

HALF YEAR RESULTS FY2016

5 February 2016



WHITEHAVEN COAL

Return to Profit, Record Production

FINANCIAL PERFORMANCE

Whitehaven has reported a net profit after tax of \$7.8 million for the half year ended 31 December 2015. The result was achieved in the face of difficult market conditions.

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

- Sales revenue rose 54% to \$574.3 million;
- Operating EBITDA rose 104% to \$106.4 million on the back of a 40% increase in operating margin;
- Operating cash flow increased 421% to \$118.3 million;
- Net debt was lower at \$924.9 million with gearing down slightly to 24%; and
- Unit costs fell to \$58/t down 8% on pcp.

There were no significant items in the result.

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

"Whitehaven recorded a range of significant achievements in the first half with major improvements across all key financial performance indicators.

"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.

"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.

"Whitehaven remains positive about the medium and long term outlook for coal, particularly the outlook for the high quality coal we produce. Our coal is highly sought after by customers and countries that have an appreciation for the critical role high quality coal does play in creating an economically competitive, low emissions future.

ECONOMIC AND SOCIAL CONTRIBUTION

During the first half of FY2016 Whitehaven and its Joint Venture partners have made significant contributions to the New South Wales and regional economies.

- A total of \$55.7 million paid to the NSW Government in royalties
- Spent \$64.1 million with local businesses in NW NSW
- Provided grants to 50 local community groups
- Increased the number of indigenous employees at Maules Creek, and
- Signed a Native Title Agreement with the Gomeroi nation

OPERATING HIGHLIGHTS

Record ROM and sales of coal of 7.1Mt and 7.3Mt, 59% and 55% higher respectively than the pcp reflected increased production and sales from Narrabri and first commercial production and sales from Maules Creek.

Narrabri established a new calendar year production record of 8.3Mt ROM coal for 2015, comfortably positioning the mine as one of the top three underground mines in Australia.

Maules Creek exceeded its ramp up schedule by producing 3.3Mt ROM coal in the first half and was operating at 8.5Mtpa ROM coal rate in December.

Capital expenditure for Maules Creek at the end of December 2015 was \$701 million and largely complete, with a further \$15 million to be spent over the next three years on permanent workshop and administration facilities.

Sustaining and growth capital expenditure costs continued to fall across the portfolio of mines as the focus turned to reducing net debt.

GUIDANCE

Whitehaven's financial position is expected to continue to improve over the next three years, driven by further increases in production and improving margins. Further net debt reduction is expected in the second half.

FINANCIAL PERFORMANCE

	H1 FY2016	H1 FY2015
	\$m's	\$m's
Revenue	574.3	371.8
Net profit/(loss) before significant items	7.8	(12.4)
Significant items after tax	-	(65.5)
Net profit/(loss) for the period	7.8	(77.9)
Operating EBITDA before significant items	106.4	52.1
Significant items before tax and financing	-	(91.5)
Net interest expense	(28.6)	(15.3)
Other financial expenses	(4.7)	(8.1)
Depreciation and amortisation	(61.4)	(46.4)
Gain on disposal of assets	0.1	-
Profit/(Loss) before tax	11.8	(109.2)

In difficult trading conditions the Group has returned to profit recording a net profit after tax for the period of \$7.8 million (net loss of \$77.9 million recorded in the prior corresponding period) a turnaround of \$85.7 million.

Operating EBITDA before significant items of \$106.4 million has increased by 104% relative to the prior corresponding period. The key features of the results include:

- An increase in revenue of 54% to \$574.3 million. This has been driven by record sales of 7.3Mt of coal, an increase of 55% or 2.6Mt from the prior corresponding period and a weakening AUD:USD exchange rate offset by decreases in US dollar coal prices for both thermal and metallurgical coal. Prices received (excluding royalty) averaged \$72/t which was \$1/t below the pcp;
- FOB costs of coal have decreased by \$5/t or 8% to \$58/t from \$63/t in the pcp. FOB costs per tonne have decreased for six consecutive halves. The cost savings achieved have been driven by production efficiencies across mine operations as well as a range of savings driven by scale increases and improved procurement practices;
- EBITDA margin has increased to \$14/t from \$10/t in the pcp;
- Increased sales of produced coal. ROM production has increased 59% to 7.1Mt from 4.5Mt in the prior corresponding period predominantly due to the Maules Creek mine being in commercial production from 1 July 2015 and its contribution of 2.5Mt to total equity ROM coal production, and by increased sales of produced coal from Narrabri as its performance continued to improve;
- Commencement of commercial production at Maules Creek in the half year has provided the company with improved production capacity and flexibility.

CAPITAL MANAGEMENT

	31 December 2015	30 June 2015
	\$m's	\$m's
Cash generated from operations	118.3	22.7
Investing cash flows	(39.0)	(243.7)
Cash on Hand	112.0	102.4
Senior bank debt	900.0	900.0
Finance lease liabilities	90.4	97.0
Export credit agreement (ECA) debt	46.5	41.2
Interest bearing liabilities	1,036.9	1,038.2
Net debt	924.9	935.8
Net Assets	2,876.6	2,865.0
Gearing Ratio	24%	25%
Undrawn syndicated facility	300.0	300.0
Undrawn ECA facility	26.2	-

Cash generated from operations during the half was \$118.3 million compared to \$22.7 million in the pcp. This represents a 421% increase above the pcp and reflects the continued strong operational performance of the Group's mines combined with the contribution made by Maules Creek from its initial six months of commercial production.

Investing cash flows during H1 FY2016 of \$39.0 million were 84% below the pcp reflecting the substantially complete status of project capital expenditures at Maules Creek. Investing cash flows in H1 FY2016 include sustaining capital expenditure, cost reduction capital expenditure and capital expenditure in support of increased productivity including the extension of the longwall face (from 300 metres to 400 metres) and associated projects at Narrabri.

There were no drawings from the senior bank facility during the half year ended 31 December 2015 due to the strong cash flow generated by operations and the substantial reduction in capital expenditure.

The ECA facility had \$26.2 million available and undrawn at 31 December 2015. During the half year ended 31 December 2015 drawings of \$9.5 million were made from this facility to fund capital projects associated with the Narrabri longwall face extension.

Cash on hand has increased from \$102.4 million at 30 June 2015 to \$112.0 million at 31 December 2015, while total interest bearing liabilities at 31 December 2015 have decreased by \$1.3 million to \$1,036.9 million at 31 December 2015. The decrease in total interest bearing liabilities is comprised of:

- Drawings of \$9.5 million from the ECA facility; and
- Repayments of finance leases and ECA debt of \$10.8 million.

This resulted in net debt decreasing by \$10.9 million to \$924.9 million at 31 December 2015 from \$935.8 million at 30 June 2015. Gearing decreased to 24% at 31 December 2015 (30 June 2015: 25%).

At 31 December 2015 there remained \$300.0 million undrawn under the senior bank facility and \$26.2 million undrawn from the ECA facility.

SAFETY PERFORMANCE

Whitehaven's TRIFR was 10.7 at 31 December compared to 9.2 at the end of the June 2015. Whitehaven places importance on the safety of its employees and contractors and is committed to provide training, equipment, resources and systems to create the safest possible work environment for our people. Whilst the company's performance during the half year compares favourably to the NSW industry average, several tailored programmes have been implemented to continue the path of improvement exhibited in recent years.

The NSW industry average TRIFR was 15.5 for the first half.

OPERATING PERFORMANCE

Consolidated Equity Production and Sales

Whitehaven Total (000's t)	H1 FY2016	H1 FY2015	Movement
ROM Coal Production	7,085	4,457	59%
Saleable Coal Production	7,041	4,429	59%
Sales of Produced Coal	7,298	4,713	55%
Sales of Purchased Coal	18	-	-
Total Coal Sales	7,316	4,713	55%
Coal Stocks at Year End	1,358	730	86%

Note: The totals in the table for H1 FY2015 include pre-commercial production and sales from Maules Creek

The first half FY2016 production and sales results demonstrate the delivery of continuing strong operational performances. 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 CY2015, 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.

Narrabri Mine

Whitehaven 70% and Operator

Narrabri Mine 100% (000's t)	H1 FY2016	H1 FY2015	Movement
ROM Coal Production	3,462	2,852	21%
Saleable Coal Production	3,741	3,052	23%
Sales of Produced Coal	3,733	3,196	17%
Coal Stocks at Year End	731	148	393%

Excellent performance from Narrabri saw ROM coal production of 3.5Mt and saleable coal production of 3.7Mt for the first half of FY2016, well ahead of the previous corresponding period and commendable given that a full longwall changeout occurred in the period. The strong performance from the mine in the half resulted in full calendar year ROM coal production of 8.3Mt, a record performance and positioning the mine in the top three underground mines in Australia. Narrabri is Whitehaven's lowest cost mine and its performance is underpinning the strong performance of the company.

Coal sales for the first half were 3.7Mt, 17% higher than in the first half of FY2015.

The NSW Department of Planning and Environment granted approval for the mine to lift annual production to 11.0Mtpa from the previous level of 8.0Mtpa. Whitehaven is confident that once the wider longwall panels have been established in the mine, production will be able to approach the newly approved rate. The Whitehaven Board and its joint venture partners approved the decision to move to 400 metre wide longwall panels during the half. Production from the panels is scheduled to commence during FY2017.

Ongoing development of main road and gate roads is critical to sustainable and continuous production from the mine by maintaining a positive development float. With a total of 11,560 metres completed in the half year the development float is well ahead of requirements for the next longwall panels.

Another longwall changeout is scheduled to occur in the June quarter of FY2016 when mining in the current panel is completed.

Maules Creek Mine

Whitehaven 75% and Operator

Maules Creek Mine 100% (000's t)	H1 FY2016	H1 FY2015
ROM Coal Production	3,297	94
Saleable Coal Production	3,166	54
Sales of Produced Coal	3,217	-
Coal Stocks at Year End	403	94

Note: Statistics for H1 FY2015 represent pre-commercial production

Commercial production from Maules Creek began on 1 July 2015. The production ramp up which began in December 2014 continued with the mine reaching an annualised rate of 6.0Mt early during the half year. Following the introduction of additional mining equipment to site during the first half, production reached an annualised rate of 8.5Mt ROM coal in December. Full year production guidance from the mine has increased to 7.6Mt ROM coal and 7.4Mt saleable coal.

ROM coal and saleable coal production for the half were 3.3Mt and 3.2Mt respectively. Coal sales for the half year were 3.2Mt.

There is strong market interest in Maules Creek thermal coal with many customers trialling the coal through their respective power stations. The high calorific value and low ash characteristics of Maules Creek thermal coal result in a premium price being received over the Newcastle Global Coal Index price. Because of the high quality and low impurity levels in the coal most new customers have contracted the coal at a price above the usual energy and ash adjusted premium. The quality and volume of metallurgical coal in the upper seams of Maules Creek have exceeded the company's expectations. Trial shipments of this metallurgical coal have been despatched to target customers in the first half, and negotiations for longer term sales contracts with buyers in northern Asia and India have commenced. Contracts have already been executed for 750kt metallurgical coal for CY2016.

Total project capital expenditure for Maules Creek at 31 December 2015 was \$701 million compared with a project total budget of \$767 million. At 30 June 2015 the company declared contingency savings of \$27 million. Construction of the permanent mine workshops and administration facilities are the last remaining items from the project's scope to be completed. Given the adequacy of the existing temporary facilities, construction of the permanent facilities is now expected to take place between 2016 and 2018 at a cost not expected to exceed \$15 million. The company expects to declare further contingency savings during H2 FY2016 when the project is formally declared "complete".

With the ramp up in production at Maules Creek to 8.5Mtpa ROM coal in December 2015, the workforce at Maules Creek reached 333 employees. Workforce diversity and indigenous employment have increased - there were more than 50 indigenous employees working at Maules Creek at the end of the half year. The vast majority (77%) of the workforce of 333 employees at Maules Creek live locally.

Gunnedah Open Cut Mines

Rocglen and Werris Creek 100% owned by Whitehaven and Tarrawonga 70%

Open Cuts 100% (000's t)	H1 FY2016	H1 FY2015	Movement
ROM Coal Production	2,511	2,711	(7%)
Saleable Coal Production	2,346	2,563	(8%)
Sales of Produced Coal	2,430	2,799	(13%)
Coal Stocks at Year End	622	617	1%

Saleable coal production of 2.3Mt from the three smaller open cut mines was in line with expectations for the first half year. The focus remains on cost reduction to ensure that each mine contributes positive cash flow to Whitehaven. New rosters and other operating initiatives continue to lower costs at each of the mines.

Production is expected to be slightly higher in the second half of the year.

Vickery

Whitehaven 100%

Work continued on the various studies to produce the Environmental Impact Statement (EIS) needed to seek government approval for an expanded Vickery mine (10Mtpa) during the first half of the year. The studies include assessment of impacts on groundwater, flora and fauna, cultural heritage, agricultural land and surface water. These studies will continue with a view to finalising an EIS for submission in June 2016.

Whitehaven intends to seek joint venture partners for the project and will activate the process after the EIS has been submitted to the NSW Government authorities.

Timing for start-up of the Vickery project remains market dependent, but will not occur prior to Maules Creek having been fully ramped up to 13Mtpa.

Other Projects

Whitehaven has several exploration and potential development projects in Queensland and New South Wales. These are early stage exploration projects. In the current market environment the Company is focused on maintaining the tenements in good standing but is limiting its spending on these projects.

INFRASTRUCTURE

Whitehaven currently has sufficient below rail and above rail contracts in place to deliver its coal to port. However, Whitehaven will require additional port capacity in FY2017 and is actively seeking additional capacity for that year and beyond. The company is confident of acquiring the additional capacity given the surplus capacity available at Newcastle.

MARKET OUTLOOK

Whitehaven's goal is to become the premier independent coal company listed in Australia. This transformation commenced with the successful development of the Narrabri underground coal mine and was further advanced when Maules Creek commenced commercial production in July 2015. The transformation is continuing at pace - Maules Creek is planned to ramp up production to 13Mtpa ROM coal over the next two to three years and Narrabri is planned to increase production following installation of a wider longwall face in H2 FY2017. These two tier one mines have long mine lives and lowest quartile FOB cost positions. Narrabri has a current life of more than 20 years, while Maules Creek has a life in excess of 30 years. Both mines have exciting prospects for significant life of mine extensions. These mines form the platform which underpins the future success of Whitehaven and the cash margins that these mines generate will repay debt and fund future growth of the company.

Both the seaborne thermal and metallurgical coal markets are rebalancing with significant production cuts already having been made in key exporting countries – Indonesia, Canada, Australia and the United States of America. More production cuts are expected to be made in CY2016. On the other hand, coal consumption in Asian countries is expected to continue its 40 year growth trend. Asian countries will continue to fuel their economic growth by adding cost competitive coal fired power generating capacity. Many of these new power stations are designed to use super critical or ultra super critical boiler technology and so the demand for Whitehaven's high quality coals is expected to grow.

The strength of growth in Asian energy demand combined with production cutbacks from key exporting countries suggest that Asian coal markets will return to balance over the course of CY2016 and provide the basis for a price recovery commencing in CY2017. Whitehaven remains very positive about the medium and long term outlook for high quality coal. Our coal is highly sought after by customers and countries that have an appreciation for the critical role high quality coal can play in creating an economically competitive, low emissions future. Customer feedback on the coal we are producing at Maules Creek is exceptionally positive.