WHITEHAVEN COAL Q3 FY24 “Quarterly Production Report”

INVESTOR CALL TRANSCRIPT

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

Introductory comments / Overview of Q3 FY24 Quarterly Production Report

“Paul Flynn”:

Good morning everybody, and thanks for taking the time to dial in this morning to March 2024's quarterly report for Whitehaven. I'm joined here by Kevin Ball, our CFO and Kylie FitzGerald, our head of IR. And as usual, I'll go through the highlights in our report, and then move on to Q&A. So, thanks very much for your time. The highlights obviously for this quarter. The first one, obviously the dot point here is the acquisition of Daunia and Blackwater from BMA, completed on the 2nd of April, and transforming the company into a metallurgical coal producer. Average realised prices for the quarter at $219 a tonne Aussie, and I'll talk a little bit about that further on. ROM production at 4.4 was 13% lower than December, while the year to date number is actually above by about 12% period on period. March quarter managed sales produced represents the same sort of relationship, 16% lower than the December quarter. Total equity sales produced for coal 3.1Mt and 16% lower.

Whitehaven is on track for the overall ROM production guidance of 18.7 to 20.7 and sales guidance for the year. And, of course, we know there's high interest in the acquisition, so we wanted to give you some numbers to work to for the Queensland operations, which we'll figure into the June quarter at 4.5 to 5 million tonnes of ROM production and 3.5 to 4 million tonnes of sales for the June quarter. Onto safety, look, safety performance period on period has continued the very positive trend that we've had. So, we've had a TRFR down now at 3.45 which represents a 27% improvement from last year, which is continuing the trend of improvement in this area. As we always say, more effort required, but those are positive trends to continue to see less incidents occurring across our business.

Now, coming back to the operations, Daunia and Blackwater, obviously the acquisition has been completed, very pleasing to see that, very positive and I'll talk about the transition. I'm sure there'll be questions as well, but the transition has gone very well, which is very positive. Obviously, this is the last quarter we'll be reporting in our current form, and as I say, those production guidance and sales numbers have given you for what to expect for June. Obviously, we'll have a June quarter, which we'll be talking to you on July 19th, I think is the date. So, you'll get the first glimpse of the numbers coming out from our first quarter for the Queensland operations. And, of course, our full guidance will be given then with the full year results, which will be released to the market on the 22nd of August, on which time you'll see the aggregated business together and its guidance for next year.

Overall, as I say, ROM for the period, 4.4 million tonnes, 13% lower than December, reflecting very good operations from our open cuts in fact, and obviously less tonnes than we would like from Narrabri and we'll talk to that separately. The numbers there, you can see both the boxes are solid performance from our open cuts, very pleased to see them running well and to the top end if not over the guidance that we've given you on the individual sites for the open cuts. But, I think the most important thing that I can point out here is that this has continued a solid performance from our open cuts throughout the year. And so, we see ourselves on a year-to-date basis ahead of where we've been in the previous year. And so, certainly de-risking the balancing quarter for the year, the June quarter with not as great run rate required in order to deliver ourselves into our guidance range for the full year's operations.

Maules Creek as I say, it's been very solid, and you can see those numbers not just the quarter-on-quarter 2.8 versus 3.1 for the quarter from the ROM sales, but I think if you look over the year-to-date, you've got 8.8 versus 6.2. That's a very much improved consistent performance for the mine year-to-date quarter-on-quarter, just delivering a more consistent outcome, which is very positive to see. Saleable there at 2.3 was broadly in line with the previous quarter. Coal stocks at half a million are down, and we've drawn some stocks there obviously as you would when the sales opportunities present themselves. Narrabri has been a continuation of its difficult quarter that we had at December, and as we mentioned before when we had the discussion about that at the December quarter, that our guidance had really anticipated a replica of the first half continuing into the second half and that has been the case.

The lower tonnes 657 versus 1075, the difference there really is mechanical issues largely. We have certainly suffered in this ground mechanical issues. We've mentioned here just the AFC performance itself and in particular the AFC chain, which is we've found some quality defects in there that have manifested themselves more pointedly as we've been going through these difficult conditions. Interestingly, we have swapped out our chain and with the support of one of our very supportive peers in the industry, being able to access a chain quickly that they had in parts only to find that that brand new chain also from the same supplier also had the same quality defects in it as well, which speaks to a bit of a quality control issue that we are working through with the OEM. But, we are back up and running and we are, as we mentioned before, moving into better ground. And so, the last few weeks the run rate has been much improved and more consistency coming out of the site, but there's no doubt that we turned out less tonnes in Narrabri in this quarter than we would've preferred.

For Gunnedah open cuts as I say at the start of my commentary earlier, just on the open cuts having performed well and you can see from the numbers here, both Tarrawonga and Werris have been doing exactly that. And again, the point I'd make when you look at the year-to-date numbers, they're both knocking out repeated quarters, which is more consistent performance than what we want to see rather than a flurry of activity in a quarter than less in the following. So, that's positive for us. And so, overall the numbers are looking good there on both of those sites. Werris Creek, well, in fact it's the last quarter that you'll see of Werris Creek for a full quarter, because it will come to conclusion during the course of the coming weeks from a production perspective and move into the rehabilitation phase.

So, you recall that we did have a geo-technical slip there some quarters ago and we were cautious about being able to recover all the tonnes there in that area, but the team's done a great job in successfully navigating its way through that and there will be full recovery of the tonnes available there to be mined despite that slip, which would be a very positive way to finish up the production phase of Werris and moving into the rehab phase. So, good numbers there from all the open cuts, which is very positive to offset less tonnes out of Narrabri.

Over to pricing and realisation, despite a lower thermal price from a gC NEWC perspective quarter on quarter, we've actually done slightly better than the December quarter, which is very positive. The index is 7% lower quarter on quarter, but we've actually achieved a better result there being slightly better, and so an 8% premium for our gC NEWC sales, which is very positive.

There is, of course, a settlement for the April start of the JPU pricing framework and it's been reported between the 145, 146 U.S. dollar range, which is a very good number. So, we're just waiting for published confirmation of what seems to be an agreed price and expect to see that imminently. From the domestic coal reservation policy, which is, as we all know, a very unfortunate initiative and largely be seen as a policy failure from our perspective in terms of the outcomes required from that, that comes to a conclusion at the end of June, which is very positive to see, but you can see we've put 145,000 tonnes into this policy at an average price thereof, realised of $112 Australian. So, very good to see the back of that, and our table there provided just in terms of realisations. Again, there's a few milestones in this report. Werris Creek, of course, the last time you'll see a full quarter's earnings, and this table also with 91% of our revenues as a thermal company and 9% metallurgical, that'll be the last time you see that as well.

So, that will transform very quickly obviously with the Queensland operations, skewing ourselves very positively towards the met coal side of things, more in the 70% range of revenues going forward. In terms of the market dynamics, gC NEWC has been, well, it's been steady is probably the best way to describe it. I don't think the market has been setting anything alight in any great form, but it's been very steady and consistent, which is very easy to plan for, which is nice. So, we've been in that range 120 to 130. It is obviously trending up. We do see some tightness coming out, so I can see the forward curve tightening up quite a bit, which is nice. But, in terms of our realisations there, we've done a good job in this period to bring ourselves in 8% over the index for that period.

The met coal, whilst it has softened, has certainly recovered pretty well and we've seen some very positive movements overnight, so down from the 333 down to 308 and obviously somewhat softer than after, but we've seen it jump again into the mid to high twos, which is looking very good from our new ownership of these assets in Queensland to say. Our revenue split going forward won't be the 91/9. It'll be 70/30 met going forward, which is a very positive transition for the business to be making overall. So, as the transition itself has gone exceedingly well, we're very pleased of where the transition landed two weeks in now. It'd be safe to say the amount of issues that we've uncovered along the way have been minimal, and from a people and IT systems transition perspective, I think the hard work that we put in advance of completion of the transaction has been paying dividends and broadly a very seamless transition, I have to say.

People have been paid, procurement activities have been undertaken, cash will be received from the sales that we've been making. I think we've made five shipments already under our ownership, which is great. So, all of that has gone very well. Obviously, the consideration paid on the date, the 2nd of April, $2 billion funded obviously with cash and obviously the bank facilities we put in place, which now transforms our balance sheet from being obviously net cash obviously for some period of time. Now, we have a net debt position of 1.4 billion Aussie after having put in place and secured a revolved facility there for a 100 million U.S. in order to provide liquidity for the business. Our process for the sell down of up to 20% of Blackwater is ongoing, and there are strong bidder interest in this process, so that will continue over the next few months and into the balance. Our objective here is to see that settled by the end of this calendar year.

From a development projects perspective, early mining, Vickery has gone very well and has largely completed the construction effort and will be handed over to ops very shortly, and that's all gone well from a timing and budget perspective, very positive to see that. And then, from Narrabri stage three, there's not a lot to report here. In fact, as anybody who's watching that will have seen that the hearings for this appeal that this federal case has come and gone and we are waiting on judgement there. Positively from a development projects perspective, Winchester South, as you'll note, did receive its recommendation for approval at state level, but it does then move into the courts as is the way in Queensland. Anyone who's objected during the period of open exhibition does have a chance to test their arm in court. So, we are ready for that and we will work our way through that as it proceeds.

From a guidance perspective, our ROM guidance remains the same, so no change there in terms of ROM guidance or sales guidance for that matter. So, feeling confident about that. Less tonnes from Narrabri. Usually our cheapest coal has moved our costs certainly in this quarter just over the top of our range. But, with improving performance over, as I mentioned earlier in the last few weeks and transitioning into better ground, we feel that the guidance trend is to the top end of our range rather than over it as the particular quarter was just based on lower Narrabri sales in that quarter. ROM remains the same. The open cuts doing very well and exceeding their individual targets, which is great. Sales also remains the same, and Capex is trending to the bottom end of the guidance overall.

So, from our perspective, a solid quarter from the open cuts, very good. Narrabri, a little bit less than we'd like, of course, but improving now. And clearly, Daunia and Blackwater being the transition point for the company, which we'll see the company forever different from what it was in the past, and the transition itself is going incredibly well. So, we're very positive. The people on site are very enthusiastic about the change that's coming their way, and from all the town halls and meetings and briefings we've given over the last few weeks to meet as many as the people we can on the new sites. Energy levels are high and people are looking forward to the future. So, with that, I might close up the report itself and move into the Q&A. Thanks operator.

Question and answers:

Teleconference Operator:

Thank you. Sell side Analysts, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press *2. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand:

Oh, hi. Morning Paul and team. Thanks for the call. I've got two questions. Look, the first one is around Blackwater and Daunia. You've obviously had the keys for a couple of weeks. I was just interested to hear your thoughts on how you think the assets are versus your initial estimates of costs and price realisations of the assets that you presented in the presentations at the time of acquisition. That's the first one.

Paul Flynn:

All right, thanks Rahul. Look, no major surprises I have to say, which is nice to be able to say. Obviously, you've seen BHP's reporting yesterday from a BMA perspective, I note that Blackwater's called out as being one of the contributors to their results, so a few less tonnes have come out of the miners than I'm sure they would've planned, but that's for you to talk to them about. From our perspective, you may recall we had protections in the sales agreement relating to the performance of the mine from a strip ratio perspective, that has been maintained. So, what we've got from our perspective, the transition to us has been a mine that is consistent with the strip ratio expectations that we want to see. Although volumetrically, they move less dirt and coal, but that's really an issue for them rather than us. So, in our sense we've inherited the mine or the mine has transitioned to our ownership with a strip ratio that's intact from what we expected.

Outside of that, there's nothing particularly exciting to call out, that there's plenty of coal on the ground, plenty of coal actually still open in the pit as well, which is very positive. So, from our perspective, the sales book looks good, realisations on contracts for sales are as good, if not slightly better than what we've seen or what we assumed during our DD phase. So, that also is a positive thing to be able to say. But, operationally, the challenges here, as we mentioned before, our view of this is, the real opportunity is to get the draglines swinging as consistently as we possibly can. And so, there'll be an investment, of course, in opening up the mine as we've talked about at previous quarters and making sure that that remains the same.

Rahul Anand:

Got it.

Paul Flynn:

Nothing exciting to see at Daunia, that's been operating consistently. And so, no surprises at all there.

Rahul Anand:

Excellent. So, I guess, your risk on the cost side is minimised, given that sales agreements should protect this side of things. But, you've probably had a few shipments or if not a shipment since you've had the keys. Are price expectations still going to plan as per the presentation initially provided?

Paul Flynn:

Yeah, well, that's for sure. We've had five shipments go, and the contracts that they're going under, we've inherited a book which is about 80% sold, so there's not a lot of work to do from our perspective sales-wise in the short term. So, that's great. And just circling back to the comment I made just there a little bit earlier, which I'll just expand on. The realisations that we are seeing now that we have received the sales book are slightly better than what we budgeted for or that we used in our bid model. So, that's positive to be able to say that. So, look, that's all trending in the right direction for us.

Rahul Anand:

Excellent. That's excellent to hear. Thanks for that. Look, the second one is perhaps one which you can't answer it in a fulsome way, but I guess, any updates you can provide on the stake sale? You're still targeting a 20% sale as far as I can see. Any updates on timelines, your expectations, anything you can tell us in terms of those things?

Paul Flynn:

Well, nothing further other than to say that that process is well and truly underway, and there's good bidder interest, so we're very positive about that. No change in our expectations in terms of what we would like to do. The interest levels are higher than what we have announced we would like to sell. So, the formation of the joint venture is around 20% is what we've said. The interest levels are higher than that, which is positive from a competitive tension perspective. And bidders are immersed in the data room doing all the work and asking Q&A the way you would expect them to, which indicates a good, genuine level of strong interest. And so, we're very positive. So, as I said earlier, our expectations is to wrap this up by the end of the calendar year, but obviously there's lots of different hurdles and milestones that go in before that is concluded. So, over the coming months there'll be more to say in terms of where that gets to.

Rahul Anand:

Excellent. One final one from me if I can sneak it in is just around Maules Creek autonomous strategy. Obviously, you've gone back to manned trucks, etc. Can we now assume that that's the end of your quest to go autonomous or do you try to get a different supplier on site? I'm just trying to think about medium term and going to 16 million tonnes or higher than the 13 million tonnes let's say at site, and that was dependent on autonomous. Thanks.

Paul Flynn:

That's a good question. Look, you've seen that obviously we've terminated our trial of autonomous. Now, that's not something that we did without examining all the options first. But, from our perspective it was the right decision and obviously wanted to do that in conjunction with our friends at Hitachi, because we obviously have a very strong relationship with them and they have a lot of gear operating across our new South Wales sites. The challenge there, as we've spoken about before, is that this is a big mine from an output perspective, but in a relatively small footprint, which is compounded by the fact that you've got 15 seams there. So, the inability to integrate manned and unmanned equipment there, as we have now essentially transitioned into complete in-pit dumping, that penalty that I've mentioned before about the productivity penalty that would've imposed on us was just unpalatable.

And so, we made the difficult call to finish up that experiment. Now, that doesn't mean that our journey with autonomous is over, far from it. Obviously, we bought Daunia, which is fully autonomous and uses the CAT system, which obviously has had more time for development than Hitachi did. So, it's not whether one's better or the other, one started later in their journey than the other. And so, the product that we've acquired there with Daunia is more mature and we see upside in thinking about how we could deploy that across the business. But, in terms of Mauls Creek, for its immediate future, we will be running that manned. And with the labour market loosening a little bit, we've been able to man or return to a fully manned status pretty quickly. So, that is now done.

Rahul Anand:

Brilliant. That's all from me. Thank you very much. I'll pass it on.

Teleconference Operator:

Your next question comes from Lachlan Shaw with UBS. Please go ahead.

Lachlan Shaw:

Morning, Paul and team. Congratulations on closing out the acquisition of Blackwater and Daunia. Two questions from me. So, firstly, just on Narrabri and the geological issues there, is that as expected? And, I guess, how should we be thinking about what lies ahead in coming quarters? I'll come back with my second question.

Paul Flynn:

Thanks lot. Look, it's disappointing, but it's not inconsistent with what I said before in December. We forecast essentially a replica of the first half repeating itself in the second half. And we were obviously going through a challenging quarter in the December. That obviously didn't change miraculously by virtue of crossing over to the 1st of January. That has continued through this quarter. As I said, the issues there, the equipment has taken obviously a bit of extra wear and tear as you've had more of these intrusions falling onto the face than being ground up across the AFC. And that has caused wear and tear related matters, which have, as I mentioned, highlighted some weaknesses in our current chain. Now, we have changed that chain out, so we went through a process of obviously removing the links that were the faulty ones, but we then called on, as I said, one of our peers who's got a long haul similar to our own, had a chain available in spares. So, we got that quickly, put it in there, only to find that they had some of those issues as well.

So, there's obviously a quality control related matter there that needs to be dealt with. We have ordered a new chain anyway for replacement purposes as well, but we are moving into less intruded ground, and so our run rates over the last few weeks have been on the up and up, which is good. So, we're thinking that the worst of it is behind us, now we're moving into a better phase. So, as we said in our guidance, we're tracking below where we'd want to be, but Narrabri is offset well and truly by the performance of our open cuts to keep us within our overall guidance on ROM and sales.

Lachlan Shaw:

Understood. That's helpful, thank you. And then, my second question is just on, I guess, system inventory, quite low at the moment, and certainly if I think about BHP speaking to similar issues across Queensland coal, do you foresee a period where you will look to perhaps rebuild inventories across your supply chains, both in New South Wales and Queensland? Thank you.

Paul Flynn:

I think that's a fair question. We've certainly taken the opportunity to monetize some stocks that we had laying around, well, it hasn’t been laying around. We did have some higher ash stocks, particularly in Tarrawonga, which we've used the opportunity to convert into cash obviously, and cash being important ahead of the settlement. So, we took that opportunity to do that. And then, Narrabri itself, of course, with its lower volumes means that there's less stock to play with there, of course. So, there will be a sense that we will be building that back up, not just in this quarter but into the new year. The Queensland operations, as I mentioned earlier, are actually not, they are not in a position where we've got concerns about continuity of stock there at all.

So, Daunia did what was it intending to do, which is very good and has delivered us into a position where there's very low risk in terms of the sales outlook from that perspective. And I mentioned earlier just Blackwater, although clearly there's less dirt moved and less tonnes have come out, but in terms of the inventory position that we have purchased, that is healthy and there are healthy stocks in the pits yet to come out. So, that also goes well for good sales program and a very positive sales pathway in the opening months and quarters and years of our ownership here. But, as I mentioned earlier, there's an investment in broken ground that we need to make and that's just part of our plan to open the various pits up further to make sure that the draglines swing for longer before they move. And that's not a new issue. That's one we referenced a number of times since we signed up to buy Blackwater in particular, and that will be an investment we can outline in the full year's discussion.

Lachlan Shaw:

Great, thank you. I'll pass it on.

Teleconference Operator:

Your next question comes from Paul Young with Goldman Sachs. Please go ahead.

Paul Young:

Morning Paul. I hope you're well. Paul, just to expand on the Blackwater comments a little bit with respect to the stripping, just to clarify. So, looking at Blackwater's performance in the March quarter, I think it was a tough quarter, but also for all big open cuts in Queensland. I think it was the second-lowest production number from Blackwater on record. But, as far as BHP investing in the strip and where the waste stripping profile looks like for Blackwater, BHP yesterday said that they need to continue investing in stripping across their assets and they won't really catch up on stripping until calendar year '25. Is that the same case for Blackwater; i.e., the next 12 months waste stripping will continue to increase?

Paul Flynn:

Paul, look, they definitely were, as I mentioned earlier, we had obviously a requirement in there that they continued the investment in that stripping, because this is not a new issue. They'd identified this pre the process opening up, and had embarked on an investment in that. And so, the strip ratio was actually higher as a result during the last 12 months and obviously leading up to the period of our ownership. That investment will continue to be made. They're part way through that process, but as you've referenced and as they've already spoken to in their results, they were obviously through the return across all their sites, but the relevant piece is obviously Blackwater for us. So, we will continue that process in the next 12 months. So, yes, there will be an investment required there. It's not huge, but it still needs to be made. And there are some other nuances there which go in hand in hand with that.

We know that explosives have been in short supply out there, so that's also something which we've been working with BMA to address over the last month or two and have come to some arrangements there to ensure that we've got the continuity supply of explosives to ensure that we can fill the holes and blast the ground as soon as that drilling is completed. And so, that will be an investment that we need to make. Clearly it's not just overburden in advance, it's the capacity to actually drill the ground out, blow it off, and then open up the benches so that the draglines can operate more effectively.

Paul Young:

That's helpful, Paul. And then, maybe switching to pricing and particularly on thermal coal, which you achieved a pretty good price in the quarter, and good to see the settlement with the Japanese utilities by Glencore around 145. And thanks for showing your sales into JPU. Paul, the question is around the underlying spot market though, like those volumes are not sold into gC NEWC. Around what percentage of your volumes at the moment are you selling into spot? So, outside the contract price, outside the gC NEWC platform, and what sort of pricing are you seeing within the actual underlying spot market?

Paul Flynn:

Well, the spot market is the gC market, right? They're one and the same. We don't sell generally into anything spot outside of that framework. So, obviously the Korean sales obviously agreed on annual price. Taiwan uses a combination of gC NEWC and also JPU pricing. But, the spot market for us is the gC NEWC market, and we settle on the average of the month of scheduled shipment for those tonnes. They're one or two which have a variation at where it might be two months average, but otherwise we're doing pretty well in that regard. So, it's nice to see an 8% premium over and above, which is a very positive thing to see. Obviously, the market itself, as I mentioned earlier, it's in balance. It doesn't feel like there's a great movement forward, although we can see some tightening further out. Part of that is going to be contributed as we've noted in our report by further tightening of sanctions.

And so, there've been some further tightening of sanctions in Russian individual organisations rather than the industry as a whole. And then, you've seen the Koreans obviously have taken a step to limit their exposure to Korean coal, which they haven't been doing since the invasion started, but they've now taken the step to exclude the Russian coal from their intake. And so, you can see the effect that that's having on the forward curve. And so, I think that'll be moving into a tighter scenario going forward, which is positive.

Paul Young:

Got it. And sorry, Paul, just to round off the conversation on pricing. The JSM quarterly settlement for semi-soft, the 279, which was a really good result in the March quarter. Any thoughts around where the semi-soft, the JSM quarterly price is going for June quarter?

Paul Flynn:

Look, I think it's a positive backdrop, isn't it? That's definitely a last number to see. There's, I want to get into the predictions of where the next quarter will be, but obviously our realisations there, we put in pricing there, have been a little lower than that, and that market is the one most heavily affected by the Russian interventions. So, given that they obviously have semi-soft and given that they're excluded from certain places, you know that they've been just bombing the market in there and offering it at a low price which is causing the spot market for the semi-soft to be more subdued than the coal in contracted price.

Paul Young:

Thanks Paul.

Teleconference Operator:

Your next question comes from Paul McTaggart with Citi. Please go ahead.

Paul McTaggart:

Hi Paul. So, I just wanted to ask about, and I know you've only just got the keys so, but BHP has left behind a thermal portion, the past of those assets. And so, I'm wondering if you've got to a point yet where you might be able to consider whether there's the viability of getting a little bit more coal out. You've probably got washing capacity. Is it just too early to comment on that or have you been able to consider that?

Paul Flynn:

Look, Paul, I think it's a bit early for us to be commenting on that. There's no doubt that they've had, more so Blackwater than Daunia. The Daunia, if I could call it byproduct, is very, very minor in volume. So, it's almost a rounding error there. Obviously, Blackwater has at times in the past, not in recent years though, produced much thermal. It does have the capacity to do that, but I think it's just too early for us. We're not focused on that right at the moment, but it's probably too early for us to be making too much of that quite now. There obviously is infrastructure there as you know Paul, that can be used for that purpose with a separate crushing bypass circuit and train load out facility that can be used for that purpose. But, in the short term, that's not the immediate focus. We want to bend down the current operations here and get these draglines working rather than thinking about opening up new fronts in the short to medium.

Paul McTaggart:

Thanks, Paul.

Teleconference Operator:

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

Chen Jiang:

Good morning, Paul and Kevin, thank you for taking my question. Two questions from me please. So, firstly, on the follow-up on the JSM quarterly average, it's well above spot, semi-soft index, I'm wondering how should I think of the semi-soft price realisation from Blackwater? Because, from Blackwater you still got 30% of semi-soft. Is JSM a good reference or we should look at the semi-soft, spot? Thank you.

Paul Flynn:

Thanks Chen. Look, at the moment, obviously the tail of contracts that we've inherited definitely have a mixture of these, so I don't want to give splits out right now about where the historic performance has been, but I think you probably should think about a location between that. The current number is a big number and as you can see, and relative to where the PLV is, would represent a large, a very high realisation compared to historical trends if you're comparing those two numbers. So, I would think you'd be better off taking a movement or an average of those two rather than actually saying we're all going to go out in that number.

Chen Jiang:

Sure. That makes sense. Just to follow up, what contributed to the higher JSM costly average, I guess, do you think this is a one-off versus the spot, semi-soft price?

Paul Flynn:

Well, I can only just say it's a one-off. I'm not sure whether or not what value is going to be made or predictions for anything further out than that. So, I think it's best to just think of it currently is that will play out as further sales into this market are achieved, and then further settlements and further quarters are settled.

Chen Jiang:

Sure. Understand. And then, second question, just to follow up on the Queensland met coal. Understand that a lot of the questions got asked and you pointed out to strip ratio, dragline, etc. Maybe just a high level, generally speaking from what BHP reported about the BMA Queensland met coal in the last few quarters, it seems like Queensland met coal operations in general are getting harder and harder to manage from production and cost perspective. So, costs have been kept increasing to record high and the production have been, BHP downgraded a few times. I'm just wondering if you could help me or anyone who never worked at a coal mine as an engineer or geologist, why met coal, well, Queensland met coal in general is getting harder and harder to manage, why production cannot produce after capacity and cost-capping? And what cost reduction initiative we should think about in the next few quarters? Thank you.

Paul Flynn:

Look, that's a difficult question to answer. I'll try to give you my sense of it, but look, I don't think there's anything systematically wrong with the met coal business up there, so I wouldn't be inferring that met coal has suddenly become harder. I wouldn't do that. Clearly the weather up there has been influential, so that's made things a little bit more inconsistent certainly than I'm sure the producers up there would like. We can only speak to what we've observed in the short period of time we've been focused on the two assets that we've procured here, and I can see the weather has been influential for them. I think Daunia has done pretty well and it appears to have been less weather-affected, quite frankly, in terms of output performance, whereas Blackwater has been a little bit more disrupted in that sense.

But, I don't think there's anything systematically wrong, and if the yard stick, or if the data points that you are using to pose that question are, or emanate from BHP, it's perhaps best to focus the questions on them in that regard, because our exposure to this is really just limited to the ones that we've been obviously dedicating our focus to acquire.

Chen Jiang:

Sure. Thank you. I appreciate your answer, Paul. Thank you. I'll pass it on.

Paul Flynn:

Thanks Chen.

Teleconference Operator:

Your next question comes from Glyn Lawcock with Barrenjoey. Please go ahead.

Glyn Lawcock:

Morning, Paul. I wonder if we could just take the focus back to Maules Creek. Now that you've gone back to fully manned, one of the issues in the Gunnedah Basin has been bums on seats. Could you maybe just comment a little bit about the workforce across the Gunnedah Basin, and are you now fully manned or do you have vacancies and so forth? Because, obviously you're going to need more workers now as you go back to fully manned.

Paul Flynn:

Thanks, Glyn. That's a good question. Look, the market definitely has eased up a bit. And so, in the sense that, well, labour is more freely available, it doesn't mean inflation is improving there yet, I have to say, but people to be put into equipment to make sure that it's operational, that is more freely available. So, we are fully manned now at Maules Creek, and it's obviously a good question given that we've been talking about shortages in more recent times about that. But, look, we've been able to put all the people we want to into the equipment, so we're planning on running that as hard as we can.

Glyn Lawcock:

And so, just to follow up then, Paul, if I look back it's been a disappointing asset. I guess, you almost did nameplate three years ago in fiscal '21, and while you're guiding above the top end or even above your guidance for this year, that's low elevens. When do we get back to nameplate now at Maules Creek? You mentioned you're doing in-pit dumping. You just mentioned you're fully manned. Can we get there, or is there something else that needs to happen before we can get back to where we were three years ago?

Paul Flynn:

Look, I think that's also a good question, and our expectation is certainly to return to those run rates. Obviously, without the experiment that was AHS in the mix that simplifies the operation, there's no doubt about it. And in-pit dumping generally will be a positive for us. And one of the keys to improving that was obviously to release the area in the southwest, which we've talked about a number of times. And that area is all but finished now. In fact, we are dumping in that area now, which is very good. So, we would expect the run rate to start to improve. The only counter to that is obviously the mine is getting deeper, but that's natural and should be part of just the management of this important asset. So, I wouldn't necessarily characterise it as disappointing. It is where it is for a range of different reasons. Some of those reasons have now been alleviated, if I could say that. And we are expecting positive momentum here to trend back up to the 13 million tones as you mentioned.

Glyn Lawcock:

Does that mean you need more people, more equipment that you're getting deeper in the strips going up then, or you feel you've got enough on site?

Paul Flynn:

No, it doesn't mean either of those thankfully. So, the strip ratio is pretty consistent over the first 10 years of its life, which is good. So, we're not anticipating extra gear, any material form there other than obviously replacements and so on. And we don't need another wave of people to get in there either as a result. So, now look it's just opening the pit up. That is a big volumetric mine as we've made the point a number of times, but it is in a relatively small footprint, so I'm sure we'll be able to point to, with the next site visit whenever that is, for people to see. We are rearranging the pit to obviously increase the strike length that we're operating across to be able to drive greater productivity in the space that we have. And as I said, the only counter to that is it is getting deeper, but at least it's all in-pit dumping now, so we're not having to haul from low to very high or vice versa. And so, that will simplify the operations of Maules, which is positive.

Glyn Lawcock:

All right, and just finally, can I just switch gears back to Queensland, maybe one for Kevin. He's been awfully quiet. I know it's early, but any thoughts on what you will need to pay out in the second half of this calendar year in terms of stamp duty and any other payments before we get to the BHP payment in 12 months' time, or is it too early to put a number around the second half of this calendar year?

Paul Flynn:

He's been waiting for a question.

Kevin Ball:

And I couldn't wait. So, you should think about 200 U.S. as a stamp duty number, and you should think about it in the September quarter I think would be the answer there, Glyn.

Glyn Lawcock:

Nothing else on top of that? coming out of it as you dig, I guess, the true up at the 2nd of April?

Kevin Ball:

That'll be rats and mice, and I think it's coming back to me to be honest with you. So, that's a rounding error. The completion payment was included, the estimated change in working capital, and there was 44, sorry, 54 million in that, and then 10 million net against it to a net 44 U.S. So, that's all been cleared and settled. If anything comes back, that'll be rats and mice.

Glyn Lawcock:

All right, thanks very much.

Teleconference Operator:

Your next question is a follow-up question from Lachlan Shaw with UBS, please go ahead.

Lachlan Shaw:

Thanks for taking my follow-up question. Maybe it's a little too early again, given you've just got the keys, but just wondering on I suppose capital and project phasing with the Vickery, full-scale board approval has been held off as the deferred payments continue, but Winchester continues to advance across the fence from Daunia. I just wonder if there's any early thoughts on maybe changing the sequencing of Vickery and Winchester given obviously Winchester's proximity and a higher net coal fraction?

Paul Flynn:

Thanks, Lachlan, that's a good question. Vickery, as we've said, no change to what we've said before. That will continue along in its early mining version, which is essentially Werris Creek replacement tonnes a low level for at least two years, whilst we repay the deferred, the vendor finance, I should say, no change in that thinking. On Winchester South, that naturally is still quite a few years away. And the quick summary of that is we still need an EPBC approval and the state-based, as I mentioned, court-based activity still needs to run its course. So, from the aggregate of those two things, state-based court activity and then EPBC stuff, that's going to be a couple of years away before you've got a fully approved project on a standalone basis. And so, now the job for us on the approval side of things, aside from just pursuing those two avenues is to develop up what will be the modification required for the Winchester South approval to be received in two year's time say, be ready to go with a modification that actually contemplates the integration of Daunia and Winchester South.

Now, we've got plenty of good ideas at a conceptual level, but there's lots of work to be done to turn that into a detailed plan that forms the basis of a modification to be able to do that. And then, itself will then take time in terms of its own approval. So, I think naturally you're talking probably four years before you're able to do anything in that regard. That would be the start of deriving synergies between those two sites. And so, I think four to five years you should think about it in that way. Now, that's just the nature of it, unfortunately. The approval that we'll receive in two year's time once the state and federal are out the way won't allow you to actually do anything with next-door. And so, that modification is necessary to be able to integrate and start to derive synergies from the proximity of these assets.

Lachlan Shaw:

Got it. That's really helpful. Thanks again.

Teleconference Operator:

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

Paul Flynn:

Thanks very much everybody for your time today. Really appreciate it. If there's any further questions, you know where to find us. From our perspective, nice to round a solid performance with our open cuts once again, and that compensating for Narrabri, but obviously very exciting the transition we'll make from here on in. So, you'll see the next quarter obviously will be very interesting with a full quarter of operations from the Queensland assets. And as you can see from the guides we've given you, it's essentially a doubling of the volume from this quarter to what you'll see in June. So, I think that's going to be very positive to be talking about that, particularly with a backdrop of very good pricing in front of us. So, look forward to catching up with you all in due course. Thank you.