Final Transcript

Q1 2025 Ramaco Resources, Inc. Earnings Call

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Corporate Participants

Randall Atkins *Ramaco Resources, Inc. – Founder, Chairman, Chief Executive Officer*

Chris Blanchard *Ramaco Resources, Inc. – EVP, Mine Planning & Development*

Jason Fannin *Ramaco Resources, Inc. – Chief Commercial Officer*

Jeremy Sussman *Ramaco Resources, Inc. – Chief Financial Officer*

Conference Call Participants

Nick Giles *B. Riley Securities — Analyst*

Nathan Martin *The Benchmark Company — Analyst*

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Presentation

Operator

Good day, and welcome to the Ramaco Resources, Inc. First Quarter 2025 Results Conference Call.

[Operator instructions]

I would now like to turn the conference over to Jeremy Sussman, Chief Financial Officer. Please go ahead.

Jeremy R. Sussman — Chief Financial Officer

Thank you. On behalf of Ramaco Resources, I'd like to welcome all of you to our first quarter 2025 earnings conference call. With me this morning is Randy Atkins, our Chairman and CEO; Chris Blanchard, our EVP for Mine Planning and Development; and Jason Fannin, our Chief Commercial Officer.

Before we start, I'd like to share our normal cautionary statement. Certain items discussed on today's call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent Ramaco's expectations concerning future events. These statements are subject to risks, uncertainties, and other factors, many of which are outside of Ramaco's control, which could cause actual results to differ materially from the results discussed in the forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and except as required by law, Ramaco does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. I'd also like to remind you that you can find a reconciliation of the non-GAAP financial measures that we plan to discuss today in our press release, which can be viewed on our website, www.ramacoresources.com. Lastly, I'd encourage everyone on this call to go on to our website and download today's investor presentation.

With that said, let me introduce our Chairman and CEO, Randy Atkins.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Good morning, and thanks to everyone for joining the call. We have a lot of information to share this morning on both our met coal business as well as our critical minerals project.

So let's start on the met coal side. Despite the macro gloom on the overall market, we have continued to perform strongly on the operational front. The first quarter of ' 25 saw the continued decline in both U.S. and Australian met coal prices. That decline mirrored our decline in earnings this quarter, despite our solid operational performance in the face of some difficult weather conditions. The same macro causation continues to negatively impact world steel markets. Again, that is the Chinese overproduction of steel, combined with its below-market sales into both the developed and developing world. Unfortunately, this is the same theme we have mentioned for the past few quarters. It's also a reality that may continue to be with us until there is a rebalancing in the world steel markets.

Even with this headwind on pricing, Ramaco's first quarter results continue to be strong from a number of metrics and by somewhat punching above our weight. While Jeremy will go into more detail, I'm proud to say that we enjoyed both the highest cash margins per ton and the highest realized sales price among our publicly traded peer group this quarter, all of whom have already reported Q1 results. Somewhat surprisingly, our adjusted EBITDA this quarter was also higher than the met coal results of 3 of our 4 larger public peers, with far larger production than us.

Our operational results were in line with our theme from the past few quarters. We can't control pricing, yet we do have some ability to manage production cost and sales. Again, my continued kudos to our operational and sales team on their excellent job on production cost, margins, and sales realizations.

To look at some of the specifics, both company-wide and at Elk Creek, our mine production was at a quarterly record with 1 million tons produced this quarter, which of course annualizes to 4 million tons. This led to the second straight quarter of our cash cost per ton sold coming in under $100. This puts us firmly in the first quartile of the cost curve among U.S. coal met producers.

These positive operational metrics were achieved despite setbacks covering about 4 weeks of challenging weather conditions during the quarter. In our West Virginia mining areas, we had freezing temperatures in January, which was followed by extreme flooding in February. These back-to-back weather events negatively impacted our quarterly production by roughly 150,000 tons.

As we look ahead at conditions for the balance of the year, based on where we currently see the markets, we are reducing both our 2025 production and sales guidance. Jeremy will discuss guidance in more detail. However, from a company perspective, we are not going to force tons into the spot market just for the sake of producing more coal in a weak market without a real return. Despite this downward guidance, we continue to retain the optionality to increase production if more positive market conditions evolve. If that occurs, we can pivot and increase both production and sales this year. We could then exit the year above $5 million per annum run rate.

Looking a bit further ahead, when we see positive longer-term market clarity, we're poised to also move forward to add an additional 2 million tons of new production. This would come from a 1.5 million ton deep mine expansion of our Maben low-vol complex, as well as the continuation of new mining into the Berwind #3 and 4 sections at our Berwind complex. This would add a combined roughly half million tons. And it would take our overall production to approximately 6.5 million to 7 million ton level. It would take roughly a 24- to 36-month time frame from greenlighting and cost approximately $100 million in growth CapEx spread over 2 to 3 years.

Market-wise, we are somewhat encouraged having seen the Australian benchmark price rise about $20 per ton over the past month, despite generally muted world demand. We believe this increase is almost solely driven by global supply cuts as higher-cost producers continue to struggle with negative margins in the current environment. And we sense that this supply contraction will continue to be a domestic theme in Central Appalachian met markets as the year progresses. Because of this impending imbalance, once we see demand reemerge, the markets are poised to see upward and perhaps volatile upward price movement as the market adjusts to more normalized levels.

Now I would like to switch to a broad discussion on our Brook Mine rare earth project. We are particularly encouraged by the steady progress we've made over the past few months since we last spoke. I can assure you, we are approaching this transition opportunity to become a major critical mineral producer with a great deal of humility. Having said that, we have been blessed almost by fate with owning a major domestic rare earth deposit of both exceptional size and quality. The deposit is found commingled in coal and the adjoining strata and also has little to no radioactive character.

From a national security standpoint, we will never need to ship our ores to China or any other country for processing. Our carbon ore-sourced rare earths and critical minerals will be 100% mined and refined in the USA. I've used the expression that this is a Team USA project, and indeed it is. We are moving as fast and prudently as we can to make this mine a commercial reality. It has the potential to help address what is an acute national strategic supply shortfall of precisely the rare earths and critical minerals which we happen to possess.

But perhaps most importantly, to start, I'm proud to announce that we will be bringing on board a person who will help guide us not only through the development process. He will also help oversee the construction and operation of our processing and refining facility and eventually the overall day-to-day commercial operation of our critical mineral business. We announced this morning that we have now added Mike Woloschuk to our senior management team as an Executive Vice President to oversee this project. Mike is joining us from Australia and leaving his current position as the Global Executive Director of the Fluor Corporation's Critical Minerals division. He has over 30 years of experience in developing rare earth and critical mineral businesses in all parts of the world.

He has been involved in every facet, be it geology, mining, processing, finance, and project execution. Even though we have not yet received the Fluor report, I feel you could view Mike's move to Ramaco from having served as the Head of Fluor's entire worldwide critical mineral business as a strong indication of his confidence in our project.

And these are indeed interesting times in the rare earth business. As many of you know, last month China added to its current bans of various critical mineral exports to the United States by adding new bans of terbium,

dysprosium, and scandium. This comes on top of last year's export ban of gallium and germanium. By coincidence, these REEs and critical minerals — along with NdPr — are anticipated to make up over 95% of our revenue and cash flow and constitute about 40% of the overall deposit. Indeed, we have been told by Fluor that the Brook Mine will be the only primary source mine in the world for germanium, gallium, and scandium.

Before I address some more specifics of what we are now doing, I would like to note some milestones since our last earnings call on this subject. We have now completed most of the secondary round of third-party geological, chemical, and hydrometallurgical testing of our deposit. This has been a multi-year process, and it has not been made easier by the testing backlog we've encountered working with laboratories both in the U.S. and in Canada. The backlog in testing and delays in receiving results have been the primary reason that Fluor's preliminary economic analysis will now be produced by the end of June.

Today, however, we have released the Weir update to our technical exploration report and have highlighted several of their findings in this quarter's earnings presentation. These findings focus on disclosing a range of the size and amount of the deposit, its breakdown by type of rare earth or critical mineral, and their individual concentrations measured as total rare earth oxide.

Some specifics of the Weir report are that at the high-end range, the amount of total rare earth oxide or TREO is now estimated at 1.7 million tons. This includes the banned critical minerals of scandium, germanium and gallium, which constitute roughly 300,000 tons or 17% of the overall deposit. The deposit has an average concentration grade on an ash basis of between 450 to 570 parts per million and a maximum grade of between 3,300 and 9,600 parts per million. Based on independent conventional hydrometallurgical testing performed by Hazen Research and Fluor, the primary and secondary levels of recovery of rare earths are above 80%. The rates of recovery of REEs and selective critical minerals will undergo continuous further testing throughout the process, which is designed to optimize both the levels of recovery and the refinement techniques.

We are also now engaged with several third parties at NETL in exploring some novel and unconventional processing techniques, which may provide promising new avenues in refinement. But at this level of conceptual testing that we are now at in the process development, we regard these as strong recovery numbers. We will, of

course, strive to further improve results as we proceed further through flow sheet refinement and optimization and through real-time processing at our future pilot plant.

Based on current resource data and our planned processing capacity, the Brook Mine is projected to produce approximately 1,400 metric tons of critical mineral oxides per year from mining roughly 2.5 million tons of coal, which we also call carbon ore. For perspective, the U.S. consumes roughly 10,000 metric tons of REEs annually.

Of this oxide production, an estimated 560 metric tons or roughly 40% will include purified oxides of 7 REEs and critical minerals. These include neodymium, praseodymium, dysprosium, gallium, germanium, terbium and scandium. Similarly, based on our current analysis, over 95% of expected revenue and cash flow would be derived from this basket of 7 oxide products. The balance of future oxide production of approximately 840 metric tons will include 11 additional REEs, which would constitute less than 5% of expected revenue and cash flow.

When we have the independent economics and CapEx figures from Fluor's report, we intend to publish those in the appropriate form, and frankly have a separate call to discuss them. We are sufficiently confident, however, about both the test results and the economics from working alongside Fluor that we are ready to proceed ahead.

This June, we intend to initiate large-scale mining at the Brook Mine. This will be an important national milestone and will be the first new rare earth mine in the United States in over 70 years. We are planning a formal ribbon-cutting event in mid-July with both state and federal senior government officials attending. Please stay tuned for more details in the next few weeks. We will, of course, be delighted to welcome any shareholders who would like to come to Sheridan to help us celebrate, so please e-mail our Investor Relations website as appropriate.

The Brook Mine will also be the first new coal mine open in Wyoming in over 50 years. And as I said, we intend to initially mine roughly 2.5 million tons per year of coal. Roughly 0.5 million tons of the coal and commingled clay and shaley material will then be beneficiated and processed as rare earth oxides. Initially, we will produce rare earth concentrates and then ultimately refine these to commercial-grade oxides. The overall processing

plant will be constructed on site on our property in Wyoming. The entire vertical integration of the mining and processing will, of course, be done domestically in the United States. The remaining 2 million tons of non-mineralized coal will be sold as conventional Powder River Basin thermal coal into utility markets. So in simple terms, the coal sales will help us lower the overall cost of the rare earth mining so that we will have an extremely low mine cost basis in the critical minerals.

Our next step is to commence later this summer, the construction of the pilot plant demonstration facility, which Fluor is now designing. We plan to have that in initial operation by 2026. We then intend to operate in pilot plant mode for roughly a year to produce rare earth and critical mineral concentrate. That pilot operation is designed to inform the ultimate design and operational flow sheet for the full commercial processing and refining plant, which Fluor will again design and engineer. Our current timeline is to commence construction of the full commercial facility by late '26 or early '27 and have that plant producing commercial-grade mineral oxides by 2028.

We have fully included the CapEx for the mine opening and pilot plant construction into our current budget for 2025. And indeed, we are pleased to have been awarded a $6.1 million matching fund grant from the Wyoming Energy Authority to be applied towards the pilot plant development and spread between 2025 and '26.

Once we have a better sense of what the full commercial project looks like, we will assess with our financial advisers what the optimal capital structure will look like as well as the appropriate financial options on how to proceed. To say that we are excited is a mild understatement. We are now ready to grow Ramaco into being both a critical mineral producer as well as a met coal company.

Lastly, I'm delighted that former U.S. Senator Joe Manchin was appointed to our Board last month. Joe Manchin brings to Ramaco decades of national leadership at the highest level in energy policy and economic development as well as a deep understanding of the issues facing the U.S. coal industry and West Virginia coal business in particular. As the former West Virginia Governor, Secretary of State and then United States Senator as well as past Chairman of the U.S. Senate Energy and Natural Resource Committee, he has been a steadfast advocate for metallurgic coal in the wider U.S. mining industry. As Ramaco advances our rare earth element

development in Wyoming, Joe also brings us unparalleled strategic perspective given his experience in both national defense and critical mineral supply chains.

So to close, while the first quarter metallurgic markets have remained weak, we continued to solidly execute in terms of what we can control, which is production and cash costs. We hope for stronger market conditions as we move later into the year. We also see our Brook Mine critical minerals development as a tremendous opportunity for both Ramaco and the country as we work to realize its commercial potential.

With that, I would now like to turn the floor over to the rest of our team to discuss finances, operations and markets. Jeremy, please start a rundown of our financial metrics.

Jeremy R. Sussman — Chief Financial Officer

Thank you, Randy. As you noted, first quarter 2025 operational results were again solid, with cash cost per ton sold under $100 for the second straight quarter and a record level of quarterly production. Unfortunately, metallurgical coal price indices have continued to decline. This caused both the sequential and year-on-year decline in earnings despite the operating achievements.

To get into specifics, Q1 adjusted EBITDA was $10 million compared to $29 million in Q4. Q1's net loss of $9 million compared to Q4 net income of $4 million. Class A EPS showed a $0.19 loss in Q1 versus a $0.06 gain in Q4. As I mentioned, the primary reasons for lower Q1 EBITDA and EPS were the $7 per ton sequential decline in our quarterly realized pricing and 175,000 tons decline in tons sold.

On the pricing front, key U.S. metallurgical coal indices fell 3% in Q1 versus Q4. The Australian benchmark index fell roughly 9% during the same period. On the volume front, weak market conditions caused us to be selective with spot sales in the first quarter. On the operational front, we actually had a record quarter of production, annualizing to 4 million tons despite losing roughly 150,000 tons due to challenging weather conditions. As a reminder, we experienced freezing temperatures for 2 weeks in January and then saw historic flooding in February. Thus the decision to build inventory for a better market was deliberate.

At the same time, we continue to perform well on the cost front with cash cost of sales coming in at $98 in Q1, which was the second straight quarter of sub-$100 per ton costs. These levels are firmly within the first quartile of U.S. metallurgical coal cash cost curve. As important as it is to control costs, it is equally important to be prudent on placing tons in a challenging market. To that degree, I'm pleased to note that Ramaco enjoyed the highest margins per ton and the highest realized pricing among our publicly traded peer group in the space, which, of course, includes those who actually had negative margins per ton in the current difficult environment.

Looking forward, we're making a number of tweaks to our 2025 guidance given suboptimal macro conditions. First, based on our continued solid cost performance, 2025 cost per ton sold guidance is lowered to $96 to $102, down from the prior expectation of $97 to $103. Second, we're reducing our CapEx guidance from $60 million to $70 million to $55 million to $65 million. Majority of net CapEx will occur in the first half of 2025 as the continuation of growth projects initiated in 2024. Third, in light of continued weak market conditions, we're optimizing our overall production and sales. We're reducing selective production to limit potential lower-priced spot sales, especially into Asia.

At current prices, that should provide a net benefit to free cash flow. As a result, full year 2025 production is now anticipated to come in between 3.9 million to 4.3 million tons versus prior expectations of 4.2 million to 4.6 million tons. Full year 2025 sales are now anticipated to come in between 4.1 million and 4.5 million tons versus prior expectations of 4.4 million to 4.8 million tons.

Fourth, we're also modifying both DD&A and cash SG&A guidance. Cash SG&A guidance has increased to $36 million to $40 from $34 million to $38 million, largely due to increased legal expenses related to the multiyear lawsuit against Chubb Insurance, which is anticipated to go to trial this summer. In addition, DD&A guidance declines to between $71 million to $76 million from $73 million to $78 million, resulting from the aforementioned changes to production and CapEx.

Fifth, anticipating continued weak market conditions, tons sold in the second quarter of 2025 are projected to close to Q1 levels at between 850,000 and 950,000 tons. Q2 cash mining costs should come in towards the high end of the annual range given the lower tonnage levels.

Moving to the balance sheet, our liquidity of $118 million on March 31 was up almost 25% year-on-year. At the same time, our overall credit metrics remain strong with net debt to adjusted EBITDA of less than 0.7x on a trailing 12-month basis. Bottom line is that despite the challenging market conditions, our operations remain firmly in the first quartile of the U.S. cost curve. When coupled with our liquidity levels and strong balance sheet, Ramaco is well-positioned to withstand any continued near-term market weakness. At the same time, we have one of the strongest growth profiles in the space and are well-positioned to take advantage of market strength when we do see a better market.

Lastly, as Randy mentioned, we continue to make substantial progress on our rare earth and critical minerals project at the Brook Mine in Wyoming. There is a lot to be optimistic about when looking ahead. With that said, I would now like to turn the call over to our EVP for Mine Planning and Development, Chris Blanchard, to discuss operations.

Chris Blanchard — EVP, Mine Planning and Development

Thank you, Jeremy, and thanks to everyone who is able to join us this morning. As Randy and Jeremy have both noted, despite our continued operational successes on the mining side, the continued weakness in the global met markets and the dynamics of the steel business continue to hinder our financial performance. As we mentioned briefly, adverse weather in January and February — extreme freezing temperatures and historic flooding, respectively — caused us to miss our production targets in those 2 months by approximately 150,000 clean tons. This production miss, coupled with the idle costs and cleanup and recovery efforts incurred at the mines, contributed to the slight uptick in our mine operating cash costs from the fourth quarter of ‘24 to the first quarter of this year.

Performance at our High-Vol Elk Creek complex has continued to surpass expectations on a cash cost basis overall. Correcting for the lost tons at Elk Creek due to the weather events, the fully ramped Elk Creek complex is operating right at a 3 million ton per year production rate. That translates into average cash cost of production

significantly below $100 per ton. However, given the market weakness in both price and demand, we are looking at potential areas to further improve cost performance at Elk Creek as well as companywide. As Randy noted, we do not want to produce tons simply for the sake of producing them.

At our Berwind complex, during the first quarter we began construction of the next ventilation shaft for the continued expansion of that mine. The completion and the activation of this shaft in the next several weeks will allow us the optionality to relatively quickly start the new #3 and #4 producing super sections once we get clarity on better market conditions. Equally important at Berwind, we have seen recent improvements in the geologic conditions on our currently operating #1 and #2 sections. This is translating into both higher production and lower cost for that mine, and therefore the entire complex. From a cost standpoint, we are also moving one of our sections back onto our owned coal reserves, where we'll have no royalties and have immediate cost savings of several dollars per ton.

Finally, at Maben, we are working with our rail partner there to design and develop a potential batch way loadout to eliminate most of the trucking from this complex. This will allow Maben to realize its first-quartile cost profile once these logistics costs can be further reduced or eliminated. Engineering and design work, as well as exploration core drilling continues for our underground reserve areas and project. We are poised to move forward with these additional high-quality, low-vol tons when market conditions dictate that we should. As Randy alluded to, with our Elk Creek complex running near capacity, we have over 2 million tons of optionality in our portfolio of annual high-quality, low-cost, low-vol tons that can be brought online and into operation within 12 to 18 months between the growth at our Berwind mine and of the new underground complex at Maben.

The one positive aspect of the current extended market weakness is the general easing of the labor market tightness, which has persisted for several years. We have been successful in filling vacancies and improving the overall experience level of our operation teams as well as picking up some key safety professionals, operations leaders, and engineering talent. Having an even stronger team will allow us to pivot more quickly when the market adjusts in a positive direction.

Finally, regarding the operations in Wyoming, we're excited to announce that we are expecting to break ground before the end of next month on the Brook Mine. While mining will initially be at modest levels compared to the Powder River Basin mines, we will be removing our first coal from the pits. This will let us accelerate our testing and optimization efforts at the pilot stage. We will be moving to break ground at the pilot facility later in the summer. This will enable us to move from testing samples that are in the gram and kilogram size to up to a ton or more per day potentially.

The results from the pilot plant will then inform the final design of the future commercial plant along the timeline which Randy earlier discussed. Those steps will be the first towards the commercial operations ever in the development of our critical minerals business.

To conclude, operationally, we will continue to keep ourselves positioned defensively, as well as aggressively manage our costs and those things that we can control. I would now like to turn the call over to our Chief Commercial Officer, Jason Fannin, to discuss our overall sales program and all the market dynamics.

Jason Fannin — Chief Commercial Officer
[Note: Due to technical audio difficulties, this portion of the transcript is supplemented by the prepared written remarks]

Thanks Chris, and good morning everyone. Today I'll share our views on our sales outlook and current posture, coking coal and steel markets, and finish up with some comments around our initial REE and critical minerals marketing and sales endeavors.

Starting with an overview of our sales book and the various markets we serve, in the US and Canada our domestic end-users are taking shipments at a ratable pace, consistent with our expectations and contractual schedules. This steady cadence provides continued support for our overall sales book, even in the face of soft seaborne pricing. At the start of the second quarter, we had secured commitments for 3.7 million tons. North American buyers account for 1.6 million tons at an average fixed price of $152 per ton, and first-quarter seaborne shipments of 0.6 million tons achieved an average fixed price of $111 per ton. In total, our fixed-price book for

2025 stands at 2.2 million tons at a blended price of $141 per ton, with an additional 1.5 million tons sold to seaborne customers under index-linked pricing for later delivery.

Most of our remaining uncommitted volumes are tied to planned back-half production, giving us the flexibility to layer in additional sales at attractive risk-reward price points. With market headwinds persisting, we're optimizing our production plan to limit lower-priced spot sales and focus on the highest-return opportunities. This flexible, systematic approach is designed to enhance margins, target the best sales opportunities, and continue serving our long-term customers, positioning Ramaco for future growth.

As we look at the macro, global coking coal markets have continued to weaken from a pricing standpoint with index averages down approximately 6% since the start of Q1. As of May 9th, the Australian premium low vol index currently sits at $190.50 per ton, up from its recent low of $166.00 in late March. The price improvement is largely driven by supply disruptions at several Australian mines, coupled with steady restocking demand from Indian end-users. The US East Coast low vol index is currently $181.00 per ton and has rebounded slightly from the lows seen at the end of Q1, up about 4%.

Even with the slight uptick in Atlantic met coal indices, these levels do not fully appreciate the supply side impacts caused by recent bankruptcies, mine idlings, and reductions in staffing and shifts at numerous operations throughout the US metallurgical coal space.

Here at the halfway point of the second quarter, the metallurgical coal market remains under pressure, driven largely by persistently weak steel mill profitability in export-oriented markets. Chinese steel exports have continued at a strong pace, maintaining downward pressure on global steel prices and margins. Compounding these factors are global tariff disputes, which have introduced additional uncertainty and are likely to weigh on steel demand across many key regions.

As we anticipated during our last earnings call, these conditions are beginning to take a visible toll, most acutely on smaller, less well-capitalized producers and those producers historically reliant on exporting coal to China. Tariffs and trade restrictions have sharply curtailed Chinese buying, exacerbating already challenging price

conditions. Producers unable to manage costs effectively are undergoing material financial strain, and the number of idlings and layoffs has continued to rise in recent weeks. We believe we are now at the midpoint of this correction, where financial and operational stress across the industry is becoming more pronounced. If current conditions persist, we anticipate a further wave of supply cuts that could help restore balance to the market.

On the demand side, China's appetite for seaborne coking coal remains subdued. Ample domestic supply, along with steady import flows from Mongolia and Russia, continues to displace higher-cost international tons. While this weakness persists, it is being partially offset by growing demand from India, one of the few bright spots in the global market. That said, seasonal restocking activity in the near term may bring additional price softness before a broader recovery takes hold.

Looking ahead, rumored Chinese steel production cuts, if implemented, could further dampen near-term met coal demand. However, those same cuts may ultimately reduce Chinese steel export volumes, helping to stabilize global steel prices and potentially marking the bottom of this cycle. If iron ore prices fall as a result, improved steel mill margins could accelerate a recovery in coking coal prices.

We remain bullish longer-term on the European steel market as policymakers pivot from fiscal conservatism toward expansionary, pro-growth strategies. Measures such as increased infrastructure spending, targeted manufacturing incentives, and potential safeguard actions against low-cost imports should collectively drive higher downstream steel demand and bolster steel mill margins. This policy shift lays a strong foundation for sustained metallurgical coal consumption in the Atlantic Basin over the coming years.

In the Atlantic Basin, Ramaco's various product grades remain in high demand, particularly with our specialty customers in Europe who continue to secure and receive regular shipments at their usual pace. South American markets remain stable with modest upside expected in the back half of the year. Ramaco's term contract order book in the region continues to perform as expected, and we've seen both heightened interest and increased spot tenders from end-users in the region.

In the Pacific Basin, our strategy remains centered on a core group of long-term customers and we are taking a pragmatic approach to spot inquiries from the region given the challenging pricing environment.

Turning to our critical minerals marketing strategy, we're rapidly mobilizing efforts around our Brook Mine deposit in Sheridan, Wyoming. We have mapped the full supply chain for our highest-value Rare Earth Elements and critical minerals and are engaging key US consumers, particularly suppliers to the U.S. Department of Defense, to align on operating timelines, product and volume projections, qualification protocols, and downstream applications.

To date, we've held productive preliminary discussions with potential customers regarding their particular needs, the various Brook Mine products and projected quantities, and concentrate sample qualification procedures, laying the groundwork for future offtake agreements. With pilot plant construction slated to commence this Fall and first concentrates expected in 2026, we're building a robust commercial pipeline that leverages the continued buildout of our REE and critical minerals production and processing leadership team.

With that said, I would now like to return the call to the operator for the Q&A portion of the call. Operator?

Questions and Answers

Operator

[Operator instructions]

Our first question comes from Nick Giles from B. Riley Securities. Please go ahead.

Nick Giles — Analyst, B. Reilly Securities

Yeah, thank you operator and good morning everyone. Guys thanks so much for the detailed update this morning.

My first question was on the met coal side. So second quarter guidance of 900,000 tons at the midpoint. So as I am trying to back into what your guidance could imply for the second half, I believe I am getting to around at least a 25% improvement from 2Q to the 3Q, 4Q levels. So I just was curious how we should think about sales mix, cost improvements, etcetera, as we move into the second half? Thank you very much.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

I am going to let Jeremy answer that, but first let me apologize, we are having some audio issues that we have heard from several of you on the line. So, we are not quite sure how to fix that, but hopefully you can take a look at the transcript and that will clarify whatever remarks you weren't able to hear clearly.

Jeremy R. Sussman — Chief Financial Officer
Note: Due to technical audio difficulties, a portion of this section contains later edits by the speaker, which are bracketed.

Thanks Randy, and good question Nick. So, our Q2 sales guidance of 850,000 tons to 950,000 tons obviously does imply a pickup in the back half of the year. So I think of Q2 cash costs, again, possibly towards the higher end of the range with the lower tonnage. We are just simply not going to force tons into a challenging market right now, but we do, as we said in our remarks, expect the market to pick up in the back half of the year. We are already starting to certainly see some supply [come offline]. So I would sort of think about Q3 probably up, let's call it in the 1 million, 1.1 million range versus Q2. Then you kind of back into the [range for] Q4, I know that's a pretty widespread, but certainly we have built an inventory and if the market does improve, we have got an ability [for sales to meaningfully exceed production in Q4].

Nick Giles — Analyst, B. Riley Securities

Jeremy, that's helpful. I caught most of that, but might have just lost the last bit, but I think I got the message there. So, I appreciate it. My second question, I did want to turn to the rare earth side, and earlier this month, there was a second installment of critical mineral production projects that were named as FAST-41 projects. And

so my question is, do you think that the Brook Mine could be included on such a list? And if so, what could the potential benefits be of any inclusion? Could there be Federal funds that could either accelerate or improve the economics of the project? Thank you very much.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Sure Nick, this is Randy. So sort of two parts to your question, the first is that the projects that were named as being fast-track are ones that have permit issues. So, there is a new entity called the Permitting Council that was the one that was essentially responsible for identifying projects that could be put on, as they said, a fast-track to try to resolve, frankly, federal permitting issues related to either federal lands, environmental questions or things of that nature. We were not put on that list because frankly, we didn't qualify. We already have a permit. So, we are kind of moved beyond that.

But to the second part of your question about Federal assistance, so we have been in touch with another new entity called the National Energy Dominance Council. They are certainly aware of our project as are several rungs above them on the federal side. And once we get to a point where we actually understand the financial dimensions of what we are talking about in terms of the overall development, then we intend to sit down and see what different types of alternatives might be available on the federal level, be they financing, be they procurement, be they some form of relationship with certain parts of the defense establishment, there is a variety of different avenues that we may be able to go down.

But as I have said, the interesting thing, of course, is we are the first to come out of the gate that's actually going to be in a position to begin producing. So, the federal government is certainly trying to do their best to be helpful to us.

Nick Giles — Analyst, B. Riley Securities

Randy, thank you so much for that. First of all, the clarification on the permitting side and then the additional color there. And so, I will sneak in one more just as a follow-up to that. I just want to better understand your desire to potentially bring in either a financing, strategic, or operating partner. Obviously, you have some strong

partnerships in place with Fluor and Weir and other parties you have worked with. But is there any desire to bring in more of a concrete partnership in the form of a JV? And if so, at what stage would we think about something like that? And what could economics look like? Thank you very much.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Yes, sure. So let me clarify the thesis of your question. We are not seeking a joint venture partner, nor are we reaching out to any third parties to join us. We view this project as one that Ramaco is going to be able to finance on their own, either directly through the existing Ramaco entity, or we can explore various offshoots of the mothership, so to speak, to finance this separately. That of course does not even mention any involvement that we might have with federal partners that would be, hopefully, on a non-dilutive manner for whatever contributions that they would make.

So, just to be clear, with the partners that we have now are really development partners. Fluor is obviously an important partner to us on design and engineering. We have other third-party groups. We're working with the National Energy Tech Lab and other parts of the national laboratories under the Department of Energy in exploring a number of different novel technologies, both in terms of exploration, where we are using some pretty novel AI techniques, as well as various types of novel refining and processing techniques. So, bottom line, when we get this boat on the water, we intend to put it out there as a Ramaco venture, not as a joint venture with any other third-parties.

And indeed, when you think about it, there really aren't any other third-parties out there that are in the rare earth business in the United States that are really operating, certainly, the minerals that we do. So, again, we are kind of blazing a trail, at least with respect to the critical minerals and the particular rare earths that we will be involved in developing.

Nick Giles — Analyst, B. Riley Securities

Randy, again, this is all super helpful clarification. So, I appreciate the update this morning and continue the best of luck.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Thank you so much.

Operator

Our next question comes from Nathan Martin with The Benchmark Company. Please go ahead.

Nathan Martin — Analyst, The Benchmark Company

Thanks operator. Good morning guys. I want to start on the CapEx side. Obviously trimming that by $5 million at the midpoint, is that deferred maintenance or some growth being put on hold, given the current market conditions? This would be great to get an updated breakdown of sustaining versus growth and even what's being spent at the Brook Mine this year.

Jeremy R. Sussman — Chief Financial Officer

Thanks Nate, it's Jeremy. Good question. So, yeah, we did trim from $60 million to $70 million down to $55 million to $60 million. We did remove the fourth section of the Berwind mine from our CapEx guidance. So, effectively, that growth has been deferred in the current market environment. I think about it as let's call it about $10 a ton of maintenance CapEx, which leaves you around $15 million or so of growth CapEx, roughly $5 million or so of that is on the REE front. And then the rest is mostly in the first half of the year, a lot of which already took place in Q1. We talked about some growth projects in '24 that carried into '25. So, when you look at the balance of the year, our CapEx from Q2 through the fourth quarter on average will be less than $15 million a quarter versus obviously the $20-ish million number in Q1.

Nathan Martin — Analyst, The Benchmark Company

Alright, very helpful Jeremy. Thanks for that breakdown. Your comment as well about how 2Q costs likely at the higher end of full year guidance range is given fewer shipments. From thinking about a potential offset, you guys have 1.6 million domestic tons fixed at $152 a ton, obviously well above where the current export market is.

I believe domestic shipments usually pick up in the second quarter. Is that fair? And is it possible we could see maybe your average realized price per ton, flat or even up in 2Q just given support from those higher priced domestic tons?

Jeremy R. Sussman — Chief Financial Officer

Nate, it's Jeremy again. So, I guess the way I would think of it is, we have shipped about 300,000 tons of domestic business in the first quarter. On the export side, we were heavy into Asia. So, both of those went against us. That does imply, call it 400,000 tons or so a quarter, Q2 through Q4 as the lakes season picks up. So, you are absolutely right on that. The bad news, of course is, the majority of our tons in Q2 and through the rest of the year still go into the export market. Spot pricing is down, call it 4% or 5% from the first quarter. And about 60% plus of our Q2 tons will be exposed to the indices. So, I think domestic will help a little bit, but certainly it's tough to overcome. The indices kind of are what they are.

Nathan Martin — Analyst, The Benchmark Company

Yeah that's fair, Jeremy. And then any thoughts on exposure to the CFR pricing versus FOB and responsible trade, obviously preferring realized price?

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

We don't have any CFR exposure, Nate.

Nathan Martin — Analyst, The Benchmark Company

Okay. Great to hear, Randy. Maybe just one final, this goes back to last month's executive orders ended declaring met coal a potential critical mineral. Can we get any thoughts on that and what you guys see as any potential benefits, whether that's permitting, your federal money, etcetera?

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

I think we would love to see federal money from met coal, but I don't count on that anytime soon. I think the permitting side is meaningful, particularly to the extent that there are potential projects involving BLM land. We have got a few that we are potentially looking at. I think that will be helpful. Certainly on the permitting side, just as you saw the fact that Warrior had a mine included in the fast-track list that the Permitting Council put out. If we look like we are having bumps in the road on permitting, I think that will be handy as well. But I think in general, it's a realization that met coal really is a critical material. And I think that in the longer range will be helpful to us. And I think as the federal government begins, frankly, to develop out what their overall coal policy will be, I think you can expect that there will be nuances that will come into play on additional matters and means that the federal government will try to be of some assistance as it does relate to met coal going forward.

Nathan Martin — Analyst, The Benchmark Company

I appreciate those thoughts, Randy. Jeremy, thanks for your time as well and best of luck guys.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Thanks Nate.

Operator

We have a follow up question from Nick Giles with B. Riley Securities. Please go ahead.

Nick Giles — Analyst, B. Riley Securities

Thank you so much for taking my follow-up. I did just want to go back to the – Randy, you made some comments, I think you said there has been a backlog in testing and that's contributed to some of the delays in us receiving the preliminary economic analysis. And I think now you are targeting a release by the end of this quarter. And so I just wanted to ask, is there a level of conservatism in that guide? And then in addition, what should we ultimately be looking for in this PEA? I mean any flavor you can give us either on the CapEx side or project returns, anything of that nature? Thank you very much.

Randall Atkins — Founder, Chairman, and Chief Executive Officer
Sure. Great question. So, as we all understand the rare earth critical mineral business is the shiny object at the moment out in the general market, and of course strategically as well. As a result, the frankly limited number of testing facilities both in the U.S. and Canada that are involved in the myriad of different types of testing — be they chemical, hydrometallurgic, and other relating to any type of critical minerals — have been swamped. Test results that we were promised to be back in two months, we have had to wait over a year.

And the way that this works, it is clearly not like the coal business. The coal business, you can walk in a mine and look at the wall and see how tall the coal is. Here you are dealing with particles that are in essence the size or less of a strand of your hair. So, these are not things that are readily apparent.

And the real trick, of course, is the processing and refinement. So, you have to go through a series of different testing to optimize essentially the chemical and metallurgic character of what you will get out the other end. As a result, you have to test and then retest. And so that is what has taken such a painstaking amount of time to get completed. And of course once we have the test results, then Fluor is able to take that, optimize those within their database and black box computerization of projects that they look at around the world to come up with essentially just what you ask, which is the economics of this.

So, we expect the preliminary economic analysis as a first go will have the preliminary both CapEx as well as economics of the project. I would suggest that, the preliminary numbers will always come with a fair degree of, I wouldn't call it fluff, but certainly conservatism to be building in a certain degree of contingency, which as we go further along, obviously the contingency declines. And frankly, as we go along, particularly through the pilot phase, we will better inform, how we can optimize the refining process, which again, we hope will create a situation where the economics improve the further we go out.

But having said all that, the report that we will get at the end of June will hopefully certainly give the market a pretty good sense of the feasibility of the project, the general economics, the CapEx, etcetera. And that's pretty much what we will use until we get to a phase where we have got enough results from a pilot operation to truly

be able to come back and plug in another set of numbers, which reflect really, frankly, testing on a larger scale from the pilot facility.

The one thing I think, again, to appreciate is the testing we are doing now is really laboratory scale testing. We are doing it at sort of bench scale, we are dealing in kilogram sizes. What we will be doing now when we open up the mine, we will basically be testing tonnage size sampling that will go into the pilot facility. So, we expect just by virtue of the sheer mass of additional material, we are going to get a lot better results, particularly on some of these critical minerals and elements that have generally smaller concentrations. But you don't really be able to pick up the refinement optimization until you can test those, frankly, at a larger scale. So, it's sort of the first step on a long train, but I think it will be an important indication to the market of the general scale and economics of what the project will look like.

Nick Giles — Analyst, B. Riley Securities

Randy, thank you for all that color. Maybe just one more if I could, I mean you did mention in your release that the Brook Mine is Wyoming's first coal mine in 50 years. And so I just wanted to ask about the coal component of the project. Could there be saleable production? Should we consider the coal as a potential byproduct? I mean how should we think about, how should we think about the coal contribution here?

Randall Atkins — Founder, Chairman, and Chief Executive Officer

Well, I am delighted you brought that up. And I again apologize for the audio because you might not have heard it in my remarks.

But we have got essentially, at this point, 2.5 million tons that we are projecting to mine of material in general, which includes obviously the coal as well as the strata above and below the clays and the shales. Of that 2.5 million tons, about a 0.5 million tons will be mineralized product that we will then use to refine to make rare earth and critical mineral oxides and concentrates. The other 2 million tons a year will basically be good old fashioned Powder River Basin thermal coal, which we will indeed sell into the thermal utility markets. And we

will use the revenue from that sale of coal to in essence reduce the mine cost as it relates to the rare earth operation.

So, the end game is that we will have a very low cost basis as it relates to the rare earth operation, which again puts us in a rather unique position. Most other rare earth projects around the world, the rare earth – or the material that they are mining is the principal component for the rare earth. They are not a lot of secondary uses for whatever is mined. In our situation, the reverse is the case. We have got, most of the material we mine will be able to be sold and then reduce the essence, the cost that's associated with the critical minerals themselves. So, we regard that as a distinct advantage of this project.

Jeremy R. Sussman — Chief Financial Officer

And Nick, I might just point to in relation to both of your questions to Slide 16. You can kind of go through that, but it's some new information where we break down our annual production of what we are expecting out of the Brook mine. And of course, you can put the market prices next to that and come up with a kind of a basket number. So hopefully that helps.

Randall Atkins — Founder, Chairman, and Chief Executive Officer

Yeah, I will say the interesting thing about market prices. Needless to say, the entire business is controlled by one monopolistic producer, which is China. And as a result, the prices vary widely, particularly once the restrictions on exports and bans on exports started to kick in, the prices on various critical minerals have wildly moved. So, how those prices actually look by the time we go into production and frankly, how real the prices that are published or look, I think will be vastly different, which we hope obviously in a positive vein.

Nick Giles — Analyst, B. Riley Securities

Randy, Jeremy and team again, this is all very helpful. So, keep up the good work. Thank you.

Randall Atkins — Founder, Chairman, and Chief Executive Officer

Thank you.

Operator

Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to CEO, Randall Atkins for any closing remarks.

Randall Atkins — Founder, Chairman, and Chief Executive Officer

We just appreciate everybody being on the call today. I know it's a little bit longer than normal, but we, as I have said, had a lot of wood to chop here to cover. And also I apologize to the extent that the audio apparently was a bit choppy. So, again, I would encourage everybody to read the printed transcript to make sure that they caught everything that was said.

And other than that, we appreciate everybody's interest in Ramaco and we will look forward to catching up probably actually before the second quarter results with hopefully a separate call that will relate specifically to our critical mineral and rare earth business. So, with that, we thank you very much.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.