WHITEHAVEN COAL Q1 FY25
September Quarterly Production Call

INVESTOR CALL TRANSCRIPT

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Introductory comments / Overview of Q1 FY25 September Quarterly Production Call

Paul Flynn:

Good morning, everybody. Thanks very much for dialling in for the September Quarter 2024, the first quarter of the new financial year. As usual, I'll go through our report and then dive into the Q&A. And I'm joined today, as usual, with Kevin Ball, our CFO, and Ian Humphries, our COO, and our investor relations team. So look, I'll just go through the highlights quickly for you. It's been a terrific start to this new financial year, with the enlarged business.

So, I'll go through the group results, then we'll dive down into the state-based outcomes. So, group safety is certainly looking very good. It is, as you can see, for those who've been watching from the last quarter, being the first of the enlarged group, it's essentially an average of the New South Wales and Queensland results. As you can see at 4.4, our [inaudible 00:00:46], a 4.5, sorry. It's really the central point between where we finished in June at 3.3 for New South Wales and 6.6 for Queensland. So, heading in the right direction, but more work to be done in that regard.

All mines are performing well and all are on plan - if not better, in fact. So very positive in that regard. Our managed ROM totals of 9.7 million tonnes for the quarter, certainly a very good result, and comprising our ROM totals of Queensland at 5.3, and New South Wales at 4.4. Total equity sales, produced coal, 6.4 for the quarter, slightly down on quarter on quarter with June, but June obviously was a big quarter. Queensland sales at 3.6 - there of course - and New South Wales equity sales at 2.8. Revenues for the quarter, the split of those [is] 64 [per cent from metallurgical coal] to 36 [per cent from thermal coal]. Unit costs are performing well. So, we're actually tracking down the bottom end of our guidance, which is very positive. More to talk about that as we make our way through the discussion.

Net debt, consistent with where we wanted to be, so that's actually improving. And of course, during the course of the quarter, we announced the sell-down of 30% of the Blackwater Mine, and we're expecting the proceeds from that sale to be in the bank in Q3 this year, FY25. So, very good start to the year, [that] is to say all mines tracking very nicely, doing what they should be doing, and in the case of Queensland, better than planned. So, over the table there, you've got all the results there. I won't go through them all for you. I know you can do that in your own time, but you can see the comparison between June quarters in, say, New South Wales, always a big quarter in Q4, and Queensland, certainly we're happy with the June quarter, and September is continuing that very positive momentum forward.

So, Queensland ops, as I say, very, very nice to see that continuing to improve, with 5.3 million tonnes of ROM, that's 11% up on the June quarter. So very, very solid outcome there. And I know everybody's been wanting to watch the splits between the two mines. Of course, the railings at Daunia have significantly improved. As we said, they were already dealing with that, and that certainly, that has delivered a much better outcome, which is reflected in the 17% quarter on quarter increase in Daunia sales. Our efforts to improve and reshape the business are ongoing, and our management teams are well entrenched now in the business, having been all installed during the course of the quarter, and teams [are] doing very well at both sites. So, very positive to see the momentum that they're building, and then you can see the outcome of increased production with the stocks at healthy levels. That's nice to see.

Across Queensland, 2.3 million tonnes, and that's reflected across progress on both sites, so very good. So, the efforts to build our blasted inventory and also our stripping inventories are certainly underway, and cost initiative outcomes for the Queensland business, we feel confident that we're building nicely to the annualised run rate revision of 100 million tonnes, $100 million by the end of FY25. As I say, Daunia's September Quarter, very, very good, 1.6. That's a big step up on where we were obviously for the last quarter. And as I say, importantly, management of the pathway constraints that we had experienced in our first quarter of ownership in the June Quarter have not only been addressed, but we're continuing to optimise that. So, we're actually delivering ahead of schedule, as you can see, which is very positive.

Blackwater is doing very well, so consistent with the June Quarter [being] 5% higher. It's nice to see, and we are continuing to optimise that site, and also deal with those matters that we said that we wanted to do via the increase in blasting stocks, and also the pre-stripping capacity. So, the first of those two 800-tonne diggers that we have ordered to augment the pre-strip capacity has walked off its commissioning pad during the quarter. So, we'll see the benefit of that [begin to] flow through the balance of this year. So yeah, very pleased with Queensland - definitely doing a good job.

New South Wales running according to plan, which is very nice to see. As I say, all mines doing exactly that. The ROM totals for the quarter for New South Wales, 4.4 million tonnes, so that's down on the June Quarter, but we all acknowledge that June was a large one, and that this is in accordance with the phasing of our plan for this year. And I'll go through the mines quickly. Sales of produced coal, 3.5 million tonnes, 16% lower, in line with obviously the lower ROM targets for this quarter, but as I say, in line with [the] plan. Maules Creek at 2.2, this is again consistent with the theme - lower, but in accordance with the plan. And the reason for the lower outcomes at Maules is, as you know, we finally finished mining out the southwestern corner of Maules Creek, so that liberated dunking capacity.

So, we now have turned our focus to the increasing strike length to the north and the east, and so there is a little bit more stripping involved in this quarter, a little bit more in the next quarter, but you'll see an even spread of coal pretty much over the next three quarters, which as I say, in line with the plan. Now, look, consistency has not been necessarily its best in previous paths, but June was good, and this quarter certainly is very good. So, we are building momentum here nicely, and what we are seeing is improvements in reliability just from the focus on the mechanical health of the long wall.

And so [it's] nice to see consistent production coming through there, at 1.6 million tonnes, up on the June Quarter. And of course, we'll see this quarter a fully productive quarter, then we'll have Q3, which will involve the change-out period, which will be a little bit longer than normal. So, because we've got two extra weeks budgeted in our change-out, as I said in the previous quarter, we will be bringing a good number of the chocks to surface for overhaul on surface. So, we've got an eight-week change-out in Q3 that you should factor into your numbers.

GOC is doing what it needs to do. We are chewing through the hill at Tarrawonga, and so as we said before, we are in a period of higher stripping there at Tarrawonga. But between [Tarrawonga] and Vickery, they're doing what they need to do. So, a solid start to the first quarter of the year. Over the page into coal sales and realised pricing - as I say, September equity sales are [at] 6.4. Very good result, consistent with where we've been in June. And so I think overall, we're very pleased with the results. The average price realised there for the Queensland operations [is] at AUD$259, and we wanted to give you some splits here, so you could use that for your modelling. So, if we're looking at how that factors down through the realised prices for Queensland across the quarter, relative to the PLV hard coke price, that was $176. So, 84% of the [inaudible 00:07:48] PLV hard coke price for that same period.

Now, in terms of splits of coal sales [for] Queensland, 55% was in the hard coke and semi-hard complement of the total sales there. 43% was in the PCI and semi-soft. So, the PCI and semi-soft achieved 75% of PLV, and the hard coke and semi-hard achieved 91% of the PLV hard coke, and the balance being a high-quality thermal tertiary product that comes out the back end of the process. So good realisations and solid results overall. New South Wales, of course, has had, from a price perspective, a relatively static period. So, quarter on quarter has been pretty flat, but flat in a very positive way, because the prices are pretty good, despite the fact that the market is still relatively subdued.

And so an average price of AUD$211 for the quarter is consistent with the previous quarter, and the realised price there pretty much bang on with just slightly below a [inaudible 00:08:54] outcome in total. And there's a table at the back of the document for you to look at - the various realisations from the various products we have. But yeah, good result overall for the September Quarter, USD$139. From a market perspective and the outlook, I think both sides of our business are interestingly positioned in very supply-constrained dynamic, both on the thermal side and also the met side. And we are in a shoulder season from our thermal side anyway, so you would be expecting relatively subdued prices. But the price on the thermal side of the business has been very positive, and we are seeing incremental purchasing out of Japan - in particular, on the high CV end of the market.

From the met coal side of things, of course, yeah, there's a number of different discussions, and you've seen some announcements from China during the course of the last few weeks about stimulus, and [it] will be interesting to see how that plays out, in terms of something more substantive than what's already been announced. But we are, as I said in the previous quarter, we are now seeing incremental buying from the Indian side of the market, which seems to be coming out of its monsoon period, and notably, in the last mass month or so, we see a lot of trader activity trying to take up a lot of the volume in the market. And that type of behaviour is usually indicative of them trying to front run an increase in coal prices. So, I think we're well positioned there, and the market will turn as the Indian buying gains momentum, and as we see China and its stimulus efforts take more hold.

Whilst this is a production report, we know we need to give you a bit of guidance on where we're going cost-wise. We configured our guidance broadly off the back of conservative position guidance, at 140 to 155, and we are tracking well. And so the cost-out initiatives and the productivity gains that we're seeing across the business are improving, particularly in Queensland, and so we are tracking towards the bottom end of our guidance, which is very positive. And if I look out across the year, I think that will continue to improve as the cost-out initiatives gain further momentum, as the productivity improvements that we're seeing take greater effect across the course of the year. So, I expect that we'll continue to improve in that regard. As I said before, we're comfortable with the re-basing of the cost phase by 100 million tonnes, $100 million by the end of the financial year.

We get a lot of questions about royalty, so we thought we'd just add in the royalty number per tonne. That's obviously the blended outcome across the group, at $30 a tonne. And so [multiply] that by your volumes, you know, we are definitely kicking the tin for both state governments in providing plenty of royalty revenue for them. Now, lots of inbound questions of course on the contingent payment structure, the upside sharing arrangement that we have in place with BMA. And so we thought we'd give you a little bit more information here, just for your reference. We can probably trim that down in later reports, but at least we'll give you the boots and all version to start off with.

So, just to recap on this, we're sharing the upside, 35% of the revenue over and above USD $159 in this year. And for the two-year subsequent, USD $134. Now, that is capped at USD $350 million per year, a total cap over the three-year program of $900 million. Now, what you don't get in one year, you can't get in a second. So, it is capped each individual year at 350, and it is the $159 realisation across the four products, the four main products that we sell. And so what we've done is given you an indicative calculation here, so you can see how this plays out. Broadly, by reference to the $350 million potential payment, we are tracking off the back of this quarter to about a third of that overall. So, this is designed to give you risk mitigation on the downside, but obviously upside sharing, in the event that prices go higher.

So, you can see there, the amount payable to BMA, and this is subject to obviously verification, but in broad terms, you can see we're tracking at USD $44 million. More or less, if you think about a third of the total is where we're tracking based on the prices that we see today. Now, that is on the anniversary of the transaction, so 2nd April through 2nd April, but is actually paid in July, or three months later, allowing time for everybody just to be happy with the calculation, and then that payment will be made. So hopefully, that satisfies everyone's curiosity, in terms of how that's going and how it functions. But if there are any further questions on that, we can deal with it as well. But 35 cents in every dollar over $159, and that is the realised price over all the product outcomes over the 12-month period from the anniversary of the transaction.

Now of course, in the quarter, a significant highlight is the signing of agreements for the formation of the joint venture around Blackwater. Now, that's a terrific outcome for us. We're really pleased with it, to have two tier one end users in Nippon Steel and JFE, wanting to take a piece of Blackwater and secure off-take for themselves. Now, you saw the announcement, you saw obviously the price realisations that we've been able to achieve. So, a handsome premium on what we paid, and really reflective of the desire of the end users to put their foot on volume, in a market they understand as well as we do, that is certainly supply constrained. And so certainty for them of the off-take is front of mind.

So, we're very, very pleased. In fact, I was in Japan earlier in the week, and two happier incoming joint ventures partners - it would be hard to find, I say. So, very, very good to see that come to fruition. And as I said before, we're expecting completion and money in the bank in Q3, FY25. Quickly on the development of projects, I'll just focus over the page quickly on Narrabri, that's been the highlight for the quarter. So, at long last, despite the illegal wranglings that have been going on, vexatious claims as they may well be, they do consume time, but fortunately, the federal minister has finally cleared the way for the Narrabri Stage Three extension project. So, nice to actually have that now in your pocket, as arduous a process as it has been.

Now, what that does mean is that there have been some delays, and I've said before that the period for a walk-on, walk-off type scenario from a longwall perspective…that window is now shortened because of the delays. So, we don't think that’s actually prospective, so that capital will be pushed out. And so our anticipation is to come back to you with capital guidance in the second half... Oh, sorry, when we announce the results for the first half on the capital required for Stage Three. Now, when I say that window is closed for the walk-on, walk-off scenario, that means there's no immediate need for a new longwall. So, we'll [be] continuing to use this longwall, and examining options as to whether or not there's actually...that longwall can be used for the remainder of the mine's life.

But as I say, we'll come back to the market with that, with the half-year results on the outlook for capital for Narrabri in Stage Three in particular. Winchester South, nothing particular going on there, other than – again - consumption of available resources, in preparing for the normal legal wrangling that goes with the state-based approval for Winchester South. Very happy to see it, but obviously, anybody who's raised an objection during the exhibition period has an opportunity to chance their arm in court, and we will be defending the project vigorously. And in the meantime, obviously, pursuing the EPBC approval as fast as we can.

So, with all that, a very good quarter on both sides of our business, New South Wales and Queensland. Very pleased with that. I'm sure there'll be lots of questions. The guidance remains unchanged. As you can see, we're tracking well on all respects there. We've got the production tables there at the back of this report, and then over the page there's also the equity coal sales and realised pricing table for you. So, with that, we'll bring it to a close, and we'll get the Q&A session going please, operator. Thank you.

Question and answers:

Teleconference Operator:

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

Rahul Anand:

Oh, thank you for the call. Good morning, team. My first question was around your sellable production versus ROM coal production. So, there seems to be a bit of a mismatch there. Is there any colour you can provide on that, in terms of is this a timing impact? Why are you trying to build some ROM inventories that are going to stay with us for some time, so there might not be a full reversal in the coming quarters? That's the first one.

Paul Flynn:

Rahul, could you be a bit more specific just with that? Are you talking about Queensland in particular? I think that's what you're talking about?

Rahul Anand:

Even at the group level, Paul, if we look, you did 9.6 million tonnes of ROM coal production. Sellable coal production was about 7.1, and then obviously you had a bit of a mismatch across assets. So, I was just trying to figure out whether there is some kind of a ROM build here, or is this purely just timing?

Paul Flynn:

Look, I think I'll just pull it apart. I understand where you're going with that. So, there's a tale of two stories, of course, now with a much larger business. New South Wales is proceeding as planned. I mean, it's not got a lot of stock. In fact, we will be intending to build a bit of stock during the course of the balance of this year. So, there's a relatively seamless, if you like, delivery of ROM production through the washing process. Obviously, a yield difference gives rise to the saleable, and off it goes into the customer's ship.

In Queensland, of course, we are outperforming, and that's very good, and that's nice to see the build of stock. We pulled that down very quickly obviously with Daunia, because we were railing at a rate above the monthly and quarterly rate that you would expect us to see. But of course, both mines are performing nicely, so it's really just a matter of the sales team keeping in front of that. So, there's not an intent to build stock for any impending reason. So, it's really just the fact that these mines are gaining momentum, and the sales profile will just play out the way it should. So, it's really just a timing issue, but a sign of success, I have to say, from the Queensland operations that are outperforming.

Rahul Anand:

Excellent, okay. And look, the second one was just around production. So, if we think about Narrabri, you flagged [there will be] an additional two weeks shut, so just wanted to get a bit more colour in terms of what that will achieve. Obviously, the mines performed quite well this period. And then, just to follow up there on Maules, in terms of the Maules Mine plan, was there any change? Because we received guidance very recently, and at that time, it wasn't flagged that it was a first half, second half split. So just wanted to know sort of how that came about? Thanks.

Paul Flynn:

Yep, yep, I'll deal with that in the two parts that it comes, Rahul. So, Narrabri is doing nicely as you can see - consistent, which is what we want. So, slightly up on the last quarter, which is nice. You've essentially got this quarter before we move into the change-out. And so you'll see us chipping away there. More or less, we're expecting the change-out to commence around the end of January, and so that gives you essentially a four-month - this quarter plus a month of production - before you move into that eight-week period. As you know, that's normally six weeks, but we banged another two weeks on the end of that, because we do want to bring some of those chocks to surface, as we mentioned.

Some of that work is difficult to conduct underground, so it is better that we bring some of them up. So, that's why we put another two weeks into the schedule. That should see us with a quarter remaining of production in the year. So that looks pretty good. As far as Maules Creek goes, no, we didn't give guidance about phasing, never do quarter to quarter, but there's no particular change at Maules Creek that anyone should be worried about. It's just that, for those who recall, the shape of the mining lease that’s at Maules Creek, it does pinch down into a point down in the southwest corner. We've been obviously working feverishly to try and clear that out, because that is critical for [inaudible 00:22:07] dumping capacity for the mine in the short to medium term.

And so all our efforts were devoted to making sure we cleared out that area, which we had done, and now we can redirect our focus and stripping capacity to extending the strike length of the mine, which is going to be a productivity benefit. And so we're moving into the north and the east. So, it is just a timing-related matter, but it's important work, and you'll see the benefits of it over the balance of the year and years to come, because improving the strike length will make the mine more productive.

So no, sorry, we didn't give you any quarter-on-quarter guide, but well, we have never done that. But yeah, so the numbers at 2.2 is certainly a little lower than what you would've seen. Obviously, Q4 is large, Q4 will be big this year also, but that is according to the plan. So, as I said, all the mines are doing what they're supposed to be doing in accordance with those plans.

Rahul Anand:

Got it. Okay, that's very clear. Thank you very much, I'll pass it on.

Teleconference Operator:

Thank you. Your next question comes from Paul Young from Goldman Sachs, please go ahead.

Paul Young:

Thanks. Morning, Paul. First question on Blackwater - had a really good quarter from a run-of-mine perspective. I know you've spoken about the two excavators that you're commissioning this quarter. Is there anything else you want to call out from a perspective of just one quarter in, now owning the asset into the new year? Just how the dragline fleets performing, and pre-strip trucks, and coal mining trucks…anything else to call out on that asset? I mean, considering that I think after this quarter, it probably actually should do better even next quarter.

Paul Flynn:

Look, we're gaining momentum, Paul. Yeah, look, it's very pleasing to see the team is doing a terrific job. We've had two quarters now of ownership, obviously only one in this year, but yeah, the June Quarter we were very pleased. And that was a nice step-up on what the mine had been doing for the previous nine months and prior to that.

So, productivity improvements are good, and that's even before you actually see the benefit of the extra stripping capacity that we're bringing online here. So yeah, no, nothing particular going on there, other than it is a pit that people are very enthusiastic…and they're wanting to see the mine succeed. And despite the fact that we are doing some heavy lifting there in reshaping both mines, but Blackwater of course, yeah, I just think that it really does bode well for future quarters and years, because we're starting to see the plans being executed in accordance with the way we'd like to see it done. So yeah, look, very good signs, there's nothing particular, Ian, that you wanted add?

Ian Humphris:

Oh, no. Obviously, we talked about changing the blasting, the contractor that went successfully, and we thought we'd use the opportunity of the dry season to actually bring some more capacity in there, and that's gone well. So, I mean, that's obviously the prelude to getting the blasting done, before we can then build on the other burden in advance. So, going well.

Paul Flynn:

Yeah. Yeah, Paul, Ian's commenting not just on the stripping there, but of course the blasted inventory we want to increase. Now, we inherited a lot of drilled ground, but not blasted. And so with drilled grounds just sitting there, obviously, if you leave the drilled holes sitting there for any extended period of time, you may have to go back and do more of them.

So, what Ian's referring to is…and what we've noted in the quarterly report, we brought in a second explosive provider, which is allowing us to load holes during the night, and because we do want to let this ground go and blast it before the weather season comes, and make sure we've got all that blasted ground ready to be stripped. So yeah, very positive initiatives, and the team's, as I say, enthusiastic, and they're encouraged by what they are seeing they're able to achieve.

Paul Young:

Okay. Yeah, good stuff, Paul. And then, second question on sales volumes and also cost guidance, just sticking with Blackwater - you know, sales improved, but just based on the Gladstone export data during the quarter, I thought Blackwater had done a little bit better, but yeah, that's a timing thing. It's a big mine, so the sales probably will come through. But your unit costs are based on sales volumes, not production.

So, the fact that sales at the group level were probably in line with what everyone was expecting, that probably tells me that your absolute costs are probably coming in a little bit under versus expectations? Is that correct? So, you can just maybe help us all just around why cost [is] tracking to the bottom end? I presume it's Queensland and absolute cost coming in at [inaudible 00:26:38]?

Paul Flynn:

Yeah, yeah. Look, you're bang on there, Paul. I mean, it's a convergence of factors you mentioned there. Building momentum of course, so that's great. So, the sales volumes, as you say, we've got good stocks now down at Gladstone, so you'll see that materialise in the coming quarter. So very, very positive. Productivity improvements are bringing those costs down, anyway. Then, on top of that, there's the overt cost reduction activity that's going on there as well. So, the convergence of all of that, as you say, the cost line is driven by the sales line, and so the opportunity for further downward pressure on the cost is definitely there.

Paul Young:

Okay. Thanks, Paul. I appreciate that, and thanks, Anne [operator].

Teleconference Operator:

Thank you. Your next question comes from Jonathan Sharp from CLSA. Please go ahead.

Jonathan Sharp:

Yeah, good morning, Paul and team. Just the first question, just with the BMA payments - I suspect I know the answer to this, but just wanted to confirm this - so you'll have to make 100% of the payments to BMA and not 70%? Can I just clear that up, please?

Paul Flynn:

Yep, yep. That's right, Jonathan. The liability sits with us, with BMA. So, the incoming joint venturers obviously are paying their share, and paying their share based on the price that we've struck. So, we will be liable for that, but we are taking that money off the table from them, obviously upfront, as part of the purchase price consideration, which will conclude in Q3. So, we will have their money for the entirety of that in the bank.

And I note that obviously, they also had to take a view on the upside sharing arrangement. So, included in that is a portion of that, and obviously, it's tracking to lower than expected, which will be an opportunity for us to do better as a result of that as well. Now, obviously, we'd be incentivized to pay the whole thing, but that mechanism is designed to obviously minimise the downside in a lower-price environment. But the price we were receiving from our new friends is inclusive of the view that they took at the time of the sale, which is higher than what we're ultimately paying at the moment. Does that make sense?

Jonathan Sharp:

That makes complete sense, thank you for that. And just the second question on Narrabri - that makes sense you're going to eight weeks, with just how many supports are coming to the surface, even just percentage wise. And can I just confirm it isn't due to any development discontinuity, it is due to hydraulic health? And just with that, will it be a hard stop after eight weeks, or is timing dependent on maintenance completion?

Ian Humphris:

Okay, I'll have a crack at answering the three of those. So [inaudible 00:29:32] chocks coming into the surface is a varied program. I think, sort of…roughly 20, got a little bit of structural work, and some hydraulics, and the others are hydraulic hosing. We've done a lot of that hydraulic hose type work underground already, as we flagged. So, that's the answer to that.

Look, unfortunately, you can't just say there's a magic stop date for a longwall move. I mean, you've got to have it all in and get it running, but there's been a lot of work done by the teams. I mean, we do have a few spare chocks. They've been sent to the offsite repair places, and we've done some practicing to figure out how long that's going to take, and capabilities, and all the rest of it. And we are sharing that workload against a couple of facilities. So, I'm confident that the work's been done in the background around that. And there was a third question?

Jonathan Sharp:

Development float.

Ian Humphris:

Oh, development float. That's not an issue. The block's ready to go as we speak now, the next block. So that's not a problem.

Paul Flynn:

Yeah, yeah. I think the only thing to add there is, just as Ian's alluding to, there's obviously…you've got to share the labour and the actual equipment to bring chocks to surface, and that's not something we hold on site every day. And so a lot of work has gone into making sure that when we schedule our change-out, it's obviously not clashing with anybody else's change-out at the same time, who uses that same equipment or those same service providers.

So, we are in a good zone in terms of being able to procure the labour we need and also the equipment for transportation of the chocks to surface, to be able to get that done in the time period we're allowed. So, as I say, there's no hard stop, but that we've allowed an extra couple of weeks for this important work, and we believe that's sufficient to get it done. And the team's very much focused on making sure that all the procurement activities, and the parts, and labour, are all there well before the change-out commences.

Ian Humphris:

Yeah, and I think, unlike the previous move, where we were really moving the longwall block from the deepest part of the mine all the way up to the shallowest, we're really just moving to the adjacent block, and the stuff that's got to come to the surface is the block basically at the bottom of the drift. So, it makes some of that process easier.

Paul Flynn:

Yeah.

Jonathan Sharp:

Okay, makes sense. Thanks, I'll pass it on.

Teleconference Operator:

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

Rob Stein:

Paul and team, first question just on realised pricing. So, note that your sales mix for Queensland in the quarter was 55% of Queensland operations, yet you still achieved a number pretty close to 85%. Can you just provide a bit of comment on that, given that the acquisition deck had a much higher target of an HCC mix, but similar types of realisation?

Paul Flynn:

Yeah, Rob, there's a bit of timing in that. And just to go through the numbers just quickly for you again, of the met coal - the met coal out of Queensland - the percentage of the met coal was 45 hard coke and semi-hard, and they realised 91% of the PLV hard coke. And the semi-soft component of that, the 43% of the met coal, achieved 75%. And obviously, there's a balancing thermal component of it, 2% that I mentioned there before. Overarchingly, we've achieved - and when you aggregate all that together - we've got 84% realisation of the PLV hard coking price.

Now, in terms of product splits, there's always a little bit of timing in that, and this quarter does have a little bit more of Daunia in it, of course, because we've recovered that ground that we weren't able to deliver in the June Quarter, because of the pathway issues that we previously discussed. But we're pretty much on track with the splits that we've given you in the past. But there will be timing differences from time to time in all of that. But overarchingly, we want to make sure that everyone understands the product splits, and also the realisation relative to the PLV hard coke in aggregate, and separately between the two primary products out of Queensland, so that you can do your modelling.

Rob Stein:

So fair to say, even with the time lags on pricing and the like, if you were to trend up to that 65 target, you should sort of realise closer to that 90? Yeah, I know you range at 85 to 90%, but you should achieve a number a bit higher to that 90% mark?

Paul Flynn:

For the hard coke?

Rob Stein:

Yes.

Paul Flynn:

Yes, yes, yeah.

Rob Stein:

For the hard coke, yes.

Paul Flynn:

Yep, yep. Don't forget, the Daunia has the better quality there, Rob. And so Daunia certainly achieves that level. And then you've got to blend that in, obviously, with the semi-hard, and we've given you the realisations for the semi-hard as well. And so you're going to have a blended outcome between the semi-hards, which is in the early 80s, and the Daunia hard coke, which is around the 90.

Rob Stein:

Yep, okay. And then, just on Maules Creek, not[ing] that mine plant sequencing is never smooth…even on a quarterly basis, it can be quite lumpy. Can you provide an indicative profile for the rest of the year around how you would expect to see that get back, even if it's flat year-on-year production?

Paul Flynn:

Yeah, yeah, look, I understand there's a few questions about that. It is according to our plan, so we're not concerned at all. That's just the phasing of the mine. The split on a half-to-half basis is actually about 45-55 at Maules, just so you've got a reference point. But as I say, it's really just us opening up the northern extension, so that's going to be a productivity benefit for us overall. So, it is in line with our plan, but yes, it'll be 45-55 from a Maules Creek perspective for the year.

Rob Stein:

That's great, thank you very much.

Teleconference Operator:

Thank you. Your next question comes from Lyndon Fagan from J.P. Morgan, please go ahead.

Lyndon Fagan:

Good morning, Paul. Yeah, first one I've got is just on the Blackwater sell down. Is there any tax on that?

Paul Flynn:

Yeah, there is. Kevin?

Kevin Ball:

Yeah, yeah, so the $1,080,000,000 I think nets to about a billion after [tax]. So, it makes the math easier, Lyndon.

Lyndon Fagan:

Okay, that's a good one. And then, just on the Queensland cost-out, you've talked about headcount reduction. In terms of the initiatives this year that are leading to the savings, do you mind just giving a bit more colour on what that is?

Paul Flynn:

Yeah, I'll start off, and then we'll jump in with some of this. I mean, there's a range of programs going on there, Lyndon. So obviously, when we took the assets on, we took them as they were. And so that's everybody, and as it was…and acknowledging that our business is configured a little differently to how these assets were run in the past. So, there was going to be obviously some refinement that was required. So, that does, in that instance…it does mean some restructuring, and that's unpleasant work, but we are doing that, and you would've seen a round of that already. And there's further ongoing as we speak.

Now, there was some duplication that came with it, just because the collapsing of OS into [inaudible 00:37:13] brought about duplication there in the first instance, which needed to be dealt with. So, that's just an example of the areas that... but it's across the business. And so we are trying to proceed across the business divisionally in a way that's not too disruptive. And I think that is being achieved, because you can see the productivity of the mines - both of them have lifted as a result. But there is further work here. So, it's just the productivity side of it [that] will obviously bring cost reductions as well.

And then, of course, our procurement team are looking at all the opportunities to try and find ways in which we can take advantage of the large scale of the business. So, it's not to say we're going to be able to approximate what BMA was necessarily able to achieve across their group, but adding in New South Wales into the procurement that we've got, we'll see opportunities as well. Ian?

Ian Humphris:

Yeah, so just building on what Paul said there, I mean, we've got a structured program in place, and obviously some of the initiatives are a little bit more complex or will take a little bit longer. But specifically, I think you were asking questions about headcount, we flagged to you initially the first round of restructure was circa, I think, around about 190 people. That's largely occurred now. There's still some tailwinds with a few of those things, but largely done. And we are in the early stages of, I guess, restructuring our asset management part of the business across sites and the group roles, and that will lead to a reduction of just over 100 people. And that's being worked through as we speak now.

Paul Flynn:

Yeah. On top of that, Lyndon, there's [inaudible 00:38:51]-

Speaker X:

Oh, it's attrition.

Paul Flynn:

... the attrition that features as part of the business since the time that we agreed to buy it. So, we've been also allowing that to do some of the work for us as well. So, the numbers that Ian's just recounted to you are the numbers of initiatives explicitly that we are driving since our ownership, but we've been allowing the attrition also to assist us in that regard, on top of that.

Lyndon Fagan:

Yeah, thanks for the detail. Just a quick follow-up, how much of the saving relates to people cuts?

Paul Flynn:

I'll give you an indicative place marker there. The original 200 that Ian's referred to represents about $50 million annually. Now, there are redundancies and so on that need to be part of that. And so you're talking…call it $13-$15 million. So, the net of the two is obviously what you receive in the first year from a benefit perspective, and then obviously, the gross number is what you receive then after. Does that help?

Ian Humphris:

And there's also a bit of an element of-

Lyndon Fagan:

Yeah, thanks.

Ian Humphris:

... I'll call it the associated costs, you know, air travel, accommodation, and some of the other things that flow onto that, rather than just salaries as well.

Paul Flynn:

Yeah, that's right. I was just referring to the salary piece of it. That's right.

Speaker X:

$100 million [inaudible 00:40:20].

Lyndon Fagan:

Yeah, thanks. Thanks a lot, guys. I'll pass it on.

Paul Flynn:

Thank you.

Teleconference Operator:

Thank you. Once again, if you wish to ask a question, please press star-one on your telephone. Your next question comes from Glyn Lawcock from Barrenjoey. Please go ahead.

Glyn Lawcock:

Morning, Paul. Just a couple of quick ones. Firstly - maybe one for Kevin - just in the quarter, was there anything other than the dividend payment that went out that was exceptional in the quarter, and then, is the stamp duty still due in the second quarter? And just to refresh my memory, what [is] that amount? Thanks.

Kevin Ball:

Yeah, no, I can refresh you. The stamp duty's due to be paid in the second quarter, so that should be about 300. If you want to do the maths easy, it's AUD 360. It'll be a touch less than that, but you don't need to be down to that level. In the period post, there was the dividend that was paid out, that was 104. There were some other things that we bought, about $30 million for employee share plan, which would've been topping that up. But aside from that, no, no.

Glyn Lawcock:

Oh, right. So if you net off the payment to BHP, it's about a couple of hundred million, at least, cash generation in the quarter?

Kevin Ball:

Yeah, no, it's a good quarter for cash generation. And Glyn, when I look at it, I've got a stock build across the business. I never took any action on the receivable side of the world to cash out the LC back sales. So, it's a good quarter.

Glyn Lawcock:

Yep, and then just talking about the operational quarter up in Queensland, I mean, 21 million tonnes of ROM annualised, above the top end of your guidance for the year, was there anything that we should think about that means you can't hold the September Quarter all the way through?

Paul Flynn:

Yeah, Glyn. I mean, the most obvious one is weather. And as you know, that up there, it straddles between Q3 and Q4, and so we've made provision for that. And as we said at the outset of the year, we are positioning our guidance relatively conservatively, and that was a deliberate and open statement on that. So, the fact that we're doing well is very good. We don't see any reason why we can't continue to drive further productivity improvements here. It's just the beginning, but

I'm cautious on people, just [multiplying] it by four, given that the weather is before us, and that'll be our first time to deal with that.

But the people on the ground are well accustomed to dealing with it, of course. But that does add an element of unpredictability, at least just at a surface level. You can see the comments were made there before, just about stocks and things. So, to the extent that there's weather, particularly as it relates to Blackwater, we'll always have good stocks down there. So, we're able to sell through any (particular temporary) outages that weather [might deliver] to us.

Glyn Lawcock:

Yeah, and I appreciate your railings have picked up, but you've actually now built a million tonnes of finished coal in six months. Is that replenishing finished stocks, or is that a million you think you can unwind over the remainder of the year?

Paul Flynn:

I think we can unwind. So, we've definitely had a build there, which is very positive. So, the momentum is good, and on our side, so that's nice. The rail…the railing system is working well, and so it's just a timing-related matter. The sales team are all over it, and so I feel confident that we'll be moving that, but we do have an opportunity to draw some of that stock down as you mentioned.

Glyn Lawcock:

Okay, thanks very much.

Teleconference Operator:

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

Chen Jiang:

Good morning, Paul and Kevin. Congrats on the strong quarter for the Queensland operation. Just one question, [inaudible 00:44:21] Stage Three extension program, you made a comment earlier at the start that there's a decision pending whether to use the current longwall. I'm just wondering, I know you will provide [the] updates you mentioned at the end of the first half FY25 results. But regardless of your decision, will that impact your CapEx guide for $800 million? Thank you.

Paul Flynn:

Yes, thanks, Chen. That's a good question. Yes, I was talking to that before when I made the comment that at the half-year result, we will have - in our discussion for you - revised guidance on the CapEx for Stage Three. And as I mentioned earlier, because of the delays in the approval process, lamentable as they are, what it has meant is the window for the walk-on, walk-off scenario has shortened. And we don't believe that that is long enough now to justify accelerating the capital for the new longwall. And so alternatively, we are actually looking at plans that may allow us to actually extend the life of the existing longwall for longer. And so at the half-year, you'll see us…we'll definitely have a discussion about what our outlook for capital will be with that revised plan.

Chen Jiang:

Okay, that's good to hear. So, I guess this means there's a downside risk to your... I mean, reversing downside to your original CapEx, which has different mining methods planned for that $800 million?

Paul Flynn:

There will be a lower CapEx requirement for Narrabri going forward.

Chen Jiang:

Okay, excellent. Thanks for that - appreciate it, I'll pass it off.

Teleconference Operator:

Thank you. Your next question comes from Daniel Roden from Jefferies. Please go ahead.

Daniel Roden:

[inaudible 00:46:15], Paul, and thanks for taking my question. I just wanted to…on the wet weather - I guess, planning - are you able to provide a bit of guidance on the number of weather days you forecast when providing guidance that goes into annual production targets? Is that something you're able to outline?

Paul Flynn:

Yeah, I take it Ian can do that?

Ian Humphris:

Yeah, I'll jump in there. So, look, in Queensland, as Paul said, I mean, it's still a little bit new to us, but the teams up on site are familiar with it. So, the way we've done our forecast is we have different allowances for the different months [and] quarters to reflect the wet season. I think that there might be some interest in the first quarter, so yeah, it's generally drier, and so our allowances were less there. But if I look at Daunia, we probably had about 150% on top of what we allowed for there, and Blackwater [was] probably about 200%, but we were still able to achieve the results we've got. So, I think that the allowances that we put forwards for the rest of the year well and truly reflect what's average. And if we don't see anything different to that, there should be no issues in and around delivering what you've been seeing.

Daniel Roden:

Yeah, okay, and [the] definition of average in that context is last couple of years…last what, three, five-year averages, because probably the last few years have been elevated rainfall, depending on the time horizon you look out. So, no one here's a weather expert, but if you were forecasting that out, if it was average on 10 years, is [that] different to average on three years?

Ian Humphris:

I think the last few years is probably a reasonable assessment to what that would be. And yeah, I mean, you've got a dragline pit too, right? So, depending on the weather and what it looks like, draglines can keep swinging when it's wet. So, there's a few variables there, but there have been allowances made, and I guess that will be one of the things as we move forward and get to know these operations better, that we'll fine-tune. But I'm not concerned about what we've got there now.

Paul Flynn:

But that's been factored into our guidance. And as I say, the people on site are comfortable with the rhythm of this, even though it may be new to the corporate end of Whitehaven, but certainly, not new news to our people on site.

Daniel Roden:

Yep, no, understood, and thank you. And I just wanted to touch on last quarter, you were talking about building blasted [inaudible 00:48:48] inventory at Blackwater for the [inaudible 00:48:51] that are there now. I just wanted to get a sense of - from the cost front - I would've expected that to have resulted in an increased operating cost at the site, the verbal commentary that hasn't really eventuated. So, I guess, have you brought on additional blasting capacity, and when was that brought on in the quarter, and how [has] that translated into your cost base there? And I guess directionally, would you expect costs at Blackwater to increase quarter on quarter into December?

Paul Flynn:

The thing is, Daniel, the first of the two big diggers has only just walked off the commissioning pad at the end of September. So, the impact of that and the benefit of that will be seen in the coming quarters. We obviously do want to strip harder than what the mine has been doing the last couple of years in particular to restore those balances. Yeah, so there will be a cash impact of that, but we are going to build overburden in advance, which is deferred, and then unwound obviously as production occurs. But the OBIA balance is lower than we think it needs to be, so we will build that.

So, there will be a cash impact that will be different from the OPEX impact that you'll see, as we unwind and advertise that across the related tonnes that come from the stripping activity. But you won't see that in this quarter, of course. But the coming quarters, as I say, the second of those two diggers is... is that February?

Ian Humphris:

No, no, should be the end of this year, December-

Paul Flynn:

So that's a lot quicker.

Ian Humphris:

And in addition to that, we've also had four trucks committed, too. Two have arrived, two should be going...the second two, shortly. And I mean, I think maybe more colour, the additional blasting that we're talking about was factored into the cost given in guidance. So, I mean, that's always been part of the plan. There's nothing new there. Maybe we've accelerated sort of towards the end of Q1 with the additional crews that we've brought on. Unit rates, similar, but just doing a little bit more there to utilise the dry period that Paul touched on.

Paul Flynn:

Yeah, but they'll just front end a little bit of cost - which will lead in the second half - once we've got the blasting away.

Daniel Roden:

Yeah, no, perfect, makes a lot of sense, and that's perfect colour. And maybe - just finishing off from my side - can you maybe just touch on the coal markets? You mentioned that you're seeing that incremental India buying [and] increased freighter activities in the market. Just interested in that, and I guess kind of coming into the end of the year, it's traditionally a season where coal pricing has reacted quite positively, and I don't think you've seen those physicals translating through. Maybe, can you just provide a bit more colour on what demands you're seeing from, I guess, India and your other export markets as well, and what your expectations are internally for that?

Paul Flynn:

Yeah, not too much to add to what I said before there, Daniel. Other than that, yeah, we are seeing the trader activity. That is an in-house view, obviously, rather than something that should take it as such, that when we do see that type of activity, they're usually trying to front-end a tightening in the market. They're taking a position and building stocks. So that's what we're seeing, but we are seeing the Indians re-emerging in the market. So, it would appear that the monsoon is behind them, and that they want to continue to secure more coal. That's good. I think the swing factor, as we all acknowledge, is China and what it does. And obviously, people not just in the coal sector, but generally, are looking for something perhaps a little bit more fulsome in terms of their pronouncements about the stimulus that they're engaging or going to engage in, and so we're keen to see that.

But having said that, as an aside, Whitehaven itself hasn't had a presence in the Chinese market, if you like, from a sales perspective. And we have actually just taken a couple of sales into Queensland – sorry – into China now out of our Queensland operations, which is good to see, so that's quite positive. I mentioned before that the high CV market - if we flip over to the thermal side - that is actually seeing incremental buying out of Japan. So that is positive, also. And of course, let's see what happens with the winter period, obviously across the northern markets. So that should see some tightening across both prices, but certainly, we're seeing a very steady market, and the thermal market is in contango. So, let's see how that plays out over the coming cold months.

Daniel Roden:

[inaudible 00:53:44]. Awesome, thanks Paul and Kevin. Congrats on the good quarter, thank you.

Paul Flynn:

Thank you.

Teleconference Operator:

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

Glyn Lawcock:

Thanks Paul, for allowing me to double dip.

Paul Flynn:

Of course.

Glyn Lawcock:

Just on Narrabri - obviously, not buying another longwall must lower CapEx, I'm sure there must be an offset on the other side, otherwise we wouldn't have done it in the first place. Does that come with higher cost, you think, because you're trying to nurse a longwall all the way through?

Paul Flynn:

Yeah, that's a reasonable thing to think about, Glyn. If we can do that, that certainly would be preferable. So yes, there's going to be a maintenance aspect to that. And so it's right to think about what that would mean from a sustaining CapEx perspective, if we were to use this longwall to the end of the mine’s life. So yes, we will re-profile that for you with the half-year results when we talk about the reset of Narrabri's Stage Three CapEx.

Glyn Lawcock:

Okay. And then, just a quick one, just on the New South Wales pricing. Now that Maules Creek's out of the portfolio, I would've thought you're only selling better than gC new quality coal. You've got the higher energy, the low ash, so I would expect you now to be getting a premium. Was it something in the quarter? Was it just timing because the price ran up, or what? Because that should be the case now, shouldn't it, [that] you get a premium?

Paul Flynn:

Yep, yep. 100% right, Glyn. We should be getting a premium over and above gC new in an ordinary market, that's for sure. Whereas, obviously [Maules Creek] was the lowest-quality coal that we had, now that's gone. That's to be replaced by Vickery. Obviously, Vickery tonnes are still ramping, so that will come in at a premium. Now, the only variation to that is when we sell Narrabri tonnes. As you know, Narrabri obviously sits at around the bottom end of the gC spectrum, so around that 50-58 sort of level, but it can dip below.

And our capacity to bring that into the gC market is at times constrained by how much gC or better material that we have available in the group, to blend that up and keep it into the gC market. So, you will see us from time to time, we have customers who like that product on a straight basis, rather than a blended basis. So, they are sub-gC outcomes. Now, the more Vickery of course that we have available to us, the more compelling that gC plus premium proposition that our book will represent becomes, and so you're right to point that out.

Glyn Lawcock:

All right, thanks again.

Teleconference Operator:

Thank you. Your next question comes from Rob Stein from Macquarie, please go ahead.

Rob Stein:

Hi, guys. Thanks for the second run. In terms of the yields, the rolling yields for Queensland, is that a 12-month rolling yield? Is it still including BHP's operational data? And the reason I ask is that [is] if I look at your ROM to obviously salable coal production - you talked about increasing ROM stock – [I’m] just trying to quantify how much ROM stock build you have there that gets created, noting that your yields were flattish, if not up, but yet obviously the ROM numbers were significantly up on salable coal production?

Paul Flynn:

Yep. Yeah, got that. The ROM – sorry – the yield numbers are ours only, not BHP numbers there, Rob. So that's just our experience, and yeah, you're right, there's been a good build of stocks there, so that's very positive. So, there's always that variation of the split between…we give you ROM stocks in... well, we give you stocks in total. That includes ROM and obviously product together. So yeah, we acknowledge that there's some variation. They're just timing differences that you need to work your way through. But yeah, on a short-term horizon, we don't bother about it so much. We give you the sales number, and that gives you your ability to work out what's going to be translating into cash.

Rob Stein:

And P&L [profit and loss].

Rob Stein:

Yeah. So, if I get back from the ROM side, if I take salable coal production and multiply...well, divide it by the yield, I should sort of get, theoretically, as much ROM that went through the wash plant as you would expect. And then, the delta between that and ROM coal production relates to ROM coal stocks outside?

Paul Flynn:

Yep, yeah, that's right. That's the theory of it.

Rob Stein:

[inaudible 00:58:29] roughly [inaudible 00:58:29].

Paul Flynn:

Yep, that's the theory of it, but there'll be variations from quarter to quarter. And I'll just remind you that the two mines in Queensland are different, in the sense that there's no real material stock support for Daunia, whereas Blackwater does have a dedicated stockpile facility, like NCIG. So, we do keep healthy stocks there.

Rob Stein:

Gotcha, okay. Thank you very much.

Teleconference Operator:

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

Paul Flynn:

Thanks very much, everybody, for your questions and interest in the quarter. A very good quarter from our perspective. Nice to see all the mines doing what they need to be doing, or in the instance of Queensland, even better. So, if there's any further questions that you have for us, you know where to find us. We'll look forward to engaging with you over the next few weeks about a very solid quarter. Thanks very much.