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## **WDS RECOMMENCES PRODUCTION AT EAGLE DOWNS COAL MINE (EDCM) AND PROVIDES MARKET UPDATE**

**Brisbane, 11 August 2015:** WDS Limited (ASX:WDS) advises that, further to its market release of 7 August 2015, the Queensland Department of Natural Resources and Mines has approved the Risk Analysis and Project Health Management Plan (RAPHMP) for the management of “Friction Ignition” within the EDCM project. WDS has implemented the RAPHMP (including workforce retraining) and accordingly driveage production recommenced on 9 August 2015.

WDS further advises that it has also now completed a major reforecast of both revenue and cost for the EDCM project, taking into account the production levels achieved to date and revised forecast rates of production to completion. This reforecast includes the delays caused by the recent “Friction Ignition” event. As a result WDS now expects to report, on 26 August 2015, a statutory NPAT loss for the year ended 30 June 2015 of \$27-28 million, exceeding the guidance range of \$14-15 million NPAT loss that was provided in June 2015.

The major contributor to this adjustment is the reforecast of the EDCM's project position at completion. Previous guidance from WDS had forecast that the EDCM project would achieve a ‘profit neutral’ position at completion in FY16. However, the reforecast just completed, has resulted in a forecast loss at completion, which has now been incorporated into the company's results for FY15.

The principal factors contributing to the reforecast can be summarised as follows:

- Despite intensive efforts, improvement measures, that have been progressively introduced to increase productivity, have not consistently achieved the levels required to deliver the earlier ‘profit neutral’ forecast. Based on recent production performance, WDS now believes that reaching the productivity levels required to deliver the ‘profit neutral’ forecast, cannot be achieved on a constant and sustainable basis; and
- Taking into account recent performance and experience, production forecasts for the EDCM project have now been reduced to a level that is considered achievable and sustainable to reach completion.

This reforecast anticipates completion of the driveage production in March 2016 and demobilisation by end of June 2016.

WDS has advised its key financier that as a result of this reforecast that the company will breach the financial ratios contained in the Loan Facility Agreement, in particular the “Fixed Charge Coverage Ratio”. We are in discussions with our lender in relation to this matter.

**END**

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