

QUARTERLY REPORT

16 October 2018



September Quarter Production Report

HIGHLIGHTS

- Maintained strong safety performance with Group TRIFR of 7.29 at the end of September.
- Successfully completed the full longwall changeout at Narrabri by mid-September.
- Production at Narrabri is currently ramping up on schedule.
- September quarter ROM coal production of 3.6Mt reflecting changeout-related impacts. Full year production guidance remains on track.
- Managed saleable coal production of 4.0Mt
- Coal sales of 4.9Mt reflect the managed drawdown of accumulated stockpiles.
- Lodged the EIS for the Vickery Extension Project in early August, the public exhibition period concludes next week.
- Appointed Project Director and small technical team for the Winchester South project
- Commenced data gathering and Resource assessment work for the Winchester South project.
- Paid a final dividend of 27 cents per share (\$268 million) to shareholders in early September taking the total distribution to shareholders in last 12 months to \$595 million.

**Paul Flynn, Managing Director
and CEO, Whitehaven Coal**

“We are seeing continued strong demand and constrained growth of production of high quality coal in our region which is reflected in sustained high prices

“We remain on track to meet our full year production guidance and take advantage of the favourable pricing environment.

MANAGED PRODUCTION AND SALES HIGHLIGHTS

Thousands of tonnes	Quarter Ended			YTD		
	Sep 2018	Sep 2017	Change	Sep 2018	Sep 2017	Change
Managed ROM Coal Production	3,619	5,736	(37%)	3,619	5,736	(37%)
Managed Saleable Coal Production	3,981	5,876	(32%)	3,981	5,876	(32%)
Managed Total Coal Sales	4,853	6,087	(20%)	4,853	6,087	(20%)

WHITEHAVEN EQUITY PRODUCTION AND SALES SUMMARY

Thousands of tonnes	Quarter Ended			YTD		
	Sep 2018	Sep 2017	Change	Sep 2018	Sep 2017	Change
Whitehaven Equity Totals						
Equity ROM Coal Production	2,887	4,273	(32%)	2,887	4,273	(32%)
Equity Saleable Coal Production	3,267	4,455	(27%)	3,267	4,455	(27%)
Equity Sales of Produced Coal	3,649	4,425	(18%)	3,649	4,425	(18%)
Sales of Purchased Coal	406	284	43%	406	284	43%
Total Equity Coal Sales	4,055	4,709	(14%)	4,055	4,709	(14%)
Equity Coal Stocks at period end	1,446	1,896	(24%)	1,446	1,896	(24%)

SAFETY

Whitehaven's TRIFR at the end of September was 7.29, a small movement from the end of June rate of 6.91.

Whitehaven's TRIFR remains well below the NSW coal mining average of 14.67.

PRODUCTION COMMENTARY

Full year FY2019 saleable coal production guidance reaffirmed in the range of 22.0Mt and 23.0Mt on a managed basis.

Production outages and associated delays in completing panel LW107 in the second half of FY18 resulted in the full relocation of the longwall to LW108 moving into the September quarter. As disclosed in the June quarter production report, the open cuts (particularly Maules Creek) accelerated production to compensate for the Narrabri production shortfall. With the start of the longwall in panel LW108, production at Narrabri has returned to normal.

During the September quarter, the focus of the open cut mines has been to return to a normalised mining sequence which will become evident during the December quarter.

COAL SALES AND PRICING

Equity coal sales, including purchased coal, for the September quarter were 4.1Mt, down by 14% on the previous corresponding period. Equity sales were significantly higher than saleable production for the quarter as a result of stocks that were built up towards the end of FY2018 being drawn-down to maximise sales into the strong market.

Managed coal sales, including sales of purchased coal, for the September quarter were 4.9Mt, down 20% on the previous corresponding period.

September quarter benchmark prices (which utilised the backward-looking average indexes for metallurgical coal) were US\$188/t for hard coking coal, US\$137/t for LV PCI and US\$129/t for SSCC. Settled prices for the September quarter were slightly lower than the previous quarter with Whitehaven achieving a strong average price outcome of US\$128/t for its metallurgical coal sales in the September quarter.

Continued buoyant global economic activity and strong demand for high quality thermal coal from a number of key Asian countries saw the globalCoal Newc (gC Newc) thermal coal price average US\$117.51/t for the quarter, the highest quarterly average price for seven years (and highest A\$ quarterly average price for 10 years). The low price differential between gC Newc thermal coal and semi soft coking coal spot prices during the quarter again limited sales of metallurgical coal from Maules Creek to those contracts linked to the JSM quarterly benchmark price.

Maules Creek achieved an average price 9% higher than the gC Newc index price for its sales of thermal coal during the quarter, continuing the trend that has been now observable for a number of successive quarters.

Opportunistic sales of Werris Creek and other lower CV thermal coal during the September quarter combined with the larger than historical discount between lower CV coals and gC Newc caused the overall average thermal price to finish below the gC Newc quarterly average.

The following table provides quarterly data on equity sales, sales mix and coal pricing.

		Quarter			
		Dec-17	Mar-18	Jun-18	Sep-18
Equity Coal Sales	Mt	4.5	4.2	3.8	3.9
Coal Sales Mix					
High CV Thermal Coal	%	68	69	59	61
Other Thermal Coal	%	17	9	23	22
Metallurgical Coal	%	15	22	18	17
Pricing					
NEWC Index	US\$/t	98	103	105	118
JSM Quarterly	US\$/t	126	150	132	129
Average Spot Price	US\$/t	116	127	121	125
Pricing Achieved					
Thermal Coal	US\$/t	98	105	98	113
Metallurgical Coal	US\$/t	113	123	131	128
Premium/(Discount)					
Thermal to NEWC Index	%	-1%	2%	-7%	-4%
Metallurgical to JSM Qtrly*	%	-11%	-18%	-1%	-1%
Metallurgical to Spot Price	%	-3%	-3%	8%	2%
* Only applicable for tonnes sold under the term contracts					
Equity sales do not include sales for Sunnyside					

MAULES CREEK MINE

Whitehaven 75%

Full year production guidance in the range of 11.8Mt and 12.2Mt ROM coal provided with the full year results is reaffirmed.

ROM coal production for the quarter was 2.268Mt, down by 13% from the previous corresponding period. Saleable coal production for the quarter was 1.980Mt, down by 19% compared to the previous corresponding period. Coal sales were 2.154Mt, down by 10% on the previous corresponding quarter but higher than production for the quarter as stocks held at the end on the year were sold into the strong market.

Production from the mine was lower in the quarter as the mine sequence was recalibrated following the substantial production increases in the lead up to the end of the previous year. Production is currently returning to normal and will increase over the course of the December quarter. Metallurgical coal production for the quarter was 0.609Mt representing 31% of the total saleable production from the mine. Sales of metallurgical coal on a managed basis were 0.326Mt for the quarter.

The margin between the spot price for semi soft coking coal (averaged US\$125/t during the quarter) and the premium price achieved for thermal coal sales continue to be insufficient to pursue incremental semi soft coking coal sales into the spot market during the quarter. A number of other producers in the Hunter Valley have been following a similar strategy with the coal being sold into the thermal market.

NARRABRI MINE

Whitehaven 70%

Whitehaven reaffirms production guidance in the range of 6.5Mt to 6.8Mt ROM coal from the mine for the full year.

The full longwall changeout from longwall panel LW107 to LW108 occurred during the quarter with ROM coal production for the September quarter commensurately lower at 0.550Mt. Saleable coal production for the quarter was 0.709Mt and coal sales were 0.875Mt for the quarter.

The longwall restarted cutting coal in the third week of September and is retreating on schedule with production ramping up as the longwall gains momentum.

Installation of the secondary support regime is achieving its stated objectives and is progressing ahead of schedule with the catch up work likely to be completed by the end of this calendar year

Roadway development in both the mains and gate roads for the September quarter was 2,824 metres.

GUNNEDAH OPEN CUTS

Total ROM coal production was 0.800Mt, down 11% on the previous corresponding period. Both saleable production and sales of 1.271Mt and 1.407Mt respectively were significantly higher than ROM production as coal stocks held at the beginning of the quarter (1.690Mt) were sold during the quarter. Stocks held at the end on the September were 0.909Mt.

Tarrawonga Mine

Tarrawonga produced 0.438Mt of ROM coal in the quarter. Saleable coal production and coal sales for the quarter were 0.521Mt and 0.547Mt respectively.

Rocglen Mine

Rocglen produced 0.144Mt ROM coal for the quarter. Saleable coal production and coal sales for the quarter were 0.195Mt and 0.202Mt respectively. The mine is scheduled to cease ROM coal production at the end of FY2019 when Reserves are exhausted and will then undergo a rehabilitation programme for about 18 months.

Werris Creek Mine

Werris Creek produced 0.167Mt of ROM coal in the quarter. Saleable coal production and coal sales for the quarter were 0.470Mt and 0.541Mt respectively.

Sunnyside Mine

Coal mining in support of the mine closure Mining Operations Plan continued during the quarter with a total of 0.051Mt ROM coal produced. Mining at Sunnyside in support of the Sunnyside rehabilitation programme is expected to be completed by the end of FY2019.

Saleable coal production for the quarter was 0.085Mt and coal sales were 0.117Mt.

VICKERY EXTENSION PROJECT

The EIS for the Vickery Extension Project was lodged with the Department of Planning and Environment (DPE) on 13 August 2018. The EIS was placed onto public display by the DPE on 13 September. The EIS will remain on public display until 25 October. Following the public display, the DPE will review the public submissions and prepare an Issues Paper.

The Minister has already requested an Independent Planning Commission (IPC) panel be formed to conduct a public hearing on the project. Whitehaven anticipates the hearing will occur before the end of the year. After the hearing the IPC is expected to issue a report on the outcome of the hearing and the DPE review. Whitehaven will be requested to respond to the submissions and the IPC report. On the basis of Whitehaven's responses, DPE will

proceed to prepare a whole of government report on the project which will be provided to the IPC for final review and determination. It is understood that in finalising its determination the IPC may schedule another public meeting.

WINCHESTER SOUTH PROJECT

Whitehaven completed the acquisition of the Winchester South project during the June quarter and has moved quickly to place the project onto the development path. A project director with extensive coal mining experience and a small technical team have been appointed. Ground work has commenced with ecological studies and baseline data collection underway. The information will be used in the environmental approval process.

Rio Tinto has delivered all of the project data and it is being assessed by Whitehaven and its team of Tier 1 consultants. One of the key priorities is to generate a Whitehaven JORC Resource for the project. Details of new Resource calculation will be released to the market when it becomes available.

First round meetings with key stakeholders have been completed. No significant issues have been raised in these discussions and project momentum is building. The focus will be to shorten up the development time line as much as possible. The process is assisted by Winchester South being located within a well known and understood mining precinct and the anticipated development is a relatively straight forward open cut mine. While at an early stage no major project hurdles have been identified.

CORPORATE

There are US\$45 million in forward A\$/US\$ exchange contracts currently in place at an average exchange rate of A\$1.00 = US\$0.7274. These contracts are deliverable between October and June 2019.

Whitehaven paid a dividend of 27 cents per share amounting to \$268 million to shareholders on 13 September.

COAL OUTLOOK

Global demand for coal, both metallurgical and thermal continues to align with economic and industrial growth in Asia. Thermal coal demand in the global power industry increased by 3.4% y/y in 2017 and is forecast to increase by a further 2.4% y/y in 2018. These statistics are fully reflected in the seaborne market which has expanded for two years in a row. In China, power generation increased by 7.9% y/y in the first eight months of the year with both coal and renewable generation contributing to meet increased demand. Likewise, in India where despite increased coal production, imports have increased and coal stocks are very low at 10 days coverage.

Coal supply has been constrained in many of the exporting countries along with China and India. While domestic China production has increased by about 4% in 2018, it remains difficult for producers to get permits for new capacity. Safety checks and environmental issues are continuing to limit production growth resulting in a higher draw from the seaborne market. Both the United States and Indonesia have responded to the high thermal coal price by increasing exports. Indonesian exports have risen by 5% y/y in 2018 with all of the increase in low quality sub-bituminous coal. At the same time, exports of higher CV coal from the country have declined by 18% y/y. In Australia exports of thermal coal are forecast to increase modestly from 200Mt in 2017 to about 205Mt in 2018. A portion of the increase will be due to producers reducing semi soft coking coal production and selling that material into the thermal market. Price incentives to produce the metallurgical product are not sufficient to justify the additional cost and yield losses, so it is being sold as high CV thermal.

The surge in exports of lower CV coal, largely Indonesia, combined with constrained production of higher CV coal has resulted in the widest spread seen between 5,500kcal coal and 6,000kcal coal. Other reasons driving the increase in margins include legislation to reduce carbon emissions in some countries, lack of flexibility for power stations to use lower CV coals and falling supply of high CV coal as quality gradually deteriorates in most basins as they progress deeper.

The combination of increased demand and lack of supply response has elevated prices for all thermal coal types but most particularly in the high quality thermal segment. With the northern winter season approaching and limited price weakness in the recent shoulder demand period, indications are that the outlook for thermal prices over the next six months is robust.

The demand for metallurgical coals, especially hard coking coal this year remained strong as steel producers continue to maximize production to capture the benefit of high steel prices. Seaborne coal supply remained tight, driving steel producers to diversify their supply sources to ensure the supply of raw materials necessary for uninterrupted steel production. Some suppliers have experienced production issues which is keeping supply tight.

With the approaching wet season in Queensland front of mind for customers, prices of higher quality coking coals are expected to remain well supported over the next six months.

EXPLORATION

Exploration expenditure incurred by Whitehaven during the September quarter was \$0.9m.

PRODUCTION AND SALES BY MINE						
Thousands of tonnes	Quarter Ended			YTD		
	Sep 2018	Sep 2017	Change	Sep 2018	Sep 2017	Change
Maules Creek						
ROM Coal Production	2,268	2,599	(13%)	2,268	2,599	(13%)
Saleable Coal Production	1,980	2,436	(19%)	1,980	2,436	(19%)
Sales of Produced Coal	2,154	2,392	(10%)	2,154	2,392	(10%)
Coal Stocks at period end	476	581	(18%)	476	581	(18%)
Narrabri						
ROM Coal Production	550	2,237	(75%)	550	2,237	(75%)
Saleable Coal Production	729	2,128	(66%)	729	2,128	(66%)
Sales of Produced Coal	875	2,017	(57%)	875	2,017	(57%)
Coal Stocks at period end	258	487	(47%)	258	487	(47%)
Tarrawonga						
ROM Coal Production	438	475	(8%)	438	475	(8%)
Saleable Coal Production	521	576	(10%)	521	576	(10%)
Sales of Produced Coal	547	592	(8%)	547	592	(8%)
Coal Stocks at period end	471	540	(13%)	471	540	(13%)
Rocglen						
ROM Coal Production	144	223	(36%)	144	223	(36%)
Saleable Coal Production	195	207	(6%)	195	207	(6%)
Sales of Produced Coal	202	223	(9%)	202	223	(9%)
Coal Stocks at period end	103	460	(78%)	103	460	(78%)
Sunnyside						
ROM Coal Production	52	-	-	52	-	-
Saleable Coal Production	85	-	-	85	-	-
Sales of Produced Coal	117	-	-	117	-	-
Coal Stocks at period end	189	-	-	189	-	-
Werris Creek						
ROM Coal Production	167	201	(17%)	167	201	(17%)
Saleable Coal Production	470	529	(11%)	470	529	(11%)
Sales of Produced Coal	541	559	(3%)	541	559	(3%)
Coal Stocks at period end	146	281	(48%)	146	281	(48%)
Whitehaven Group Managed Totals						
ROM Coal Production	3,619	5,736	(37%)	3,619	5,736	(37%)
Saleable Coal Production	3,981	5,876	(32%)	3,981	5,876	(32%)
Sales of Produced Coal	4,436	5,782	(23%)	4,436	5,782	(23%)
Sales of Purchased Coal	417	305	37%	417	305	37%
Total Coal Sales	4,853	6,087	(20%)	4,853	6,087	(20%)
Coal Stocks at period end	1,643	2,350	(30%)	1,643	2,350	(30%)