



22 August 2019

## RECORD FY19 OPERATING AND FINANCIAL RESULTS

### Highlights

- Record Net Profit after Tax of \$91.6 million (FY18 \$6.0 million)
- Record operating performance across the board has resulted in earnings at the top end of guidance at \$154.9 million for underlying EBITDA (\$45.6 million in FY18) (Non IFRS Measure)
- Underlying FOB Unit costs contained with higher production output, at \$88.8/t, ex royalty (\$98.1 in FY18)
- Cash flows from operations generated \$140.0 million in the year ending 30 June 2019 (\$21.9 million in FY18)
- Net cash of \$90.5 million at 30 June 2019 (no debt) (\$19.8 million in FY18)
- A final dividend of 8 cps fully franked declared for FY19 payable on 31 October 2019, taking total fully franked dividends for FY19 to 11 cps (FY18 2 cps unfranked)

### REVIEW OF FINANCIAL PERFORMANCE

	2019 \$M	2018 \$M
Coal Sales and Other Revenue	403.059	208.081
Cost of sales	(238.285)	(155.790)
<b>Gross Profit/(Loss)</b>	<b>164.774</b>	<b>52.291</b>
Other income and expenses	(26.620)	(33.465)
<b>Profit/(loss) before income tax and net finance expenses</b>	<b>138.154</b>	<b>18.826</b>
Finance income	0.476	0.293
Financial expenses	(10.100)	(9.079)
<b>Profit/(loss) before income tax benefit/(expense)</b>	<b>128.530</b>	<b>10.040</b>
Income tax benefit/(expense)	(36.932)	(4.074)
<b>Profit/(loss) after income tax expense</b>	<b>91.598</b>	<b>5.966</b>

The primary drivers contributing to the NPAT result of \$91.598m include:

- Gross revenue from coal sales increased to \$403.036m in FY19 from \$190.832m in FY18. The increase was driven by a \$29.0/t increase in the A\$ realised price to an average of A\$173.8/t from \$144.8/t in FY18 and an increase in sales from 2,319kt in FY19 from 1,318kt in FY18.
- The production mix at Isaac Plains was typically 70:30 semi soft to thermal however following the move to Isaac Plains East, this production mix has improved to 89:11 semi soft to thermal mix providing a significant benefit in realised sales prices achieved.
- Underlying FOB costs of \$104.7/t were \$5.3/t lower than FY18 and included \$15.9/t of state royalties which were \$4.0/t higher than FY18.

- The Consolidated Entity updated its Life of Mine (LOM) plan during the year to include the Isaac Downs project. Following the inclusion of Isaac Downs, there was a recognition of an additional \$5.893m of contingent consideration which may be payable to the previous owners of Isaac Downs if the hard-coking coal price exceeds A\$170.0/t (CPI indexed). The company is required to pay a production-based royalty of \$1/t up to a cap of A\$10m.

<b>Underlying EBITDA result (non-IFRS measure)</b>	<b>Note</b>	<b>2019 \$M</b>	<b>2018 \$M</b>
<b>Profit/(loss) before income tax and net finance expenses</b>		<b>138.154</b>	<b>18.826</b>
Depreciation and amortisation	2	11.383	5.207
<b>Earnings before interest, depreciation and amortisation (EBITDA) (Non-IFRS measure)</b>		<b>149.537</b>	<b>24.033</b>
Adjustments for Underlying EBITDA			
Write-off of non-current inventory	2	4.364	-
Impairment and write off of exploration assets	10	-	0.008
Takeover defence costs		1.143	-
Remeasurement of onerous contracts	14	(9.428)	(4.040)
Remeasurement of rehabilitation provision	15	3.134	(0.281)
Fair value movement contingent consideration	16	6.145	25.828
<b>Underlying EBITDA (Non-IFRS measure)</b>		<b>154.895</b>	<b>45.548</b>

Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Director's assessment of the result for the ongoing business activities of the Consolidated Entity. These numbers have not been audited.

The Underlying EBITDA of \$154.895m in FY19 was a \$109.347m improvement compared to underlying EBITDA of \$45.548m in FY18. The improvement in EBITDA performance was due to a 99% increase in underlying margin of A\$69.1/t in FY19 compared to \$34.8/t in FY18. The transition of the mining operations from the Isaac Plains mine to the Isaac Plains East mine during the year resulted in improved geological conditions and better coal quality which has enabled the Consolidated Entity to maintain the strong operational performance and improve the sales mix achieved.

## HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

The Company continues to be committed to the current and future performance of the business for the health, safety and wellbeing of our people, the environment and the communities in which we operate.

The Company undertook or managed 657,966 hours (FY18 547,970 hours) of coal mining, drilling, exploration, and mine development activities (directly and through its contractors) during the year and reported five lost time injuries. The Total Reportable Injury Frequency Rate for the year was 16.7 per million hours, with a Lost Time Injury Frequency Rate of 7.6 per million hours. The Company is disappointed with the safety performance for FY19 and has developed an intervention plan to address the poor performance. This intervention plan will work in conjunction with the Fatal Risk Standards and the Life Saving Rules.

Rehabilitation continues to be a strong focus with 150ha recontoured and 109ha seeded. Additionally, a number of improvement projects were undertaken to improve water management infrastructure and environmental integrity across the Isaac Plains Complex.

Stanmore Coal supported the communities in which our operations are located with a number of grants, sponsorships and important community initiatives and events. Significant 'in-kind' time was also dedicated to regional industry bodies and professional groups to enhance local industry and services in the region.

## OPERATING PERFORMANCE

	2019	2018
Prime Overburden (bcm)	25,758	23,382
ROM coal produced - Open cut (kt)	2,929	1,643
ROM strip ratio (prime)	8.8	14.2
CHPP feed (kt)	2,951	1,602
ROM stockpile (kt)	109	85
Saleable coal produced (kt)	2,390	1,128
Saleable coal purchased (kt)	27	10
<b>Coal sales</b>		
- Metallurgical (kt)	1,985	835
- Thermal (kt)	334	483
<b>Total gross coal sales (kt)</b>	<b>2,319</b>	<b>1,318</b>
Product Yield	81.0%	70.4%
Coal product stockpiles (kt)	191	80
<b>Average sale price achieved (A\$/t)</b>	<b>173.8</b>	<b>144.8</b>
<b>Unit costs of sales (A\$/t sold)</b>		
FOR cost (A\$/t sold)	70.0	82.3
FOR to FOB cost (ex. State royalty) (A\$/t sold)	18.8	15.8
State royalty (A\$/t sold)	15.9	11.9
<b>Underlying FOB cash cost (A\$/t sold, inc. royalty)</b>	<b>104.7</b>	<b>110.0</b>
<b>Underlying FOB cash cost (A\$/t sold, ex. royalty)</b>	<b>88.8</b>	<b>98.1</b>
<b>Margin</b>	<b>69.1</b>	<b>34.8</b>

During FY19 the operations moved from the Isaac Plains mining area to the Isaac Plains East area. The dragline moved from Isaac Plains to Isaac Plains East in December 2018, safely, on time and on budget. Coal mining at Isaac Plains finished in February 2019. As a result of the higher quality of resource at Isaac Plains East and the lower strip ratio, a significant reduction in waste removal costs and increase in sales margin has resulted from a more favourable product mix.

In FY19 the Isaac Plains Complex delivered:

- 2,929kt of ROM coal at a prime strip ratio of 8.8x
- 10% increase in overburden compared to FY18
- 78% increase in open-cut ROM performance compared to FY18
- Product coal production of 2,390kt with the CHPP delivering a total yield of 81.6%.
- Semi soft and thermal coal split of 89% semi-soft and 11% thermal
- Completion of sustaining capital works on the CHPP and dragline, with development of Isaac Plains East and the purchase of Isaac Downs reflecting the \$58.101m cash outflow incurred on investing activities. All capital projects continue to be undertaken safely, on time and on budget.
- Average sales price achieved of A\$173.8/t, with a continued emphasis on tethering pricing dynamics to the premium hard coking coal index, further distancing its brand from the Hunter Valley semi-soft products.

## DEVELOPMENT PROJECTS

### Isaac Downs

On 31 July 2018, the agreement entered into with Peabody Australia for the purchase of Isaac Downs (formally Wotonga South) completed. On 21 December 2018 Stanmore Coal declared an updated Coal Resource of 33 million tonnes for the Isaac Downs Project and declared a maiden Coal Reserve for the Isaac Downs Project of 24.5 million tonnes, of which 17.0 million tonnes met the Proved category and 7.5 million tonnes met the Probable category under the JORC 2012 Code. The Isaac Downs project is expected to support a mine life of 8 to 10 years. Coal quality information for Isaac Downs indicates the operation will have the capability to produce semi-hard coking coal, a mid-volatility pulverised coal injection product, as well as a range of semi-soft and weak coking coals.

Additional exploration and coal quality drilling in 2019 will increase the knowledge of the coal resource further and provide a platform for the development of a Bankable Feasibility Study. Sufficient infrastructure design has been undertaken to define the project. The three major infrastructure

components are the flood protection levee that separates the mining area from the Isaac River, the haul road to link the project to the existing Isaac Plains Mine, and the bridge to provide grade separation between the haul road and the Peak Downs Highway (the haul road will rely on an underpass under the highway).

The Company is working towards having the initial Environmental Impact Study lodged with the Queensland State Government by the end of 2019.

### **Isaac Plains Underground Project**

Following completion of the Bankable Feasibility Study in FY19 which confirmed the financial viability of the Underground project with potential production of on average 1.2Mt per annum from year 2 of the production plan. Given this production capacity, when combined with open cut sources from Isaac Plains East and Isaac Downs, the Company does not currently have enough capacity at the existing CHPP or contracted port capacity. Given these constraints, a decision on the Underground project will be deferred until additional port and CHPP capacity is secured, or until mining at the Isaac Downs project is largely completed.

## **OUTLOOK AND LIKELY DEVELOPMENTS**

### **FY20 Guidance**

Production guidance for FY20 is 2.35Mt (FY19 2.39Mt), incorporating the arrival of the newly acquired CAT 6060 excavator. As mining progresses down dip with an increasing strip ratio the unit costs are expected to increase to \$99.5/tonne (excluding state royalties), from \$88.8/tonne in FY19.

### **Market and Pricing**

The Company is aware of potential pricing volatility as a result of the cyclical nature of the business. However, with a large proportion of tonnage contracted into term customers, the Company expects its achieved prices, to be in line with industry forecasts, and well above the company's cost of production.

Whilst the Company achieves better than long term coal prices, the Company will continue to maintain production where it makes financial and commercial sense to do so.

Yours faithfully

**Ian Poole**  
Company Secretary

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## About Stanmore Coal Limited (ASX: 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 (operational), Isaac Downs (open cut mine project) and the Isaac Plains Underground Project. The Company is focused on the creation of shareholder value via the efficient operation of the Isaac Plains Complex and the identification of further development opportunities within the region. In addition, Stanmore Coal holds a number of high-quality development assets (both coking and thermal coal resources) located in Queensland Bowen and Surat basins.

## Competent Person Statement

The information in this announcement is published and based on information compiled by the relevant Competent Person as described and defined under the JORC Code. Each Competent Person is a member of the Australian Institute of Mining and Metallurgy and have consented to the publication of the relevant Resource or Reserve as indicated on the attached tables. Each Competent Person has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the JORC Code. Each Competent Person consents to the inclusion in this announcement/report of the matters described, in the form and context in which it appears.

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