# Whitehaven Coal Limited

# Half Year FY 2013 Results

**Sydney, Australia**
**26 February 2013**

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# First half FY 2013 - Overview

- **Financial results continue to be affected by weak coal prices and strong $A.**
- **Underlying EBITDA in line with guidance provided at quarterly, with overall EBITDA lower due to accounting treatment of closure costs at Sunnyside.**
- **Business remains well located on cost curve but further work being undertaken to identify cost reduction and efficiency initiatives.**
- **Despite impacts of commodity price cycle:**
  - Maules Creek State and Federal approvals in place. Work continuing to provide management plans to Federal Government in order for construction to commence mid calendar 2013.
  - Narrabri production ramp up continuing well with production on track to increase throughout the second half.
  - Tarrawonga expansion granted State approval and awaiting Federal approval.
  - Paul Flynn's appointment completes management succession process. Experienced, highly-skilled and balanced team in place to deliver growth pipeline.

# First half financial overview - FY 2013

- **Underlying EBITDA profit (excluding significant items) of $8.2 million, in line with guidance provided in December quarterly.**
- **Overall EBITDA loss of $18.6 million; includes accounting losses associated with Sunnyside mine and Brisbane office closures and other significant items totalling $26.7 million.**
- **Net loss after tax (NPAT) of $47.0 million, down from a profit of $19.9 million in the previous corresponding period, reflecting:**
  - Accounting treatment of the Sunnyside closure;
  - Significantly lower average coal prices due mainly to market movements; and in part to coal quality linked to high moisture in Narrabri thermal product which is currently being addressed;
  - Unfavourable foreign exchange rate;
  - Impact of Boggabri train derailment; and
  - Previously reported Take or Pay costs associated with delays in NSW and Commonwealth Government approvals.

# First half financial overview - FY 2013

- Underlying NPAT (excluding Significant Items) of $27.6 million loss, down from $22.0 million profit in the first half of FY 2012.
- Directors resolved not to pay an interim dividend for the half.
- Cash used in operations of $100.5 million.
- Net cash outflow of $430.4 million inclusive of Coalworks acquisition.
- Completion of $1.2 billion re-financing package.
- Solid financial position at 31 December with net assets of $3,293.1 million, including $83.2 million cash on hand, interest bearing liabilities of $487.5 million and undrawn debt facilities of $650 million.

# Reconciliation of NPAT to Operating EBITDA

| A$ millions | H1 - FY 2013 | H1 - FY 2012 | Movement % |
|---|---|---|---|
| **Net profit/(loss) for the period attributable to members** | **(47.0)** | **19.9** | **-337%** |
| Add back: Significant items after tax [(1)] | 19.5 | 2.1 | 808% |
| **Net profit/(loss) before significant items** | **(27.6)** | **22.0** | **-225%** |
| | | | |
| **Profit/(loss) before net financing expense** | **(43.7)** | **34.2** | **-228%** |
| Add back: Depreciation and amortisation | 25.1 | 18.5 | 35% |
| **Operating EBITDA** | **(18.6)** | **52.7** | **-135%** |
| Add back: Significant items before tax and financing [(1)] | 26.7 | 5.2 | 413% |
| **Operating EBITDA before significant items** | **8.2** [(2)] | **58.0** | **-86%** |

(1) Refer Note 5 of 31 December 2012 Interim Financial Report
(2) Includes write down of inventory to NRV at 31 December 2012 of $4.5 million not including Sunnyside



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# Significant Items

| A$ millions | H1 - FY 2013 | H1 - FY 2012 |
|---|---|---|
| Included within the balances presented on the face of the Consolidated Interim Statement of Comprehensive Income: | | |
| **Operating Expenses:** Suspension of mining activities and office closures | (22.9) | - |
| **Other expenses:** Share-based payment expense | (2.4) | (0.4) |
| **Administrative expenses:** Due diligence costs and project costs | (1.4) | (3.3) |
| **Administrative expenses:** Claim settlement | - | (1.5) |
| **Significant items before tax and financing** | **(26.7)** | **(5.2)** |
| **Financial income:** Net unrealised foreign exchange gain on translation of EDF receivable | - | 23.9 |
| **Financial expenses:** Net realised foreign exchange losses on EDF receipts | - | (21.5) |
| **Significant items before tax** | **(26.7)** | **(2.9)** |
| Applicable income tax expense | 7.3 | 0.7 |
| **Significant items after tax** | **(19.5)** | **(2.1)** |

# First half operating highlights - FY 2013

- **Saleable coal production increased:**
  - 47% to 3.625 Mt (100% managed basis)
  - 38% to 2.982 Mt (equity basis)
- **Total coal sales up, with less coal purchased to meet legacy contracts:**
  - up 19% to 3.924 Mt (100% managed basis)
  - up 11% to 3.325 Mt (equity share)
- **Narrabri longwall ramp-up progressed well with 1.576 Mt tonnes produced in the six months to 31 December.**
- **Sunnyside mine placed into care and maintenance in November 2012 due to ongoing coal price weakness; and following a review of costs throughout the business.**

# First half operating highlights - FY 2013

- **Second phase of business review currently underway with the objective of increasing efficiency and reducing costs in both the open cut mines and the Narrabri underground mine.**
- **Subsequent to balance date, Whitehaven has received:**
  - Approval from the State and Federal governments for the Maules Creek development. Work is continuing to satisfy a small number of outstanding conditions, with construction expected to commence mid-year, calendar 2013.
  - Approval from the State Government for the Tarrawonga mine expansion project. This is now awaiting Commonwealth Government approval.
- **New Aurizon Rail Agreement to provide capacity for Maules Creek, Vickery and any production increases from the existing open cut mines.**

# First half coal sales – FY 2013

| Equity Basis – 000t | H1 - FY 2013 | H1 - FY 2012 | Movement % |
|---|---|---|---|
| Gunnedah Operations | 1,766 | 2,069 | -15% |
| Werris Creek | 718 | 830 | -14% |
| Narrabri | 841 | 98 | 754% |
| **Whitehaven Total** | **3,325** [1] | **2,997** | **11%** |

| 100% Basis – 000t | H1 - FY 2013 | H1 - FY 2012 | Movement % |
|---|---|---|---|
| Gunnedah Operations | 2,005 | 2,318 | -13% |
| Werris Creek | 718 | 830 | -14% |
| Narrabri | 1,201 | 141 | 754% |
| **Whitehaven Total** | **3,924** [1] | **3,289** | **19%** |

Note 1. – Includes 424 Kt of purchased coal

# First half saleable coal production – FY 2013

| Equity Basis – 000t | H1 - FY 2013 | H1 - FY 2012 | Movement % |
|---|---|---|---|
| Gunnedah Operations | 1,328 | 1,251 | 6% |
| Werris Creek | 725 | 777 | -7% |
| Narrabri | 929 | 127 | 631% |
| **Whitehaven Total** | **2,982** | **2,155** | **38%** |

| 100% Basis – 000t | H1 - FY 2013 | H1 - FY 2012 | Movement % |
|---|---|---|---|
| Gunnedah Operations | 1,573 | 1,505 | 5% |
| Werris Creek | 725 | 777 | -7% |
| Narrabri | 1,327 | 182 | 631% |
| **Whitehaven Total** | **3,625** | **2,464** | **47%** |



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# First half profitability – FY 2013

| Reported Financial Performance - A$ millions | H1 - FY 2013 | H1 - FY 2012 |
|---|---|---|
| Revenue | 280.8 | 340.4 |
| NPAT/(Loss) before Significant Items | (27.6) | 22.0 |
| **NPAT/(Loss)** | **(47.0)** | **19.9** |
| Earnings per share (cents per share - diluted) | (4.8) | 4.0 |
| Interim dividend (cents per share - fully franked) | - | - |

| Underlying Financial Performance - A$ millions | H1 - FY 2013 | H1 - FY 2012 |
|---|---|---|
| Revenue excluding sales of purchased coal & net of NSW royalties | 222.1 | 225.4 |
| Operating costs excluding coal purchases | 215.2 | 138.7 |
| **EBITDA from own coal sales** | **6.9** | **86.7** |
| Pre-tax loss / (gain) from sales of purchased coal | (1.4) | 28.8 |
| Depreciation & Amortisation | 25.1 | 18.5 |
| **EBIT** | **(16.8)** | **39.4** |
| Interest[1] | 21.9[1] | 6.3 |
| Tax | (11.2) | 11.1 |
| **NPAT before Significant Items** | **(27.5)** | **22.0** |
| Significant Items after tax | (19.5) | (2.1) |
| **NPAT** | **(47.0)** | **19.9** |
| Note 1. Includes $4.3 million of re-financing fees | | |



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# First half cost of sales

| | | H1 - FY 2013 | H1 - FY 2012 | H2 - FY 2012 | FY 2012 |
|---|---|---|---|---|---|
| Coal Sales - (equity basis, excl. purchased coal) | '000t | 2,639 | 2,166 | 2,123 | 4,289 |
| Average revenue - (excl. purchased coal & net of NSW royalties) | $A/t | 81.55 (1) | 104.06 | 105.06 | 104.55 |
| **Average cash cost of sales (excludes significant items)** | **$A/t** | **78.45 (2)** | **64.04** | **75.95** | **69.93** |
| Take or Pay charges for port and rail included above | $A/t | 3.40 | 0.04 | 1.25 | 0.63 |
| **Average cash cost of sales (excludes significant items and Take or Pay)** | **$A/t** | **75.05 (2)** | **64.00** | **74.70** | **69.30** |
| EBITDA | $A/t | 3.11 | 40.02 | 29.11 | 34.62 |
| EBITDA Margin | % | 4% | 38% | 28% | 33% |

- First half FY 2013 costs similar to second half of FY 2012, except for increased TOP
- Significant increase from first half FY 2012 due to increased haul distances and elevations related to pit layout changes around expansion of Tarrawonga and mine scheduling issues at Werris Creek and Rocglen
- Outcome of this has been higher truck numbers (mostly high cost hired equipment ) and higher fuel consumption
- These issues have been the focus of recent cost reviews and actions are being taken
- Results of these actions will begin to be seen in Q4 FY 2013, but will mainly benefit FY 2014
- Narrabri operating costs have also come into the business during the first half of FY 2013

Note 1: Excludes revenue capitalsed from Narrabri development of $24.3m
Note 2: Excludes costs capitalised from Narrabri development of $28.0m

# First half cash flow – FY 2013

| A$ millions | H1 - FY 2013 | H1 - FY 2012 |
|---|---|---|
| EBITDA from own coal sales | 6.8 | 86.7 |
| Cash impact of significant items in operating cashflows | (4.8) | (28.8) |
| Movement in working capital[1] | (102.0) | (90.2) |
| **Cash used in operations** | **(100.0)** | **(32.3)** |
| Interest and tax payments | (13.7) | (21.6) |
| **Net cash used in operating activities** | **(113.7)** | **(53.8)** |
| Proceeds from sale of assets | 0.3 | 44.2 |
| Capital investment | (124.2) | (136.4) |
| Other investing activities (including Coalworks acqusition) | (161.1) | (3.6) |
| **Net cash used in investing activities** | **(285.0)** | **(95.8)** |
| Proceeds from issue of share capital | (0.1) | 0.3 |
| Proceeds/(repayment) of borrowings | (2.2) | 65.5 |
| Dividends paid | (29.4) | (20.3) |
| **Net cash provided by/(used in) financing activities** | **(31.7)** | **45.5** |
| **Net decrease in cash and cash equivalents** | **(430.4)** | **(104.1)** |
| Cash and cash equivalents at 1 July | 513.6 | 207.6 |
| **Cash and cash equivalents at 31 Dec** | **83.2** | **103.5** |

| Note 1. Movements in working capital: | H1 – FY 2013 | H1 – FY 2012 |
|---|---|---|
| Receivables | (76.1) | (16.8) |
| Payables | (6.9) | (45.4) |
| Inventories | (22.0) | (7.4) |
| Deferred Stripping | (6.9) | (22.6) |
| Other | 9.9 | 2.0 |
| **Total** | **(102.0)** | **(90.2)** |



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# 31 December financial position

| A$ millions | December 31 - 2012 | June 30 - 2012 |
|---|---|---|
| **Cash** | **83.2** | **513.6** |
| Current receivables | 110.1 | 70.2 |
| Other current assets | 163.6 | 158.3 |
| **Current assets** | **356.9** | **742.1** |
| Non-current receivables | 38.7 | 11.1 |
| Other non-current assets | 3,673.4 | 3,568.4 |
| **Total assets** | **4,069.0** | **4,321.6** |
| Current payables | 130.7 | 252.9 |
| Current interest bearing loans and borrowings | 23.9 | 294.4 |
| Other current liabilities | 18.5 | 19.2 |
| **Current liabilities** | **173.1** | **566.5** |
| Non-current interest bearing loans and borrowings | 463.6 | 195.0 |
| Other non-current liabilities | 139.2 | 149.0 |
| **Total liabilities** | **775.9** | **910.5** |
| **Net assets** | **3,293.1** | **3,411.1** |
| Share capital | 3,116.7 | 3,116.8 |
| Retained earnings | 105.0 | 181.3 |
| Reserves | 71.5 | 70.7 |
| Non-controlling interests | - | 42.3 |
| **Total equity** | **3,293.2** | **3,411.1** |



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# Half year capex – FY 2013

| Capital Investment - $ million | H1 - FY 2013 | H1 - FY 2012 |
|---|---|---|
| Tarrawonga [1] | 3.4 | 2.3 |
| Werris Creek | 16.7 | 6.6 |
| Rocglen | 0.2 | 0.3 |
| Sunnyside | 0.2 | 0.3 |
| Gunnedah CHPP | 3.0 | 1.6 |
| **Total Open-cuts [1]** | **23.5** | **11.1** |
| **Narrabri (including capitalised development costs) [1]** | **63.2** | **87.5** |
| **Maules Creek [1]** | **28.3** | **-** |
| Rolling stock and locomotives | 0.4 | 0.2 |
| Vickery | 5.5 | 2.7 |
| Deferred acquisition of Creek Resources Pty Ltd | - | 33.3 |
| Exploration | 7.9 | 0.4 |
| Land/other | 8.8 | 4.4 |
| **Total Whitehaven [1]** | **137.6** | **139.6** |
| Less: Vickery and Exploration assets shown as Other Investing activities in the Cash flow statement | 13.4 | 3.1 |
| **Net Capex per cash flow statement** | **124.2** | **136.5** |

Note 1. Equity share



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# First half revenue analysis

| | | H1 FY 2013 | | | |
|---|---|---|---|---|---|
| | | SSCC/PCI | SCOTA Thermal | Non SCOTA Thermal | Total |
| Sales Tonnage (excluding purchased coal) | *kt* | 483 | 1,389 | 767 | 2,639 |
| Sales Price per tonne (excluding purchased coal) | *$US/t* | 134.45 | 88.19 | 74.06 | 92.55 |
| **Sales Revenue (excluding purchased coal) (1)** | *$US'm* | **64.97** | **122.47** | **56.80** | **244.24** |
| Sales Revenue (excluding purchased coal) (1) | *$A'm* | 62.82 | 116.51 | 54.64 | 233.97 |
| **Sales Price per tonne (excluding purchased coal) (1)** | *$A/t* | **130.01** | **83.89** | **71.24** | **88.64** |
| Royalty | *$A/t* | | | | 7.09 |
| **Sales Price per tonne (excluding purchased coal and royalty) (1)** | *$A/t* | | | | **81.55** |

Note 1: Excludes revenue capitalised for Narrabri



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# Fixed price coal contracts and fixed FX status

- Whitehaven has a total FX fixed position of US$82.0m at an average exchange rate of 0.9984 US$:A$ as at 26 February 2013

| Fixed Price and tonnage contracts (100%) | FY2013 – 2H | | FY2014 | | TOTAL | |
|---|---|---|---|---|---|---|
| | kt | US$/t | kt | US$/t | kt | US$/t |
| SSCC/PCI | 330 | 108 | - | - | 330 | 108 |
| Thermal | 2,048 | 76 | - | - | 2,048 | 76 |
| **Total fixed tonnage and price contracts** | **2,378** | **80** | **-** | **-** | **2,378** | **80** |

# Strong strategic position for the future

- Dominant position in the Gunnedah Basin.
- Large base of JORC Resources and Reserves (refer 26th February ASX release).
- Ability to produce a high proportion of SSCC/PCI if demand is strong.
- High yields of saleable coal.
- Competitive position on the FOB cost curve.
- Substantial short-term growth occurring from Narrabri; with Maules Creek to follow in the near future and Vickery longer term.
- Most Government approvals in place to achieve growth plans.
- Established infrastructure to meet growth plans.
- Experienced management and workforce.
- Strong Balance Sheet.



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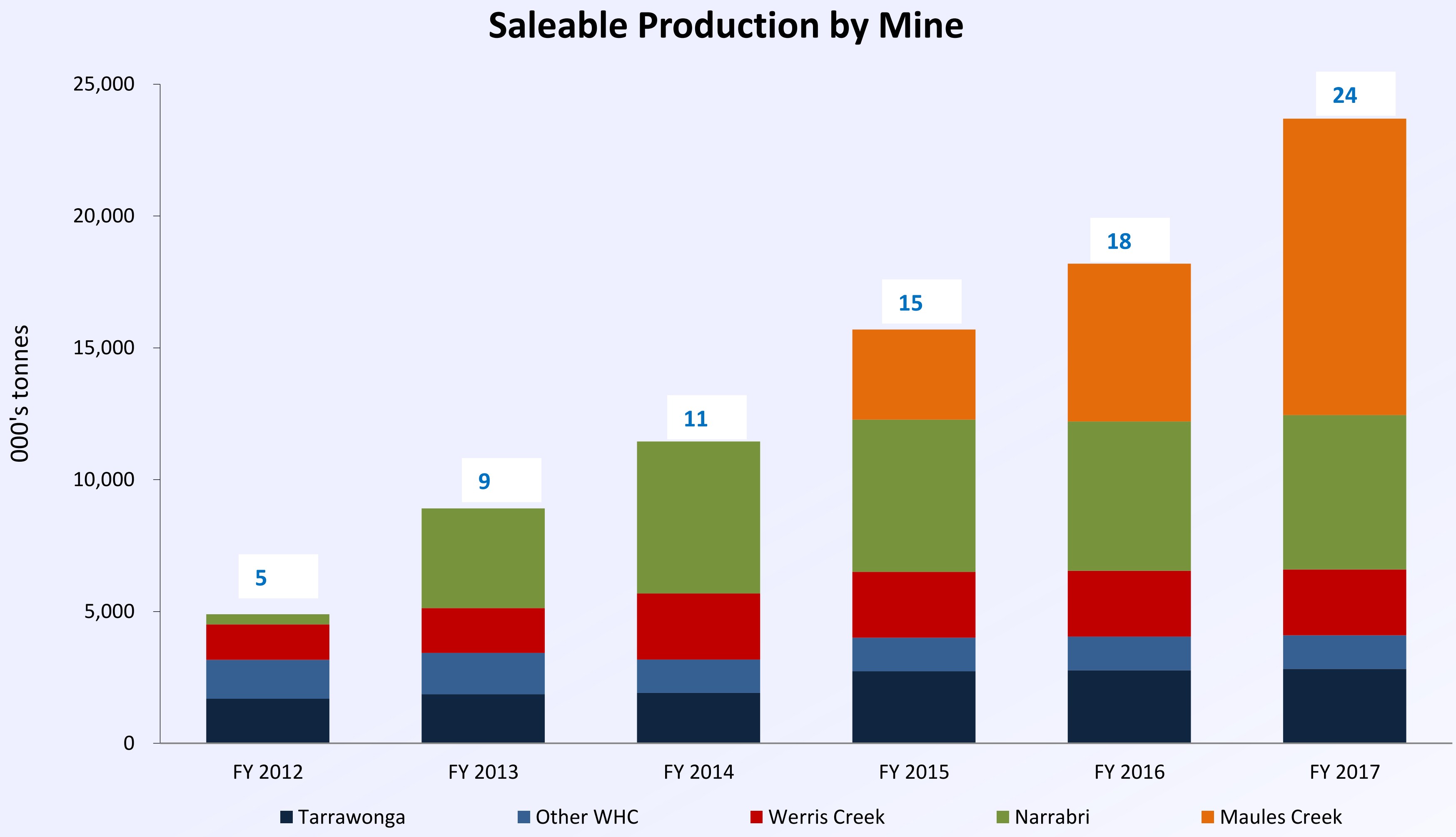
# Substantial near-term production growth from Narrabri Maules Creek and Vickery to follow




*Note: 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..*

# Narrabri status

## Current operations

- LW system is operating at target capacity, but not yet consistent (30 Kt days, 130 Kt weeks).
- Challenge now is enhancing operating practices to achieve consistent high production.
- Gas drainage well ahead of development, currently no issues.
- Roof caving well, including in un-conditioned areas, minimal pre-conditioning planned.
- General mining conditions excellent.
- Engineering teething problems mostly resolved, but hi-set valves still giving problems.
- Automation software installed and working, but still not being fully utilised.
- First LW change due in late April. Planning well advanced and development of LW #2 nearing completion with set-up road being widened.

## Future upside

- Current 6 Mtpa target based on 65 cutting hours per week, industry best practice is ~90 hours per week.
- Narrabri has UG coal handling capacity and is approved to 8 Mtpa.
- Upgrade to Stage 1 crushing system to give >10 Mtpa surface handling capacity from late April.
- Caving of roof coal looks positive for Top Coal Caving (TCC), but requires further study.

# Narrabri thermal coal moisture issue

- Energy of product coal is affected by moisture and ash content.
- Narrabri raw coal quality is as expected, inherent moisture of ~5% and ROM ash of ~11%.
- Crushed ROM coal would achieve SCOTA thermal coal specification.
- Narrabri mine is relatively dry, but moisture is added to ROM coal from LW cooling and dust suppression.
- Early ROM coal moisture high because of lower production rates and fixed LW water addition.
- As LW production increased, ROM moisture was seen to remain higher than target (11% vs. 10%).
- Actions being taken to reduce ROM moisture include:
  - reduce LW water usage underground at LW face and transfer points;
  - Re-design chute on ROM surface conveyor transfer to allow residual water to escape;
  - Manage ROM coal stockpile to allow additional drainage time before processing.
- Thermal product coal moisture problem compounded by CHPP process:
  - ROM coal is split with finer coal (~60%) going direct to thermal product and coarser coal (~40%) to CHPP;
  - Coarser coal from CHPP process is mainly low-ash coal (PCI) with lower moisture and higher energy;
  - Fine coal from CHPP process is higher moisture and is added to already fine bypass thermal product;
  - Net result is lower moisture, lower ash, higher energy PCI coal and higher moisture, higher ash, lower energy thermal coal;
  - So far, thermal coal product is falling below the minimum SCOTA energy level of 5,850 kcal/kg NCV.
- Possible solutions:
  - Re-combine low ash and high ash product coal which would achieve SCOTA thermal but reduce PCI sales;
  - Reduce moisture added during the CHPP process by re-directing high moisture fine coal;
  - Change size distribution of thermal coal to increase coarse component.
- Actions being taken:
  - Produce maximum thermal coal using the upgraded ROM crusher by-pass system (full size distribution and no moisture added by the CHPP process). This can be done from end April when ROM crushing system is re-commissioned.
  - Look at options to separate the fine, wet material from the CHPP process and recombine with coarser coal.

# Maules Creek status

- NSW State Government Project Approval received on 23rd October 2012.
- Federal approval under EPBC Act received on February 11th.
- There are a number of secondary NSW and Federal approvals required prior to commencing construction. Plans in support of these approvals are progressing through the relevant Government departments.
- The EPBC approval is also conditional on the provision, within specific timeframes, of further information and detailed plans to the Minister. Work is well advanced on these requirements and Whitehaven expects to be able to satisfy these conditions.
- Following approval of the water management plan, there is a three month mobilisation period and a thirteen month construction period for rail access. Based on this schedule, it is currently expected that first coal sales from Maules Creek would be in the second half of calendar 2014.

# Maules Creek one of the best global coal projects

- **Economics of Maules Creek are compelling:**
  - Large reserve of high quality coal;
  - Competitive capital development costs;
  - Low life-of-mine stripping ratio of ~6.4 bcm per ROM tonne (~7.1 bcm/t saleable);
  - High yield (80-90%) of excellent quality SSCC and/or thermal coals;
  - Very competitive operating cost structure against global competitors.
- **Joint Venture partners have valued the project at up to $3.7 billion.**
- **Maules Creek brings very large employment and economic benefits to the NSW North West region, to broader NSW and to the Nation:**
  - Up to 1,000 construction jobs and up to 500 permanent jobs;
  - New capital investment of more than $750 million;
  - Annual operating expenditure in the local region of more than $500 million per year for at least 25 years;
  - NSW royalties of more than $100 million per year.



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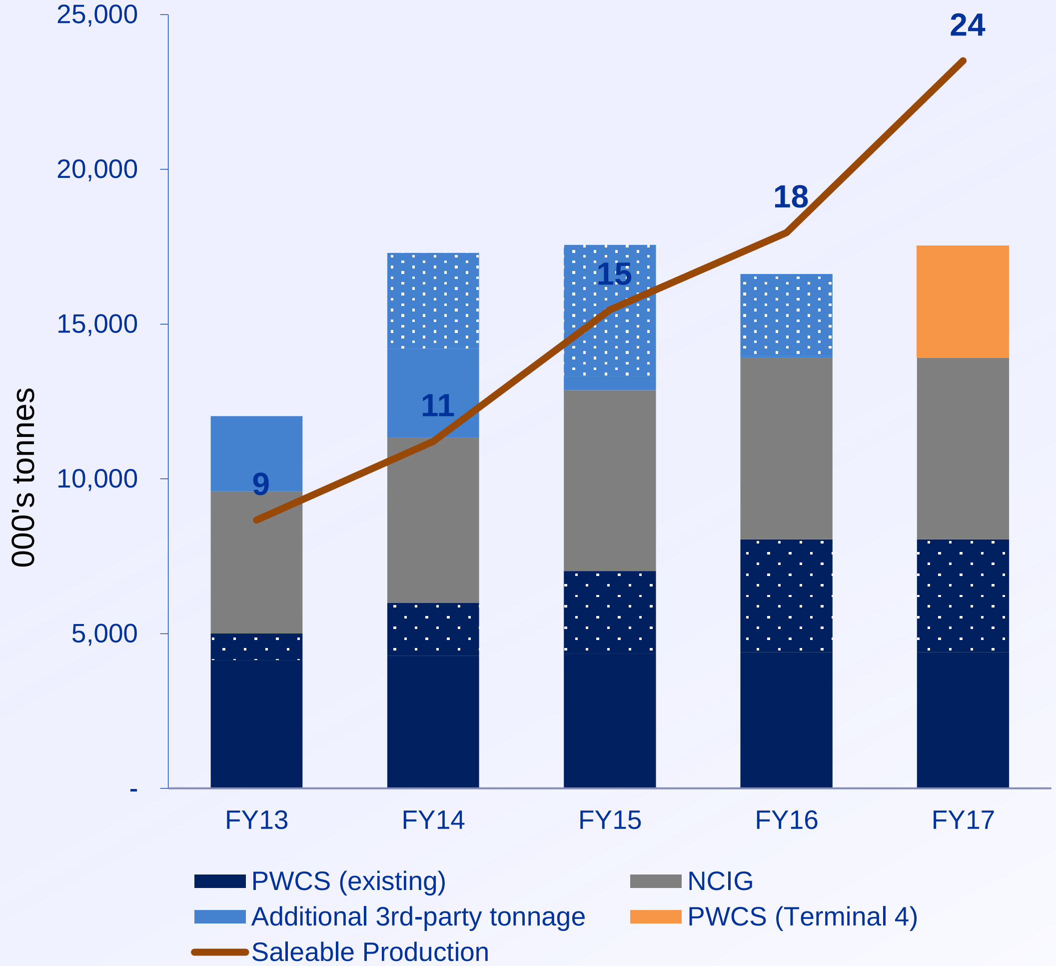
# Infrastructure available to support planned growth

## Comments

- **Strategic 11% shareholding in Newcastle Coal Infrastructure Group**
- **Medium to longer term capacity gaps to be secured by accessing surplus capacity from other producers, plus additional PWCS (Terminal 4) allocations**
- **Whitehaven has long term track access agreements with ARTC**
- **Track upgrades identified by ARTC to increase rail capacity to ~ 60mtpa from the Gunnedah Basin**
- **Long term haulage agreements with PN and Aurizon which include the provision of new trains to meet Whitehaven's growth plans**
- **Capacity per train has been doubled since 2008 to 6,000 tonnes**

## Port capacity and export coal sales (Mt, 100% basis)[1]

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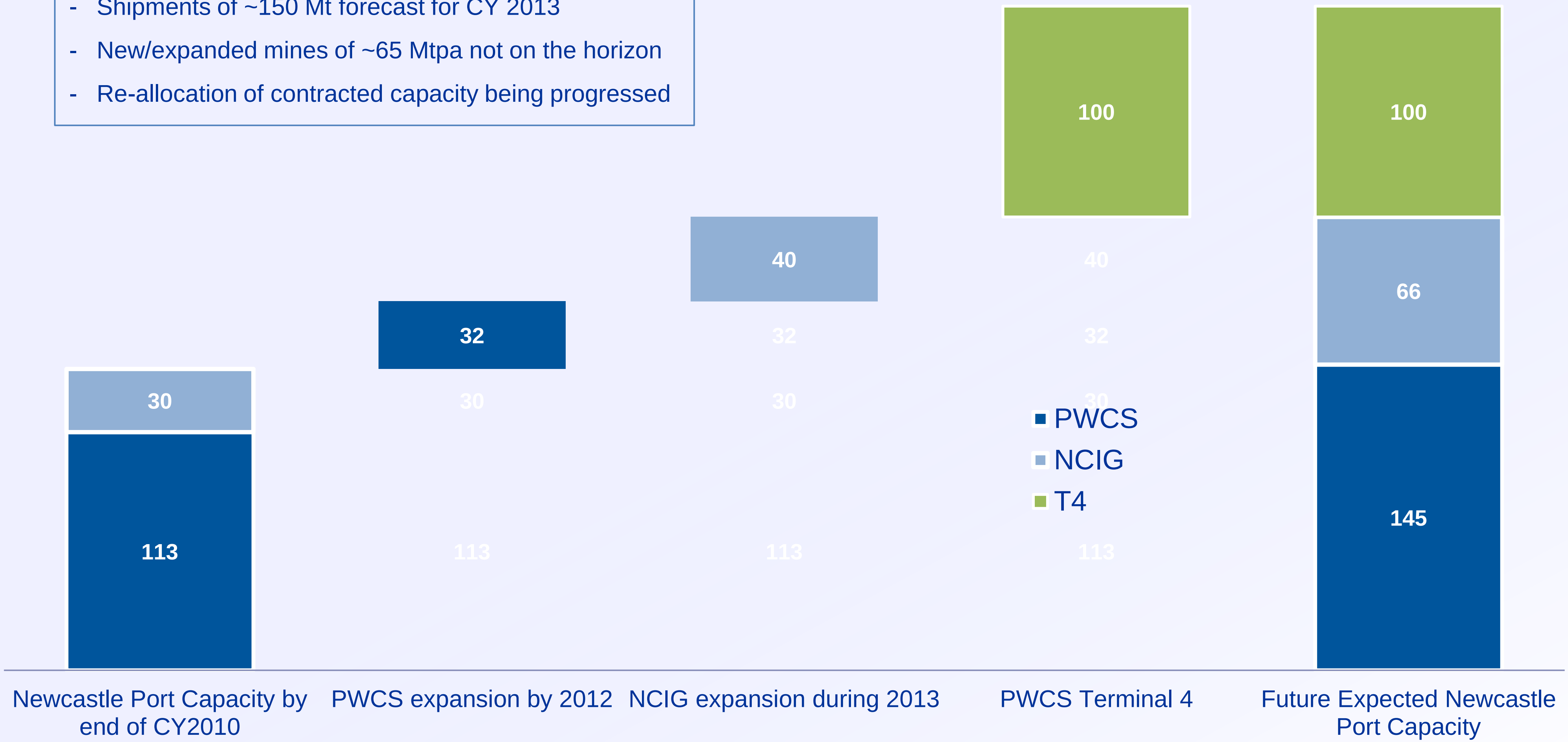
# Newcastle port capacity has grown rapidly

- Around 211 Mtpa port capacity by December 2013
- Shipments of ~150 Mt forecast for CY 2013
- New/expanded mines of ~65 Mtpa not on the horizon
- Re-allocation of contracted capacity being progressed



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# Demand growth and coal prices remain weak, but some pick-up in recent prices

- **Competition in the seaborne thermal coal market remains strong.**
- **Buyers are taking full advantage of soft markets with a spate of tenders and ongoing demands for reduced prices.**
- **Recent NEWC thermal coal index price has increased to ~US$94.50/t FOB, up from its low of ~US$80/t late last year.**
- **The forward market for thermal coal prices (Platts) remains positive with prices quoted for calendar 2014 of ~US$97/t, calendar 2015 of ~US$~US$105/t and calendar 2016 of ~US$107/t FOB.**
- **Newcastle semi-soft spot price (Platts) has also increased to ~US$120/t FOB from a price of ~US$113 late last year.**
- **Overall, the combination of coal prices and the strong A$ remains, along with NSW royalties of ~8% of revenue, remains a serious challenge for most Newcastle exporters.**

# Whitehaven's response

- **Ongoing business review to increase efficiencies and reduce operating costs**
  - Optimise short-medium term mine plans and deployment of equipment – including replacement of high-cost hire equipment
  - Productivity improvement and cost reduction opportunities, including overheads
  - Deferral/cancellation of all non-essential opex
- **Closed Sunnyside and up-scaling Werris Creek, to reduce average costs**
- **Maules Creek development proceeding - $470 million to spend (75%)**
- **Focussed review of all other capital projects**
  - Re-scope Tarrawonga upgrade
  - Re-scope Werris Creek upgrade
  - Defer all non-essential project and sustaining capex