

# Stanmore Coal Limited: December 2016 Production Report

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Brisbane - [Stanmore Coal Ltd.](#) (ASX:SMR) presents the December 2016 Production Report with key highlights.

- Safety performance significantly improved, reversing the trend from the Sep quarter
- Highest quarter for open-cut ROM coal production since recommencement with 352kt
- Highest quarter for saleable coal produced with 302kt
- First half FY17 total saleable production of 581kt
- Coal mining, processing and product coal produced in line with revised mine plan
- Capital raising completed, raising \$14.2m (net of costs)
- March 2017 quarterly benchmark semi-soft price set as USD 171 per tonne, a rise of USD 41 per tonne or 32% above the December 2016 quarterly benchmark price of USD 130 per tonne.

## PRODUCTION AND SALES

| Thousands<br>of tonnes               | Quarter Ended |              | 2016 calendar YTD |             |
|--------------------------------------|---------------|--------------|-------------------|-------------|
|                                      | Dec<br>2016   | Sept<br>2016 | Change<br>%*      | Dec<br>2016 |
| -----                                |               |              |                   |             |
| ROM coal produced                    | 424           | 394          | 8%                | 1,163       |
| ROM strip ratio<br>(bcm waste/ROM t) | 14.4          | 23.8         | (39%)             | 19.7        |
| Saleable coal produced               | 302           | 280          | 8%                | 813         |
| Total coal sales                     | 264           | 286          | (8%)              | 707         |
| Product coal stockpiles              | 104           | 68           | 53%               | 104         |
| ROM coal stockpile                   | 38.8          | 14.9         | 160%              | 38.8        |

\* Note: Change is favourable/unfavourable

## SAFETY PERFORMANCE

During the December quarter, there was one injury (TRI) at the Isaac Plains Mining Complex, with no other injuries recorded across other projects and tenements of [Stanmore Coal Ltd.](#) (Stanmore or the Company). The Total Reportable Injury Frequency Rate at quarter end is 12.34 per million hours.

## ISAAC PLAINS OPERATIONS

The December quarter results for mining show an improvement on the prior quarter with an 8% increase in ROM coal mined and a reduction in the ROM strip ratio to 14.4x. Coal mining, processing and sales were in line with plan whilst prime movement was below plan. The washplant yield was 75.6% for the quarter with the mix of semi soft coking coal to thermal coal produced being 81% to 19%. Coal inventory for ROM and product coal held at quarter end increased by 24kt and 36kt respectively, representing a working capital investment of \$3.6m, utilizing a portion of the capital raising proceeds (refer Corporate section).

Highwall mining in the disused southern pit finished operations in October, with a strong final month of operations producing 71kt ROM coal. Highwall mining contributed 217kt (36%) of FY17 ROM coal production to date and 20% of total production for the December quarter.

The second half of the financial year (being the period from Jan to June 2017) is anticipated to deliver higher

volumes of ROM coal mined and coal sales, compared to the first six months of this financial year, given the geology of the mine and investment in additional pre-strip material. The in-situ ratio of the deposit will reduce as the mining sequence steps up over a fault of approximately 15-25 metres which runs subparallel to the direction of mining. This reduction in overburden thickness to coal is anticipated to occur early in the June 2017 quarter. Overall cost of production is therefore anticipated to reduce in the second half of the financial year given higher coal volumes and lower strip ratio than the first half of the financial year. The cost of production<sup>1</sup> for the December quarter was A\$110 per tonne produced.

The Company reaffirms FY17 production guidance of 1.25 million tonnes of product coal produced from both open cut and highwall mining sources.

## COAL SALES AND MARKET OUTLOOK

During the quarter the Company sold 224kt of semi-soft coking coal and 40kt of thermal coal. For semisoft coking coal sales, 54% of these sales were sold on prior quarter benchmarks with 46% sold on the December quarter benchmark. This is due to contracted carry-over tonnes which need to be delivered before the latest benchmark quarterly pricing takes effect. The average shipped price for all coal during the quarter was USD 95.2 per tonne (accounting basis), including thermal coal sales. The average realised cash price for all sales during the quarter was USD 87.4 per tonne, given standard payment terms for shipments made.

The March quarterly 3Q17 benchmark semi-soft coking coal price has been set as USD 171 per tonne, a rise of USD 41 per tonne or 32% above the December 2016 quarterly benchmark price of USD 130 per tonne. Given the contracted carry-over tonnes at 31 December 16 of 128kt, it is currently anticipated that the higher March quarterly price will apply to approximately 50% of sales in the March quarter.

## EXPLORATION & DEVELOPMENT

Total exploration expenditure for the September quarter was \$1.5m.

### Isaac Plains East

During the December quarter the Company submitted the Environmental Authority (EA) amendment application on the existing Isaac Plains EA. The EA amendment together with Mining Lease (ML) applications over the tenement were lodged in October with relevant State government departments.

The project schedule from an approvals perspective is in a crucial phase. From January 2017 through May 2017, resolution of key negotiations with landholders and overlapping tenure parties must be reached in parallel with the public notification process managed through government departments.

Pending the outcome of these processes, if successful, the mining leases and associated environmental authorities may be granted in Q1 FY18. Following approval, the Company expects first production in Q3 FY18. As a result of the potential risks to the timeline, the Company will continue to keep shareholders updated on the progress of this extension to the Isaac Plains Coal Mine.

### Isaac Plains Underground

The Company has undertaken detailed exploration planning and project scheduling to refine the development strategy for the potential underground mining zone within the permitted Isaac Plains mining lease. Whilst the statutory approval process is likely to commence following grant of the Isaac Plains East authorities, the Company is assessing options to fast-tracking feasibility assessment of the project including funding mechanisms for development capital and optimal bord and pillar extraction techniques. Assessment has been accelerated to form the business case during calendar 2017.

## CORPORATE

As at 31 December 2016 Stanmore's cash position was \$18.7m (increase of \$4.7m from prior quarter).

The Company notes that whilst the cash balance has increased from prior quarter, \$14.4m (net of costs) was raised in December 16, producing a net outflow of \$9.7m in the absence of the capital raising or exercise of options. This can be largely attributed to \$8.9m of catch up costs from prior quarters beyond normal working capital timing and a \$3.6m investment in ROM and product coal inventory compared to the prior quarter. Furthermore, the underperformance of open cut coal mining in September quarter has had an impact on the December quarter. Measures have been taken to improve the operating performance of the business, including revisions to the open cut mine plan described by the Company<sup>(\*)2</sup>, which, together with the flow through of higher benchmark pricing in the March 17 quarter, provide an improved outlook for the Company.

A high-level analysis of the cash flows during the quarter is presented as follows:

## All amounts in AUD millions

|  |           |
|--|-----------|
| Opening Balance  | 14.0      |
| Coal receipts  | 27.8      |
| Other income   | 1.0       |
| FOB costs  | (31.3)    |
| FOB catch up payments(*3)  | (8.9)     |
| Inventory investment(*4)   | (3.6)     |
| Capex  | (2.7)     |
| Vendor compensation receipts                                     | 4.9       |
| <br>Taurus working capital drawdown<br>less facility interest    | <br>5.4   |
| <br>Net proceeds from capital raising<br>and exercise of options | <br>14.4  |
| <br>Net corporate costs(*5)                                      | <br>(2.3) |
| Closing  | 18.7      |

The Company has an estimated remaining receivable in relation to vendor compensation payments of \$2.5m at quarter end. The available undrawn Taurus Mining Finance Fund (Taurus) working capital facility of US\$6m (A\$8.3m). Bank guarantees held with Taurus are unchanged from the prior quarter, amounting to A\$36.8m.

On 14 December 2016, the Company announced that it raised net proceeds of A\$14.2m from a placement at \$0.55 per share, targeting new institutional investors to broaden the share register.

### NOTES:

2 Refers to information provided in the ASX announcement titled "Capital Raising Presentation" released on 14 December 2016

3 FOB catch-up payments relate to costs held over from prior period relating to mining and rail services

4 Additional ROM and product coal inventory investment against prior quarter

5 Includes non-recurring corporate costs of \$1.3 million relating to business development, legal advisory services and one-off employment costs

To view the full report with figures, please visit:  
<http://abnnewswire.net/lnk/4VMTI6XW>

### About Stanmore Coal Limited:

Stanmore Coal (ASX:SMR) 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.

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