WHITEHAVEN COAL Q2 FY24 “Quarterly Production Results”

INVESTOR CALL TRANSCRIPT

Date: 19th January 2024 Time: 10:30am

Introductory comments / Overview of Q2 Quarterly Production Results

“Paul Flynn”:

Good morning, everybody. Thanks, everyone, for taking the time to dial in this morning to our Q2 quarterly report. Should say Happy New Year to everybody, I suppose. Think you can still say that until the end of January, can't you, until you've met everybody who you normally see?

Look, as usual, just go through the highlights for the quarterly report, and then go through the lines themselves and open up for Q&A. I understand there may even be some conflicts in terms of other meetings, other quarterly releases going at the same time, so we'll try and keep it snappy for you and move into the Q&A, so you can get your questions on the table.

The highlights for us in terms of coal pricing, $216 Aussie average for the quarter, a decent result. December quarter run of mine production consistent with September, so had a 6% deviation there. December coal sales on an equity level at 3.7, 21% up on September. December managed sales produced a 4.6 consistently, also 20% up on September.

Obviously one of the major milestones in the quarter was the announcement of the acquisition of Daunia and Blackwater, a highly attractive and transformational acquisition for us, which I'm sure we'll have further to say in the Q&A. You would've seen us also finalise the terms and conditions with the lender group to refinance out the bridge, which we essentially are not using, and put in place 1.1 US billion facility for the completion of the transaction, which was fantastic. The net cash position you can see there, 1.5 billion Aussie after having paid our tax, long signalled, and deposit and other things that related to the transaction.

From a safety perspective, we are trending in a good place, which is very positive to see. More work always required in this area, but our TRIFR at 3.96 is a good result and 16% improvement on last year, so a very good start to the year. We want to make sure we continue to drive this hard through the balance of the year. Especially as our business is getting bigger, we definitely want to make sure that this focus is consistent right across that transition period.

From an overview perspective for the quarter, we've had a good quarter, so we're happy with the overall numbers here that put us on the pathway for our production guides, which is good. The mix has changed. Open cut's done very well, and trending towards the top end of their ranges. Narrabri has had a more challenging time of it, with some geological issues and some equipment reliability issues which we can talk about as well when we get into the detail of things.

Managed sales and equity sales, as I mentioned there earlier. The tables are there for you in terms of the manage 5.0 million tonnes, compared to 5.3 for the previous quarter. For the six months, that puts us in a good place at 10.3. The saleable coal production is at a management of 4.1. Again, very consistent with the previous quarter, so that's looking good on all fronts there.

Coal stocks, we have drawn down a little bit, and that would've been a function of us wanting to get the Sales profile up, despite the fact that Narrabri probably produced a few less tonnes in the quarter than we would've otherwise liked. The table below, as usual, gives you the equity proportions for those numbers.

Maules Creek, at 3.1 versus 2.8 for the preceding quarter, gives you 6 in round numbers for the half year, which is a solid result, so very pleased with that as an outcome. Operationally, the north and east pits are opening up nicely. We are within shooting distance of the completion of coal extraction from the southwest corner, which we've talked about for some time. Which will be completed in this next quarter, and give us further in pit dumping opportunities and productivity opportunities, going forward.

Saleable coal production for Maules at 2.3 million tonnes was 8% above, and the sales similarly. Coal stocks at 900,000t, broadly in line with the previous quarter.

As I say, the mix of our production for the quarter has changed, with Narrabri producing a little less at 1.1 versus 1.5, giving us just under 2.6 for the six months for the year, down 29% in this quarter. We certainly have been experiencing some productivity loss associated with the washout features. We are on panel 203, as you know, which is obviously on

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the edge of the washouts in the seam that has been behaving in a way where roof stability has been resulting in lower production levels than we would like, so productivity has suffered as a result. We've put away 1.1 million, as I say, versus 1.5 saleable, about the same numbers, consistent with that.

We have had some mechanical challenges there. We rehanded the machine, as many would know. There has been a few reliability issues associated with that, which is a big and extensive engineering challenge to essentially flip over the main gate and the tail on the sides of the longwall, but those issues are dissipating. We do expect actually, over the next couple of quarters, to move into more benign ground in that regard. I'm sure we can speak to that in a minute when we get to the overall mix of production from our guidance perspective.

As I did say earlier, the open cuts have done well, and so Gunnedah are included in that message, not just Maules Creek. Both Tarrawonga and Werris have been consistent performers over the first two quarters, and this quarter is no different in that regard.

About 800,000 tonnes coming out in aggregate from the two of them, 500 from Tarrawonga and the balance from Werris. Werris, as you know, is coming to the conclusion of its production phase. We do expect that at or around the end of the March quarter. It may slip over a week or two into April, but that's when it'll be moving then into its rehabilitation phase then after.

Good result from both. Nice to see some consistent performance across the first two quarters of the year. Our expectation is that will continue over the next coming quarters as well.

From our markets, from a realisation perspective, as I said there earlier, Australian $216 per tonne is our number for the quarter. That's a little bit below September quarter by 4%, but a pretty static market from a thermal perspective, as we're seeing and you're seeing, of course. $135 was the average US dollar index price for the quarter. We managed $142, which is 5% above, which is a decent result. We continue to see consistent demand in the market. You can see the prices are hovering around this level for some time now, so I think there's good strength in the market overall at that level.

The domestic coal reservation policy. We showed this in there, obviously, for compliance purposes. We put 153,000 tonnes into this market, lamentably, and realising at $115 Aussie for the privilege of doing that. Pretty annoying as that is, there is only two quarters left to go with this policy. We look forward to seeing the end of that. The tonnes have broadly come out worse, as you know, from a quality perspective, and we are putting in essentially the minimum quality we need to in order to meet those obligations as part of that.

Over the table there, the mix of thermal to met, you can see, 91% versus 9%, the high CV thermal being 72%. Our premiums were pretty good, given the 72% to 19% split, to end up at 5% up, as we're noting in the table. That was a pretty decent result overall. As I say, the $115 is consistent with what we've achieved from the domestic reservation policy over the past quarters.

From a market's perspective, as I say, the market looks pretty solid at around $130, despite the fact we've just come through this quarter, which is generally the shoulder season. From a high CV perspective, that market has been pretty robust at that level. You can see it's hovered between a range that we're giving you, $122 - $147.

The met coal market looks pretty good. Certainly the PLV, hard coke has been also in a pretty consistent range over the last couple of quarters, $320 to $340 type number, which would be nice to see the exposure to that for us in the last quarter of this year. The semi-soft and PCI prices certainly had deviated from the historical PLV proportions that you would see.

That is influenced to a good degree by a number of factors. Firstly, there are supply constraints in the PLV side of the equation, as we understand, with weather and so on, particularly in Queensland, and perhaps some more even coming over the next quarter or two. Then you've also got Russia influencing the lower rank coking market, and that is driving certainly a deviation in historical realisations from the PLV price there. As you can see, we've quoted semi-soft price at $161 versus $133, which is a very low level of realisation compared to historical.

From our backyard, the port output has actually seen some volume increase, which is good. There have been weather delays and other things associated, and some production issues with that. The port has actually seen volume step up a little bit, which is consistent with what we're seeing in the market overall.

Despite the change in the mix in our production for the period, our guidance on cost remains the same. We are pointing to the fact that we are trending towards the top end of the range of our cost guidance, given that our cheapest tonnes, generally Narrabri being our cheapest tonnes, aren't represented in the mix in the way we had set out at the beginning of the year. But we are within our range, which is very positive.

From an acquisition perspective, as I mentioned earlier, we've tucked away the 1.1 billion US facility, which is very positive. Five-year facility, a very good spread of people interested in that facility. With the pricing that I think people have seen quoted in the marketplace, with the credit metrics that the company represents, you can see why the interest levels have been strong.

Integration work is going at a pace, and plenty of people working on that. We are meeting our milestones, which is good to see, both internal milestones and also the regulatory ones that are before us. Competition clearances and other things requiring are progressing, and we are clearing those in a pace that says the early April timeline here is consistent with the ticking of those various competition clearances off.

From a sell-down perspective, we are exploring this. We've taken the time over the last month or two to think about the way in which we would approach this. Our starting point is actually to address the incoming interest in Blackwater in particular, which has been quite strong. Our view is to have a look at this first as a first opportunity to create a joint venture. We'll think about the opportunity with Daunia at a later date, given that it is enmeshed with our Winchester South, and being a more complex proposition in that regard in terms of two assets, we'll start with Blackwater and move on, given the interest is very, very strong in relation to that asset. That's logical, given Blackwater's quality. As well, understand, been in the market a long time, and people are very comfortable using it. Interest in securing long-term supply here is obviously strong.

Development projects ... I won't call that too much there, other than to say the $52 million that you see quoted there covers the whole range of things, but the vast majority of that obviously was going into the early mining case of Vickery, which is going very well.

The construction side of that is actually coming to an end. Our construction project delivery team are actually in the final throes of handing off to the Ops side of things as the early mining project comes to an end and it becomes more of an operational focus, as what will be at that time part of our GOC management team. We have encountered some early coal there, which is interesting, so that is going away for testing. Let's see. It was there in small volumes, but it is as we're clearing the bulk work that works around the site, and putting dams and so on in, some coal has been encountered. It's nice to see, but no change in terms of when we expect coal at the end of this financial year to emerge.

Narrabri stage three. There's not a lot to report for you, unfortunately. Obviously, the appeal from the Federal Environment Minister's decision not to do anything during this appeal process is frustrating from our perspective, but it remains in status until such time that hearing next month occurs. Our prospects for this haven't changed in that regard. We're satisfied with the proposition that this is not a case of any particular merit, but it's just annoying that the time is being consumed with these types of legal shenanigans.

Winchester South you would've seen during the course of the quarter that the coordinator general release the report and recommended that the project proceed, which is very positive. We're watching very closely as the government moves through the final information's of the approval process.

From a guidance perspective, what we mentioned there, of course, is that the mix of our tonnes have changed. We still remain within the overall range, which is good. The open cuts, as to say, here tracking towards the top end of that range on the open cut side of things. In Narrabri, we've given you a range to work with here at 5.1 to 5.7. Coal sales remain within the targets also, and our costs, as we mentioned, is certainly trending towards the top end with the change in mix of our guidance, but remains within.

From a capital expenditure perspective, we signalled along the way that obviously we would look at the priorities of capital expenditure during the course of this period with the announcement of the transaction to acquire Daunia and Blackwater. Those numbers now are in the range of 400 to 450 for this financial year.

With that overall, look from our perspective a good quarter. Very pleased to bang out a consistent quarter, despite the fact that Narrabri has produced a few less tonnes than we would like. The guidance remains the same but for that small revision to Narrabri.

With that, operator, I'll hand back to you. We can get some questions going from the Q&A. Thank you.

Question and answers:

Operator:

Thank you, sell-side analyst. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Raul Ende with Morgan Stanley. Please go ahead.

Rahul Anand:

Hi, team. Good morning. Happy New Year.

Couple of questions from me. Look, firstly, you've talked about the cost headwinds and the move to the higher end of the cost guidance. Can I please double check ... In terms of your switch to more Maules Creek versus Narrabri, I would've thought that Maules is a lower cost asset, probably a higher fixed cost base than Narrabri. Shouldn't you be getting some benefits out of that switch? What am I missing here, please?

Paul Flynn:

Thanks, Rahul. No, look, there's no change from our perspective in terms of it. If you like the order in the cost curve, merit order, if you like, Narrabri has always been our cheapest coal. But it does, as you point out, have a higher fixed cost base. To the extent that you're getting less volume out of it, obviously that fixed cost base gets spread over fewer tonnes. That's what I was alluding to earlier there, just in terms of the mix driving a cost trajectory to the upper end of our guidance parameters. Still within, but trending towards the upper end there. It's always been the lowest cost tonnes we have, but for anomalies.

Rahul Anand:

Got it. Okay. Just to follow up there, obviously Maules Creek doing really well this period ... Any relief from that automation side that led to this? Are we progressing more towards a resolution to that situation, or is this purely just operational improvement on the back of new mining areas opening up?

Paul Flynn:

Yeah. Look, I think the mine planning is improving. The quality of the mine planning and the execution of the plan in the quarter has certainly been a real focus for us, to want to get just more consistent production out of the site.

The quarter is actually typified by a combination of both autonomous and manned. In fact, we had periods when we're fully manned and periods when the two autonomous fleets were operating within that quarter. There's no real influence there to be noted as a key driver in that mix. I'll just say it's better planning and better execution. More consistent coal flow is what we want to see, rather than a mad rush in Q4.

Rahul Anand:

Got it. Okay. Just one question which might've been answered with your acquisition presentation, but I haven't gone back to it You talked about how Blackwater might be the first one that you'd be able to get another party interested who's an offtake partner. What is the current nature of the offtakes at the asset? Are there long-term offtakes already in place, or are some of these coming up for renewals that someone might actually be interested? Because, if they've already got long-term offtakes in place, I'm trying to understand why they'd want to buy a stake.

Paul Flynn:

Yeah. Look, this is not our asset yet, Raul, so I'll speak in general terms around that. Look, historically, as you know, unless you were a joint venture partner, the industry isn't typified by long-term contracts. Generally, if they've been evergreen one year, things would just roll, year, after year, after year. This mine's been around a long time, and so it has had a long history of those one year contracts just rolling.

That's been fine whilst the same people were all involved. Now there's a change in ownership impending, of course, and there are more interested parties in the market for this type of coal than there was in the past. A lot of this coal has traditionally found itself in the Japanese market, but the India market has become a very big piece of the puzzle here. There is competition for this type of coal. The users of that coal historically are understandably keen to secure longer term certainty for that volume, given that there are newer and big competitors in the market for the same materials.

No, there's not long-term offtake arrangements that we're aware of that are coming to a conclusion, it's really just a reflection of the fact that this is a big player. It's been in the market for a long time, change of control clearly coming up, and there are new entrants into the market who are looking to secure long-term supply.

You've seen them play out with other transactions, met coal space just recently. Where, say, for instance, the Indian market's been very active in trying to secure more volume for themselves. That's the dynamic that we see playing out in this. We'll keep the process off with Blackwater because the inbound interest, as I said, is very strong.

The Daunia situation we'll review at a later date, given that it is interrelated with Winchester South. Any attempt to try and sell down a piece of that would necessarily want to contemplate the integration of the two. That integration work is what we're embarking on now, to look at all the opportunities to tailor those two sites together.

Rahul Anand:

Got it. Okay. Look, I've got a few more, but I'll queue back in and come back. Thanks.

Paul Flynn:

Thank you.

Operator:

Thank you. Your next question comes from Chen Jiang with Bank of America. Please go ahead.

Chen Jiang:

Good morning, Paul. Thank you for taking my questions. A couple from me, please.

Firstly, just, BHP reported yesterday and increased the BMA cash cost. I'm wondering if your cost guidance provided in last October still intact for Blackwood and Daunia. Could you please give us some colour how you are going to reduce the cash cost substantially in the next few years? From the current level, BHP guided US 110 to 116 for the current financial year. Thank you.

Paul Flynn:

Yeah. Thanks, Chen. Look, that's a good question. We have limited capacity to answer that, obviously given that we don't own the mine yet. The guidance that they've given isn't Blackwater specific, as I understand it. That is across their portfolio, so there's a blended outcome there. We're watching that very closely.

Of course, the numbers that we gave when we announced the deal wasn't about next year's numbers, it was actually an average over five years. There's obviously lots of keen interest on our side as those numbers were reported. We have some opportunity to get a glimpse into this along the way, given that we are the incoming owner.

We are monitoring that closely, but obviously these assets remain in BHPs hands. We have contractual arrangements in place to take account of changes in the operation. To the extent that there are, we have some protections in that area. We are keenly watching it, but again, those numbers that we gave you back in October were averages for the five year. Our plans in terms of efficiencies and opportunities to drive these mines into a lower segment of the cost curve remain the same.

We're keenly watching this as this plays out. It won't be long before we'll obviously get to have a look at this, because, as they have noted and we have noted, we expect this transaction to complete in early April. It won't be long before we're seeing that.

Chen Jiang:

Yeah. Sure. Thanks for that maybe just another follow up on the BMA. BHP yesterday mentioned there's a significant increase in the planned maintenance across all the BMA assets, and also increase the prime stripping. Is that what you're expecting for Blackwater and Daunia as well, we will take over the operations in two or three months' time? Thank you. Sorry, early April.

Paul Flynn:

Yeah. That is consistent with our due diligence and our negotiations with them that they would be in that phase.

Chen Jiang:

Okay. You are expecting the planned maintenance increase and increased stripping schedule from Blackwater and Daunia? Okay. Thanks. Maybe last question-

Paul Flynn:

Blackwater is really ... Chen, you just need to remind yourself here that their guidance is actually on a group basis. The MA guidance, right?

Chen Jiang:

Yes.

Paul Flynn:

They have other big mines in different stages of their mine plan sequencing. Whether a maintenance, or stripping, so on. The numbers they've given you don't actually relate to our mines specifically, or the mines that we are to own specifically. It's actually a group basis. I think we just need to be cautious in terms of deducing that the comments they give you on a group basis necessarily apply to Blackwater and Daunia.

Chen Jiang:

Okay. All right. Thanks. Maybe last question, Paul, please, just in regards to the 20% sell down, it seems like you prefer to sell down the minority from Blackwater first, and then Blackwater and Daunia will sell separately to different JFA partners. Is my understanding correct?

Then, what is the current thinking around the use of proceeds from the sell down? Will this go towards reducing your gearing, keep on the balance sheet, or return to shareholders? Thank you.

Paul Flynn:

Thanks, Chen. Yeah. Look, I wouldn't be inferring preferences too much there either, quite frankly. As we've noted in previous calls, there are differing levels of interest in the assets from a joint venture participation perspective. Some people have expressed interest that are interested in both. Some people who expressed interest are interested in one or the other, depending on how much they know or how much they've procured in the past from one or the other.

All I'm highlighting from our perspective is, the simpler answer is there's very good interest in Blackwater in particular. Been very strong interest in it. It is unencumbered by the need to study an adjacent, undeveloped, and soon hopefully to be approved asset, such as the case of Daunia.

From a mechanical perspective, there's a few more steps in the process that need to be considered. Of course, we think Winchester South is a fantastic addition to Daunia, and gives that complex a 50-year life, but you need to map out properly the synergy opportunities and the value that you might seek from someone if you want to sell a piece.

That's all I'm highlighting here. Not too much a preference for ... It's just the practicalities of life that we're highlighting here in terms of how this would play out.

Chen Jiang:

Sure. Thanks.

Paul Flynn:

For the process, Chen, just goes obviously into the business, and in terms of whether or not we are allocating that one direction or another. Obviously, as you would understand, we obviously have vendor finance over the next two years that we need to address. Any money that comes into the consolidated coffers will obviously be there to assure everybody that we're meeting all our requirements absolutely.

Chen Jiang:

Okay. Thanks, Paul, for that. I'll pass it on. Thank you.

Paul Flynn:

Thank you.

Operator:

Thank you. Your next question comes from Caleb Heiner with Goldman Sachs. Please go ahead.

Paul Young:

Hi, Paul and Kevin. Happy New Year. It's Paul Young here. Hope you had a good break over Christmas.

First question's on the operations, specifically on Narrabri. Paul, it's another year, another geological challenge. We've seen dikes and faults, intrusions, and now a washout. I'm just trying to get a sense of, on the go forward, particularly for, say, the next one or two years, can you just step through any other geological features that you want to call out? Also just remind us, please, of the timing around the longwall changes.

Paul Flynn:

Yeah. Hi, Paul. They're good questions. I've got Ian sitting next to me, and I'll hand pass to him on that one.

Look, this one, as we knew, being obviously on the eastern side, flank of the mine in terms of where the seam essentially washes out from economic extraction with the longwall. That is, we always knew that there were going to be these types of washout features there.

The challenge here for us is that, in this instance, the behaviour of the roof with the longwall is different from what we observed when we were driving the main gate and all the gate roads on either side of this thing. We didn't see anywhere near the types of roof challenges as a result of driving that drive, it's just we are seeing with the longwall. There's certainly the different behaviour there.

It slowed things down, which is pretty annoying from our perspective. It's all manageable, but it's just annoying, the productivity shifts that come with that.

Ian:

Yeah. Paul, I'll just jump in there. You referenced some of the historical challenges we've had. In respect to the faults and those items that we had in the previous blocks, I think we've run through what we're doing there with the amount of drilling we're doing now. I think we mentioned the term Yabby, which is something we've developed, with a number of other technologies to ensure that the blocks don't have any major faults, which has caused us some problems before.

A bit of context, the washouts are ... I'd call them small intrusions coming from the conglomerate that lies immediately over the top of the seam where we are at the moment. As Paul said, on that eastern side, we're near what we call the sub crop, so where basically the seam starts to thin.

As far as the progression of the blocks 204, 205, what happens is the seam starts to thicken up and the conglomerate starts to move off the top of the coal. The impact of the little fingers, for want of a better term, that are coming down into the coal seam from the conglomerate reduces as we head to the west.

I think you asked a question about the next move. We're anticipating that'd probably be in about Q3, FY25.

Paul Young:

Okay. Great. Thanks, Ian. That's good detail.

Maybe moving on to projects and the announcement of the CapEx reduction around $100 million, Paul, any thoughts around reassessment of projects and sequencing of projects? Vickery versus Winchester, versus brownfields, and how you're thinking about sequencing projects. As far as the CapEx cuts are concerned, I presume it's out of development, growth, and the other buckets that you released with your FY23 results.

Paul Flynn:

Look, Paul, there's nothing magical that's changed in our thinking around the projects themselves. There is a natural element of deferral of capital that comes from the slower production at Narrabri, and so thoughts around longwall replacement capital and so on defers out into the next year so we can deal with that then.

The capital for early mining at Vickery, as we highlighted, that has gone in and doing well. We're pleased with that. As I mentioned, there's some early signs of some coal, which we're exploring. The first evidence of coal coming through for proper washing is very at the back end, late in this financial year.

In terms of CapEx, our CapEx generally, as you know ... We put a wide range out there, and we've underspent. Obviously I think everyone's just been busy, and the priorities just have slid to the right to some degree.

Winchester, no change. Winchester, no material CapEx required there. Nice to see the coordinator general's report. That's fantastic. Let's see the full state-based approval hopefully soon. The federal APBC approval obviously working in parallel, but still. You've got to think, between legal shenanigans and the Fed's approval process, you're still two years away from that. That two-year window is ideal in the sense that we want to study very closely the opportunity for integration at Daunia and Winchester South. That'll be a really important piece of work that we embark on once we take ownership here.

Paul Young:

Yeah. Thanks, Paul. You're saying basically it's mostly Narrabri, just development?

Paul Flynn:

Yeah. Mostly Narrabri slid to the right as a result of this low rate. There's no point in ordering a longwall list, as Ian's just highlighted to you, that the change out from one pound to the next is going to be further into next year. Look, all that stuff will slide to the right, and we'll address that in the new year.

Paul Young:

Okay. Great. Just the last one, just on cashflow movements. I know it's not the financial result, but as far as where the cash balance settled, you've got the cash tax you've articulated there, and also the deposit. Anything else you want to call out from a cashflow move perspective? Understanding that inventories came down, so obviously that working cap came down. Just, that cash balance was a little bit lighter than maybe some expected.

Paul Flynn:

Okay. Yep. Thanks, Paul. Kevin's chomping at the bit to answer that one.

Paul Young:

Answer, Kevin, just to bring him into the mix.

Paul Flynn:

Yeah. Thank you.

Kevin:

Thanks very much, Paul. I think the answer for that is that you've got a receivables bill at the back end of December that's unwinding very early in January. It's just the timing. It fell to place in the December quarter.

Paul Young:

Yeah. Okay. All right, Kev, that's great. Thank you.

Kevin:

Thanks, mate.

Operator:

Thank you. Your next question comes from Chris Drew with Jefferies. Please go ahead.

Chris Drew:

Morning, Paul. Kevin, happy new year. Thanks for the call.

Question on the autonomous haulage, following up from the earlier comments. I guess you're getting towards the period that you'd given yourselves for the assessment of whether to pursue or continue with this. Any comments on how that is shaping up? Are you starting to get a little bit more confident in what's happening there? Thanks.

Paul Flynn:

Yeah. Thanks Chris. As I highlighted earlier, the quarter itself had good signs from autonomous performance at periods, but then there are also times when we threw people back into the gear as well. Nothing really changed in that regard that we'd point to, but we do have some time remaining in terms of that consideration. As you're pointing, we have put a timeline on that. There's not limitless time, so we will come to a conclusion on that relatively soon.

As I say, the quarter had rolled out consistent with the previous quarter, as being a mix of both manned and unmanned activity, which is not what we want generally. We want to see more unmanned.

Chris Drew:

Great. Thanks. Perhaps just a point of clarification on the CapEx reduction. Are you suggesting this plan is just to take that CapEx reduction and roll it into FY25, or would that be out of line with your expectations?

Paul Flynn:

That would be the most conservative position from a CapEx projection perspective, but I probably would suggest to you that it's not solely just a move to the right. There will be some further reevaluation of the CapEx profile next year.

Chris Drew:

Okay. Great. Thank you very much. Thanks, guys.

Operator:

Thank you. Once again, if you wish to ask a question, please press star one.

Your next question comes from Glenn Wilcock with Barrenjoey. Please go ahead.

Glyn Lawcock:

Morning, Paul. Happy New Year. Maybe we could just ... Can we just touch a little bit more on your cash position banks? I heard what Kevin said about the working capital to unwind in the second half, but you've got to pay BHP 3 billion Aussie probably in April, and another 400 million in stamping costs for the advisors, so 3.4 Aussie. But you've only got 3.1 billion in facilities, both cash and the new debt facility you put in place, so you're about 300 short.

You only generated free cashflow in the last three months of 50 mil. Just how do you think about that funding shortfall, or is there enough working capital unwind or what? Thanks.

Paul Flynn:

Yeah. Thanks, Glyn. Kevin will want to jump into this, but yeah. Look, we certainly feel comfortable about what we've put in place here in terms of meeting all our obligations. I'm not sure about your math and the alignment of your math to our math, but we feel comfortable about the cashflow generation of the business.

There's been some one-offs in this last quarter have shown that the cash balance is a little less, but the third and fourth quarter, the third in particular, will be obviously influential in terms of how that plays out. We've got plenty of opportunities to if there's any unforeseen changes, that we can make sure that we're in good order on the settlement day.

Kevin:

Yeah. No, I'm with you, Paul. Look, Glyn, I see your note that you dropped down about 9:30 this morning, and that was one of the points you put in it.

My answer for you would be that we've been through this thing for the last seven months on, "Where do we think cash is going to be?" and, "Where do we think we're going to get funding from?" We are confident we are able to settle this transaction together with the associated costs, and we've got the liquidity to do that.

Yes, the unwind of the receivables has taken place, and we've got a strong third quarter coming. I'm busy with planning on integration and trying to stand systems up to make this thing take place on the 2nd of April.

Glyn Lawcock:

Okay. No, understood. Obviously, price can move around, but it's just the one funding facility you've got, the 1.1 you just put in place. You didn't hang on to the 900 million facility. That's gone.

Kevin:

The 900 was a bridge, and the bridge was taken out by the 1.1. What I'd say to anybody on this call is that we were very pleased with the response from capital providers, and by that I mean you can assume that this was substantially oversubscribed. We like a structure. If we've worked through the thing, we're confident we'll close this thing on the date that's coming.

Glyn Lawcock:

If I was to be right, I guess you just get more facility in place to bridge whatever gap you've got between that and the sell down? Anyway ...

Kevin:

I reckon we'll just head down the path of closing this thing on the 2nd of April as we planned, so we're good.

Glyn Lawcock:

Yep. Okay. Then I will look forward to it.

Look, just on the acquisition and the assets ... I know, Paul, you haven't taken control, and you've made a few comments about that already, but you've obviously got access to site, and you've been up there. BHPS ... They said about 60% of their reduction was weather related, and the other 40% of the reduction was obviously the disposal of the assets.

It has been extremely wet both in the south and the north. Can you make any comments about how the mine's fared with the rain? Is it at all, from the observations being on site?

Paul Flynn:

Yeah. Look, we have been up and around the sites. We haven't been obviously living there, of course, Glyn, because they've got a business to run and we want them to run that business right up to the day that we take ownership.

It has been wet. You're right to point that out. Generally the effects there in particular haven't been so bad. There's been a bit of it at Daunia, less so at Blackwater, but we're tracking it.

As I mentioned earlier, we have arrangements in place if there are variations in the operational metrics at the time that we take ownership. Those metrics don't actually the risk of weather's not on us generally, it's on them. If that causes any of the metrics to be able to step with where we think they should be on completion, then there are protections in there to deal with those things.

We're watching it closely, of course, just because we want to make sure that the mines are operated basically consistent with their budgets, the way they said they wanted to. So that, when we take over a mine, that's being operated in a way consistent with what their plans set out to be. Obviously we are not relying on their plans. We built up our own plans, as I've mentioned in previous calls, from scratch, but we want to know where the face positions are at a particular point so that we can actually then move on with our plans.

Look, I think that they're in reasonable form. As I said earlier in the previous call, I don't think it should be right that the group guidance they've given on BMA is necessarily applicable to these two mines in particular, because I don't think they are. In fact, I think that generally they're doing okay.

Glyn Lawcock:

Yeah. Then, just on the sell down, just as a final follow up, obviously it'll be an offshore buyer, so probably a little bit more scrutiny on the acquirer than being put on yourself buying the assets off BHP. How quickly do you think you could close something behind the 2nd of April? Is it a matter of a quarter, or is it going to take a little while, do you think?

Paul Flynn:

I think it'll be driven by who the successful parties are, Glyn, because there's a range of different names in there from different jurisdictions. Some are wanting to move very quickly, and others we know take time. There'll be a variation in there.

The key for us is, as Kevin said, we're very satisfied that we'll settle the deal. It doesn't sit ... We settle the deal on our own, so this is an action subsequent to that. It's really about getting the right constitution or the right constituent members of a joint venture if you're going to do that.

We are keen to do that, so we think that that model has served us well. The interest is strong, so we should capitalise on that. Of course, the asset values themselves, if one looks at ... Even long-term met coal prices have improved, so it's a good opportunity for us to try and bring that to a conclusion.

I won't put a date on predicting when that would be. I think that will be bound to be wrong, one way or the other. But it's very positive, the inbound interest we've got, and we'd just like to capitalise on it. As I said earlier, it's just the mechanics as to why, "Let's launch," with one and get this done. Then the other one, as I say, will be subject to a bit of study between the integration opportunities between Daunia and Winchester South.

Glyn Lawcock:

The 20%'s a hard number? You won't go above it?

Paul Flynn:

It feels pretty good. If we get overwhelmed with interest, it's like the funding. We're well oversubscribed there, so we took a little more. Can you draw the same analogy here in terms of that? 20% I think is about right for us, but if we're overwhelmed, we're open-minded. We said previously 30 would be upper limit, and we remain at that being an upper limit, but I think 20 is a good place to sit.

Glyn Lawcock:

All right. Thanks very much for your time, Paul.

Paul Flynn:

Thanks, Glyn.

Operator:

Thank you. That concludes our question and answer session. I'll now hand back to Mr. Flynn for closing remarks.

Paul Flynn:

Thanks very much, operator. Thanks, all, for your time. If there's any further questions, you know where to find us. We look forward to catching up with you in due course. Appreciate everyone dialing in. Thank you.