

## Whitehaven Coal Limited Quarterly Report to 31 December 2011

### 2011 DECEMBER QUARTER HIGHLIGHTS

Thousands of tonnes	Quarter Ending			YTD		
	Dec 11	Dec 10	% Change	Dec 11	Dec 10	% Change
<b>ROM Coal Production – 100%</b>	<b>1,209</b>	1,097	+10%	<b>2,549</b>	2,328	+10%
<b>Saleable Coal Production - 100%</b>	<b>1,110</b>	1,085	+2%	<b>2,464</b>	2,178	+13%
<b>Total Coal Sales – 100%</b>	<b>1,427</b>	1,835	-22%	<b>3,289</b>	3,422	-4%
<b>Saleable Coal Production - Equity</b>	<b>961</b>	949	+1%	<b>2,155</b>	1,895	+14%
<b>Total Coal Sales - Equity</b>	<b>1,289</b>	1,685	-23%	<b>2,997</b>	3,133	-4%

### HIGHLIGHTS

- Whitehaven continued its open cut expansion during the December quarter with ROM coal production of 1.209 million tonnes (Mt) on a 100% basis, up 10% on the previous corresponding period, and saleable coal production of 1.11 Mt up 2% on the same corresponding period.
- Coal sales for the December quarter were 1.427 Mt (100% basis), down 22% on the previous corresponding period. Sales comprised 1.046 Mt of produced coal and 0.381 Mt of purchased coal. Export sales comprised 0.306 Mt of metallurgical coal and 1.067 Mt of thermal coal, with domestic thermal coal sales of 0.054 Mt.
- Legacy contract deliveries in the December quarter totalled 0.329 Mt, with a further 0.5 Mt settled from purchase of coal or cash settlement. This leaves around 0.33 Mt of legacy contracts remaining, to be delivered in the March quarter of 2012, in line with management's expectations.
- The open cut mines produced at an annual rate of 4 Mtpa of saleable coal in the December quarter. Production was adversely affected by the interruption of explosives deliveries following the Orca plant shutdown in Newcastle, with consequential changes in mining sequences at most mines, and adverse weather in November and December.
- NSW Government approvals for the extension of the Rocglen and Werris Creek open cut mines have been received, allowing maximum resource extraction. In the case of Werris Creek, the new approval allows production of up to 2.5 Mtpa for 20 years.
- Narrabri underground development continued during the December quarter with four continuous miners operating and a total of 98,000 tonnes (Kt) of ROM coal produced in the quarter - an annualised rate of 400 Ktpa. Since commencement, a total of 437 Kt has been produced from Narrabri to the end of December.



- Narrabri mining conditions and development productivity remain good. However, Narrabri continues to experience difficulty in recruiting sufficient experienced underground miners and contractors to fully utilise its four development mining units. This has resulted in a shortfall of development against plan year to date of approximately 509 metres at the end of December.
- As reported in September, if performance continues at current rates, the shortfall in development metres against plan is likely to result in longwall production commencing in mid to late April.
- Narrabri continues to successfully drain in-seam gas (85% CO<sub>2</sub>) to levels below the threshold required for continuous mining. Confidence in the gas drainage model continues to grow as experience builds. A program of surface to in-seam (SIS) and underground in-seam (UIS) drilling is continuing and a substantial inventory of drained coal is being established.
- Delivery of longwall equipment to site is on schedule with the machine now 97% complete on site. Commissioning on site is 98% complete. Construction of Stage 2 surface facilities including the CHPP and other ancillary works is nearing completion and remains on budget. The ventilation shaft and fans have reached completion and are under performance testing.
- The new NCIG port continues to ramp up and Whitehaven has been able to utilise most of its share of this new capacity. Construction of the second stage (2AA) of NCIG is well advanced and is on time and budget for commissioning in mid-2012, taking capacity to 53 Mtpa.
- The final stage of NCIG (2F) was committed during the September quarter and construction is now underway for commissioning in mid-2013. This will take the port to its full capacity of 66 Mtpa by late 2013, of which Whitehaven's share will be approximately 6 Mtpa. Whitehaven also has a rolling 10 year port contract with PWCS for 3.6 Mtpa. Following extension of the Tarrawonga JV, Idemitsu will contribute 30% of Tarrawonga port capacity, giving Whitehaven access to a total of approximately 10 Mtpa of Newcastle port capacity (100% basis).
- Whitehaven has also secured a total of 8.4 Mt in additional port capacity at Newcastle, spread over the period May 2012 to June 2016. This additional capacity covers the majority of planned growth in Whitehaven's coal exports during the period prior to the planned commissioning of the PWCS T4 facility, scheduled for late 2015. Following commitment of the final stage of the NCIG port, Whitehaven nominated to PWCS for additional capacity entitlements and was notified during the quarter that it was successful with these nominations.
- Rail capacity is continuing to increase with the Whitehaven-owned coal train being fully utilised and two additional new Pacific National (PN) trains now operational. Trials are progressing well to increase new train size from 72 wagons to 82 wagons. This would increase train size from 5,400 tonnes to 6,150 tonnes (+14%) with enhanced utilisation of track capacity.
- Cash on hand at 31 December was \$104 million.
- The Group refinanced its existing syndicated bank facility last quarter. The new bank facilities have a five year tenor and provide Whitehaven with lines of credit up to A\$350 million for working capital and general corporate purposes.
- In addition, the Group put in place a short term A\$450 million facility in December for general corporate purposes.



- Whitehaven had a total of approximately US\$204m in forward US\$/A\$ exchange contracts at the end of December, at an average exchange rate of AUD 1.00 = US\$ 0.9465.

## COAL SALES

Total coal sales of 1.427 Mt for the December quarter (100% basis) decreased by 22% over the previous corresponding period, with sales of 1.046 Mt of produced coal and 0.381 Mt of purchased coal.

Coal purchases were necessary in the December quarter, however at a much lower rate than the same period last year as production improved, despite the plant shutdown by Orica in Newcastle and the impact on explosive supplies to the mines.

Low metallurgical coal sales of 0.306 Mt for the December quarter reflected the negative impact on mining sequences from the disruption to explosive supplies at all mines and a delay in a PCI shipment of 53 Kt which was scheduled to load in late December but did not load until early January.

The metallurgical coal price ex-Newcastle (Semi-Soft/PCI) for the December 2011 quarter has been set at approximately US\$179/t. After including delivery of carry-over tonnage from the December quarter, Whitehaven expects to achieve an average of approximately US\$184/t in the March quarter.

Export thermal coal sales were 1.067 Mt for the December quarter, including sales of 0.347 Mt of purchased coal. In addition, 0.415 Mt of legacy contracts were cash settled during the quarter.

Japanese term contract prices for thermal coal have been fixed at around US\$124/t for the new Japanese fiscal year (April 2011 to March 2012), while the current spot price for Newcastle thermal coal is around US\$115/t FOB.

## OPEN CUT PRODUCTION AND DEVELOPMENT

Whitehaven's open cut mines (Tarrawonga, Werris Creek, Rocglen and Sunnyside) experienced minor impact from wet weather in the December quarter. In addition, planned mining was interrupted and the production of coal reduced due to the reduction in explosives deliveries as a result of the Orica plant shutdown in Newcastle. This resulted in the open cut mines producing at an annual rate of approximately 4 Mtpa of saleable coal in the December quarter, substantially below planned levels.

Following a significant upgrade to coal resources and reserves and the extension of the Tarrawonga Joint Venture, an application has been lodged for modification to the existing Project Approval for Tarrawonga. This would allow production to increase from 2 Mtpa to 3 Mtpa and would cover mining of the full JORC reserve over more than 15 years.

A revised Project Approval has now been received from the NSW Minister for Planning for extension of the Werris Creek mine life, to cover the full JORC reserve at up to 2.5 Mtpa over 20 years.

Approval has also been received from the Minister for Planning to modify the Rocglen Project Approval to take account of modified geological information.

## NARRABRI DEVELOPMENT

Development of the Narrabri mine is proceeding with construction of Stage 2 facilities and delivery of longwall and other equipment on schedule and budget. The Narrabri CHPP plant is complete and being commissioned. The construction of the upgraded ventilation fans and new shaft are complete and being performance tested.

Pre-drainage of CO<sub>2</sub> from the coal seam is working well with an inventory of drained coal now in place and confidence in gas extraction methods and gas modelling continuing to grow with experience.

Development of the main gate and tail gate roads for the first longwall panel is on the critical path for commencement of longwall mining. Mining conditions underground are excellent and development rates have improved as skills and experience has grown and as development has moved away from pit-bottom setup into normal main road and longwall gate road development.

However, weekly development advance continues to be hampered by the lack of availability of skilled underground miners. This is preventing full utilisation of the four continuous miner units which are available and has resulted in a shortfall of approximately 509 metres against first half year plan to December 2011.

An additional contractor, SBD-Delta, is currently operating with experienced people to supplement development at Narrabri while Narrabri employees are trained for longwall operation. This will provide additional experienced people for development. However, as previously reported, if performance continues at the current rate, longwall commissioning is expected in mid to late April.

Narrabri development produced 98 Kt of ROM coal during the December quarter, an annualised with a total of 410 Kt of coal having been produced from Narrabri up to the end of December. Sales of more than 386 Kt of Narrabri coal have now been made with coal stockpiling and handling systems working well and coal quality meeting expectations.

Ongoing review of Stage 2 costs, including tendering for all major components of the work, has not identified any change to the budget capital cost estimate of approximately \$300 million (100% basis).

## VICKERY PROJECT

Work continued at Vickery during the December quarter with further drilling in the area to assist in confirming the geological model in conjunction with previous drilled bore hole information. The initial mine planning has generated a pit design which produces 164 Mt of ROM coal at a stripping ratio of 10:1. Of this, 129 Mt is to JORC standard, with drilling underway to upgrade the remainder.

Work is progressing to define an open-cut mine plan for Vickery to produce around 4.5 Mtpa ROM for more than 25 years with a stripping ratio of approximately 10:1.

With Tarrawonga coal to be processed and railed from the new Idemitsu Boggabri plant in future, Whitehaven's Gunnedah CHPP and rail loading facilities will become available for Vickery. The development plan for Vickery is therefore to truck ROM coal to Gunnedah CHPP for processing and loading, as occurs at present. This results in an efficient use of existing infrastructure and a relatively low capital cost of development for Vickery.

Ongoing analysis of Vickery coal quality indicates that, if all ROM coal is washed, saleable coal yield would be more than 80% of predominantly low ash, low sulphur, and low phosphorus semi-soft coking coal. This saleable coal yield can be increased significantly by by-passing a proportion of low-ash ROM coal, as is done with Whitehaven's Tarrawonga coal. This will provide the Vickery project with a high degree of flexibility in producing metallurgical or premium thermal coal, depending on market conditions from time to time.

The project's Preliminary Environmental Assessment (PEA) was lodged on 4 November, 2011 including a request for Director General Requirements from the department of Planning and Infrastructure which have been subsequently received. Whitehaven plans to lodge an application for Project Approval for Vickery open cut in the first half of calendar 2012, with the aim of obtaining approval and being in a position to commence mine production in the second half of calendar 2013.

## INFRASTRUCTURE

Whitehaven has entitlements to adequate rail track capacity to meet its current growth plans and is continuing to work with ARTC and other potential rail users in the Gunnedah Basin to identify and progress capital works required to meet future track capacity needs.

Whitehaven and PN entered into a long-term agreement for rail haulage in December 2009. When combined with track capacity entitlements, this contract provides for rail capacity to meet Whitehaven's existing growth plans and port capacity.

The new coal train ordered by Whitehaven in 2009 was delivered and put into service in the September 2010 quarter. This train is being operated by PN under lease from Whitehaven. A second new train was delivered by PN in January 2011 and a third new train was delivered in October 2011.

A Capacity Framework Agreement 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 approximately 10 Mtpa of port capacity from PWCS and NCIG.

Stage 1 of the new NCIG coal loading terminal (Whitehaven owns 11%) is continuing to ramp up to its 30 Mtpa capacity. Construction of the second stage (2AA) of NCIG is progressing on time and budget for commissioning in mid-2012, taking the capacity of NCIG to 53 Mtpa. The final stage of NCIG (2F) was committed to in August and is expected to be commissioned in June 2013. This will take the port to its full capacity of 66 Mtpa, with Whitehaven's share being approximately 6 Mtpa. As previously announced, Whitehaven has secured a total of 8.4 Mt in additional port capacity at Newcastle, spread over the period May 2012 to June 2016. This additional capacity covers the majority of planned growth in Whitehaven's coal exports during the period prior to the planned commissioning of the PWCS T4 facility, scheduled for late 2015.

## COAL RESERVES AND RESOURCES

A revised JORC coal Resources and Reserves statement for Whitehaven was released in August 2011 and can be viewed on the Whitehaven web site at [www.whitehavencoal.com.au](http://www.whitehavencoal.com.au).



## CORPORATE

Cash on hand at 31 December was \$104 million. This cash, 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.

The Group refinanced its existing syndicated bank facility last quarter with a series of long-term bilateral facilities put in place with a number of Australian and foreign financial institutions. The new bank facilities have a five year tenor and provide Whitehaven with lines of credit up to A\$350 million for working capital and general corporate purposes. In addition, the Group put in place a short term A\$450 million facility in December for general corporate purposes.

The new facilities recognise Whitehaven's strong credit quality and growth prospects and will support Whitehaven's endeavours to further develop and realise the value from its existing world class coal assets.

Whitehaven had a total of approximately US\$204million in forward US\$/A\$ exchange contracts at the end of December, at an average rate of 0.9465 US\$:A\$. The hedging profile at the end of December is:

Currency Hedging at 31/12/11		FY 2012	FY 2013	Total
Principal	US\$m	204	-	204
Rate	US\$/A\$	0.9465	-	0.9465

Detailed production results for the December 2011 quarter for Whitehaven Coal Limited (ASX: WHC) and its controlled entities are set out in the following tables.



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Thousands of tonnes	Quarter Ending			Year to Date		
	Dec-11	Dec-10	% Change	Dec-11	Dec-10	% Change
<b>Gunnedah Operations (100%)</b>						
ROM Coal Production	809	744	+9%	1,673	1,590	+5%
Saleable Coal Production	692	726	-5%	1,505	1,422	+6%
Sales of Produced Coal	652	787	-17%	1,487	1,501	-1%
Sales of Purchased Coal**	381	674	-43%	831	1,184	-30%
Total Coal Sales	1,033	1,461	-29%	2,318	2,686	-14%
Coal Stocks at period end	284	251	+13%	284	251	+13%
<b>Werris Creek (100%)</b>						
ROM Coal Production	302	310	-2%	672	655	+2%
Saleable Coal Production	302	317	-5%	777	675	+15%
Sales of Produced Coal	288	325	-11%	830	678	+22%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	288	325	-11%	830	678	+22%
Coal Stocks at period end	95	116	-19%	95	116	-19%
<b>Narrabri (100%)</b>						
ROM Coal Production	98	44	+125%	204	83	+147%
Saleable Coal Production	117	42	+179%	182	81	+125%
Sales of Produced Coal	106	50	+112%	141	58	+142%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	106	50	+112%	141	58	+142%
Coal Stocks at period end	92	33	+178%	92	33	+178%
<b>Total Whitehaven Group (100%)</b>						
ROM Coal Production	1,209	1,097	+10%	2,549	2,328	+10%
Saleable Coal Production	1,110	1,085	+2%	2,464	2,178	+13%
Sales of Produced Coal	1,046	1,162	-10%	2,458	2,238	+10%
Sales of Purchased Coal**	381	674	-43%	831	1,184	-30%
Total Coal Sales	1,427	1,835	-22%	3,289	3,422	-4%
Coal Stocks at period end	471	400	+18%	471	400	+18%

Thousands of tonnes	Quarter Ending			Year to Date		
	Dec-11	Dec-10	% Change	Dec-11	Dec-10	% Change
<b>Gunnedah Operations (Equity Share)</b>						
ROM Coal Production	680	620	+10%	1,411	1,302	+8%
Saleable Coal Production	577	603	-4%	1,251	1,163	+7%
Sales of Produced Coal	547	652	-16%	1,238	1,230	+1%
Sales of Purchased Coal**	381	674	-43%	831	1,184	-30%
Total Coal Sales	927	1,325	-30%	2,069	2,414	-14%
Coal Stocks at period end	247	207	+19%	247	207	+19%
<b>Werris Creek (100% Owned)</b>						
ROM Coal Production	302	310	-2%	672	655	+2%
Saleable Coal Production	302	317	-5%	777	675	+15%
Sales of Produced Coal	288	325	-11%	830	678	+22%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	288	325	-11%	830	678	+22%
Coal Stocks at period end	95	116	-19%	95	116	-19%
<b>Narrabri (Equity Share)</b>						
ROM Coal Production	69	31	+125%	143	58	+147%
Saleable Coal Production	82	29	+179%	127	57	+125%
Sales of Produced Coal	74	35	+112%	98	41	+142%
Sales of Purchased Coal**	-	-	-	-	-	-
Total Coal Sales	74	35	+112%	98	41	+142%
Coal Stocks at period end	64	23	+178%	64	23	+178%
<b>Total Whitehaven Group (Equity Share)</b>						
ROM Coal Production	1,050	960	+9%	2,226	2,015	+10%
Saleable Coal Production	961	949	+1%	2,155	1,895	+14%
Sales of Produced Coal	909	1,011	-10%	2,166	1,948	+11%
Sales of Purchased Coal**	381	674	-43%	831	1,184	-30%
Total Coal Sales	1,289	1,685	-23%	2,997	3,133	-4%
Coal Stocks at period end	406	347	+17%	406	347	+17%

\*\* sales of externally purchased coal

Whitehaven Coal Limited - ASX Quarterly - 31 Dec 2011

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## **MERGER WITH ASTON RESOURCES AND ACQUISITION OF BOARDWALK RESOURCES**

On 12 December 2011 Whitehaven and Aston Resources Limited ('Aston') announced a merger of equals to create a leading independent Australian coal company. Under the merger proposal Aston shareholders will receive 1.89 Whitehaven shares for each Aston share they hold, following distribution of a fully franked special dividend of \$0.50 per share to existing Whitehaven shareholders. The merger is to be implemented by way of an Aston Scheme of Arrangement.

The merger with Aston is subject to a number of conditions, including Aston shareholder and court approvals. The proposed merger has the unanimous support of both the Aston and Whitehaven Boards. Aston's largest shareholder, a Tinkler Group affiliate, holding approximately 32% of Aston shares, has indicated its intention to vote in favour of the transaction in the absence of a superior proposal. It is expected the merger will be implemented in April 2012.

Whitehaven has entered into separate agreements to acquire all of the shares and other issued securities in unlisted coal explorer Boardwalk Resources ('Boardwalk'). Boardwalk investors will be issued 85.88 million Whitehaven shares as consideration for the acquisition and an additional 34.02 million Whitehaven shares which will vest if certain milestones in the development of the assets are met. The Boardwalk acquisition is conditional upon the Aston/Whitehaven merger completing and other customary conditions. As part of the transaction, Boardwalk shareholders will contribute \$150 million in cash to Boardwalk which will be used for the ongoing development of its assets. Boardwalk also has existing debt of US\$50 million. It is expected that the Boardwalk Transaction will complete in April 2012.

Further detail on the proposed Aston merger and Boardwalk acquisition can be found in the 12 December 2011 announcement and presentation which are posted on Whitehaven's website: ([www.whitehaven.net.au](http://www.whitehaven.net.au))