

## WHITEHAVEN COAL Q4 FY25 “June Quarterly Production Report”

### INVESTOR CALL TRANSCRIPT

Date: 25 July 2025 Time: 10:30am

#### Introductory comments / Overview of June Quarterly Production Report

Paul Flynn:

Morning, everybody and thanks very much for joining today. I sound a little bit husky, so bear with me as I've got a bit of a croaky voice. Sipping a cup of tea along the way. But as usual, we'll go through the highlights, get through the individual components of the mine sites performance and get through to our Q&A.

But from our perspective, this is a nice way to finish up the first full year of operations with our expanded footprint. Certainly the June quarter has been a very good result, so I'll just go through a couple of highlights for you.

The safety performance on the expanded group has been very good, 4.6. We're very pleased with that covering both our employees and contractors, but as always, there's more work on that to be done.

The ROM production for the quarter has certainly been good at 10.6, first time we banked a 10-plus million tonne quarter, which is very positive and rounding out the year at 39.1 million tonnes for full year, a pretty good result relative to last year, which only included one quarter in QLD of course.

For the June equity sales, produced coal, 6 million tonnes and for the year 26.5 million tonnes on an equity basis. The revenue split for the year at 64% versus 36% thermal has been consistent throughout the course of this year. Our FY25 unit costs have come in at A\$139, subject to audit and so on, and the CapEx has come in just under the bottom of our guidance, about 10% less at \$390.

The first and third payment that we mentioned to you had been made just reminding you that that has been made that we mentioned this when we had the last quarter, that the \$500 million US has gone to BMA, but we've also now paid the first of the contingent payments at 9 million US just subsequent to the quarter closing.

From the operational perspective, Queensland has done a very good job and New South Wales has done very well, although like the state of origin, Queensland's just edged out New South Wales in the totals at 20 million tonnes. For Queensland, I think that's a great result. The quarter 5.6, very nice finish to the year. 26% up on the March quarter, so that 20 has done a really good result. The equity sales of Queensland of produced coal are 3.3 at the quarter, 14.9 for the full year, and that obviously does reflect our 70% ownership of Blackwater since the 1st of April.

The average coal price achieved in Queensland \$208 Aussie. Across the operations represents 78% of the PLV. New South Wales has done very well also, so our tonnes there for the quarter at 4.9 million tonnes, 5% up on the quarter. And at 19.1 is a solid result and certainly when I get to the summary of the guidance you'll see that we've been saying we're certainly up at the upper end of our guidance on most things and then the right ones are at the bottom end.

From the June quarter perspective, we achieved \$166 per tonne in New South Wales with our realisations at 103% of gC NEWC. The table across, I'm not going to go through all the numbers for you, I'll just call out a few, but you can see the totals there. 10.6 as I mentioned for the quarter, a very solid result, 39.1 total for the year, certainly a big change. You can see the first four years of operation of our expanded footprint here. The equity ROM coal tonnes at 8.4 versus 34 for the full year, again it reflects that bigger footprint. Queensland, as I said, done very well, 20 million. Tonnes for the full year results in the quarter you can see there at 5.6 was a very, very solid result.

New South Wales at 4.92 was also solid 19.1 overall, as I say, a nice combination for us to end in the year in good form at 39.1. Stocks are healthy so that'll carry into the new year so we'll have strong sales in the first and second quarters as a result. As I said Queensland operations done very well, very pleased with the result and I think basically the teams at both sites in Queensland have managed themselves very well through the wet weather period, which we saw part of it in March, but then obviously spilled over into the June quarter as well.

Progress through the quarter was very, very solid and a hundred million dollar per annum cost savings initiative has been delivered and there will be additional savings that spill into this year FY26 which we'll talk to at the time of giving our full year guidance in a month's time. Blackwater's done very well in the June quarter at 4.1, sales at 2.8, Daunia's also very, very positive at 1.5 million tonnes, 25% up on the last quarter and sales of 1.3. As I say, a good solid return to productive operations after all the weather impacts and I know as we've talked about before, the weather impacts for us were more broadly based on the coast than they were at the mines. We had them at both, but in terms of relative impacts, the ports were impacted more than the sites themselves and that's manifested itself in terms of the sales outcomes with slippage into this new FY26 year.

New South Wales at 4.9, as I say, is a pretty good result, 5% up on the quarter, the open cuts have done very well with good production. Narrabri obviously spent a good portion of this quarter in change out with an extended longwall change out of eight weeks in duration. Given that we were dedicating some significant maintenance to a lot of the equipment, bringing many of the trucks to surface, almost half of them in fact, to surface for a birthday. Managed coal sales at 3.3, was down 7%, but you would expect that given the lower productivity, lower production obviously borne by the eight-week change out. And managed coal stocks are healthy as well in New South Wales, which will be positive for this new year. So 19.1, a good result.

Maules Creek at 3.6, that's definitely a solid outcome, 31% up on March in line with the mine plan. Sales of produced coal 2.1, positive as well. As I say Narrabri has been through its change, that did well on time, on budget, the significant change out that that was and so we're pleased to have that now moved into panel 204 and moving along, which is good.

Gunnedah Ops have also achieved a good result for the year, so we've got half a million tonnes for them in the June quarter. Tarrawonga did 1.8 for the year and Vickery did 1.5 for the year. So on both fronts we've delivered a decent outcome for the Gunnedah open cut operations.

Over to the equity coal sales and realised pricing. June quarter sales produced coal, 6 million tonnes June quarter mix. The mix itself 66% versus 34%, slightly different to the full year, but very close. Queensland operations of \$208 Aussie realised for our coal sales is down from the 221, which we saw in March and compares to the 232 for the full year FY25. Our operations realised 136 US relative to that number. And for the full year Queensland operations have realised 152, which is 78% of PLV. The sales mix for the full year at 60% hard coke, semi hard, 38% PCI, semi soft and there's a balancing thermal product as you know.

New South Wales achieved pricing at 166 per tonne of produced coal and 193 Aussie for the full year operations. And the index averaged about \$100 in gC NEWC across the period vacillating between the lower 94 and up to 107. It's subsequently settled a little bit higher than that, but a solid result achieving 103% of gC NEWC across the quarter, which is a good result.

The markets themselves, as you all know and we've discussed with many of you along the way, remain soft. We've certainly got excess steel affecting Indian raw material consumption. They're certainly taking advantage of those opportunities and on the thermal side of things also, you've had a relatively soft period, but we have seen improved demand coming out of the Northern Hemisphere, which has assisted in dragging that price away from that low, which we saw during the quarter of 94 and certainly a little bit better over at the 107 to 110 range.

But in a period of soft pricing as, you would imagine, our attention has very much been on margin protection and the cost management and of course a prudent allocation of capital across the business. Longer term, the supply and demand dynamic remains the same, and that's despite the shorter term impacts that we're seeing and I'm sure we'll discuss as part of the Q&A session.

Production costs have come in well, so we're happy with the result of 139, slightly below the bottom of our guidance, which was 140 to 155. Royalties there, we've given you a number for royalties just for your calculations, but we're pleased with this unaltered, as I say, number, which wasn't as good as the 137 we printed in the first half, but as we said at the time, the weather impacts in the second half. I think we've managed that pretty well only to see a \$2 in total year impact on that basis.

Balance sheet's in good shape with our net debt at 600 million, reflecting the payment, as I mentioned earlier about the 500 million US, it's gone to BHP and of course now the 9 million that went in the first contingent payment.

In terms of capital returns during the course of the last six months, the June quarter, we've continued to move with our buyback and we've taken a measured approach to that, I must say. We've paid the dividend cost during the period, but in terms of the buyback, we've taken up 4.2 million shares and at a total cost of about \$23 million, so we are happy with that, but we do take into account the key market and the reduced margins with softer pricing and as much as we would like to go a little bit further, we're just taking a very prudent approach to how we're balancing the capital and making sure that we are continuing to operate the buyback in a measured and responsible way. Now we will be resetting the capital allocation framework parameters as we mentioned before with the publication of our full year results in August.

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Onto development projects exploration. Not a lot to point out here in this quarter, Narrabri Underground just continues to do what it's doing. Winchester South has the infamy of now being in the land court in Queensland, part of the normal process that is the approval process in Queensland, sadly, where merit-based appeals are actually adjudicated within the confines of the courtroom, unlike New South Wales. But we've just only just started that this week, so there'll be another six or seven weeks of proceedings there to navigate our way through all of that.

Onto guidance, and as I say, we've had a very good quarter, rounded out well. We've been pointing to the fact that our guidance to our performance was indicating a strong performance across most of our guidance metrics, and you can see there the ROM tonnes at 39.1 at the top end of our guidance from a managed basis. Sales both at a managed and equity level, certainly the better half of guidance, unit costs just below 139, a very good result. And capital, as I mentioned, CapEx at 390 is about 10 or 11% below the bottom of our range, so responsibly managing our capital given the subdued pricing environment that we're experiencing currently.

So overall, very pleased to wrap up the year, the first full year of our operation. Really good result. I think the teams on the ground had done a terrific job during the weather, both in New South Wales and in Queensland. We saw weather in both states, more so in Queensland of course, but both states had it and our teams have done well to make sure we've hit our numbers pretty well in wrapping up this first full year. So with that, again, we'll have our results out in four more weeks with the guidance and also presets of capital allocation framework that I mentioned just earlier. So I might just close out the formal part of the proceedings and move back to the operator so we can open up Q&A. 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 from Morgan Stanley. Please go ahead.

Rahul Anand:

Oh, hi. Good morning Paul & team. Thanks for the opportunity and very good results, so thanks for that. Look, two questions from me. First one, obviously the ROM production was very strong into the fourth quarter and I noted that the stocks were building circa 17% versus last quarter. Should I be thinking about the Queensland assets now as being well-stocked because I know you had to build some inventory for ROM coal there given where you acquired the assets. Is that process now complete and we're going to have a better match going forward, or is there any bit of that effort still left? Thanks. I'll come back with the second.

Paul Flynn:

Yeah, thanks, Rahul. Yeah, thanks. Good result on the ROM side of things for sure. Part of the building stocks was really reflective of just recovering from some of that wet weather and so just regaining the momentum we wanted to recover after that period, so there has been a solid production profile, but if anything, new South Wales may have actually put more stock on the ground later in the quarter than in fact Queensland has. But the sales profile, as you can see in Queensland has been pretty strong. So I think it's a good position to be in and we are turning over the stock into sales pretty quickly.

Demand actually is pretty solid for all the products up there, so that's very positive to see. So yeah, that puts us in a good position for Q1, and there's been a little bit of weather up there around the place as we speak, but we've kicked off the first quarter well, so I think we'll be consistent in our performance throughout the course of the year, but we do want to make sure we manage healthy stocks in Queensland in particular because there is a bit of onsite blending required to manage the various nuances of products and things. And so we're just going through that at the moment to make sure that we calibrate the right stock position, but we feel pretty comfortable where we are at the moment.

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Rahul Anand:

Okay, brilliant. Look, the second one's around the new capital returns framework, obviously we're going to hear about it in the August result, but I guess the precursor to that is your thought process around how you spend your CapEx going forward and which growth projects you invest in. Obviously the opportunities that exist are Narrabri stage three, low CapEx version. And then Vickery, and then obviously I think at a later stage, perhaps Winchester South. Is there any sort of update in how you're thinking about these three opportunities and how you'd like to sequence them going forward?

Paul Flynn:

Yep. Thanks, Rahul. Yeah, you've highlighted a couple of different uses of capital there for sure. Narrabri stage three has been much deferred as you know, given the anti-coal, sort of vexatious legal challenges that we've been dealing with. Now they're out of the way, but we are operating in a pretty austere price environment, so whilst there are physical limitations in terms of how long you can push things out, we have recut that capital pretty productively and we'll outline that for you in August with the results, but you'll see significant movements of capital to the right, if I could say that. And as I mentioned to you all a couple of times, I think during the course of this year, we are going to stick with this longwall and make it last longer, and so that'll be to the benefit of cash flow, but there will be things that we need to do from stage three. So you'll see in the guidance there'll be some ventilation and other things that need to be dealt with as part of setting ourselves up for success with stage three.

Now Vickery in this price environment, we're certainly taking a conservative position on that, so I don't see that materialising in the short term and the board has certainly countenanced that view. So I think that's definitely off the table for the next 12 months, so you shouldn't be too focused on that. And then, but more generally, just given the coal price environment, we want to make sure that we're driving the assets as hard as we can before we start allocating material capital to any of the operations. Now that doesn't mean we're going to do anything short term in the sense of jeopardising longer term productivity, but it just means we'd like to see, particularly as it relates to the new operations, we'd like to see more come out of the equipment we've got on the ground there before we start dealing with extra capital there.

And I think that's just the right thing to do given the relative short period of time we've owned these assets and as we're coming to understand the assets and the inherent productive capacity that sits in the existing fleet, I think it's the right thing for us to just drive that harder. And New South Wales is no different in that regard. We've got fleet replacements and things out on the horizon, but we'll manage that as and when it comes and build that into the capital forecast.

Rahul Anand:

Absolutely. No, that's very helpful and comprehensive. Thank you. I'll pass it on.

Operator:

Thank you. Your next question comes from Adam Martin from E&P. Please go ahead.

Adam Martin:

Yeah, morning, Paul and team just I suppose thoughts on the current macro. We're obviously reading news articles about China coal prices rallying, any sort of thoughts for your benchmarks? Just any thoughts on the macro there please?

Paul Flynn:

Yeah, look, well, we've been waiting to see signs of China making some changes to its current situation. We've been watching, obviously the production profile. We can see that's been quite healthy. You can see in more recent times Indonesian supply has come off and generally that's, as we've mentioned before, that extra incremental volume out of Indonesia goes to China. And so it's generally a bilateral movement between the two when they wind it back. And this most recent announcement from China, as we thought, there had to be something there that they have finally come out and said, well, they're going through their inspections, I think they've got perhaps perhaps more production than what's currently authorised at various places. So I think that's a positive thing. Now the manifestations to how they go about it, they've had safety drills in the past or safety inspections in the past to cut our production.

The manifestation of the way in which they do it is probably less relevant to the fact that they generally, whatever they say

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they generally have done. So now that they've said this, we would expect them to follow it up and there to be a moderation of domestic production that would be consistent with what we're seeing in terms of the wind back of Indonesian imports into China as well. So positive signs, I think, on that front. I can see there's the futures for the met coal looks pretty interesting. That seems to have responded to that. Let's see how that goes. And we want to see the real results on the ground to make sure that the indices start to reflect what looks to be directional positive changes.

Adam Martin:

Okay, no, thank you. And just second question just on Blackwater, obviously record production for the quarter under your ownership, is there anything else that surprised you, that asset last 12 months, any sort of learnings you could take into FY26 that you can share with us, please?

Paul Flynn:

Well, I might get Ian to answer, but I mean I think everything we've done there is it's really just been the basics, back to the basics. We've obviously reshaped the workforce structure quite heavily there and that's been very good. But I suppose as I mentioned earlier, we're just getting to know what the inherent productive capability of the equipment on site. So there's not been any magical things I would say that have come out of it. In fact, it's all been very benign, but Ian, do you want to talk to some of the inventory improvements?

Ian Humphris:

Obviously one of the areas we've talked about was getting the drill and blasted inventory up to speed and at the transition time we brought, well, there was a new supplier brought on board, so that all happened successfully. So that's very much been established, so there are no hindrances in that space. We did introduce two new large excavators. They've been bedded in and running well and just I guess the synergies of getting all the equipment working better and fleets and across the site. So as Paul said, it's pretty 101 stuff, but it's been successful today and hopefully there's more to come.

Adam Martin:

Okay. No, that's great. I'll let something else go. Thank you.

Operator:

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

Chen Jiang:

Morning, Paul. Congrats on a strong result, strong quarterly. Just two questions from me please. So firstly, just follow up on Blackwater, very strong quarter ROM coal, 4.1 million tonnes, 82% of rolling yield. If I annualize the Blackwater ROM coal for the quarter, it implies 16.5 million tonne per annum of round rate. So from your answer to the previous question, it seems like it's the realisation of the productivity Whitehaven has done to Blackwater over the last four or five quarters. So I guess this is not a one-off, is it? And how can we rate? I'm just trying to assess is this sustainable going forward given Blackwater now, the productivity has been realised. Thank you. I have another one after this.

Paul Flynn:

Yeah, thanks, Chen. Yeah, look, I mean we certainly support the enthusiasm that the mine can do more than what it's currently doing. We certainly see upside and that's a nice glimmer into it in terms of what we've been able to do. But annualizing that would be a little bit, I'd be cautious on doing that just given that we do have four quarters and there's weather that impacts particularly the second half of the year as you've seen. So it's a very nice step up on last quarter, but the December and March quarters were around the early threes and that is just emblematic of the profile of Queensland production generally.

But we're really positive about what we can do here and the team on the ground I think are doing a great job in driving that and I think the upside is clear to us, but we'll put some guidance out of course in four week's time and you'll see what we're thinking in terms of where Queensland can go. But yeah, I just caution you on just the straight arithmetic outcome. We're very pleased

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with the 4.1, don't get me wrong, but it is a signpost of the upside of course, but not, I wouldn't say that you should be annualizing that and then banking that number. Ian.

Ian Humphris:

Chen, and I mean you've seen Blackwater, I mean it's a bit unique in the itself, just the size of it gives us some flexibility about what coal is left in the pit. Sunburnt coal is the term, so that wrong number can vary quite a bit, largely depending on when we want to bring it in and out, in and above the discussion Paul had around the seasonality.

Paul Flynn:

And well, Ian's referring to the fact that big blocks of coal come out in big lumps. And so with the drag line systems there, so as you say, you might have a million tonnes of coal sitting there ready to go and all of a sudden it pops out. And so there can be some lumpiness to it despite the fact that it is a big site and there are several drag lines there, but it does have that lumpy profile to it from time to time, but there are very positive indications to the potential of the site. So we're encouraged to keep pushing hard and the team's doing a good job.

Chen Jiang:

Sure, sure understand. Thanks for that, Paul, and thanks for the colour. And then another one on your CapEx unaudited, 390 million, which is 50 million below the lower end of your guidance, 440 to 550 million. I'm just wondering what have changed in the last 12 months for your CapEx? Is that growth deferred into the next few years or it's sustaining CapEx from or change your mine prime? I'm just trying to figure out what it is and is that New South Wales or Queensland? Thank you.

Paul Flynn:

Yeah, there's many factors in there, Chen, that go into that. Of course the coal price environment makes you... We challenge everybody around the group in terms of is that required, is it needed now and so on, all that sort of thing, or is there a more economical way to do it? And so that's certainly part of the puzzle. Narrabri, of course, CapEx, we had some CapEx in this year for stage three-related matters, but that has slid to the right, so a piece of that we'll find its way into FYI26 and you'll see that shortly.

But I think it's just us trying to be responsible in a softer coal price environment and managing all the levers that we should to make sure that we don't do anything short term, because that's not what we want to do. We don't want to jeopardise anything from a medium to longer term perspective, but just be responsible with the capital when we know that despite the fact that we hold firm on the view that structurally we think we're in a great place on both the met and the thermal side and that better prices will be realised in time. All these variables that conspire to deliver a softer price environment today are things that we don't control, so we must focus on the things we can control and setting the business up for that better day.

Chen Jiang:

Sure. Got it. Thank you. That's very clear. Thanks, Paul. I'll pass it on.

Operator:

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

Paul Young:

Good day, Paul. Hope you're well. Paul, good beat on cost and production, so well done. Just a few questions actually on New South Wales production and cost. And first one just on Maules Creek, which had a great quarter and ROM production was up year-on-year. Can you talk, just through the high level, I know you guys are looking at a change in mine plan there and reorientation of the pitch you took a high level on what's going on there?

Paul Flynn:

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Yep. Thanks, Paul. Yep. All gone well New South Wales gone well. Maules Creek in particular had a good quarter and you know there's a little bit of lumpiness there from time to time, Paul, when the Braymont seam, that big fat seam, which we love, turns up in the quarter and it did. And so there's a good portion of that that came and obviously gave us a nice injection of some of our best quality in this quarter.

In terms of what we call is Maules Creek Continuation Project, which I think is what you're referring to, that is basically the reorientation of the pit to promote rather than a south to north type orientation, exploitation of the lease. Rather we are turning it so we can go from a west to east, which is across along the strike because, for those of you who remember the mine plan, it's obviously longer to the north than it is to the east.

And so if we turn the pit round and proceed west to east, then we're going to have a longer strike and therefore more productivity. So that's the plan. We've lodged our EIS for that. And so we've done that early because we feel like we should get onto that earlier given approval timelines always surprise us and it's better to start early and the sooner we get onto it, the sooner we can actually liberate more of the productive capacity of our fleet, which we feel is constrained while we're going from the south to north through a narrow corridor, if I could say that. Ian?

Ian Humphris:

Yeah, I mean we've got a geometry that we have to work within at the moment, so the turnaround actually optimises the remaining geometry, but it is the natural feed in for the approval of continuation and we'll open that strike length up and we'll start seeing the productivity improvements that we're looking for.

Paul Young:

Great. And when can you share what potential benefits we could see from that over the medium to long run?

Paul Flynn:

Well, I think first prize for us, Paul, and we think this is about 2028 we're planning for in terms of when we'll be able to action this thing, so when we've got an approval to be able to reorient the pit properly. We feel like there's just a better prospect of being able to deliver at least the 13 million tonnes. Now for those who are reading the fine print, we have actually asked for a slight increase in the site at 14 million tonnes, but that's really just to cover spikes because we've got that big seam and it does come at time in a rush, but we have really been challenged to liberate the productive capacity with the fleet that we've got with the pit intensity that we have going south to north. So if we lengthen the strike out, we feel like this equipment can hum and we'd like to see the numbers, that ROM production numbers zeroing in on this 13 million tonne prize that we've been holding up for some, well, it's been authorised but never been able to achieve given the intensity of equipment in a small space.

Paul Young:

Yeah, okay. All right, that's great, thank you. And then just on cost, I know that Queensland did a little heavy lifting. There was some lowish hanging fruit if I can call it that, and you delivered on that and you'll provide us an update in August on further controllable cost reduction pool, which is looking forward to that. But just on New South Wales, are there any opportunities in New South Wales, or do you think that the assets are running as efficiently as possible? So what I'm asking, is there going to be some sort of target for New South Wales or do you think that the costs are running as efficiently as possible?

Paul Flynn:

Yeah, Paul, well, that's a very fair question. I would never say as efficiently as possible. I wouldn't say that, but our attention clearly has been focused on Queensland just to rebase things as quickly as possible and integrate that into Whitehaven given the opportunity to do that quickly. And so we're doing that. It's not done. There'll be more savings in Queensland in the new year and we can talk about that in four week's time. Having said that, New South Wales has been doing well, but we do turn our minds now to New South Wales and so there will be a focus on that in this new year, and there is already, and there are opportunities for cost reductions there as well.

And so we will build that into our communication to your guidance for FYI26 in four weeks' time. But we do see upside there and the teams are very much focused on delivering. They know that Queensland can't do all the heavy lifting here, so they've got their plans. We're going through and challenging each of those plans at the moment and there is upside there for us. So I wouldn't say we're in our most efficient form, but there are good savings that we can already see, that we can realise in this next year or two.

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Paul Young:

Okay, that's great. Thanks, Paul.

Operator:

Thank you. Your next question comes from Dan Roden from Jefferies, please go ahead.

Dan Roden:

Hey, thanks Paul and congrats on the solid quarter. Just wanted to, I guess unpack FYI25, obviously really good performance, particularly out of the Queensland asset. And the cross control, if you could, just some colour on, I guess, how you've, I guess, managed the EBITDA margin like when FY25 guidance was set, there was a different coal price environment. Have you, I guess, elected to make different operating decisions in the mines to adjust the strip ratio that you're getting over FY25 and target some different areas that have a higher margin just to manage for the market we're currently in? I just wondered if you could provide some, I guess, commentary there and maybe a little bit of commentary on the overburdening in advance.

Paul Flynn:

Yep. Okay. Well I might throw Ian in for a bit of that as well. Dan, we haven't done anything different from what we wanted to do in the first instance. So I'll just say that to start off with. The plans that we had and we formulated during the DD phase, we are executing now, and so there are obvious areas where there were changes that could be made. As I mentioned briefly there before, there's the operating model from a headcount perspective, we've reshaped that at both sites heavily already. There's a little bit more of that to be done. We look very closely at the equipment that's being used and how productive it's been or not. And so we're driving that harder. We've got, as Ian mentioned, we've actually put a bit more digging capacity to deal with that OBIA question, which I'll get Ian to address in a second.

I just want to reassure you haven't done anything short term. We're not diving into low strip ratio areas so we can prop things up. That's not the case at all. We're trying to set this thing up for longer term success and so there's nothing short term that we're doing to try and create a little bit extra margin right now. We just feel like that will be detrimental to all the things we're trying to do here. And so that's not the culture we want to promote with our new employees as well. So yeah, no, it's just been back to the basics, I think. The right amount of people with the right gear trying to drive the productivity as hard as we can. There's been lots of cost out opportunities as well that we've been able to say, I think as Paul mentioned earlier, there has been some low hanging fruit, so we've jumped onto that quickly, but overall, it's just the basics, getting the basics right. Ian?

Ian Humphris:

Yeah, I think so. Look, I mean with a dragline operation, there's a sequence there that you've largely got to follow. I mean, they're not that mobile. We did have to make a few changes in and around the wet weather, but that was sort of fine-tuning, just trying to stay off the coal and we had a little bit of water in the bottom of the pits, the overburdened advance and blasting. We actually had quite a lot of drill stock and we opted to fire all of that before the wet season so we didn't lose holes. So that's been managed at an appropriate level that it's all the critical path. Everything is fine in that space. Yeah, so I think to Paul's point, largely we're on sequence for how we plan to do and run the mine.

Dan Roden:

Yep. Yep, that makes a lot of sense. And I guess just following on from that, and I know I appreciate you probably can't give too much colour around FY26 but when you bought the Queensland assets, you had got it for an Aussie 119 per tonne at Blackwater and 122 per tonne at Daunia over a four-year period. And I think you've previously made comments that you need to adjust that for inflation, but I just wondered, are you still comfortable with that outcome and I guess are you seeing the costs for '25 was very good and I think largely ahead of where people were expecting it to fall, but are you still comfortable with that medium-term outlook?

Paul Flynn:

Yeah, look, the numbers we gave you for the average of the five years, as you quite rightly point out, Dan, that we need to

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inflationary adjust that. So we will do that, so we can reset that for you to have a look at it. I think that's the right thing to do. We feel very good about the volumes that underpin that. And you can see the volume improvements on both sides have been very, very positive. And so we get the volume improvements that we're looking for with the right cost base and I mean, operating models, so headcount and so on. Then the outcomes from a cost-per-tonne perspective, we feel like we're in the right neighbourhood, but inflationary adjustment for sure needs to be done there.

It's just that you can see in the industry, whilst inflation looks like it's moderating nationally across all industries, and we are seeing something now in our sector as well, that's still pretty high. And so the cumulative effect of that even over the last couple of years has been quite significant. So we will address that and communicate to you that just to make sure everyone has that light on the hill that they can look to over that five-year average, which is less than five years now, of course.

Dan Roden:

Yep. Perfect. Thank you for your answers. I'll hand it over. Thank you.

Operator:

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

Lyndon Fagan:

Thanks very much. Paul, just wanted to ask about the New South Wales pricing, obviously some better coal feeding in there, but two quarters in a row, well above 100%. Wasn't long ago you said on a call that 100% is pretty much the long-term guide. Is there any kind of rethinking of that to help us, or is it just going to be lumpy?

Paul Flynn:

Yeah, thanks, Lyndon. New South Wales has benefited from, I know I've spoken a little bit about this, and when I said just flat through the cycle, I was basically giving people a safe and conservative view of the world that they could use on the up and the down. When prices come down, obviously there's, through a period, we get the tale of better realisations manifesting themselves through that average number. And then the reverse happens when prices go up. And so we look like we're lagging in an improving coal price environment. So it can be a little lumpy, but structurally, you can see that the realisations are improving by virtual swapping out essentially worse tonnes, which were our lowest quality realising tonnes, with Vickery tonnes, which are at the top of the pops in that regard. And the Vickery coal, we're very happy with the quality that's coming out of there.

And as we made the comment a couple of times, it's Maules Creek and Sun, and we're starting to see that certainly with the quality that's emerging out of Vickery now, we're still in the box cut because we're still doing the early mining version, the smaller version of Vickery. But as we get across all the seams there, I'm pretty confident we're going to see Vickery qualitatively turn out to be the best thermal and certainly the semi soft looks better as well from what we're seeing as well. But yeah, just caution on that because in a falling price environment it looks better than what it does in a rising price environment, but inherently we should be doing CC plus something and it's going to be modest, but we are obviously showing a better result in a falling price environment.

Lyndon Fagan:

Great. And then look, the other one is just on CapEx. Obviously you've come in nicely below guidance. You've owned the assets in Queensland now for some time. I mean, is this year reflective of a through the cycle-type spend, do you think excluding some of the bigger projects that are coming up, or do you feel like the FY25 was a depressed coal market, lots of savings, and a bit under what you would normally want to spend? I'm just trying to figure out whether there was some initial deployment in Queensland to try and get the assets where you want them to be, or whether this year is in fact reflective of future years.

Paul Flynn:

Yeah, fair question, Lyndon. We've definitely responded to the current price environment by ratcheting things down. We have. I think it'd be wrong for us to suggest otherwise, we tried to do that in a responsible way, but at the same time, as you say, we've had them now for 15 months and we're mapping out what we believe to be the CapEx requirements going forward. So the lumpier stuff would outline, say for instance, stage three, you'll get that in four weeks time, the profile of that. And then the

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broader, lumpier stuff is really about, it's about fleet replacement, that type of stuff.

And so we are mapping that out as to when we think there's the right time for fleet replacements, be that New South Wales or Queensland. And so I'd say the range that we gave you at the beginning of the year was certainly a function of the fact that we wanted to make sure we had time to review everything first. So we squeezed it and then the coal price environment continued to soften, we reviewed it again. So the go forward position, it probably looks more like what we gave you at the beginning of the year rather than where we ended up in the year. That's probably the better answer. And that excludes things like Vickery of course because as we've said repeatedly, that's off for a while. So whenever that emerges, we will obviously highlight that separately.

Lyndon Fagan:

Great. Thanks, Paul.

Operator:

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

Rob Stein:

Hi, Paul and team, just one on the quarter itself, obviously very tough quarter pricing operationally performed quite well. If we just look at cash flow generated in the quarter, did we actually generate free cash flow in the quarter, or was it a drop? And then if you take into consideration, and sorry, that's also including the BMA payment. And then if you take into consideration that there was probably a working capital movement, can you give us any colour on that, what that might be for the quarter that's just ended.

Paul Flynn:

Yep, I reckon Kevin, he's been waiting for an opportunity to answer a question, Rob, so I might throw it to him given there's some stuff in the quarters you're rightly put at the end.

Kevin Ball:

Thanks, Paul.

Paul Flynn:

You're welcome.

Kevin Ball:

So Rob, we started the quarter about 300 million in net cash and we finished the period about 600 million in net debt. And in that period we paid out about 800 million Aussie, which when we paid it on the 2nd of April, exchange rate was about 63 cents. That gets you your 800 million. And when we sold it, we also have some tax that we have to pay. So there's about 70 or 80 million in tax on that. And as you say, we've got a working capital build. So through that period, I'd say to you that we washed our face at the bottom of the cycle. We met our capital needs, we met our interest costs on funding the acquisition of Blackwater and Daunia. And so from a capital perspective, my expectation of that is that's a pretty good quarter at the bottom of the cycle when coal prices were where they were.

And that's our program moving forward in low coal price environments is to make sure that we get through this thing strongly. But I'd say to you across the business, the Queensland assets are generating strong cash flow and performing very well. And my expectation is that continues. So I was really pleased with the outcome to get out through the quarter with a balance sheet in really good shape and rude health and a business that was performing strongly and a business that was managing costs and CapEx tightly. So I was pretty pleased with it, to be honest with you.

Paul Flynn:

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And the cash for that second payment is in the bank and will remain there to be paid on the 2nd of April next year.

Kevin Ball:

Yep. And that's the game plan is to preserve that position and maintain adequate liquidity through this process. And I think we started the conversation, I mean, coal prices have bounced off the bottom on the thermal side. We're yet to see a real bounce off the met side, but the futures are signposting expectations of a better day, but let's wait and see that emerge.

Rob Stein:

And so potentially a follow-up, I guess that's the point I was trying to raise was that's at the bottom of the cycle, you washed your face. If we think about working capital, obviously there's some big inventory builds, there's been a lot of investment in overburden, which we saw on the site visit, which was pleasing, you said productivity rates hit. Should we consider that there'll be a working capital unwind or is that the working capital that's been invested will stay there? Or is there further working capital to go in? Just to give us a bit of a direction for how cashflow might look in subsequent quarters?

Kevin Ball:

Look, I try not to manage working capital down to the last dollar. I just don't think that's productive from a business perspective. The mine producers, when the mine producers and marketing sales, when markets are there and the balance sheet needs to be sufficiently flexible to support that operation of the business. As Paul said earlier, we think there's a level of stock that you need in order to be really efficient in blending products and delivering into markets and helping with your port and logistics costs. So I think there's been a bit of a build in both Queensland and New South Wales in this last quarter. A portion of that is due to timing. I'm not advocating a huge unwind in working capital through this process because I don't think that's productive from a long-term operational perspective and a long-term marketing perspective.

The sales program was back-ended because vehicles or vessels were pushed out. You've had that vessel queue in New South Wales, you have quite a vessel queue in Queensland. And so we've had a build in both inventories and receivables, but that's just par for the course Rob, and we will manage through that. I think we will get some of that back in this next period and it'll fluctuate from period to period. But as a business, I was just, as I say, really pleased that the focus in the business is on sweating the assets, really valuing CapEx properly, so being diligent in spending it and in managing costs in a business to a budget, which it's been pretty good to see.

Rob Stein:

Thank you very much for the additional colour. Appreciate it. Pass it on.

Kevin Ball:

Thank you.

operator:

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

Glyn Lawcock:

Morning, Paul. A couple of quick questions from me. Just a quick follow-up to Kevin's comments then. Just the 70 to 80 million tax payment in the quarter, is that just a catch-up tax payment or standard tax or was that associated with the BMA payment? Thanks.

Kevin Ball:

Yeah, no, that is a really good question because ordinarily what we'd expect is we get a bit of a tax shelter out of the acquisition of Blackwater, but when we crystallise the sell-down to Nippon Steel and JFE at the end of March, what that does is crystallise the tax gain on the sale of that to those guys, which crystallises the need to pay that. You've got to pay 85% of your expected tax bill in the year, otherwise the commission tends to hit you with some penalties. So in that number, there's a couple of things going on. Glyn. There's a value that needs to be paid as a result of that transaction, and then there's an

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offsetting tax shelter. So moving forward, I wouldn't be taking that as a number that you should put in on a quarterly tax payment. We'll give you some guidance on that I think when we come to the full year results, which will help you because it is a little more complex as a result of that acquisition.

Glyn Lawcock:

But it's essentially associated with the sale. Nothing to do with further stamp duty on payments for BMA.

Kevin Ball:

No, no. It's just the sale.

Glyn Lawcock:

Just the sale.

Kevin Ball:

We've settled the stamp duty. There's some rats and mice we expect to get back from Queensland in due course, but it's in the single-digit millions, which is really not worth talking about.

Glyn Lawcock:

Yep. And look, my second question is just on Narrabri. And look, I'm conscious you've only just gone into panel 204, but just wondering any comments you can make. I mean panel 203 obviously at the edges of the scene gave you problems. Just some thoughts around Narrabri now as we enter 204, we should be back in the shallow grounds. Hopefully we see better rates. You've got a longer panel, so any comments on how it's behaving and when the next longwall move is and what sort of ROM rates we could expect now that we back we're in the southern and longer panels? Thanks.

Paul Flynn:

Yeah, thanks, Glyn. Yeah, I mean only just beginning of course, but it's nice to see the change out go according to plan, which is positive. And as you rightly point out, 204, we are expecting a better result this year. And I think as we've highlighted before, there is no change out in 204 in this FY26 year. So we are expecting a better result. And from our perspective, we are seeing there's less representation of the various things, the intrusions that gave us trouble in 203. So that's very positive. So Ian, you want to put some colour in there?

Ian Humphris:

Yeah, so I mean look, Glyn, the move went well. It was a big move and it was on schedule. As Paul said, we did nearly 50% of the chocks at around 90. And not only did we do that, we did the electro-hydraulic system and a lot of the comms and all the rest of it that operate the wall. And so the commissioning was good, ramp up was good, and initial production was probably the best we've had for the last five blocks. But we have had a bit of a challenge in the sense that we had some mechanical downtime just when we were getting some initial weighting as the gulf was forming. And that resulted in, I guess, coal running onto the face in a number of areas. So we've had a pretty manual process where the teams have been working, trying to clear that up.

That's all done now and running. And I guess the positive side out of that, all of the work we've done on the chocks and the longwall health we call it, is really showing the positive side of the investment in that space. And I think just the broader question as Paul touched on, so we've got the development up and down each side of the block and those washouts, we'll call it nominally at about 50% of what we thought in the previous block. And the other key thing is in 203, we had the conglomerate immediately above the coal. So that's the sort of material that was forming in the washouts, whereas in this block, the conglomerate moves away and we start to get about an eight-meter thick interburden of material which goes better and is less prone to creating those washouts.

So I think both the geological conditions improving compared to the previous block and definitely the work we put into the longwall with the health of the shields, the hydraulics, and understanding some of the challenges we've had around chain and all the rest of those things we've communicated, we've got a far better handle on that and a lot of money and effort's gone

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into it during the move to give us a better run this year.

Paul Flynn:

Yeah-

Ian Humphris:

Just-

Paul Flynn:

Go on, Ian. Sorry. I was just going to say that yeah, guidance will come out in four weeks' time, so you'll get a sense as to what we're expecting. We are expecting more tonnes, clearly we are, if we've got no change out in the year and we're in better ground and there's less intrusions, all that adds up to better performance. And so you are right to expect a bit more than that, what you'll see in four weeks.

Glyn Lawcock:

But I assume the guidance in four weeks will just be at the group level. You won't be asset by asset or will it?

Paul Flynn:

No, that will just be at the New South Wales and Queensland level.

Glyn Lawcock:

Yeah, I guess I'm just trying to understand are we-

Paul Flynn:

The open cuts, you can easily do the math. Glyn, you are a clever fellow, so you can do that. So you'll be able to, I'm sure, work out what Narrabri is looking like in terms of its constituent contribution to New South Wales guidance.

Glyn Lawcock:

Yeah, I guess I was just trying to think if it could get back to that 6 to 7 million tonne per annum ROM rate that we used to see, or was the longwall older now, and I know you're not going to replace it, but with the servicing you've done to it, are we looking at a healthy longwall again now?

Paul Flynn:

Yeah, we are. The longwall's performed really well, despite what Ian said, a couple of wrinkles early on, but it's performed really well. It's nice to see that happening. So there's numbers, the six to seven that you've mentioned you're referencing, that's certainly numbers in our targets. So we're not stepping away from that, it's just we're not giving guidance for next year until we put the full guidance package out in four weeks' time.

Glyn Lawcock:

That's perfect. Thanks, Paul. Appreciate it.

Paul Flynn:

Thanks, Glyn.

Operator:

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

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Jonathon Sharp:

Yeah, hi, Paul and team, just to follow up on Chen's question about Blackwater, because it was quite a good quarter, can you just take us through, and please tell me if I'm wrong, but my understanding is the CHPP capacity there is about 14.8 million tonnes. So potentially that is in our forecasting. We shouldn't be going above that. I know you do have the TCP, but I imagine that's limited utilisation. Can you just take us through that and tell me if I've got that wrong? Thanks.

Paul Flynn:

Yeah, I think what you're referring to there, Jonathan, is the washed component capacity of the CHPP. Don't forget about the bypass capacity of the CHPP as well. So that gets you into the early 16s, to be able to do that. So at Blackwater, we do have actually bypass coal that comes out very good quality from certain pits. And it was nice actually when we had you all up there for the site visit, you may recall that we were actually riling out of both facilities, the TCP with bypass, metallurgical coal, and obviously loading trains at the same time out of the infrastructure at the surge pit, then. So we do have collectively a lot more capacity than that, but I think your number you're referring to is just the wash component on the CHPP capacity.

Jonathon Sharp:

Okay, great. And just a follow-up question on that. You mentioned when you bought these assets that you're aiming for 14.8, are you seeing anything different there? I mean, you are performing quite well there, quarter on quarter. Are you seeing any more upside to that to what you've said at ROM production at 14.8?

Paul Flynn:

The average, as I mentioned earlier, the average of the five-year outlook we gave at the time of acquisition, we feel good about that. I think those numbers, and of course to get to that average, you're obviously doing more at the back end of that five-year period. So we remain positive about what we can do here and the numbers that we've done to date are very good, but we know there's plenty more upside there to delivered. It just takes a little bit of time to do that. I mean, it's a big ship and getting all the pieces of the puzzle, because that's a complex system. The drag line system there with obviously lots of work that needs to go in before the drag line even turns it, sort the soil. You need to get that orchestrated well across the seven drag lines in order to deliver that upside. But we feel pretty confident our plans are working and the five-year averages that we've given, the physicals on that, we feel very good about.

Jonathon Sharp:

Okay, thanks for that. And just a quick question. I had a similar question to Glyn, but you've answered that. On Narrabri, just the AFC issues. I mean, I know you had AFC issues in the last long haul, or are they all fixed now? How's that looking?

Paul Flynn:

Yeah, I mean we've run through, I guess all of the parameters around there and we are comfortable that we've got that in hand now with some of the work that was done during the move was targeted that area as well. Yeah, so we don't foresee that as being an issue in this block.

Operator:

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

Paul Flynn:

Yep. Thanks everybody for your interest in dialing in today. We're really happy to round out a good year in our first full financial year with our expanded footprint. And if there's any further questions that we haven't been able to cover off, please get in touch with us here with us and also Kylie and Keryn from our team as well. So look forward to catching up with you soon. Thank you.

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