

Whitehaven Coal December 2020 Quarter Market Call - Transcript

- Operator: Thank you for standing by and welcome to the Whitehaven Coal December 2020 quarter production report. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you'll need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr. Paul Flynn, managing director and chief executive officer. Please go ahead.
- Paul Flynn: Good morning, everybody and happy new year to you all. Welcome back into our various roles. I hope you all had a good break and for those who managed to get away, I hope you got some relief from our various COVID restrictions and things around the countryside.
- Paul Flynn: As usual, I'll just go through the highlights quickly and then the sites and production output for this December 2020 report and get to the Q & A session. So just to go through the highlights quickly, safety performance at 5.41, our TRIFR for the quarter. The December quarter is managed from production at 5.1 million tonnes or 64% up from the previous corresponding period.
- Paul Flynn: December quarter managed saleable coal production at 3.9 million tonnes is up 15% on the PCP. The December quarter total managed coal sales at 4.5 is in line with our last corresponding period. Managed sales at 3.9, or 15% up. Total equity coal sales at 3.7 is in line with the previous period. And equity sales of our own coal at 3.2 million tonnes, up 14% on the previous corresponding period.
- Paul Flynn: Coal stocks are healthy at the end of the period at 2.3 million tonnes. One of the topical points. I'm sure, at Q and A will be about Newcastle Coal Infrastructure Group's ship loader status. We have seen, as a result of the storm and damage to one of the ship loaders, about 550,000 tonnes on an equity basis move into this new quarter out of the December quarter, which I'm sure we'll get to in a second.
- Paul Flynn: Now, we have tightened up our guidance a little bit just as it relates to production and also sales for the period. Many of you will notice, prior to Christmas, we did release our inaugural reserve for our Winchester South project, which is very positive, 350 million tonnes. And just importantly, on COVID we continue to be COVID-free and all our operations have been since the whole outbreak, which is very positive, but we continue to be implementing the same restrictions that we've had along the way.
- Paul Flynn: With that done, I'll turn just to our safety numbers. At 5.41, we have had a slight tick up on the TRIFR, and that is subject to variations quarter to quarter, as you know. It is a little higher than what we'd like to be, and we would certainly want to re-establish the downward trajectory that we've been experiencing over time, which is something we've got to be ever-vigilant on.
- Paul Flynn: Christmas is always a difficult time. People tend to relax a little bit. So we're just making sure that we don't see anything on the other side of this break pop into the March quarter. Over the page, onto the totals. As you can see there, managed ROM coal production at 5.1, as I mentioned. Up significantly on the previous corresponding period at 3.1. There was a change-out in the previous corresponding period at Narrabri, which does distort that period on period variation. Managed coal sales at just under 4 million tonnes compared well to managed coal sales in the previous corresponding period at just over 3 million tonnes, 29% up.

- Paul Flynn: Our produced coal totals at 3.9 versus 3.4, 15% up, and managed sales of purchased coal down at 537 versus 957k tonnes the previous corresponding period. Total managed sales, as I said, that 4.5 million level versus 4.4, flat period on period. The equity coal totals reflect our proportion ownership, as you would expect, all those numbers are roughly 80% of the numbers in the managed section and bear out the same proportions of split period on period.
- Paul Flynn: Moving into equity coal sales and realised pricing, the interesting part of this section, obviously, is we have had an increase in our other thermal coal sales and I'll get to that in a little bit. So we've got the high CV 58%, other thermal 24%, and our met coal sales at 18% for the period. In terms of the indices themselves, Newcastle Index, the average for the quarter at \$67, certainly better than where it's been.
- Paul Flynn: JSM quarter, currently 87. And the average spot price for semi during the quarter was 69. In terms of what we've achieved, the 62 and the 77 for thermal and met respectively, there's decent results there. We are 8% down on our thermal overall, but that does reflect the high proportion of non-SCoTA sales that we've made during the course of the quarter. I'll expand on that in a second.
- Paul Flynn: And we split the difference if you like between the reference price comparison to JSM sales versus a 12% increase over and above the average spot price for semi-soft sales during that period. Look, mostly importantly, I suppose, in terms of volumetrically, the \$62 realise price that we've achieved for our thermal coal sales during the course of the quarter reflected a couple of issues. We've obviously got a rising coal price environment, which is very positive.
- Paul Flynn: There is a lagging impact in terms of how that manifests itself through our total average realisation price, because that 8% lower than the 67 for the period is a function of all our coal sales in that side of our business. And of course, we did traverse through faulted areas in Narrabri, which gave us some out of seam dilution, which caused non-SCoTA sales to be higher in this quarter versus previous corresponding periods.
- Paul Flynn: And we'll get to Narrabri in a second, I'm sure. Met coal demand, no real material change there. I do note that met coal interests, semi-soft interests for us has ticked up and you will see, in this new calendar year, some further interest. We have concluded some further sales on the semi side of things, which is positive. It doesn't affect the half year results as we published them in a month's time. But it is positive to see both in India and Korea, semi-soft interest returning.
- Paul Flynn: Overall, as I mentioned, the purchased coal sales down to about a half million tonne level. That's about the level we would expect, as we mentioned, our previous quarter, that this is a level we've embedded in our business, just because we are buying some other quality of coals to blend with our own and about the half million tonne level is what you should expect quarter on quarter going forward. The sales guidance for the year, we have tightened that slightly, so based on what we've performed in the first half of the year. So we have lifted the bottom of that guidance up from 18.5 now to 19 million tonnes. And the top end remains unchanged at 20 million tonnes.
- Paul Flynn: I'll move on to the sites now. Overall, Maules has had a very good quarter, continue on the good start that it had to the year. So the September quarter was certainly positive and the December quarter has continued on in that vein. The tonnes there, just for Maules, total run production at 3.25 versus 2.23, 45% up, is a very solid start to the year. And saleable coal production at 2.1 versus 1.6, 32% up. So that's a very good start for the year. Now, the previous corresponding period you may recall was affected by regional dust events and stoppages that had affected us there, and also some labour shortage. Both features are now ... We haven't had any regional dust events in that context and the labour shortages have long been addressed at Maules Creek, so certainly very positive.

- Paul Flynn: The production, as you can tell, is running at a very high rate, in fact, at our approved rate during the course of the quarter, which is very good to see. And you're definitely seeing a better planned and better execution of those plans across the site. And as a result, there are starting to see some early benefits from project STRIVE in that sense as well.
- Paul Flynn: Now, the managed volume sales at Maules Creek at 2.2 million tonnes, 29% up period on period as I mentioned, but it's certainly a very good result for the quarter for Maules Creek. The pit floor is being exposed so in pit dumping will increase during the course of the second half of the year. We are still a little weighted at ... the 40 and 60 is actually a little bit less than that, but we've just left it at 40/60 first to second half for the purposes of this report.
- Paul Flynn: But we are doing slightly better than expected. And we are looking at a better outcome overall for Maules for the year. As a result of that, our guidance on Maules is now in the range of 11.8 to 12.4. We are doing well there. We expected the third and fourth quarters to continue in that vein. And so our guidance has been slightly revised upwards there to take account of that.
- Paul Flynn: Narrabri. Narrabri's had an interesting quarter, no doubt about it. Production was proceeding well, but we have traversed a known faulted areas, which slowed the mine down and also produces the outer seam dilution that I referenced earlier. So we have non-SCoTA sales have ticked up, but during the course of the quarter, we also encountered an unexpected mid-phase three metre upthrust fault, which wasn't identified in any of our development drivage along the way, and nor in seam drilling for degassing purposes along the way.
- Paul Flynn: So it was quite a unique and discrete fault that we've encountered. In fact, just for in context, we haven't seen one of these in the mine in some 50-55 million tonnes we've produced out of Narrabri since it opened. Well, we haven't encountered the fault in either side of the panel through our development drivage. So this is quite a discrete thing. It's quite unique and don't expect it to continue to reoccur. And we'll get to that in a little minute, I'm sure, in Q and A, but it did knock out 700,000 tonnes out of the quarter for us, which was unwelcome. And we've adjusted our guidance as a result of that. So the new guidance for Narrabri for the full year now is a range of 5.4 to 6 million tonnes versus what we previously guided at 6 to 6.7 million tonnes. So an unfortunate thing, but back into it now outside of this area that's been faulted and producing as you would hope it would return to.
- Paul Flynn: As far as the open cuts go, Gunnedah open cuts have done well. As with Maules, again, typified by a solid performance again, following the September quarter. So December has continued in that vein and the numbers, as you can see, look pretty solid relative to where they need to be for their year-end totals. So looking at Gunnedah Ops in total 900 versus 657, 38% up. The saleable coal production at 950 versus 650, 45% up. Doing well across the board here.
- Paul Flynn: Nothing particularly exciting to call out for either Tarra or Werris, but it is nice to see consistently across our business consistent operation, delivery of plans and period on period consistency in terms of how coal is turning up at the port. Which is a segue into our logistics update.
- Paul Flynn: Now, I'm sure there's going to be some Q and A questions on this, and there's been some publicity of this already, but it is an unfolding situation which we're updating you on today. As you know, there was a storm in mid-November, which knocked out essentially one of the shiploaders at NCIG. And so there's been some adjustment required in order to accommodate tonnages through there with the available infrastructure. That is, one ship loader is still working, and now with two berths to use.

Paul Flynn: But just to go quickly through the numbers for you. At times, we were demonstrating an annualised capacity there about 72 million tonnes at NCIG. Although we were running at a rate of about 54 anyway. Now the single ship loader that remains active with the benefit of two berths, it looks like it's going to be doing about 45 to 47 million tonnes. So the deficit is that needs to be accommodated is essentially the difference between the 45 and the 47 and the 54. For us that means for the second half of the year, we're going to need at around about 200,000 tonnes per month of extra capacity over and above what we have, what we're able to get through in NCIG. And as you know, there's probably about 30 million tonnes of available capacity sitting there at PWCS. And thus far, we've been able to accommodate the extra tonnes that we've needed as a win.

Paul Flynn: Now that doesn't mean that it's a seamless process. It does mean, as I say, there has been some slippage from the December quarter into the March quarter. On an equity basis those tonnes, it's about 550,000 tonnes have slipped in, although we are already mapping out a pathway over the next six months for that incremental tonnes to be signed up. January we'll actually chip away a good piece of that already, as we've already confirmed in our business. Now that a lot of that shortfall that came through from December into January, will actually be dealt with in this month. So we feel confident we can accommodate this and work with the team at NCIG and PWCS to secure the necessary tonnes to get our product to market.

Paul Flynn: Over on the development projects, I think we've covered a lot of this along the way during the course of the last quarter or two. Narrabri, as you know, the EIS went on public exhibition without a lot of fanfare, thankfully. It's really just a life extension. So commentary on the exhibition was very mild. Most of it positive. But there is a period now we enter into where we have to formally reply to any issues that have been raised as a result of that. That'll see us go through the next couple of months and we'll work through that.

Paul Flynn: Vickery, the major change there is really just obviously we have an injunction on... We don't, the minister has an injunction against her in terms of executing her roles in as far as her EPBC approval goes of the project. That won't be heard now until early March. So that's a frustrating delay that we're encountering there, but we know we're in close liaison with the federal government and the minister's office in particular. And I think we're all like-minded to want to make sure that we can deal with this in an expeditious way, because it's not just about Vickery, there's obviously lots of other projects that this type of shenanigans has the risk of holding up also.

Paul Flynn: Winchester South, as I say the inaugural reserve came out, the resources jumped through the roof significantly at 1.1 billion tonnes. And our reserve, our main reserve at 350 million tonnes is certainly very positive. Over to the market and the outlook, certainly a market of two halves. The thermal market I think is generally pretty good, quite tight. Tonnes are not readily available in the marketplace, I have to say, if you're looking to buy any and so you need to pay a premium on the physical to get a hold of it. Now that's certainly symbolic of a tight market underpinning the current pricing environment. So we've seen prices drift up past the 80 bucks into the mid-80s now, which is very encouraging. And that lag effect that I mentioned earlier, we'll see that come through into the second half numbers for us.

Paul Flynn: The met coal market, obviously it remains quite subdued. And despite the comment I made earlier about us being to sign up more tonnes for in India and Korea in particular, prices overall are obviously quite subdued and this Chinese dimension is continuing to play out. I do think generally the physical adjustments have been made in the thermal market for sure. We are seeing lots of players who otherwise sold coal into China, selling it into areas where they hadn't been doing so in the past and China having to buy coal from non-traditional sources to meet their needs, whilst this coal ban plays out. But the physical adjustments have been made. The fact that everyone's settled buying or selling to non-traditional players has been

accommodated, but as far as it affects the Whitehaven business, our business remains unaffected by that. We're still selling the same tonnes to the same customers as we were previously.

Paul Flynn: So let's see how this plays out as the year unfolds. I haven't heard any news on changes in quota. So quite the contrary, you seem to be more rhetoric about firmer position from the Chinese about not taking Aussie coal. As I say, that doesn't really affect us too much in the end.

Paul Flynn: Just to wrap up the guidance coverage. So the overall guidance changes there from 21.0 - 22.8. It is now 21 to 22.5. So a slight revision there as a result of less production expected out of Narrabri and more production out of Maules. Gunnedah open cuts there's a slight variation there, but not much. And we've tightened up, as I mentioned previously, the managed coal sales range for the full year.

Paul Flynn: And we just turned in there that update obviously on cost guidance, we're tracking well on cost. Don't expect any changes on cost at all. When we publish our numbers in for the half and capital guidance, we did say we will update that when we give our full financials for the half. We do expect that we'll be spending less than what we previously guided in that range when we outlined that at the start of the year. But overall look, a very solid performance from our open cuts, however I did encounter this discreet and unusual feature. So that was a bump in the road, but it is cutting well and we suspect the balance of the panel to unfold in a more predictable manner.

Paul Flynn: But overall a good start to this new calendar year. And the next few quarters I think to round out the financial year should be solid as well and continue the good path that we've seen over the first two quarters of the year. With that, I might hand back to you Jesse the operator and we'll move into the Q&A session.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question. The first question comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand: Hi, Paul and team. I have a couple for you. First one is around pricing lag and the lower CV prices early in the quarter, but I wanted to understand whether the coal quality of Narrabri's also starting to deteriorate here, which is leading to the achieved lower CV coal pricing being even lower than before and whether you see this continuing perhaps until the Southern leases are hit?

Paul Flynn: Thanks, Rahul. And I'll mention, I should have mentioned before, I've got Sarah McNally obviously here with us and both Ian and Kevin are also dialled in as well. Look, on the pricing side of things. It is just a natural lag role. It's not something particularly quality wise. When we run through faults, both the one we knew we were going to anyway, and this smaller thing that popped up out of nowhere in the middle of the panel, you're obviously cut through a lot of rock and that does cause us a change in the coal quality. So broadly the coal quality has been slightly elevated ash wise as you go to the West. There's no issue in acknowledging that point. But what you're seeing in terms of the other thermal sales spiking at the moment is really just a function of traversing faulted ground rather than the inherent coal quality that sits in each of these panels.

Paul Flynn: So now that we're out of this area, this faulted area, then coal quality should resume a reasonable pathway through the balance of this panel nine and then panel 10 the same. Given that we've made the call to step around the fault in 10, we will avoid the significant level of dilution, out-of-seam dilution that we've seen as we've driven through them in the past, and also have the related benefits of not driving the

machinery that hard through rock, which does cause subsequent maintenance issues for us. So hopefully that answers your question.

Rahul Anand: Yes, that's clear. Thanks. Look, the second one is around Maules. So 16 million tonnes per annum. I think previously we talked about the approval was expected by mid '21. Can you see any potential delays and if there are how would you balance potential to produce more between this fiscal year and the next, given your 40/60 split for this year? FY '21 would take you over the guidance range that you've provided for FY '21 currently?

Paul Flynn: Yeah, look, the 16 million tonne application we haven't lodged. We're still doing the study on that, what's the optimised approach to that? We have said that we wouldn't muddy the waters on another application given we've got so many on foot, particularly until after Vickery is fully out of the approvals process. Given that we're running hard and we'll run harder than that as well, the threshold, the 13 million tonnes threshold currently is on a calendar basis. So you run harder than that on an annualised basis in any given week or quarter, but you can't do more than that in the calendar year.

Paul Flynn: And so we'll be fine. We'll be fine to keep ourselves within the range in this current year, but you're quite right when the Braymont turns up in all its glory in a high percentage in a particular year, you have the potential to run across the 13 million tonnes. And that's one of the reasons, not the only, but one of the reasons why we're interested in obviously a 16 million tonne case, but that's not going to cause us a problem in the short term, but we won't be lodging that until after we're outside of the approvals process for Vickery in particular.

Rahul Anand: Okay, and then if I can say one final one on Winchester then? As you mentioned, good resource updates and the increase in size as well, perhaps a few comments on how you're thinking about the project now? Especially considering the quality, are you able to provide a few comments around how you're thinking about it and how you would place the project now amongst your portfolio of development projects?

Paul Flynn: Yeah, sorry, Rahul, it's just it was breaking up to a slightly, let me try and answer what I think was the question. I think it was that you're talking about coal quality. You know, the volumetric uplift is positive, but what's the coal quality telling us relative to what we thought it might be and has that changed our view of it since we purchased it? Is that right?

Rahul Anand: Yes. Yes. More around the initial thoughts of having hard coking coal and also around the product quality semi-soft and the lower quality thermal, how does firstly that change your views on project thinking around it and how do you place it in your development projects suite now?

Paul Flynn: Yep. Yep, yep. No problem.

Paul Flynn: Look, we haven't changed our views on the project in that sense. In fact, it's been bolstered by the work that we've done. It's been a lot of thorough work. There is some hard coke in there, but the percentages are quite small. So our view was, it wasn't really that interesting to pull out a small section of prime hard and call that out as a discrete product. Rather, it's more broadly within a suite of our semi-hard coking coal percentages that we're seeing coming through.

Paul Flynn: We're not disappointed in any way. In fact, the project's worked out better than what we expected. There's a lot more coal there. And there is, as you know ... All Rangal's deposits certainly have a secondary thermal product that comes with it. And that comes at a very low cost, that coal, given that it's right at the foot of our second seam, the Vermont seams that gives rise to both the semi-hard and the PCI products.

Paul Flynn: So look, it hasn't changed the way we think about it at all. Now, we're very positive on that. The strip ratio is low and it's a large scale project in an area where there's ... it's a dynamic precinct, that area. And so we're just methodically working through the optimization of views on costs, views on infrastructure views on essential offsite infrastructure for water and electricity and the like. And we'd like to continue to push this as quickly as the approvals processes allow. We note that the support from the government in Queensland is very good and so no change in that sense at all.

Rahul Anand: Okay. Well, thank you very much there, Paul. I'll pass it on.

Paul Flynn: Thank you.

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

Paul Young: Good morning Paul. Happy New Year. I hope you had a good break. I've got a few questions and apologies if you've actually answered these already because the line has been very crackly at times. It's been actually quite difficult to hear, but a few questions to begin with on Narrabri, and the first one is on this upthrow fault. I know you said it's only three metres, but can you maybe just comment about how this is not picked up in either the drilling or the mapping and is there a likelihood ... is this a one-off that I should say that this ... Could it occur again, I guess, the question is.

Paul Flynn: Yep. Thanks, Paul. Yep. Happy new year to you too. I did have a good break. Thank you. Look, it's a bit annoying. It's three metres in height, not three metres in width. So just to be clear. Three metres in width wouldn't give rise to 700,000 tonnes of lost coal during the quarter, but look, it is an anomaly. It is disappointing. You would hope that because it's such a discrete anomaly, and it certainly wasn't obvious in any of our drivage. And as you know, we are using three heading gate roads there. So we do a lot of drivage across a 400-metre panel. And so it's not obvious at any point during the course of that. So it was quite an interesting feature to pop out of nowhere.

Paul Flynn: We've gone back and had look at all our in-seam drilling by surface and underground and it's not obvious out of any of that that there's a feature that should have been accommodating in any fashion. So, yeah, it's an unusual one for us. Now, the question then is, well ... And as I said, in context-wise, I mean, we haven't seen one of these in the life of the mine to date, so that's nice to be able to say. But will there be another in the future? And I suppose that you can't give a categorical answer and say no, but we have looked at the balance of the panel and we're looking at ten as well with seismic and 3D, just to be sure that there's not some other feature that hasn't been identified that would cause us any concern from a repeat of this type of event.

Paul Flynn: So Paul, we're happy at the moment that we've gone through all that. There is further drilling in 10 that's going on as we speak, just to make sure that we can confirm that categorically in 10. But yeah, look, it's an unhelpful and unwarranted, unnecessary thing, but it is what it is. And like I say, we haven't seen one in 50 odd, 55 million tonnes' worth of production out of Narrabri and don't expect to see too many more.

Paul Young: Yeah, thanks, Paul. Next I wanted to talk about achieved price, you probably did comment on this, but again, I probably missed some of your comments. On the lower quality coal out of Narrabri and also, the fixed price tonnes during the half and actually during that quarter, what carrier is there on that lower quality coal and also fixed-price contracts into the March quarter across the group?

Paul Flynn: Yep. Yep. Paul, if you look back at our realisations over a year, I mean, we've had unders and overs and over the course of the year, you'll generally find that we've been at and around an average of the GC NEWC price for the year. Now, that's not to

say there's not variations during the quarter or quarter to quarter as we have in this period. I mean, obviously, we've had a very rapidly escalating coal price in the recent times off the August low, and that doesn't completely manifest itself in our realised pricing, as you would understand.

Paul Flynn: Say for instance, Korean tonnes that we sell, they're priced on an annual basis. So you won't get the benefit of that until the uplift in that until this New Year. Obviously, the GC NEWC prices, you get the average for the month. So if you've gone from \$60 and in the last week, it goes up to \$80, the average that you achieve for that month is obviously not \$80. It's a whole lot less. But as we've started off in this new month, which has been entirely in the eighties, then you're going to see quite a significant uplift in price realisations in this March quarter.

Paul Flynn: So there's a combination of things. And of course, as I say, we've sold some non-SCoTA sales, a disproportionate amount of non-SCoTA sales by traversing these faults, but we don't expect that to reappear in the next quarter.

Paul Young: Okay. Thanks, Paul. Final one from me. Some headlines out, or a statement out overnight from Itochu about their thermal coal portfolio, including their minority stakes in thermal coal mines and I presume that therefore includes Maules Creek with their 15% stake. Any comments about the opportunity to potentially increase your stake in Maules Creek if the price is right?

Paul Flynn: Look, I won't comment on their announcement, Paul, because we haven't had a chance to speak to them at all. We know there's been speculation in the past about whether Maules is in or out of this previous position they've had. That's not a new issue anyway, about them exiting thermal assets. The question for us, the only relevant one for us is, does that include Maules or not? They've previously said no.

Paul Flynn: Whether or not that's changed, we've heard nothing from them in that regard. Maules is a great asset and we love it, as you know, and it's doing very well. And it's nice to see it in good form. That's a 15% stake. That'll be very interesting to see what unfolds there. But like I say, I mean, the question is probably best directed at them in terms of explaining what their position is.

Paul Flynn: The bigger issues of presumably their assets overseas, Colombia in particular, with the Drummond business rather than with Maules. But I don't have a lot more than that. In previous, they've told us it does include Maules, but you know, we'll have to wait until they explain themselves further.

Paul Young: Okay. Thanks, Paul. I'll pass the call on. Thank you.

Paul Flynn: Thank you.

Operator: Thank you. The next question comes from Glyn Lawcock with UBS. Please go ahead.

Glyn Lawcock: Good morning, Paul. Just two from me, thanks. Firstly, just on NCIG, and you sort of cut out a bit when you were talking about it for me as well, but can you just sort of help me understand? I realise that people haven't been using their full allocation because the market last year was quite depressed, but obviously, now the market is much better. I would have thought people like Glencore, who were holding back tonnes may push a few more tonnes into the market at these better prices. How confident are you can get there? I know it's only 200,000 tonnes a month, but if you start to see people who weren't using their allocation start to use it, is there a risk at all, do you think? Are you starting to see those allocations harder to come by now that prices are up? That's the first one. Thanks.

Paul Flynn: Yeah. Thanks, Glyn. That's a good question. I've got Kevin Ball here. He sits on the board at NCIG here and can also help out with this, but sorry it was crackly there before. As I say, the numbers are broadly the 54 million tonnes versus the 45 to 47. And so you've got ... call it nine million tonnes you've got to find capacity for it. Now, part of the year is gone already. So there's part of the tonnes already delivered. So we're really focused on what do we need to drive our business given that we already have PWCS tonnes anyway, so it's not all of our tonnes need to go through, be found a home for.

Paul Flynn: It's just the NCIG ones where there's been the reallocated capacity across each of the equity owners. So thus far, negotiations have been pretty good and we're monitoring this very closely, as you can imagine. It doesn't sound like a lot, but still, we want to make sure we deliver all our tonnes for the year end. So we've been able to secure tonnes in December. We've been able to secure our tonnes. As a say, we've probably sold most of the carryover from December into January in the month of January. So that's very positive.

Paul Flynn: And as I say, running through the balance of the remaining five months for this year, there's about a million tonnes, 200,000 a month, roughly, that we need. No issues at the moment in getting that. So we feel confident about it. There's arrangements in terms of pricing that cover the way in which one holder of surplus capacity transfers it to another. So we're not worried about risks there. We have insurance coverage for extended demurrage or other things that might stem from delays ... well, NCIG does. And we also have, but we don't expect to be relying on our insurance for this. NCIG has got appropriate coverage for these sorts of things.

Paul Flynn: And to you comment more broadly about, will this level of pricing, \$85, say for instance, trigger, an uptick in volumes through the port? No, I don't think so. I don't think so. The sites that had been going through small holidays are back on anyway. And so there's not a lot of extra volume I can see that could come through in any event. There's just the usual excitement about wanting to make sure you deliver all your tonnes by 30 June.

Paul Flynn: I mean, we're not the only ones with a June year end and it's a half year in for those who are not. So there's always a bit of a mad rush in June to make sure you get your tonnes through. But our focus is to try and drag as much of that forward into the earlier months, so April, May, to try and alleviate any compression that might occur naturally, which is compounded, as you say, by a smaller capacity available through NCIG.

Paul Flynn: But we're confident where we stand at the moment. And to the extent that there's a change in that, we can update you with the next quarter, but yeah, as it stands, we've mapped out quite a decent pathway to get ourselves to the tonnes that enabled us to revive that sales guidance as we have today.

Glyn Lawcock: Okay. And you might've said this earlier, just as a follow-up, what's the latest on the update? Is it a six month, 12 month, two year outage now to get this new ship loaded, which it sounds like we need?

Paul Flynn: Yeah, look, it is dynamic and we are receiving constant updates about this because there's various pathways to home, whether it be repair or replacement and so on. It's not an easily solved one, this one. So I think we're not talking about several months here, we're talking about many months, and potentially even 12 months, to a full solution. Kevin Ball?

Kevin Ball: Yeah, Glyn, it's a good question. The, as you know, this thing, this event happened in November. The work that's been done at NCIG has been about stabilising and making secure the ship layer. That work's been undertaken. And then the full

assessment of the likely recovery path will be undertaken in the March quarter when shiploader two was moved back into a maintenance bay. A long lead time, all our items have been ordered. I think it's unlikely it's going to be six months. I think it's likely to be probably 2021 is what I'm being told if not early 2022. But what I would say, because there's a good team of people who work at NCIG, working with the original suppliers of that equipment and working with insurers. And they're looking to try and squeeze a little bit more out of that 45 to 47, and working closely with shippers. As you will remember, NCIG really started because there were a number of operations that couldn't get access to increase capacity of PWCS.

Kevin Ball: Now, PWCS has surplus capacity. And as Paul said, that that capacity is available as being made available by those shippers. So the guidance we put out or the uplift of the guidance from 18.5 to 19, we've done some work there. We've done quite a lot of work there to make sure that we know what their pathway home looks like.

Glyn Lawcock: Okay. That's great. And then just my second question, Paul, is just around the pricing. We've got a pretty strange market at the moment. Obviously, the Chinese outage is causing the met coal price to be depressed. And we've squeezed all the prices now between 85 and 100, essentially. Is that having any impact on your ability to get the premiums for the high quality thermal? Because people are now paying a price above semi-soft and low-vol PCI for, I guess, high quality thermal. Is it changing any of the dynamics around your ability to source the premiums, given we've compressed the spreads?

Paul Flynn: No, Glyn. At the moment, our premiums are actually going up. And that's not related to the dynamic that you've just outlined, which we all observe. It's more about the fact that the underlying coal price, as we mentioned, there was some slight compression on the premiums as prices fell. And just because people didn't want to pay, essentially, a 10% premium of \$50, and our capacity to resume normal premiums for that quality piece in particular, not the energy component, but the quality piece, has been relieved to some degree as these prices have come up again. And so people feel less sensitive about that when the base price is 80 bucks, than when it was 50. So it's actually going the right way, irrespective of what's going on in China. We all acknowledge the anomaly between the semi price today and what our premium on thermal Maules looks like.

Glyn Lawcock: Okay. I think last time we spoke on the call, you were going to include the Maules Creek premium in the release. I couldn't see it. Maybe I missed it. Do you know what it was for the quarter off the top of your head?

Paul Flynn: Don't have it off the top of my head, but I'll get it for you.

Glyn Lawcock: No worries. Thanks very much.

Paul Flynn: Thank you.

Operator: Thank you. Once again, if you wish to ask a question, please press star one. And we do apologise for any sound issues you may be experiencing. The next question comes from Peter O'Connor with Shaw and Partners. Please go ahead.

Peter O'Connor: Hey Paul, happy New Year. Narrabri, the issue with the intrusion. When did you hit the intrusion? And how long did it take to traverse the intrusion?

Paul Flynn: Sorry, Peter. Can you repeat the question? That just went in and out.

Peter O'Connor: The Narrabri intrusion, you highlighted as a once in 55 million time event. When did you actually uncover the intrusion, firstly? And secondly, how long did it take to traverse the intrusion?

Paul Flynn: Yeah, when we bumped into it, unfortunately, Peter, like I say, it's a discreet unusual event. But it did take us a little while to get through it because it popped out of nowhere, and obviously, we've got to chart a path. Where we've driven through faults which we're known, we've obviously developed flight plans to drive through it, as opposed to encountering something unexpectedly, which causes a little bit more short-term scrambling. I've got Ian on the end of the line. I'm sure he's chomping at the bit to answer your question in relation to the time required to get through that. We are on the other side of it now, Peter, I will say though. Ian?

Ian Humphries: Yeah, thanks Paul. Yeah, Peter, and apologies, we were offline for a little while there. Approximately a month it took us to get through the fault that Paul been talking about.

Peter O'Connor: So when did you hit the fault? Was it in November?

Ian Humphries: Yeah, it was in November, I think. Yep.

Peter O'Connor: So just going back to the call we had in December, I was going through my notes. Did we talk about this discrete once in a 55 million time fault? Or are we talking about the normal fault?

Ian Humphries: Yeah, I don't think at that stage we talked about this fault, no.

Peter O'Connor: All right.

Paul Flynn: Yeah. I think the extent... Peter, at that time we were talking about the program, but the one that we'd encountered, discrete as it was, the extent of which the delay that was going to occur wasn't really understood at that time. And as it unfolded, that was subsequent to those discussions.

Peter O'Connor: Okay. So you were traversing it in December when we had that call.

Paul Flynn: Sorry. Say again.

Peter O'Connor: You were still traversing the fault in December when we had the uptake?

Paul Flynn: Yeah, we were. And not just traversing the fault, but the total period that Ian is referring isn't just about cutting through rock. It was about outages associated with mechanical wear and tear of driving through so much rock. And so the total time that Ian's referring to isn't actually downtime from cutting, it's actually lower production associated with cutting, and then lower production associated with maintenance outages about sending the wall through another big stone face, in relatively short time after we'd actually gone through the known one.

Peter O'Connor: Okay. And just a clarification. On NCIG, Kevin Ball, you mentioned 21 or 22, in terms of assumption of production. Were they calendar years?

Kevin Ball: Calendar year. Calendar year, Peter. And as I say, I think we've got to get through this first quarter where we've stabilised and made secure the shiploader, and then move it back into the maintenance bay and that there can then be a full assessment done as to what needs to be replaced. But the work that's been done to date says that there are some key elements that need to be replaced, and there's long lead time orders have been made, were made, I would have said, in December. So the team there is working hard to get it back. And as I said previously, it is 45 to 47 as sort of like the number that internally management is talking about at NCIG. But I know that they're working hard on how they do better, and they're actually doing a little bit better than that in January. But their 45 to 47 is what they think they can do for an extended period, rather than just a spurt.

Peter O'Connor: Kevin Ball, just another question. So in the second half of this fiscal year, about a million hundred purchased, and we need to secure allocation of the next six months of about two million tonnes a month. Is the purchased included in that allocation?

Kevin Ball: Yeah, no, the way it works, Peter, is that it doesn't chew into your allocation. It comes with the allocation of the supplier. So we don't need to seek additional capacity from that. We're buying it FOB. And there are other ways of buying coal. You can buy or sell coal free in stockpile at the port, in which case you would use your own capacity, but that's not how we buy call. We buy FOB over the rail using the vendors' capacity.

Peter O'Connor: So, yeah. So by not buying that stuff doesn't change your dilemma. Got it. Thanks, Kevin Ball.

Kevin Ball: Correct. Doesn't change the ask.

Paul Flynn: That's right.

Peter O'Connor: Okay.

Operator: Thank you. Once again, if you wish to ask a question, please press star one. The next question comes from Peter O'Connor with Shaw and Partners. Please go ahead.

Peter O'Connor: I didn't want to be kicking off three questions, so I came back for another one.

Paul Flynn: That's all right.

Peter O'Connor: Maules' yield and the saleable production, and stock, so it's not as clear how to make out what your yield was over the last quarter. What is the actual the yield of the prep plant was, given you've built stock, ROM stock.

Kevin Ball: I'd either, I know Sarah puts, if you look at page nine on the release.

Peter O'Connor: Sorry, I didn't get that far. Okay. Got it. Don't worry. Thanks.

Kevin Ball: When you get to page nine that should give you all the data that you're looking for.

Peter O'Connor: Yeah. No, no. All good. Sorry. I didn't get that far. Thanks.

Kevin Ball: No, no. That's all right. Sarah has done a great job in pulling that together and putting that in, and it gives you a good view as to what this looks like over time.

Peter O'Connor: I'll put that down to operator error.

Paul Flynn: That's no problem.

Peter O'Connor: Thanks.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. Flynn for closing remarks.

Paul Flynn: Well, thanks everybody for taking the time to dial in today. I hope everyone's had a good break and a happy new year to you all. If you've got any further questions stemming from the release today, then you know where to find Sarah and myself and Kevin and Ian, but otherwise, we'll look forward to catching up and you do, of course. Thanks very much.

Operator: Thank you. That does conclude our conference for today. Thank you for participating.
You may now disconnect.

END OF RECORDING