



## TRANSCRIPTION

**Company:** Stanmore Resources Limited  
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### [START OF TRANSCRIPT]

**Operator:** Thank you for standing by, and welcome to the Stanmore Resources Limited Half Year FY 2024 Financial Results Call. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you'd like to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mr. Marcelo Matos, Executive Director and CEO. Please go ahead.

**Marcelo Matos:** Good morning, everyone. Thank you for joining the call today as we present our 2024 Half Year Results. I'm joined here by Shane Young, our CFO, with me today.

On behalf of Stanmore, I'd like to begin today by acknowledging the traditional owners of land on which we meet, the Turrbul and Jagera peoples that are here in Meanjin, Brisbane. We also acknowledge the traditional good stories of the lands on which our operations are based; Barada Barna, Jangga and Widi Peoples of Central Queensland.

Opening the presentation with the highlights of the first half on Slide Three, starting with safety. And as previously reported in our June quarterly, our safety record saw an uptick in our Serious Accident Frequency Rate from 0.19 as of December '23 to 0.48 as of June '24.

This is obviously not the trend we want to be seeing in our business, but we are nonetheless confident by the fact that the uptick has been related to one injury that although categorised as serious was far from considered potentially fatal, and we are focused on addressing the underlying factors behind this pattern.



On the production side, and as also pre-reported, we are very pleased to have produced 6.8 million tonnes of saleable coal in the first half, much higher than the first half of 2023 and tracking in line with the upper end of our guidance.

On the financial side, our FOB cash cost for the half year was US\$90.7, a modest increase from the 2023 full year. This has flowed through to underlying EBITDA of US\$375 million, demonstrating the resilience of our asset base in a coal price environment relatively lower than in the same period last year.

We're also glad to have this morning declared an interim dividend of US\$0.044 per share to our shareholders, which in total adds up to US\$40 million distributed back to shareholders despite 2024 being a year of heavy commitments, including capex, tax payments and a few one-off payments, such as the long expected final contingent payment of US\$150 million to BHP for the BMC acquisition and others likely Eagle Downs completion payment. This demonstrates our commitment to providing consistent shareholder returns with this being the first interim dividend declared since the acquisition of the BMC assets in 2022.

Moving on to metallurgical coal markets and starting with our product and customer mix on Slide Five. As you can see here on the pie chart, we are very much staying true to our strategy as a pure-play metallurgical coal company with less than 5% thermal as a percentage of our revenues and primarily only as a by-product of our met coal production, mainly at Poitrel.

On the geographical mix, we maintain a strong and diversified sales book. Given the PCI representation in the mix, sales weighted higher towards Europe and Japan, Korea and Taiwan, though we also retained a strong position in the growth markets of India and Southeast Asia.

Moving to price movements over the first half on Slide Six. For the price chart, the market for premium grade hard coking coals has softened over the half, reducing from a high of almost US\$340 per tonne in early January to the low US\$200 in the recent days.

This has been primarily a function of recovering global supply conditions in the early half as well as a glut of Chinese steel exports manufactured with domestic and cheaper land-borne Mongolian and seaborne Russia metallurgical costs, resulting in similar exports at times below the price at which other seaborne



mills can compete with. This in turn is suppressing seaborne demand from China mills out of China.

PCI relativities traded at a relatively low of just over 50% in early January, which by the previous slide, comprises almost 60% of Stanmore's revenue. These levels were unsustainable, and we have always expected that we should see a relatively straight back to historical averages as steelmakers increased PCI rates and Russian dynamics normalise.

Pleasingly, this expectation materialised during the first half and in fact have seen relativities tighten to levels even above the average at around 87% at peak as increasing sanctions to Russian coals have seen appetite return for Australian materials.

Expanding on these themes and short-term expectations from Slide Seven, a key driver of price movements during the first half has been a weaker steel market with hot rolled coil steel prices trading at some of the lowest levels since the post-COVID boom.

China steel production is weaker than in 2023, and they are also exporting steel on a 100 million tonne unrealised pace, which is hard for the steel market to cope with and is putting pressure on margins for our main customers in our traditional markets.

As such, any short-term rebound in steel prices and demand is largely dependent on the pace of resurgence in global manufacturing activity and steel demand in China. However, we remain cautiously optimistic that with both iron ore and metallurgical coal at multiyear lows as well as already compressed steel margins, that should be limited further downside, though we will follow closely the Chinese government policy approach towards steel capacity and production controls.

On the local supply side, Australia metallurgical coal exports data shows that 2024 volume in the blue line have been weak year-to-date, even compared to the green numbers in 2023, which saw the lowest annual export since 2012. We do see a seasonal rebound coinciding with the conclusion on the Indian monsoon season, and there have certainly been structural impacts to the supply side of the equation with the recent ignition event at a major hard coking



coal mine in Queensland, although we believe we are yet to see the real impact of this incident in the coming quarters.

In the medium, long term, we remain fundamentally bullish on metallurgical coal with the growth in India and Southeast Asia steel making beginning to hit its stride following a very real blast furnace commissioning in 2024 and 2025 as expected.

Moving on to safety and sustainability from Slide Nine. As I said in my opening remarks, we have seen our Serious Accident Frequency Rate trending up over the course of the first half. This was from a base of zero in late 2023 and remains below the latest reported industry average. However, we have also seen an incredible more than one-third increase in man-hours exposure of activity, especially in South Walker with all the ongoing projects with lots of new people into our sites, including neutral industry.

Thankfully, the nature of these incidents have by far been not severe and mostly musculoskeletal-related injuries. Nonetheless, it is a concerning trend. And given the potential for serious harm in the nature of our industry, it's our utmost priority to address any underlying routines or cultural issues leading to this part.

On the sustainability side, we released our third sustainability report in April, which demonstrated a significant step change in the quality of our reporting and sustainability-related initiatives. We've made significant strategy by implementing our sustainability policy, aligning with our reporting to TCFD recommendations, drafting our decarbonisation plan and receiving the endorsement of our reconciliation action plan from Reconciliation Australia at the Reflect stage.

We've been pleased to announce, as of this morning, a partnership with the Queensland government's low-emission investment partnership to support the implementation of a gas to power project at South Walker Creek via significant brand funding arrangement. More on that later.

Moving on to a summary of our operational performance with South Walker Creek on Slide number 10. Saleable production has been tracking in line with plan and guidance with the stability of the asset and lessons learned from 2023, minimising the impact of wet weather early in the quarter. Optimised speed



sequencing and strong dragline performance, including a record BCM movement in the June quarter, helped driving strong recovery rates and maintaining healthy inventories at South Walker throughout the half.

Sales were in line with saleable production with logistics issues having alleviated comparatively to the same period in 2023. It's been an extremely busy period at South Walker, considering all project-related activity ongoing. And looking ahead, it will certainly be the second half with our significant capital investment program nearing its conclusion. Some of these projects are already starting to translate into results with the second dragline AC conversion completed in recent weeks and first call from the Y-South pit already being produced and with good washing results.

On Poitrel, on Slide 11, the advancement of ROM coal production into the fourth quarter of 2023 saw combined ROM and product inventories of 1.3 million tons at the end of 2023. This assisted with largely mitigating the wet weather impacts early in '24 with the wash plant operating at strong utilisation rates to maintain saleable production rates and ultimately, sales.

Moreover, this enabled a focus on pit setup activities during the first half, focusing on high stripping and overburden removal, positioning Poitrel well for a strong ROM coal mining campaign in the second half. Strong mining, washing and sales performance have ultimately resulted in Poitrel being the primary enabler of consolidated sale of production guidance remaining unchanged despite the closure of the Mavis underground operation announced in late June.

During the first half, we saw the delivery of two new diggers at Poitrel, financed via leasing structures, which, together with the recently concluded campaign of our 793 truck engine rebuild kicks off the commencement of the expected fleet replacement campaign over the next couple of years, which we expect to be done mostly via similar leases or in a combination with higher equipment. This new machinery is expected to deliver improved performance and reliability whilst accessing financing via the leasing structure adopted.

Lastly, with Isaac Plains Complex on Slide 12, opening ranges for '24 were very low compared to 2023, resulting in lower comparable saleable production for the first half period despite ROM coal production being more or less in line. Strip ratios increased in line with plan with continued non-capitalised



overburden removal at Pit-5 North as well as the mining of another over thrust area at Isaac towns.

The Isaac Complex was the most affected mine by the wet weather earlier in the year, given it does not enjoy the same level of flexibility as the other two mines. Timing of ROM coal mining was impacted, but already picked up later in the first half. Despite the annualised first half saleable production tracking at the low-end of guidance, we do expect to be back to plan by the end of the third quarter, which should translate to achieving targeted volumes for the remainder of 2024.

It should be noted that differently to South Walker Creek and Poitrel, the Isaac Plains Complex coal pricing mechanisms include a good portion of our volumes priced on a quarterly lag basis, meaning that the reduction in index prices over the June quarter have not yet been properly reflected in the average sales price, which means that the Isaac also enjoyed higher average sales prices driven by the lagging effect or the higher prices in late 2023.

I'll now hand over to Shane to talk through our financial results from Slide 14.

Shane Young:

Thanks, Marcelo. Slide 14 provides a brief summary of our financial results. Total revenue was down just over 10% compared to the prior comparative period, primarily as a result of lower coal prices. However, this was partially offset by improved sales volumes from strong mining rates and somewhat alleviated logistical constraints.

The foreign impact of lower coal prices also impacted underlying EBITDA relative to the same period last year, with operational performance partially offsetting this, as I'll speak to further in a moment. The balance sheet remains strong with net cash of US\$192 million, an improvement of US\$66 million over the half, and we are pleased to report that we have now binding commitments to refinance our acquisition financing facility. This will result in a new US\$350 million term loan and US\$100 million revolving credit facility as well as restructured contingent instrument facilities, primarily from traditional commercial banks.

We're also glad to report that the Board has declared an interim dividend of US\$0.044 per share. This has been influenced by our balance sheet strength and improved certainty over future cash flows from the removal of the cash flow



sweep mechanism embedded within the acquisition financing facility. This is on top of 50% in total shareholder returns generated over the 12 months to 30 June 2023 and compared to the ASX 200 index returns of 13.2% over the same period.

Moving to a more in-depth comparison of underlying EBITDA from the first half of 2023 to the first half of 2024 on Slide 15. Clearly, the primary driver has been coal pricing, with Stanmore's average sales price having reduced from around US\$75 compared to the first half of last year. This has been partially offset by strong production performance at South Walker Creek, driving productivity improvements compared to the prior period.

This story is backed up by the period-on-period comparison of Free On Board cash costs from Slide 16. As can be observed in the Free On Board cash cost walk forward, overall cost per tonne have improved compared to the first half of 2023. This is principally a function of sales volumes, which were impacted by logistical constraints and timing of cash flows at Poitrel in the comparative period, whereas compared to the 2023 full year, there has been a modest increase in costs of around US\$5 per tonne.

Operational costs were introduced over the first half of 2024, with the commencement of additional fleets to support the expansion activities at South Walker Creek and increasing strip ratios at Isaac Plains Complex. However, we remain confident by the flexibility in our operating base to scale operations according to the varying economic conditions.

Finally, one important point to note on the slide is that we have higher leasing costs compared to the comparative period. These cash flows do not fall within the Free On Board cash cost calculation. And hence, this impacted around US\$4 per tonne compared to the prior period is an important consideration when making an assessment of total cash outflows.

Looking below the underlying EBITDA line of the profit and loss statement on Slide 17. There were a number of one-off impacts to overall net profit for the period. Non-operating adjustments are comprised primarily of a gain, net of FX, on the sale of the southern portion of Wards Well of US\$96 million, partially offset by impairment and closure costs associated with Mavis Downs Underground of US\$60 million.



Depreciation and amortisation increased compared to the prior period, consistent with the comments made on the previous slide around higher leasing costs, while income tax expense reduced as a result of tighter margins and a lower coal pricing environment comparatively. Nonetheless, overall NPAT of US\$136 million is a strong result for the first half of 2024 and has contributed to cumulative earnings per share of over half of Stanmore's 30 June closing share price in the last 24 months.

Moving on to analysis of our capital expenditure in the first half on Slide 18. As flagged in the June quarterly, capex was weighted towards the first half, with spend representing around 60% of the midpoint of guidance. Looking at the walk forward in our presentation, you can see that more than 75% of this spend related to our major projects, particularly those that have been in full swing at South Walker Creek.

The MRA2C Creek diversion works are now around 85% complete with two out of three levies completed ahead of project delivery aimed for the first quarter of 2025. The South Walker Creek CHPP expansion has progressed well with civil works well underway following completion of the foundation and pilings work. Meanwhile, the Y-South Box-Cut, which will support the deployment of the additional fleets, 70% complete at June 30, the first coal produced in late August.

Lastly, at Poitrel, the Ramp 10 Box-Cut is scheduled to conclude by the end of September, providing cost and production certainty over the course of the remaining life of mine. Looking at the cash flow progression on Slide 19. You can see that there were some material one-off cash flows that had previously been guided to the market and materialised during the half.

The first of these was about \$175 million tax payment relating to prior periods, which when combined with our usual monthly instalments and royalties amounted to a combined taxes of \$530 million in the first half. As discussed just now, capex payments of \$106 million were made to support ongoing projects as well as lease payments ended March 2024 dividend, partially offset by the receipt of the Wards Well South proceeds, net of FX.

Looking ahead, there are M&A-related cash flows to be recognised in the second half of 2024, including the \$150 million earn-out payment to BHP for the BMC acquisition and the completion payments for the Eagle Downs of \$31





million, which were recently paid on August 13. Repayments of the acquisition financing facility reduced its principal balance to \$210 million as at 30 June.

But as noted earlier, we have since received finding commitments to refinance this facility, which is further highlighted on the next slide, Slide 20. We are pleased to have announced today that we have received binding commitments totalling US\$350 million for a new term loan facility, which will replace the balance of the acquisition financing facility and bringing additional US\$140 million onto the balance sheet.

In addition to this, we have secured commitments for US\$100 million revolving credit facility, which, alongside the extended GEAR facility will replace existing undrawn available liquidity. Finally, we have restructured our current contingent instrument facilities including unsecured insurance bonding lines and committed bank guarantee facilities to support our bonding requirements.

The new term loan and RCF have been placed with commercial markets, the vast majority was from commercial banks, representing a fantastic outcome for the business and demonstrating that as a pure-play metallurgical coal company, Stanmore has genuine access to commercial debt markets. The establishment of the new facilities provide certainty to our shareholders with terms reflecting Stanmore's transformed financial position since our last acquisition-related debt raising in 2021.

We look forward to updating the market as we finalise customary long-form documentation over the coming weeks with a view to drawdown of the new term loan facility around the end of the quarter. Including the financial update with our revised guidance on Slide 21. As mentioned earlier on the call and in previous disclosures, we are confident that despite the closure of Mavis Downs, we can continue to meet the consolidated sellable production guidance provided in February 2024 with a strong performance out of Poitrel and South Walker Creek, offsetting the impact of lower production at Millennium.

We have revised our full year Free On Board cash cost guidance down, owing to the removal of costs associated with Mavis Downs and higher sales volumes. Per the earlier slide on the Free On Board cash cost walk forward, we do expect that the total cash impact will be partially offset by higher lease cash flows outside of Free On Board cash costs.

Capital has remained unchanged with all major projects running either on-time or ahead of schedule and in line or ahead of budget. I'll now hand back to Marcelo to conclude the call with a brief overview of projects and growth from Slide 23.

Marcelo Matos:

Thanks, Shane. This slide really summarises and reiterate the significance of Stanmore's reinvestment into our operating asset base with most major projects reaching the conclusion over the next 12 months. Since taking ownership of the BMC assets back in May 2022, the Stanmore Board has approved over US\$460 million in growth or improvement capital projects relating mostly to South Walker Creek and Poitrel.

This is an incredible amount of work, especially at South Walker and represents almost 30% of the total purchase price, if we include the 20% that we acquired from Mitsui and all the deferred consideration and has positioned these assets strongly to withstand virus price cycles and continue to be resilient and cash generative for the shareholders.

We are pleased with the efficient execution of these projects on schedule with savings of around US\$30 million compared to budget expected, primarily related to the fast execution of MRA2C ahead of schedule. Looking ahead, we are clearly flushed with opportunities for organic growth, capacity replacement and improvement projects with over 4 billion tons in JORC resources in our portfolio, including high-quality metallurgical core prospects such as Eagle Downs and Lancewood.

On Slide 24, we have a couple of images highlighting the progress of the South Walker Creek CHPP expansion, which is on-track for our November shutdown to tie-in the new BMC module to the existing plant and commissioning and also at peak of the dragline conversion to AC, which was completed earlier this month.

As announced this morning and further detailed on Slide 25, we are also pleased to have announced a partnership with the Queensland government to support the development of our coal seam gas to electricity project at South Walker Creek. This project was previously flagged in our 2023 Sustainability Report. And this important milestone solidifies the investment case with inaugural backing from the Low-Emission Investment Partnership, a.k.a, the LEIP program in Queensland.



We plan to launch this project through our Stanmore Green subsidiary, demonstrating a follow-through on our commitment to use this vehicle for economically viable and complementary sustainability initiatives. The project forms a vital part of our decarbonisation plan with the abatement of otherwise fugitive methane emissions, which have a much, much higher greenhouse gas impact compared to CO<sub>2</sub> that will be generated upon the conversion to electricity.

Meanwhile, South Walker Creek's mining operations will benefit from a captive long-term self-sufficient source of power for its dragline, CHPP and other ancillary equipment, shooting us from any energy price fluctuations and exposure. We look forward to continuing to update the market on this exciting decarbonisation project.

Lastly, concluding with Eagle Downs on Slide 26, which we were pleased to officially complete on August 13. We have summarised the strategic rationale in previous announcements, highlighting the fully permitted status of this project with a one-third built access drift and existing power infrastructure and raw water supply allocation, providing a potential opportunity to exploit a premium of hard coking coal resource strategically adjoined to our existing processing and loading infrastructure at Poitrel and the Isaac Complex.

Now that we have our hands on the keys, we are focused on progressing optimisation studies towards a final investment decision sometime during the first half of '25, including understanding what's required to complete construction of the access drifts and connect a ventilation shaft, defining equipment specs and understanding lead times, and optimising the life of my plan and of course, gaining a robust understanding of the overall total capital requirements, including optioneering of pathways to utilise the infrastructure existing at Isaac Plains and Poitrel.

Our aim is to try to minimise the start-up capital as much as possible. From FID, we estimate that the development to first one would take at least 2.5 to 3 years. Overall, we are excited that this is the first time this project will be on 100% by a single party with its destiny firmly in our hands. On that note, I'll now hand over to the moderator to commence today's Q&A. Thank you.

Operator:

Thank you. If you like to ask a question, please star one on your telephone and wait for your name to be announced. If you like to cancel your request please

press star two. If you are on a speaker phone, please pick up a handset to ask your question. The first question today comes from Brett McKay from Petra Capital. Please go ahead.

**Brett McKay:** Thanks guys. Another really solid set of numbers. Well done. Just wanted to ask quickly around the dividend. Can we expect going forward now that you will aim based on the financial health of the business to pay an interim and a final going forward? Would that be the intention of the team?

**Shane Young:** Yes. Hi, Brett. It's Shane Young here. I think one of the contributing factors, as we've mentioned on previous calls, has been the somewhat uncertainty that happens given the cash flow sweep we have in our acquisition financing, which was an annual number that was previously not determinable with certainty until the end of the year, and that led us down a path of an annual dividend. With the commitments to the refinancing that have been announced today, we no longer have a cash flow suite requirement.

I know that's given the board a lot more certainty about cash flow as such that at the interim, on six-monthly basis, they can review with confidence cash flows apply the capital dividend policy and pay interim dividends. So it's obviously always going to be dependent on the outlook, on cash flows that are being generated. We're in a lumpy industry when it comes to cash flows, as you've seen with tax payments and M&A activities. But I think the Board has the ability now to apply the dividend policy with a lot more confidence on a six-monthly basis.

**Brett McKay:** Yes, excellent. Good to hear. Just while I've got you, Shane, you noted the refi was achieved on significantly improved terms relative to the acquisition facility. Can you give us any sort of granularity or a little bit of colour around the improvements?

**Shane Young:** Yes. Well, I guess the acquisition facility that we had in place for the BMC acquisition was on a fixed rate basis. But it was when interest rates were very, very low. So we had fixed that in at 11.5%, as you know. Interest rates since then have moved higher. But having said that, having now a much stronger financial position, working with more commercial banks rather than credit funds, we have seen a marked improvement from that. The numbers are commercial and confidence, but suffice to say, it's single digits rather than double digits on the pricing.

- Brett McKay: All right. Excellent. Thanks. And just to round that out, is it a fairly flat amortisation profile or is it staged?
- Shane Young: Yes, pretty consistent amortisation across the five years. Just one extra note too on the pricing, but it is now a floating interest rate. And that was something that we're very comfortable with on the basis that we anticipate just generally softening interest rates over the sort of medium to long term.
- Brett McKay: Okay, excellent. And just finally from me, on the PCI to PLV relativities, do you guys sort of see these sorts of levels being maintained. They do look, as Marcelo noted, a bit higher than average. And I know there's been some work done to get the Platts pricing to better reflect the value and use of particularly the PCI. Do you see that sort of staying up around these levels or sort of reverting back to that long-term average? Just any comments around the dynamics there?
- Marcelo Matos: Hi, Brad. It's Marcelo. Look, I think we've always had a view and shared that with you that those low 50%s were not sustainable. It was just far too low and cheap for should be track at that level without still make us see an opportunity to use a bit more and that would maybe tighten the market. I think we've seen that happening. But I would say that the mid-80%s where it is now, and it got close to 90% at a sort of point to 87%, 88%.
- I think it's likewise also not very sustainable. I think it's a distortion may be aggravated by a second batch of sanctions. And especially, I mean, with South Korea replacing some of the Russian coals they were buying and buy Aussie coals, here is some tightness in Australia or BPCI at the moment, but I think it would be reasonable to expect that all sanctions go away, if they go. I mean, of course, there's a lot of uncertainty if they will and when.
- But with Russian coals normalising the trade flows into the natural markets, I think we should see things normalise, okay. So I mean, a long answer to, nothing necessarily is mid-80%s or high 80%s is sustainable in the long term, but again, I think it's probably a result of this distortion with sanctions in place.
- Brett McKay: All right. Makes sense. Thanks, Marcelo. That's it for me. Cheers.
- Operator: Thank you. Your next question comes from Tom Sartor from Morgans Financial. Please go ahead.

Tom Sartor:

Good day, Marcelo and Shane. Well done on a solid result and thanks for the call. Just talking about your cost structure. I appreciate your FOB costs have adjusted post Mavis, and thanks for the detail there. Just thinking about the trajectory into next year, if we assume volumes are constant for now, that leasing cost, you mentioned separate FOB of \$4 a tonne. Just curious about that and whether it remains constant at that level. But could you also talk to perhaps strip ratio outlook in the bigger assets, given the work you've been doing in Poitrel and the creek diversion and how that might look, the trajectory of that in the next couple of years or so, please?

Shane Young:

No worries, Tom. Yes. Look, I mean, as we go year-on-year, there will always be an inflationary impact that's almost the nature of the industry and something to be expected as we move forward through time. You're right in terms of strip ratios. Certainly, and I think we've mentioned this previously at Isaac Downs, it's a mine that does see strip ratios increasing year-on-year at probably the fastest pace of each of our three assets.

So that will also have an impact on things. For leasing, yes, the \$4 per tonne is what we've seen come through when we look at year-on-year comparison. We do expect that to continue. And we do have some lease replacements coming through, which will save us capex if we go through a leasing structure, but will also impact on cash flows, and we're working through that at the moment.

Marcelo Matos:

Maybe, Tom, let me just complement that a little bit on each of the three assets. South Walker would be -- I mean, we are going through a transition, right? So I think we will be opening new pits next year, including the North pit at MRA is going to be the first pit at MRA2C. So there will be a bit of capitalised ways to North, but also, of course, a bit -- I mean, highest preparations given that is the first -- the opening of that area.

So as I've said before, we're going to be moving towards a 9.4 ROM type of rate. And the average raw material movement cost will be slightly higher given that there's less of a dragline weight into the total material movement in South Walker. So there's more excavator, which is going to push the cost a bit higher. I think we've mentioned this a few times before, but strip ratio-wise, it's going to be a year, given that it's the opening of the new pit that will be slightly higher than we would see probably in 2026 onwards, okay, at South Walker.

In Isaac, I think it's the natural progression there. And we have said a few times that it's going to see strip ratios creeping up a lot more than with Poitrel and South Walker, given the nature of the deposit. So we will have highest preparations in Isaac next year, to a certain extent, more than in the other two sites. And Poitrel is a question of yield, you know what happens with yield going forward given that it was not unexpected that we would see a bit of a yield reductions as well in Poitrel.

And we are now working, busy on the prep work budget for 2025 to see what we can do in terms of mining hygiene and to try to minimise a bit of loss and dilution to try to counter the impact of yield. So I mean, in a nutshell, that's what we expect. But I think, yes, I think there will be a bit of an escalation next year due to some of these factors. But yes, it's early days on the prep work for the budget.

Tom Sartor: Terrific. That's really helpful. Thank you. You mentioned that you've got the flexibility to scale the operations pending price environment and other things. With met sort of testing 200 levels and below, are we far away from a level where you might need to sort of scale maybe Isaac Plains depending on the outlook for semi-soft and some of the sub-prime met coals?

Marcelo Matos: Yes, I think it's a bit early for that. One of the, let's say, cost challenges in Isaac has been Pit 5. We always won the Pit 5 North was the highest reparation pit. It has proven to be pretty challenging as well given the tightness and it's a pretty tight pit and we are blasting through a buzz-out cover.

So it's been putting some additional challenge on the drilling blast front. But the reality is that next year, a lot of the initial hard work is done. So I think there's no point to scale that down. We're just going to go and grab the call that we're already going to have uncovered.

In Isaac Downs, I don't think the current price is a reason to slow down significantly. But for sure, we're going to be watching closely and monitoring to see when and if that's required.

Tom Sartor: Finally, thinking about M&A? Can you comment on your appetite for the well-advertised Anglo process underway and how you might think about participating there, whether it's on your own with a partner or other?



Marcelo Matos: So you know that we don't comment on M&A, whether or not we will or we will not participate. So I mean, the only thing I can tell you is the assets are in Queensland. A couple of them are next door to our existing operations, which is especially the Isaac Complex, which is the whole Moranbah North and Grosvenor and Moranbah South deposits they are next door.

But obviously, as I said, we're always going to be looking at opportunities that we think add value to our portfolio. Fortunately and pleasingly, we have a lot of optionality in our portfolio now. And we're always going to be, of course, comparing those and see what generates the better value for shareholders.

Tom Sartor: No worries, understood. Always going to ask but yes thank you very much for the detail, guys. I'll pass it on.

Operator: Thank you. Once again if you like to a question, please press star 1 on your telephone and wait for your name to be announced. Your next question comes from Paul McTaggart from Citigroup. Please go ahead.

Paul McTaggart: Good morning, James. So I just want to follow-up on Eagle Downs. It's been a project that's been around for a long time on different people's books. And what's going to make this get up? Is it the fact that you can -- through using existing infrastructure, you're able to get the capital cost down. What's been the problem with this project in the past in terms of making the economics work given that, as I understand the coal's pretty decent quality? Thanks.

Marcelo Matos: Thanks. Hi, Paul. I think I'll take that. I've been involved in part of the history of this project. So I have the opportunity to have been there in the past. What I can say is that a 50-50 type of ownership structure at different times in the project history wasn't helpful, okay. I think, likewise, the access to infrastructure and that includes Poitrel to its full requirements. And of course, what we have next door now, which is existing processing and loading infrastructure wasn't there.

So that brings, of course, a different angle to the project. And that's exactly what we want to run to the ground now between now and next year to see how much we need to spend to bring it to life. And I mean our aim is for sure to try to make it as capital efficient as possible and make a decision. Of course, the funding equation for the project is going to be important.

We're definitely going to work hard on the funding solutions for the project in parallel to the optimisation studies. So as you said, it's a good deposit. It's a very large deposit with thick coal seams of good quality, low-vol, hard-coking coal. And I think we're going to be busy in the next, I would say, a couple 2 or 3 quarters in running that to ground.

Paul McTaggart: Thank you. Can I also ask, you obviously is using a bit more leasing now for kit. But generally, that's got a pretty low implicit kind of interest rate. I mean in that's kind of funded by Japanese manufacturers. Would that be a fair assumption that there's a pretty good rate implicit in those leases?

Shane Young: Yes, Paul, Shane here. Yes. Obviously, we do have a capability for leasing across the platform and we've taken advantage of that as mentioned on the call. Look, interest rates implicit in that with equipment financing is always generally a little bit tighter particularly when dealing with the manufacturers themselves. So, no, we've been able to take advantage of that and we'll continue to access that as a form of funding to help us with some of the equipment replacements that we've got scheduled over the next little while.

Paul McTaggart: Fair to say that, that implicit leasing rate would be lower than your just announced kind of broader financing. Would that be fair?

Shane Young: Yes, that's a fair comment, yes.

Paul McTaggart: Thank you.

Shane Young: Probably just one thing to note, Paul, to generally that type of financing is fixed rate versus a very low rate. So we will need to see what happens with interest rates over the next little bit.

Operator: Thank you. Your next question comes from Warwick Amos from Spectre. Please go ahead.

Warwick Amos: Thank you. Just a couple for Shane on the accounts. Again, just on the lease payments, I think looking at the accounts it's about 97 million in the half. Just how does that flow through into the FOB cash costs at effectively \$14 a tonne in cash payments during the period?

Shane Young: Yes, no, thanks for that. Yes. Generally, that we exclude lease payments from Free On Board cash cost per tonne on the basis that is considered a financing cash flow. So as you see on the cash flow statement in the financials the

payment of principal lease liability there that's flowing through is down below operating cash flows. And that's just to make our Free on Board cash cost comparative to others.

Leasing is in of itself a form of financing, which there's alternatives to that you can capitalise or purchase assets outright rather than lease them, in which case, it will be investing cash flow. So that's why I've pointed out in terms of the changes in Free On Board cash costs where we've moved to lease equipment that people do need to consider those lease cash flows when looking at overall cash flows for the business.

Warwick Amos: Thank you for clarifying that, understood. And just a second question again is sort of accounts on the 170 million tax payment, I think that related to prior year. Going forward, is that going to be the sort of a big annual tax payment in the subsequent year or is it more of a sort of periodic tax payment profile?

Shane Young: Yes. Look, I wouldn't expect it to be that significant, but it is very much coal price dependent. So what it represents is the difference between our instalment tax payments, which were made throughout the year and our final tax return, which is only completed obviously after the year is finished and we're a calendar year. So it's certainly really verified and completed in sort of that June-July period each year with a payment made at the beginning of June.

And when we've been in very, very high prices in the past, we've generated a lot more cash flow or a lot more taxable income than perhaps what had been anticipated through our tax instalment rate set by the Australian tax office and that's led to discrepancy between what had been paid on an instalment basis versus what's being paid on as when we do our tax return.

So going forward, that's really what will generate potential differences between what we pay and how big that extra payment is or could potentially be refund. If coal prices are falling being in theory, there's a possibility that the tax once we've made are too high and there's potential for a refund in future years. But it usually has a lagging effect.

So where we've seen our instalment rate for the beginning of this year, we'd have to have a look at where that is coming out when we do our annual tax return next year to determine the size of that -- what we expect to be a payment



or a receivable and we'll guide the market accordingly when we have that information.

Warwick Amos: Excellent. Thanks for clearing those hittings up. Thanks, Shane.

Shane Young: No worries.

Operator: Thank you. Your next question comes from Jon Ogden from Eastern Value Limited. Please go ahead.

John Ogden: Morning guys, thanks for the presentation. Great job. I've got a few, a couple of big picture and a couple of just small points. So just on this \$4, how much of that is down to lease payments. I just don't understand why lease payments would create such a potentially big effect or maybe the strip ratios are more the thing. But \$4 swing on sort of \$90 is a big move.

And second easy one is, any thoughts or ballpark capex on Eagle Downs? And then the big picture ones. Firstly, on China, which you noted is the thing that's falling down coal prices. They're responsible for 54% of entire world steel production. And a lot of that has gone into now looking like unnecessary infrastructure and real estate.

So the government seem to be set against going from big stimulus again. So they don't want to do a lot of unwanted real estate. This suggests that billion tonnes of steel out of China is going to be permanently lower. So they are the shutdowns of steel or the export more, which is going to impact everybody else in the world suggests that the amount of coal supply, coking coal is going to be too high against this new China.

So is this a kind of structural problem, which could really cause a profound effects on the coking coal steel or do you see something that they're going to blink and have another big round of stimulus, more real estate? So that's one big picture.

The other big picture is, can you just tell us about PCI? Is it just Australia and Russia, the main producers? And who are the main off-takers, on percentage-wise? Is it Asia, Europe? Just interested to know where it goes, so we can get an idea of flows.

And then if you think Russia, is kind of really getting put out of the game, which could really be a big positive in keeping those percentage relative to high versus premium coking. So those are the ones I have for you.

Shane Young:

No worries. Thank you very much for that. A few questions to get through, and we're tight on time, so we'll try and cover them all though. On the leasing costs, to begin with, obviously, we've had other impacts on Free on Board cash costs that have moved the needle beyond just leasing.

And that obviously, we talked about with a favourable impact of sales volumes, and we've had some favourable impacts from foreign exchange as well the impacts on that. The \$4 per tonne generally is just -- it's a combination of a few things, but generally changing in equipment leases and refreshing of some of our equipment, which has led to some swings there and also changes in interest rates in what is implicit in our leasing costs versus what it was previously. So it is a half year on half year comparison that we're talking about there to, say, 12 months ago versus now. So that's the driver on that line.

Marcelo Matos:

Now I'll take on the Eagle Downs. So I think, John, it's a bit early, okay. So we are busy working on the work packages for Eagle Downs. So I think it's still early to give any flavour, okay, on that. What I can tell you is just refer to some of the previous public announcements through previous back to feasibility studies done by premier zone as I think it was around A\$1.5 billion type of mark.

We're busy trying to force minimise and reduce that as much as possible. But it's early days. I think there's a lot of work to do. On China, look, 100 million tonnes per annum, I think it's hard for the world to live with, to be frank. It gets a lot of steel coming out of China. It is a lot of that's going to India and to Asia, of course. It's been out there in the news every day, right? And we're seeing that.

So I think there is a -- I don't think it's sustainable. I think something needs to and will happen and what it is, I think we need to wait and see. Will the Chinese Government stimulate the fact is that we'll consume steel to a point that it minimises that level of exports.

I think there's a question mark there, and I think it's questionable, because that has created problems that they now also need to address. And as you said, the other thing is where we'll they start sharing capacity. There's a lot of talk about

some of the previous policies around capacity swap, which is you can only increase here if you reduce there, inside China has not necessarily generated the impact we expected.

There are rumours now about depending on where steel production is that needs to be a reduction because of emissions as well. And I think, of course, this will all play-out on what happens with the raw materials, which include iron ore and coking coal. I think it's probably going to have a larger impact to iron ore than to coking coal because what happens in China, no one is immune to what happens in China, but China is not a large use of imported coking coal as they are with imported iron ore.

But I think it's hard to say that it should not have an impact. But the on the other hand, if there's a reduction of steel production in China, it could be an opportunity for the government to shut some unproductive high emissions and unsafe coking coal mines, which probably they wanted to do over the years, and they just couldn't afford to.

But I think we need to see how it's going to unfold. I think finally, on PCI, PCI is utilised across all steel making markets pretty much. I think PCI utilisation normally evolves with the maturity of the steel-making in a specific market. I think we have seen that in China, we are starting to see that in India, the Indians are starting to use more -- higher PCI rates as well simply because, of course, it is an opportunity to reduce cost and to produce less coke in the steel plants.

All markets basically use PCI. I think the Japanese, the Asians and the Indians and South Americans and Europeans. And if you look at producing regions, I think Australia is by far the largest producer with Russia right behind. So I think if we look at -- Russia produces just north of 20 million tonnes, I would say, now with the balance mostly coming from Australia, we are a large producer of PCI, but it is a small market relatively to the broader metallurgical cost.

So any fluctuation, of course, has a big impact. It is normally they want to go up first, and they want to go down first simply because it's using furnaces rather than in coke blends and still make anomaly, it reduces production, its blast furnace up and down to respond to market fluctuations before it does that in the coke plant. The coke plant is a lot more sensitive to production fluctuations than



a blast furnace. So there's a bit of that as well. That's why it's usually a bit more volatile as well. I hope it helps, John, but I think we've run out of time.

Operator: Thank you. Unfortunately, that does conclude our time for questions today. I'll now hand back to Mr. Matos for any closing remarks.

Marcelo Matos: Thanks everyone for the questions and for joining the call today. As always, I would like to thank our employees on track, and the ongoing support from our investors. We look forward to connecting with you all over the coming days. Thanks for your time, and have a great day.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

**[END OF TRANSCRIPT]**