

QUARTERLY REPORT

18 January 2018



December Quarter 2017

HIGHLIGHTS

- Strong safety performance – Group TRIFR 6.19 at the end of December, the lowest recorded by the company in its 18-year history
- ROM coal production of 5.4Mt for the quarter and 11.2Mt for the first half
- Saleable coal production of 5.0Mt for the quarter and 10.9Mt for the first half
- Coal sales, including purchased coal, of 5.8Mt for the quarter and 11.9Mt for the first half
- Agreement to acquire Idemitsu's 30% joint venture interest in the Tarrawonga joint venture taking Whitehaven's ownership to 100%
- Drilling to define the fault zone in LW panel 10 confirms narrowing displacement, supporting the decision to mine through the fault zone in LW panels 8 and 9
- Paid \$198 million to shareholders as a capital return and dividend in November

MANAGED PRODUCTION AND SALES HIGHLIGHTS

PRODUCTION AND SALES HIGHLIGHTS						
Thousands of tonnes	Quarter Ended			YTD		
	Dec 2017	Dec 2016	Change	Dec 2017	Dec 2016	Change
Managed ROM Coal Production	5,425	5,452	(0%)	11,161	10,890	2%
Managed Saleable Coal Production	5,014	5,060	(1%)	10,890	10,223	7%
Managed Total Coal Sales	5,793	5,251	10%	11,880	10,278	16%

WHITEHAVEN EQUITY PRODUCTION AND SALES SUMMARY

Thousands of tonnes	Quarter Ended			YTD		
	Dec 2017	Dec 2016	Change	Dec 2017	Dec 2016	Change
Whitehaven Equity Totals						
Equity ROM Coal Production	4,122	4,086	1%	8,394	8,192	2%
Equity Saleable Coal Production	3,808	3,794	0%	8,263	7,693	7%
Equity Sales of Produced Coal	4,152	3,953	5%	8,577	7,758	11%
Sales of Purchased Coal	371	11		655	38	
Total Equity Coal Sales	4,523	3,964	14%	9,232	7,796	18%
Equity Coal Stocks at period end	1,418	1,171	21%	1,418	1,171	21%

SAFETY

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 declining from 6.75 at the end of September. This is the lowest ever TRIFR recorded by the company and follows from the introduction of the "Safehaven Rules" programme adopted in early FY2014.

Whitehaven's TRIFR remains well below the NSW coal mining average of 14.67.

COAL SALES AND PRICING

Managed coal sales, including sales of purchased coal, for the December quarter were 5.8Mt, up 10% on the previous corresponding period.

Equity coal sales, including purchased coal, in the December quarter were 4.5Mt, up 14% on the previous corresponding period. Managed coal sales, including purchased coal, in the first half were 11.9Mt, up 16% on the previous corresponding period. Equity coal sales, including purchased coal, in the first half were 9.2Mt up 18% on the previous corresponding period. The increased proportion of low CV thermal was due to strong sales from Werris Creek and some fault impacted coal from Narrabri following the successful mining through the fault zone in the longwall panel.

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

		Quarter Ended			
		Mar-17	Jun-17	Sep-17	Dec-17
Equity Coal Sales	Mt	3.8	4.2	4.7	4.5
Coal Sales Mix					
High CV Thermal Coal	%	64	65	72	68
Low CV Thermal Coal	%	15	11	15	17
Metallurgical Coal	%	21	24	13	15
Pricing					
NEWC Index	US\$/t	82	80	95	98
JSM Quarterly	US\$/t	171	115	120	126
Average Spot Price	US\$/t	100	102	114	116
Pricing Achieved					
Thermal Coal	US\$/t	83	83	91	98
Metallurgical Coal	US\$/t	119	106	109	113
Premium/(Discount)					
Thermal to NEWC Index	%	2%	4%	-3%	0%
Metallurgical to JSM Qtrly*	%	-30%	-8%	-9%	-11%
Metallurgical to Spot Price	%	19%	4%	-5%	-3%

* Only applicable for tonnes sold under the term contracts

See the table at the end of this report for details of the past 10 quarters.

MAULES CREEK MINE

Whitehaven 75%

ROM coal production from Maules Creek for the quarter was 2.522Mt, up 3% on the previous corresponding period. Saleable coal production for the quarter was 2.124Mt, similar to the previous corresponding quarter. Coal sales for the quarter were 2.346Mt, up 11% on the previous corresponding quarter. Metallurgical coal sales of 0.506Mt in the December quarter represented 24% of the total sales from the mine.

Semi soft coking coal (SSCC) production for the quarter was 0.512Mt, 24% of total production and 0.855Mt, 19% of production for the half year. 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 providing the ability of steelmakers to pass on increasing costs of hard coking coal. 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. Metallurgical coal sales from Maules Creek for the full year are likely to be in the range of 20% to 25% of total sales.

ROM coal production for the first half was 5.121Mt, up 18% on the previous corresponding period. Saleable coal production and coal sales for the first half were 4.560Mt and 4.738Mt, higher by 14% and 16% respectively than in the previous corresponding period.

ROM coal production from Maules Creek in the second half will be higher with expectations of the total ROM coal production for the year reaching 11.0Mt. New equipment required for the final step up in production to the 13Mtpa approved rate is expected to arrive at the mine site over the next few months and will commence operating from July 2018. This represents the full complement of fleet required to run at the approved level of 13Mtpa.

NARRABRI MINE

Whitehaven 70%

ROM coal production for the December quarter was 1.642Mt, 12% lower than the previous corresponding period. Saleable coal production for the quarter was 1.684Mt and coal sales were 1.802Mt for the quarter.

ROM coal production for the first half was 3.879Mt. Saleable coal production for the first half was 3.813Mt and coal sales were 3.820Mt, each modestly lower than in the previous corresponding periods.

Coal production at Narrabri during the December quarter was impacted by changing roof conditions which required additional secondary roof support to be installed. The change in roof conditions and the need for additional support as depth of cover increases is a known factor in underground mining. In this instance, the changes are occurring earlier in the life of mine than originally modeled. As a consequence, during the quarter, labour was diverted from production to address the impacts of increased weighting and installation of additional secondary support in existing roadways leading to a reduction in longwall production in December.

The impact of the additional support is an increase in operating costs of about \$2/t expected over the remaining mine life. Importantly, longwall production is expected to return to budget levels in the March quarter. Narrabri remains the lowest cost mine in Whitehaven's portfolio of operations and is widely acknowledged by industry as one of the lowest cost, high quality coal mines in Australia.

A recently completed drilling programme focused on determining the displacement of the fault zone in longwall panel LW110 has been completed. Interpretation of the drilling results confirmed that the displacement of the fault decreases from that observed on development in longwall panels LW108 and LW109. This information, when combined with the success of the longwall mining through the fault in longwall panel LW107, has given management the confidence to plan to mine through the fault zone in panels LW108 and LW109. The decision is expected to increase production from the mine in both FY2019 and FY2020 to 7.7Mt and 7.0Mt respectively an increase of 300kt in each year.

Production guidance for the mine for the full year, FY2018, has been revised and is now expected to be in the range of 6.0Mt and 6.5Mt ROM coal.

Roadway development for the December quarter was 3,429 metres and for the first half 8,887 metres.

GUNNEDAH OPEN CUTS

The three Gunnedah open cuts – Tarrawonga, Rocglen and Werris Creek – produced 1.262Mt of ROM coal for the quarter compared to 1.127Mt in the previous corresponding period. ROM coal production for the half year was 2.161Mt compared to 2.313Mt in the previous year.

Saleable coal production for the quarter and half year were 1.206Mt and 2.518Mt respectively. Coal sales for the quarter and half year were 1.255Mt and 2.628Mt respectively. Coal sales in the first half were significantly higher (22%) than for the previous corresponding period as part of the coal stocks built up at the end of the previous financial year were sold in the first half of the year.

Tarrawonga Mine

Whitehaven has agreed to acquire Idemitsu's 30% interest in the Tarrawonga joint venture during the quarter. The acquisition is expected to close in first half of CY2018 and will add about 0.6Mtpa to Whitehaven's equity coal production effective from completion. NSW State Government approval for the transfer is the remaining condition to be satisfied.

Tarrawonga produced 0.601Mt of ROM coal in the quarter and 1.076Mt for the half year. Production was in line with budget for both periods. Saleable coal production was 0.569Mt for the quarter and 1.145Mt for the half year. Coal sales for the quarter and half year were 0.495Mt and 1.086Mt respectively.

Rocglen Mine

Rocglen produced 0.201Mt ROM coal for the quarter and 0.424Mt for the half year. Saleable coal production for the quarter and half year were 0.246Mt and 0.453Mt respectively. Coal sales for the quarter were 0.285Mt and 0.508Mt respectively.

Werris Creek Mine

Werris Creek produced 0.460Mt of ROM coal in the quarter and 0.661Mt for the half year. As is usual in the mining sequence at Werris Creek, production is expected to be higher in the second half of the year. Saleable coal production for the quarter and half year were 0.391Mt and 0.920Mt respectively. Coal sales for the quarter and half year were 0.475Mt and 1.034Mt respectively.

Sunnyside Mine

Mining has recommenced at the Sunnyside open cut which has been on care and maintenance since November 2012. A total of 0.8Mt of coal is expected to be mined over the next two years as part of the final rehabilitation of the site. Overburden movement at the mine recommenced in late September and coal production will recommence during the March quarter. Contemporary rehabilitation of the mine site will provide another excellent example for the community of Whitehaven's capabilities in this area.

PRODUCTION GUIDANCE

Following on from the above narrative and reflective of the experiences at Narrabri during the December quarter, saleable coal production guidance for FY2018 has been reduced to the range of 20.5Mt to 21.0Mt (100% basis).

VICKERY PROJECT

Whitehaven hosted a visit by the three local mayors and local media to Maules Creek during the December quarter to show key stakeholders an operating mine and to provide detailed information in relation to the Vickery project. Whitehaven announced at this time that it had removed the Blue Vale pit from the proposed Vickery open cut project. Community feedback following the announcement has been positive.

Removal of Blue Vale requires 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 lodgment of the EIS.

CORPORATE

There are US\$38.0 million in forward A\$/US\$ exchange contracts currently in place at an average exchange rate of A\$1.00 = US\$0.7826. These contracts are deliverable between January and March 2018.

The low FX hedge position is a result of the number of fixed price coal sales running off into the end of the Japanese fiscal year. As the new Japanese financial year approaches the level of fixed price coal sales is expected to increase.

Whitehaven paid a \$198 million distribution to shareholders in November following approval at the AGM. The distribution comprised 14 cents per share capital return and 6 cents per share unfranked dividend. This is the first dividend payment made by the company since 2012 and signifies the return of the company to dividend paying status.

COAL OUTLOOK

Thermal coal prices during the December quarter 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 reflecting buoyant economic conditions across Asia while a number of factors including Australian industrial relations issues and poor weather in Indonesia have limited the supply response. The outlook for thermal coal in the short to medium term is 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 continued price volatility.

Buoyant steel demand, attractive steel margins and strong thermal coal prices have combined to limit the incentive for steel producers to procure SSCC additional to already committed volumes, while coal producers (including Whitehaven) see little incentive from a sales margin perspective, to switch from high quality thermal coals into incremental SSCC volumes.

EXPLORATION

Exploration expenditure incurred by Whitehaven during the December quarter and half year was \$1.1m and \$1.6m respectively.

HISTORICAL SALES AND PRICING

The following table sets out equity sales, sales mix and price realisations for the past 10 quarters.

		Quarter Ended									
		Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Equity Coal Sales	Mt	3.5	3.8	4.3	4.2	3.8	4.0	3.8	4.2	4.7	4.5
Coal Sales Mix											
High CV Thermal Coal	%	72	74	66	56	71	70	64	65	72	68
Low CV Thermal Coal	%	15	12	19	23	12	8	15	11	15	17
Metallurgical	%	12	14	15	20	16	22	21	24	13	15
Pricing											
NEWC Index	US\$/t	59	53	51	52	67	95	82	80	95	98
JSM Quarterly	US\$/t	74	71	66	70	74	130	171	115	120	126
Average Spot Price	US\$/t	64	62	64	64	83	135	100	102	114	116
Pricing Achieved											
Thermal coal	US\$/t	57	54	51	51	63	92	83	83	91	98
Metallurgical Coal	US\$/t	70	65	62	63	70	104	119	106	109	113
Premium/(Discount)											
Thermal to NEWC Index	%	-3%	2%	0%	-1%	-7%	-4%	2%	4%	-3%	0%
Metallurgical to JSM Qtrly	%	-5%	-9%	-7%	-10%	-6%	-20%	-30%	-8%	-9%	-11%
Metallurgical to Spot Price	%	9%	5%	-4%	-2%	-16%	-23%	19%	4%	-5%	-3%

PRODUCTION AND SALES BY MINE						
Thousands of tonnes	Quarter Ended			YTD		
	Dec 2017	Dec 2016	Change	Dec 2017	Dec 2016	Change
Maules Creek						
ROM Coal Production	2,521	2,455	3%	5,121	4,355	18%
Saleable Coal Production	2,124	2,234	(5%)	4,560	4,006	14%
Sales of Produced Coal	2,346	2,123	11%	4,738	4,095	16%
Coal Stocks at period end	387	486	(21%)	387	486	(21%)
Narrabri						
ROM Coal Production	1,642	1,869	(12%)	3,879	4,222	(8%)
Saleable Coal Production	1,684	1,865	(10%)	3,813	4,088	(7%)
Sales of Produced Coal	1,802	2,104	(14%)	3,820	3,990	(4%)
Coal Stocks at period end	295	227	30%	295	227	30%
Tarrowonga						
ROM Coal Production	601	639	(6%)	1,076	1,143	(6%)
Saleable Coal Production	569	496	15%	1,145	1,010	13%
Sales of Produced Coal	495	512	(3%)	1,086	1,037	5%
Coal Stocks at period end	574	449	28%	574	449	28%
Rocglen						
ROM Coal Production	201	242	(17%)	424	568	(25%)
Saleable Coal Production	246	185	33%	453	404	12%
Sales of Produced Coal	285	207	38%	508	440	16%
Coal Stocks at period end	269	138	95%	269	138	95%
Werris Creek						
ROM Coal Production	460	246	87%	661	602	10%
Saleable Coal Production	391	280	40%	920	717	28%
Sales of Produced Coal	475	295	61%	1,034	678	52%
Coal Stocks at period end	250	195	29%	250	195	29%
Whitehaven Group Managed Totals						
ROM Coal Production	5,425	5,452	(0%)	11,161	10,890	2%
Saleable Coal Production	5,014	5,060	(1%)	10,890	10,223	7%
Sales of Produced Coal	5,404	5,241	3%	11,186	10,240	9%
Sales of Purchased Coal	389	11	3,463%	694	38	1,723%
Total Coal Sales	5,793	5,251	10%	11,880	10,278	16%
Coal Stocks at period end	1,776	1,495	19%	1,776	1,495	19%