FIRST HALF RESULT FY2017

17 February 2017

WHITEHAVEN COAL

Trending for success: Increasing profits, controlled costs and reduced debt

FINANCIAL PERFORMANCE

Whitehaven Coal has reported a net profit after tax of $157.5 million for the half year ended 31 December 2016. Once again, all key financial performance metrics improved on the previous corresponding period (pcp):

- Sales revenue of $823.5 million, up by 43%;
- Operating EBITDA of $324.8 million rose by 205% following significant increase in coal prices;
- Operating cash flow of $263.6 million, an increase of 123%;
- Net debt was reduced to $628 million with gearing falling to 17%; and
- Unit costs were $56/t.

OPERATING HIGHLIGHTS

Equity ROM coal production and sales of coal of 8.2Mt and 7.8Mt, 16% and 6% higher respectively than the pcp reflecting the ongoing ramp up of Maules Creek mine.

Half year ROM coal production of 4.4Mt from Maules Creek, was up 32% on the pcp.

Metallurgical coal sales continue to grow in line with expectations as production from Maules Creek increases and represented 29% of total production from the mine during the half year.

Production costs were in line with guidance of $56/t excluding royalties.

GUIDANCE

Full year saleable coal production is expected to be in the range of 21Mt to 22Mt. Costs in the second half are likely to increase slightly as production of metallurgical coal increases.

Subsequent to the end of the financial period a further $105 million of debt has been repaid.

ECONOMIC AND SOCIAL CONTRIBUTION

During the first half of FY2017 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 $62.8 million paid to the NSW Government in mining royalties
- Spending $108 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:

"This is a great outcome which cements our position as the leading independent Australian coal company. Whitehaven Coal is capturing the benefit of the improved coal price environment aided by a sustained focus on cost reduction.

"Increased profits and strong cash flows mean the business is well positioned to accelerate its debt reduction. We are creating the strong balance sheet that underpins Whitehaven's future growth strategy and prospects.

"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.

"Earlier this month the Australian Prime Minister noted the critical role that cleaner coal can play in creating a lower emissions future. Prime Minister Turnbull's Asian counterparts not only share this perspective, they are leading the way through investment and energy policy settings that achieve meaningful carbon reductions without compromising economic competitiveness or energy security."

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FINANCIAL PERFORMANCE

	H1 FY2017 $m's	H1 FY2016 $m's
Revenue	**823.5**	**574.3**
Net profit for the period	**157.5**	**7.8**
Operating EBITDA before significant items	**324.8**	**106.4**
Significant items before tax and financing	-	-
Net interest expense	(26.6)	(28.6)
Other financial expenses	(4.0)	(4.7)
Depreciation and amortisation	(68.2)	(61.4)
Gain on disposal of assets	-	0.1
Profit before tax	**226.0**	**11.8**

H1 FY2017 net profit after tax (NPAT) of $157.5m represents an increase of $149.7m over the NPAT of $7.8m in H1 FY2016.

The H1 FY2017 NPAT result was driven by improved EBITDA margins from $14/t in H1 FY2016 to $41/t in H1 FY2017. The improved EBITDA margin performance reflects increased coal prices during the half, an increase in metallurgical coal sales volumes as a proportion of total sales volumes and the continuation of tight control of costs.

The key factors that contributed to the H1 FY2017 NPAT result for the year include:

- Strong safety performance
- Gross revenue increased by $249.2m to $823.5m in H1 FY2017. The increase was driven by the substantial increase in A$ realised prices to an average of A$106/t in H1 FY2017 from A$78/t in H1 FY2016. The increase in sales volumes from 7.3Mt to 7.8Mt also contributed. The key drivers of A$ realised prices during the period include:
    - The Newcastle GlobalCoal Index price averaged US$81/t for the first half, significantly above the average of US$56/t in the prior corresponding period
    - The Group realised an average price of US$90/t in the first half for its sales of metallurgical coal products. The realised price reflects a combination of quarterly benchmark linked and index based contracts
    - The high quality of thermal coal from the Maules Creek mine typically achieved both quality and energy premiums relative to the Newcastle GlobalCoal Index price during the period
    - An increase in the proportion of metallurgical coal sales from 13% in H1 FY2016 to 19% in H1 FY2017. The increase in the metallurgical coal sales mix was underpinned by increased production of metallurgical coal at Maules Creek combined with growing market penetration of the Maules Creek semi soft coking coal product
    - Offset by a strengthened currency – the A$ increased from 0.72 in the prior corresponding period to 0.75 in H1 FY2017
    - The increase in prices for both thermal and metallurgical coal during H1 FY2017 reflects the return of the market to supply/demand balance following production cuts in a number of key coal producing countries including China, Indonesia, the USA and Australia. These production cuts represent a rational response by mine owners to the low prices of calendar years 2014, 2015 and the first half of 2016.
- FOB costs per tonne of A$56 in H1 FY2017 have decreased from A$58/t in H1 FY2016. The cost reduction has been driven by a range of savings associated with scale increases, productivity improvements and improved procurement practices
- Increased production from Maules Creek has strengthened the portfolio, reducing the impact of Narrabri longwall change-outs while supporting further improvement in the utilisation of contracted rail and port capacity
- Administration costs were lower than the pcp.

CAPITAL MANAGEMENT

Cash flows	H1 FY2017 $m's	H1 FY2016 $m's
Cash generated from operations	263.6	118.3
Investing cash flows	(34.6)	(39.0)
Senior facility repayment	(180.0)	-
Capital management & balance sheet	**31 December 2016 $m's**	**30 June 2016 $m's**
Cash	106.8	101.5
Senior bank debt	655.0	835.0
Finance lease liabilities	41.5	83.5
Export credit agency (ECA) debt	38.3	42.1
Interest bearing liabilities	734.8	960.6
Net debt	628.0	859.1
Net Assets	3,044.0	2,888.7
Gearing Ratio	17%	23%
Undrawn syndicated facility	445.0	365.0
Undrawn ECA facility	25.5	26.2

Cash generated from operations of $263.6m represents a substantial increase of $145.3m relative to the pcp resulting from the increased operating EBITDA. Conversion of EBITDA to cash flow from operations was also strong. However, the EBITDA to cash flow conversion was adversely impacted by an increase in working capital associated with trade receivables at 31 December 2016 being carried at higher prices compared with 31 December 2015.

Investing cash outflows during H1 FY2017 of $34.6m were 11% below the pcp and reflect a continuation of the disciplined approach being taken to managing capital expenditure. Investing cash flows in H1 FY2017 include sustaining capital expenditure, cost reduction capital expenditure and capital expenditure associated with the Narrabri 400 metre wide face extension project.

Cash on hand at 31 December 2016 of $106.8m is similar to the cash balance at 30 June 2016.

Net debt at 31 December 2016 was $628.0m, a decrease of $231.1m from 30 June 2016. Gearing of 17% was reduced from the 30 June 2016 gearing ratio of 23% due to the reduction in net debt at 31 December 2016. 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 $196.7m.

Refinancing of the Whitehaven train resulted in the extinguishment of $35.3m of finance lease liability.
Undrawn capacity of $445.0m (after releasing $100m of headroom from the facility) under the senior bank facility and $25.5m under the ECA facility existed at 31 December 2016.

Subsequent to the end of the financial period, the Group repaid a further $105m of debt drawn under the senior bank facility. This represents a reduction in net debt of a corresponding amount.

SAFETY PERFORMANCE

Safety performance improved during the half year with Whitehaven's Total Recordable Injury Frequency Rate (TRIFR) of 7.2 recordable injuries per million hours worked at the end of December compared to a TRIFR of 10.6 at 30 June 2016. Whitehaven's TRIFR of 7.2 is at the lowest level recorded by the Company. The introduction of Whitehaven's Safehaven Rules programme in 2014 followed up by safety behavioural training has combined to improve overall safety performance.

The company is committed to achieve Zero Harm to our people, our environment and our community.

Whitehaven's TRIFR is well below the NSW coal mining average of 15.5.

OPERATING PERFORMANCE

Consolidated Equity Production and Sales

Whitehaven Total (000's t)	H1 FY2017	H1 FY2016	Movement
ROM Coal Production	8,192	7,085	16%
Saleable Coal Production	7,694	7,041	9%
Sales of Produced Coal	7,758	7,298	6%
Sales of Purchased Coal	38	18	-
Total Coal Sales	7,796	7,316	7%
Coal Stocks at Period End	1,171	1,358	(14%)

The H1 FY2017 production and sales results demonstrate continuing strong operational performance. Key highlights include:

- Both Rocglen and the Gunnedah coal handling and preparation plant (CHPP) achieved three years without a recordable injury.
- ROM and saleable coal production for the half were 16% and 9% higher, respectively than the prior corresponding period.
- Coal sales of 7.8Mt were 7% higher than the pcp.
- Sales of metallurgical coal continued to grow and represented 19% of total sales in H1 FY2017.
- Coal production at Maules Creek continues to ramp up with a run rate of 10.5Mtpa achieved at the end of H1 FY2017.
- Metallurgical coal quality from Maules Creek has exceeded early expectations and is attracting high levels of customer interest and represented 29% of Maules Creek saleable production in H1 FY2017.
- ROM coal production at Narrabri was 4.2Mt, the second highest half year outcome since the mine commenced in FY2012. The 400 metre wide panel at Narrabri is on schedule to commence production in the June quarter FY2017.
- Strong saleable coal production and lower unit costs from the Gunnedah open cut mines.

The Group's workforce was over 1,400 people at the end of December 2016. Employee and contractor numbers have grown from the beginning of H1 FY2017 as Maules Creek has continued to expand.

Maules Creek Mine

Whitehaven 75% and Operator

Maules Creek Mine 100% (000's t)	H1 FY2017	H1 FY2016	Movement
ROM Coal Production	4,355	3,297	32%
Saleable Coal Production	4,006	3,166	27%
Sales of Produced Coal	4,095	3,217	27%
Coal Stocks at Period End	486	403	21%

Maules Creek began its second year of commercial operations strongly. However, several periods of heavy rainfall towards the end of the September quarter impacted production. The mine recovered in the December quarter with production back to capacity levels. As could be expected with a mine in ramp up phase, new ROM and saleable coal production records were established for the period. These are likely to be exceeded in the next half as additional mining equipment to increase the production capacity to an annualised rate of 10.5Mt were operating by the end of December.

Production of metallurgical coal in the first half was 1.2Mt or 29% of the total. Expectations are for metallurgical coal production to increase to approximately 1.7Mt in the second half representing 35% of total production for the half. The ramp up in metallurgical coal production and sales is exceeding initial forecasts as steel makers continue to be attracted to the high quality of the product.

Two public open days were held at the mine during the half. These were designed to showcase the mine to employee families and the broader community in the region. Over 700 people attended the two open days and the feedback was very supportive of the mine and the positive impact that it is having on the local communities.

Narrabri Mine

Whitehaven 70% and Operator

Narrabri Mine 100% (000's t)	H1 FY2017	H1 FY2016	Movement
ROM Coal Production	4,222	3,462	22%
Saleable Coal Production	4,088	3,741	9%
Sales of Produced Coal	3,990	3,733	7%
Coal Stocks at Period End	227	731	(69%)

The Narrabri underground mine continued to deliver industry leading results. ROM coal production was 4.2Mt for the first half, 22% higher than in the pcp. Saleable coal production was 4.1Mt compared to 3.7Mt in the pcp.

ROM coal production in the first half would have been greater if not for the impact of adverse geotechnical conditions late in the half year. The conditions were confined to an area within the second half of the longwall block and reduced production rates were experienced when mining through this area.

Roadway development for the next panel (LW107), the first 400 metre wide longwall panel was completed well in advance of the next longwall change-out.

Gunnedah Open Cut Mines

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

Open Cuts 100% (000's t)	H1 FY2017	H1 FY2016	Movement
ROM Coal Production	2,313	2,511	(8%)
Saleable Coal Production	2,132	2,346	(9%)
Sales of Produced Coal	2,156	2,430	(11%)
Coal Stocks at Period End	782	622	26%

The Gunnedah open cut operations continued to perform well with ROM production of 2.3Mt and saleable production of 2.1Mt for the half year.

Sustainable cost reductions have been recorded across the Gunnedah open cut operations, largely due to the implementation of more efficient mining practices, improved productivity and procurement driven cost savings.

Wet weather and trucking restrictions caused the introduction of temporary operational changes in the half year at Tarrawonga and Rocglen. Production from Rocglen was reduced for several weeks and affected employees were temporarily transferred to Maules Creek as a mitigation measure to remain within the approved road haulage limit of 3.5Mtpa. An approval modification has been received to increase the annual truck haulage limit to 4.0Mtpa for calendar year 2017 to take advantage of the improved operating performance of these mines.

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

Production from these mines in the second half of the year will be higher than in the first half.

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. A decision of the preferred rail route is close and is likely to be concluded in the March quarter. Submission of the completed EIS to the Department of Planning and Infrastructure will follow within the first 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 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.

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 below rail capacity with the Australian Rail Track Corporation (ARTC).

Whitehaven is working with ARTC to improve operating efficiencies and to provide additional capacity without the need to construct new rail infrastructure. The objective of this work is to reduce unit costs. It is expected this will provide increased flexibility in the contractual framework for operations and improve supply chain productivity.

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. The Pacific National contract provides for haulage of up to 13Mtpa and the Aurizon contract provides for up to 16Mtpa. The contract structures support the planned increases in the Group's managed production levels whilst minimising additional cost exposure.

Port Capacity

The company holds contracts for sufficient capacity at the port of Newcastle – at both NCIG and PWCS. Whitehaven will require additional port capacity for the forecast production ramp up over the next five years. Current surplus port capacity is expected to provide opportunity to secure Whitehaven's requirements.

OUTLOOK AND LIKELY DEVELOPMENTS

Operations

Production in the second half of FY2017 is planned to be higher than in the first half. It is expected that the saleable coal production guidance range of 21Mt to 22Mt provided with the FY2016 results will be achieved.

Maules Creek continues to ramp up and is forecast to produce at an annualised rate of 10.5Mt in the second half.

Narrabri is due to commence mining in the first 400 metre wide longwall panel in April 2017. Pre-installation of the new longwall equipment, which commenced in December, is expected to shorten the time required to complete the next longwall change-out so as to enable a return to longwall production in April. The 400 metre wide longwall panels are expected to deliver higher production rates and lower unit costs.

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.

Production from the smaller open cuts will be greater in the second half as the mining sequence results in increased production (half on half) at Werris Creek and Rocglen.

Demand

Whitehaven's high quality, clean coals continue to attract strong demand from a growing customer base. This is especially evident for Maules Creek semi soft coking coal which has rapidly gained broad market acceptance.

In the recently released IEA Report, Medium Term Market Outlook 2016, the IEA forecast that demand for thermal coal in ASEAN countries is expected to grow by 6.9% per year on average from 162Mtce in 2015 to 241Mtce in 2021.This is consistent with the strength in demand which Whitehaven is observing from a number of key Asian countries which are continuing to fuel their economic growth by adding cost competitive coal fired power generating capacity. Much of the growth in Asian energy demand is expected to be driven by new power stations designed to use super critical or ultra super-critical boiler technology and so the demand for Whitehaven's high quality thermal coal is expected to increase.

Pricing

Coal markets changed in mid-2016 following supply reductions overseas.

The curtailments in supply resulted in substantial price increases for all classes of coal, with prices peaking towards the end of 2016. In 2017 prices for both metallurgical and thermal coal have moderated, however they remain well above those that have been experienced during the last two to three years.

While thermal and metallurgical coal prices may fluctuate in the short term, Whitehaven believes that over the medium to longer term, as demand for affordable, reliable electricity continues to grow in the Asian region, coal prices will remain constructive and that Whitehaven's high quality coals will continue to attract a premium in the market.