

WHITEHAVEN COAL Q1 FY26 “September Quarterly Production Report”

INVESTOR CALL TRANSCRIPT

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Time: 11am AEDT

Introductory comments / Overview of September Quarterly Production Report

Paul Flynn:

Good morning, everybody. Thanks very much for joining us once again for Whitehaven's September quarterly report for 2025. As usual, I'll just go through the report, and then we'll head straight across to Q&A. Similarly, I'm joined here also by Kevin and Ian, so ready and able to answer any questions we might receive. Now, just across the highlights, we've had a good start to the year. It's been a solid quarter. Certainly, our safety has improved quarter on quarter, which is nice to be able to see. September quarter managed on production at nine million tonnes. That's been a familiar number, I suppose, with nine million popping out every quarter and then a little bit more in the latter quarters of the year.

September equity sales for the quarter, also consistent there with 5.9 million tonnes for the quarter. The cost out programme that we put in place being stage two of cost out programs given last year's 100 million tonne dollars reduction is on track and well embedded in the business now and the contingent payments obviously following the acquisition of Blackwater and Daunia from BMA that was paid during the course of the period at a modest sum of \$9 million US, which I'll speak to a little bit later on.

Just coming quickly to the two different states, Queensland, Daunia, and Blackwater are tracking well, so happy with the performance at 4.7 million tonnes of ROM for the quarter. Equity sales at 3 million tonnes, a little down 7% on the June quarter. Everyone acknowledges that June was quite a big quarter, and historically, for us has been. Similarly, so September also a little more a lighter quarter, and that is a pattern of behaviour over time, which I'm sure many of you will recognise. September quarter average price for the period has softened a little bit on the Queensland side of things that an average \$8 number of \$200 per a tonne and realisations for the period 75% of the PLV Hard Coke index, which again I'm sure I'll focus a little bit later on, but I'm sure we'll talk about in the Q&A section.

New South Wales tracking well, so that's ROM production for the quarter at 4.4 million tonnes. 12% down on June is... I say, June is a big quarter; of course, the historical context of June in the previous year is the same. And September also on '24, you'll see a pattern of profile of production. Equity sales have produced coal at 2.8 million tonnes for the quarter. 6% up on the June quarter and September realised pricing for New South Wales and \$8 number 175 per tonne is over the average of gC NEWC for the period. Turning over to the table of numbers here, I won't go through the whole procession of numbers here, but the pattern as I mentioned there just in terms of September, on September or September to June, provides you good context in terms of how we think about the production profile in the first quarter of this year, but we're pleased with the nine million tonnes that we've produced across the entire business.

Our managed saleable coal production at 7.3 million is also a positive number. So our managed sales to produce coal at 7.5. We've ended the period with reasonable ROM stocks as well, so that's reasonable, our equity in ROM production at 7.3, given that we're obviously recording 70% of Blackwater now, which is a change. Queensland production there at 4.7 is positive, but again, it's less than the June quarter, which was large.

Managed sales, saleable coal production at 3.65 is also a solid result, although again, it's less than the big June quarter that we're coming off. New South Wales at 4.4 to say, that's actually a solid result and I'll speak to the individual minds in terms of the underlying performance, but given the profile of weather profile that we've had both in Queensland and New South Wales, Queensland, less impactful in a sense that New South Wales, of course everybody understands that there's been a flood up in the Gunnedah Basin during the second week of August has influenced the results, but I think the team's managed themselves particularly well to round out, not just 4.4 in ROM production for the period, but then also we've used our stock's position to make sure that with sales have been positively formed during that period as well.

I've just over the page 4.7 to say 70% down on quarter on quarter, but again consistent with where we've been in historical September quarters. Managed sales at 3.94% down on the June quarter. The stocks to say are reasonable at 1.9, so that's September. That's broadly in line with our June period, and if I just dive down a little bit level below that, Blackwater at 3.2 is down, so there's a little bit of sequencing going on with Blackwater, and we can speak to that a little bit more fully. Sales at Blackwater have been strong, though at three million tonnes for the period, so we're happy with the results as we see there. New South Wales 4.4 as to say down on previous, but it's actually a solid result when you can start to dig into the individual mines themselves. Maules Creek at 2.2, that as to say, it's down on June but similar to September of last year, and that is consistent with that run in June.

And then there's a little bit of recovery that goes on in the first quarter of the new year. Narrabri, despite what I mentioned before in the previous quarter, a relatively slow ramp up phase as the goaf in this new panel took some time to form in its entirety and so it was a slow ramp up phase, but it's actually performed really well and we're very pleased with the 1.2 that we're able to tuck away in this period and continues to run well. So we're feeling pretty positive about the run rate at Narrabri, and it's certainly underpinned a decent result. Gunnedah Ops are doing what they need to do. The mix is a little different between Tarrawonga and Vickery, but certainly, I think that's a consistent result there. You get out there at just 900,000 tonnes, consistent with our June period. By moving over to equity in coal sales and realised pricing.

September quarter equity sales are 5.9, so you split there between three in Queensland and 2.8, excuse the rounding is slightly down on our June quarter. The mix there is a difference in the mix here, and these are timing related impacts, which we can talk about a little bit more extensively. Met coal revenue 56% versus thermal coal revenue of 44% for this quarter. Again, we can talk about the nuances of that just in terms of timing of shipments, timings of individual products that appear during this quarter versus others, and, of course, as a reminder, just reflects the fact that we only own 70% of Blackwater now, and that plays out in this calculation as well. Overall, as I mentioned, the average price in Aussie dollar terms, \$200 a tonne, that's a little bit off from what the June quarter was, so slight softening in the period for that.

The Platt's Hard Coke Index for the period at 184 US for the quarter is in line with the previous quarter, so we've got a sales mix difference driving our difference in terms of realisation. Queensland operations realised an average price of \$136 US per tonne, 74% of the PLV. The 12-month average is coming in at 75%. September quarter sales mix itself, 53 hard coke and semi hard, and they achieved the 77% of the PLV, whereas 38% for the PCI and semi soft, and they achieved approximately 70% of the PLV. Now we have a little bit more thermal in this quarter at 8%. This is a timing-related matter, but it was just really an opportunity to clear some stocks and move some of this byproduct, which does present itself through the course of normal operations, but in this quarter, we have flushed out a little bit more than that. So that does represent 8% of the production, and so a little bit higher than what you've seen historically, but no change from the operations, it's really just a timing related matter.

New South Wales operations, as I mentioned earlier, 175 Aussie dollar terms for the produce column, September quarter. That's a little better than our June quarter, so that's one going the right way. Overall September quarter gC NEWC index was 109, and we've done a little bit better than that in this particular quarter, which is positive. So we've realised an average of 1.3, 105, that's 105% of the average for the index across the quarter. In terms of the dynamics that play in our markets, no real change in that regard. I mean, the markets are generally well supplied. We've got a soft China, as you know, with excess steel coming out into the export market. India certainly consuming or taking advantage of that surplus cheap steel that's available, and therefore Indian metallurgical coal demand from Australia has certainly been subdued relative to what we'd like to see. So no change.

I think these are almost exactly the same circumstances we've been speaking to in this last quarter. The underlying position, though, for the industry, we feel very confident about the longer term prospects, which in both sides of our business speak to a constraint in terms of bringing on new supply in a market where demand is growing over time. So no sense of change in that regard. On the production costs, this is a relatively modest quarter by our standards, so we'd like to just point out that as a result, our cost profile is in the upper half of our guidance range, so well within it, but in the upper side of it, and we do see that trending down as the production profile for the year normalises.

As I've mentioned, the cost out reduction across the entire business. Just a reminder, the 60 to \$80 million is actually across the entire business, whereas a hundred last year was actually focused on Queensland. That program is going well, so we feel confident about the ability to extract these savings out of our business, and the program itself is yielding a pretty positive result thus far. So we will see a better period on the cost side of things as the volume continues to ramp up across the course of this year.

As far as our position goes, met debt is about \$200 million different from where we were at the end of June. That is in accordance with our plans, and this quarter does have a few extra features in it, which we've mentioned just in terms of dividend payments and so on that come out in this period. So this is probably the low point in terms of cash flow generation from the business, but we continue to generate positive EBITDA margins across the business and across our products. So that's very positive for us. The payment to BMA, as I mentioned, went out earlier, \$9 million US. Based on how we're experiencing things at the moment and being now what nearly five months into this year in terms of the calculation of the second year of the contingent payment exposure, we're not expecting to be making a payment if things continue in this type of pricing environment. So, of course, we'd be happy to pay the full amount, but in the case of a subdued market, which we're currently experiencing, not paying anything would be a positive from a risk management perspective.

And of course, the cash, as everybody knows, for the second bullet payment is well in hand and in the bank, being the proceeds from the sell down of Blackwater. The buyback has been trickling along at a very modest rate. We've taken 1.9 million shares during the course of the quarter and devoted \$12.6 million to that endeavour. We continue to like this, and we'll continue to proceed with it as we navigate our way through the second quarter of the year. Development projects and exploration, nothing much to point out in any of that. I have to say the numbers there in terms of exploration and expenditure are there for the matter of record and reporting requirements, but nothing really to speak to in terms of Narrabri or Winchester South, other than to say we've been through the formal hearings processes at the land court for Winchester South.

Within the proceedings or the period now where you're making submissions and responses to the various things that have come out of those hearings process, which will probably be tidied up by the end of this calendar year, and then we'll move forward into hopefully a judgement before too long in the new year. Now, based on the solid quarter that we've had, we feel pretty good about our plans and feel confident that our guidance is well in hand, and we look forward to reporting subsequent quarters, which will improve upon the solids that we put in place for this year. Over the tables, of course, as the individual splits, which you can see there, which from various mine production outcomes, and then, of course, the page following is the equity coal sales and realised pricing. So I won't go into the details of any of that in particular, but I might draw the commentary part to a close and open the line up operator for questions from our audience. Thanks very much.

Question and answers:

Teleconference 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 are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Rob Stein from Macquarie. Please go ahead.

Rob Stein:

Okay. Thank you very much. Really resilient result considering the weather, just noting the raw coal builds, particularly in Queensland, are we expecting that to potentially unwind, or is that as part of the strategy going forward to build those raw coal inventories as you look to basically get more stability of operations and really try to attack that unit cost? And I've got a follow up. Thank you.

Paul Flynn:

Yeah, Rob. Look, we feel pretty good about the stock levels, although we are revising our views in terms of the composition of stocks on the site just to make sure we can manage the blending activities that we have on site, but otherwise, the stock levels, I think, are reasonable. We did draw them down, as you can see with sales obviously during the course of the year, but we are at a level where we're reasonably happy with stocks, so I don't think there's going to be any material change on that. New South Wales has obviously had a flurry in the back end of the quarter because Narrabri has been producing very well, so that's been nice given that we did, as I mentioned, had a subdued start to the ramp-up in the beginning of the quarter. So the back end of the quarter has been positive in that regard. You said you had a follow up?

Rob Stein:

Yeah. Thank you. And then just in terms of your debt renegotiations, obviously they take some time, and I know it's not due till early next year, but can you give us a bit of colour around how the appetite is in debt markets for particularly your refinancing package, but then similarly how you're getting inbound interest for coal as a sector?

Paul Flynn:

Yep, yep. I'll start on that Rob, and I'll hand you to Kevin. Yeah, as you say, our plan is to go at the end of the two-year period for sure, even though it's a five-year facility, so no immediate obligation to do so. So the market has a conniption in some form, then we have plenty of time up our sleeves, so we've got no risk there. Having said that, off the back of four-year results, we did take the opportunity with roadshow activities on the equity side to engage with the debt side of things, and interest levels in the company are high. And so it would be fair to say the appetite to participate in that refi, the expressions of interest we had across both Asia and the northern Hemisphere were very strong. So we're feeling pretty good about the prospects of that, and there's a bit of preparatory work, of course, to go into that. So we're definitely into that mode of operation already because there's ratings and things and information that needs to be submitted to underpin that. But yeah, all signposts are positive for people wanting exposure to the company. Kevin?

Kevin Ball:

Yeah, no, Paul and Kylie were off in the US and London, and Keryn and I were off in Asia, and as Paul says, there's quite a high degree of interest. We put the in position funding in place, the lenders into that facility are delighted with the way that progress has taken place, and they're all sitting there saying, "Can you just hold on and not refinance it, please?" And we're sitting there saying, "I think we'd like to refinance it because we think we should get in a better position." We've had plenty of inbound inquiry in Australia. We see really constructive credit markets in Australia and offshore, and I think Rob, the support from across the planet is quite high or very high in coming into what is a strong credit in the coal industry. And against that

background, you've got an ESG overlay, which I think is dissipating from some of the periods we've had in the past.

So our expectations are we'll refinance this in the second half of this financial year, probably not early in the year as you said. I think it'd be more towards the third and fourth quarter, or more in the fourth, and the third would be my view. But I'm really looking forward to it because the feedback to date, and I think the business is in great shape, so coal industry is the bottom of the market. We're doing better than washing our face, so I think we'll be in good position to do this next year.

Rob Stein:

Thank you very much. Great colour. Pass it on.

Teleconference Operator:

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

Jonathon Sharp:

Yeah, hi Paul and team, just the first question on Blackwater, was the lower ROM fully expected in my plan this quarter, or did sequencing and the pre-streak requirements end up being a little heavier than originally budgeted?

Paul Flynn:

Yeah, there's probably an element of all of that, Jonathan, that plays into that, certainly part of the sequence anyway, so let's just put that down as the platform. The weather did play a feature there, and so there was a little bit of sequencing; better quality coals come from the deeper pits or the deeper seams in our pits. And so when the weather plays up, the focus generally goes to the upper scenes where the secondary product, if I can call it that, comes. And so that hence has affected the mix in this particular quarter. And because we've been chewing up the pre-strip pretty fast, as you saw at the tail end of last year, the back end was pretty good. We do need to continue to focus on making sure we're building that pre-strip inventory as we've been talking about for 12 months now, and that is going well. But yeah, that is a high-quality problem associated with the higher levels of production that we've been experiencing. Anything [inaudible 00:19:26]-

Ian Humphris:

Just to sort of build on what Paul said there, the pre-strip, the work we did last year, is definitely where it wants to be. It's ticking along well now, sort of blasted stocks, all the rest of it are well on top of. So that target of fixing that last year is fixed, and to be frank with you, we're managing that from a cost exercise now to ensure that we've got what we need ahead to have an efficient operation, but without doing too much in advance. So that sort we're ticking along this year.

Paul Flynn:

Did you want to comment just on blasting as well? I mean, this is a dry period, obviously.

Ian Humphris:

Yeah, dry period. So I mean for those looking at the costs, we've been able to get ahead a little bit with the blasting and make the most of that, which is what we did last year as well, because when we inherited... There was quite a few open drill holes, and you don't really want those going into the wet season. So in much the same way this year, we've really caught up with all the drilling and advance that. So we're in a good space there.

Paul Flynn:

A bit more OPEX in this work.

Jonathon Sharp:

Okay, great. Thanks for that colour. And just a question on Narrabri, a decent quarter following the slow start-up in the panel. As you did mention, Paul, 1200 tonnes for the quarter seems quite good considering what you faced at the start, and I know you did say that it was goaf related, but was there anything else that changed there with some slower commissioning that's changed? Obviously something's changed. I'm just wondering if it is something other than the goaf, maybe the AFC, and then probably more importantly, can you just take us through what you're expecting for the remainder of the panel? Are there any structures, maybe heavier roof stones, that you need to retreat the wall through? Just curious on that.

Paul Flynn:

Yep, I'll start and then hand to Ian because he loves talking about this. Look, if you scroll back in time and just think about the timing of when we made the remarks after the June quarter, we're already three weeks post in that period. So if you chew up the first three weeks, had been very slow and probably even the fourth, what we've been able to do over the remaining two months of this quarter has actually been really positive, but we have learned a bunch of things obviously because that was a large and long, and intensive overhaul that we gave the longwall. And so we have learned a few things in terms of some of the conditions of some of the aspects of the longwall wear and tear, which are not immediately obvious when you're doing your normal inspections. So there were some commissioning aspects that took longer than expected.

And as you know, when you're stopped to fix commissioning rate of matters, that's not necessarily good, given generally stopping is not a good thing for longwall. So we did have some related roof-related activity that goes with that, and that just hampered the ramp up. Having said that, I think the team did a terrific job in managing themselves through all of that. Roof falls and other things that go with stopping until the goaf is fully formed, and you've got that relief of if you like, the initial stressors that go with the commencement of any new panel. But since that time, we've been chewing along nicely, which is really positive.

Ian Humphris:

Yeah, so I think just building on that, I think your question about structures, etc, we indicated this panel would probably have about sort of 50% of what we saw in the other one as we move away to the washouts. As we speak now, we're in an area that we forecast to be a little bit higher on average, and the crew are ticking through that well. So that's going there. As Paul said, when we did the last move, we did about 90 chocks of overhauled. We've learned a little bit through that. So we continue to work on, I guess, the hydraulic condition of those chocks, and we're just working on the programme for what we'll do for the next change out, and we continue to keep improving that through the remainder of this block.

Jonathon Sharp:

Okay, that's great colour. I'll pass it on.

Teleconference Operator:

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

Chen Jiang:

Good morning, Paul, Kevin, thank you for taking my question. The first one is your comment in regards to contingent payment for year two. So you mentioned you expect no contingent payment for year two. Maybe a question to Kevin, so which means you think your price realisation on average is going to be below US \$134 on average to have no contingent payment. So if I'm using the average, the hard coking coal since April this year, that's roughly US \$185 for hard coking coal, then apply US 134, that gives me 28% discount to the benchmarks, but your Queensland-made coal price realisation should be better than that. So what's the signs or calculation behind that? Is that market-driven, price-driven, or any change in your blending because you mentioned I think a couple of times, blending coal mix, et cetera? What we need to be aware from the comment below US 134 for the year two on average. Thank you.

Paul Flynn:

Yep, thanks, Chen. Yeah, okay. Our comment really is just about if we see, and we've talked about, I know at length about these variables in the market at the moment, in terms of subdued growth around the world. China being soft, obviously still trade tensions being navigated with the US tariff-related initiatives still not settled in many jurisdictions, including China, and China's overproduction of steel certainly is going to, we think, keep a lid on prices for a little while here. So if it continues on at the same level at the 180, 185 type level here, that's not great, of course, we don't like it, but it is what it is.

And if there is a continuation at that level, then at the realisations that we've been seeing depending on product mix, because that can vary around and this one's a little lower than it normally is, so I accept your point there, but there is a smaller element which I just add into the mix there, which maybe it's not as obvious to everyone, but to the extent that there's a little bit of extra thermal in the mix, obviously that drives the average price down and we're paying this off the base of all sales from Queensland. So, to the extent that coal in this quarter in particular is a little higher, plays a part in that, then that drives the average realised price down. And not to say that we're not forecasting 8% in volumes, that's not what we're doing. We're acknowledging that this is a timing-related matter here. It's probably twice what we'd normally see, but it does have an impact on that calculation. So I'm just throwing that on the table, Kevin, that you want to add to that?

Kevin Ball:

No. No, I think your comment was that if coal prices persist for the balance of the year where they are today, then we would

see zero to minimal payment to BMA for the second contingent payment, which arithmetically is the outcome. I think all your points around coal mix and product mix help drive that outcome, and that's the way that structure was pulled together at the time of acquisition. If coal prices was stronger, well, BMA got paid for an asset that was delivering more cash flow. As coal price has softened, we're protected a little bit in that because we're not going to pay the contingent payment to them. And again, as Paul said, I think we'd all be delighted to be paying the full amount to them because then coal prices would be a lot higher, but I wouldn't read much more into it than that, Chen. It's delivering as was designed in the acquisition model.

Chen Jiang:

Right. Thanks for that. So I guess this has reflected in your coal mix right for the quarter. So by looking at your Queensland coal mix in September quarter, coking coal mix is only 53% while PCI, SSCC that's the risk. So that's almost half. So I think from coal mix perspective, this is probably one of the lowest I've seen since the acquisition. Is that fair to say? I know that quarter-over-quarter variance you will have different coal mix between coking and SSCC, but I guess it's more market-driven, price-driven, rather than any change in your coal quality or blending.

Paul Flynn:

Yeah, that's right, Chen, we don't have any... There's no changes to our underlying views in terms of the product's bits, and certainly looking at our life of mine models, there's no change in that regard. But as we've been at some length to try and describe over the period of our ownership that quarter to quarter, there is ins and outs in terms of how that flows and shipments. And even at Blackwater obviously, which is interesting, as I said before, when you've got a little bit of weather, then you turn your focus to the upper seams where more of the semi-soft turns up in that particular period because if you've got water in your pits as a result of a rainy period, which we did in August at Blackwater, then there's a little bit less semi-hard that comes out. So less of the primary products that come out.

And the same did occur a little bit in Dauniaas well. So we've had a little bit more PCI in this period than we would otherwise have. But that was actually the reverse of that, taking a bit more of those upper seams and some oxidised coal that goes in there generally has lower coking properties. So when we're doing that and finishing up in that northern end of the mine there, a little bit of more of that went into PCI in this period. So it's just a mix related matter. And then obviously, the thermal presentation of the thermal 8% this time around has skewed that a little bit further.

Chen Jiang:

All right. Okay. Thank you very much, Paul and Kevin, for your insights. Thank you. I'll pass it on.

Teleconference Operator:

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

Daniel Roden:

Hello, Paul and Kevin, thanks for taking my question. Just quick one for me, Maules Creek, obviously, ROM is impacted by the sequencing of flooding. Just so do you see impacts continuing into Q2, and what's, I guess the cadence of the recovery there? And just following on that as well is flooding at the bottom of the pit, were you able to accelerate I guess the FY 26 stripping balance for the mine and from stay, should we expect, I guess, a decreased strip ratio for the rest of FY 26?

Paul Flynn:

That second part of the question was Maules related also, just to clarify, it was just a little bit... Reception wasn't so great.

Daniel Roden:

That was Maules. Yeah, yeah.

Paul Flynn:

Yeah. All Maules. Yeah. Look, we lost a week across Canada. That's a bit annoying, obviously, in that second week of August. That was pretty annoying. And the mines themselves, aside from water in the pit, the mines themselves weren't damaged in that sense. It was just loss of access. And in the case of Narrabri, not even that so much, it was actually people lost access to getting to work. So the recovery from that has actually been pretty good. We got a little bit of water laying around, of course, so that's just filling up our storages, but nothing that would see an impediment of it. In terms of Maules' performance in this particular period, you may recall that June actually had a large proportion of Braymont, and we commented that Braymont seam, and we did comment on that at that time. And that's the only seam that's 25% of the whole reserve there, that seam.

So when it pops up, and then you've got another 14 other seams, which obviously a lot less in proportion. So when that big one turns up, you get a huge like of coal, fantastic because it's great quality too, but it does distort things a little bit, so it doesn't turn up in equal share in each quarter. So that is a bit annoying. So look, don't be concerned that there's any particular strip ratio differential about to present itself in the next quarter. That's not the case. It's just how the seams present themselves and how much of that big seam comes in a particular quarter that drives those outcomes.

Daniel Roden:

Yep. Yeah, more coming from the other perspective that if you weren't able to access the bottom coal seams, did you accelerate some stripping in the current quarter?

Ian Humphris:

Not really. And I mean to Paul's comment, we're continuing to work on trying to smooth out that Braymont, and that's one of the plans over the next year or two. And particularly when we're able to open the pit up, that will make that easier. But yeah.

Daniel Roden:

Okay, Mate, thank you. Appreciate it. And maybe just take the opportunity, how are you seeing the markets at the moment, the Indian demands post monsoon's been probably a little bit soft, but seeing anything I guess on the coking coal markets that is worth calling out?

Paul Flynn:

Yeah. No, I think everyone's aware that this extra steel that's available from China is obviously being soaked up considerably by India, so that's a little annoying from our perspective because it keeps a lid on what we'd otherwise think is incremental Indian demand given their growth. But I suppose that these are just relatively temporary phenomena, and that was reinforced again with visitations here in Australia by some of the large Indian producers. So Tata are more recent last quarter and then sale in this quarter. And as we discussed with them, their plans, not just their plans, but their activities in expanding their blast furnace capacity, and all of the major steel producers in India are building more blast furnace capacity. And so that's really encouraging from our perspective.

So obviously our encouragement obviously is don't buy that Chinese steel and by the raw materials from us and others, but I think this will moderate, I mean, with the installations, this extra capacity, they're going to want use it. And you can see already there's been restrictions on importing coke. And so I think not in China's interest to be putting surplus steel into the marketplace. Things aren't looking particularly good for steelmakers there when they're doing that. So it is annoying in the short term, but we expect this to moderate. But as we're saying, obviously, with our commentary just on pricing, we think that the balance of this here probably looks like what it is today.

Daniel Roden:

That's awesome. Thank you, guys. And I'll hand it over. Thanks.

Teleconference Operator:

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

Lachlan Shaw:

Morning, Paul, Kevin, and team, thanks for taking my question. Two from me. Maybe to start off, just in terms of the realised price, particularly in Queensland, obviously part of that comes down to product mix, but I just wonder how you're thinking about those realisations? Are you happy where they are? And I know you've talked about potentially trying to shift those a little higher through time. What should we look for in terms of the market, or what are you looking for in terms of the market that's going to give you confidence that you can start to shift some of those realisations a little higher and I'll come back with my second one.

Paul Flynn:

Yeah, yeah. Lachy, look, it is a little annoying this whole thing. I know the mix is a bit annoying, but we've got less of the primary coking products and more of the secondary in this quarter, and then the thermal will just cloud that. And that is a temporary thing, as I mentioned earlier. If I scroll forward to next quarter and think about that, and how if we even just had the same sales percentages we did product-wise in this quarter, replicated itself in the next one, your actual realisations are going to be better because the secondary products' realisations' relative to the PLV have actually improved since that time. And so it does

move around, unfortunately, but you can observe that but PLV to hard coke relativities have actually improved. And so that's going to mean that if you had the same sales split, you will have better realisations for next quarter, and we'll have lower thermal sales in the next quarter.

So yeah, it's a bit annoying, but it can get quite granular in terms of just even shipments timings from the back end of the quarter to falling into the next. And so as I say, nothing's particularly changed in our business. Our overarching drive is to move as many tonnes as we can in Queensland away from any exposure to the hard coke index, and where possible, we are moving to a relative realisation on the PLV and we're much more comfortable with that as an approach. We have a couple of sticky customers which are resisting our efforts to move in that direction. So we're going to have to help them over time with that discussion. But that is our objective to move to a relative to PLV type index and then just spend our time on the quarterly discussions with our customers dealing with the realisations.

Lachlan Shaw:

Got it. Understood. That's helpful. Thank you. And then my second question, I suppose if I step back and look at the broader industry in Queensland, there's been a number of job losses announced relatively recently, that there's been some closures voluntarily and involuntarily, and obviously, much publicised, pretty high effective tax rates for some of your peers. I suppose the question is twofold. Are you hearing anything in terms of sympathetic ears from the state government there? And then secondly, how does that all come and influence how you think about allocating capital to projects? And I suppose here I'm thinking about clearly Vickery development project versus Winchester South notwithstanding development timelines. So any sort of updates there would be helpful. Thanks, Paul.

Paul Flynn:

Yeah, look, there's been a little bit of media, and I see in the last day 24 hours, there's been a bit more media around the whole royalty regime discussion. The industry has had some constructive meetings with the government. I'll say constructive in the context that everybody's being or trying to be constructive, despite the fact that it's the whole dynamic is not particularly useful from an investment perspective. As you've seen various quotes with people's effective tax rates, that's obviously federal and state-based when they aggregate that together. I mean, that's not particularly good. I think you've seen one quoted I think 67 or 68% and as effective tax rate, that's no good. Ours is about 57 if we try and do that calculation on the same basis. So look, I think constructive as those conversations are, nothing's changed, and we obviously want to promote change in order to trigger more investment.

Well, the government wants more investment. So that's the obvious policy setting that needs to be varied in order to trigger that investment. And the likes of us and others will have in time the ability to put more money in the ground with the right investment settings. And so Winchester is an obviously example of that. Once it gets through the various state-based hoops that still remain with the land court, and of course, the EPBC yet to come. How's that figure in terms of capital allocation? You're quite right. I mean, if you're \$5 away from exposure to the 40% threshold, and that's what it is, five US dollars away from the 40% threshold on the Queensland royalty regime, at the same time, people are going broke. Clearly, that's not a super profits tax.

That's actually a no-profits tax as distinct from New South Wales, which is 10.8% of your revenue and regardless of the price. And so that obviously puts Vickery in a much more favourable light. But as you know, at 105 bucks, obviously, we're very cautious on that and rightly so, I think. So we'll wait for the right market conditions, but obviously, with the policy settings, your mind quickly turns to that relative to the alternative of paying 40% of your revenue away.

Teleconference Operator:

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

Glyn Lawcock:

Sorry. Good morning, Paul. Just a couple of quick ones. Firstly, just thoughts on the rate you might be able to achieve when you refi is too early to think about what sort of reduction you could get. And then secondly, obviously very prudent, it's a tough environment, and obviously you showed you burned a bit of cash in the quarter, but sales were low, but you didn't buy back much stock. As we come into the half year result, then if conditions don't improve, I mean, how are you thinking about returns at the moment as well in the context of where we find ourselves?

Paul Flynn:

Here, I'll try and answer the back end, and Kevin's here, Glyn, and he can address the initial part of your question. Look, I think in terms of returns, as you say, we're being cautious on the buyback, but we want to continue to trickle along with that. We're making cash, and it's obviously not a great amount of cash. And in this particular quarter, we've had a few lumpy things go out

the door, as you know, Divi included, of course. The capital allocation framework itself is now there for everybody to see. And so as we round out the half-year results, the board will have a look at that again in the context of the framework that's been outlined, and we'll look at that in the context also of what we see the outlook to be. And as I mentioned, we are factoring in at least here status quo for the balance of this year, which is not ideal, but we are doing well on the cost side of things.

And when our volumes are a little bit higher, you can see that our costs come down quite nicely. So we feel pretty good about our guidance on the cost side of things as our volumes ramp up over successive quarters in this year, and that'll put the board in a better position to be able to make an informed choice about capital returns for the first half. So yeah, look, it is... I'm not going to forecast where we're going to be with that, but the board wants to continue to be a dividend payer through the cycle, and we feel we're in a decent position where we can do that modest as those returns might be at the bottom of the cycle.

Kevin?

Kevin Ball:

Look-

Glyn Lawcock:

Paul, sorry, before we-

Paul Flynn:

Yeah, go ahead Glyn

Glyn Lawcock:

I just had a follow-up. Sorry.

Paul Flynn:

Yeah, yeah.

Glyn Lawcock:

Apologies. Sorry, just wanted to make sure I clarified, just so it might get confused. When you say factoring in status quo for the balance of the year, you mean the calendar year or your fiscal year?

Paul Flynn:

No. Fiscal year, Glyn, sorry, my comments are fiscal. When I was talking about the price, and so the commentary we were given both about the contingent payment, obviously that was, and then our views just on pricing generally and the factors influencing supply demand and therefore pricing for met coal in particular, we're assuming 185 bucks is what you'll see for the balance of this year. We're not assuming a magical improvement on any particular dimension for the balance of this financial year.

Glyn Lawcock:

That's a pretty long period, nine months of still increased deal exports and a subdued Indian demand then.

Paul Flynn:

Yeah. Yeah. Yep. We're just being conservative because none of these things we can control. So the things that we can control whilst all this is going on around us is address your cost base and productivity. So that's where I'd love to think that those things move more quickly, but they're not things that we can manage ourselves, but things you can manage-

Glyn Lawcock:

I think that's very wise. Thanks.

Paul Flynn:

... one of which is the refinancing, which Kevin, that one we can manage, and there is definitely a savings embedded in that.

Kevin Ball:

Yeah, thanks, Paul. So Glyn, the way we think about this is that, and you'll see it in the capital allocation framework, we're a double B, double B plus rated credit is how we think about ourselves. But we aspire to be triple B, we run a set of economics that are probably double A. So when people look at us, and that is banks and capital providers, they look at us as being a very responsible custodian of the capital they provide. So, as you'd recall, when we did the acquisition of Blackwater and Daunia, we took the opportunity to put that debt away because we had a lot of work to do in that acquisition, and we didn't want to spend the next six months haggling over it. There was more value in the acquisition than there was in the financing. So this time around, we've got plenty of time. We're on that process.

Our expectations in the tight credit market is that, I think, I said in Hong Kong, I said if it had a six in front of it, I think I'd be terribly excited. And I think I might've said I might not be sober in a month if that happened, but I think it's probably in the sevens. The sevens, I'd be surprised if it got to the eights, right? So I think six is too low and eight is too high, and probably in the sevens is probably where I think this thing fixes because it's a really strong balance sheet with a great set of assets delivering cashflow at the bottom of the cycle and it just needs a capital structure or a debt structure that actually matches to the quality of the assets of the company.

Glyn Lawcock:

All right, thanks, gents. Have a good weekend.

Paul Flynn:

You too.

Teleconference Operator:

Thank you. Your next question comes from Chris Creech from Morgans Financial. Please go ahead.

Chris Creech:

Hey Paul, thanks very much for taking the time. Just in terms of your cost management that you've been speaking of and reducing that cost profile, is there a world that you guys exist in the next sort of 12, 24 months where you think you can get a high level of performance out of Daunia if it's a conventional operation compared to an AH operation?

Paul Flynn:

That's an interesting question there, Chris. Look, we definitely last year we did really well. So I think the step up at Daunia, I think everyone would've observe proportionately was actually the more impressive, even though it's the smaller size.

Chris Creech:

It was. Yeah.

Paul Flynn:

And so our capacity, so we've done it if you like, the things which were the lower hanging fruit. That's probably not doing justice to the work that people did on site, actually, to describe it that way, but I've done it anyway. So the next increments become a little bit harder to extract. Although we see plenty of upside still there. A lot of that is actually contingent on our engagement with CAT. So we put a lot of responsibility back on them to assist us with this drive to manned equivalent-type performance. That is our aspiration. It's not there yet, but our view is that this is a useful deployment of technology and directionally lots of people are going to go in this space. And so the fact that we've got a good foothold here and have had plenty of experience because of Maules Creek to be able to manage this well, we feel like there's more upside to be gained, but it is not manned equivalent, and we want it to be so.

So there is more volumetric upside here for sure. But as we would described, when we had our investor day up there, we did help people understand that one of the constraining factors for us here is, of course, processing capacity on site, which is call that mid-sixes. And so I'd love to be able to fill that plant firstly before we talk about other opportunities, but we think that's a realistic target to shoot for to fill that plant.

Chris Creech:

Thank you very much.

Teleconference Operator:

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

Paul Young:

Yeah. Morning, Paul and Kev, just a couple of quick ones. Hopefully they're short. Just on the thermal market, Paul, I know you've stepped through the met coal market, but just on the thermal market, 6,000 kilocal is reasonably resilient at the moment despite Atlantic coal prices being weak, and just observing New South Wales' coal exports have rebounded in September, and we're in the shoulder season at the moment in Northern Hemisphere. So have you observed any sort of initial buying patterns that might indicate that demand might pick up into the end of the year into winter in Northern Hemisphere?

Paul Flynn:

Yeah, thanks, Paul. Look, we have actually seen consumption step up, which is actually good. And I'm talking mostly about the Japanese market. So we've seen consumption improve there. Obviously, their summer has been pretty difficult for them. And we just recently had the AJBCC Conference out here, the Australian Japan Business Cooperative Committee, and also the Australian Japan Coal Conference. So we had a lot of Japanese out here talking about how hard their summer has been and the increase in consumption. So we're seeing that. So our customers are asking for a few more tonnes, that's good. But I think the market still is a little slow, and this is the benefit of our position, where we've got long-term off takes with very good customers. They're just taking their tonnes at their premiums that they agreed. The converse is if you're actually not well sold and you've got tonnes to move, the market's still soft.

And so we are seeing people, we're hearing intel around the market where tonnes, if you're under committed, say for instance if you've got prompt tonnes to move, then at the 6,000 level, there are some tonnes floating around the market there at gC minus a couple of bucks. And so that tells you that this thing is still not in a balanced market quite yet, despite the fact that more tonnes are being asked for and electricity consumption is going up in Japan. So I think we still haven't got to that point where we're entirely balanced, but in our context, you've seen our book has delivered a pretty good result because we're well sold and we've got premiums fixed into those contracts.

Paul Young:

Yep. Okay. All right. Thanks for that. And then Paul, just a few quick ones on Winchester South and the first one around the objections that the land court has received, any objections in there that concern you? And then secondly, just on the feasibility study, how far through are you on the feasibility study?

Paul Flynn:

Yeah, look, we're very well done on the feasibility. It's actually in really good shape. So we obviously haven't put it to our board, obviously, because they have seen it. I should correct myself there. They have definitely seen it and we're well advanced on finalising it, but we want to make sure that nothing comes out of that changes any of the assumptions that we put into the feasibility study thus far. Now, there's no areas of concern coming out of land court that actually relate to the project, quite frankly. It's far-flung concerns of people living in other cities and other states, and not really anything to do with Winchester South itself.

And so we've not seeing anything coming out of that which gives us any cause for concern other than the fact that we're spending a lot of money and time on lawyers and things and experts and stuff that really is quite a peculiar way that they do things up there where merit-based considerations are basically deliberated over by a courtroom, which is an unusual thing to do given that that doesn't happen here in New South Wales. The IPC itself isn't perfect, but at least those types of things are adjudicated on by a panel of people who've experienced in the industry as opposed to judges. So look, that's a long answer, Paul. Sorry for that, but we're not concerned about anything that we're seeing there. It's just annoying, and it takes so much time and effort.

Paul Young:

Yep. Okay, thanks, Paul. If feasibility studies' almost done, when are we seeing the feasibility studies? So when are you going to release that to the market? Any observations around just capital trends up in Queensland with the downturn? Are you seeing any relief on CAPEX at all, just within those estimates?

Paul Flynn:

Yeah, look, we're not actually seeing it in Queensland so much. We have seen it in New South Wales as it relates to Vickery because we have been refining those numbers for some time. The team's been doing a good job on that. So we are actually seeing inflationary impacts in the construction side, indicate a moderation. The feasibility for Winchester, you won't be seeing

that for a little while yet, because as I say, we've got to go through the balance of this process here. So there'll be an appeal opportunity for these people, sadly. And then we've got to go through the EPBC approval itself as well, and then the feasibility study for the standalone Winchester project, just to remind you, won't be what we want in its entirety anymore because we've got Daunia adjacent.

And so the work that's going on at the moment is all about what are the intersections of those two projects where we can obviously drive synergies, and the objective being generally a lower CAPEX startup for Winchester. And so there's a bunch of work going on which will recut that feasibility based on the outcomes from that study project that's underway now. So we've still got a couple of years before... Sorry, Paul.

Paul Young:

Yeah. Okay. I think you've answered the next one, Paul. So a couple of years before you recut and rework that.

Paul Flynn:

Well, we're doing that work now, but we need to be ready to lodge a mod to the then received Winchester South standalone approval to modify both that and then also the Daunia approval. So the two of them complete it with each other.

Paul Young:

Okay. Yep. Okay. Understood. Thank you.

Teleconference Operator:

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

Paul Flynn:

Thanks everybody for participating, and the questions that have come in, we're happy we've put across a very good, solid start to this financial year. If there's anything that we haven't covered off as a result of this discussion presentation, you know where to find us. Thanks again, and we'll see you all soon.
