



# Whitehaven Coal Limited AGM 2014

A year of delivering on targets

Sydney, Australia  
28 October 2014



# Disclaimer



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The presentation of certain financial information may not be compliant with financial captions in the primary financial statements prepared under IFRS. However, the company considers that the presentation of such information is appropriate to investors and not misleading as it is able to be reconciled to the financial accounts which are compliant with IFRS requirements.

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

# Agenda



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**Coal and its future**

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**Financial Highlights**

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**Community Contribution**

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**Target Delivery**

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**Safety**

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**Sales and Production**

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**Narrabri**

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**Maules Creek**

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**Vickery & Production Growth**

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**Conclusion**

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Our goal



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

Coal is the power energizing the world  
Our energy needs in perspective: In just one day...



Global population  
will increase by  
**210,000**



**85,000+**  
People will move to cities  
in **China** and **India**



**1,100,000**  
People open  
an internet account



**225,000**  
New cars will be sold

**21** million  
**metric  
tons**  
of coal will  
be used



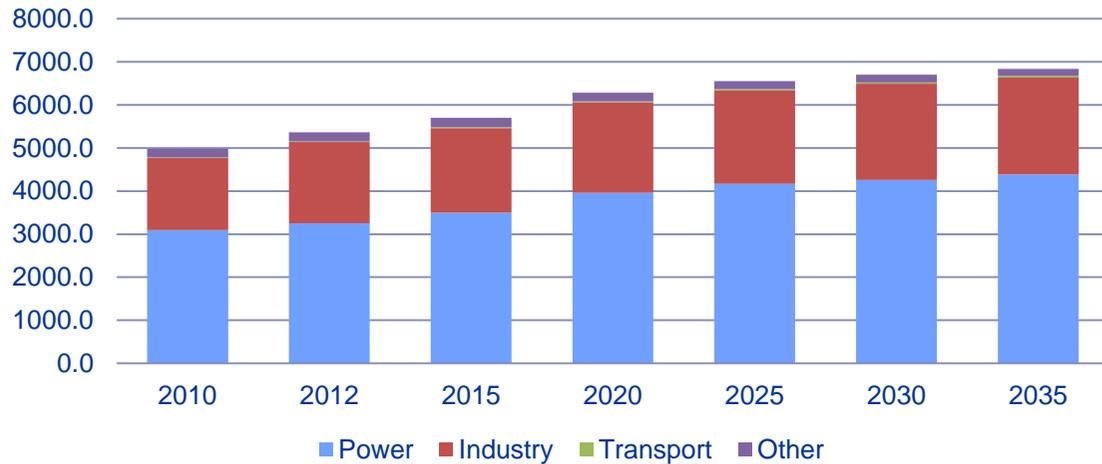
**950,000**  
Twitter accounts  
will be opened

Sources: Oxfam; UN Development Programme; Internet World Stats 2013; Wards Auto; International Energy Agency; The Next Web.

# Coal's growing role in global energy



## World Demand for Coal (Mtce)



Source: BP Energy Outlook to 2035, 2014

Nearly 3.5 billion people in the world have limited or no access to electricity

Coal is the lowest cost source of electricity for many countries around the world

BP expects world coal demand to increase by 1.5Bt from 2012 to 2035 when coal demand is expected to reach 6.8Btpa

A significant portion of the demand growth (1.1Bt) will come from increased electricity generation in developing countries as those countries lift their population out of poverty

**“For many parts of the world, fossil fuels are still vital and will be for the next few decades, because they are the only means to lift people out of the smoke and darkness of energy poverty”**

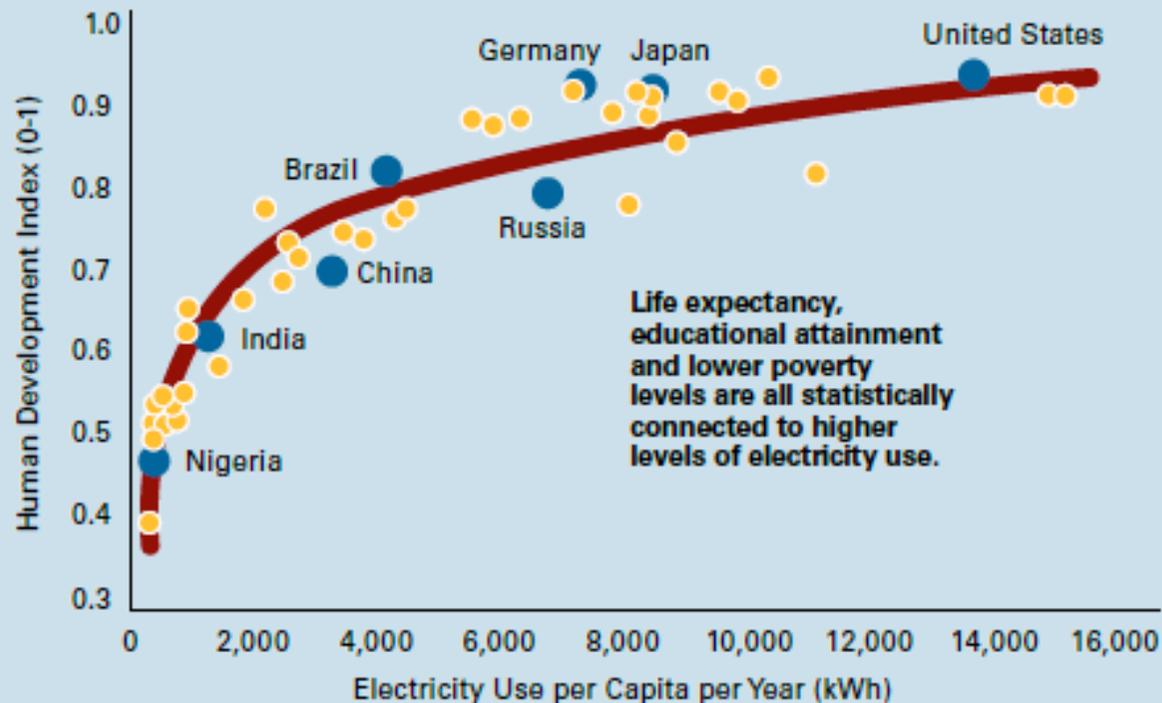
Bjorn Lomborg, political scientist, economist and founder and president, Copenhagen Consensus Center

**Coal a major component of the world energy mix**

# The case of India

## Greater Electricity Use Extends Longevity

### United Nations Links Affordable Energy To Quality Of Life



Source: The World Bank Development Indicators, 2012; United Nations, Human Development Index, 2012.

In India more than 700 million people lack access to modern power for lighting, cooking, water pumping and other productive purposes

### Sources of electricity by 2030 in India

- Wind & Solar 8%
- Nuclear, Hydro & Biomass 29%
- Coal 63%

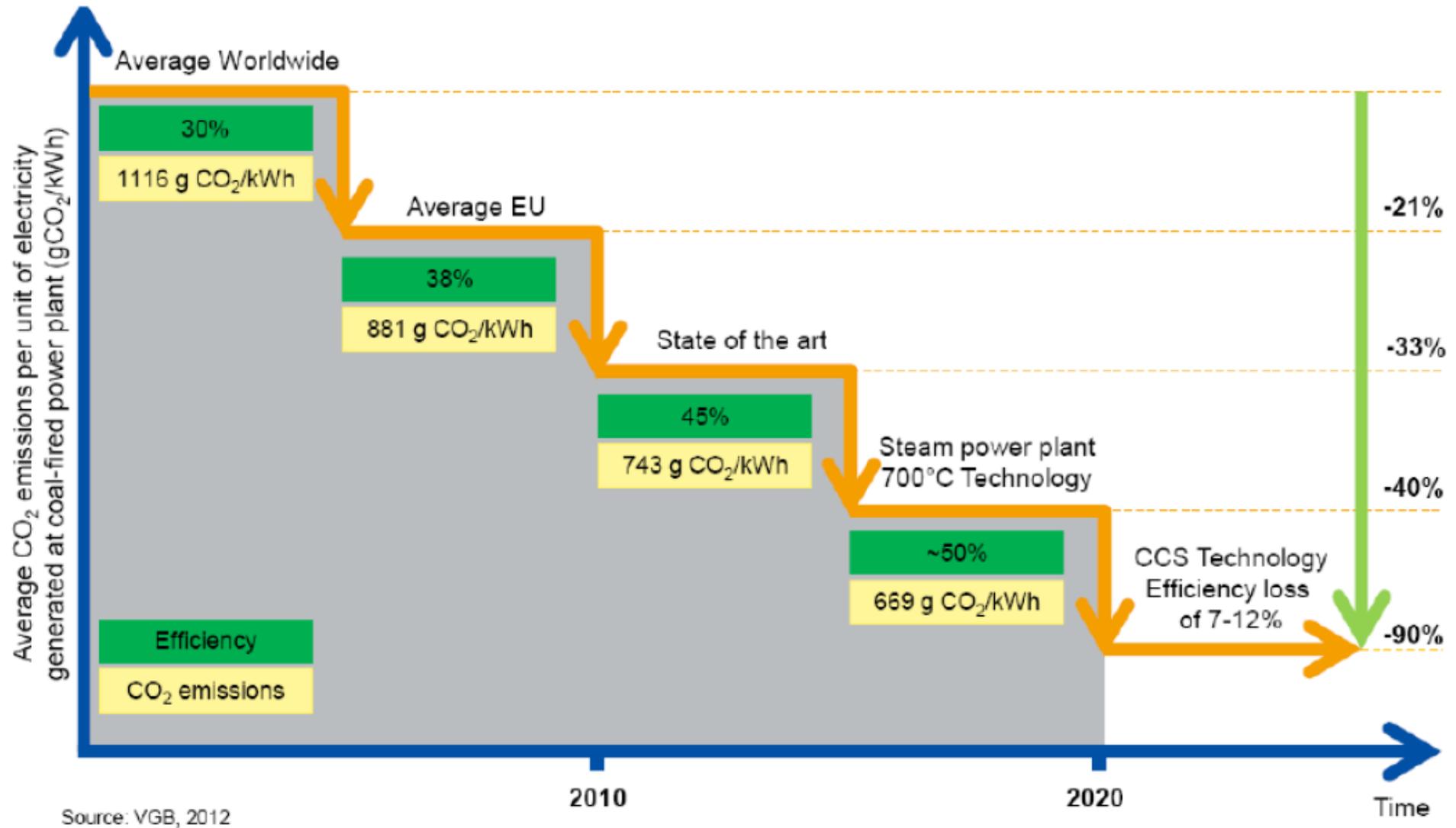
The cost of solar electricity is estimated to be more than six times the cost of coal generated electricity

“India and developing countries have the right to grow. These are emerging economies ... Unless we eradicate poverty, we cannot really address climate change. To that end, we need to grow. Our net emissions may increase.”

Prakash Javadekar, Indian Environment Minister

**Coal will be a significant component of India's energy mix**

# Improving technology



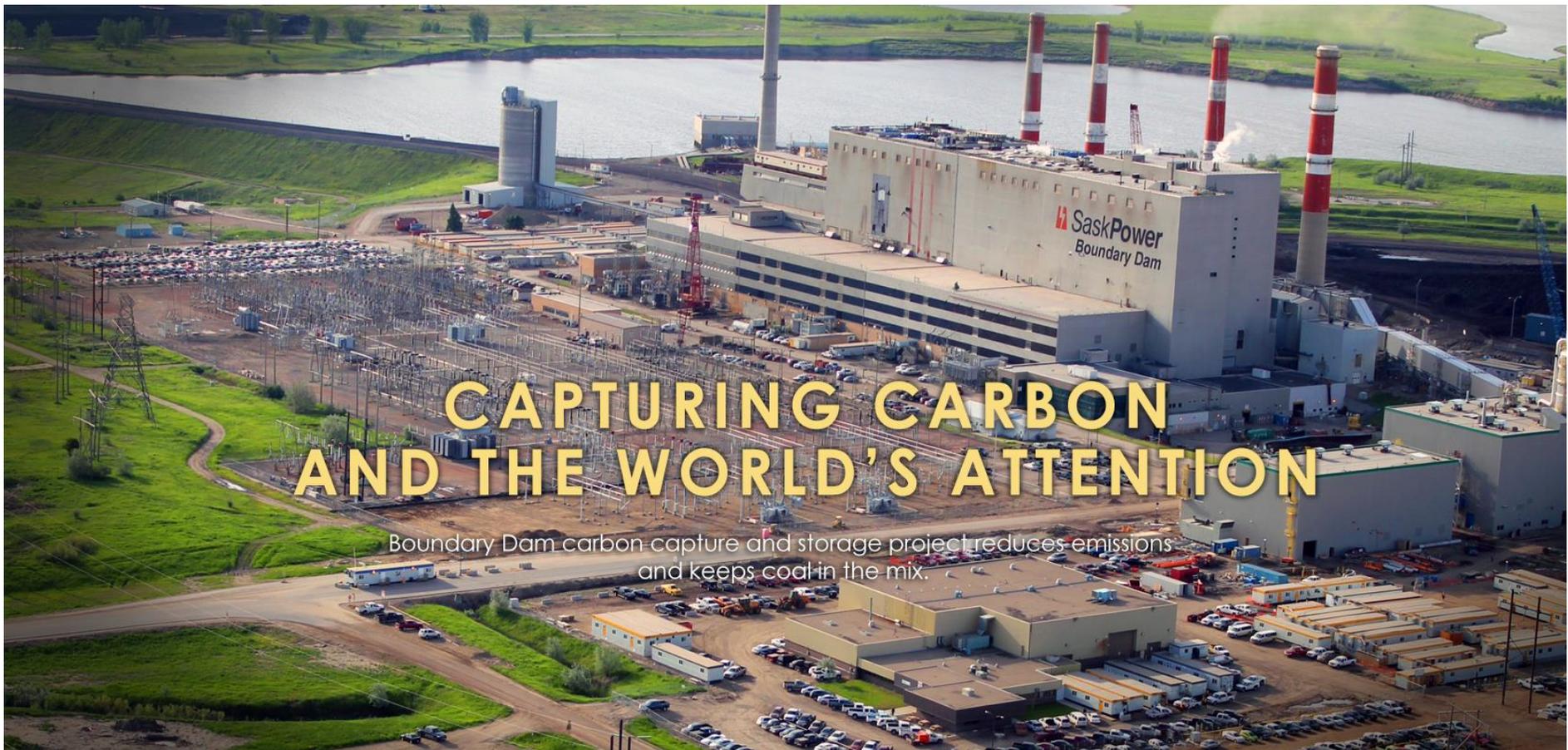
**New technology is reducing carbon emissions from coal fired plants**

# CCS is “commercial”



SaskPower, a large Canadian power generation company has just brought online the world’s first commercial CCS facility in Canada

The plant will capture 100% of SO<sub>2</sub> and 90% of CO<sub>2</sub> emissions and provide power for 100,000 homes



**CCS can deliver a future for coal fired power stations**

# Australian political support



“Energy is what sustains prosperity and coal is the world’s principle energy source and it will be for many decades to come” and

“Coal is good for humanity, coal is good for prosperity, coal is an essential part of our economic future, here in Australia and right around the world”

**The Hon Tony Abbott, the Prime Minister of Australia**

“There is no solution to global base-load power generation that does not feature a major role for coal. Coal fired power generation has assisted in lifting over 500 million people – principally in China – out of poverty and providing them with higher standards of living. It is a critical part of our portfolio of export minerals”

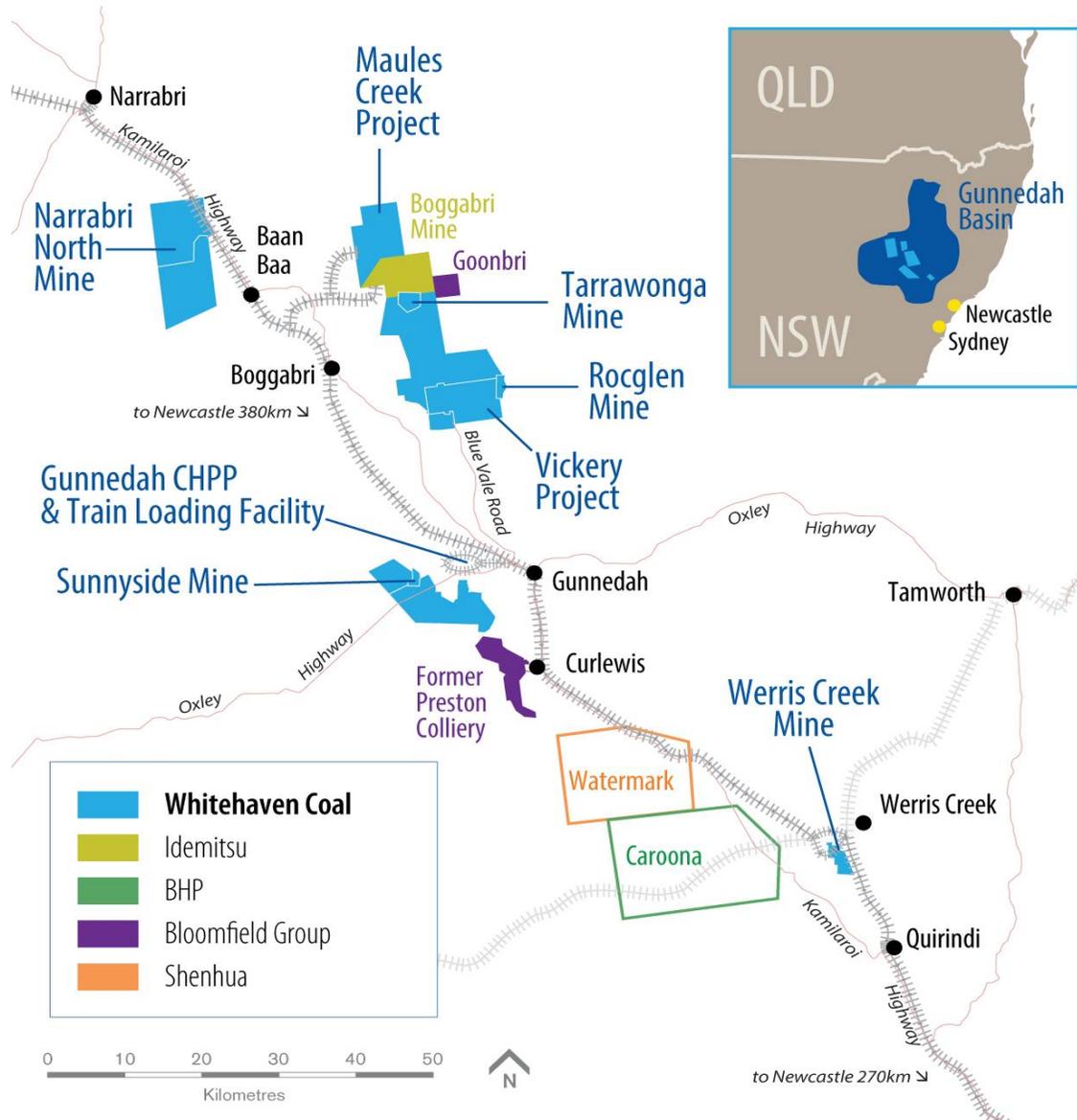
**The Hon Gary Gray, ALP Energy and Resources spokesman**

“We are exporting coal so that nations can lift their people out of poverty and that is a fundamental point. We are exporting gas, we are exporting coal, we are exporting uranium. I mean, it is easy to sit in a nice studio here in Britain and reflect on you know, what climate change is and what energy is but fundamentally, when people haven’t got electricity, they haven’t got clean water, they want what Australia has and we stand prepared to get it to them ”

**The Hon Joe Hockey, Treasurer of Australia**

**Political support is broadly based**

# Where we operate



## Maules Creek (75%)

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

## Narrabri North (70%)

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

## Tarrawonga (70%)

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

## Rocglen (100%)

- Reserves to support ~ 3 years
- Permitted & Planned to 1.5 Mtpa ROM
- Mainly thermal coals

## Vickery (100%)

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

## Gunnedah CHPP (100%)

- Permitted to 4 Mtpa

## Werris Creek Mine (100%)

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

**First mover advantage in the Gunnedah Basin**

# Community contribution

Whitehaven currently employs over 655 people with 74% living in the region around its operating mines

Wages paid to employees in the region were over \$80 million in FY2014 and will increase in FY2015

First phase recruitment for Maules Creek has been completed with over 1,800 applications received in the first week

Whitehaven is focused on widening the diversity of the workforce and will actively increase diversity by hiring women and aboriginal employees when recruiting for the Maules Creek project

Voluntary Planning Agreements with local Councils worth over \$25.5 million to provide for infrastructure and community projects

Donations and sponsorships of over \$150,000 provided to local community groups in FY2014

Apprentices programme in place with local students across mine sites



Road improvement under VPA with the local council

**Contributing to the local community**

# Aboriginal engagement



Whitehaven has developed an Aboriginal Engagement Strategy to build on and enhance relationships with the Aboriginal community in which it operates

During FY2014 Whitehaven employed a dedicated Aboriginal Community Relations Officer

At the Maules Creek project the company worked with more than 190 Registered Aboriginal Parties during the year and facilitated contractor employment of 9 Aboriginal people to work on construction of the project

Our investment in cultural heritage preservation during the year was \$5.4m covering activities such as salvage work, Walk-on-Country and archaeological-related cultural heritage work

Whitehaven set a target for 10% of the 400-strong Maules Creek workforce to come from the local aboriginal community within five years and achieved 10% in the first round of recruitment



Whitehaven donated \$40,000 to the Winanga-Li Aboriginal Child and Family Centre for the purchase of the centre's existing mini bus at lease expiry

**Economic benefits flowing to the local community**

# Delivering on targets



## TARGETS FY2014

## OUTCOME

Improve safety performance at all operations

Lowest group TRIFR rate in 5 years

Ensure current operations are performing to plan

Record production at three mines

Reduce costs

Fully absorbed costs declined by 9% for the year

Overcome quality issues in Narrabri thermal coal

All thermal coal produced by Narrabri achieved Newcastle benchmark specifications or better

Complete Werris Creek Mine expansion

Mine operating rate exceeded new capacity of 2.5Mt by year end

Legal challenges to Maules Creek project approval resolved

Maules Creek construction on time and on budget

Commence construction of Maules Creek project

Construction started in late December and project 75% complete

Revise debt covenant test dates

Successfully realigned covenant test dates with banking syndicate

Maules Creek Marketing

Opened a representative office in Tokyo

**Achieving milestones and targets**

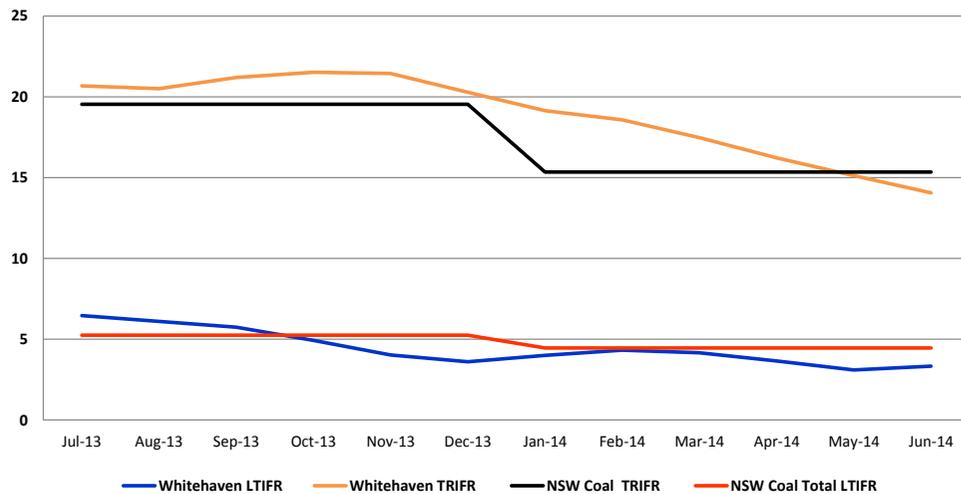
# Safety performance



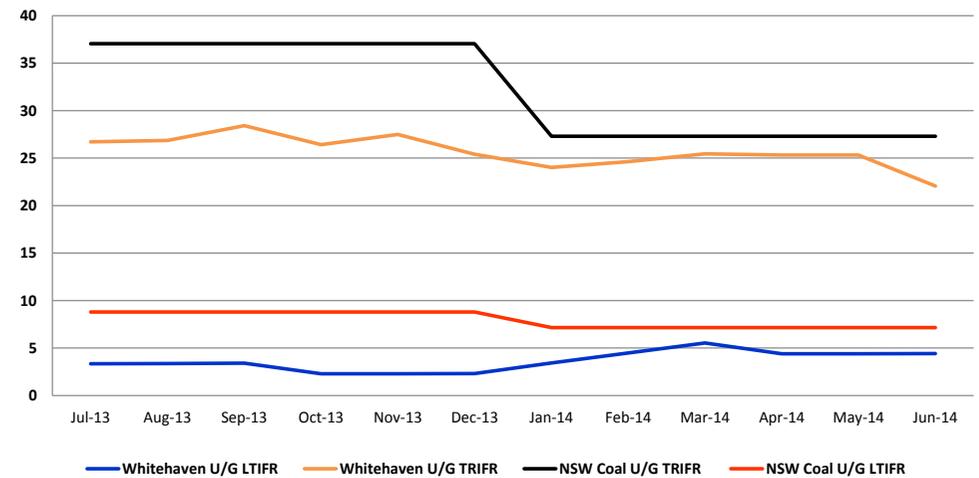
Introduction of Whitehaven's "Safehaven Rules" during the year is delivering improved safety performance as evidenced by a 30% decline in the TRIFR and a 40% reduction in the LTIFR from the previous year

Achieved lowest group wide TRIFR rate for 5 years of 14.06 below the NSW average of 15.35

Whitehaven Coal Group 12 Month Rolling Average



Whitehaven Coal Underground 12 Month Rolling Average



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

**Safety performance continues to improve**

# Financial highlights for FY2014



Headlines	FY2014	FY2013	Comment
EBITDA before significant items (\$'m)	90.4	17.1	<ul style="list-style-type: none"> <li>▪ Significant improvement from previous year</li> </ul>
Operating cash flow (\$'m)	108.6	(32.3)	<ul style="list-style-type: none"> <li>▪ Increase in line with EBITDA growth and reduced coal purchases</li> </ul>
Average unit cost per tonne excl. significant items (\$ / tonne)	69	76	<ul style="list-style-type: none"> <li>▪ Significant improvement from increased production and cost savings achieved across entire supply chain</li> </ul>
Net debt (\$'m)	685.2	471.6	<ul style="list-style-type: none"> <li>▪ Reflects senior facility drawings of \$180m and finance leases relating to Werris Creek expansion</li> </ul>
Gearing (%)	18%	13%	<ul style="list-style-type: none"> <li>▪ Gearing remains modest</li> </ul>

**Improved results in FY2014**

# Costs are falling



		H2 FY2014	H1 FY2014 <sup>(1)</sup>	FY2014	FY2013 <sup>(1) (2)</sup>
<b>Coal Sales (equity basis, excl. purchased coal)</b>	'000t	<b>3,913</b>	<b>4,302</b>	<b>8,215</b>	<b>5,994 <sup>(3)</sup></b>
Average revenue (excl. purchased coal & net of NSW royalties)	\$A/t	77	81	79	79 <sup>(3)</sup>
<b>Average cost of sales (excludes significant items)</b>	<b>\$A/t</b>	<b>67</b>	<b>71</b>	<b>69</b>	<b>76 <sup>(4)</sup></b>
EBITDA Margin on Coal Sales	\$A/t	10	10	10	2
<b>EBITDA Margin on Coal Sales</b>	<b>%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>3%</b>
Unutilised Take or Pay charges for port and rail included above	\$A/t	2	2	2	3
<b>Average cost of sales (excludes significant items and Take or Pay)</b>	<b>\$A/t</b>	<b>65</b>	<b>69</b>	<b>67</b>	<b>73</b>

Note 1: H1 FY 2014 and FY2013 adjusted to reflect presentation of Narrabri mains amortisation costs in the amortisation line (i.e. excluded from mining costs)

Note 2: FY2013 cost restated to reflect change in OBIA policy following introduction of IFRIC 20

Note 3: Excludes revenue capitalised from Narrabri development of \$24.3m

Note 4: Excludes costs capitalised from Narrabri development of \$28.0m

Average revenue per tonne was flat with coal price reduction offset by weakening in the A\$

Fully absorbed unit costs continue to decline

Further cost reductions expected in FY2015

Cost efficiencies fundamental to improvement in EBITDA margin

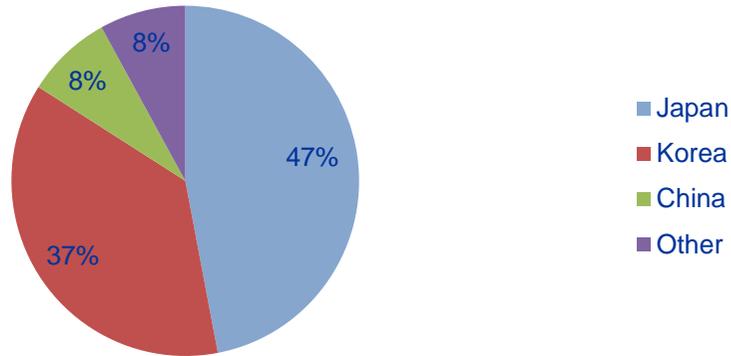
Whitehaven well positioned to meet target of over 85% of production being positioned in lowest quartile of cost curve

**Further cost reductions anticipated for FY2015**

# Sales destination – premium markets



## Thermal Coal Sales 2014

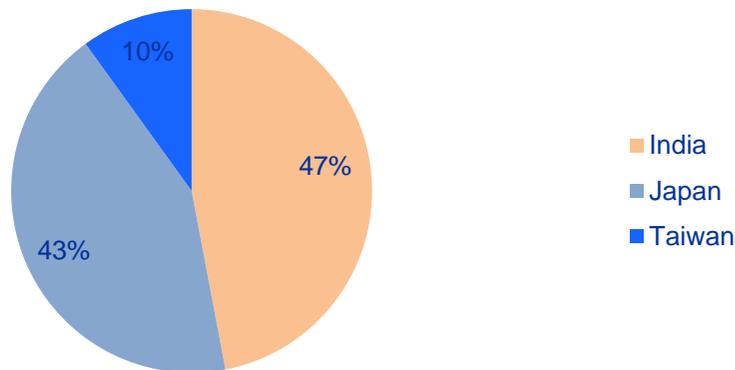


Japan and Korea are key markets for Whitehaven coal

Thermal coal sales in FY2014 were 8.9Mt (100% basis) including purchased coal with most sold into the premium Asian markets

Metallurgical coal sales totalled 2.0Mt (100% basis) in FY2014 with PCI and SSCC coal sourced from Narrabri, Tarrawonga and Werris Creek

## Metallurgical Coal Sales 2014



The proportion of SSCC and PCI coal in the sales mix will increase from about 20% up to 40% as Maules Creek ramps up to full production

All Whitehaven's coal sales exceed the quality levels recently introduced by China

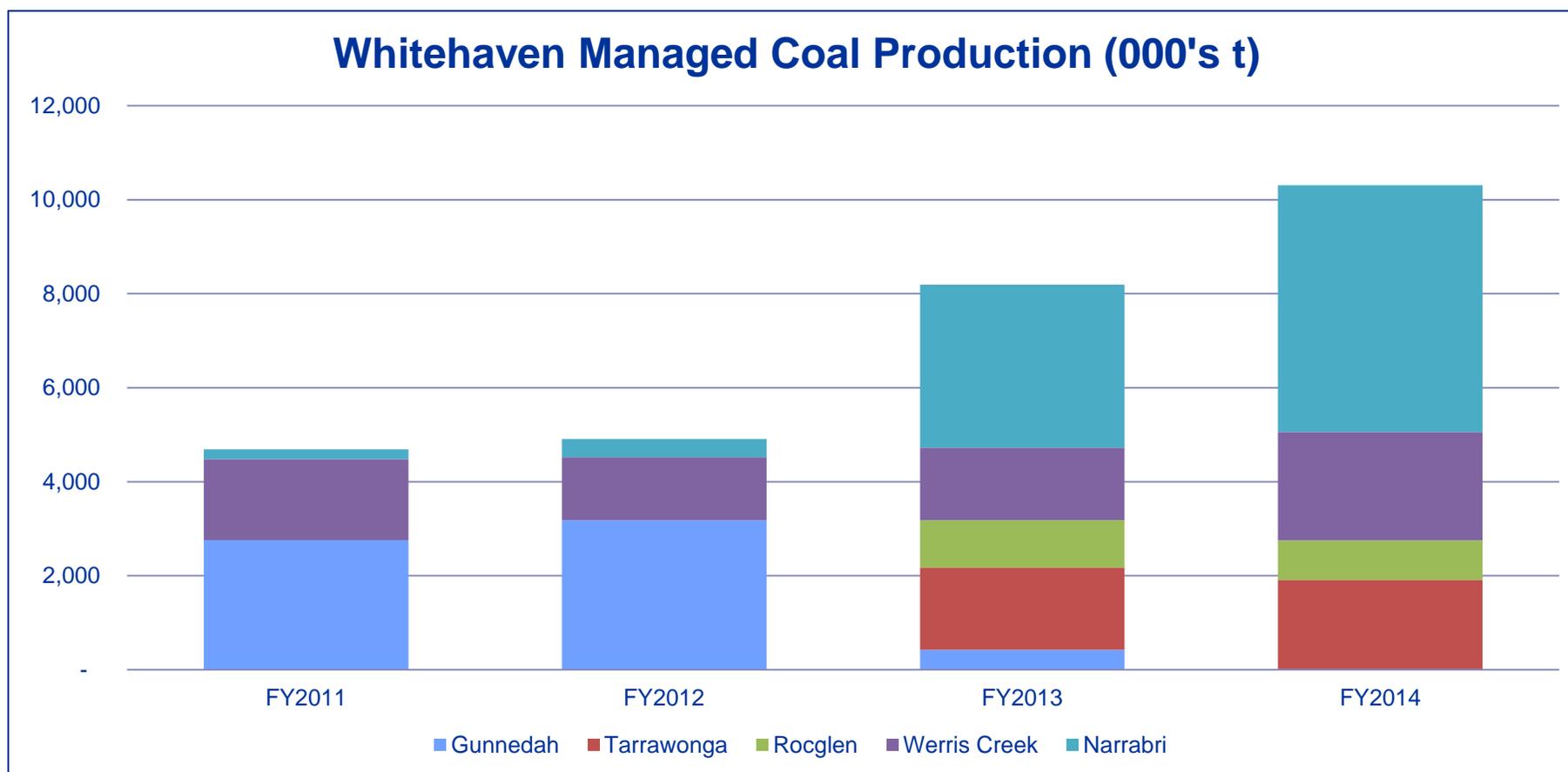
Coal sold into premium Asian markets

# Record saleable coal production



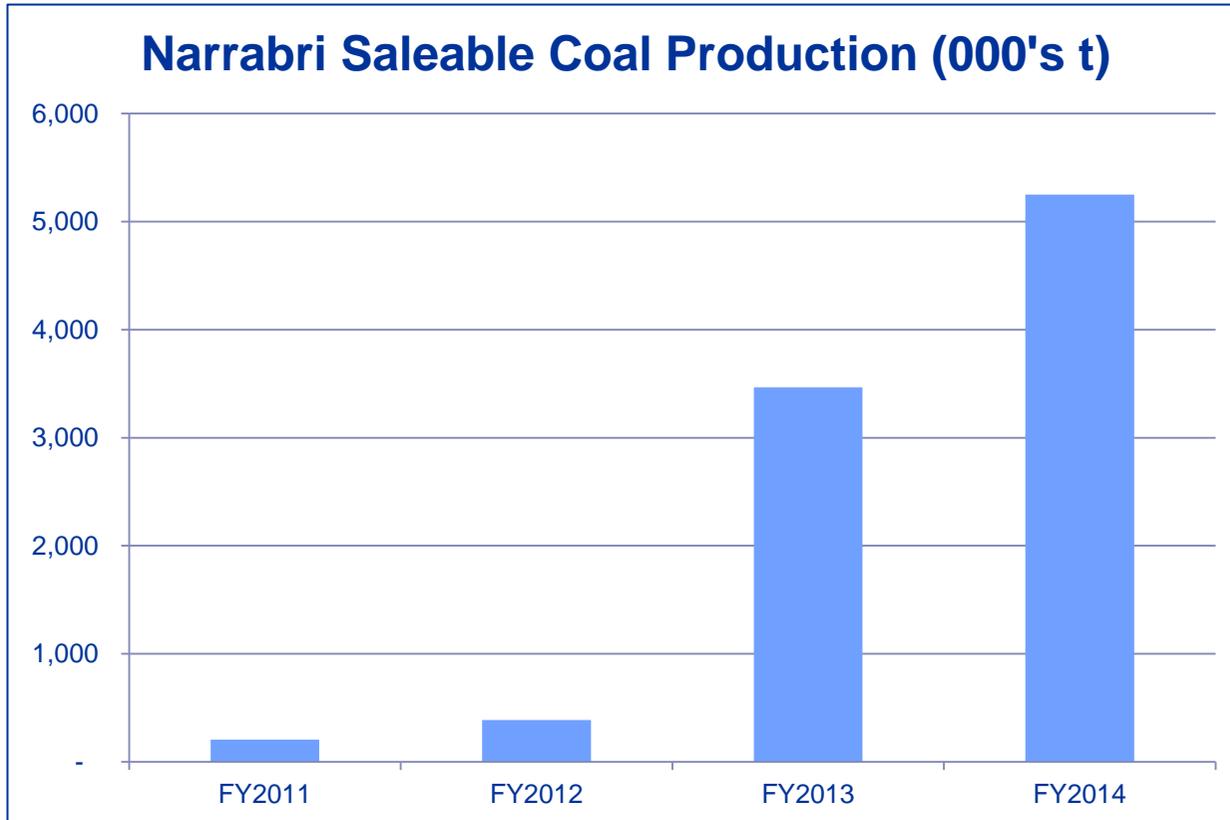
Excellent performance at Narrabri increased Whitehaven's managed production by 26% to 10.3Mt for the year

The open cut mines also performed strongly as Werris Creek and Tarrawonga set new records



**Production will increase in FY2015**

# Narrabri performing strongly



## Tier 1 World Class Mine

Record ROM and saleable coal production of 5.7Mt and 5.2Mt respectively for FY2014

Productivity of about 17,000tpmpy (ROM basis) achieved in FY2014 placing the mine amongst the most productive in Australia

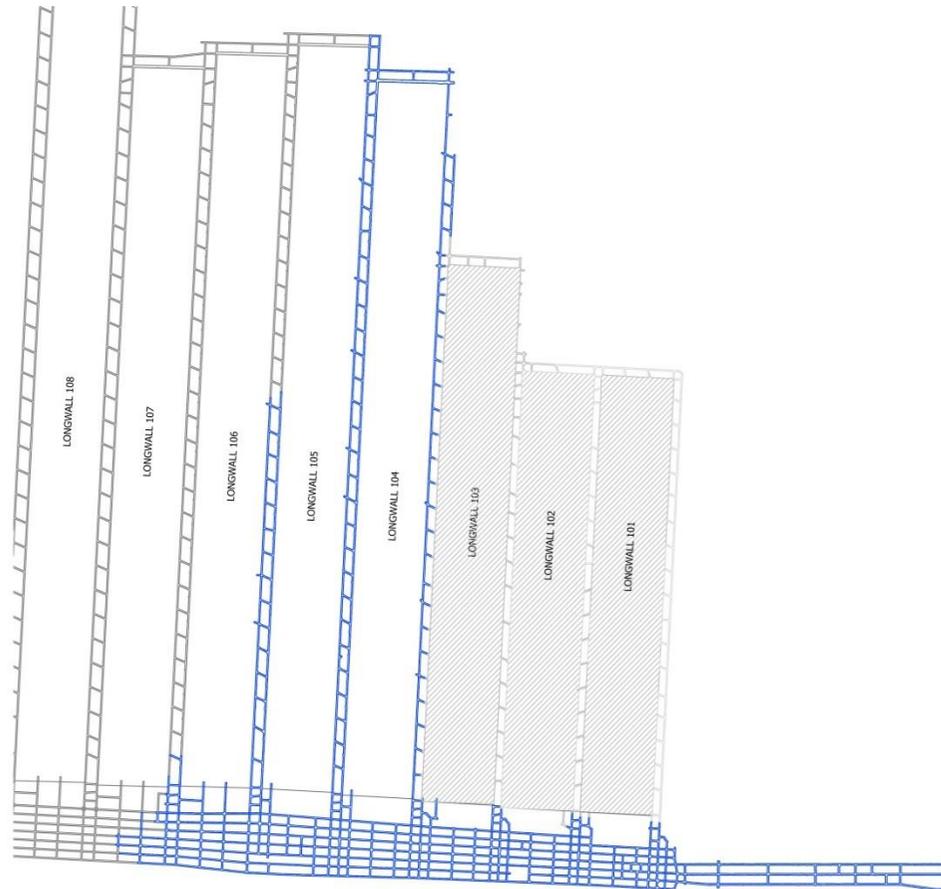
Resolved low energy levels of the thermal coal product in July 2013

Recent improvement with technology controlling horizon control of the longwall has led to significant efficiency improvement

Production in FY2015 is now forecast to exceed earlier guidance of 6.5Mt ROM coal

**On track to exceed earlier guidance**

# Narrabri beyond FY2015



Top Coal Caving assessment has been completed and is inferior to the introduction of a wider longwall panel face

Increased panel lengths will lead to less changeouts in the future, usually only one in each year

Wider panel face (400 metres)

- Increases annual productivity of mine (lower costs)
- Low risk option
- Less road development required over LOM (60km)
- Ensures SCOTA specification for LOM
- Capex similar to TCC

Wider panels if approved could be introduced from panel LW07 and lead to increased production of about 0.8Mtpa from the mine

**Narrabri has further growth potential**

# Maules Creek construction 75% complete



All major elements of the Tier 1 world class mine either ahead or on schedule

Area	Contractor	% Complete at 24 Oct 14
Rail	Leighton	82%
Bulk Earthworks	Ditchfield	72%
CHPP Design, Supply	Sedgman	100%
CHPP Erect	Downer	48%
Water Supply	Stripes	100%
Power Supply 22/132	Transgrid/Downer	65%
Mine Infrastructure (Temp)	Various	95%

**Construction ahead of schedule with first coal on rail in January**

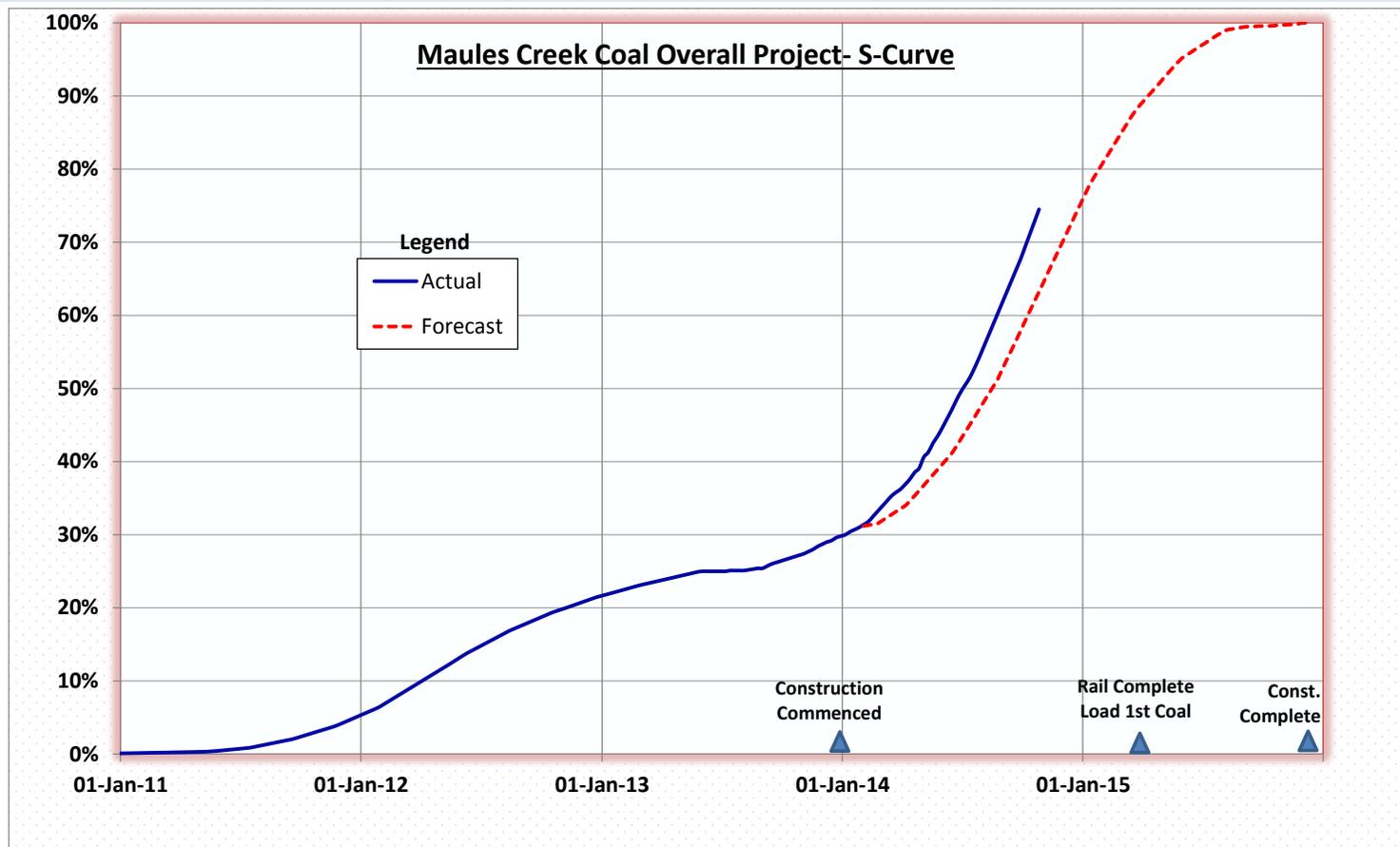
# Project “S” curve



Whitehaven expects to have spent about \$610 million at the time of the first coal shipments from Maules Creek

Revenue will begin for coal sales from January 2015, several months before construction activity is completed

Commissioning of the remaining mine infrastructure will continue during 2015



Note: “S” curve profile as at 24 October 2014

# Maules Creek mining



## Mining Model

Whitehaven will owner operate the mine with first phase of staff and operator recruitment completed, mining commenced

## Funding & Equipment

Low cost funding secured for new ultra class mining equipment via an operating lease. Mining equipment sufficient for an operating rate of 6Mtpa arriving on site

## Operating Costs

Operating costs in FY2016 the first year of commercial operations are expected to be in the range of \$62/t to \$64/t



**First coal mined in December**

# Maules Creek – Mine infrastructure



# Maules Creek – Mine infrastructure



Sleepers and rail line ready for laying

Train loadout bin and stockyard



# Vickery approval



Approval granted by NSW Government in September

## Vickery Project Key Elements

## Details

Location

About 25kms north of Gunnedah

Resources and Reserves

Reserves of 204Mt contained within a Resource of 508Mt

Ownership

Whitehaven 100%. Will consider the formation of a Joint Venture by selling up to 30% of the project to potential customers

Coal Quality

Similar to Maules Creek – SSCC, PCI and high quality and high CV thermal coal

Project Concept

Low startup capital open cut mine producing 4.5Mtpa ROM coal initially trucked to the Gunnedah CHPP for washing and loading onto trains

Startup

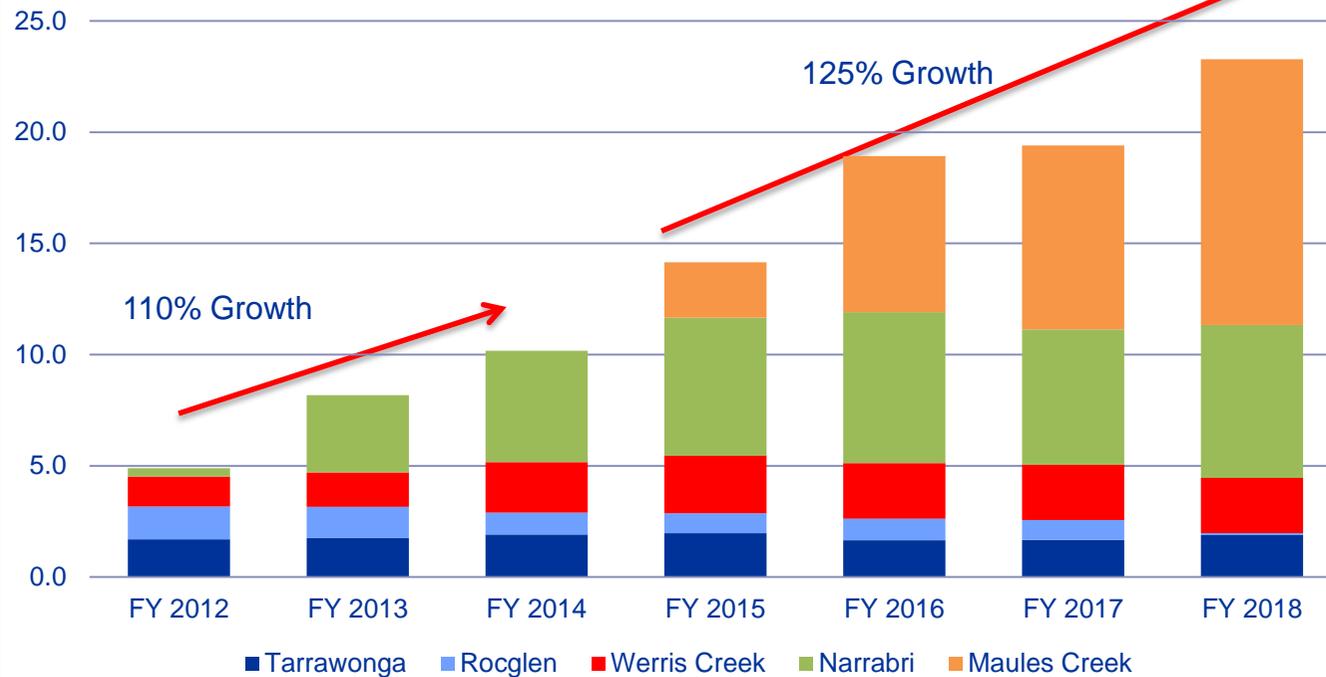
Earliest production likely after Maules Creek is fully ramped

**Another significant growth option for Whitehaven**

# Investment proposition – low cost growth



## Saleable Coal Production by Mine (Mt)



Production is expected to more than double by FY2018 as Maules Creek ramps up to its full capacity

Saleable production in FY2015 is expected to be about 14Mt on a 100% basis (includes 2.5Mt pre-commercial sales from Maules Creek)

The Vickery project provides another growth option beyond FY2018

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

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

**Production doubled from 2012 and will double again**

# Targets for FY2015



**Aiming for ongoing improvement in safety performance at all operations**

**Ensuring construction of Maules Creek remains ahead of schedule and under budget**

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

**Recruiting and training the workforce to operate Maules Creek**

**Broadening and deepening our stakeholder engagement plan**

**Engaging with local aboriginal groups to achieve our employment target**

**Improving the production performance of all mines in the portfolio**

**Driving efficiency and further cost reductions across the business**

**Implementing a long term financing plan that better aligns funding requirements and mine life**

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

# Thank you

[www.whitehavencoal.com.au](http://www.whitehavencoal.com.au)

