Quarterly Activities Report
31 January 2025

Market call transcript

Date:	17 February 2025
Time:	10:00am AEST/11:00am AEDT
Presenting:	Rob Bishop, Chief Executive Officer Rebecca Rinaldi, Chief Financial Officer Dominic O’Brien, Executive General Manager & Company Secretary

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Overview of Quarterly Activities Report

Rob Bishop:
Good morning, everyone. Thank you for joining our call today. I'm Rob Bishop, Chief Executive Officer of New Hope Group. I'm joined here by Rebecca Rinaldi, our CFO, and Dom O'Brien, Executive General Manager and Company Secretary.

This morning, we released our quarterly production report for the second quarter of the 2025 financial year. Hopefully, you've had a chance to go through the report but in any case, I'll briefly step you through our key highlights before we open up the line for our Q&A session.

It's been a solid operational quarter, and we're really pleased with the results for the first half of the 2025 financial year. Our 12-month moving average TRIFR was 4.4 at the end of the quarter which was 15% lower than the previous quarter. We know we have more work to do, and it has certainly remained and will always be a key focus for us, so it's a positive to see those safety metrics improve.

Group ROM coal production was 4.2 million tonnes, up 5% on the last quarter and group saleable coal production was 2.7 million tonnes in line with the previous quarter. In December, Bengalla had an annual CHPP shutdown, which naturally resulted in lower production, but those volumes were offset by the continued ramp up at New Acland which had a very strong quarter.

As you would all be aware, in January, the Oakey Coal Action Alliance, or OCAA, withdrew its appeal proceedings in the Land Court of Queensland relating to the associated water licence for New Acland Stage 3. The conclusion of OCAA's legal challenge ends an 18-year approval process and provides certainty for our people and the broader community. It's a significant milestone for the business and provides a clear runway to increase production to approximately 5 million tons per annum by developing the Manning Vale West mining area.

Underlying EBITDA was $213 million for the quarter, down 30% largely due to low realised pricing but it's worthwhile noting that the first quarter EBITDA results of $305 million was extremely strong.

During the quarter, we acquired an additional 3% stake in Malabar Resources Limited for $2 per share bringing our total equity interest to just under 23%. This acquisition aligns with our strategy of investing in low-cost coal assets with long-life approvals and provides our business with the exposure to high-quality metallurgical coal.

Turning to our half year results. Group ROM production was 8.3 million tonnes and saleable coal production was 5.4 million tonnes, up 56% and 33%, respectively, on the first half of 2024. This result reflects the continued execution of our organic growth plans where we are targeting significant production increases.

Our average realised price was $176 per tonne, 10% lower than the first half of 2024. Nonetheless, we continue to remain disciplined with our unit cost control with Bengalla achieving an FOB cash cost of $68 per tonne representing a 16% reduction.

So overall, higher volumes and lower costs have contributed to an underlying EBITDA of $517 million dollars, an increase of 22% compared to the first half of 2024. In addition, we generated $317 million dollars in cash flow from operational activities which was a significant improvement compared to the same period last year.

Looking ahead, we remain focused on increasing our production base and maintaining our low-cost advantage. Our performance in the first half of the year has us tracking very well in terms of our guidance ranges, which remain unchanged. Of course, we'll have more to say when we release our full financials for the half-year in just a few weeks, but I'm sure you have plenty of questions, so I'll hand over the operator to start the Q&A session. Thank you.

Q&A

Operator:
Thank you. If you wish to ask a question via the phones, you will need to press the star key followed by the number one on your telephone keypad. If you wish to ask a question via the webcast, please type your question into the ask a question box. Your first phone question comes from Daniel Roden with Jefferies. Please go ahead.

Daniel Roden:
Good day team and thanks for taking my question. First one, I just wanted to touch on the sales mix and lower proportion of low-ash sales. Is this a reversal from the main trend? Are we going to see a main reversal? Is this a market dynamic thing that we're seeing or is it an orebody issue at both Bengalla and New Acland? Maybe you could just give a bit more colour on the sales mix in the quarter and going forward?

Rob Bishop:
Sure, no problem. That's correct. We did have a higher proportion of higher ash compared to normal. That's really just a timing of pit sequence and stockpiles as we entered the quarter. It's not an indication of the pit moving towards a high ash percentage, so it's really just timing.

Daniel Roden:
Yes, okay. And maybe just on the logistics, there's a comment in the quarter on the Cross River Rail project that's going on and its potential impacts to New Acland. Be able to outline maybe what those impacts are, and I guess until that project is completed in 2029 in its revised form, I guess what are the expectations and what are the levers at site you can pull on and draw on for the logistics for New Acland?

Rob Bishop:
Sure. As you pointed out, that project has been delayed and really the issue that presents us is around planning for when those shuts are going to be, so we've engaged with government closely to ensure we can plan around those shuts. We do have significant stockpile capacity both at Acland, at the site, at the rail load out and also at the port, so we can manage it.

It's more just a case of the potential impact of that extending out and further shuts, which was more than planned for our ramp up. We feel it's manageable, but it's just a case of working closely with government to ensure it doesn't disrupt the ramp up for the mine.

Daniel Roden:
Okay, and I might squeeze one more in if I can, but Malabar, you've executed on your 3% creep kind of rule over six months, so you haven't triggered your mandatory takeover provisions. What's the strategy there? Are you going to wait another six months and then pull the trigger on another 3% or are you happy where you're sitting at the moment? Maybe just a bit more strategy around Malabar equity interest?

Rob Bishop:
Sure, so that's correct. We were capped out at the 3%. We weren't interested in making a takeover of that asset. Very comfortable with the shareholding group at Malabar and the management team there. To provide a bit more colour, and I think we stated it in our release, we were approached by another major shareholder for that 3%. From our perspective, a fair price, obviously, the other shareholder felt that it was a fair price as well.

It really aligns with our strategy, the Maxwell project of being low cost, long approved, good quality coal. So, the opportunity came up and it made sense and aligned with our strategy.

Daniel Roden:
Okay, thank you very much and I'll hand it over. Thank you.

Rob Bishop:
No problem.

Operator:
Thank you. Your next question comes from Tom Sartor with Morgans Financial. Please go ahead.

Tom Sartor:
Good day Rob and team. Thanks for the call and also for the extra detail coming through now. That's really helpful. Just looking at underlying EBITDA for the quarter, can you perhaps walk us through the adjustments relating to the timing of the Japanese Reference Price settlements and tonnages?

Rebecca Rinaldi:
Yes, sure Tom, I can touch on that for you. We were aware this Japanese settlement price was coming up, so most of the revenue adjustment was recognised in FY24. Only a small portion was impacting through this number you see of $517 million for the half.

So, you shouldn't see anything else impacting that EBITDA line. That Japanese Reference Price as discussed in the quarterly has come off now and there's a different pricing methodology behind those tonnes.

Tom Sartor:
No worries. And your exposure to that, you've mentioned that it's very minimal now. Can we go to a pure linked sort of benchmark for both high energy and low energy products now going forward? Is that the right way to think about it?

Rob Bishop:
Yes, I mean we do have some fixed price within the business still, but the JRP impact has reduced significantly. There is a small portion still and we do have some domestic sales which are not aligned to index, they are based on an annual fixed price.

Tom Sartor:
Yes, that's helpful. And we've got a brief history of price realisations relative to index that you're disclosing now. Should we work from those sort of relativities going forward or do you want to talk to an average kind of price realisation per asset at a steady state sales mix?

Rob Bishop:
I don't think it, we don't expect it to change too much. Obviously, Acland's in ramp up at the moment and given we're mining two pits at the moment instead of the three, probably once we're mining three we should see a steady state sort of production profile which is consistent. There is a bit of movement at the moment

between high ash and low ash within Acland in particular, just because it's in its infancy for stage three. But once we get sort of more material tonnes out and open up Manning Vale West, you should see those relativities stay pretty consistent with what we've done previously.

Tom Sartor:
Terrific, thank you. And while we're on EBITDA still, just how we should think going forward, I assume that number includes earnings on your sort of cash and fixed interest portfolio, which is a handy contributor but you've got to drag from Bridgeport and maybe sort of remind us on how we should think about QBH and those sort of minor forces and how they play into these quarterly reported EBITDA numbers?

Rebecca Rinaldi:
Yes, so I guess Bridgeport did contribute positively to that EBITDA result just to flag that one. Well not hugely material, it is in there so we're not taking too much of a drag which is good. In terms of the other assets, the other one is mainly QBH.

So QBH as you know is I guess a long-term asset with take or pay contracts sitting behind it. So, it is a very strong asset and it does I guess improve EBITDA overall because of those take or pay contracts underlying. I guess to get a bit of a view, you probably can go back into our full year results for FY24.

You'll see a little bit of detail around that other segment in there and as well as the Queensland coal mining segment. So given Acland was on care and maintenance, you'll get a bit of a look through as to what QBH contributes and that number given they are take-or-pay contracts is pretty consistent year on year.

Tom Sartor:
Terrific, that's helpful. Thanks Rebecca and last one I promise, just to follow up on Acland and that disruption through the Metro network, might you have to reconsider your prior sort of multi-year ramp up pace and guidance going forward?

Rob Bishop:
I think the ramp up we'd provided is still aligned. I think probably not so much related to the logistics issues with Cross River Rail but more to the challenge by OCAA. If that continued that may have hampered the ramp up, but at this stage we're expecting to be at that 5 million tonne run rate consistent through FY27. So, I think we'll get close to that run rate by the end of FY26 but FY27 is when we really see a whole year at that sort of that production level.

Tom Sartor:
Terrific, thanks guys appreciate the detail.

Rob Bishop:
No worries, Tom.

Operator:
Thank you. Once again if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Rob Stein with Macquarie. Please go ahead.

Rob Stein:
Thanks for the colour on the realised pricing adjustments, that's very useful. Just moving to I guess strategic matters, there are quite a few met coal mines in sales processes in Queensland. Just wondering you know with the cash balance and where the portfolio is currently placed, is that something you're looking into? How should we think about capital allocation in that context? Thank you.

Rob Bishop:
Yes, that makes sense. So, as we previously stated as part of our strategy, the focus is organic growth. So really ensuring we have New Acland up and running and we're at the pointy end of almost we've pretty much finished the growth project at Bengalla.

So that's the initial focus for or the primary focus for a capital allocation. We, as also previously stated we do look at assets when they come on the market. We are keen to grow through M&A as well, but we do remain disciplined. And really assets have got to tick those boxes, which form our strategy which is ultimately low production cost, good quality coal. It's got to be cash generative so not greenfield and long life. So, we put our lens over assets when they come on the market, and over the last few years Malabar is probably really the only one which piqued our interest, but we will be looking at these Queensland assets when they come on the market and deciding whether they fit that strategy.

Rob Stein:
Thank you.

Operator:
Thank you. Your next question is a written question who asks we would like to hear what the management will be able to share with us regarding future dividend payout ratio.

Rob Bishop:
So, our general guidance for dividend payout is 50% of NPAT just as a guidance. So that's really what the market should be looking at and then we also weigh up what our capital requirements are for sustaining capital over the short to medium term as well. So that's really the focus.

Operator:
Thank you. Your next question asks now that the land court process is behind you how quickly can you get into the third pit at New Acland and get to the 5Mt steady state production level?

Rob Bishop:
Sure, so with regards to Manning Vale West so we're actively progressing that now so really that requires some civil works to move roads primarily. So, we're working with the local council on that and at this stage we're hoping to be in there in first half of calendar year 2026. I've already touched on when we expect to get to the 5Mt but just to reiterate that will be in the FY27.

Operator:
Thank you. Your next question asks you specified that the Bengalla FOB cash costs is excluding royalties and trade coal. Do you purchase third party coal?

Rob Bishop:
Generally we don't. In some instances, we choose to purchase coal and that's really to fulfil shipments and, in some cases, try to remove any demurrage costs if there's any shipping issues. So as a rule, we don't but we make a judgement call depending on coal availability and aligning that with our contracted shipments.

Operator:
Thank you. Your next question asks the Bengalla FOB cash costs for the first half was $68 per tonne which is below your guidance expectations. Do you think Bengalla could finish up on the year below the full year guidance range?

Rob Bishop:
We had a very positive first half. I think it's fair to say that definitely the first quarter we had high stockpiles coming into the year and that certainly benefited out I guess the denominator of the unit cost metrics. So solid start to the year but we do expect consistent production through the second half which at this stage is to remain within guidance.

So still a very good result but obviously a very strong result to start the year with those high stockpiles coming in and keeping a very elevated sales level.

Operator:
Thank you. There are no further questions at this time and that does conclude our conference for today. Thank you for participating. You may now disconnect.

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