WHITEHAVEN COAL

WHITEHAVEN COAL Q2 FY25
"December Quarterly Production Report"

INVESTOR CALL TRANSCRIPT

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Introductory comments / Overview of Q2 FY25 December Quarterly Production Report

Paul Flynn:

Good morning everybody, and thanks very much for attending today. Welcome all to the Q2 report for our December quarter for FY2025. I know there's lots of activity in this shortened week for people or groups reporting, so we'll get through our document here as quickly as possible and get to the Q and A. I'm joined here with Kevin Ball, our CFO, Ian Humphris, our COO and our IR team as usual, and let's get through the highlights and move on to that Q and A as I say. We're pretty pleased with another solid quarter from our operations right across the board, which really consolidates our position at the end of the first half of the year in what's been a very good start for the business in the first full financial year in its enlarged form. So I'll just go through some highlights here.

Our safety is decent, but we've got more room to maneuver there at 4.9 for our trifer. The managed from production there at 9.7 is consistent with where we were in September, as I say, a solid start to the year for the first half. Total equity sales have produced coal at 7.8 million tonnes, so assuming going to be up 22% up on the September quarter. Revenue split for the period 63%. Met coal, 37% thermal, come back to that a little bit later. Unit costs are at the bottom of our guidance range. I'm sure we'll have more discussion on that as well, but doing very nicely there. Net debt there, just for the record there, $1 billion Aussie, but I'll get to that a little bit later as well. And of course, we're anticipating the formation of a joint venture with our incoming joint venture partners there, which would conclude in this quarter in fact, but on track and I'm sure there'll be further questions on that.

Quickly, Queensland, wrong production, 4.6 million tonnes a little down on the September quarter, but just mine planning associated with that. Sales have been strong and so at 4.6 million tonnes for Queensland, 28% up on September. Average realisations there about 75% of the PLV hard-coat price across four products there at Aussie 237 per tonne, and very good productivity moves and certainly cost out initiatives starting to show their benefits in this period. New South Wales across the open cuts is done nicely and narrow rise volumes are in line with our plan. The ROM totals there at 5.1 million tonnes, so was certainly up on September by 17%. Equity sales are going strong at 3.2, up 15% on September, average coal price there at 2.11 Aussie per tonne, more or less in line with GCNUG for the quarter. And so as I say, ROM production across the mines, certainly in line with guidance if not to the better end of where we've guided you.

I'll leave the table there for your digestion, but you can see there pretty quickly that up on the September quarter in line with our plan, we've done about 19.7 million tonnes now for the half, puts us in a very good position and I'm sure you can extrapolate that in terms of where it goes for the full year guidance. Certainly trending towards the better end of our guidance range, which is nice. Just say Queensland operations themselves, 4.6 million tonnes, certainly a little bit lower but in line with our sequence and plans. So nothing that we're worried about in that respect. The sales were strong and that is a recurring theme across the Queensland business there that the products out of our Queensland operations are well sought after. So sales have been very good and stocks at a reasonable position at 1.4 at the end of the quarter, so bodes well for the next.

Our cost out initiatives certainly are tracking well, and as we're saying today, we are running at the bottom end of our guidance there. And so as we get to the publishing, the half year numbers, you'll see a bit of colour there and we'll speak to a little bit more about how that's tracking, but certainly trending in the right direction. Daunia's had a good quarter, wrong production at 1.5 million tonnes despite it's being 7% lower than before but it's doing very well. So we're very pleased with how Daunia is tracking. And certainly any issues that we've had in the previous two quarters of our ownership for dysfunction on the rail corridor has been mitigated. And coal availability and just the demand itself has led us to a very positive outcome from a sales perspective from Daunia. Blackwater at 3.1, was 17% lower than September but again, just sequencing related matters.

We have had some weather and I'm sure there may be a question or two about that. So the rain has certainly been, well seasonal but not unexpected, but we have been experiencing quite a bit of lightning in the air as well. So there is some downtime associated with that when it occurs, and we can talk a little bit more about that as well, just to give a little bit more colour. Last at inventory levels as we've spoken about this are one of the things we've inherited that we wanted to

overcome in our period of ownership. We have rectified that now. So the team's done a great job to get back on top of that from what we inherited at transition, and really does bode well for now re-establishing what we believe to be the pre-strip inventory levels necessary to run our seven drag lines well.

And so that's an important piece of the puzzle now we're on top of. Sales volume for Blackwater 3.1 were higher by September quarter by some 25%, which is good. But again, good demand for all the four products coming out of Queensland. New South Wales, very solid 5.1, managed ROM, so that's very positive, 70% up on the previous quarter. So very pleased to see the operations consistently delivering across the business in New South Wales. All the open cuts were very good. Narrabri had two good months, but then we did have some downtime unplanned in the month of December, but Narrabri remains within its guidance with share of the guidance overall, which is very positive. Sales are 4.1, 17% higher, which is also very positive and we closed out with decent stocks as well at 1.3. As everybody knows, Narrabri does have a change out coming out in the second half, so the open cuts certainly are weighted a little bit more in half two, but Narrabri obviously won't be weighted in the same way given that it does have that period required for the change out.

Maules done well, nice to see that consistently, 2.9 million tonnes, 28% above the September quarter. Mine sequence, it does have, as I say, a little bit more tonnes coming in the second half of the year and sales very strong there at 1.9 million tonnes. Narrabri said we've had some unplanned down times, we've had some defects with chain failure that we're working through in the month of December, that has been replaced and we're back into moving again and looking at just in terms of what we need to do differently given that we have a change out coming up and we want to make sure that any quality control matters associated with chain are dealt with as part of this impending change out.

So Narrabri were good and 33% up on the September quarter at 1.8 million tonnes. The Gunnedah Ops doing well. So Tarrawonga at half a million tonnes, 39% up on the quarter and Vickery itself 400,000 tonnes doing nicely for the December quarter. Obviously an improvement over the previous, but we are in just that ramp up phase. But having moved past some of this lower productivity over the boom material that we were working our way through, the coal is starting to emerge nicely there.

So over to the equity, coal sales and realised pricing. So the December equity sales have produced coal at 7.8 million tonnes, 22% higher than previously, and the September quarter is holding a 28% increase on Queensland and 15% increase in New South Wales. The sales mix as I previously said, 63% revenue from the met's coal side of the business and 37% from the thermal side. And there you've got the repeat of the stats there in terms of the realised pricing for Queensland operations. Average price at 2.37 Aussie, and as I mentioned there earlier, later down there is $211 for the New South Wales operations. Overarchingly, met coal products realised $152 US relative to the index of 203 and so it's about a 75% yield if you like, a realisation on the PLV index for the average of the quarter itself. And again, trying to give you some stats that you can use here in terms of the splits of the products, they do vary from quarter to quarter, and 75 is a little lower than what we would expect generally in a normalised spread of the products across say a year.

So we actually that's a little low. So we think it'd be more 79 to 81 in that range, given a normal spread of products of sales during the period. New South Wales, as I mentioned earlier, the 211 is basically at the index for the average of the quarter and that's what you should see from the New South Wales business. In the absence of more Vickery tonnes coming through that will actually lift. So your expectations should be GC plus with more Vickery tonnes in the mix. But in its current form at a relatively modest level, running the small version of Vickery, in a flat market, you should get the GC. The GC index is an average and that's certainly what's played out here for realisations for the thermal product out of New South Wales. In terms of the market, the underpinnings of the markets of both sides of our business still remain consistent and positive.

We do see shortfalls in the production of metallurgical coal, given the demand profile that we see both in our markets and certainly certainly for the key markets, and then also India obviously as being what would be anticipated to be the growth engine of met coal consumption in our markets. And the thermal coal is the same, under-supplied, under-invested, so we see those thematically being the same underpinnings of the markets generally. But in terms of what we've seen in the quarter, the markets have been relatively flat, no doubt about that. And with a little bit of uncertainty obviously in terms of what China is doing, producing lots of steel and we can see the Indian customers taking advantage of some of that cheap steel being offered into the market and therefore lower production of their own. Although you can see I'm sure various comments have been seen about impending restrictions on Coke imports into India and therefore stimulating the consumption of their own Coke processing on the ground, which will require more inbound metallurgical coal from the seaborne trade.

In terms of the thermal side of business, markets have been good and consistent, although albeit well-supplied. All our good customers are taking their coal and margins, sorry, our premiums are consistent across the market as well, which is very positive. But the market is well-supplied and you've seen it dip down since the closure of this quarter and so we sit that, but as you've seen in the past, it doesn't stay there for very long. So we expect that certainly to tighten up, and with a colder winter being experienced in what we've seen in the last couple of winters, expect that to draw down inventory levels and put some tightening back into both sides of the business once that resumes.

Production costs, as I mentioned, are tracking nicely, so we are at the bottom of our range, which is very positive. As I say in a few weeks time we'll release our half-year results and you'll see that and we'll give you some more detail in

terms of what we're seeing on that, but certainly the cost out initiatives that have been taking place and the shaping of the Queensland business, which is more focused on where we think it should be under Whitehaven ownership and management, that is yielding benefits and of course coupled with that are productivity gains that we've seen at both the Queensland sites and quite frankly New South Wales is also doing well in that regard.

So nice productivity benefits are being seen across the board there, but for the bumpy December that we saw that from Narrabri. I won't worry about too much about the net debt, other than just to say we have after the closure of the quarter a couple of days later paid the stamp duty on our Queensland acquisition. So as much as that hurts, the Queensland government will definitely benefit from $363 million appearing in their wallet to their benefit. So that's annoying, but it is what it is. The JV, all the conditions precedent for the JV are tracking nicely. So we feel pretty confident about the closure of the formation of the joint venture and the closure of the deal, including the 1.08 billion US to be paid to us as a result of the sale of 30% of Blackwater. So we feel that's tracking nicely and we'll keep making sure and staying on top of it just to ensure that we do have closure of that on a timely basis.

But as you know, not all of it is under our control, but the necessary piece of the puzzles are falling into line as we would expect it to be. For your information, there is just the analysis that we've given you over the last quarter or two, the expectations that we have, which will be subject to verification of the contingent payments to BMA as part of the transaction, now that with the average price slightly less than what it was in the past, so our expectations are of what we'll need to pay are moderating. So that system in terms of upside and downside sharing is working and our estimate at the end of the quarter of 33, although if prices continue to be the way, we think that will soften a little further as it comes to the closure of the first year of our own ship.

There's a few comments there for development projects exploration, I won't go into anything particular there because there's nothing that I really feel that we need to draw to your attention on the projects as such. Guidance remains well positioned and consistent and unchanged. As I said earlier, you could see where the managed raw production is going, the sales are all trending towards the nice end of the guidance scale. And in the case of our costs well down at the bottom end of the scale and as I say, you'll see that for half year numbers in a few weeks time. So other than that, I think we'll just close the discussion of the highlights and move over to the Q and A session. So I know that there's plenty of other companies reporting this shorter week, so let's get into that and hopefully we'll answer all the questions that you have for us. Thanks very much, operator.

Question and answers:

Teleconference Operator:

Thank you. Thank you sell side analysts. If you wish to ask a question, please press star one your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two, and 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:

Hi, good morning team. Thanks for the call. Two questions from me. Firstly, the Narrabri longwall changeover, my understanding was that the changeover or rather the refurb of the longwall and the longwall move was going to happen during this quarter, obviously now you're talking about a push into February. Just wanted to understand some of the drivers there, and if you can overlay that with perhaps the acid health. Obviously you had an AFC chain failure also back in March and there are considerations still to extend that longwall life. So how are you seeing that? That'd be great. That's the first one, and then the second just on Queensland, you've talked about optimization of rail logistics, so where are you seeing the constraints in the system now and if you can help us understand how that's progressing alongside the weather impacts. That's the second one. Thanks.

Paul Flynn:

Yep, thanks Rahul. Narrabri, first I'll make a few remarks and then Ian, I'm sure we'll want to contribute a bit more colour. Look, you're right, and good memory, Narrabri has had a few chain related interruptions, and so we are investigating what we believe to be some nuances here in terms of quality control and that feedback has been passed back to the suppliers. So yeah, we were cutting nicely first two months of the quarter and then December had some interruptions and of course as you know when you have an interruption and it goes on for a little bit, you are susceptible to a bit of roof instability if you stop, and so there's been a bit of that which is annoying. The chain has been replaced and so we're moving on, which is nice, but as I say, there are some learnings we think that need to be taken up as part of the change out.

Now I think your comments just about change out timing. I think just to complete what you were saying there is that we were expecting to have the change out appear entirely within Q3. Now given the delays in starting it, it will migrate a little into Q4 in terms of the total change out period. So if we're not starting until the end of Feb, say for instance, then yes, of course it's going to straddle the end of Q3, start of Q4, but our numbers still remain within our guidance range, so we're okay with that. It's just it is a little annoying I have to say. And then of course there's the refurb and work that we're going to do on the longwall itself as part of the change out remains the same. Anything else that you want to throw into that?

Ian Humphris:

Oh, I think just on the change out. We had to change the first one out, which was a little bit premature and the nature of these changes, there's quite a long delivery time. So the one that we had in order was effectively the same as the previous one and we ran that through expecting to see it get to the end of the block. But as Paul indicated just prior to the end of the year, we had a couple of failures there and I guess we elected that it would be a smoother run to change that out. The chain that we have put on there is the change of chain, both from a material type and also a design type. So I guess we look forward to seeing how this one performs and there is a body of work going on in the background in and around the assessment of the chain, the two that have failed that we have historically used.

Paul Flynn:

Got it.

Rahul Anand:

Okay. That's clear.

Paul Flynn:

And Rahul, just on your Queensland question, we are certainly receiving better service through the network, there's no doubt about that. So that's nice to be able to say to you and that means the allocation of pathways to us in line with our contract. And so that's improved our lot out of Daunia significantly. And because you can see the production has been pretty healthy, relative to where it's been historically, that means we've got plenty of coal to keep up to the prep plant and therefore product to go on the train to utilise them.

So our challenge here, I mentioned before that we were using third parties to complement or to cover the shortfall where we weren't getting the pathways that we wanted. We are winding that back now, which is good. So that should bring a cost benefit associated with it as well because our objective here is to just get back to the contracted paths that we have and the functional operation of that contract. But that doesn't mean from time to time we aren't going to use ad hoc pathways because there is some flexibility. That's useful in doing that particularly where, as I say, we've been producing very well and if we need an extra pathway too to get a bit more coal down the line and there's an opportunity to do that, we will use those ad hoc pathways as required. But yeah, look, the performance of the network is better, there's no doubt about that.

Rahul Anand:

Just before you go on to the weather, Paul, in terms of the ad hoc pathways, if we do exclude them, where do you think the constraints are in the system and are you getting everything you've signed up for now or we're going to see a bit of variability in that continuing?

Paul Flynn:

Yeah, look, I think that system, the Gunilla system always, it is a busy system and some might argue that it's over contracted, but you are always going to have a bit of ebb and flow associated with the other mines proximate to us who are trying to get their product to market, particularly at either full year or half year times, depending on what your financial year-end is. There's always a bit of compression there in the same day that we see in New South Wales. But the key difference for us in terms of how these two systems function is New South Wales has HVCCC and Queensland doesn't have the equivalent coordinating authority that all the suppliers subscribe to. So it's a little bit more get in there and defend yourself, whereas New South Wales has a different setup which works for us.

Rahul Anand:

Yeah. Okay. And just finally on the weather.

Paul Flynn:

Yeah, weather, look, we've had some rain but that's more or less in line with rainfall predictions, so we're not really too out of shape about that, but we have had quite a bit of lightning. So there's some nuance here in terms of what lightning means for us and it's a little complex, but it goes back to that predates our ownership and so there's just some interaction with the regulator and we need to get some clarity for us as Whitehaven as opposed to BMA was talking to the regulator about various arrangements as to how they could operate for how long in circumstances where there was lightning in the area. And BMA had put in place some measures to be able to manage that so that they could run for longer.

And now that these two mines are separated from BMA, there's a little bit of clunkiness in terms of whether or not those concessions or initiatives are being conferred on us. And the answer to that is not quite yet. And so we are suffering a little bit from just lightning being in the region and us having to stop earlier than we think is necessary given that those initiatives have been transferred to us. We are operating the same way as what BMA was continuing to do in those circumstances, but there's some paperwork that needs to be put in our name in order to allow us to run under those conditions, I think that's-

Ian Humphris:

Yeah, I think that's a pretty good summary, Paul. I mean, but we envisage hopefully over the next two to three weeks there's been some movement in that space and we're working with the regulator and we should be able to get back to how they used to work the sites, in particular Blackwater, prior to the directives being placed that we inherited effectively.

Rahul Anand:

Got it. Okay. So it's very short term. You're envisioning only two to three weeks, so that's pretty clear. Okay, thank you very much. I'll pass it on.

Paul Flynn:

A couple of weeks to the solution. It's been three quarters now of our ownership though. Yeah.

Teleconference Operator:

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

Paul Young:

Morning Paul, Ian, and I think Kevin's there, is also good morning, Kev. Paul, The first point is I just overall just guide us there for the full year and great to see the conviction that you can actually hit the top end, but I think the second half does imply that you'll repeat run of mine coal production will be just repeated the first half. So understand you had the impacts from lightning and actually some of your peers call out the same thing in the Southern Boans, so it's consistent, but where's typically in Queensland is more sort of February, March, April. So I'm just curious about what gives you a conviction around that second half will be a repeat of the first half. Is it to do with the fact that your blasted waste stocks are higher and also you're getting those a couple of new, I think it's excavators or shovels in the door, this half?

Paul Flynn:

Yep, Paul, there's lots in that. Look, our conviction is obviously to push as hard as we could in the first half knowing that, as you say, history says there's a bit of weather in Q3 in particular, and some in Q4. Although Q2 is not immune and looking back at all the analysis over the many years of weather up there, what we're seeing, as I said, at the moment, as you say others have called it out, is reflective of history there and nothing more. So productivity is improving, so we're doing better along the way as you say, we have the extra dirt moving capacity in place, which is now on the ground and doing what it should, which is good. And as Ian just covered off in terms of the lightning, if we could move for longer rather than what we're being subjected to at the current situation, then we'll be able to make sure that we've derished to some degree the second half's earnings.

Now Daunia is obviously a different beast as well because being fully autonomous, there's different arrangements that can apply in there. We run longer with the autonomous trucks when it starts to get wet, so there should be an opportunity in all of that as well versus demand. But the weather has been factored into our plans and we feel pretty good that we're certainly trending the right direction. Like I say, we're going to be on the better end of our guidance based on what we say today, but if there's five cyclones in Q3 rather than three or whatever the number might be, then that is a variable which everyone in Queensland's got to live with. But based on what we're seeing today, we feel pretty good about it.

Paul Young:

Yep, no problem, Paul. And just a second one on thermal coal realisations. I know you called out Vikram, what did you get? But I thought they might've been a little bit better considering that Werris Creek, I presume Werris Creek volumes have all been sold and Maules did reasonably well and it gets a decent premium on both ash and energy. So is there anything else to highlight, just on the court about why your realisations are in line with index?

Paul Flynn:

No, look, I think we've repeatedly said to you that in the flat market that's where we should be. There's no doubt that the trade, if I can call it that, swapping out Werris for Vickery is a positive trade from a realisation perspective, no doubt about that. But you're not seeing the full impact on the sales side of things quite yet. And so the sales of Vickery have been relatively modest in terms of the mix, but you will see that play out a little bit further in quarters to come and that should improve it.

And the other challenge here is when you've got Narrabri tonnes, Narrabri tonnes obviously inherently just under the GC level, so to the extent that you're making sales of it as a standalone product rather than a blended product through group contracts, then that is sub GC realisations relative to the premiums that Maules and Tarrawonga and Vickery achieve. So I expect this to moderate in a positive way and improve, I should say, as more Vickery tonnes manifest themselves in the sales mix. And as I say, those tonnes out of Vickery came relatively late in the period, so you can see that the stock build in New South Wales reflects the fact that there's better quality tonnes sitting on the product stockpile there as well.

Paul Young:

Okay, great. Okay, thanks Paul. That's it for me.

Paul Flynn:

Thanks Paul.

Teleconference Operator:

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

Jonathan Sharp:

Yeah. Morning Paul, Kevin, Ian, just the first question on Queensland price realisations. So it looks like there was a 10% variance with the met coal price up there that you realised compared to consensus, consensus was a bit higher. So can you just give us some details on why this would be so what are we missing? Was it driven by product mix or something else? Thanks.

Paul Flynn:

Yeah, thanks Jonathan. I think the challenge here with Quarters is looking at it on the quarterly basis, it's a very short term horizon and so we feel like that should be a little bit higher. As I mentioned to you before, there's certainly late 70s is where we think it should be, through to early 80s. And so that 79 to 81 is where I think it goes over at least an annual period. But yeah, you will get product mix differences quarter to quarter, no doubt about that. And more importantly, the spread between the various products changes on a relatively short term basis. So that also is playing out in the 75% that we've given you. So year to date, the number's obviously higher, reflecting the first quarter being better, but we think that continues to moderate. So I tend not to try and look at it too much on a quarter by quarter basis and we're generally not encouraging people generally to be banking on that on a quarter by quarter basis.

We are encouraging obviously investors to stay longer so that they can see these things play out on a longer term basis. But no, it's just mix. It's just mix and the spread jumping around a little bit from quarter to quarter. Nothing else that we should be concerned about. The product, the interest in the products has actually been very good. And so incremental sales have been very easy to come by, not because we're offering them at substantial discounts or anything like that, they're actually pretty good pricing that we're seeing.

And our marketing team, I mentioned last quarter, our marketing team has taken a very close look at the product quality specs that the products have been offered into the marketplace and we will be pushing an improved specification as the official position for these products in this coming quarter. So I mentioned that last quarter, that's certainly the case, and obviously that's no new news to people who like the product and you can sort of understand why they like it so much because they probably were getting it, a better product than what they were paying for. But for new customers with the republished specs on these products, we'll be driving the question northward, that's for sure.

Jonathan Sharp:

Okay, thanks Paul, that's clear. And just another question on whether, just interested in how the weather has been in January, given this quarter is historically the lowest ROM production in Queensland. I think it's well known that this quarter is the lowest and just also consensus currently has Q3 production to be higher than Q4, at least at Blackwater. So would you expect that or is there any reason for this or are you expecting Q4 to be higher?

Paul Flynn:

Well, I'll have Ian talk through the weather, but as to why consensus would be doing that, I don't know, because given that you just said that it's well known that Q3 is generally the one that sees the most weather impacts, and on top of that, we haven't been giving a sculpted guidance range quarter to quarter. So what the consensus we'll be doing that, I'll leave that for you all collectively to work through. Ian, weather?

Ian Humphris:

I think as you touched on before, Paul, I mean the forecasts we do are based on predicted delays on a monthly basis on historical, so that is factored into it. I mean we are seeing probably a similar rain to lightning delay ratio in January that we saw in December at Blackwater. As you said, I mean average rainfall about 100 mil was seen and that was expected. So yeah, I mean I think it'll come out in the wash as we expect.

Jonathan Sharp:

Yep, no worries. Thanks Paul. Thanks Kevin. I'll leave it there.

Teleconference Operator:

Thank you. Your next question comes from Lyndon Fagan from JP Morgan. Please go ahead.

Lyndon Fagan:

Good morning everyone. Paul, just to pick up on your comments around improved products back in Queensland, can you talk about how material that might be to price realisations? Obviously 79% year-to-date, you said that is likely to fade, i.e., in the mid-70s, somewhere below that if the rest of the year, but how does this evolve over the medium term?

Paul Flynn:

Yeah, yeah, look, I think at the half year I think we'll talk a little bit further about this. So we firmed up, we've certainly been quality checking if you like, all the four products coming out of the Queensland mines and certainly Daunia's specs are materially better than what we've inherited. And we also feel that at Daunia in particular, the split of products is probably that we've given you originally with the acquisition split is probably very conservative and that's certainly been the interest levels in the product have been very good and I expect that split to change. And so the sort of 65 to 70% type mix that we gave you at the outset of the announcement of the acquisition, I think will be proven to be conservative. So as I mentioned before though, Lyndon, for customers who've been long-standing consumers of this product, they know exactly what they're getting, why they were charged a certain way, that's the question for somebody else, and probably no longer relevant.

What we charge will be up to us. And so we've inherited contracts which are based a certain way, but our contract negotiations as inherited contracts roll off, we'll be focused on drifting that up. Now for a customer who's been using that product for years, they know exactly what they've got, whether or not they think they've got it cheaply or not, it's a separate question, but you can't miraculously say to them, "Okay, it's now this." But you can push it up. Whereas new customers, I think the opportunity is there to actually position the product properly and drive the realisations upwards. And the same applies to the semi-hard for sure at Blackwater as well. That certainly has been conservatively positioned and we feel that there is the potential for value leakage there. And so we've, as I say, we will be publicising the repositioned specs to our customers in this quarter and expecting to obviously start a conversation with renewals and new customers with a different spec sheet on the table. So we do think that will improve the realisations going forward.

Lyndon Fagan:

Sounds good. The other one I had was just on the unit costs, obviously pleasing to see it, tracking again at the lower end of guidance. Is there any colour you're able to share on how that looks at a regional basis? I.e. Queensland v new South Wales. Thanks.

Paul Flynn:

Yep. Lyndon, we will keep it at a group level. I think it's the easiest way to deal with it, all the sites are doing well in that regard. So as I say, Maules Creek productivity looking very nicely. Some of those diggers really swinging nicely now, and so there's certainly improvements there. So it's not all about Queensland. Queensland is obviously about the reshaping of it and there's absolute cost outs initiatives there, but there's certainly productivity drives which is improving. You can see both mines have actually done well volumetrically relative to what they've done in the past.

And so we'll give a bit more colour with that, with the commentary on costs in the half year, certainly can do that. But yeah, it's very pleasing to see it's not just the absolute cost out. The productivity is probably the more enduring benefit that you're getting out of this. And that sort of underpins our aspirations in terms of where we'd like to take these mines, but it's certainly early days, but we feel confident being able to rebase the cost base of the business in line with the 100 million that we've mentioned at the outset of the year.

Lyndon Fagan:

Thanks, Paul. I'll pass it on.

Teleconference Operator:

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

Robert Stein:

Paul, just asking again about realisations and product mix. You aggregate the HCC and SHCC line in the Queensland at 63%, so we've seen a skew higher in terms of that proportion of sales, yet realisations are down. Can you perhaps provide an indicative guide on how much SHCC was produced in that mix versus HCC or what the realisations of that HCC were? Because we're seeing, it's not apparent from looking at the index moves in pricing over, I guess the three quarters under your ownership.

Paul Flynn:

Yeah, yeah, I understand that. Yeah, look, from our perspective, we prefer to keep the realisations up at a group level. We're giving you the splits there in terms of products historically, and as I say, the 75 is low, I think we all accept that's a little lower than what we would want, but it's just a mix related question. And as I say, the spread does vary, which you can observe as well as anybody else between Semi-Soft-Safe for instance, versus the prime low vol, and then the low vol versus the prime low vol as well you can also observe.

We, in terms of renegotiating the contracts that we have that are rolling off, we're trying to put as many as we can to the PLV in a realisation that because our objective here is to supply you with a realisation to the PLV that you can use consistently over time rather than the quarterly variations that there's a lot of different factors playing into. So yeah, like I say, the 75 is on the lower end of where we think it should be. We think you'd be on the high 70s, early 80s where this thing naturally goes. And this year to date that 79, is consistent with that view?

Robert Stein:

Is it fair to say that the drawdown of stocks to keep sales high versus the interruptions you had at Blackwater in the quarter were a key reason for that variance?

Paul Flynn:

No, no, no. I think just the opportunity, the opportunity with sales, the sales, the interest in the product has been pretty good. So I think it's actually driven more than that than any interruption for weather related at Blackwater. No. So it's more sales driven, the market appetite for the product has been pretty good.

Robert Stein:

Okay, thank you.

Teleconference Operator:

Thank you. Once again, to ask a question, please press star one. Your next question comes from Glyn Lawcock from Barrenjoey, please go ahead.

Glyn Lawcock:

Morning, Paul. I'm going to have a crack at the realisation as well, but I just want to focus on HCC and the semi-hard coke and coal. 83% realisation for the half, that implies around 76% realisation for the December quarter. In your guidance when you bought the assets, you talked about getting 85% for Blackwater semi-hard and 90% for Daunia hard coke and coal. So that suggests you should stay in the 85 to 90 range, but to get 76 in the September quarter, is that again just quarterly movement or can you hold that 85 to 90 for those two hard coke and coal, semi-hard coke and coal products, do you think?

Paul Flynn:

Yeah, it's a good question, Glyn. The numbers that we gave at the time of the acquisition was really based on history, and the realisations were a reflection of that. And as you note the spread, say for instance, the spread between the PLV and the low vol used to be about 10%. Historically it has been in that variation, so not. And at the moment it's wider, and so we have inherited some contracts which are low vol, hard coke based rather than PLV hard coke base as the contractual basis of the price setting. So there is a wider spread there that influences that from the start. But that doesn't, the key question I suppose for everyone is will we revert back to a normal relationship between PLV and the low vol hard coke indices? And at this point in time, you'd say 20% is a big spread and it should probably be half that, but that doesn't invalidate the historical realisations that we published at the time. It's just that at this moment in time in the market, there's definitely a wider spread than what we would prefer, no doubt about it.

Glyn Lawcock:

Okay. Yeah, I mean, I guess you're only looking at a three-year history when you gave the guidance. And so is the 10-year history better or do you think what's driving it now and what could drive that 20% discount for low vol to PLV back to 10? What do you think's driving it?

Paul Flynn:

Yeah, I mean, you've certainly got some influence of lower quality products in the market as a result of Russian products circulating. You've certainly got a drag-down effect of that. So there's no, people are obviously taking the opportunity to take up that product, lower quality as it is, and there is more of that in there. Obviously the Russians can't really affect the hard Coke price, but the semi hard they can by virtue of their lower quality products being circulating at discounts in order to keep cash flow going for them. So that would be the primary reason why I would say more recent times that spread has widened out.

Glyn Lawcock:

Okay, that's great. And then just a quick question for Kevin, if I may. It's going to be great when the money comes in the door. Do you have a sense at all what the tax payment will be on that and when you may have to make it?

Kevin Ball:

I think I said last quarter, I think tax on that is, I get it. I've got about 80 million to pay, US, so there's about a billion net received out of that. That's the easy way to do the maths.

Glyn Lawcock:

When will you pay it, Kevin?

Kevin Ball:

After I get the billion and 80, which is likely it's going to be in this year, it's got to be in this financial year, so it's going to be trued up for the ATO in financial year 25. So it's going to be fourth quarter.

Glyn Lawcock:

Great, thanks.

Teleconference Operator:

Thank you. That does conclude our time for questions. I'll now hand back to Mr. Flynn for closing remarks.

Paul Flynn:

Thanks everybody for dialling into the December quarter. Appreciate your interest. Certainly a good quarter. Keen to, now that we've turned into the second half, make sure we deliver in our guidance anticipated with our expectations. So if you've got any further questions, you know where to find us. So thanks again and have a good day.