HALF YEAR RESULTS FY2018

stanmorecoal

26 February 2018

A strong H1 with the fundamentals in place

FINANCIAL HIGHLIGHTS

Stanmore Coal Ltd (ASX: SMR) reports a profit after tax of $8.036m for the half year ended 31 December 2017. This represents a significant improvement over the previous corresponding period (pcp) loss of $0.541m and the results include the following financial highlights:

- Revenue increase to $82.772m (39.4% increase pcp)
- Gross margin 24.5% (loss in pcp)
- Underlying EBITDA up to $18.758m and in line with guidance for the half year
- Cash net of debt increased to $14.590m (23% increase from June 17)
- Debt reduced by $13.037m to $2.564m

The gross profit from operations improved to $20.111m (2016: loss $5.911m) with coal sales delivering revenue of $78.101m in the first half of the financial year (2016: $59.352m). The profit before tax (PBT) of $13.944m (2016: loss $16.159m) is driven by continued strong coking and thermal coal prices and a focus on cost control.

OPERATING HIGHLIGHTS

Stanmore's Isaac Plains complex continued to perform well during the half and is set up for an improved second half. The operational highlights were:

- $11.700m Overburden and prestrip investment to underpin improved H2
- Planned CHPP and Dragline major maintenance shutdown undertaken for reliability
- 714kt Open cut ROM production (18.6% increase pcp[1])
- 512kt of coal produced (12% decrease pcp)
- 594kt of sales (8% increase pcp)
- 177kt of product stockpiles at end of the period due to port congestion which will enable strong sales and cash conversion as port queues return to more normal levels
- Underlying FOB costs of $99/t[2] (16% decrease pcp)

GUIDANCE

Stanmore maintains its 1.2mt coal production guidance for FY18 with an underlying FOB cost of $105/t.

---

[1] pcp had 217kt highwall ROM production. There was no highwall ROM production in the period.

[2] Non-IFRS measure

Cashflow

The Company held cash at the end of the period of $17.154 million.

During the half-year to 31 December 2017, a total net cash outflow of $10.361 million was recorded. The net inflow from operating activities was positive with $8.192 million being contributed by operations inclusive of an increased investment in overburden in advance of $11.700 million during the period. The net cash outflows can be mainly attributed to investments in the planned maintenance of the dragline and coal handling and processing plant (CHPP) representing most of investing activities of $5.921 million and the net reduction of the working capital facility during the period of $12.632 million.

Operational Summary

Safety

The Total Reportable Injury Frequency Rate for the half-year was 12.7 per million hours, with a rolling 12-month average of 10.7 per million hours.

Isaac Plains Coal Mine - Operation

The Isaac Plains Complex delivered a total of 714kt of ROM coal to the CHPP at a prime strip ratio of 13.0x.

The Company has significantly invested in its operations by increasing investment in overburden in advance and inventories by $10.570m in H1FY18, which will be substantively utilised in the second half with strong 2H production performance and resulting strong cash flow from operations.

Product coal production of 512kt, with the coal handling and processing plan (CHPP) delivering a total yield of 76.4% (product split of 69% to 31%, semi soft coking coal to thermal coal respectively). The Company expects that the FY18 production split of semi soft and thermal coal will be approximately 75% semi-soft and 25% thermal.

Total coal sold during the period was 594kt with 53% of sales being semi-soft coking coal, with sales split impacted by the timing of shipments of individual product coals from time to time.

Underlying operating FOB costs where $99/t sold which was a 16% decrease from the pcp of $118/t sold.

The average coal price received for the half was A$131/t. (Semi soft coking coal A$156/t, Thermal coal A$103/t)

Isaac Plains East Project

There have been a number of key milestones achieved on the IPE project at the date of this report including:

- Completion of the bankable feasibility study.
- Approval of the Environmental Authority amendment for the Isaac Plains East Project on 24 January 2018.
- Commitment to pre-production capital of $9.7m which will be self-funded from operation cashflows.
- All compensation and overlapping tenement agreements have been executed with the respective parties and are now lodged with the Department of Natural Resources and Mines.
- It is anticipated that the mining leases will be granted in the coming months.

It is expected that production at IPE will commence early Q1 FY19.

Isaac Plains Underground Project

There have been a number of key milestones achieved at the Isaac Plains Underground project date of this report including:

- A detailed 3D seismic survey of the Isaac Plains underground project was undertaken and analysed in the half allowing for the completion of a pre-feasibility study (PFS). The PFS found there was a potential economic underground resource at Isaac Plains and the Company is now progressing with a bankable feasibility study (BFS).
- A formal tendering process has commenced based on an early contractor engagement involvement model aiming to complete the BFS in six months. A financial investment decision on the project is planned for FY19.
- The underground mine is targeting to produce over 1Mt of ROM coal per annum at an underlying FOB cost of less than $100/t

Outlook and developments

Operations

- Subject to the granting of the Isaac Plains East Mining Lease, Stanmore will boost ROM production to ~2.3M ROM tonnes in FY19, representing a ~40% increase over FY18.
- This results in ~1.8M product tonnes in FY19, representing an ~50% increase over FY18.
- The adopted mine plan is supported by strong coal prices in the immediate future. This increased short to medium term margin incentivises the planned increased production at a higher marginal cost of production and should result in higher EBITDA for shareholders over the short to medium term.
- All commercial structures impacting costs are being negotiated to ensure that Isaac Plains can revert to the lowest possible cost structure (i.e. dragline and minimal truck & shovel when pre-strip required) on short notice.
- The accelerated mine plan results in the dragline staying at Isaac Plains for the majority of FY19 and commencing Isaac Plains East with truck and shovel only operations. This is an important step for Stanmore in achieving its short-term objective of maximising ROM feed to the CHPP which has a nameplate capacity of 3.5Mtpa.

Exploration and development

Stanmore is planning an exploration program for its EPC 755 tenement (15km south of the Isaac Plains Complex), to assess the opportunity to provide further long-term ROM feed for its Isaac Plains infrastructure.

Stanmore Managing Director, Dan Clifford, said from the platform formed in FY17 has enabled a very positive outcome for H1 FY18 and set up a very valuable H2 and lead in to FY19.

"With the production, cost performance and extensive planned maintenance during the half, Stanmore can confidently capitalise on the current market conditions and operational performance. The progression of Isaac Plains, the committed predevelopment capital and EA grant for Isaac Plains East has put the company in a great position for substantial growth in returns as we head towards the objective of 3.5mt ROM for the complex"

"Metallurgical coal demand is strong and it's our view in the long term it will remain that way, giving Stanmore, with the right fundamentals in place, the perfect opportunity to become a relevant participant in the sector"

****

Yours faithfully

Ian Poole
Company Secretary

FOR FURTHER INFORMATION, PLEASE CONTACT:

Mr Dan Clifford	**Mr Ian Poole**
Managing Director	Company Secretary
07 3238 1000	07 3238 1000

ABOUT STANMORE COAL LIMITED (ASX CODE: SMR)

Stanmore Coal is an operating coal mining company with a number of additional prospective coal projects and mining assets within Queensland's Bowen and Surat Basins. Stanmore Coal owns 100% of the Isaac Plains Coal Mine and the adjoining Isaac Plains East Project and is focused on the creation of shareholder value via the efficient operation of Isaac Plains and identification of further local development opportunities. Stanmore continues to progress its prospective high quality thermal coal assets in the Northern Surat Basin which will prove to be valuable as the demand for high quality, low impurity thermal coal grows at a global level. Stanmore's focus is on the prime coal bearing regions of the east coast of Australia.

Stanmore Coal Limited ACN 131 920 968

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