



14 January 2020

DECEMBER 2019 QUARTERLY PRODUCTION REPORT

Highlights

- No recordable injuries across Stanmore's sites in the quarter
- Strong quarter of coal mining with 864kt ROM mined and 609kt saleable coal produced
- December quarter sales of 497kt impacted by co-shipper coal availability, impacting half-year results
- Half year underlying EBITDA guidance revised to \$50m - \$52m, from \$53m to \$56m
- Full year cost guidance revised up to A\$107/t, (ex. royalty) with production guidance on track at 2.35Mt saleable coal produced
- New 600 tonne excavator successfully assembled and commissioned at Isaac Plains
- Continued strong commitment to rehabilitation with 72 hectares topsoiled and seeded at Isaac Plains and significant upgrades completed to the site water management system
- Stanmore commences work on Bankable Feasibility Study for Isaac Downs

PRODUCTION AND SALES

| Thousands of tonnes | Quarter Ended | | | | | Year-to-date | | |
|--------------------------------|---------------|----------|-----------|----------|-----------|--------------|----------|-----------|
| | Dec 2019 | Sep 2019 | Change %* | Dec 2018 | Change %* | Dec 2019 | Dec 2018 | Change %* |
| ROM ¹ coal produced | 864 | 704 | 23% | 798 | 8% | 1,569 | 1,297 | 21% |
| ROM strip ratio (BCM/ROM t) | 11.3 | 8.7 | 29% | 9.3 | 22% | 10.2 | 9.5 | 7% |
| Saleable coal produced | 609 | 619 | (2%) | 641 | (5%) | 1,229 | 977 | 26% |
| Saleable coal purchased | - | - | n.a. | - | n.a. | - | 10 | n.a. |
| Total coal sales | 497 | 722 | (31%) | 573 | (13%) | 1,219 | 892 | 37% |
| Product coal stockpiles | 179 | 67 | 165% | 177 | 1% | 179 | 177 | 1% |
| ROM coal stockpile | 96 | 25 | 286% | 171 | (44%) | 96 | 171 | (44%) |

* Note: Change is favourable/unfavourable

¹ Run of Mine

SAFETY PERFORMANCE

During the December quarter there were no recordable injuries at Isaac Plains, and no injuries at Stanmore's other projects and tenements. The 12-month rolling TRIFR at the end of the quarter was 10.2 a 39% reduction from 12-month TRIFR at 30 June 2019.

ISAAC PLAINS COMPLEX OPERATIONS

ROM coal mining at Isaac Plains East during the December quarter of 864kt was the second highest quarter on record (3.5Mt annualised), with 609kt of saleable coal produced (2.4Mt annualised). A monthly ROM coal production record was established in December 2019 at 379,274 tonnes. The first half of the year has produced 1.6Mt ROM coal and 1.2Mt product coal, supporting full year guidance of 2.35Mt saleable coal.

Underlying FOB costs (excluding royalty) for the first half of the financial year are expected to be approximately A\$107/tonne product coal sold. Costs have been impacted due to a higher proportion of excavator material being removed compared to other methods, resulting in higher average overburden removal costs (dragline, cast blast and dozer push generate lower cost overburden movement). Costs were also impacted due to working near faulted zones in the mining pit, and an increase in average strip ratio. The costs for the first half of the year are expected to be in line with revised full year guidance (see guidance note below).

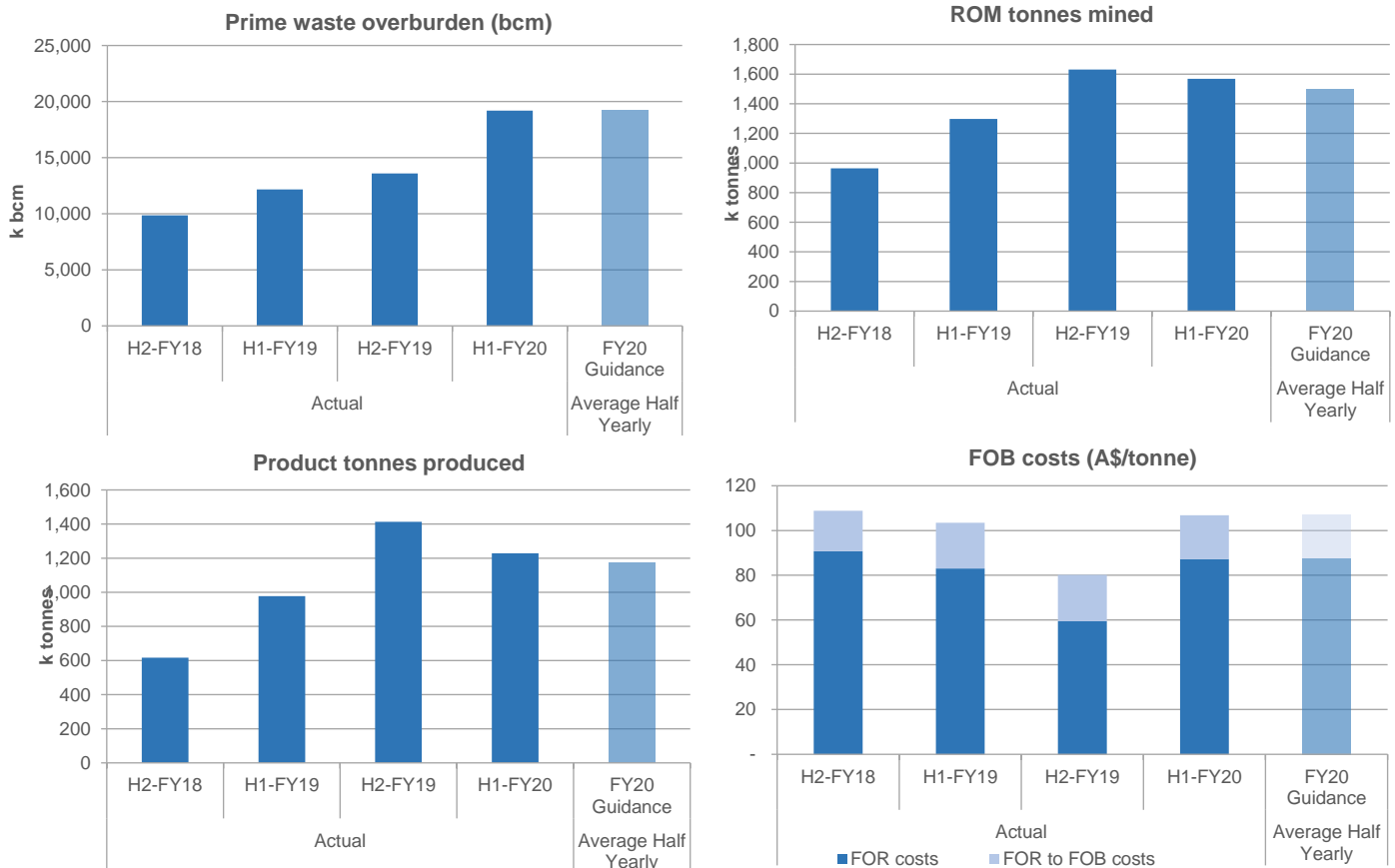
The build of the new CAT6060 excavator was completed and commissioning was finalised in November 2019. The machine has operated in Isaac Plains East Pit 2 uncovering coal as well as commencing in the Pit 4 pre-strip operation. The planned overburden capacity of this machine is 11 million bcm per year.



Figure 1: Stanmore's CAT 6060 excavator while commissioning – Pit 2 CDX

Isaac Plains continued a strong commitment to rehabilitation with 72 hectares being topsoiled and seeded and significant upgrades completed to the water management system. The site has undertaken capital and maintenance works in preparation for heavy rain events with two available release dams being pumped out and historical sediment removed; total available 'rated' water storage capacity is currently over 16,000 megalitres.

Another Stanmore improvement project at the Isaac Plains CHPP was commissioned during the quarter - a wet tailings disposal solution was developed to increase throughput and reduce downtime associated with operating belt press filters. Sustained periods of ROM feed/hour over the original CHPP design rate of 500 tonnes/hour have now been recorded demonstrating the success of the project.



The Stanmore owned BE1370 dragline performed very well during the quarter and averaged over 50,000 bcm² per day compared to the 12-month calendar year average of 46,600 bcm per day. This machine is generating world benchmark performance for this sized dragline. A new performance shaped 49 cubic metre bucket was installed in August 2019 and the operators are now using that with great effect.

Stanmore made an application to Queensland Department of Environment and Science (DES) and Commonwealth Department of Environment and Energy (DoEE) to extend the area of disturbance approved within the IPE mining lease area which will allow access to 8.2 million tonnes of coal resources.

² bank cubic metres

COAL SALES

Coal sales of 497kt were achieved in the December quarter which was lower than planned due to co-shipper coal availability delays resulting in vessels for loading at DBCT slipping into January. The lower than expected sales in the quarter resulted in product coal stocks increasing to 179kt. Sales volumes are expected to recover in the second half of FY20. The average price per tonne of coal sold was A\$158/t (US\$106/t), with 477kt of coking coal sales achieving a price of A\$155/t (US\$108/t) and 20kt of thermal sales achieving a price of A\$94/t (US\$64/t).

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) | Q4-19 | Q1-20 | Q2-20 | Q3-20 |
|---|-------|-------|-------|-------|
| Forward looking | 126.5 | 124.0 | 107.0 | TBC |
| HCC Index linked (backward looking) | 129.0 | 115.0 | 98.0 | TBC |

ISAAC DOWNS

The following timeline summarises the approval process for the Isaac Downs Project. An extra step is now required since the commencement of the Mineral and Energy Resources (Financial Provisioning) Act which requires the formal assessment of the estimated rehabilitation cost (ERC) calculation by DES after the EA is issued, followed by a risk category allocation assessment by Queensland Treasury. These changes will reduce the schedule contingency in our programme, but at this stage our forecast for first coal from Isaac Downs remains in the first quarter of calendar year 2022.

An environmental impact statement for the Isaac Downs Project is being updated, following comments received by DES.

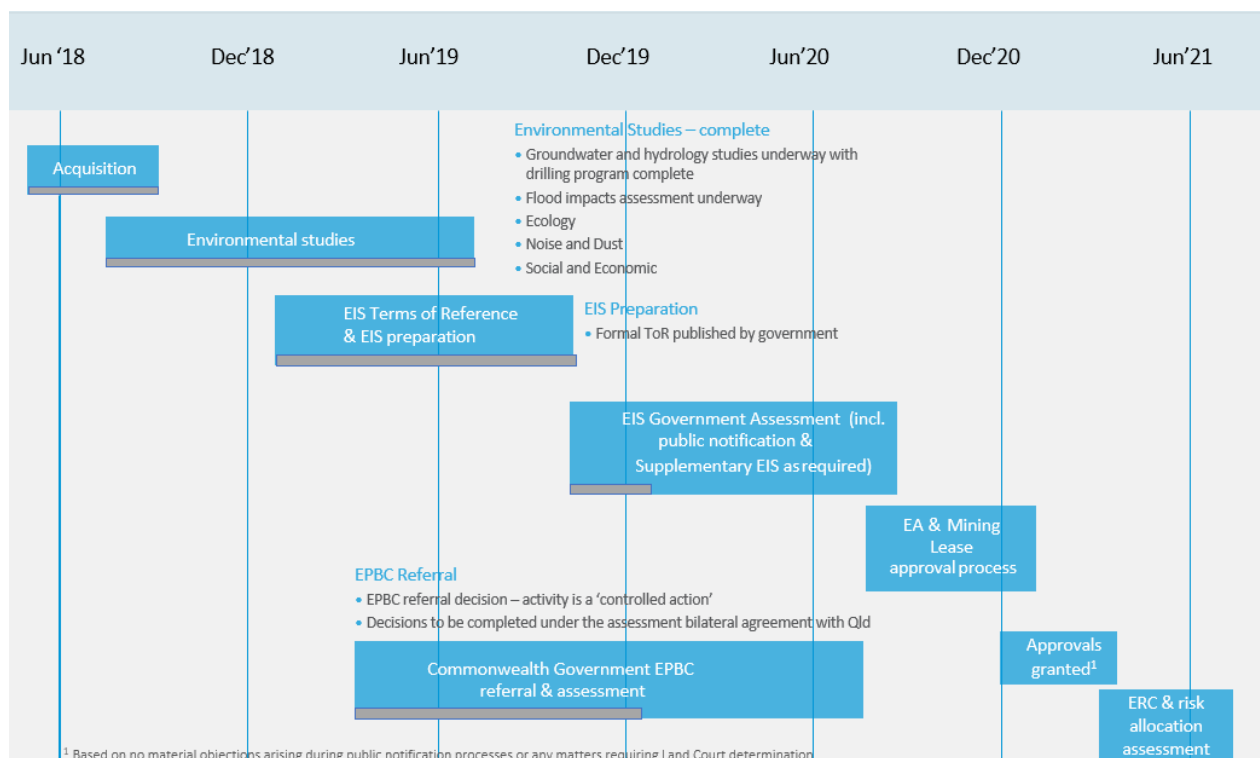


Figure 2: Isaac Downs approval schedule

Stanmore finalised a tender for the completion of a Bankable Feasibility Study (BFS). Palaris Australia has been contracted to manage the development of the Study and peer review the work involved. Work has commenced on the BFS.

Stanmore also issued a tender to suitable and qualified civil contractors for a Design and Construct package for the three major activities needed to establish the mine – bridgeworks for an underpass for the Peak Downs highway crossing, the construction of a haul road to link Isaac Downs with Isaac Plains, and the construction of a flood protection levee. Submissions from four companies were received in late December 2019 which are under evaluation.



Figure 3: Isaac Plains levee bank alongside Smoky Creek – similar construction required at Isaac Downs alongside the Isaac River

CORPORATE

Stanmore's net cash position declined from \$90.7m to \$57.9m³ during the quarter, while the Company received \$14m of financing for the purchase of the new 600-tonne excavator. The Company also paid a fully franked dividend of 8 cents per share (\$20.5m) on 31 October 2019, as announced on 22 August 2019.

| Cash Flow (\$m) * | Dec-19 Qtr | Dec-19 YTD |
|---|---------------|---------------|
| Operating Cashflow | 8.0 | 40.6 |
| Working Capital | (13.5) | (22.2) |
| Investing Cashflow | (7.0) | (30.7) |
| Financing Cashflow | (6.8) | (6.8) |
| Cash Movement | (19.3) | (19.1) |
| Opening Cash | 90.7 | 90.5 |
| Closing Cash | 71.4 | 71.4 |
| Debt drawn (financing of new excavator) | 13.5 | 13.5 |
| Net Cash / (Debt) | 57.9 | 57.9 |

* Unaudited financial information

Investing activities during the quarter included \$3m of assembly costs for the 600-tonne excavator, \$1.1m on studies and approvals costs at Isaac Downs and \$2.9m in sustaining capital at the Isaac Plains

³ Net cash of \$57.9m represented by cash of \$71.4m less interest-bearing debt of \$13.5m, relating to the equipment loan with no working capital facility funds drawn.

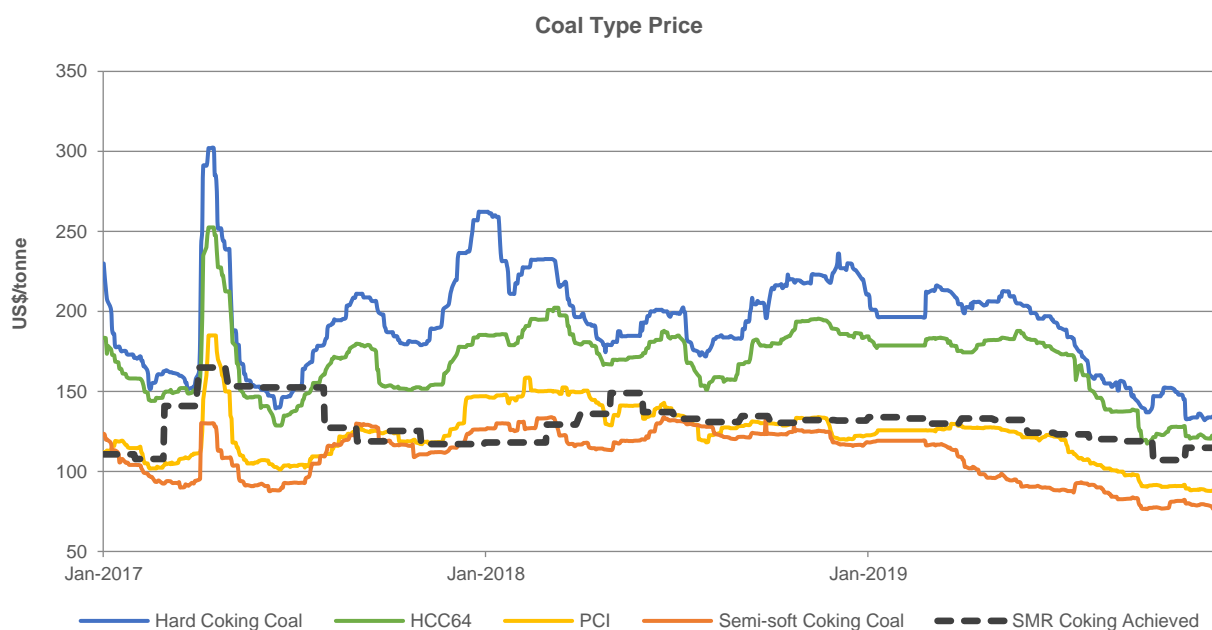
Complex. Operating cashflows of \$8.0m and \$13.5m invested in working capital resulted in a closing cash balance of \$71.4m.

Underlying EBITDA guidance for the first half of FY20 has been updated to \$50-52m compared to previous guidance provided in October 2019 of \$53-56m. The Company will provide its interim Financial Report in late February. The result has been impacted by:

- Recent reduction in coking coal prices;
- Delay in December coal sales due to co-shipper coal availability issues at the DBCT coal export terminal resulting in two shipments being delayed from December 2019 into January 2020; and
- Increased costs resulting from a higher proportion of excavator overburden removal compared to the lower cost methods of dragline, cast blast and dozer push. Costs were also impacted by working near faulted zones in the mining pit, and an increase in average strip ratio.

Due to these impacts the full year unit cost guidance has been lifted to \$107/tonne underlying FOB cost excluding State Royalties.

Coking coal prices have fallen approximately 30% since the start of the financial year which has the largest impact to earnings guidance.



Production guidance for the full year is on track at 2.35Mt saleable coal production.

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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