WHITEHAVEN WHITEHAVEN COAL

WHITEHAVEN COAL FY24 FULL YEAR RESULTS CALL

INVESTOR CALL TRANSCRIPT

Date: 22 August 2024 Time: 10:30am AEST

Introductory comments / overview of results

Paul Flynn:

Good morning everybody, and thanks very much for taking the time to join us today for Whitehaven Coal's full year results call and presentation for FY24. As usual, I'm joined by Kevin our CFO, Ian our COO, and our IR team with Kylie and Keryn. Kevin and I will go through the presentation as usual, and then we'll move into the Q&A session as quickly as we can.

Moving on, first and foremost, our safety and environmental performance. I just want to focus on that. These are very, very encouraging results from our perspective and I say that because it's made them more pleasing because of the level of distractions that have been going on in the business from the non-routine activities that we have in a normal year. To be able to land on the safety and environmental performances that we have has been particularly pleasing.

[The] New South Wales business, of course, historically has been on a very good trend, and it's nice to see that continue this year with our TRIFR down to 3.3 for the year, which is a great change, at 30% improvement. Our new assets in Queensland have landed with a TRIFR of 6.6 for the quarter and we are working very closely on integrating our businesses together, to ensure that we have got Whitehaven safety management systems rolled across Queensland while we continue to drive the performance.

For the second year running, we've had no environmental enforcement actions, which has been terrific. Queensland also emulated that type of performance with the quarter we've got in our results here today.

I'll go over FY24's highlights: This has been a transformational year for us with the acquisition of the Queensland metallurgical coal assets. We have successfully transitioned ownership into Whitehaven, and we've delivered successful and safe production outcomes for that first quarter being Q4 of the FY24 year.

Overall, the New South Wales business has performed well and the highlights of that is the [inaudible] performing nicely. Certainly Narrabri has turned the corner and performed better in Q4.

Looking at the financial highlights, we delivered $3.8 billion of revenue and underlying EBITDA of $1.4 billion, and an underlying NPAT of $740 million for the year. This includes Q4 revenue contribution from the Queensland assets of $869 million and $272 million of underlying EBITDA contributed. The statutory impact for the group at $355 million is after non-recurring items primarily related to the acquisition. Kevin will go through that shortly for you. These good results have underpinned the financial stability of the business and allowed us to declare a final dividend of 13 cents per share, to be paid on the 17th of September, taking the total for the year to 20 cents for the year, fully franked.

From a TSR perspective across the year, we delivered a 23% return across the 12 months, which is a pretty positive result. This ranks us about 30th in the ASX 100, hitting above our weight, given that we've been hovering between the 80 and the 70 range across the course of the year.

From an operational perspective, we delivered 24.5 million tonnes of ROM. New South Wales realised a price of $217 Aussie for FY24, the Queensland [price] for the [June] quarter [was] $271 [Australian dollars]. Good results both there. The New South Wales unit cost ended just above the top of our guidance at [inaudible], reflecting lower than planned volumes from our narrow road production.

And then of course, taking one quarter and integrating that into our results gave us an overall result of $120 [Australian dollars] per tonne for the group. Queensland [inaudible] that being $147.

But before we get onto the financial results too far, I did want to just pause for a moment and talk about the other important announcement that we put out this morning. That is that obviously we've announced this morning that we've now signed binding agreements to sell to Nippon Steel and JFE, a combined 30% equity stake in the Blackwater mine, which has been a fantastic end to a process which has been done cooperatively and with a fantastic spirit of goodwill, but a very competitive process and a very expeditious timeline, I have to say.

We do feel like we have formed essentially the gold standard of joint ventures in metallurgical coal assets, I have to say. And this marks the completion of step two of a two-step process which sets up Whitehaven for the future. When the transaction completes, Nippon Steel [will] have 20%, JFE will have 10% of the joint venture, and we are to receive consideration in aggregate of $1.08 billion US, upon the completion of these transactions.

It is a strategic initiative that we've been chasing, including long-term offtake arrangements for both parties and validates Whitehaven's acquisition of these important assets and the ongoing importance of Blackwater coal to the net coal market. Whitehaven will manage the joint venture, and our partners are supportive of the strategic direction we want to take Blackwater in as we drive to continue to unlock value from this important asset over time.

The return metrics for our retain position in Blackwater are enhanced by this joint venture arrangement. And not just obviously selling it at a compelling price per percentage point of equity in the Blackwater mine, but we also keep the 100% of the free cash flow of course, from the time that we bought the asset on the 2nd of April, right through to say an estimated closure period that we estimate at the back end of the year. For the nine months that we hold the asset, we take all the cash flows. In addition to that we have a US$2 per tonne management fee as the operator of the mine, which will kick in, it will be indexed of course, but will kick in and cover all the sales tonnes for the operation.

So very positive enhancements to our overall return metric. And of course, taking the money off the table, de-risking the balance sheet certainly enhanced the return metrics for our retain position. The cash proceeds obviously fortify the balance sheet very quickly and should take away any concerns about gyrations in coal prices from time to time, and our ability to meet all the various commitments we have associated with the original purchase. The buyback remains on hold for two years as we've said, and dividends will flow from the New South Wales business as you've seen as declared today.

I think with the strengthened balance sheet and by the time the proceeds for this transaction materialise in the bank account, which is likely to be Q1 of calendar [20]25, the Board will have the opportunity to review the payout ratio for the final dividend for FY25. Whitehaven remains on the hook for the contingent and deferred payments, but obviously the price that we've negotiated with the two joint venture partners includes the upfront payment of their share of those payments as well.

We'll keep that money aside and make sure that we've got all those obligations covered, nice and tidy and as I say, our balance sheet is certainly in very good shape. From our perspective, this is a tremendous conclusion to a two-year acquisition process and has seen the transformation of the company into a metallurgical coal producer on a very solid financial footing.

Moving across to our markets, Whitehaven has transformed into metallurgical coal producer but maintains a fantastic position in the high-CV thermal coal market. The thermal coal market, Japan, Korea, Taiwan and Malaysia are now complemented by our metallurgical coal customers. It's nice to see many of the familiar customers to us, but it is a much expanded portfolio in that sense.

The FY24 sales revenues, 50% of it came from Japan. Taiwan was next at 14%, Malaysia at 10%, South Korea at 7% for total revenues. India was at 6%, but that will increase as we know, with the greater proportion of the Queensland production in this new year's numbers. Beyond the top five countries, 13% of revenue comes from Europe, Vietnam, Indonesia, Chile, New Caledonia, a range of good jurisdictions to be selling into.

As we commented at the time of the quarter, the revenue split between met to thermal [in] Q4 was 69 to 41, we expect that to gravitate to the 70 to 30 over a full year. Given, as we said, there was a lower proportion of sales out of Daunia and we speak a little bit about that later in the presentation.

I know these next slides, over on page nine, you've seen these before, but it's worth highlighting that we are now strategically exposed to structural supply shortages on both sides of our business and I think these two graphs depict that well.

Commodity insights is the source of this data, and we can see that looking at their analysis here, the high CV end of the market, you can see demand is expected to grow by 20% between 2024 and 2040, but supply is expected to fall by 33%, so that's going to do good things for our prices. Metallurgical coal represents a similar sort of dynamic here and you can see that the metallurgical demand is expected to grow 22% over the same period and supply is expected to fall by 8% over the same period. That's going to cause compression, which is going to underpin very good pricing for the future.

It's not just commodity insights, obviously forming these views [inaudible] is also consistent on the metallurgical coal market side of things. As you can see here, obviously the market itself looks pretty consistent along the time, although growth occurs, the big driver here is India. With India's demand expected to grow 110% out to 2050, Asia is going to grow about 29% through that same period. Daunia and Blackwater are obviously important resources playing in this market and as you've seen with the formation of the joint venture, the validation of Blackwater's role in the metallurgical coal market, I think is strongly endorsed by these important tier one joint ventures wanting to secure their supply of these valuable products.

Looking to the external market quickly, you can see there's a range of factors which we called out here, playing into the external market dynamic. Demand for hard coal has been strong. India's demand grew, although in the current

dynamics, it is a little bit softer based on the weather playing out there at the moment. Thermal markets have remained resilient through the whole market and good pricing has been a familiar backdrop for the year as a whole, which is very positive. Supply dynamics on both sides have been a little better in Australia, so good weather has allowed producers to do well in this period. And external pricing has seen the PLV hard coking price average for the year at 287, which is very positive, plus semi soft was about 60% of that number, which is lower than historical yield, but we've talked about that many times to understand that, across the year at 136 was a good number, obviously it's a little stronger at the moment with about $150 per tonne, which is very good.

Now of course it's not all about just good pricing and so on, the costs side of things has been buffeted by significant inflation, as everybody understands, and we can talk about that a little bit more when we get to the cost side of things. Whilst we've talked that labour is more accessible for us, the labour costs are still high. And [what] we're calling out here of course, the obvious regulatory impost in terms of the inflationary impacts on our business, and I'll just name a couple.

Clearly safeguard mechanism is part of it; Same job, same pay; the New South Wales coal reservation policy, [which] thankfully finished [on] 30 June; and then higher royalties across Queensland and now New South Wales as of the 1st of July.

All that places inflationary pressures on our business. Our task is to make sure that we can combat these through cost reductions and productivity across the business.

The operational results, I'm not going to dwell on too much because you saw them in the quarter, so I'll skirt through these relatively quickly.

On production, 24.5% as I mentioned before, is 34% up, 26% being Queensland of course, and 8% increase in New South Wales. Managed sales volumes increased by 22% year-on-year.

I'll just move across and talk to the various segments of our business now separately. New South Wales 19.7% year-on-year did well, the open cuts have performed strongly. Narrabri in total was less than what we want, but there was a very positive turnaround in recovery in Q4. Werris Creek obviously finished up production and has transitioned into a rehabilitation site and we saw the first tonnes come out late in the year on time budget for Vickery, so a small contribution in FY24 and you'll see that ramp up in the new year. But just quickly on the sites, Maules exceed its guidance. We did turn off AHS there obviously, but it did exceed its guidance, which was very positive. Mining has finished in the southwest area now, so we are 100% in bit dumping there.

Narrabri, as I mentioned before, had a tough year, but certainly good turnaround in Q4 and that continues into this year, which is very positive. Tarrawonga exceeded it's ROM. Next year it is... Well, this year it is moving into that hill section in Tarrawonga, so we are entering a high ship ratio area. That does affect the amount of tonnes that will come out of it in this particular year, whereas as I say, exceed this guidance but [it] has closed and [has] now moved into rehabilitation.

I'll just focus very quickly just on Vickery. As you can see there's a real mine there on the picture in the slides, so that's been very positive. A small contribution, i.e., 100,000 tonnes obviously in Q4, but this year we're expecting to be a replacement essentially for [the] Werris Creek tonnes in this year. The construction went very well, on time, on budget and safely, so we're very pleased with that and we have all the approvals in place to continue on with this. The Board's consideration can look at when is the right time to bring that on, but as we've said, that has been off the table for two years, from the time [we announced] the transaction.

Focusing on Queensland, we've added in the historic numbers for you, which may help for context and then called out the period of our ownership here in the bolder colours, that hatch being previous BMA numbers.

We had a safe and stable transition into our ownership, which is very pleasing. And the first quarter under our control is fantastic actually. So we had very good results from Daunia at 1.3 million tonnes and Blackwater 3.6 [million tonnes].

Performance looks pretty good trending into this new year as well, so we're very pleased with that. The quarter did [well] from a Blackwater perspective, [we] saw a couple of production records hit and we saw actually quite a few productivity improvements at Daunia as well, which is very encouraging and lays a good foundation for the transition into the new year.

Obviously with a bigger business, it does need a bolstered leadership framework to be able to manage this adequately. We had made some changes and I'll just call this out briefly. Ian's role has been restructured and changed and he's taken on the role of our COO (Chief Operating Officer), which is very pleasing. We put in place a regional general manager role, which Dan Iliffe has taken on the responsibility for both Queensland sites and the ROC, the remote operating centre in our Brisbane office. Reporting into Dan, you've got two general managers here now, Todd Matthews taking on Blackwater, Sean Milford taking on Daunia. Two very seasoned and experienced Bowen Basin operatives, so [we have] got plenty of experience across all forms of mining in Queensland, and we're looking forward to seeing the benefit of their leadership on the sites. And [they] are very well known to many of the people in the Queensland market being experienced people, I think this team coming together will assist us in driving changes across the business.

There's significant opportunities for realignment of this business and we are transitioning Queensland operations to a simpler, more Whitehaven style operating model. You would have seen already in the last week or so, we've started that process with some changes to workforce, with some 200 roles affected by that. But that job will continue and the team is very engaged in making sure that these sites are re-based in an appropriate way, and at all times ensuring safe and reliable production.

We are focusing on top another 100 million dollars worth of in issues which we're working independently of the guidance range that we give, and we'll speak to that a little bit later. That's across a whole range of in issues which we think there's very good opportunities here in Queensland to make sure we re-base the business as quickly as we can. And with that, I'll hand over Kevin for the financial jobs.

Kevin Ball:

Thanks Paul. FY24 is probably one of the more noisy sets of numbers Whitehaven Coal has produced in the last decade, I'd say. So let's take a little bit of time to go through it. We reported $1.4 billion of underlying EBITDA. And you see that in the top line there, transaction transition costs and some other things related to Werris Creek accounted for about $601 million of non-recurring costs. A large part of that was stamp duty, so that's about $360 million that we expect to pay in the first half of FY25. And there were $73 million of other transaction costs and about $125 million of transition costs, which included building an IT system to replicate BMAs so that we could pick these assets up and start them on the 2nd of April, and we had a Queensland integration team that was involved in that as well. So outside of stamp duty, the transaction and transition costs totalled about $200 million on a pre-tax basis.

In the remainder of the business, we had about $31 million of non-recurring costs in relation to an inventory valuation uplift. What that means is accounting standards require us to bring the inventory in a fair value, and that means the normal margin that you would expect to see from those tonnes doesn't emerge in the P&L, that's why that adjustment is made. Finally, when we closed Werris Creek, we had about $11 million in one-off closure costs around redundancies and putting the rehabilitation provision to the right place. After these significant items, EBITDA was $798 [million], that's the statutory number. The D and A (depreciation and amortisation) was about 319 and I think the brokers and the analysts of the world will want at some point, further guidance on how D and A and interest works, so Kylie has attached that in the back of this process and we'll be happy to take people through that. It is one of the bigger differences between people, pretty easy to get to EBITDA, but the NPAT becomes a little bit murky with all these transactions that are taking place in the next few years.

We reported a statutory NPAT of $355 [million], but if you add back the significant items, the underlying NPAT was $740 [million] and as usual, the tax rate was about 30% on that, so you should continue to use that rate in your modelling.

Turning over the page I think on financial history, 2024 was a very good result at $1.4 billion, but 2022 and 2023 were excellent results and they were the years that pushed this business into the position to be able to provide increased returns to shareholders and diversify. So [a] very good two years. But if you go back 10 years, Whitehaven's three highest years of underlying earnings before the contribution of Queensland had been 22, 23, 24. FY18 and [FY]19 were both very solid years, but they were about $1.04 billion and the next strongest year in [FY]19, the underlying impact was on $565 [million] compared with $740 [million] in [FY]24.

What I am trying to say, badly too, structurally what we're telling you and what we see in the markets is that coal prices that we've been seeing for a number of years between that US $120 and $150 for thermal seem to be sticky. And if you look at FY24, you can see the potential of the contribution from Queensland. We are excited by those two mines and very happy to see them in the stable.

On a revenue basis Queensland, as Paul said, contributed $869 million in Q4 of the total of $3.8 billion of revenue and an underlying EBITDA of $272 [million] to the $1.4 billion total. It's a good start. There's plenty to do in Queensland and there's plenty to do with it, so we look forward to that.

Turning over the page to sales mix and realisations, New South Wales reported equity coal sales for the year of $13.2 million with an average price of $217 a tonne. Queensland reported 3.2 million tonnes of coal sales for the quarter, which as you know was below expectation due to the transition related rail path issues of Daunia, and it achieved an average realised price of $271. I think you're going to need to see a few quarters of this play out, to see the traditional run rates of product qualities and product mix, so just bear with us on that. Nevertheless, in Q4, hard coking coal and semi hard coking coal sales achieved a price relative to the prime level hard coking coal index of 81%. But the semi soft and PCI volumes were lower because of the Russian influence in market.

On a group basis for Q4, revenues were 59% from met coal and 41% from thermal, and without the rail related issues of Daunia, we would've expected would've seen higher met coal revenues.

Turning over the page on the margins, it's healthy margins, but on a group level we realise an average price of $228 and a unit cost including Queensland of about $120 before an average royalty of about $24 a tonne. You can see the margins that are coming out of this business. With the addition of [the] Queensland ops [operations] in the last quarter, that unit cost increased, but the Queensland unit cost to production in Q4 was about $147 a tonne. And in the first quarter of our

ownership, the royalty rate in Queensland was about 15%. While in New South Wales, the royalty rate was 8% but has increased to about 10.6% from July. So, the government is benefiting from the coal industry quite well.

EBITDA margins a little bit… you can see the FY23 margin, which was outstanding at $303 [million], not to be repeated as coal prices softened, but a very healthy margin of $84 a tonne in FY24. And I'll be happy with margins that run around the 50% with a coal price on a normal basis or a normalised basis.

So let's go to the EBITDA bridge. No surprises, almost $4 billion in EBITDA in FY23. And as the coal price came off its highs, that took about $2.7 billion off the EBITDA and you could see the $138 million change in costs was really around 12.7 at about $10 or $11 a tonne. 12.7 million tonnes of sales at $11 a tonne. Queensland contributed 272 [million] and this is how we get to 1.4 [billion]. I draw your attention the fact that we pretty much are washing all of Mauls Creek, Tarrawonga and Vickery, and that is helping to support costs, but it's also driving the revenue outcome you see, which is a good outcome.

Turning over the page to cash flows. You'll recall we held about $2.7 billion of cash, but we knew we had to pay about [$800] to $900 million of tax, so really there was about $1.9, $1.8 million there that was unaccounted for. We generated 1.3 billion in the period and as I said, we paid the tax $880 [million] from the previous year and about $140 [million] for the current year. We spent $496 million on expenditures and other acquisitions. We returned almost $400 million to shareholders and those repayments and others are just lease payments before we spent $3.3 billion buying Daunia and Blackwater. Now clearly, as Paul said, we expect in the first quarter of calendar year [20]25 to be receiving US $1.080 billion, and that's about $1.6 billion [Australian dollars]. So we're expecting that that net investment there is going to be very attractive.

We finished the year with net debt at about $1.3 [billion] and as I said, we look forward to the collection of the sale proceeds from Nippon Steel and JFE. Net debt and liquidity, we've got plenty of liquidity. If you look at this, we have $556 million of liquidity at 30 June [20]24. We've established a couple of other facilities post that period to add to that liquidity and we're generating cash flow from the business every month. So that strategic joint venture with Nippon Steel and JFE, and the 1.08 billion US will effectively turn us into a net cash position before we settle the first US $500 [million] with BMA on April next year. So I'd say [the] balance sheet, [is] in excellent shape.

Turn over the page. I think our capital allocation framework has delivered really solid outcomes to shareholders into the business. It's served us well. It's [a] disciplined process that says we keep the business going well, we put the balance sheet in great shape and there's real tension between where do we deploy capital and provide returns to shareholders.

For now, the buyback remains paused. Dividends are being determined based on the earnings from the New South Wales business. We've said in light of the acquisition, that cash flows from the acquired business will be directed to retiring vendor finance first and the decisions around major development expenditure will be on hold until the deferred payments are paid down. When we receive the first or receive the $1.08 billion, the Board will have the opportunity to review our capital allocation priorities and timing. And as Paul said, we'll look to the full year FY25 dividend, to see where that goes. But overall, a final dividend of 13 cents fully franked takes the full year FY24 dividend to 20 cents, which is pretty easy to remember, and that's about 22% of [the] group’s underlying NPAT. We expect to continue a significant, or we expect a significant step-up in capital returns when the deferred payments are made and surplus capital emerges from these expanded assets.

So I'll hand it back to Paul and go from there.

Paul Flynn:

Thanks, Kevin. Turning over to the full year guidance. In FY25, of course everybody will understand that we're focused on continuing to integrate the Queensland assets and setting up a robust base against which we can deliver strong results and sustainable outcomes. We have deliberately taken a measured approach to guidance with these new assets, as you would imagine, being the first year of our ownership and having had them now for nearly five months. I think we all want to ensure that this year ends well, and to that end, you will understand that we've taken a level of conservatism and that has been prudently applied in the construct of our guidance for this year. We expect to produce 35 to 39.5 million tonnes of ROM production for the year and to deliver a range of 28 to 31.5 million tonnes of managed coal sales. We believe this is very achievable.

Queensland ROM production reflects a focus on increasing the blasted inventories and pre-step inventories to optimise operations, and a set of bases for improved performance of Blackwater and deliver ongoing AHS productivity at Daunia. New South Wales ROM production reflects the closure of Werris [Creek] of course, and the ramp up of [mining at] Vickery. There is a high strip ratio area, we're heading through the hill there at Tarrawonga as many people have observed. And we have allocated an eight-week longwall move for Narrabri informing our guidance for this year, that'll be in January [20]25. The reason why it's eight weeks longer than normal, is we do have some shocks that we want to bring to service. The maintenance can't be done downstairs, so we will bring them up, up to the surface so that we can get up some of that important work [done].

We expect costs to be the range on a group base from $140 to $155 [Australian] dollars per tonne. It reflects the underlying labour cost increases continuing as EBAs are rolled out across the business. The Queensland cost base obviously represents lots of opportunities to improve. You'll see us attack some of that already, you'll see us continue to do that as we move through the course of this year. The capital guidance there at $450 million to $550 million, I think is pretty judiciously configured. We have pulled out the microscope and had a good look at that across the business. I think given the scale and change of the business, that is a pretty responsible way to configure our first year of ownership of the broader business. Queensland will be counted for about 40% of that, New South Wales, 60% of CapEx for FY25.

And in closing, just coming to our focus for the year, predictably as we described, we want this year obviously, our first year of expanded business to go well. We're very much focused on sustainable operational performance year to year, and improved cost management across the entire business. In New South Wales, our efforts will be directed to consistent and reliable operations at Narrabri as well as our open cut operations, and ramping up early mining at Vickery. In Queensland, we want to set a strong foundation in FY25. And we know we can deliver significant value not just in this year but in years to come, and it's all about setting that up for the future. So further alignment of Daunia and Blackwater will be the focus to Whitehaven's simplified operating model. And as I mentioned just briefly, rebuilding blasted inventories and pre-strip at Blackwater will certainly be a point of focus, as will be further productivity gains at Daunia with the AHS system.

And of course overall, as I mentioned earlier, there's $100 million dollars bucket of costs and issues that we're looking at in Queensland, and our target is to re-base the run rate of costs at the end of the year by that measure. So just to be clear, not delivered within the year in terms of those savings, but [to] re-base the run rate of costs by the time we get to 30 June. And of course, we want to see the terrific trajectory of safety performance going across the entire business, and also the environmental compliance that you've seen in more recent years.

At a group level, obviously we [are] focused on completing the sell down. [It is a] very exciting transaction and as we said, we expect that complete... They are two separate transactions, so they can complete at different times, we hope that it's at around the same time. But we think that will be in the first quarter of calendar '25 when the **[inaudible]** occurs and the cash will be in the bank, terrific result as that is.

And to that end, I'd like to thank all our people who've worked tirelessly during the last year… or two actually, to transform the business into what it is today and to our Board, for steadfast support to be able to navigate our way through this transitional two-year period. It's very satisfying to see the business on a steady footing and de-risked as we chart our course into the future, so I thank you all for your support. And I'll particularly thank our shareholders for their ongoing support during this period of change for us.

With that, I'll hand over to the operator and we'll get the Q&A going. Thank you.

Question and answers:

Operator:

Thank you sell side analysts. 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 Rahul Anand, with Morgan Stanley. Please go ahead.

Rahul Anand:

Hi Paul, Kevin and Ian. Congratulations on the deal. Look, my first question is perhaps focused a bit on the unit cost going into next year. If I look at FY24 and I back out what Queensland did in terms of your actuals, I arrive at about 164 or 165 Aussie per tonne. And if I look at FY25 and I try to hold Queensland at about that level, it would imply that your NSW costs have gone higher to about $130 a tonne, from about 115. So I guess what I'm trying to get at is, is there a mix shift here in your NSW production guidance numbers? Is it more coming from Mauls versus Narrabri? I mean what's driving this cost increase into next year or has Queensland cost actually gone up significantly into next year? So that's the first one and I'll come back with a second. Thanks.

Paul Flynn:

Yep, thanks Rahul. I'm going to try and answer some of that and I'll hand over to Kevin for a little bit of this as well. Couple of the numbers there you've implied, they're not quite our numbers equate to our ROM, but thematically, I think that's a reasonable proposition. We've certainly got low volumes in New South Wales, that we would otherwise... We've taken a relatively conservative position there. Of course we're going to have a little less out of Tarrawonga as we go through this high strip zone, so that's less than last year. Whereas Werris Creek obviously is broadly replaced by Vickery, so that's relatively neat. Maules [Creek], [there is] no particular change there volumetrically from there. So say we are continuing to work through the inflationary impacts at our business, we've got that rolling through, but lower volumes overall in New South Wales does lead to a higher cost per tonne as a result of take or pay absorption across the tonnes that actually are produced, and then washed and sold.

In Queensland, we have taken a conservative position there, I think that definitely influences this. We've only had the business now for five months and we had to scramble pretty quickly to put a budget together, which I think the team has done an admirable job on. And I suspect that budgetary processes occurred at various levels above the mine site level, whereas obviously our approach is to do that from the mine site level forward.

We have taken a conservative position there, we want to make sure this all goes well. We think there's upside as I say, in the costs. We have given a relatively wide range on cost, as you note. So a $15 spread across, that is wide. But again, it's really just the fact that we want to take a relatively prudent course in this first year of ownership and make sure that goes well. Obviously we called out separately on top of the $100 million initiative on top of the bucket of savings that we're looking across various initiatives in Queensland.

And you've seen us already addressing some of the elements of the cost base at Queensland with the restructure we embarked on last week. Those ones that you saw us start last week, are in the guidelines where the 100 is on top of, just to be clear.

Kevin Ball:

Yeah. Now Rahul, I'm going to say to you that I think there is a mixed change. There's definitely a mixed change because Werris Creek tunnels come out and as you know there's 100% yield there and they're closer to the port, they're going to be replaced by a high quality product out of Vickery. But the way, I think about Vickery, is that it's simply a box cut that's being developed for a future mine. Unfortunately, accounting standards require to push the costs of Vickery through the unit costs, so that's contributing to this. We've got early days in safeguards mechanism at Narrabri, so we've got an estimate in there for what that might cost us, and we're obviously working hard to work our way through that whole process, so that's coming in.

But you would've seen us unwind some stocks out of Tarrawonga last year and that contributed to sales volumes. Those sales volumes aren't being used or aren't there this year to come through in use uptake or pay. So there's a volume impact that in the long run gets solved by a bigger Vickery at a point in time in the future, and by a return of Narrabri to a better level of product production.

Rahul Anand:

Got it. No, that's very clear. That's very clear, thanks. Just a quick follow up there before I move on to the second one. You've also talked about New South Wales still being circa 90% of your development spend. I guess within that you've got Narrabri longwall 203 now going to FY25. So I mean, at what point do you actually decide whether this development CapEx now starts going into the bigger Vickery or to Narrabri Southern Ops, considering that 90% development spend going there?

Paul Flynn:

Rahul, I'm not sure where the 90% comes from. Queensland is 40% of the CapEx guidance, New South Wales is 60%.

Rahul Anand:

Got it. I might've got that wrong, I can follow that up offline.

Paul Flynn:

Oh, now I see. You are referring to the subset for development CapEx only.

Rahul Anand:

That's correct.

Paul Flynn:

The number I gave you-

Rahul Anand:

I'm talking about development specifically. Yep.

Paul Flynn:

Got it. Yeah look, Narrabri, obviously there's an area transitioning between stage two, if I can call that, the 200 panels and the 300 panels. The CapEx for 300 stage three, which we're hoping for imminent approval given that the activist application to seek leave to the Federal Court has been dismissed. The ball firmly sits in the hands of Federal Minister now to approve that. But we've had to curtail the CapEx spend on stage three capital and push that out. But there is still a bunch of work which needs to be done obviously in the 200 panels, and that's where we are currently mining 203. And so that work is required to continue. Until we have some clarity on stage three, full approval, the EPBC approval, we'll continue to be prudently pushing the capital out for as far as we can responsibly do so.

Rahul Anand:

Got it. Okay. All right, final question. Just around your balance sheet, Kevin, you did mention it briefly in your introductory comments, the Board will have a strong position early next year if the deal goes ahead as expected and you'd probably be in a net cash position. If we assume that it has gone ahead and you are in a net cash position, I guess two questions that come to investors' mind are obviously how to think about that 20 to 50% EPS range and if you think that's still relevant for the business going forward? And then secondly, you have previously said that the Anglo deal is something that you're not going to look at. Does that change your views on that side of the equation as well?

Kevin Ball:

I'm going to let Paul to answer the Anglo deal, because I don't think that's a long sentence.

Paul Flynn:

That's a simple one, no.

Kevin Ball:

Okay. And then the second one, if you have a look at the slides that Kylie has inserted in the back there on guidance, you'll see that there's an awful lot of non-cash charges come through, Rahul. I think the 20 to 50% will consider that as we get through the process. But I do think we expect to settle this in the first quarter of next year and that the Board will have a good look at what are the competing uses for capital. Given that we've been at the lower end of distributions to shareholders, I'd not be surprised if they actually looked upon that in a way that recognised the support shareholders provided. I don't think I'm saying anything untoward there, Paul.

Paul Flynn:

No. I've just been told that we've got quite a few people in the question queue Rahul, so we're going to have to hand the mantle over to somebody else and keep it relatively brief.

Rahul Anand:

Absolutely.

Paul Flynn:

We have 15 minutes remaining. My apologies.

Rahul Anand:

Okay, that's very clear. Thank you. Cheers.

Operator:

The next question comes from Adam Martin with E&P. Please go ahead.

Adam Martin:

Yeah, morning Paul, Kevin. A similar to the follow-up question there, I mean you've obviously got this net [inaudible] target range half to one and a half [inaudible], you'll be sort of at the lower end, maybe even below it. Should we think you're going to... Once this deal is complete, will you look to go to almost a net cash position or do you think you're going to stick between that half to one and a half and potentially give better returns over the next couple of years around dividend?

Kevin Ball:

Look, I'm happy to say I've got no plans to retire the debt, right? We've re-levied the balance sheet modestly as a result of this process. We believe that the balance sheet and the business should maintain a level of debt that's modest and that's what those credit ratios say. So I would suggest you should not model the retirement of the debt as your base case at all, if that makes sense.

Adam Martin:

Okay. Yeah, that sounds good. And just back on the cost, can you give a bit more of a split between New South Wales and Queensland? You sort of mentioned in the April pack that you'd give us a split. Can you give us the split?

Paul Flynn:

Yeah, look, I think we're taking the view that the cost is best managed on a group basis, and to dive into more detail in that regard is not going to be particularly useful given that you don't make profits out of one or the other, you make profits out of the business. And so we're going to stick with this and simplify your life by just giving you one cost.

Adam Martin:

Okay, very good. No, that's all for me. Thank you.

Operator:

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

Paul Young:

Morning Paul and Kevin, first one on the Blackwater sell down. Kevin, I think you mentioned that there's a US $2 return management fee associated, correct me if I'm wrong there. But also on the other side with the offtake, is there any impact on pricing to benchmark? Is there an agreed discount to any type of index being priced, et cetera?

Paul Flynn:

Yeah, Paul, that's correct. You've got it on the management fee, you have $2 US indexed for sales tonnes. That's value enhancing on the metrics for the deal. And of course the cashflow until the time of completion, we keep 100% of that as well. So that takes, I think, the metrics on the return on Blackwater from our perspective, even at the broker consensus model, I think it's, about…

Paul Young:

Sorry, can I-

Kevin Ball:

On the offtake?

Paul Young:

Yeah.

Kevin Ball:

Yeah, no, no, you should be modelling what we've told you. There's a customary market arrangements with long-term customers that have been taking this product for decades.

Paul Young:

Right, okay. So to confirm, there's no discount attached to **[inaudible]**

Kevin Ball:

To put it in my language, there's no cross subsidisation between future earnings and purchase price.

Paul Young:

Right, okay. Okay, thanks. And then maybe back in the costs, Paul, I think you used in the presentation, harmonising Queensland and New South Wales, interested in what that word actually means. Is that just introducing the Whitehaven culture? And if so I'm interested in your thoughts there. But just more broadly around the opportunities and the cost out, you said 200 people are leaving the business, you've also got additional savings of 100 [inaudible] by the end of FY25. Where are these opportunities? Are we talking around tech services, are we talking associated with systems like OneSAP, are we talking about removing truck fleets? Can you provide a bit more information about the cost out opportunity across Blackwater, Daunia. Thanks.

Paul Flynn:

Yeah, thanks Paul. I'll just quickly say we just run a simpler operating model than what these two mines have been to be running under. Not to say better or worse or whatever it is, but from our perspective there certainly is a more complex model, we want to streamline it. The headcount reductions as you've seen, are part of that, there'll be further additions to that going forward. Obviously we don't have the complexity of operating services model obviously, but we did take all the people on originally to have a look at what's really going on there. That was just part of the deal. Ian's obviously focused

on a whole range of initiatives on an operational sense, so I might get him to cover off some of the headline items that we're tackling.

Ian Humphris:

Yeah, thanks Paul. So just to give you a little bit of colour, you asked them there… So maintenance would be one of them. Traditionally that's been done on a sort of calendar basis. We're going to look for performance management and extending the life of components. There's a balance to I guess, capital replacement, what we're going to look at there. Just the whole equipment rationalisation based on productivities and fleets we've got, the ratios of [inaudible] equipment, and also a look at the suitability of some of the existing equipment and looking to optimise there. When you look at all the sort of the contracts, we inherited those in the short period we had to stand up. We basically took on board what was there, but there's no doubt that there's room to work through those and rationalise some of those arrangements both probably in number and value. In and around and of a byproduct of the people space, the whole what I'll call the logistics camp, accommodation, planes and all of that area. Again, we basically stood up what was in place and duplicated that and there's a whole lot of room for some improvement there. Paul touched on continuing to look at I guess, structure and optimising structures, that never goes away. I mean that is in both businesses, Queensland and New South Wales, and maybe one of the other ones in the explosive space. I think we made you aware earlier on, we changed at Blackwater, the explosive supplier. That transition is going well. We beefed that area up, but as far as technical expertise to get in there and start utilising some of the new products, electronic detonation, timing and all the rest of it, there are a number of opportunities there to save money. So maybe that's a bit of a look at the laundry list that we're tackling.

Paul Young:

Yeah, that's good. Thanks Ian. Appreciate that. Thanks, gents. That's it from me.

Operator:

Your next question comes from Daniel Roden, with Jefferies. Please go ahead

Daniel Roden:

Good day guys, and thanks for taking my question. I just wanted to understand the sell down for Blackwater, the 1.8 billion, what cost and tax implications you're expecting in FY25?

Kevin Ball:

Cost impacts?

Paul Flynn:

Oh, tax impacts?

Kevin Ball:

Oh? Well, the short answer for that is that there is about... There'll be a tax, the net proceeds will be down by about 100 million US. So the billion and 80, there's about 100 million dollars US tax bill attached to it.

Daniel Roden:

Awesome. And just confirming regulatory processes, competition [inaudible] approvals to obviously go ahead. So that [inaudible] that timeline by how much?

Kevin Ball:

It's the customary approvals and FIRB is one of them, and the other one will be some competition authorities in some other jurisdictions, but we think that's a three to five month process. FIRB probably three to four. And the competition depends on who you talk to and how it goes and where you have to go, but typically done within three to five months.

Paul Flynn:

But nothing controversial in any of that.

Kevin Ball:

No. Look at where we’re selling this coal to and it's India, Japan, Korea and [inaudible].

Daniel Roden:

That's perfect. And maybe just I guess, confirming how I've interpreted it when that transaction does close, and let's assume it's around the March quarter '25, there will be an update on the capital management I guess, policies and figuring out what's going to happen with the additional free cash generated by the business post that period. Is that understanding generally aligned with what you've said?

Paul Flynn:

Yeah. Look, I think we'll settle the transaction and then we'll look at the run rate for the balance of the year. And I think as we've highlighted there, the Board will have an opportunity to review the final dividend, the settings. The buyback is still on pause just to be clear for everybody, but the Board will certainly have the opportunity to look at the final dividend and whether or not the payout ratio that you've seen is declared now a little bit above the bottom of that guidance, the 20 to 50% of the thermal business, I think there'll be an opportunity for the Board to revisit that and look at where they want to calibrate that going forward based. But it will be at the year-end rather than that in March or something earlier, depending on when the settlement of the transaction occurs, they'll be wanting to see the run rate of the business for the full year.

Daniel Roden:

Crystal clear, thank you. And I'll it pass on. Thanks.

Operator:

Your next question comes from Rob Stein with Macquarie. Please go ahead.

Rob Stein:

Hi guys, just two quick ones. The off take, is it 30% or does it extend to a materially greater source of volume, the Blackwater?

Paul Flynn:

Yeah, the off takes are consistent with their performance generally for historic, they've been big consumers of the product and obviously that's driving the attraction for them to come in and take the equity slice. There is the opportunity to scale up and down there, but the key point here is these are both important and material consumers of both products, the semi hard and the semi soft out of Blackwater. And it's obviously important enough to their business that they want to put serious money to work here, to ensure that they have consistency of supply over time.

Rob Stein:

Sorry, so is that a 50% offtake? Is that 60% of the production under offtake? How can we sort of think through that?

Kevin Ball:

I don't think we're about to tell you that. Because we don't disclose commercial and confidence contracts with customers. But I'd encourage you to go and have a look at the Nippon Steel and the JFE announcements to their own market, that's been... It'll give you an insight into why they wanted a stake in this business. Really informative slides.

Rob Stein:

No problems. And then just a final question. The op cost build, it looks working capital in nature, especially in the Queensland assets, are we expecting that to revert back to a certain number across FY26, '27, and are we expecting, once you've built the ROM stocks, that production's going to revert up to that guided rate as disclosed at the time of the transaction?

Paul Flynn:

Yeah, look, I think we're still satisfied that the five-year averages that we've given you, we're happy with those and the physical and the pathway to those physical outcomes and the costs related to them where we feel comfortable with. Obviously we've just been through a competitive process and we've shared our views on that with our incoming joint venture partners and they've also satisfied themselves in the same way. So yes there is, we've highlighted a need of Blackwater in particular for build in image blasted ground and also pre-strip inventories ahead of drag line utilisation, to make sure those drag lines can hum at all times. And then of course, Daunia, it's all about efficiency, the AHS system. But yeah, there will be a buildup on those inventories to sustainable levels then should moderate as you settle into a more rhythmic basis of stripping.

Rob Stein:

Perfect. Thank you. I'll pass it on.

Operator:

Your next question comes from John Sharp with CLSA. Please go ahead.

John Sharp:

Yeah, good morning, Paul, Kevin, and team, congratulations on the sell down, I'm sure it's been a busy time. Just another question on unit cost, but more to do with this new legislation, same work, same pay. I know you briefly called it out, but I'm hearing from key contacts particularly in the coal mining industry, that it's having a much more dramatic impact than most people probably realise. Can you just discuss how much effect it's having on the unit costs? And I'm also interested to know if there are any other unintended consequences that you're seeing other than of course, pushing up the unit costs?

Paul Flynn:

Yeah, the spectre of same job, same pay affects each producer differently depending on their configuration of labour hire to own workforce. And obviously when we took over the Queensland assets, in particular, we collapsed the labour hire component of that into our workforce. So it's not to say there's no contractors there, it's just to say that the operating services environment doesn't exist in our ownership as it did before. And so there is an inflationary impact generally, of converting labour hire across to our own people. And that will be evident in New South Wales as it would be in Queensland.

So we're not quoting numbers in terms of that, but we are at the very early stages of this, and so let's see how that settles across the year. We have noted a couple of forays of these negotiations have already taken place within the industry, not with particularly favourable outcomes, I have to say, from a cost perspective. We are watching that very closely to see where that goes. We do have our own exposure in New South Wales to a collective bargaining case, which Narrabri has been drawn into, so we are watching that very closely to ensure that we could minimise any inflationary impacts from that collective bargaining claim.

John Sharp:

Okay, thanks. And just to follow up, are there any other unintended consequences of that, that you're seeing?

Paul Flynn:

No, no, I wouldn't say so. No. I mean, as I mentioned before, labour availability is better. And you've seen us obviously addressing some of that in Queensland already, and we'll continue to work on this during the course of this year. But we do expect if labour is more available, then inflationary aspects of labour should actually come down. I've called this out before, we are not seeing that yet, although it should come in time. And we're not the only ones thinking about the efficiency of the operations in the sector, and we know there's been some changes announced from other producers in Queensland in particular. And that should assist in the moderation of inflation, the labour component of our business. But as I say, we're just not seeing it yet.

John Sharp:

Okay, thanks. And my second question is just on the heart and fleet at Narrabri. Will you continue this indefinitely? I assume there's a certain price that you would stop this operation. There's little doubt that it's increasing unit costs and I would imagine it's taking focus away from the moneymaker, which is the longwall. Just like to know the strategic perspective, is it due to reducing risk for take or pay? Just interested in your thoughts there.

Ian Humphris:

I'll jump in there. So look, we've got an area at Narrabri, that is approved to mine cut and flip. It's not suitable for longwall, so we will continue to do cut and flip wherever it's providing I guess, a positive outcome, and I don't foresee that changing any time in the near future. And we actually have a number of other areas or potential areas around Narrabri that could become cut and flip, and they will be part of the body of work we've got going forward. And yes, you're correct, it does assist with the table pay, but that's not the only driver in that I guess, decision-making process. And I mean we've had it in there for a period of time and I guess say over the last six months, we really started to see it hitting good steady delivery of results. So we are pleased with it and we'll continue to keep going for the foreseeable future we come for you.

John Sharp:

Okay, great. Understand if you take date longwall in there. Makes sense. Thanks, I'll pass it on.

Operator:

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

Lachlan Shaw:

Yeah, morning Paul and team. Thanks for your time. Just a quick one with Blackwater and the blasted inventory and pre-strip catch up, can you help us with a bit more insight around how much of the OpEx guidance is accounted there and secondly, how long is that whole process expected to play out there?

Ian Humphris:

Yeah, I'll jump into how long it's going to take. I mean we've already ramped that up and progressing, and the good aspect is the pre-strip fleets are going really well too. So trying to get that in advance, it's a good problem to have. They're chasing us, but we've got the resources up there, we've got the new team, so it's probably... It's going to continue to grow. To get to where we want it to be is probably at least 12 but maybe 18 months and then that should stay in a sort of steady state.

Paul Flynn:

Yeah, I think as Ian is saying, performance has stepped up and so it's sort of chasing us down. So as we've stepped up to pre-strip, but the actual production has stepped up as well, so the drag line is working better. You may recall that we've taken the decision to bring a bit more tripping capacity onto site and so the first of those large excavators is onsite now and being assembled. So we are not at the full enhanced stripping capacity onsite yet, so the build and commissioning process will go on still for a couple of months and then we'll have that capacity on the ground plus the trucks to be able to get further ahead. So yeah, nice to see us making better strides to strip more efficiently and greater volumes, but in actuality, the drag lines are chasing the pretty strict fleet down, which is not a good problem to have.

Lachlan Shaw:

And then just in terms of the cost, is there a way to think about that, but that just the additional cost of resetting that sort of fault back into the cost savings you might find elsewhere at the asset? Is that the right way to think about it?

Kevin Ball:

I think you're always going to blast the inventory. There's probably bow way of that coming, which is I would've said the number of... What have we got? We've got 20 to 30 million metres of drill dirt that we need to push some bomb into.

Ian Humphris:

Yeah. So we're targeting to have that 50 million metres of shot dirt ahead of us.

Paul Flynn:

And maintain that.

Ian Humphris:

And maintain that, yep.

Paul Flynn:

And maintain that consistently.

Lachlan Shaw:

Okay, thanks. That's helpful. And then just quickly second question, just on the met coal market, we’re coming up to Monsoon in India, we're all looking for the buyers there to come back. There's some interesting tax changes going on with the steel mills there. I mean what are your team telling you where hard PLV sort just above $200, what are you hearing from the market and what's the view going into end of year and next year? Thanks.

Paul Flynn:

Yeah, look, we do the same thing. Obviously with Indian buying relatively subdued at the moment, I think there's a bit of negative sentiment I think generally for the Asian market. But we are seeing inquiries out of India coming in now, so that is a change as we expect to see. So as they emerge from this period, we want to see them getting more active in the market and we are seeing it. So that's nice. An inbound inquiry is starting to kick up, so that gives you some comfort that you're going to see some buying activity which will tighten the market. Of course we'd like to see greater than $205, we'd

like to see that of course. But we're here for the long haul and the focus will be to make sure that we re-base the businesses cost, ensure that the margins are the healthiest possible and resilient through a cycle, not just when things are good.

Kevin Ball:

But I would say Lachy that all the stories-

Lachlan Shaw:

Great, that's helpful.

Kevin Ball:

All the stories that you see in report on Indian growth, they're real. That place is six to eight and that demand is going to grow, it's just slowly.

Lachlan Shaw:

That's great. Thank you. I'll pass it on.

Operator:

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

Chen Jiang:

Good morning Paul and Kevin, congrats on the Blackwater sale. A lot of production and cost questions got asked. Maybe if I can have two questions on the Queensland coal. It's been I guess, five months since you acquired Blackwater and Daunia. I had a look at your management change. You had a new general manager from Blackwater and Daunia, and also I think you made around 200 people redundant from Daunia recently. I'm wondering, is there any extra capacity or room to streamline Daunia and Blackwater? And also that 100 million per annum of the coal sale, is that included in FY25 course guide is already? Thank you.

Paul Flynn:

Yeah, thanks Chen. Look, the Queensland operations came as they were and so there is lots of opportunity there for improvement of the assets, and the teams on the ground are doing a very good job in that regard. Yes, we have put new leadership in at both sites. One of the sites came... The GM who was there before chose to move on to do other things and so there was a logical replacement there. We had two excellent acting people there taking carriage of the assets until we transitioned in, but now we've got stronger teams there and they are doing a very good job in focusing the operations. So the opportunities are significant at both sites, and the challenge here is just to make sure we reprioritise ourselves here and focus on the big things that matter.

The issue, if you saw us start with last week, they are a beginning. There are further opportunities for streamlining and improvement going forward, so you'll see us during the course of the year address that. To your question about the 100 million, that is outside the guidance. So that is in addition to. So better volume, lower cost, that's the way the guidance works for sure. But the 100 million on top of it is outside of that.

Chen Jiang:

Right, thanks. So it's outside of guidance. And can you implement that from FY25 or we have to wait until you've done pre-striping? And then because your Queensland coal as well as new Southwest coal basis in FY25, you guided higher than FY24. I guess for Queensland that's due to pre-stripping, but for New South Wales, I guess you mentioned longwall movement and lower volume. I'm just wondering how the benefits coming from that beyond FY25?

Paul Flynn:

Yeah, that was a long dissertation there, Chen. So I think what you're looking for is we need to get, obviously in Queensland particularly Blackwater, to the level of volumes of inventory that we want to be able to run those seven drag lines harder and that will result in more coal being produced. And getting to a stable level of inventories to allow those drag lines to be deployed without delay to new areas is our objective here. Daunia is very different. Daunia is all about productivity, it is an established commercial AHS operation. We do need to work on that, it's not where we would like it to be. But they have made very good progress, in particular Q4 also gave us indications of encouragement there. But both those sites will be subject to further review, to reduce costs from the business. But as Ian said, the build in inventories certainly won't be done within 12 months, it's more like 18 months for sure. So once that is done, you should see the volume start to improve outside of that period.

Chen Jiang:

Sure, sure, understand. So around 12 to 18 months integration and all the work. Yeah, sure understand. May I have another follow up just on the Queensland coal? Is that part of your plan to change I guess, your marketing strategy including the mix of how you sell the met coal product versus BHPs time? Thank you.

Paul Flynn:

I'm not sure what change you're referring to there, Chen, so no, we have no plans to change [inaudible].

Chen Jiang:

Sorry. Yeah, I'll apologise. Just a customer base, I know you have very good relationship with the Japanese mills, but I guess India is where the incremental [inaudible] demand coming from. I don't have details on how Blackwater or Daunia customers like versus BHPs time, I'm just wondering if you have anything under your plan to change how BHP used to operate from the marketing or customer or even coal mix perspective?

Paul Flynn:

Yeah, I think we just need to keep these questions relatively succinct if we could, Chen. Whatever BHP did from their marketing perspective is a matter for them. We have good relationships in these markets. We have established a representative office in India. And so as you rightly point out, that is significant upside from a met coal demand perspective and we'll be continuing to leverage that. We know a lot of the players there already, having sold semi-soft and PCI to that market for many years and we'll be continuing to focus on that. But we'll be running the marketing and logistics component of our business the way Whitehaven does it, as opposed to whatever may have happened in the past. I think we're running out of time. We've got one more question. So can I just ask that next person to come on, ask that question? If they could be succinct please, that would be great.

Operator:

Thank you. Your final question is from Glyn Lawcock, with Barrenjoey. Please go ahead.

Glyn Lawcock:

Hey Paul, I'll try and be succinct. So look, just quickly talking around all your peers in Queensland, they talk about the below rail being an issue. The system is running about 12% below what it did at its peak five years ago. Can you just maybe talk a little bit about how things travelling for you? You had some issues in Q4. So are you comfortable the below rail can actually step up? And then just whether because it's been quite above average rain for the last few weeks. Thanks.

Paul Flynn:

Yeah, thanks Glyn. That is a good question, I'm surprised it didn't come up earlier. Daunia as we commented before, had stuff in that first quarter of not receiving the pathways necessary to move the sales tonnes we would've preferred in the first quarter. Obviously we've elevated that significantly with incumbent, but we've also brought in an additional provider there to help us out provide further pathways. Since that time, we are clawing back actually some of the lost ground, which has been pretty positive. And so this quarter is looking much, much better. And so credit to all those parties, the incumbent and others involved, that is improving. So you're quite right though, that everybody is complaining about the same thing in the system itself. Our issue was more a situational issue where extracting Daunia out of the centrally managed BMA contract caused a bit of a glitch in the allocation of pathways in the internals of Aurizon Networks. But that is being addressed, so I appreciate the change there.

I think we've got to be actively managing this going forward, so we've got to be on our game here. Daunia is a relatively small piece of the puzzle in that system, and so we've got to be on our toes to make sure we are always getting our contractual share of the pathways that we are paying for. The challenge here, as you know is the system does require maintenance and there's a tricky balance there. I know that the argument has been in the past, if you pay us more for maintenance, we can provide more pathways. That's not an unfamiliar proposition for any regulated asset. So we've just got to make sure that we're getting all the pathways that we deserve. But we are recovering ground in this quarter, which is very positive.

Ian Humphris:

I'm assuming everyone understands this, but obviously that is in and around Daunia. I mean, Blackwater and that rail chain is plenty of capacity dedicated stockpile type arrangement. So we don't foresee that same challenge out of Blackwater.

Kevin Ball:

The joys of having two rail lines.

Glyn Lawcock:

And any weather impacts from the rain we've had, above average?

Paul Flynn:

Look, this month there's a little bit of rain in and around, but we kicked off July really well, and we're not seeing any overall challenges for Q1 falling out of that. So no.

Glyn Lawcock:

All right. Thanks very much.

Operator:

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

Paul Flynn:

Yeah, thanks very much everybody. Appreciate you taking the time. It's been a lot... I know we sent you a lot of documentation this morning on this excellent joint venture formation opportunity and the results for the year. I know there'll be lots of more questions, but we'll be seeing many of you over the course of the next week too. But if you have any questions, you know where to find us. We look forward to engaging you on all the aspects of what we've announced today. Thank you.