

ASX ANNOUNCEMENT

FULL YEAR RESULTS FY2018

Strong results and maiden dividend

Stanmore Coal Ltd (ASX: SMR), an independent metallurgical coal producer with the Isaac Plains Complex in the Bowen Basin, Queensland, has reported a net profit after tax of \$5.966 million for the year ended 30 June 2018.

FINANCIAL PERFORMANCE

Key financial performance metrics significantly improved on the previous corresponding period¹ (pcp) with the key highlights of the FY2018 financial performance being:

- Revenue of \$208.081m, up 51%.
- Gross profit of \$52.291m, up 55%.
- Underlying EBITDA (non-IFRS measure) of \$45.548m, up 70%².
- Cash flow from operations contributed \$21.874m to the group against outgoings of \$17.810m in the pcp.
- Maiden dividend of 2 cents per share declared.
- FY17 drawn working capital facility of \$15.601m was fully repaid leaving the company debt free at the end of the year.

Financial Position	2018 \$'000	2017 \$'000
Coal Sales and Other Revenue	208,081	137,846
Cost of sales	(155,790)	(104,057)
Gross Profit/(Loss)	52,291	33,789
Other income and expenses	(33,465)	(15,100)
Finance income	0,293	0,212
Financial expenses	(9,079)	(9,537)
Profit/(loss) before income tax benefit/(expense)	10,040	6,418
Income tax benefit/(expense)	(4,074)	5,617
Profit/(loss) after income tax expense	5,966	12,035

¹ The pcp covers the financial year ended 30 June 2017.

² The Underlying EBITDA calculation for 30 June 2017 was adjusted in line with the 2018 Underlying measure adopted.

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Underlying EBITDA result (non-IFRS measure)

	2018	2017
	\$'000	\$'000
Profit/(loss) before income tax and net finance expenses	18,826	15,743
Depreciation and amortisation	5,207	3,332
Earnings before interest, depreciation and amortisation	24,033	19,075
Adjustments for Underlying EBITDA		
Impairment and write off of exploration assets	0,008	0,917
Movement in impairment of The Range Development Project	-	(8,512)
Remeasurement of rehabilitation provision	(0,281)	1,357
Remeasurement of onerous contracts	(4,040)	(0,538)
Fair value movement contingent consideration	25,828	14,457
Underlying EBITDA	45,548	26,756

The 70% improvement in Underlying EBITDA (non-IFRS measure) on pcp was driven by strong operational performance and improvement in coal prices.

Other significant transactions included in the result were:

- Remeasurement of the fair value of rehabilitation liabilities recognised as a result of the Company's investment in rehabilitation and revision of the rehabilitation obligation for the operations.
- Remeasurement of onerous contracts recognised as part of the Isaac Plains acquisition to include the maiden JORC reserves released for Isaac Plains Underground⁴.
- Remeasurement of the fair value of future contingent consideration payments (production-based royalty) recognised as a result of improvements in coal prices, as part of the original Isaac Plains acquisition.

SAFETY PERFORMANCE

Safety performance declined from a Total Recordable Injury frequency rate (TRIFR) of 12.5 to 16.4 injuries per million man hours during the period.

The Company is committed to safety and to achieving zero harm to our people and environment.

OPERATING PERFORMANCE

	2018 '000	2017 '000
Prime Overburden (bcm)	23,382	22,345
ROM coal produced - Open cut (kt)	1,643	1,521
ROM strip ratio (prime)	14.2	13.4
ROM coal produced - Highwall (kt)	-	217
CHPP feed (kt)	1,602	1,617
ROM stockpile (kt)	85	62
Saleable coal produced (kt)	1,128	1,204
Saleable coal purchased (kt)	10	-
Coal sales		
- Metallurgical (kt)	835	832
- Thermal (kt)	483	188
Total coal sales (kt)	1,318	1,020
Product Yield	70.4%	74.5%
Coal product stockpile (kt)	80	258

⁴ Maiden JORC reserves announced on 28 May 2018 of 12.9Mt (9.4Mt Marketable reserves)

Average sale price achieved (A\$/t)	144.8	135.1
Unit costs of sales (A\$/t sold)		
FOR cost (A\$/t sold)	82.3	80.0
FOR to FOB cost (ex. State royalty) (A\$/t sold)	15.8	13.4
State royalty (A\$/t sold)	11.9	11.1
FOB cash cost (A\$/t sold)	110.0	104.5
Margin	34.8	30.6

The 2018 operational performance built further on the improvements the Company realised in 2017, with consistency and reliability underpinning the results. Key highlights included:

- 23.38mbcm of overburden moved representing a 5% improvement on pcp.
- ROM coal production from the open cut improved by 8% on pcp
- Product coal of 1.128mt being within guidance.
- Total Underlying FOB unit costs during the period of A\$110.40/t including A\$11.88/t contribution towards state royalties.
- Coal sales of 1.318mt were 29% higher on pcp
- Average sales price achieved for the year of A\$144.8/t, an increase of A\$9.69/t in the pcp.
- Site rehabilitation progressed with a total of 128Ha recontoured, and the site rehabilitation obligation with the State reduced.
- Isaac Plains East project mining leases granted in March 2018 and pre-mining work undertaken in June 2018, with first coal being mined in August 2018.
- The purchase of Wotonga South was effective June 2018, with completion of the acquisition occurring on 31 July 2018.

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Operations

Isaac Plains

In light of strong coal prices being received and the granting of the leases at Isaac Plains East, the Company accelerated production at Isaac Plains with a small increase in costs to maximise the financial performance of the operation. In the second half of the year, this accelerated performance resulted in the mine operating at an annualised rate of 1.9mt ROM coal. Planned maintenance shutdowns of the Coal Handling and Preparation Plant and the Dragline were successfully completed, and these in combination with the operations increased performance positions the company well for FY19.

Isaac Plains East

With the approval of the amended Environmental Authority in January 2018, and subsequent granting of the mining leases in March 2018, Isaac Plains East commenced operations in June 2018. Due to the lower depth of cover and improved coal quality and yield, the company expects a healthy improvement to operating costs and margins during FY19. The operation commenced using a truck and excavator fleet for initial production and dragline set up.

Development

Isaac Plains underground has progressed from an initial PFS to a BFS with the assistance of Mastermyne (ASX: MYE). It is expected the BFS will be finalised in September 2018, allowing the Company to make an investment decision during FY19. Maiden JORC reserves were declared on 28 May 2018, with 12.9Mt and Marketable reserves of 9.4Mt.

On 12 June 2018, the Company announced it had executed definitive agreements with Peabody Australia to acquire MDL1371 and EPC7282 from Millennium Coal Pty Ltd (Wotonga South), which subsequently completed on 31 July 2018. This acquisition represents significant value for our shareholders and provides the Company with an additional eight to ten years production life, while utilising the existing infrastructure. Plans are currently underway to progress the approvals of this project which has JORC resources (2012 compliant) of 22.8Mt.

Exploration planning for EPC 755 (15km south of Isaac Plains infrastructure) will commence during FY19 to assess the feasibility of the region to the south of Wotonga South (now named Isaac Downs).

OUTLOOK AND LIKELY DEVELOPMENTS

Guidance

FY19 guidance is 1.8Mt Product incorporating the transition to Isaac Plains East. Underlying FOB Costs will improve to \$86/t (excluding state royalties) from \$98/t in FY18. State royalties (variable dependant on coal price received), are estimated at \$14/t in FY19, up from \$12/t in FY18.

Market and Pricing

Metallurgical coal demand and pricing was significantly stronger than historical forecasts for the past year as steel makers capitalise on the higher margins available in the market. With the tightness in supply and the demand experienced it is expected that metallurgical coal will remain well supported.

The September 18 Quarterly SSCC Benchmark price (forward looking) was set at USD137/t. The index-linked pricing will be confirmed in late August 18.

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Stanmore Managing Director, Dan Clifford, said in commenting on the periods performance "There has been nothing more important than executing our strategy 'on the ground'. Disciplined operational performance, capital light project development and acquisition coupled together with a significant rehabilitation performance has proven the company's ability to perform across the full cycle of resource development in a short period of time."

"With the operations and successful assembly of a long-life resource base, this discipline will now be applied to acknowledging returns to our loyal and supportive shareholders with a maiden dividend of 2 cents per share being declared by the Board."

"The outlook for the company as our strategy is delivered is compelling. Our infrastructure is in place, production is increasing by 50%, costs are reducing, and we have a strong pipeline ahead of us as we take the infrastructure to full capacity."

Yours faithfully

Ian Poole
Company Secretary

FOR FURTHER INFORMATION, PLEASE CONTACT:

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ABOUT STANMORE COAL LIMITED (ASX CODE: SMR)

Stanmore Coal operates the Isaac Plains coking coal mine in Queensland's prime Bowen Basin region. Stanmore Coal owns 100% of the Isaac Plains complex which includes the original Isaac Plains Mine, the adjoining Isaac Plains East (now a new open cut mine that commenced operations in July 2018), and the Isaac Plains Underground Mine (currently being assessed in a Bankable Feasibility phase). The company is focused on the creation of shareholder value via the efficient operation of Isaac Plains, timely development of Isaac Plains East and identification of further development opportunities (such as the Isaac Plains Underground Mine and the Wotonga Coking Coal Resource) within the region. In addition, Stanmore Coal holds a number of high quality development assets (both coking and thermal coal resources) located in the Queensland's Bowen and Surat Basins.

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