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**Webcast notes**

**Operator:** Welcome to Yancoal's first half 2025 financial results webcast. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to your speaker today, Brendan Fitzpatrick, Investor Relations Manager. Please go ahead, sir.

**Brendan Fitzpatrick:** Thank you, Ember, and thank you to everyone for joining this briefing on Yancoal's first half 2025 financial results. My name is Brendan Fitzpatrick, the Investor Relations Manager. To present today's briefing, we have several members of Yancoal's executive leadership team. These include:

- Mr Yue, Chair of the Executive Committee and Acting CEO,
- Kevin Su, Chief Financial Officer,
- Laura Zhang, Company Secretary,
- David Bennett, EGM - Operations,
- Mark Salem, EGM – Marketing and Logistics,
- Mike Wells, EGM - Finance,
- Sharif Burra, EGM - Health, Safety and Sustainability,
- Mark Jacobs, EGM - Environment and External Affairs,
- Frank Fulham, EGM - Technical Support and Projects, and
- Sebastian de Koning - EGM, Audit and Risk.

After the executive team completes the review, we will move to a question-and-answer session. The commentary provided today is based on the first half 2025 financial results and associated announcements, published to the Australian Securities Exchange and the Stock Exchange of Hong Kong yesterday, 19<sup>th</sup> August.

Slides 2 and 3 contain notices and disclaimers relevant to today's presentation, and the forward-looking statements contained in the presentation. Please make yourself familiar with the content of these two slides. Throughout the presentation, we use Australian dollars unless otherwise stated. Also note that charts utilise different periods on the horizontal axes.

Kevin Su will provide the introductory remarks for Yancoal's first half highlights.

**Kevin Su:** Thank you Brendan, and welcome to everyone on the call. During the first six months of the year, we delivered a great operational performance. ROM coal production was 32.2 million tonnes, and our attributable saleable coal production was 18.9 million tonnes.

We are tracking well against our full year production guidance and with continued momentum, our full year results will potentially be toward the upper end of our guidance range.

Our cash operating costs were \$93 per tonne. Keeping this flat compared to last year was a great outcome in the current macro setting. With a strong second half year production performance, we may deliver a lower cash cost at our full year results.

Our overall realised price for the first half was \$149 per tonne, giving an implied cash operating margin of \$40 per tonne.

We achieved revenue of \$2.68 billion and an operating EBITDA of \$595 million, at a 23% margin. Delivering this margin during a period of weak coal prices is a testament to the quality of our assets and our demonstrated ability to operate them effectively. Our profit after tax was \$163 million or \$0.12 per share.

In accordance with our constitution, the Board has elected to distribute \$82 million to shareholders as a \$0.062 per share fully franked interim dividend, a 50% payout ratio. The Company retains a strong balance sheet with no external debt and \$1.8 billion cash as of 30 June.

The team will now take you through the details of the first half performance. I'll now hand over to Brendan to continue the review.

**Brendan Fitzpatrick:** Thank you, Kevin. Slide 5 shows our safety performance. The TRIFR statistic improved over the period, but we continue to aim to reduce it further. Safe mines are productive mines. Our push towards strong operational outcomes this year is underpinned by our commitment to improving safety performance through targeted intervention activities.

Keeping our workforce safe is always our first priority, and whilst our TRIFR is below the industry average, we intend to improve our relative performance. Our 2024 Sustainability Report was issued in April. It reviews our first 12 months of performance following the formal adoption of our P4 Change 4 Tomorrow Sustainability Strategy. Case studies in the report provide insight into drone seeding, decarbonisation initiatives and technology to

quantify soil erosion risk. I'll now hand over to David Bennett to take you through our operational performance.

**David Bennett:** Thank you, Brendan. Slide 7 summarises the operational drivers behind our first half year performance. As Kevin touched on, we are tracking well against our 2025 production and cash cost guidance.

ROM coal and saleable coal production were 15% to 16% higher than the first half last year. Attributable sales by contrast were effectively flat. As described in our second quarter production report, temporary disruptions to rail and port activity delayed first half shipments. Mark Salem will provide further commentary on the coal markets and our expectations to recover the delayed shipments this quarter.

Kevin mentioned that we kept our cash operating costs flat against the 2024 full year, at \$93 per tonne. The performance was also an 8% improvement over the first half of 2024. Cost control is always important, but even more so in the current coal market. Total ROM coal on a 100% basis was over 32 million tonnes with output from our three largest, tier-1 mines increasing from the first half of 2024.

With 67 million tonnes of production over the past 12 months, this is close to the best performance in Yancoal's history. Our mines are continuing to run well despite the wet weather encountered during the past six months. We intend to maintain this momentum and deliver another strong performance in the second half of 2025.

Attributable saleable coal was up 11% compared to the first half of 2024. We have consistently delivered towards the upper end of our asset and equipment capabilities in recent periods. Unlike past years, our quarterly production profile is much more consistent in 2025, but we are still chasing incremental gains. If we can replicate the second half performance from last year, that would take us toward the top end of the 35 million to 39 million tonne guidance range for the full year.

Slide 10 shows our cash operating costs. Brendan mentioned that some charts use different components on the horizontal axis. The prior two slides used half year periods, but this slide uses full year periods, except for the final column.

As I mentioned, our cash operating costs were \$93 per tonne in the first half. We continue to work extremely hard to keep our costs in check to offset the impacts of wet weather delays and inflationary impacts.

Increased production, mine plan optimisation, as well as equipment reliability and utilisation, all contribute to compounding cost inflation elements. By showing the cost profile back to 2018, we can see the step change that occurred through a combination of wet weather impacts on volume and high-cost inflation, with subsequent volume and productivity improvements arresting the increases in cash operating costs. The reality is that cash operating costs in the \$90 per tonne range is now the new norm. We see our ability to have kept costs flat over the past few years as a great outcome relative to the sector, and this leads to the next slide.

Turning to slide 11, we demonstrate why keeping cash operating costs low is crucial. Our implied operating cash margin in the first half was \$40 per tonne. This chart also uses full year periods going back to 2018. It illustrates the expansion and contraction of margins we have experienced over the past seven years. The margin, while lower than in recent years, remains positive. Fortunately, we no longer have the external loans to service like we did in the past, but we are still working through a significant CapEx cycle.

I'll now hand over to Mark Salem to cover the coal market.

**Mark Salem:** Thank you, David. Starting with the production mix on slide 12, 83% of our sales were thermal coal, with the balance being low vol PCI and semi-soft coking coals. This product split varies from period to period, depending on which coal seams are in production at each mine and how we can maximise the market opportunities.

You would have noted back on slide 7 that we had 18.9 million tonnes of attributable production, but only 16.6 million tonnes of attributable sales, a variance of 2.3 million tonnes. This differential is primarily the result of two factors.

Firstly, in 2024, we had 0.8 million tonnes more sales than production. We optimised our sales, reducing our stocks, and at the time when the forward market was in backwardation, this was the right thing to do. To continue to optimise our position this year, we had to allow for some stock rebuild in early 2025.

Secondly, as David mentioned, the differential was mostly due to weather disruptions. In Q2, Yancoal sales and logistics were heavily disrupted by high swells, heavy rains and freshwater in Newcastle Harbour, restricting rail and vessel movements.

As advised on the second quarter call, we are aiming to recover as much of this first half sales deficit during the third quarter, and in July, our attributable sales exceeded production by 0.9 million tonnes. So even allowing for the more recent weather events, we still view this as an achievable target.

Turning to slide 13, we show our market splits. We contrast the first half against the full year 2024, but over the last couple of years, our customer mix has been quite stable. We optimised the revenue contributions of our various coal products to specific markets.

China is a significant offtake partner, both on a volume and revenue basis.

Our customers in China tend to take a higher portion of our API5 5,500 net as received calorific value quality coal. Our Japanese customers in contrast purchased a significant portion of our higher calorific value thermal coal, our low-vol PCI and our semi-soft coking coal. This market therefore is very important to revenue contributions.

Strong supply and benign demand conditions persisted in the international thermal coal markets through the first half of 2025. Geopolitical events in the Middle East, temporary port disruptions at Newcastle as mentioned and economic initiatives in China influenced trading sentiment, but not fundamental coal market drivers. We did observe cuts to supply over the first seven months of 2025 compared to 2024. Indonesia cut 12%, and Colombia cut 24%, which is constructive, but further supply reduction is needed to underpin a recovery in the international thermal coal prices.

We price our thermal coal against the API5 and globalCOAL Newcastle indices. Our realised price in US dollar terms sits between these indices, as shown on the chart. In Australian dollar terms, our realised thermal coal price was \$138 per tonne, down 12% from the first half of 2024.

Our metallurgical coal markets have seen sluggish demand because of weak global economic conditions, global trade tariffs concerns and the export of excess steel and coke supply from China. China was also reported to be exporting metallurgical coal, displacing some seaborne supply in the region.

Across the global metallurgical coal markets, there are signs of mine closures and supply curtailment in response to the weak prices. In Australian dollar terms, our realised met coal price was \$207 per tonne for the year, down 35% from the first half of 2024, in line with market movements.

Slide 16 will look familiar to people who have seen our prior presentations. We included something similar in the past to display our three largest mines in context of other Australian thermal coal mines. The total cash costs are on an energy-adjusted basis to counter the influence of coal quality on the operating margins. In this presentation, we show the same data set six months apart, with June 2025 compared to December 2024.

The industry average cost may have reduced marginally, but you can see several mines appear to have total cash costs above the current market price. While the underlying data might be backwards looking, the key takeaway remains large-scale, low-cost mines such as ours will remain viable when many other mines struggle through coal price cycles.

There are various groups providing forecasts for international thermal coal markets, but a common theme we see in recent forecasts is the ongoing revisions of when coal demand will peak, and at what level. Delays to projected closure dates of existing coal-fired power generation, combined with new facilities coming online, drive the evolving demand profile. Since we last included this slide, the first half of 2025 revision to the forecast removes some of the near-term demand but retained the peak in 2029.

On slide 18, we look at projections for seaborne supply over the next 10 years. Approval and financing challenges for new mines compound natural reserve depletion in the coming years. There is a growing appreciation that coal still has a meaningful role in the global energy mix, and there is the potential for a supply shortfall in the coming years.

Even in a relatively balanced coal market, a 5% shift in supply or demand can have a notable influence on prices. Since we last provided this profile, the projection for supply in 2028 to 2030 has been trimmed, the same period where demand is projected to peak.

In the seaborne metallurgical coal market, demand from mature regions like Europe and North Asia likely declines over the next 15 years. However, this could be outpaced by growing demand from emerging economies, leading to an increasing total demand.

Unlike the thermal coal market, some supply growth is required in the seaborne metallurgical coal market over the next 15 years to meet this demand. Unless the additional supply entering the market has a total cash cost profile lower than the existing supply, which seems very unlikely, this situation should necessitate higher met coal prices in the forward years.

I will now hand over to Michael Wells to cover our financial performance.

**Michael Wells:** Thank you, Mark. Starting with the key numbers on slide 21, David and Mark both referred to our lower average realised coal price. This together with the delayed sales volumes contributed to a 15% decrease in our first half revenue that naturally flows down to our operating EBITDA result.

Similarly, looking at the cash flow statement, the 44% reduction in operating cash flow reflects the 40% decrease in operating EBITDA. The final 2024 dividend of \$687 million was settled in April, together with the first half capital spend of \$407 million. Overall, we retain a strong financial position, with \$1.8 billion of cash as at 30 June and minimal lease liabilities.

The two charts on slide 22 demonstrate the close correlation between average realised price, revenue, operating EBITDA and the operating EBITDA margin. As we've said on prior calls, realised coal price is the primary driver of our financial results, given our production and cost profiles. The chart also provides a view back to the last coal price downturn in 2020.

Looking at slide 23 and noting that we've reverted to half year periods on the horizontal axis, the profit after tax and operating cash flow profiles also tend to replicate the revenue and operating EBITDA profiles that can also be subject to accounting adjustments, one-off items or timing differences. The first half of 2023 was one such example, where a one-off tax payment was made related to the 2022 earnings.

I will now hand over to Kevin to complete the presentation.

**Kevin Su:** Thank you, Mike. Looking at slide 24, it's worth remembering that in the three years to early 2023, we repaid more than US\$3 billion of loans. This debt repayment transformed the capital structure of the Company. As a result of the debt reduction, our financial position is far more secure than it was the last time we faced a cyclical low in coal prices.

Turning to slide 25, we look at how well Yancoal has rewarded the shareholders during the past seven years. Including the 2025 interim dividends, the Company will have distributed \$2.5 billion of unfranked and \$2.6 billion of franked dividends since 2018, a total of over \$5.1 billion, or around \$3.90 per share.

During the last market downturn in 2020, the Company suspended dividend payments. Today, we are in a much stronger financial position, and as noted at the start of the call, the Directors have declared a fully franked interim dividend of \$0.062 per share with a payout ratio of 50%, in line with our Constitution.

Slide 26 has our operational guidance for 2025. We are looking to improve further on our strong operational recovery in 2024. We have retained attributable saleable production guidance of 35 million to 39 million tonnes, but note that at the half year, we were ahead

of the guidance midpoint, and the full year results will potentially be toward the upper end of the range.

Our guidance range for cash operating cost per tonne is \$89 to \$97 per tonne. For the first half, we were at the midpoint of the range and the full year may move below the middle of the range.

Our capital expenditure guidance is \$750 million to \$900 million with \$407 million of spend during the first half. Continued reinvestment is required to ensure our large-scale mines remain productive low-cost mines. The 2025 capital cost incorporates ongoing mining fleet replacement, some carryover of 2024 spend and additional underground development work.

We continue to balance production volumes, product quality, efficiency metrics, cash operating costs and capital expenditure to deliver the best possible outcome for shareholders. This year is no different, and our executive team and the people onsite are focused on delivering.

I will now hand back to Brendan to coordinate the Q&A session.

**Brendan Fitzpatrick:** Thank you, Kevin. As usual, we have included appendices and additional information for reference at the end of the presentation pack, which we have published to the two stock exchanges.

We will now take questions from the phone lines and written questions submitted via the webcast. Let's start with questions from the phones. Amber, could you please start the process for questions?

**Operator:** We will now take our first question from the line of Lawrence Lau from BOCI.

**Lawrence Lau:** (BOCI, Analyst) Hi. Thanks for taking my question. If you look at the Appendix 4D of your financial statement, there's a table showing the profit from each mine. I noticed that the decline in profit of Moolarben is actually much more drastic than the other major mines. Can the management share with us why this is the case? Thank you.

**Brendan Fitzpatrick:** Thanks, Lawrence, appreciate the question coming through. I'll hand over to Kevin, our Chief Financial Officer, in the first instance.

**Kevin Su:** Hi Lawrence. This is largely driven by the unfortunate API5 price drop and which, unfortunately as a result we lost margin, especially from this kind of low-CV coal, yes, is the short answer.

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**Operator:** We will now take our next question from the line of Peter Wang from CICC.

**Peter Wang:** (CICC, Analyst) I just want to clarify, is the year-over-year increase in the coal royalty per saleable tonne largely attributable to the royalty rate change effective from July last year? Thank you.

**Brendan Fitzpatrick:** Okay, the year-on-year increase in the royalties, in an absolute component, there'll be a royalty rate increase, but the price is also relevant. Mike, perhaps you'd like to make an additional comment?

**Michael Wells:** Thanks, Peter. Yes, you're absolutely right. There's two offsetting factors. Generally, the royalty is lower because the coal price is lower, but in New South Wales, with the increase in the royalty rate effective on 1 July last year, the prior year period did not have the effect of that increase in royalty, whereas the first half of this year did have that effect. Those 2 factors kind of offset, resulting in the royalty being relatively flat across the two periods.

**Operator:** We will now take our next question from Hannah Yang from Morgan Stanley.

**Hannah Yang:** (Morgan Stanley, Analyst) Hi. Thanks, management. I have a few questions.

One is, previously in the first half, I think because of the railway issue, there is an inventory pileup, and we have a catch up on the sales volume by 0.9 million tonnes in July. Just wondering, how likely do we think all the inventory on hand will be digested by the year-end?

My second question is, I noticed on the PPT that management think the coking coal in the global will see a slightly tight market. Can we elaborate more on the potential demand increase globally? Do we see any specific coking coal demand increase like outside of China?

My third question is, do we have any plan to further expand our coal production volume on both thermal coal and coking coal side, like potential M&A to expand our capacities in the long term?

**Brendan Fitzpatrick:** Appreciate the three questions. Let's start back at the first question with the stockpile reduction, and I'll ask Mark Salem to reiterate some of the comments that we shared earlier.

**Mark Salem:** In terms of the sales and the plan to reduce the inventory, and I note similar questions coming on the webcast which I will also address.

In regards to our plan to draw down inventory, the answer to your question is, yes. In terms of our target to catch up on our first half underperformance, we are on schedule to achieve that within the Q3. We should have that achieved by the end of August, early September, all going well.

Then our plan is to continue to draw down our stocks in the same way we did in 2024 and optimise our revenue positions, and that is part of our overall strategy. So that is definitely on our agenda.

In terms of your second question, which I'll also take onboard, which asked about the coking coal global market tightness and growth opportunities outside China. Hannah, very simply, if you look at the chart, there's a lot of growth opportunities in India and a lot of growth opportunities in Southeast Asia.

The Indian growth opportunity is real. The advantage of the Indian market is that India does not produce its own metallurgical coal, unlike China. Therefore, based on their GDP growth assumptions and this demand profile is based on their infrastructure plans, et cetera, they will need the coking coal, the metallurgical coal, to meet that growth requirement. In addition to that, there's a lot of growth happening in Southeast Asia, in Vietnam and Malaysia and other Southeastern countries, which will also supplement the declining growth or the decline in demand from our traditional markets - Japan, Korea, Taiwan, et cetera. So, we are very confident that based on those economic assumptions that there will be that global tightness of coking coal in the future.

The third question, regarding expanding our production, I'll pass that back to you, Brendan.

**Brendan Fitzpatrick:** Yes, Hannah, I appreciate the third question. You were talking about the potential expansion of the production profile. We do have some conceptual projects that are under study, but the short answer is our existing production profile is fairly steady state at this point in time.

We do look for incremental gains, and I'll take the opportunity to ask David Bennett to come back online and discuss in a little detail where we see the opportunity to maximise the performance out of our portfolio of assets. Over to you, David.

**David Bennett:** Thanks, Brendan, and thank you for the question. As we've spoken before in investor presentations at various stages, at Yancoal, we always try to optimise the performance of our mines through our assets, our geological assets, our equipment assets, our labour assets, to maximise our productivity, which basically uncovers more

coal, gives us the ability to sell that coal, increase our revenue and build solid margin. We pursue productivity improvements across all our fleets, where we focus on fleet reliability, fleet productivity and the like and getting the most return on that investment that we've put into our mines.

So, despite the price cycle, we're always looking to improve in the productivity space. Like I say, ultimately, that ends up in a profit outcome for the business at the end of the day. Thank you.

**Brendan Fitzpatrick:** Whilst we wait for the question queue to repopulate, I'll start looking through some of the questions on the webcast. I note that there is some overlap in the questions, and they may have been addressed through commentary already provided either during the scripted comments or the Q&A.

We'll start with some of the operational and market drivers. There's one here from Mark Paterson at Bell Potter. He asked about the comment we made, the reduction in Indonesian exports, and observed that it was at least partially related to wet weather and asked whether we expect these volumes would come back into the seaborne market.

**Mark Salem:** Thanks Mark for your question. Indonesia is the world's largest exporter of seaborne thermal coal, and so it's a very pertinent question. The reduction is twofold. Yes, it was wet weather, and Indonesia has faced a lot of wet weather, which has impacted production.

But the other aspect to Indonesia was that the Indonesian government also put a restriction on export prices in terms of what the Indonesians could sell at. Therefore, with that restriction, they were unable to sell a lot of their coal, or restricted a lot of the buyers buying that material, and that also influenced that demand and impacted the reduction in imports. Reflecting back on that, will they come back into the market? Their own domestic demand is very strong as well. Therefore, a lot of that coal that couldn't find homes on the export market did find homes domestically due to the growth in their own power utility demand.

In short, if they're able to export at prices that are at good margins, then they will come back into the market. They could keep the growth of the prices a little bit at bay, but not significantly, based on their own demand profile. I hope that answers your question, Mark.

**Brendan Fitzpatrick:** I'm sure it did. Thank you, Mark. Looking at further questions coming through, there's one regarding the catch-up in delayed sales, which we've addressed.

But with regard to the delayed sales, there's a query about how that impacted the revenue and the costs we reported for the period. Are we able to provide some insight as to the magnitude of the impact the delayed sales had on the income statement? I remember at the second quarter conference call, we talked about the volume and the realised price being an indicative gauge.

**Michael Wells:** I'll repeat what we said on the second quarter call, Brendan, that on the basis that the majority of those stocks were positioned already at the port ready for sale, there's not a lot of additional cost to incur, other than just the port loadout costs for that coal. So, to the extent the average price in the first half, I think it was \$149 per tonne, a rough calculation would be that shortfall in sales by the revenue, or the average revenue per tonne would give an indication of the shortfall in revenue that would then naturally flow into the quarter three results.

**Brendan Fitzpatrick:** Thank you, Mike. There's a question regarding the recent announcement of a 3.75% stake in Moolarben being acquired. Did that increase in the position in Moolarben get factored into the production guidance?

In short, no. The production guidance set at beginning of the year was before any transaction at Moolarben, and the Moolarben transaction is still subject to final completion. The effective benefit from the transaction is backdated to 1 January, so there will be a benefit for Yancoal through this calendar year. But it doesn't get included in the production guidance figures that we've talked about to date.

Moving on to another element of our guidance, the capital expenditure, we have a question coming through asking if Yancoal would reconsider, or lower its capital expenditure exposure, given the first half results and the current coal pricing environment?

Noting that most of our capital expenditure is sustaining in nature, we've made the comments in the past that investing in our assets is what drives their cost effectiveness and profitability in the long term.

Perhaps, Kevin, if you'd like to just reiterate our thoughts on the capital expenditure allocations?

**Kevin Su:** Thanks, Brendan. Yes, from a management perspective, we keep reviewing on our CapEx commitments. As what Brendan just mentioned, a lot of them are actually sustaining capital, and are committed. But the Company definitely is in the position to thoroughly review the ongoing commitments. As a result, we could potentially optimise the CapEx profile.

**Brendan Fitzpatrick:** Thanks, Kevin. I see several questions coming through on the topic of the dividend. Let's start with this one. Given our dividend policy refers to both 50% of free cash and 50% of net profit, the question is, what was the 50% free cash flow calculation amount, and how did that contrast with the 50% net profit amount?

**Kevin Su:** First of all, we did not disclose the 50% free cash flow, but it's not hard to estimate. On slide 21, there's the operating EBITDA and operating EBIT, and from operating EBITDA perspective, you can also refer to the \$407 million CapEx spend in the first half. You can quickly estimate the real operating cash. I would suggest the net free cash flow was not as high as the net profit.

**Brendan Fitzpatrick:** Thanks, Kevin, so in that circumstance, the net 50% of net profit was the higher of the two, and therefore, the Constitution framework was followed?

**Kevin Su:** Correct.

**Brendan Fitzpatrick:** Thank you. Extending on that topic of cash utilisation and dividend, we have one question that notes the \$1.8 billion of cash we referred to holding at the end of the period. In that context, there is a view that \$82 million returned perhaps could have been larger. Is there a comment about how we're looking at the full year and what might occur in February, noting that, of course, we never give forward-looking statements with regard to dividends? But perhaps we could frame our thoughts around that topic, Kevin.

**Kevin Su:** Thanks, Brendan. In general, as Brendan just mentioned, we do not provide a forward dividend guidance, but from the Company's Constitution perspective, that higher of 50% net accounting profit versus the 50% of free cash flow, whichever is higher has been the guidance internally for us as a management team to propose to the Board.

At the end of the day, we're subject to the Board's final decision, but at the current stage, the \$1.8 billion does give Company headroom, but we have to balance the Company initiatives such as potential acquisition or growth opportunities and ongoing capital commitments.

**Brendan Fitzpatrick:** Thank you, Kevin. There was also a similar question earlier, not only asking about a dividend guidance but earnings guidance. Similarly, we don't provide an earnings guidance. What we forecast are the elements where we have a degree of control, production profile, operating cash costs and the capital expenditure. So, no earnings guidance, as that factors in a coal price, which is beyond our ability to accurately predict.

I'm just looking through the questions, trying to keep with a steady theme. Coming back to that concept of production profile and sales mix, there's a question asking the expected sales mix in the second half of 2025, and the thermal coal percentage and contrasting that against what we've delivered in the first half, and particularly given there was a lot of impact in New South Wales, which I assume the person is referring to rain impact and therefore, expecting that that was a thermal coal component. So perhaps, Mark, a comment on the mix?

**Mark Salem:** In theory, your question could be correct in the sense that in New South Wales, we do produce more thermal coal. In Queensland, we produce more metallurgical coal, and therefore, given the delays and planned catch-up, one would expect that the second half sale profile will be predominantly more thermal coal. However, what's lacking there is we also out of New South Wales produce most of our semi-soft coking coal. So that too is impacted, and we do have a little bit of thermal coal in Queensland. Our sales profile mix between thermal and metallurgical coal is relatively consistent. There may be a marginal difference of thermal coal, but it would not be anything substantial.

**Brendan Fitzpatrick:** There is a question about the rate received on cash, I assume that's talking about the \$1.8 billion in cash that we hold on the balance sheet. What comment could we make about the interest rate that we receive on that cash balance?

**Kevin Su:** From Yancoal's treasury management policy perspective, we have been doing a very competitive bidding process with all the banks to receive hopefully as a high an interest yield as possible. Currently, we're talking about between 4% to 5%.

**Brendan Fitzpatrick:** Thanks, Kevin. Okay, let's move on to the topic of M&A. There are multiple questions coming through on this area, many referring to news flow coming through overnight and more questions in general about our appetite for M&A.

We've made the comments repeatedly in the past that we've become the second largest coal producer in Australia through acquisition, expansion and optimisation of coal mines. It's certainly where we see our core capabilities as a business, and we continue to evaluate opportunities. But similarly, I think it's fair to say that the current coal market conditions have highlighted the need to be very diligent when assessing opportunities and making any strategic move.

Kevin, perhaps I could just ask you to reiterate some of the comments we've made in the past about our approach to mergers and acquisitions and the broader Company strategy.

**Kevin Su:** Thanks, Brendan. The Company has been very open to all growth opportunities, not limited to just coal. We even look at overseas opportunities as well, so long story short, I think we've just been very open to the M&A opportunities.

**Brendan Fitzpatrick:** Thanks, Kevin. I appreciate there's a lot of speculation about specific scenarios, but as we've said many times in the past, we don't speak to specific scenarios. There was one question about our ability to fund, what do we see as our capacity, and would we potentially raise capital under certain scenarios? Kevin, could you talk to our approach on the conceptual funding avenues we might employ?

**Kevin Su:** Thanks, Brendan, this is a very good question. Actually, one of the reasons Yancoal has been keeping this very high cash balance is to support a potential future growth opportunity. We will firstly prefer to have external bank loans to support the growth. We will also look at the other funding opportunities, but at the current stage, I think that cash and bank lending probably will be the preferred option.

**Brendan Fitzpatrick:** Thanks, Kevin, and I appreciate that gives us a good degree of flexibility and improves our ability to act quickly in most scenarios. There's a question here that touches on that same thematic.

Looking at the debt and what's available, the competitive rates which Yancoal might be able to access, are there any specific benchmarks we use to gauge the funding scenarios and growth opportunities, such as a return on investment or other references that we might use to assess a transaction scenario?

**Kevin Su:** We are not in a position to disclose the ROI, or benchmarks, we use. But we definitely assess all the potential opportunities in the best interest of all the shareholders. That's the whole logic for us to assess every investment opportunity. Talking about the funding and debt option limitation, Yancoal has been fortunate enough to secure a lot of growth banking facilities. This is on the basis we have a very strong, robust balance sheet, and as a result, we have been building up a long pipeline of banking partners. So that's why we are quite confident about our future funding in just growing capacity.

**Brendan Fitzpatrick:** Thanks, Kevin. There's a question asking about the Queensland government coal royalties and the increasing costs that have been incurred across the industry, and if we have a comment on the royalties?

What I would say is the royalties have had an impact both in Queensland and New South Wales on the profitability of the whole coal sector.

As we've highlighted through our presentation, we're doing our utmost to maintain low cash costs and work through the current coal market conditions. But undoubtedly, along with cost inflation and all the other elements affecting the coal sector, royalties are an additional component we have to deal with. Fortunately, we have some of the best large-scale, low-cost thermal coal mines in the domestic industry, which gives us, in our view, a relative competitive advantage. But also acknowledge that royalties are a fact that the whole industry is dealing with.

We've got something coming through on the accounting, which is very much analysis driven - a question asking, could that person use the amount under the headline changes in inventories of finished goods and work in progress as implied revenue from the stockpile, and is this already included in the first half result? Mike, could I turn to you for a comment?

**Michael Wells:** It's a good observation. That number represents the change in the value on the balance sheet of our coal inventories, which is based on the cost of producing that inventory. It wouldn't include any margin on that coal. So, on the one hand, yes, it could be used as a proxy for the revenue that will be earned, or at least a floor for that amount because it wouldn't include the margin. Therefore, with a positive margin, you would expect the revenue to be earned would be higher than the cost of production of that inventory.

**Brendan Fitzpatrick:** Thanks, Mike. On another question on that same topic, we've mentioned that we already caught up 0.9 million tonnes of sales in July. It asks for clarity, about what needs to be done to fully correct by the end of the third quarter. Mark, are you best placed to respond?

**Mark Salem:** That's a very interesting question, and it does get into the intricacies of our logistics operations. But very simply, we export out of Newcastle, via PWCS and NCIG terminals. At NCIG, we have dedicated stockpiles, whereas at PWCS, we have cargo assembly. One of our advantages is we have a dedicated logistics team who are very active in maintaining relationships with both the rail and the port provider. As David Bennett mentioned, our production profile hasn't been as severely impacted by the wet weather as in previous years, whereas other producers have been. So, we've been able to capture ad hoc rail and ad hoc port spaces to achieve that target of catching up on 900,000 tonnes in July. We'll continue to apply that same strategy and processes moving forward.

**Brendan Fitzpatrick:** Thanks, Mark. There's a couple of follow-up questions on the topic of M&A, specifically asking would the Company rule out an acquisition in China? Kevin did mention that we're openminded, but perhaps also worth bearing in mind that we do have a majority shareholder which operates coal mines within China. I wouldn't like to speak on behalf of our Board or our majority shareholder but suggest that competing against our majority shareholder in a country where they're already operating wouldn't make a lot of sense.

A follow-up question, what other commodities are we looking at for potential M&A, brownfield or greenfield? As Kevin mentioned, we're just very openminded. We're a large company. We've got a very strong balance sheet, access to debt and a very capable executive team, so we look to leverage our capabilities in many scenarios. It would be unwise of us not to consider many potential avenues to find value acquisition for our shareholders, but as and when something materialises, we would then talk about it in more detail. A broad comment, while we are openminded, we're also looking to leverage our existing skillsets, which are naturally bulk commodities, specifically coal here in Australia.

I appreciate we're running low on time, just a few minutes left to the end of the scheduled call. There was a question earlier - will Yancoal consider a revaluation of the short-term incentive program outcomes in 2025 to weight towards total shareholder return, away from profitability, and/or health and safety KPIs? That's something that would be evaluated at the Board level and not something that we would comment specifically in this format. A general observation is that our Board, along with the relevant departments within Yancoal, regularly look at the opportunities to optimise the Company's performance and all structures relevant to that performance naturally get assessed.

There was a question that asked, based on the current tenement profile, when will the operations slow? I understand that to be asking about our longer-term production profile. We've talked about having relatively steady-state production, and David Bennett earlier also mentioned our desire to optimise the assets going forward and seek incremental gains.

Perhaps the simple way to look at this, is we disclose our reserves and resources annually at the start of each year. We can see the production profile currently underway at each of the mines, and that would give you an implied mine life for each asset but also allow for ongoing resource to reserve conversions and mine plan optimisations.

Let's see if we can squeeze in one more question. Given the importance of dividend income to many shareholders, can the Company give consideration to making more balanced dividend payments each six months, in order to give the shareholders increased reliability of income and reduce the share price volatility, such as the large fall seen one year ago when no dividend was declared? Kevin, perhaps I'll hand back to you on that one, noting that we always balance up the shareholder appetite, with the Company's requirements and the market settings.

**Kevin Su:** I think this is a very good question. From a management team perspective, we'll definitely take the comments on board. First of all, as you can see, the Company is paying the half year dividend. Last year, as the question just mentioned, we didn't pay an interim dividend, but we do believe strongly that no payment of interim dividend was in the best long-term interest of the shareholders and to provide a more value accretive capital management solution. However, we caught up with dividends when we paid a final dividend \$0.52 per share fully-franked.

**Brendan Fitzpatrick:** Thanks, Kevin. We're just on the one-hour mark. I appreciate there might have been a few questions which we didn't get through. My details are in the presentation pack and other materials released to the market. If anyone would like to contact me, Brendan Fitzpatrick, I can assist you via e-mail.

If I now look to our opportunity to provide some closing remarks, let's remember that we are maximising the operational performance of our assets and looking for gains in the second half to deliver the best possible production and cash operating costs for the year. We're in a very strong financial position, and we do continue to reward our shareholders with fully franked dividends.

The coal markets, as with past cycles, will recover. In fact, there are arguments for favourable conditions in coming years. However, we do need to work through this current cycle, and our focus is on the operational and financial discipline in the short-term. We look forward to giving you our next update in October, after we release our Third Quarter production report. Thank you to everyone who has joined us on the call. Have a great day.