

Whitehaven Coal Limited Quarterly Report to 31 March 2010 (Q3 FY 2010)

HIGHLIGHTS

Thousands of tonnes	Quarter Ending			Year to date		
	Mar 2010	Mar 2009	% Change	FY 2010	FY 2009	% Change
ROM Coal Production – 100%	958	1,025	-7%	3,028	2,445	+24%
Saleable Coal Production - 100%	963	876	+10%	2,926	2,291	+28%
Total Coal Sales – 100%	1,202	1,159	+4%	3,529	3,003	+18%
Saleable Coal Production - Equity	853	763	+12%	2,578	1,914	+35%
Total Coal Sales - Equity	1,076	1,027	+5%	3,167	2,634	+2%

- Whitehaven continued its open-cut expansion during the quarter with saleable coal production of 0.963 million tonnes (Mt) for the March quarter (100% basis), up 10% on the previous corresponding period.
- Coal sales were 1.202 Mt for the March quarter (100% basis), up 4% on the previous corresponding period. These sales comprised 0.925 Mt of produced coal and 0.277 Mt of purchased coal. Export sales comprised 0.293 Mt of metallurgical coal and 0.883 Mt of thermal coal, with domestic thermal coal sales of 0.026 Mt.
- Coal production and sales for the quarter were affected negatively by wet weather in January and the derailment of a grain train in the lower Hunter Valley in March, however overall performance remained in line with plan for the quarter.
- Whitehaven's port capacity of 3.6 Mtpa at Port Waratah Coal Services (PWCS) remained a constraint during the quarter. However, the new NCIG coal export terminal at Newcastle, of which Whitehaven owns 11%, shipped its first coal in late March, as planned, and is now ramping up capacity.
- Construction of the Narrabri mine (Stage 1) progressed well during the quarter. However, as reported in January, tunnelling of the access drifts encountered unfavourably soft material which slowed progress. Tunnelling through this material was completed during the quarter and drilling and blasting through the conglomerate, which is immediately above the coal seam, has also progressed well.
- All three drifts are now five metres above the coal seam, with the first intersection of coal expected in the next few weeks. Narrabri's first coal production crew has commenced induction and training to be ready to take the first continuous mining unit underground in early June.



- An amended Stage 1 approval for Narrabri was received in March which allows construction of the Stage 2 coal preparation plant, ventilation shaft and other ancillary works to proceed. The full Stage 2 approval for longwall mining has progressed well through the NSW Government process and Whitehaven hopes to receive this approval in May.
- The Narrabri longwall was ordered in September 2009 for delivery in late 2010 and installation in mid-2011. The longwall specification allows for the retro-fitting of top coal caving equipment, should this high-seam mining method prove suitable for Narrabri.
- Most of the other Stage 2 equipment and construction contracts have now been tendered and awarded, including the contract for the coal preparation and handling plant (CHPP).
- The final design for the Narrabri CHPP plant includes a dense medium cyclone unit to allow the production of up to 40% of PCI coal. Construction of the plant is expected to take approximately 12 months.
- The previously announced agreement with Coal & Allied Industries Limited to acquire the Vickery assets was completed during the March quarter.
- Cash on hand at 31 March was \$164 million.
- Whitehaven had a total of approximately US\$374m in forward US\$/A\$ exchange contracts at the end of March, at an average exchange rate of AUD 1.00 = US\$ 0.7711.

COAL PRODUCTION

- Whitehaven's open-cut mines (Tarrawonga, Werris Creek, Rocglen and Sunnyside) were adversely affected by wet weather early in the March quarter, but performed well thereafter and are on track to achieve their target production levels.
- Work continued during the quarter to expand Whitehaven's open-cut mines and the Gunnedah CHPP to their combined design and permitted capacity of approximately 5.5 Mtpa of saleable coal.
- An additional excavator has been deployed at Werris Creek mine to boost overburden capacity and this machine will move permanently to Tarrawonga in late May to help increase Tarrawonga production to 2 Mtpa ROM.
- A tender for the upgrade to 550tph for the Gunnedah CHPP was issued in December with the contract awarded in February. This upgrade, scheduled for completion in July, will provide additional washing capacity and enhance Whitehaven's ability to optimise coal blending and revenue from its four open-cut mines.
- The open-cut mine and CHPP expansion is being implemented to coincide with the ramp-up of port capacity at NCIG.



COAL SALES

- Total coal sales of 1.202 Mt for the March quarter (100% basis) were up 4% on the previous corresponding period, with sales of 0.925 Mt of produced coal and sales of 0.277 Mt of purchased coal. Coal purchases are expected to continue to be a part of Whitehaven's sales profile for some time, in order to optimise coal quality and deliver committed tonnages.
- Metallurgical coal sales of 0.293 Mt for the quarter reflect a strong metallurgical coal market. Whitehaven's PCI price for the April to June quarter has been fixed at around US\$166/t FOB, with the current spot prices for metallurgical coal reported to be rising further. This compares the 2009 contract price of around US\$80/t FOB.
- Export thermal coal sales were 0.883 Mt for the quarter. Japanese term contract prices for thermal coal have been fixed at around US\$98/t for the Japanese fiscal year (April 2010 to March 2011), while the current spot price for Newcastle thermal coal is around US\$108/t FOB for calendar 2010. This compares to the 2009 contract price of around US\$70/t FOB.

NARRABRI DEVELOPMENT

- With the exception of the access drift tunnelling, construction of Narrabri Stage 1 is essentially complete. The three underground drift entries progressed slowly during the early part of the quarter, as very soft ground was encountered. Progress was much better during the latter part with drilling and blasting of the conglomerate which is immediately above the coal seam. All three drift entries are now five metres above the coal seam, from which point coal industry approved equipment and explosives must be used.
- A detailed review of surface to in-seam (SIS) gas drainage results at Narrabri over the last seven months was carried out during the quarter by Geogas and other experts. This review produced an updated model of in-situ gas content and drainage patterns. Gas drainage to date has been successful in reducing gas content substantially with most test samples now showing gas content below the required level. Gas drainage and testing is continuing ahead of the planned introduction of continuous miners in early June.
- All underground mining equipment is on site at Narrabri to enable initial production to commence. The first production crew has commenced induction and training to enable the first continuous miner unit to go underground in early June. Recruitment of the remaining workforce is continuing.
- 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 has resulted in additional costs for this component of the project, with total Stage 1 cost now expected to be approximately \$227m. Of the total Stage 1 cost, approximately \$30m (100% basis) remains to be invested.
- An amended Stage 1 approval for Narrabri was received in March which allows construction of the Stage 2 coal preparation plant, ventilation shaft and other ancillary works to proceed. The full Stage 2 approval for longwall mining has progressed well through the NSW Government process and Whitehaven hopes to receive this approval in May.



- The Stage 2 longwall equipment has been specified and ordered for delivery in the last quarter of calendar 2010, with installation underground scheduled for mid-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.
- Most of the other Stage 2 equipment and construction contracts have now been tendered and awarded, including the contract for the coal preparation and handling plant (CHPP).
- The final design for the Narrabri CHPP plant includes a dense medium cyclone unit to allow the production of up to 40% of PCI coal. Construction of the plant is expected to take approximately 12 months.
- Ongoing review of Stage 2 costs, including tendering for all major components of the work, has not identified any material change to the budget cost estimate of approximately \$300 million (100% basis).

OTHER BUSINESS DEVELOPMENT

- Whitehaven's agreement 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 was completed during the quarter. The Vickery assets acquired comprise Authorisation 406 (A406), Coal Lease 316 (CL316), approximately 3,450 ha of associated land and 399 megalitres per year of water licences.
- 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. 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, substantial open-cut and underground coal resources and reserves will be defined.
- Indications are that Vickery could provide Whitehaven with a significant increase in metallurgical coal reserves. There are nine coal seams contained within the Vickery tenements of which three, 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. In the near term, Whitehaven intends to focus on the exploration and definition of an open-cut area called Bluevale.



- Work is also 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.

INFRASTRUCTURE

- Whitehaven has entitlements to adequate track capacity to meet its current growth plans and 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.
- Whitehaven and Pacific National entered into a long term agreement for rail haulage in December. When combined with track capacity entitlements, this contract will provide rail capacity to meet Whitehaven's existing growth plans and port capacity.
- The new coal train ordered by Whitehaven in 2009 is now being delivered and is expected to be in service in June. This train will be operated by PN under lease from Whitehaven. A second new train will be provided by PN in late calendar 2010.
- 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 (3.6 Mtpa), NCIG Stage 1 (3.3 Mtpa) and NCIG Stage 2 (2.6 Mtpa).
- Construction of the new NCIG coal loading terminal (Whitehaven owns 11%) achieved its objective of shipping its first coal at the end of March 2010. The new port is now completing commissioning and ramping up throughput. It is currently expected to be able to operate at the rate of more than 20 Mtpa by the end of calendar 2010, with full capacity of 30 Mtpa being achieved in late 2011 following completion of dredging by BHP at its Hunter River Remediation Project site (HRRP).

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 annual financial results, in August.

CORPORATE

- Whitehaven was included in the ASX 200 index during the December quarter, following a significant increase in trading in the company's shares after the equity raising in July 2009. At present, Whitehaven has a market capitalisation of approximately \$2.7 billion dollars.
- Whitehaven continued to generate strong cash flow from operations in the quarter. Cash on hand at 31 March was \$164 million with approximately \$79 million in equipment finance leases and other interest bearing liabilities.



- Cash on hand at March 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\$374 million in forward US\$/A\$ exchange contracts at the end of March, at an average rate of 0.7711 US\$:A\$. The hedging profile at the end of March is as follows:

Currency Hedging at 31/03/10		FY 2010	FY 2011	FY 2012	Total
Principal	US\$m	69	212	93	374
Rate	US\$/A\$	0.7259	0.7664	0.8207	0.7711

Detailed production results for the third 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		
	Mar-10	Mar-09	% Change	Mar-10	Mar-09	% Change
Gunnedah Operations (100%)						
ROM Coal Production	674	736	-8%	2,183	1,691	29%
Saleable Coal Production	668	578	15%	2,062	1,528	35%
Sales of Produced Coal	650	613	6%	1,988	1,467	36%
Sales of Purchased Coal**	277	228	22%	725	788	-8%
Total Coal Sales	927	841	10%	2,713	2,256	20%
Coal Stocks at period end	235	307	-24%	235	307	-24%

Werris Creek (100%)

ROM Coal Production	284	289	-2%	845	754	12%
Saleable Coal Production	295	297	-1%	865	763	13%
Sales of Produced Coal	275	318	-14%	816	747	9%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	275	318	-14%	816	747	9%
Coal Stocks at period end	99	69	44%	99	69	44%

Total Whitehaven Group (100%)

ROM Coal Production	958	1,025	-7%	3,028	2,445	24%
Saleable Coal Production	963	876	10%	2,926	2,291	28%
Sales of Produced Coal	925	931	-1%	2,804	2,215	27%
Sales of Purchased Coal**	277	228	22%	725	788	-8%
Total Coal Sales	1,202	1,159	4%	3,529	3,003	18%
Coal Stocks at period end	333	375	-11%	333	375	-11%

Gunnedah Operations (Equity Share)

ROM Coal Production	562	602	-7%	1,808	1,309	38%
Saleable Coal Production	558	466	20%	1,713	1,151	49%
Sales of Produced Coal	524	481	9%	1,632	1,099	49%
Sales of Purchased Coal**	277	228	22%	725	788	-8%
Total Coal Sales	800	709	13%	2,356	1,887	25%
Coal Stocks at period end	207	265	-22%	207	265	-22%

Werris Creek (Equity Share)

ROM Coal Production	284	289	-2%	845	754	12%
Saleable Coal Production	295	297	-1%	865	763	13%
Sales of Produced Coal	275	318	-14%	816	747	9%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	275	318	-14%	816	747	9%
Coal Stocks at period end	99	69	44%	99	69	44%

Total Whitehaven Group (Equity Share)

ROM Coal Production	846	891	-5%	2,652	2,063	29%
Saleable Coal Production	853	763	12%	2,578	1,914	35%
Sales of Produced Coal	799	799	0%	2,448	1,846	33%
Sales of Purchased Coal**	277	228	22%	725	788	-8%
Total Coal Sales	1,076	1,027	5%	3,173	2,634	20%
Coal Stocks at period end	306	333	-8%	306	333	-8%

** sales of externally purchased coal

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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