Financial Year 2020 Results – Market Call Transcript

Operator: Welcome everybody to the Whitehaven Coal FY20 full year results call. All participant lines are currently on mute. Following the presentation, we will open the call for questions. If you are viewing the webinar, you can submit a question via the dark blue hand icon in the top right-hand corner of your screen. If you are joining via the teleconference, to queue for a question, please press *1 on your telephone keypad. Thank you again for joining us today. I'll now hand over to Paul Flynn, Managing Director and CEO.

Mr Flynn: Good morning everyone and welcome to you all and thank you for taking the time to dial in, plug in, press a button to join us on our webinar this morning. We are sort of trying to find our rhythm with all these things over time. I suppose we've had another six months of COVID, working from various location experience, so let's see if we can get the technology working well. And I presume everybody can see the presentation and as the operator said, there's a means by which you can lodge your questions.

With me this morning, I've got Kevin Ball here physically in the same room with me. We are appropriately distanced. Ian is significantly distanced on the phone also, up at Tarrawonga and of course, Sarah McNally from IR here as well. It's usual format. I'll go through a few slides and then, we'll get to our Q&A.

I don't propose to go through all the physicals in detail as we've done that through the passage of quarters during the course of the year so we'll keep this at a high level. Of course, we'll deal with the financials which I'm sure you all want to work your way through and let's get to the Q&A.

I think this slide is useful. Just looking at the slide, Whitehaven's customer base in Asia, just to remind everybody about where our footprint is and the spread of customers between the met and thermal products across Asia. It is an expanding customer base, which is very positive for us and typically defined by customers who are looking for a mix of high-energy, low-trace elements, as you know ash, sulphur, phosphorus, nitrogen and high energy of course. And then, the semi-soft coking and PCI products that we sell across this footprint as well. India being now 50% of that met coal business and you can see there, of course, no thermal product going into India. And of course, the obvious exception here is no China either.

It's always useful to remind ourselves about future demand for coal because there's plenty of other people who might seek to extend a different narrative to that, but along with the rest of the world, Asia really wants to continue to grow. And whilst we're all buffeted by COVID-19, here and in our customer's jurisdictions as well, it's best to remind ourselves of the fundamentals here and that is our region, Southeast Asia in particular, is a subset of the broader Asian region, is requiring greater energy in the future. Now, when I say energy, I mean all sources. We're not saying coal or gas or renewables for one matter or another. It's just all energy sources will be required in order to meet their growing demand on the other side of COVID-19 and I'd be surprised if there are too many commentators who would be proposing a counter-narrative to that.

A couple of references for you obviously, with the IEA numbers as we use continually with our presentations and then, BP's very good statistical review is always a good source of input.

Over to the next page, and our business in particular. And I think it's worthwhile just stopping here for a moment just to help our shareholders and stakeholders to understand the robustness of our business. And certainly, that was encapsulated in our sustainability report last year, our inaugural report where we did incorporate the TCFD framework. And I think we were the first pure coal company to do so on a global basis.

But under all those scenarios, even the most obviously aggressive from an emissions reduction perspective, the sustainable development scenario, our business is robust, which is very positive for us and we will publish our sustainability report in about a month's time ahead

of our AGM where we will refresh our view of our TCFD framework, which will be a good read for everybody to focus on, not just how we see ourselves from a sustainability perspective but also, measured against the obvious scenarios.

In the meantime, I think it's worthwhile also just acknowledging the New South Wales Government's leadership in outlining for our industry a most important document, which was the strategic statement on the future of coal exploration and mining in New South Wales. It's very important for us to have some certainty in this regard. The State obviously acknowledged that we are a significant player in the economy and our neighbours in Southeast Asia in particular are very dependent on us continuing to do what we do. And I think it was useful for the Government to endorse that view that we've got a long-term future here and also, help us understand where the State would like to see further development reside. And so, I think that clarity was welcome from the State Government of New South Wales.

On COVID-19, we've spoken about this over the last few quarters to give you an update on COVID-19 impacts for us as a business. We had just highlighted there for you that whilst it cost us a million dollars in direct costs, it's relatively modest and we have been able to operate significantly through the last six months relatively unimpeded by COVID-19 measures. Obviously, being classified as an essential service has helped considerably but we haven't had any cases amongst our workforce. And the region more generally has been touched very lightly by case numbers, which is fantastic and we're doing all our best to make sure that continues to be the case.

Obviously, met coal markets have been buffeted by COVID-19, just as many other markets have. You have had Port closures in India for a period, although we do see that starting to change. Shipments that we saw the requests for deferral in the June quarter are starting to move now in this September quarter as our customers have requested, so that's quite positive. I think the picture with China is a little harder to decipher. There's no doubt that economic activity there in China is starting to re-enliven and with some force, I have to say. So, I think that will play into the met coal picture going forward but there are early signs of turnaround in our markets, Japan, Korea and Taiwan, in particular. And more broadly, they have managed themselves relatively well from a COVID-19 perspective, which I think will mean that they will probably come out as a pack once a bit more momentum starts to be gained in each of these economies.

I'll move over to the results and call out a few highlights here for you. And again, some of these things will be familiar to you because they were highlights which were called out in the June quarter. First, production at 20.6 million tonnes of ROM, at a managed level. Everybody understands that. And our sales, excluding purchased coal at 17.5 million tonnes for the period. Narrabri had a great time in terms of a million-tonne-month in April, which is wonderful. And with COVID-19 as a backdrop and that increased level of production in that last quarter, it's very gratifying to see our safety results do so well in this year. TRIFR of 4.13, is a company low and the challenges us obviously, this new year to try and improve on a very good result.

Vickery of course, has been approved which is nice to be able to say that to you now after so many times accounting for the delays which obviously weren't our fault but over many, many quarters. That is nice to say that has happened. We can talk a little bit about that further.

Earnings have obviously been subdued. Average prices for the year are vastly lower than what they were in 2019. And so, the resulting impact of that is they are at $306 million. We have significant liquidity on our balance sheet and at our disposal so I'm sure Kevin will speak to that a little bit later on. And of course, as you know, we have refinanced our facility out to July 2023 so I think the team have done a good job in doing that ahead of any impacts that we've seen in the last six months.

So again, safety, just to quickly bang that home again, this is the right relationship on this graph. Rising production must correspond with better safety. We've always demanded that of our people and it's nice to see that it's happening particularly at a time when there are a lot of other safety concerns going on, be that COVID-19 related. I do think that's actually helped us in a sense, because it has heightened people's awareness of safety. But 4.13, as I say, the challenge is on to make sure we can continue that momentum of improving and of course, produce more than 20.6 million tonnes.

It’s worthwhile just highlighting quickly the environmental management because a couple of pieces of our business, as you all know, have switched now into a rehabilitation phase with Sunnyside and Rocglen. I thought I’d just highlight to you a couple of pictures here of Sunnyside. This work is progressing rapidly and doing very well, in fact. Some of the final land form you can see in that right-hand side picture is now in place. We have a requirement there for a free-draining void at Sunnyside. And I was up there a month or so ago having a look at this work and it’s certainly coming to a conclusion quickly. I think it will be a very good example of contemporary rehabilitation that we can show the community, given that Sunnyside is actually not very far out of town and it’s easily reachable if you want to take people out to see what contemporary rehabilitation looks like. That’s very positive and we look to see that conclude and also, Rocglen’s work perhaps twelve months after that, given that’s a bigger operation to finish up the work on.

We’ll just remind everybody that despite what we think at times, the community actually is very supportive of us as a company, the sector as a whole and our role that we play in our regional community. This came to the fore during the presentations at the IPC for Vickery, both back in February 2019 when we had the initial IPC hearing and then more recently, this year. And you can see period on period, we’ve actually seen the largest jump in positive sentiment towards the company that we’ve actually seen since we’ve been taking this polling. And I think we’re on the right path in terms of orienting ourselves around the local workforce, making sure we spend a lot of our procurement locally in the region. We do make a lot of discretionary contributions to community-based programs and as everybody knows, we are a significant employer of indigenous people in our community and as a company as a whole, the proportion that they represent of our workforce is consistent with the proportion they bear in the community at large. I think there’s not too many organisations in New South Wales that can say that.

I’m over to ROM production; again, I won’t labour this because I think you’ve all seen these numbers before. But just to highlight a couple of numbers here for you because obviously, the period-on-period or the half-on-half change in ROM to the first half for 2020 through to the second, as we know, we had a softer first half than what we would have wanted and then came home with a significant production volume rush in the second half, in the last quarter in particular. That obviously did give us significant stocks to bring into this new year, so our logistics chain is working very hard and effectively, I might add, to move that coal into customer’s hands in this first quarter. That is working well. And the sales volumes on the other side there, half-on-half as you can see, broadly consistent to again, using the stocks that we brought into the 2020-year, which were meaningful and the same will occur in this new year, 2021.

Just over to our products. And as you know, this is a slide we’ve presented on various occasions. This gives everyone a sense of the split between our thermal and metallurgical coal by market. There’s no real change here. Of course, you can see India is important to us in terms of our met penetration there. I know we’ve been talking about that for some time but we have a couple of large customers there who, as I say, did ask for some deferrals into this quarter but those shipments are now resuming and that’s a positive thing for FY21.

I might just concentrate quickly on a couple of the highlights from the operations before we move into the financials. Maules Creek obviously had a big rush towards the end of the year at 10.7 million tonnes, which is a decent outcome from where we were after the first half. But of course, it is down period on period from 11.7 million tonnes in the previous year. Obviously, the operations there did suffer some challenges in terms of labour shortages back in the second quarter of the year, which we had addressed, through the third quarter. And certainly, the fourth quarter, we were at full manning which allowed us to continue to produce at a level which brought us home to that 10.7 million tonnes in total.

The AHS operations have switched over into 24/7 for that one fleet that we have deployed there. That is promising. We are looking forward to bringing on another fleet as soon as we can and continue this roll out of the technology. We are seeing promising results from this so we can talk about that perhaps in Q&A a little bit further one. And we’ll wrap up the guidance a little bit later one, but we’ve put a chart, a bar in there just from the end of the chart, just so you can see where we’re going from a guidance perspective overall.

This next chart, I thought it might be useful just to give people a sense of Maules, because I think oftentimes, people may not understand completely the number of seams that we're working with here at Maules. And we're not to say that this is a problem. This is a very good deposit, but I thought it would be useful in a simplistic way, and this is a simplistic depiction of it because really, it only highlights one dig area where we have multiple areas open to us in the mine plan. But what it does highlight to you is that big seam in the middle, you can see that light blue, the Braymont's theme. It's nearly 30% of the overall resource. When you hit that, it does obviously produce a lot of coal and then you then trend back in to seams which are much lower in proportion of the total reserve that we need to manage, as we're mining.

You will see some variation here where you've got more Braymont or less Braymont and that will kick you closer, if not, over at times the 13-tonne run rate, hence our desire to go to 16 million tonnes with Maules Creek. Because we know in certain years, there will be times when it will have the potential to kick us over the current limit of 13 million tonnes. But I thought I'd just include this slide, just so you could see firstly, the multiple scenes and of course, the pit floor, which is where obviously, our in-pit dumping opportunities are. And now that we have created in-pit dumping opportunities for ourselves, you will see that migrate to 100% in 2023.

I'm over at Narrabri just for the moment. Narrabri did certainly have a decent year and as I say, that second million-tonne month was a nice thing to be able to deliver in the year. It was certainly positive to be able to see that, particularly that we are operating much deeper in the mine than we were when we experienced our first million-tonne month. The long wall change, as you know, was long, longer than we've ever done and more complex, but that was carried out in good order, on budget and obviously, we have a long wall much better able to manage the weighting events that we experience on a periodic basis as we traverse, particularly through slightly deeper ground in the next panel.

And of course, you all know that we did buy 7.5% of Narrabri from EDF during the course of the year and you'll see estimates going forward and there are these progressive payments of those instalments over the next five years, I think, this year being the first of the five instalments. FY21, I should say.

And then just finally, on to Gunnedah open cuts before I hand over to Kevin, the Gunnedah open cuts had a modest year, we have to say. Obviously, Rocglen has finished up and so, you now had a year essentially of two pits, 2.4 and 1.2 million tonnes in terms of the numbers we wrapped up for Tarrawonga and Werris respectively.

In this new year, you will see a slight increase over that, of course. Tarrawonga obviously has its fleet on the ground now and it's moving to a mine plan that could sustainably support a 3-million-tonne run rate. Werris is, fortunately, past these intrusive and oftentimes, unmapped underground workings so we should also see a better run at Werris Creek in this new year. But finishing up at FY20 at 3.9 million tonnes was not where we wanted to be overall and we'd like to think that we can do a bit better than that in this new year.

With that, Kevin, I'll hand over to you.

Mr Ball: Thank you, Paul. Let's talk to the main P&L and Balance Sheet items. And you can see that underlying EBITDA is $306 million for the year. That's down about 69% on FY19. And the single biggest impact on that, and we'll come to that in a slide, is coal price. Coal prices in FY19 reached a low at the end of FY19 and we saw the full impact of that through FY20 before we got into the fourth quarter when COVID-19 impacted coal prices.

In these circumstances, it's important that we manage the balance sheet well and we take a disciplined approach to capital. At the end of the year, you would have seen our financial net debt stand at $787.5 million. But importantly, that reflects the diversification strategy we've been adopting which is expanding our sources of capital to include leases and ECA facilities. There's $216 million worth of finance leases on the balance sheet and $62 million of ECA facilities. The ECA is typically 8-year, fully amortising and the lease facilities, we will roll as time goes on and we refinance those, we conduct major overhauls on those pieces of equipment and bring them back.

At the end of the year, our billion-dollar facility with the group of banks was drawn to $638 million, which meant we had about $470 million of liquidity in the business. And today, we have about that same level of liquidity. As Paul has mentioned, soft Newcastle index pricing

for the year has had an impact on earnings and I'll just get to that. If I take you to the next slide which tells you the difference between the billion and forty-two last year and the 306 this year, it's basically coal price. You can see that there's $621 million there as a result of the actual coal price and we've got a little benefit of about $89 million from the softer FX, where FX was 67 this year but it was 72 last year.

The difficulties in production that Paul referenced earlier at the operations caused a reduction in sales volumes, together with the closure of Rocglen and Sunnyside and that lack of volume at about last year's margin was mid-60's. We're about 1.3 million tonnes down. That's about your 82, and the costs were up about $8 on the previous year. And that really explains this. Largest contributor, coal price and you can see the impact on some of the production issues in FY20.

If I turn the page now and to the unit costs, I'll take you through this bridge. I think many of you will have seen elements of this before but for clarity's sake, we'll put it out here. In FY19, we were about $67 a tonne and in the back of this pack, you will see how you can calculate that off the face of the P&L for those that are interested. And I think it's $67 and change, plays $75. And what you see is the drought, the bushfire and the later skill shortage have added about $1.50 a tonne to our costs. Importantly, when we had that back ended production in June, that meant that our cost of sales, which is how we determine our unit costs, it's not a cost of production number. It's a cost of sales. We locked in somewhere around half a dollar in low cost stocks at the end of June.

The production or the decrease in the production for the year also meant that we underutilised rail and port and some overheads in the business for about $2.50 and the Maules Creek as we've talked about, Maules Creek's haul distance and elevation before it gets to in-pit dumping of 100% in FY23 has contributed about $2. On the longer-term things, clearly, we've been selling a better-quality coal and that's reflected in the realisation, the average realisation better than gC NEWC or about $2 for the year better than gC NEWC. But clearly, that costs us when we throw a little bit more material onto the refuse pile so that's the 50 cents. And this year, Tarrawonga reached 10:1 as the strip ratio, which is its life-of-mine strip ratio for the rest of its years, so that impact, I think, is going to stay with us until we can work on improving operations there.

Turn the page to D&A and net financial expense; I know this is a big number for a coal company. I saw the Yancoal numbers yesterday were about $22 a tonne for D&A and ours are about $16 a tonne. The key components of this really are the fixed plant that we build together with our orange and yellow goods. In previous years when we've had IFRS16 here, and these were operating leases, they were amortised on a straight line over the lease term. Now that we've rolled them into finance leases, this equipment is being amortised over its asset life, which is really on an hours of use basis. You should see that more closely correlate now to production and some of the bumps that we might have seen in previous years in this charge, will now be smoothed out.

Our own PP&E, which is really the fixed plant, is either depreciated over the life of the equipment or the ROM profile, depending on whether it's the life of mine asset or it's going to be replaced. And our mineral tenements, which were really the acquisition costs of Maules Creek at the time of the merger with Aston, that comes out on a ROM profile over the life of the mine.

Importantly, net financial expense, we're down about a million dollars on last year and we do set this out in quite some detail in the notes of the financial statements. But net financial expense is down from last year. Really, that's a function of a couple of things. The bank bill swap rate, the RBA has reduced rates. They're down about .25% now so we're seeing a little bit of a benefit from that. We have a grid-based margin or a leveraged grid-based margin so as our leverage increases with the declining EBITDA, we'll pay a little bit more in years to come or the year to come. Our interest on leased liabilities is down about a million and that reflects the refinance of equipment from operating in finance lease and reduced principals at that point. We also include quite a few other charges there from banks for undrawn commitment fees and bank guarantee fees, and they're relatively flat year-on-year.

And when we refinanced our debt in February, the accounting standards required us to revalue that liability and then we booked a small gain from that, but we refinance that debt every couple of years so don't be surprised if you see that turn up every time we refinance.

Balance Sheet and net debt, let's move on to the Balance Sheet. Our cash, typically we retain about $100 million in cash. This year, $106 million versus last year, $119 million. We did draw down on a senior bank facility going from $160 to $638 and I'll give you a net debt bridge in a page or two. We did undertake a lease conversion strategy with finance leases or operating leases at Maules Creek coming onto the balance sheet. But, the biggest contributor to the drawdown was the $312 million of dividends which was the 30-cent dividend from the final in FY19 and the 1½-cent dividend in FY20 as the interim.

And if you can see the equity falling from 3.5 to 3.2, it really just reflects that dividend and the earnings over the year. I did want to, on the financing, I wanted to draw your attention to really, we do try and diversify our sources of capital. There will be some companies that run a central treasury. We run a business where we're trying to raise funds and we're raising funds from senior banks and that's our senior debt facility for a billion dollars, and it's been about that number now since 2012. It's been quite strong or well-supported. We go to export credit agencies which really help OEM's supply us with mining equipment and with the program of work we have over the next decade we see that as an important source of alternate capital. We use finance leases and we use asset rentals. Importantly, to support our rehabilitation obligations and our logistics, we have bank guarantees and that is quite a large number at $450 million, but that's well-supported by a range of banks.

The key thing I wanted to point out again here is if you look at the end of the year, we have liquidity of about $470 million. We have a very strong banking group that supports us very well and has supported us over these years and we have great banking relationships. You will also see in the appendices, an explanatory slide about the covenants and I'm happy to take calls and talk to people about that either in our one-on-one's or later as we finish this process.

Net debt bridge; that lease conversion strategy was something we started with last year but we really closed out all of the operating leases with Marubeni this year and moved them over into finance leases. And if you had of restated that, you would have seen us start the year with about $300 million of net debt. The $146 million in cash inflows from operations, I'll come to that in a moment. We invested about $216 million which is the capital spend that I'll take you through in a moment. We borrowed about $52 million from the ECA which really, that seven-year facility that's going to support the expansion of Tarrawonga. We paid $312 million in dividends and there's some others in there that gets us to a total of about $788 for the net debt. Importantly, there's a range of sources of capital. There are no near-term maturities and we have a well-supported facility.

EBITDA to operating cash flow; traditionally, our conversion ratio is a lot higher than this but there are a few things in here that I probably draw your attention to. Essentially, timing differences. Narrabri's development there, you can see we've invested about $29 million, which is really, we've developed long wall panels, we've put in gas drainage and we've put in other works which is ahead of what was actually mined in the period. In future years, that will unwind and those numbers should reverse. And overburden in advance investment, as Paul talked about with Werris Creek, typically that doesn't look like that. It reverses in the fourth quarter with strong production in the fourth quarter. But the impact of the underground workings has meant that production is going to turn up in the September period. When I look at our forecasts, I think that it's going to be flat in 2021 and starting to unwind in 2022 quite strongly, as the mine comes to the end of its life. We continue to pay our creditors. We built large inventory balance, so you can see a working capital investment of about $35 million. And I think as Paul talked to earlier, the heavy lifting on rehabilitation at Sunnyside and Rocglen has been undertaken in FY20 and that's that $22 million. I think that work, there's a little bit more of that to come this year and then, I think that's probably about the end of it. We're back into a monitoring and maintenance program after that, before Werris Creek finishes in the mid-2020's.

Interest paid at 30 is recurring. I did put the annual tax payment in there at 14, but if you look on the face of the balance sheet, I'm going to get most of that back in the back end of this year, so I think the net will be about one by the time we're done.

Over the page to investing cash inflows. Through the cycle, we continue to invest in this business. And if I start from right to left, rather than left to right, I would say we bought the 7.5% of Narrabri because we like that asset and we found that price interesting and the structure was quite interesting to pay for that over 5 or 6 years. We invested in some growth

projects and some water security. The drought taught us in 18-19 and 20 that we needed to do a little bit more support there, so we spent some money there. We've spent some money on Tarrawonga's expansion. The hydraulic cylinders at Narrabri, they are doing a good job and we're working on the AHS project at Maules Creek which seems to be, and which is going very well.

And you can see the growth projects Vickery, Winchester South and Narrabri Stage Three. And our sustaining CAPEX at $62 million was below the guidance of $77 to $89 million, and that's not an unusual occurrence.

I'm over the page to capital allocation. Through the price cycle, we see ourselves as being prudent debt managers. We'll float up and we'll float down as the cycle goes along, but if I take you through our history; at Maules Creek, we bought that into production and then we focused on retiring debt. And we retired it very quickly. When we put a dent in the debt stack, we turned to providing returns to shareholders and over that period, you can see that we've returned about $1.1 billion to shareholders since FY16. While at the same time, we've invested in making sure that our business, the capital in our business remains robust and that we've got development programs in our brown fields and green fields programs and I know that Paul's going to come to that and talk to that in a minute and I imagine there will be a lot of questions out of that in the Q&A to come.

The Board declared an unfranked dividend, interim dividend of 1½ cents and that really is about 50% of NPAT. And in the interests of where the world is at the moment, the decision was taken that – because it represented 50% - that would be sufficient for the year. With net debt and the upper half of our preferred range, our priorities really are to remain prudent with debt, to return surplus cash to shareholders when conditions improve and to make sure we maintain and sustain existing business for years to come.

I might be harping on a little bit here but this is how we think about the business and I've talked about this. It's about debt, it's about balancing debt, shareholder returns and managing growth all the way through the cycle. On that note, I'll hand to Paul who can talk through the growth portfolio.

Mr Flynn: I think for many of you, you've seen this slide before and it really is just a dissection, if you like, between brownfields opportunities in our business and our greenfields projects. And I'll speak to each of these in turn. The only difference on this slide is that Vickery is approved.

On Vickery of course, we're very pleased to have finally received the IPC approval without any conditions associated with it that cause us any great level of concern. The community have been quite pleased to finally see that project move forward and from our perspective, it really is now working on the management plan so that we've got all of those signed off for both the construction phase and also, operations and concurrently, working our way through the EPBC approval process.

Lots of factors, as you would imagine, in our minds in terms of decision to go ahead with Vickery project. We have said, of course, we're not going to be addressing an FID decision this side of the end of this calendar year and we'll use that time to continue to refine and look at ways to make sure we can optimize the capital spend on this project. Of course, discussions with joint venture participants will start but the reality of that is that people have got a lot on their plate at the moment with the pandemic and I suspect that will take a little bit more time than what it otherwise may have been. But very pleased to receive this. This is quite the unicorn, I think, as far as our industry is concerned. Our view is, let's get this a ready as we can so that we're at the go-line ready when it's the right time to turn this on. And if you look around you, we're one of the very few who can actually do that. There are a lot of other projects that people would like to contemplate but they don't have that important approval to be able to go when the time is right. Vickery is quite unique in that sense.

Lots of work going on at Winchester South, I have to say. There's a bit of tabulation here of the things that are going on there. We are actually doing more drilling there and our primary focus of that is to work out how much of the Fort Cooper measures we want to incorporate into the project. We are still on track for our JORC reserve at the end of this year and also, similarly, to lodge our EIS at the end of this year also. The government was keen to have us try and do that ahead of an election but we didn't want to get tangled up politically on that and quite frankly, there was more work to be done anyway. I think that timeline was nice as an

aspiration but never realistic despite us wanting to obviously keep the government on the right side. But you'll see more movement on this project certainly, as we draw towards the end of this calendar year.

Stage Three similarly, is interesting, is an important phase because we are looking to try and lodge our EIS at the end of this quarter. Important studies around where a lot of money is going to be spent, ventilation, gas management, conveyor systems and so on, have been done and are just now being finalised as far as that final EIS drafting is taking place as we speak. Coal quality work has been reassessed, which was quite positive actually. We've got better results there than what our initial thoughts were on the coal quality in that southern region. I think there's a useful uplift there in that coal quality and we know there's other qualitative attributes of money down there. There are lower gas levels, for instance. It would appear to be less faulting in there so that's certainly been positive for this so I look forward to lodging this at the end of this quarter and starting the EIS process off with the government.

We have thrown this slide in just because it really wraps up the finality of our restructure of our leadership team here. We have all the components of our leadership team on the ground now with the arrival of our EGM HSC, h Withell on the ground and doing a great job. You can see the two light blue ones there, P&C and HSE, the new entrants at the executive level of the company and obviously, some restructure around the projects which now Mark Stephens has command of Vickery, Winchester South and Stage Three. And of course, Ian on this call, has the run of the land in terms of all our operations.

I do think that's the end of our current restructure of our team and that puts us in a great place to manage, not just the complexities of our business today, but our aspirations in terms of existing new projects.

Alright, to the outlook; guidance here is always a tricky thing. A couple of people have asked us whether or not we're actually putting guidance out this year because many companies haven't. At the end of the day, we do feel like we are in a position where we can give guidance. Of course, everybody understands that there's a range of risks both known and unknown that may eventuate here, but based on what I said earlier in terms of our line of sight of what physically is going on with our customers, we're not anticipating major disruption in that sense. We do feel like we're in a position to give guidance.

And so, from a managed ROM basis, our guidance is for this year, 2021, 21 million tonnes to 22.8 and the splits there for Maules Creek, Narrabri and Gunnedah ops are relatedly there. Managed coal sales at 18.5 is the bottom end, to 20 million tonnes coal sales, top of the range. And that does exclude obviously, purchased coal. We will be purchasing some coal during the course of the year. We do need some access to some lower rate coals, which we don't have from our portfolio in the volume that we would like to be able to continue the blending benefits that we've seen, particularly in this past year. We've done quite well out of that, so there will be more of that. But importantly, we put a range on our costs this year of $5, so 69 to 74. And again, there are a number of factors in this, which we want to make sure we accommodate appropriately. Maules Creek does have a little bit more strip in its two years and last year being one, this year being another. Narrabri, all those play its hand here. Obviously, diesel costs have come down so that's important. That's actually to the good essentially, from a cost perspective. And of course, at these numbers, we are anticipating better absorbing all our infrastructure costs which was a burden for us in this past year, which management has to be in a position to be able to absorb as much as we can, to take or pay contracts that we have.

There's some guidance here also on capital. And so, the two main buckets I'm sure will be of interest here is just sustaining CAPEX we have. We've highlighted here for you separately, which we didn't actually at the beginning of last year, although we have expended considerable capital also on our fleet because the Maules Creek fleet, as you know, came in various tranches and they are approaching times when major rebuilds are required. And so, we thought we'd just call this out separately for you in terms of highlighting the impact of that in this new year. I think the number actually, last year was in the early 20's, 22-23 million dollars that we spent last year. This year, with more of that fleet coming on, up for its work, you'll see us spend between 30 and 35.

Of course, down the very bottom there, you've seen the tranches associated with the next payment of the EDF, deferred consideration. And of course, our projects for Vickery,

Winchester South and Narrabri Stage Three, we've obviously looked at that very closely and ensured that only the appropriate expenditure is going in to each of these projects at a point of lower cash generation that we are in the cycle. And so, we've provided a range there of $35 to $40 million dollars.

And finally, I'll just go to our focus for the year in terms of our priorities. Of course, we want to improve, must improve our operational compliance and of course, safety is amongst that, but environmentally as well. From an operational productivity perspective, we have commenced on a project here called Project STRIVE. We haven't spoken about that too much, but that is a full productivity and cost review across our business in its entirety. It has already been to Maules Creek, currently at Tarrawonga and we'll move on to Narrabri shortly. But that's a significant issue for us in terms of ensuring that our productivity and cost reductions at this important time of the cycle are maximised to the degree possible.

The continued rollout of AHS is obviously a point of focus for us. There are promising signs, as I've mentioned but taking that next leap in incorporating another full fleet is a focus for us in the short to medium term.

Vickery, of course, as I've mentioned, there are subsequent approvals required for that and discussions with potential joint venturers there as well.

We'll publish those, the JORC reserve, which is Winchester South later on in the calendar year.

And of course, as Kevin's been at length to emphasize to you, we have a strong balance sheet and we feel we're in a good liquidity position to manage our way through compressed margin times and we'll continue the capital discipline that you've seen from us in the past in this year and beyond.

With that, I think you've heard from us enough and why don't we hand back to the operator for commencement of the Q&A session.

Operator: Thank you, Paul, and welcome to the Q&A session. If you are viewing via the webinar, you can submit a question via the dark blue hand icon in the top right-hand corner of your screen. If you are joining via the teleconference, to queue for a question, you can press *1 on your telephone keypad.

The first question comes from Rahul Anand from Morgan Stanley. Please go ahead.

Mr Anand: Hi, Paul and Kevin. Thanks for the opportunity. Can I please start with the production guidance for next year? You said, weighted to second half, 55%. I want to understand. You've got Narrabri doing a long wall move in the second half next year, yet the guidance is weighted to the second half. I mean, is this saying that Maules Creek is again going to slow down post that very strong result in the last quarter of FY20? That's the first one.

Mr Flynn: Yeah, thanks Rahul. Yeah, look, I think the point we made here in the last quarter of last year and we made it again, and the reason why I put that slide in there showing the different scenes at Maules Creek, there's no doubt that when you hit that big glorious Braymont seam, it produces a lot of lovely coal in a short period of time. And then, when you're out of it, as you can see in the seam's sequence, obviously, you're back into seams which are anywhere between 5% and 12% say, for instance, of the total resource. So, contributing much less coal in that next period until you hit those bigger seams again.

There is a balancing act in that. Once you're out of the Braymont, then you're back to a more normalised level of production. And so, you'll see that in this first quarter. We did say that this was coming and that will still be a feature of the mine sequence for the next couple of years. There is a gain, a weighting to the second half, not through any production issues of any particular import. It's really just the mining sequence itself.

Mr Anand: And in terms of the in-pit dumping, are you going to be able to get more out of that in terms of cost savings going into next year? Are we seeing the quantum of that in the numbers, as they stand?

Mr Flynn: You will see that start to pick up, Rahul. There are two benefits to that. Obviously, the length of the hauls starts to diminish as you increase your proportion of in-pit dumping. And there is upside also, in optimising the rise and run, minimising elevation differences between where

you picked up the dirt and where you drop it. You will see us dumping outside the pit still for, essentially, another 2-2½ year. 2023 is the year that we actually get to the, or arrive at a state where we're 100% in-pit dumping and we have talked about reductions associated with that in our investor presentation previously. And this year will see us start to increase that momentum that we are dumping currently in the pit which is nice to be able to see. We'd like to do more of it and we're accelerating that. It is actually a year earlier, at 100% in-pit dumping than what we previously had anticipated.

Mr Anand: *And that 16 million tonne per annum run rate at Maules as well, I mean, are you still expecting that coming through in the mid of FY22? What's the progress on that, please?*

Mr Flynn: Good question, Rahul. Tactically, we didn't want to lodge an application for 16 million tonnes whilst Vickery was on foot and we thought we'd just asking – we've got a lot of stuff, as you can see from the various projects, requiring consideration by the government. You've got an EIS for Narrabri Stage Three about to hit the deck at the end of this quarter from the Government's perspective. And we were cautious just about throwing too much at them in a short period of time. Now that we're on the other side of the Vickery IPC process, we will move forward with the application for 16 million tonnes. It does require some more work, there's no doubt about that. Just in terms of noise, dust and vibration, all the necessary things that you know that are going to come from an increase in tempo at the mine, they do need to be studied both in detail and seasonally also. That work is ongoing, but we look to lodge that as soon as we can, now that we're on the other side of Vickery.

Mr Anand: *Would you be looking to update that timeline for mid-FY23? Is that still valid or would you think there's a bit of a delay to that?*

Mr Flynn: That's still okay. That's still okay.

Mr Anand: *Okay. Perfect. That's very helpful. Thank you. I'll pass it on.*

Operator: Thank you, Rahul. The next question comes from Sam Webb from Credit Suisse. Please go ahead, Sam.

Mr Webb: *Hi Paul and Kevin. Just a couple on the balance sheet, if I can please, so maybe for you, Kevin. Just interested in how net debt is calculated under your facility. Does it include the lease liabilities or are they excluded? And are there any restrictions on that $360 million odd that's undrawn currently in that facility?*

Mr Ball: I'll answer the second part first, Sam. There are no restrictions. The full balance is drawable. The second question is that the original facility started out when IFRS 16 was not enacted. And when it, IFRS 16 came in, what we do is we make adjustments to the face of the financial statement numbers to come back to pay interest and EBITDA as if it were calculated without the impacts of IFRS 16. There's a little bit of adjustment we need to do with banks, but it's well understood and that's how that's done.

Mr Webb: *Okay. If we were trying to calculate that number, what net debt figure should we be using for that test?*

Mr Ball: There's not actually a net debt test in there. There are three tests if you go back to the appendices. The first one is an ICR, which is interest cover ratio, which is adjusted EBITDA divided by adjusted interest. The second is a net worth test, which we're comfortably in excess of. A billion and a half of head room on that. And the third one is a gearing and we're about half of where we need to be if we were to run into trouble under that one. So, the real test here, Sam, is simply what's your interest under IFRS-adjusted numbers and what's your EBITDA adjusted for IFRS numbers. It's hard to explain on a phone call. It's probably better on in a one-on-one, to be honest.

Mr Webb: *Yep, got it. Got it. And just the threshold for that interest cover ratio test; what is that number?*

Mr Ball: I don't think we've ever disclosed it but I think you've got a bunch of people out there that have similar numbers. That's the nicest way I can say it.

Mr Webb: *And just one second one, just on capex, if I can please, the capex guidance for this year, if we're in a somewhat more normalised pricing environment, how much capex have you pulled out of this year that we should anticipate in later years, or is this the true capex number if things were more normalised at the moment?*

Mr Ball: I think if you look at our sustaining capex over the last several years, it's been around that $60 million, so I think we have trimmed a little bit out of there. But that 60 included mains, so we have trimmed a little bit out of there, but it's in the tens of millions, not in the 50s. And really, the trimming there was done around the growth projects and holding those back and doing the minimum work we needed to in order to progress them rather than going perhaps as hard as we would have gone if conditions were a little bit more conducive.

Mr Flynn: I think we've sculpted this in a way which those things that didn't need to be spent now; we've sculpted it in a way to push those out. The projects themselves have their own capital budgets such that, say for instance, stage three for instance may require a purchase of offsets and land, say for instance as we explore and lodge our EIS at stage three. There are ways in which you can sculpt that so you can defer that off, so we don't have to do that now, why do we need to not block up more land now? Let's not do that. You obviously want to put your foot on it to the extent that you need it but those are the types of things that we've done. Whereas more immediate land acquisitions, say for instance, and Vickery being the notable one, we actually said no, we've got commitments, because that project is obviously across the threshold here in terms of its approval. There were certain triggers around that, and we have incorporated that into those guidance numbers. But we definitely have sculpted this in a way that looked at what's essential to preserve the timelines of our projects and, as you would imagine, the nice to haves have been scrutinised with great detail.

Mr Webb: Of course. Makes sense. Okay. Thank you very much.

Operator: Thank you, Sam. The next question comes from Lyndon Fagan from JP Morgan. Please go ahead.

Mr Fagan: Thanks guys. The first one is just on the cost. The FY21 guidance, the midpoint of that is still $5/tonne higher than FY19. But as I understood it, there was a whole bunch of costs that were one-off related to bushfires and labour shortages and things like that, plus we had some cost out coming through with autonomous haulage, in-pit dumping, etcetera. And I'm just still trying to understand why costs in FY21 aren't looking a bit more like FY19 at sort of $67/tonne. And I guess I'm also a bit confused about how to think where costs are going forward. I'd appreciate a bit more discussion on that if you could.

Mr Flynn: That's quite a wide range that we provided in there. And I think if I'm going to say something directional I'd just say I think now is not the time to be aggressive in that regard. I think there's an element of caution in that range that we've provided, which I think is prudent at this time. AHS, as a general statement, is not a net reduction yet in cost, so you shouldn't think of it that way. In fact, it's increasing cost in the short term because we do have one fleet operating, but we've had to recruit obviously new skills to be trained up and managing that new technology. And in fact, we don't actually see cost reductions until you've probably got your third fleet up and running, so with only the first one going, hopefully a second one soon, we're on that journey. But in the short term, we're not relying on cost reductions from AHS. In-pit dumping, we'll see cost reductions, there's no doubt about that. But we obviously do still have long haul profiles for the next couple of years, as we've mentioned. That reduction, there's no change in our view on the reduction that will come from in-pit dumping, Lyndon. It's just that you've got two more years of this before we get to a hundred percent in-pit dumping. As I said earlier, that's actually a year earlier than what we've previously advised, so that's positive. I mentioned earlier, you've got things like fuel will drive a benefit for us. There's no doubt that that's actually a significant impact in this year. So Kevin?

Mr Ball: Yeah, fuel will be – in fiscal year 20, because a lot of that lower price diesel in May and June ended up in the inventory number. But today, I think we're down – our July number for diesel was mid-50s per litre versus probably mid-70s in the previous year. So you will get a benefit out of that, or we will get a benefit out of that. But I think, as Paul said, Lyndon, we've kept this a little bit wide. We're just being cautious.

Mr Flynn: We don't expect, say for instance, I mentioned earlier, Lyndon, we're not planning to have the same level of underutilisation of our take or pay contracts that we did in FY20, so there'll also be a benefit from that. We do see cost reductions coming, there's no doubt about it. And our STRIVE project is also a part of that, although we haven't included any of the savings that come from that project in that range. We're not sticking our necks out on that yet, although we do see lots of good initiatives stemming from that, which will assist us in this regard.

Mr Fagan: *Thanks for that. And the next one I've got is just on Narrabri Stage Three, so there's 400 million we've got to put in our models. When should we start that?*

Mr Flynn: That's definitely an important question for us. And at the moment, we're reviewing the timing of all of that expenditure. Some of it we have already factored into our work for not this year '21, but for '22, so we have actually said that we can take a pause on major expenditure for Stage Three for a further 12 months, and that's why some of that capital guidance looks a little lower than what we're being questioned on earlier. There are some options there to better manage that, and so we've taken that opportunity to do that. But you can't wait forever, as you would imagine, on all these things. You've got to actually get in there and make sure the development work is done in time. But we've been able to push that out 12 months more.

Mr Fagan: *So we're starting that in FY22? And over how many years?*

Mr Flynn: FY22 is our plan, for sure, to start that work.

Mr Fagan: *Great. And how long does it take to spend that money?*

Mr Flynn: We've got the guidance on that. I'll have to come back to you on that one, Lyndon. It's over a couple of years. But the specifics on that, I don't have to hand right now.

Mr Ball: Let us go back to that investor day presentation last year and we'll help you out with that.

Mr Fagan: *Alright. Thanks guys. I'll pass that on. Cheers.*

Facilitator: Thank you, Lyndon. The next question comes from Peter O'Connor from Shaw and Partners. Please go ahead.

Mr O'Connor: *Thanks, Paul, Kevin. Just further to the question on Narrabri. Having a decent float of development for stage three would obviously be nice, but it requires working capital, and I understand your conservatism, but given the length of the blocks, would it be – are you starting to press the risk a bit high now by pushing that back? Are you actually increasing the risk, not reducing the risk?*

Mr Flynn: Peter, that's an important question of course. And you would imagine that's front of mind for us in any of our deliberations in this regard. So it definitely – as we stand today, we think we've got an appropriate balance there, but of course, that's critical to continuity here. So we're mindful of it and managing it appropriately.

Mr O'Connor: *So the continuity is not impeded by the start of developing FY22, thank you. And more holistically about the spend, the Stage Three spend, Vickery spend and potentially Winchester spend, thinking about that over the next coming years, as you mapped out in the presentation last year which you did, the investor day, and the current level of debt and your financial liquidity and the state of the market, you gave a very confident pitch last year that, I guess a market backdrop with COVID and other things is very different. Funding of each of those three sequentially, does it still make sense?*

Mr Flynn: Yeah, Peter. I think we've always said that we're not so bold as to try and run three major projects concurrently. We will run projects sequentially. Of course, Narrabri and the timing of that isn't quite the same as the Vickery or a Winchester South but we've said we'd never run Winchester South and Vickery concurrently, we would run them consecutively. And that's certainly our game plan. The challenge with that at the moment, Peter, as you would know, is that Vickery's approved, that's a pretty good start. But the Queenslanders play a pretty good game at giving you approval. So I think it's going to be interesting to see whether we run into one or both of those on timing. We'll have to make a choice if that pops up. But we won't be running two concurrently. That's as clear as I can say it.

Mr O'Connor: *Okay, thank you.*

Mr Flynn: I think you noted, Peter that the world has changed significantly obviously in the last 12 months, as you said. And I think we've all got to be just cautious, and as a general statement, we're cautious folk, and with that in mind, as Kevin says and we've said repeatedly, two projects at one time we won't be doing. And so there will be an actual sequencing of the priorities here and a little bit of extra time in that regard allows you to continue to hone each of these projects, not just Vickery, Winchester South being further down the pipe of course, but allows you to further hone what you believe to be the capital requirement for that project. And in the same way, we've been continuing to hone our view on stage three and what's the

optimal capital spend and the sequencing of that. Of course, there's a slightly blurred line between the operational capex at Narrabri, that which normally gets consumed within that mine, and then preparations for what we think, or what we call Stage Three. But I think we've just got to be judicious in how we meter out the capital spend at a time when cash generation is pretty modest.

Mr Ball: And Peter, the other point that I'd make there is that revolver is well supported, but I think, as we said at the investor day and in other discussions we've had, we have diversified sources of capital and we would expect to diversify the sources of capital as we go to do these development programs. So putting money in the ground on a valuable project at the right time and spending the right money on it is a good thing to do, so we'll be sensible with that. But I think you'll find we'll be in alternate capital markets looking for funding for these assets at a later point in time, in addition to the existing funding we've got, or in lieu of the existing funding we've got.

Mr O'Connor: Kevin, one of those is clearly a joint venture sell-down, and Paul's comments seem to suggest that's been pushed out. And I know you cased it around, or framed it around the COVID issues, I get that. Is there anymore – an undercurrent in that narrative I should read about customers are not quite as receptive at the moment or is it an ESG sense or is it purely just COVID and get a data room ready and trying to get that process run?

Mr Flynn: I think, Peter, there's nothing that we detected that says there's a change in posture from serious candidates. I mean there's a bunch of people that have expressed interest, as we've spoken about before, who are not necessarily the right fit for what we would like in a joint venture. But we received a bunch of congratulatory remarks from interested parties on the receipt of our approval, but they all acknowledge that times like these priorities have changed a little for them and they've noted our public statements before and commencing discussions on these things right now is not really the right time for them. And so we've just got to acknowledge that. It's not the right time for us either.

Mr O'Connor: Okay. Thank you very much.

Facilitator: Thank you, Peter. The next question comes from Glyn Lawcock from UBS. Please go ahead.

Mr Lawcock: Good morning, Paul. Paul, I just wanted to talk a little bit about the guidance on volume. You gave us, at the strategy day, the yields for each of the mine. So if you take the ROM by the yield guidance or the yield provided, you actually only get your coal sales, the number you gave us. So have you left out inventory drawdown or are you expecting to get yields below the normal nameplate for each of the mines? That's the first one, thanks.

Mr Ball: I'll answer that one for you, Glyn. You're right. When you go and take the yields, and Sarah does a great job of putting that on the back page of the quarterly production report, you can see what the yields look like rolling 12 months and you can do those maths. We do expect to have some drawdown of stocks because we came into the year with quite heavy stocks. We were naturally cautious around – if you take the bottom end of that range on production guidance, there is some drawdown included in the sales number. If you take the top end of that guidance then we're thinking that maybe that happens at the back end of the year and there's, again the stock doesn't get drawn out as tightly as we thought. So it's going to be a function of timing of production. But your analysis, your worksheet there is working fine.

Mr Lawcock: Okay. I guess I'm just looking back at, we were sitting here 12 months ago, and Maules Creek was supposed to do 12-12.5 million tonnes of ROM with a high strip ratio, yet 12 months on, we've actually gone backwards. I'm just trying to understand how have we gone backwards? I thought we dealt with all the problems, or are some of the problems that we encountered in FY20 still lingering?

Mr Flynn: There's not a simple answer to that, Glyn. It's a good question. There's not a simple answer. It is a big mine and a complex mine. And I think during the course of '20, you'd have to say – and the latter part of '19 as well, I'd have to say, I think the challenge of running obviously 14 seams in a large scale mine, there's no doubt that better planning was required in order to make the most of the opportunity that this very good asset presents. And part of that, I think was actually getting the right skills to be able to better plan a complex multi-seam mine. And I think we're in a better place to do that. The quality of the planning at Maules Creek, I feel is better now than where we were 12 months ago and so, I feel we're on a more sustainable

footing than that. Now, as I say, 13 million tonnes, you can go over that when the Braymont turns up in good form. But we've underperformed in terms of hitting our total dirt movements to be able to hit those 13 million tonne ROM targets on a regular basis. Better planning is required to do that. And as I say, I think better resources are now in place and better planning is taking place to be able to do that on a more regular basis. So just acknowledging that we've had a deficit in some skills there for the complexity of the task, but I think we're in a much better place now, having made changes in that regard.

Mr Lawcock: *And just a final question, just kind of think about how much cash is going out. So if we just take costs at 70, call it, there's about $7/tonne of capital, $1/tonne on Narrabri, a couple of bucks a tonne on interest, $4/tonne on lease payments and about $1/tonne on rehab spent. So I sort of get your cash outflow at about A$85. And then, when I add royalty on top, it's about just over A$90/tonne. And I guess at spot prices, you're only getting probably just over A$70. Is that about right? So you could be burning at current prices upwards of A$300 million. So you could go through your facility in 12 months. So I was just wondering, if spot stays where it is, what levers can you pull?*

Mr Ball: I think I'll probably step in there ahead of Paul. But, as I say, all the numbers that we run don't support that outcome there, Glyn. The liquidity that we have, we see as lasting a couple of years there. And the reason-----

Mr Flynn: At these prices.

Mr Ball: At these prices. And I'd probably say this to you, rather than get into the depths of why one or other of the numbers aren't right, we've been holding that net debt number now at about that same number for about the last four months, and hasn't moved under those coal prices. So there's plenty going on under the water in this business to maintain that balance sheet.

Mr Lawcock: *So I guess what you're saying at spot prices, but you're getting some premiums around that's helping as well, but they just use straight spot. And the last four months, you've been neutral free cash flow the last four months?*

Mr Ball: Yep.

Mr Lawcock: *Okay. Thanks very much. Thanks Kevin. Thanks Paul.*

Mr Ball: You're welcome.

Mr Flynn: No problem.

Facilitator: Thank you, Glyn. The next question comes from Paul Young from Goldman Sachs. Please go ahead.

Mr Young: *Good morning, Paul and Kevin. A question on the balance sheet, and another question. Kevin, your gearing of 20 percent is at the top end of the target range. Is there a level that you want to get that down to before you commit to growth? And also, are the banks, any banks in the syndicate actually telling you to get that down before drawing down more debt?*

Mr Ball: Thanks Paul. They're actually good questions. There's no banks calling us and telling us to get your gearing down. In fact, the conversation that we have with banks is that relative to other customers they have that are going through difficulties at the current moment, they're quite happy with the way in which we've managed debt in the years gone past and they're quite happy with the way in which we've responded through this last six months. There are a range of people, a range of borrowers who draw down revolvers and acted in strange ways. We've just continued in that process and we've continued an open dialogue with the banks on a monthly basis across the relationship banks. So that's really strong. So there's no restrictions. How should we think about the 20 percent? The 20 percent and the 1.5 was struck at a time when we didn't have a lease conversion strategy, so if you look at the footnotes on, I think it might be the slide that dealt with that, Paul, you'll see that we're going to revisit that this year. That doesn't mean we want to take on more debt. But at that point in time, when we've pooled those ratios together, we didn't have leases coming into the balance sheet with a diversified source of capital. So I'm not really – my view, we're at the upper end, in the upper range or the upper half of the range where we'd like to be. We don't want to see that grow much more. And we'll be doing our efforts to reduce that leading into construction programs going forward and better times in the future.

Mr Young: *But there's no – 10-20 percent through the cycle, you're going to adjust that, as you just mentioned, but there's no number that you want to get that down to before you commit?*

Mr Ball: I think that'll be a function of where we see our sources of capital coming for this and how well matched they are to the underlying asset. So when we built Maules, we built Maules out of the revolving facility, knowing it was a tier one asset with quite quick payback and strong support. When I look at the quality of the coal coming out of Vickery, I think that's an exciting asset, but it's not quite the same cost structure as Maule's Creek. So the way I think about that, Paul, is I think about how do I find a piece of borrowing that may have a little bit longer in tenor and how do I put that together with an Australian bank debt package.

Mr Flynn: And if you're in the same – let's just say moderately improved but still not back to where we were, price environment, a joint venture discussion becomes important-----

Mr Ball: Correct.

Mr Flynn: -----to the timing of pushing the button on Vickery.

Mr Young: *Thanks. And-----*

Mr Ball: Does that answer your question?

Mr Young: *It does. It makes me think at least. And then, looking at capital management, reflecting on the past and the benefits of hindsight, but Paul, do you think you paid out too many dividends. And just based on what we've just gone through, on effectively going to no net debt to $900m with leases, does this make you think differently about dividends going forward?*

Mr Flynn: I think there's – Paul, it would be fair to say that we didn't contemplate at the time the level of trade dysfunction that we saw preceding COVID. And obviously we didn't contemplate COVID either. So I think there's no doubt – I mean it's quite an extraordinary turnaround, isn't it, when you consider last year's results to this year's? I mean that's a big transformation. I don't think anybody expected that. We were certainly budgeting on continuity of the average price that we achieved for '19. We weren't doing that. But look, I will say there's been – we'll temper our enthusiasm going forward. We paid a lot of specials during that period, there's no doubt. But our policy remains the same in terms of the 20-50 percent range, so the board hasn't changed its mind in that regard. And I don't think we feel regretful in any way that we paid those dividends. I think we've had a lot of strong support from shareholders over time that we felt it was the right thing to continue to reward them. And as we said repeatedly over the years, if we thought there was a reason to raise capital for something that made sense, having done the right thing in returning capital to shareholders during the course when we had surplus, it would be viewed favourably if we were requiring capital back for something that was meaningful. And we still remain in the same position, Paul.

Mr Young: *Okay. Thanks for those comments, Paul. Another one for Kevin on rail and port charges, which were up $20 million year on year, yet your sales were down, and you can see it obviously the cost bridge at $2.50/tonne of take or pay impact coming through. Just for FY21, Kevin, is there a gap again between what your budgeted rail volumes are versus your take and pay?*

Mr Ball: We're a little bit long on port. We're a little bit long on port, and that'll stay there. That's why the full benefit of that, or the full impact of the $2.50 that's on that slide doesn't come back, Paul. We're pretty well matched on above rail. And I think we're just a touch over on – sorry, we're pretty well matched on below rail and I think we're a touch over on above rail. So of that $2.50, there's maybe $1 of that stays, $1 or $1.50, and then there's $1-$1.50 comes back.

Mr Flynn: I think, Paul, just reflecting back, the knowledge of Rocglen's completion was always factored into our equation. We didn't take on the full take or pay in any sense for Vickery but we certainly – and that's a decision yet to be taken, but we certainly did contemplate that there would be a small surplus available to us for early tonnes on a Vickery – no one expected Vickery to waste two years in the current process. Nobody expected that. And so we do have these small surpluses Kevin's pointing out, which will remain until we extract some further tonnes out of our other assets.

Mr Young: *Okay, thanks. Last question is on the carrying value of the asset base, $4.1 billion in PP&E, and there's four or five different components of that. I can't remember you spending $4 billion on resource and PP&E, Kevin. But how did you survive an impairment test. And, or another*

way of looking at it, the impairment test you did conduct, what assumptions were in that to avoid a write down? Thanks.

Mr Ball: I've probably not put the model up on the page, but I probably – not probably, I would say this to you very strongly, Paul, that when I look at the net assets between 2013-2020, they don't vary that much. But the coal price does vary quite a lot. If I look at what transactions are for quality assets, that's generally not priced off a spot price and the spot FX. Particularly I would say to you that some of those assets they've traded in the last couple of years have all traded on 10-year and 12-year averages of coal prices on the basis that those assets will be in business for quite a long time. So our impairment testing, we go through that in quite detail with the board and in quite an amount of detail with EY and we had a fairly robust discussion around that. And we came to the conclusion, as we have done consistently, that there isn't an impairment in the assets that are there.

Mr Young: Okay. Thanks, Kevin. A few more things to think about. I appreciate it.

Mr Ball: Thanks Paul.

Operator: Thank you, Paul. The next question comes from Peter O'Connor from Shaw and Partners. Please go ahead.

Mr O'Connor: Paul, Winchester South, reserve resource, red flags. In the last week or so we've just had an interesting position where a peer company – and I don't want you to comment about them – but similar area, similar coal product and kind of getting cold feet. Given the amount of work that you've done in reserve and resource, is there anything that's come up which has made you less or more confident about your position with Winchester South?

Mr Flynn: It that's your definition of a red flag, Peter, it doesn't meet mine, I have to say. That's not new news, and I'm sure you understand that, that those guys were contemplating some changes in posture there, and we know that noise has been around the market for a long time. And those operations, it's not really for us to comment on. But for us, our focus is making sure we optimise our investment. We put some money down on this asset, of course we want to make sure we get a decent return from it. And for us, our focus is making sure that we can convert the maximum amount of our resources in to reserves. And as I mentioned before, that drilling is ongoing now, just to make sure we can optimise the mix of the Rangal and Fort Cooper Coal Measures that we have access to. So it doesn't change my thinking or our thinking one-way or the other to see their more recent discussion on their position. I mean each company makes up their own mind for their own particular reasons, and I can't speak for them in any way, but it doesn't really change our focus on what we're trying to do with our asset there in the Bowen Basin.

Mr O'Connor: Thank you, Paul.

Operator: Thank you, Peter. We have no further questions at this time, so I'll hand it back to you, Paul, for any closing remarks.

Mr Flynn: Thank you everybody for the discussion and taking the time to listen into the presentation for the full year results for 2020. If there are any further questions, of course you know where to find us, be that through Sarah or any of us as well. I'm sure there'll be a few more as people think about through what's gone on in this year and importantly, what the outlook looks like. I don't think it's an easy picture for the new year to get your head around. We've taken, you know, all the settings that we've given you in terms of guidance and the positioning of the company for the new year is reflective of some caution, I will say that, because I think there's a lot of uncertainty out there that we need to navigate our way through. But in our instance, sales and volumes are moving as we would expect them to. And so that does give us the confidence to be able to form a view on guidance as we have. So any further questions, look forward to catching up with you in due course through the one on one meetings as well, and we'll leave you to get on with the rest of your day.Operator: That concludes the Whitehaven Coal FY20 full year results call. Thank you once again for joining us today and for your interest in Whitehaven Coal. You may all disconnect.

END OF RECORDING