

## Whitehaven H1 FY25 Financial Results

### INVESTOR CALL TRANSCRIPT

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#### Introductory comments / Overview of H1 FY25 Financial Results

Paul Flynn:

Good morning everybody, and thanks very much for joining us for our half year results presentation for FY 25. I appreciate you all taking the time. I'm here with our CFO Kevin Ball as usual and of course our COO Ian Humphries for any questions and supported here of course, as always by our investor relations team in the room. I'll go through the presentation and Kevin will deal with a bunch of slides here in relation to certain sections of the presentation and then we'll get to Q and A because I'm sure there's going to be a few questions. And I know you've all got a busy day, so I'll try and get right through it with many companies releasing results today. I do want to just momentarily at least draw your attention to the fact that, as you can see from the presentation, there has been a bit of a change in terms of the branding of the company.

So Whitehaven has refreshed its brand. I don't want to make too much of it and for those worried about costs, it's not an expensive exercise. We've been very frugal in doing that, but we have modernised it and given it a nice contemporary update and you'll see a bit of a change there. The business has doubled, so we've taken our triangle and added another triangle, so we've got two triangles and we've rotated 90 degrees to form our W. So if I've lost all of you with the marketing speak, just go to our website and have a look and you can see how that works. But we think the company has changed and we've ended a new chapter over the last 12 months and a contemporary branding and refresh we thought was appropriate given the transformation of the company, but we're still coal. Coal is in our DNA, very proud of the industry we're in and the business we've created. So no change in that regard.

Over the page is the usual disclaimers because we do have some forward-looking statements that are involved in this presentation, so I draw your attention to that and then we'll get over to the highlights. Doing firstly with safety, safety results with our TRIFR of 4.9 is a solid start to the year on a combined basis being this our first full financial year of our expanded footprint, so 4.9 was definitely a good result, but there's no doubt in our minds that there's more work to be done here and making sure that our expanded footprint, everybody's working together across the same stands with the same safety systems, we know we can do better than 4.9. On the environmental front. We are entering our third year now of zero enforceable actions on the environmental front, so very pleasing to see that progress continuing.

I move over now to the operational and financial results for H1 for FY 25. Some of these numbers will be familiar with you already. 19.4 million tonnes obviously for ROM production and 14.2 million tonnes on equity sales. We've effectively doubled our volumes and sales with the addition of Daunia and Blackwater. We've achieved, as you know, an average price of A\$232 / t across the group being \$247 for Queensland and \$211 for New South Wales. Unit costs have done well, so at first half we're at \$137. That's total cost, not mining costs and which is below the bottom of our guidance range, so we're tracking very well there. Encouraged to continue that momentum for the balance of the year as well. Revenue at \$3.4 billion was 64% metallurgical coal sales and 36% on the thermal side of our business. Underlying EBITDA was \$960 million. Very good result. Queensland contributing \$588m to that. Underlying NPAT of the business was \$328 million for the first half.

Certainly seeing the benefits now of a bigger business with scale and diversified across both met and thermal products. We had \$32 million of acquisition related costs in there and transition costs pre-tax and we've reported \$326 million of non-cash related financing adjustments in relation to FX adjustments and also discounts, discounting unwinding through our finance lines. So Kevin is going to pull that apart for you with some slides a little bit further later on.

We are going to pay a fully franked dividend of 9 cents per share of which will be paid on the 14th of March, representing a payout ratio of 37% of profits from the New South Wales business in line with our stated dividend policy. We've also announced the resumption of a modest share buyback of equal value in dollar terms being \$72 million which will be executed over the next six months. On a combined basis, the return of capital represents 44% of a payout ratio for the underlying group NPAT for the half year. The board's confidence to reinstate the buyback at a modest level at this point was certainly influenced by the on-time confirmation one-time formation of our joint venture at Blackwater, coupled with recent share price movements, you know who you are, which made the buyback look very compelling from our perspective.

Now just over to these charts on our revenue, you understand this, you've seen this before, but just confirming again, metallurgical coal, we have clearly transformed our business, the revenue share at 64% versus 10% metallurgical coal for the previous year. Japan certainly is the premium bedrock of our business and on our expanded footprint still represents 50% of our sales. But if you look to the right there, you look at those sales, you can see there's a nice spread of other customers and emerging markets which bodes well for the future. India now 11%, China are 11% of volumes. All metallurgical coal sales in those two markets there. Korea, Malaysia and Taiwan in aggregate about 20% and in the case of Korea and Taiwan, moving more into the metallurgical coal space as well, having historically been more thermal-based markets for us. So the acquisitions I say is delivering diversification benefits and looking very positive for that spread of new jurisdictions, all which have nice growth opportunities in them for the future.

Over again, these charts will be familiar to you, so I won't really dwell on them too much. Global supply-demand on the left-hand side there in terms of the high CV thermal market and the same for the metallurgical coal market on the other side. Certainly these Commodity Insights graphs depict certainly an interesting drop-off in supply, but growing demand at the same time, giving rise to those deltas. You can see there 139 million tonnes on the thermal side of things out to 2040, and over the same time horizon a 74 million tonne deficit on the metallurgical side of things. I think the interesting trajectory here just on the left-hand side in particular is the runoff of available supply of high CV thermal, which we are certainly very well-leveraged to and look forward to capturing the benefit of that delta as it continues to expand driving prices in the right direction for us.

I'm over now on the market condition slide. Now there's a lot of stuff in here so just bear with me as I get through it, but we'll just cover off on some of the dynamics. Demand for our met coal and also thermal coal is very strong so we're not seeing any changes in there despite what we'd say is a relatively soft market. On the thermal side, we've obviously got long off-take agreements there which allow us to move our way through cyclical changes pretty well and pricing and premiums remain good based on that contractual position. I would say though that if you're trying to move incremental tonnes outside of that and you've got high CV coal, the best you can see at the spot market at the moment is the GC flat outcome, but that's if you're uncontracted and looking to move incremental tonnes.

On the met side of things, met's actually been relatively resilient, although we'd like to see the Indian market pick up a little bit more. We certainly had expectations of that. Having said that, there's obviously lots of cheap Chinese steel in the marketplace and I think that is putting a little bit of a weight on the market overall, but for the first half, the PLV averaged about US\$206 /t. As I say for Queensland we got A\$247/t for the sales in Queensland and A\$211/t for New South Wales. Excuse me.

Now, just a note, just worth noting just on the contingent payments for our Queensland acquisition, that number previously advertised in our quarter had been tracking around the \$33 million mark I think. But given the softness in the market, we think that's going to come off a little bit further. Excuse me. Scratchy throat. On the cost side of things, as I say, A\$137/t is a good result. We think that with the momentum in the second half we can continue to keep our costs down the bottom end of the range, so very encouraged to continue to do that. We're certainly seeing productivity and cost out opportunities materialise in the results we've got to date. In Queensland, we see further upside of being able to continue that pathway into the future.

I do note that our New South Wales cost base is going through a period of temporary higher costs and we thought we'd draw some of that out for you and highlight some of those dimensions of that to you and when those costs might be alleviated, and Kevin will go through that in one of his slides a little bit later on.

I'm moving now to the operational side. Again, I won't dwell on this too much because you've seen both of the slides on New South Wales and Queensland, but just to reiterate, 19.4 million tonnes for the first half on a managed ROM basis and 15.8 million tonnes on a managed sales basis across the business as well. So ROM basis 90% up on period on period and doubling of our managed coal sales.

Splitting this apart a little bit, New South Wales 9.4, good results, a little bit less than our period on period I have to say, but that is in accordance with our plan. All mines operated well in their plans if not better on their plans and certainly a little bit more weighting of the open-cuts to the second half than there is in the first half. Narrabri as you know, goes through a longwall change up in this half and Vickery is ramping nicely.

Queensland side of things again 9.9 million tonnes. This bears well compared to traditional performance at these sites, so I won't dwell on that too much, but both sites doing well. Blackwater is certainly doing better and Daunia certainly showing some real signs of improvement here, which is very nice and numbers in the first half, which they haven't seen for many years. So that's very, very encouraging. We're excited to see where we can take this in the year, but in aggregate, ROM and sales certainly pointing towards the upper end of our guidance range. With that, over to you Kevin.

Kevin Ball:

Yeah, thanks Paul. So let me start with earnings for the half year. We reported \$960 million of underlying EBITDA, the D&A side of that, we've given you some guidance in the back of this pack on how that will run for the rest of the year because I think that's a point of education. It was \$340 million, which is \$107 million for the New South Wales business, which most people understand, and then \$233 million for Queensland which reflects amortisation of acquisition costs. We had an underlying net finance expense of \$151 million, which is about a hundred million relates to the interest payments on the US \$1.1 billion credit facility and the balance of about \$50m is drawn from leases, interest charges on provisions as they unwind, and an amortisation of upfront fees and that gets you to an underlying income tax expense of about 30% or \$141 million, which gets us down to \$328 million in NPAT.

There were \$22 million of post-tax transaction and transition costs and this is predominantly IT systems and some restructuring redundancy costs as we optimise the Queensland operations. When we stood SAP up in Queensland, we stood it up in five months and we naturally understood that this was going to take a little more work to flesh that out over the balance of fiscal year 25. So that's what you see in that number. And the followers of Whitehaven will know that we now have US denominated debt, cash on our balance sheet, and deferred consideration to BMA. They're all expressed in US dollars. So as the Australian dollar fell from about 0.66 at 30 June 24 to about 0.62 at 31 December, the US dollar denominated cash and debt needed to be adjusted to that current rate and that's what really led to underlying non-cash.

There are also discount unwinds on the deferred consideration and the contingent consideration and you can see all that set out in note 4.2 of the financials, which will give you all the detail, but once again they're all non-cash adjustments and in years to come as that Aussie bounces around a little bit, you'll see that come through in these adjustments to underlying financing costs.

Over the page onto slide 16 and looking at the five-year financial graphs, you really can see that FY 22 and FY 23 were years that enjoyed record thermal coal prices, but arguably the first half of FY 25 represents a more average pricing outcome. Albeit we think met coal market was relatively soft.

We said we expected the GC Newc to be fairly resilient in that US\$120 to \$150/t range and it was in half one FY 25 at US\$139, but the PLV hard coke and coal index averaged US\$206/t for the first half and we believe that's soft relatively speaking. So with a half year underlying EBITDA of \$960 million or close to \$2 billion annualised, you can see the significant scale benefits coming through from acquiring Daunia and Blackwater. With met coal revenues accounting for 64% of our revenues, you can see the acquisition has provided Whitehaven with substantial diversification benefits. And this is in a year when Whitehaven has temporary higher costs as Paul flagged and I'll talk you through this cost position in the next slide or two. So what this means is these results are translating well into cash generation and that really does put the board in a good position to reconsider Whitehaven's capital allocation framework at the end of FY 25.

Of course we see the proceeds from the sell-down of Blackwater coming in on the 31st of March that US\$1.08 billion will help with the balance sheet and increase flexibility and our net debt position at 31 December of about a billion will soon reduce when that US\$1 billion comes in and of course we still have to make that first of the deferred payments to BHP and Mitsubishi on 2nd of April 25. So segment results on the next slide. On a revenue basis, Queensland contributed \$2 billion in the first half being close to about 60% of our overall revenues. So this is again the scale of benefits coming through, and the EBITDA contribution from Queensland was \$588 million compared to \$395 million of EBITDA from New South Wales business. The first half of the financials show me the benefit of the diversification in product and in markets and of the increased scale of Whitehaven's business and we did all that without issuing a single Whitehaven coal share. We know we can do more in the years to come as we continue to simplify and reshape the Daunia and Blackwater mines.

Over the page, we're giving you the EBITDA margins. A \$67 a tonne margin on 14 million tonnes of sales is attractive, but there's a lot going on in this slide so let's try and have a closer look. We think we can continue to improve our costs. I think we keep saying that and our revenues. At the group level, we realised an average price of \$232 a tonne for H1 FY25 and a unit cost of production of \$137 a tonne with an average realised royalty of \$27 a tonne. In Queensland, royalties averaged about 13% while in New South Wales the average royalty rate is closer to 10%. I would say to you that on the cost side when we set guidance at \$140 to 155/t, we knew FY25 would be a higher cost year and we'll talk through that. You can see those New South Wales operations points at the top of that slide.

So Daunia and Blackwater both delivered first half results that we are very pleased with. We've got productivity improvements coming through at each operation and there remains room for further improvement. We're on track with our plans to reduce costs in Queensland at the annualised run rate of a hundred million dollars per annum by the end of this financial year and we're seeing cost efficiencies coming through from streamlining operations, including reducing duplication, reducing travel and accommodation costs associated with fly-in fly-out workforce. We're also seeing improvements in maintenance programmes and in scale and other benefits from procurement. At Blackwater, we are rebuilding blasted inventories and we are rebuilding pre-strip inventories. Both these initiatives are expected to support productivity improvements and more sustainable production volumes in the future. As Paul said, in New South Wales we are in a higher cost period but we expect to see improvements and on this slide we provided you with additional context and timing around that.

New South Wales volumes and unit costs in the first half reflect current mine sequencing. We're mining through the hill at Tarrawonga, which comes with a higher strip ratio and that'll continue into next year. And as you know, we're digging the box cut at Vickery as part of early mining, so costs are naturally higher at Vickery for a few years. In the first half of this year we had a strip ratio at Maules Creek was about one turn of strip higher than our full year, so we expect the second half from Maules Creek to be contributing to the lower strip ratio. We've talked about incurring additional port and loading charges at NCIG as the shareholders agreed to increase those charges so that the NCIG could accelerate its debt amortisation. Across New South Wales, these charges we're paying an additional \$4 a tonne and once the senior debt is fully amortised, which is around FY30, we would expect about \$9 a tonne to come out of the New South Wales cost base.

And finally, as we close Werris Creek and volumes that existing mines have moderated, we've seen unit costs increased because of underutilised take or pay costs on the rail and port. We're in the process of renegotiating our New South Wales rail haulage contracts to better align with our actual volumes and when we do this, we expect New South Wales unit costs to reduce by about \$3 a tonne in FY27. So we see this as temporary. On the port side over and above the NCIG debt amortisation we are seeing about \$2 a tonne of additional costs because of underutilised take or pay volumes. We don't expect this to change much until we see volumes from full-scale Vickery or the volumes lift from the existing operations. So I hope that gives you a bit more colour about those costs.

Come over the page onto EBITDA in the first half. I love this slide because this really tells me we had 632 million in EBITDA in the New South Wales business in first half of fiscal year '24, and with coal price change with sales volumes and costs, that fell by about \$236 million. But with the Queensland acquisition we've added \$588 million of EBITDA and that's gotten us to this \$960 million for the half year.



Net debt of 990 million. At the start of FY25, we had a net debt position of about \$1.3 billion and by the end of the first half we had about \$990 million. So cash generated from operations was a solid \$922 million and we paid \$110 million in interest. We received a tax refund of \$12 million. We paid a total of \$245 million in CapEx and other acquisition costs. That's a combination of a couple of things. We bought a seat at the table at DBCT, that cost us in the early 20s, and we made \$16 million payment to EDF for the final payment to EDF for the acquisition of the 7.5% in Narrabri and again, we paid \$104 million to shareholders being the 13 cent final dividend in FY 24. There are about \$160 million of loan repayments, ECAs and lease payments and then there's a little bit of tidy up there in the foreign exchange. So we finished at \$989m. That \$989m I'd expect when we get the US \$1.08b that we'll be quite strongly placed.

So liquidity. I'm confident there are a number of people who've been running around in a softening coal price with a view about liquidity in this business, but I'd say we're lightly geared. We are prudently geared, we maintain a strong balance sheet and historically and since we acquired Daunia and Blackwater, we've maintained sufficient liquidity to comfortably meet our commitments. And with the receipt of the proceeds from settling down the 30%, our liquidity will again improve.

Our leverage on a trailing 12-month basis is less than half a turn of EBITDA. In the second half of FY25, we paid the \$363 million of stamp duty on the 2nd of January and we'll have a little bit of tax to pay on this Blackwater sell-down, but we're well positioned to do that. Somewhere in '26, I'd expect us to reposition our funding sources and structures over time to take advantage of what you see is a really strong balance sheet with strong leverage, strong gearing and strong liquidity. So we've got great relationships with capital providers and we'll look at that in '26. Let me hand back to Paul to comment on the capital allocation framework.

Paul Flynn:

Thanks Kevin. The capital allocation framework is serving us very well, has been consistent for many years now as you know, this slide is familiar to all of you and it underpins the disciplined approach that we've taken to sustaining and growing our business and returning capital to shareholders be that through dividends and buybacks. As I mentioned earlier today, the board has declared a 9 cent fully franked dividend and an equally sized in dollar terms buyback to be executed over the next six months. As we've mentioned before, the board will be reviewing in its entirety the parameters within the capital allocation framework. The framework itself we're very happy with, but the parameters in terms we set the payout ratios and so on as we previously said, we'll review that in full at the time and release that to you at the time of the full year results for this year. That process remains on track but of course the sell-down opportunity and confirmation of the timelines for that did give the board the opportunity to re-initiate the buyback at this earlier juncture.

Again, the dividends first half to second half, our usual practise is to be a little lighter in the first half. The board likes to see the full cash generation from the business and wants to get an eyeball on the full NPAT outcome and so again, we'll be a little lighter in the first half versus the second. Just back on the payout ratios, that's 37% of the underlying NPAT for the 9 cent dividend, 22% of the underlying NPAT of the entire group. If you add the buyback of \$72 million in there, then the payout ratio is 44% of the underlying group NPAT for this half year.

Just moving over to guidance quickly, nothing much changing here. Guidance remains as it was with one exception of course. Now with the confirmation of the joint venture formation, there's a small adjustment to equity coal sales to take into account obviously the formation of the joint venture on the 1st of April where we obviously only retain 70% of Blackwater for the balance or for there on in, but as far as the quarter goes, the remaining quarter of our guidance. So there are some small adjustments for you there to take into account as it relates to equity coal sales. Now there are small adjustments also there on costs of coal and also total CapEx, but we view those to be relatively modest in the context of things, so we've just left those the way they are, but there will be some small adjustments to the good side of that, both those metrics as we get to the end of the year.

And I'll just take you to our focus for the balance of FY '22 slide. Now this again, this is a little busy so I'll get through it, just bear with me. There's lots going on in the business as you can tell, but I hope you get a sense that just from the discussion with capital allocation framework and what we've done in this six-month period, we do keep an eye on the wood for the trees but this is indicative of the amount of work that's going on in the business

today and as you would expect, that's the case given the size and change of the business. Delivering safe and productive operations is absolutely our focus both in New South Wales and Queensland. We need more consistency in that front and I know we can drive our safety outcomes down as we said earlier. Costs out initiatives in Queensland are going well as Kevin mentioned, and we remain on track for the hundred million dollar reduction in our Queensland cost base on a run rate basis at 30 June. That's how we'd like to enter the new financial year.

Ramp-up in Vickery is going well. We are preparing well for the change out at Narrabri and the one thing we haven't been able to get to you, so my apologies for that is that we did say we'll be revising our stage three CapEx for you, but that will be a little bit delayed for a month or two and the only reason for that is just that we're obviously going through the motions with our friends in our joint venture so there's more people involved in that process than just ourselves as you understand. So that we will just need a little bit more time just to bottom that out. But I can tell you that there are hundreds of millions of dollars reductions in capital there whether they be absolute reductions and also deferrals of CapEx as well.

So that will be very positive and we'll get that to you shortly. As far as the products go, Blackwater and Daunia, as I mentioned earlier, the qualities of the products as published previously have been revised and we circulate those with customers and that's getting a very positive reception so we do expect to see realisations improving over time. Obviously as I mentioned in the last call, the customers who already have the call understand what they're getting and we're obviously just having the discussion with them about paying for all the benefits of that, whereas new customers, the conversation starts at a different level and so we are seeing incremental change there in realisations with new customers and also with the existing as well.

At a group level, there are lots of things to be done there. Obviously IT and internal reporting, there's lots of things going on as we bring the business together. The business is still on two different systems as far as the IT goes from New South Wales versus Queensland. We will address that over time. And completing the sell-down of the joint venture formation for Blackwater, that's very exciting. 31st of March is now the date confirmed for all to see, but there is a little bit of work that's required on our side just to make sure that all comes together. Joint venture formation reporting and so on that goes with all that, so we're well onto that.

But overall I'm very pleased with what's been a very good and strong first half of the year. We've set ourselves up well for the full year. As I say, our guidance is tracking to the better end of our guidance on pretty much every dimension, which is very positive and it's nice to have turned the corner to the second half with some good results behind us. The capital allocation framework has allowed us to draw in some flexibility to that, so I hope that's welcome news to our shareholders, but we will remain diligent to drive the outcomes and cost reductions that we expect and to make sure that we generate the maximum returns for our shareholders over time. So with that, I'll just thank our people for the hard effort they put in this year, the board for its support, and shareholders for their ongoing support of the company. So with that, I'll hand back to the operator for the Q&A session. 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 Adam Martin with E&P. Please go ahead.

Adam Martin:

Yeah. Morning Paul, Kevin. Just on unit costs, obviously it looks pretty good result in the first half. You've maintained guidance there for the full year. I suppose what's driving that is that conservatism. Are you worried about weather? Perhaps just talk us through that please.

Paul Flynn:

Yep, thanks Adam. Yeah, look, we did certainly position our guidance in a conservative way and so we gave it a little wider based on the fact that we had doubled our business and two very new assets turned up in our budget with relatively short amount of time to actually pull the budget together, so acknowledge the conservatism there. Having said that, I don't want to take anything away from the team in terms of what they've done from a cost-out perspective and a productivity benefit. Both sites are, as you can see in Queensland, performing well relative to the historical context, so we're keen to keep that going.

Obviously weather as you say is a feature and in more recent times we've had certainly some weather just the tail end of the quarter and then since the quarter closed as well, we've had more weather as everybody knows. Certainly in the month itself, there's been more than we would expect in a given month, but on a year-to-date basis, we're actually doing okay in terms of our allowance of weather days if you like, if I can call it that, weather days relative to how many days we've lost year-to-date. So that gives us the confidence to keep our guidance where it is and continue to say to you that we think we'll be in the upper end of our guidance ranges, which is positive.... And bottom of cost guidance.

Adam Martin:

Okay, thank you. Just a second question just on cost. I mean you've got the hundred million target, it sounded pretty positive just the way you were talking about it. But I mean it's just part of a rough split of what you're seeing people versus maintenance. And do you think that target risk is improving at the end of FY 25?

Paul Flynn:

Yeah, look, there's a whole range of projects that underpin that hundred million dollars project and it ranges across a number of different areas as you mentioned, procurement, maintenance and people. So we feel very confident to be able to deliver that. So far the team's doing a great job in managing that themselves on site, so their ownership of that is actually very encouraging and continue to drive that in a way that makes us feel that we'll get to the 30 June with a rebased business with a hundred million dollars less. But there's probably 20, 25 projects in that list, so I won't try and recite them all for you, but it's tracking very nicely and you can see the benefit in our costs already. It's not miraculously going to appear on 30 June, but you can see our costs certainly improving along the way.

Adam Martin:

Okay, then. Thank you. I'll let someone else go.

Operator:

Thank you. Your next question comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand:

Hi, morning Paul, Kevin, and team. Thanks for the call. Two from me. Look firstly, perhaps a more forward-looking question for you, Paul. Just wanted to test, you've obviously talked about how the supply side looks or the supply-demand balance looks tighter for high CV thermal coal, and last quarter you had a 60-40 split on met and thermal. What's the flex, I guess, in the NSW business to perhaps go down that path a bit more and perhaps do majority or all of its thermal even in future periods, even bringing Vickery into the mix, which currently sits at about 60-40 and that perhaps creates a bit more positive pricing for your Queensland products anyway in the semi-soft end of the market. Just wanted to test that theory a bit and how you think about that given you are outlining that supply-demand imbalance more in the thermal side.

Paul Flynn:

Yeah, thanks Rahul. That's actually a good question, but it probably takes longer that I've got to answer that one because there's a lot to that. On the supply side. On the supply side, we definitely see constraints on the supply side. As I'm pointing there in terms of the high CV thermal market, there's a runoff there that's more aggressive than you can see on the met coal side of things. Our capacity to switch semi-soft in New South Wales into the thermal market – we have absolute, if I could say that, control of that if you like in terms of what we can do.

Historically, you would've seen the met coal split in the New South Wales business higher in the last few years. Of course we've been talking about that in great detail and 10% revenue last year is indicative of where that has gravitated to. So if we need to switch more, we can, Vickery included. Vickery semi-soft will be better than Maules Creek, so that may be a little stickier in the market. People will want that, but again, this is just an economic question. If there's more money in selling it as thermal, then you've seen us do this in the past, we'll do so.

Queensland semi-soft is different, it's qualitatively better, and so it does sit in a different market with different pricing and that really being a function of the fact that these are real met coal products that come from a met coal seam as opposed to our New South Wales going on our base and base products. So they price differentially and they are stickier in the market when things move around. Does that help?

Rahul Anand:

Yep, yep, absolutely does. Just one follow up there very quickly. In terms of the Queensland operations, you put it quite well. I just wanted to perhaps check if you're able to give us any sort of understanding in terms of, I know you can't provide a hundred percent visibility, but the products pricing, I mean are some of these products or what proportion of these products out of the Queensland mines getting priced off the, I guess, the premium low-vol index and what's being priced off, I guess, the lower quality indices would be an interesting point to learn if you can shed a bit of light on that.

Paul Flynn:

Yeah, thanks Rahul. Yeah, look, we won't be giving splits on the four different products because we think that's just a difficult thing for everybody to be able to manage, but what we'll say is, and we said this when we actually purchased the mines and we'll repeat it again. Our drive is actually to get the majority of the products actually priced off a relative PLV basis and that is our objective and that will take some time. We've made good steps with that already with some of our customers, but not all. We've still got people pricing off the low-vol hard-coke and our realisations on that front are actually doing better by virtue of the fact that those specs are better than what previously had been published. The PCI out of Daunia prices off the PCI. So it won't be a PLV hard-coke that we're able to move that one to, but we are trying to simplify this for you.



So with each quarter we will continue to give you an average realisation for those four products off the PLV, just so that everybody in time can feel more comfortable about, in aggregate, where did those four products sit? Now they'll move, they move quarter to quarter as we've said before, and they move month to month. If you've got a hard-coke shipment out of Daunia slipping from one month to the next and it happens to be at the quarter end, you get a variation. But that's not the way we manage the business in terms of a month-to-month basis. So we are trying to help you in giving you a landing on an aggregate realisation across those four products, say for instance over a year rather than delving into the minutiae of four different products per quarter. I think that would just be too difficult to manage. And we give that to you historically anyway, but it would be very difficult for you to manage prospectively in your model. So we think that the aggregate of the four is a better way to go.

Rahul Anand:

Got it. Okay. Now that's clear. Look, just if I can sneak one more in, you talked about how the first half tends to be lighter on the payout. Obviously your policy currently is 20 to 50, you've done about 44 in the first half, if we include that dividend (and buy-back) as a capital return, so obviously it's above at least the past couple of years. Is that directionally where we are going in terms of payouts and capital returns to shareholders with this re-look at the policy that's coming up?

Paul Flynn:

Yeah, the payout ratio obviously is in our current form based on the thermal business and so what we're saying is when we get to the end of the year, we'll be able to reset the parameters that we're using and because we've de-risked the balance sheet with the formation of the JV, which I have to say the team's done a tremendous job on executing well to make sure the regulatory hurdles that we don't control have been actually cleared in a timely fashion. So they've done a great job there. The board will be able to reset those parameters for everybody at the year-end, but suffice to say the levels we've pictured that already. I think we understand that there are expectations that go with doing that, and so we're mindful of that when we settle on new parameters at year-end.

Rahul Anand:

Got it. Okay. That's all for me. Thank you, Paul. Thanks, Kevin.

Operator:

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

Paul Young:

Good morning Paul and Kevin. Kevin, great to see a countercyclical buyback. Just want to dig into that a little bit. I know last time we did a buyback, I think back in '22, '23, the rationale was that the fact that your free cash flow per share was really attractive. So I just want to understand how you measure the buyback? And you're trading at decent discount to NAV. Is it purely a valuation call?

Kevin Ball:

Youngy at \$5.20, it wasn't a tough call. What have we got? 1.7 billion coming from two partners that's triple A rated on the 31st of March, so call that 1.5, that's two bucks a share. So the rest of the business is worth three bucks, is it? So this wasn't a hard call. You do the math and this thing....We've got a view that says that the market looking forward is robust and strong. We got a really strong platform here. We've got an unlevered business, pretty much unlevered business. If you didn't put the buyback on, I think if Paul went offshore, they'd be almost flogging him in the meetings offshore. So I think the board took a view that said three times EBITDA looks a bit light.

Paul Flynn:

I think the framework, we've stuck to it through the time and that's working and I think it's the right way to think about how do we employ the incremental dollar of capital that's available to be allocated and I think that's served us well. I'm glad you've described it as the counter cyclical buyback because I don't want to be involved in a cyclical one.

Paul Young:

Yeah, I mean it's a great decision guys. No pushback from me. So I guess the question then is that investing in your own portfolio or buying back your stock. And I know that Queensland assets, you only spend a hundred million in the half and they're probably well capitalised, so now is this what you just continue to do, just keep on buying back stock and don't invest in organic growth? That's the right decision at current share price?

Paul Flynn:

Well, I think this is dynamic as you know Paul, right? I mean these levers, they're important levers that you must have available to you at all times. Now the variables in terms of how you assess them change. Now, as Kevin's rightly pointed out, the share price makes the case for this very compelling and the board will reset the payout ratios, as I said at December, sorry in August when we release our full year results. So that'll be the right time to more formally reset that based on the fact that we've got a bigger, more robust business that's generating good cash.

And so we see all these things being important to us, but as you know, not all those different considerations in our framework are executable at the same point in the same time, whether it be internal growth, whether it be investing more capital in assisting businesses, Vickery, whether it be M&A, all these things happen in different time frames and the ones that we control, obviously in terms of capital deployment internally in the business and capital returns to shareholders, those ones we've looked critically at this time and we said this is the right time to do it because the share price is where it is and we're very confident about the future of our business.

Paul Young:

Yep. Understood. Paul can ask just about the thermal market? It's really cracked, in the last four weeks. China was stockpiling a lot towards the end of last year and importing a lot, their domestic mines have been performing well. It looks like the market is well supplied and you obviously got the impacts and the relation with the gas price as well, but it should have been a little bit more seasonally stronger and now we're heading into shoulder season in six weeks time or so. Is there any thoughts or any views on the thermal price and what's really driving it down?

Paul Flynn:

Yeah, that's a good summary, Paul-

Paul Young:

Pardon what I've just said.

Paul Flynn:

... of various dimensions. Yeah, good summary. Look, I think consumption of the coal is actually pretty good. We've got a cold winter, which is nice around the place, so that will deal with some of that. I think the one thing that just to add to your mix of factors there is that in the high CV market there has been a little bit of extra production turn up and Australia might even be the culprit for that. So there has been a bit more, but the consumption is actually good. So our key markets are doing well in terms of consuming and purchasing, so we're not seeing any change in

behaviour on the contracted positions we have because as you know, we're pretty well contracted on our thermal side of business in particular. There's been no change to that. Nobody has nominated to take less tonnes, that's all been fine. So I think this will wash its way through and I think what we're seeing at the moment will wash its way through and that's why we feel that it's just a good opportunity. We're comfortable with the business going forward that our customers are in a good position and premiums are holding up and you'll see this adjusting in time.

Paul Young:

Yeah, okay, great. Thank you. Thank you, gents. Appreciate it.

Operator:

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

Rob Stein:

Hi Paul and Kevin. Thank you very much for providing the updates. Just on the buyback versus M&A consideration. Yeah, completely understand the points made around the value of your own stock and how you view that. I guess the point would equally lie to potential M&A targets at this point in the cycle. How do you think about M&A in that context given that there's a few assets changing hands and that gives you an opportunity that you might not get at other points in the cycle?

Paul Flynn:

Yeah, thanks for that, Rob. Look, well it's probably useful just to be clear on that. There's nothing that we're excited by in that dynamic at all. So I can allay any concerns that Whitehaven's interested in doing anything particular at the moment. We are very satisfied with the M&A that we've done. There's lots of work to do to continue to improve those assets. We know there's plenty of upside there. We are doing the necessary work to try and make sure we can liberate that value as quickly as possible. And so it was a pretty easy discussion from our perspective in terms of how to allocate that incremental dollar. As you say, there's a few assets floating around, but they're not ones which we would say are going to add value to our business. And so we're just focusing on maximising the benefit of the strategic M&A that we executed nine months ago.

Rob Stein:

So then really the case going forward from a capital allocation point of view is that deleveraging play increasing yield and we can see that yield come back via a buyback slash dividend depending on the relative price of the day. The buybacks underpin the valuation and then we can expect it to be a yield stock in that regard. Is that fair? Not that there's anything wrong with that by the way.

Paul Flynn:

Not that there's anything wrong with that, but I would say that that simplifies the nuances of that discussion at a board level, I would have to say, because coal prices change, share prices change with it. Opportunities within the business to drive improvements, also have capital, more stickers attached to them. And so in terms of how we allocate capital within the business, within the business, I'm saying rather than externally, is important as well. We have aspirations to do more, there's no doubt with not just with the Queensland assets, which are great. We also have Vickery up our sleeve. There'll be a time when that gets looked at as well. But from our perspective in the meantime, we want to balance all those requirements that you've just summarised and make sure that shareholders are actually getting a good result out of all this. We've got some 30,000 shareholders, they've all got different views and we're trying to thread the needle to make sure that we keep them engaged and rewarded for their support.

Rob Stein:

Thank you. That's really insightful. Appreciate it.

Operator:

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

Lyndon Fagan:

Good morning everyone. Just on the cost guidance, obviously a great result coming in below the bottom end of the range. What's stopping you from changing the range or at least taking the top end down?

Paul Flynn:

Well, I think now that you've seen where we are, you can pretty much dismiss the top end I would've thought. So whether we do it or not, you can see where it is. In terms of the bottom, that's a fair call. I think Lyndon, I think the challenge there is really, we've obviously gone through some weather. There may be some more. Even though we think we're heading in the right direction and there's further cost out momentum in the business, I think we're steering you in the right direction with what we published in the first half. But we have had some weather since these numbers have been closed. And so I think it's prudent just to leave it where it is.

Lyndon Fagan:

Okay, great. And then similarly with the CapEx obviously coming in at the bottom end, can you speak to what's driving that and whether there's potential to actually save some money this year?

Paul Flynn:

Yeah, our CapEx generally come in a little conservatively on our CapEx year-on-year. I think that pattern of behaviour is probably understood. And of course, but there always is a little bit more CapEx in the second half then there is in the first half, if you look at our numbers historically. So we've nodded our cap at least to the fact that given that our biggest site, Blackwater, we will hive off 30% of it for the last quarter, there is a CapEx impact which will no longer be in our numbers for that. So that's small though. That's why we haven't really played around with the numbers too much in our guidance. We left them where they are, but we just acknowledge that that will occur. But we're always trying to make sure that we're responsible with the capital. And again, come back to the beginning of the year, we set this up in a way which is relatively conservative based on the newness of these two new sites to our business. And so we've left it just where it is acknowledging that continues to be conservative.

Lyndon Fagan:

Great. And just a quick one for Kevin, just the net finance costs and the underlying adjustments. Going forward, should we just basically assume that the actual interest bill is what comes into the underlying P&L and essentially all the other items will be stripped out?

Kevin Ball:

You should assume that because what we've got is we've got US dollar debt that's going to bounce around with the exchange rate, Lyndon, and we just don't see that as being useful coming into underlying NPAT. What you want to understand is how is the business really performing, not how is exchange rates bouncing around a debt that's due in 2029. So yes, you should assume that.

Paul Flynn:

Yeah, and those bigger ticket items or those variables in terms of the unwind of the discounts on the deferred and

contingents, they have a very short life. So that will disappear over the three years and we're almost at the end of the first year of that. So there's only two more left to go at that. So those components will disappear in two years.

Kevin Ball:

Well, they'll shrink in years. They'll be smaller in year two and smaller in year three than year two, and they'll disappear at the end of year three. So that's the reason why they're stripped out-

Lyndon Fagan:

Yeah, thanks.

Kevin Ball:

Lyndon.

Operator:

Thank you. The next question comes from Paul McTaggart with CitiGroup. Please go ahead.

Paul McTaggart:

Morning all. So Paul, I just want to, you may have seen Japan's seventh strategic energy plan which came out mid-December, and so in prior years it's really emphasised reduced dependence on nuclear power as much as possible. There's quite a shift, and now they're basically saying, I guess to meet green targets, they want to get nuclear back up and running at full capacity or near enough and they want to obviously increase renewables. So it takes them, their targets to go from a thermal energy mix coal from roughly 70% in '23 to 40% in FY 30, which is not that far away. And I know they're half your uptake for customer base. I just want to get extensive. Is this just a pipe dream or do you think this is a fundamental shift and are we going to start to see your key thermal off-taker start to take less coal through time?

Paul Flynn:

That's a good question, Paul, but again, that's another one that requires much more time than what we've got here. But just a couple of points. I don't find favour with the notion that they've been de-emphasising nuclear in the previous six plans. I don't see that at all. In fact, of each of those plans, they've set aspirations for nuclear which haven't been met. And so I wouldn't agree with that part of it. And I have seen the seventh plan draught as it is. And you've done well to read it, given it's only in Japanese now. So someone's translated for you. We've had the-

Paul McTaggart:

Yes, someone has translated it.

Paul Flynn:

Yeah, we have the benefit of our Tokyo office sorting that out for us, which is good. So we have seen it. Obviously the seventh plan is quite interestingly drafted because there is more flexible language in that document than what we've seen in the past, in fact. And there's a focus on a longer data profile than the more immediate hurdles, which I think they're tacitly acknowledging are not realistic. That would be my interpretation of what's going on there, of course. And of course being less specific in this plan about which fuel does what. And so it's interesting. More nukes, I think that's always been the case that they wanted more nukes on. We agree with that. I think that's very good for them as a country, given all the infrastructure that's already built and been sitting idle largely since Fukushima other than maybe 11 units.



So that's very positive for them. The alternative obviously is gas, which is still more than twice the price of the equivalent coal price. And so the notion of doing more gas, I think is a very challenging one for them, given that they already are very, very dependent on it and still quite a bit of fuel oil in that market as well, which is less than ideal. So we don't feel like there's a thermal runoff of any great concern here at all. I think as everybody's saying, you may have noticed that energy consumption actually in Japan has gone up, and that's a big change from where there've been in the past with a declining population. And what they're citing that, everybody's saying the same thing, its data-driven consumption is arresting, if you like, the decline in energy consumption, electricity consumption in particular in their market.

And now that these, I know everyone's seen the quotes that know ChatGPT search is 10 times more power-consuming than a normal Google search, and that is seen to play out in their market just as much as it's playing out in anyone else's. So my sense of that and the discussions that we have with the government is that the existing power stations, coal-fired power stations are actually going to have to stay on for a lot longer than what people are thinking. And that's just my personal view, but that's what I take away from the discussions with the Japanese government officials that we meet with. So we feel pretty good about that and coupled with the fact that they're asking when we're going to bring on Vickery tells me that they need more coal, particularly that quality.

Paul McTaggart:

Thanks, Paul.

Operator:

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

Jonathan Sharp:

Yeah. Hi Paul, Kevin, Ian, and Aya. Just first question on the hundred million dollars cost-out target. Where are you seeing the biggest efficiencies there? Is there just a lot of little things like improving lightning procedures, improving uptime, or are there any low-hanging fruits and big things that you're quite excited about that you may not be able to implement for a little bit?

Paul Flynn:

Ian's been desperately waiting for a question to answer here, so given that that sits under his operational side of things, I'll get him to quick-summarise for you acknowledging shortness of time we've got remaining on the call.

Ian Ball:

Yeah, look, I mean, the short answer is there's no silver bullet there. There's got to be at least 50 initiatives. I mean, we have a program in place. As you can imagine, there's a pipeline from everything from ideas to things that are in play and some that are already executed, and some of them are the low hanging fruit that you might talk about, easy wins, and some take a higher value. But obviously the people issue, we've talked about the maintenance side of it. I mean, one of the ones that Kevin didn't throw in is explosives, for example. We are really putting a lot of effort into sites as to the design and ensuring we've got the right powder factors, et cetera. So it is a very broad remit across all aspects and the productivity aspects and all the rest of it fall into there. We track it, we've got fortnightly meetings, it's all being reported up, and we continue to keep the foot on the throat of everybody to keep adding things into the pipeline.

Jonathan Sharp:

Okay, thanks for that. And just my second question, I found it quite interesting, just the comment about the potential pre-drainage at Blackwater and Daunia. Can you just expand on that? What is the composition, the gas composition, the content of the seam, and what is the potential plan there? Thanks.

Paul Flynn:

Jonathan, I'm not sure of what you're referring to there. No, that one you've, where does that come from? Maybe we'll take that one offline. I'm not sure where you're getting that from.

Jonathan Sharp:

There was something in the presentation that.

Paul Flynn:

Pre-drainage?

Jonathan Sharp:

We will take that one offline.

Paul Flynn:

Okay. Yeah, we're happy to take that one offline. Thank you.

Jonathan Sharp:

Early scoping work on pre-drainage at Blackwater and Daunia. I'll take it offline. Thanks.

Paul Flynn:

Thank you.

Operator:

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

Chen Jiang:

Good morning, Paul and Kevin. Congratulations on a strong result. Two questions from me please. So firstly, on your proceeds, the 30% sale of Blackwater US\$1 billion, I guess after you pay BHP US\$500 million on 2nd of April, you will have the remaining US\$500 million left, which is exactly what you need to pay BHP for the second year of the deferred payment. So I guess, is that fair to say the proceeds will just be used to the deferred payment in total of US\$1 billion in the next 14 months? Thank you.

Kevin Ball:

Chen, good question. I'd say that cash is fungible, but I would also say to you that we did the sell-down on the basis that we had two very good joint venture partners coming in the form of JFE and Nippon Steel. The billion dollars after tax, roughly speaking, turns out to be the two first payments. All we see that as just means of strengthening the balance sheet in Whitehaven Coal for the next two years. It really, what that transaction does and what that money does is really just support the balance sheet and make it bulletproof for a couple of years. So I wouldn't be trying to suggest that that money is available for distribution. I would be saying that it would fall into the pot of the cash flow coming out of the business and then we would look at what cash flows are coming out of the business in future when we look at capital allocation. So, yeah.

Chen Jiang:

Sure, sure. Thanks for that, Kevin. Well, and then another question, Kevin, just to follow up on the underlying net finance cost. So the first half FY 25, \$151 million, if I annualised that number, which gave me \$300 million, but that's 190 million below your indicative guidance of 490. So how can I think of your net finance cost in the second half? Will that be making up the remaining of that guidance? So which means your net finance cost will be much higher than the first half for the second half. Thank you.

Kevin Ball:

No, I think you've got the underlying and the unwinds of discounts confused in there, Chen. The way to think about this is that the senior debt should cost me about \$200 million Aussie a year. The balance between the \$150m and the \$101m today is unwinds on our rehabilitation provisions and some upfronts will be amortised and some leasing expenses. So my take on life is that you should take the \$200m as being a gross cost on the facility, and then you should have probably double the \$50m that goes on there and then that should get you to about \$300 million in interest cost. And the rest of that will be unwinds from things that'll come through, not in the underlying.

Chen Jiang:

Okay. Okay. I guess that's not only for FY 25, that will apply in the next-

Kevin Ball:

As we said in FY26, it'll be a lesser number because the unwind on the deferred payments to BMA will be smaller because we will have repaid a part of that. And then in FY27, it's pretty much, it's minimal because you're down to the \$100m that's left at that point, and a couple of other things.

Paul Flynn:

They'll be one year of discounting left.

Kevin Ball:

Yeah, you've only got one year of discounting left. So I'd be happy to give you a master class in how that gets accounted for after this event were you interested.

Chen Jiang:

Okay.

Kevin Ball:

But don't knock me over in the rush.

Chen Jiang:

Yeah, yeah. Thank you. I appreciate that. And maybe last question, if I can squeeze in about your share buyback, a follow-up. Because I guess the market didn't expect you to have a share buyback announced today. By looking at the, if I divide that by the number of shares, it implies around 8.60 cents per share, which is similar to a dividend. So it looks like your capital return is splitting almost evenly between your dividends and share buyback. I'm just wondering what's the thinking behind that when the board made that decision and how should we think forward? I know you will announce capital allocation in August again. Just trying to think ahead before August. Thanks

Kevin Ball:

Let me go and answer that one for you. So the board came out with a 9 cent dividend and then, or the board of discussion was around a 9 cent dividend. And the register has about a little over 30,000 shareholders, which is split offshore and onshore roughly about the same. The offshore guys like a buyback generally a little bit more than the onshore guys. So if you've got a 9 cent dividend, we simply match the 9 cent dividend. And that's about the story.

Chen Jiang:

Okay. So it's about the number of shareholders onshore and offshore and the franking dividend-

Paul Flynn:

You may recall, Chen, the split before being about 60-40 in terms of how we've allocated that in the past. So this is a slight refinement to that, but I think as Kevin's saying, it's a nod to the offshore component of our register relative to the onshore and it's modest, but as I say, the full capital allocation framework parameters will be revised and published as part of the full-year results.

Chen Jiang:

Sure, sure. Thank you so much Paul and Kevin, I'll pass it down. And again, congrats. Thank you.

Operator:

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

Glyn Lawcock:

Oh, morning gents. Lucky last hopefully for you guys. Kevin, just a question on the lease payments that are coming through now, they've stepped up obviously with the integration of the BMA assets you bought. What does that look like going forward from the 76 million and a half? Because I mean, if I double that alone, if I do my maths right, it's about \$6 a tonne of additional costs. And I assume that's excluded from your cost guidance and any CapEx guidance as well. Thanks.

Kevin Ball:

Yeah, Glyn, good question. I'd tell you that when we brought on the excavators in Queensland and we brought on the trucks, we've leased those. And so what we're expecting to see is this business generating improved returns in years to come that should actually see that being self-funding. So it depends on how you think costs are going to work in the future. And traditionally that's how we've run the load and haul fleet through our business. So I would expect you to deal with it the way you've described it.

Glyn Lawcock:

Okay, so I should think about it, it's bottom end of your guidance is \$140/t, I've got your capital guidance and then I add another \$6 a tonne of cash outflows, and I assume those lease liabilities will run for as long as the life of mines run in Queensland?

Paul Flynn:

Debt reduction.

Kevin Ball:

But all that happens is that's reducing your net debt, so it's actually neutral on your valuation. So move on. That's how I think about it at least.

Glyn Lawcock:

Okay. I'm quite sure I understand it is cashflow out the door of \$75 million a half, but yeah, maybe I'll take it offline as well. And just quickly, Paul, just the met coal markets, I mean they too are suffering. India doesn't feel like it's come back. There's met coal sloshing in from Russia at discounted prices, and if Trump does what he says he'll do and gets rid of the Russia-Ukraine conflict and ends it, we could potentially see more Russian thermal, more Russian met in the market. How does that all play out in your mind?

Paul Flynn:

Yeah, yeah, look, they're definitely uncertain times, which is actually pleasing to see that Russia's holding up the way they had in fact. So I think that's pretty robust given that uncertainty. The challenging part of it, what you just described there is actually the fact that the Russians obviously don't sell the premium grades coals in the hard-coked space. So that's not going to really change that dynamic at all too much. But the Russians obviously have been moving lots of lower rank met coals and causing a big spread between PLV and say semi-soft and PCI because that's where they play at semi-soft and PCI market. So if there was to be some normalisation, hopefully stop fighting, that would be great. Then that actually may actually be useful in terms of normalising the spreads because they don't have to offer their product into the market at big discounts to get around sanctions and so on.

Back to the broader concept of the steel market itself, you've got lots of production, no doubt, about that coming out of China and India is taking advantage of that. So that was an easy way for them to actually do that rather than buy other input costs when they can take advantage of that steel. And then you did see the Chinese make an announcement just on importing Coke into the country, which constrained that, which I think is useful for us generally. But India has been just taking advantage of that surplus steel. So I think that's definitely moderated things in the short term, but we do see them directionally being very constructive for the balance of supply demand in the market. So we're seeing lots of opportunity to sell the coal into India in particular. And I note that the two premium products out of the two sites, the hard-coke out of Daunia and the semi-hard out of Blackwater are both of great interest to them. So we do see us growing our footprint there in that market.

Glyn Lawcock:

All right, that's great. Appreciate the cover. Thanks very much.

Operator:

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

Daniel Roden:

G'day Paul, Kevin. Yeah, hopefully the last one from me. I'll make it really quick, I think. So just on the coal markets, Paul, back in January, you talked on the, I guess the price realisations going into Q3. I just wondered if could provide a little bit of an update after a bit of a soft Q2. How are the price realisations going for the coal mix?

Paul Flynn:

On the thermal market, what was that Daniel, did you say?

Daniel Roden:

Sorry. The coal realisations in Q3 to date? Coal price realisations.

Paul Flynn:

Well, we haven't put out any data on Q3, so I think that what I mentioned there before was that on the thermal side in particular, we're heavily contracted on the thermal side of things. So our contracts and prices with



premiums are contracted for the majority of our coal. As I mentioned, if you wanted to sell uncontracted high CV coal into the market at the moment, the best you could get probably is the GC flat outcome - that's what we're seeing. So our business generally through realisations over time, we've said that in a flat market then we will see GC Newc, perhaps a little better, on average across our portfolio now that the Werris Creek quality has been removed and now Vickery tonnes are starting to come on. So that momentum should continue. But as I said before, prices being what they are, but we're not seeing any change in behaviour on the physical side of things. Our customers are honouring all their contracts and doing all the right things in that regard. So I think we're well positioned.

Daniel Roden:

Okay, awesome. Thank you. And maybe one for Kevin, and just a bit of a clarification on the unit cost of the \$137/t in first half, I just wanted to understand if that includes builds and unwinds of inventory costs and if so, I guess the implication there being in the March quarter and second half FY 25, if we see a drawdown in inventory, is that going to have, I guess, the inverse effect on those unit costs?

Kevin Ball:

The way we do accounting for that is that inventory, we pick up a cost of goods sold, which includes the movement in inventory, and if we build stocks, they come out at the average cost in that period, they go back in at the average cost in that period. So the cost, the movement in inventory really just impacts the working capital coming through the cashflow, not necessarily the P&L. So the \$137/t is a full P&L cost for that period. Now it includes, and you can see it on the back slides there, Dan, you can see the back slide in that pack, it tells you what the mining costs were, what the selling and distribution costs were, what the admin was, et cetera. But I would only be thinking about inventory in terms of working capital and actual cash flow generation. And that's where it comes in to come in. But again, there's a level of stock we hold generally speaking, and that really isn't a big mover in the numbers unless we've got some slippage from one quarter to another.

Daniel Roden:

Yep. Perfect. Thanks Paul. Thanks Kevin. Appreciate your time.

Operator:

Thank you.

Paul Flynn:

We've run out of time there.

Operator:

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

Paul Flynn:

Yep. Thanks very much everyone. I know everyone's got a busy day. Sorry for that going on, but the interest in the results and the company is well appreciated. Thanks very much. And if there's any further questions, we'll be seeing many of you over the coming days and weeks. Thanks very much.