WHITEHAVEN Q2 FY23 INVESTOR CALL TRANSCRIPT

20 JANUARY 2023

INTRODUCTORY COMMENTS / OVERVIEW OF Q2 FY23

OPERATOR:
Good morning, everyone, and welcome to the Whitehaven Coal Q2 FY23 quarterly production call. At this time, all participants are in listen-only mode. There will be a presentation followed by a question and answer session, at which time I'll instruct guests on how to ask a question. I'd like to now introduce you to Mr Paul Flynn, Managing Director and CEO of Whitehaven Coal. Please go ahead, Paul.

PAUL FLYNN:
Thank you, Operator, and thank you everybody for joining us. Happy New Year to everyone, I suppose, I should say. We're halfway through the month already or a little bit more, but we probably should say that. So, welcome, thanks for taking the time this morning. As usual, I'll just go quickly through our quarterly report, which you've all seen issued this morning, and then move on to the Q&A session. So with that, the highlights, if I could, just quickly.

The average coal price for us during the quarter at $527/t Aussie was a decent result. It's lower than the September quarter, of course, at $581, but still very, very positive territory. And that delivered a record average half year coal price across that six months of $552/t Aussie, which is very good. Subject to audit, of course, we estimate that our EBITDA for the first half is going to be in the order of $2.6 billion, which is pretty positive, and managed run of mine coal production for the December quarter was at 4.8 million tonnes, 21% up on the September quarter, which is positive.

The managed sales have produced coal at 4.3 million tonnes and our total equity sales have produced coal at 3.4 million tonnes, both up on the previous quarter, which I'm sure everyone realises was heavily weather-affected and I'm sure we'll get to the discussion on that.

Cash generation during the course of the quarter was very good, at one billion dollars, as is the balance of cash at the end of the six months at 2.5 billion dollars. As far as the buyback goes, we've managed to pick up 40 million shares during the course of the period at a cost of $367 million. And since the inception of the buyback program, we've now picked up just over 140 million shares for a total cost of around $955 million.

On the safety front, we're doing incrementally better than we've been doing in the past, but that still requires plenty of work. So it's nice to see the improvement trend continuing, although it's off a little bit from where we have been earlier in the year. We've seen a few more incidences in more recent times, which requires more focus from us to ensure that that continuous improvement pathway is something that we're delivering on for the safety of our people.

If I can go to the overview, just over the page quickly. The quarter itself is typified by continued weather interruptions, as we spoke about to you with the release of the September quarter. Narrabri, of course, the underground mine, was the least affected by weather and has been doing very well, which has been very, very much appreciated. But that weather certainly affected the open cut operations and you saw that come through in the results that we've released this morning. As you may recall, when we spoke to you about the revised guidance, we did take into account, prudently, an adjustment, a prospective adjustment, for what we thought would be continuing weather that we thought was necessary to take into account for the balance of the year. That has proven to be the right call because not only in October, but certainly into November, we were experiencing site access related issues for our open cuts in particular. And so that's certainly played out in two of the three months of this quarter.

As a result, you can see, and we'll get to the realisations in a minute, but as a result you can see we obviously had a shortage of our highest quality coal for blending purposes across our business. And so we have been selling more coal into the mid-CV market than we would've otherwise wanted, and that's really just because the balance of the revision to guidance really was borne by our open cut operations. And without that blending stock we weren't able to maximise the benefit of that blending opportunity during the course of this quarter. And I'll speak to that in a minute in further detail. The total for managed coal production there, as you can see, 4.8 million tonnes versus 4 million in the September quarter. Sale of coal production at 4 million tonnes versus 4.2 million. Managed sales of our own coal at 4.2 million tonnes versus 3.7 million. And then the equity tonnes then after, we finished pretty much line ball for stocks one period to the next. So no major change there. We have purchased some coal during the course of this period, as you would expect that we would've, given that we've revised our guidance for our open cuts based on the weather interruptions that we've been experiencing.

So we have purchased some coal. That's obviously up relative to the previous quarter in September when we were carrying stocks into that period. I'll come down to Maules. Despite the weather, Maules did have a better December. As I mentioned earlier, October and November certainly experienced access and weather interruptions, but we managed to produce 2.1 million tonnes for the quarter, so another 300,000 tonnes up on a weather-affected September quarter, so that's better. But still, as you can see from the data we've given you there, just on the rainfall during the period, it was pretty significant and certainly that hampered our ability to operate in an orderly fashion. And the use of helicopters and the restrictions that that places on you, caused us to produce less than we would've otherwise liked to during this period. But the month of December actually cleaned up quite nicely, so that was good return to form in the month of December. But, obviously, the impacts for October and November are there to see. The sales for our December quarter at 1.7 million tonnes, 11% down, and that's really just reflecting that shortage of coal that obviously we're going to try and make up a good portion of that in the second half of the year.

Narrabri, as I said, has done really well. So it's close to 2 million tonnes there, versus 1.6 million from the previous quarter. So that continues very good form there at 23% up, period on period. The next long wall will start shortly, and we're hoping that we can finish that up actually in the beginning of Q4 of this year. So that's very positive. Saleable coal production at 1.8 million, up 23%, as you would imagine, consistent with the ROM production change as well.

The Gunnedah Open Cuts. Again, weather-affected. Certainly have borne the brunt, with Maules, of that weather. So if I look at Tarrawonga, it's line ball in terms of ROM production for the period, but Tarrawonga did suffer, I suppose, if you like, if I can say two dimensions to the weather interruptions, not just the impact of weather or not being able to get into the site, but then there's also the limitations placed on our haulage route in being able to get coal down to the Gunnedah prep plant, because for those who've been to site, will have traversed Braymont Road, and also the private section of the haul road, and realise that that's a relatively low-lying transportation route. And so we have suffered there as a result. So, available coal production there, you can see the numbers there, 254,000 tonnes versus 400,000 in September. Sales of coal at 289,000 tonnes versus 353,000, and stocks at 619,000 versus 655,000.

Werris, paradoxically, which is normally the one who suffers from weather the most, has actually done reasonably well despite the weather. So that's been a good result. ROM tonnes there at 416,000 tonnes for the quarter versus 214,000. The saleable coal there at 336,000 from 382,000. We've ended similar stocks from what we started with in the quarter, at Werris. But it has actually done a little better than Tarra. Tarra's been the one which has suffered more. Werris, obviously, doesn't have the haulage exposure because they've, obviously, got a rail loop straight there at the pit, and no washing means, of course, that the ROM production does bear up pretty quickly with the saleable dumps as well. If I move over to the realisations, the big change for there, as I highlighted a little bit earlier, we've got less high CV sales than what we would have expected to have during this quarter.

This is a temporary thing. Maules is back up and running in dry conditions, which is nice. It is surprising how quickly that turns, and it's a very dusty environment up there at the moment, which is strange given all the weather we've had. So we temporarily, as I say, moved more sales into the mid CV part of the market. And our met sales were very low at 7% of the total. So the realisations there, as you can see, in Aussie Dollar terms, $527/t, I mentioned before. The thermal coal price realised during that period at US$351. And our met coal price there, these are US Dollar numbers, at US$312 during the quarter as well. Overall in the market, the market remains pretty tight. It would appear that we're going through a period, in the north at least, where there's a relatively subdued winter. But we're seeing a lot of tightness in the 6000 CV market, and that's obviously borne out by the types of coal prices we're referring to here. So no one should be surprised about any of that. The met coal market is still subdued.

And even though we've seen an improvement there, it is subdued. But the JSM quarterly there is US$230/t versus US$237 for the previous quarter, it was pretty flat. But we do think once the COVID restrictions in China, and then China opening up more generally, will put a bit more momentum into the market. So we do expect to see the market firm up. And of course, in our primary market such as Japan, the end of the financial year is looming for the Japanese financial year, when the use of Russian coal will cease, at 31 March. So we are seeing quite firm interest in coal in March and also April. And so, I think that just reflects that concern that the Japanese players have around continuity of supply after the end of this financial or Japanese financial year. The logistics of the corporate aspects, I won't speak to those, nothing in particular there of note. The development projects themselves, Narrabri Stage 3 is continuing with secondary approvals and so on, but there is obviously two elements there, which is not news to anybody, having mentioned these in the previous quarter.

There's obviously the EDO, unfortunately, with our taxpayer funding, is causing us a little bit of annoyance just on their challenge of our IPC approval. And of course, the EPBC issues at the federal level continue to work their way through. That one has wrapped up, I think, 19 projects in total for reconsideration at the federal level. Narrabri Stage 3 is one of those, and we understand that we'll be in the first tranche of projects to be considered, which is good. But we'd like to see that come to a conclusion as quickly as we can. Vickery, no material change for things there. We did previously mention that we would come back to the market with a view on the staged development, potential for a stage development of Vickery going through a smaller version of Vickery, then through to the larger at the half year, release of the half year results. Our viewers will probably need a few more weeks post that. So I think it would be more like March by the time we actually come to the market with a view on the likelihood of a staged introduction of the Vickery project.

Winchester South, the only notable thing that's changed during the course of the period is that the public exhibition came and went during the quarter. And we're just working through the submissions that we've received as a result of that further exhibition period. We remained unchanged from a guidance perspective. So I think, generally, the quarter, despite the weather, it was nice to see a good recovery in December and certainly drier weather leading into this second half of the year, it was very, very welcome. So we're not making any changes to our guidance and we look forward to some drier weather for good mining. So with that, I might just finish up the formal part of the presentation and hand back to our operator for the Q&A session to open up. Thank you.

QUESTIONS & ANSWERS

OPERATOR:
Thank you, Paul. If anybody would like to ask a question, please press *1 on your phone now, to raise your hand. Thank you. We do have our first question already and it's from Rahul Anand from Morgan Stanley. Go ahead, please.

RAHUL ANAND:
Hi. Good morning, all. Thanks, Paul, for the call, and team. Look, first question is around your cost performance. Seems quite good given the production and the impacts you've had from the media and obviously with labour disruptions, tracking to the bottom end of that updated guidance. I wanted to understand, going into the second half, you're obviously going to see run rates pick up in terms of production and hopefully see some improvement on the labour side, I mean, you can comment on that. Is it fair to then assume that your cost performance continues, might be eased currently or even gets better?

PAUL FLYNN:
Yeah, thanks, Rahul, and I should have said that I am joined here by Kevin and Ian and Kylie, so there's plenty of capacity here to answer questions. So I should have said so, maybe we might spread that around a little bit. But look, I won't be nasty to anybody. In the first instance, I could manage that without too many problems. I mean, the guidance remains constant. It's calibrated relatively widely there, as you can see, and it's just really obviously, the better cost performance will be reflective if we get to the top end of our guidance and vice versa. I've seen comments from various participants in the industry saying that labour is perhaps moderating somewhat. We're not seeing the benefit of that, I must say. In fact, everything we're doing in order to secure more labour does come at a cost. And so we see continuing inflation there in that area, which we're trying to manage as best we can. So the good cost performance that we've had to date, and I say "good" in inverted commas because none of us like being at the type of cost levels that we're operating at the moment, but that is the market we're playing in, there's been, despite the wet weather, and of course the lack of productivity that stemmed from that in our open cuts in particular, Narrabri's been doing very well, and being our cheapest coal, that's kept at least a little bit of a cap on the cost moving further north.

And so to the extent that we continue to produce very well at Narrabri, then that's going to be a benefit to us. And as you say, in the second half, we are expecting good things out of our open cuts in hopefully a less weather-affected second half, which it certainly looks like the forecast is going to deliver to us. Then there should be, potentially, further positive momentum on our cost base as well. But that would lead us down to the bottom end of our guidance rather than, sort of, wouldn't commit to anything better than that at this point in time. But, yeah, the cost pressures, we're not seeing any moderation on the labour side, despite I've seen a few comments made by other players that in their jurisdictions, at least, it may be easing somewhat.

RAHUL ANAND:
OK. And then the next one was around the NSW energy regulation that's been talked about. Obviously, nothing's finalised and I'm unsure how much detail or colour you can provide, but how are you seeing the situation develop? I mean, we've seen something similar for gas in WA. Have you done some work around what that might be in terms of, I guess, the proportion of volumes, the type of prices you can expect? Is that around marginal costs? What are some of the conversations that you're having currently? It would be interesting to hear.

PAUL FLYNN:
Yeah, yeah. Thanks, Rahul. Look, it's a strange world that we're living in. There's no doubt about it. You think you know the jurisdiction you're operating in and it's very strange waking up one morning thinking that a portion of production's about to be expropriated by the government. And so, that's

very odd. There's not a lot of detail here, unfortunately, and we've only just had an initial briefing, as our announcement outlined, with the government on this. Before, you're actually seeing media reporting statements from the government themselves front-running the whole issue. So there's not a lot of detail yet. We've had information requests, we're providing information. There's a lot of concerns here on various levels, of course. I mean, the most obvious one is whether or not this policy, hastily cobbled together as it seems to be, will actually deliver a benefit for the average person on their electricity bill. I mean, there's plenty of moving pieces of the puzzle. And obviously, the sacrifice, if tonnes would be devoted at a capped price is large and immediate, and the flow on impact into a customer's electricity bill would be somewhat down the track.

And how the government intends to actually police that, it's beyond me. So, until we find out more detail, we don't know the number of tonnes that we're exposed to. You've seen a reference to 10% reported as a result of the media that I've seen written up by the Aus in relation to, it must have been an interview with Treasurer Kean, it must have been. So 10%, potentially, but we need to get our heads around what the shortfall is here that they're talking about. This market obviously was in balance, if I can say that. That's not to say necessarily the generators like the price that they were paying for the coal, but we all know that, from time to time, operations have glitches. And if those operations, which were previously supplying them had some glitches, then hopefully they're temporary in nature and balance would resume again. So, I'd like to know more information. As I say, we've received an information request. We're providing information to the government. This is only over uncommitted tonnes.

So for anyone who has committed tonnes, those would not be part of any reservation directive, as I understand. And I would imagine most of the players are relatively heavily committed with tonnes, given that the market is very tight anyway, as indicated by the price.

RAHUL ANAND:
Understood. OK, thanks for that colour. Look, I'll take one last one, if that's OK. It's in relation to the met coal ban and obviously, the met coal market coming back as we speak, met coal price is starting to move. Firstly, have you had any sort of inquiries from the Chinese side in terms of potential off-takes? Now, I know you don't really sell into the Chinese market that much, but has there been any inquiry on the semi-soft side or any of your premium products at all? And then, if you did have that opening in the Chinese market and you did see the met coal prices rally, in turn impacting positively on semi-soft, how much met coal can you do under the current setup? Is that around that 20% still at a group level, or can you go beyond that?

PAUL FLYNN:
Thanks Rahul. Look, inbound inquiries are muted, so nothing there to report given the recent nature of that change. I'm sure that will come in the fullness of time. In terms of what we could do, the key considerations there, I mean, Maules Creek, Tarra, they can obviously both produce a decent proportion of semi. We could revert to that relatively quickly, subject to existing sales commitments. So where we've locked ourselves into a thermal arrangement with tonnes that could otherwise be moved into the semi market, then you'll have to wait until that unwinds. And at the current prices today, you'd have to move a hell of a lot before that starts to look appealing. At the moment, you can see the split at 7% for the quarter. It's going to be there, and around there, for the full year, basically, on the way we're going, unless some material change occurs and semi-soft pricing starts to outstrip the thermal.

RAHUL ANAND:
How much have you locked in, just before I go, in terms the thermal? How long for?

PAUL FLYNN:
Well, no change from what we normally do.

RAHUL ANAND:
OK. Alright. Look, that's all from me. Thank you very much, team. Have a nice day.

PAUL FLYNN:
Thank you.

OPERATOR:
Thank you, Paul. Our next question is from Paul Young, Goldman Sachs. Go ahead, please.

PAUL YOUNG:
Thanks. Hi, Paul. Hi, Kevin and team. I hope you're well. Happy New Year. Paul, I guess, the first comment, just on your production, you did really well, so congratulations. You out-performed the Hunter Valley operators, despite all the wet weather. My question's actually on the market to begin with, and just on those inquiries from Japan, for when those utilities are looking to move away from the Russian 6000 kilocal product, just at a very high level, your industry perspective, have you heard of any total volumes that the Japanese need to move away from, from that Russia 6000 kilocal, just to understand if you've heard an overall number? And then, secondly on that, how do you think this plays out? Do you think simply those Russian tonnes go elsewhere, and the Koreans take that, and we just see simply just a reshuffling of cargos?

PAUL FLYNN:
Yeah. Thanks Paul. Yeah, look, the production was pretty good. Thank you very much for that. Ian can take credit for that, doing a good job. But I think December was great for us to have some dry weather, to be able to move forward. And we did have some limited production, as you know, whilst we're helicoptering people in and out, but that was very, very limited, but it at least kept things ticking along. The overall tonnes that we believe that Japan needs to find a substitute for is in the early 20 million tonnes, is my understanding of that. And we know that they've been scouring around looking at other jurisdictions to try and find some other coal, but those other coals do have different quality dimensions associated with them. Say, for instance, if you found some spare tonnes, and that is if you found some spare tons out of South Africa, say, for instance, you can't just replace the 6000 that they're used to here with all the qualitative attributes that they value and then just switch that over to South African supply.

So we think there's a limited upside for them in doing that, but as a result you can see the market starting to tighten, the forward curve's starting to tighten in that April and May period. So our customers are looking for more volume, they're looking for longer tenure, and both of those things which we welcome. So we think that number is about the 20 million tonnes. The Korean market's harder to read because there seems to be a mixed response in terms of the consumption of ongoing, or ongoing consumption of Russian coal. Their market was about the same size, we believed, in terms of the tons, the Russian tons, that they would be seeking to consume. But, as I say, it's not like Taiwan or Japan where there seems to be more of a blanket approach to the exclusion of Russian coal. Korea seems to be a more nuanced marketer in that regard. So we're watching this keenly to see how it plays out.

PAUL YOUNG:
Yeah, thanks, Paul. And then just on that, does this provide you an opportunity to maybe lock in higher price contracts under JFY, or more tonnes, into that high price annual contracts? Are you looking into that?

PAUL FLYNN:
Yeah, yeah, we certainly are looking at that. I mean, the Japanese market, say, for instance, still wants to maintain both pricing arrangements in the fixed annual thermal contract and also the global coal basis of pricing. So our focus has generally been locking in the premiums, because most of our contracts... We have very little exposure to the annual JFY thermal contract and it's

only about 5% of our business. So our focus has definitely been to lock in premiums and where people want longer tenure, then higher premiums for that certainty.

PAUL YOUNG:
Yeah. OK, that's great, Paul. Last, so just on pricing and mix. Just on met coal, you got a huge premium. Was that just a timing on cargos? Just for having selling some PCI, etc, into those months where prices are really high?

PAUL FLYNN:
Yeah, that's all. That's all it was, Paul. It's all small volume, as you can see, but it was just timing.

PAUL YOUNG:
Yep. Got it. Thanks, Paul. Last one for me, just on the highest CV thermal coal. I know you said it's dry out there and you can now get access to your wash plants and wash more coal. Yeah, where will that trend go, you think, in this half? Well, look, not a specific number, but I mean, are you going to be back trending towards a September quarter number of 90%?

PAUL FLYNN:
Of washing?

PAUL YOUNG:
Yeah, so just, high CV thermal coal's percentage of production.

PAUL FLYNN:
Oh look, oh sorry. Yeah, OK, the overall split. Look, I do think there's a little bit more of a tail of, obviously it's nice to have more coal on the ground but we did have a backlog of commitments that we need to make, so that coal that's coming out of the ground now is largely spoken for to make sure that we honour all our contractual arrangements. So, this quarter, I think, there'll still be a tail of some mid-CV sales, but the fourth quarter should revert back to where we were.

PAUL YOUNG:
Yeah, great. OK. Thank you very much. That's it for me, Paul. Cheers.

PAUL FLYNN:
Thank you.

OPERATOR:
Thank you. Our next question is from Paul McTaggart from Citigroup. Go ahead please, Paul.

PAUL MCTAGGART:
Hi, Paul. So, look, I was just trying to understand, so when I look at the Maules Creek data, ROM coal production was pretty good in December, but then saleable coal production was down quite a bit because of access to washery. But how do you manage out of site to do your ROM mining but not have access to the washery? What... Sort of doesn't quite fit? What was the problem with access to the washery at Maules, given that you could mine at that time?

PAUL FLYNN:
Let me just work my way through that, Paul. So I think the issue there is really just, it's timing. I mean, of course you can see stocks period on period, if you go look at the bottom there, stocks period on period are largely flat. And then you've had two months there where we've had pretty muted production. And so our total stocks, our ROM is obviously before you've washed anything. And we sell bypass and we also sell washed coal. And so the movements through into saleable is really just about whether or not you've washed or processed that coal, if I can call it that, processed by one form or another, be it bypassed, it's gone through the system bypass, or it's gone through the washery. And our sales, as you can see, at 1.7 million versus 1.9 million, period on period. The movements are really just differences between whether it sits there unprocessed, if

I can call it that, on a ROM basis versus whether or not it's actually gone through our infrastructure, and therefore been processed. And that's where the nuances come from, the saleable versus ROM, the ROM ratios, if you like.

The same thing extends across, if you go and have a look at the other open cuts, the same thing extends there. You can see variations there. Whereas Creek you say, well, why have we got a differential there? Well, when it's a bypass mine, but we treat ROM coal as being what's out of the ground. But we can also, before it's been crushed, it's not saleable. And once it's crushed, even though it's largely 100% recovery, that's when we treat it as saleable. But our total ROM production is obviously inclusive of everything.

PAUL MCTAGGART:
OK. Maybe I'll take it offline, because the numbers still don't quite add up to me, but I'll touch base offline.

PAUL FLYNN:
Cool. Give us a call after, Paul.

PAUL MCTAGGART:
Yeah.

OPERATOR:
Thank you. Our next question is from Chen Jiang from Bank of America. Go ahead, please.

CHEN JIANG:
Good morning, Paul. Happy New Year. Thanks for taking my questions. Just a few from me, please. For Maules Creek, by using your lower end of guidance, which is 10.3 million tonnes, which implied the second half, well, if by '23 needs 6.4 million tonnes ROM coal for Maules, which annualised at around 12.76 million tonnes. I know Maules has previously done half year ROM coal higher than that. But the labour and weather situation, I mean, this half is different to previous years. I'm just wondering, from the current operational condition at Maules Creek, I guess the weather probably improved and better labour, etc. How confident you are to achieve the second half, that 6.5 million tonnes, and the downside risk from here? Thank you. I have more after this.

PAUL FLYNN:
Yeah, thanks Chen. Yeah, look, there's no doubt the second half is going to be lumpy. I think that's a fair statement. You can see that we've done it before. If you look at the table at the back there, you can see where the quarters... So, it's certainly not our preference to have a big second half the way we have it. But we certainly think the numbers are achievable, and if I reflect back on last year, we did actually have the same labour shortages, if not more, COVID impacts at that time actually, and still managed to draw out those numbers. So we feel confident enough to leave our guidance where it is, but it's just going to make sure that we... Well, it's going to take all of our focus and we're assuming that we're not going to have too many more weather delays. Because we used up a little bit of our allowance, obviously, with the October and November interruptions that we experienced.

CHEN JIANG:
Great. Thank you very much, Paul. I have another one, please, just a follow up on your announcement for the energy regulations. I know probably you don't have much negotiating power with the government, but I'm wondering, do you think you have a say over the coal quality, if the government ask you to divert your coal sale into the dom (domestic) market, my understanding is the dom market doesn't need the 6000 kilocal high CV coal. Do you think if the government ask you to divert 10% of your sales, do you think you can divert those low saving and lower quality coal and keep your higher CV coal, which have much higher price realisations?

PAUL FLYNN:
Yeah, yeah. Look, unfortunately, Chen, as you know, we don't have much coal that looks like the sort of stuff that the domestic power generators consume, unfortunately. So we are not a natural supplier of that stuff, that's why we don't play in that segment of the market. I mean, none of our mines are geared to do that. And so that's a point we're making very clearly to the government, that wouldn't be the highest and best use of our coal. Now, they're obviously trying to solve a problem with a shortfall from some of the mines that traditionally have supplied those power stations. So they know that 6000, or 6000 plus in our instance, is not the right answer in terms of the highest and best use. But they do have a practical challenge that they're trying to meet. Now the other thing, I think, which is just worthwhile acknowledging also, which we've been at pains to highlight in that initial meeting we had with the government, is that there's the logistical challenges of even delivering our coal to a number of these power stations.

The logistics are practically impossible for some of them. So we're not the natural supplier here for a lot of those power stations. And so, we're helping the government understand the nuances of that. And I suspect they're learning a lot about the functioning of the coal supply chain after they've announced the policy.

CHEN JIANG:
Yeah, exactly, thanks. I guess my follow up question for that is, they put a price cap of an AUD $125 per tonne, which is well below the stable market high CV coal. Do you think you have negotiating power because your coal is much higher quality, to increase that price cap?

PAUL FLYNN:
Well, I think the notion of negotiating power is an interesting concept when the government's telling you that they want to do something. And so, I'm not quite sure there is a lot of negotiating power. As I say, the best thing that we can do is obviously highlight to them the quality differentials. It's very obvious, and everybody knows, in the industry what the quality is that these power stations have consumed in the past. The logistical issues, as I mentioned. Obviously, the practicality of moving coal from one to another. And so we're helping them understand all those nuances, so they actually work out what is the practical solution or what is the practical answer or contribution that Whitehaven can make to an industry issue. We're not being problematic in any way. We're just trying to understand exactly what the needs are and we're helping them understand what's the best way in which we could contribute to that without being disruptive to the whole supply chain, to our customers, investors.

There's a whole range of stakeholders here who are, obviously, impacted, potentially, by whatever directions come out from the government.

CHEN JIANG:
Sure, sure. I understand, Paul. May I ask a last question, please? Are you still looking for met coal assets to add into your portfolio? And what kind of met coal quality are you looking for? Thank you very much.

PAUL FLYNN:
I think, Chen, there are actually no change from a strategic perspective for us. I mean, the met coal... We would like more met coal in our mix. We've got fantastic thermal. We'd like to complement that with more met coal in our mix. And so there's nothing new or different than that from a strategic perspective, no change in that regard.

CHEN JIANG:
Yeah, sure. Are you more looking for a premium hard coking coal, or you are looking for probably like semi-hard, what you are having from the Winchester South?

PAUL FLYNN:
Well, I think the quality of the projects, as and when they turn up, will be the ones that we look at. Our aspirations quality-wise, it would always be to be at the best end of the quality curve that we can. But again, the practical realities of that may be somewhat different. Winchester South is a very exciting project for us, and so there's nothing that concerns us quality-wise there. And if there was to be further assets which had similar qualities in them that would be interesting, then that may be interesting to look at the future. But we're very much focused on making sure we get Winchester South approved and build the case for the board to consider the eventual sanctioning of that project.

CHEN JIANG:
Great. Thank you very much, Paul. I'll pass on. Thank you.

OPERATOR:
Thank you, Paul. Our next question is from Glyn Lawcock from Barrenjoey. Go ahead, please.

GLYN LAWCOCK:
Good morning, Paul. Just on this New South Wales debate with the government, just, they obviously mentioned if you've contracted, obviously, they don't want you to break contracts. So I assume, is it fair to say, that as a company you are fully contracted sort of three months out, and then as you go further out it just drops off a little bit? So, is that the best way to think about your business in response to the government?

PAUL FLYNN:
Yeah, Glyn, that's a really good point. It is only over uncommitted tonnes. The government's been very clear that they don't want to be engaged in compensating people for breaking contracts. So, yes, that's right. In the shorter term that you look at the time horizon, the more committed we are. So yes, like, in three months there's no coal available, basically, but that does open up a little bit as you extend out. Now this, from what we know, the intention of this is it's only out to 30 June '24 based on what they've told us already. But as you do extend out, we do have tonnes, which would be potentially uncommitted. Met coal sales are excluded, we understand, so you'd hive that out. Committed tonnes or contracts you've got, you'd hive all that off, and then you'd look at the balance of what you think you have there. And then, as we said in the announcement the other day, we understand there's numbers being thrown around anywhere between 3 to 5 million tonnes in total that they perceive this shortfall to be.

Now, we've asked the government to provide us with some clarity as to how that shortfall has been determined, because there's too many stakeholders involved in this thing that it demands transparency in terms of that assessed shortfall. Because if I'm on the generation side of things, say, for instance, it would be very easy for me to say, I'd love to buy lots of coal at the moment at $125 Aussie. And so, we can see the various competing interests here. So we think the solution to all of that is to just make sure that there's the highest degree of transparency that could be provided to give everyone comfort that we're all working in the same direction to solve the same problem.

GLYN LAWCOCK:
Yeah, and I guess if you say it's 3 to 5 million tonnes shortfall out of exports of 150 for the state, it's 2 to 3%, not the 7 to 10% the Aussie newspaper reported as well. So it's a little bit of a rounding error, particularly given that contracted, it becomes even less.

PAUL FLYNN:
Yeah. That's right. So that's why we think we just need to get behind the numbers here from these numbers, these estimates that have been thrown around already so that everybody's clear about what the real underlying shortfall might be.

GLYN LAWCOCK:
Alright. And look, just another question. I appreciate this is the quarterly call, but one of the things we're all going to be talking about is the cash you've generated in the last three months and six months. You've bought back about 600 million in the last six months. And you've said on prior calls that you'd try and split returns 50-50 between dividend and buyback. So is that still a fair way to think about how you're thinking about the returns policy?

PAUL FLYNN:
50-50 of the 50% of NPAT is what you're referring to there, I think, Glyn. Is that right?

GLYN LAWCOCK:
No, I know you've got 20% to 50% policy. But clearly, if you only do 50%, you're going to build a massive cash war chest, which I clearly assume you don't want to do. So you're going to have to pay back more than 50% of NPAT to avoid that. So should I think about what I do get back in total from the company as being 50% of whatever you give me back in a buyback, and 50% in dividends? So if you've just done 600 million in buyback in the last six months, should I think that's what I should get as a dividend as well?

PAUL FLYNN:
I think the 20-50% remains the same. That's the proportion of NPAT that we would return, and in the past, that would have been split 25/25 in order to get to that 50%. I think we're at 51. So it obviously is, as you say, it's just a quarter, and this is only the first half. And we have been buying back. I think we've spent $367m in the last...

KEVIN BALL:
We spent $349m, we bought 367 (shares).

PAUL FLYNN:
There you go. And so I think it's a little early to be talking too much, but I have mentioned in the past, to the extent that we are accumulating capital in excess of our needs, I have highlighted in the past that it would be for the board then to consider whether or not that 50% in total returns to shareholders is something that needs to be reviewed. And that that's a sensible thing, I think, for the board to reconsider at the appropriate time.

GLYN LAWCOCK:
Yeah, I mean, it's probably not a bad policy. It's just right now you're over-earning, so it doesn't work. That's all.

PAUL FLYNN:
I'm going to record that, what you just said there, Glyn, and replay that to you at a later date.

GLYN LAWCOCK:
Well, we'll see what happens to pricing as well. Alright. Thanks Paul. Appreciate your time.

PAUL FLYNN:
Thank you.

OPERATOR:
Thank you, Paul. We have no further questions in the queue. Thank you.

PAUL FLYNN:
Well, thank you, everybody, for your time. Very much appreciate to the extent that there's a question or two. I think, Paul McTaggart, your question there, just about movements between saleable and ROM, we can solve that for you, no problem at all. I think generally that relates to timing of production, actually, where we've had modest production the first two months, and I think a flurry in December. I think that's actually the biggest influence in that difference between those

two line items. But we can cover that off for you. But thanks, everyone, for your time. Any further questions, just you know where to find us and look forward to catching you all up in due course. Thank you. Thanks, operator.

OPERATOR:
Thank you.