



**WHITEHAVEN COAL LIMITED**

ABN 68 124 425 396  
 Level 9  
 1 York Street  
 Sydney, NSW 2000  
 PO Box R1113  
 Royal Exchange  
 NSW 1225  
 Ph: 02 8507 9700  
 Fax: 02 8507 9701

Web: [www.whitehaven.net.au](http://www.whitehaven.net.au)

**WHITEHAVEN COAL LIMITED**

**QUARTERLY REPORT TO 31 DECEMBER 2009 (Q2 FY 2010)**

**Highlights**

| <i>Thousands of tonnes</i>               | Quarter Ending |            |             | Year to Date |              |             |
|--|----------------|------------|-------------|--------------|--------------|-------------|
|  | Dec 2009       | Dec 2008   | % Change    | FY 2010      | FY 2009      | % Change    |
| <b>ROM Coal Production – 100%</b>        | <b>970</b>     | <b>686</b> | <b>+41%</b> | <b>2,070</b> | <b>1,424</b> | <b>+45%</b> |
| <b>Saleable Coal Production - 100%</b>   | <b>920</b>     | <b>678</b> | <b>+36%</b> | <b>1,964</b> | <b>1,415</b> | <b>+39%</b> |
| <b>Total Coal Sales – 100%</b>           | <b>1,183</b>   | <b>889</b> | <b>+33%</b> | <b>2,327</b> | <b>1,825</b> | <b>+27%</b> |
| <b>Saleable Coal Production - Equity</b> | <b>811</b>     | <b>554</b> | <b>+46%</b> | <b>1,725</b> | <b>1,151</b> | <b>+50%</b> |
| <b>Total Coal Sales - Equity</b>         | <b>1,080</b>   | <b>760</b> | <b>+42%</b> | <b>2,097</b> | <b>1,585</b> | <b>+32%</b> |

- Whitehaven continued its open-cut expansion with record run-of-mine (ROM) coal production of 0.970 million tonnes (Mt) for the December quarter (100% basis), up 41% on the previous corresponding period. Record saleable coal production was 0.920 Mt for the December quarter (100% basis), up 36% on the previous corresponding period.
- Coal sales were 1.183 Mt for the December quarter (100% basis), up 33% on the previous corresponding period. These sales comprised 0.933 Mt of produced coal (up 50%) and 0.249 Mt of purchased coal (down 6%). Export sales comprised 0.330 Mt of metallurgical coal and 0.821 Mt of thermal coal, with domestic thermal coal sales of 0.032 Mt.
- Whitehaven and Pacific National signed a long term rail haulage agreement during the quarter. Increased rail capacity is continuing to meet Whitehaven’s expansion requirements.
- Port capacity of 3.6 Mtpa at Port Waratah Coal Services (PWCS) remained a constraint during the quarter. However, construction of the new NCIG coal export terminal at Newcastle, of which Whitehaven owns 11%, remains on track to ship its first coal in March.
- Construction of the Narrabri mine (Stage 1) continues to progress well. However, as reported at the Annual General Meeting, tunnelling of the access drifts has encountered unfavourably soft material which has slowed progress. Tunnelling through this material is continuing slowly and the current estimate for first intersection of the coal seam is late March, however this remains subject to ground conditions. The delay in access to the coal seam is likely to cause a corresponding delay in obtaining first longwall coal from the mine.
- This delay will not affect Whitehaven’s ability to utilise its NCIG capacity, which is expected to start to become available from the end of March and to ramp up to a rate of approximately 2.5 Mtpa by the end of calendar 2010.
- The Narrabri longwall was ordered in September 2009 for delivery in late 2010 and installation in early 2011. The longwall specification allows for the retro-fitting of top coal caving equipment, should this high-seam mining method prove suitable for Narrabri.

- The previously announced sale of a 7.5% interest in the Narrabri Joint Venture to a Korean consortium of Daewoo International and KORES for \$125 million was completed during the quarter.
- The previously announced agreement with Coal & Allied Industries Limited to acquire the Vickery assets progressed during the period, with completion expected to occur before the end of January 2010.
- Cash on hand at 31 December was \$233 million.
- Whitehaven had a total of approximately US\$357m in forward US\$/A\$ exchange contracts at the end of December, at an average exchange rate of AUD 1.00 = US\$ 0.767.

### **Coal Production**

- Whitehaven's open-cut mines (Tarrawonga, Werris Creek, Rocglen and Sunnyside) performed well during the quarter and are on track to achieve their target production levels.
- Work continued during the quarter to expand Whitehaven's open-cut mines and coal handling and preparation plant (CHPP) to their combined design and permitted capacity of approximately 5.5 Mtpa of saleable coal.
- A combination of new and second hand mining equipment has been ordered for the expansion. A new Hitachi EX3600 excavator plus second hand Cat 785 rear dump trucks were delivered to Werris Creek mine in late December. Other supplementary equipment including a drill, bulldozers, a grader and a front end loader will be delivered in early 2010.
- A tender for the upgrade to 550tph for the Gunnedah CHPP was issued in December. This upgrade will provide additional washing capacity and enhance Whitehaven's ability to optimise coal blending and revenue from its four open-cut mines.
- The mine and CHPP expansion is being scheduled over the next six to nine months, to coincide with the ramp-up of port capacity at NCIG.

### **Coal Sales**

- Total coal sales of 1.183 Mt for the December quarter (100% basis) were up 33% on the previous corresponding period, with sales of produced coal up 50% at 0.933 Mt and sales of purchased coal down 6% to 0.249 Mt.
- Metallurgical coal sales of 0.330 Mt for the quarter reflected a much stronger metallurgical coal market during the quarter. The current spot price for PCI coal is reported to be in the range of US\$120 – US\$135 per tonne Free-on-Board (FOB), compared to the 2009 contract price of around US\$80/t FOB.
- Export thermal coal sales were 0.821 Mt for the quarter. The current forward price for Newcastle thermal coal of around US\$95/t FOB for calendar 2010 compares to the 2009 contract price of around US\$70/t FOB and recent contract settlements at around US\$85/t FOB.
- Whitehaven currently has export sales tonnages and prices fixed for the majority of planned production through until June 30, 2010.

## **Narrabri Development**

- With the exception of the access drift tunnelling, construction of Narrabri Stage 1 infrastructure progressed as planned during the quarter.
- The three underground drift entries progressed slowly during the quarter, as very soft ground was encountered following completion of drilling and blasting through the sill.

This slow progress has continued, however, the conglomerate which is immediately above the coal seam has now been reached in two of the three drifts. It is expected that the conglomerate will be able to be penetrated with road-headers, however it is possible that drilling and blasting may be required. Contingency plans are in place if this is the case. The current estimate is for the coal seam to be accessed in March, however, the precise timing remains subject to ground conditions.

- Underground mining equipment is now on site at Narrabri to enable initial production to commence as soon as possible. Recruitment of the underground workforce has also commenced with some 60 employees currently being sought.
- This delay in accessing the coal seam is not expected to affect Whitehaven's ability to utilise NCIG port capacity as it becomes available from the end of March. However, it will be difficult to reduce the time required to develop the first longwall panel at Narrabri and the delay in accessing the coal seam is likely to result in a corresponding delay to obtaining first longwall coal.
- The longwall equipment has been specified and ordered for delivery in the last quarter of calendar 2010, with installation underground scheduled for early 2011. This schedule will be updated once the coal seam is intersected.
- The Bucyrus longwall ordered for Narrabri is designed to allow retro-fitting of top coal caving (TCC) equipment in the future. TCC is a proven method of extracting thick-seam coal by longwall methods, but its applicability at Narrabri will only be proven following further technical work and operational experience. If suitable for Narrabri, TCC has the potential to substantially increase Narrabri's coal reserves and annual production in the future.
- The application for Narrabri Stage 2 approval was lodged with the NSW Government during the September quarter and is progressing through the approval process as expected.
- Except for the cost of the underground access drifts, construction costs for Narrabri Stage 1 are within budget. The adverse ground conditions and consequential delay to completion of the drifts is expected to result in an additional cost for this component of the project, with total Stage 1 cost now expected to be approximately \$215m. Of the total Stage 1 cost, approximately \$33m (100% basis) remains to be invested.
- Ongoing review of Stage 2 costs has not identified any material change to the budget cost estimate of approximately \$300 million (100% basis).

## **Other Business Development**

- Work is continuing on mine planning and environmental studies to support applications for 20 year life-of-mine approvals for the Werris Creek and Tarrawonga mines. This follows substantial upgrades to coal resources and reserves at both mines.
- Whitehaven entered into an agreement in the September quarter with Coal & Allied Industries Limited (CAIL) to acquire the Vickery Coal Project ("Vickery") for \$31.5 million cash plus approximately 1,150 ha of land in the Gunnedah region. The transaction is expected to complete by the end of January 2010.

- Vickery assets being acquired comprise Authorisation 406 (A406), Coal Lease 316 (CL316), approximately 3,450 ha of associated land and 399 megalitres per year of water licences.
- Vickery is an important “bolt-on” acquisition for Whitehaven. It consolidates the company’s significant tenement holding in the Gunnedah region and the expectation is that, with focussed exploration and evaluation in the next year, substantial open cut and underground coal resources and reserves will be defined.
- Whitehaven holds several coal tenements adjacent to CL316 and until recently produced export coal from its Canyon Mine, which is located immediately to the north of Vickery. Whitehaven also holds EL4699 which is located northwest of Vickery and the company’s Rocglen Mine is immediately to the east.
- Whitehaven will be targeting the development of both open-cut and underground coal reserves at Vickery. In the near term, Whitehaven intends to focus on the exploration and definition of an open cut area called Bluevale.
- Beyond this, there are nine coal seams contained within the Vickery tenements. Three of these seams, the Shannon Harbour, Stratford and Cranleigh seams are believed to have economic potential. The quality of these coal seams ranges from high volatile soft coking coal to low ash, high energy thermal coal. Current evaluation work is focussed on assessing the potential for open-cut mining of these seams.

### **Infrastructure**

- Whitehaven is continuing to work with ARTC, RIC and other potential rail users in the Gunnedah Basin to identify and progress capital works required to meet future track capacity needs.
- During the quarter, Whitehaven and Pacific National entered into a long term agreement for rail haulage. When combined with track capacity entitlements, this contract will provide sufficient rail capacity to meet Whitehaven’s existing growth plans and port capacity.
- An Implementation Memorandum (IM) regarding a system for providing access to additional port capacity at Newcastle was agreed by Newcastle Ports Corporation, PWCS and NCIG in April 2009 and subsequently approved by ACCC. Under this agreement, Whitehaven will have access to at least 9.5 Mtpa of port capacity from PWCS and NCIG stages 1 and 2.
- Consistent with this IM, Whitehaven formalized a contract with PWCS for a base tonnage of 3.6 Mtpa during the quarter.
- Construction of the new NCIG coal loading terminal (Whitehaven owns 11%) remains on track to ship its first coal at the end of March 2010.

### **Coal Reserves and Resources**

- Exploration and mine planning work has continued during the quarter and a revised JORC coal Resources and Reserves statement for Whitehaven will be provided to shareholders with the company’s interim financial results, in late February.

### **Corporate**

- Whitehaven was included in the ASX 200 index during the quarter. This follows a significant increase in trading in the company’s shares after the equity raising in July 2009.
- Whitehaven continued to generate strong cash flow from operations in the quarter. Cash on hand at 31 December was \$233 million with approximately \$84 million in equipment finance leases and other interest bearing liabilities.

- During the quarter, Whitehaven completed the transfer of its existing equipment leasing, bank guarantee and FX facilities to a syndicate comprising two Australian banks. Whitehaven currently has no bank debt.
- Tax payments of \$84m were paid during the quarter, including tax on the sale of two 7.5% interests in the Narrabri JV to EdF and J-Power.
- Cash on hand at December included \$79 million received from a Korean consortium comprising Daewoo International Corporation and Korea Resources Corporation as part of the sale of 7.5% interest in the Narrabri JV and contribution of capital expenditure.  
A further \$62.5 million is expected to be received by December 2010, subject to Narrabri Stage Two approval being obtained.
- Cash on hand at December together with outstanding cash to be received from previously announced sales of the Narrabri JV interests and cash from operations is expected to provide sufficient funding to complete the development of Narrabri and the expansion of Whitehaven's existing open-cut mines.
- Whitehaven had a total of approximately US\$357 million in forward US\$/A\$ exchange contracts at the end of September, at an average rate of 0.767 US\$:A\$. For the balance of FY 2010, Whitehaven has forward exchange contracts representing some 96% of expected fixed price US\$ revenue. The hedging profile at the end of December is as follows:

| <b><u>Currency Hedging at 31/12/09</u></b> |          | FY 2010 | FY 2011 | FY 2012 | Total |
|--|----------|---------|---------|---------|-------|
| Principal                                  | US\$m    | 151     | 194     | 12      | 357   |
| Rate                                       | US\$/A\$ | 0.7586  | 0.7703  | 0.8248  | 0.767 |

- During September, the Narrabri longwall was ordered. Approx. 70% of the longwall will be paid in Euro which has been hedged at an average rate of 0.5902 Euro:A\$.

Detailed production results for the second quarter of FY 2010 for Whitehaven Coal Limited (ASX: WHC) and its controlled entities are set out in the following table.

| Thousands of tonnes | Quarter Ending |        |          | Year to Date |        |          |
|---------------------|----------------|--------|----------|--------------|--------|----------|
|                     | Dec-09         | Dec-08 | % Change | Dec-09       | Dec-08 | % Change |

#### Gunnedah Operations (100%)

|                           |     |     |     |       |       |      |
|---------------------------|-----|-----|-----|-------|-------|------|
| ROM Coal Production       | 704 | 490 | 44% | 1,509 | 959   | 57%  |
| Saleable Coal Production  | 657 | 453 | 45% | 1,394 | 949   | 47%  |
| Sales of Produced Coal    | 677 | 441 | 54% | 1,338 | 827   | 62%  |
| Sales of Purchased Coal** | 249 | 266 | -6% | 448   | 573   | -22% |
| Total Coal Sales          | 927 | 707 | 31% | 1,786 | 1,400 | 28%  |
| Coal Stocks at period end | 289 | 242 | 19% | 289   | 242   | 19%  |

#### Werris Creek (100%)

|                           |     |     |     |     |     |     |
|---------------------------|-----|-----|-----|-----|-----|-----|
| ROM Coal Production       | 266 | 196 | 36% | 561 | 465 | 21% |
| Saleable Coal Production  | 263 | 225 | 17% | 570 | 466 | 22% |
| Sales of Produced Coal    | 256 | 182 | 41% | 541 | 425 | 27% |
| Sales of Purchased Coal** | -   | -   | -   | -   | -   | -   |
| Total Coal Sales          | 256 | 182 | 41% | 541 | 425 | 27% |
| Coal Stocks at period end | 102 | 107 | -5% | 102 | 107 | -5% |

#### Total Whitehaven Group (100%)

|                           |       |     |     |       |       |      |
|---------------------------|-------|-----|-----|-------|-------|------|
| ROM Coal Production       | 970   | 686 | 41% | 2,070 | 1,424 | 45%  |
| Saleable Coal Production  | 920   | 678 | 36% | 1,964 | 1,415 | 39%  |
| Sales of Produced Coal    | 933   | 623 | 50% | 1,879 | 1,252 | 50%  |
| Sales of Purchased Coal** | 249   | 266 | -6% | 448   | 573   | -22% |
| Total Coal Sales          | 1,183 | 889 | 33% | 2,327 | 1,825 | 27%  |
| Coal Stocks at period end | 391   | 349 | 12% | 391   | 349   | 12%  |

#### Gunnedah Operations (Equity Share)

|                           |     |     |     |       |       |      |
|---------------------------|-----|-----|-----|-------|-------|------|
| ROM Coal Production       | 582 | 372 | 57% | 1,246 | 711   | 75%  |
| Saleable Coal Production  | 548 | 329 | 67% | 1,155 | 685   | 69%  |
| Sales of Produced Coal    | 575 | 312 | 84% | 1,108 | 587   | 89%  |
| Sales of Purchased Coal** | 249 | 266 | -6% | 448   | 573   | -22% |
| Total Coal Sales          | 824 | 578 | 43% | 1,556 | 1,160 | 34%  |
| Coal Stocks at period end | 247 | 193 | 28% | 247   | 193   | 28%  |

#### Werris Creek (Equity Share)

|                           |     |     |     |     |     |     |
|---------------------------|-----|-----|-----|-----|-----|-----|
| ROM Coal Production       | 266 | 196 | 36% | 561 | 465 | 21% |
| Saleable Coal Production  | 263 | 225 | 17% | 570 | 466 | 22% |
| Sales of Produced Coal    | 256 | 182 | 41% | 541 | 425 | 27% |
| Sales of Purchased Coal** | -   | -   | -   | -   | -   | -   |
| Total Coal Sales          | 256 | 182 | 41% | 541 | 425 | 27% |
| Coal Stocks at period end | 102 | 107 | -5% | 102 | 107 | -5% |

#### Total Whitehaven Group (Equity Share)

|                           |       |     |     |       |       |      |
|---------------------------|-------|-----|-----|-------|-------|------|
| ROM Coal Production       | 848   | 568 | 49% | 1,807 | 1,176 | 54%  |
| Saleable Coal Production  | 811   | 554 | 46% | 1,725 | 1,151 | 50%  |
| Sales of Produced Coal    | 831   | 494 | 68% | 1,649 | 1,012 | 63%  |
| Sales of Purchased Coal** | 249   | 266 | -6% | 448   | 573   | -22% |
| Total Coal Sales          | 1,080 | 760 | 42% | 2,097 | 1,585 | 32%  |
| Coal Stocks at period end | 349   | 300 | 16% | 349   | 300   | 16%  |

\*\* sales of externally purchased coal

Whitehaven Coal Limited - ASX Quarterly - 31st December 2009

#### For further information, please contact:

Tony Haggarty – Managing Director  
Kate Kerrison – Kate Kerrison + Company

Tel: 02 8248 1257  
Tel: 0413 946 704  
Email: [kate@katekerrison.com.au](mailto:kate@katekerrison.com.au)