FULL YEAR RESULT FY2018

14 August 2018

WHITEHAVEN COAL

Record profit

FINANCIAL PERFORMANCE

Whitehaven Coal, the leading independent Australian producer of metallurgical and premium thermal coal, has reported a record net profit after tax of $525.6 million for the year ended 30 June 2018.

Key financial performance metrics improved on the previous corresponding period (pcp):

- Sales revenue of $2,257.4 million, up 27%;
- Underlying EBITDA before significant items of $940.0 million, up 32%;
- Cash generated from operations of $854.0 million, up 30%;
- Net debt reduced to $270.4 million at 30 June 2018 with gearing at 7%;
- The Board has proposed to pay an unfranked dividend of 27 cents per share to shareholders to be comprised of a final dividend of 14 cents and a special dividend of 13 cents; and
- Unit costs remained in the best quartile and increased to $62/t due to higher fuel prices, increased contractor costs and lower production from Narrabri during the year.

OPERATING HIGHLIGHTS

Managed ROM coal production of 22.9Mt and coal sales of 22.1Mt, were in line with and 7% higher respectively than the pcp, reflecting the ongoing ramp up of Maules Creek and strong performance from the Gunnedah open cuts.

Full year ROM coal production at Maules Creek was 11.0Mt, an increase of 13% on the pcp. ROM coal production of 5.7Mt from the smaller open cuts was ahead of budget, while production at Narrabri of 6.3Mt was impacted by several localised weighting events and some mechanical issues on the new 400 metre wide face, each resolved by year end.

Metallurgical coal sales represented 17% of total sales for the year.

GUIDANCE

FY2019 guidance for saleable coal production is expected to be in the range of 22.0Mt to 23.0Mt. Costs for the year are likely to increase modestly to $64/t excluding royalties due to higher fuel costs and longer hauls at Maules Creek.

ECONOMIC AND SOCIAL CONTRIBUTION

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

- $283.9 million paid to the NSW Government in mining royalties;
- $293.2 million spent with local businesses;
- A Stretch Reconciliation Action Plan (RAP) was launched during the year, upgraded from the previous Innovate RAP; and
- Donated $445k to local community groups.

Commenting on today's record results, Whitehaven Coal Managing Director and CEO Paul Flynn said:

"It is a compelling and tangible illustration of how Whitehaven has successfully set about building a portfolio of quality assets and executing against an agreed strategy."

"We are at an exciting stage in the company's evolution in that we are bringing together quality production assets and a development pipeline offering greater scale and geographic diversity, against a backdrop of coal prices at historic highs and a track record of successful delivery."

"The strength of our future prospects is reflected in the Board's decision to recommend a final dividend of 14 cents per share and a special dividend of 13 cents per share. This brings the total cash returned to loyal shareholders to $595 million in the space of 12 months."

"FY19 is shaping up as another strong year for the company with the outlook for coal demand in Asia set to remain strong across both established and emerging markets. For example Japan, Whitehaven's largest thermal coal customer, has plans to build up to 30 new ultra super critical power stations as sub-critical generation capacity is retired.

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FINANCIAL PERFORMANCE

Key highlights

- Net profit after tax (NPAT) increased to $525.6m.
- Operating EBITDA before significant items increased by 32% to $940.0m.
- Cash generated from operations increased by 30% to $854.0m.
- Net debt of $270.4m at 30 June 2018 and gearing reduced to 7%.

	FY2018 $m's	FY2017 $m's
Revenue	**2,257.4**	**1,773.2**
Net profit before significant items	**525.6**	**367.2**
Significant items after tax	-	38.2
Net profit after tax	**525.6**	**405.4**
Underlying EBITDA before significant items	**940.0**	**714.2**
Significant items before tax and financing	-	(55.0)
Corporate development costs	(9.7)	-
Net interest expense	(21.7)	(42.0)
Other financial expenses	(7.2)	(7.9)
Depreciation and amortisation	(141.0)	(133.9)
Profit before tax	**760.4**	**475.4**

FY2018 NPAT before significant items of $525.6m represents an increase of $158.4m compared to $367.2m in FY2017. The strong FY2018 NPAT result was underpinned by FY2018 underlying EBITDA of $940.0 million, an increase of $225.8 million compared to $714.2 million in FY2017.

The improvement in the underlying EBITDA result was driven by a significant increase in the EBITDA margin to $59/t in FY2018, up on the $46/t margin achieved in FY2017. This improvement was driven by a strong operating performance coupled with the continued strength of the coal price environment, particularly in respect of high quality thermal coal.

The key factors that contributed to the FY2018 NPAT before significant items result for the year include:

- Strong safety performance.
- Gross revenue increased to $2,257.4m in FY2018 from $1,773.2m in FY2017. The increase was driven by the A$18/t increase in A$ realised prices to an average A$130/t in FY2018 from A$112/t in FY2017 and by an increase in sales of produced coal to 16.1Mt in FY2018 from 15.5Mt in FY2017.
- The key drivers of A$ realised prices during the period were:
  - The Newcastle GlobalCoal Index price averaged US$100/t for high quality thermal coal in FY2018, US$19/t above the average of US$81/t recorded in FY2017.
  - The Group realised an average price of US$119/t in FY2018 for its sales of metallurgical coal products. The realised price reflects a combination of quarterly benchmark linked and index based contracts.
  - The high quality of thermal coal from the Maules Creek mine which typically achieved both quality and energy premiums relative to the Newcastle GlobalCoal Index price during the period. Sales of Maules Creek coal achieved an average price of 9% higher than the GlobalCoal index price during the year. Thermal coal sales from Narrabri, Rocglen and Tarrawonga broadly received the Index price during the year.
  - A strengthened currency partially offset some of the benefits of improved prices – the A$ increased to average 0.78 in FY2018 from an average of 0.75 in FY2017
  - The increase in prices for thermal coal in particular during FY2018 was underpinned by the return of the market to supply/demand balance in FY2017 following production cuts in a number of key coal producing countries namely China, Indonesia, the USA and Australia. Global demand for thermal coal continued to grow in FY2018 due to an

increasing appetite for high quality thermal coal in the Asian region. In particular, the growth in thermal coal demand was supported by year on year growth in Chinese power demand of 8.5% in the first five months of the 2018 calendar year. Domestic production and infrastructure constraints in China have resulted in an increased draw on the seaborne coal market.

- Metallurgical coal sales mix reduced from 21% in FY2017 to 17% in FY2018. This reflects the narrowing spread between the GlobalCoal NEWC Index thermal coal price and the Platts Index semi soft coking coal price which, combined with the quality premiums that Maules Creek thermal coal is achieving in the market, has resulted in Maules Creek's production being marketed as thermal coal during much of FY2018.
- FOB costs per tonne of A$62/t in FY2018 remain in the best cost quartile. The increase in FOB costs per tonne compared to the A$58/t result in FY2017 was a result of a range of factors including increasing input prices (i.e. diesel) in line with the broader strengthening of demand in the sector, longer and steeper hauls at Maules Creek (temporary) as the working pit expands and an increase in costs at Narrabri due to increasing depth of cover. The increased depth of cover at Narrabri has resulted in an increase in secondary support costs while production rates have been impacted by localised weighting events and some longwall face mechanical issues.
- Increased production from Maules Creek continues to increase the resilience of Whitehaven's portfolio both from a volume and quality perspective. This has helped to reduce the impact of below expectation production rates at Narrabri during FY2018 as well as ensuring consistent coal availability during Narrabri longwall change-outs.
- Selling and distribution costs reflect the benefits of larger scale operations, and utilisation of contracted infrastructure capacities.
- Administration costs were lower than the prior period.

Whitehaven's investment in the development of Maules Creek at the bottom of the coal price cycle ensured that the Group continues to be well positioned to capitalise on a robust coal price environment. Maules Creek delivered production in the second half of FY2018 at an annualised rate of 11.7Mt with competitive costs and a high quality product that attracted significant premiums to the prevailing thermal prices. This is reflected in the significant contribution that Maules Creek has made to Whitehaven's FY2018 underlying EBITDA result. Whitehaven's portfolio is expected to strengthen further in the coming years with greenfield opportunities at Vickery and at the Winchester South project in Queensland.

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

		FY 2018	FY 2017
Cash Flow summary		**$ million**	**$ million**
Operating cash flows		**831.5**	**607.6**
Investing cash flows		(449.8)	(93.7)
Net free cash flow		**381.7**	**513.9**
Financing cash flow		(357.0)	(528.3)
Cash at the beginning of the period		87.1	101.5
Cash at the end of the period		111.8	87.1

Capital management		**30 June 2018**	**30 June 2017**
Net debt		270.4	311.1
Undrawn syndicated facility		725.0	775.0
Gearing ratio (net debt/(net debt plus equity)	(%)	7%	9%
Leverage (net debt/EBITDA)	(times)	0.3	0.4

Cash Flow

Operating cash flows of $831.5m in FY2018 increased by 37% compared to FY2017. The increase in operating cash flows has been underpinned by the growth in underlying EBITDA to $940.0 million in FY2018 and reflects the resilience and strength of the coal price recovery and strong operational performance. FOB costs per tonne for FY2018 remain within the best cost quartile of the industry cost curve.

The strength of the operating cash flow performance also reflects increased volumes which have been supported by the increased scale that Maules Creek brings to the Whitehaven portfolio.

Interest payments were lower as drawn debt was reduced to $382.2m at 30 June 2018 from $398.3m at 30 June 2017. There was a minor investment of working capital in FY2018.

Investing cash outflows of $449.8m in the year ended 30 June 2018 were significantly higher than the $93.7 million outflow in FY2017. Growth capital has been allocated toward the acquisition of the Winchester South Project in Queensland, the acquisition of Idemitsu's 30% interest in Tarrawonga 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 during FY2018. There was $111.8m in cash and $725.0m in undrawn facilities available at 30 June 2018. Net debt of $270.4m at 30 June 2018 was a reduction of $40.7m from 30 June 2017. Whitehaven remains within its target range on all its key capital management metrics.

The increased strength and resilience of Whitehaven's cash flow generation has driven strong returns to shareholders in FY2018. A distribution of 20 cents per share was paid in respect of FY2017. This comprised a 14 cents per share capital return and a 6 cent per share unfranked dividend and resulted in a total cash distribution to shareholders of $198.4 million in November 2017. An interim dividend in respect of FY2018 of 13 cents per share, $128.9m in total, was paid in March 2018.

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 and to take advantage of external growth opportunities that may arise.

SAFETY PERFORMANCE

Safety performance continued to improve during the year. Whitehaven's Total Recordable Injury Frequency Rate (TRIFR) of 6.9 recordable injuries per million hours at the end of June fell from 7.4 at June 2017.

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)	FY2018	FY2017	Movement
ROM Coal Production	17,727	17,718	0%
Saleable Coal Production	16,160	15,769	2%
Sales of Produced Coal	16,109	15,487	4%
Sales of Purchased Coal	1,256	328	283%
Total Coal Sales	17,365	15,815	10%
Coal Stocks at Period End	2,621	2,371	11%

FY2018 production and sales results were in line with the previous year. Key features include:

- ROM and saleable coal production for the year were similar to the previous year.
- Coal sales of 17.4Mt were 10% higher due to increased sales of produced and purchased coal.

- Coal production at Maules Creek continues to ramp up with the mine operating at 11.0Mtpa for the year and 11.7Mtpa annualised rate in the second half of the year.
- Production from the smaller open cuts exceeded expectations with costs moving into the best quartile.
- Production at Narrabri was impacted by localised weighting events associated with increased depth and some mechanical issues with the longwall however costs remained in the best quartile.

Maules Creek Mine

Whitehaven 75% and Operator

Maules Creek Mine 100% (000's t)	FY2018	FY2017	Movement
ROM Coal Production	10,953	9,729	13%
Saleable Coal Production	9,664	8,986	8%
Sales of Produced Coal	9,641	8,879	9%
Coal Stocks at Period End	646	636	2%

Maules Creek performed strongly during FY2018 producing 11.0Mt ROM coal. In the second half of the year the mine operated at an annualised rate of 11.7Mt ROM coal. Additional mining equipment was added to the existing fleet in the second half of 2018, enabling the mine to operate at its approved rate of 13.0Mt ROM. ROM coal production is scheduled to reach its approved limit of 13Mt per annum in FY2020, five years after the commencement of commercial production.

Mining of the first coal below the Braymont seam occurred during the year. Analysis of the coal quality in several of the deeper seams indicates that the coking properties improve with depth enhancing the marketability of these coals.

Metallurgical coal production for the year was 2.6Mt, representing 26% of total saleable coal production for the year. Metallurgical coal production was recalibrated during FY2018 to align with the strong thermal coal pricing and narrow pricing spreads between high quality thermal coal and semi soft coking coal prices. The price premium achieved for Maules Creek thermal coal averaged 9% over the globalCoal Newc Index price for the year leading to a focus on sales of thermal coal.

Production guidance for FY2019 is in the range of 11.8Mt to 12.2Mt ROM coal.

Narrabri Mine

Whitehaven 70% and Operator

Narrabri Mine 100% (000's t)	FY2018	FY2017	Movement
ROM Coal Production	6,289	7,267	(13%)
Saleable Coal Production	5,840	6,987	(16%)
Sales of Produced Coal	5,760	6,823	(16%)
Coal Stocks at Period End	639	318	101%

Narrabri is one of Australia's most productive underground coal mines. In FY2018 production at Narrabri was 6.3Mt ROM coal compared to 7.3Mt ROM coal the previous year. Mining in panel 107, the first 400 metre wide panel at Narrabri, began late in FY2017 and continued throughout FY2018. Mining was impacted by difficult roof conditions associated with the increasing depth of the mine and some mechanical issues with the longwall that have since been resolved. These issues slowed production rates at times during FY2018.

The longwall successfully advanced through a large fault zone in panel 107. The learnings from this success will underpin the approach to mining the next two panels which are also impacted by the fault.

With the depth of cover increasing to over 250 metres, ground conditions and ground support, requirements changed leading to the early introduction of a secondary support regime. Extra crews were engaged to install the additional support, with the work currently being ahead of schedule.

Production guidance for FY2019 is in the range of 6.5Mt to 6.8Mt ROM coal and incorporates a full longwall changeout during the first quarter of FY2019.

Gunnedah Open Cut Mines

Tarrawonga, Rocglen, Werris Creek and Sunnyside mines

Open Cuts 100% (000's t)	FY2018	FY2017	Movement
ROM Coal Production	5,682	6,142	(7%)
Saleable Coal Production	5,377	4,811	12%
Sales of Produced Coal	5,321	4,616	15%
Coal Stocks at Period End	1,690	1,886	(10%)

Whitehaven's three foundation mines – Tarrawonga, Rocglen and Werris Creek along with the Sunnyside rehabilitation project performed strongly and ahead of budget for the year. ROM coal production for these mines totalled 5.7Mt, higher than guidance range of 5.0Mt to 5.4Mt ROM coal.

On 30 April 2018, Whitehaven acquired Idemitsu's 30% joint venture interest in the Tarrawonga mine to move to 100% ownership. The acquisition will add about 0.7Mt ROM coal to the company's equity share of production in the future.

FY2019 will be the final year of production at the Rocglen mine with Reserves due to be exhausted by the end of the financial year.

The Sunnyside mine was taken out of care and maintenance during the year with the aim of mining the remaining 0.8Mt ROM coal. The coal sales from the mine will effectively fund the full and final rehabilitation of the mine site, providing a contemporary example of a rehabilitation programme to the local community.

Production guidance is in the range of 4.6Mt to 5.0Mt ROM coal for FY2019

Vickery

Whitehaven 100%

A significant milestone was achieved during the year when the 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 concluded on the final components of the Environmental Impact Statement (EIS) in July and the EIS has been lodged with the Department of Planning and Environment.

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

Whitehaven 100%

Whitehaven completed the acquisition of the Winchester South project during the year. This project provides another growth option for the company in addition to the Vickery project and will expand the company's metallurgical coal offering to the market with the inclusion of hard coking coal. Whitehaven acquired the Winchester South metallurgical coal project in 2018 at a total cost of US$262.5 million, paying US$212.5 million and having a further US$50 million to pay in June 2019.

The Winchester South project is located near infrastructure in the Bowen Basin of central Queensland. Annual production of coal is likely to be in the range of 3.8Mt to 7.5Mt from a large open cut mine. Whitehaven has commenced integrating the Winchester South project into its Technical Services and Long Term Mine Planning Team and will move the project through the approval and study process as quickly as possible.

Exploration

Whitehaven maintains several exploration and potential development projects in Queensland and New South Wales. These are early stage projects with spending limited to keeping the tenements in good standing.

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 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 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

Managed saleable coal production guidance for FY2019 is forecast to be in the range of 22Mt to 23Mt. Narrabri production should increase and Maules Creek will continue its ramp up towards its fully approved rate of 13Mtpa ROM coal. Production from the smaller open cuts is expected to be lower than in FY2018.

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 also exist for life of mine extensions. These mines are now firmly established as key pillars underpinning Whitehaven's future success.

Demand

Global coal demand increased by 2% in 2017.

Demand for thermal coal in the seaborne market is being driven by the strong economic growth in Asia and the ongoing deployment of coal fired power stations in the Asian region. In China power generation increased by 6.2% year on year in 2017 and was up by another 8.6% year on year to May 2018. This has increased China's draw on the seaborne market as domestic coal production has been constrained by infrastructure bottlenecks and ongoing safety and environmental inspections at many mines. Several other countries in the region including Malaysia, Vietnam and Philippines have increased coal imports as domestic gas production runs down. In addition, Pakistan and Bangladesh are deploying new ultra-supercritical units and will look to the seaborne market for fuel in the near future.

Thermal coal supply is being constrained in a number of exporting countries. For example, Eskom in South Africa, is purchasing export coal for its domestic generators and Australian production has failed to respond to higher prices. Only the United States and Indonesia have been able to respond to the higher prices and increase exports. With investment in new mines constrained and the lead times for new projects lengthening, no major new mines are likely to begin production before 2022. Combining these factors leads to a market for high quality thermal coal which is likely to be undersupplied and tight.

Metallurgical coal has also been in strong demand as steel makers increase production in an effort to capture the high margins on offer. Under this scenario the demand for higher quality coking coals has been strong as steelmakers require higher quality coke to make their steel products. The demand for lower quality coking coals like semi soft coking coal will be reduced under this scenario.

Pricing

Thermal coal prices have traded well above consensus forecasts for the past year and have reached six year highs in recent weeks.

Recent analysis by the respected industry consultant CRU, is expecting globalCoal Newc Index prices to remain over US$90/t for the next five years, an increase of about US$10/t over the consultant's forecasts made earlier this year.

Metallurgical coal prices have also remained high for the year with hard coking coal trading above US$200/t for most of the period. Strong demand from steelmakers and recent railing issues in Queensland have seen prices trade well above market expectations for the year. With the rail issues unresolved in Queensland and the dispute between Aurizon and the regulator ongoing, prices of the higher quality metallurgical coals are likely to remain well supported.