

## Whitehaven Coal Limited Quarterly Report to 31 December 2010 (Q2 FY 2011)

### HIGHLIGHTS

Thousands of tonnes	Quarter Ending			Six Months Ending		
	Dec 10	Dec 09	% Change	Dec 10	Dec 09	% Change
<b>ROM Coal Production – 100%</b>	<b>1,097</b>	970	+13%	<b>2,328</b>	2,070	+12%
<b>Saleable Coal Production - 100%</b>	<b>1,085</b>	920	+18%	<b>2,178</b>	1,964	+11%
<b>Total Coal Sales – 100%</b>	<b>1,835</b>	1,183	+55%	<b>3,422</b>	2,327	+47%
<b>Saleable Coal Production - Equity</b>	<b>949</b>	811	+17%	<b>1,895</b>	1,725	+10%
<b>Total Coal Sales - Equity</b>	<b>1,685</b>	1,080	+56%	<b>3,133</b>	2,097	+49%

- Whitehaven continued its open-cut expansion during the December quarter with saleable coal production of 1.085 million tonnes (Mt) on a 100% basis, up 18% on the previous corresponding period.
- Coal sales were 1.835 Mt for the quarter (100% basis), up 55% on the previous corresponding period. Sales comprised 1.162 Mt of produced coal and 0.674 Mt of purchased coal. Export sales comprised 0.289 Mt of metallurgical coal and 1.507 Mt of thermal coal, with domestic thermal coal sales of 0.039 Mt.
- Saleable coal production was affected adversely during the quarter by an unusually high number of wet weather days. This led to a shortfall against planned production of more than 0.650 Mt for the first half of the financial year ending 30 June 2011 (FY 2011).
- The economic impact of lost production from wet weather in the first two quarters has been compounded by a number of factors:
  - A large tonnage (approximately 3.9 Mt) is required to be delivered into fixed price legacy contracts in FY 2011. The weather-related production shortfall in the first half meant that Whitehaven was unable to deliver into these contracts fully from its own production. Therefore, it was necessary to increase coal purchases in order to meet those sales commitments.
  - Whitehaven's Werris Creek mine, which produces a large proportion of Whitehaven's low-ash thermal coal, was affected most by the wet weather. The reduced availability of this premium coal used for blending lower quality coal from Whitehaven's less rain affected mines also increased the need for short-term coal purchases.
  - The recent flooding in Queensland and general impact of wet weather in the Hunter Valley has contributed to substantial rises in coal prices. The NEWC thermal coal monthly index rose from US\$94.69/t in September to US\$119.47/t in December with the weekly index at US\$130.77 on January 21<sup>st</sup>. This has increased the price at which Whitehaven has had to purchase coal.
  - These factors resulted in total coal purchases of 1.184 Mt in the first half. In addition, a further 0.715 Mt of legacy thermal coal contracts were cash settled during the first half, where neither Whitehaven production nor purchased coal were available for delivery.



- This combination of factors will have a significant negative impact on Whitehaven's half year financial results and more information will be provided to shareholders regarding this impact as soon as possible.
- There remains approximately 2.1 Mt of legacy contract tonnage to be delivered in the second half of FY 2011, with only around 1.6 Mt of such contracts remaining to deliver in FY 2012. It is expected that between 0.8 Mt and 1.0 Mt may need to be purchased or cash settled in the second half of FY 2011 to meet these obligations, depending on Whitehaven's production performance.
- The new NCIG coal port continues to be restricted to handling Panamax size ships. This has further complicated the logistics of blending and delivering the appropriate tonnage and coal quality to meet sales commitments during the first half. This situation will be resolved later in 2011 when dredging of the Hunter River by BHP has been completed.
- Whitehaven expects to increase production substantially in the second half of FY 2011. All mining equipment is in place to achieve planned opencut output in the second half, weather permitting, and the Gunnedah coal handling and preparation plant (CHPP) upgrade will be completed in February.
- Narrabri underground development continued during the quarter with the second and third continuous miners commissioned underground and a total of 81 Kt of saleable coal produced to date. Mining conditions are very good and the development of the pit bottom area and main headings is progressing well. Some 60 Kt of coal has been shipped from Narrabri so far and the quality of coal that has been produced is meeting expectations.
- Narrabri has continued the successful pre-drainage of in-seam gas (85% CO<sub>2</sub>) to levels below the threshold for continuous mining. Confidence in the gas drainage model continues to grow as experience builds. A program of surface to in-seam (SIS) and underground in-seam (UIS) drilling is continuing in order to create an inventory of drained coal ahead of mining.
- Narrabri is continuing to experience difficulty in recruiting sufficient experienced underground miners. However, the situation is improving and manning levels are increasing. A contract has now been awarded for mine services and the provision of a fully manned fourth continuous miner. This will supplement development during 2011 as Narrabri builds up its permanent workforce.
- Commencement of longwall mining at Narrabri remains scheduled for December 2011 and delivery of longwall equipment is on schedule to meet this target. Several components are now being pre-commissioned at supplier facilities in Australia prior to being delivered. Construction of Stage 2 surface facilities including the CHPP, ventilation shaft and other ancillary works is proceeding on time and budget.
- The new NCIG port continues to ramp up and Whitehaven was able to utilize its share of this new capacity fully during the first half of FY 2011. Construction of the second stage of NCIG has now been committed and construction is underway. This stage is expected to be commissioned in mid-2012, taking the capacity of NCIG to 53 million tonnes per annum (Mtpa). Final feasibility of the third stage of NCIG is now complete and commitment to construction is expected by mid-2011. This will take the port to its full capacity of 66 Mtpa in 2013, of which Whitehaven's share will be approximately 6 Mtpa. During the quarter, Whitehaven also renewed its rolling 10 year port contract with PWCS for 3.6 Mtpa.
- Rail capacity is also continuing to increase with the Whitehaven coal train now being fully utilised and the first of Whitehaven's new Pacific National (PN) trains now delivered and being commissioned.

Whitehaven has ordered a second new PN train, scheduled for delivery in October 2011. This rail haulage capacity matches Whitehaven's expected port and rail track capacity.

- Cash on hand at 31 December was \$192 million.
- Whitehaven had a total of approximately US\$434m in forward US\$/A\$ exchange contracts at the end of December, at an average exchange rate of AUD 1.00 = US\$ 0.8150.

## COAL PRODUCTION

Whitehaven's open-cut mines (Tarrawonga, Werris Creek, Rocglen and Sunnyside) continued to be affected adversely by wet weather in the December quarter, as reported in December. In total, some 3,800 operating hours were lost to wet weather during the first half of FY 2011, almost four times the number lost during the same period last year. Additional temporary mining equipment has been deployed to try to recover some of the lost production.

Work continued during the quarter to expand the open-cut mines and the Gunnedah CHPP to their combined design and permitted capacity of approximately 5.5 Mtpa of saleable coal. Weather permitting; Whitehaven is aiming to produce at this rate during the second half of FY 2011.

The Gunnedah CHPP upgrade will be completed in February and will provide additional washing capacity and enhance Whitehaven's ability to optimise coal blending and revenue from its four open-cut mines.

## COAL SALES

Total coal sales of 1.835 Mt for the December quarter (100% basis) increased by 55% over the previous corresponding period, with sales of 1.162 Mt of produced coal and 0.674 Mt of purchased coal.

A higher level of coal purchases was necessary in the first half of FY 2011 in order to deliver committed sales tonnages despite the reduced production from wet weather, in order to manage coal quality and to manage shipping between PWCS and NCIG, where vessels are currently constrained to Panamax size due to channel dredging. Metallurgical coal sales of 0.289 Mt for the quarter reflected a weaker metallurgical coal market. However, the recent floods in Queensland have caused a sharp strengthening of this market. Whitehaven's PCI price for the January to March quarter has not yet been fixed.

## NARRABRI DEVELOPMENT

Narrabri Stage 1 is complete and Stage 2 approval was received in August. The Stage 2 longwall equipment was specified and ordered in September 2009 and delivery of equipment is underway. The delay in development being experienced because of a lack of experienced underground miners has been reported previously. The first longwall coal is scheduled for December 2011.

The Bucyrus longwall ordered for Narrabri is designed to allow retro-fitting of top coal caving (TCC) equipment in the future. TCC is a proven method of extracting thick-seam coal by longwall methods, but its applicability at Narrabri will only be proven following further technical work and operational experience. If suitable for Narrabri, TCC has the potential to substantially increase Narrabri's coal reserves and annual production in the future.



Most of the other Stage 2 equipment and construction contracts have been tendered and awarded, including the contract for the coal preparation and handling plant (CHPP) which is being built by Sedgman Ltd. The final design for the Narrabri CHPP plant included a dense medium cyclone to allow the production of up to 40% of PCI coal. Plant construction is progressing satisfactorily with first coal expected to be processed in May 2011.

Ongoing review of Stage 2 costs, including tendering for all major components of the work, has not identified any material change to the budget cost estimate of approximately \$300 million (100% basis).

## VICKERY PROJECT

Vickery is proving to be a very important acquisition for Whitehaven. It consolidates the company's significant tenement holding in the Gunnedah region and a JORC coal resource of 294.7 Mt has now been defined, of which 272.7 Mt is opencut.

Current work at Vickery is focused on defining a JORC open-cut coal reserve. Indications are that Vickery will provide Whitehaven with a significant increase in metallurgical coal reserves, with initial mine design for an opencut mine producing 5 Mtpa for 20 years. Total saleable coal yield of more than 85% is indicated which will be predominantly low ash, low sulphur, low phosphorus semi-soft coking coal, along with a minority component of low-ash, low-sulphur, high-energy thermal coal.

## OTHER BUSINESS DEVELOPMENT

Work is also continuing on mine planning and environmental studies to support applications for 20 year life-of-mine approvals for the Werris Creek and Tarrawonga mines. This follows substantial upgrades to coal resources and reserves at both mines.

## INFRASTRUCTURE

Whitehaven has entitlements to adequate rail track capacity to meet its current growth plans and is continuing to work with ARTC, RIC and other potential rail users in the Gunnedah Basin to identify and progress capital works required to meet future track capacity needs.

Whitehaven and PN entered into a long term agreement for rail haulage in December 2009. When combined with track capacity entitlements, this contract provides for rail capacity to meet Whitehaven's existing growth plans and port capacity.

The new coal train ordered by Whitehaven in 2009 was delivered and put into service in the September quarter. This train is being operated by PN under lease from Whitehaven. A second new train has now been delivered by PN and a third new train will be provided by PN in October 2011.

A Capacity Framework Agreement for providing access to additional port capacity at Newcastle was agreed by Newcastle Ports Corporation, PWCS and NCIG in April 2009 and subsequently approved by ACCC. Under this agreement, Whitehaven will have access to at least 9.5 Mtpa of port capacity from PWCS (3.6 Mtpa), NCIG Stage 1 (3.3 Mtpa) and NCIG Stage 2 (2.6 Mtpa).

Stage 1 of the new NCIG coal loading terminal (Whitehaven owns 11%) achieved its objective of shipping its first coal at the end of March 2010. Practical completion was achieved in June and the port is ramping up throughput. Whitehaven expects to have capacity of approximately 2.6 Mt at NCIG in FY 2011 which, along with 3.6 Mt from PWCS, is sufficient to meet Whitehaven's needs for FY 2011.

## COAL RESERVES AND RESOURCES

A revised JORC coal Resources and Reserves statement for Whitehaven was included in the Annual Report for FY 2009 and can be viewed on the Whitehaven web site at [whitehavencoal.com.au](http://whitehavencoal.com.au). Exploration and mine planning work has continued during the quarter and Whitehaven expects to provide a revised JORC Resources and Reserves report at the time of releasing its half year financial results in late February.

## CORPORATE

A formal process was initiated in late October to consider potential offers for the company. This process is progressing with Confidentiality Agreements signed with a number of interested parties and information supplied to them. Non-binding proposals are expected in early February, after which selected parties will be able to conduct full due diligence.

The final payment of \$63m from the Daewoo/KORES consortium’s acquisition of its Narrabri JV interest was received in November and payments from EdF in this regard have also been received during the quarter. Cash on hand at 31 December was \$192 million.

Cash on hand together with outstanding cash to be received from previously announced sales of the Narrabri JV interests and cash from operations is expected to provide sufficient funding to complete the development of Narrabri and the expansion of Whitehaven’s existing open-cut mines.

Whitehaven had a total of approximately US\$434 million in forward US\$/A\$ exchange contracts at the end of December, at an average rate of 0.8150 US\$:A\$. The hedging profile at the end of December is:

Currency Hedging at 31/12/11		FY 2011	FY 2012	Total
Principal	US\$m	224	210	434
Rate	US\$/A\$	0.8051	0.8259	0.8150

Detailed production results for the second quarter and first half of FY 2011 for Whitehaven Coal Limited (ASX: WHC) and its controlled entities are set out in the following table.



Thousands of tonnes	Quarter Ending			Year to Date		
	Dec-10	Dec-09	% Chnge	Dec-10	Dec-09	% Chnge
<b>Gunnedah Operations (100%)</b>						
ROM Coal Production	<b>744</b>	704	6%	<b>1,590</b>	1,509	5%
Saleable Coal Production	<b>726</b>	657	11%	<b>1,422</b>	1,394	2%
Sales of Produced Coal	<b>787</b>	677	16%	<b>1,501</b>	1,338	12%
Sales of Purchased Coal**	<b>674</b>	249	170%	<b>1,184</b>	448	165%
Total Coal Sales	<b>1,461</b>	927	58%	<b>2,686</b>	1,786	50%
Coal Stocks at period end	<b>251</b>	289	-13%	<b>251</b>	289	-13%
<b>Werris Creek (100%)</b>						
ROM Coal Production	<b>310</b>	266	16%	<b>655</b>	561	17%
Saleable Coal Production	<b>317</b>	263	20%	<b>675</b>	570	18%
Sales of Produced Coal	<b>325</b>	256	27%	<b>678</b>	541	25%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	<b>325</b>	256	27%	<b>678</b>	541	25%
Coal Stocks at period end	<b>116</b>	102	14%	<b>116</b>	102	14%
<b>Narrabri (100%)</b>						
ROM Coal Production	<b>44</b>	-	-	<b>83</b>	-	-
Saleable Coal Production	<b>42</b>	-	-	<b>81</b>	-	-
Sales of Produced Coal	<b>50</b>	-	-	<b>58</b>	-	-
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	<b>50</b>	-	-	<b>58</b>	-	-
Coal Stocks at period end	<b>33</b>	-	-	<b>33</b>	-	-
<b>Total Whitehaven Group (100%)</b>						
ROM Coal Production	<b>1,097</b>	970	13%	<b>2,328</b>	2,070	12%
Saleable Coal Production	<b>1,085</b>	920	18%	<b>2,178</b>	1,964	11%
Sales of Produced Coal	<b>1,162</b>	933	24%	<b>2,238</b>	1,879	19%
Sales of Purchased Coal**	<b>674</b>	249	170%	<b>1,184</b>	448	165%
Total Coal Sales	<b>1,835</b>	1,183	55%	<b>3,422</b>	2,327	47%
Coal Stocks at period end	<b>400</b>	391	2%	<b>400</b>	391	2%

\*\* sales of externally purchased coal



Thousands of tonnes	Quarter Ending			Year to Date		
	Dec-10	Dec-09	% Chnge	Dec-10	Dec-09	% Chnge

### Gunnedah Operations (Equity Share)

	Dec-10	Dec-09	% Chnge	Dec-10	Dec-09	% Chnge
ROM Coal Production	620	582	6%	1,302	1,246	4%
Saleable Coal Production	603	548	10%	1,163	1,155	1%
Sales of Produced Coal	652	575	13%	1,230	1,108	11%
Sales of Purchased Coal**	674	249	170%	1,184	448	165%
Total Coal Sales	1,325	824	61%	2,414	1,556	55%
Coal Stocks at period end	207	247	-16%	207	247	-16%

### Werris Creek (Equity Share)

	Dec-10	Dec-09	% Chnge	Dec-10	Dec-09	% Chnge
ROM Coal Production	310	266	16%	655	561	17%
Saleable Coal Production	317	263	20%	675	570	18%
Sales of Produced Coal	325	256	27%	678	541	25%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	325	256	27%	678	541	25%
Coal Stocks at period end	116	102	14%	116	102	14%

### Narrabri (Equity Share)

	Dec-10	Dec-09	% Chnge	Dec-10	Dec-09	% Chnge
ROM Coal Production	31	-	-	58	-	-
Saleable Coal Production	29	-	-	57	-	-
Sales of Produced Coal	35	-	-	41	-	-
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	35	-	-	41	-	-
Coal Stocks at period end	23	-	-	23	-	-

### Total Whitehaven Group (Equity Share)

	Dec-10	Dec-09	% Chnge	Dec-10	Dec-09	% Chnge
ROM Coal Production	960	848	13%	2,015	1,807	12%
Saleable Coal Production	949	811	17%	1,895	1,725	10%
Sales of Produced Coal	1,011	831	22%	1,948	1,649	18%
Sales of Purchased Coal**	674	249	170%	1,184	448	165%
Total Coal Sales	1,685	1,080	56%	3,133	2,097	49%
Coal Stocks at period end	347	349	-1%	347	349	-1%

\*\* sales of externally purchased coal

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