Whitehaven Coal September 2021 Quarter Market Call - Transcript

Operator: Thank you for standing by and welcome to the Whitehaven September quarter 2021 production report. All participants are in listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star followed by the number 1 on your telephone keypad. I would now like to hand the conference over to Mr Paul Flynn, MD and CEO. Please go ahead.

Paul Flynn: Good morning, everybody, and thanks very much for taking the time to dial into the September quarterly production report for Whitehaven Coal. I understand today is a busy today so I am just going to hook straight into the report and move into the Q&A.

For us, first quarter for this new financial year off to a very solid start. I'll just quickly run through the highlights for you. September quarter, you can see there run-of-mine coal at 5.2Mt production at the managed level. We've managed saleable coal production at 4.7Mt. In terms of coal sales, managed coals sales at 4.6Mt, managed own coal sales at 4.2Mt, the equity level at 3.9Mt and 3.4Mt respectively. Healthy stocks taking into the December quarter which is a positive thing. We've had no cases of COVID in our business at all whatsoever which is a fantastic thing to be able to continue to say to you, and no change to guidance required.

That segues into safety. Safety numbers of 5.9, that's a solid result and certainly, the trend is better moving into this year. Narrabri has had a very good time safety-wise; in fact, its first quarter with no recordable injuries, that's a very positive thing, and then Tarrawonga, has had 1000 days free of lost time injuries.

In terms of COVID, as I mentioned, there are no cases for us, which is fabulous. We have launched an incentive program to ensure our people are vaccinated and that's moving well. Take-off through the cycle has been very good, but the regions are lagging the state average more generally and so we are taking a cautious approach to how we moderate the various hygiene and distancing measures that we have in place. They will probably last longer than what will apply for the state average related measures.

Over the page, just in terms of the tonnes there you can see the totals there at 5.2Mt versus 4.4Mt at the managed ROM level, the managed saleable, as you can see there, 4.7Mt versus 4.8Mt, sales of produced coal 4.2Mt versus 5.6Mt, 25% down difference from period on period. The managed coal sales for purchased coal are borderline different there, 420 versus 417. So, pretty consistent there over and as I said before, we've got solid stocks moving into this December quarter which as you know, does have a changeout for Narrabri so that will be a positive thing.

I'm sure everyone will be interested in the realisations table that we put in here and it's certainly an interesting picture that it paints. I'll just go through some of the key metrics there for you. The average for the quarter for our thermal at US$168, that's in the index. Our realisations at US$142 is 15% down, consistent on what we have mentioned previously with our guidance for the year. This first six months we will have mid CV sales to the tune of about 20% in the first six months, moving to potentially a gC NEWC average in the second six months of the year. That's consistent with that previous guidance.

The JSM pricing for semi-soft at US$149 in terms of our realisations at US$134 so that's 10% down. The average semi-soft spot price at US$178 is really there just for amusement value only, I think, given that we're not selling spot tonnes on the semi-soft market as a general rule and in fact, the semi-soft prices have spiked quite a bit also at US$287 but we're not seeing much physical demand behind that number. But it is obviously unshackled given that the prime low-vol hard coke price has now moved northward.

Just over on the next page, in terms of sales, as I say down on the previous quarter but doing nicely and off to a solid start for our year. We do have a heavily weighted sales program for Narrabri being the point of difference, I suppose, in terms of period-on-period movements into the December quarter. As you will know, given the quarter we had previously, we brought little stock from Narrabri in and the quality of that stock was outside of the range we normally expect for Narrabri. So, we've held off a little bit there and there will be further blending in sales and clear that out in this next quarter, so don't expect to carry that coal into the second half of the year.

gC NEWC as you can see, US$167. It was a 54% increase on the June quarter so very strong underlying market that we're in and whilst we do experience the lags, as we've talked about, and I'm sure the Q&A section will focus on that again, the lag is a lag and you will get it, it's just a matter of the passage of time in that regard. At US$142 average for us during that quarter, that's a pretty solid result. We've provided some statistics here, of course. We've got sales which are priced at metrics preceding the period that we're in and that's 57% of our thermal book does that.

Then you've also got, as we mentioned, some mid CV sales which are priced at levels below the 6000 level and we've provided that metric for you again. Again, that's a first half phenomenon; the second half of the year will be typified by a gC NEWC average quality profile, which will be good to see.

Met coal sales, quite low as you imagine and it's really just a point of reference. Despite that, semi-soft prices I quoted being very high, we're not seeing much physical interest in that and certainly we're not chasing sales at all given the thermal pricing dynamic that we're experiencing.

Maules has put its first foot forward into this new year in solid fashion, so little to see then in that regard, 2.94Mt versus 1.97Mt. That's a very good result there. We are signalling to you of course - and I know many of you know this, but we have a differential between how the 13 million tonnes per annum ROM limit is applied to us on a calendar basis versus the financial year formula that we're using. There is a constraint in terms of what the December quarter will deliver and that's the 2.6 that we've quoted here for you.

Stocks are solid there, so we've got good stocks to cover the period that Narrabri has good stocks as well for this impending changeout period during this next quarter. So, Maules Creek is off to a very good start in this year.

Narrabri has had a very solid start to the year and that's very pleasing to see with tonnes there at 1.5Mt versus 1.6Mt in the previous corresponding period, so that's been very positive for us. We have said that our sales are weighted in the December quarter and so you'll see that bounty, if you like, converted into cash in the next three months. We've got stocks there at 900,000 tonnes, which is up but as I say, that's just indicative of the fact that we came into it with very little stocks as a result of that bumpy period through the preceding quarters. So, we've built stocks and sales and will move over the next three months clearing out all the remnants of that sub-SCODA quality that we've cut there.

We're satisfied that - we've got very little of this panel to go, in fact, and we're satisfied that there's nothing else to observe structure-wise in the balance of the panel and certainly in 110A having done the geo-sensing drilling there, and 110B will be done over the ensuing months. Cut and flit will start in that first quarter of calendar '22, so Q3 FY22, and we have commenced the mains during this quarter as well for the 200 series, which is positive.

The Gunnedah open cut, not a lot to see here. They've had also a pretty decent start to the year. Tarrawonga is actually quite consistent with where we wanted it to be. Werris, our plan there in the first quarter was always going to be a little bit more dirt-focused than coal-focused but both tonnes and sales have been in line with our plan, which is positive. Those numbers I'll leave for everyone to digest but nothing particularly exciting to see in either of those.

As you know, we are washing a bit more coal, at Tarrawonga in particular, and so in the second half of the year you'll see a broader SCODA average. That is important blend stock for across our business that we want to use and so there is a little bit more washing involved in this year as we have previously discussed.

From the logistics perspective, this is just to note that we are now back at full capacity in terms of our ability to move tonnes through the logistics chain. That's very positive. There are some queues there of PWCS but that will be unwound and as far as NCIG goes, we're back in the normal rhythm of our deliveries there.

I'll scoot across the development projects because there's not a lot to identify here.

Narrabri stage 3, we are waiting on the whole-of-government report there, and certainly we are pushing hard to see that they can convene an IPC hearing this side of Christmas, which would be ideal for us timing-wise. We do have plenty more time available but just to keep the ball rolling, we want to make sure that that gets squeezed into the agenda here before Christmas.

Vickery, as you know, was approved by the Federal Minister, which is very positive, and so we're just continuing to do more work associated with that and waiting for the expiration of periods for appeals and otherwise to move on.

Winchester South, the exhibition period has closed and so we're just working with the government on that now, which is very good to see. No change in the trajectory there on Winchester South.

Over to the market. The market is very strong, as you all know, so I'm sure that's going to be the topic of discussion for the Q&A. It's very tight across every customer jurisdiction that we're looking at. We're seeing some extraordinary prices in individual jurisdictions because of that physical constraint, be that China thermal coal or because Indonesian coal prices they're achieving. Those two are obviously heavily correlated. You've got some supply issues contextually within each jurisdiction that we look at, whether they be constraints in South Africa, you had that fire in one of the ports in Russia, you've had flooding to overcome in Indonesia, adding some further tightness to an already tight market.

Each of our customers' economies are lifting. We are seeing customers asking for more tonnes to be brought forward. Certainly, the tendering action that we're seeing at the moment is very strong and looks - bodes well for not just a very good balance of this financial year but I think if everyone looks at the supply constraints and the demand lift overall, I think it points to robust settings from the supply-demand perspective for the next couple of years.

Look, it's a very good environment in which to be coal mining at the moment, despite various other commentaries around the place. At the moment, our focus here is to continue to delever, put the balance sheet in a position that we were unable to do during the last 18 months during COVID. That is happening quickly and these robust coal prices are accelerating the impact of that.

That's pretty much the quarter. Off to a good start for the first quarter of the year, very pleasing. Conscious of the need for people to move on to other things today so with that, I might just hand back to the operator and get the Q&A started.

Operator: Thank you. If you wish to ask a question, you will need to press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you are on a speakerphone, please pick up the handset to ask your question.

Your first question comes from Rahul Anand with Morgan Stanley Australia. Please go ahead.

Rahul Anand: (Morgan Stanley Australia, Analyst) Hi, Paul and thanks for the opportunity two quick ones from me. First one is something that's been talked about before, but if we think about the port and logistics situation at the moment it makes sense that Maules goes to about 2.6 million tonnes next quarter, gives you a bit of time to draw down stocks. Should we start thinking about 16 million tonnes per annum approvals now rather than waiting for AHS? Then perhaps what are some of the critical elements and hurdles that you need to jump from an approval perspective from the government? That's the first one.

Paul Flynn: Thanks, Rahul. It would be nice to be able to have 16 with this pricing backdrop, no doubt about it, but that is a significant approval modification for us and requires quite a bit of study, which we are doing as we speak, on all the important aspects of increasing the intensity of mining there, so noise, dust, water, you name it, it all requires a lot of work. It's not something that's simply done, as much as we would like to do that. Of course, we've got other things in the pipeline that both Narrabri Stage 3 and also Vickery as well, which our judgement was not to complicate the matter by asking for that at the time.

It is, as you point out, in our view the upside here is correlated with the success of AHS and our view is that further mechanical intensity in our pit runs the risk of being counterproductive and so our view is that we need to extract - in order to go bigger, we need to extract more out of the existing fleet numbers we have. That's our preference though. There's no short-term, unfortunately for you, Rahul, answer in the 16-million-tonne parameter. This is a couple of years' work, from here.

Rahul Anand: (Morgan Stanley Australia, Analyst) Thank you, perfect. One quick follow-up on the logistics side. Obviously, the shipment delays that you had this quarter and you still have high stocks, perhaps if you could remind us, what is the normalised stock levels that we should look for and then when do you think you can get there? Would third quarter of this fiscal be the appropriate time to start looking at those stocks to be drawn down given there's the maintenance coming up at PWCS?

Paul Flynn: Yes. For us, we would certainly like to take our stocks down - or it depends on how you look at product stocks - we don't like to be less than 1 million tonnes, on the product side of things. ROM stocks we can cope with obviously quite a bit more than that. I would have said we would like to bring down at least 1 million tonnes out of this whole - maybe 1.5 million tonnes - out of the current position. Obviously, prices look very good and let's convert that into cash.

Now, there's different contextual things here. With Narrabri there's obviously the quality differentials, fresh coal coming out of the pit now is really good for blending that poorer stuff that we carried into the year up, so that's positive for us. Maules Creek's well sold so we don't actually have a lot of blend stock available internally in the business as well, but we do have good stocks there but we are producing at the same rate we're processing, which is a high-quality problem.

So, we are looking at initiatives to try to draw down further stocks from our ROM stocks during the next six to nine months. We're talking about incremental capacities to crush and so on, and screen. We're looking at those initiatives, we want to bring that down by say 1 million to 1.5 million and convert that obviously to cash in this good pricing environment.

Rahul Anand: (Morgan Stanley Australia, Analyst) Okay. Final question, perhaps for Kevin. Obviously, we've talked about in this quarterly that you're looking to pay down your debt and have that net cash position soon. Is it fair to assume that we've now defined for our mature business perhaps for Whitehaven Coal, we're currently producing assets that your target net debt for that part of the business is solidly the net cash position and only under growth scenarios are you going to take on incremental debt? What kind of target net debt would you stretch to in that scenario?

Kevin Ball: Rahul, I think you've read the memo. I think the balance sheet is net cash. I think the only time we get into a net debt position is at the bottom of the cycle if things haven't gone terribly well. By that I mean you'd have - not the revolver, you would have something like leasing and ECA facilities that don't have any refinance risk. That would be where the net debt comes from.

We've put a note in there that said we'd be up to 2 times on a through-the-cycle basis, 2 times levered on a through-the-cycle basis. We look at the numbers and say if you look at the EBITDA over the last five years, it's been about $3.3 billion, $3.4 billion. That tells you that on a five-year cycle it's around that $600 million. At worst, I think we would be 2 times levered on a net debt basis through an acquisition, but I can't see us doing that through an expansion because of the cash that's generated in the business. For me, that's the real outlier, Rahul. It's not something we're targeting; it's just saying what's the boundary limits.

Rahul Anand: (Morgan Stanley Australia, Analyst) Okay, perfect. Thank you very much. I will pass it on.

Kevin Ball: Thanks, Rahul.

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

Paul Young: (Goldman Sachs, Analyst) Morning, Paul, and morning, Kevin. A couple of questions, first one on the thermal market. The planets have completely aligned here and the outlook is very positive on a three-to-four-month view and you state that in your report. I'm curious about the fixed or the tenders from some of the Asian customer base at the moment, particularly Taiwan and Japan, for those reasonably large volumes. Can you just talk through - have you been able to capture any of that, participate in that, and actually have you been able to lock in any sort of fixed-price, high-priced contracts for the next 12 months?

Paul Flynn: Good day, Paul. We've had good activity right across all our markets. We're calling out obviously the Koreans and the Taiwanese because they've been obviously active for some time, not just because we think they were short in this current year but certainly now preparing themselves for the new year well and truly. We have been able to - we've got multiple requests even from Japan to bring coal forward, so that's problematic given that we are well sold, as we've said. We have been able to take advantage of some of these new sales in the new year for sure, and even some tactical ones in the next few months.

The prices are pretty much indicative of what you're seeing in the forward curve when we've taken those tactical opportunities. The price lag is the price lag; you will get the benefit of it. It doesn't disappear just through the passage of time; it just takes a little while longer to come to fruition in your bank balance, but it will come. So, trying to lock in sales out into the new year is not easy. Our customers are very cautious at the moment. They also see the opportunity to take some time, hoping for a moderation. We are obviously hoping for the reverse.

So, we are actively discussing it with customers who are sensitive to this and looking at opportunities to lock in sales based on the forward curve, which is obviously pretty good. So, we're doing that but I won't go so far as to quote prices and things but it's certainly looking very positive and we are minded to try to lock some in as we see this market flatten out.

Paul Young: (Goldman Sachs, Analyst) Thanks, Paul. Just further to that, what percentage of sales can you contract on the forward curve, and how far is the forward curve out now that liquidity-wise that you can actually lock that away?

Paul Flynn: Our focus on this rather than synthetically or doing it through derivatives is actually with the customers. Say for instance we've won some tonnes with some of our customers which have an average price for next year, say for next calendar year, and those prices are looking very good relative to the realisations we're seeing today. That volume that we're doing that with, they're in the 5% level and we'll try to increase that. Generally, our fixed prices if you like at an average is about 30% that we go into a particular year in terms of on a running, revolving basis, about 30% fixed, so we want to elevate that up a little bit further. There are opportunities to do that at this time and obviously that will be beneficial because all those prices that we're talking about are above the realisations we've just printed.

Paul Young: (Goldman Sachs, Analyst) Okay. Thanks, Paul. A question for you, Kevin, on paying down the senior debt facility and where that leaves you on facilities. Fantastic outcome that you can retire that early, but I'm just wondering now where does that leave you on available liquidity or facilities I should say, and are you looking to add another facility, and what form would that be?

Kevin Ball: Yes, Paul, the $1 billion facility that's there remains on foot until July 2023, so it's paid down and undrawn. We said at the full year that we'd have a look at the debt capital markets. As you would be aware, I think the China property market has probably put the frighteners under that at the moment, so I think we're waiting to see how that plays out. Pleasingly, when you look at the balance sheet being net cash second half takes all the pressure off that and if you go to a market with a net cash position you're actually going to be providing an investment-grade credit metrics and an investment-grade balance sheet into what's probably a BB credit, so it should be supportive is really what I'm saying. We'll be patient, we'll be there, and we'll get it done, but we want to wait for the right market.

Paul Young: (Goldman Sachs, Analyst) Just to confirm, that means that that facility which is there until July '23, you might be looking to replace that before that?

Kevin Ball: I think we'd look to replace it somewhere between now and the second half of '22, Paul. I think the other side of that is we'd probably serve to reduce - if we step into the market, we will reduce the existing revolver from a $1 billion facility almost dollar for dollar on whatever we raise in another market.

Paul Young: (Goldman Sachs, Analyst) Okay, great. Thank you, gents. That's it from me.

Operator: Thank you. Your next question comes from Peter O'Connor with Shaw and Partners. Please go ahead.

Peter O'Connor: (Shaw and Partners, Analyst) Morning, Paul, Kevin. Kevin, just following along the debt thematic, are you saying the US bond markets are closed because of Evergrande and/or is it an ESG pushback, or are they completely separate issues and are you getting a welcome from the US bond market despite you're a coal company?

Kevin Ball: Yes, Rocky, that's a really good question. My answer for you is that it's - I don't think the markets are closed, they're just not the place you want to be in when you look at the current moment and say the business is in rude health. I think the ESG, our view here is that the Asian debt capital markets will provide the funding for Asian resources for the decades to come, and that business, we expect that to grow and expand over the next decade. That's really why we want to try and put a foot in that somewhere in this next period.

Paul Flynn: There's no doubt there's - the current property market influence on that market definitely has muddied the waters a little bit.

Kevin Ball: It certainly has. Spreads in that BB, spreads in the US market really haven't moved much, Paul - sorry, Rocky. Then the spreads in the BB market in Asia are probably up 200 basis points in six weeks.

Peter O'Connor: (Shaw and Partners, Analyst) Okay, so you've got time on your side and you've got a market that will take your paper, and your rates are reasonable given that backdrop, whenever you do that, for a coal company?

Kevin Ball: We're expecting it's going to be really reasonable and we're expecting to be well received there, Rocky.

Peter O'Connor: (Shaw and Partners, Analyst) Okay, great. Paul, back to the premium discount. Congratulations on getting much better realisations. I took the conservative view and thought you would be a bit lagging, so well done. The lag to the JSM quarterly benchmark price, that was US$149 versus your booking US$134. You mentioned you're not selling spot so the differential between those two in the September quarter is what?

Paul Flynn: Actually, I don't have that number for you, Peter. Our sales, as you can see, are very low on the met side of things and the aggregate of that is PCI and semi-soft, of course. So, the pricing structures associated with the PCI are different from that associated with the semi-soft, so you can pretty much halve that and see the impact of the JSM quarterly price on us. Obviously, on a look-back basis, you're going to see the next settlement look a lot better. That part of our business relative to the current pricing is underwhelming, but with the Platts price at US$280-something...

Peter O’Connor: US$287 today, Paul.

Paul Flynn: Yes, it's US$287. That looks quite incredible but when we've gone in and had a look at that just to see what substance sits behind that, it doesn't look like there's physical substance there of any size or duration. I really think it's just unshackled, as I said earlier, because the PLV price is obviously another $120 higher. We're watching it very closely but we're not chasing those sales. If there were sales there for that sort of number we would look at doing something, but otherwise the thermal market is the better place for us with its premiums.

Peter O'Connor: (Shaw and Partners, Analyst) Paul, back to the comments about logistics. If I read your report correctly, it seems like you were mapping out delays at the port because of weather and the maintenance in the December quarter for PWCS. Is that telling me there won't be the pull-through of working capital that you may have otherwise hoped for or is that just flagging a more cautious backdrop?

Paul Flynn: No, sorry. Our apologies if it's led you to interpret that from the way we've written. No, we've got no issue whatsoever getting coal through and converting those stocks into cash, none at all. We're just observing the physical dimensions of what's ahead, and Rahul has already noted the PWCS outage. No, that's not going to impede us in any way to convert this stock into cash.

Kevin Ball: The only thing I'd probably say to you though is have a think about this: if we have roughly the same tonnage but we've got four times the price, you're going to see a little movement in the debtors in working capital. That's a two-week exercise.

Peter O'Connor: (Shaw and Partners, Analyst) Okay. Lastly, on Maules Creek JV partner sale, any comments, updates, progress?

Paul Flynn: No, no change there at all. We're not sure where that's up to, to tell you the truth, Peter. It's ongoing but I'm not sure what the field looks like at all, to tell you the truth. It's been very quiet.

Peter O'Connor: (Shaw and Partners, Analyst) Okay. Thank you very much.

Operator: Thank you. Your next question comes from Glyn Lawcock with Barrenjoey. Please go ahead.

Glyn Lawcock: (Barrenjoey, Analyst) Hi, Paul. Hi, Kevin. How are you?

Paul Flynn: I'm well, thanks. That's a normal introduction, Barrenjoey. Haven't heard that yet. Welcome back.

Glyn Lawcock: (Barrenjoey, Analyst) There you go. Thank you.

Kevin Ball: Congratulations.

Glyn Lawcock: (Barrenjoey, Analyst) Just a little bit more in depth on the pricing if we could. You talked a little bit about you've got 65% high CV and 23% other. What do you actually classify as high CV? Is that anything above 6000?

Paul Flynn: Yes, anything that's SCODA spec. If we're meeting SCODA the bottom end of that is actually 5850. We're putting anything above that up to obviously 63, a little bit more in our case, into that market.

Glyn Lawcock: (Barrenjoey, Analyst) Okay. I understand all the lags and everything so what about the premiums? You've stopped disclosing the premiums you're getting for Maules, unless I missed it in the report. Are you still getting the energy premiums, the ash premiums, and how are they - because I guess it is a bit - I can understand the 23%, I guess, that's what you say is getting the big discounts, so I'm just trying to understand how you're going on getting the premiums and when do we actually think we could see - if the index goes sideways, how long do you think it would take for us to get back, if it all, to say where were a year ago at getting the index?

Paul Flynn: In the second half of the year we will be getting the index, so those mid CV sales will be out of our sales mix in the second half of year, Glyn. So, I'm answering the last bit first. Back up to the premium side of things, yes, energy - sorry, we haven't referenced that - yes, you're right, but the energy premiums benefits are certainly coming through, 5%, so you should add that in there. Then the premiums themselves on top for the qualitative aspects of the coal, call that between $4 and $6, maybe average $5 range.

Glyn Lawcock: (Barrenjoey, Analyst) Okay. Then if I look at the met side of the business, I think you made a comment in your opening remarks, we're not selling coal on the semi-soft coking coal market. What were you meaning by that, you're not selling it just today or never?

Paul Flynn: In the spot market, we're not a spot seller of semi-soft. Of course, up until very recently that spot market has been a lot less than the thermal coal price. Generally, we've not been doing that for some years now, as we've talked about, but the semi-soft demand has been relatively weak. So, we haven't been chasing that. My reference to that earlier on was really just that, just to say that I note that the spot semi-soft price is high now, that's only a recent development. We've looked behind it, there isn't a lot of physical substance to it, and whilst that's the case we're not chasing incremental semi-soft sales. The better economic answer is to continue to deliver the high-quality thermal with its premiums.

Glyn Lawcock: (Barrenjoey, Analyst) Telling us what the semi-soft index is, what's the benefit if we don't sell against it? Because at the moment it just made it look pretty bad getting 25% discount to it when it doesn't sound like it actually references anything in your business.

Paul Flynn: That's right. It's just for information purposes only. As I say, that's why I noted that we're actually not selling relative to it, but people ask us what it is.

Glyn Lawcock: (Barrenjoey, Analyst) Okay, all right. I might take that offline a bit more. Then just my final question, thanks. With the projects, obviously, the backdrop is very good at the moment, but how do you think about the timing of it now? Are you feeling compelled to push ahead or are you actually feeling now you should just wait? I'm just wondering how your views changed over the last few months.

Paul Flynn: Our views haven't changed over the last few months in this regard. Obviously, the market is very tight, so our focus has been, as you know, Glyn, to get the balance sheet work done. That work is much delayed given the last 18 months that we've had so we want to get that work done. We've only just recently brought on - or we only just recently received the Federal Government's EPBC approval for the enlarged Vickery project.

There is obviously the - that's not the answer obviously that the naysayers wanted and so we're aware of some movement in that regard to question the Minister's approval in that sense. In the meantime, we're continuing to look at the projects both from a planning perspective, from a capital perspective, and an OpEx perspective. We've said that we're unlikely to take that project to FID within 18 months' time, and that remains true.

Glyn Lawcock: (Barrenjoey, Analyst) Is it 18 months from when? It sounds like you made that comment in the last six months while I've been away.

Paul Flynn: Back in June.

Glyn Lawcock: (Barrenjoey, Analyst) From June?

Paul Flynn: Yes. It was a full year number.

Glyn Lawcock: (Barrenjoey, Analyst) Okay. Would anything change your mind, i.e. a customer coming forward and offering to buy equity in the project and offtake? Would that accelerate your view or you can't accelerate it more than 18 months regardless?

Paul Flynn: I think 18 months is pretty much fixed in our thinking around this. If someone turned up and said we'd like to have - well, firstly, someone turning up with legal shenanigans going on, that's unlikely. But the 18 months in our mind in terms of getting the Company ready for that and the various planning scenarios that go with that, moving back into construction phase, getting the workforce mobilised, that will take some time.

Glyn Lawcock: (Barrenjoey, Analyst) Okay, that's great. Thanks, Paul.

Operator: Thank you. Your next question comes from Stuart Howe with Bell Potter Securities. Please go ahead.

Stuart Howe: (Bell Potter Securities, Analyst) Hi, Paul. Thanks. You just touched on it then around the Vickery project and I'm just wondering around the selldown process. I know that with the process it slowed up there more recently but is that ongoing? Given recent markets, is it a potential that you would look at selling more than just a minority stake and that and it could become part of a bigger divesting process?

Paul Flynn: Thanks, Stuart. We haven't been actively discussing this, to tell you the truth, with potential buyers. The whole COVID period over the last 18 months has been - certainly when we've had discussions with potential players in this field, they've told us that they're distracted with other things, understandably. It hasn't been a point of focus for them and we've just kept it alive and kept them informed as to what's gone on with the various approvals-related developments and obviously we welcome the Federal approval but we'll get ourselves past the time of the appeals process before we re-enliven those discussions.

The backdrop for those discussions are also a bit awkward, obviously, with COP26 at the back end of this month and various countries making statements around whatever they may or may not aspire to do over the next 30 years. We've played it cool on that and we'll get past this hurdle and then move on to see which of these players are actually real or not.

Stuart Howe: (Bell Potter Securities, Analyst) Fair enough. Just regarding your comments around net cash by March quarter, and I realise we're almost there, but I'm just wondering what sort of price assumptions you've assumed moving forward for that expectation. Is it following a forward curve or is it prices stay where they are?

Then more broadly on the thermal coal market, it seems that a few other things that have caused it to be so strong, be it supply interruptions in places like Indonesia or building an inventory ahead of winter, they're rather seasonal or temporary in nature. Is this as good as we get for thermal coals markets? I'm just interested in comments around that.

Paul Flynn: Stuart, the target that we've given, our prediction was end of March/April, that wasn't off the forward curve, that was off our own internal estimates. The forward pricing, if you apply that today, we'll see that accelerate, which is a good thing. We think it will come forward, which is nice to be able to say that.

You're right, there are a few short-term influences on the supply side in a couple of different jurisdictions. I'm told that the flood impacts in Indonesia is looking better, and their internal redirection of sale to satisfy the internal needs, I'm told that's also been taken care of. I don't expect too much extra tension coming out of there, but obviously the floods in China have caused them some issues and Indonesia's ability to try and meet some of that demand, to try and fill some of that void, is relatively constrained, from what I'm told. That's going to keep things tight.

The fire that I'm sure you've all seen the reports of in terms of that south-eastern port in Russia which supplies into Korea and Taiwan, that's a relatively modest size, Stuart, but all these things add up. That port probably puts through there 20 million to 25 million tonnes per annum. So, they do add up but that will take at least a month, maybe a couple of months, to sort themselves out there. Of course, winter is coming and Russia coal is not much use during winter for some jurisdictions in any event. So, just promoting more tightness, as you're pointing to.

Stuart Howe: (Bell Potter Securities, Analyst) I guess on demand side, a restocking event can feel like it's much stronger than what the underlying market is. What are your thoughts around that?

Paul Flynn: I think if you look at each of these economies, they're all trying to step out of the quagmire that COVID created and government stimulus is obviously the main tool that's driving that. I think it's not just restocking, it's actually re-enlivening economies. Restocking is just a short-term thing generally, but the ongoing stimulus that seems to be present in the market in each of the economies that we deal with - and broadly the economies across the world, because you can see energy all over the world is just obviously in high demand as people are trying to re-enliven their economies. That's going to continue on for some time.

Stuart Howe: (Bell Potter Securities, Analyst) Great. Thanks very much, guys.

Operator: Thank you. Your next question comes from Alex Ren with Credit Suisse. Please go ahead.

Alex Ren: (Credit Suisse, Analyst): Hi, Paul, Kevin, and Sarah. Congratulations on another solid quarter. I've got a couple of questions. The first one is your posted result was about $180 million roughly free cash flow generated over the first eight weeks, so I was looking forward for a similar disclosure at the quarterly. Could you provide us some colour on the level of free cash flow you're generating these days, say in the September month?

Kevin Ball: Alex, that's a pretty easy question to answer because we started the year with $809 million in debt and we expect to be net cash in about eight months in. So, the short answer is we're punching out over this first six months about $100 million a month. If that coal price stays where it currently is, that number gets a little bit bigger through this period from December through until about March. It's a pretty good period to be here.

Alex Ren: (Credit Suisse, Analyst): Great, thanks. Also, the follow-up is how do we think about working capital movement? Correct me if I'm wrong, you've got prices still going up and hopefully can go up a bit higher, but there is also a decent level of inventory selldown. Is that reasonable for us to assume a healthy working capital unwind over the next six months?

Kevin Ball: Yes. Alex, you have to get into the detail here, and I'm going to bore a few people but bear with me. We're paying creditors and we're paying suppliers on the same basis; that doesn't change. We've got stocks which are costed roughly the same cost; that cost isn't going to change other than for volume changes. The real question there is we're now selling coal - compared to fiscal year '21, we're now selling coal at that $200 something mark.

So, our receivables for the same volume of tonnes tracked in a receivable the number is going to be higher. As I said earlier, that's typically a two-week issue because our payment terms on thermal coal are really short. Our payment terms on met coal are a little bit longer but there's not that big volume in the met coal there. I'd be thinking we're going to have a build in receivables but I'm not losing too much sleep on it because I know I get it in 14 days. Does that make sense?

Alex Ren: (Credit Suisse, Analyst): Yes. Yes, it does. Thank you very much. Lastly, I suppose just a question on general market dynamics. Recently many countries, including India, have been reporting coal shortages. What will be the impact of this to prices, particularly India? Are you seeing them actively seeking more imports?

Paul Flynn: I think they're all doing the same things at the moment. I think that's the challenge of it, Alex, at the moment. Everybody is doing the same thing. They're all short, they all need more but again, this comes back to this broader issue about the whole energy complex is in the same boat in that regard. Everybody wants more as they're all trying to lift. So, I think this is going to go on for a while, and there's not a supply response. That's the biggest feature of this, the abruptness of this correction in this particular cycle I think is the fact that between this one and the last there wasn't a material supply response, and so that's made the corrections here, the movements more aggressive as a result of just not having the additional supply being brought on from the last point in the cycle. That's a positive thing, obviously, for current pricing.

Alex Ren: (Credit Suisse, Analyst): Yes, absolutely. Got it. Thank you very much.

Kevin Ball: Thanks, Alex.

Operator: Thank you. We have reached our allocated time for questions. I will now hand back to Mr Flynn for closing remarks.

Paul Flynn: Thanks, everyone, for your time today. I really appreciate it. I know that it's a busy today so if there's any questions left over for people you know where to find us, myself, Kevin, or Sarah. Ian was on the call as well, he didn't get a question and so he's feeling a little bit left out but if there's anything operational that people wanted to chat about then just come through the normal channels. Look forward to seeing you all. Thank you.

END OF RECORDING