WHITEHAVEN COAL Q3 FY26
"March Quarterly Production Report"

INVESTOR CALL TRANSCRIPT

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Introductory comments / Overview of March Quarterly Production Report

Paul Flynn:

Morning, everybody. Thanks very much for dialing into our March 2026 Quarterly Production Report. I'm joined here today as usual with Kevin Ball, our CFO, and Ian Humphris, our COO. I'll go through the highlights as usual and try and get to the Q&A section, which I'm sure will be the more interesting part of the discussion today.

Broadly, look, we've had a pretty solid third quarter, which we're pleased with, to be able to round that out in a way, which sets us up well for the fourth quarter. Solid, I'll go through the New South Wales and Queensland dimensions of that through the highlights section in particular. Look, our safety record continues to be very good, we're tracking well. Our TRIFR at 3.2 certainly is a continuation of the momentum we've shown to improving our safety, period on period, so very positive. Managed ROM at 9.5 reflects the seasonal nature of Q3. I'm sure everyone's come to expect that a little bit now with us, but now being a couple of years into our ownership in Queensland in particular.

Equity coal sales have been pretty good at 6.8 million tonnes for the seventh quarter. Met coal prices have improved across both fronts, and we'll get to that in a little bit more detail for the reasons for that. They have moved differentially, as you all know. On track for our savings, between 60 to 80 million dollars for annualised savings for the year. Now we've given a reference there to net debt at 600 million dollars there, but obviously that's a point in time, type observation, and we've been pretty busy on the balance sheet, so we'll talk a little bit about that, not just in the paper, but I'm sure the Q&A as well. And of course, part of the reason for that is the refinancing of our existing facilities stemming from the acquisition now two years ago had rounded up very successfully with a bank and a bond issuance. And we are projecting savings there at 50 to 55 million dollars Aussie annually.

Over to just the highlights for our two states, Q3 sales in Queensland. While raw production a little bit softer, Q3 sales have been well-supported by good stocks and selling those into the market. We have had some weather up there, so that has caused Queensland ROM production to be a little bit lower, but that's not unusual, as we'll all know, 4.1 million tonnes. So, 28% down on December. But as I say, wet weather has been very wet up there, and I'm sure we can talk about that too. We have sold relatively well through that period though, so 3.2 million tonnes for the equity sales in Queensland have been pretty good. And prices, as I say, have improved. So, the average price achieved at 242 Aussie for Queensland and our 12-month average metallurgical coal realisations at 74% of PLV.

New South Wales has been strong across both production and sales, which is very nice to see at 5.4 million tonnes. The equity sales produced coal 3.6 for the quarter and our average pricing for the quarter at 135 dollars Aussie or 101% realisation for the period. Over the table, you can see not just the totals that I've mentioned already, but further detail, and then also the year-to-date numbers, which is probably the more relevant in terms of where Q3 sets us up for the full year. And the answer to that is pretty good at 29.5, we're in a decent spot in the managed position on sales. So, 9.5 as I mentioned for the quarter itself, reflecting the weather affected patterns that we have in this quarter, obviously lower than the 11 that we banked in December, but that sets us nicely for a strong Q4. Equity ROM production there at 7.6 million tonnes. Queensland at four, in tonnes, as I mentioned, at 4.1 and New South Wales at 5.4, both good results.

Both with decent stocks entering the Q4. We have drawn down, as I mentioned across them as a result of continuing to sell strongly into the market. And I'll talk a little bit about where that positions us guidance-wise at the end of the presentation.

Queensland operations, Blackwater's certainly been rain affected and lower than where we'd like to be, but at 2.6 million tonnes it was solid. But certainly with the historic rains that we've had through January, February, and March, been very, very wet up there. We have been battling a little bit of water there, as I'm sure as you've seen others report, a similar sort of impact in the region, but that we've been able to sell well through that period at 3.1 million tonnes, and so 15% higher than the December quarter. Daunia has navigated its way through that wet patch pretty well. So, 1.5 million tonnes ROM for the quarter, even though it's slightly down there on December, that sets us up well up for a good total for the full year. And total sales are joining at 1.1 million tonnes broadly in line with December. New South Wales has held its end of the bargain up pretty nicely at 5.4 million tonnes of ROMS to say.

Maules Creek. Maules Creek's done a good job at 3.4 million tonnes, so setting itself up well for that final quarter of the year as well. Total sales are 2.3 million tonnes as well during that period. Narrabri's had a few ups and downs and it's down obviously on the December quarter, which is very strong, only totaling a million tonnes for the quarter. We have taken the opportunity to do some work on the wall. As you know, we're committed to a program of more maintenance in this wall, now that we've committed to making it last longer. So, we'll talk about that, but we have had some geotechnical ups and downs there, which has incentivized us to bring a little bit of maintenance forward to bolster the roof supports infrastructure there to manage these geotechnical events. Sales have been solid though, 1.5 at Narrabri, so we've sold down well during that period. Gunnedah are uneventful and solid and consistent across the period, so that's also nice to see.

From a sales and realised pricing perspective, say for the quarter, 6.8 million tonnes was a good result. The Queensland operations, as I mentioned, they averaged 242 Aussie for the period, so that's up. Obviously, our realisations and so on will lag in a rising market and it's risen across both. So, PLV was up obviously at 235, an average for the quarter, 18% up on December. And our realised pricing at 170 dollars was 72% of the PLV for met coal sales during that period. The average is 74, as I mentioned a little earlier.

March quarter sales mix comprised 33% of the primary products of our hard coke and semi-hard, and then achieving 75% of the PLV and 35% for the PCI semi-soft as our secondary products. New South Wales, 175 was solid, so 7% up on the December quarter. The price improved on average of 120 across the period. Our realisations were at 121, so just slightly over the average of the GC NEWC for the period. But again, just to remind everybody, in increasing pricing periods, we obviously lag that and get a benefit of that in a falling period.

In terms of the market dynamics itself, PLV has certainly strengthened, more related to weather, I think, rather than anything else. Whereas New South Wales definitely has been impacted certainly by energy security concerns. And obviously the conflict in the Middle East has seen a rise in the thermal price since the conflict started, but has moderated since that time, I think broadly on expectations that there may be a conclusion to that sooner rather than later. Who knows? In terms of longer term dynamics, nothing changed there. We see the market still on both sides of our business, met and thermal to be structurally constrained from a supply response perspective. So, we think that positions us well going forward.

On production costs, as I said, we're on track for our 60 to 80 million dollars annualised savings for the year. Unit costs for the period actually been better than what we recorded for our first half. I'll remind you that it was 135 for the first half. We've actually done better in this quarter, but we are highlighting that obviously with the related impacts on fuel prices, that Q4 will not be as good as what we've just recorded in the March quarter. So, we are guiding to around the middle of our guidance in terms of the cost guidance per tonne of 130 to 145 for the full year impact. And we've given you there a quick assessment in terms of what a dollar means per litre for the cost base of the business, because diesel costs generally 8% of our top costs directly, but there's the indirect impact of pass-throughs for diesel price movements in our rail contracts in New South Wales. So that impact, like I say, 1 dollar, you'll get about 10 to 11 dollars per tonne on our costs.

So, even though we've done very well in March to bring down our costs below where we've done in the first half, we do feel that it's worthwhile just highlighting for everyone that Q4 may reverse that trend slightly, one quarter of four, of course, in this given financial year, but it's worthwhile highlighting that. As I said before, the balance sheet is coming for a bit of work, and the 600 million dollars that we've referenced there is net debt at 31st of March is relevant, but has obviously moved on since the post-quarter payments have been made to BMA. But the refinancing has gone very well, very successful on both fronts, the banking and bond side of things. Substantial savings will accrue to the business now. And I'll just draw you to a typo there just in this section, that reference to 50 to 55 million dollars US, it's not. It's actually Aussie dollars, so our apologies for that.

So that is Aussie dollar, 50 to 55 million dollars per annum saving, which is very worthwhile. The bond now staggered out obviously in two tranches to five and a half years and eight year notes. And so, coupled with the 600 million dollar bank facility, a term loan and a revolver, as we previously announced, very, very solid, excellent work from our team to bottom that out and sets the balance sheet up in a pretty good position to go forward, opening up lots of new capital providers to the company and a very, very well supported offer, which I'm sure you can ask plenty of questions of Kevin of that.

In terms of payments post the quarter, that's the reason why I referenced that 600 million probably has moved on. We've obviously paid the second of the third payment, so the second and the last of the large deferred payments to BMA. So, that 500 million US was paid on the 2nd of April. The contingent's a little bit more than last year, but that's reflective of improving coal price. So, we're estimating that to be about 58 million US, which will be paid in July, subject to verification processes normal with that underlying mechanism. And that puts us in the third and final year of the deferred payments.

So, we've got 100 million dollars US to pay in April of next year, 27, and this is the last year, of course, of the contingent sharing arrangement as well. So, entering the third and final year of those arrangements, which I think has served us well with this acquisition, it'd be nice to close those out in 12 months' time. Buyback has been proceeding, of course, in a modest way. In the quarter, 1.4 million shares have been bought for a cost of 11 million dollars and year to date, 7.7 million shares at 56 million dollars expended on that.

I think, to note for you on the development projects that I draw out to you, and I'll steer you to our guidance, as the final piece of the presentation, and that is that we're in the right side of the guidance arrangement, no changes to our guidance at all, steering towards the top end of our ROM and sales, both doing very well. And of course, the one that I've called out already that's moderating is, despite the good performance in March on the cost side of things, we are expecting those fuel prices to flow through into Q4. And so we're saying we'll probably be at the midpoint of guidance on the cost front for this year. Capital remains on track to be at the lower end of our capital guidance range. So with that, I'll round out the presentation. It's been a very good quarter, sets us up well for Q4, and I'll hand back to the operator now to get the Q&A started.

Thank you.

Question and answers:

Operator:

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

Rahul Anand:

Oh, hi, Paul and team. Thanks for the call. I've got a couple on the operations side. If you start with Narrabri, please. So, from memory, I think you were in panel 204, and if I think about the cover there, that's likely to be around 200 metres. Please feel free to correct me if I'm wrong. But I guess my concern is that the mine potentially is facing geotechnical issues as we sit today. And as we get deeper in the later panels, I'm just worried does that continue to get or become a bigger problem as we progress into those sections of the mine. And then holistically as well on Narrabri, given this is an asset that's been somewhat problematic, how are you thinking about it in the whole set in the portfolio? I mean, does it still remain core given you've got the optionality in Vickery now and then also you've got plans for Queensland in the later years?

That's the first one. Thanks.

Paul Flynn:

Yeah. Thanks, Rahul. And well done sneaking in front again as the first question. Look, Narrabri does, it has its moments, there's no doubt about it. Underground mining generally does, and I'm sure you've got equally interesting observations about underground mines generally pretty much across the country. Narrabri does have its place in its portfolio. So, we have made those decisions, as I mentioned, obviously to put more effort into the maintenance of this particular wall to make this one last longer rather than replacing it. And we think that's still the right decision. We are in relatively shallow ground and will still be for some time. So, not to worry too much about the increasing effect of the depth of cover change that we saw in the 100 series panels. You will see that over time, but we're not going to go to the extremities that we went to before in terms of the depth of cover.

We will revert over to the 300 series panels before we get too deep in Narrabri either. And we're talking about just extra support and then lower productivity in those deeper areas. Not that they can't be mined, of course, that's all within plan, but we will be optimising staying on the shallow side of the mine for as long as possible before migrating into those deeper terrains.

So, with that, we've spent some money on putting some more work into the wall as well. And as you know, we've got a longer change out as well to be the final piece of the puzzle to the refurb of the wall in the new financial year, so midway through the new financial year, depending on when we pull up. But overall, look, it's been a little bit of up and down, there's no doubt about it. The team's working hard to make sure we get consistency of production there. But yeah, it still remains a important piece of the puzzle. And even though, as you mentioned, Rahul, we've got good options, both with obviously the balance of capital to ramp up Vickery to its approved level, of course, that's certainly an important thing. And then Queensland, you've referenced also, the company does have good options in that regard.

We do see that the capital produced as it is from what the original budget was going to be for the stage three capital is still a worthwhile investment in Narrabri. And in fact, very complimentary with Vickery once that balance of capital, the board commits to that and gets more coal available to us to blend with Narrabri. That actually is a very value enhancing addition to our portfolio. And let's not forget that Narrabri, even when it has its moments, it's decent quality coal that customers like and it's cheap on an average cost basis. So, it does play a role in the portfolio.

Rahul Anand:

No, that's fair. That's fair. Okay, Paul, the second one's just on Blackwater. Obviously, that was the second asset that had a bit of a softer quarter. You've talked about water management and weather impacts there. I guess, just to probe that a bit further and to understand, is there any further detail you can provide in terms of specifically what actions we can take, I guess, stepping into wet season next year, if there's anything that can be done? I mean, obviously everyone has suffered the impact of the weather there, your neighbours, et cetera, as well. But if you want to provide a bit more colour on that, thanks.

Paul Flynn:

Yep. Yep. I reckon Ian loves talking about water. He's been talking about water for a couple of months now. So, why don't I just hand over to Ian and he can tell you what we're doing both in terms of anticipating, which the team has done really good work in anticipating the onset of the weather. So, I think, relative terms, we've done well to our neighbours. But there's ongoing work here to manage it, now two years in, we're understanding what's there and what isn't there from an infrastructure perspective, and that's helping us map out a plan for the future. So, [inaudible 00:17:34].

Ian Humphris:

Yeah. So I mean, I think you'd be aware that we had just under 500 mil there in the quarter, which is probably about twice what we would've expected. So, as Paul said, we did a good job last quarter getting the ROM stocks up there, which we saw as far as the sales processing this year. It has had some impacts on us just with the sequencing and draglines as we've worked through this. We've got, the site got good infrastructure in place. We continue to work on that. And yeah, so a little bit in and around the sequencing. The site, we're able to discharge water during this period in compliance with all of our various limitations, et cetera, and we continue to work on that. So, that's probably the first time that's been done and managed well for a period of time. So, we've got good water balance models. We continue to work on this and we'll put the money into the infrastructure as required.

Rahul Anand:

Got it. That's clear. Thanks, Ian. Thanks, Paul. Cheers.

Operator:

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

Rob Stein:

Hi, Paul and team. Just on the unit costs. So, flat QoQ, to be honest, quite a good result, all things being considered. Can you just walk us through the inventory impacts that sort of led to costs achieving that rate? Because I mean, there was obviously impacts at Blackwater, the well-known diesel impacts. Can you perhaps give us a bit of a feel for how those were avoided in 3Q and potentially accrued at 4Q? I've got a follow-up. Thanks.

Paul Flynn:

Yep. Rob, I'll give you to Kevin.

Kevin Ball:

Yeah, thanks, Rob. I'd say to you, look, what Ian said, is we really, in Queensland, we prepped really well for the wet weather. We had strong stocks at the top of ramp, so we're able to take those stocks and process those. Now, those stocks came with a cost. So really, you've not really seen the impact of inventory come through the unit cost. The unit cost in the quarter was a very strong result, so good cost control in Queensland. The difference I think that you are trying to find is you've got an increased balance of New South Wales in that mix in that period, and that will help to drive the unit cost in the total business down towards the unit cost out of New South Wales. And as Paul said, I think what you'll see over the year, as you'll see that swinging back in that fourth quarter with a little bit of diesel coming through, and then coal prices... Well, sorry, costs should rise in the fourth quarter, but all of that fits with almost like a 50/50 product mix between Queensland and New South Wales.

And so, we think that cost guidance, but for the diesel rise would've been probably, I think we say 2 to 3 dollars lower out of the fourth quarter. So, that'll give you an idea as to where we think costs were going. And I think we're in really good shape to deliver that at the bottom end of guidance, but for the rise of the price of diesel. Now, the other side of that, the question that was asked an awful lot the last few weeks has been, what does that mean? And whilst costs have gone up, the revenue line in New South Wales has gone up by more than the cost. So, at a group level, it's not margin destructive, it's actually margin accretive.

Rob Stein:

Thank you. And maybe just calling out cost-out initiatives broader in the portfolio. I mean, you've still got that 60-80 target, the refi, which I think beat even your own expectations, mid 7%, I think you said, or a seven handle and it's come in with a six. If we look forward around the cost of capital for the business and what you're thinking about going forward, I mean, was there really good appetite for that financing package? How do you think about being able to roll that in the future and maintaining a capital structure that does sort of maybe run it a little bit of high debt, given it's so competitive?

Kevin Ball:

Yeah. Look, I'm probably going to say this to you this way. That whole refinancing piece was really well received. The funding for that predominantly came from outside Australia.

The ask on the bond side of the world, the peak volume in that was something like 10.7 billion US. And there's something like more than 200 investors in that bond who've seen a bond trade up since issuance, which is good to see, because it means we priced it reasonably well, but we've left it up on the table to make money out of it from people who invest in it. It's really well anchored. And here's a stat I don't think that's in the papers. 7 of the top 10 real asset managers across the planet participated in the funding. So, to your point about WACC, I do think, and I've asked Kylie to look through this and get a bit of work done, the WACC, that I think the business is being valued on by analysts, has got a little bit of history to it and that probably needs to be refreshed.

The capital stack requires the business to maintain a strong balance sheet, prudent metrics, which is what we intend to do. And so we see ourselves having first entered the space as a debut issuer and investment grade, we see ourselves working hard to maintain that position through the balance of time, because we think that's the better part of the world to access capital. And as you can see, it comes at a competitive price. So, I think the other side of that is what we have in the market as an instrument that you can now compare pricing on. And you can see on a day-to-day basis, where coal trades from a funding perspective. So, well received, well-supported, will continue to be cautious and prudent.

Paul Flynn:

It's the outcome of several years of work in transforming the business. And it's nice to see that recognised by the debt capital markets in the change that obviously the acquisition in Queensland has brought to the business. Not just the change in scale, but our ability to integrate that, restructure it in a way that improves the margins of what we bought and diversify the business in a way that lowers the risk profile. And I think, coupled with the capital allocation framework that we've been running for quite a few years now, I think that's positioned as well. And it's nice to see that that's been well-supported by the markets when it's come our turn to particularly enter the bond market and the bank piece as well.

Rob Stein:

Thank you very much. I'll pass it on.

Operator:

Thank you. Your next question comes from John Sharp with JP Morgan. Please go ahead.

John Sharp:

Yeah. Good morning, Paul and team. Just another question on Narrabri. So, you had the 10 days cylinder changeout and you mentioned the eight-week longwall move scheduled for the next one. Can you just walk us through, well, actually probably more importantly, how should we think about longwall moves going forward? Will they all need eight weeks for a little bit more maintenance? Your comments, Paul, maybe suggest, maybe not eight weeks, but does it slightly increase maybe to six weeks? Just trying to understand how we should think about it moving forward. Thanks.

Paul Flynn:

Yeah, that's a fair question, John. Look, when we made the decision to re-profile the CapEx spend at Narrabri and obviously put off the idea of a new wall for at least another 10 years, we were obviously committed to a maintenance program, which was going to give the wall a serious birthday, but that was a serious birthday that goes over two years. So, we obviously did the first piece of that with the eight-week change out we've already had, but you couldn't get it all done in one tranche, that's why it was going to be a two-year thing.

But, given some of the vulnerabilities we've seen with just some of the geotechnical issues, we've taken the opportunity to bring forward a couple more of the elements that we weren't able to do or which were part of the second longwall change. So, we brought a few components of that forward, and that's really just replacing, say, hydraulic cylinders in the chocks, which we felt were just not able to deliver the full strength into the roof that we were requiring.

And so, to the extent that some of those were available, we've taken opportunity to put those in now. And so that's been a good piece of work that's well done. The next longwall change, as I referenced and that you've cited, certainly is we're allowing eight weeks for that, because that is the second and final piece of this rebuild process that we're going through. Now that's November, December of this year. But then after, Ian, change out should normalise back to [inaudible 00:26:36].

Ian Humphris:

Normalise and we do have some options if we wanted to spend a little bit of capital to get a small set of cylinders and chocks, so you can then run a progressive sort of change out. So, that's all out there, but yeah, we should go away from the eight weeks back to the sort of five or six I would imagine. Yeah.

Paul Flynn:

That help, John?

John Sharp:

Okay, great. Yeah, that's really clear. Thank you for that. And then just the second question, just on Queensland stockpiles, I think you drew down about 1.1 million tonne in a quarter, which was very helpful just with that wet weather. Can you just talk us through the strategy for Blackwater and Daunia? Just trying to understand, well, is there a strategy there because it was really helpful. Is there an actual strategy to carry stockpiles for insurance or is it more than that? Timing, stronger pricing, just trying to understand the stockpile strategy up there. Thanks.

Paul Flynn:

Yeah. Yeah. Look, drawing down the stocks was obviously part of preparing for the wet season. So, that strategy sees us trying to build stocks in the first two quarters a year, knowing that Q3 is going to be variable. So, that part of the plan was executed well and allowed us to sell through that period. The only thing I'd say that, our observations now after two years of owning these mines is that, we probably are going to carry a little bit more stock than what we've carried in the past. Well, when I say the past, only the last two years, we've learned a little bit more about the coal quality and the intra-seam blending on site.

And so, our conclusion there is that we should actually carry a little bit more stock onsite to manage that, because customers have different requirements. And if anything, we probably were a little bit hand in mouth in the first year in particular. So, our second year, we want to actually keep a bit more stock on the ground to be able to manage that. And we are ramping up at the same time as you know. So, that says, keep a little bit more on hand. So, that is a deliberate strategy to try and make sure we can keep adequate stocks during the course year to allow the blending, but also the seasonal impacts of production.

Ian Humphris:

And then I guess in addition to that, the two coal chains work slightly differently.

Paul Flynn:

Good point.

Ian Humphris:

So, coming out of Daunia, you've got a cargo assembly, so you've really got to have your stocks there ready to go when it's available. Whereas at Blackwater, well, not only have we got more capacity at site to store the stocks, but down at Gladstone, we also have a far greater capacity, so we can manage it slightly differently.

John Sharp:

Okay, great. Some great detail. Thank you for that.

Operator:

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

Lachlan Shaw:

Morning, Paul, Kevin, Kylie, Keryn and team. Thanks very much for the call too from me. So, I just wanted to start in terms of diesel. So, maybe just a quick comment on your supply visibility, and I just wanted to double check. So, the sensitivity in terms of cost increase for every A$1 dollar per litre, is that roughly what you've seen in terms of diesel that you're procuring today versus what you're procuring before the Middle East crisis. And I'll come back with my second question.

Paul Flynn:

Yep. Thanks, Lachlan. Look, diesel, in terms of the first part of that question, we've had no disruption to diesel supply, I suppose, which is consistent with not what regional petrol stations are saying necessarily, but what the government is saying more generally in terms of the logistics consistency delivering supply to Australia for the imported component of that, which is the majority as you know. So, from our perspective, despite all the runctions, we've actually have not had any issues associated with receiving the supplies required. And this is obviously a conversation we're having every day with our two suppliers and the assurances that they give us continue to be consistent with how it's been from the beginning of the conflict. So, as you know, those assurances are only as good as the assurances they're getting, of course, because we're a majority importer in this country and those assurances are generally coming from places that are processors rather than producers. And so, they are also captive to the same assurances that they are getting.

But so far so good. And we don't see any issues at the moment in terms of being able to maintain our consistency of production based on the supplies we're receiving. Now, sensitivity analysis, we put that in there for a guide. I don't think, Kevin, correct me if I'm wrong, but we're not paying the full extra dollar over and above what we are. We're just trying to give you a sense of the sensitivity on that.

Kevin Ball:

That's right.

Paul Flynn:

So, as I say, we're not expecting that. That has not been banked in a full extra dollar into the Q4 estimations we've given you, but there's no doubt it's higher than where we were. And you just have to look at the bowser. It's 50% more than what you were paying at the Bowser, if you're down the street. So, you can see that that's going to have its flow on impacts through the business more generally at these sorts of levels. But yeah.

Lachlan Shaw:

Yeah. Great. Great. No, thank you. That's great colour. So my second question, changing tack a little. This sort of goes, I guess, to portfolio and what's next. So, the business is now beyond the lion's share of the BMA acquisition costs. That's gone well. You're well on the way to fully consolidating those assets into the portfolio. I do wonder though, given the Middle East foreign emergent focus on energy security with set ongoing M&A in the sector, and you've obviously repeatedly spoken to the organic growth. I mean, has there been any change in the boards thinking about what comes next and I suppose ultimately balancing returns versus growth?

Paul Flynn:

Not quite sure how to answer that one, Lachlan, because that's a big question. Look, I'll try and give you what I can. Look, our board hasn't changed its mind as to where, can I say that, and to where it's been? It's been pretty consistent over the many years, that the business we're in remains an essential piece of the energy puzzle. And obviously our expansion and into Queensland diversification to met coal reinforces our view of the integral nature that met coal plays in the production of steel and construction and growth around the world more generally. In the short term, obviously this conflict has focused everyone's minds again on energy security and the thermal side of our business has benefited from that. As Kevin said earlier, the price of thermal coal has gone up faster than the inflation impacts on our cost base. Metallurgical coal has tightened, but for unrelated reasons to say, more weather related than anything related to the conflict.

But that also remains a supply constrained market as well. So, we feel pretty good about that. I was wondering whether there was some other question that was coming from your discussion there or your question. It hasn't changed our focus in terms of where we see the growth of our business. So, certainly Queensland is prospective, but we need to see changes in royalties there before we do anything too much there. And that's pretty consistent with what everybody else would tell you, I think as well. Assets changing hands, as you can see in the market from time to time, factors that in. And our optionality, obviously, to bring on the balance of the production at Vickery and the fullness of time, is something the board can turn its minds to once we feel like we've bedded down the process of the integration of Queensland into New South Wales.

And it's really a refinement of the business now that, as you say, the heavy lifting has been done. But there's still plenty of work to be done as far as we're concerned. And so, we're busy doing that over this year and the next.

Operator:

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

Glyn Lawcock:

Morning, Paul. I may have joined a little bit late, but I just wanted to try and understand exactly what are the geotech issues at Narrabri. I mean, the last panel, it was because you were at the edge of the seam. What is it this time? And is it now behind us? Do you have visibility over the rest of the panel? Thanks.

Paul Flynn:

Yeah, thanks, Glyn. No, we didn't talk about that before, so the question's relevant. Well, it's the impact of the seam. So, it's being on the edge of the seam and those intrusions from above, which squeezed the seam into a height, was obviously not conducive to longwall mining. So, we're further away from those impacts. So they are less than the panel before, for sure, but that doesn't mean they've gone away magically in and of themselves. So, there's still an impact of that and we've mapped out the panel. So, we can see it's less intrusive than the previous panel, but that hasn't disappeared magically. So, there's still the impact of that. And the convergence of the gear needing its birthday and the incomplete nature of that, of course, we didn't do it all last panel, as you say. We've divided up over two years and two changeouts to get that work done.

There's areas where the geotech plays up, and obviously the area where you're most vulnerable to that is the area where you haven't finished all that work yet. So that's why we brought forward a couple of these hydraulic cylinders and the change out that we did over the last 10 days to bolster that whilst we proceed through this panel and to that next change out in November, December at the end of the year.

Glyn Lawcock:

So Paul, sorry, do you have any visibility then for the next, I guess it is what, two to three quarters? Because the variation's quite stark. I mean, you look at the December quarter and then it's almost down 50% into the March quarter. Can you pick them at all or it's only as you progress through the panel?

Paul Flynn:

Yep. Yeah. Look, I going to hand over to Ian, but yes, we can. Well, can you predict them? We map them out. Yes, the intensity of them, we map them. How they actually behave on the day is not... I would say that it's underground mining, you don't have the clarity of that. But we've mapped out all these structures and they are certainly less than what they were in the previous panel. So, we know when they're coming, so we prepare for them, but how the ground behaves when you get there can be, as you say, and you're pointing out, it can be variable.

Ian Humphris:

Yeah, I think, and Glyn, in addition to what Paul's saying, so those structures, the washouts and things we've talked about, they're at roughly 50% of what we saw in the first panel, but we are seeing as you, and I think one of the early callers ask, a little bit more depth, a little bit more cyclical loading. And I think the combination of those two is where we're starting to see these failures. And I guess the condition of the legs and not being able to get the force into the roof is what's compounding that. So, the structures in themselves and the cyclical loading is all manageable if your longwall health is in the right condition. And that's why we agreed to stop the other day and improve a few of the areas on the wall where we knew we had, I guess, a swarm of legs that weren't working as well as they should have been.

Paul Flynn:

And we had access to legs that we could swap out mid-panel. Yeah.

Glyn Lawcock:

No, that's great, Paul. And so, just if I look into the next panel, so for next calendar year, when we get through this next longwall move, does it drop by 50% again or in terms of the washouts and the intrusive nature? Can you see that far out?

Ian Humphris:

Yeah, yeah. I mean, when we do the development roadways, that's probably the best exploration tool that you've got. And so they're largely gone in the next block. And then when we do the work in this extended longwall move to get the condition of the longwall to where we want it to, we're expecting to see far less, I guess, delays associated with those geological conditions.

Glyn Lawcock:

Okay, that's great. And Paul, if I could just change tack and maybe just push you a little bit more on the answer you gave to Lachlan's question previously. You said Vickery, once you've bedded down Queensland over this year and next year, do you think you've got another couple of years then before maybe you can tackle Vickery? Is that how I should interpret that? And is there anything you need to do on Vickery? If you wanted to accelerate it, can you go to the board imminently or is there more permitting or anything else you need to do re-testing the CapEx, et cetera? Thanks.

Paul Flynn:

Yep, that's a reasonable question. I was trying to leave myself some space to move there, rather than put the board on notice about something there, Glyn. Look, the simple answer to the question is that the project's fully approved and can go ahead tomorrow if the board sanctioned that. The board's seen the feasibility study and likes what they see, but they haven't obviously committed the balance of capital because we've been busy with Queensland. And so, it can go ahead at the right time. I'm just not putting a deadline on it because that's the board's decision. But we're in good shape. We are fine-tuning as we continue to obviously proceed with just the early mining version of Vickery today. So, that refinement and also the financing of Vickery, because that's an important piece of the puzzle. How would we do that? And so, we're exploring the various offers of support from customers and suppliers who would like to assist us in financing the balance of capital at Vickery.

So we're using the time now, whilst we're not doing anything more than early mining, to explore the financing package, so that when the time comes, we have not just a feasibility study that the board likes, but a financing package that matches.

Glyn Lawcock:

And then just finally, how much is money left to spend, do you think? How much are we roughly talking?

Paul Flynn:

I think, look, we talked about a billion dollars and that's roughly where it is. Aussie dollars, I should say.

Glyn Lawcock:

Okay. Wonderful. Thanks a lot, Paul.

Paul Flynn:

No worries.

Operator:

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

Lachlan Shaw:

Oh, thanks team for taking my follow-up. I just wanted to round out on inventory across Queensland and New South Wales. Obviously there's been some moves that supported production, et cetera, but how are the open cuts positioned in terms of overburden in advance and inventory through the chains? And should we be anticipating any sort of restock or steady state or build or drawdowns in the next couple of quarters of drier weather? Thanks.

Paul Flynn:

Yeah, look, the next quarter should be good mining conditions. Typically, that's been the case and Q4's generally rounded out as being pretty solid and we're expecting that to be the case. It's certainly been better weather in Queensland, in particular New South Wales has obviously had the better conditions of the two states over the last three months. So, having drawn our stocks down, we certainly want to make sure we replenish the stocks for sure. That will come naturally with the better production and better mining conditions. In terms of overburden and advance, we are continuing to build that as well. So, nothing too notable there, Ian, that you wanted to draw out?

Ian Humphris:

Actually, nothing.

Paul Flynn:

So yeah, better mining conditions. As I said, we wanted to keep a little bit more stock on the ground, and so we'll be building some of that backlog level for sure.

Lachlan Shaw:

Okay, great. No, very helpful. Thank you.

Operator:

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

Paul Young:

Yeah, morning, Paul, Kevin. Paul, we've covered pretty much everything on the ops. Just wanted to ask a question on the coal markets. Firstly, with thermal coal market, any observations you can share just recently with respect to increased demand trends or interest on for spot cargoes in Pacific region. I know that the Atlantic coal price has really given up a lot, because we're in shoulder season and haven't really seen probably the oil to coal switching that maybe some have thought, but just any observations you've seen recently in the thermal market.

Paul Flynn:

Yeah, thanks, Paul. Yeah, look, there has been an interesting market. I'll say almost entirely across our portfolio of customers in the thermal side of our business have asked for more tonnes. And obviously that's energy security concerns, that's obviously price of LNG, that's a whole range of factors in there causing them to want to bring forward tonnes. So, they've asked us for more tonnes firstly. So, most customers have asked for option upside tonnes, and then pretty much consistently across the portfolio, everyone said, Can you bring stuff forward? Now, as you all know, and as we've been talking about just now, I mean, it's a game of truck movements or in Narrabri's case, slightly different. But you can't bring forward everybody's request to advance tonnes a month or two earlier at the same time. So, we're doing our best to try and help our customers with that regard.

The strong sales position is evidence of that, but we can't meet everyone's needs. But that is indicative of the concerns that people have and obviously the rising cost of LNG that is causing people to want to focus more on the thermal side of their generation portfolios, which is obviously good for us. So, that's what we're observing thus far. Now, the market's been up and down, as you know, and at the moment it seems to be, if you would be so bold as to interpret what the market is telling us, the market seems to be pricing in a conclusion to this conflict soon. I hope for the sake of everybody concerned that's true. But if that's not the case, then the price will probably gravitate back northwards again. So, let's see how that goes. I hope less conflicts in the world is a better thing, I'd say.

Paul Young:

Yeah. Okay. Thanks, Paul. And then just on the met coal market, the same sort of, I guess, views. I mean, have you seen supply side perspective, I'd say that Queensland is looking pretty well set for the next six months and production should increase. Yeah, there are obviously some concerns around steel demand, I think in the Asia region over the next six months. But on the flip side, we might have hearing snippets around Mongolian supply being impacted because of diesel costs and shortages, et cetera. Any observations on the demand side specifically on met coal?

Paul Flynn:

Nothing noteworthy other than to say that, again, on that side of portfolio, people are asking for more tonnes too. But that was happening before the conflict, so that wasn't a new observation and certainly not driven by the advent of the conflict itself. Certainly seems China's production and consumption seems to be improving domestically, but the interest out of India for our coal and sales into India have been firming, but that's probably an observation that's now at least six months in its duration, I would say. So that's a positive underpinning force on the met coal side of our business.

Paul Young:

Okay. All right. Thanks, Paul. Appreciate it.

Operator:

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

Chen Jiang:

Good morning, Paul and Kevin. Most of the questions have been asked. Just to follow up on Vickery. So, from full scale Vickery is a semi-soft and thermal coal mine. Probably the sales price is not as attractive as most met coal mine. From the financing perspective, is Vickery considered a second tier met coal mine or it's a thermal coal? And also, if there's a better option of other inorganic met coal mines in the market that adds value to Whitehaven, would you prefer that over Vickery? Thank you.

Paul Flynn:

Thanks, Chen. That's an interesting question. A couple of things I might just sort of lay out there for you. Thermal coal, as far as the thermal coal world is concerned, Vickery will be at the top of the pops. Its quality is excellent, better than Maules Creek. And so, I should just say that. Now, the other thing to note, which is interesting, is the semi-soft quality out of Vickery is excellent also, and it's better than Maules Creek's and a very good competitor for the Hunter Valley semi-softs. So, no concerns about being able to sell and price that in comparison with those coals in particular.

Now, obviously it's not Blackwater Semi-soft. That's an incrementally better product altogether, coming from a coking seam. So, just in terms of how you're thinking about that and where it's positioned, Vickery itself, obviously there's lots of embedded value in Vickery, not just of course the standalone proposition itself, but also all the other benefits that are related to the Vickery, impact on our portfolio, particularly in New South Wales, whether that be take a pay absorption, whether that be blending, as I say, and that's on top of the return that the standalone asset itself would represent.

So, there's a lot of group benefits for that in addition, which we can outline at the time when the board wants to think about sanctioning the balance of capital. And as you rightly point out, we should always consider it relevant to other opportunities that are around, and certainly that is the way we think about allocating out the incremental dollar of capital, including returns to shareholders. So, is it better off deploying that dollar to the buyback? Say for instance. And at these prices, I think we should look very closely at that as we do. But it's relevant to that, but there's nothing else in the market that we're looking at, that we like. We look at everything as you know. And so from an M&A perspective, there's nothing exercising our minds along those lines. So, it's nice to be a company with good options and a capital allocation framework would informs how we should best deploy that extra dollar.

Chen Jiang:

Sure. Thank you very much. Thanks, Paul. I'll pass it on.

Operator:

Thank you. There are no further questions at this time. I'll now hand back to Mr. Flynn for closing remarks.

Paul Flynn:

Thanks everybody for all the good questions, the extensive conversation. Thank you. If you have any further questions based on the results for the quarter, you know where to find us. Rounding out, I think Q3 sets us up well for Q4. So, let's see how we manage in better weather conditions and a strong performance in Q4. Looking forward to it. Thank you.