STATEMENT FROM WHITEHAVEN COAL

Whitehaven Coal has rejected any suggestion that its use or management of water has contributed to groundwater drawdowns in the area in a way that has negatively affected local farmers and irrigators.

Whitehaven Managing Director and CEO Paul Flynn said it was apparent to everyone in the community that the state is in the grip of the worst drought in living memory.

The severity of the drought is putting pressure on all local water users, including farms, towns and the mining sector. To suggest Whitehaven is immune from, or is somehow responsible for these conditions, is nonsensical.

There is no credible hydrogeological evidence indicating that bore drawdowns in the Maules Creek area are the result of anything other than the combination of lack of rainfall and inadequate aquifer recharge for some bores. Independent analysis by the NSW Land and Water Commissioner confirms this.

In relative terms, Whitehaven is not a large water user. Even at its current 'dead storage' level of less than 1%, Keepit Dam, the primary water source for Maules Creek and other farms, businesses and communities in the region, holds more water today than is used in an entire year across Whitehaven's total operations.

Across all of NSW, mining accounts for only 1.5% of total water use. To put that into context, households use just under 9% of all water in NSW, while agriculture uses 70% of water in the state.

Unfortunately, the scarcity of and demand for water has resulted in higher prices – as it would in any other kind of market. Whitehaven appreciates that its greater capacity to pay can be a source of frustration for some, but the approach to water management and water security cannot be seen in isolation from our obligation to maintain production and provide livelihoods for the more than 600 employees that live and work in the towns and communities around our mines.

Whitehaven has been taking steps at all of its mines and operational sites in the region to conserve water and to develop and implement measures to support water security. We always seek to reduce and reuse water and currently recycle about 60 percent of water used.

RESPONSES

Can you please provide a detailed breakdown of the water sources that Whitehaven Coal has relied on during the current drought - please outline the amounts used from each source over the past three years.

Water is a fundamental part of our business and key to sustaining our mine operations and the livelihoods that depend on their economic output.

Whitehaven is the largest private sector employer in North West NSW. We do not employ a FIFO workforce, and over 75% of our 2,400 employees live in the towns and communities surrounding our operations – places like Gunnedah, Narrabri and Boggabri, all of which are severely drought affected. We are major economic contributor to the region, hiring and buying locally.

Last year Whitehaven spent $333.9M with local suppliers, and the $104M paid in salaries and wages in North West NSW are critical to supporting local economic activity as the drought continues.

Whitehaven has annual water allocations of just under 10,000ML from a range of licensed ground and surface water sources, as outlined in regional water sharing plans. In FY19, we used just under 70% of our allocation from a combination of these sources.

In relative terms, Whitehaven is not a large water user. Indeed, across all of NSW, mining accounts for only 1.5% of water use. To put that into context, households use just under 9% of all water in NSW, and agriculture uses 70% of water in the state.[1] [Source: Australian Bureau of Statistics, 2019, Water Account, Australia, 2016–17, cat. no. 4610.0]

Even at its current 'dead storage' of less than 1%, Keepit Dam holds more water today than is used in an entire year across Whitehaven's total operations.

A briefing note prepared for the NSW water minister in September this year stated that the Maules Creek mine had taken water in excess of its harvestable rights entitlements and that the activities of the mine appear to deviate from existing planning approvals. What is Whitehaven Coal's response to this?

On 27 September, NRAR announced it had reached preliminary findings in relation to an investigation into some aspects of surface water take at Maules Creek. Neither NRAR nor Whitehaven will be making any further comment while the parties work together towards a resolution of this matter.

Throughout its operational life Maules Creek has not exhausted its 3,000ML high security river licence entitlement; indeed pre-drought residual entitlement has in most cases been sold to local irrigators. Further, throughout its operational life, Maules Creek has not exhausted its groundwater licences and there have been instances where residual entitlement has been sold to local irrigators.

At Whitehaven Coal's recent AGM CEO Paul Flynn said that he did not expect any interruptions to the Maules Creek mine's operations. What is the justification for this "business as usual" approach given the worsening drought and the severe cutbacks that other water users in the area are experiencing?

The current drought is one of the most severe on record and it is placing pressure on people and businesses right across Australia. No one is immune from its impacts, and mines are no exception. Like many other users in North West NSW, we have been taking steps to conserve water, and develop and implement measures to support water security for some time.

As a prudent measure and given we cannot currently rely on flows from the Namoi, we have activated or acquired additional groundwater sources to supply Maules Creek. The Namoi Catchment contains a number of high-yielding aquifers which are managed under an approved Water Sharing Plan. Access to some of these additional water supplies has been completed and delivery of water to site has commenced, while work on accessing other supplementary long-term water supplies continues.

We continue to work with NSW Government water management and regulation authorities, including NRAR, on all of these initiatives, as well as other stakeholders such as Council, landholders and our Community Consultative Committees, which we have kept updated on developments.

As the Company has previously stated, no interruption is currently expected to usual operations due to water supply issues, but Whitehaven is monitoring the situation closely.

Farmers have told 7.30 that they typically pay between $110-$130 per MGT for temporary water on the water trading market and have been outbid by mining industry players that have paid about $950 per MGT. What is the most that Whitehaven Coal has paid for temporary water to supply its Maules Creek mine? For permanent water, farmers say they typically pay $2850-$2950 per MGT. They say mining companies have paid about $5450 per MGT. What is the most Whitehaven Coal has paid for permanent water to supply its Maules Creek mine?

In NSW, water is a tradeable commodity. It can be sold and bought on an open market where there is a seller and a willing buyer. We acknowledge there is competition for water in the area and, as in any other free market, demand drives up price. Whitehaven is both a buyer and a seller of water. More people and households depend our continued access to water than any other water user in the immediate region. We know our greater capacity to pay can be a source of frustration for some. But our approach to water management and water security cannot be seen in isolation from our obligations to maintain production at our mines and provide livelihoods for every member of our workforce, their families and the businesses across the North West that rely on our presence.

Our people are a key part of the local economy and community.
In the last financial year alone, Maules Creek Mine alone paid out $79.5M in salaries and wages, spent $174.8M with suppliers in North West NSW, and delivered $118.1M in royalties to the NSW Government.
No serious analysis of water use can ignore the significance of mining's economic contribution to regional NSW – a contribution that is even more important in times of drought when other parts of the regional economy are struggling.

In May 2018 the NSW Department of Industry assessed the 2017 Annual Review for the Maules Creek Coal Mine and found it was deficient in a number of areas. It found that the annual review did not provide sufficient evidence to adequately determine if impacts are occurring to groundwater and connected surface water systems. What is Whitehaven Coal's response to these claims?

We worked with the Department to address concerns raised with us in May 2018 in relation to the 2017 Annual Review, and outlined the specific steps taken to address these concerns in correspondence to the Department in April 2019. We have not received further correspondence or communication from the Department in relation to these concerns.
Whitehaven also addressed these items comprehensively in its 2018 Annual Review, which was formally submitted in July 2019 and is available on our website.

In October 2018 a further NSW Department of Primary Industries assessment of the 2017 Annual Review for the Maules Creek Coal Mine found that many of the matters raised in the previous assessment had not been adequately addressed, if at all. What is Whitehaven Coal's response to this?

We worked closely with the Department to address concerns raised with us in October 2018 in relation to the 2017 Annual Review, and outlined the specific steps taken to address these concerns in correspondence to the Department in April 2019. We have not received further correspondence or communication from the Department in relation to these concerns.
Whitehaven also addressed these items comprehensively in its 2018 Annual Review, which was formally submitted in July 2019 and is available on our website.

That October 2018 assessment also noted that the 2017 Annual Review for the Maules Creek Coal mine showed a generally poor correlation between modelled and observed data and warned of significant implications for the mine's licensing requirements and the water balance. What is Whitehaven Coal's response to this?

This is not out of the ordinary for new mines where the accuracy of data and models improves as the mine develops.
In this case, the Maules Creek Mine progressed deeper, more quickly than initially modelled, resulting in more pit-make, albeit still well within the Mine's licenced groundwater allocation. The revised model achieved the necessary validation requirements and improvements

At the company's recent AGM, CEO Paul Flynn said that the company had taken steps to acquire long-term groundwater sources for Maules Creek to keep the mine running at its current level. Does Whitehaven Coal accept that some other water users may have been impacted by the mine's use of groundwater and that some nearby bores have run dry as a result of the mine's activities?

No. The Namoi groundwater catchment is one of the most closely studied, monitored and carefully managed in the country. There is no credible hydrogeological evidence indicating that bore drawdowns in the Maules Creek area are the result of anything other than the recent lack of rainfall and adequate aquifer recharge for some bores. Independent analysis by the NSW Land and Water Commissioner confirms this.
This current drought is not caused by one industry or water user – it is a natural disaster with far reaching consequences. Our thoughts are with everyone who is doing it tough as a consequence of drought. Only drought-breaking rain will completely resolve these difficult circumstances but, in the meantime, it is important that debate around water use is guided by respect for the facts and the science that underpins our regulatory framework.

Does Whitehaven Coal accept that its mining activities may have contributed to Elphin Crossing running dry?

No. Every piece of available hydrological and climate data tells us that Elfin Crossing, like many waterways in the area, is an ephemeral stream and there is no evidence to suggest its current condition is attributable to anything other than fact it is severely drought-affected.