



*Delivering Shareholder and Community Benefits*

# **Whitehaven Coal Limited**

## **First Half Results FY2014**

Sydney, Australia  
26 February 2014



**WHITEHAVEN COAL**

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All dollars in the presentation are Australian dollars unless otherwise noted.

# First Half Results FY2014



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**Key Themes and Safety**

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**Summary Financials**

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**Costs**

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**Operations and Capex**

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**Maules Creek Progress**

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**Investment Proposition**

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**Conclusion**

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# Key themes



**Strong growth in revenue, margins and earnings reflect major turnaround**

**Strong operating cash flows funding operations, debt service costs, sustaining capex and contributing to development projects**

**Unit costs down 10% driven by increased mine efficiency and improved utilisation of rail and port infrastructure – more to come**

**Record production volumes underpinned by Narrabri exceeding nameplate capacity**

**Maules Creek remains on schedule for first coal in March 2015**

**On track to become a large scale, low cost operator of tier one mines**

**Strong fundamental upside**

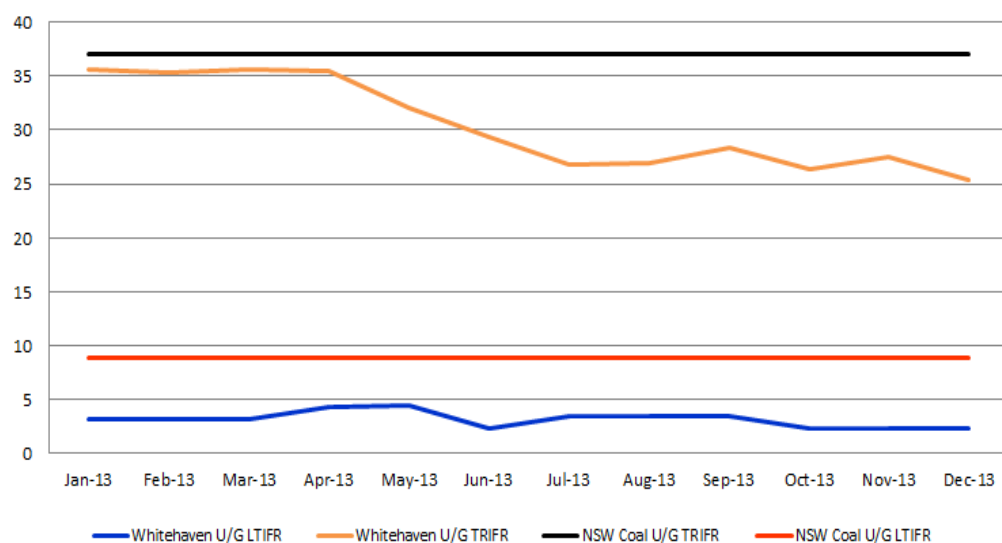
# Safety performance



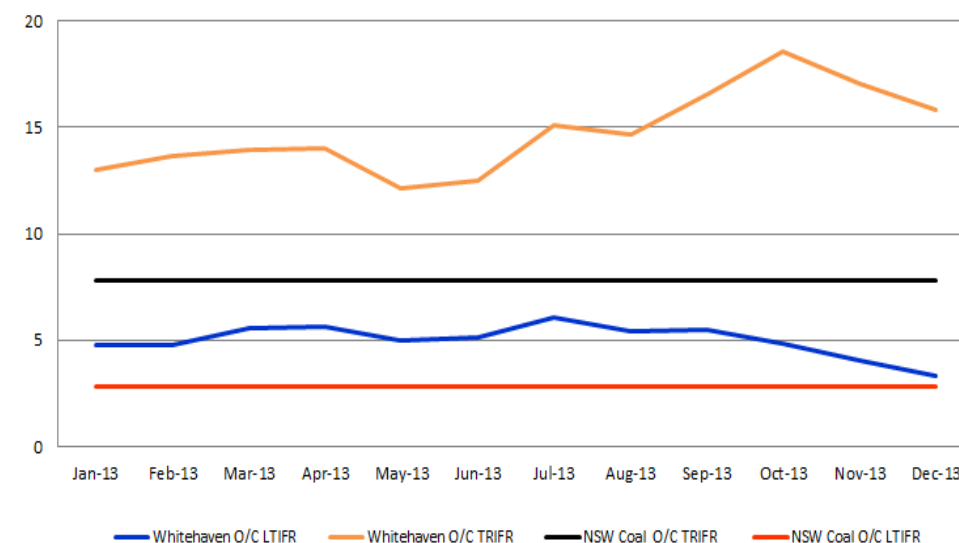
Safety statistics at Narrabri remains significantly below NSW coal industry averages

Performance at the open cut mines beginning to improve

**Whitehaven Coal Underground 12 Month Rolling Average**



**Whitehaven Coal Open Cut 12 Month Rolling Average**



Note: Data includes WHC employees and contractors at all mine sites, Gunnedah CHPP and Corporate office. LTIFR refers to lost time injury frequency rate and TRIFR refers to total recordable injury frequency rate

**Improving safety performance always a priority**

# Financial highlights



Headlines	HY14	HY13	Comment on HY14
EBITDA before significant items (\$'m)	50.8	6.0	Increase driven by 48% increase in sales volume, primarily due to Narrabri ramp up, and reduced unit costs per tonne
EBITDA including significant items (\$'m)	46.9	(20.7)	HY14 significant items relate to Sunnyside and cancellation of infrastructure sharing agreement
Operating cash flow (\$'m)	78.3	(100.1)	Increase in line with EBITDA growth HY13 impacted by transaction costs
Average unit cost per tonne excl significant items (\$ / tonne)	71.69	79.30	Reflects increased volumes, underlying cost reduction, mine efficiencies and improved infrastructure utilisation
Net debt (\$'m)	556.9	471.6 <sup>1</sup>	Senior facility drawings of \$30m to fund Maules Creek capex Asset financing of \$57m to fund Open Cuts expansion
Gearing (%)	15%	13% <sup>1</sup>	Gearing remains modest

<sup>1</sup> As at 30 June 2013

**Sound underlying business positioned for growth**

# Costs trending down



		H1 FY2014	H2 FY2013 <sup>(1)</sup>	H1 FY2013 <sup>(1)</sup>
<b>Coal Sales (equity basis, excl. purchased coal)</b>	<b>'000t</b>	<b>4,302</b>	<b>3,355 <sup>(3)</sup></b>	<b>2,639</b>
Average revenue (excl. purchased coal & net of NSW royalties)	\$A/t	81.24	76.25	81.55 <sup>(2)</sup>
<b>Average cost of sales (excludes significant items)</b>	<b>\$A/t</b>	<b>71.69</b>	<b>75.25 <sup>(3)</sup></b>	<b>79.30 <sup>(3)</sup></b>
EBITDA Margin on Coal Sales	\$A/t	9.55	1.00	2.25
<b>EBITDA Margin on Coal Sales</b>	<b>%</b>	<b>12%</b>	<b>1%</b>	<b>3%</b>
Take or Pay charges for port and rail included above	\$A/t	1.55	2.53	3.40
<b>Average cost of sales (excludes significant items and Take or Pay)</b>	<b>\$A/t</b>	<b>70.14</b>	<b>72.72 <sup>(3)</sup></b>	<b>75.90 <sup>(3)</sup></b>

Note 1: Prior periods cost restated for current OBIA policy and adjusted to remove Sunnyside

Note 2: Excludes revenue capitalised from Narrabri development of \$24.3m

Note 3: Excludes costs capitalised from Narrabri development of \$28.0m

On a like for like basis mine coal sales have increased 63% over the same period last year, driven by the doubling of Narrabri production. The coal sales mix for the half was 83% thermal coal versus 81% in the prior period

Lower unit costs reflect a continued focus on operational and overhead cost efficiencies and greater utilisation of available rail and port capacity

Further cost reductions are expected due to a continuation of this focus, the low cost Maules Creek Mine coming on line and a renewed focus on procurement which is resulting in tangible cost savings

Increased EBITDA margin is driven by the cost reductions highlighted

**Average costs have improved sustainably**

# Delivering on targets



TARGETS	OUTCOME
Improve safety performance at all operations	Safety statistics showing improvement
Ensure current operations are performing to plan	Production records at Narrabri and open cut mines on plan
Continue to reduce FOB costs	Costs continued to reduce across the mine portfolio
Overcome low energy levels in Narrabri thermal coal	All thermal coal sold by Narrabri achieved Newcastle benchmark specifications
Complete Werris Creek Mine expansion	Mine expected to operate at annualised rate of 2.5Mt
Resolve legal challenges to Maules Creek project	Outstanding legal challenges resolved
Commence construction of Maules Creek project	Construction started in late December and progressing to schedule
Revise debt covenant test dates	Banking syndicate to realign test dates for debt covenants with Maules Creek construction schedule
Maules Creek Marketing	Appoint a Japanese based expert to promote marketing of Whitehaven coal to north Asian steelmakers

**Milestones and targets achieved**



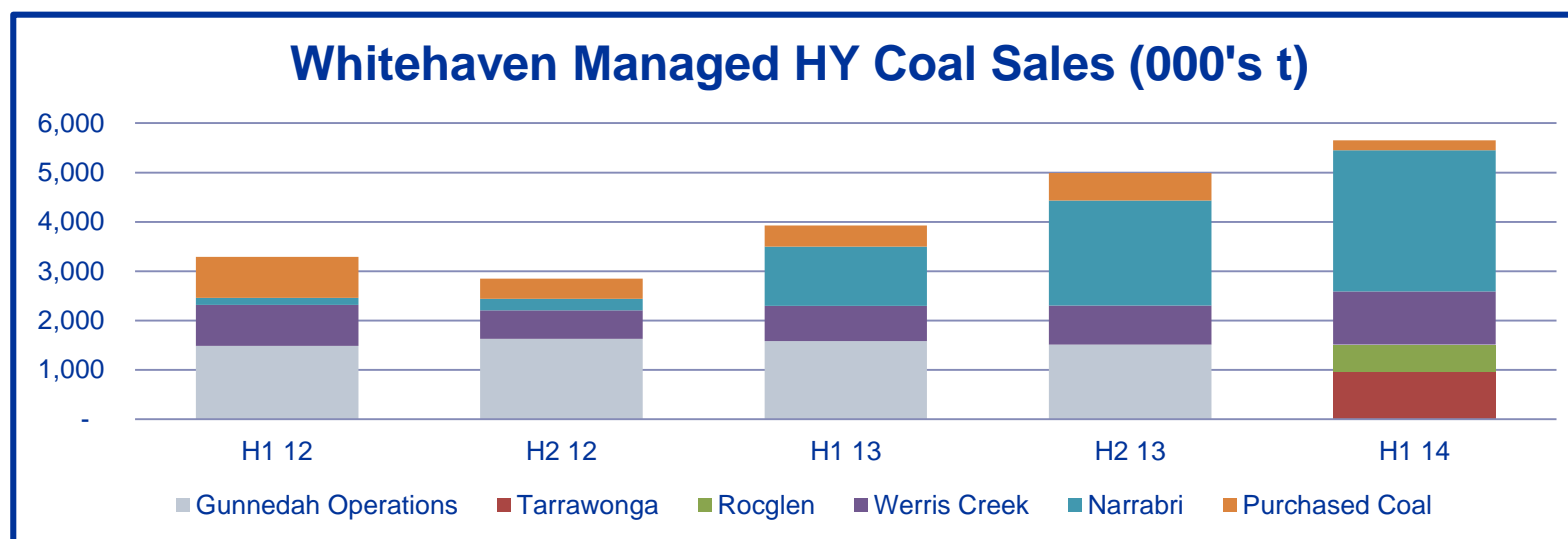
# Coal sales - on target



Strong performance by the Narrabri Mine resulted in record sales for the half

Purchased coal sales as a proportion of total sales have declined as logistical issues are resolved and production increases

Equity Basis – 000t	H1 FY2014	H1 FY2013	Change
Open Cuts (including purchased coal)	2,514	2,484	1%
Narrabri	2,001	841	138%
<b>Whitehaven Total</b>	<b>4,515</b>	<b>3,325</b>	<b>36%</b>



**Sales are increasing**

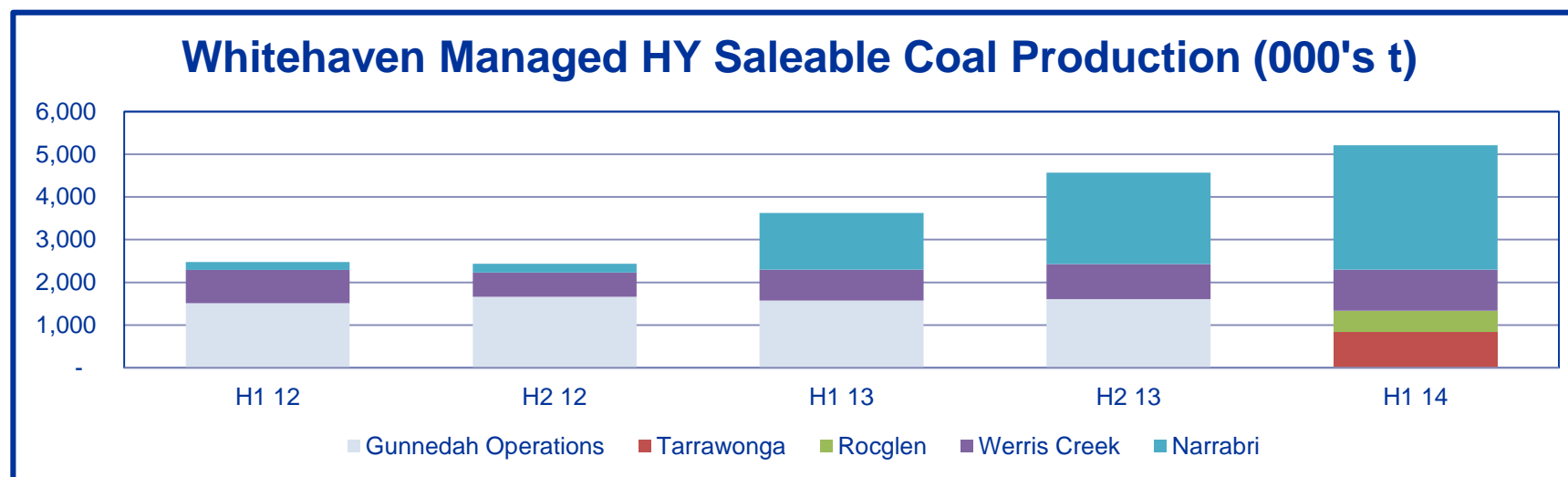
# Saleable coal production - on target



Excellent performance by the longwall at Narrabri increased Whitehaven production by 37%, achieving a new half year record for the company

Open cut production on plan

Equity Basis – 000t	H1 FY2014	H1 FY2013	Change
Open Cuts	2,042	2,053	-1%
Narrabri	2,039	929	119%
<b>Whitehaven Total</b>	<b>4,081</b>	<b>2,982</b>	<b>37%</b>

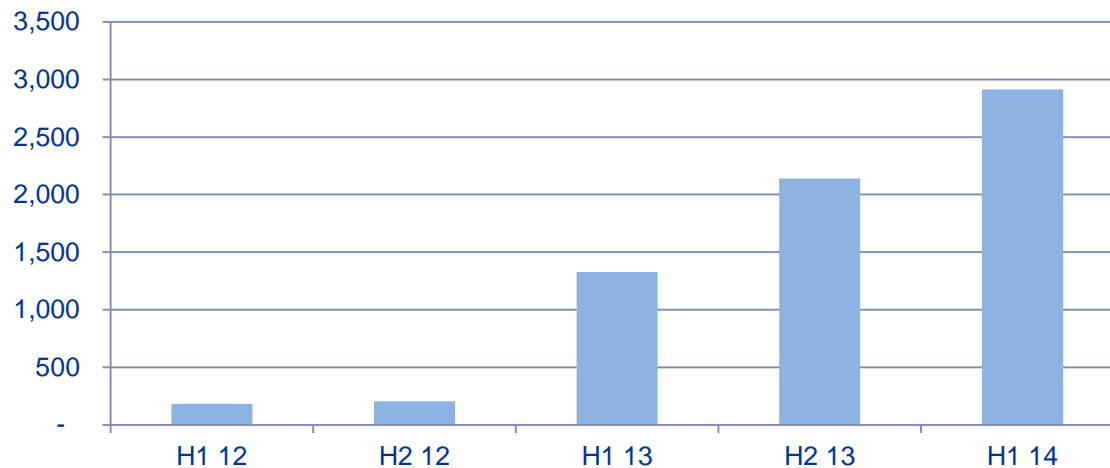


**Production growth continues**

# Narrabri exceeding expectations



## Narrabri HY Saleable Coal Production (000's t)



Record ROM coal production of 3.29Mt for the half with 193kt produced in a single week. Saleable coal production was 2.91Mt (managed)

Completed the first longwall relocation on schedule early in the half

Resolved the energy level of the thermal coal product with all thermal coal sales achieving Newcastle benchmark specifications during the half

High development rate productivity allowed a reduction in the number of continuous mining units while maintaining longwall float

**Mine exceeding nameplate capacity and performing strongly**

# Disciplined allocation of capital



Capital Investment - \$ Million	H1 FY2014	H1 FY2013
<b>Mine Sustaining Capital</b>		
Open Cuts	5.1	6.9
Narrabri	2.5	15.5
<b>Total Sustaining Capital</b>	<b>7.6</b>	<b>22.4</b>
Sustaining capex per tonne of saleable production	\$1.86	\$7.51
<b>Expansion and Other Capital Investment</b>		
Maules Creek	50.8	28.3
Werris Creek expansion	33.6	16.2
Operating mine projects	0.4	4.0
Exploration projects	1.7	13.4
Land & other	10.5	8.4
<b>Total expansion and other capex</b>	<b>97.0</b>	<b>70.4</b>
<b>Total Capital Investment</b>	<b>104.6</b>	<b>92.8</b>

Note: Numbers above represent equity share

## Sustaining capex

Sustaining capex at the operating mines has been maintained at minimum levels without compromising production

Sustaining capex during H1 FY2014 was funded by operating cash flows

## Expansion capex

The Werris Creek expansion was completed in December. Future capex (excl Maules Creek) will align closely with required sustaining capex

Capex at Maules Creek will increase in line with the development of the project

Expansion capex during H1 FY2014 was funded by the following sources:

- Corporate facility drawings of \$30m
- Equipment financing of \$57m
- Operating cash flows

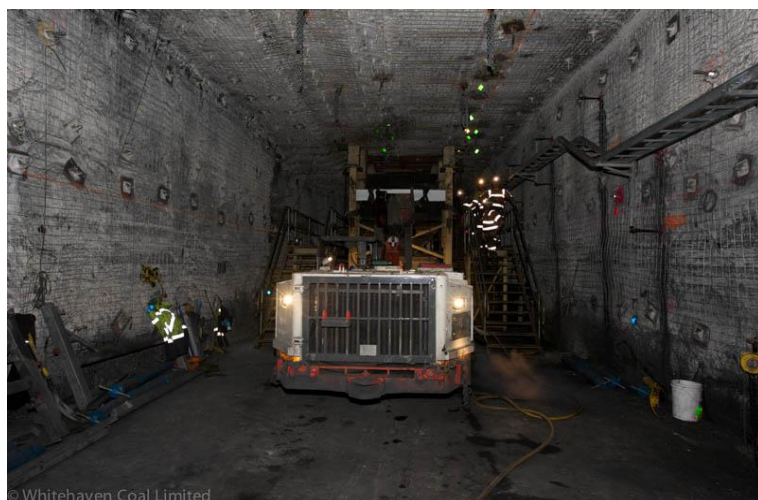
**Balance of Whitehaven's share of Maules Creek capex is about \$410 million to be funded by corporate facility and operating cash flows**

**Existing facilities & cash flow sufficient to fund Maules Creek**

# Narrabri development costs



Narrabri Development Costs - \$ Millions	H1 FY2014	H1 FY2013
Narrabri cash development costs	36.3	61.2
Development costs amortisation charge	(47.2)	(16.3)
Net (reduction)/addition to Narrabri deferred mining asset	(10.9)	44.9
Development costs per development metre	\$3,917	\$7,036



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Longwall “float” remains at a comfortable level to ensure longwall mining continuity

Reduction in Narrabri development costs reflect productivity improvements arising from learnings gained during initial stages of development

Specifically, reduced costs relates to refined ground support regime in response to actual ground conditions and switch to underground gas drainage rather than surface to seam drainage

The current mine plan has the Mains fully developed in 2019

Flexibility within the development programme without compromising production availability

**Experience at Narrabri reducing ongoing capital requirements**

# Capital management remains a key focus



	31-Dec 2013 \$'m	30-Jun 2013 \$'m
Cash on hand	97.7	110.5
Interest bearing liabilities	654.7	582.1
Net debt	556.9	471.6
Net assets	3,231.4	3,240.6
Gearing ratio	15%	13%
Undrawn syndicated facility	525.0	555.0

Increase in interest bearing liabilities comprises:

- 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.

Corporate debt facility amended to realign the interest coverage ratio test with the revised Maules Creek production timeline.

**Existing facilities & cash flow sufficient to fund Maules Creek**



# Maules Creek construction underway



## Tier 1 World Class Mine

Simple and well understood geology with multiple seams, no major faulting and a low strip ratio

High quality resource of PCI, SSCC and high energy thermal coal

Situated close to existing infrastructure and potential workforce

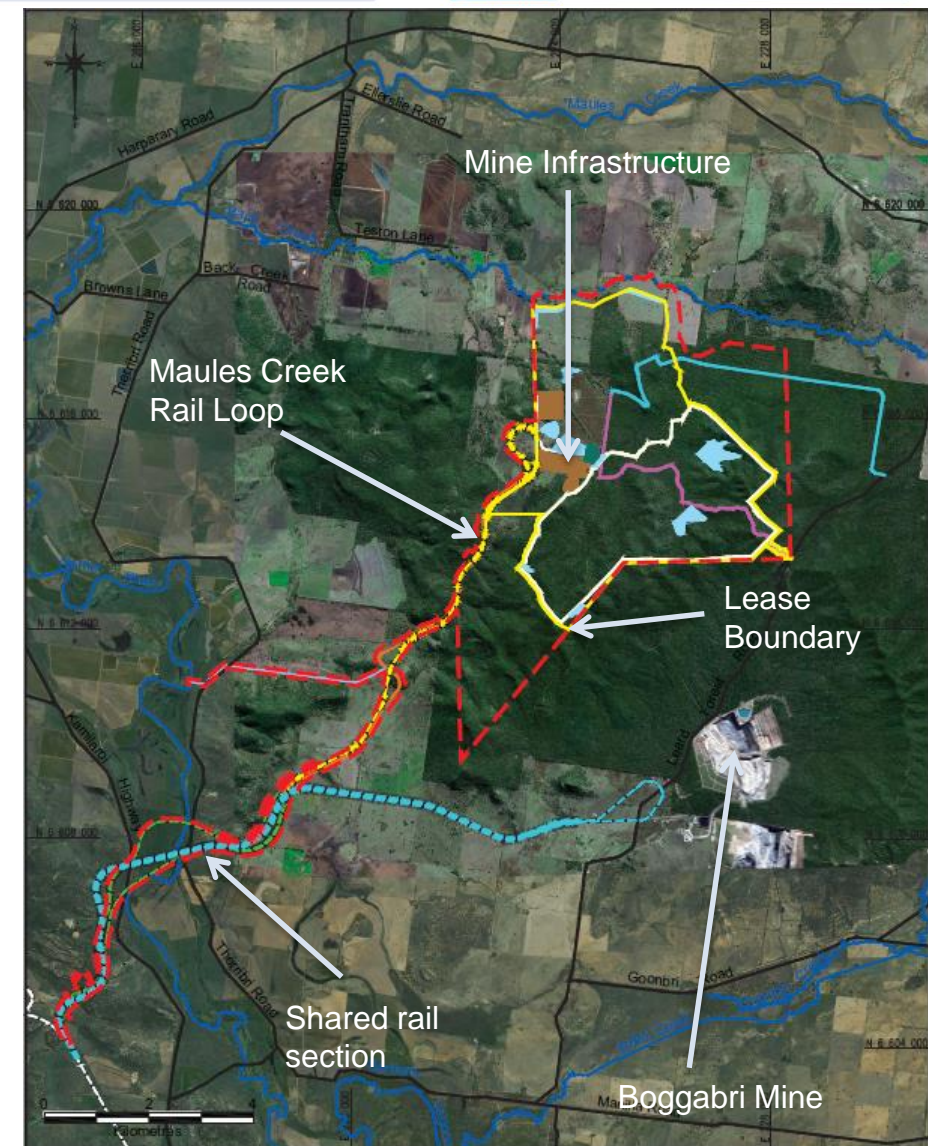
380km from the Newcastle port with coal terminal capacity available

Low strip ratio of 6.4:1 leading to low mining cost and low yield loss from washing with ability to sell ROM or washed coal

Potential to produce over 50% high value metallurgical coal as PCI and SSCC

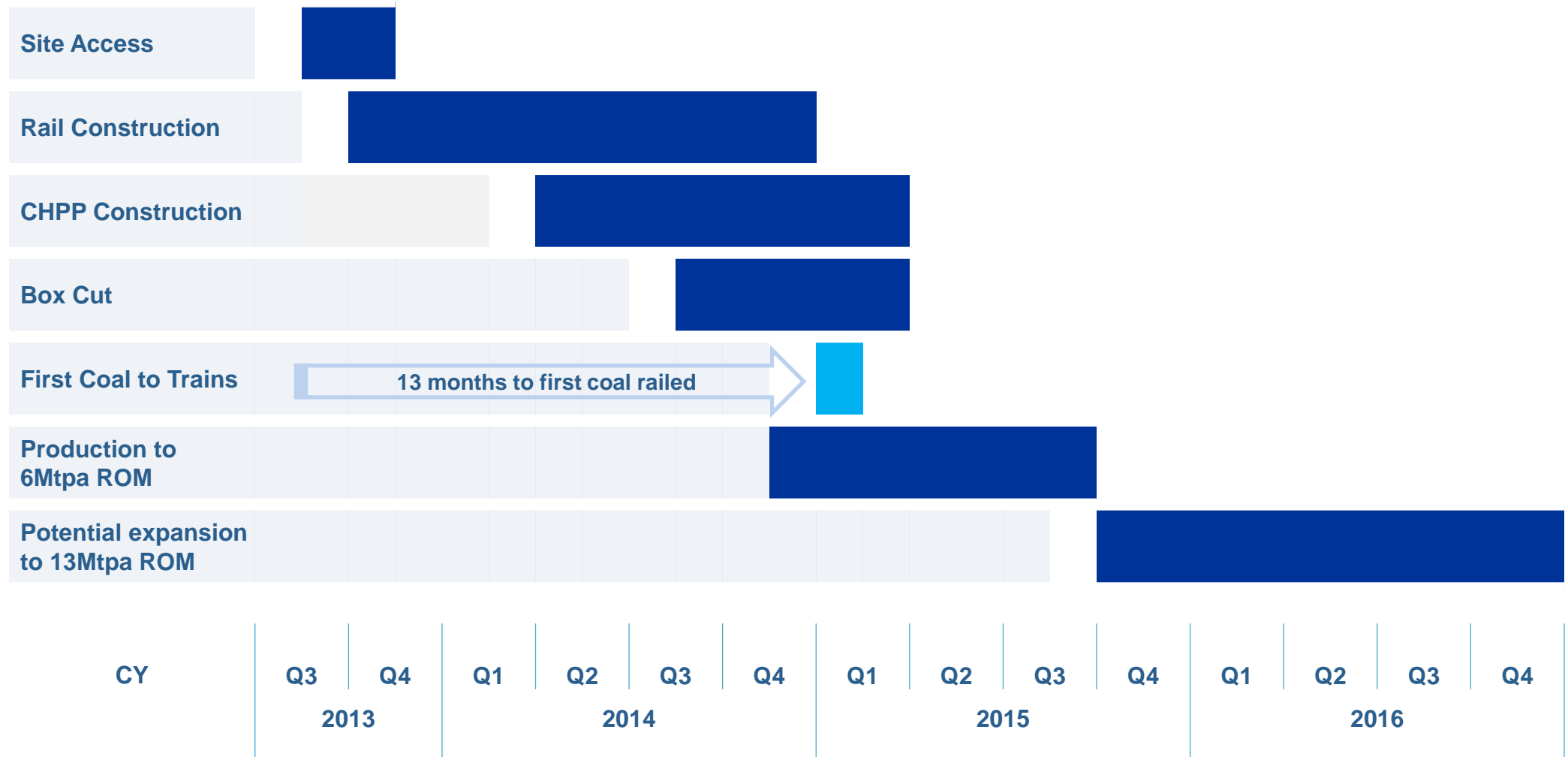
Adopted the owner operator mining model using ultra class mining equipment funded by an operating lease

First coal sales scheduled to commence in March 2015.



**Construction of world class project commenced**

# Maules Creek - project schedule



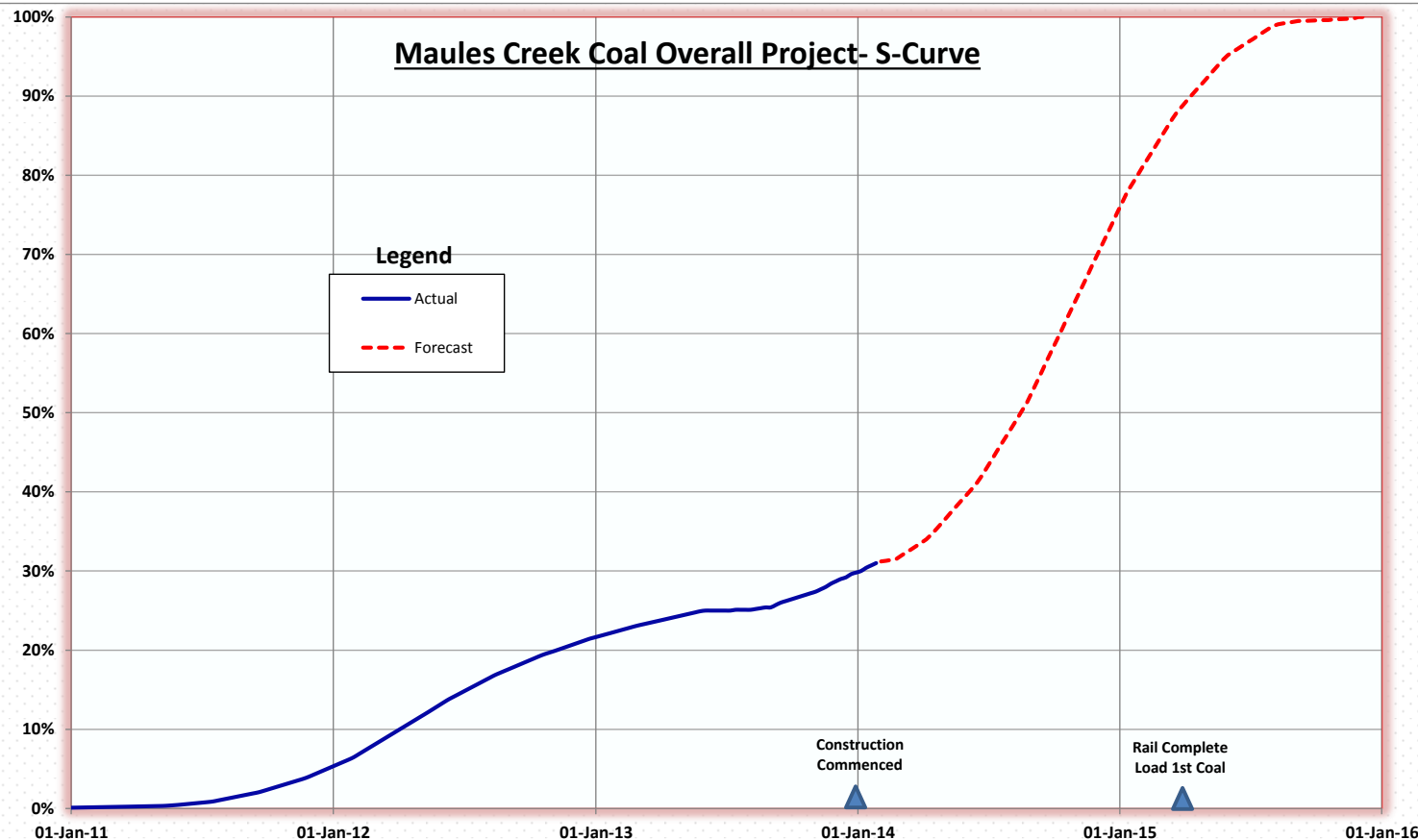
**Confirming scheduled delivery**



# Construction progress Maules Creek



**Maules Creek Coal Overall Project- S-Curve**



**Simple project built by “A” group contractors**

Work already completed includes the fabrication of the CHPP with delivery to Narrabri

Rail and access road corridor cleared and bulk earthworks underway

Over \$224 million spent to date with a significant amount of the remaining work parcels contracted

Whitehaven will provide the market with regular progress updates on construction

**Construction on schedule**

# Major contract progress



CONTRACT	STATUS
CHPP design and fabrication	Completed with CHPP in yard in Narrabri
Rail spur and access road	Awarded to Leighton and work underway
Construction and permanent water supply	Awarded with work well advanced
Bulk earthworks for mine site	Awarded with contractor mobilised to site
Erection of CHPP	Awarded and waiting for prepared site
Design and supply portal reclaimers	Awarded and under construction
Survey Services	Awarded
High Volt power connection	Under tender with award imminent
High volt power facilities	Under tender and final pricing review
Mine facilities	Quotes being sought

**All major contracts awarded at budget or lower**

# De-risking Maules Creek



## Maules Creek Capital Expenditure (100% basis)

<b>Total estimate</b>	<b>\$767 million</b>
Spent to date	\$224 million
Major contracts let	\$333 million <sup>1</sup>
Remaining works	\$180 million
Contingency	\$70 million

Note 1 Includes CHPP erection, rail loop, bulk earth works and water supply

## Construction and Other Risks

<b>Rail</b>	Key risk areas for the rail construction are blasting, material movement and weather conditions. Work being performed by highly regarded contractor Medium risk
<b>CHPP</b>	The CHPP has been fabricated and now requires transportation to site and erection by a highly regarded contractor Low risk
<b>Mine Infrastructure</b>	Ground preparation and construction of office and workshop Low risk
<b>Box Cut</b>	To be completed by Whitehaven mining team Low risk
<b>Power &amp; Water</b>	Water supply completed and transmission line by highly experienced contractor Low risk
<b>Project Team</b>	Highly experienced and motivated team in place to monitor and direct project construction

**Significant project risks reduced**

# Preparing to mine as owner operator



## Review Mining Model

Contract miner quotes for Maules Creek were not deemed competitive

Decision taken to go owner operator at the mine

Whitehaven currently operates mines in close proximity to Maules Creek so completely understands the mining costs in the region

## Funding & Equipment

Low cost funding secured for new ultra class mining equipment via an operating lease with a five year tenor

## Operating Costs

Expect to achieve the target operating cost of FOB A\$67/t

## Employ Locals

Matches the corporate philosophy of being an owner operator and employing local residents from the region by restricting the use of fly in and fly out workers

**Owner operator of Maules Creek**

# Mining equipment ordered



Ultra class mining equipment order has been placed for the initial 6Mtpa fleet, coaling truck order still to be placed

Selected ultra class equipment for overburden mining

Productivity benefits and the ability to match equipment (trucks and excavators) provides significant cost saving potential

Ultra class equipment consisting of 2 EX8000 excavators (800t class machines) and 11+1 EH5000 trucks (capacity 300t) (see photos) will be acquired under an operating lease

The coaling fleet will consist of 2 EX3600 excavators and 8 Caterpillar 789 trucks

Delivery of the fleet is expected in July ready to commence the box cut excavation



**High productivity ultra class mining equipment**



# Recent project images of Maules Creek





# Maules Creek rail path and loop



# Whitehaven and the community



Whitehaven currently employs over 600 people with over 84% living in the region around its operating mines

Wages to employees in the region total \$86 million each year, boosting the local economy

Whitehaven has set out an aspirational target of 10% for the Maules Creek workforce to come from the local indigenous community in five years

Voluntary Planning Agreements with local Councils worth over \$18 million provided for infrastructure and community projects

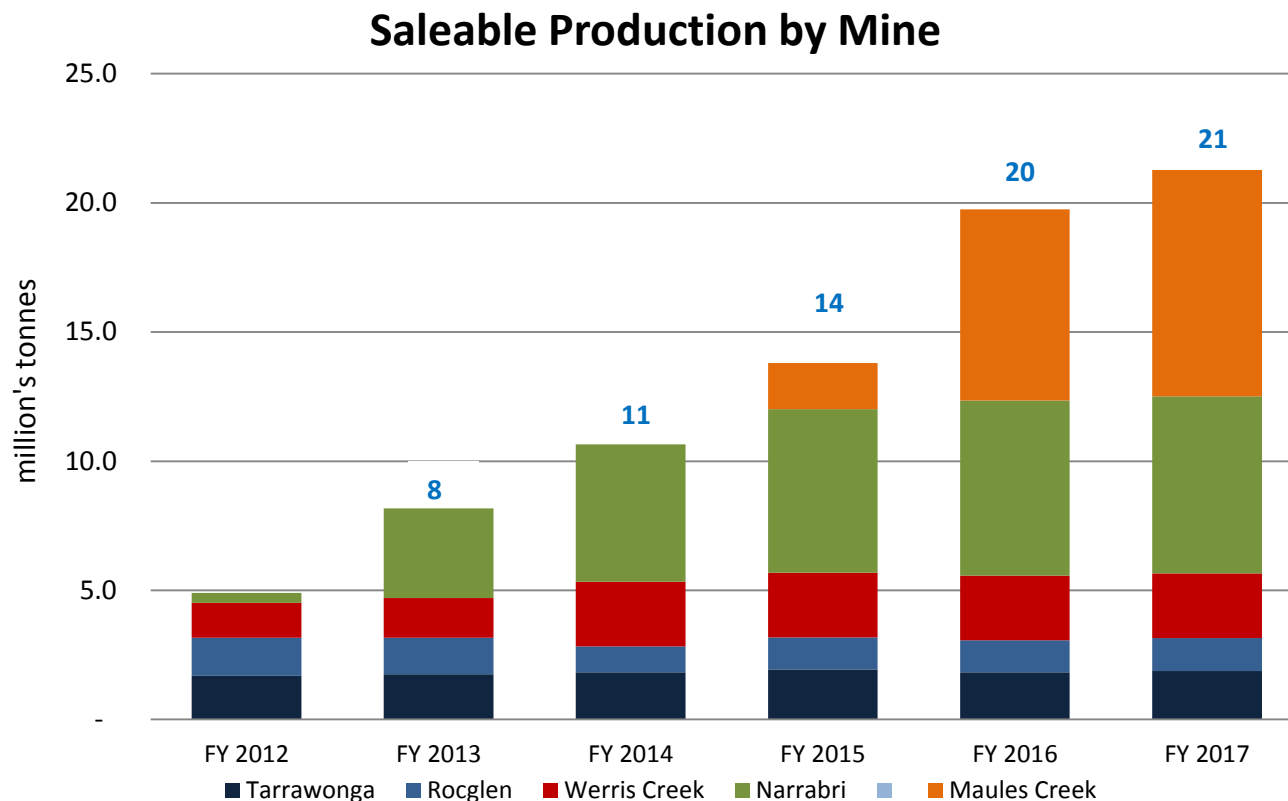
Donations and sponsorships provide additional funds to local community groups

Apprentices programme in place with local students across mine sites

**Supporting the local community**



# Investment proposition - unmatched growth



Production is expected to double by FY2017 as Maules Creek ramps up toward its full capacity

Saleable production in FY2014 is expected to be 10.7Mt on a 100% basis

The Vickery project provides an additional growth option

Note: Graph depicts saleable coal on a 100% basis including coal destined for domestic and export sales and excludes coal purchases

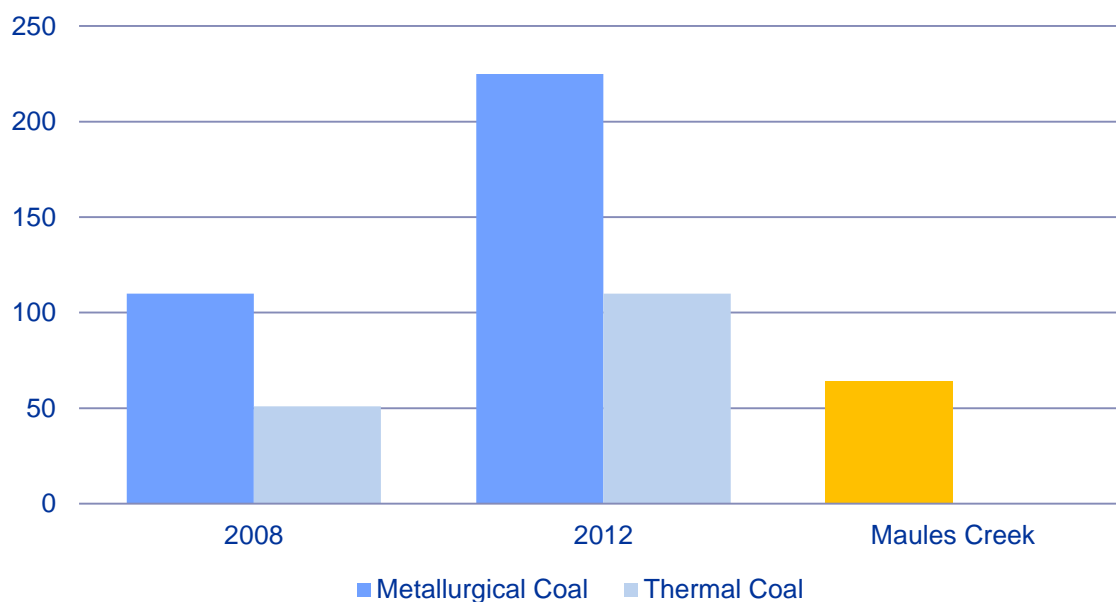
Data shown for the year ending 30 June. These estimates relate to planned future events and expectations and as such, involve known and unknown risks and uncertainties. The actual production is likely to vary on an annual basis as a function of supply, demand and other market conditions.

**Delivering exceptional growth over five years**

# Investment proposition - low cost capacity



**Capex \$US/t Annualised Capacity**



Source: UBS Investment Research

The estimated construction capital cost of \$767 million on a 100% basis for a mine producing 13Mtpa is low at A\$64/t compared to many other coal projects developed in recent years

Low construction cost combined with low operating costs and high quality coal products are expected to generate superior and sustainable shareholder returns

**Low cost capacity will provide attractive shareholder returns**

# Investment proposition – broker consensus



Investment Bank Modelling Maules Creek Project	Project NPV (A\$m's)
UBS	1,867
Goldman Sachs	2,237
CIMB	2,307
Citi	2,977
Deutsche Bank	2,116
Patersons	1,728
Morgans	2,045
Bell Potter	2,099
Credit Suisse	2,523
Wilson HTM	1,835
Macquarie	2,103
RBC	2,084
<b>AVERAGE</b>	<b>2,161</b>
WHC Share (75%)	1,621
<b>Valuation per WHC Share</b>	<b>1.58<sup>(1)</sup></b>

	Share Price Discount/ Premium		Share Price Discount/ Premium	
WHC Share Price	\$1.70			
	Mean <sup>(1)</sup>		Median <sup>(1)</sup>	
Target Price	\$2.50	(32%)	\$2.40	(29%)
Valuation	\$2.83	(40%)	\$2.72	(37%)

Note 1 Broker valuation and target as at January 2014

The Whitehaven share price is currently trading below equity market analyst's target price and valuation of the company

The recent Clermont thermal coal mine transaction (RIO Tinto sale Glencore) should provide a reference point to the valuation of Maules Creek

As the Maules Creek project is constructed and approaches production (just one year away) the value of the project will be recognised by the equity market

**Significant valuation upside**

# The focus for CY2014



**Ensure construction of the Maules Creek project remains on schedule and budget**

**Develop long term markets and sales contracts for all Maules Creek production**

**Recruit and commence training of diversified workforce for Maules Creek**

**Engage with local indigenous groups to achieve an employment target at least 10% of the Maules Creek workforce in 5 years**

**Continue to drive down costs of the business**

**Increase sales of PCI coal from Narrabri to about 800kt in FY2014 and grow sales in FY2015**

**Creating Australia's premier ASX listed coal company**

# Conclusion



**Whitehaven is generating positive operating cash flow**

**Whitehaven to reduce average costs further when Maules Creek commences production**

**Narrabri and the open cut mines to produce at or above planned levels**

**Construction of Maules Creek is progressing on schedule and budget**

**Funding committed to complete construction of Maules Creek**

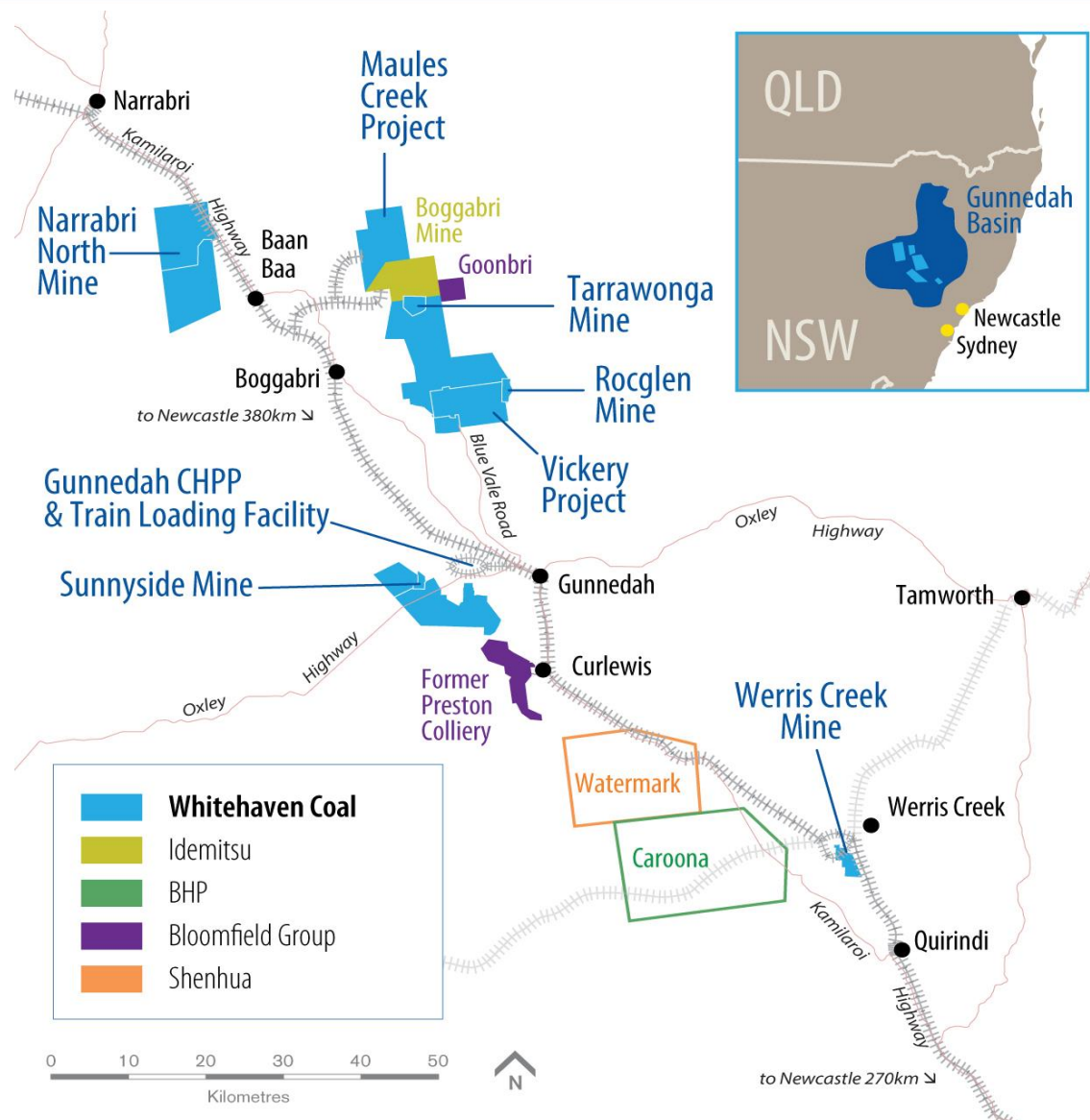
# Thank you

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# Appendices

# Where we operate



## Maules Creek (75%)

- Reserves to support ~ 30 years
- Permitted & Planned : 13 Mtpa ROM
- SSCC, PCI and high energy thermal

## Narrabri North (70%)

- Reserves to support ~ 25 years
- Permitted : 8 Mtpa ROM
- Planned : 6 Mtpa ROM
- PCI & low ash thermal coals

## Tarrawonga (70%)

- Reserves to support > 20 years
- Permitted : 3 Mtpa ROM
- Planned : 2 Mtpa ROM
- SSCC, PCI and high energy thermal

## Rocglen (100%)

- Reserves to support ~ 4 years
- Permitted & Planned to 1.5 Mtpa ROM
- Mainly thermal coals

## Vickery (100%)

- Reserves to support ~ 30 years
- SSCC and high energy thermal
- Approval process well advanced for 4.5 Mtpa ROM

## Gunnedah CHPP (100%)

- Permitted to 4 Mtpa

## Werris Creek Mine (100%)

- Reserves to support ~ 8 years
- Permitted & Planned to 2.5 Mtpa
- PCI and thermal coals

**First mover advantage in the Gunnedah Basin**



# Reconciliation - NPAT to Operating EBITDA



A\$ millions	H1 - FY2014	H1 - FY2013
<b>Net profit/(loss) for the period attributable to members</b>	<b>(11.6)</b>	<b>(48.6)</b>
Add back: Significant items after tax <sup>(1)</sup>	2.7	19.5
<b>Net profit/(loss) before significant items</b>	<b>(8.9)</b>	<b>(29.1)</b>
<b>Profit/(loss) before tax</b>	<b>(16.0)</b>	<b>(67.8)</b>
Add back: Net interest expense	28.8	21.0
Add back: Depreciation and amortisation	35.3	25.1
Add back: (Gain)/loss on investments and asset disposals	(1.2)	1.0
<b>Operating EBITDA</b>	<b>46.9</b>	<b>(20.7)</b>
Add back: Significant items before tax and financing <sup>(1)</sup>	3.9	26.7
<b>Operating EBITDA before significant items</b>	<b>50.8</b>	<b>6.0</b>

<sup>(1)</sup> Refer Note 4 of 31 December 2013 Financial Report

# Significant Items



A\$ millions	H1 - FY2014	H1 - FY2013
Included within the balances presented on the face of the Consolidated Interim Statement of Comprehensive Income:		
<b>Operating Expenses:</b> Suspension of mining activities and office closures	(2.0)	(22.9)
<b>Other expenses:</b> Share-based payment expense	-	(2.4)
<b>Other expenses:</b> Cost of terminating infrastructure sharing agreement	(1.9)	-
<b>Admin expenses:</b> Due diligence costs and project costs	-	(1.4)
<b>Significant items before tax</b>	<b>(3.9)</b>	<b>(26.7)</b>
Applicable income tax expense	1.2	7.2
<b>Significant items after tax</b>	<b>(2.7)</b>	<b>(19.5)</b>

# Balance sheet at 31 December



A\$ millions	31 Dec - 2013	30 June - 2013
Cash	97.7	110.5
Current receivables	102.8	87.3
Other current assets	57.9	58.4
<b>Current assets</b>	<b>258.4</b>	<b>256.2</b>
Non-current receivables	32.6	37.8
Other non-current assets	3,870.6	3,806.8
<b>Total assets</b>	<b>4,161.6</b>	<b>4,100.8</b>
Current payables	142.7	137.3
Current interest bearing loans and borrowings	30.0	25.2
Other current liabilities	65.2	73.6
<b>Current liabilities</b>	<b>237.9</b>	<b>236.1</b>
Non-current interest bearing loans and borrowings	624.7	556.8
Other non-current liabilities	67.6	67.3
<b>Total liabilities</b>	<b>930.2</b>	<b>860.2</b>
<b>Net assets</b>	<b>3,231.4</b>	<b>3,240.6</b>
Share capital	3,146.3	3,146.3
Retained earnings	1.5	13.1
Reserves	70.4	68.0
Non-controlling interests	13.2	13.2
<b>Total equity</b>	<b>3,231.4</b>	<b>3,240.6</b>

# First half cash flow



A\$ millions	H1 FY2014	H1 FY2013
<b>Cash from / (used in) operations</b>	<b>78.3</b>	<b>(100.1)</b>
Interest and tax payments	(22.0)	(13.6)
<b>Net cash from / (used in) operating activities</b>	<b>56.3</b>	<b>(113.7)</b>
Capital investment	(139.2)	(124.2)
Other investing activities (including cash from acquisition of subsidiaries)	(1.7)	(160.8)
<b>Net cash used in investing activities</b>	<b>(140.9)</b>	<b>(285.0)</b>
Proceeds from issue of share capital	-	(0.1)
Proceeds/(repayment) of borrowings	71.8	(2.2)
Dividends paid	-	(29.4)
<b>Net cash provided by/(used in) financing activities</b>	<b>71.8</b>	<b>(31.7)</b>
Net decrease in cash and cash equivalents	(12.8)	(430.4)
Cash and cash equivalents at 1 July	110.5	513.6
<b>Cash and cash equivalents at 31 December</b>	<b>97.7</b>	<b>83.2</b>