


stanmorecoal

26 February 2020

# STRONG OPERATING RESULTS UNDERPINS 26% INCREASE IN H1 NET PROFIT

## FINANCIAL HIGHLIGHTS

Stanmore Coal Ltd (ASX: SMR) reports a net profit after tax of $26.910m for the half year ended 31 December 2019. The results represent a significant improvement over the previous corresponding period (pcp) including the following financial highlights:

- Half-year net profit after tax of $26.910m, 26% ($5.632m) increase from pcp.
- Underlying EBITDA of $50.126m (non-IFRS measure), a 20% ($8.508m) increase from pcp.
- Cash generation from operations was $18.911m.
- Cash balance of $71.379m at 31 December 2019.
- Interim H1 FY20 fully franked 3 cent per share dividend declared (3 cents per share pcp).
- Gross revenue from coal sales increased to $200.609m in H1FY20 from $148.284m in H1FY19. The increase was due to an increase in sales of product coal to 1,219kt in H1FY20 from 882kt in H1FY19, offset by a $3/t decrease in the A$ realised price to an average of A$165/t from $168/t in H1FY19.
- Whilst the sales mix improved to a 98% coking to 2% thermal coal mix from a 74:26 mix, the average realised prices were lower.
- Underlying FOB costs of $106/t (excluding State Royalty) were $2/t higher than H1FY19 due to higher mining costs as a result of increasing strip ratio. H1FY20 and H1FY19 both included $15/t of state royalties.

### Financial Performance

| | 31 December 2019 $M | 31 December 2018 $M |
|---|---|---|
| Coal Sales and Other Revenue | 200.609 | 148.284 |
| Cost of sales | (144.464) | (102.145) |
| **Gross Profit/(Loss)** | **56.145** | **46.139** |
| Other income and expenses | (16.484) | (9.328) |
| **Net Profit/(loss) before income tax and net finance expenses** | **39.661** | **36.811** |
| Finance income | 0.422 | 0.135 |
| Financial expenses | (3.950) | (6.203) |
| **Net Profit/(loss) before income tax benefit/(expense)** | **36.133** | **30.743** |
| Income tax benefit/(expense) | (9.223) | (9.465) |
| **Net Profit/(loss) after income tax expense** | **26.910** | **21.278** |

### Underlying EBITDA result (non-IFRS measure)

Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Director's assessment of the result for the ongoing business activities of the Consolidated Entity. These numbers have not been audited.

| | 31 December 2019 $M | 31 December 2018 $M |
|---|---|---|
| **Profit/(loss) before income tax and net finance expenses** | **39.661** | **36.528** |
| Depreciation and amortisation | 11.048 | 3.947 |
| **Earnings before interest, depreciation and amortisation (EBITDA) (Non-IFRS measure)** | **50.709** | **40.475** |
| Adjustments for Underlying EBITDA | | |
| Takeover defence costs | - | 0.720 |
| Remeasurement of onerous contracts | (0.073) | (3.328) |
| Remeasurement of rehabilitation provision | 0.943 | - |
| Fair value movement contingent consideration | (1.453) | 3.751 |
| **Underlying EBITDA (Non-IFRS measure)** | **50.126** | **41.618** |

### Cashflow

In the half-year to 31 December 2019, a total net cash outflow of $19.086m was recorded. The net inflow from operating activities was $18.911m. Cash outflows from investing activities were $30.200m; mainly attributable to the acquisition of the CAT6060 excavator, the final instalment for Isaac Downs purchase, Isaac Plains East development capital and planned maintenance of the major equipment and infrastructure as well as the studies required for the Isaac Downs Project approval process. At the end of the half-year, no funds were drawn from the working capital facility however $13.719m was drawn from the equipment loan to finance the CAT 6060 excavator. A final FY19 dividend of $20.488m was paid during the period.

In H1FY20 $23.885m was invested in working capital; primarily in overburden in advance of $10.417m, coal stocks $5.981m and a reduction in trade and other payables of $11.278m. The investment in overburden in advance was in preparation for the wet season as well as building overburden inventories for the anticipated transition to Isaac Downs; the increase in coal inventories was due to the timing of coal shipments.

## OPERATIONAL HIGHLIGHTS

| | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Prime Overburden (bcm) | 19,195 | 12,170 |
| ROM coal produced - Open cut (kt) | 1,569 | 1,298 |
| ROM strip ratio (prime) | 10.2x | 9.8.x |
| CHPP feed (kt) | 1,581 | 1,258 |
| ROM stockpile (kt) | 96 | 171 |
| Saleable coal produced (kt) | 1,229 | 978 |
| **Coal sales** | | |
| - *Metallurgical (kt)* | 1,199 | 652 |
| - *Thermal (kt)* | 20 | 230 |
| **Total gross coal sales (kt)** | **1,219** | **882** |
| Product Yield | 77.7% | 77.7% |
| Coal product stockpiles (kt) | 179 | 176 |
| **Average sale price achieved (A$/t)** | **165** | **168** |
| **Unit costs of sales (A$/t sold)** | | |
| FOR cost (A$/t sold) | 87 | 85 |
| FOR to FOB cost (ex. State royalty) (A$/t sold) | 19 | 19 |
| State royalty (A$/t sold) | 15 | 15 |
| **FOB cash cost (A$/t sold)** | **121** | **119** |
| **Margin (A$/t sold)** | **44** | **49** |

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

- Increase in sales of product coal to 1,219kt in H1FY20 from 882kt in H1FY19.
- Acquisition of a new 600tonne excavator with OEM finance.
- Completion of 58 hectares of rehabilitation at Isaac Plains.
- Isaac Downs EIS submitted, meeting consenting timetable.

## Operational Summary

### Safety

The Company undertook or managed 436,201 hours (H1FY19 309,461 hours) of coal mining, drilling, exploration and mine development activities (directly and through its contractors) for the six-month period and had no lost time injuries and two recordable injuries. The Total Recordable Injury Frequency Rate (TRIFR) for the half year was 4.6 per million hours, with a rolling 12-month TRIFR of 10.2.

### Isaac Plains Coal Complex

The Isaac Plains Complex delivered 1,569kt of ROM coal to the coal handling and processing plant (CHPP) at a prime strip ratio of 10.2 to 1. Product coal production was 1,229kt, with the CHPP delivering a total yield of 77.7%. The H1FY20 production split was 98% metallurgical coal and 2% thermal coal.

The Company completed a mini-shutdown for the CHPP during the period and is planning another maintenance mini-shutdown for the CHPP in late FY20 as well as a major-shutdown early in FY21 for the dragline. The introduction of the new CAT 6060 excavator commissioned in November 2019 is expected to reduce overburden unit costs in H2FY20.

The average sale price achieved for all coal (both metallurgical and thermal) during the period of A$165/t was less than the corresponding period (A$168/t) as a result of the generally weaker pricing of coking coal.

The Company has received draft Environmental Authority amendments from the Queensland Government allowing the expansion of the IPE disturbance footprint to access an additional coal resources within the existing Mining Leases. The Company continues to work with the Commonwealth in relation approvals required under the EPBC Act.

### Isaac Downs Project

Isaac Downs is located approximately 10 kilometres south of the existing Isaac Plains operations. Once approved, 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.

During the half-year period, Stanmore finalised a tender for the completion of a Bankable Feasibility Study (BFS) for Isaac Downs. Palaris Australia has been contracted to manage the development of the study, with preliminary work commencing in December 2019.

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 crossing of the Peak Downs Highway, 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 received in late December 2019 are under evaluation.

The following H1FY20 milestones demonstrate that the approval process for the Isaac Downs Project is well established and progressing:

- Stanmore and the Department of Environment and Science (DES) published the final Terms of Reference for the Isaac Downs Project EIS on 01 October 2019.
- The Environmental Authority (EA) application lodged in June 2019 was accepted by DES on 22 July 2019.
- The Environmental Impact Statement (EIS) was lodged with DES on 29 October 2019 for initial review.
- Subsequent work on the EIS is currently being undertaken based on the DES review and the updated EIS documents will be available for public review shortly.

## Outlook

- The Company maintains its production guidance for FY20 of 2.35Mt.
- Underlying FOB Cost guidance for FY20 is $107/t (excluding state royalties), an increase from $106/t in H1FY20.
- Whilst the Company sells the majority of its coal into Japan, Korea, India and Europe under term contracts, it is continuing to develop new customers and markets.
- The Company is targeting a dividend payout ratio of between 20% to 30% of Net Profit After Tax subject to the prevailing market conditions at the time any dividend is declared.

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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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