

# stanmorecoal

25 November 2019

## Chairman's 2019 AGM Address

On behalf of the Directors, I am pleased to present to shareholders a record operational performance for Stanmore Coal in the 2019 financial year, which led to record financial outcomes for both the Company and our shareholders.

The team at Stanmore Coal delivered an outstanding performance at our operations during FY19 and the highlight has been the safe and successful transition from the original Isaac Plains mine to Isaac Plains East in December 2018. Favourable geological conditions and lower strip ratios at the new mine, which commenced operation in August 2018, helped us to achieve an improved mix of coking and thermal coals, reduced production costs and increased sales prices and margins.

Based on the strong operational and financial performance, the Board declared a fully franked final dividend of 8 cents per share, along with the fully franked interim dividend of 3 cents per share. The combination of share price growth and dividends paid during the 2019 financial year delivered a Total Shareholder Return of 69.5%, which was the best outcome of any ASX-listed coal company.

### Financial performance

The Company's revenue from operations totalled a new record of \$403.1 million, an increase of 93% on the previous year. This resulted in gross profit of \$164.8 million which was a 215% improvement on FY18. Underlying Earnings Before Interest, Tax, Depreciation and Amortisation improved by 240% to \$154.9 million, and the Company reported Net Profit After Tax of \$91.6 million, compared with \$6.0 million in the previous financial year.

Cash generation from operations was \$140.0 million, another substantial improvement compared with \$21.9 million in FY18. This was balanced against cash outflows that will support the future growth and performance of the business including the acquisition of Isaac Downs, development capital for Isaac Plains East and planned maintenance of major equipment and infrastructure. The Company ended the financial year with no funds drawn from its working capital facility.

The Company also completed a debt re-finance for its working capital and bonding facilities during the year. The new arrangements reflect the financial strength of the business and will reduce overall financing costs.

### Industry outlook

While the outlook for metallurgical coal remains positive, the Company is always mindful that coal is a cyclical commodity, which creates the potential for pricing volatility. There is no doubt that coal prices have been under pressure over the past six months and the Premium Hard Coking Coal price has fallen 25% since February this year. To address this, Stanmore concentrates on higher margin metallurgical coal and minimises the amount of by-product thermal coal.

Stanmore has become known for its operating cost discipline and has a 'capital light' approach to operating costs and capital investments in the business. This ensures the Company will continue to generate strong cashflows and maintain a robust financial position, which in turn gives us the flexibility to deliver strong and stable returns to you, our shareholders. This disciplined strategy gives the Company some protection against the cyclical nature of our market.



A large proportion of the Company's product coal is contracted to term customers, which means we expect achieved prices to remain stable and well above the cost of production, and in line with industry forecasts.

### **Corporate activity**

In November 2018, the Company received an unsolicited off-market takeover offer which saw Golden Investments acquire a relevant interest in 25.47% of Stanmore's shares on issue. With subsequent share purchases and participation in the DRP, Golden Investments' position has increased to 28.42% of Stanmore's issued capital.

After the reporting period, the Board also received a non-binding indicative proposal from Winfield Group Investments in August of this year. After a period of due diligence, Winfield Group elected not to progress the proposal to a formal offer for the Company's shares.

### **Governance**

During the year, the Board continued to extend its skills and capabilities with the appointment of Darren Yeates as an independent director. He brings considerable mining industry experience and is making an important contribution to Board deliberations.

I would also like to welcome Jimmy Lim to the board. He joined the board in October as a nominee of our largest shareholder Golden Investments and bring extensive experience in finance and investment management.

A number of other directors – Patrick O'Connor, Andrew Martin and Chris McAuliffe – resigned from the Board during the year.

### **Thank you**

Dan Clifford, who was Managing Director of Stanmore Coal for approximately three years, informed the Board of his resignation in October. On behalf of the Board, I would like to thank Dan for his leadership of the Company that has seen Stanmore deliver excellent operational and financial performance. We wish him well in his new role.

A recruitment process is underway, and I look forward to updating shareholders on the appointment of a permanent CEO in due course. Jon Romcke, who was Stanmore's General Manager Business Development, has stepped into the role of Interim CEO to ensure an orderly leadership transition. Jon has outstanding credentials in the resources sector over more than 30 years and the Board has every confidence in his ability to continue to implement the Company's strategic direction and maintain our positive momentum. Jon will shortly present the CEO's update to shareholders.

On behalf of the Board, I would also like to thank the Stanmore management team, employees and contract partners for their efforts and teamwork that have delivered an outstanding performance during FY19.

Finally, thank you to shareholders for your continuing support for the Company. We look forward to continuing the momentum that has been achieved in the past financial year, for the ongoing benefit of all of Stanmore's stakeholders.

Stewart Butel

**Chairman**

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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.

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