



WHITEHAVEN COAL

HALF YEAR RESULTS

26 FEBRUARY 2014

WHITEHAVEN DELIVERS ON AMBITIOUS TARGETS

EARNINGS UP, COSTS DOWN, KEY MILESTONES ACHIEVED

OUTLOOK ENCOURAGING

Whitehaven Coal Limited today announced a 43% increase in revenue and a 747% improvement in operating EBITDA before significant items to \$50.8 million for the six months ended December 2013. The result featured a big turn-around in cash from operations and a disciplined approach to capital investment.

Commenting on the results, Whitehaven Coal Managing Director Mr Paul Flynn said:

“We are delighted to have achieved a wide range of very positive financial, strategic and operational outcomes during the half.

“The increases in revenue, cash flow, margins and earnings all reflect a significant lift in volumes and a very pleasing reduction in our cost of production. The 10% reduction in cost was due to increased efficiency at our mines and smarter asset utilisation from a range of initiatives.

“The improved operating performance included record sales and sales volumes from our Narrabri mine which exceeded its design capacity. A number of weekly production records were set at Narrabri during the half.

“We completed the expansion at Werris Creek and started work on the new mine at Maules Creek where construction has been ramped up significantly since early January after we cleared the last legal and regulatory hurdles for the project.

“The fundamentals of the business are now showing some very encouraging upside and we believe we have enhanced our resilience to volatility on coal prices.

“The outlook is very encouraging as we expand capacity, keep driving down costs and continue to demonstrate that we have the capabilities across the business to plan carefully and exceed targets as we execute those plans.

“While not ignoring future potential for fluctuations in the coal price, we remain of the view that underlying demand continues to trend upwards for Australian coal and, in particular, for the higher grades of metallurgical and thermal coal where we are increasing capacity,” said Mr Flynn.

The Chairman of Whitehaven Coal, Mark Vaile said “ the Board wishes to congratulate Paul Flynn and his team for delivering a solid set of financial results. The company is progressing through a period of transformation and these results show that we are delivering on our targets and are now well placed to continue growing in the next year”.

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FINANCIAL PERFORMANCE

	H1 FY2014 \$'M	H1 FY2013 \$'M	Movement
Revenue	402.2	280.8	+ 43%
Net (loss) for the period attributable to members	(11.6)	(48.6)	+ 76%
Add back: Significant items after tax	2.7	19.5	+ 86%
Net loss before significant items	(8.9)	(29.1)	+ 69%
Loss before tax	(16.0)	(67.8)	+ 76%
Add back: Net interest expense	28.8	21.0	- 37%
Add back: Depreciation and amortisation	35.3	25.1	- 41%
Add back: (Gain)/loss on investment and asset disposals	(1.2)	1.0	+ 220%
Operating EBITDA	46.9	(20.7)	+ 327%
Add back: Significant items before tax and financing	3.9	26.7	+ 85%
Operating EBITDA before significant items	50.8	6.0	+ 747%

- Revenue from coal sales of \$402.2 million (including purchased coal), up 43% due to higher coal sales, at a similar average price compared to the previous corresponding period;
- Operating EBITDA (excluding significant items) of \$50.8 million for the financial year, a significant improvement from the EBITDA of \$6.0 million (excluding significant items) reported for the previous corresponding period;
- Net loss after tax (NLAT), before significant items, of \$8.9 million, an improvement from the loss of \$29.1 million reported in the previous corresponding half year;
- Whitehaven did not declare a dividend for the period; and
- Average FOB costs of \$71.69/t for the half continued the declining trend which commenced in early CY2013 following a detailed review of all the open cut mines and a reduction in port and rail charges at Newcastle. Higher production at the Narrabri Mine also helped reduce average unit costs across the

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portfolio.

CAPITAL MANAGEMENT

	31-Dec 2013 \$`M	30-Jun 2013 \$`M
Cash on Hand	97.7	110.5
Interest Bearing Liabilities	654.7	582.1
Net Debt Position	556.9	471.6
Net Assets	3,231.4	3,240.6
Gearing Ratio ¹	15%	13%
Undrawn Syndicated Facility	525.0	555.0

1. Net Debt to Net Debt plus Equity

- Cash flow from operations during the half was \$78.3 million compared to cash outflow of \$100.1 million in the previous corresponding half;
- Sustaining capital expenditure at the operating mines was met from operating cash flow;
- Total interest bearing liabilities at 31 December 2013 are \$654.7 million. This represents an increase of \$72.6 million relative to the position at 30 June 2013 (\$582.1 million). The increase includes the following:
 - Drawings of \$30.0 million from the corporate debt facility to fund capital expenditure on the Maules Creek development.
 - New finance leases of \$56.8 million to fund expansion equipment at Werris Creek.
 - Finance lease repayments of \$10.8 million.
 - Repayments of \$4.1 million in relation to the Export Credit Agreement ("ECA") finance facility.
- At 31 December 2013 there remains \$525.0 million undrawn capacity within the corporate debt facility. The facility will continue to be utilised to fund development expenditure at Maules Creek.
- Whitehaven received approvals from its banking consortium for an amendment to the company's A\$1.2 billion corporate debt facility to realign the interest coverage ratio test with the revised Maules Creek production timeline. The first date for the interest coverage ratio test is now the earlier of December 2015 and the first half year following achievement of quarterly saleable production at Maules Creek of 3.5Mtpa on an annualised basis.



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- Gearing increased marginally to 15% at 31 December 2013 (30 June 2013: 13%) in line with the \$30m draw down in the Corporate Facility and new finance leases of \$57m to fund Werris Creek expansion
- Cash balance of \$97.7 million at the end of the half year.

HIGHLIGHTS FOR THE HALF YEAR

- Outstanding performance by the Narrabri Mine contributed to record production on a 100% basis of 5.94Mt ROM coal and 5.21Mt saleable coal during the first half of FY2014.
- On an equity basis, Whitehaven produced 4.64Mt ROM coal and 4.08Mt saleable coal, an increase of 32% and 37% respectively over the previous corresponding period.
- The cost reduction programme instituted in the previous year continued to deliver with FOB costs, excluding significant items, declining by 10% to \$71.69/t from the previous corresponding half.
- Narrabri produced 3.29Mt of ROM coal and 2.91Mt of saleable coal during the half, exceeding its nameplate capacity of 6.0Mtpa ROM coal.
- Low energy levels in the Narrabri thermal coal product were resolved with all thermal coal sales from Narrabri meeting or exceeding Newcastle specifications.
- The expansion project at Werris increasing production capacity to 2.5Mtpa from the previous capacity of 2.0Mtpa was completed at the end of the half year.
- The NSW Department of Planning and Infrastructure in consultation with the NSW Office of Environment & Heritage advised Whitehaven that they were satisfied with the works undertaken under the Aboriginal Cultural Heritage Management Plan for the stage one area of the Maules Creek project (rail corridor and mine infrastructure area).
- Whitehaven successfully defended an application for an injunction brought in the Federal Court in September seeking to restrict the commencement of construction at the Maules Creek project.
- Following a Federal Court judge judgment in December finding that the Federal Minister for the Environment did not err in law in granting approval for the Maules Creek project, construction activity commenced with a number of contracts let for the various components of the work.
- Orders have been placed for the ultra-class mining equipment required for the first stage of mining at Maules Creek to produce 6.0Mtpa ROM coal.
- The existing rail haulage contract with Pacific National (9.5Mtpa) has been extended from 2020 until 2026 and includes a reduction on haulage rates and costs for Whitehaven.
- Whitehaven's \$1.2 billion corporate debt facility was amended by realigning the interest cover ratio test date to reflect the current construction schedule and production start-up for the Maules Creek project.

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SAFETY AND ENVIRONMENT

Whitehaven is committed to protecting workers from injury or illness while working at any of our operations, construction projects or exploration areas. We take this commitment seriously and expect those working for us to share the same level of commitment. The commitment has led to improved safety performance for Whitehaven during the first half of the year. On a Whitehaven group basis the twelve month rolling average TRIFR fell to 20.72 in December 2013. Pleasingly the twelve month rolling average LTIFR also declined and was 3.68 at the end of December below the NSW coal mine average.

A renewed focus on safety across the open cut mines during the half has resulted in a reduction in both the rolling average TRIFR (15.79) and the twelve month rolling average LTIFR of 3.32 as at December 2013. At the Narrabri Mine the rolling average TRIFR (25.40) continued to trend lower and the twelve month rolling average LTIFR rate was 2.31 as at December 2013. Both of these statistics remained significantly below the average for NSW underground coal mines.

Two environmental incidents were reported during the half year. Firstly, Whitehaven was issued with a "Clean up Notice" for the Sunnyside Mine as a consequence of spontaneous combustion occurring in carbonaceous material in the open cut. Works to cap the material are expected to be completed by the end of March 2014. Secondly an exceedance of air quality criteria occurred at a monitoring station adjacent to the Gunnedah CHPP leading to a revised dust pollution reduction programme. This has been implemented and approved by the EPA.

OPERATING PERFORMANCE

Whitehaven's Consolidated Equity Production and Sales

Whitehaven Total - 000t	H1 FY2014	H1 FY2013	Movement
ROM Coal Production	4,636	3,518	+32%
Saleable Coal Production	4,081	2,982	+37%
Sales of Produced Coal	4,302	2,901	+48%
Sales of Purchased Coal	213	424	-50%
Total Coal Sales	4,515	3,325	+36%
Coal Stocks at Period End	907	801	+13%

Whitehaven set a number of production and sales records during the half largely due to the strong performance of the Narrabri Mine following the start of production from the second longwall panel in early July 2013 and improved production from Open Cuts. Purchased coal volumes were sourced to meet logistical or quality demands. Overall coal stocks increased in line with the additional production from the mines.

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UNDERGROUND OPERATIONS

Narrabri Mine

Ownership: Whitehaven 70% and Operator; Electric Power Development Co. Ltd 7.5%; EDF Trading 7.5%; Upper Horn Investments Limited 7.5%; Daewoo International Corporation and Korea Resources Corporation 7.5%.

Narrabri Mine - 000t	H1 FY2014	H1 FY2013	Movement
ROM Coal Production	3,287	1,576	+109%
Saleable Coal Production	2,913	1,327	+119%
Sales of Produced Coal	2,858	1,201	+138%
Coal Stocks at Period End	521	359	+45%

Note – the table above is based on managed volumes.

The Narrabri mine achieved a number of operating milestones and records during the half year. ROM and saleable production were 3.29Mt and 2.91Mt for the six months, 109% and 119% higher than the previous comparative period. Longwall production exceeded nameplate capacity over the period and achieved a weekly record of 193kt of ROM coal. Mining in the second panel was completed in January 2014 just after the end of the half year.

With the mine operating above nameplate capacity, surface infrastructure has been enhanced with the original by-pass circuit, which allows crushed ROM coal to be placed directly onto the product stockpile, being recommissioned during the period. When combined with the CHPP this provides increased capacity and flexibility to deliver the required product mix. All thermal coal sold from Narrabri met Newcastle benchmark specifications.

Another significant achievement for the future of the mine was that following the success of the blending strategy, additional production of PCI coal can be planned. Whitehaven anticipates that the mine will be able to produce and sell about 850kt of PCI coal in FY2014 with further upside possible in the future.

During the half, a team of technical experts from Caterpillar resolved the remaining technical issues with the longwall, the shearer was successfully modified during the change out to rectify roll back and bi-directional cutting commenced at the end of August 2013.

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OPEN CUT OPERATIONS

Ownership: Tarrawonga - Whitehaven 70% and Operator and Idemitsu 30%; Rocglen, Werris Creek and Gunnedah CHPP - Whitehaven 100%.

Open Cuts – 000t	H1 FY2014	H1 FY2013	Movement
ROM Coal Production	2,655	2,392	+11%
Saleable Coal Production	2,296	2,043	+12%
Sales of Produced Coal	2,591	2,038	+27%
Coal Stocks at Period End	634	434	+46%

Note – the table above is based on managed volumes and excludes Sunnyside from the prior comparative period

Open cuts increased production by 11% to 2.66Mt from 2.39Mt in the prior comparative period. The increase was primarily driven by Tarrawonga and Werris Creek. Increased production at Werris Creek is in line with the expansion work commenced in FY2013 and completed during the current period. During the half Tarrawonga received the required approvals to proceed with work on the Northern Extension. Operational highlights for each of the Mines are as follows:

- Tarrawonga performed in line with expectations and the adjusted mine plan and associated changes implemented in early 2013. ROM coal production of 1.07Mt and saleable coal production of 0.849Mt were 13% and 4% higher than the previous corresponding period.
- Rocglen has performed in line with plans but complex geological conditions continue to be experienced in certain areas of the open cut. ROM coal production was 0.63Mt, down 8% and saleable coal production of 0.49Mt was 3% lower than the prior corresponding period.
- Werris Creek increased ROM and saleable coal production to 0.96Mt (an increase of 26% and 33% respectively). The expansion of the mine to an annualised rate of 2.5Mt which included construction of a new rail loop, mine infrastructure and moving the crushing facilities was completed in December. Production is expected to increase in the second half of the year.



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DEVELOPMENT PROJECTS

Maules Creek

Ownership: Whitehaven 75% and Operator; ICRA MC Pty Ltd (an entity associated with Itochu Corporation) 15%; J-Power Australia Pty Ltd 10%.

The legal proceedings in the Federal Court challenging the Federal Environmental Minister's EPBC approval of Maules Creek Mine took place between 16 September and 19 September 2013. Federal Court Justice Cowdroy handed down his judgment on 20 December 2013 dismissing the application on all counts.

Stage 1 of the archaeological artefact salvage clearance process which was the final element in the Aboriginal Archaeology and Cultural Heritage Management Plan (AHMP) was completed and signed off by aboriginal groups prior to the end of December. The sign off on the first stage of the AHMP enabled construction activity on the project to commence.

Construction of the Maules Creek project commenced in late 2013 following a mobilisation period by Leighton, the contractor engaged to build the rail line to the new mine, as well as other contractors. Tenders for a number of the key work packages for the project have been issued. The process has reaffirmed that the \$767m estimated capital cost of the project on a 100% basis remains valid. First coal is expected to be railed from the minesite during the first quarter of the 2015 calendar year.

A second community consultative meeting was held in August 2013. These meetings will become a regular feature of the project to ensure that the local community is informed about the development and that any questions or concerns about future mining activity are promptly and comprehensively addressed.

Vickery

Ownership: Whitehaven 100%

Whitehaven has continued to progress the approval process for the Vickery project, responding to the small number of submissions following the public exhibition of the EIS for the project. The company is continuing discussions with the NSW Department of Planning & Infrastructure to resolve a small number of outstanding issues. Importantly, as the project approval falls entirely under the remit of the NSW State Government, the Federal Government has determined that the EPBC Act will not apply at Vickery.

As one of the final steps in obtaining project approval, Whitehaven is negotiating Voluntary Planning Agreements with the two local councils in the area.

Other Projects

Whitehaven has interests in a number of other coal exploration projects, including Ferndale, Dingo, Sienna, Monto, Ashford and Oaklands North in Queensland and NSW. Limited spending on these projects during the half has occurred to ensure the assets are maintained in good standing with Government authorities.

The company was granted the Wean exploration tenement by the NSW State Government during the half year. The tenement is adjacent to the proposed Vickery project and will potentially add further coal resources to the Vickery complex.



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INFRASTRUCTURE

Pacific National and Whitehaven have agreed to extend their rail haulage contract from 2020 until 2026. Whitehaven will benefit from reduced coal haulage freight rates in the period until 2026. The new contract which is effective from 1 January 2014 will see the introduction of two new larger trains capable of 30 tonne axle loads and the retirement of smaller trains from use on the system. The combination of larger capacity trains and fewer train paths will reduce cost for both Pacific National and Whitehaven and was seen to be a win / win outcome for both companies

Several rail track infrastructure projects being undertaken by ARTC, designed to expand rail capacity of the Gunnedah Basin rail system, are progressing on schedule. These projects are due to be completed in time for the start-up of production from the Maules Creek Mine. Whitehaven has contracted with ARTC to provide 6.4Mtpa of rail track capacity for the Maules creek project from 2015. Whitehaven is working closely with ARTC on the timing for delivery of additional capacity on the rail system to cater for the production from the mine as it ramps up to its full design capacity.

The initial 30 tonne axle load trial which began in August 2013 by using a large locomotive equipped with extensive monitoring equipment has been successfully completed. The trial period has now been extended to 2015 to allow further monitoring, with incremental increases in train speeds, to be undertaken. Current plans are for the rail line to be upgraded to 30 tonne axle loads by the beginning of 2015 in time for the expected commencement of production at Maules Creek.

OUTLOOK

The medium to long term outlook for coal remains strong, underpinned by expected growth in global energy demand over the next 20 years. This will be underpinned by emerging economies, particularly in Asia where significant new generating capacity is scheduled to come on line. Coal is expected to continue to play a central role in supporting this growth due its reliability of supply and its cost competitiveness relative to other energy sources.

Following the development of Maules Creek, Whitehaven's production portfolio will include two large, low cost, tier one mines positioning the Group well to support increasing demand for high quality energy sources. Whitehaven also holds a number of projects that are at various stages of development including Vickery and Ferndale. With long life reserves and key infrastructure, Whitehaven has the flexibility to expand production capacity in line with customer needs.

The thermal coal market remains relatively well supplied for 2014. While this has recently impacted price levels, the inevitable rebalancing of supply is expected to benefit Whitehaven as a producer of high quality, low cost coals.

For FY2014, Whitehaven is expecting to sell approximately 8.4Mt on an equity basis, exclusive of purchased coal.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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