WHITEHAVEN COAL

Whitehaven Coal December 2021 Quarter Market Call - Transcript

Start of Transcript

Operator: Thank you for standing by and welcome to the Whitehaven Coal December Quarter Production conference call. 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 will 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 CEO. Please go ahead, Paul.

Paul Flynn: Good morning, everybody, and thank you very much for taking the time to join us today for the December 2021 Quarterly Report. I will go through the highlights as usual, and go through our document, and then we'll get to the Q&A as soon as we can.

I'll just run through these highlights. There's certainly - the backdrop of all of this is obviously a very strong price environment, so we've put there for you the average achieved coal price for the period of $211, which has been excellent obviously compared to not just previous years, but even a step up on the last quarter as well.

December quarterly managed ROM production at 3.2 million tonnes. December quarter managed saleable coal production just under that at 3 million tonnes. Our total managed sales at 4 million tonnes for the period and our own portion of that at 3.5 million, and when you break that down our own coal sales of equity level were at 2.9 million tonnes.

Stocks at 2.1 million tonnes are reasonable, down from about 3.2 million tonnes I think last quarter, have been drawing some of that. Cash generation has been very good and I'm sure we'll get to that in the Q&A. We are still on track to be in a net cash position in March of '22. Longwall transition was actually completed on time, which was very good, 109 to 110, and I'm sure we'll talk about a little bit later on, but that's very positive.

But the quarter has seen two externalities which is driving our business to some degree. We've obviously had very wet weather across the state which everybody has seemed to reported on the media and Gunnedah Basin got a hell of a lot of that, perhaps disproportionately so. So, that has caused production to slide to the right which we'll talk about in a minute.

Then, of course, having not been exposed to COVID cases for nearly two years, Omicron obviously is teaching us how to deal with that to some degree, and I'll talk about that and its effect on our business through this discussion. Now, as far as guidance, we'll get to that later, and we have updated our guidance based on both the weather and the COVID impacts.

From the safety perspective our TRIFR has gone up to 6.1 during this period, and that's a little higher than what we'd like. Pleasingly the severity of the incidences that we're having is lower, but in total number that's not where we want to be, so there's definitely some work to do on that. On industry basis we compare very well, but that's not really the standard we hold ourselves to.

A brief discussion then, over the page, just in terms of ROM production sales and stock volumes. I'll just touch on this weather so I can give everybody a bit of a sizing impact of that. We have been receiving significant above average weather rainfall, and that did culminate in floods in the area, I'm sure which many of you who watched the news would have seen in our area, and in fact at Maules Creek, and partially at Gunnedah CHPP and also Tarrawonga, but for Maules Creek in particular, we lost access there for a good two weeks.

So, we did evacuate people out of site, used helicopters to bring essential service people back into the site to maintain all our environmental monitoring and safety related regimes during that period. But as a result of not being on site, and so when you know you're not on site, you're obviously clearly not processing, washing, stacking, and certainly not loading trains during that period. About 600,000 to 700,000 tonnes have slid to the right for Maules Creek, and in the case of Gunnedah Ops, principally Tarrawonga, and the effect of that is about 100,000 to 200,000 tonnes being deferred.

Now COVID itself - as I've mentioned, we haven't been touched by COVID cases for nearly two years which has been tremendous, but that's changed now, and during December we certainly had started to see the impact of that in the number of people self-isolating. There are associated impacts with that, not being able to have the full complement of manning that you need to man all the equipment on the day, and the impact of that is about 200,000 tonnes in the quarter. I'll get to the guidance update for you in a minute.

The tables there as you normally see from us, I won't go through the top one given I just said that at the outset, but the equity numbers you can see is roughly about 80% of the totals above, cutting across both equity ROM, saleable, sales of our coal, purchased, and also stocks.

Coming down to Maules Creek. Maules Creek is, like most of you will recall, we're only on line to do about 2.6 million tonnes in this quarter, given the 13 million tonne per annum rate limit on a calendar basis for the mine. That weather impact I've just mentioned previously took the wind out of our sails for basically the total of that difference between the 2 million we've done and the 2.6 we potentially could have done to get to the 13 million tonnes, which is disappointing.

The sales volumes, as you can see there for the quarter, 1.8 million tonnes, have been below. Equity metallurgical coal sales of only 250,000 tonnes representing 18% of production to the period. Coal stocks at the end of the period, 1.3 million tonnes. We have been drawing those down of course and, as you'll see, the stock movement's period on period. Overall, Maules is going well but, yes, the weather and COVID related impacts have been annoying, but we'll get to the impacts of that formal guidance in a second.

Narrabri. Pleasingly the change out has occurred largely on time, which is excellent. That's not to say that labour tightness hasn't given us some issues to manage there. It's really just about a juggling act from us because we did redeploy some of our development crews into the relocation, just to make sure that did occur on time. There is a trade-off there obviously with the float, but we don't see a problem right now on that, but we're just highlighting labour is certainly tight.

The ROM production for Narrabri was obviously understandably only modest there at 415,000 tonnes. Saleable coal just converting inventories into saleable coal. The sales themselves were about a million, so we've obviously drawn down our stocks, and the stocks at the end of the period at 319. I think that was about 600 higher and about 950 in the previous quarter.

No PCI sales during the course of the period, and the cut and flit timing for commencement is a little bit later based on contractor and supplier labour shortages, so we're calling that now for late Q3. The next longwall move from 110 to 203 is in late Q3 of FY23.

I should actually say – I skipped the point that the step around will be in this year, and so from 110A to 110B. It's going to start in May of this year, and the importance of that we'll get to with the guidance, so to the extent that there are delays from COVID and other things, it's really just – there's no real tonne loss at Narrabri, if I can say that, essentially from a guidance perspective.

Gunnedah Ops. I'll just go straight into Tarrawonga. Tarrawonga, like Maules Creek, did actually suffer from weather related delay there. So, ROM Production there at 600,000 tonnes was less than what we were looking for in the period. Saleable coal production 400,000 tonnes is 24% down.

We are washing more at Tarrawonga, as we previously discussed in the last quarter, just because there's obviously a massive opportunity with the spreads between the lower CV markets and the 6000CVs but we are washing more coal, so there is a trade-off there between yield and higher margins. Overall, Tarra's going okay, but yes, we did have some haulage access issues there, getting to the plant, and the mine itself also suffered from access issues. Not as bad as Maules Creek I have to say.

But clearly the weather was more pervasive up the northern end of our footprint rather than the lower end because, when I come to Werris Creek, which is usually the rain gauge for our operations, it's actually got through pretty lightly, which is good. So, it's obviously the southern reaches of it, and so our production there at 273 was broadly in line with expectations, and that rolls through into the following stats as well.

So, as everyone knows, that's a bypass mine so the saleable really just varies in terms of drawing stocks, whether we did that this period or last. That explains the differential of the two, but Werris Creek has been operating well and thankfully has skirted through the impacts of the weather reasonably well, although it is not immune to the absenteeism we're seeing, associated with COVID related isolation requirements.

We did move this table for equity coal sales and realised pricing a little bit later in the document, because it probably relates better to the Outlook area, so we've just juggled that around. Those numbers are there for your consumption. The one thing we did throw in there that's in addition to what we've previously given you was the average coal price in Aussie dollar terms which is most relevant.

So, the AUD$211/t that I mentioned earlier, AUD$189/t obviously for the previous quarters. I think we're about AUD$201, more or less there, for the first six months, which is obviously a very good result.

gC NEWC averaged US$184/t for the period, as you can see in the documentation there. We did hit a high of US$222/t for a quarter settlement, so that's – for a monthly settlement in October, so that's very positive, and the backdrop does look very good.

From a sales mix perspective we have a little bit more of lingering out of spec Narrabri coal still on our stockpile and we'll just blend that through. Some sales have slipped with the logistical delays we've seen, which I'll cover in a minute, have slipped into this second half although that's relatively modest in terms of its impact, and we'll bleed that into the higher spec coal sales during the course of the next six months. It doesn't materially impact the business too much, thankfully, because it's relatively modest, and we still will be able to maintain gC NEWC plus average for the second half, which is what we previously said too.

So, yes, market looks pretty good, and I think we look forward to significant cash generation, what was always going to be a bigger second half, but obviously with some weather impacts it has made it slightly bigger on top of that.

The Outlook. Of course, everybody can see that for one of a number of reasons, whether it be weather related, or production curtailments, or redirection of sales in the export market as we've seen in Indonesia, into their domestic requirements, our markets very tight.

Customers are coming to the market looking for sales. We have seen a couple of tenders being opened with no bids, so that's obviously indicative of the fact that we've got a very tight market on our hands, and some customers have actually gone away with lower rank coal than what they were intending to buy. So, that again reinforces the notion that the market is pretty tight, and the vessel queue that you can see off the coast at Newcastle is symptomatic of a shortage of coal right across the coal chain, so it's not just the tonnes that we've missed out due to weather.

Related, obviously logistics – the logistics update, really just to let you know that the port certainly has been up and down a little bit in terms of the consistency of its ability to bring boats in. The weather has played a part in – not just high winds and swells, but also then the rainfalls that we've received flushes a hell of a lot of fresh water through the port, and when that occurs you can't bring the bigger ships in because of buoyancy reasons. So, there has been a little bit of an impact there as you can see. We're quoting about 50 ships there across the two ports at the end of the quarter.

From the hedging perspective, the normal hedges we've put in place have been augmented by further hedges that we've taken out, just to lock in some, what we thought to be, a good currency position for the balance of this year but doesn't extend past 30 June. So, it will unwind quite quickly, but we've put an average in there of 71.8, as you can see, for a decent portion of our US dollar revenue for the second half.

Just quickly on the projects, I'll just call out a couple of highlights. Narrabri - some of you would have seen - has been recommended for approval Stage 3 which is very positive. I mean that was supposed to happen before Christmas so a bit annoyed about that, not being able to hold the IPC hearing ahead of Christmas, but that is what it is. But it has come out now and I believe the IPC hearing is scheduled for mid-February, which is very positive. We like to move that forward.

Vickery. As you know, we're still waiting on the resolution of the appeal of the case against the Federal Minister for the Environment, so no major change there. But our public exhibition for Winchester South has concluded. We've got some feedback now from the Office of the Coordinator General on submission, so we'll work through with them to clear those out over the next few months.

Over to guidance. As I say, there's lots of – I'm sure I'm just labouring the point here, there are lots of unpredictable aspects to this, weather related obviously being one. We're seeing plenty of weather up in the north still, and we've had our own impacts more localised. Then of course COVID has caused a 5% decrease in our expected ROM production for this period. So, we have reset our guidance, in that sense, to 19 to 20.5 Mt.

Then that cascades through the individual mines themselves. Maules Creek get 11.3 to 11.7Mt, Narrabri 4.3 to 5 Mt. Now, that hasn't changed, as you can see, and that is, as I mentioned earlier, the comment that if there are some delays there, it does eat into the change out time, so a little bit of the change out time might flip into the new financial year, but the ROM volumes should largely be deliverable in this year as a result. Gunnedah Open Cuts, a small variation there. We do have a bigger run home for all our mines, as we always said at the beginning of this year that the second half would be bigger than the first.

So, there is related cost impact for these things though as you can imagine. I'm sure you've heard many companies before us, in the last few days of this week talking about diesel prices. Certainly, the impact on us is about $3 a tonne, we're estimating, for the year. It's been a significant jump obviously from up to what, $90, now.

Kevin Ball: $0.90.

Paul Flynn: Yes $0.90, sorry, so that's a big change. Demurrage costs associated with disruption in coal supply and production, that's $2 for us. That's, as you know, the take or pay under absorption that occurs when we're unable to get the tonnes into the market as we would hope. The volumetric impacts of flooding, there's about $2 in that, and COVID absenteeism, $1 to $2 is a further impact. So, a range for cost of coal now is $A79/t to A$84/t. As you can see lots of those impacts are relatively temporary, but they are there, and we should just call them out.

Now, the basis to that guidance, the note there. We put, the bottom of the guidance reflects the continuation for the remainder of FY22 of the recent COVID labour experiences that we'd had. So, we have taken a relatively conservative decision here in doing this, projecting continued labour shortage as a result of isolation requirements, and extended that out to 30 June. Like everybody, we've been using some medical services advisors to give us a view on terms of –just formally ironing out strategies in terms of how to manage COVID, and the RAT tests, the programmes that we've got running across our business, which has been well received.

They're saying that Omicron will run off relatively quickly, but obviously not as quickly as it ramped up, and they're calling potentially a peak of it around about now, if not a week away. But around about now, and they're saying that by the end of February we should be on the other side of this. Now, we've taken a bit more of a cautious approach to that than what these medical services' consultants are telling us, and we've put that into our guidance here, just to be on the cautious side of things.

So, if that doesn't play out the way that we envisage, then we can see ourselves moving back towards the middle of the guidance rather than sort of the downside which is the continuation of COVID impacts the way they currently are affecting us.

With that, I'll bring that to an end. We'll get on to the Q&A, I think. So, I might hand back to you, Operator, then we can move into the questions that are in the queue already.

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

Rahul Anand (Morgan Stanley, Analyst): Hi Paul and team. Happy New Year. Thanks for the opportunity. I might start with the first one on volumes. So, you've identified about a 1.1 million tonnes of volume impact due to rainfall and COVID. The guidance cut today is about 1 million tonnes. I guess I wanted to understand what type of a contingency you have in the new guidance, in terms of NSW reaching that peak in February, or maybe first or second week of March, so just trying to touch upon the contingency.

I guess the second part of that question is, Narrabri, you've had some delays, but as you said, no change to guidance. Is that all going to be met by stocks being drawn down? I'll come back with another question. Thanks.

Paul Flynn: Thanks Rahul. Yes, look, the 1 million tonnes that we've lost to date, we certainly think we can claw back some of that and have done a little bit of that already just in the opening weeks of this month. But the second half is going to be bigger. We think we can manage that, so we've put some contingency in there, as I say, just on the COVID side of things in particular.

So, if that advice that the runoff of cases and things, you know, by the end of January, is much better, then there's upside. But based on what we've seen, we've certainly chosen to extend that a little further, just because our experience to date hasn't been then same as the national average, so that's why we're cautious on that.

We know that there are regional impacts, that the government only really talks about the national average, or the state average, and our regional impacts are somewhat different to that. So, we think we can manage the second half, which is larger, as I said, anyway, in order to reach those milestones. On – sorry, the second half of the question was Narrabri?

Rahul Anand (Morgan Stanley, Analyst): Narrabri.

Paul Flynn: Yes. Look, Narrabri is – we've got to finish the panel, I suppose, is what I'm saying, so if there's a – so I'm talking about ROM production here whereas what you said there was more related to sales in your second part of your question. We've got to finish the panel so if there's slippage because of COVID related impacts, say, for instance, or production issues, then a bit more of the changeout falls into the next year, but it's unlikely that the scale of any of those changes, or the scale of any of those impacts would actually see us not finishing the panel, or 110A, in this financial year, the balance for this financial year.

So, we don't expect to see any ROM production issues there, associated from delays or COVID, to change the guidance numbers. Now, you quite rightly pointed out that, of course, if that's the case, and tonnes haven't hit the deck in the profile that we would have liked, then there will be some further sales impacts which has been factored into the sales guidance we've given there.

As you can see, from Narrabri currently, there are some stocks, but there are not huge stocks on the ground at Narrabri, and we do want fresh coal to blend away some of the balance of these, the remnant coals that we have from the last panel sitting on the ground as well.

But the key thing is there that the ROM target is likely to get used, but there might be some potential causes of slippage there from sales, which has been taken into our sales guidance.

Rahul Anand (Morgan Stanley, Analyst): Perfect. Thanks for that. Next one is for Kevin. I was just going to touch upon the gC NEWC pricing discount, Kevin, going into I guess, the second half of FY22. Obviously, some volume delays now being faced given logistical challenges, and also production. How should we think about that discount for the second half of FY22, please?

Kevin Ball: Hi Rahul. Good question. If you have a look at the stocks that are left at Narrabri, there's about 400,000 tonnes I think, going back to the last page – sorry, 319,000 tonnes. That's principally been the source of the below gC NEWC material.

Now, in the second half, we're going to have production out of Tarrawonga, Werris Creek, Narrabri with fresh coal, and Maules Creek continuing with its quality. So, our expectations are that the second half will be gC NEWC, gC NEWC plus, I think, is the answer that I have in my head. First quarter might be gC NEWC a little bit minus, second quarter will be gC NEWC plus. On average, gC NEWC plus for the second half.

Rahul Anand (Morgan Stanley, Analyst): Okay.

Paul Flynn: Rahul, just on the port and the amount of ships. It's interesting to note that the weather impacts are largely gone. That's not to say we won't have further weather impacts, but demurrage impacts that we're seeing and the shipping queue that we've observed there in our note today, that's really about coal shortage. It's not - it's coal availability across the whole of the industry exporting out of Newcastle, so it's - there's definitely some tightness in there one way or the other, whether it was weather related, which is more our case, but thankfully has gone.

We're not having any difficulties in getting our product through the port at the moment, so I do expect that that 50 number will come down relatively quickly in the second half. But everybody's – there seems like there's a shortage of coal right across the market, which obviously speaks to the $215 on average price that we're seeing month to date at the moment.

Rahul Anand (Morgan Stanley, Analyst): Yes. Indeed. Okay, final question from me. You've talked about a net cash position by March. I guess this question has been asked before, but how are you thinking about reinstating the dividend once the debt is paid off? Should we be thinking about anything at the midyear, or is it fair to say we defer it until the time you've fully paid off and are in a stronger cash position post payment?

Paul Flynn: Yes, look Rahul, I think we'll just leave that comment that we've left in the document to stand on its own. I mean, we've got our half year results out in four weeks' time and so we'll be saying more about that. It would be fair to say we're open-minded to all the necessary means of conveying returns to our shareholders who are being patient. Obviously, the business has generated good cash, we're on a very positive path there, so I think – yes, and you'll see something clearer from us with the half year results on this. But, as I say, open-minded. All measures will be on the table in terms of how we want to deal with that.

Rahul Anand (Morgan Stanley, Analyst): Okay, perfect. That's all from me. Thank you very much for your time.

Paul Flynn: Thanks, Rahul.

Operator: Thank you. Your next question comes from Lachlan Shaw with UBS. Please go ahead.

Lachlan Shaw (UBS, Analyst): Morning Paul, Kevin, and team. Thank you for the update and happy New Year. So, I've just got a couple of questions on pricing. Obviously, right now, gC NEWC has rallied pretty hard again. I'm just interested in how you're seeing the outlook there. Obviously, gas prices have come down, China's production of coal is up, how are you thinking about the JFY settlement coming back, coming through this year? I'll come back with a second question shortly.

Paul Flynn: I think all these aspects are important to it. I think obviously the Indonesian position plays into that to some degree as well, Lachlan, which we understand that is easing, although it's not clear the rate at which that Indonesian withdrawal from the export market, the pace at which that ease will occur.

So, we see further tightness. Our customers really are screaming out for coal, so we'd love to have a bit more, and I think that underpins a good market going forward. Gas prices, as you say, have eased. That's good, coal is still very competitive on that basis. So, look, it's definitely a much-improved market from what we've seen in the past. I mean it's – just look at those average revenue numbers, a year ago versus now, and that is quite a considerable change.

Lachlan Shaw (UBS, Analyst): Yes, sure. Thanks. Then, just a second question, again on pricing relating to met coal PLV ex-Queensland hitting record highs, again, wet weather tightness and COVID disruption driving through there, semi-soft is following, or starting to follow at least. How are you thinking about the mix between semi-soft and thermal, and do you think you'll try and wash more where you can?

Paul Flynn: Yes, we're certainly washing for the purposes of the thermal premiums, not washing for the purposes of incremental semi-soft sales, just so we're clear on that. We renewed our term business for semi-soft sales, and that's been very positive, so that's – happy to do that, and we observed that the Platts spot prices are increasing as you're indirectly referring to. But we haven't been chasing any particular semi-soft sales over and above the term business we have.

We don't think there's actually a lot of volume sitting behind that Platts number at the moment, and in our defence it's still very worthwhile to be sending out coal into the thermal market with the prices we're achieving. So, I'm not looking for a major change from a met coal to a thermal split in our business at all. I think we'll service those existing longer-term customers and wait until we see further, you know, real volume substance behind that spot market in the semi-soft in particular.

Lachlan Shaw (UBS, Analyst): Great, thanks, and just to follow-up, if I may. You had a comment that semi-soft demand was weak in the quarter. Any insight you can help us with there?

Paul Flynn: I think the challenge there with semi-soft is that the incremental bar of semi-soft was always the Chinese, and they've not been in the market obviously for Aussie semi-soft coal for a long time. We've been talking about this for some time. We've not changed incremental sales whilst that participant in the seaborne semi-soft trade has been absent. They're satisfying their own needs largely through additional production within China. So, as I say, the index – the spot price has gravitated upwards, as it should, with the PLV going the way it has, as you already referenced.

But what's the substance behind that? We think it's relatively thin. So, if you're trying to get away some good volumes at that level, I think that might be a challenge. So, in our instance we've been - our conclusion there is we shall continue to focus on our good long-standing relationships in Japan, Korea, India, and Taiwan, and – so, we've renewed those term business but we're not seeing the depth in the market, still in the semi-soft market. We don't see that returning, quite frankly, until we see perhaps China re-engage in the semi-soft side of the industry, you know, but obviously if it's Australian sourced, that's a problem.

Lachlan Shaw (UBS, Analyst): Understood, that's really helpful. Thanks very much and I'll pass it on.

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

Paul Young (Goldman Sachs, Analyst): Hi Paul and Kevin. Hi, Paul, as well. First question, Paul, is specifically on Maules Creek and around the wet weather situation that's been wet into the New Year. Where are you at the moment, at that mine specifically, to nameplate mining rates? Then secondly, the labour and weather issues, have they impacted the truck automation roll out program there much, and also at Narrabri, just on the underground development, the float, have you had any impacts on the forward development?

Paul Flynn: Right Paul, thanks for that. You've got a few questions in there. Look, Maules Creek, once we're actually – the weather didn't do much damage to the site itself, in terms of rework and things, and roads that need to be rebuilt, that wasn't the issue. The issue was just lack of access. So, the roads feeding into it, the highway itself, and then the roads off the highway to the mine were cut, and the river swelled and took over all the access points. So, getting back to mining rates wasn't the problem, or wasn't the issue, or restoration of the site wasn't the problem.

Getting back to mining rates have only really been affected by the absenteeism that we've seen associated with dysfunctional state border arrangements - that seems to be easing as it relates to Queensland - and then, obviously Omicron causing some absenteeism on a daily basis where people are getting alerts saying that they need to isolate.

So, that's really the issue for us now. Running at the rates we want to, the downside of that guidance is predicated on us having an ongoing cohort of absenteeism throughout the balance of the year, but we don't think it will – well, we certainly hope it won't be that bad based on the advice, as I mentioned earlier, that we're receiving, that there's a wind off. They're saying February. We've taken a more conservative view of that.

So, Maules Creek is in decent form. I was out there earlier in the week and the pits are looking very good, and so I'm not concerned in that regard. AHS hasn't been running for a little while, and we're looking to start that up next month again. The issue there was really just over the Christmas period with lower amounts of people, and so on, to work the system.

It's been a little challenging. We have – there were some areas in being able to sustain the AHS separated, segregated from the manned side of the pit, so we took a pause on that while some software upgrades have been dealt with, and I can get Ian to talk to that a little bit more. Then, sorry, the Narrabri one?

Paul Young (Goldman Sachs, Analyst): The Narrabri float.

Paul Flynn: The float. Look, the float is in hand, but we have - we're consciously watching that, we don't put too much float in it, we don't want it to be too little, so that's not an issue right at this point in time.

Paul Young (Goldman Sachs, Analyst): Yes, okay. Thanks Paul. No, that sounds pretty positive on Maules, from a mining perspective, so that's great. Next question is for Kevin. Kevin, thanks for that information about where you think pricing will end up versus NEWC, that's really helpful. Further to – just on pricing, as far as your sales volumes are concerned, are you fully sold for this half? You said you don't have a lot of coal available and there's a lot of, obviously, interest in additional tenders, are you fully sold, and secondly, can you and are you looking still at locking in sort of fixed player prices on a more of a half year sort of yearly basis?

Kevin Ball: Yes, I'll let Paul talk about the fixed prices because he's the guy that signs the contracts. Look, I'd say we're pretty much fully sold. That tonnage that dropped down the guidance would have been the variable tonnes that we would have been selling in the second half of the year now, we're fully sold.

So, my expectation is that second half volume will be bigger than the first half volume, it's got to meet the guidance, Paul. Our expectation is that prices will remain relatively elevated and therefore we're really comfortable looking at those numbers around retirement of the revolver in February and being net cash in March, and we've held that position now since about August, September last year. So, it's been a constant in the discussion in the business.

The impacts of wet weather and COVID are pretty much taken care of. You can see the impact in December, so my take here is the second half is going to be a pretty good second half. I'd probably say a cracking second half.

Paul Flynn: Yes, just on the fixed sales. We're not changing that markedly Paul. We did obviously, as you can see, took the currency out of the equation to a reasonable extent, not, of course, all of it. I mean, we're within our policy there to do that, and that's - I think 60% of revenue can be hedged, so we've taken the currency off the table, if you like, for about 60%.

We have been picking the eyes out of various opportunities and contracts where we have an option to swing into a fixed price on some of our sales. So, we have been looking at that and have taken a number of those opportunities already, which will go to – which will help us underpin, of course, a gC NEWC plus type average in the second half actually. So, that's been positive, even though the market is looking very buoyant anyway as it is. So, that's been good.

The balance of the fixed price stuff we have is, as you would imagine, just the out of spec or the out of gC NEWC spec material. That's all generally on a fixed price basis rather than floating for the month, as you know. So, no material changes there.

Kevin Ball: Yes, and the guidance for that Paul is, you have a look on the corporate section at the end, there's about $99 million worth of fixed price forward sales.

Paul Flynn: Pretty much normal then.

Kevin Ball: Yes, normal, and there's about $700 million floating which is not – which is only a proportion of the total revenue on the second half.

Paul Young (Goldman Sachs, Analyst): Yes. Okay, understood. All right, well thanks very much. I'm looking forward to your February results. That's it from me.

Kevin Ball: Okay

Paul Flynn: Thanks Paul.

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 and Kevin. Happy New Year. Page 5, table 1, equity coal sales and the sales mix. Paul, just thinking about the current quarter and the quarter ahead, so the March quarter, June quarter, it feels like met coal sales will stay low so circa 12%, so how did the mix between high CV and other change over the next two quarters? With Narrabri heading back to normal, do we see that 60% ish number pick back up?

Paul Flynn: Yes, thanks Peter. Yes, sorry I wasn't quite sure if that was the end of the question. You normally ask two at a time, but…

Peter O'Connor (Shaw and Partners, Analyst): I've got another one coming.

Paul Flynn: Yes, look, met coal, it will tick up a little bit actually because, as I said just now, we have re-signed some contracts with turn business, so there might be a tick up in that a little bit. The other thermal coal, the 27% that we've registered here is at - we have seen a few sales, as I mentioned earlier, slip into the second half. With fresh coal coming out of Narrabri, the production of that coal is much diminished, so it returns back to its 5900 to 6100 type range that it works within.

So, second half is we're saying we're going to have a gC NEWC plus. That's not to say we don't have a few little – a few sales of out of spec coal in that second half, but it won't be influential in being able to maintain a gC NEWC average for the second half, as we previously stated.

So, we are washing, as I mentioned, more at Tarra, and that's sweeping that coal up. So, there will be no material out of gC NEWC presence from Tarra. Werris always is, as you know, at the 5700-type range, so that will be the majority of the coal that gets sold in the second half, where it's sold as a discrete product. Otherwise, it will be blended up with the additional washed coal that we have out of our other operations.

Peter O'Connor (Shaw and Partners, Analyst): In the medium term, Paul, where does that other thermal coal percentage go? How much does it compress?

Paul Flynn: Yes, look, if – we're blending obviously to minimise the impact of Werris, just because obviously the margins are so good. You know, if you take the blending option rather than trying to add discrete sales into what's largely a Korean spec product, and we've only got, you know, three years left of Werris Creek to deal with there. So, that naturally gravitates up more to a gC NEWC average.

Narrabri, obviously, the source of its out of 6000 type coal has really been fault-related production, and I've got to say, from time to time, there's not a plug or something you encounter there that gives rise to a little bit of higher ash material, but over time, that also gravitates back towards the gC NEWC spec.

So, 5900 to 6100 in the case of Narrabri. Narrabri, obviously as you know, doesn't carry the same energy as Maules Creek or Tarra, or Vickery would, but it will move back. In 203 we'll get into some better ground there, and you'll see that come off. So, 203 is not until, as I say, Q3 in '23.

Peter O'Connor (Shaw and Partners, Analyst): So, do I envision in three years' time a situation where the split would be premium 80%, met coal 20% and no other, or minimum, like tiny other?

Paul Flynn: No, you will still have – well, I think you're still going to have some out of spec coal there, so - I wouldn't want to put a prediction out here in that regard, but yes, in three years' time, Werris goes away, right. So, there's one source of that blend stock has gone, so you'll be definitely much better there. Narrabri should be back in that range, as I say, hovering around – it's never been the energy rich energy source, it's just – its benefit is low ash, generally, not extra energy. So, I'll resist the temptation to put any predictions on it, and just to say, your other part of that was where the met coal is going. You're saying 20%.

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

Paul Flynn: Our current trajectory in that area is captive to interest in semi-soft, and so I think over the last two or three years, you know, have told us enough not to predict too much about the semi-soft future split, given that it's been a couple of years now since we've actually seen a buoyant semi-soft market, other than through the turn business that we hold.

Peter O'Connor (Shaw and Partners, Analyst): For clarification, back to the comment on dividends, or the question asked about dividends, would the comments from the chairman at the AGM be the best comments in the public domain about that until we get your actual delivery at the February results?

Paul Flynn: Well, it's only four weeks away, so there's not long to wait. Obviously, the business is in a much-improved financial position, and the outlook looks really good. The stock's cheap. You know, that's about as far as we probably want to go right now, but we'll have a more comprehensive discussion on this in four weeks' time so…

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

Paul Flynn: …I'll just ask you, Peter, to hold your horses until we get to that point.

Peter O'Connor (Shaw and Partners, Analyst): Lastly, Kevin, finance. You put out a slide about your financing deck last year, and you talked also about debt capital markets and Asian debt capital markets. Now you've got the luxuries sitting there with a net cash position in a month's time, what – the revolver runs out, I think it's July '23, how do you juggle the debt that you've got there? Is Asian Capital market still an option? Do you roll the revolver? How do you see this debt tranche play out?

Kevin Ball: You've been reading the treasury paper, haven't you? So, the answer to that…

Peter O'Connor (Shaw and Partners, Analyst): Well, I'm writing the Board paper now.

Kevin Ball: I'll look forward to receiving it. The answer, I think, is we'll roll the revolver, and our expectation over time is the revolver becomes less prominent in the capital stack. Pleasingly, debt capital markets across Asia have improved since that last little wrinkle with the Chinese property companies, and I think we want to put our toe in that water. But, you know, there's no mad rush for it, and we'll take our time to do it.

As you point out, we're in pretty rude health come the second half, and so I think in time we will be in that debt capital markets, we will remain and retain relationships with Australian banks. This is a transition not a truncation, is how I'd describe it, and that's what I see with the Australian banks. They're participating with a view out to 2030 and 2035. I hope that answers your question.

Peter O'Connor (Shaw and Partners, Analyst): Yes, perfect. Thanks Paul, thanks Kevin.

Operator: Thank you. Once again, if you wish to ask a question, please press star one. Your next question comes from Alex Ren with Credit Suisse. Please go ahead.

Alex Ren (Credit Suisse, Analyst): Morning. I've got a couple of quick questions from me on growth assets. Could you give us a bit more colour on how you're weighing up the growth options so particularly given where the pricing is, you said - I suppose, this question comes with two parts. Firstly, what is the priority particularly on brownfield and greenfield expansion, and secondly, are there any discussions with the other partners at Maules to take your stake up to 100%. I'll circle back round with a second question. Thanks.

Paul Flynn: Yes, thanks Alex. Look, I think at this point in time, as I mentioned earlier, there are a couple of hurdles there, just with our growth options. I mean Winchester South is further back in the queue, so that's going through the necessary parts of the process there, and we'll work through that in an orderly fashion. The state government up there has been pretty reasonable, so I don't envisage any delays there.

Vickery, as you know, is subject to the same outstanding matter that is the conclusion of the appeal against the Federal Minister for having approved the project. We are moving ahead with all the secondary approval related matters. In fact, most our management planned activities have been submitted and we're looking to sign those off relatively quickly.

But we have said previously that we're not looking to put a growth project on the table before the Board for at least another 12 months. So, our priorities here are to get the balance sheet in shape, return to a more normalised pattern of capital allocation and distributions for shareholders, and then we'll bring a project to the table when that is the right time to do it. There's further work going on there behind the scenes on Vickery just in the meantime.

In terms of Maules Creek, you've mentioned 100%. I'm not sure that 100% is up for grabs. I'm only aware of the Itochu piece at 15%, and so the question is probably better directed towards Itochu in that sense. We obviously like Maules Creek, I think the asset's got a great future, and so we'll watch that process keenly. We're not aware of any real progress over the last month or two, to tell you the truth, but, yes, I suggest that that question be better directed to Itochu to get some colour there.

Alex Ren (Credit Suisse, Analyst): Great, that's very clear. Thank you, and I guess on Vickery. Is there a rough timeline of secondary approvals at Vickery, and obviously the cultural heritage sort of remains under the spotlight and is going through some big changes in WA. So, would there be any cultural heritage issues impacting the progress, and - I suppose the last question - and Narrabri longwall moving to panel 203, so how long would that turnover time be, roughly?

Paul Flynn: Yes, thanks Alex. Yes, Vickery, no cultural heritage issues that you should be concerned with there, there's no particular nuances. As you say, obviously there's a report that's come out in the post Juukan Gorge period, but there's nothing there that we're concerned about as it relates to Vickery. So, the idea that there will be some changes to the cultural heritage preservation framework nationally and also in the state, I think that's fair to say that there will be. But we don't have any particularly culturally heritage sensitive sites at Vickery. It's previously been mined and so we're largely clear of those types of issues.

The longwall move at Narrabri, that's definitely a bit of a move because we're obviously moving from the northern end of the pit into the shallower southern end of the pit and so there's a bit of work there, but that will be fine. We've got some gear in triplicate as you know, and so it wouldn't be outside of the normal eight-week period. You know, it's - at the better end of it, six, but if it takes a little bit longer, it's eight. Is a significant move, but there should be no real change outside of that period.

Alex Ren (Credit Suisse, Analyst): Great, got it. Thank you. That's it from me.

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

Glyn Lawcock (Barrenjoey, Analyst): Happy New Year, Paul. Paul, I was wondering if you could just put some numbers around your workforce comments, like the absenteeism you're experiencing, what sort of percentage, and have you seen it trending up or down in the first three weeks of this calendar year? But also, turnover. I mean the market's tight for labour up and down the east coast, and I think in the past you've suffered a bit of labour loss because you're not the biggest payer. What's happening with turnover rates across your business, as well? So, that's on the labour side.

Then the other question is just if gC NEWC continues to rally like it is, can you still achieve the premium in the back half, given a lot of your floating tonnes were lost? So, I'm just, you know, if it keeps rallying, can you still get that comment that you've made? Thanks.

Paul Flynn: Yes, let me try and deal with – I'll try and take that nod as a slight. You know, we're not like Barrenjoey, the largest payers in the market, Glyn, but it's good to hear from you. I'll refer across to Ian for the labour related matters that might be the best way to deal with that, both on absenteeism from COVID, and then also tightness in the market. Both those points are very important. It's right to raise them, thank you.

As far as the gC NEWC rally, yes, we did lose some of those extra tonnes which were uncommitted, but as it rises, I mean we're still going to get our premiums on whatever month those tonnes are settled in, you know, there's, as I say, we don't – we haven't had a material change to the fixed price profile for percentage of tonnes in our mix. We have converted over a few sales where there was the opportunity to do so, but as I made comment earlier, it wasn't material to the overall sales portfolio in the second half. We will be exposed to the index as it settles in the month in which those deliveries take place.

So, I'm still looking to have a good second half here and, as I say, on the whole, gC NEWC averaging at plus for the second half is where our target is, and I feel quite confident we can deliver that with extra washing that we've got. Ian, you've got off this pretty lightly so I might refer to you in terms of labour tightness and absenteeism from COVID.

Ian Humphris: Okay, no problem. G'day Glyn. Look, I guess, if you look at the absenteeism associated with COVID, as Paul touched on earlier, I think the sites have done a fantastic job over the last couple of years and until basically this Christmas upswing associated with Omicron, the impact for the sites associated with COVID was quite minimal, to be frank with you.

I mean it took a lot of effort and, you know, all of the sort of controls that we put in place, segregation, mask wearing, and the employees taking a responsible stance there, reporting if they didn't feel well et cetera, not turning up to work. So, I think as an organisation we did really well during that period.

If you look at the numbers that we've seen, and I'm meaning direct related type of employees - how we measure this into the business, you know, it's just over 100, probably around 120, so far, more recently. But that undersells the size of the impact because a number of people haven't come to work or they've been close contacts et cetera, or causal contacts, and they haven't come in to ensure that nothing spreads.

I think the other thing too is when you're trying to talk COVID numbers, it's not just a straight numbers exercise, you've got to look at the skills and who it's impacting. For example, it may impact say statutory roles, deputies underground, and we did have a short period of time there where we had quite a number of deputies impacted at Narrabri which then had the flow on effect of not being able to necessarily run a couple of our development panels during that period of time, and that can sort of flow on to other areas where there are sort of small numbers of people like continuous mining operators, shot firers et cetera across the business.

Having said that, I guess the business - we've also been looking to prioritise the work areas, and I think Paul touched on – I mean I think the longwall had the priority of people over that Christmas period when we were down on some numbers.

So, trying to predict how many on an average basis is quite difficult, because it comes up and down, and can also sort of be dependent - and we've seen this on maybe a sort of community event, in and around Christmas, and you know, our employees being largely local may have attended those, and we've had some peak spots where we've had to manage through, associated with that. So, does that give you enough colour on the COVID side of things?

Glyn Lawcock (Barrenjoey, Analyst): Yes, that's great, but I mean what would 120 represent as a percent, and is it trending back down now, the percent, or is - in the last three weeks?

Ian Humphris: If you tried to ask for a percentage, I would say that sort of we've got a fleet away at a time sort of thing is probably - but it can vary to multiple fleets for say a day or two, as I've indicated, to back to sort of a fleet of people. So, that's the variation we're seeing over the last few weeks. But having said that, if I look at Narrabri now, which had a pretty tight time over Christmas, it's getting very close back to normal now.

Glyn Lawcock (Barrenjoey, Analyst): Okay, great, and just the turnover?

Ian Humphris: So, on the people one, you know, like all of the mining industry, we're dealing with the labour and skills shortage. We're working on a number of initiatives to improve that position, both – not only for our own employees, but contract employees. So, we're obviously working with the various labour hire providers we've got, and I mean you touched on – so, obviously some of that work is ensuring that we've got market competitive remuneration, we're looking at working arrangements, maybe some additional benefits.

We're doing a lot of work in looking at some geographical areas that may have been untapped previously, to see whether or not there's a labour pull there. As Paul touched on, the border restrictions, hopefully we'll see that relaxing in Queensland, and we'll be able to tap into some more people there. I guess the other one, we'll also always consider our ratio of contractors to Whitehaven employees.

So, there's no one silver bullet to this exercise. I know everyone's in the same boat, but we've got a sort of high-level focus on ensuring that we can get that turnover rates and absenteeism levels down.

Glyn Lawcock (Barrenjoey, Analyst): But is the turnover rate above average at the moment, or in line with average? Just curious to know where it sits against the history.

Ian Humphris: I don't think it's any higher than historical. We are short some numbers across the sites and that's what we're looking to fill those holes with, those initiatives that I've indicated previously.

Glyn Lawcock (Barrenjoey, Analyst): That's great. Thanks very much for the colour.

Operator: Thank you. Your next question comes from Tim Zhao with Lazard Asset Management. Please go ahead.

Tim Zhao (Lazard Asset Management): Hey guys, thanks for the update. I've just got a quick question on Maules Creek. Obviously, with all the floods and the COVID, the second half has been producing under sort of the licensed volumes, does the gap get credit into the following years, or not probably the subsequent following half, but later in the year?

Paul Flynn: So, Tim - Paul here - no, you don't get to carry that forward. 1 January, new year, you've got 13 million tonnes to work with, that's it. So, whatever you didn't get in this quarter, the December quarter just gone, that weather related 600,000 tonnes that we missed, that has to – well, the coal is still there, obviously, to be exploited in future periods, but the 13 million tonnes reset occurs on the hard date on 1 January.

Tim Zhao (Lazard Asset Management, Analyst): Okay. Cool. Thanks for that.

Operator: Thank you. That's all for the time we have for our question-and-answer session. I will now hand back to Paul Flynn for closing remarks.

Paul Flynn: Thanks Operator. Thanks everybody for taking the time. I look forward to catching up. I'm sure there will be subsequent questions that come out of this. We're only four weeks away from the half year results so that will obviously complete the picture in terms of what has happened in the six-month period to 31 December. But again, if you've got any questions, you know where to find us and look forward to catching up with you between then and then potentially at the half year. Thanks all. Thank you, Operator. I'll hand back to you.

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

End of Transcript