

SUMMER 2016



## RETURN TO PROFIT, RECORD PRODUCTION

**Whitehaven Coal reported a net profit of \$7.8 million for the first half of the financial year following record production across our group of mines.**

The return to profit came “in the face of difficult market conditions” according to Managing Director and CEO Paul Flynn.

“The results are particularly pleasing because they have been achieved at a challenging time for the industry, meeting all our commitments we have made to the market,” Mr Flynn said.

“Whitehaven’s high quality coal – which produces more energy and fewer emissions per tonne than almost all competing coals – is being well received in our Asian markets where there is strong and growing demand for cleaner coal.

“Customer feedback on the coal we are producing at Maules Creek is exceptionally positive.”

Among our operating highlights was a calendar year production record of 8.3 million tonnes (Mt) run-of-mine (ROM) coal from Narrabri for 2015, and Maules Creek proceeding ahead of schedule.

Maules Creek was producing 8.5 million tonnes per annum by December. The mine is expected to ramp up production to 13Mtpa ROM coal in the next two to three years. By December 2015, 333 people were employed at Maules Creek.

Whitehaven will not start our new Vickery project at Gunnedah until Maules Creek is fully ramped up to 13Mtpa. The environmental impact

**More** on the results inside this edition. For the full results release and report visit [www.whitehavennews.com.au/half-year-results-fy2016-return-to-profit-record-production/](http://www.whitehavennews.com.au/half-year-results-fy2016-return-to-profit-record-production/)

**Paul Flynn**, CEO and Managing Director, was interviewed by Sky News Business regarding our results. Watch the interview on Whitehaven’s Youtube channel at [www.youtube.com/watch?v=KCRcFSV15Ck](http://www.youtube.com/watch?v=KCRcFSV15Ck)

statement for the 10Mtpa Vickery Mine is expected to be finished in June this year.

At Werris Creek, Tarrawonga and Rocglen mines, as well as the Gunnedah Coal Handling and Processing Plant, costs have been successfully lowered and our smaller open-cut assets continue to provide a stable platform for the business, Mr Flynn said.

Strong growth in Asian demand combined with cutbacks from key exporting countries would provide the basis for coal price recovery in 2017.

“Whitehaven remains positive about the medium and long-term outlook for coal, particularly the outlook for the high quality coal we produce,” Mr Flynn said.



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# HALF YEAR INTERVIEW WITH PAUL FLYNN



## RESULTS SHOW STRONG OPERATIONAL PERFORMANCE

**Away from the return to profitability, Whitehaven has again reported strong performance across the group. Key highlights during the six months to 31 December 2015 include:**

- Commercial coal production commenced at Maules Creek on 1 July 2015
- Maules Creek production had ramped up to a run rate of 8.5Mtpa ROM coal in December 2015
- The 4th longwall change-out at Narrabri was successfully completed
- Narrabri cemented its position as one of the most productive underground coal mines in Australia
- Narrabri produced a record 8.3Mt ROM coal in calendar year

- 2015, placing it in the top three underground mines in Australia
- Gunnedah open cut performance continued to provide a platform of consistent cash flow positive production
  - ROM and saleable coal production for the half were 59% higher than the previous corresponding period
  - Coal sales of 7.3Mt were 55% higher than for the previous corresponding period.

On safety, Whitehaven's TRIFR was 10.7 at 31 December compared to 9.2 at the end of the June 2015. Whilst the company's performance during the half year compares favourably to the NSW industry average, greater focus will be made to ensure improvement continues in this area.

**Whitehaven News (WN): Paul, when we last spoke it was following our full year result. Six months on, and with the company reporting a return to profitability and record production, how would you sum up where we are as a company?**

**Paul Flynn (PF):** 2016 was always going to be an important year for Whitehaven. It is the first year after the construction phase of Maules Creek and in many ways will be the culmination of the strategy which saw the merger in 2012 take place. Pleasingly, the first half has kicked off exactly as the end of 2015 finished and our workforce deserves immense credit for their efforts.

**WN: What were the highlights of the half year for you, both financially and operationally?**

**PF:** We have a situation now where Narrabri is in full swing, construction of Maules Creek is largely complete and the rest of the operations are performing their role as the bedrock of the business, all of which are operating from a significantly rebased cost structure.

This shows a clear picture of what Whitehaven can do, even though it is being demonstrated in the least conducive phase of the cycle.

On the financial side, as foreshadowed, we have returned to profitability. The importance of this in the midst of a cyclical trough cannot be overestimated. Financially, EBITDA at \$106m is more than double the previous corresponding period. This is already 80% of last year's full year result. Cost reductions have been achieved at the top of our guidance and are sustainable. Off the back of the strong cash flow, we have reduced net debt in the six months. And importantly, free cash flow will be better in the second half with greater volume and only a small balance of Maules construction variations to bed down.

## “FINANCIALLY, EBITDA AT \$106M IS MORE THAN DOUBLE THE PREVIOUS CORRESPONDING PERIOD”

On the operational side, the 52% increase in sales period on period is a strong endorsement of the quality coal we are bringing to the market. Similarly, production was very strong period on period. The uplift of 59% over this period is all about the impact of Maules Creek given that this, and the comparative periods both had a change-out in them. This performance certainly underpins our full year guidance of 19.4 to 20.1Mt on a managed basis.

**WN: On a mine-by-mine basis, how are things tracking?**

**PF:** Maules Creek is clearly the difference between the last period results and this half. The mine has ramped up successfully and in December attained the annualised run rate of 8.5Mtpa six short months after commissioning.

The quality of Maules Creek coal has been warmly welcomed by the market which is evidenced by the 7% premiums we are receiving for this coal. Trials and quality feedback is continuing to flow and met coal sales commitments at 750kt have ramped up also in this period in line with our expectations.

The cost behaviour of the mine has been very pleasing. We always said that once the project was up and running there would be opportunities to improve the cost performance and at \$58/t this is a very good start.

Importantly, Maules Creek construction is largely complete. We have spent \$701m to date on a 100% basis. All that remains to be done now are the permanent maintenance facilities and offices.

Narrabri continues to go from strength to strength. This mine was only commissioned in November 2012 and is already one of the best longwall mines in the country. FOB cost performance at Narrabri is at a very competitive \$49/t, there was a production record for the calendar year at 8.3Mt and we have approval to lift the production capacity limit on the site from 8 to 11Mtpa.

As for the operations at Tarrawonga, Werris Creek and Rocglen, these have continued to provide a stable platform for the business during the last few years and the first half of 2016 was no different. Safety performance is outstanding at each of these sites and cost reductions have been achieved across the board. Importantly, each of these operations were EBITDA positive in the period.

**WN: One area in the half year results that was not so positive was our safety performance for the half.**

**PF:** While our TRIFR did increase to 10.7 from 9, it remains significantly below the NSW average of 15.5. Inevitably, as manning increases and the scale of our business has changed, we have seen the improvement momentum of the past three years plateau.

That said, we are not satisfied with being better than the industry average, so we shall refocus and redouble our drive to continue the path of

improvement we have demonstrated in the past three years.

**WN: With pressure on the equity markets around the world in recent times, Whitehaven's share price has not been able to escape this downward pressure. There is also talk in the media about debt levels within companies across the board, in particular in resources. What is the situation with Whitehaven in regard to debt?**

**PF:** Our debt levels peaked with the construction of Maules Creek and our balance sheet is reflective of the improving position of the company. Pleasingly, we have as promised paid down some debt in this half. We have said that our priority from this point on is to further pay down that debt as we generate more cash from our operations.

## “ON THE OPERATIONAL SIDE, THE 52% INCREASE IN SALES PERIOD ON PERIOD IS A STRONG ENDORSEMENT OF THE QUALITY COAL WE ARE BRINGING TO THE MARKET”

**WN: Away from the financials, we have increased our employment of local people during the half year.**

**PF:** As the largest employer and probably the largest single economic contributor in the north west NSW region, we take our role in the community seriously. We work hard to employ local people and spend more locally with local businesses.

From the community at large, we have spent over \$800m in the local business community over the past 4 years and over \$60m in the region in this half alone.

[Interview continues next page...](#)

Approximately 75% of our employees are locally based and this is something we are very keen to promote.

Our indigenous engagement programme has also been a particular point of focus as you know. We concluded a native title agreement with the Gomerōi Nation during the period and now with 15% indigenous employment at Maules Creek, we are on target to meet all our Reconciliation Action Plan commitments. Gender diversity is also getting a pointed boost with 14% female employment at Maules Creek and more work will be done to further improve this number in the months ahead.

Given the size of the reserve, we think the project is better optimised by a bigger mine and are seeking approval for 10Mtpa. This will entail onsite washing of the coal, likely our Gunnedah plant will be moved and a rail connection established to further enhance the economics of the project. We expect to lodge this EIS in June 2016.

**WN: What is your view on the future prospects of coal more broadly? As you know, activists and sections of the media claim the commodity has no future.**

Our high energy, low sulphur, low ash coal is ideally matched to this need and our long life assets are perfect for the certainty that these companies and governments require in making significant investments to build the latest technology power stations that will reduce carbon emissions.

In terms of the coal market as we sit here today, it still remains oversupplied due to the slowing of China but this underlying growth will bring the market into balance in the near term.

**WN: Finally, what targets have been set for the next six months?**

**PF:** We must continue to improve our safety. We are not satisfied with the status quo and can do better. Our 2016 guidance for managed ROM production has been revised upwards by 600kt and is now 19.5 to 20.1Mt. We remain on target to meet this metric.

We will grow both Narrabri and Maules Creek which will deliver higher margins. We expect to be able to deliver further cost savings in the range of A\$1-2/t in the second half of the year.



**“THE SIMPLE FACT IS THAT GLOBAL CONSUMPTION OF COAL IS INCREASING AND WILL CONTINUE TO DO SO FOR THE FORESEEABLE FUTURE”**

**WN: Now that Maules Creek is up and running, the next growth prospect for the company is Vickery. What is happening on that front?**

**PF:** Vickery gives Whitehaven another large scale, high quality coal deposit that can be started at any time from now on. And while we know Maules Creek coal quality is good, we believe Vickery coal quality is even better with the potential for 60% metallurgical coal.

The current approval gives us the option of a very low capex start up if market conditions allow. As we will utilise our current Gunnedah CHPP and our existing haul road, the capex required to open this mine is less than \$50m and could be funded by existing cash flow.

**PF:** The simple fact is that global consumption of coal is increasing and will continue to do so for the foreseeable future. Coal is the most widespread, most reliable, lowest risk and lowest cost form of electricity generation that exists.

Our region, which has some of the highest growth economies by GDP, relies on coal to underpin their aspirations for a lifestyle we enjoy – we would be depriving them of the opportunity to fulfill those aspirations if we denied them access to cheap energy.

With the recent experiences in nuclear power in the region, you can see why coal is playing a critical role in providing secure and safe energy for the masses.

Finally, our net debt position will continue to reduce in the second half. If we look forward over the next 3-4 years, based on existing margins, we expect to generate free cash flow of between \$300-500m that would be available for debt reduction.

## MORE SKILLED JOBS FOR THE NORTH WEST

**When we talk about the benefits large-scale mining projects bring to Australia – particularly regional Australia – the numbers can be mind boggling.**

When we talk about mining investment, it's in the billions – the capital expenditure to build Maules Creek alone approached a billion dollars.

When we talk about its contribution to the economy more broadly, it's about 7 percent of Australia's \$1.36 trillion GDP – another pretty big number.

And when we talk about the number of people mining employs, the figure is in the tens of thousands.

It all starts to get a bit abstract, and it's easy to lose sight of how mining is helping to improve lives and improve the sustainability of regional communities that we cherish.

In among all the numbers are real people who are being given real opportunity to train, live, and work in their local area. There are people like Ben Longworth, 20, who is an operating technician and electrician at Whitehaven's Maules Creek Mine.

Ben is one of the 800 people who work at Whitehaven, most of who live in North Western NSW.



## BEN LONGWORTH

**Age:** 20

**Where are you currently studying?**

Gunnedah.

**Role at Whitehaven Coal:**

Operating technician/electrician at Maules Creek CPP.

**How did you come to be at Whitehaven? Why did you choose Whitehaven?**

I found out about the opportunity through a school based apprenticeship with HVTC and I chose Whitehaven as I was interested in the industrial/process side of electrical work.

**What tasks have you carried out at Whitehaven so far?**

I have performed Electrical installations, statutory maintenance, troubleshooting/fault finding. As well as operating the CPP/TLO and various plant machinery.

**Tell me about your time with Whitehaven – describe your experience. What have you learned? What are your impressions? Have you enjoyed it?**

I've had an overall good experience working for Whitehaven and have learnt a great deal about processing plants and various electrical systems during my apprenticeship.

**What's your plan for the future?**

I'll be with Whitehaven for the foreseeable future working in the CPP and hoping to expand my electrical knowledge further. I want to keep improving and gaining valuable work skills/tickets.

# GUNNEDAH OFFICE CONSTRUCTION UPDATE



Walls going up



View from the outside



Street perspective (not to scale)

## Is the project on track?

Recent rain has caused some minor delays, however we are still on track for the handover of keys in mid-April. The floor slab and walls are complete, completion of the roof and exterior painting is underway.

### The following move dates are proposed:

Friday 29 April – Vacate the current premises.

Monday 2 May – First day working from the new office.

Week of 9 May – Public opening of the building.

## Who's who?

Brian Cole is managing the overall construction project for Whitehaven.

Kirsten Gollogly and Tim Muldoon are managing liaison and communications

with our people, council, neighbours & community members and inputting on fit-out decisions.

## What/where are we moving to?

The office will be located at 231-233 Conadilly St. This is the old Crazy Clark's building, between Bitter Suite and Garvin & Cousins.

It will be a completely new, single storey, building with an open plan design.

The front (public) area of the building will include a reception area with two small interview rooms.

Behind a security door there will be approximately 40 desks, a board room, two meeting rooms (with an openable wall to make one large room), six small private rooms for one-on-one meetings and phone calls, and a staff lunchroom which can double as a stand-up meeting space. There is a central printing room, map layout tables, male and female bathrooms and a unisex shower if people want to ride or walk into work

or go to the gym before work, etc. At the rear there will be a secure carpark, bike rack, garden and BBQ area.

## How many are moving?

All of the 25 people who make up the HSEC, Technical Services and Gunnedah Open Cuts teams who are currently based at the admin buildings at the washery will be relocating into the new premises.

## When is it happening?

It is anticipated that we will move into the new building by April 2016.

## How do I find out more?

Contact Kirsten Gollogly or Tim Muldoon if you have questions.



## ABORIGINAL COMMUNITY RELATIONS ROUND UP

### WITH WHITEHAVEN'S ABORIGINAL COMMUNITY LIAISON OFFICER, BOB SUTHERLAND



Since the last edition of Whitehaven News, there have been a number of positive developments in our Aboriginal Community Relations work.

They include concluding a Native Title agreement

with the Gomeri Nation applicants. Alongside this agreement, it is particular pleasing to report that we now have 15% Aboriginal employment at Maules Creek.

In other community activities, we hosted a procurement workshop in Narrabri for Aboriginal businesses in the area. A total of eight local businesses

attended and information was provided about contract opportunities and the procurement process used by Whitehaven.

Tony Warham, Group Manager of Procurement for Whitehaven, gave a detailed presentation on our spend in the geographical area. Additionally Tony also spoke about our Terms and Conditions for contractors. Participants were impressed with the direction and commitment of Whitehaven in this area.

Elsewhere, the Whitehaven Coal-sponsored Australian Indigenous Oztag teams performed strongly in the 2015 World Cup.

With 15 teams competing, the Australian Indigenous teams ended the tournament runners up in three divisions, made it to the semi finals

in two categories and the quarter finals in the others.

Jeff Hardy, Convenor of Australian Indigenous Oztag, said: "The World Cup was a fantastic event. Having former legends such as Cliff Lyons, Andrew Walker, Nathan Blacklock, Rod Silva, Kevin McGuinness, John Simon, Craig Simon, Will Robinson, Brendan Williams and Luke Carroll as part of our teams was a huge positive influence for all involved."

"I would like to personally say thank you to Whitehaven Coal for your support in helping make this tour a success. The World Cup experience will have far reaching positive effects on the Indigenous community and Whitehaven Coal can be proud that they have played an integral part."

# NEWS IN BRIEF



## LANA'S IRONMAN ACHIEVEMENT

**Accountant** Lana Nelson has found the formula to sporting success. Away from the spreadsheets and financial figures, she has been pounding the pavement by completing two half IronMan challenges.

The event involves a gruelling 1.9km ocean swim, 90km bike ride and a 21km. Lana, who works in Whitehaven's Newcastle office, competed in her first IronMan 70.3 event on the Sunshine Coast last year.

After successfully crossing the finish line, she recently made it a double by crossing the finish line in a Geelong event in six hours and 52 minutes.

"With the winds on the ride and heat during the run, it was a tough day," Lana said. "That said, I can't wait for my next one. My goal is to attempt the full IronMan in 2017 which is a 3.8km swim, 180km bike ride and a 42km marathon."

## SMOKE-FREE WHITEHAVEN

**Whitehaven Coal will be going Smoke Free across all of its operations in 2016.**

Following a phase in period which commenced on 1 January, the smoke free policy will start officially on 1 July 2016 and apply to all personnel on site.

The Group Health and Safety team say 'Smoke Free Whitehaven' includes banning the use of all types of cigarettes and E-cigarettes. This will be enforced by usual disciplinary processes and workers will not be permitted to leave site during their shift for a cigarette.

'No Smoking' also applies to the area in the vicinity of the front gate at sites.



## NARRABRI EDUCATION FOUNDATION

**Young** achievers across the region received a boost with grants from the Whitehaven-sponsored Narrabri Education Foundation.

A group of 18 local students, including Kurt Campbell (pictured), received grants totalling \$30,000 to help with rent and other living expenses while studying away from the region.



This is the 15th year of the awards and many of the previous recipients return to the Narrabri and Gunnedah region to take up a career upon completion of their education.

Whitehaven have this year donated a total of \$10,000 to the Narrabri and Gunnedah branches of the foundation.



## WERRIS CREEK FAMILY DAY

**Whitehaven** employees and their families enjoyed a fun day at our Werris Creek mine. Team members tucked into tasty food from the barbecue as dozens of people came along for the site's annual family day.

Mine manager Rod Hicks said: "The family day at Werris Creek was once again a successful event. It was great to be able to invite the families of our workforce to the site for the day."

## GET IN TOUCH

If you have any news, stories or ideas for future editions of Whitehaven News, please get in touch with:

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