

BUY: More in store

Delivering a high-quality 1H19 result underpinned by exceptional growth and margin expansion, the real attraction of this stock lies in the potential growth levers available over the next 2-3 years. With Management focussed on driving production at the existing assets, a net cash balance sheet and organic growth levers in the pipeline (Isaac Downs, potential Underground), we see the emergence of a scaled producer as a compelling investment case. Trading at just 2.1x FY19E EV/EBITDA, ongoing coal price strength and formidable cash generation lead us to believe the shares are deserving of a higher rating. Investors should position accordingly. We maintain BUY, and A\$1.40 target price.

Key points

Solid growth, high quality: Stanmore demonstrated strong growth in 1H19, underpinned by strong mining cost controls, careful cash management and benefitting from an efficient mine plan. NPAT of \$21.3m represented a +164.8% y/y rise, while coal sales increased +48.2% y/y to 882kt.

Guidance maintained, forecasts lifted in FY19E: Management made no changes to FY19 guidance, with the group on track to reach FY19 production of 2.15Mt. Underlying FOB costs are expected to decrease to \$86/t in FY19 from \$98/t in FY18, with EBITDA guided at \$140-155m. Guidance maintained some leeway for wet weather during H219. We revise our FY19E forecasts in line with guidance, lifting EBITDA to \$144m, however due to the natural limitations of mining techniques, forecasts in outer years remain unchanged.

Valuation hard to ignore: Although only a small producer, we see the shares as fundamentally undervalued. With potential to achieve 7.0Mtpa ROM CHPP feed over the medium term, this combines with a solid pricing outlook, EV/EBITDA multiples of 2.1x FY19E and 2.6x FY20E, with a FCF yield of 32.5% and dividend yield of 6.5% in FY19E all appear to be overlooked. A net cash position removes leverage risks.

Risks and catalysts

Key risks include: (1) Coal price movements; (2) slower expansion into Isaac Downs; (3) higher unit costs of production; (4) safety issues; (5) increased rehabilitation costs; and (6) cyclone activity given its Bowen Basin location.

Recommendation

BUY

12-mth target price (AUD)	\$1.40
Share price @ 12-Feb-19 (AUD)	\$1.11
Forecast 12-mth capital return	26.7%
Forecast 12-mth dividend yield	4.6%
12-mth total shareholder return	31.3%

Market cap	\$279m
Enterprise value	\$299m
Shares on issue	253m
Sold short	0.2%
ASX 300 weight	n/a
Median turnover/day	\$0.2m

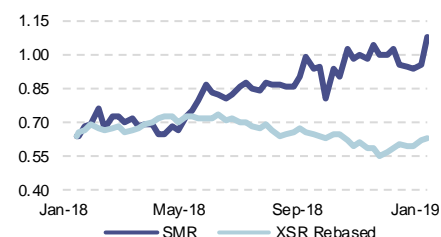
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FUNDAMENTAL
INSIGHTS

12-mth price performance (\$)



	1-mth	6-mth	12-mth
Abs return (%)	6.4	22.3	72.9
Rel return (%)	0.3	31.7	74.9

Key changes

	14-Dec	After	Var %
Revenue: FY19F	343	373	8.6%
(\$m) FY20F	339	339	0.0%
FY21F	284	284	0.0%
EBITDA: FY19F	139.5	144.0	3.2%
(\$m) FY20F	114.0	114.0	0.0%
FY21F	66.3	66.3	0.0%
EPS: FY19F	33.7	34.3	1.8%
norm FY20F	26.9	26.3	-2.0%
(cps) FY21F	13.7	13.5	-1.7%
Price target:	1.40	1.40	0.0%
Rating:	BUY	BUY	

Earnings forecasts

Year-end June (AUD)	FY17A	FY18A	FY19F	FY20F	FY21F
Revenue (\$m)	137.8	208.1	372.7	338.5	283.7
EBITDA margin (%)	14	12	39	34	23
NPAT norm (\$m)	12.0	6.0	88.1	67.8	34.8
Consensus NPAT (\$m)			87.8	67.5	29.4
EPS norm (cps)	5.1	2.4	34.3	26.3	13.5
EPS growth (%)	157	-53	1329	-23	-49
P/E norm (x)	21.7	46.0	3.2	4.2	8.2
EV/EBITDA (x)	15.7	12.4	2.1	2.6	4.5
CFM (x)	-13.2	14.6	4.4	3.8	7.7
DPS (cps)	0.0	2.0	7.1	2.7	1.4
Franking (%)					

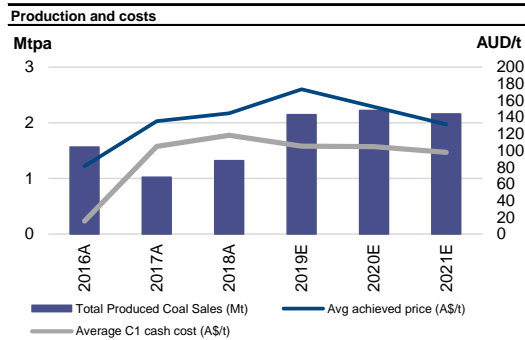
Source: Company data, Wilsons estimates, S&P Capital IQ

Wilson's Equity Research

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Capital profile			
Number of shares (m)	252		
Market capitalisation (A\$m)	254		
Enterprise value (A\$m)	235		
Enterprise value (US\$m)	181		
Resources			
Coal Resources (Mt)	157		
Reserve (Mt)	38		
EV/t Resource (A\$/t)	1.49	1.2 (US\$/t)	
EV/t Reserve (A\$/t)	6.13	4.7 (US\$/t)	
VALUATION for SMR			
Description	A\$m	A\$ps	
Isaac Plains Mine	5	0.02	
Isaac Plains East	188	0.74	
Isaac Downs	122	0.49	
Total Operations	314	1.25	
Net (debt) / cash	20	0.08	
Corporate overheads (incl WC)	0	0.00	
Franking Credits	0	0.00	
Listed investments	0	0.00	
Exploration	20	0.08	
Total Valuation	354	1.40	
Premium (Discount)	0%	0.00	
Target Price	1.40		
Isaac Plains Underground*	0	0.00	
P/NPV		0.72	

Operations NPV split	Valuation inputs	
Isaac Downs 39%	Rf rate	5.3%
Isaac Plains Mine 1%	MRP	5.3%
Isaac Plains East 60%	Equity beta	1.2
	Ke	12%
	Kd	6%
	Gearing	30%
	Tax rate	30%
	WACC	10.0%
	DCF (A\$)	1.40
	Prem/disc	0%
	Target (A\$)	1.40

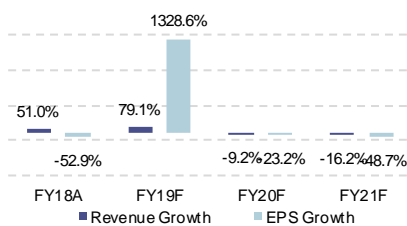


*Isaac Plains Underground has not yet been approved - will add 0.27A\$ps

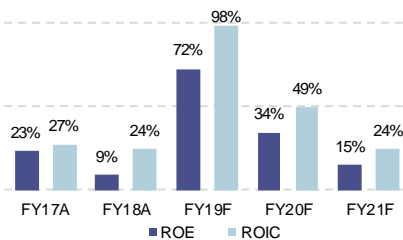
June year end	2016A	2017A	2018A	2019E	2020E	2021E
NPAT Reported (A\$m)	-19.7	12.0	6.0	88.1	67.8	34.8
NPAT Normalised (A\$m)	-19.7	12.0	6.0	88.1	67.8	34.8
EPS (A¢)	-8.9	5.1	2.4	34.3	26.3	13.5
CFPS (A¢)	-22.3	-12.0	2.8	6.3	21.3	10.1
DPS (A¢)	0.0	0.0	2.0	7.1	2.7	1.4
P/E (x)	nm	19.8	42.1	2.9	3.8	7.5
P/CF (x)	-4.5	-8.4	36.7	16.1	4.8	10.0
EV/EBITDA (x)	-15.0	12.3	9.8	1.6	2.1	3.5
EPS Growth	53%	-157%	-53%	1329%	-23%	-49%
Yield (%)	0.0%	0.0%	2.0%	7.0%	2.7%	1.4%
Assumptions FY	2016A	2017A	2018A	2019E	2020E	2021E
AUD/USD	0.73	0.75	0.74	0.72	0.75	0.75
Hard coking coal (USD/t FOB (Aus))	0.0	182.0	202.0	180.0	170.0	140.0
Low Vol PCI (USD/t FOB (Aus))	0.0	149.0	166.0	130.0	128.0	110.0
Semi-Soft Coking (USD/t FOB (Aus))	61.4	107.3	88.9	126.0	115.0	100.0
Thermal (Newc) (USD/t FOB (Newc))	52.3	73.7	67.8	108.0	100.0	70.0
Avg achieved price (A\$/t)	81.2	135.1	144.8	173.5	152.3	131.3
Total Coal Produced (100%)	2016A	2017A	2018A	2019E	2020E	2021E
Isaac Plains Mine	1.0	1.2	1.1	0.4	0.0	0.0
Isaac Plains East	0.0	0.0	0.0	1.8	2.2	2.2
Isaac Downs	0.0	0.0	0.0	0.0	0.0	0.0
Isaac Plains Underground*	0.0	0.0	0.0	0.0	0.0	0.0
Total Coal Produced (Mt) - 100%	1.0	1.2	1.1	2.1	2.2	2.2
Total Produced Coal Sales (Mt)	1.6	1.0	1.3	2.1	2.2	2.2
Thermal Coal as % of production	86.6%	25.2%	30.0%	12.0%	5.0%	5.0%
C1 cash costs	2016A	2017A	2018A	2019E	2020E	2021E
Isaac Plains Mine	15.7	104.9	118.2	118.0	117.9	0.0
Isaac Plains East	0.0	0.0	0.0	100.0	98.0	98.0
Isaac Downs	0.0	0.0	0.0	98.0	98.0	98.0
Isaac Plains Underground*	0.0	0.0	0.0	0.0	0.0	0.0
Average C1 cash cost (A\$/t)	15.7	104.9	118.2	105.3	104.6	98.0
Average C1 cash cost (US\$/t)	11.4	78.2	87.5	75.8	78.5	73.5
Profit and Loss (\$m)	2016A	2017A	2018A	2019E	2020E	2021E
Revenue	12.7	137.8	208.1	372.7	338.5	283.7
Costs	24.6	107.0	155.8	221.9	217.8	211.7
EBITDA	-15.7	19.1	24.0	144.0	114.0	66.3
Depreciation & amortisation	1.3	3.3	5.2	9.4	9.5	9.4
EBIT	-17.0	15.7	18.8	134.6	104.5	56.9
Interest income	0.4	0.2	0.3	0.4	1.4	1.8
Interest expense	3.1	9.5	9.1	9.1	9.1	9.1
Pre tax profit	-19.7	6.4	10.0	125.9	96.8	49.7
Tax expense (benefit)	0.0	-5.6	4.1	37.8	29.0	14.9
NPAT - underlying	-19.7	12.0	6.0	88.1	67.8	34.8
Significant items	0.0	0.0	0.0	0.0	0.0	0.0
NPAT - reported	-19.7	12.0	6.0	88.1	67.8	34.8
Profitability analysis	2016A	2017A	2018A	2019E	2020E	2021E
EBIT margin	-	11.4%	9.0%	36.1%	30.9%	20.1%
EBITDA margin	-	13.8%	11.5%	38.6%	33.7%	23.4%
Effective tax rate	0.0%	-87.5%	40.6%	30.0%	30.0%	30.0%
ROA - EBIT / (total assets - cash)	-16.9%	11.6%	12.7%	56.4%	42.2%	22.7%
ROE - NPAT / equity	-50.5%	18.0%	8.2%	51.5%	30.2%	13.7%
Cashflow	2016A	2017A	2018A	2019E	2020E	2021E
EBITDA	-15.7	19.1	24.0	144.0	114.0	66.3
Operating cashflow	-33.6	-17.8	21.9	70.9	78.6	42.2
Sustaining Capex	-5.0	-4.9	-4.2	-10.7	-8.9	-8.6
Free cashflow (after sust capex)	-38.5	-22.7	17.7	60.1	69.7	33.6
Growth Capex	-8.0	-5.8	-10.8	-44.0	-15.0	-7.5
Free cashflow (after growth capex)	-46.5	-28.5	6.9	16.1	54.7	26.1
Investing cashflow	30.5	2.7	-14.0	-54.7	-23.9	-16.1
Financing cashflow	0.0	30.5	-15.6	-13.1	-12.3	-5.1
Net Change in cash	-3.1	15.3	-7.7	3.1	42.4	21.0
Balance Sheet Analysis	2016A	2017A	2018A	2019E	2020E	2021E
Debt	0.0	15.6	0.0	0.0	0.0	0.0
Equity	39.1	66.8	73.2	170.9	224.3	253.9
Assets	112.3	163.1	168.1	270.4	312.9	336.9
Cash	12.1	27.5	19.8	31.8	65.3	86.3
Net debt	-12.1	-11.9	-19.8	-31.8	-65.3	-86.3
Gearing - net debt/equity	-0.3	-0.2	-0.3	-0.2	-0.3	-0.3
Gearing - net debt/ (net debt + equity)	-0.4	-0.2	-0.4	-0.2	-0.4	-0.5
Net debt / EBITDA	0.8	-0.6	-0.8	-0.2	-0.6	-1.3
EBIT / net interest	-6.1	1.7	2.1	15.4	13.6	7.8
EBITDA / net interest	-5.6	2.0	2.7	16.5	14.8	9.1
FCF yield (FCF / EV)	-16.4%	-9.7%	7.6%	25.6%	29.7%	14.3%
Met Coal %	13.4%	74.8%	70.0%	88.0%	95.0%	95.0%
EBITDA margin (A/t)	-14.9	15.8	21.3	67.0	51.3	30.7

Source: Company data, Wilsons

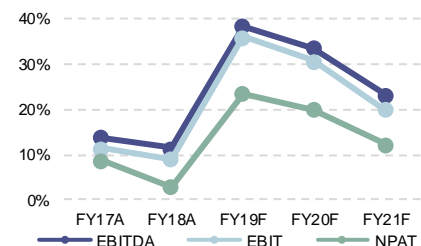
Growth rates



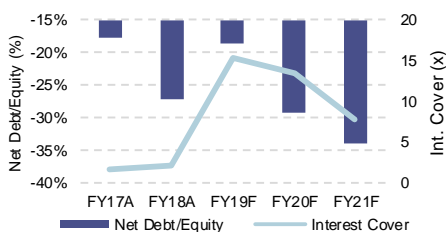
Returns



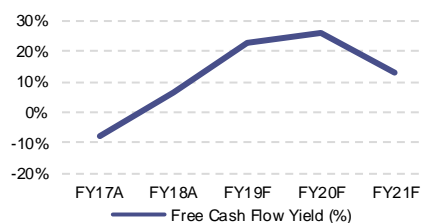
Margin trends



Solvency



Free cash flow yield



Interims (\$m)

	1H18A	2H18A	1H19E	2H19E
Sales revenue	82.8	125.3	148.3	224.4
EBITDA	20.7	3.4	41.6	102.4
EBIT	19.1	-0.3	37.7	96.9
Net profit	8.0	-2.1	22.4	65.7
Norm EPS	3.2	-0.8	8.7	26.0
EBIT/sales (%)	23.1	-0.2	25.4	43.2
Dividend (c)	1.0	1.0	3.0	4.1
Franking (%)				
Payout ratio (%)	31.3	<0	34.3	15.6
Adj payout (%)	0.0	0.0	17.6	22.2

Key assumptions

Year-end June (AUD)	FY16A	FY17A	FY18A	FY19F	FY20F	FY21F
Revenue Growth (%)		985.4	51.0	79.1	-9.2	-16.2
EBIT Growth (%)	33.6	-192.8	19.6	615.0	-22.4	-45.5
NPAT Growth (%)	62.5	-160.9	-50.4	1,377.0	-23.1	-48.7
EPS Growth (%)	53.4	-157.3	-52.9	1,328.6	-23.2	-48.7
EBIT / Sales (%)	-133.6	11.4	9.0	36.1	30.9	20.1
Tax Rate (%)	0.0	-87.5	40.6	30.0	30.0	30.0
ROA (%)	-15.1	9.7	11.2	49.8	33.4	16.9
ROE (%)	-43.4	23.6	25.7	78.7	46.6	22.4

Profit and loss (\$m)

Year-end June (AUD)	FY16A	FY17A	FY18A	FY19F	FY20F	FY21F
Sales revenue	12.7	137.8	208.1	372.7	338.5	283.7
EBITDA	-15.7	19.1	24.0	144.0	114.0	66.3
Depn & amort	1.3	3.3	5.2	9.4	9.5	9.4
EBIT	-17.0	15.7	18.8	134.6	104.5	56.9
Net interest expense	2.8	9.3	8.8	8.7	7.7	7.3
Tax	0.0	-5.6	4.1	37.8	29.0	14.9
Minorities/pref divs						
Equity accounted NPAT						
Net profit (pre-sig items)	-19.7	12.0	6.0	88.1	67.8	34.8
Abns/exts/signif						
Reported net profit	-19.7	12.0	6.0	88.1	67.8	34.8

Cash flow (\$m)

Year-end June (AUD)	FY16A	FY17A	FY18A	FY19F	FY20F	FY21F
EBITDA	-15.7	19.1	24.0	144.0	114.0	66.3
Interest & tax	-2.8	-3.7	-12.9	-46.5	-36.7	-22.2
Working cap/other	-15.1	-33.2	10.7	-26.6	1.4	-1.9
Operating cash flow	-33.6	-17.8	21.9	70.9	78.6	42.2
Maintenance capex	-3.3	-3.3	-2.8	-7.2	-5.9	-5.8
Free cash flow	-36.9	-21.1	19.1	63.7	72.7	36.5
Dividends paid	0.0	0.0	0.0	-13.1	-12.3	-5.1
Development capex	-9.6	-7.4	-12.2	-47.6	-18.0	-10.4
Invest/disposals	0.0	0.0	0.0	0.0	0.0	0.0
Other inv flows	43.4	13.4	1.0	0.0	0.0	0.0
Cash flow pre-financing	-3.1	-15.1	7.9	3.1	42.4	21.0
Funded by equity	0.0	14.7	0.0	0.0	0.0	0.0
Funded by debt	0.0	15.8	-15.6	0.0	0.0	0.0
Funded by cash	3.1	-15.4	7.7	-3.1	-42.4	-21.0

Balance sheet summary (\$m)

Year-end June (AUD)	FY16A	FY17A	FY18A	FY19F	FY20F	FY21F
Cash	12.1	27.5	19.8	31.8	65.3	86.3
Current receivables	22.3	16.6	22.4	27.4	23.9	23.2
Current inventories	5.1	27.5	21.0	30.4	29.8	29.0
Net PPE	33.4	35.2	36.4	45.4	51.1	56.4
Investments	28.4	31.3	43.2	85.3	94.0	95.4
Intangibles/capitalised	112.3	163.1	168.1	270.4	312.9	336.9
Other	22.6	22.3	27.0	27.3	32.7	31.8
Total assets	0.0	15.6	0.0	0.0	0.0	0.0
Current payables	73.2	96.3	94.9	99.4	88.6	82.9
Total debt	39.1	66.8	73.2	170.9	224.3	253.9
Other liabilities	50.6	58.4	67.9	72.2	55.9	51.2
Total liabilities	39.1	82.4	73.2	170.9	224.3	253.9
Minorities/convertibles	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder equity	39.1	66.8	73.2	170.9	224.3	253.9
Total funds employed	39.1	82.4	73.2	170.9	224.3	253.9



3 key takeaways from results

With the H119 results broadly in line and with a relatively straight-forward and clean set of financials, we highlight the key takeaways below.

Guidance maintained – no changes:

- 2.15Mt production in FY19.
- FOB cost \$86/t, royalties rise to \$15/t (from \$12, and given where coal prices currently sit).
- EBITDA \$140-155mt.

Solid growth, high quality: We note a very high quality result, underpinned by strong mining cost controls, careful cash management and benefitting from an efficient mine plan which saw a strong +57% lift in production. While net debt did rise, this was due to the impact of bushfires in December, which help up rail shipments and resulted in delayed payments. These have since been collected in January, and the working capital facility (A\$22.6m drawn) has been fully repaid.

Underground expansion to be decided by June 30: The Group continues to assess the potential Isaac Plains Underground Project, with Mastermyne (MYE) previously appointed under early contractor involvement. The Bankable Feasibility Study (BFS) is undergoing final review by third party technical experts and could theoretically produce 1.5Mtpa (ROM) over ten years. We highlight in their recent strategy update, Management commented on a medium term production strategy of up to 7Mtpa (ROM) which would include both underground and Isaac Downs options in order to achieve. Nonetheless, what is key is ability to secure rail and port access, with current arrangements limiting the company to c2.4Mtpa (saleable) coal throughput. Securing this may entail moving to other ports (Abbott Pt) as DBCT reaches its limits.

Figure 1: H119 results summary

	H119A	H119E	Difference	H118A	Growth (y/y)
Total coal sales (kt)	882.0	933.8	(5.5)%	594.0	57.2%
Average selling price/t	168.0	159.5	5.3%	131.0	21.8%
Average cost/t	104.0	106.1	(2.0)%	100.3	5.8%
Revenue	148.3	149.0	(0.5)%	82.8	80.0%
Gross profit	46.1	48.7	(5.3)%	20.1	142.2%
EBITDA	41.6	42.9	(3.0)%	20.7	107.7%
D&A	(5.1)	(4.6)	10.7%	(1.6)	194.9%
EBIT	36.5	38.3	(4.6)%	19.1	100.6%
Interest	(5.8)	(4.5)	28.6%	(5.1)	(12.6)%
PBT	30.7	33.8	(9.0)%	13.9	142.4%
Tax	(9.5)	(10.1)	(6.3)%	(5.9)	71.0%
rate (%)	31%	30%	2.6%	42%	(29.2)%
NPAT	21.3	23.6	(9.8)%	8.0	193.7%
EPS	8.4	9.4	(10.2)%	3.2	194.7%
DPS	3.0	3.0	0.0%	0.0	n/a
Payout ratio	35.5%	32.2%	10.4%	0.0%	n/a
Op. Cash flow	27.5	24.1	14.0%	8.2	194.2%
Net Debt/(cash)	15.2	(9.2)	(265.2)%	(17.2)	(46.4)%
Net Debt(cash)/EBITDA	0.4x	(0.2)x	(282.6)%	(0.8)x	(75.9)%

Source: Company data, Wilsons



Changes to forecasts

In summary, our changes reflect the incorporation of guidance issued in January 2019, namely:

- EBITDA guided to \$140-155m
- Production lifted from 2.0mt to 2.15mt

Looking further ahead we make no changes to estimates, largely as:

- Natural limitations of using the drag-line, which has been moved into IP East.
- No further decisions have been made on underground expansion.

Figure 2: Changes to forecasts, FY19-21E

	FY19			FY20			FY21		
	New	Old	Difference	New	Old	Difference	New	Old	Difference
Total coal sales (mt)	2.15	2.02	6.5%	2.22	2.22	0.0%	2.16	2.16	0.0%
Average Selling Price/t	173.5	170.2	2.0%	152.3	152.3	0.0%	131.3	131.3	0.0%
Average cost/t	103.3	97.9	5.5%	98.0	98.0	0.0%	98.0	98.0	0.0%
Revenue	372.7	343.2	8.6%	338.5	338.5	0.0%	283.7	283.7	0.0%
Gross profit	150.8	145.7	3.4%	120.7	120.7	0.0%	72.0	72.0	0.0%
EBITDA	144.0	139.5	3.2%	114.0	114.0	0.0%	66.3	66.3	0.0%
D&A	(9.4)	(9.4)	0.0%	(9.5)	(9.5)	0.0%	(9.4)	(9.4)	0.0%
EBIT	134.6	130.1	3.4%	104.5	104.5	0.0%	56.9	56.9	0.0%
Interest	(8.7)	(8.9)	(1.5)%	(7.7)	(7.4)	3.5%	(7.3)	(7.3)	(0.5)%
PBT	125.9	121.3	3.8%	96.8	97.1	(0.3)%	49.7	49.6	0.1%
Tax	(37.8)	(36.4)	3.8%	(29.0)	(29.1)	(0.3)%	(14.9)	(14.9)	0.1%
rate (%)	30%	30%	0.0%	30%	30%	0.0%	30%	30%	0.0%
NPAT	88.1	84.9	3.8%	67.8	68.0	(0.3)%	34.8	34.7	0.1%
EPS	34.9	33.8	3.4%	26.8	26.9	(0.3)%	13.7	13.7	0.1%
DPS	7.1	3.4	110.2%	2.7	2.7	(0.3)%	1.4	1.4	0.1%
Payout ratio	20.2%	9.9%	103.2%	10.0%	10.0%	0.0%	10.0%	10.0%	0.0%
Op. Cash flow	70.9	96.8	(26.8)%	78.6	49.6	58.4%	42.2	42.2	0.1%
Net Debt(cash)	(31.8)	(9.2)	245.9%	(65.3)	(6.2)	953.3%	(86.3)	(3.2)	2596.1%
Net Debt(cash)/EBITDA	(0.2)x	(0.1)x	235.1%	(0.6)x	(0.1)x	953.3%	(1.3)x	(0.0)x	2596.1%

Source: Company data, Wilsons



Valuation

Trading at 2.1x EV/EBITDA (Wilson's 2019E) and 3.2x P/E is ahead of LT average 1.6x and 3.3x (respective) multiples. We would expect a premium multiple at this point in the cycle. Looking further ahead this multiple does not appear challenging for a company with such significant growth prospects and is a steep discount to the XSR.

Figure 3: 1-yr fwd EV/EBITDA, based on consensus figures



Source: IRESS

Figure 4: 1-yr fwd P/E, based on consensus figures



Source: IRESS

Valuation summary

Our valuation is based on a 100% weighting to our NPV valuation. Our NPV utilises a WACC of 10%, based on beta of 1.25x and LT growth rate of 3%. We do include Isaac Downs in our valuation, given the obvious potential for this mine to be a significant contributor to the group. Nonetheless we do risk weight our valuation by -30% to reflect the fact the mine has to obtain approvals (mining, environment, water).

We factor in a deterioration in coal prices after 2 years, with these reverting to longer term averages; while the cycle will moderate the questions is timing. For valuation comparison, we also highlight a multiples approach (below), where we apply a 4x multiple to FY19E EBITDA.

Figure 5: NPV valuation summary

Valuation	A\$m	A\$ps
Isaac Plains Mine	5.7	0.02
Isaac Plains East	195.4	0.78
Isaac Downs	120.3	0.48
Total Operations	321.4	1.28
Isaac Plains Underground	0.0	0.00
Net (debt) / cash	19.8	0.08
Franking Credits	0.0	0.00
Listed investments	0.0	0.00
Exploration	19.7	0.08
Total Valuation	360.9	1.40

Source: Wilsons, company data

Figure 6: EV/EBITDA multiple valuation summary

EV/EBITDA Valuation	
FY19E EV/EBITDA	4.0x
FY19E EBITDA	139.5
EV	558.1
Net debt/(cash)	(19.8)
Equity Value	577.9
Diluted shares	251.8
Equity Value/sh	2.30

Source: Wilsons, company data



Figure 7: Coal comps FY19-21

Company Name	Ticker	Currency	Year-end	Mkt cap (m)	EV/EBITDA			EV/EBIT			P/E (norm.)			EBITDA margin		
					FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
Wilsons																
Bounty Mining Limited	ASX:B2Y	AUD	30-Jun	35	(21.8x)	1.8x	1.5x	(9.1x)	2.3x	1.8x	(10.6x)	4.4x	3.6x	-1%	8%	9%
Coronado Global Resources Inc.	ASX:CRN	USD	31-Dec	3,141	4.0x	3.1x	4.8x	5.7x	4.1x	7.6x	7.9x	5.6x	10.6x	24%	31%	22%
New Hope Corporation Limited	ASX:NHC	AUD	31-Jul	3,383	4.5x	4.5x	8.1x	5.3x	5.7x	12.8x	8.6x	9.6x	22.5x	45%	41%	32%
Stanmore Coal Limited	ASX:SMR	AUD	30-Jun	273	2.1x	2.6x	4.5x	2.2x	2.9x	5.3x	3.2x	4.1x	8.0x	39%	34%	23%
Whitehaven Coal Limited	ASX:WHC	AUD	30-Jun	4,682	4.2x	5.9x	6.4x	4.9x	7.2x	8.0x	7.3x	10.7x	11.9x	43%	37%	35%
Average					(1.4)x	3.6x	5.1x	1.8x	4.4x	7.1x	3.3x	6.9x	11.3x	29.9%	30.1%	24.4%
Wilsons (consensus)																
Bounty Mining Limited	ASX:B2Y	AUD	30-Jun	35	0.7x	0.4x	0.4x	0.8x	0.4x	0.4x	1.0x	0.7x	0.6x	23%	29%	29%
Coronado Global Resources Inc.	ASX:CRN	USD	31-Dec	3,141	4.6x	3.9x	5.3x	6.5x	5.2x	8.5x	7.6x	5.9x	8.3x	26%	31%	25%
New Hope Corporation Limited	ASX:NHC	AUD	31-Jul	3,383	4.0x	5.3x	7.9x	4.8x	6.9x	11.5x	8.0x	11.8x	17.2x	51%	42%	38%
Stanmore Coal Limited	ASX:SMR	AUD	30-Jun	273	1.8x	2.3x	4.5x	1.9x	2.5x	5.5x	3.1x	4.0x	9.5x	40%	34%	19%
Whitehaven Coal Limited	ASX:WHC	AUD	30-Jun	4,682	4.3x	5.6x	6.3x	5.1x	6.7x	7.9x	7.2x	10.1x	11.0x	45%	41%	36%
Average					3.1x	3.5x	4.9x	3.8x	4.3x	6.8x	5.4x	6.5x	9.3x	36.9%	35.3%	29.3%
Diversifieds																
BHP Group	ASX:BHP	USD	30-Jun	182,280	6.3x	6.7x	6.8x	8.7x	9.5x	9.9x	13.4x	13.7x	14.7x	53%	51%	50%
Rio Tinto Limited	ASX:RIO	USD	31-Dec	151,245	6.6x	6.7x	6.8x	8.8x	8.6x	9.2x	12.9x	12.3x	12.8x	44%	44%	43%
South32 Limited	ASX:S32	USD	30-Jun	18,687	4.7x	5.0x	5.1x	6.5x	7.4x	7.7x	10.7x	10.8x	11.7x	31%	30%	29%
Anglo American plc	LSE:AAL	USD	31-Dec	24,295	4.6x	4.5x	4.8x	6.8x	6.7x	7.6x	10.6x	10.1x	11.1x	32%	34%	31%
Glencore Plc	LSE:GLEN	USD	31-Dec	39,910	4.9x	5.0x	4.9x	8.1x	8.8x	9.1x	8.4x	9.1x	8.2x	7%	7%	7%
Vale S.A.	BOVESPA:VALE3	BRL	31-Dec	215,405	4.3x	4.1x	4.5x	5.5x	5.3x	6.2x	8.2x	6.2x	7.6x	46%	46%	44%
Average					5.2x	5.3x	5.5x	7.4x	7.7x	8.3x	10.7x	10.4x	11.0x	35.6%	35.4%	34.0%
Coal - Global																
Peabody Energy Corporation	NYSE:BTU	USD	31-Dec	3,204	3.7x	4.0x	4.4x	21.3x	53.5x	108.6x	17.1x	19.6x	95.9x	20%	19%	17%
Caraco Corporation	TSX:CCO	CAD	31-Dec	6,483	16.3x	15.4x	9.1x	24.7x	27.0x	20.5x	136.5x	73.3x	42.0x	N/A	N/A	N/A
Coal India Limited	NSEI:COALINDIA	INR	31-Mar	1,358,181	4.0x	3.7x	3.3x	4.9x	4.5x	4.1x	8.5x	8.2x	7.6x	24%	25%	26%
Alliance Resource Partners, L.P.	Nasdaq:ARLP	USD	31-Dec	2,424	3.8x	4.2x	4.3x	7.4x	8.0x	8.8x	6.5x	7.2x	7.9x	36%	33%	32%
Arch Coal, Inc.	NYSE:ARCH	USD	31-Dec	1,519	3.4x	3.3x	4.0x	5.3x	5.1x	7.6x	5.5x	5.9x	7.3x	18%	19%	16%
Foresight Energy LP	NYSE:FELP	USD	31-Dec	474	5.7x	5.8x	6.3x	NM	17.7x	23.0x	NM	NM	NM	30%	33%	31%
Warrior Met Coal, Inc.	NYSE:HCC	USD	31-Dec	1,429	3.0x	3.8x	5.4x	3.6x	4.8x	8.6x	3.2x	4.3x	7.2x	43%	38%	30%
Cloud Peak Energy Inc.	NYSE:CLD	USD	31-Dec	44	5.4x	5.7x	5.3x	NM	NM	NM	NM	NM	NM	7%	6%	7%
CONSOL Coal Resources LP	NYSE:CCR	USD	31-Dec	486	6.0x	6.1x	6.3x	10.1x	11.6x	14.5x	9.2x	8.5x	9.1x	32%	31%	31%
Hallador Energy Company	Nasdaq:HNRG	USD	31-Dec	165	5.1x	5.1x	5.0x	15.0x	12.7x	12.0x	20.3x	14.4x	12.7x	23%	22%	23%
Ramaco Resources, Inc.	Nasdaq:METC	USD	31-Dec	236	6.0x	2.8x	2.6x	9.8x	3.3x	4.0x	9.8x	3.4x	3.5x	18%	30%	29%
Average					5.7x	5.4x	5.1x	11.3x	14.8x	21.2x	24.1x	16.1x	21.5x	25.1%	25.5%	24.2%
Production - domestic																
Yancoal Australia Ltd	ASX:YAL	AUD	31-Dec	4,133	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wollongong Coal Limited	ASX:WLC	AUD	31-Mar	75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bathurst Resources Limited	ASX:BRL	NZD	30-Jun	200	2.1x	2.7x	3.0x	2.6x	3.6x	4.1x	3.3x	4.6x	6.3x	209%	154%	136%
Average					2.1x	2.7x	3.0x	2.6x	3.6x	4.1x	3.3x	4.6x	6.3x	208.7%	153.7%	135.6%
Explorers - domestic																
Atrium Coal Limited	ASX:ATU	AUD	31-Dec	52	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Australian Pacific Coal Limited	ASX:AQC	AUD	30-Jun	34	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MC Mining Limited	ASX:MCM	USD	30-Jun	143	NM	NM	2.7x	NM	NM	4.2x	N/A	N/A	N/A	-14%	-4%	26%
TerraCom Limited	ASX:TER	AUD	30-Jun	250	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tigers Realm Coal Limited	ASX:TIG	AUD	31-Dec	73	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Metro Mining Limited	ASX:MMI	AUD	30-Jun	208	11.1x	4.7x	3.2x	15.6x	5.7x	3.8x	22.5x	7.3x	4.7x	13%	19%	22%
Average					11.1x	4.7x	3.0x	15.6x	5.7x	4.0x	22.5x	7.3x	4.7x	-0.2%	7.6%	24.3%
Coal - China																
China Shenhua Energy Company Limited	SEHK:1088	CNY	31-Dec	447,534	4.3x	4.5x	4.5x	5.7x	6.2x	6.2x	7.3x	7.8x	7.8x	39%	39%	39%
Inner Mongolia Yitai Coal Co.,Ltd.	SHSE:900948	CNY	31-Dec	3,727	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shaanxi Coal Industry Company Limited	SHSE:601225	CNY	31-Dec	84,100	3.9x	3.6x	N/A	4.9x	4.6x	N/A	6.9x	6.4x	N/A	48%	51%	N/A
Shanxi Lu'an Environmental Energy Develop	SHSE:601699	CNY	31-Dec	21,807	3.5x	3.5x	3.4x	6.0x	5.9x	5.8x	7.1x	7.2x	7.2x	26%	25%	25%
China Coal Energy Company Limited	SEHK:1898	CNY	31-Dec	63,232	7.1x	7.2x	7.0x	11.7x	11.7x	11.8x	8.5x	7.7x	7.2x	22%	22%	22%
Yanzhou Coal Mining Company Limited	SEHK:1171	CNY	31-Dec	45,307	4.7x	5.2x	5.4x	6.3x	7.5x	7.4x	3.9x	4.6x	4.7x	31%	30%	28%
Average					4.7x	4.8x	5.1x	6.9x	7.2x	7.8x	6.7x	6.8x	6.8x	33.5%	33.5%	28.7%
Group Median					4.3x	4.5x	4.9x	5.9x	6.2x	7.7x	8.0x	7.5x	8.2x	31.4%	31.1%	28.5%
Group Average					4.1x	4.7x	4.9x	7.1x	8.6x	11.3x	12.0x	10.0x	12.9x	34.5%	33.2%	30.7%

Source: S&P Capital IQ, Wilsons estimates

Figure 8: Coal comps FY19-21

Company Name	Ticker	Currency	Year-end	Mkt cap (m)	ND/EBITDA			FCF yield			Div yield			ROCE		
					FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
Wilsons																
Bounty Mining Limited	ASX:B2Y	AUD	30-Jun	35	0.0x	0.7x	0.5x	1.0%	63.5%	37.5%	0.0%	0.0%	0.0%	101.0%	192.3%	192.0%
Coronado Global Resources Inc.	ASX:CRN	USD	31-Dec	3,141	(0.3x)	(0.2x)	(0.3x)	20.5%	24.2%	16.5%	3.9%	18.9%	11.9%	N/A	N/A	N/A
New Hope Corporation Limited	ASX:NHC	AUD	31-Jul	3,383	0.6x	0.4x	0.3x	11.8%	11.6%	8.3%	2.9%	2.6%	1.1%	29.1%	20.1%	12.0%
Stanmore Coal Limited	ASX:SMR	AUD	30-Jun	273	(0.2x)	(0.6x)	(1.3x)	22.8%	26.0%	13.1%	6.5%	2.5%	1.3%	101.9%	78.4%	36.0%
Whitehaven Coal Limited	ASX:WHC	AUD	30-Jun	4,682	(0.1x)	0.0x	0.1x	19.8%	9.0%	8.2%	10.8%	5.6%	4.6%	23.5%	17.9%	15.1%
Average					0.0x	0.1x	(0.1x)	15.2%	26.9%	16.7%	1.3%	7.4%	4.7%	63.9%	77.2%	63.8%
Wilsons (consensus)																
Bounty Mining Limited	ASX:B2Y	AUD	30-Jun	35	(0.2x)	(0.7x)	(1.5x)	(77.6)%	(57.0)%	(11.0)%	0.0%	0.0%	3.3%	101.0%	192.3%	192.0%
Coronado Global Resources Inc.	ASX:CRN	USD	31-Dec	3,141	(0.2x)	(0.3x)	(0.4x)	11.1%	13.0%	8.3%	1.7%	11.7%	7.1%	N/A	N/A	N/A
New Hope Corporation Limited	ASX:NHC	AUD	31-Jul	3,383	0.2x	0.2x	(0.2x)	(16.3)%	8.5%	N/A	6.2%	4.3%	2.5%	29.1%	20.1%	12.0%
Stanmore Coal Limited	ASX:SMR	AUD	30-Jun	273	(0.5x)	(0.8x)	(1.9x)	23.1%	20.5%	7.0%	4.8%	3.6%	2.0%	101.9%	78.4%	36.0%
Whitehaven Coal Limited	ASX:WHC	AUD	30-Jun	4,682	(0.1x)	0.1x	0.1x	18.5%	9.5%	8.1%	10.0%	6.3%	5.1%	23.5%	17.9%	15.1%
Average					(0.1x)	(0.3x)	(0.8x)	(8.3)%	(1.1)%	3.1%	5.6%	6.5%	4.0%	63.9%	77.2%	63.8%
Diversifieds																
BHP Group	ASX:BHP	USD	30-Jun	182,280	(0.4x)	(0.3x)	(0.2x)	6.7%	5.1%	5.2%	6.1%	3.5%	3.1%	17.1%	15.6%	15.0%
Rio Tinto Limited	ASX:RIO	USD	31-Dec	151,245	(0.2x)	(0.2x)	(0.0x)	5.0%	4.6%	5.1%	3.5%	3.6%	3.3%	15.9%	16.1%	15.1%
South32 Limited	ASX:S32	USD	30-Jun	18,687	0.3x	0.7x	1.0x	10.3%	10.3%	9.7%	4.6%	4.7%	3.9%	18.0%	15.9%	15.2%
Anglo American plc	LSE:AAL	USD	31-Dec	24,295	(0.4x)	(0.3x)	(0.3x)	12.1%	11.8%	9.9%	5.1%	5.5%	5.0%	12.4%	12.6%	11.1%
Glencore Plc	LSE:GLEN	USD	31-Dec	39,910	(2.0x)	(1.7x)	(1.5x)	15.9%	16.6%	17.7%	7.0%	6.8%	7.6%	11.1%	10.3%	9.8%
Vale S.A.	BOVESPA:VALE3	BRL	31-Dec	215,405	(0.6x)	(0.3x)	(0.2x)	5.1%	3.7%	3.5%	1.8%	1.0%	2.0%	4.6%	4.8%	4.0%
Average					(0.5x)	(0.4x)	(0.2x)	9.2%	8.7%	8.5%	4.7%	4.2%	4.2%	13.2%	12.5%	11.7%
Coal - Global																
Peabody Energy Corporation	NYSE:BTU	USD	31-Dec	3,204	(0.1x)	0.3x	0.7x	18.5%	18.3%	16.9%	1.8%	1.8%	1.8%	2.7%	1.1%	0.5%
Cameco Corporation	TSX:CCO	CAD	31-Dec	6,483	N/A	N/A	N/A	2.7%	4.6%	3.8%	0.5%	0.5%	N/A	3.9%	3.6%	4.7%
Coal India Limited	NSEI:COALINDIA	INR	31-Mar	1,358,181	1.2x	0.9x	0.8x	8.3%	9.9%	12.8%	8.8%	9.5%	9.6%	25.3%	27.2%	30.2%
Alliance Resource Partners, L.P.	Nasdaq:ARLP	USD	31-Dec	2,424	(0.3x)	(0.2x)	N/A	14.1%	17.0%	17.7%	11.3%	11.6%	N/A	18.9%	17.6%	16.0%
Arch Coal, Inc.	NYSE:ARCH	USD	31-Dec	1,519	0.2x	0.5x	1.1x	20.0%	19.8%	15.4%	2.0%	2.0%	2.0%	16.3%	16.8%	11.4%
Foresight Energy LP	NYSE:FELP	USD	31-Dec	474	(3.5x)	N/A	N/A	55.7%	56.6%	N/A	N/A	N/A	N/A	0.2%	4.6%	3.6%
Warrior Met Coal, Inc.	NYSE:HCC	USD	31-Dec	1,429	(0.4x)	(0.0x)	1.4x	30.9%	19.2%	13.3%	27.2%	0.7%	0.7%	54.4%	41.2%	22.9%
Cloud Peak Energy Inc.	NYSE:CLD	USD	31-Dec	44	(4.7x)	(4.9x)	(5.0x)	55.8%	49.0%	61.5%	N/A	N/A	N/A	-2.0%	-1.1%	-0.5%
CONSOL Coal Resources LP	NYSE:CCR	USD	31-Dec	486	N/A	N/A	N/A	14.2%	14.6%	N/A	11.6%	11.2%	11.0%	16.2%	14.0%	11.3%
Hallador Energy Company	Nasdaq:HNRG	USD	31-Dec	165	(2.2x)	N/A	N/A	19.4%	26.0%	N/A	N/A	N/A	N/A	4.9%	5.8%	6.1%
Ramaco Resources, Inc.	Nasdaq:METC	USD	31-Dec	236	0.0x	0.4x	N/A	(10.2)%	19.5%	17.0%	0.0%	N/A	N/A	20.0%	60.1%	48.8%
Average					(1.1x)	(0.4x)	(0.2x)	20.9%	23.1%	19.8%	7.9%	5.3%	5.0%	14.6%	17.4%	14.1%
Production - domestic																
Yancoal Australia Ltd	ASX:YAL	AUD	31-Dec	4,133	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wollongong Coal Limited	ASX:WLC	AUD	31-Mar	75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bathurst Resources Limited	ASX:BRL	NZD	30-Jun	200	0.4x	0.8x	1.1x	N/A	N/A	N/A	15.3%	7.6%	7.6%	74.2%	53.4%	46.6%
Average					0.4x	0.8x	1.1x	N/A	N/A	N/A	15.3%	7.6%	7.6%	74.2%	53.4%	46.6%
Explorers - domestic																
Atrium Coal Limited	ASX:ATU	AUD	31-Dec	52	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Australian Pacific Coal Limited	ASX:AQC	AUD	30-Jun	34	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MC Mining Limited	ASX:MCM	USD	30-Jun	143	3.2x	14.3x	(1.2x)	N/A	N/A	N/A	N/A	N/A	N/A	-4.3%	-2.6%	18.0%
TerraCom Limited	ASX:TER	AUD	30-Jun	250	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tigers Realm Coal Limited	ASX:TIG	AUD	31-Dec	73	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Metro Mining Limited	ASX:MMI	AUD	30-Jun	208	(0.6x)	(0.4x)	0.3x	N/A	N/A	N/A	0.0%	0.0%	0.0%	9.4%	25.7%	38.7%
Average					1.3x	7.0x	(0.4x)	N/A	N/A	N/A	N/A	N/A	N/A	2.5%	11.5%	28.4%
Coal - China																
China Shenhua Energy Company Limited	SEHK:1088	CNY	31-Dec	447,534	0.2x	0.6x	0.9x	16.6%	12.6%	12.9%	4.9%	4.7%	4.6%	16.7%	15.3%	15.3%
Inner Mongolia Yitai Coal Co.,Ltd.	SHSE:900948	CNY	31-Dec	3,727	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shaanxi Coal Industry Company Limited	SHSE:601225	CNY	31-Dec	84,100	0.5x	0.7x	N/A	20.6%	21.4%	N/A	5.6%	5.5%	N/A	23.1%	24.4%	N/A
Shanxi Lu'an Environmental Energy Develop	SHSE:601699	CNY	31-Dec	21,807	N/A	N/A	N/A	N/A	N/A	N/A	4.3%	4.4%	4.5%	11.5%	11.7%	11.9%
China Coal Energy Company Limited	SEHK:1898	CNY	31-Dec	63,232	(3.8x)	(3.6x)	(3.2x)	7.9%	8.0%	13.1%	3.6%	2.8%	2.9%	6.7%	6.7%	6.6%
Yanzhou Coal Mining Company Limited	SEHK:1171	CNY	31-Dec	45,307	(2.2x)	(2.2x)	(2.0x)	15.9%	15.7%	18.9%	7.0%	6.3%	5.4%	11.5%	9.7%	9.8%
Average					(1.3x)	(1.1x)	(1.4x)	15.3%	14.4%	15.0%	5.1%	4.8%	4.4%	13.9%	13.6%	10.9%
Group Median					-0.2x	-0.1x	-0.2x	15.9%	16.6%	13.2%	4.8%	4.3%	3.3%	16.7%	16.1%	15.0%
Group Average					-0.5x	0.1x	-0.4x	254.9%	444.8%	332.1%	5.8%	5.0%	4.2%	27.3%	31.2%	27.6%

Source: S&P Capital IQ, Wilsons estimates

Stanmore Coal (SMR)

Business description

Stanmore Coal Limited (SMR) is a coal company focussed on developing the Isaac Plains complex of metallurgical and thermal coal mines and on-site infrastructure, including a CHPP and loadout capacity of 3.5Mt ROM coal. Purchasing the assets for \$1 in 2015, production has quickly ramped up, with approved mining leases and reserves supporting a +10year mine life. The company has guided to 2Mtp production in FY19E, of which 80% is a metallurgical grade, semi-soft product. SMR has a portfolio of over 1,080sqkm of granted exploration tenements in the Bowen and Surat Basin coal regions, and further organic growth projects in these regions can support production levels over the longer term.

Investment thesis

Our Buy recommendation is based on a robust outlook for coal demand and coal prices, increasing the company's ability to grow earnings over the short to medium term. An effective mine plan and experienced management team ensure that a low cost strategy, while leveraging the existing infrastructure and improving its throughput can support the business through the cycle.

Revenue drivers

- Thermal and metallurgical coal sales
- Isaac Downs, Isaac Plains Underground and Isaac South approval and development

Balance sheet

- FY18 net cash: \$19.8m

Key assets

Isaac Plains, Isaac Plains East, Isaac Plains Underground, Isaac Downs, Isaac Plains South. CHPP of 3.5Mtpa capacity is located at the Isaac Plains complex.

Reserves and resources

Coal Resources (Mt)	157		
Reserve (Mt)	38		
EV/t Resource (A\$/t)	1.49	1.2	(US\$/t)
EV/t Reserve (A\$/t)	6.13	4.7	(US\$/t)

Board

- Stewart Butel: Chairmain
- Patrick O'Connor: Non-Executive Director
- Neal O'Connor: Non-Executive Director
- Stephen Bizzell: Non-Executive Director

Key issues/catalysts

- Potential for increased bid from GEAR
- Upward revisions to guidance
- Better than expected performance at Isaac Plains East

Management

- Dan Clifford: Managing Director
- Ian Poole: Chief Financial Officer & Company Secretary
- Bernie O'Neill: General Manager (Operations)
- Jon Romche: General Manager (Development)

Risk to view

- Coal price movements
- Slower expansion into Isaac Downs
- Higher unit costs of production
- Safety issues
- Increased rehabilitation costs
- Cyclone activity given its Bowen basin location

Miscellaneous and other

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Disclosures and disclaimers

Recommendation structure and other definitions

Definitions at wilsonsadvisory.com.au/Disclosures.

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