HALF YEAR RESULT FY2019

15 February 2019

WHITEHAVEN COAL

Record first half result

FINANCIAL PERFORMANCE

Whitehaven Coal, the leading Australian producer of premium thermal and metallurgical coal, has reported a record net profit after tax of $305.8 million for the first half of FY2019.

Key financial performance metrics improved on the previous corresponding period (pcp):

- Sales revenue of $1,270.1 million, up 11%;
- Underlying EBITDA before significant items of $550.8 million, up 12%;
- Cash generated from operations of $463.8 million, up 5%;
- Net debt reduced to $244.2 million (excluding AASB 16 lease liabilities) at 31 December 2018 with gearing at 7%;
- The Board has proposed to pay an unfranked dividend of 20 cents per share to shareholders to be comprised of an interim dividend of 15 cents and a special dividend of 5 cents; and
- Unit costs increased to $69/t in the half with the rise due predominantly to higher diesel prices, higher logistic costs, increased coal washing and to align with new product strategy at Maules Creek and lower production from the low cost mines.

OPERATING HIGHLIGHTS

Managed ROM coal production of 11.0Mt was in line with the pcp and coal sales of 10.3Mt, were 14% below the pcp.

Strong production in the December quarter from both Maules Creek and Narrabri led to a strong finish to the first half. Maules Creek produced a record 6.2Mt ROM coal in the half and is on track to achieve its approved run rate of 13Mtpa ROM coal in the second half.

Metallurgical coal sales were 18% of total sales during the half with pricing relativity between metallurgical and thermal coal belatedly starting to incentivise more sales of metallurgical coal towards the end of the period.

GUIDANCE

FY2019 guidance for saleable coal production is updated to be in the range of 21.5Mt to 22.5Mt.

Cost guidance for the full year has increased to $67/t (excluding royalties) from previous guidance of $64/t. Lower production in the September quarter, associated underutilised logistics and demurrage impacts, as well as higher diesel prices were the key reasons for the cost guidance increase.

ECONOMIC AND SOCIAL CONTRIBUTION

During the half year Whitehaven and its Joint Venture partners made significant contributions to the economies of New South Wales (NSW) and the north west NSW region.

- $108.7 million paid to the NSW Government in mining royalties;
- Committed $120,000 over 3 years to the establishment of the Clontarf Academy at the Narrabri High School;
- Donated $157k to local community groups including $60k for drought relief in the local region;
- Moved all local suppliers to industry-leading, 21-day payment terms.

Commenting on today's record results, Whitehaven Coal Managing Director and CEO Paul Flynn said:

"I'm pleased to report a record half year financial result and an interim dividend for shareholders which takes the total shareholder return over the past 18 months to 80 cents per share, or almost $800 million.

"Importantly, we have achieved this result in spite of higher, but moderating costs, underscoring the resilience of the business as it continues to grow in scale across two of Australia's highest quality coal basins.

"With first-rate development assets in our Vickery and Winchester South projects, we are strongly positioned to meet the wave of demand for quality thermal and metallurgical coal we are seeing through the region.

FINANCIAL PERFORMANCE

Key highlights

- Net profit after tax ("NPAT") increased by 19% to $305.8m.
- Operating EBITDA increased by 12% to $550.8m.
- Cash generated from operations increased by 5% to $463.7m.
- Net debt of $244.2m at 31 December 2018.
- Dividends of $267.5m were paid during the period.

	H1 FY2019 $m's	H1 FY2018* $m's
Revenue	**1,270.1**	**1,146.4**
Net profit after tax	**305.8**	**256.2**
Operating EBITDA	**550.8**	**493.7**
Profit before tax	**432.1**	**371.4**

* All comparative periods have been restated to give effect to IFRS 16 *Leases*. Refer to Note 3 of the Interim Financial Report for more details on this change.

H1 FY2019 NPAT of $305.8m represents an increase of 19% compared with the H1 FY2018 restated NPAT of $256.2m. The increased NPAT result was driven by a 28% increase in the per tonne EBITDA margin which rose to $73/t in H1 FY2019 from $57/t in H1 FY2018 (restated). The increased EBITDA margin reflects the benefits of higher coal prices in the period.

The key factors that contributed to the increased H1 FY2019 NPAT result include:

- Strong safety performance.
- Gross revenue increased by $123.7m to $1,270.1m in H1 FY2019. The increase was driven by the substantial increase in A$ realised prices to an average of A$155/t in H1 FY2019 up from A$124/t in H1 FY2018. The key drivers of A$ realised prices during the period include:
  - The Newcastle GlobalCoal Index price averaged US$111/t for high quality thermal coal in the first half, US$15/t higher than the average of US$96/t in the prior corresponding period.
  - The Group realised an average price of US$110/t for its thermal coal sales in H1 FY2019, reflecting the high quality of thermal coal delivered across the entire portfolio during the period.
  - The increase in prices for high quality thermal coal during H1 FY2019 reflect an increase in Chinese imports of higher quality coal from Australia, significant increases in import volumes in South and Southeast Asia following the ongoing deployment of new coal fired power stations in the region, and despite strong prices for high quality coal, limited supply side response.
  - The high quality of thermal coal from the Maules Creek mine typically achieved both quality and energy premiums relative to the Newcastle GlobalCoal Index price during the period. Sales of Maules Creek coal achieved an average price of 7% higher than the globalCOAL Newc index price during the period. Thermal coal sales from Narrabri, Rocglen and Tarrawonga broadly received the index price during the period.
  - Product mix decision was made to increase the production of high quality thermal coal to take advantage of the wide price spread between high quality thermal coal and lower quality thermal coal. This focus resulted in an increased proportion of coal being upgraded during the period and sold as high quality thermal coal.
  - The Group realised an average price of US$124/t in the first half for its sales of metallurgical coal products, up from US$111/t in the prior corresponding period. The realised price reflects a combination of quarterly benchmark linked and index based contracts.
  - A weaker AUD – the average AUD:USD exchange rate decreased to 0.72 in H1 FY2019 from 0.78 in the prior corresponding period.
  - The above factors were partially offset by a decrease in sales volumes to 8.2Mt (excluding Sunnyside sales of produced coal) from 9.2Mt in the prior corresponding period.

- FOB costs per tonne of A$69 in H1 FY2019 have increased from A$57/t in H1 FY2018 (restated for IFRS 16 impact) and were impacted by strategic, structural and short term factors. These include:

  Strategic and market factors

  - An increased focus on high quality thermal product due to the price spreads between high quality thermal coal and lower quality thermal. This has resulted in increased washing and lower yields relative to pcp.
  - An almost 40% increase in crude oil prices in A$ terms fed into the cost of diesel used in production and transportation.

  Structural factors

  - The Narrabri mine is being impacted by increased depth of cover which requires higher secondary support intensity.
  - A higher strip ratio at Tarrawonga and Maules Creek in line with the natural progression of these mines as they approach the LOM average.
  - The increased contribution of Maules Creek to total Whitehaven sales in line with the expansion of this mine.

  Short term factors

  - The recalibration of the mine sequence at Maules Creek following the increase in ROM production in late FY2018 resulted in an adverse impact on production and costs in the first quarter of H1FY2019. While the recovery in ROM production in the second quarter contributed to a reduction in production costs, a proportion of this production remains in inventory at 31 December 2018 and therefore the full benefit did not flow through to FOB costs per tonne in H1FY2019.
  - FOB costs per tonne at the Maules Creek mine have increased as the pit continues to be expanded to facilitate optimised mining conditions for the long term. This phase of the mine's life is characterised by out of pit dumping and a resulting increase in haul distances. FOB costs per tonne are expected to fall in the medium term as in-pit dumping commences.
  - Narrabri's longwall change-out took place entirely during the September 2018 quarter, impacting its sales volumes and its costs.
  - Increased demurrage and under-utilised logistics costs arising from lower production from the Narrabri and Maules Creek mines in the first quarter.

CASH FLOW AND CAPITAL MANAGEMENT

		H1 FY2019	H1 FY2018*
Cash Flow summary		**$ million**	**$ million**
Operating cash flows		**445.8**	**426.6**
Investing cash flows		(80.3)	(30.2)
Net free cash flow		**365.5**	**396.4**
Financing cash flows		(388.1)	(384.9)
Cash at the beginning of the period		111.8	87.1
Cash at the end of the period		89.2	98.6
Capital management		**31 December 2018**	**30 June 2018**
Net debt**		244.2	270.4
Undrawn syndicated facility		775.0	725.0
Gearing ratio (net debt/(net debt plus equity)	(%)	7%	7%

* All comparative periods have been restated to give effect to IFRS 16 Leases. Refer to Note 3 of the interim financial report for more details on this change.

** Calculated in accordance with the senior facility covenant requirements and therefore excludes lease liabilities recognised for the first time upon adoption of AASB 16 *Leases* of $169,011,000 (2018: $205,874,000)

Cash Flow

Operating cash flows of $445.8m in H1 FY2019 increased by $19.2m or 5% relative to the prior corresponding period. This was driven by the increased operating EBITDA result. While the conversion of EBITDA to cash flow from operations was also strong, there was an increase in working capital associated with a build in trade receivables and inventories at 31 December 2018, in line with the strong production and sales result in the December quarter.

Investing cash outflows during H1 FY2019 of $80.3m were higher than the prior corresponding period. Growth capital was allocated toward the Winchester South Project in Queensland and expenditure to progress the Environmental Impact Statement required for Government approval for an expanded Vickery mine (10Mtpa). Main road development costs at Narrabri are also increasing due to increased depth of cover and the resulting impact on secondary support costs and development rates.

In September 2018 a dividend payment of $267.5m was made ($0.27 per share).

Net debt at 31 December 2018 was $244.2m, a decrease of $26.2m from 30 June 2018. Gearing of 7% was at the same level as at 30 June 2018.

The decrease in net debt has been driven by the strong operating cash flow performance during the period. This has facilitated repayments of the senior facility, leases and the ECA facility totalling $350.4m. This was offset by a drawdown of $250.0m during the period.

Undrawn capacity of $775.0m under the senior bank facility existed at 31 December 2018.

SAFETY PERFORMANCE

The TRIFR increased to 7.57 at the end of December 2018 from 6.91 at the end of June 2018. Management is striving for better safety performance across all operations.

Whitehaven's TRIFR remains well below the NSW coal mining average of 14.7.

The company is committed to achieving zero harm to its people and environment.

OPERATING PERFORMANCE

Consolidated Equity Production and Sales

Whitehaven Total (000's t)	H1 FY2019	H1 FY2018	Movement
ROM Coal Production	8,590	8,394	2%
Saleable Coal Production	7,616	8,263	(8%)
Sales of Produced Coal	7,600	8,577	(11%)
Sales of Purchased Coal	774	655	18%
Total Coal Sales	8,374	9,232	(9%)
Coal Stocks at Period End	2,662	1,418	88%

First half FY2019 saleable coal production and sales results were lower than the previous corresponding period. Key features include:

- ROM coal production was higher than for the prior corresponding period.
- A strong December quarter production saw Maules Creek produce a record 6.2Mt ROM coal for the half and Narrabri produce a near record amount of 2.3Mt ROM coal in the December quarter.
- Coal sales of produced coal were 7.6Mt, 11% lower due to the impact of the Narrabri longwall changeout in the September quarter and the timing of ROM coal production at Maules Creek in the December quarter.
- High stocks of lower cost coal at the end of December will be processed and sold during the second half of the year.

Maules Creek Mine

Whitehaven 75% and Operator

Maules Creek Mine 100% (000's t)	H1 FY2019	H1 FY2018	Movement
ROM Coal Production	6,226	5,121	22%
Saleable Coal Production	4,390	4,560	(4%)
Sales of Produced Coal	4,261	4,738	(10%)
Coal Stocks at Period End	1,929	387	398%

Maules Creek produced 6.2Mt ROM coal for the first half of FY19, a new mine record. The Maules Creek approved rate of 13Mtpa ROM coal production applies for each calendar year. Saleable coal production and coal sales for H1FY2019 of 4.4Mt and 4.3Mt respectively were marginally below the prior corresponding period.

Following a slower than expected start to the half year, ROM production momentum increased in the final months of 2018. The timing of ROM coal production resulted in ROM coal stocks at the end of the half year being higher than usual and caused saleable coal production and sales to lag ROM production. The high level of ROM stocks will be processed and sold during the second half, stocks will return to normalised levels in the second half of the financial year.

Product mix decision was made to increase the production of high quality thermal coal to take advantage of the wide price spread between high quality thermal coal and lower quality thermal coal to achieve higher price realisations for coal sales from the mine. This resulted in a decision to focus on three products – a very low ash low sulphur semi soft coking coal, a low ash low sulphur semi soft coking coal and a <10% ash very high CV low sulphur thermal coal. These products can be made by blending coal from multiple coal seams in the mine. Under this strategy more coal will require washing with resultant lower yield and higher costs to produce the three products. However, higher average realised prices for the various products will lead to an improved financial outcome for the mine. The product split between metallurgical and thermal coal will be maintained at 50:50, albeit some of the higher ash metallurgical coal can be sold as very high CV thermal if the margin generated is greater than selling the product as a semi soft coking coal.

Narrabri Mine

Whitehaven 70% and Operator

Narrabri Mine 100% (000's t)	H1 FY2019	H1 FY2018	Movement
ROM Coal Production	2,876	3,879	(26%)
Saleable Coal Production	2,834	3,813	(26%)
Sales of Produced Coal	2,802	3,820	(27%)
Coal Stocks at Period End	550	295	86%

Production from Narrabri in the first half was constrained by the impact of a full longwall changeout in the September quarter. However, in the December quarter the mine performed strongly with near record ROM coal production. Total ROM coal production for the half was 2.9Mt. Longwall mining will continue in the current panel (LW108) for the balance of this financial year.

The next longwall change-out will occur when the longwall reaches the volcanic intrusion in panel LW108. Sufficient development drivage has been completed to ensure continuity of longwall operations. The longwall will be moved directly from LW108 at the volcanic intrusion into LW109. The remaining block of coal in the LW108 panel will be mined in the future. ROM coal production guidance for FY2020 will be in the range of 6.2Mt to 6.6Mt.

A dedicated project team has been formed to work on the Narrabri Stage 3 project which includes the conversion of the southern exploration licence into a mining lease. A gateway submission to the Department of Planning and Environment (DPE) will be lodged in February 2019. The gateway submission is the first step in the Environmental Impact Assessment (EIA) process for the project. It is anticipated that the EIA for the Stage 3 project will be lodged with the DPE in early CY2020.

Following a number of weighting events which occurred at the mine from mid-January and into February, production guidance has been revised to the range of 5.6Mt to 6.0Mt ROM coal for FY2019.

Gunnedah Open Cut Mines

Tarrawonga, Rocglen, Werris Creek and Sunnyside mines

Open Cuts 100% (000's t)	H1 FY2019	H1 FY2018	Movement
ROM Coal Production	1,907	2,161	(12%)
Saleable Coal Production	2,339	2,518	(7%)
Sales of Produced Coal	2,411	2,628	(8%)
Coal Stocks at Period End	830	1,094	(24%)

Whitehaven's three foundation mines – Tarrawonga, Rocglen and Werris Creek – along with the Sunnyside rehabilitation project have performed below levels of the prior corresponding period. Rocglen is scheduled to come to the end of its life at the end of this financial year and in an effort to offset the loss of coal production from the mine, the Tarrawonga mine will be expanded to its fully approved rate of 3.0Mtpa ROM coal.

During the first half Whitehaven's Board approved an expansion plan for Tarrawonga involving the acquisition of new mining equipment as well as infrastructure improvements. The equipment will replace the aged mining fleet currently deployed at the mine with a modern, larger capacity fleet and expand production at the mine up to its permitted rate of 3.0Mtpa ROM coal. The increase in the mining rate is expected to commence in the September quarter FY2020 and incremental production will replace a significant portion of the saleable coal production anticipated to be lost with cessation of commercial mining operations at Rocglen.

Vickery Extension Project

Whitehaven 100%

Whitehaven lodged the EIS for the Vickery Extension Project with the Department of Planning and Environment (DPE) on 13 August 2018. The DPE reviewed the EIS and placed it on public display one month later on 13 September 2018. The EIS was available for public inspection and comment for six weeks until 25 October 2018. A total of 560 submissions were received for the project with more than 63% of the submissions in favour of the project.

On September 6, the NSW Minister for Planning referred the Project to the NSW Independent Planning Commission (IPC) which subsequently formed a panel comprised of three commissioners. The DPE after having reviewed the public submissions to the EIS prepared an Issues Paper for consideration by the IPC panel. Two public hearings were held in early February in Boggabri and Gunnedah. The IPC has also accepted written submissions.

Whitehaven hopes that it will receive an approval for the Project by the end of calendar year 2019.

Winchester South

Whitehaven 100%

Whitehaven completed the acquisition of the Winchester South project during the June 2018 quarter and has placed the project onto the development path. A project director with extensive coal mining experience and a small technical team have been appointed.

Following the receipt of all the technical data on the project from the previous owner, Whitehaven has calculated new JORC Resouces for Winchester South. Full details of the revised Resources were released to the ASX on 25 October (the ASX release can be found at www.whitehavencoal.com.au). The newly calculated JORC Resources for the project are 530Mt, which is 49% higher than the estimate of 356Mt by the previous owner. The Resources calculation has also seen a large increase in the combined total of Measured and Indicated Categories from 277Mt to 430Mt.

The project team is working to advance the project and a comprehensive drill programme will commence in the June 2019 quarter. The programme is designed to confirm coal quality data specifically in relation to metallurgical coal qualities. Data from the drilling will assist in the design of the CHPP and other associated infrastructure along with further defining the Resources and ultimately the Reserves of the project.

Exploration

Whitehaven maintains several exploration and potential development projects in Queensland and New South Wales. These are early stage projects where activity and spending is undertaken to keep the tenements in good standing.

INFRASTRUCTURE

During the reporting period Whitehaven contracted ad hoc additional port capacity which assisted the company to achieve record monthly railing and port throughput in December.

Rail Haulage Capacity

Whitehaven has capacity within its two long term rail haulage contracts for all current NSW based mine production plans. The NSW related haulage contracts allow Whitehaven to align planned increases in production with rail capacity by giving notice to the rail providers of the need for additional capacity. This gives Whitehaven the ability to support its planned increases in managed production levels, while minimising fixed cost exposure.

Rail Track Capacity

Whitehaven contracts its below rail capacity from the Australian Rail Track Corporation (ARTC). Expansion options have been identified for Whitehaven's additional capacity requirements within the Gunnedah Basin through improved operating efficiencies and track upgrades. Whitehaven is continuing this work with ARTC to ensure long term rail logistics costs are optimised.

Port Capacity

Whitehaven holds contracts at the Port of Newcastle which allow access to all three export coal terminals to support planned shipments. Whitehaven will require additional port capacity for the forecast production ramp up over the coming years – there is sufficient surplus capacity available to support production increases. Analysis continues on options to secure long term capacity at the lowest cost.

Queensland

Following the acquisition of the Winchester South tenement, Whitehaven has commenced analysis of options available for the logistics task in Queensland and alternative infrastructure requirements. The objective of this analysis is to provide a robust, efficient logistics solution for the Winchester South project. The work will continue over calendar year 2019.

OUTLOOK AND LIKELY DEVELOPMENTS

Operations

Production guidance for FY2019 has been updated to be in the range of 21.5Mt to 22.5Mt. Increased production from the mines in the second half will help to reduce costs and assist to meet the revised full year guidance of $67/t excluding royalties. With the wide margin between high CV thermal coal and the 5,500 kcal/kg category, Whitehaven is incentivised to wash more coal to ensure the resulting product meets the gC NewC category specification. While additional washing costs are incurred, additional revenue generated from the sales of higher quality coal exceeds the higher costs incurred in producing the product.

Management will also be focussed on the two growth projects, Vickery Extension and Winchester South, to successfully and efficiently take them through the relevant regulatory processes in the shortest possible time.

Demand

The consulting firm CRU, has recently updated its forecasts for global demand for thermal coal in power generation showing growth of over 400Mt over the next five years. Global coal fired electricity generation increases by 8% to 10,858TWh over the five years. However, in Asia the growth is more significant with forecast increases in China, India and Southeast Asia of 14%, 29% and 27% respectively. CRU forecasts that coal fired generation will decline in Europe and several other countries but those declines are offset by the growth in demand for coal in Asia. While Chinese and Indian domestically produced coal will satisfy their growth in generation, growth across other Asian countries will increase the seaborne traded thermal coal demand.

Thermal coal supply has shown little response to higher prices. The two major exporting countries, Indonesia and Australia, have each modestly increased their respective export tonnage, largely due to a combination of lengthy approvals processes and the reluctance of producers to expend capital to expand production. Two exporting countries that have increased thermal coal exports by an aggregate 15Mt in 2018 from 2017 are the United States and Russia.

Recently imposed coal import restrictions by China have led to reduced demand for Indonesian low CV coal and have helped to increase the price differential that exists between high and low CV coals. This apparent structural change is positive for producers of high CV coal products like those produced in Australia, and especially so for high quality coal producers such as Whitehaven.

Pricing

CRU has forecast that the price for 6,000 kcal/kg coal will remain greater than US$90/t for each year of its forecast to 2023. With Asian econcmic growth fuelling increased demand for low cost thermal coal to meet energy needs and the limited high quality, supply side response to date, the medium term outlook for high quality thermal coal prices continues to be positive. The continued construction of 40+ year operating life HELE plants across Asia is viewed as supportive for continued growth in Asian demand for Whitehaven coal.

Hard coking coal prices have been sustained at ~US$200/t for much of 2018. CRU has forecast that the hard coking coal price will decline over its forecast period. However, because of the concentration of supply of high quality metallurgical coal from Queensland's Bowen Basin, prices in this market segment are volatile. Unforeseen disruptions to supply and the relatively fine balance between supply and demand both increase the volatility of the price of hard coking coal.