Whitehaven Coal June 2021 Quarter Market Call - Transcript

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Whitehaven Coal June quarter production report conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time if you wish to ask a question you will need to press star-one on your telephone.

I must advise you that this conference is being recorded today. I'd now like to hand the conference over to your host, Paul Flynn, MD and CEO of Whitehaven Coal. Thank you, please go ahead, Paul.

Paul Flynn: Thank you very much, everybody, for taking the time to participate in the June 2021 quarter production report for Whitehaven. I hope you're all safe and well from your various locations and some of you outside the state, I'm sure, who have recovered a little bit more quickly than those of us who are here in New South Wales.

I'm thinking that this quarterly report won't be particularly long, in the sense that given the amount of time we've been discussing the progress of operations with you over the last six months, these numbers are probably not too far from your expectations already. I'll just go through the highlights as usual and then we'll get onto the individual mines and get to the Q&A.

In terms of highlights for the quarter, the June quarter managed ROM production of 5.4 million tonnes. That's certainly a solid result and we'll get into the details of that. The June quarter managed saleable coal production of 3.8 million tonnes. Our quarter total managed sales were 4.5 million tonnes, our managed own sales were 4 million tonnes and then the equity part of that was 3.7 million tonnes and 3.2 million tonnes respectively.

The managed ROM in total for the Group was 20.6 million tonnes for the year. Maules Creek had a very good year and finished the year in fine form at 12.7 million tonnes. The managed tonnes for sales at 19.8 million tonnes, including the 2 million tonnes of purchased coal, with our equity tonnes being at 14.4 million tonnes. Healthy stocks at the end of the year at 3.3 million tonnes.

From a COVID perspective, we haven't had any cases since the start of COVID, which is great to be able to report to you. But given the circumstances, we are continuing to operate under the distancing and hygiene requirements that we've seen in recent times and in fact have reinitiated a further suite of measures which we probably haven't seen for six months, now that they've been reinstalled. Then, of course, guidance and so on we'll give you in a month's time when we come to the full year results.

From a safety perspective, our TRIFR for the year of 5.86 is actually a little worse than what it was last year, which is unfortunate. We had a bunch of sites there on zero TRIFR as well, which have had a number of small incidences which affects these number to some degree. That's not great, but we certainly are seeing good numbers at Gunnedah CHPP and Rocglen, our rehabilitation operations doing 3000 days without incident. So that's fantastic news, but again further effort required in this regard.

The managed totals and equity totals are set out across the page for you, again as I say, the managed ROM of 5.4 million tonnes obviously somewhat different, 34%, from the previous corresponding period of 8.2 million tonnes. The year-on-year totals, you can see, are quite consistent with where we've been in the previous year, so the balance for the year almost lineball.

Managed coal, saleable coal production at 3.8 million tonnes versus 6.2 million tonnes, again this is the function of the difference in the June quarter in the last year. The total of sales 7% down, 16.9 million tonnes versus 18.1 million tonnes. Managed sales of produced coal, 4 million tonnes, 5.2 million tonnes, similarly affected in the same way, but again the total 2% different, 17.77 million tonnes versus 17.5 million tonnes.

Purchased coal during the period in total, two million tonnes versus 2.4 million tonnes, 16% down and total managed coal sales to 4.5 million tonnes versus 5.7 million tonnes for the quarter and 19.8 million tonnes versus 19.9 million tonnes, 1% difference for the full year.

Moving over to - I won't go through the equity coal production for you - but moving over to a table which I know everyone loves to look at, quarter-on-quarter analysis of our realised pricing and the indices for the period. When we look at our total coal sales, equity coal sales, sorry, 3.7 million tonnes versus 4 million tonnes for the last quarter, as I say, 2 million tonnes has been relatively consistently spread over the course of the whole financial year.

Our high-CV tonnes in terms of quarters is 61%, up from 53% over the last quarter. The other thermal sales were about lineball at 27% and then, of course, the difference being spread between a lower contribution from metallurgical coal sales during this quarter.

Pricing at US$109 per tonne is obviously a step up on the US$89 per tonne that we saw in the previous corresponding quarter. Semi-soft is flat basically on a quarterly basis, but the spot price has improved and we suspect this lagging index will show a benefit in the next quarter.

Overall in our achieved tonnes, we've got US$94 per tonne for the thermal coal versus US$76 per tonne on our previous quarter. Met coal, US$103 per tonne versus US$92 per tonne, so in terms of realisation the thermal for that total of all our thermal coal across the board being our premium quality products and also the mid-CV.

There's a 14% discount versus the 15% that we reported the previous corresponding period. Metallurgical coal sales relative to the JSM quarterly about 10% up, but relative to spot price is about 5% down, which is about where it normally is.

Moving over to the commentary here, just on page 3 for everybody, again the sales numbers I won't go through again, as everybody has seen that. Clearly the market is typified by a pretty strong underlying demand at US$109 per tonne of the gC NEWC average for the June up 23% on March, so US$89 per tonne there that we quoted.

So very good underlying demand, you can certainly see that our customers are definitely pressuring the market for more supply. There have been some disruptions, as you know, at various marked individual mines and then also from an infrastructure perspective through Newcastle as well. Although we hope to see that normalised in the relatively short term.

So significant rises obviously over the period in coal prices, but our average in terms of our realisations for the June quarter at US$94 per tonne versus an index average of US$109 per tonne is reflective of a couple of different things. Certainly we've tried to break it out for you here and explaining what the differences are.

About 50% of our thermal coal book is priced on prior periods, so this is a lagging effect. These are long-term contracts generally, so you can see the benefit of that lag come through in the subsequent quarter, so it really is just a timing element in that sense.

We do have 20% of our thermal coal sales priced at sub gC NEWC levels. This is affected by the fault-affected coal we've been talking about at Narrabri to some degree, we certainly want to see that normalised over the coming quarters. Metallurgical coal sales, 12% is pretty modest.

And I think we’re well accustomed to the idea that the semi market is looking particularly exciting for us, hasn't been for some time and it's far preferable for us to use our high quality thermal and gain the premium by selling it into the thermal market itself. Again, all of this, the summary, is probably not new news to you, given that we've all been watching the market dynamics and enjoying the benefits of a tight market.

Onto the sites themselves, Maules Creek has rounded out the year in good form, so 3.7 million tonnes versus 4.1 million tonnes for the ROM coal production for the quarter. The saleable tonnes were about the same, about 4%, 2.6 million tonnes versus 2.7 million tonnes for the quarter.

Sales of our produced coal is 2.6 million tonnes versus 2.3 million tonnes, 12% up and healthy stocks there at the end of the period of 2.3 million tonnes, which bodes well and is a good price environment to turn that into cash in the coming quarters.

So overall, a pretty solid result for Maules Creek hitting its straps and demonstrating the capacity of this mine to deliver. Very close in this year to its approved limit, which is very good to see. So the mine is definitely running in good form and we continue to see positive opportunities for improvement there as we go through the year.

Sales volumes for the quarter at 2.6 million tonnes for Maules itself and for FY21, 9.6 million tonnes in total. So that jumps above our previous corresponding period of 22% better than the previous corresponding period. But overall, a very good result and keen to see that continue to run.

As I mentioned, the coal stocks are at good levels and unwinding that into this new year will certainly see good cash generation at good prices. And there's just a note obviously railings at Maules Creek hit 1.1 million tonnes during June, which is very good for us to be able to demonstrate the capacity of the mine to achieve the sorts of volumes that we'd like to send down there from Maules Creek in particular.

Onto Narrabri, in terms of Narrabri, as everybody understands, understandably modest at 350,000 tonnes period-on-period, obviously a big change at 2.6 million tonnes in the previous period, but I think this is not new news from anyone's perspective in terms of how Narrabri's performance has been going.

A lot of the repairs have been done during the course of this laboured last few months of production at Narrabri and it's nice to say that we're on the back end of the difficult areas now and moving into more normalised production as we speak. Very positively, we did drill at the back end of 109 and there was no further structure identified there which would be the cause of any concern for us now. So our focus really now is just completing this panel over this quarter and moving on to our change out early in the second quarter.

In terms of the sales, just to go through the metrics of that, coal production of 300,000 tonnes obviously is significantly below where we've been in the past and the managed sales volumes for the quarter, 600,000 tonnes again, low and the full year at 4.5 million tonnes reflects the saleable production profile. And obviously offset partially by drawdown of stocks in the period.

The next longwall will change out, as I said, early Q2 FY22, which we're keen to obviously move into that when the opportunities for full overhauls will be done during the course of that seven-week period and moving to 110 under a more normalised operating scenario.

From a Gunnedah open cuts perspective, the numbers are there. I'll go straight into Tarrawonga. Tarrawonga, obviously a lot of coal came out, 800,000 tonnes lineball, pretty much with what it did last year for a total of 2.25 million tonnes versus 2.35 million tonnes for the full year.

Saleable coal production at 470,000 tonnes versus 600,000 tonnes in the previous corresponding, 1.9 million tonnes versus 2 million tonnes for the previous corresponding period. Stocks about the same as where we were last year at 407,000 versus 429,000.

Overall, Tarrawonga had a reasonable year. It has been weather affected to the extent both Werris Creek and Tarrawonga certainly experienced well higher than average rainfall during the course of both the March and the June quarters. But despite that, have turned in a solid performance for the year.

Werris Creek numbers, 600,000 tonnes versus 690,000 tonnes, 574,000 tonnes versus 692,000 tonnes. Saleable coal production 415,000 tonnes versus 472,000 for the quarter, rounding out the year at 1.7 million tonnes versus 1.4 million tonnes, 22% up. And coal stocks there at just under 400,000 tonnes versus about 550,000 tonnes for the previous corresponding period.

Again, operations here have been pretty solid during the course of the year as the open cut mines have been able to run well during this period. But again, we have been weather affected in the last two quarters, which has slowed things down a little bit. But despite, that I think the operations of our open cuts have been doing nicely as we've been obviously resolving in the challenges of Narrabri in the background.

From the logistics perspective, I think everybody understands there have been some constraints obviously through the systems this year, which has not been ideal. Repair work on SL2 is proceeding ahead of plan and we are actually anticipating that we will see this operational early in the September quarter, or in September, I should say.

So that's looking very good. Early in the quarter is maybe a little bit - I know the testing is going on currently, but let's see how that goes. So either which way, we're going to have definitely production capacity back in September. Weather again has played a difficult role here, just for the logistics plan as well.

That wet weather we experienced at site certainly has manifested itself in some high seas, which as everybody knows, shuts the port down periodically. Annoyingly, that did happen quite a bit in the last couple of months of the year, in fact, as everyone's trying to get their tonnes through the port infrastructure, which was not what we wanted at the time, but it is what it is.

Overall, the guidance and the actual outcomes here for you. The only missing piece of that puzzle, as you can see there is obviously costs and our cost guidance remains at US$74 per tonne, as we've mentioned in our previous discussions.

I'll just go to development projects. Narrabri is moving forward in its assessment process, there's nothing particularly noteworthy that we should draw your attention there. There is, of course, a process now by which the whole of government report is produced prior to any entry into the IPC system.

And we think that we will be going to the IPC, although we haven't been formally notified of that by the Government. But all of our responses and submissions have gone in and we look forward to receiving the whole of Government report in due course.

Vickery, of course, has had an interesting development during the course of the last quarter, with the injunction against the Minister having been defeated, but with the court acknowledging the existence of a duty of care that the Minister owes to the applicant in this case. So what that means is that the Minister can approve the project and our expectations are that still that will be the case. But in doing so, the Minister will need to evidence consideration of duty that the court has acknowledged.

At the same time, the Minister also has registered their intent to appeal this decision, so we look forward to seeing the basis of that appeal tabled and pursued through the courts. Of course, it's not just about Vickery, that any project that has a greenhouse gas footprint is obviously going to be impacted by this. So the Government's definitely minded to want to solve this one.

From a Winchester South perspective, nothing particularly noteworthy during the quarter. Only to say that we've pretty much finished our part in terms of the adequacy assessments that the Queensland Government has performed. And so we are waiting now, we expect within the next month to actually enter the period of public exhibition for the project, which will be very welcome.

So over to the part which I'm sure is going to be the subject of some Q&A in terms of how the market is going. The market seems to be very strong and has seen, I suppose, energy in all forms, coal obviously, gas, all improving during the course of the last six months in particular. So the market certainly feels very strong and tight.

High quality coal is very hard to get your hands on. The 5500 market, the API5 index, certainly has improved significantly during the period and those numbers are looking much better, which tends to reinforce the notion that obviously the whole coal complex is tight. But that's what happens when you have no new supply and demand increase, so we're seeing the benefit of that. Month to date we are about US$142, I think, on the thermal coal price, which is going to translate nicely, certainly into cash generation for this quarter.

Metallurgical coal sales importantly have certainly improved and we've seen a big change there in hard coking from approximately US$110 per tonne for quite some time, through to US$200 per tonne in the June quarter. So we are looking to see a backward looking index for the JSM quarterly semi-soft price when next settled, reflecting a better position than the US$93 per tonne which it currently is at. Obviously at that level, everybody would understand that we're not particularly motivated to sell too much coal at US$93 per tonne when we can get US$140-plus per tonne for selling that high quality thermal.

So with that, obviously guidance for 2022 will come out in a month's time when we discuss the full year financials with you, but with the information that we've given you here today, those numbers, as I say, the physical, should be well understood. And I might hand back now to the operator to open up the Q&A session.

Operator: Thank you, Paul. Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star-one on your telephone and wait for your name to be announced. If you need to cancel your request, please press the pound or hash key. Our first question comes from the line of Rahul Anand at Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley, Analyst) Hi, Paul and the team, thanks for the opportunity. Can I please ask two questions? The first one is around washing. I just wanted to understand, you've obviously had some delays in the saleable coal side driven by more tonnes being washed this time. Would we see the washing levels come off or become less in the future as the coal quality at Narrabri improves? That's the first question. Or are we at normalised levels of washing as we stand?

Then the second question is around the longwall move at Narrabri. It seems to be a quarter later than before, from 1Q to 2Q now. Just if you could you provide an update on that mine and how things are going and what's led to the delay, thanks.

Paul Flynn: Well, thanks, Rahul. Can I just qualify that first bit of that question, so the washing percentage is that a Narrabri-related question that you're asking or is that washing more generally across the business?

Rahul Anand: (Morgan Stanley, Analyst) More generally across the business, because my thinking was perhaps you're washing a bit more to offset some of the poor quality at Narrabri and whether that changes once the quality improves there.

Paul Flynn: Yes, thanks, Rahul. Yes, I can certainly get to those two pieces of that question. Just to remind everyone that I have the rest of the team here, Ian's on the phone, Kevin's the phone and Sarah, of course, is here as well. So I'll move that around as required.

In terms of washing across the business, Rahul, you're absolutely right, we are washing more as a business, as you know, particularly at Maules Creek where we put in place a three-product strategy and when you have a big wash plant and you're being paid good premiums for a washed thermal product, then you should use that capacity. So we're definitely doing that, so there's a little bit of that in that sense.

But as you can see, even though, as I mentioned, the 5500 market has improved quite considerably off the lows it was a year ago, certainly back to September now - and so everyone’s motivated to put as much coal as they can into the high end of the market and therefore, washing more. But that bottom end of the market is actually quite healthy now. So I think you may see people start to wash a little bit less.

But in our instance that's not the case though, we'll definitely continue to wash a little bit more, so there is a small yield impact that goes along with that proportionately across the business. But it does lock in those better prices and even though 5500 coal is around about the mid-$80s at the moment, which is pretty good, $140 sounds a whole lot better if you can wash it, and convert it into something at the higher end of the market. So we will continue to do that.

As you pointed out, as a Group, as Narrabri has produced quite a bit of fault-affected coal in the area, we are using obviously our better stock across our business to move that out of the lower end of the market into the mid, or as far as it is possible, into the mid-CV market as required.

In terms of the longwall move, yes, it has moved, it definitely has moved. In line with the revision of the guidance, obviously that implies a slower production rate through that faulted area. So definitely by hint of that, of course, the longwall moves out to the right. And so that definitely has happened, but that was already implied in the guidance that we've given you on this and these numbers have just really confirmed that.

So yes, that's not obviously what we would have liked, but that is what it is and we are cutting in a much more orderly fashion now outside of both the faulted area and the known area, the dyke area that was there as well. And the equipment is performing better, although obviously we're looking forward to getting to the end of the panel, given that this one has been wrestling with us a little bit. I don't know, Ian, if there's anything else that you wanted to add to that in terms of how Narrabri's currently operating.

Ian Humphris: Yes, thanks, Paul. I might go back to the first point about washing and just add a little bit more context to what we experienced at Maules Creek. So we were in the lower seams, which is new to us, getting to the bottom of the pit, to accelerate in-pit dumping. And we found that the lower seams, there was a positive upside there, they were slightly bigger than we anticipated. But the inter-burdens between the seams didn't present as we expected. So we opted to take, I guess, the bottom three seams effectively as one and that required some more washing to remove that partings out of there.

Building on the Narrabri question, yes, we were out at the fault that we talked about and the dyke affected zone. We've undertaken all of the major maintenance known to us and now we anticipate completing the rest of this block under normal conditions.

Rahul Anand: (Morgan Stanley, Analyst) Just one follow-up there from me, Ian, if I can. In terms of the inter-burden that you just talked about at Maules, is that something that is expected to continue? Or do you expect the inter-burden to become smaller as you progress through that seam, or through the bottom end of the mine?

Ian Humphris: We think it's probably more localised in the south-west corner of the pit that we've seen and working on. We are doing further drilling to better understand the bottom seams, but I think that that's, I guess, upside and the inter-burden there is probably more local in those seams in that south-west corner.

Rahul Anand: (Morgan Stanley, Analyst) Okay, perfect, that's very helpful. Thank you, team, I'll pass it on.

Operator: Our next question comes from Paul Young at Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs, Analyst) Thanks, morning, Paul, Kevin and Ian. First of all, a few questions on inventory and cash flow. Paul, you've ended the quarter with a similar sort of inventory level that you did this time last year.

And last year we didn't have any infrastructure constraints that I can remember and you managed to unwind your inventory by a couple of million tonnes over the September quarter. Now the shiploader 2 doesn't start, I think you said, until the beginning of September. So I just want to ask that question again around how quickly you think you can draw down your inventory by that couple of million tonnes and unwind that working capital.

Paul Flynn: Thanks, Paul. There's definitely healthy stock, so we want to process as much as we can. I think with the second shiploader up and running, I think we'll definitely see us being able to accelerate the drawdown of our stocks. We're keen obviously to convert as much as we can of that into cash, but we're also producing at solid levels as well.

Now, in the short term, of course in this quarter we will start the wind down for the change out period. So even though the change out falls now into early Q2, we do wind down, as you know, with the bolt up process towards the end of this panel. So less production through there will be an opportunity to swing the trains into Maules Creek say for instance and keep up that healthy run rate that we've had in shipping that you saw and I quoted there in the June month itself.

So we want to pull that down as soon as we can. The stock levels really are, as I say, the function of a lot of coal coming out in that last quarter. You can see just the smaller mines have done the same, Maules has had a very healthy period as well, but not only – not large like it did the previous corresponding year in terms of production through the quarter, particularly in that last month. So I won't put an exact time on it in terms of the full drawdown, but we want to pull that down and convert it to cash as quickly as we can whilst we've got a health price.

Paul Young: (Goldman Sachs, Analyst) All right, then moving on to pricing, Paul. I know you called out TaiPower has been aggressive in the market on cargoes. I'm curious about just I guess the terms you can sell to Taiwan on. What's the pricing lag on selling high quality coal to Taiwan?

And then also Korea, Koreans was aggressive in the market at the lows in the second quarter of last year, locking in six-month, 12-month contracts. Can you now go to the Koreans and what comes around goes around, lock in sales prices for six months with the Koreans at the moment?

Paul Flynn: Yes, Paul, we only called out one, but I have to say that that sort of behaviour is pretty consistent across the market. Everybody's looking for more coal, so it's not just TaiPower the Taiwanese, definitely the Koreans are doing it. So there's healthy tendering and I can only imagine - I can only say to you that they thought that this would moderate six to nine months ago and so the activity was lower during the COVID period, as you can imagine. And then that seems to have turned quite dramatically.

We're also getting requests to bring cargoes forward from our Japanese customers as well, so that's certainly indicating that everybody's a little short and that more coal is required. I think that's consistent with general activity, lifting at the same time. So prices are healthy and as I mentioned the API5 number, you can all see that number, that's certainly looking a lot healthier than what it was.

The Korean market in between that and obviously the gC NEWC, so we're keen to lock that in as soon as we can. The Korean market generally, unless they're individual discreet cargoes, there generally a year in tenure those sales. So it won't be six months as you mentioned, to the extent that we've got some tonnes in there, unless they're discreet cargoes, which some of the tenders are at the moment, where they've got short-term issues, they're generally a year in duration.

Paul Young: (Goldman Sachs, Analyst) The last question from me, just a high level one. How is the discussion going leading into the August results with respect to the balance sheet metric versus capital returns into the future and also growth CapEx? I'm just really curious about - is discussions being had around announcing a new balance sheet metrics, conservative balance sheet metrics with the August results.

Paul Flynn: Thanks, Paul. That discussion is live as you can imagine, that being the case. Obviously the outlook is pretty good in terms of cash generation for the business. I think as we were reporting just throughout the course of the last 18 months in fact, our balance sheet has been largely static during this whole COVID period. And it's certainly going through - like I said calendar 2020, we anticipate being able to deliver significantly through that period and we certainly weren't able to do that.

And then of course, the occurrence of the challenges at Narrabri also curtailed our ability to delver for a period. Having said that, you're quite right to point out that that conversation is quite active now, given that Narrabri production has returned to normal and that we've got a healthy market here in which to sell our coal into.

So I won't really front-run the discussion that management's having with the Board, but I agree with you, conservative is good. We're looking to put ourselves in a position where, as I say, we would have otherwise delvered significantly during this last period, even on reasonable coal prices, but COVID put pay to that. We want to make sure that we get back on that trajectory and get the debt down.

Paul Young: (Goldman Sachs, Analyst) That's great, thanks, Paul.

Operator: Ladies and gentlemen, just a reminder, if you wish to ask a question please press star-one on your telephone. Our next question comes from Paul McTaggart from Citigroup. Please go ahead.

Paul McTaggart: (Citi Research, Analyst) Morning all, I just wanted to circle back to that issue around washing at Maules. So in the quarter obviously the inter-burden of washing appears to be low, I think your loss is about 35%. Over the course of the year it was 25%, so how should we think as you – on the presumption it’s only localised, should we be getting back to 25% for the year ahead? Historically yield loss is lower than that, how should we think about yield loss for Maules going forward?

Paul Flynn: Thanks, Paul. We should be using that 25%, that will be fine, to revert back to that. As Ian has predicted, we think it's a localised impact in that south-western corner of the lease and that obviously is adjacent to what was the outcrop in that area, so the seams do seem to come together when pushed against the feature there on that side of the pit. So 25% should be fine, I think, overall from a Maules Creek perspective.

Paul McTaggart: (Citi Research, Analyst) Is that assuming – if my recollection from the old days was that the expectation was yield losses would be lower than that. That 25%, is that assuming that decent portion of net semi-soft?

Paul Flynn: Yes, not so much that, Paul. So I did make the comment earlier about the three-product strategy at Maules Creek. That was the catalyst for washing Maules. After we tested the market strongly with Maules Creek coal and the convergence of the semi-soft pricing being relatively flat in the last couple of years, we flipped over into a period when we said look, we have washing capacity, let's use more of that washing capacity to lock into the premiums on the thermal side in particular.

So at that time, when you would have saw broadly about 20% it actually was, it stepped up to 25% in order to utilise more of that capacity and in an effort to lock those premiums into the thermal product, rather than selling a variety of products which have different yield outcomes.

Paul McTaggart: (Citi Research, Analyst) Okay, thanks, Paul.

Operator: Our next question comes from the line of Peter O'Connor from Shaw and Partners. Please go ahead.

Peter O'Connor: (Shaw and Partners, Analyst) Hi Paul, Kevin and Ian, a couple of questions. Firstly, with regards to the last question on the stock, can you remind us Paul or Kevin how much surplus to that you have in the rail and port system, firstly?

Secondly, Vickery, can the Minister approve Vickery whilst they're appealing last week's update? And thirdly, Narrabri, why seven weeks for the change out? I think I have the answer, but I just wanted to see Ian articulate why. How many weeks did you actually produce coal? Or were you down, that's a better way to put it, during the quarter and when will we get results for geo sensing in by longwall 10 and out by longwall 10.

Paul Flynn: I think that's four, Paul, questions.

Peter O'Connor: (Shaw and Partners, Analyst) It's six actually, I've got more to come.

Paul Flynn: Okay, our general rule is three questions in one session but okay, let's go. Port capacity, actually port capacity is okay when we get back up with the SL2 we're definitely be back there. The commentary I made there before is really railing, in terms of the railing that we quoted there in June. Someone's tapping away at their computer, I think, in the background.

And so we think that there's not constraints in order to be able to draw down the stock the way we look at it, so if you're annualising that, that's out at Maules. So that was actually – essentially you're going to do 12 out of Maules, that's no problem at all, given that we'd actually - ROM tonnes is 12.7 for the year, obviously the sale would, the piece at which you rail, obviously is after the yield adjustments being made, as we've just talked. So we're not worried about that in that regard, Peter, so we'll be able to push that through.

As to any other nuances, the ag sector is obviously in our area of the line is a major draw on the line other than us and that seems quite manageable at the moment, so that's not gives us headaches.

Appealing, what to do during the period of appeal. We think it's very positive that the Government signalled their intent is to move ahead with the appeal. They think this is a pretty untidy outcome from their perspective and I've said before, I think it's a strange outcome, this judgment, in the sense that the notion that every previous EPBC decision prior to this judge enlightening us as to the existence of this duty was made without due regard to the impact of any component of this project on future generations. I think that's not a suggestion which really, I think, has any merit.

So the Government seems minded to deal with it. They can approve projects in the meantime, because that appeal process will take some time to unfold and of course, the appeal is something between the Government and the applicants to deal with. We're just a joint party in the previous discussions. So we think what the Minister says they can deal with it in the meantime, so that's what we're looking forward to do.

In terms of change out, I don't think that's particularly different from what we've done in the past. Did you have a particular dimension to that question that you wanted to expand on, Peter?

Peter O'Connor: (Shaw and Partners, Analyst) I figured that it was just to do with doing more major maintenance, or taking gear to the surface to do major maintenance ahead of what could be another challenging block. And seven did seem a little bit longer than normal and given the maintenance you've done underground which is never perfect. I just thought you're doubling up and being 100% sure that you'll get through longwall 10 okay. If it's not particularly longer, it's fine.

Paul Flynn: No, it's not particularly longer and there's nothing particularly noteworthy. The maintenance that we did during the course of this panel, which was annoying, most of which doesn't have a particular benefit for the next panel. We will make sure that we do a complete overhaul of everything in those seven weeks, so that we enter the panel with a fully restored back to operating capability longwall. We don't want to just assume that whatever we've done is going to see out the next panel. So we will be taking the time to do that overhaul completely.

The geo sensing drilling that you've mentioned, Ian, I'll flip to you on that.

Ian Humphris: Okay, thanks for that. Good day, Peter, how are you? I envisage we're currently in drilling 110 A now and would anticipate that we would have those results and a handle on that block early September. Then we have scheduled to go in and do 110 B after that and I would imagine it will probably be two months of work there to drill that out and do the necessary interpretation.

Peter O'Connor: (Shaw and Partners, Analyst) Ian, if you did the lessons learnt for what you did for longwall 9, does it give the confidence with longwall 10, this geo sensing that you'll go full gas when you get in there?

Ian Humphris: Well we are doing more drilling, we are drilling from the installation face all the way up to the take-off face. There'll be at least seven holes with whatever extra holes we need to do there. So between that and the other work we've done from analysis of our gas drilling holes, et cetera, we have a strong degree of confidence that we will know what structures exist in that block.

Peter O'Connor: (Shaw and Partners, Analyst) Thanks, Ian.

Operator: Thank you. Ladies and gentlemen, just a final call before we wrap up, if you wish to ask a question please press start-one on your telephone. We have a further question from the line of Peter O'Connor at Shaw and Partners. Please go ahead.

Peter O'Connor: (Shaw and Partners, Analyst) Ian and Paul, nudging the 13 million tonne limit at Maules Creek, how do you deal with that ahead of an approval change, clearly you're close, how do you dial that back and keep the troops fully engaged?

Paul Flynn: I think we've mentioned before once or twice that this is a particular challenge for us. It's a high quality problem to have, of course, with the mine now performing at a level where we can start knocking on the door of the upper limit. To remind you, I know you know, Peter, but for everybody's benefit, that obviously 13 million tonne limit is set on a calendar basis, not the financial.

So there is a little bit of juggling to deal with that, if you're going to have a bigger half verses of the second. Hence, our desire to want to move on and ask for more tonnes. Now, as we talked about before, that's related to in terms of how much we ask for over and above the 13 million tonnes. But we do think one way or the other, you need to have a little bit more capacity here.

For exactly as you mentioned, Peter, that there are times when you don't want to be in a position where you're winding back and so as the mine continues to perform, we want to make sure we've got some headroom available to us to be able to manage that better. But it's not, as I say, a problem that we're staring at right now, but it is something we want to deal with going forward, we want to wrap that up with the out view of the AHS.

Peter O'Connor: (Shaw and Partners, Analyst) Okay, thanks, Paul.

Operator: Thank you. We have no further questions, so I'll hand back to Paul for closing comments. Thank you.

Paul Flynn: Thanks, everybody, again, for your attention here for the quarterly report. If there are any further questions that any of you have that you wanted to direct to us, you know where to find us all. But we look forward to contacting you and speaking to you over the coming weeks. And of course, we've got our full results coming out in a month's time which we'll be speaking to you formally again. Thanks all for your time this morning.

Operator: Thank you, ladies and gentlemen that does conclude the call today. Thank you all for joining, you may now disconnect.

END OF RECORDING