31 August 2017

ASX ANNOUNCEMENT

Full Year Result FY2017 – First full year of production creates the platform for growing shareholder value

FINANCIAL PERFORMANCE

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 of $12.035 million for the year ended 30 June 2017.

All key financial performance metric improved on the previous corresponding period[1] (pcp).

The key highlights of the FY2017 financial performance were:

- Revenue of $137.7m up from $12.7m pcp
- Gross profit of $30.8m increased from a gross loss of $11.9m pcp
- Underlying profit before tax of $9.2m increased by $15.0m from a loss of $5.8m pcp
- Net cash of $11.9m was stable while building pre-strip and coal stockpiles by $22.4m
- Working Capital Facility of US$22.0m extended by 2 years to November 2019 and converted into a revolving facility
- No dividend declared for FY2017

	2017 $M	**2016 $M**
Coal Sales and Other Revenue	137.846	12.700
Cost of sales	(107.003)	(24.600)
Gross margin	**30.843**	**(11.900)**
Other income and expenses	(15.100)	(5.064)
Finance income	0.212	0.355
Financial expenses	(9.537)	(3.137)
Profit/(loss) before income tax benefit/(expense)	**6.418**	**(19.746)**
Income tax benefit/(expense)	5.617	-
Profit/(loss) after income tax expense	**12.035**	**(19.746)**

[1] The pcp covers the financial year ended 30 June 2016. The Isaac Plains mine recommenced operations in February 2016, first ROM coal in March 2016, first Product coal in April 2016 and first coal shipment in May 2016.

	2017 $M	2016 $M
Profit/(loss) before income tax expense	6.418	(19.746)

Adjustments for Underlying Results		
Movement in impairment of The Range Development Project	(8.512)	13.883
Movement in Fair Value of Contingent Consideration	11,264	-

Underlying Profit/(loss) before income tax expense (Non- IRFS measure)	**9.170**	**(5.863)**

*As the group is not in a tax payable position no tax movements have been considered

The significant underlying improvement particularly in the second half of FY2017 was driven by operational performance together with improved coal prices.

Other significant transactions included in the result were:

- Reversal of the impairment of The Range ($8.5m)
- Recognition of prior year tax losses ($9.3m)
- Recognition of contingent consideration – vendor royalties ($11.3m)

OPERATING SUMMARY

Thousands	2017	2016
Prime Overburden ('000 bcm)	**22,345**	**7,396**
ROM coal produced – open cut ('000 tonnes)	**1,521**	**331**
ROM Strip ratio (prime)	13.4	13.7
ROM coal produced – highwall ('000 tonnes)	**217**	**14**
CHPP feed ('000 tonnes)	**1,617**	**324**
Saleable coal produced ('000 tonnes)	**1,204**	**231**
Metallurgical ('000 tonnes)	900	140
Thermal ('000 tonnes)	304	91
Product yield %	**74.5%**	**71.4%**
Metallurgical	55.7%	43.3%
Thermal	18.8%	28.0%
Coal sales ('000 tonnes)	**1,020**	**156**
Metallurgical ('000 tonnes)	832	88
Thermal ('000 tonnes)	188	68
Coal product stockpile ('000 tonnes)	**258**	**74**

FY2017 production results demonstrate continued improvement at the Isaac Plains Complex following the restart of the mine in 2016. Key highlights include:

- Achieved product coal guidance, producing 1.204Mt.
- 22.3Mbcm of overburden moved at a strip ratio of 13.4x, down from 13.7x in the pcp.
- Significantly improved performance in H2 FY2017 with open-cut ROM tonnes increasing from 600kt in H1 to 916kt in H2.
- Total Reportable Injury Frequency Rate for the year was 12.46 per million hours.

- Improvement in yield by 3.1%, with a 14% improvement in metallurgical coal product mix from the prior year. Due to mining through a highly faulted zone in FY2017, the metallurgical product mix is expected to marginally improve from 75% in FY2017
- 258kt of product coal stockpiles at 30 June 2017 (resulting from Tropical Cyclone Debbie (TC Debbie) infrastructure delays) impacted on full year sales to only 1.02Mt.
- Total FOB unit costs[2] were $109.91 per tonne in FY2017, including state royalties of $11.11/t.
- The Company renewed 800kt of metallurgical sales contracts with Asian customers during FY2017 for the following Japanese Fiscal Year 2017. These renewed contracts include an improvement in pricing relativity to the Hunter Valley Benchmark for semi-soft coking coal of approximately US$1.15 per tonne, to an average discount of US$0.625 per tonne.
- The average sales price achieved during the year was US$104.9 per tonne (A$135.1 per tonne), increasing from US$60.4 per tonne (A$81.9 per tonne) in the pcp.
- Isaac Plains East progressed by finalising negotiations with landholders, allowing the public notification process to be triggered. Targeted potential first coal production at Isaac Plains East is Q4 FY2018, subject to no objections during the public notification process and timely processing of the approvals.

OUTLOOK

Operations

The continued improvement in mining and yields supports the Company's FY2018 guidance of 1.2Mt product tonnes (noting the 1.2Mt in FY2017 included 125kt of highwall mining tonnes which will not continue in FY2018). The operations will continue in Isaac Plains until the Isaac Plains East extension is approved and constructed.

During FY2018 the dragline will undergo a planned shutdown. The mine has built considerable ROM and product stockpiles during FY2017 and the first months of FY2018 to minimise any impact of the planned shutdown.

FY2018 Projected unit costs are expected to reduce to A$100 per tonne, from approximately A$110 per tonne in FY2017, through the adoption of a conservative pricing curve (particularly impacting royalties), cost saving initiatives implemented by the Management team and in addition to higher sales in FY2018 (lower unit costs) to deplete the 258kt of product coal inventories on hand at 30 June 2017.

Development

The Isaac Plains East project has progressed to the Bankable Feasibility Study (BFS) stage following the completion of the drilling program (also for JORC purposes) and the alignment of the mine plan against the Environmental Authority conditions. Detailed work on capital estimates, production sequencing and final environmental studies are underway and should align generally with the potential completion of the public notification period. It is forecast that, subject to no objections being received, the mining lease and environmental authorities could be granted in Q2 FY2018. The project is fully funded via either the recently extended financing facilities or company generated cash.

---

[2] *Total FOB costs excluding interest and payments to vendors*

Isaac Plains Underground progress has been centred around the detailed 3D seismic and drilling program to de-risk the project. The company is still anticipating a BFS progression decision based on the business case during Q2 FY2018.

Market and Pricing

Continued upward pressure on coal prices during 2017 provides the Company with an optimistic outlook for coal prices during FY2018. The Q1 FY2018 benchmark Hunter Valley semi-soft coking coal price was set at US$126 per tonne, with the Q2 FY2018 benchmark price expected to be settled shortly.

The Company is well positioned to benefit from the strong outlook for coking coal prices in H2 FY2018 with available coal stocks at 258kt at 30 June 2017, and continued improvements in mining performance projected.

Stanmore Managing Director, Dan Clifford, said the progression from an acquisition of an asset on care and maintenance in the previous year into a reliable, safe and consistent producer of metallurgical coal has positioned the company well to generate cash from existing operations and continue the development of the Isaac Plains Complex into an asset of significant value for our shareholders.

“The business results stemming from investment into efficiency improvements, control and operational performance has demonstrated the validity of the investment plan. The coming together of the company’s team, our contract partners and stakeholders has resulted in the company achieving our production and cost guidance targets for the year”

“Now with our sights set on the future, the performance of our team and the asset will enable the company to identify and execute further value accretive opportunities. With an underpinning core value of ensuring our people, and that of the environment, health and wellbeing are protected, our focus is very clearly set on fully utilising the assets we have in hand”

“Bringing on of low cost production from Isaac Plains East and other coal source opportunities to fully feed our infrastructure will create significant value. With this, we are positioned well in the metallurgical coal arena with favourable market conditions and a strengthening balance sheet”

Yours faithfully,

Ian Poole
Company Secretary

FOR FURTHER INFORMATION, PLEASE CONTACT:

Dan Clifford	**Ian Poole**
Managing Director	Chief Financial Officer & Company Secretary
07 3238 1000	07 3238 1000

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 mine and the adjoining Isaac Plains East Project. The company is focused on the creation of shareholder value via the efficient operation of Isaac Plains, timely development of Isaac Plains East Project and identification of further development opportunities within the region. In addition, Stanmore Coal holds a number of high quality development assets in both coking and thermal coal located in the Queensland's Bowen and Surat Basins.

Stanmore Coal Limited ACN 131 920 968

p: +61 (7) 3238 1000 f: +61 (7) 3238 1098	e: info@stanmorecoal.com.au w: www.stanmorecoal.com.au	Level 8, 100 Edward Street, Brisbane QLD 4000 GPO Box 2602, Brisbane QLD 4001