stanmorecoal

17 October 2019

SEPTEMBER 2019 QUARTERLY PRODUCTION REPORT
FULL YEAR ON TRACK WITH SOLID START

Highlights

- Strong start to the year with operations producing 704kt ROM (annualised rate of 2.8Mt) and 619kt saleable coal (2.5Mt annualised) in the September quarter
- Record coking coal sales of 722kt in the September quarter
- Net Cash held at $90.7m ($90.5m at 30 Jun 2019) with the purchase of a new excavator in the quarter
- September 2019 quarter IPE coking coal benchmark (index-linked, backward looking) set at US$115/tonne, with the December 2019 quarter (forward looking) benchmark set at US$107/tonne
- Isaac Downs consenting on track with the EIS Terms of Reference published on 1 October 2019
- Full year guidance reconfirmed at 2.35Mt product and FOB costs (underlying, ex royalty) of $100/t
- December 2019 Half year Underlying EBITDA guidance of $53.0 million to $56.0 million
- Stanmore's safety performance continues to improve. The 12-month TRIFR at the end of the quarter was 13.6 a 17% reduction from 12-month TRIFR at 30 June 2019.
- A safety 'reset' was rolled out across the industry including all Stanmore sites to address the recent increase in industry fatalities.

PRODUCTION AND SALES

	Quarter Ended				
Thousands of tonnes	Sep 2019	Jun 2019	Change %*	Sep 2018	Change %*
ROM[1] coal produced	704	872	(19%)	499	41%
ROM strip ratio (BCM/ROM t)	9.7	9.9	(2%)	9.9	(2%)
Saleable coal produced	619	721	(14%)	337	84%
Saleable coal purchased	-	16	n.a.	10	n.a.
Total coal sales	722	688	5%	319	127%
Product coal stockpiles	67	175	(61%)	111	(39%)
ROM coal stockpile	25	109	(77%)	159	(84%)

* Note: Change is favourable/unfavourable

[1] Run of Mine

SAFETY PERFORMANCE

During the September quarter there were two injuries recorded at Isaac Plains, and no injuries at Stanmore's other projects and tenements. The 12-month TRIFR at the end of the quarter was 13.6 a 17% reduction from 12-month TRIFR at 30 June 2019.

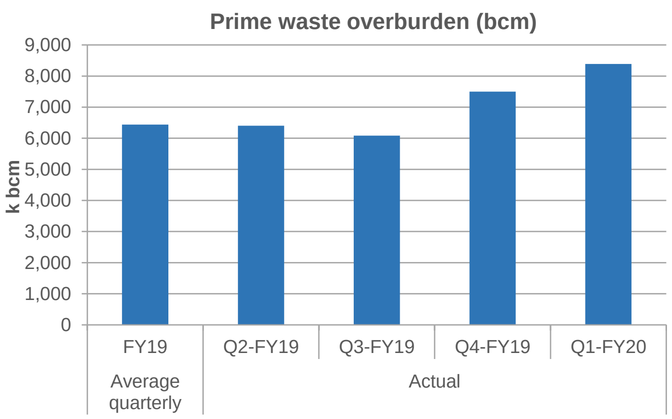
As a result of the six fatalities across the industry in the last 12 months, the Minister for Mines, in consultation with the industry and unions, facilitated a 'safety reset' which was rolled out across Stanmore's sites and head office.

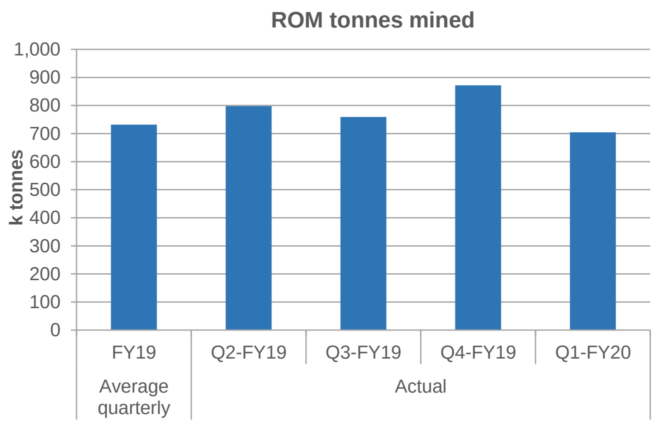
ISAAC PLAINS COMPLEX OPERATIONS

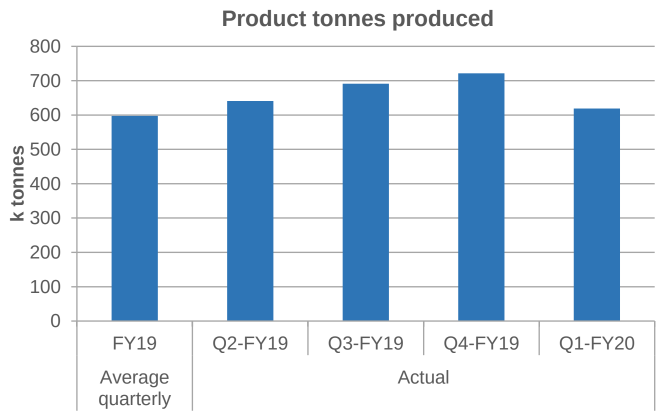
Isaac Plains Complex	Quarter
ROM coal mined (k tonnes)	**704**
Coal sales (k tonnes)	**722**
FOB cost (A$/t, ex. royalty)	**101**
ASP[2] (A$/t, net of royalty)	**159**

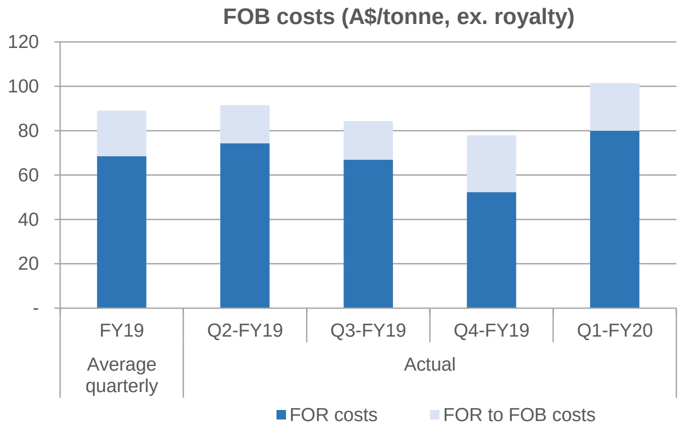
ROM coal mining at Isaac Plains East during the September quarter of 704kt was on track (2.8Mt annualised), with 619kt of saleable coal produced (2.5Mt annualised), above the run-rate for full year guidance of 2.35Mt saleable coal produced.

The underlying FOB costs (excluding royalty) for the September quarter were $101/t sold, which is higher than the prior quarter and slightly above full year guidance ($99.5/tonne) resulting from mining through a known faulted zone which increased excavator material (higher cost), slowed ROM mining and the start-up of a new Mining Services Agreement with escalation adjustments. Costs are expected to reduce over the following quarters as the faulted zone is cleared and the new 600-tonne class excavator commences operation in November 2019, with higher cost excavators being scaled down accordingly.









2 Average Sales Price

COAL SALES

Record coking coal sales of 722kt were achieved in the September quarter, resulting in product stocks being depleted from 175kt to 67kt. The average price per tonne of coal sold was A$176/t (US$122/t), with all of it being coking coal sales.

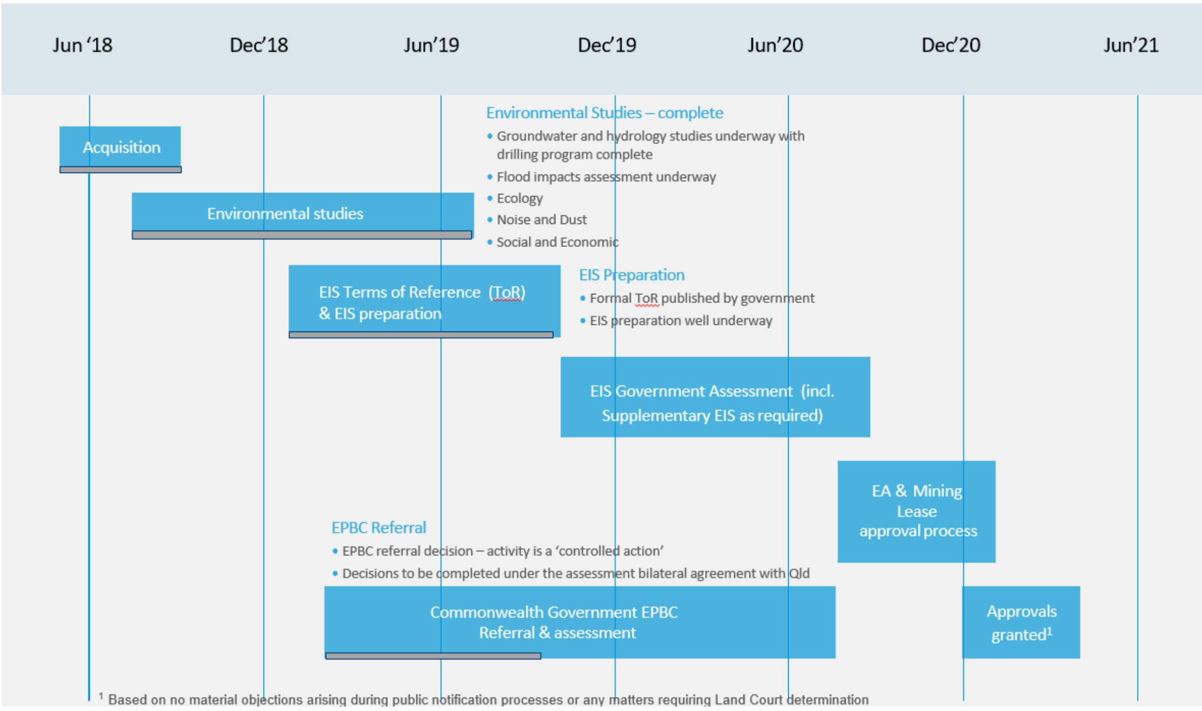
Stanmore's pricing for its coking coal is based on a quarterly negotiated benchmark price agreed in advance of the commencement of the quarter, as well as a negotiated lagging benchmark price which references the hard-coking coal index of the first two months of the current quarter and the last month of the prior quarter.

SMR Coking Benchmark Summary (US$/t, Financial Year)	Q3-19	Q4-19	Q1-20	Q2-20
Forward looking	131.0	126.5	124.0	107.0
HCC Index linked (backward looking)	130.0	129.0	115.0	TBC

ISAAC DOWNS

The Isaac Downs Project is located 10 kilometres south of the existing Isaac Plains operations. Isaac Downs will be operated as a satellite open cut mining operation which will utilise the existing Isaac Plains infrastructure with coal washing and train loading activities to be undertaken at the existing CHPP, ensuring a capital light approach is maintained. Planning has progressed according to the overall project schedule.

The following timeline summarises the approval process for the Isaac Downs Project. Progress is according to plan.



The Department of Environment and Science (Qld Government) has published the Isaac Downs Terms of Reference for the Environmental Impact Statement on 2 October 2019.

Phase 1 exploration and coal quality drilling commenced in 2019 and has been completed. Assessment of the final coal quality laboratory analysis has commenced to increase the knowledge of the coal resource to enhance a Bankable Feasibility Study. Infrastructure designs have been undertaken on three major infrastructure components including the flood protection levee, the haul road to link the project to the existing Isaac Plains Mine, and the haul road underpass of the Peak Downs Highway (see Figure 1 below). An Expression of Interest (EOI) process in relation to the provision of construction services has been completed, with 11 construction companies responding and an assessment underway.

Construction will commence following the granting of the mining leases and environmental approvals, expected to be in H2 FY21, and take approximately 6-9 months.

Figure 1: Designer's impression of Peak Downs Highway proposed underpass

CORPORATE

Stanmore's net cash position was held from \$90.5m to \$90.7m[3] during the quarter, while the Company paid \$12m for the purchase of a new 600 tonne excavator which is currently being commissioned at Isaac Plains. The purchase price will be financed once the excavator is commissioned in Q2-FY20.

Cash Flow (\$m) *	Sep-19 Qtr
Operating Cashflow	33.1
Working Capital	(8.9)
Investing Cashflow	(23.6)
Financing Cashflow	(0.3)
Cash Movement	**0.2**
Opening Cash	90.5
Closing Cash	**90.7**

** Unaudited financial information*

Investing activities during the quarter include \$5m final acquisition payment for Isaac Downs, \$1.7m in exploration and studies at Isaac Downs, \$12m for the purchase of the 600-tonne class excavator and \$4.8m in sustaining capital at the Isaac Plains Complex with the completion of a processing plant shutdown during the quarter. Operating cashflows of \$33.1m with \$8.9m held in working capital resulted in a closing cash balance of \$90.7m.

Underlying EBITDA[4] half year guidance is \$53 million to \$56 million. Sales in the December 2019 quarter are expected to be impacted by DBCT shipping queues in December 2019. Producers are deferring shipments to take advantage of the improved coking coal pricing in the March 2020 quarter (contango). Coking coal prices are forecast to improve as Chinese ports lift their quota restrictions.

The Company will pay a fully franked dividend of 8 cents per share on 31 October 2019, as announced on 22 August 2019.

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[3] Net cash of \$90.7m represented by cash of \$90.7m less interest-bearing debt of \$nil

[4] EBITDA – Earnings Before Interest Tax Depreciation and Amortisation. A non-IFRS reporting measure.

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.

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