

## Whitehaven Coal Limited Quarterly Report to 30 September 2010 (Q1 FY 2011)

### HIGHLIGHTS

Thousands of tonnes	Quarter Ending		
	Sep 2010	Sep 2009	% Change
<b>ROM Coal Production – 100%</b>	<b>1,230</b>	1,107	<b>+11%</b>
<b>Saleable Coal Production - 100%</b>	<b>1,093</b>	1,043	<b>+5%</b>
<b>Total Coal Sales – 100%</b>	<b>1,587</b>	1,144	<b>+39%</b>
<b>Saleable Coal Production -</b>	<b>946</b>	886	<b>+7%</b>
<b>Total Coal Sales - Equity</b>	<b>1,448</b>	1,017	<b>+42%</b>

- Whitehaven continued its open-cut expansion during the September quarter with saleable coal production of 1.093 million tonnes (Mt) on a 100% basis, up 5% on the previous corresponding period. Saleable coal production was affected adversely by numerous wet weather days, which led to a shortfall against plan of approximately 200 thousand tonnes (Kt) for the quarter.
- Coal sales were 1.587 Mt for the September quarter (100% basis), up 39% on the previous corresponding period. These sales comprised 1.076 Mt of produced coal and 0.511 Mt of purchased coal. Export sales comprised 0.300 Mt of metallurgical coal and 1.236 Mt of thermal coal, with domestic thermal coal sales of 0.051 Mt.
- Construction of Narrabri Stage 1 is complete with first coal production achieved on 28<sup>th</sup> June and the third access drift completed in early October. Mining conditions underground are very good and the development of the pit bottom area and main headings is progressing well. Some 40,000 tonnes of coal has been shipped from Narrabri so far and the quality of coal produced is as expected.
- Narrabri has continued its 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 is growing as experience builds and the program of surface to in-seam (SIS) and underground in-seam (UIS) drilling to create a substantial inventory of drained coal is ahead of schedule.
- Narrabri has received more than 700 applications for underground mining employment; however, it has proven difficult to recruit sufficient experienced underground miners to form the core of mining crews. This has led to reduced production shifts and development metres in the September quarter.
- The first two continuous miner (CM) development units are now fully manned, however full manning for the third CM development unit is also behind schedule. Plans are now in place to introduce a fourth CM on a contract basis, with labour provided by the contractor, in order to recover some of the lost development metres. Nevertheless, this ongoing difficulty in recruiting sufficient skilled workers is expected to delay completion of development of the first longwall panel by at least three months, with the commencement of longwall mining now scheduled for December 2011.



- The full Stage 2 approval for Narrabri was received in August and construction of the Stage 2 coal preparation plant, ventilation shaft and other ancillary works is proceeding as planned.
- The new NCIG port continued to ramp up during the September quarter and Whitehaven was able to fully utilize its share of this new capacity.
- Rail capacity is also continuing to increase with the Whitehaven coal train now being utilised and the first of Whitehaven's new Pacific National (PN) trains due for delivery in January 2011. Whitehaven has now ordered the 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 30 September was \$132 million.
- Whitehaven had a total of approximately US\$507m in forward US\$/A\$ exchange contracts at the end of September, at an average exchange rate of AUD 1.00 = US\$ 0.8129.

## COAL PRODUCTION

Whitehaven's open-cut mines (Tarrawonga, Werris Creek, Rocglen and Sunnyside) were affected adversely by wet weather early in the September quarter, but performed well thereafter. Additional mining equipment has been deployed at Rocglen temporarily, to boost production for the remainder of the year.

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.

The Gunnedah CHPP upgrade is more than 90% complete. When commissioned, the upgrade 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 1.587 Mt for the September quarter (100% basis) increased by 39% over the previous corresponding period, with sales of 1.076 Mt of produced coal and 0.511 Mt of purchased coal.

A higher level of coal purchases was necessary in the September quarter in order to manage shipping between PWCS and NCIG (where vessels are currently constrained to Panamax size due to channel dredging), to optimise coal quality and to deliver committed sales tonnages despite the reduced production from wet weather. This requirement will ease when channel dredging is completed and NCIG can accept Capesize vessels in 2011.

Metallurgical coal sales of 0.300 Mt for the quarter reflect a strong metallurgical coal market. Whitehaven's PCI price for the July to September 2010 quarter was fixed at around US\$153/t FOB and around US\$142/t FOB has been fixed for the October to December 2010 quarter. This compares to the 2010 annual contract price of around US\$97/t FOB.

Export thermal coal sales were 1.236 Mt for the quarter. Japanese term contract prices for thermal coal have been fixed at around US\$98/t for the remaining Japanese fiscal year (April 2010 to March 2011), while the current spot price for Newcastle thermal coal is around US\$95/t FOB. This compares to the 2010 contract price average of around US\$70/t FOB.



## NARRABRI DEVELOPMENT

Narrabri Stage 1 development is complete and, except for the cost of the three underground access drifts (now complete), construction costs were within budget. The adverse ground conditions and consequential delay to completion of the drifts resulted in additional costs for this component of the project, with a final Stage 1 cost of \$227m, as previously reported.

An amended Stage 1 approval for Narrabri was received in March 2010, which allowed construction of the Stage 2 coal preparation plant, ventilation shaft and other ancillary works to proceed. The full Stage 2 approval for longwall mining was received in August.

The Stage 2 longwall equipment was specified and ordered in September 2009 and delivery of equipment has now commenced. The development delay being experienced because of a lack of experienced underground miners means that longwall installation is now expected to be delayed by at least three months, with first longwall coal now 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 now 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 includes a dense medium cyclone unit to allow the production of up to 40% of PCI coal. The plant is expected to be operating by 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

The Vickery acquisition from Coal and Allied Ltd is proving to be a very important "bolt-on" 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 open-cut.

Current exploration and planning work at Vickery is focussed on defining a JORC open-cut coal reserve based on a mine plan for 5 Mtpa for at least 15 years. This work will also provide the basis for renewing the existing project development approval and mining lease for Vickery.

Indications are that Vickery will provide Whitehaven with a significant increase in metallurgical coal reserves. The coal quality of the three principal coal seams; Shannon Harbour, Stratford and Cranleigh, ranges from high volatile soft coking coal to low ash, 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 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 will be provided by PN in January 2011 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 to ramp 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 a coal sales target of around 6 Mt for the FY 2011 year.

## 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 [www.whitehaven.com.au](http://www.whitehaven.com.au). Exploration and mine planning work has continued during the quarter.

## CORPORATE

Whitehaven continued to generate strong cash flow from operations in the quarter. Cash on hand at 30 September was \$132 million with approximately \$73 million in equipment finance leases and other interest bearing liabilities.

Cash on hand at September 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\$507 million in forward US\$/A\$ exchange contracts at the end of September, at an average rate of 0.8129 US\$:A\$. The hedging profile at the end of September is:

Currency Hedging at 30/09/10		FY 2011	FY 2012	Total
Principal	US\$m	335	172	507
Rate	US\$/A\$	0.8069	0.8247	0.8129

Detailed production results for the first quarter 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		
	Sep-10	Sep-09	% Change
<b>Gunnedah Operations (100%)</b>			
ROM Coal Production	846	812	4%
Saleable Coal Production	696	736	-5%
Sales of Produced Coal	714	661	8%
Sales of Purchased Coal**	511	199	157%
Total Coal Sales	1,225	859	43%
Coal Stocks at period end	367	348	5%
<b>Werris Creek (100%)</b>			
ROM Coal Production	346	295	17%
Saleable Coal Production	358	307	17%
Sales of Produced Coal	353	285	24%
Sales of Purchased Coal**	-	-	-
Total Coal Sales	353	285	24%
Coal Stocks at period end	133	100	33%
<b>Narrabri (100%)</b>			
ROM Coal Production	39	-	-
Saleable Coal Production	39	-	-
Sales of Produced Coal	8	-	-
Sales of Purchased Coal**	-	-	-
Total Coal Sales	8	-	-
Coal Stocks at period end	31	-	-
<b>Total Whitehaven Group (100%)</b>			
ROM Coal Production	1,230	1,107	11%
Saleable Coal Production	1,093	1,043	5%
Sales of Produced Coal	1,076	946	14%
Sales of Purchased Coal**	511	199	157%
Total Coal Sales	1,587	1,144	39%
Coal Stocks at period end	531	449	18%

Thousands of tonnes	Quarter Ending		
	Sep-10	Sep-09	% Change
<b>Gunnedah Operations (Equity Share)</b>			
ROM Coal Production	682	669	2%
Saleable Coal Production	561	579	-3%
Sales of Produced Coal	578	534	8%
Sales of Purchased Coal**	511	199	157%
Total Coal Sales	1,089	732	49%
Coal Stocks at period end	307	316	-3%
<b>Werris Creek (Equity Share)</b>			
ROM Coal Production	346	295	17%
Saleable Coal Production	358	307	17%
Sales of Produced Coal	353	285	24%
Sales of Purchased Coal**	-	-	-
Total Coal Sales	353	285	24%
Coal Stocks at period end	133	100	33%
<b>Narrabri (Equity Share)</b>			
ROM Coal Production	27	-	-
Saleable Coal Production	27	-	-
Sales of Produced Coal	6	-	-
Sales of Purchased Coal**	-	-	-
Total Coal Sales	6	-	-
Coal Stocks at period end	22	-	-
<b>Total Whitehaven Group (Equity Share)</b>			
ROM Coal Production	1,055	964	10%
Saleable Coal Production	946	886	7%
Sales of Produced Coal	937	819	14%
Sales of Purchased Coal**	511	199	157%
Total Coal Sales	1,448	1,017	42%
Coal Stocks at period end	461	416	11%

\*\* sales of externally purchased coal

Whitehaven Coal Limited - ASX Quarterly - 30th September 2010

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