Whitehaven Coal Full Year FY22 Results Market Call - Transcript

Start of Transcript

Operator: Good day and thank you for standing by. Welcome to the Whitehaven Coal fiscal year '22 financial results media conference call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star one on your telephone. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, to Mr Paul Flynn, Managing Director and CEO. Please go ahead.

Paul Flynn: Good morning, everybody. Thanks very much for everyone taking the time to come in through the dial-in and also the webcast for Whitehaven Coal's 2022 full year results presentation. I'm joined here today by Kevin Ball, our CFO, and Ian Humphris, our EGM Operations. Kevin's going to go through the finance section of the presentation today and then Ian as ever is waiting for some questions on operations.

I'll just move over to our presentation and draw your attention to our disclosures on page 2 at the presentation. There are some forward-looking statements in this presentation today, so I draw your attention to the disclaimer that's there on the screen now.

I'll move over to our FY22 highlights. It has been an incredible year, I think as everybody has already commented. We saw global energy supply shortfalls intensify during the course of the year as a result of the Ukraine and associated sanctions for Russian coal, gas and oil. As a result, coal prices are at record levels and customers are very much focused on energy security as a priority. As you would have seen with the various reports of our quarters successively through the year, coal prices have been very good and we've leveraged that very well. Realised pricing for the year at AU$325 for the year in FY22 compares very favourably to AU$95 for the previous year.

Despite COVID and the related absenteeism that went with that and, of course, labour constraints more generally, compounded by weather interruptions, our team delivered a solid operational performance and product quality improvements during the course of FY22. We delivered $3.1 billion in EBITDA this year and $2 billion in NPAT. In

aggregate, across the FY22 result, we paid or will pay a total of $1 billion of taxes and royalties.

Pleasingly our operational performance and our focus on our people has been reflected also in our safety results. We've recorded a reportable injury frequency rate of 5.4 which represents an 8% improvement on the last year.

Exceptionally strong cash flows has allowed us to maintain a disciplined approach to our capital allocation, to build the business resilience and deliver shareholder value in the near and longer term. As you know, we have been successfully executing our buyback plan for 10% of stock. We are now returning to fully franked dividend paying as well. Of course, with a total shareholder return of 154% in FY22, Whitehaven finished the year number 1 ranked in the ASX100.

I did want to cover a bit of context on the market before we get to our results. I'll move across to a couple of slides on market context. Most of you will be aware of this in terms of where we are and who we service, but we are an exporter and very small amounts go into the domestic market here for boutique users. But we are very much focused on Asia as the centre of our business, although we are seeing emerging interest from Europe, obviously given the energy scarcity concerns that are playing out there. But very much focused on Asia as the centre of our universe.

Our thermal coal is the highest quality and with the highest energy content you can get in the world. Both Russia and Australia are participants in this part of the coal supply market. Having scarcity of Russian coal as a result of sanctions is certainly playing a part in increasing prices, but it's also causing concerns with our customers.

This slide here gives you some context in terms of where Whitehaven is positioned relatively across other jurisdictions on the quality perspective. Whitehaven has the highest leverage of all companies to the high-end market of the thermal market with 89% of our products above 5500 kcal/kg and 34% of that above 6200 kcal/kg in the market, which is a very, very unique place. As we've seen, the distortions between the 5500 market and the gC NEWC market, Whitehaven has the greatest leverage to that benefit of all the coal companies on the market. With this supply squeeze, we're just seeing that market diverge even further between those two markets.

What's the usefulness of that? Well, of course, our coal delivers more energy per tonne than any of our rivals. You can see what the relative results of consuming our coal are when consumed in power stations. This graphic you would have seen - Whitehaven

watchers would have seen us use this is in previous years. We've refreshed it and updated it for you.

If you look at the comparison from left to right on this slide and you look at the typical power stations that we are servicing in Japan, say, for instance - and we've thrown into this example the Isogo power station in Japan, an ultra-super critical power station. There was a 44% lower emissions outcome compared to our most inefficient power station operation in Australia. That is the brownfield coal generation in Victoria. Now that's not to say they're not playing a very important part in the security of our energy supply system in Australia, but this gives you a measure of the efficiency delivered by consuming the type of coal that Whitehaven produces with its low impurities. Obviously, our export markets are benefiting from that.

If I go over to the page, a little bit more context for you also, provides a little bit more of the notion of how important we are to our various markets. These estimates highlight the daily contribution that we make to the essentials of life in these key markets. Of course, this is just Whitehaven's piece of the puzzle overall, but you can see that we're integral to the daily consumption or the daily provision of electricity across our key markets so whether that be 22.9 minutes in Korea, Taiwan a little bit more at 27, and up to Japan at 33 minutes of every day.

Now these customers are obviously critical markets to us. But we're part of the energy puzzle for them, which they rely on every day to keep the lights on for this amount of time. This is something that we back up every day rather than being weather dependent to keep the lights on.

Over the page, the challenge here with all of this is despite that integral nature of our participation in these markets and the reliance that these key customers place on us, there is an emerging gap in the supply of coal and not just our coal but coal more generally. As you can see in this graph, 85% of the world's coal-fired generation capacity will be in emerging and developing countries, but there is a lack of supply investment to service these needs.

Now this chart obviously reflects a tailing off of coal consumption across the Northern Hemisphere, but obviously in Asia there continues to be very solid growth. But it is the lack of investment which is a product of the collective attempts to convince the world that new sources of coal supply will not be needed. This has contributed to the ever-

widening gap between supply and demand, which is going to take a long time to resolve.

Of course, the conflict in Ukraine has only exacerbated this situation. Europe and North Asia have been reliant on high-quality Russian coal. But as sanctions have come into place, demand for seaborne thermal coal will strengthen further and supply side has tightened. In FY22, 12% of the seaborne market originated from Russia. But importantly for our markets, about 30% of the high-CV thermal coal came from Russia in our markets. It's estimated that around 56% of Europe's high-CV coal originated from Russia also. You're going to see a tightening ever more of the supply-and-demand dynamic, particularly as we approach winter in the Northern Hemisphere.

Looking over at the metallurgical side - we should look at that - in the short term, we're seeing softness as a result of economic slowdowns. But it remains an essential ingredient to steel making and it is structurally short in the long term. It's an essential component of the economic recovery, of course. Of course, conflicts and the period post conflicts always gives rise to greater steel demand also. In this instance, Wood Mackenzie is forecasting strong growth in demand in seaborne metallurgical coal markets in Asia for coming decades. Whitehaven's well positioned to take advantage of that.

Thermal coal prices on the next slide. You'll have seen this slide many times and so I won't belabour this too much other than to say that we are in an extraordinary period. Thermal coal prices are at record levels. The customers concerns are really about energy security. Price is important to them of course, but energy security is the greatest concern now that they have a large portion of the seaborne trade missing from the supply feeding their markets.

Metallurgical coal prices, we've all acknowledged the difference or the inflection that we've seen where metallurgical coal prices were below thermal coal prices. Whilst we do think this is a short-term matter, it should resolve itself with economic growth continuing. In the meantime, for our purposes, we are able to switch some of our semi-soft pricing contracts to more gC NEWC linked pricing, which gives us greater exposure to the thermal coal price which is obviously superior to the current pricing for semi-soft coking coal.

This slides really just summarizes all the impacts of these variables that we've encountered during the course of this very dynamic year. Coal prices are well

supported. That was happening well before the Russia-Ukraine conflict. Strong demand for all fuel types, particularly high-CV coal, remains very competitive price-wise relative to the alternate fuel sources. But inflationary pressures are ever present and constantly a battle for us. We are very mindful of the fact that we need to manage our costs, because we are in a cyclical business. But at the moment, inflation is pretty much across the board.

Finally, there's weather that has obviously has affected us. As many of you know, during the course of this year, Maules Creek and Tarrawonga, we lost access to those mines, faced flooding across those access. Then since that time, the Hunter Valley has experienced a number of flooding events, which has constrained rail supply down to the port for us. But during all that, we've managed ourselves reasonably well during the course of this financial year. If we add all that up together, what's impacted FY22 is extending into FY23, so there's a very strong and tight supply-demand dynamic that we're seeing in FY23.

Over to the results, starting with safety, our safety has been a very good result in this year, 8% improvement year on year. As we all know, this effort needs to continue. This job is never done, we have to say, even though if we look back over the last five years, our TRIFR has gone down 22% over that last five-year period. If we reference ourselves to our industry benchmarks, we're doing considerably better than the industry average at 12.9% over that last five-year period. Our people are very engaged in our safety and they're very engaged in the business more generally. Employee engagement is a focus for us, which has been challenging during COVID, and we continue to face challenges in terms of attracting and retaining the right people across our industry.

In many respects, employee engagement goes hand-in-hand with our local community engagement, given that 2500 of our people live and work in regional New South Wales. Now some of these stats here you've seen before in terms of other callouts here, with $354 million paid to our local suppliers, there's about 200 business [inaudible] in about a month.

Or course that will include other important aspects of that report, including the TCFD reporting which we do the scenario benchmarking, and we'll also do presentation there on our profile on Scope 1 and 2 emissions.

So, financial results for the year, again we'll just go through this quickly. FY22 has seen record results, as I said before, $325 per tonne translated to $4.9 billion of revenue, and that related to a record EBITDA of $3.1 billion. Cash generated from operations was $2.6 billion and of course the NPAT for the year, a record for us at $2 billion.

These are great results, and the Board has seen fit to declare a $0.40 dividend fully franked on 16 September and that's on top of the $442 million we've already spent in returns to shareholders, be that through the $0.08 unfranked dividend for the interim, and then of course we bought back 7% of the share capital of the Company to date of the 10% program that we announced earlier in the year. Kevin will talk to the capital allocation very shortly.

Over to our ops, and I won't spend too much time on this because you've seen this from our quarterly reports, so just summarising quickly, 20 million tonnes in total ROM output, 18.8 million tonnes in terms of sales. Maules Creek was hit, as I mentioned earlier, as you know through rain events and flooding, we lost access to the mine for a couple of weeks and that meant that we lost about 600,000 to 700,000 tonnes of operations during the course of the year.

Our guidance importantly for this new year is at 11.6 million to 12.6 million tonnes, and the key callout for risks around that as you are well aware is labour availability with shortages generally across every industry but ours also. Then of course further weather concerns just given that there seems to be an extension of La Nina influenced weather in the first half of this new financial year.

At Narrabri it was a good year in the sense that it was a return to greater consistency and operational rhythm and FY22 tonnes at 4.8 million tonnes was 18% higher than the previous year. The step around to 110B was conducted with the same diligence and the longwall has kicked off well in 110B.

The scheduled relocation from 110B to 203 is expected to be in the final quarter of this new financial year. On the theme of labour and its shortages, the cut and fit operations, which we would have preferred to have been initiating with some volume at the beginning of this new financial year, 1 July, that has been a slow ramp-up and in fact we've changed out the contractors associated with that work to try and minimise the risks associated with this labour tightness in the market.

As we gravitate to back into the shallow side of the mine from 203 onwards, the aggregate of cut and fit and longwall production should see us in the range of around the 8 million tonnes per annum as we re-establish ourselves back in the shallow side of the mine.

Our Gunnedah ops did well this year and at 4 million tonnes there's been a decent outcome, certainly the highest outcome for the last couple of years. Obviously, everybody knows that Rocglen is no longer part of the production puzzle, and Werris Creek is coming to the end of its life with the mine at 2024.

In this new year, our production guidance there will be 3.3 to 3.7 with a split broadly similar to the previous year, although Tarrawonga will be going into an area of slightly higher strip ratio so the split there's 1.5 and 2.2.

With that, I'll hand over to Kevin to go through the financial highlights.

Kevin Ball: Thanks, Paul. So, what you see on this slide is five years of history, and I don't propose to go through all of it. As Paul mentioned, we've recorded a record EBITDA at $3 billion, a record NPAT at $2 billion and record cashflows from operations of over $2.5 billion to $2.6 billion.

This result's really been driven by the higher coal prices, which were $230 higher than those of the COVID affected year of FY21, and when you look at this slide you can see in the results the real impact of COVID in '21 and '20.

Over the coming slides I'll take you through the headline numbers, so let's move on. The EBITDA margin, we sold 14.2 million tonnes, our average revenue, excluding purchased coal and net of royalties was $300, so that makes the maths pretty easy with $84 of average cost of sale, a $216 margin or 72% EBITDA margin on sales.

When we look across the business, the global demand for energy is very strong, in fact global economic growth is driving demand for energy and driving up prices for coal, LNG and natural gas in Asia, North America and Europe. You see that in the JKM market price, you see that in the Henry Hub price in the US, so energy is short, and prices are high.

We move onto EBITDA, there's no real surprises in this graph. What it says to you is that price delivered a bounty of $2.9 billion. We picked up a little bit more, about $100 million in FX, which really went to offset the costs, and we finished the year with $3.06 billion in EBITDA, or $3.1 billion as we round up.

I'll go onto costs and take you through that, but let's first have a look at prices. So, let's look at the pricing. Our achieved thermal price was US$239 a tonne, relative to $68 in the previous year. The lower coal prices in '21 and '20 were largely reflecting the impact of COVID, the COVID slowdowns across the globe and real global uncertainty.

Adding into that was Whitehaven's own challenges with poor quality fault-affected coal production from Narrabri, which meant we were selling a higher proportion of volumes that usual into sub gC NEWC markets, and you would have seen that in the discounts. That continues into the half 1 of fiscal year '22, however in the second half, and particularly the fourth quarter, we saw a return to the usual portions of high-quality coal, and a substantial improvement in the realisations. For the June quarter we had a 2% discount and I think surprisingly we had a 4% discount to gC NEWC over the whole year, which is a pretty good outcome, even the environment.

In a stable pricing environment and given our high-CV coal, we expect Whitehaven to achieve premiums to the gC NEWC index. However, in a rapidly changing market there's a lag to the index, and that's what we've seen in half 2 of fiscal year '22.

Moving into '23 and as prices are holding relatively steady, we're expecting to see a return to our usual pricing outcomes. Overall we delivered an average coal price of $325 a tonne for thermal and met coal products, relative to the $95 in the previous year, so it's a pretty good outcome for the year.

Let's go to unit costs. Not surprisingly everyone in the market or everyone in the industry has been talking about some of the pressures that exist, so as you can see from the charts, our unit costs moved from $74 a tonne in fiscal year '21 to $84 a tonne of fiscal year '22. In this year it really wasn't about costs, with the margins where they were the pressure was to produce the tonnes and move the tonnes with the margin involved.

As indicated the half year, the benefit of having high coal prices have played a role in the rising costs, because our product quality strategy sees us washing more coal to increase its value. So, that dollar increasing costs from yields was well paid back by the quality of product, and we saw cost increases reflecting underlying cost inflation in diesel, demurrage brought about by the weather events at the end of calendar year '21 coming into '22.

We saw some flooding effect in the costs and there are some other roundings that'll get you into the $84. You can calculate the unit cost off the face of the P&L, so in the appendices we've got one there, and for those of you from North America who are more accustomed at seeing a site-based cost, this is a whole of Company cost and includes the Company overheads.

So, you take the $84, use the equity coal sales and take the realisation, take the royalty off and you'll get to the EBITDA that we printed.

That bounty of EBITDA turned into a very good year for us on balance sheet repositioning. At the start of the year we had $809 million of net debt, and by the end of April we were effectively cash positive. By the end of June we had $1.04 billion net cash on the balance sheet, and that storage continued subsequent to year end. Prices are high, volumes are consistent with what we've been selling, and we've been doing well.

So, by the end of June we had $1.04 billion, that was after we'd returned $439 million to shareholders through the interim dividend and progressing the buy-back, and we put about $177 million into sustaining capital in the business.

Let's go on to what happened to the cash. As I said, $177 million has been invested in the business, $774 million was used to retire the senior bank facility, the ECA and loose principal payments. We've earmarked $552 million to pay to the Federal Government for FY22's income tax bill, and we'll pay that in December. This will fill the Company's franking account and that's why the dividend, or the final dividend is fully franked.

We purchased $19 million for shares in the employee share trust, so we populated that early in the second half at lower costs. That left us with about $1 billion of cash remaining. All of that has pretty much been returned to shareholders, between $550 million paid or earmarked for a buy-back, and the $450 million in dividends [inaudible] a different way, what are we going to do with $1.04 billion?

Well $1.04 billion, as I said we've got $550 earmarked for tax, we're going to complete the buy-back up to that $550 million, we've got a final dividend for FY22 and that leaves us a little bit drawn over net cash or negative net cash after that point, but we're pretty happy with our outcome.

Come over the page to balance sheet. The global energy crisis continues, prices remain elevated, and we continue to see strong monthly cashflows. We've got the balance

sheet repositioned to a position of strength by repaying all of the senior bank debt. That facility expires in July ’23 and we’ll work to replace that facility in this next coming year.

With the balance sheet in such pristine condition, we’re looking at debt capital markets, our rating position should have improved as a result of the strength of the balance sheet, but we see little need to enter those markets just yet. We expect to reposition our funding sources and structures over the next 18 months in a manner that reflects the strong ratings outcomes, and our long-term relationships with suppliers of debt capital.

Now I know a lot of you will be interested in the capital allocation framework that we rolled out in February, so let’s take a little more time there. With our strong operating cashflows, we maintained a disciplined approach to capital allocation, you would have seen that in the CapEx that we spent in the year.

But first we’ll use cash to maintain and optimise existing operations, and that is important. Second, we’ve built cash on the balance sheet or retired debt, so we put the balance sheet in very good order. The cash we retain is likely to vary, and I know people keep asking this question to the analyst, but it’s going to vary and we’re likely to take a more than 12-month view when we make those deliberations. So, be patient with us.

Third, we’ll return capital to shareholders, and that’s what we’ve done to you this year, we’ve given you 100% of the surplus cash back and from our perspective we think that’s sensible and prudent. After those priorities we use surplus cash to invest in growth, if that is the best use of capital. The growth investments might include M&A to increase our equity stakes in our existing businesses or where there are opportunities to grow in metallurgical coal and diversify our operations out of the Gunnedah Basin.

Or it might include investing in our Vickery or Winchester South development projects, but we’ll only invest in this growth opportunity if they deliver appropriate returns for our shareholders. Buying back shares has provided compelling returns, and in the future if buy-backs offer more attractive returns and growth opportunities, we’ll deploy surplus capital into additional share buy-backs.

Our aim is to return up to 50% of NPAT to shareholders through dividends and buy-backs, but if buying back additional shares continues to be more attractive than investing in growth, then our payout ratio may be higher. Share buy-backs have been

and are expected to remain an efficient and value-creating way to return capital to our shareholders, particularly if the share price is undervalued in the Company, which we firmly believe is currently the case. You've got to look at analyst's expectations of EBITDA for FY22 and the EV to EBITDA ratio here in this business is fairly compelling.

So, capital allocation in FY22, I don't propose to go through this. You can see where all the money went and how we deployed that capital, and you can see that from those earlier slides.

So, I'll turn it back to Paul because I think people are going to want to talk at some point and ask questions.

Paul Flynn: Thanks, Kevin. Looking at the full year guidance in FY23, we expect to deliver another strong year. The guidance per volume at a ROM level is 20 million to 22 million tonnes for the year and for managed coal sales, 17.5 million to 18.5 million tonnes for the year also.

Our costs are up, reflecting the inflationary environment we're working within, and that's manifested itself through high diesel costs, electricity, labour as we talked about repeatedly during the course of this discussion. Our guidance for costs this year are up at $89 to $96 for this year.

All businesses we note are experiencing inflationary cost pressures, and we're no different in that regard but we are very mindful of the need to retain flexibility to the extent we can in our cost base, because we are in a cyclical business.

Capital expenditure in this year does step up, so we've given you a range there of $287 million to $360 million, which sounds like a lot but there's actually a big focus here on Narrabri, and putting in place some capital expenditure at Narrabri to establish the southern areas of the mine. There is an appendix in the back of this presentation that'll go through a little bit more detail for each item in terms of what we're allocating capital to at each of the operations and of course Narrabri itself.

We are expecting to allocate in the range of $70 million to $95 million just across our development projects, we want to make sure that they are shovel ready to the extent we can, [unclear] obviously being fully approved, Winchester South still pursuing its state-based approval. That compares with about $34 million where we're constraining that last year at both Vickery and Winchester South.

There are a number of one-off items at each of these sites that we can go through at the Q&A section to give people a little bit more colour, and as I say there's an appendix in the back of the slide deck for you.

Over to our outlook, and I'll just make a couple of comments just on that outlook. Energy security as you heard is repeatedly remarked on during the course of this and the quarters before this, clearly is front of mind for all our customers. We think this is likely to take several years before supply and demand is able to rebalance.

I suppose in addition to that, high-quality coal and high CV-coal such as ours will be required for a multi-decade period, of that we have little doubt. Prices will continue to be well supported. Russian sanctions and of course weather-related events in the Hunter Valley will further support prices in the near term.

In terms of the met coal, currently is some volatility as we all observe, but we think the longer-term outlook here is very, very solid and the price environment will remain very positive. In terms of the key focus for FY23, we're focused on continuing to improve our safety, environmental and sustainability performance.

We're all about optimising our margins in this market, including maximising our thermal coal volumes and managing costs as best we can in this inflationary environment, and as I say those projects, we'd like to push them as close as we can to being shovel ready.

We're looking forward to another good year ahead and I'd like to thank our team, our entire team and our Board for all their effort and support during this challenging but a year that's been very rewarding for our shareholders as well. So with that, thanks for listening to the presentation, we'll hand back to the operator and move on with the Q&A session.

Operator: Thank you sir, as a reminder, to ask a question, you will need to press star 11 on your telephone. Please stand by while we compile the Q&A roster. So, our first question comes from the line of Rahul Anand from Morgan Stanley, please go ahead.

Rahul Anand: (Morgan Stanley, Analyst) Hi, morning team, thanks for the opportunity. First one is around operating costs for next year, so Paul, perhaps if you could help us understand what part of these costs do you see as transient currently and what's the underlying level we should be thinking of on a go-forward basis?

Then the second part and sticking to guidance is basically around Maules, the 13 million tonnes licence, the guidance is a bit below that, I wanted to get a bit of colour on that please, thanks.

Paul Flynn: Rahul, I'll start off with a few remarks and then hand off to Kevin for some remarks on the costs. We're seeing inflation right across the business as you know, and this is no stranger to you I'm sure with all the companies reporting their various results and drawing out the same observations.

Labour clearly is an important issue, diesel we've all observed that on a daily basis as being influential in terms of where our cost base goes. From our perspective there are other different structural changes which are in our cost, which won't disappear in the short-term, the first of which is an acceleration of debt amortisation at NCIG.

I think everyone's obviously de-leveraging at the Company level, and you can see our infrastructure providers of which we're a large shareholder in NCIG, made the sensible decision to accelerate debt reduction there, and so there's an element of that that's in those costs. Kevin, did you want to expand on that?

Kevin Ball: Yes, Paul, happy to. Look Rahul, the way we think about this is that diesel is going to remain elevated and if diesel remains elevated then the global energy complex remains elevated, and the coal price remains elevated. But the things that are in the business that we've seen quite a lot of pressure on recently is suppliers who are struggling like many companies in this country to actually find labour to deliver and more importantly around trades. It's hard to find trades on the East Coast.

Our labour, people are trying to pick or other companies and other industries, you've got a big State Government spend going on here in construction, so there's pressure on labour, there's pressure on trades, the diesel price remains high, the NCIG piece is really about deleveraging that balance sheet to the point where it's de-geared over the next four of five years and that's going to stay there.

I do think whilst ever the spread exists between API5 and gC NEWC, it's in our interest to wash as much coal as clean as possible and sell into those higher markets because that spread encourages it. So I guess I'd be saying to you that I'm waiting for a turn in the economy before I start telling you the costs are going to start coming out of the business.

Rahul Anand: (Morgan Stanley, Analyst) Sure.

Paul Flynn: Just on the Maules part of the question, the challenge there is as it always is, is the presentation of the seams in your mine sequence in a particular year. We've given you a range there that we're cautious on - we're cautioned - we have added in an element of caution just on this whole labour availability challenge. We see the forecast for weather given the ups and downs that that's presented in this current year, so we calibrated that with a measure of caution in terms of where we think that will play out during the course of the year.

Of course, we'd like to be closer to the 13 million tonne rate, but I don't think that's prudent given all the factors that we've spoken about during the course of this presentation and that Kevin's also just highlighted.

Rahul Anand: (Morgan Stanley, Analyst) Sure, perfect. Look, just the last one speaking with guidance in terms of CapEx now perhaps fall into next year, you did point out the $70 million to $95 million in project capital. Is that – any part of that in terms of perhaps equipment long lead items or something? What exactly is that spend going into?

Paul Flynn: No, there's a range of things in there. There are not long lead items, no, we're not - well, depends on how you define that I suppose, Rahul. There are aspects of this which are land-based, so there is land required for that project. There are some elements of offsets required also for that project given that that is now fully approved, but the majority of it, there is drilling - there is exploration drilling associated with the geotechnical work for the rail corridor as part of the budget for this new year. There is exploration drilling also further for geotechnical reasons up at Winchester South during the course of this year also. But there's nothing in there for ordering long lead time items.

Kevin Ball: Yes, and if you go to slide 46, Rahul, which you'll get to in due course, you'll see there's a couple of things in there. We're going to do a little bit of work on minimising emissions. We are in early stages looking at putting a solar farm on Narrabri. We've got housing in the Gunnedah Basin we want to try and build more capacity out there because we've got a need for people in years to come and we want to make sure that housing isn't a barrier to entry at least for partners. So there's a few things in there. We can take people through these at a later point.

The other point I'd probably just clarify for you with NCIG is we expect that to be a four or five year program there. That's all around while prices remain elevated, that

additional amortisation charge comes through. When that comes through and is finalised, I'm expecting that NCIG becomes probably the lowest-cost port operator on the east coast.

Rahul Anand: (Morgan Stanley, Analyst) Yes, I was going to actually ask, do you have an order of magnitude perhaps, Kevin in terms of what kind of dollar savings could be if it was completely debt free?

Kevin Ball: Oh, I think NCIG - NCIG's operating costs, you know, you'd expect that to be somewhere in the $2 to $3 range if you ran the whole - if you ran that port and you get the benefit of cargo assembly at the port, so you are derisking the logistics chain, you are just basically railing and railing and railing into a stockpile. So I think that port at the back end of the 2020's, say 2027 to 2030 and beyond is going to be the best port to be in, in New South Wales.

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

Paul Flynn: All right, mate.

Operator: Thank you, and your next question comes from the line of Alex Ren from Credit Suisse. Please proceed with your question.

Alex Ren: (Credit Suisse, Analyst) Morning, Paul, Kevin and team. Congrats on a solid result and an incredible year like you mentioned. Two from me, please. Slide 5, could you remind us what's your volume exposure to the $375 a tonne Japanese reference price please? Then the next one is - would be on slide 31, net cash waterfall - oh, the net cash waterfall chart. So going back to $74 million net debt, but this calculation is based on $1 billion net cash as of 30 June.

I'm just thinking post 30 June, correct me if I'm wrong, you're meeting about $400 million free cashflow a month, so as of today, that gives you roughly $700 million headroom for captial management. Just wondering is this a ballpark number you're considering for the next round of buybacks at the AGM? That's it.

Paul Flynn: 5% is the answer to the first question.

Kevin Ball: The answer to the second question is that we look at it year-on-year, Alex. So we're not into rating the first quarter of fiscal year '23 to support the '22 result. The buyback, you'll see a Notice of Meeting come out. The board has approved an increase to go back to shareholders and seek approval to increase the buyback limit. That

should be out oh, I'd say in the next week or two. Sorry, Paul when does the Notice of Meeting come out?

Paul: In about a month's time.

Kevin Ball: In about a month's time, but it will also be in buyback of shares and we'll re-kick off this buyback, the current buyback that's outstanding tomorrow when the trading window opens tomorrow. Your estimate on the maths is pretty much on the money as far as what you're printing. The fourth quarter is running into - fourth quarter of '22 is running into the first quarter of '23 at the same numbers.

Alex Ren: (Credit Suisse, Analyst) Great, understood. That's it from me, thanks.

Operator: Thank you, and our next question comes from the line of Paul Young from Goldman Sachs. Please proceed with your question.

Paul Young: (Goldman Sachs, Analyst) Thanks. Morning, Paul and Kevin. I hope you are both well. A question on the market, Paul and on the slide 5, thanks for that slide. That's actually really helpful as far as understanding the customer mix. Curious about two things. One is that the sales into Europe, I know two customers, small volumes there, but what's the outlook for I guess increasing sales to Europe noting that I think Russia stopped selling coal into western Europe around sort of end of July there?

Second one is around what customer demand is like at the moment for locking in fixed prices in - for 2023 at - above gC NEWC at premiums and what's your appetite for that?

Paul Flynn: Thanks, Paul. Sales - and everybody knows that we obviously contributed to the humanitarian aid that went into Poland. In addition to that we've obviously had a couple of opportunities to sell metallurgical coal into Europe, so there are some trials going on there.

There are inbound inquiries, Paul, but I have to say our traditional customers in Asia are also exhibiting anxiety around security of supply. So, we need to balance all of that with them given the longstanding nature of those relationships, but there is plenty of inbound inquiry coming out of Europe.

I see almost on a daily basis there seems to be new announcements coming out of Europe about facilitation of greater coal consumption across Europe, be that power stations being reinvigorated, be that rail haulage given preference on the rail lines over passenger traffic for coal ships. There's just a series of pronouncements coming out

there. We think that's just going to drive greater demand. We know that everybody in the European ports has been filling up their stockpiles ahead of the incoming winter and that was happening very vigorously before the sanctions came into place in early August.

In terms of your second question in terms of locking things in, we have been opportunistically taking opportunities to lock in higher prices where that's been an opportunity that's available to us. We have some contracts where that is available but having said that we've been in a rising market for a while now, and so every time we've done that we've seen the prices continue to progress further northwards. So, we're a little cautious on doing that.

The previous question obviously was about the JFY number and that's about 5% of that is obviously locked in. Korean tonnes generally are locked in for 12 months as well. We are at the moment, I have to say, preferring to stay at the market rather than trying to lock in numbers. Our focus is locking in the premiums, as we've talked about in the past. We want to make sure that the index may vary, although we think it's going to be stronger for longer here, but our focus is locking in those premiums on our sales as a means by which we can set that marker as high as we can for the next six to 12 months.

Paul Young: (Goldman Sachs, Analyst) Great. Thanks, Paul. Last one is around the coal trading, and you did really well. I think it's probably a record EBITDA from coal trading in the year. Can you just explain how that came about, what opportunity there was and how you're approaching your coal trading or coal purchases at the moment?

Kevin Ball: Yes. Youngie, I think in there is - what you see in the open cut and underground is the value of the coal delivered out of those, and then what you see in the coal trading and blending segment is really the portfolio benefit of lifting products out of markets that they ordinarily would fall into but pulled together you get a real uplift on results. That's the $200 million that flows through pretty much out of blending benefits.

The coal trading in the current year, I'd probably say that Jason and the team have done pretty well down there, but really with the demurrage and the weather events, the real coal purchasing has been about helping customers and delivering coal to customers and defraying demurrage rather than trying to make a margin on it.

We do like the fact that that 5500 product is being priced at a big discount to gC NEWC and with the business in better performance in '23, I'm hoping and looking forward to coal trading coming back into the fold.

Paul Flynn: I think generally it's the benefit of having access to the high CV coal.

Kevin Ball: To blend, yes.

Paul Flynn: You can't blend 5500 with 5500 and earn $200 million, so that's really the benefit of having access. It's really access to that higher-value coal which is being able to take advantage of that spread.

Paul Young: (Goldman Sachs, Analyst) Yes, but that arbitration is still there, gents, on those two coal products, 6000 versus 5500. So, we can probably assume that you'll get further - you'll continue to benefit from blending I presume in this market?

Paul Flynn: Yes.

Paul Young: (Goldman Sachs, Analyst) Okay, great. All right, thank you. That's it from me.

Operator: Thank you. Our next question comes from the line of Chan Yang from Bank of America. Please proceed with your question.

Chen Jiang: (Bank of America, Analyst) Good morning, Paul and Kevin. A few questions from me please. Just looking at your capital allocation, it seems like Whitehaven prefers buyback versus franked dividends. Just wondering how should we think of the split between buyback and dividends going forward? Could you please also remind us of your franking credits at the end of FY22 and any franking credit you are expecting for FY23? Thank you. I have more after this.

Kevin Ball: Last question first. We'll pay $551 million in tax to the ATO in the first week of December which will fill the franking account and allow the full-year final dividend to be fully franked. So, that was that question. Remind me again, your first one?

Chen Jiang: (Bank of America, Analyst) Yes, sorry. The first one is about...

Kevin Ball: Buyback.

Chen Jiang: (Bank of America, Analyst) ...how should we think of the - yes, split between buyback and dividends because it seems like Whitehaven prefers buyback at this stage because your policy of 20% to 50% including buyback. Thank you.

Kevin Ball: Yes. No, I think that's a very good question, and I think when you've got a free cash flow yield of about 70% in the business, buying back the stock is as good a choice as you can. We think when the share price starts to show value then clearly within that 20% to 50% there's space to play, but I think you should work on 20% of NPAT being paid as a dividend until the business gets back to a realistic set of valuation metrics.

The balance coming out of buybacks - and as we said in that capital allocation framework, if we can't find a good use for it we'll put it to work on further buybacks. That's why we're going back to the shareholders in October seeking an increase in the refresh of the 10% in the 12-month period.

Chen Jiang: (Bank of America, Analyst) Right, great. Thanks. So, refresh of 10%, you mean additional 10%? Are we referring to - do you have any preference of a market buyback or of market buyback which can utilise the franking credits?

Kevin Ball: Yes. Look, I think the way we think about that is that we'll refresh the 10%. We'll execute on the balance of the 10% the first buyback. Our inclination is to - following the AGM, if shareholders approve that resolution, then we would seek to launch another on-market buyback.

Then with the franking account populated, it's probably either late in the second half or in FY24 – early in FY24 when we'd be able to contemplate an off-market buyback. But there's a bit of water to go under the bridge there and there's a lot of work to get done but that's our preference at the moment or our – not our preference. That's probably our way of thinking at the moment.

Paul Flynn: Chen, what we're signalling here is that the buyback that we're undertaking now is not a single expedition into the market. We see value in continuing to follow this up as Kevin's just outlined and subject to shareholder approval but we believe we'll take the balance of the 3% of the first buyback tranche if I can call it that by the time of the AGM. More or less based on the pace at which we've been executing that program.

But there's value – there's very strong value in the stock and we think that buyback has been very good for shareholders over the last six months and - so we'd like to finish that program at around then. But assuming that shareholders view that favourably, then we'll be able to continue on into the post-AGM period and with a

further tranche as we're saying on-market and then that will facilitate the opportunity whereby the Board can then contemplate after that.

Chen Jiang: (Bank of America, Analyst) Right. Thanks Paul. Just a follow up. So Whitehaven is comfortable and confident that because you have $180 million roughly pending from the original $550 million buy back and I guess Whitehaven is confident to complete the remaining in [unclear]?

Paul Flynn: Yes.

Chen Jiang: (Bank of America, Analyst) Okay. Thanks. Then can I switch the gear to your CapEx guided for FY23 please? Looks like CapEx from Narrabri has tripled by looking at the FY23 guidance. I'm just wondering are all those CapEx in FY23 sustaining CapEx? If they are, is that the level we are expecting from Narrabri going forward? Thank you.

Paul Flynn: Yes. Chen, I'll make a few remarks and then I might even hand to Ian because I know he's been waiting eagerly for some questions. You're right to focus on Narrabri and certainly, the tripling is certainly interesting. This is not a tripling of sustaining CapEx. That's not the case.

There are – there's a significant body of work here that's required I think as we've been talking to people about progressively over time moving into the southern domain of the mine. So the establishment of mains – and you would have seen in the current areas where we're mining, we're incrementally advanced the mains in advance of production of the associated panel nearby.

But in moving to the south, you do actually have to put in a separate set of mains in there and so there's not just mains but there's all the infrastructure that goes with that that is required – ventilation shafts and so on – and then of course, there is a small amount of CapEx involved here which is – which was – is necessary for the 200 Series panels. It does have the added benefit of – and is necessary sequentially to be developed before we move to the 300 Series panels as well.

So there is some infrastructure here which has an enduring benefit for the life of mine that needs to be put in place in order to open up those panels. Ian?

Ian Humphris: I think the only sort of addition to that Paul is there's a few lumpy things. For example, we're building what we call a brine dam for regulatory approval

and that should see us complete in that area for a period of a few years. So there's some lumpiness associated with next year's development - costs there.

Paul Flynn: Yes, yes. Then of course, there's the Stage 3 biodiversity offsets we called out separately there. That does cross the boundary of being the 200 panels and the 300 panels in effect because having now had that life extension approved at a State level, it does trigger the requirement to put in place all of the biodiversity offsets for the combined 200 and 300 Series panels.

Chen Jiang: (Bank of America, Analyst) Thanks for that. Can I please ask last question? On your Slide 40 – your options to grow? I'm just wondering do - maybe it's a question for Kevin. Do you have any gear – target on gearing and net debt that you are comfortable to develop Winchester South and Vickery and how should we think the timing to develop those projects because you mentioned you only undertake one development project at a time? Thank you.

Kevin Ball: Thanks. Look, happy to answer the question there. Thermal coal assets I think you'll find will be difficult to find funding for and so that will need to be funded off a balance sheet or through sell downs or through other structures and those things are all on the table.

I think the energy security debate is now causing customers to focus on incremental supply into the market and that debate I think will evolve over the next year as people try – or as countries try and solve their energy needs and put in place a little bit of a buffer so they don't suffer what they're currently going through.

On the Winchester South program? That's a couple of years behind Vickery in terms of getting an approval. However, we're very confident that the funding for a met coal project is available and that's certainly our expectation. In terms of gearing, I think we would safely say to you that having had a geared balance sheet for most of the time that Paul and I have been here, our view on that in a thermal coal business is don't do it.

It's – the world is not there at the moment supporting that arrangement, at least in the equity markets, and – but having said that, a met coal business will support some level of gearing. So I think you're going to have to wait and see what – how the portfolio emerges and develops over the next two, three, four, five years and then we'll see some gearing come back into one side of the business being the met coal side of the business.

Chen Jiang: (Bank of America, Analyst) Great. Thanks Kevin. Thanks Paul. I'll pass it on. Thank you.

Operator: Thank you. And I shall - our next question comes from the line of Peter O'Connor from Shaw and Partners. Please proceed with your question.

Peter O'Connor: (Shaw and Partners, Analyst) Good morning, Kevin. Good morning, Paul. Great presentation, thank you. Kevin, back on slide 40, so on growth, Narrabri, Vickery, Winchester. Can you give us anymore precision in the milestones in which you'd expect? Starting with Narrabri, FID, when will that be?

And if you think about that last CapEx number that you talked about in one of the presentations we had over the last couple of years, that is the CapEx that sits in that '24/'27 period and it's the CapEx that you've tripled for FY23 part of that? Or is that just preparation and separate? And I'll come back about Vickery and Winchester.

Kevin Ball: I think FID for Narrabri Stage 3 will be a year to two years away. But - and there's still a little bit of work going on there and Ian can talk to that. The spend that we're incurring in '23 is largely around the 200 Precinct, coming off the existing mains and that should tail off or I'm expecting it's going to tail off.

There'll be a bit more of it in '24 and should tail off in '25. Then the Stage 3 kicks in. The CapEx for the other projects, I think Vickery or commitments for Vickery, I think you'll see that considered over the next 18 months. 12 months to 24 months, sort of that period in my mind. And Winchester South, again is a couple of years behind because of how it's been progressing through government review.

Paul Flynn: Sorry, I'll just add something to Kevin's remarks just on Stage 3. Stage 3, Peter, we're already convinced of the merits of Stage 3. The timeline that Kevin is referring to is obviously - we've been approved at a state level. There is an overall federal overlay still required with that and you saw the usual attendance, sort of legal shenanigans that goes with that.

So whilst the Board is already attracted to the merits of Stage 3 already, formally, we need to clear those other legal wranglings out of the way and we think - and plus that federal approval. We think that probably takes at least 12 months to get over the other side of that.

You can see us starting to do things which have synergistic benefit for the 300 Series panels. So there is some shared, if you like, some shared infrastructure which

essentially, the currently approved 200 Series panels are bearing but is necessary sequentially to have in place for the 300s.

Peter O'Connor: (Shaw and Partners, Analyst) Okay, got it. So the spend continues into '24, rolls off '25, and then you start the proper spend when you do FID. Got it. So Kevin…

[Over speaking]

Peter O'Connor: (Shaw and Partners, Analyst) …to - sorry, Paul.

Paul Flynn: Sorry, there's no - as you say, Peter, there's no capital in there for new longwalls or anything like that associated for the later years.

Peter O'Connor: (Shaw and Partners, Analyst) Got it. Sorry, clarify Vickery? You said 18 to 24 months. Did I hear that right?

Kevin Ball: I did.

Paul Flynn: Yes.

Peter O'Connor: (Shaw and Partners, Analyst) Yes, you did. Fine. And Winchester you said several years later.

Paul Flynn: Yes, look, there's two years involved in that. Again, just sequentially. We have another public exhibition period yet to occur for Winchester South for its state based approval. And then there's the usual deliberations that go on at the state based level then after. And then of course you've got the EPBC overlay at the federal level. So we think two years is still the right answer there.

Peter O'Connor: (Shaw and Partners, Analyst) So it would be two years from now, Winchester. So that sounds like [they're current]?

Paul Flynn: Two years for Winchester. Two years for Winchester.

Peter O'Connor: (Shaw and Partners, Analyst) Yes. They've both got two years [of work] so Vickery and Winchester to land FID sort of in two years' time? Is that what you're saying?

Paul Flynn: Well, Winchester is obviously not approved fully yet. Vickery is. The work that we're doing at Vickery is all about detail design and then refining our - the business proposition for that mine.

Of course we observe the fact that it would be fantastic to have Vickery online right now. But there's assessment of that detail design, the recosting of things based on the inflationary environment we're in, the lead times associated with ordering equipment and so all of that needs to be considered. That's the work that's going on at the moment, Peter.

Peter O'Connor: (Shaw and Partners, Analyst) Okay, great. And the Vickery update? Any appeal - an update on the appeal or the process there?

Paul Flynn: I think we're clear of all the Vickery related ones. We don’t have any outstanding carrying on there. No, it's really just Stage 3 obviously attracted a case that challenged the IPC’s approval of Stage 3. And then it is also caught up in this EPBC legal case that's been brought that covers all…

[Technical difficulty]

Paul Flynn: Sorry, operator. I think we might be…

Peter O'Connor: (Shaw and Partners, Analyst) So Paul, your line keeps dropping out and has done throughout the entire call. You might have to tell your provider because it's been a pretty poor performance. Hey, last question.

Paul Flynn: Okay.

Peter O'Connor: (Shaw and Partners, Analyst) The profits you've made today have been extraordinary and no doubt it will catch the eye of a lot of people and a lot of headlines. Royalties, Paul. Where are we at with royalties and the stakes from industry perspective, from a local's perspectives? Any rumblings? Any discussions? Any progress in that area? Or is it all quiet on that front?

Paul Flynn: It's quiet on that front. Can you hear me, Peter, now? Can you hear me?

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

Paul Flynn: Yes, okay. Yes, look, all quiet on that front. Of course the New South Wales State Government brought out their budget just recently. No change in royalties there. There of course is a risk associated with any change of government potentially.

Given what's gone on in Queensland, being very negative for the industry of course. But from what we understand, the premier here has been making comments to the effect that that's not part of any plans they have.

And of course, ahead of an election, we'll be seeking similar sort of commitments from the opposition. So we hope we have a more stable environment in which to work from a royalty perspective than what's been demonstrated in Queensland.

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

Operator: Thank you. So our next question comes from the line of Glyn Lawcock from Barrenjoey. Please proceed with your question.

Glyn Lawcock: (Barrenjoey, Analyst) Paul, good morning. Just if we could firstly start on the CapEx for Narrabri. Can you maybe just clarify how much is actually going to go into the 200 Precincts over the next three years? Then what is the Stage 3 extension on top of that?

Paul Flynn: Sorry, Glyn, you were saying, are you asking for a dissection between Stage 2 and Stage 3, is that what you're asking for?

Glyn Lawcock: (Barrenjoey, Analyst): Yes, just I'm curious to know…

Paul Flynn: [Unclear] also.

Glyn Lawcock: (Barrenjoey, Analyst): Just curious to understand the total CapEx that's going to go on sort of the next three years that Kevin talked about, which is Stage - or the 200 Precinct. Then what are we then going to have to spend on top of that for the Stage 3 extension? It just feels like the CapEx has grown for Narrabri, and I'm just trying to understand now what is the next three years, and then I've got this other capital on Stage 3. So just indicatively what is the capital split over the next three years, and then Stage 3 after that? Just in round numbers.

Paul Flynn: I'll just hand over to Kevin, he's got his schedule in front of him here.

Kevin Ball: I'm about to add things up for you Paul. So Narrabri - I was going to say, the Narrabri Stage 3 isn't going to change from the numbers that we have given to you in the past, which is around that $400 million [unclear].

Glyn Lawcock: (Barrenjoey, Analyst): $400 million, yes.

Kevin Ball: We're holding that number. The Narrabri South development, or the Narrabri Mains are going to be quite a heavy investment in the current year and next year, before halving again in '26 and '27. So that's just getting the bulk of the development done for the Narrabri Mains.

Paul Flynn: Kevin, that reflects the sort of expenditure on the shafts, which is sort of a one-off that we'll be doing in this year's guidance. As I said, the dams and a few other things, and then that will drop off in the Stage 2 area. So…

Kevin Ball: The bulk of the Narrabri South establishment is in the '24 year Glyn. So there's probably, it drops by about two-thirds in the '25 year, and then tails away in '26 and '27. So it's really it's '24/'25 then in setting up Narrabri South. The Mains component of that, as you say, is a big spend in '24 and '25 at about those numbers we've given you.

Glyn Lawcock: (Barrenjoey, Analyst): So Kevin, just to clarify then, it looks like you're spending about $100 million in '23 on the 200 Series Precinct and the Mains development. So do we sort of hold the $100 million in '23, $100 million in '24, and then drop it down? So you're looking at maybe $350 million just over the next three years on Narrabri, and then another $400 million for Stage 3. So we're talking $700 million to $800 million Australia dollars, is that fair?

Kevin Ball: No, I think you're a little bit over the top there, Glyn. I think the $400 million is the '24 through '28 in Narrabri Stage 3. I think you're probably talking about, at a managed level about $200 million in total in Narrabri South Precinct establishment. For which we will have 77.5%.

Glyn Lawcock: (Barrenjoey, Analyst): Okay, so that's 100% those numbers obviously?

Kevin Ball: Yes. That I'm talking about, yes.

Glyn Lawcock: (Barrenjoey, Analyst): Okay.

Kevin Ball: The numbers in the guidance on page 46 are equity, so they're our numbers. The numbers I'm telling you here are managed level. So as I said, it's about $400 million at the managed level for Stage 3, and it's probably about $200 million for the Narrabri South Precinct establishment at a managed level.

Glyn Lawcock: (Barrenjoey, Analyst): At 100%, okay, that's clear.

Paul Flynn: But the change there that you would observe there, Glyn, is the fact that obviously a couple of years ago we had finished the Mains in the 100 Series panels, if I can call it that. The 100 Series Mains. Then I'm just, for everyone's reference, I'm talking about page 22, just so when I'm referring to individual pieces of the puzzle. Those Mains of course drove year-on-year in advance and actually accessing the panels to the north of those Mains.

Now the change in the mine plan that's come about is that the 200 Series Mains, that we have been talking back, well, for a couple of years now, that obviously is where you're seeing that expenditure now. Which gives us access not just to the exploitation of the 200 Series panels, so we have a combination of south-to-north extracted panels, and also north-to-south extracted panels in that 200 Series. That's why we need the access with those Mains. But those 200 Mains also then provide the access to the 300 Mains as part of Stage 3. Is that helpful?

Glyn Lawcock: (Barrenjoey, Analyst): Okay, that's clear, thanks. Yes, very helpful, thanks. Then maybe, Paul, if you could just, Kevin made a comment about 20% of the profit would go to dividends and the remainder buy-back. But clearly, as you said, $400 million a month - and you're not going to be spending a serious amount of money on Vickery or anything for a couple of years. You're going to seriously have a lot of money to give back. So you'll probably pay back more than the 50%. So is that how you'd pro rata it? If you pay back 50% I get 20% as a dividend and 30% as a buy-back. If you go to 100% payout it's 40%/60%? Or is it not that clear?

Paul Flynn: Well, I think what you're pointing to here, Glyn, quite rightly is the fact that there's a dynamic environment at the moment, and the cash generation of the business is significant. But directionally the split between the 50%, at the upper end of our returns to shareholders, has been split and for the moment will be continuing to be split in that fashion.

But you're quite right to point out the fact that this is an extraordinary period that we're going through. To the extent that there is surplus capital in the business, we are very focused on making sure that we are using it for the most accretive means for shareholders. To the extent that that means we'll be buying back more stock, because that is the most accretive means by which we can reward our shareholders, then we'll continue to do that.

At some point, as you know, and we've discussed in the past, at some point those projects will come into the frame as being a superior return for shareholders for that surplus capital. But at the moment the buy-back looks very good at these rates. I know that's, that it's as compelling to say that now at $7-something as it was when we started this program back at $3-something. That's just the nature of the dynamic market we're in.

Glyn Lawcock: (Barrenjoey, Analyst): Yes, so can you share with us, Paul, what per cent buy-back you think you'll ask shareholders approval for? I mean obviously, if prices move even higher as we head into winter, you don't want to have to be curtailed by - or hamstrung by a low percentage.

Paul Flynn: Yes, look we are acknowledging all of that and you'll see that come out when we publish or release our Notice of Meeting for the AGM which is as I say in about four weeks' time I believe. So you will just have to do - we are acknowledging the point you make and we want to be providing guidance to shareholders that this is not just a one-off thing, that we expect to be in the market as a participant buying back stock whilst it's cheap. So we will be asking for some flexibility from shareholders to do more, but that will come out with a Notice of Meeting in around I think 20 September.

Glyn Lawcock: (Barrenjoey, Analyst): Just go big or go home I guess. Final question, just how are you thinking about Vickery now? I mean we've got obviously a very different market, your cash generation is very big. Do you still think a partner is necessary to mitigate risk or how are you now thinking about it?

Paul Flynn: It's a good question, Glyn, thanks. I mean it's probably a long - requires a longer answer than the time we've got available to us, but there is still risk here and of course, the market looks great at the moment and there is a lead time associated with building it and let's assume we've got optimised both the OpEx and the CapEx which we are currently doing at the moment, but that requires more work.

Inflationary impacts are reflecting in all dimensions of that model at the moment. So and there is risk. So you start tomorrow, if it was to be started tomorrow, there is two-year lead time before it's - you start ramping up and so that's not just [inaudible]. Now, we know our customers are very keen to see the coal; that was obvious when I was in Japan a month or so ago. So there's a lot of anxiety about new supply coming on to assist them. We are happy - well, we are keen to be able to provide a solution there, but part of that discussion with them as you would imagine is well, what assistance can you provide us in managing our risk in doing that?

So that's part of the ongoing discussions over the next few [months]. We'd like to understand what participation they can provide to assist us in pushing forward. Of course, you're observing that the balance sheet's strong, so we could do it on our own anyway, but we think there is a sharing of risk here that is required.

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

Operator: Thank you. I show a last question in the queue comes from the line from Stuart Howe from Bell Potter Securities. Mr Howe, please proceed with your question.

Stuart Howe: (Bell Potter Securities, Analyst) Oh, hi, Paul and Kevin. Just two quick questions from me relating to guidance for the year. Firstly, on CapEx, obviously in the last few months, incredibly strong pricing. Has that to any extent brought forward CapEx into FY23 that would have otherwise been spent in outer years? Have you sort of advanced anything to bring that number up while cash flow is incredibly strong?

Paul Flynn: No, Stuart. It isn't really reflecting. I know that may be - some might infer that that's the case and it's a relevant question to ask, but no, these - this is just the timing of our plans for Narrabri as we move into the southern domain. That was all - that's the big driver in this and of course, we ratcheted it back over last two years during COVID, the capital associated with our development projects, so those are the two buckets really that have taken a step up in this period and you can't put off that work forever.

The detailed designs of these projects for Vickery and Winchester South need to be done, as does some of this drilling and other things and the land purchases that we've got that we mentioned earlier. So it's not really about just the better financial circumstances of pricing.

Stuart Howe: (Bell Potter Securities, Analyst) Great, and then secondly, just on the cost of coal guidance. I know you don't provide guidance to the asset level, but obviously, it seems like a lot of that is probably relating to Maules Creek and that's just some comments around trends that you're seeing. We'd expect Narrabri to fall away as you get into those shallower areas. Is that sort of right with Narrabri's falling and perhaps...

Paul Flynn: Yes.

Stuart Howe: (Bell Potter Securities, Analyst) ...Maules Creek is the majority of that cost increase?

Paul Flynn: Well, it's not just that. As Kevin mentioned, there's an impost across every tonne associated with debt reduction and NCIG that we've referred to and that's in the order of $3 a tonne. So that affects every tonne sold that goes through NCIG of course. We have a blended outcome because we do use PWCS. It's true in relative terms that

Narrabri should be coming off as we produce more tons and this year, we're guiding a little bit more of course, but the full benefit of that increased volume won't come until we are fully into 2023 and beyond.

So but its costs are affected by inflation as well in the same way that Maules are. So wouldn't say it's right to say that Maules is bearing the brunt of all this. They are all subject to the same inflationary pressures, but the relativities of them are that Narrabri as you will improve relative to the open cut as we move into the shallow ground.

Kevin Ball: Yes, and I would say, Stuart, that the open cuts are bearing the burden of the diesel cost.

Paul Flynn: Yes.

Kevin Ball: So there's a - it's about a litre of diesel per BCM overburden and the actual - across the group, the strip ratio is about seven. So what was $0.60 a litre is now $1.50 a litre and that flows through with yield into cost, so that is the impost in the open cuts.

Paul Flynn: Yes, electricity prices are crazy, but it's a small piece of the puzzle relative to the diesel's impact on the business as a whole.

Kevin Ball: Yes.

Stuart Howe: (Bell Potter Securities, Analyst) Great, thanks, guys. That's all from me.

Operator: Thank you.

Paul Flynn: Right, I think we're out of time now, Operator, so we'd better move on.

Operator: All right, that concludes our Q&A session. I'd like to turn the call back over to Mr Paul Flynn for closing remarks.

Paul Flynn: Yes, thanks everyone for taking the time to dial in today and plug in today. Look, I'm sure there's plenty more questions that will emanate from the discussion today, so look forward to catching everyone up over the next few weeks and if there's any questions, of course, you know where to find Kevin, myself, Ian and Kylie of course. Thanks very much.

Operator: Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.

End of Transcript