cash flows		**399.4**	**237.2**
Investing cash flows		(30.2)	(34.6)
Net free cash flow		369.2	202.6
Financing cash flow		(357.7)	(197.3)
Cash at the beginning of the period		87.1	101.5
Cash at the end of the period		98.6	106.8
Capital Management		**31 December 2017**	**30 June 2017**
Net debt		146.9	311.1
Undrawn syndicated facility		810.0	775.0
Gearing Ratio (net debt/net debt plus equity)	(%)	4%	9%
Leverage (net debt/EBITDA)	(times)	0.2	0.4

Cash Flow

Operating cash flows

Operating cash flows of $399.4m in H1 FY2018 increased by $162.2m or 68% relative to the prior corresponding period resulting from the increased operating EBITDA. Conversion of EBITDA to cash flow from operations was also strong, however was adversely impacted by an increase in working capital associated with trade receivables at 31 December 2017 being recorded at higher prices than compared with 31 December 2016.

Investing cash flows

Investing cash outflows during H1 FY2018 of $30.2m were flat with the prior corresponding period and reflect a continuation of the disciplined approach being taken to managing capital expenditure. Investing cash flows in H1 FY2018 include sustaining capital expenditure, main road development expenditure at Narrabri and expenditure to progress the Environmental Impact Statement (EIS) required for the submission seeking Government approval for an expanded Vickery mine (10Mtpa).

Capital Management

Cash on hand at 31 December 2017 of $98.6m is similar to the cash balance at 30 June 2017.

Net debt at 31 December 2017 was $146.9m, a decrease of $164.2m from 30 June 2017. Gearing of 4% was reduced by 55% from the 30 June 2017 gearing ratio of 9% due to the reduction in net debt at 31 December 2017.

The decrease in net debt has been driven by the strong operating cash flow performance during the period. This has facilitated repayments of the senior facility, finance leases and the ECA facility totalling $297.6m.

Undrawn capacity of $810.0m under the senior bank facility existed at 31 December 2017.

In November 2017 a shareholder distribution of $198.4m was made. The shareholder distribution comprised a dividends of $59.5m ($0.06 per share) and a capital return of $138.9m (a return of capital of $0.14 per share).

SAFETY PERFORMANCE

Safety performance across the group continued to improve with Whitehaven's TRIFR of 6.19 recordable injuries per million hours worked at the end of December improving from 7.42 at the end of June 2017. This is the lowest ever TRIFR recorded by the company and follows the introduction of the "Safehaven Rules" programme in early FY2014.

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

OPERATING PERFORMANCE

Consolidated Equity Production and Sales

Whitehaven Total (000's t)	H1 FY2018	H1 FY2017	Movement
ROM Coal Production	8,394	8,192	2%
Saleable Coal Production	8,263	7,694	7%
Sales of Produced Coal	8,577	7,758	11%
Sales of Purchased Coal	655	38	-
Total Coal Sales	9,232	7,796	18%
Coal Stocks at Period End	1,418	1,171	21%

First half FY2018 production and sales results demonstrate continuing sound operational performance. Key highlights include:

- ROM and saleable coal production of 8.4Mt and 8.3Mt were 2% and 7% higher, respectively than the pcp.
- Coal sales, including purchased coal, of 9.2Mt were 18% higher than the pcp.
- Coal production at Maules Creek continues to ramp up with the mine producing 5.1Mt ROM coal, up 18% on pcp.
- Solid production of 2.2Mt and strong sales of 2.6Mt, up 22% from the three Gunnedah open cut mines.
- A drilling programme at Narrabri targeted at determining the displacement of the fault in LW panel 110 confirmed a reduction in the displacement of the fault.
- Decision taken to mine through the fault in both LW panels 108 and 109 will increase production in both FY2019 and FY2020 from previous guidance.
- Mining recommenced at the Sunnyside open cut to fully rehabilitate the site while extracting the remaining 0.8Mt of coal. Mining is planned to be completed in CY2019.

Maules Creek Mine

Whitehaven 75% and Operator

Maules Creek Mine 100% (000's t)	H1 FY2018	H1 FY2017	Movement
ROM Coal Production	5,121	4,355	18%
Saleable Coal Production	4,560	4,006	14%
Sales of Produced Coal	4,738	4,095	16%
Coal Stocks at Period End	387	486	(20%)

Production at Maules Creek continued to ramp up on schedule. ROM coal production and saleable coal production for the first half was 5.1Mt, up 18% and 4.6Mt, up 14% respectively on the pcp. Coal sales for the half were a new record of 4.7Mt, up 16% on pcp. Metallurgical coal sales for the first half were 0.9Mt representing 19% of total coal sales for the half.

Sales of contractually committed metallurgical coal from Maules Creek for the first half of the year performed as expected. However, demand by steel makers for uncommitted semi soft coking coals has been subdued due to high steel demand and margins. These factors have encouraged steel makers to maximize coke oven productivity and use higher proportions of hard coking coal in their coke blends. While steel margins and steel demand continue to be robust we expect sales of uncommitted metallurgical coal from Maules Creek will be challenging. Production and sales guidance for FY2018 has been restated with metallurgical coal sales from Maules Creek likely to be in the range of 20% to 25% of total sales.

New equipment for the next step up in production is arriving at Maules Creek and is expected to be fully operational by July of this year. This equipment will increase capacity at the mine to its fully approved rate of 13Mtpa ROM coal. ROM coal production from Maules Creek in the second half will be higher than in the first half with expectations of the total ROM coal production FY2018 reaching 11.0Mt.

Narrabri Mine

Whitehaven 70% and Operator

Narrabri Mine 100% (000's t)	H1 FY2018	H1 FY2017	Movement
ROM Coal Production	3,879	4,222	(8%)
Saleable Coal Production	3,813	4,088	(7%)
Sales of Produced Coal	3,820	3,990	(4%)
Coal Stocks at Period End	295	227	30%

ROM coal production for the first half was 3.9Mt. Saleable coal production for the first half was 3.8Mt and coal sales were 3.8Mt, each modestly lower than the pcp.

Coal production at Narrabri during the first half was impacted by a slower mining rate through the fault zone in the September quarter while changing roof conditions in the December quarter accelerated the need for secondary roof support to be installed ahead of previous plans. During the December quarter labour was diverted from production to install additional secondary support leading to a reduction in longwall production. The changed roof conditions are due to the increasing depth of cover at the mine.

Following the success of mining through the fault in longwall panel LW107, plans have been developed to mine through the fault zone in panels LW108 and LW109. Relative to previous guidance, mining through this zone will reduce costs in both FY2019 and FY2020 and result in increased ROM coal production of 0.3Mt in each year. Production guidance for Narrabri for FY2018 is in the range of 6.0Mt and 6.5Mt ROM coal.

Gunnedah Open Cut Mines

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

Open Cuts 100% (000's t)	H1 FY2018	H1 FY2017	Movement
ROM Coal Production	2,161	2,313	(7%)
Saleable Coal Production	2,518	2,132	18%
Sales of Produced Coal	2,628	2,156	22%
Coal Stocks at Period End	1,093	782	40%

The Gunnedah open cuts – Tarrawonga, Rocglen and Werris Creek – produced a total of 2.2Mt ROM coal for the half year 7% lower than in the pcp. Saleable coal production for the half year was 2.5Mt, 18% higher than the pcp as high coal stocks produced before the end of the last financial were processed. Coal sales for the half year were 2.6Mt, 22% higher than the pcp.

During the half Whitehaven agreed to acquire Idemitsu's 30% interest in Tarrawonga. The acquisition is expected to close in first half of CY2018 following receipt of NSW Government approval and will add about 0.6Mtpa to Whitehaven's equity coal production effective from completion.

A rehabilitation programme commenced at the Sunnyside open cut mine in the period. Sunnyside had been on care and maintenance. Mining is expected to be completed in CY2019 and a total of 0.8Mt of coal is expected to be mined over the two year period as part of a programme to rehabilitate the former mining site. Contemporary rehabilitation of the mine site will provide another example of Whitehaven's excellent capabilities in rehabilitation.

Vickery

Whitehaven 100%

Whitehaven hosted a visit by the three local mayors and local media to Maules Creek during the December quarter to show key stakeholders its latest tier one operating mine while providing attendees with detailed information in relation to the Vickery project. Whitehaven advised attendees that it had removed the Blue Vale pit from the proposed Vickery open cut project. Subsequent community feedback in relation to the announced change has been positive.

Removal of Blue Vale requires Whitehaven to make changes to the detailed documentation for the Environmental Impact Statement (EIS) for an expanded Vickery mine (up to 10Mtpa). The EIS remains on target to be submitted during the March quarter.

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. Discussions with numerous parties who have expressed interest in becoming joint venture partners will commence following the lodgement of the EIS.

Exploration

Whitehaven has several exploration and potential development projects in Queensland and New South Wales. These are early stage exploration projects. The Company is focused on maintaining the tenements in good standing but is limiting its spending on these projects.

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 until 2022. The renegotiation resulted in a 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 operating efficiency improvements. The objective of this work is to provide the capacity required for Whitehaven's forecast production levels over the coming years in the most efficient and reliable manner.

Rail Haulage

Whitehaven has two rail haulage contracts, one with Pacific National and one with Aurizon. These contracts both expire 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 saleable coal production with contract rail haulage capacity by giving timely notice to the rail providers of the need for additional capacity.

Port Capacity

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

OUTLOOK AND LIKELY DEVELOPMENTS

Operations

FY2018 production guidance is in the range of 20.5Mt to 21.0Mt. Production at Maules Creek will continue to progressively ramp up and reach its fully approved capacity of 13Mtpa ROM coal by early FY2020. Marketing efforts will continue to focus on delivering contracted metallurgical coal sales while production from the smaller open cuts will continue at usual rates while sales are likely to exceed production as coal stocks accumulated at the end of FY2017 are sold.

Demand

Buoyant economic conditions across the Asian region and the deployment of new HELE coal fired power stations are maintaining strong demand for thermal and metallurgical coal in the region. China's draw on the seaborne coal market has remained well above market expectations as small, unsafe and less productive mines are being closed or forced to improve their environmental credentials. Consumption in India is also on the rise after a weak start to 2017 and other countries in South East Asia continue to deploy new power stations and as urbanisation continues.

CRU has estimated that about 7GW of new coal fired electricity were installed in 2017 requiring an additional 17Mtpa of coal. In addition, coal continues to increase its role in the electricity mix in Asian countries, excluding China, from an estimated 39% in 2010 to 45% in 2017. Further growth is expected over the next five years underpinning coal demand. At the same time there is little sign on new coal mine capacity being brought on line.

Pricing

Thermal coal prices during the December half year period remained strong and exceeded the expectations of many commentators in the lead up to the north Asian winter. A number of factors are helping to maintain these higher prices - China's draw on the seaborne thermal coal market is steady, demand for higher quality coals from South East Asia and the traditional Asian markets of Japan, Korea and Taiwan remains strong. The demand from these countries reflects buoyant economic conditions across Asia. On the supply side, a number of factors, including Australian industrial relations issues and poor weather in Indonesia, has limited the supply response. The outlook for thermal coal in the short to medium term remains favourable.

Hard coking coal prices have also been strong. The potential for weather related disruptions in Queensland in the next two quarters is expected to result in strong but volatile prices which will have an impact on demand for and pricing of Whitehaven's semi soft coking coal products.