

# QUARTERLY REPORT

11 April 2019



WHITEHAVEN COAL

## March Quarter Production Report

### HIGHLIGHTS

- Safety performance remains well under the NSW coal industry average with Group TRIFR of 8.3 at the end of March.
- Quarterly ROM coal production of 4.9Mt.
- Saleable coal production of 5.1Mt for the quarter.
- Coal sales, including purchased coal, of 6.0Mt for the quarter, up 12% on the previous corresponding period.
- Narrabri recovering strongly, producing over 800kt in March and 1.7Mt for the quarter.
- Coal quality drilling has commenced at Winchester South.
- NSW Independent Planning Commission (IPC) Public Hearings for the Vickery Extension Project conducted during February.
- 75% of public submissions made to the IPC were in favour of the Vickery Extension Project proceeding.
- Saleable production guidance modified to account for lower production from Maules Creek during the quarter.
- New guidance table added to the quarterly report to become a regular feature of all quarterly reports.

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

*“Demand for high quality coal in our four key markets of Japan, Korea India and Taiwan remains strong, underpinning sales and our strategic growth agenda.*

*“Our Winchester South metallurgical coal project in the Bowen Basin is a key plank in this agenda, with work continuing to advance the project.*

*“Costs continued to moderate through the second half and, with the prospect of in-pit dumping at Maules Creek starting in FY2020, we are passing the peak of costs at our largest operation.*

## MANAGED PRODUCTION AND SALES HIGHLIGHTS

Thousands of tonnes	Quarter Ended			YTD		
	Mar 2019	Mar 2018	Change	Mar 2019	Mar 2018	Change
<b>Managed ROM Coal Production</b>	<b>4,879</b>	5,909	<b>(17%)</b>	<b>15,888</b>	17,070	<b>(7%)</b>
<b>Managed Saleable Coal Production</b>	<b>5,062</b>	5,241	<b>(3%)</b>	<b>14,626</b>	16,131	<b>(9%)</b>
<b>Managed Total Coal Sales</b>	<b>6,042</b>	5,414	<b>12%</b>	<b>16,300</b>	17,294	<b>(6%)</b>

## WHITEHAVEN EQUITY PRODUCTION AND SALES SUMMARY

Thousands of tonnes	Quarter Ended			YTD		
	Mar 2019	Mar 2018	Change	Mar 2019	Mar 2018	Change
<b>Whitehaven Equity Totals</b>						
Equity ROM Coal Production	3,946	4,634	(15%)	12,535	13,029	(4%)
Equity Saleable Coal Production	4,009	4,061	(1%)	11,625	12,324	(6%)
Equity Sales of Produced Coal	4,430	3,931	13%	12,030	12,495	(4%)
Sales of Purchased Coal	464	293	58%	1,237	948	31%
<b>Total Equity Coal Sales</b>	<b>4,893</b>	<b>4,224</b>	<b>16%</b>	<b>13,267</b>	<b>13,443</b>	<b>(1%)</b>
Equity Coal Stocks at period end	1,555	1,800	(14%)	1,555	1,800	(14%)

## SAFETY

Whitehaven's TRIFR at the end of March was 8.3, a small movement from the end of December rate of 7.57.

Group TRIFR remains well below the NSW coal mining average of 14.67.

## GUIDANCE COMMENTARY

FY19 Guidance		Previous FY19 Guidance	Updated FY19 Guidance	
<b>Production (Whitehaven Group Managed)</b>				
ROM Coal Production	Mt	22.0 - 23.2	21.8 - 22.8	Revised
Maules Creek	Mt	11.8 - 12.2	11.6 - 11.8	Revised
Narrabri	Mt	5.6 - 6.0	5.6 - 6.0	
GOC	Mt	4.6 - 5.0	4.6 - 5.0	
Saleable Coal Production	Mt	21.5 - 22.5	20.5 - 21.0	Revised
<b>Cost of Coal (Whitehaven Group Equity)</b>				
Cost of coal (excluding Royalties)	\$/t	67	67	
<b>Capital Expenditure (Whitehaven Group Equity)</b>				
Sustaining <sup>1</sup>	\$'m	40	44 - 48	Revised
Narrabri Mains Development	\$'m	30	28 - 32	
Project Capital <sup>2</sup>	\$'m		95 - 105	Previously not provided
<sup>1</sup> Sustaining capital revised to include initial payment for Narrabri chock cyclinders <sup>2</sup> Project capital expenditure includes Winchester South final payment, Stamp duty, Vickery EIS and other costs, Narrabri Stage 3 and Tarrawonga expansion				

This guidance table, incorporating all key elements of the company's guidance to the market will be included in future quarterly reports and financial results releases.

ROM coal guidance for Maules Creek has been reduced modestly due to mine scheduling and its related impact on saleable coal production guidance for the year, which has been revised to the range of 20.5Mt to 21.0Mt. These matters are explained in the Maules Creek operational section.

Sustaining capex guidance includes the first staged payment in FY2019 for the new hydraulic cylinders for Narrabri, while the project capital section features all of the growth projects and includes the June 2019 final payment of US\$50 million for Winchester South.

## COAL SALES AND PRICING

Equity coal sales for the March quarter, including purchased coal, were 4.893Mt, 16% above the previous corresponding period. Managed coal sales, including sales of purchased coal, were 6.042Mt, 12% above the previous corresponding period.

Sales for the quarter exceeded production as ROM stocks built up prior to the end of the December quarter were processed and sold during the March quarter.

With global growth slowing towards the end of 2018 and the introduction of new import restriction policies in China in November last year and the ongoing enforcement of those policies, the globalCoal Newc Index (gC Newc) thermal coal price moderated to an average US\$95.88/t for the quarter, approximately 8% lower than the December quarter average.

Whitehaven confirms that it is not exposed to coal sales into China. Demand for the company's high quality coal from customers in Japan and other Asian countries remains strong and continues to underpin a high proportion of the company's thermal coal sales.

March quarter benchmark prices (which utilised the backward-looking average indexes for metallurgical coal) were US\$210/t for hard coking coal and US\$132/t for SSCC and about US\$140/t for Low Vol PCI coal. Settled benchmark prices for the March quarter were slightly lower than the previous quarter. Whitehaven achieved a strong average price outcome of US\$120.42/t for its mix of both benchmark linked and spot prices of metallurgical coal in the quarter.

During the quarter, relative price differentials between gC Newc thermal coal and semi soft coking coal spot prices improved sufficiently to encourage a resumption of spot sales of metallurgical coal from Maules Creek.

Maules Creek achieved a premium of 9% above the Newcastle index price for its sales of thermal coal during the quarter.

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

	Quarter	Quarter				
		Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
<b>Equity Coal Sales</b>	<b>Mt</b>	<b>4.2</b>	<b>3.8</b>	<b>3.9</b>	<b>4.2</b>	<b>4.8</b>
<b>Coal Sales Mix</b>						
High CV Thermal Coal	%	69	59	61	72	62
Other Thermal Coal	%	9	23	22	10	16
Metallurgical Coal	%	22	18	17	18	22
<b>Pricing</b>						
NEWC Index	US\$/t	103	105	118	104	96
JSM Quarterly	US\$/t	150	132	129	135	132
Average Spot Price	US\$/t	127	121	125	122	117
<b>Pricing Achieved</b>						
Thermal Coal	US\$/t	105	98	113	108	97
Metallurgical Coal	US\$/t	123	131	128	122	120
<b>Premium/(Discount)</b>						
Thermal to NEWC Index	%	2%	-7%	-4%	3%	1%
Metallurgical to JSM Qtrly*	%	-18%	-1%	-1%	-10%	-9%
Metallurgical to Spot Price	%	-3%	8%	2%	0%	3%

\* Only applicable for tonnes sold under the term contracts  
Equity sales do not include sales for Sunnyside

## MAULES CREEK MINE

### *Whitehaven 75%*

ROM coal production for the quarter was 1.696Mt. Saleable coal production was 2.274Mt, as ROM coal stocks built up at the end of the December quarter were processed through the wash plant. Coal sales for the quarter were 2.661Mt up 4% on the previous corresponding period.

Mining during the quarter focussed on developing a box cut in the southern area of the open cut to expose the ultimate pit bottom and to facilitate in-pit dumping. Fewer seams, with some intrusion affected coal in the area, led to lower yields from these seams, resulting in the modest revision to production guidance for the year to the range of 11.6Mt ROM coal to 11.8Mt ROM coal.

The narrow but shallow area at the southern end of the open cut and of the mining lease is the logical place to commence in-pit dumping. However, the area presents a tight working environment for the ultra class equipment. Mining in this southern area of the open cut will continue through the next quarter, ultimately leading to the commencement of in-pit dumping of overburden in FY2020. Current expectations are that about 20% of all overburden moved in FY2020 will be placed into the open cut rather than hauled to the out of pit dumps. As a result, mining costs will decline as the proportion of overburden placed in-pit increases to 100% by about FY2024.

Metallurgical coal production for the quarter was 0.599Mt, represented 26% of the total saleable production from the mine. Sales of metallurgical coal on a managed basis were 0.857Mt, representing 32% of total sales for the quarter.

## NARRABRI MINE

### *Whitehaven 70%*

Strong production in the final month of the quarter enabled Narrabri to offset some of the reduced production from January and February. ROM coal production for the March quarter was 1.696Mt, 39% above the previous corresponding period which was impacted by mechanical issues which have been resolved. Saleable coal production and coal sales were 1.615Mt and 1.652Mt, an increase of 41% and 45%, respectively on the previous corresponding quarter.

The improvement in performance at the mine is attributable to additional surface pre-conditioning of the roof in advance of the longwall and introducing a new technique of in-seam pre-conditioning to promote the formation of the goaf after a weighting event has occurred. The new system utilises a portable drilling machine to drill holes into the roof between the chocks and pumps high pressure hydraulic fluid into the drill holes fracking the roof and enabling the goaf to form correctly.

Orders have been placed for higher capacity (1,750t versus 1,350t) hydraulic cylinders that will be installed into the longwall chocks at the next longwall changeout, currently scheduled for November/December this year.

Roadway development in mains and gate roads for the March quarter was 4,407 metres.

## GUNNEDAH OPEN CUTS

Total ROM coal production for the quarter was 1.486Mt, 17% below the previous corresponding period. Saleable coal production and coal sales of 1.174Mt and 1.258Mt respectively were lower than the previous corresponding quarter.

### **Tarrawonga Mine**

Tarrawonga produced 0.692Mt of ROM coal for the quarter, up 13% on the previous corresponding quarter. Saleable coal production and coal sales for the quarter were 0.542Mt and 0.522Mt respectively.

### **Rocglen Mine**

Rocglen produced 0.203Mt of ROM coal for the quarter. Saleable coal production and coal sales for the quarter were 0.154Mt and 0.186Mt respectively. The mine is scheduled to cease ROM coal production at the end of FY2019 when Reserves are exhausted. Remaining stockpiles will be processed and sold during the H1 FY2020. The rehabilitation programme for the site will take 18 to 24 months and has been fully provisioned.

## Werris Creek Mine

Werris Creek produced 0.484Mt of ROM coal for the quarter. Saleable coal production and coal sales for the quarter were 0.387Mt and 0.467Mt respectively. As is usual for the mine, the final quarter for the year is expected to be its largest production quarter for the year.

## Sunnyside Mine

ROM coal mining in support of the mine closure Mining Operations Plan continued during the quarter, with a total of 0.109Mt ROM coal produced. Saleable coal production and coal sales amounted to 0.090Mt and 0.083Mt respectively for the quarter. Mining at Sunnyside is expected to be completed by the end of FY2019, in support of the Sunnyside rehabilitation programme. Remaining coal stocks will be processed and sold in H1 FY2020.

## VICKERY EXTENSION PROJECT

Whitehaven lodged the EIS for the Vickery Extension Project with the Department of Planning and Environment (DPE) on 13 August 2018. The DPE reviewed the EIS and placed it on public display one month later on 13 September 2018. The EIS was available for public inspection and comment for six weeks until 25 October 2018.

On 6 September, the NSW Minister for Planning referred the Project to the NSW Independent Planning Commission (IPC) which subsequently formed a panel comprising three commissioners. The DPE after having reviewed the public submissions to the EIS prepared an Issues Paper for consideration by the IPC panel. Two public hearings were subsequently held during February in Boggabri and Gunnedah, to enable community members to share their views on the Project with the panel. The IPC also accepted written submissions until mid-February. More than 75% of the submissions listed on the IPC website support the project.

The IPC is expected to release its Issues Report on the Project in the near future. Whitehaven will then be asked to respond to the submissions and the IPC report. On the basis of Whitehaven's responses, DPE will proceed to prepare a whole of government report on the Project for the IPC's final review and determination.

Whitehaven continues to expect that it will receive an approval for the Project by the end of calendar year 2019.

## WINCHESTER SOUTH PROJECT

During the quarter, an Initial Advice Statement was lodged with the Queensland Coordinator-General seeking a Coordinated Project declaration under the *State Development and Public Works Organisation Act 1971*. If a declaration is granted it will be an important step for the project and will help to facilitate the approval process in Queensland.

Meanwhile, the project team continues to evaluate the data acquired from the previous owner and is working hard to advance the project as quickly as possible. A comprehensive drill programme designed to confirm coal quality data, specifically in relation to metallurgical coal qualities, has commenced. Data from the drilling will assist in the design of the CHPP and other associated infrastructure, along with further defining the Resources and ultimately the Reserves of the project.

## CORPORATE

There are US\$82 million in forward A\$/US\$ exchange contracts currently in place at an average exchange rate of A\$1.00 = US\$0.7166. These contracts are deliverable between April and December 2019.

## COAL OUTLOOK

According to the International Energy Agency's Global Energy & CO2 Status report issued in March, global coal demand increased by 0.7% or 40Mtce in 2018, the second year of increased demand. Asian demand growth more than offset declines in other parts of the world. This growth underpinned strong thermal coal prices in the seaborne market in 2018.

Late in 2018, global economic growth slowed and China introduced several policies aimed at deterring coal imports. Whitehaven considers China's policies are targeted at supporting its substantial domestic coal industry which had been under pressure from lower domestic coal prices during 2018, in contrast to the buoyant seaborne market. Strong enforcement of these restrictions has placed pressure on exporters of lower quality coals bound for the China market to redirect these tonnes into other markets. This has caused thermal coal prices in the seaborne market for all thermal coal types to moderate in recent weeks.

Offsetting these short term forces, thermal coal supply remains tight, with recent analysis by CRU indicating that coal supply into the seaborne market is set to decline gradually over the next five years. With new supply limited and Asian coal demand growth continuing, the outlook for high quality thermal coal in the seaborne market remains favourable.

The abovementioned import restrictions by the Chinese Government have also impacted metallurgical coal and prices have moderated in recent weeks. When combined with the end of the Queensland cyclone season, metallurgical coal supply is likely to increase modestly in coming months leading to further price weakness. For the lesser grades of metallurgical coal like semi soft coking coal (SSCC) the price margin between it and thermal coal has increased and is currently providing sufficient incentive for the company to produce the SSCC.

## **EXPLORATION**

Exploration expenditure incurred by Whitehaven during the March quarter was \$2.7m.

<b>PRODUCTION AND SALES BY MINE</b>						
Thousands of tonnes	Quarter Ended			YTD		
	Mar 2019	Mar 2018	Change	Mar 2019	Mar 2018	Change
<b>Maules Creek</b>						
ROM Coal Production	1,696	2,901	(42%)	7,922	8,022	(1%)
Saleable Coal Production	2,274	2,676	(15%)	6,664	7,236	(8%)
Sales of Produced Coal	2,661	2,550	4%	6,922	7,271	(5%)
Coal Stocks at period end	339	451	(25%)	339	451	(25%)
<b>Narrabri</b>						
ROM Coal Production	1,696	1,219	39%	4,572	5,098	(10%)
Saleable Coal Production	1,615	1,149	41%	4,449	4,962	(10%)
Sales of Produced Coal	1,652	1,141	45%	4,454	4,961	(10%)
Coal Stocks at period end	471	322	47%	471	322	47%
<b>Gunnedah Open Cuts (Consolidated)</b>						
ROM Coal Production	1,486	1,789	(17%)	3,393	3,950	(14%)
Saleable Coal Production	1,174	1,415	(17%)	3,513	3,933	(11%)
Sales of Produced Coal	1,258	1,397	(10%)	3,669	4,025	(9%)
Coal Stocks at period end	970	1,385	(30%)	970	1,385	(30%)
<b>Tarrawonga</b>						
ROM Coal Production	692	612	13%	1,523	1,688	(10%)
Saleable Coal Production	542	553	(2%)	1,600	1,697	(6%)
Sales of Produced Coal	522	644	(19%)	1,606	1,730	(7%)
Coal Stocks at period end	357	497	(28%)	357	497	(28%)
<b>Rocglen</b>						
ROM Coal Production	203	340	(40%)	612	764	(20%)
Saleable Coal Production	154	266	(42%)	509	719	(29%)
Sales of Produced Coal	186	267	(30%)	547	775	(29%)
Coal Stocks at period end	97	250	(61%)	97	250	(61%)
<b>Sunnyside</b>						
ROM Coal Production	109	122	(11%)	268	122	120%
Saleable Coal Production	90	58	55%	285	58	393%
Sales of Produced Coal	83	24	239%	290	24	1,087%
Coal Stocks at period end	229	96	139%	229	96	139%
<b>Werris Creek</b>						
ROM Coal Production	484	715	(32%)	990	1,376	(28%)
Saleable Coal Production	387	538	(28%)	1,119	1,459	(23%)
Sales of Produced Coal	467	462	1%	1,226	1,495	(18%)
Coal Stocks at period end	287	543	(47%)	287	543	(47%)
<b>Whitehaven Group Managed Totals</b>						
ROM Coal Production	4,879	5,909	(17%)	15,888	17,070	(7%)
Saleable Coal Production	5,062	5,241	(3%)	14,626	16,131	(9%)
Sales of Produced Coal	5,571	5,088	9%	15,045	16,257	(7%)
Sales of Purchased Coal	470	326	44%	1,255	1,020	23%
Total Coal Sales	6,042	5,414	12%	16,300	17,294	(6%)
Coal Stocks at period end	1,781	2,158	(17%)	1,781	2,158	(17%)