WHITEHAVEN COAL Q4 FY23 “June Quarterly Production”

INVESTOR CALL TRANSCRIPT

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Introductory comments / Overview of Q# <enter description>

Operator: Welcome ladies and gentlemen to the Whitehaven Coal’s Q4 FY23 Quarterly Production Update. All participants are currently on mute. Following the presentation, we will open the call for questions. To queue for questions, you may press star/one on your touchtone keypad. Thank you for joining us today. I will now hand over to Mr Paul Flynn, Managing Director and CEO. Thanks Paul.

Paul Flynn: Good morning everybody and thanks for taking the time to dial into our final quarter for the FY23 year. As usual I’ll run through some highlights for you and then move through the body of the report and on to Q&A.

Now to kick off, just a few highlights on the front page of our report. I’m sure as a number of you have seen already, pricing environment still remains pretty solid. It has drifted off over the course of the year and in the last quarter in particular for this financial year we achieved an average of AUD$264 for the quarter and the full year as a whole, the average there being AUD$445.

Run-of-mine sales, run-of-mine production, I should say, at 5.1 was a solid result and the total for the year just crept over the 18 million tonnes per annum, which was just at the lower end of our guidance, but 5.1, 19% up, was a good result. Total equity sales of produced coal at 3.3 was steady period on period and managed sales for the produced coal at 16 million tonnes at the upper end of our revised guidance.

Cash generation, again, has been pretty good, $430 million the June quarter and across the year, $4.2 billion, which is very positive and reflective of that strong pricing backdrop. The balance sheet is in good order with cash at 2.65 and just a quick update on the buyback, which I’ll get to later, but during the quarter, just under 39 million shares purchased during the course of the quarter. So, I’ll summarise that a little bit later on, but hitting that solidly at an average, as you can see there, about the $6.50 and change type of level across the quarter.

On to safety, safety has been continuing a good trend for us. our TRIFR and all the efforts applied across the business to try and improve our safety performance, which by industry standards is pretty good, but obviously this job just requires constant diligence and our TRIFR at 4.7 was a 13% improvement on last year, which is nice to see that continuing in the right direction.

Now moving over the page there, as I say, 5.1 million tonnes, 19% up on the March quarter was a positive, a 51% increase from our open cut performance and then Narrabri of course going through an extensive change out, which I’ll talk about a little bit later. The totals for the quarter there, as you can see there, totals and full year, 5.1 and 18.2 for the full year.

Of the ROM production, saleable coal production at 3.8 and 15.7. The managed sales, as I mentioned for the year, total at 16 and for the quarter, 3.94. Then the quarterly results cascade down with the same impacts period on period, which is quite positive to round out this year.

At Maules Creek, Maules Creek did step up quite nicely in the quarter and coal production there at 3.4 million tonnes for the quarter, 48% up on March, so that’s positive. It ended up being just under the 9.6 mark for the year after achieving that 3.4, which is very good. But production was certainly a flurry in the back end of the quarter, so we’ve got a hungry market there which is keen to get every tonne of Maules Creek coal. So that coal left the mine site pretty quickly and didn’t leave us with a whole lot of stock there, but we are building stocks during this period and certainly into the new year as well.

That 9.6 was 15% below last year, but you obviously know that there’s been a big weather impact on this year, which has been challenging for not just ourselves, but for mine production throughout both Queensland and New South Wales. I’m sure those monitoring the port will see the tonnage volumes going through the Newcastle Port.

On to Narrabri, Narrabri tonnes at 450,000, obviously a lot less than what we’d done in the previous quarter experienced. Narrabri successfully navigated its way through what’s been our largest and most complex relocation for the longwall, obviously going from our deepest panel production in the northern panels across to the shallowest one on the southern side, so they’re very positive to get that done and of course there’s further complications of reorienting the equipment to be able to cut – to rehand our equipment, so you cut back from south to north, but obviously the tail gate and main gate sides swap when you're doing that.

So that was a nice job to get that all done and we're back into production now. There is a relatively cautious ramp up associated with this change. We did experience some supply delays in terms of overhauls of equipment and so on which delayed the start of or recommencement of cutting, but we're moving quite well and once we get the panels squared up, we'll continue to push to greater volumes there. But that looked like a really solid outcome for everybody to navigate through that on time, subject to those delays and safely as well.

The year total at 5.3 was 9% less than the prior period, again first solid strong half, but second half obviously with that change out and a relatively slow conclusion to 110B as we came to the final end of that, with a little bit of ground stability type concerns in that deep ground, but very pleased to have all that behind us now and moving ahead in this new financial year.

Gunnedah Opencuts had a good quarter across both the mines, so Tarrawonga and Werris both did well. Volumes there at Tarrawonga at 730 versus 521, so a positive step up there compared to where we've been in the past. And Werris Creek at 550 versus 260 also came home with a wet sail, which is positive to see that round out in what has otherwise been pretty good operating conditions relative to what we experienced in the first half. So, in aggregate, they've ended up with a pretty good total at 1.27 versus 782 in March and 3.4 for the year total, which is very positive.

Onto our equity sales, so you can see on the table that we provided here and you know generally in a softening environment we're going to realise better than the average for the period from a realisation perspective and you can see that's exactly what's occurred again in this quarter as it did in the previous. So, the average price as I mentioned previously, AUD$264 versus $400 for March, and you can see that trend across those columns through there, just to see that we are in a price environment that has moderated quite considerably.

So, our thermal coal prices there, just on a US dollar basis, so 177 for the period. Metallurgical coal prices achieved during that period for us at US$218 and the average, or the index for the quarter was 241. So as a result, you can see that premium there in a softening environment. In a stable environment, just I've made that comment there, in a stable environment we should be a little bit over the average of the quarter, so a small premium, in a stable environment. But because of that softening environment, obviously we bring the lag effect of better price tonnes from prior periods into the realisations in a particular quarter, giving rise to that 10% in this quarter.

The coal reservation policy, I know this is not particularly an exciting piece of the report for anybody, least of all us, but we have delivered and met our commitment during the period. In fact, during the quarter we supplied a total of 299,000 tonnes under the policy. You may recall that we previously said that we're going to submit about 200,000 tonnes per quarter into this policy but there was an opportunity to actually supply to our preferred location and drag in some tonnes from next quarter into this one. So rather than running the risk of supplying one of the less optimal power station destinations, the opportunity was too good for us to take that up, so we did and supplied into the preferred power station, which was advantageous to us.

Just for pricing there, which helps everybody understand that the realised pricing 115 is less than the 125 cap which the system has imposed, that being at 5500, so clearly, we've put in there less than 5500 in winning those tenders and so received a commensurately lower price as a result.

Moving on to the market more generally, I mean the market itself, as everybody has acknowledged, has been typified I think by a market that's well supplied in coal, oil and gas across various markets after what was otherwise a relatively mild winter. So, our customers generally have reasonable stock levels still moving into their summer and so we're seeing buying being relatively modest, although all our commitments are being met, all our customers are taking all the shipments that had been previously scheduled, which is very positive.

I made the comment earlier just about tonnages through the port and you can see there that we certainly have seen volumes less right across the market and as people deal with the impacts of that first half wet period and we know that many mines are still dealing with the legacy of lots of water on site and having to move that around in order to meet obviously their environment obligations during that period.

Moving on, from a cost perspective, we've given you a steer in terms of our costs, unaudited as that might be, AUD$103 is where we think those numbers will end up. The audit process will bottom that out over the next six weeks and we'll release our results in the third week of August.

The buyback summary, again we've provided you a bit more colour just in terms of the total buyback performance and then the financial year on year impacts of the returns to shareholders that we'd delivered through the buyback period and then add that to our dividend payments as well during again FY22 and FY23, gives you a sense of where we've been.

So, in aggregate, since the buyback started, we've purchased 196 million shares, which is in the order of, depending which way you calculate it, 19% to 19.5% of the stock since the buyback program started. Whether or not you include, depending whether you include milestone shares or not, the milestone shares obviously subject to restrictions, can't vote, don't receive distributions and are not subject to the buyback either. But in aggregate, since that program started, 196 million shares, which is very positive.

As I mentioned, during the quarter we were hitting that pretty well to continue that momentum with the buyback program, which I think generally has been well received by our shareholders overall.

Just to go through now a couple of comments just on individual projects and I'll just draw out quickly the highlights for you on that. The Narrabri underground project, you may recall, has had two legal matters to deal with, one being state based with the challenge to the IPC's approval of Narrabri Stage 3. Fortunately, that's now been dealt with and in our favour, so we can move on with that one. But you will recall that there is a second matter at the federal level, which encapsulates I think 19 projects under what's loosely called the reconsideration request, which asks the Federal Minister to go back and relook at a number of different projects there across various industries seeking EPBC approval, one of which is now at Stage 3.

So, the Minister has set that aside, but there is an appeal. There is an appeal on foot there which we'll need to work our way through. So very positive that the state based one has been dealt with and we're working collaboratively with the Federal Government. We have joined that matter, even though the case is not against us, just to stay close to it.

Highlights just on Winchester South, the positive news there is that the Coordinator-General's office has declared the project or our EIS to be adequate, which is great. Now this is a slightly different process, as many of you will know, compared to the New South Wales process. But having been declared adequate, the government then goes through the process of finalising their report on the projects, but that is a very important milestone for us, so we expect a few months now with preparation from the government before the release of their report. So, it's nice to see that milestone met.

There's a little bit of extra information there just on group exploration activities. I suspect no one's going to get too excited about that. That's just a compliance requirement for the ASX requirement, given that we do spend money under the exploration banner, even though that regime is broadly focused on junior explorers, given the importance of exploration to them.

As I say, the balance sheet is in good shape and after returning $1.6 billion in capital through dividends and buybacks, it's $2.6 on the balance sheet, which was very positive. There is some tax to pay. We are in the PAYG tax regime, as many of you will know and during the course of this quarter, we did bottom out the reorganisation of our finances in this period, so refinancing our contingent facilities for the various bonding requirements that we have. Our $1 billion previously undrawn facility, we didn't renew that and so the Company has been well capitalised and you'll see us use cash going forward for many of these purposes.

For the Safeguard Mechanism watchers, there is quite – there has been some change in regards to the Safeguard Mechanism, which started on 1 July, but as many of you know, there were still some negotiation between the government and the industry on the treatment or the application of the Safeguard Mechanism changes and the treatment to open cut and underground mines. Whitehaven has been working very well with a range of other industry participants and with the government to bottom out what we think is at least incrementally better than what was previously proposed for underground mines in particular.

For those who have been watching this, there is a change in the average emissions intensity variable which is used there and at 0.0653, so that's a little bit more positive from our perspective and there is a more useful glidepath for the transition from your site-based production variable through to an industry average over time, which again is more sympathetic to the needs of underground miners, of which we have done. We've also given you an estimate there as to what we think the impact of that will be in this next financial year, at about $1 a tonne for FY24.

That does change over time, so I don't want everyone to just impute that there's only $1 per tonne payable there. It will change as emission profiles do change and of course ours and industry more generally, but ours more specifically, our ability to minimise the exposure to this regime by reducing our emissions, particularly at Narrabri, given the underground mines, are generally more emitting from a CO_2 equivalent perspective than open cut, but then again they measure their emissions with a high degree of accuracy, whereas the open cut mines are more subject to estimations.

So as I say, you shouldn't impute that it's $1 per tonne for the rest of the mine like, we're just giving this view for next year and our mitigation measures and other things will play out over the coming years and then you'll see us give more guidance in terms of what we think the impact of that is over that period.

From a Vickery perspective, early works are continuing there just in terms of getting ready for early mining there. There are a couple of secondary management plans and so on which need to be signed off before we can actually commence operations on site and so we're looking forward to bringing that in the coming months. The guidance is tabulated there for you over on page 9 of the whole report. As I say, we just crept over the 18 million tonnes a day, to 18.2, which is positive. The sales were at the upper end of the revised guidance at 16 million tonnes and our equity sales also at the upper end there.

So, the 103 number we've given you from a cost perspective, as I say, that will be confirmed with the release of the full year audited financial results and obviously at that time we'll be giving you guidance on FY24 as well.

So, with that, I'll wrap up the presentation of the quarterly report and I'll hand back to our operator to open up for Q&A. Thank you.

Question and answers:

Operator: Thank you very much, Paul. If anyone would like to ask a question, please press star/one on your phone now. Right Paul, we have our first question from Chen Jiang from Bank of America. Go ahead please.

Chen Jiang: (Bank of America, Analyst) Hey, good morning Paul, this is Chen from Bank of America. Just a quick question on your production, understand you'll provide a guidance on 24 August, how should we think of your normalised production outlook beyond the weather and the supply disruptions? Hopefully those are behind us. But if I look at the run rate from Maules Creek, I think the run rate is around annualised 13.4 million tonnes, so that's a good indicator. Just wondering how shall we think about your normalised production outlook from here. Thank you.

Paul Flynn: Yes, thanks Chen. Look we will give guidance, as you say, at 24 August, so we won't be uncovering too much of that right now. But a couple of comments just relation to the points that you've drawn out there. Yes, of course on an annualised basis June was obviously running at that rate. Of course, we're captive to a 13 million tonne per annum approval limit, so you can't do that across the course of the year. But as I've previously mentioned here in our last quarter, when we spoke about the couple of challenges that all our industry and we particularly have been facing and as you've referred to Maules, I just want to draw out a couple of things there.

I called out before manning and then congestion impacts and essentially related productivity impacts that stem from that, from keeping the autonomous fleet at Maules Creek separate from the manned fleet, as the transition of required, as we complete or exhaust all the out-of-pit dumping spaces available to us and transition 100% into in-pit dumping later on at essentially the end of this next six months, the first half period.

So, look, on the labour side of things, we are doing pretty well there actually and so it's nice to see we're making good strides in terms of manning up the fleet. I'd say that assuming that we continue to operate the same level of autonomous equipment at the moment, we're pretty much on the mark now with the manning side if things, that's great. But the congestion impacts we mentioned before, just about keeping those fleets separate, will carry on into this new year.

So, the question's a good one in the sense that obviously the totals for this year would not be what you should infer for next year. But there is a price to pay from a productivity perspective in keeping those fleets separate and the reason why we think that price is worth paying is because we like to think that we're on the back end of the development of the AHS system and that with the available time remaining, we can hopefully cross the line of commercialisation with this product and move into a broader deployment of autonomy across our overburdened fleet at Maules.

So, I'm not giving you a specific number obviously because we'll do that in the third week of August, but you shouldn't infer this run rate for the top end and you certainly shouldn't infer this year's full actual production at Maules as being the basis for next year's. It'll certainly go higher than that.

Chen Jiang: (Bank of America, Analyst) Right, thanks for the colour, Paul. Maybe a second question, your coal mix, just realise that you sold 91% of high CV sales, so I guess that's pretty high. I'm wondering if that 91% of high CV, is that due to market conditions or that's because of your mine plan or it's because of the coal reservation, if you can share some colour on that, thanks.

Paul Flynn: Yeah, thanks Chen. As a general statement, as you know, Werris is the only mid CV mine that we have and that will be coming to an end in the early stages of calendar 2024. Small tonnages emerging at the end of FY24, crossing into FY25 from early mining at Vickery will bring in a higher quality substitute, which will be good. So, on average our CV across the business will be going up with the loss of Werris production and the advent of Vickery production.

But generally, generally we've been washing everything, as you know, just to take advantage of the spreads between API-5 and gC NEWC and so we've continued that process throughout the year and we're anticipating continuing doing that in this new year. Those spreads still warrant us doing that. To the extent that we have mid CV fails coming out of Narrabri, say for instance, which is certainly possible, That's really just a function of blending across the business, to the extent, as we noted earlier in the year, when we had all those weather impacts at Maules Creek which curtailed production of high CV coal and meant a paucity of blend stock available to blend with Narrabri, we did have, as you noted there, mid CV sales occurring as a result to about 9% of the thermal.

So that's the broader way in which that's managed, but we would see the proportion of high CV in coming years greater as a result of that swapping out of the Werris tonnes for Vickery tonnes.

Chen Jiang: (Bank of America, Analyst) All right, thanks for that cooperation. Maybe last question, on the share buyback, page 6 of your release, just wondering for your capital return, the buyback for FY23 to calculate 50% of NPAT as the return to shareholders, should we use $724 million, or we should use $949 million on the second table I guess the difference is, is the buyback announced from the first batch but calculated in FY23, I'm just wondering which number we should use to calculate your FY23 shareholder returns, thank you.

Kevin Ball: I think you need to use the buyback that was conducted post AGM because the previous buyback was really rounding out the tail of FY22 buyback and we'd accounted for that in the cash allocation at that point, Chen.

Chen Jiang: (Bank of America, Analyst) Okay, thanks Kevin, yeah that's all, thank you very much. I'll pass it on.

Operator: Thank you. Our next question is from Caleb Heiner from Goldman Sachs, go ahead please Caleb.

Paul Young: (Goldman Sachs, Analyst) Yes, morning Kevin and Paul, it's Paul Young here. Paul, the first question is on Narrabri. You mentioned about the move to the 200 series, took a little longer than expected and the ramp up has taken a little bit longer also. Can you just maybe run through how that actually has gone and maybe in July how production has been running at Narrabri on that ramp up.

Paul Flynn: Yes, thanks Paul, Caleb. Yes, there was a range of things there, just as I mentioned there before, as finishing out 110B as I mentioned, that was definitely slower than we would have liked and there were some, in that, there were definitely some ground stability issues there in the back end of 110B, which is pretty annoying given that the first half of the year had been such a positive run rate. But as you know in that piece of ground, that's prone to happening.

The relocation itself whilst well done, we did suffer some delays with suppliers and not just components, but labour on their side as well causing some issues. Then as we moved into panel 203, we've definitely been treading gingerly, I'd say, just because we know we're on – that's the first panel obviously on that side and there is a little bit of wash out in section that you encounter there just on the, we'll say the eastern side of the panel and so we're treading gingerly there as we're less than half way through to square up the block. So, we're operating relatively modestly until we ramp up.

So, as we currently speak, we've got Ian here as well, so he can chime in with some commentary there. Yes, I think we're in the 15s to 20s type level now, if you're asking for some feedback on the production levels now, that'll ramp up obviously as the block squares up. Ian?

Ian Humphris: Yes, so as Paul touched on, we're about 170 metres into the block, which is around 400K tonnes and we need to get through to around 300 – 350 metres just to settle in to what we call getting square. But as Paul said, we're taking that steady as we move through there.

Paul Young: (Goldman Sachs, Analyst): Okay, that sounds like some good progress in July, so that's great. Next question Paul, and maybe it's for Kevin, it's actually on this refinancing, any further details you can provide just on the size of that refi, which banks are involved, the rates, et cetera. Just curious considering I guess the items that you're covering there.

Paul Flynn: Kevin?

Kevin Ball: Paul and Paul. Yes, look Paul, I think we went through that process. It's a range of banks. I'd say to you that it is increasingly difficult in a thermal coal producer to attract external funding. The contingency side of that was well supported. The actual lending side of that, we sat there with $2.6 billion, $2.7 billion on the balance sheet, as you know, we've talked about getting into the US debt capital markets in time and we were very, I'd say, reserved in the way in which we approached that. So, we've helped a number of banks achieve their decarbonisation within their own portfolio strategy and looking forward to 2024 and working in debt capital markets.

Paul Young: (Goldman Sachs, Analyst): Okay. Thanks, Kevin. Last question from me, Paul, is on the labour and cost piece at the moment, which we know is high, and labour inflation is high and CapEx is - inflation is still coming through. There are a number of opportunities of course out there in the market across certainly metallurgical coal for trade sale perspective so how do you think about the buy versus build scenario at the moment?

Paul Flynn: Yes, that's a good question, Paul. Labour costs yes, as you rightly point out, certainly are still running at vibrant rates and certainly well above the national averages. When we hear about the government highlighting the rate at which wage inflation is acting on average across the economy, our industry I'm pretty sure is a substantial premium to that.

As you say, capital costs also we're seeing those continue to rise. Part of the process with our Vickery project is to move in the second half into a phase of trying to validate what we think the capital should be once individual suppliers are pressed to put a number on the table to see what that looks like. The build versus buy conundrum, there's just vastly different risk profiles associated with that, as you know. Vickery were interested, obviously, for that trade I mentioned earlier to Chen's question, that obviously swapping out the low quality for the high quality, that makes a lot of sense for us.

We've done a lot of work on Vickery so getting the approval ready and the Board will have a look at the full version of that later on in this calendar year. We'll seek to put firm numbers for the capital on the table for them so they can assess that. Having said that, there will be a checkpoint next year by which once the tender numbers have come back, we'll come back to our Board just to make sure it's within the margin of error that they would contemplate when they do assess that project at the end of this year.

So yes, of course M&A has a whole range of different other risks associated with that. That's about all I can say on that one, but obviously the backdrop of that is the buyback, which has also been a very effective use of capital, so that must be in the mix as we weigh up the various streams that you mentioned.

Paul Young: (Goldman Sachs, Analyst): Okay. Thanks, Paul. Thanks, Kevin.

Operator: Thank you. Our next question is from Stephen Henderson at Shaw and Partners. Go ahead please, Stephen.

Stephen Henderson: (Shaw and Partners, Analyst) Good day team and thanks for the update. I have a couple of questions regarding updates on the balance sheet and refinancing. In your last production call, you stated discussions were ongoing and you were pursuing refinancing for the Company's $1 billion credit facility. This morning we found out this isn't happening. I know Paul’s just asked a similar question but if you could maybe expand a little bit on this. What went wrong here exactly, and does this mean you plan on funding Vickery and Narrabri extensions with internal sources of capital?

Paul Flynn. Yes, I'll hand over to Kevin. Yes, that's right. We didn't renew our funding as I mentioned earlier, and Kevin - there's no problem in dealing with the contingent side of that so all the bonding and other requirements, but obviously with a lot of cash in the business and obviously the price is improving, there's no doubt that some of the banks have chosen to not participate in the refinancing as we go forward.

Now, as Kevin said, thermal coal and that, no new concept to all of you on this call - thermal coal has been less appealing from the banks' perspective in terms of how they want to decarbonise their lending portfolios, and as Kevin said, in the end they have been able to remove some emissions from their portfolios as a result.

Going forward, no doubt, for right or wrong, banks view Vickery as being a thermal project. Now, that's not our view of it of course and it has a very good semi-soft coking coal product which we expect to be producing a lot out of that site in the fullness of time. But that's how they perceive it and there's no way that we could change that based on the discussions we were having with people.

Met coal is a different thing, so just to round out the discussion. From a Winchester South perspective we still have got positive expressions of interest for funding a Winchester South project in the fullness of time and we've done a little bit of restructuring in terms of internally from a corporate structure perspective just to provide some added rigour around how those funds would be deployed in the event that banks commit to a project that's predominantly met coal related.

Look, it's hard yakka. That's no news to anybody on the thermal side of things in funding this industry, you can see our peers are experiencing similar sort of dialogue with the banks. Our desire here is to keep all the banks interested in our business as we put more met into it with Winchester South. Kevin.

Kevin Ball: Yes. Thanks, Paul. Stephen, I'd say to you that - I'd go back in a little bit of history but I'd say we started out with a $1 billion facility when we kicked off Maules Creek and that was really there to help build Maules Creek. Through '15 and '17 we refinanced that; in '20 at the bottom of COVID we refinanced that again. I'd probably say to you that it's - well, I would say to you it's fairly challenging when you go to bank and say I've got $2.6 million on a balance sheet and sir, can I borrow some money because they look at you and go well, why do you need that, first of all. That certainly played into the conversation.

I'd agree with Paul. I think the opportunity - a number of banks took opportunities to say well, you've got plenty of cash and come back and see us when you've got something else you want to do but at the moment, we'll take our opportunity to decarbonise.

On that front, the contingent side of the world was really well supported, a diversified group there, and I'd say to you that I think anybody who's in thermal coal is going to be facing similar challenges in organising funding from traditional sources, which is why we've kept the line of opportunity or the line of inquiry open in terms of the debt capital markets and it's why we're running a pretty extensive program with offshore capital providers in discussions there.

I think that's the summary. I wouldn't say anything went wrong; I would say we took the opportunity to reduce the process. We were always going to reduce the size of the that and that's what we've said to market, but as I say to you, $2.65 billion, $2.7 billion worth of cash and most of the capital providers said well, I'm not terribly sure what you need this for, Mr Ball, so we'll make a decision to do something else. If that answers your question?

Stephen Henderson: (Shaw and Partners, Analyst) Yes. No, that helps a lot. It's interesting you mention that certainly the met coal side of things and banks maybe being a bit more open to that. I noticed there was a piece in the Aus at the end of last week, Whitehaven looking at buying those two BHP mines, met coalmines that weren't able to secure capital is what the report said. Look, I'm just wondering, maybe you've lost relationships with the big four banks, they're not interested in getting involved in Whitehaven projects moving forward whether they be thermal or met coal? Maybe some comments on that.

Kevin Ball: I guess I'd probably come back to you and say I'm pretty confident that was an article in The Australian.

Stephen Henderson: (Shaw and Partners, Analyst) Yes, that's right.

Kevin Ball: Yes. I'm probably - I don't pay much attention to that particular part of what comes out of The Australian.

Paul Flynn: I wouldn't worry about that too much. I don't know where that commentary came from, Stephen. There's been - there's substantial interest in the banking community for met coal exposure. Winchester South obviously is the focus for us. There's been no shortage of people interested in that, as I said. There is some restructuring required just to ensure that that bank funding to the extent that banks are interested in met coal only, then it would be structured in a way that would be sympathetic to that need.

Obviously, the thermal business being unlevered obviously is a credit-enhancing opportunity I suppose when someone comes to finance a met coalmine. Otherwise, I don't know where that comment came from. That was most peculiar. We certainly don't have problems in relationships with any banks around town, not at all.

Stephen Henderson: (Shaw and Partners, Analyst) Yes. All right, fantastic. If you'll indulge me just one more digging down into the contingent credit facilities, you noted in your report that the big money is coming in for some port and rail infrastructure. Can you provide a little bit more detail about what this is exactly?

Kevin Ball: Well, you would understand that at the back of this you've got take-or-pay arrangements at Newcastle and take-or-pay arrangements with ARTC, and so your port and rail facilities are really just those arrangements. Each of those providers of that service require facilities at the back of that to support those arrangements.

Paul Flynn: Yes, as it's always been.

Kevin Ball: As it always has. Yes, so there's nothing changed there, nothing terribly new or innovative in that conversation, it's pretty standard for the industry.

Stephen Henderson: (Shaw and Partners, Analyst) All right, thank you.

Paul Flynn: Okay. Thanks, Stephen.

Operator: Thank you. Our next question is from Tony Mitchell, Shaw and Partners. Go ahead please, Tony.

Tony Mitchell: (Shaw and Partners, Analyst) Congratulations, Paul. Very good result. I don't think you'll answer this but I feel obliged to ask the question. Is Whitehaven interested in either Daunia and Blackwater and if so, when do you expect to find out when the whole process is going to be finished?

Paul Flynn: Heavy must be the burden on you, Tony, to ask that question. Look, the simple answer to that is that we look at all assets that fit in the strategic crosshairs of the business. Any questions around timing or otherwise would be better directed to the person or the organisation running that process, which is BHP. We're having a look around, as I've said previously. We look at all those things that fit between those parameters. I can't really comment too much more on that. Of course, Daunia is proximate to our Winchester South; that's obviously why we would want to have a look at that but beyond that I think it's best those other questions on timing would be better directed to BHP.

Tony Mitchell: (Shaw and Partners, Analyst) Okay. Thank you.

Operator: Thank you. Our next question is from Chris Drew at Jefferies. Go ahead please, Chris.

Chris Drew: (Jefferies, Analyst) Thank you. Morning, Paul. A question just on waste development at Maules. Is there any deficit that we should be thinking about there given the labour and weather events of recent times and congestion issues, and I guess perhaps what looks like accelerated coal sales in the June quarter, or is that all running as per plan? Thanks.

Paul Flynn: Look, Chris, nothing particularly there to be concerning from a waste removal perspective. We don't have a deficit. In fact, our inventory of broken stocks on the ground is increasing, which is good. We have an objective elevate that and that's been positive, that's definitely heading in the right direction.

You may recall there were some constraints there a couple of years ago when we transitioned to a new explosives services provider and so there was a slowdown required whilst we transitioned to those new products, but those products have been working very well. So no, broken ground stocks not a problem at all so I wouldn't be inferring anything for the new year in that regard.

Ian Humphris: No, I think as we indicated, the plan always was in the mine schedule for the year to have a lower strip ratio in Q4. That's just the way the sequence worked. We saw a full range of the seams presenting themselves. I think historically people have asked questions about Braymont but it only represented in the quarter about 13% of what we produced. We were down in the bottom seams and they delivered well, so that overarching, as Paul said, was the average strip ratio for the year panned out as we'd always planned it to be. It was just lower in Q4 just due to the sequence.

Chris Drew: (Jefferies, Analyst) Okay, thanks. Perhaps just a second question on Maules as well. With the AHS integration, is there any detail you can give us there in terms of the confidence around the commerciality and what you're seeing that gives you a bit of confidence that that's going to deliver what you'd like it to?

Ian Humphris: Yes. We've obviously been on the AHS journey for a number of years now and we're continuing to push that through into FY24. As Paul said, the out-of-pit dumps will finish probably towards the end of Q1 this year and then they'll be running into the southwest area of the mine. We've been running up to two of the largest fleets of gear in AHS and introducing the manned coal fleet with that, and I guess that's the journey for the next 12 months to see how that integration works. The plan is to integrate the other larger trucks with that. So, we'll have a good firm handle in the next 12 months as to whether or not I guess AHS has a future at Maules Creek.

Paul Flynn: I think, Chris, the limiting factor there is just that separation - how long can you keep the separation of the AHS fleet in the autonomous zone away from the rest of the balance of fleet? That's easier of course when you have out-of-pit dumping opportunities but we'll have filled that all up and that's probably a negative in that sense only because broadly, in-pit dumping is a much more useful thing to be doing than hauling long distances to out-of-pit locations. But when you're all inside the pit and you've got to keep fleets separate, that's pretty dysfunctional from our perspective, so we're not going to see the highest level of productivity as a result of congestion and having to manage that balance.

That's why I was saying earlier there's a limited period of time here (a) that you can physically keep those fleets usefully separated and (b) there is that productivity impact. You just don't want to bear that for too long. What I'm saying to you is there's not a bottomless pit of patience here; we do need to cross this threshold of being able to integrate the manned and unmanned, and saying we are doing that now which is very positive to see.

So, that's very positive. I was out there the other day and I could see not just the intermingling of services related to equipment but trucks as well. So, that's positive but we do need a bit more work before we can roll that whole integration across the whole pit. This next financial year, the next 12 months will be the real go or no-go-type decision.

Chris Drew: (Jefferies, Analyst) Great, thank you.

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

Glyn Lawcock: (Barrenjoey, Analyst) Good morning, Paul. Maybe if we could just dig down a little bit on costs? I know you're going to give us guidance, but firstly, just with Narrabri, the move into 203. I know you're still ramping up but what sort of cost reduction are you expecting there? Are you still expecting and you still think you can achieve what you - that benefit of not having to do roof-bolting now that you're back in shallow ground? What sort of benefit should that give us relative to the cost that we ended the last panel?

Paul Flynn: Thanks, Glyn. That's a very interesting area for us as well because we are transitioning away from obviously the cost basis associated with lower volumes in deeper ground and all the attendant works that go with that, and you cited the roof-bolting and so on. There's obviously roof-bolting still required in shallow ground, it's just in the past we had secondary support patterns there which have been quite intensive. We do see the shallow ground being an opportunity for cost reduction, no doubt about that, not just the least of which is obviously more volume, but then as you say, those types of services no longer being required in the same intensity as what they were before.

The problem we have with this - and we'll give our guidance in six weeks' time - the challenge here is that the basis of comparison gets lost over time because we're in such an inflationary environment now. There's no doubt that certain things will be - certain activities will be required in the deeper ground that are not, or less required in the shallow ground, but we will - I don't know if you want any other colour, Ian, that you want to describe there?

Ian Humphris: No, I think you've covered on most of it.

Paul Flynn: Yes. If you go back and look, Glyn, just at the equivalent panel back on the northern side and go back in that year's accounts and have a look at that segment, no, you can see the average costs back there. In that environment, I'd love to see the costs associated with that but that's just not possible. It will be a higher base just because of the inflationary impacts we're dealing with, with the human capital and the services, but there will definitely be a reduction based on operating the deep ground for sure.

Glyn Lawcock: (Barrenjoey, Analyst) Paul, maybe I can ask a slightly different one then. A year ago, you guided to cost to be $89 to $96 and you ended up at $103 million. Your volume has come in about 11%, 12% less than you expected, predominantly weather. So, if you don't have the weather impact, what else drove that sort of $11 to $12 cost impost, actual versus guidance for '23? If you pulled out the weather, what would the weather be of that $12 increase in cost, and so if we can think maybe the rest is inflationary, some of it's your manning issues. I'm just trying to understand what made up that $11, $12 cost impost versus original guidance. Thanks.

Paul Flynn: Yes, that's good. We can certainly provide that colour when we put the full-year results out. We'll put a bridge out as we have in the past that will go through that for you, Glyn. One of the ones you didn't mention there, which is obviously material, is the under-utilisation of take-or-pay just from those weather events obviously not getting the volume out of the port that we would have otherwise expected. Those fixed take-or-pay costs do bite you.

Then just in terms of the numbers that you've referred to that we've given for the $103 unaudited for rounding out this year, that includes clearly the amortisation of the debt at NCIG, which is a big step up but that's a sensible thing to be doing at this time as we accelerate the debt reduction of NCIG, all the players are. That's before we even talk about - Kevin, that was US$?

Kevin Ball: It's US$3 a tonne on 14 million tonnes.

Paul Flynn: Yes, there you go. Then that's before you mention things like fuel costs year-on-year as well, which have been jumping around but incrementally they're over and above where they were at the beginning of the year. So, we'll put that bridge in the pack there when we publish the full-year results but there's a lot of pieces to the puzzle there, not the least of which you mentioned, labour and manning. If I refer back to the period I just mentioned, Glyn, on the equivalent northern panel at this depth of cover, if I think of even about just the wage position back then, that is vastly removed from what we're paying those same people in today's environment.

Glyn Lawcock: (Barrenjoey, Analyst) Yes, okay. The previous guidance which was 20 million to 22 million tonnes of ROM for '23 at costs of $89 to $96, volume-wise it shouldn't be unrealistic if there's not the weather impact that - there's nothing else had gone wrong at the mines other than weather that you can't get back to '23's guidance for '24 and unit costs may be higher than what '23 was but not as bad as '23 turned out to be?

Paul Flynn: Yes, the challenge of that, Glyn, the challenge of that which I just referred to or reminded people about just again from that previous question which focused on Maules Creek in particular, there is - and it goes to the guidance which we'll clarify for you on 24 August - the tonnes from Maules Creek will be slightly less than you would otherwise expect because we're willing to take a sacrifice on the congestion associated with the fleets for AHS.

As you rightly say, all other things being equal there should be cost reductions when the mine is - when the Group is running at those run rates. That's a fair and reasonable statement but I'd just say - I think it was Chen who asked the question before what should she infer for next year. It's certainly not going to be Maules's rate as we've just rounded out in the conclusion this year but it's also not going to be 13 million tonnes given that there is a productivity issue that needs to work out. Where it obviously comes off, just to throw that extra one in there as well, and so there'll be a few less tonnes there of course, we will have half a year of tonnes there, and then there'll be a group before you see material tonnes from Vickery.

Glyn Lawcock: (Barrenjoey, Analyst) Okay. Sorry, Paul, you dropped out there but can you hear me now?

Paul Flynn: Yes. I can hear you no problems. Sorry, where did I drop out, in what part?

Glyn Lawcock: (Barrenjoey, Analyst) Just on Werris Creek coming off six months, so get less tonnes, and then...

Paul Flynn: Yes, you get...

Glyn Lawcock: (Barrenjoey, Analyst) and then you dropped out for a few seconds.

Paul Flynn: Yes, that's right. You'll get six months of Werris Creek next year but then that falls away, and then there's a gap between you seeing material tonnes from Vickery is what I said, that must have been the bit that you missed.

Glyn Lawcock: (Barrenjoey, Analyst) Okay. Then sorry, just continuing on costs, sorry to belabour the point. The dollar a tonne on the safeguard mechanism, what's the dollar getting me? Is that you have to pay to buy offsets or is that money you're spending to help reduce your emissions? I'm just trying to understand what's the dollar getting me?

Paul Flynn: Yes. That's not any money spent for reducing emissions, we've just assumed there the cost associated with the safeguard credits, purchasing credits. Now, we have budgeted monies for next year which we'll speak about when guidance is given and we can talk about it. There's not - there's monies there for studies, for further emissions reductions efforts, particularly at Narrabri, so we have allocated some monies for that, but what that one dollar is referring to is that transition from the site-specific production variables versus the industry average. In the first year, FY24, that impost is a buck. So, it's just the cost of carbon, right, it's a carbon tax by another name and that's how it starts.

Glyn Lawcock: (Barrenjoey, Analyst) Yes, but it's not just - some of it is actually studies, not just a straight give the dollar away to buy credits is what I'm saying.

Paul Flynn: No. No, that dollar is just the tax.

Glyn Lawcock: (Barrenjoey, Analyst) But I'm getting something for it in that you're going to do some studies which may in the long run help reduce the dollar.

Paul Flynn: No, no, you don't get anything for tax.

Kevin Ball: I think what Paul's trying to tell you, Glyn, is the dollar is...

Paul Flynn: That is different thing.

Kevin Ball: ...the carbon abatement, is the carbon credits you've got to buy, the cost of those. Then on top of that, which you'll get in guidance, will be what capital and what operating costs do we think we're going to incur as a result of working through mitigation strategies in the business.

Glyn Lawcock: (Barrenjoey, Analyst) Sorry, I thought Paul said...

Kevin Ball: Those mitigation strategies...

Glyn Lawcock: (Barrenjoey, Analyst) ...a dollar a tonne included.

Paul Flynn: No, no. I said excluded, yes.

Glyn Lawcock: (Barrenjoey, Analyst) Oh, excluded studies at Narrabri. Okay.

Kevin Ball: Yes, and then you would think - you'd naturally think, Glyn, that doing those studies and then doing those works would lead to reductions in future years, not necessarily in '24 or '25.

Paul Flynn: That's right.

Kevin Ball: So it is just paying the government for the...

Paul Flynn: For the access, the cost of access

Glyn Lawcock: (Barrenjoey, Analyst): Do I at least get $0.30 back?

Kevin Ball: Yes, you'll get the tax result back but that is a small victory would be how I'd describe that.

Glyn Lawcock: (Barrenjoey, Analyst): Hey, I'd take $0.30 in the dollar.

Kevin Ball: Thank you, Mr Positive.

Glyn Lawcock: (Barrenjoey, Analyst) Thanks again.

Operator: Thank you. Our next question is from Lachlan Shaw at UBS. Go ahead please, Lachlan.

Lachlan Shaw: (UBS, Analyst) Morning, Paul and Kevin. Thanks very much. Just a couple of ones, might have been covered already, sorry if they have, I was late to join the call. Just to come back to costs and labour, if you think about labour costs going forward and I suppose EBA's and pattern bargaining, how should we be thinking about how sticky some of those nominal costs are likely to be in the next couple of years?

Paul Flynn: Ian's here and he's been in the thick of all that stuff, negotiating our different EAs which are all staggered across the year, and renewals. Those costs are definitely going to be sticky. Once they're there, you agree a three or four-year arrangement. So, when you do that in an inflationary backdrop, that generally yields increases which are higher than what you've seen in the past. It goes back to Glyn's question just on costs period on period. When I refer back to that same shallow panel on the northern side of the mains at Narrabri, we were - that period was typified by wage adjustments in the order of 1% to 1.5%-type per annum in that era if I could refer to it. That is definitely not the era we're living in today.

Ian Humphris: I guess recently we signed up all of our EAs that were out there, so Maules, Tarrawonga, and also GBH, the trucking company we've bought. I guess the increases we've seen there have taken us back to market effectively to get some equivalence with our labour force.

Lachlan Shaw: (UBS, Analyst) Okay. Are you able to give us an approximate percentage increase compared to the previous set of agreements or not?

Ian Humphris: Yes. There's a range there but nominally about a 5% increase and then that ramps down over a period of time each year.

Lachlan Shaw: (UBS, Analyst) Okay, got. That's helpful, thank you. Then second question, maybe having a look at just - it's obviously dried out and most people think that El Nino kicks into gear as it moves through the year. Noting you've written up the Port of Newcastle shipped 155 million odd tonnes in FY22, 132 million tonnes last year, when you look at industry and yourselves included potentially, what's the potential do you think for volumes to get back to those sorts of levels in the next 12 months or so?

Paul Flynn: Lachlan, I think you might have got those numbers quite - just around the wrong way, I think. The volumes were - the FY22...

Lachlan Shaw: (UBS, Analyst) Yes, sorry. 155 million tonnes in FY22, 132 million tonnes in FY23, yes.

Paul Flynn: Yes, that's right, 132 million tonnes this year, so down a lot. My understanding of that is look, there is - I think as the weather conditions improve, and they have been decent for mining over the last quarter, no doubt about that, that's positive. Whether or not we head into a - everyone seems to be projecting extremes going forward, whether or not that plays out that way I don't know.

The limiting factor I understand with our friends in the Hunter Valley has been just water management, because everybody's carrying more water, you've got obviously regulation around discharges of water offsite, and so everyone retains a hell of a lot of water. In warmer weather, though, people will use more of that in-pit water that they've got and same for us at Tarra and Maules and so on.

Look, I'm just thinking that constraint will unwind over the next six months as people consume water during the summer period and hopefully get back to a more normalised basis of production after that, because 20 million tonnes year-on-year is actually quite a big reduction, and particularly at a time when the market is - well, it's definitely going to be needing the high CV end of the market in particular needing more of that coal as you trend into the northern winter again.

Lachlan Shaw: (UBS, Analyst) Yes, okay. No, it makes sense. Thanks. All right, thanks very much again.

Operator: Thank you, Paul. We don't have any further questions.

Paul Flynn: Thanks everyone. That was good timing. If there's any further questions please reach out to Kylie and the team, but we'll looking forward to catching up with you individually over the next little while and of course we'll have the full-year results coming out on 24 August. Thanks very much. Thanks, operator, we'll hand back to you.

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

End of Transcript