# FULL YEAR RESULT FY2019

**15 August 2019**

## Record full year results

### FINANCIAL PERFORMANCE

Whitehaven Coal, the leading Australian producer of premium thermal and metallurgical coal, has reported a record net profit after tax before significant items of $564.9 million for FY2019.

Key financial performance metrics improved on the previous corresponding period (pcp):

- Sales revenue of $2,487.9 million, up 10%;
- Underlying EBITDA of $1,041.7 million, up 3%;
- Cash generated from operations of $964.1 million, up 4%;
- Net debt reduced to $161.6 million (excluding IFRS 16 lease liabilities) at 30 June 2019 with gearing at 4%;
- The Board has proposed to pay a dividend of 30 cents per share to shareholders to be comprised of an ordinary dividend of 13 cents per share, franked to fifty percent and a special dividend of 17 cents per share, unfranked; and
- Unit costs averaged $67/t in the full year modestly lower than the first half result with the rise for the full year due to a combination of factors including higher fuel prices, the high quality product strategy and the continued impact of short and medium term factors that were noted at the half year.

### OPERATING PERFORMANCE

Whitehaven produced a record 23.2Mt of ROM coal in FY2019 on a managed basis. Importantly, this was accomplished with an improved TRIFR for the year of 6.2, reflecting our belief that production growth is not sustainable unless it is accompanied by a strong safety focus.

Equity ROM and saleable coal production were 18.4Mt and 15.8Mt, respectively for FY2019 with coal sales including purchased coal reaching 17.6Mt, a record for the company. Costs of $67/t were in line with guidance for the year.

Whitehaven will release its 2019 Sustainability Report, including its responses to the recommendations of the Task Force on Climate-Related Financial Disclosures, in September.

### ECONOMIC AND SOCIAL CONTRIBUTION

During the year Whitehaven and its Joint Venture partners made significant contributions to the economies of New South Wales (NSW) and the northwest NSW region, including:

- $225.9 million paid to the NSW Government in mining royalties and a further $97.9 million paid in a range of taxes to state and federal governments;
- $333.9 million spent with local businesses including $1.8 million with Indigenous businesses;
- Donated $515k to local community groups including $60k for drought relief in the local region;
- Moved all local suppliers to industry-leading, 21-day payment terms;
- Committed $500k over three years to restore and preserve the gardens of the Kurrumbede homestead, once owned by the family of Dorothea Mackellar OBE.

### Commenting on today's record results, Whitehaven Coal Managing Director and CEO Paul Flynn said:

*"It is great to have delivered another record year of profit and continue a pattern of strong and consistent financial returns.*

*This year's record distribution and our full year payout ratio of 88% of NPAT before significant items honours our prior commitment to return surplus cash to shareholders.*

*With significant positive cash flow generated across the portfolio and debt all but eliminated, we are putting our strong balance sheet to work, progressing our two key development projects and investing in technology and expansion initiatives at our existing operations.*

*We are fast approaching a key transformation point in the evolution of Whitehaven that will give rise to a larger, more efficient and better-integrated enterprise, well positioned to take advantage of the demand for high quality coal in the Asian region."*

# FINANCIAL PERFORMANCE

## Key Highlights

- Net Profit after tax (NPAT) increased to $527.9m.
- Underlying EBITDA increased to $1,041.7m.
- Cash generated from operations increased to $964.1m.
- Net debt of $161.6m at 30 June 2019 and gearing reduced to 4%.
- Dividends of 50 cents per share declared for the year

| | FY2019 | FY2018* |
|---|---|---|
| | **$ million** | **$ million** |
| **Revenue** | **2,487.9** | **2,257.4** |
| | | |
| **Net profit after tax before significant items** | **564.9** | **524.5** |
| Significant items after tax | (37.0) | - |
| **Net profit after tax** | **527.9** | **524.5** |
| | | |
| **Underlying EBITDA** | **1,041.7** | **1,011.9** |
| Rehabilitation expense (see note 2.2 of the annual financial report) | (40.5) | - |
| Corporate development costs | - | (9.7) |
| **Statutory EBITDA** | **1,001.2** | **1,002.2** |
| Net interest expense | (32.9) | (33.1) |
| Other financial expenses | (8.0) | (7.1) |
| Depreciation and amortisation** | (224.4) | (203.1) |
| **Profit before tax** | **735.9** | **758.9** |

* The comparative period for FY2018 has been restated to give effect to IFRS 16 *Leases*. Refer to Note 1.5 of the annual financial report for more details on this change.

** Includes $12.3 million of accelerated depreciation recognised in connection with the replacement of the existing hydraulic cylinders with higher capacity hydraulic cylinders at the Narrabri mine. This has been disclosed in note 2.2 of the annual financial report.

Whitehaven delivered a record NPAT before significant items of $564.9m representing an increase of $40.4m compared to $524.5m in FY2018. The strong FY2019 NPAT result was underpinned by Underlying EBITDA of $1,041.7 million, an increase of $29.8 million compared to $1,011.9 million in FY2018.

The improvement in the Underlying EBITDA result was driven by an increase in the EBITDA margin on sales of produced coal to $66/t in FY2019, up on the $63/t margin (restated) achieved in FY2018. This improvement reflects the benefits of higher realised coal prices experienced during the year, particularly in respect of high calorific value thermal coal which represented 80% of total thermal coal sales volume in FY2019 partially offset by an increase in costs.

The key factors that contributed to the FY2019 NPAT before significant items result for the year include:

- Strong safety performance.
- Gross revenue increased to $2,487.9m in FY2019 from $2,257.4m in FY2018. The increase was driven by the increase in A$ realised prices to an average of A$145/t in FY2019 from A$130/t in FY2018. This was partially offset by a small decrease in total sales volumes (including purchased coal) from 17.3Mt in FY2018 to 17.2Mt in FY2019.
- The key drivers of A$ realised prices during the period were:

- The Newcastle GlobalCoal Index price averaged US$99/t for high quality thermal coal in FY2019 which was $1/t below the average recorded in FY2018, however Whitehaven made the decision to increase its production of high quality thermal coal which saw Whitehaven achieve an average realised price on thermal sales of US$100/t in FY2019, $2/t above the average realised price achieved in FY2018.
- The high quality of thermal coal from the Maules Creek mine achieved both quality and energy premiums relative to the Newcastle GlobalCoal Index price during the period. Sales of Maules Creek coal achieved an average premium of 9% above the GlobalCoal index price for the year.
- An increase in the proportion of metallurgical coal sales from 17% in FY2018 to 19% in FY2019 was underpinned by increased production of metallurgical coal at Maules Creek.
- The Group realised a US$4/t premium on sales of metallurgical coal during FY2019 relative to the average index price. The index averaged US$115/t in FY2019 or US$5/t below the average price in FY2018.
- A weaker AUD – the average AUD:USD exchange rate decreased to 0.72 in FY2019 from an average of 0.78 in FY2018.

- FOB costs of A$67/t in FY2019 have increased from A$58/t in FY2018 (restated for IFRS 16 Leases impact) and were impacted by strategic, structural and market factors. These include:

  *Strategic factors*

  - An increased focus on high quality thermal product due to the price spreads between high quality thermal coal and lower quality thermal coal. This has resulted in increased washing and lower yields relative to the prior year at Maules Creek.

  *Structural factors*

  - The impact of the depth of cover at Narrabri was fully felt in the Group results for FY2019. Deeper working impacted both development and longwall production rates while also requiring higher primary and secondary support intensity. Production at Narrabri was strong at the end of FY2019 and there are encouraging signs that the strategies and actions undertaken over the last 12 – 24 months have positively impacted performance.
  - Higher strip ratio at Tarrawonga in line with the natural progression of this mine.
  - FOB costs per tonne at the Maules Creek mine have increased as the pit continues to be expanded to facilitate optimised mining conditions for the long term. FOB costs per tonne are expected to fall in the medium term as haul distances and elevations benefit from increased in-pit dumping as the mine matures, and with the introduction of autonomous haulage systems.
  - Increased demurrage and under-utilised logistics costs arose due to contracted capacity volumes being above production volumes at various stages throughout FY2019. This was also impacted by the phasing of production over the course of the year, particularly at the Maules Creek and Narrabri mines. This impact is expected to moderate as production levels return to more consistent levels over the near to medium term.

  *Market factors*

  - An increase of approximately 16% in average crude oil prices in A$ terms fed into the cost of diesel used in production and transportation.
  - The strength in coal prices combined with a number of large infrastructure projects has increased the competition for skilled labour resources. This has had some impact on the ability to fill roles in a timely manner which has had some impact on operating productivity during FY2019.

Whitehaven's portfolio is expected to strengthen further in the coming years with development of the Vickery and Winchester South projects.

## CASH FLOW AND CAPITAL MANAGEMENT

| | FY2019 | FY2018* |
|---|---|---|
| **Cash Flow summary** | **$ million** | **$ million** |
| **Net cash from operating activities** | **916.4** | **892.1** |
| Investing cash flows | (193.8) | (384.9) |
| **Net free cash flow** | **722.6** | **507.2** |
| Financing cash flows | (714.9) | (482.5) |

| **Capital management** | **30 June 2019** | **30 June 2018*** |
|---|---|---|
| Net debt** | 161.6 | 270.4 |
| Undrawn syndicated facility | 840.0 | 725.0 |
| Gearing ratio (net debt/(net debt plus equity) (%) | 4% | 7% |

* The comparative period for FY2018 has been restated to give effect to IFRS 16 *Leases*. Refer to Note 1.5 of the annual financial report for more details on this change.

** Calculated in accordance with the senior facility covenant requirements and therefore excludes lease liabilities recognised for the first time upon adoption of IFRS 16 *Leases* of $134,111,000 (2018: $205,874,000)

Whitehaven holds a strong capital base to maintain investor, creditor and debt market confidence and ensure the business is well positioned to support attractive future growth opportunities.

Operating cash flows of $916.4m in FY2019 increased by 3% compared to FY2018. The increase in operating cash flows is largely due to the growth in Underlying EBITDA to $1,041.7 million in FY2019 and reflects the higher realised coal prices achieved during FY2019 relative to FY2018.

The increase in realised thermal and metallurgical coal prices in FY2019 is due to increased price premia relative to the prevailing Newcastle Global Coal Index price for thermal coal and the index price for semi soft coking coal. This is principally due to the decision to increase the production of high quality thermal coal to take advantage of the increasing demand for high energy, low ash thermal coal and the growing market awareness of the benefits of the Maules Creek metallurgical coals.

Interest payments were lower as loans and borrowings were reduced to $415.3m at 30 June 2019 from $588.1m at 30 June 2018.

Investing cash outflows of $193.8m in the year ended 30 June 2019 were $191.1 million lower than the $384.9 million outflow in FY2018. This was primarily due to the payment of purchase consideration in FY2018 for the Winchester South Project and Idemitsu's 30% interest in Tarrawonga. The FY2019 investing cash outflows include deferred consideration amounts paid for the above acquisitions, spend on the Winchester South Project in Queensland and expenditure to progress the Environmental Impact Statement required for Government approval of an expanded Vickery mine (10Mtpa). Growth capital was also allocated to the Tarrawonga expansion project to increase ROM coal production to 3.0Mtpa. Throughout the cycle Whitehaven has continued to allocate sustaining capital to each of its mines to maintain safe and productive operations.

Net debt at 30 June 2019 was $161.6m, a decrease of $108.8m from 30 June 2018. Gearing also decreased to 4% at 30 June 2019 from a level of 7% as at 30 June 2018.

The decrease in net debt was driven by the strong operating cash flow performance during the year. This has facilitated repayments of the senior facility, leases and the ECA facility totalling $630.0m. This was offset by a drawdown of $410.0m during the period.

Undrawn capacity of $840.0m under the senior bank facility existed at 30 June 2019.

The strength and resilience of Whitehaven's cash flow generation has driven strong returns to shareholders in FY2019. A final dividend of 27 cents per share was paid in respect of FY2018 and resulted in a total cash distribution to shareholders of $268 million in September 2018. An interim dividend in respect of FY2019 of 20 cents per share, $198 million in total, was paid in March 2019.

As a result of the strength of Whitehaven's balance sheet, its scale of operations, and its improved earnings and cash flow generation, Whitehaven is well placed to both expand operations from its existing portfolio of opportunities and to take advantage of external growth opportunities that may arise.

## CAPITAL EXPENDITURE GUIDANCE

| | | FY2019 Outcome | Guidance Range | Comment |
|---|---|---|---|---|
| **Sustaining Capital** | $'m | 47 | 44 - 48 | |
| **Narrabri Mains Development** | $'m | 31 | 28 – 32 | |
| **Growth Capital** | $'m | 103 | 95 – 105 | Excludes $13m of Tarrawonga expansion equipment to be financed in FY20 |

## SAFETY PERFORMANCE

The safety outcome for the Group improved over FY2019 with the TRIFR declining from 6.9 at the beginning of the year and ending at 6.2 on 30 June. The Group TRIFR remains well below the NSW coal mining average of 14.7.

As recent tragic events in Queensland have reminded us all, our working environments expose employees to risks that can have very serious consequences if not managed and mitigated properly. Every single member of our workforce should expect to be able to go home safely to their families and loved ones at the end of each day. This is why safety remains a critical component of our growth agenda and why we have redoubled our efforts to embed safe work practices into our culture and maintain the inversely proportional relationship between more tonnes and safety outcomes. Productivity and growth simply cannot come at the expense of safety and our latest 'Could it be you' safety campaign seeks to remind every Whitehaven employee and contractor of their individual responsibilities in this regard.

## OPERATING PERFORMANCE

### Consolidated Equity Production and Sales

| Whitehaven Total (000's t) | FY2019 | FY2018 | Movement |
|---|---|---|---|
| ROM Coal Production | 18,358 | 17,727 | 4% |
| Saleable Coal Production | 15,817 | 16,160 | (2%) |
| Sales of Produced Coal | 16,017 | 16,109 | (1%) |
| Sales of Purchased Coal | 1,615 | 1,256 | 29% |
| Total Coal Sales | 17,631 | 17,365 | 2% |
| Coal Stocks at Period End | 2,754 | 2,621 | 5% |

Note: Production, sales and stocks include Sunnyside volumes.

### Full year highlights

- Record ROM coal production of 18.4Mt, up 4% on pcp.
- A strong finish to the year at both Narrabri and Maules Creek enabled ROM coal production guidance to be exceeded.
- Coal sales of 16.0Mt of produced coal and 17.6Mt including purchased coal for the year.
- Increased premiums relative to the prevailing index price for both thermal and metallurgical coal.
- High coal inventories at both Maules Creek and Narrabri will support sales during the September quarter of FY2020.

## Maules Creek Mine

*Whitehaven 75% and Operator*

| Whitehaven Total (000's t) | FY2019 | FY2018 | Movement |
|---|---|---|---|
| ROM Coal Production | 11,720 | 10,953 | 7% |
| Saleable Coal Production | 9,200 | 9,664 | (5%) |
| Sales of Produced Coal | 9,309 | 9,641 | (3%) |
| Coal Stocks at Period End | 1,160 | 646 | 80% |

Maules Creek ROM coal production increased from 11.0Mt in FY2018 to 11.7Mt in FY2019. The reduction in saleable coal production in FY2019 relative to the results of FY2018 reflects the phasing of ROM coal production towards the back end of FY2019 as well as the yield loss associated with producing a higher quality thermal coal than was produced in FY2018. The phasing of ROM coal production in FY2019 resulted in significant ROM coal inventories being held at 30 June 2019. This coal will be processed during the first quarter of FY2020 and support coal sales during this period.

Management remains focussed on continuing to expand the open cut pit at Maules Creek to facilitate optimised mining conditions for the long term. This phase of the mine's life is characterised by out of pit dumping and a resulting increase in haul distances and haul elevation. These activities will underpin the continued expansion in ROM production towards the approved level of 13Mt per annum and importantly facilitate the consistent delivery of this production over the course of each year.

The marketing strategy was refined in FY2019 to focus upon three key products – a very low ash semi soft coking coal (SSCC), a low ash SSCC and a low ash, high energy thermal coal. The thermal coal product is expected to continue commanding significant price premiums relative to the Newcastle Global Coal Index price due to the combination of low ash (~10%) and high calorific value delivered to customers. This strategy has contributed to improve margins despite the increased costs associated with washing and lower product yields. This strategy has also streamlined certain activities at the mine by reducing the number of working stockpiles and simplified operations.

SSCC sales for the year were 2.3Mt representing 25% of total sales from the mine. With the premiums available on thermal coal combined with prevailing spot prices for SSCC, there was little incentive to produce and sell SSCC on the spot market. In the longer term we expect to increase sales of SSCC from the mine to about 50% of total production.

## Narrabri Mine

*Whitehaven 70% and Operator*

| Whitehaven Total (000's t) | FY2019 | FY2018 | Movement |
|---|---|---|---|
| ROM Coal Production | 6,447 | 6,289 | 3% |
| Saleable Coal Production | 5,630 | 5,840 | (4%) |
| Sales of Produced Coal | 5,705 | 5,760 | (1%) |
| Coal Stocks at Period End | 1,018 | 639 | 59% |

Narrabri ROM production increased marginally from 6.3Mt in FY2018 to 6.4Mt in FY2019. A strong June quarter ensured that revised full year ROM production guidance was exceeded. The June quarter ROM production result was encouraging given the longwall negotiated an extensive fault zone during this period.

To reduce the impact of weighting events, Whitehaven has employed a number of strategies which are having a positive impact. The more intensive primary and secondary support regime is a key component of this and has become the standard for new development in the working area of the mine that exceeds 250 metres depth of cover. The production rates achieved during the June quarter provide encouragement that the strategies adopted to mitigate the impacts of increased depth are having a positive impact.

Whitehaven has ordered a new set of larger capacity hydraulic cylinders to further increase the strength of longwall face support. The new cylinders are approximately 30% stronger than the current hydraulic cylinders. The new cylinders will be installed into the longwall roof supports at the next longwall changeout which is due to occur in the December quarter of 2019.

### Gunnedah Open Cut Mines

*Whitehaven 100%*

| Whitehaven Total (000's t) | FY2019 | FY2018 | Movement |
|---|---|---|---|
| ROM Coal Production | 5,055 | 5,683 | (11%) |
| Saleable Coal Production | 4,977 | 5,377 | (7%) |
| Sales of Produced Coal | 4,979 | 5,321 | (6%) |
| Coal Stocks at Period End | 1,172 | 1,689 | (31%) |

Note: Production, sales and stocks include Sunnyside volumes.

ROM and saleable coal production from the open cuts in FY2019 was 5.1Mt and 5.0Mt respectively. While production in FY2019 was lower when compared to FY2018 (ROM of 5.7Mt and saleable 5.4Mt), it was in line with planned production for the year. Inventories at Rocglen and Tarrawonga were drawn down to take advantage of the higher coal price environment.

During FY2019, the Board approved an expansion at Tarrawonga which will increase ROM coal production in FY2020 to its fully approved level of 3.0Mtpa. The expansion requires the purchase of a larger scale, more efficient mining fleet that is to be funded via asset financing facilities. The fleet will arrive and be mobilised during the first half of FY2020. Increasing the annual ROM production rate enhances the cash flows from the mine over the near to medium term.

The Gunnedah open cuts have provided a stable platform over the last five years which has assisted Whitehaven to develop both the Narrabri mine and the Maules Creek mine. Sunnyside is in its rehabilitation phase and the remaining Rocglen reserves were fully mined out during FY2019. Rocglen entered the rehabilitation phase in the final weeks of FY2019.

The Sunnyside and Rocglen rehabilitation programmes are important as they will provide stakeholders with an example of contemporary mine site rehabilitation.

### Vickery Extension Project

In August 2018, Whitehaven lodged the Vickery Extension Project Environmental Impact Statement (EIS) with the Department of Planning, Industry and Environment (DPIE). The DPIE reviewed the EIS and it was placed on public display in September 2018 and available for public inspection and comment for six weeks until late October 2018.

In September 2018, the NSW Minister for Planning referred the Project to the NSW Independent Planning Commission (IPC), which subsequently formed a panel of three commissioners. The DPIE prepared an Issues Paper for consideration by the IPC panel and the IPC held a public hearing during February 2019 in Boggabri and in Gunnedah. The IPC, as well as holding the two February 2019 town hall style meetings, accepted written submissions. More than 75% of written submissions supported Whitehaven's Vickery Extension Project.

Following receipt of the DPIE paper, the written responses and the two town hall style meetings, the IPC released its Issues Report in April 2019. Whitehaven is progressively working through the IPC's issues report and expects to complete its work shortly. Once Whitehaven has responded satisfactorily, the DPIE will prepare a whole-of-government report on the Project for the IPC's final review and to inform its determination.

The New South Wales Government has a stated objective to complete assessments in less than 500 days. Whitehaven currently expects to receive the IPC's determination early in calendar year 2020 and that the project will be approved given strong local community support for the Project and the fact that it offers significant additional economic and community benefits compared to the already-approved Vickery Coal Project.

In June, Whitehaven commenced site works in relation to the approved 4.5mtpa Vickery Coal Project. This site work is now complete. A drilling programme has commenced to determine the line of oxidation in relation to the first coal seam to be exposed. This drilling will be used to refine the position of the box cut for the Vickery open cut mine.

### Winchester South Project

Whitehaven completed its acquisition of the Winchester South project in the June 2018 quarter and it has quickly moved the project along the development path. A project director with extensive coal mining experience and a small technical team have been appointed to take the project through the Queensland and Federal Government approval processes.

Earlier this calendar year, ground work necessary to prepare the environmental impact statement commenced (including ecological and baseline data collection studies).

Following receipt and assessment of the technical data on the project, Whitehaven released its JORC Resources for Winchester South to the ASX on 25 October 2018 (available at www.whitehavencoal.com.au). The JORC Resources for the project were 530Mt. The Resources calculation from 25 October has also seen a large increase in the combined total of Measured and Indicated Categories from 277Mt to 430Mt.

As part of the evaluation process and for use in project planning, Whitehaven completed a comprehensive drill programme in the June 2019 quarter. The programme was designed to confirm coal quality data specifically in relation to metallurgical coal qualities. The data from the drilling will assist Whitehaven to design the CHPP and other associated infrastructure while also further defining the JORC Resources and ultimately the Reserves of the project. Drill core from the drilling programme is being tested with the results due in H1 FY2020.

Early in CY2019 an Initial Advice Statement was lodged with the Queensland Coordinator-General seeking a Coordinated Project declaration under the *State Development and Public Works Organisation Act 1971.* A significant milestone was achieved for the project during the June quarter with the declaration of the project as a Coordinated Project by the Queensland Coordinator-General. The declaration paves the way for a whole-of-government assessment of the project by way of an environmental impact statement. For full details see the ASX Release dated 18 April 2019.

Another round of drilling will commence in early FY2020 with the aim of enhancing the geological confidence of the project ahead of detailed mine planning and project optimisation. Detailed mine planning for the project continues ahead of the determination of the JORC Reserves scheduled for later in the CY2019.

## INFRASTRUCTURE

### Overview of Infrastructure and Logistics

In order to deliver our products to market, Whitehaven contracts rail track capacity, rail haulage and port capacity with each of the providers of these services. As production has grown and with imminent growth from Vickery, Whitehaven's future requirement for infrastructure will make Whitehaven one of the largest infrastructure users in the New South Wales rail and port systems.

#### Rail Track

Whitehaven contracts rail capacity with the Australian Rail Track Corporation (ARTC). The capacity framework that governs this contract is into its second term. We continue to work with ARTC to expand effective capacity within the Gunnedah Basin without requiring additional rail infrastructure through improved operating efficiencies and investment in new information technology systems. The objective of this work is to improve supply chain productivity and increase train path availability.

Preliminary negotiations have begun on obtaining access to the Goonyella rail network for the Winchester South project. The rail network is owned by Aurizon.

#### Rail Haulage

We have rail haulage contracts with each of the major rail haulage providers, Pacific National and Aurizon. These contracts have an expiry date in 2026. They provide for the haulage of all currently projected expansion tonnes before Vickery. We are able to align planned increases in production with contract rail haulage capacity by giving notice to the rail providers of the need for additional capacity. This supports the planned increases in our managed production levels, whilst minimising fixed cost exposure.

#### Port Capacity

We maintain contracts at the Port of Newcastle with both terminal operators, Newcastle Coal Infrastructure Group and Port Waratah Coal Services that support all planned shipments. To provide for the forecast production ramp up over the next five years we will secure surplus capacity available at the port. This is sufficient to allow for both short-term surge and long-term annual shipping requirements.

Early talks have commenced with a number of coal producers who may have excess port capacity with the aim of securing port capacity for the Winchester South Project.

## GUIDANCE FOR FY2020 AND OUTLOOK

### Production Guidance

| Production (Whitehaven Group Managed) | | Range | Comment |
|---|---|---|---|
| ROM Coal Production | Mt | 22.0 – 23.5 | Production weighted to second half (H2 60%) |
| Maules Creek | Mt | 12.0 – 12.5 | |
| Narrabri | Mt | 6.0 – 6.5 | Longwall change-out scheduled for the December 2019 quarter |
| Gunnedah Open Cuts | Mt | 4.0 – 4.5 | Rocglen closed, Tarrawonga ramping up to 3.0Mt ROM |
| Managed Coal Sales | Mt | 20.0 – 21.0 | |
| Cost of Coal | $/t | 70 | Higher strip ratios (Maules Creek and Tarrawonga), lower yields at Maules Creek (deeper seams) |

### Capital Guidance

| | | Range | Comment |
|---|---|---|---|
| **Sustaining Capital** | $'m | 55 - 63 | |
| **Narrabri Mains Development** | $'m | 22 – 26 | Current Narrabri mains development completed in FY2021 |
| **Expansion and Growth Capital** | | | |
| Operating Mine Projects | $'m | 50 - 58 | Tarrawonga expansion to 3.0Mtpa, Narrabri hydraulic cylinders and Maules Creek AHS project |
| Growth Projects | $'m | 95 - 105 | Vickery, Winchester South and Narrabri Stage 3 |

### Outlook

Thermal coal markets and prices have softened due to a number of factors – low seaborne LNG prices, Chinese import restrictions and the negative impact on global GDP from trade tensions between the United States and China.

The decline in gas prices in Europe from US$9/GJ in September 2018 to US$3/GJ in June 2019 has led to power generators switching from coal to gas in those markets where this is possible, causing demand for coal to fall in the region.

While power demand in China continues to grow, increased rainfall has led to more power generated by hydro-electricity, combined with increased installed wind and solar capacity and increased coal fired power generation in central and western parts of China. With growing domestic coal production and reduced demand from the coastal regions, coal imports declined.

Whitehaven's target markets for thermal coal of Japan, Taiwan, Korea and the broader South-East Asian region continue to exhibit increasing demand for high energy, low ash thermal coal. While Whitehaven does not export thermal coal into the Chinese market, Chinese import customs clearance delays and negative sentiment arising from trade tensions between the United States and China has contributed to weaker thermal coal index prices during 2019. Central banking authorities are acting to stimulate economic activity.

With the benefit of both good weather and good prices, seaborne coal supply from Indonesia, Russia and Australia has increased year on year. With the softening of prices in the first half of 2019 the market is expected to rebalance as high cost producers moderate production. Exports from swing producers in the United States and Colombia have declined given the price environment. CRU estimates that exports from those two countries will fall by 21Mt and 5Mt respectively in 2019. Over the course of the period since mid-2016, there has been little new large scale production added to global thermal coal supply. With seaborne LNG trading below breakeven levels for new supply, some rebalancing can be expected to occur in this market as well.

The short term outlook for metallurgical coal has weakened in the face of lower margins in steelmaking. However, the longer term outlook remains healthy with steel production holding up well in several countries (India, China and Japan) which are dependent upon the seaborne market to meet coking coal needs.

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