

## Analyst

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## Authorisation

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# Coronado Global Resources (CRN)

## Quarterly coal price update & revisions

### Recommendation

**Buy** (unchanged)

### Price

**\$1.45**

### Target (12 months)

**\$2.15** (previously \$2.50)

### GICS Sector

Energy

### Expected Return

Capital growth	<b>48.3%</b>
Dividend yield	<b>32.4%</b>
Total expected return	<b>80.6%</b>

### Company Data & Ratios

Enterprise value	<b>\$2,082m</b>
Market cap	<b>\$2,431m</b>
Issued capital	<b>1,676m</b>
Free float	<b>50%</b>
Avg. daily val. (52wk)	<b>\$9.7m</b>
12 month price range	<b>\$0.80-\$2.30</b>

### Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	2.14	1.86	0.83
Absolute (%)	-32.2	-22.2	75.5
Rel market (%)	-24.0	-10.7	84.7

### Absolute Price



SOURCE: IRESS

## Quarterly preview: Soft production but strong cash build

We expect a relatively soft production quarter as activity at Curragh focusses on waste stripping and plant maintenance; CRN has guided that output will be weighted to 2H 2022. We forecast quarterly EBITDA to be flat or improve (from US\$410m in March 2022 quarter) despite weaker average coal index prices, with realised prices reflecting lagged contracts. CRN's cash build will be a focus with last quarter's working capital increase expected to unwind. We see risks to CY22 mining cost guidance (currently US\$69-71/t) with high energy prices and general inflation across mining inputs.

## Refining our met coal price outlook

We have marked-to-market our premium hard coking coal price outlook (FOB Queensland) for the June 2022 quarter (6% higher than expected) and cut our 2H 2022 estimate to US\$300/t, down 8%. We have also increased our long term price estimate to US\$160/t (real, previously US\$140/t). Spot hard coking coal prices are currently US\$270/t. Met coal prices have softened from recent record highs with production cuts at China's steel mills and broader economic weakness seen as key reasons. Met coal markets are fundamentally robust with constraints to new supply, limited substitutes and demand supported as infrastructure stimulus and decarbonisation policies are enacted across major economies.

EPS changes in this report are: CY22 -7%; CY23 -2%; and CY24 -33%. These changes mostly reflect a higher cost outlook.

## Investment view: Buy, TP \$2.15/sh (previously \$2.50/sh)

We expect CRN to generate exceptionally strong free cash flow on our met coal price outlook. Strong coal prices should support the capital works required to improve Curragh's through-cycle performance; the company's key US asset is at steady-state. In the absence of acquisitions or major project developments, CRN is likely to return surplus funds to shareholders, as evidenced by our strong dividend yield outlook. We maintain our Buy recommendation on near-term yield and commodity price support.

### Earnings Forecast

Year ending 31 December	2021a	2022e	2023e	2024e
Sales (US\$m)	2,148	3,813	2,938	2,497
EBITDA (US\$m)	480	1,507	782	383
NPAT (underlying) (US\$m)	173	936	445	164
NPAT (reported) (US\$m)	189	936	445	164
EPS (adjusted) (Acps)	16.9	77.0	36.3	13.3
EPS growth (%)	-154%	354%	-53%	-63%
PER (x)	8.6	1.9	4.0	10.9
FCF Yield (%)	19%	45%	28%	11%
EV/EBITDA (x)	3.0	0.9	1.8	3.7
Dividend (Acps)	12.3	46.9	35.6	10.9
Yield (%)	8%	32%	25%	8%
Franking (%)	0%	14%	60%	60%
ROE (%)	20%	71%	29%	11%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Earnings changes & company outlook

## Changes to earnings estimates

- Updated coal price outlook and price realisation assumptions; and
- Increased unit cost estimates to account for what we expect is a structural shift in costs.

**Table 1 - Changes to earnings estimates**

Year ending 31 December	Previous			New			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
<b>Benchmark coal prices</b>									
Hard coking coal (US\$/t FOB)	384	238	188	384	238	188	0%	0%	0%
Thermal coal (US\$/t FOB)	217	130	105	295	170	125	36%	31%	19%
<b>Volumes</b>									
Equity sales (Mt)	18.6	19.6	20.9	18.6	19.6	20.9	0%	0%	0%
<b>Financials</b>									
Sales (US\$m)	3,899	2,908	2,497	3,813	2,938	2,497	-2%	1%	0%
EBITDA (US\$m)	1,613	791	495	1,507	782	383	-7%	-1%	-23%
NPAT (underlying) US\$m	1,011	452	244	936	445	164	-7%	-2%	-33%
NPAT (reported) (US\$m)	1,011	452	244	936	445	164	-7%	-2%	-33%
EPS (adjusted) (Acps)	82.7	37.0	19.8	77.0	36.3	13.3	-7%	-2%	-33%
Dividend (Acps)	49.4	37.0	15.0	46.9	35.6	10.9	-5%	-4%	-27%
Valuation	2.90	2.52	2.20	2.56	2.18	1.87	-12%	-13%	-15%

SOURCE: BELL POTTER SECURITIES ESTIMATES

## Changes to coal price estimates

**Table 2 - Hard coking coal outlook**

	2021		2022		2023		LT (real)
	Jun (a)	Dec(a)	Jun(a)	Dec	Jun	Dec	
<b>New</b>	133	316	468	300	250	225	160
Previous			443	325	250	225	140
<b>Change</b>			6%	-8%	0%	0%	14%
US\$/A\$	0.77	0.73	0.72	0.73	0.73	0.73	0.74

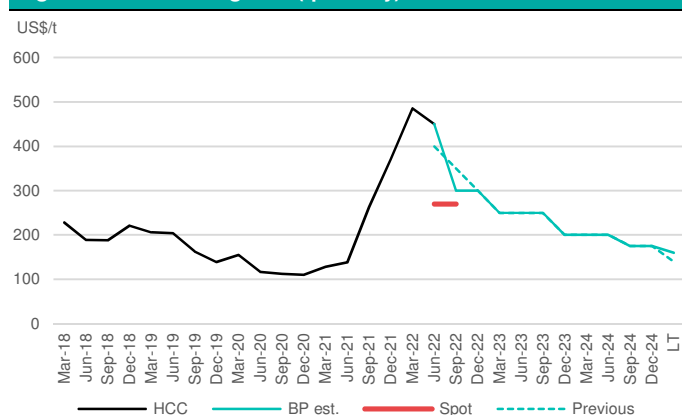
SOURCE: FASTMARKETS & BELL POTTER SECURITIES ESTIMATES

**Table 3 - Thermal coal outlook**

	2021		2022		2023		LT (real)
	Jun (a)	Dec(a)	Jun(a)	Dec	Jun	Dec	
<b>New</b>	99	176	316	275	190	150	80
Previous			253	180	140	120	70
<b>Change</b>			25%	53%	36%	25%	14%
US\$/A\$	0.77	0.73	0.72	0.73	0.73	0.73	0.74

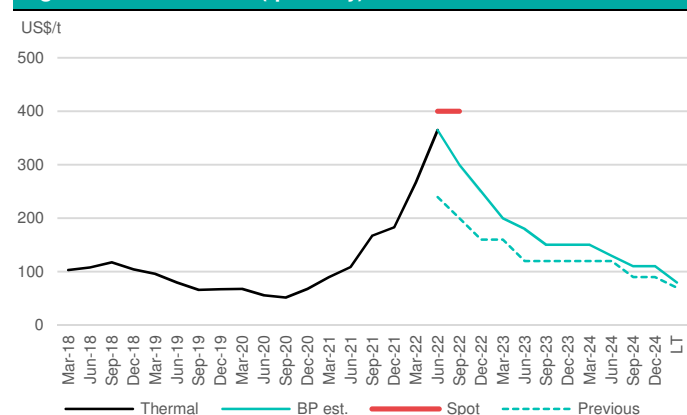
SOURCE: BLOOMBERG & BELL POTTER SECURITIES ESTIMATES

**Figure 1 - Hard coking coal (quarterly)**



SOURCE: FASTMARKETS & BELL POTTER SECURITIES ESTIMATES

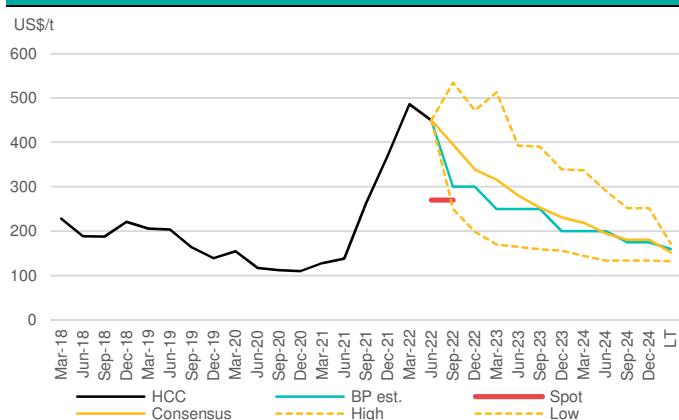
**Figure 2 - Thermal coal (quarterly)**



SOURCE: BLOOMBERG & BELL POTTER SECURITIES ESTIMATES

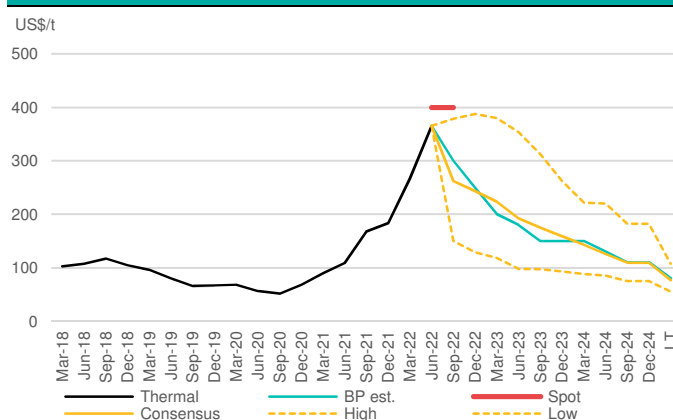
### Bell Potter Securities vs consensus

Figure 3 - Hard coking coal (quarterly)



SOURCE: FASTMARKETS & BELL POTTER SECURITIES ESTIMATES

Figure 4 - Thermal coal (quarterly)



SOURCE: BLOOMBERG & BELL POTTER SECURITIES ESTIMATES

### Coal price themes & outlook

#### THERMAL COAL

Thermal coal price strength has continued along with the crisis pricing seen across the energy commodity complex. Natural gas shortages with embargoes on Russian supply has seen major European economies pivot back to thermal coal fired electricity generation. Economic sanction limits to Russia’s coal supply has also impacted markets, previously accounting for around 29% of the global high CV seaborne trade. A material supply-side response is yet to occur, with major supplying regions having to navigate infrastructure and permitting constraints.

While some seasonal reprieve in demand is expected in coming months, risks to energy supply across the peak demand northern hemisphere winter are a key concern and likely to support prices for the remainder of 2022 and into 2023. The ICE gC NEWC futures contracts remain above US\$300/t out to early 2023 and over US\$200/t longer term.

#### METALLURGICAL COAL

Met coal prices have softened from recent highs. China’s domestic and export steel prices have fallen by around 17-24% since early April 2022 with COVID related lockdowns and broader economic weakness seen as key reasons. There are reports that Chinese steel mills have since responded with voluntary output cuts to stabilise the market and support margins.

We view met coal markets as fundamentally robust with constraints to new supply and as yet no broad scale substitute in the primary steel-making process. Through-the cycle demand should continue to grow as infrastructure stimulus and decarbonisation policies are enacted across major economies.

# Quarterly production preview

## Soft production quarter on waste stripping & maintenance

CRN have guided that CY22 production will be weighted to the second half of the year.

- **Australia:** At Curragh, 1H CY22 activities were focussed on waste removal and box cut works to improve dragline strike lengths and therefore improve overall mine productivity. Dragline and coal wash plant maintenance will also be conducted during the June 2022 quarter.
- **USA:** We expect relatively consistent performance from CRN's US operations.
- **Risks to costs:** Risk that cost guidance will be increased given the recent strength in energy prices (diesel) and general inflation across mining labour and consumables.

**Table 4 - CY22 production, unit mining cost and capital expenditure guidance**

	CY21 actual	CY22 guidance	BP est.
Saleable production Mt	17.4	18.0 - 19.0	18.4
Mining cost US\$/t	65.7	69.0 - 71.0	72
Capex US\$m	91	170 - 190	198

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Balance sheet: Cash to jump on working capital unwind

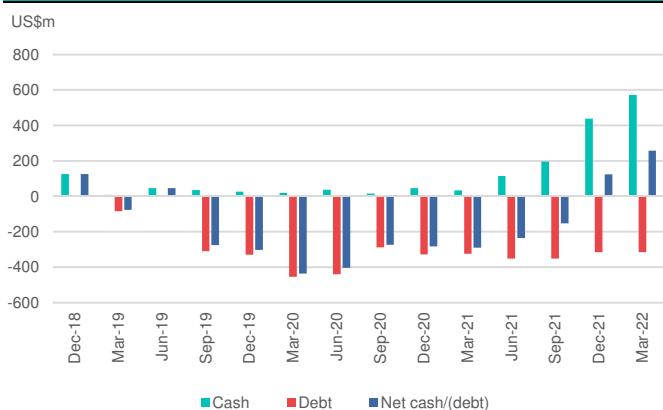
CRN's audited Q1 CY22 Form 10-Q to the US SEC shows a significant quarterly Q1 increase in accounts receivable (up US\$227m, price and payment terms driven) which resulted in a lower than expected cash build (US\$134m) compared with the strong Q1 EBITDA (US\$410m). We expect the increase in receivables to unwind in subsequent quarters to the benefit of cash and overall liquidity.

**Table 5 - Cash generation & balance sheet US\$m**

Quarter ending	Jun-21	Sep-21	Dec-21	Mar-22
Group average realised price US\$/t	105	144	214	267
Revenue	424	574	775	947
Costs*	410	425	462	537
<b>EBITDA*</b>	<b>14</b>	<b>149</b>	<b>313</b>	<b>410</b>
<b>Balance sheet</b>				
Cash	114	196	438	571
Debt	-350	-350	-315	-314
Net cash/(debt)	-236	-154	123	257
<b>Change in net cash</b>	<b>54</b>	<b>82</b>	<b>277</b>	<b>134</b>
<b>Working capital items</b>				
Trade receivables	209	245	272	499
Accounts payable	100	88	98	58
<b>Change in net working capital items</b>		<b>48</b>	<b>17</b>	<b>267</b>

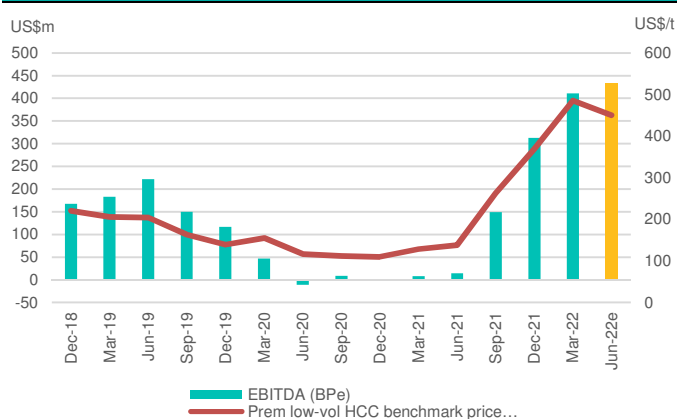
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES  
NOTE: \* BELL POTTER SECURITIES CALCULATED

Figure 5 - Net cash/(debt) position



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES  
NOTE: CRN RAISED US\$180M EQUITY IN AUGUST 2020 AND US\$100M EQUITY IN MAY 2021

Figure 6 - Quarterly EBITDA vs average HCC price



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

### Coal price scenarios: Sensitivity & spot leverage

CRN sells several grades of met and thermal coal from its operations in Australia and the US to multiple domestic and seaborne end-markets. As such, the following sensitivity and break-even analysis can only provide a rough guide to earnings outcomes. The analysis references benchmark hard coking coal prices (FOB Queensland) from which we calculate the majority of CRN's realised prices.

Note: Under each scenario (including spot), coal price and currency estimates are flexed over the forecast period before returning to our long run estimates from CY25.

Table 6 - Met coal price sensitivity & spot price leverage

	HCC			EBITDA A\$m			EPS Acps			FCF A\$m			Val'n
	CY22	CY23	CY24	CY22	CY23	CY24	CY22	CY23	CY24	CY22	CY23	CY24	A\$/sh
+15%	423	273	216	1,835	1,133	683	96.2	57.0	31.0	981	752	413	2.75
+10%	410	261	206	1,726	1,016	583	89.8	50.1	25.1	917	665	339	2.56
+5%	397	249	197	1,617	899	483	83.4	43.2	19.2	852	578	264	2.37
<b>Base case</b>	<b>384</b>	<b>238</b>	<b>188</b>	<b>1,507</b>	<b>782</b>	<b>383</b>	<b>77.0</b>	<b>36.3</b>	<b>13.3</b>	<b>787</b>	<b>491</b>	<b>190</b>	<b>2.18</b>
-5%	371	226	178	1,398	666	283	70.6	29.4	7.4	723	404	115	1.98
-10%	358	214	169	1,288	549	184	64.2	22.5	1.5	658	317	41	1.79
-15%	345	202	159	1,179	432	84	57.8	15.6	-4.4	593	230	-33	1.60
<b>Spot</b>	<b>369</b>	<b>270</b>	<b>270</b>	<b>1,362</b>	<b>1,136</b>	<b>1,289</b>	<b>69.2</b>	<b>57.9</b>	<b>67.6</b>	<b>711</b>	<b>672</b>	<b>784</b>	<b>2.89</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

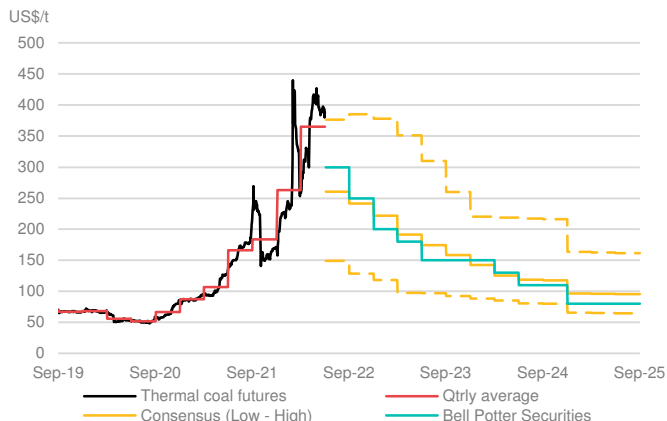
Table 7 - Met coal price sensitivity & spot price leverage

	HCC			EV/ EBITDA x			PE x			FCF yield %			Val'n vs share price %
	CY22	CY23	CY24	CY22	CY23	CY24	CY22	CY23	CY24	CY22	CY23	CY24	
+15%	423	273	216	0.8	1.3	2.1	1.5	2.5	4.7	59%	45%	25%	90%
+10%	410	261	206	0.8	1.4	2.4	1.6	2.9	5.8	55%	40%	20%	77%
+5%	397	249	197	0.9	1.6	2.9	1.7	3.4	7.5	51%	35%	16%	64%
<b>Base case</b>	<b>384</b>	<b>238</b>	<b>188</b>	<b>0.9</b>	<b>1.8</b>	<b>3.7</b>	<b>1.9</b>	<b>4.0</b>	<b>10.9</b>	<b>48%</b>	<b>30%</b>	<b>11%</b>	<b>50%</b>
-5%	371	226	178	1.0	2.1	5.0	2.1	4.9	19.6	44%	24%	7%	36%
-10%	358	214	169	1.1	2.6	7.7	2.3	6.4	97.3	40%	19%	2%	24%
-15%	345	202	159	1.2	3.3	16.9	2.5	9.3	-33.0	36%	14%	-2%	10%
<b>Spot</b>	<b>369</b>	<b>270</b>	<b>270</b>	<b>1.0</b>	<b>1.2</b>	<b>1.1</b>	<b>2.1</b>	<b>2.5</b>	<b>2.1</b>	<b>43%</b>	<b>41%</b>	<b>47%</b>	<b>100%</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

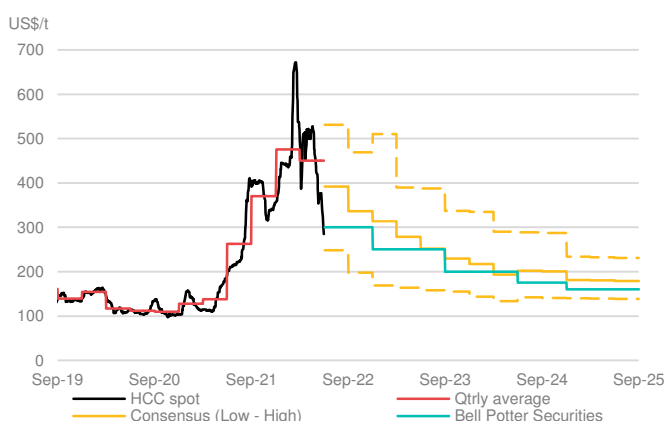
# Coal & steel price charts

**Figure 7 - Thermal coal US\$/t FOB Newcastle**



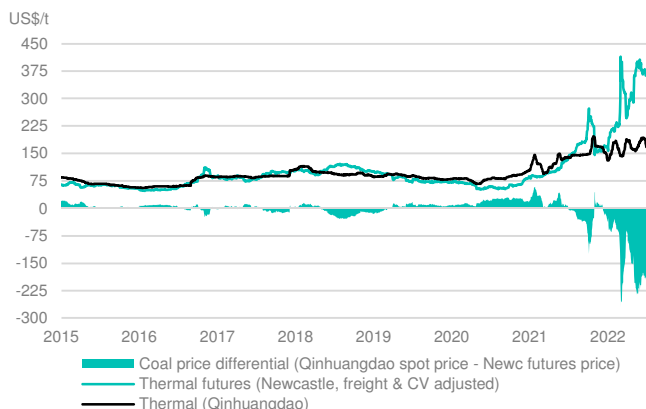
SOURCE: BLOOMBERG - COASNE60 INDEX (THERMAL), CONSENSUS ECONOMICS & BELL POTTER SECURITIES ESTIMATES

**Figure 8 - Premium hard coking coal US\$/t FOB Queensland**



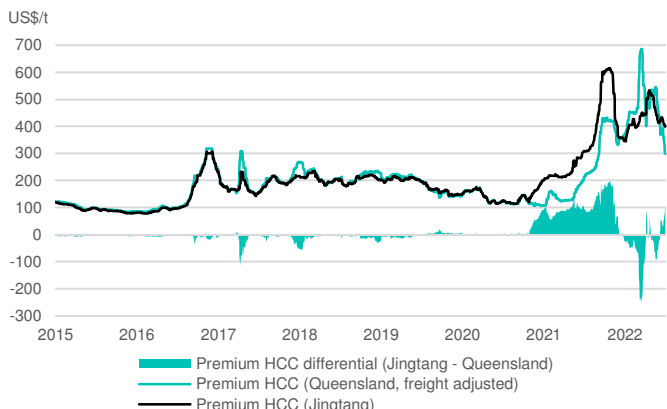
SOURCE: METAL BULLETIN, CONSENSUS ECONOMICS & BELL POTTER SECURITIES ESTIMATES

**Figure 9 - Thermal coal – China domestic vs imports**



SOURCE: BLOOMBERG - COASNE60 INDEX (NEWC THERMAL), COASQI55 INDEX (QINH THERMAL) & BELL POTTER SECURITIES ESTIMATES

**Figure 10 - Met coal– China domestic vs imports**



SOURCE: METAL BULLETIN, IRESS & BELL POTTER SECURITIES ESTIMATES

**Figure 11 - Steel: China export HRC & rebar US\$/t**



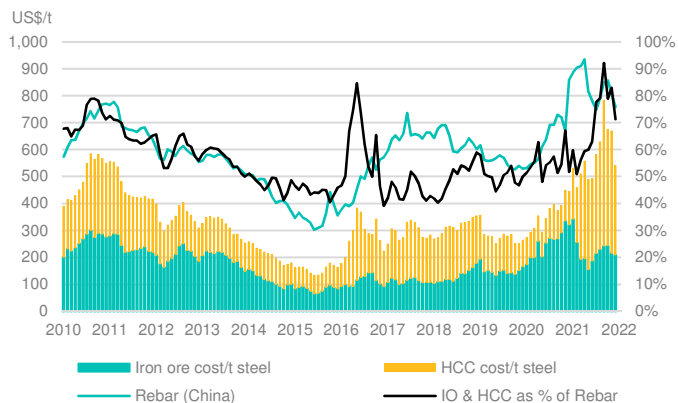
SOURCE: FASTMARKETS (MB-STE-0147 & MB-STE-0144), & BELL POTTER SECURITIES

**Figure 12 - Steel: China domestic HRC & rebar RMB/t**



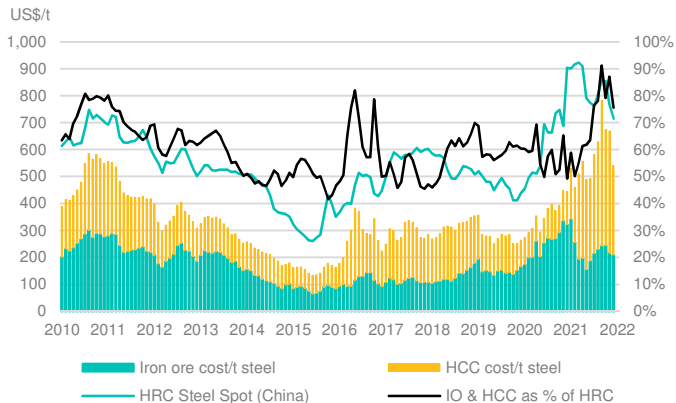
SOURCE: FASTMARKETS (MB-STE-0152 & MB-STE-0154), & BELL POTTER SECURITIES

Figure 13 - Steel: Rebar (China) vs Inputs US\$/t (monthly)



SOURCE: BLOOMBERG - CDSPDRAV INDEX (CHINA REBAR), METAL BULLETIN & BELL POTTER SECURITIES ESTIMATES

Figure 14 - Steel: HRC (China) vs Inputs US\$/t (monthly)



SOURCE: BLOOMBERG - CSPWHRSE INDEX (CHINA HRC), METAL BULLETIN & BELL POTTER SECURITIES ESTIMATES

# Coronado Global Resources (CRN)

## Company description

CRN is the largest pure-play met coal producer delivering into global export markets, with total sales of 17.7Mt in 2021 (81% met coal). The company is based in Brisbane, and first listed CDIs on the ASX in October 2018. Its assets are diversified by geography, with key production centres being Curragh (Queensland, Australia) and Buchanan (Virginia, United States). CRN supplies coal to steelmaking customers located in the Americas, Europe and Asia.

## Investment view: Buy, TP \$2.15/sh (previously \$2.50/sh)

We expect CRN to generate exceptionally strong free cash flow on our met coal price outlook. Strong coal prices should support the capital works required to improve Curragh's through-cycle performance; the company's key US asset is at steady-state. In the absence of acquisitions or major project developments, CRN is likely to return surplus funds to shareholders, as evidenced by our strong dividend yield outlook. We maintain our Buy recommendation on near-term yield and commodity price support.

## Valuation

Our valuation is based on discounted cash flow models of CRN's key operating assets: Curragh; Buchanan; and Logan. The US operations are modelled to their current reserve life. Curragh is modelled to 2038, with the expectation that a large proportion of the 318Mt SRA Resource will convert to Reserves. We assume mine parameters consistent with historical production, CRN prospectus guidance, Bell Potter Securities' estimated production outlooks and peer asset benchmarks.



## Risks

Risks to resources sector equities include, but are not limited to:

- **Commodity price and exchange rate fluctuations.** The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Bulk commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon Resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Table 8 - Financial summary

Date	7/07/22						Bell Potter Securities						
Price	A\$/sh 1.45						Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)						
Target price	A\$/sh 2.15						Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624)						
<b>PROFIT AND LOSS</b>													
Year ending 31 December	Unit	2020a	2021a	2022e	2023e	2024e	Year ending 31 December	Unit	2020a	2021a	2022e	2023e	2024e
Revenue (including other)	US\$m	1,462	2,148	3,813	2,938	2,497	<b>VALUATION</b>						
Expenses	US\$m	(1,420)	(1,668)	(2,305)	(2,155)	(2,114)	EPS	US\$/sh	(20.4)	12.1	55.8	26.5	9.8
<b>EBITDA (operating)</b>	US\$m	<b>43</b>	<b>480</b>	<b>1,507</b>	<b>782</b>	<b>383</b>	EPS growth (UScps)	%	-164%	-159%	362%	-52%	-63%
Depreciation	US\$m	(191)	(178)	(161)	(170)	(165)	EPS	Ac/sh	(31.5)	16.9	77.0	36.3	13.3
<b>EBIT</b>	US\$m	<b>(149)</b>	<b>302</b>	<b>1,346</b>	<b>612</b>	<b>218</b>	EPS growth (Acps)	%	-171%	-154%	354%	-53%	-63%
Net interest expense	US\$m	(51)	(77)	(28)	15	13	PER	x	-4.6x	8.6x	1.9x	4.0x	10.9x
<b>PBT</b>	US\$m	<b>(199)</b>	<b>226</b>	<b>1,318</b>	<b>627</b>	<b>231</b>	DPS	Ac/sh	-	12.3	46.9	35.6	10.9
Tax expense	US\$m	60	(53)	(382)	(182)	(67)	Franking	%	0%	0%	14%	60%	60%
<b>NPAT (underlying)</b>	US\$m	<b>(139)</b>	<b>173</b>	<b>936</b>	<b>445</b>	<b>164</b>	Yield	%	0%	8%	32%	25%	8%
Abnormal items	US\$m	(87)	17	-	-	-	DPS + capital return	Ac/sh	-	12.3	46.9	35.6	10.9
<b>NPAT (reported)</b>	US\$m	<b>(226)</b>	<b>189</b>	<b>936</b>	<b>445</b>	<b>164</b>	Yield	%	0%	8%	32%	25%	8%
<b>CASH FLOW STATEMENT</b>													
Year ending 31 December	Unit	2020a	2021a	2022e	2023e	2024e	Year ending 31 December	Unit	2020a	2021a	2022e	2023e	2024e
<b>OPERATING CASH FLOW</b>													
Net income	US\$m	(227)	189	936	445	164	<b>LIQUIDITY &amp; LEVERAGE</b>						
Depreciation	US\$m	275	176	161	170	165	Net debt / (cash)	US\$m	290	(129)	(464)	(452)	(357)
Amortisation of below market CSA	US\$m	(33)	(34)	(32)	(32)	(32)	Net debt / Equity	%	36%	-12%	-30%	-30%	-26%
Changes in working capital	US\$m	22	(19)	(81)	76	35	Net debt / Net debt + Equity	%	26%	-14%	-42%	-43%	-35%
Other	US\$m	(41)	130	-	-	-	Net debt / EBITDA	x	6.8x	-0.3x	-0.3x	-0.6x	-0.9x
<b>Operating cash flow</b>	US\$m	<b>(3)</b>	<b>442</b>	<b>984</b>	<b>660</b>	<b>332</b>	EBITDA/net interest expense	x	0.8x	6.3x	53.0x	-53.7x	-29.9x
<b>INVESTING CASH FLOW</b>													
Capex	US\$m	(118)	(90)	(197)	(169)	(142)	<b>PROFITABILITY RATIOS</b>						
Acquisitions	US\$m	-	-	-	-	-	EBITDA margin	%	3%	22%	40%	27%	15%
Other	US\$m	4	(45)	-	-	-	EBIT margin	%	-10%	14%	35%	21%	9%
<b>Investing cash flow</b>	US\$m	<b>(114)</b>	<b>(134)</b>	<b>(197)</b>	<b>(169)</b>	<b>(142)</b>	Return on assets	%	-10%	8%	36%	18%	7%
<b>FINANCING CASH FLOW</b>													
Debt proceeds/(repayments)	US\$m	217	412	-	-	-	Return on equity	%	-27%	20%	71%	29%	11%
Repayment of borrowings	US\$m	(224)	(413)	(300)	-	-	<b>ASSUMPTIONS - Prices (nominal)</b>						
Dividends	US\$m	(24)	-	(453)	(503)	(285)	<b>Year ending 31 December</b>	<b>Unit</b>	<b>2020a</b>	<b>2021a</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>
Capital return	US\$m	-	-	-	-	-	Hard coking coal	US\$/t	124	225	384	238	188
Proceeds from equity issues (net)	US\$m	-	98	-	-	-	LV PCI	US\$/t	80	160	313	186	144
Other	US\$m	169	(15)	-	-	-	Semi-soft coking coal	US\$/t	71	161	322	192	146
<b>Financing cash flow</b>	US\$m	<b>138</b>	<b>81</b>	<b>(753)</b>	<b>(503)</b>	<b>(285)</b>	Thermal coal	US\$/t	61	137	295	170	125
<b>Change in cash</b>	US\$m	<b>20</b>	<b>389</b>	<b>34</b>	<b>(12)</b>	<b>(95)</b>	<b>CURRENCY</b>						
Free cash flow	US\$m	(117)	308	787	491	190	AUD/USD	US\$/A\$	0.69	0.75	0.72	0.73	0.74
<b>BALANCE SHEET</b>													
Year ending 31 December	Unit	2020a	2021a	2022e	2023e	2024e	Year ending 31 December	Unit	2020a	2021a	2022e	2023e	2024e
<b>ASSETS</b>													
Cash	\$m	46	438	472	461	366	<b>Saleable production</b>	<b>Mt</b>	<b>16.8</b>	<b>17.4</b>	<b>18.4</b>	<b>19.6</b>	<b>20.9</b>
Receivables	\$m	257	272	316	232	196	<b>Sales by asset</b>						
Inventories	\$m	110	119	119	119	119	Curragh met coal	Mt	8.9	8.2	8.8	9.6	10.2
Property, plant and equipment	\$m	1,522	1,397	1,433	1,431	1,409	Curragh domestic thermal	Mt	3.5	3.1	3.4	3.2	3.2
Other assets	\$m	214	235	235	235	235	Buchanan	Mt	3.8	4.4	4.3	4.4	4.2
<b>Total assets</b>	<b>\$m</b>	<b>2,148</b>	<b>2,461</b>	<b>2,576</b>	<b>2,478</b>	<b>2,324</b>	Logan	Mt	1.8	1.9	2.0	2.4	3.3
<b>LIABILITIES</b>													
Creditors	\$m	75	98	61	53	52	Greenbrier	Mt	0.2	0.1	-	-	-
Borrowings	\$m	336	309	8	8	8	<b>Total</b>	<b>Mt</b>	<b>18.2</b>	<b>17.7</b>	<b>18.6</b>	<b>19.6</b>	<b>20.9</b>
Non-market contract obligations	\$m	402	372	340	308	276	<b>Mining cost per tonne sold</b>	<b>US\$/t</b>	<b>56</b>	<b>66</b>	<b>73</b>	<b>74</b>	<b>74</b>
Other liabilities	\$m	529	606	606	606	606	Average revenue	US\$/t	77	127	203	150	119
<b>Total liabilities</b>	<b>\$m</b>	<b>1,342</b>	<b>1,384</b>	<b>1,015</b>	<b>976</b>	<b>943</b>	Average cost (EBITDA less Revenue)	US\$/t	82	88	115	109	100
<b>NET ASSETS</b>	<b>\$m</b>	<b>807</b>	<b>1,078</b>	<b>1,560</b>	<b>1,502</b>	<b>1,381</b>	Average EBITDA (after royalties)	US\$/t	(5)	39	88	41	19
Shareholder equity	\$m	807	1,078	1,560	1,502	1,381	Met coal proportion	%	78%	79%	78%	80%	80%
Minorities	\$m	0	-	-	-	-	<b>VALUATION</b>						
<b>SHAREHOLDER EQUITY</b>	<b>\$m</b>	<b>807</b>	<b>1,078</b>	<b>1,560</b>	<b>1,502</b>	<b>1,381</b>	<b>Issued capital</b>	<b>Unit</b>					
Weighted average shares	m	1,111	1,567	1,677	1,677	1,677	Shares on issue	m	1,676				
<b>RESOURCES &amp; MARKETABLE RESERVES (OPERATING ASSETS ONLY)</b>													
Resources	Unit	Equity	Meas & Ind	Total	Reserve		Options assumed	m	0				
Curragh	Mt	100%	786	957	251		<b>Diluted shares</b>	<b>m</b>	<b>1,676</b>				
Buchanan	Mt	100%	251	251	112		<b>NPV (Discount rate 13%, real)</b>	<b>Current</b>		<b>+ 12 months</b>		<b>+ 24 months</b>	
Logan	Mt	100%	219	220	90		<b>A\$m</b>	<b>A\$/sh</b>	<b>A\$m</b>	<b>A\$/sh</b>	<b>A\$m</b>	<b>A\$/sh</b>	
Greenbrier	Mt	100%	89	92	28		1,582	0.94	1,012	0.60	871	0.52	
<b>Total operating (100%)</b>	<b>Mt</b>		<b>1,345</b>	<b>1,520</b>	<b>481</b>		2,862	1.71	2,248	1.34	2,001	1.19	
<b>Total operating (equity)</b>	<b>Mt</b>		<b>1,345</b>	<b>1,520</b>	<b>481</b>		(277)	(0.17)	(275)	(0.16)	(272)	(0.16)	
Other (equity)	Mt		969	1,006	230		<b>Total</b>	<b>4,167</b>	<b>2.49</b>	<b>2,985</b>	<b>1.78</b>	<b>2,600</b>	<b>1.55</b>
<b>Total (equity)</b>	<b>Mt</b>		<b>2,314</b>	<b>2,526</b>	<b>711</b>		Net debt	(117)	(0.07)	(673)	(0.40)	(529)	(0.32)
							<b>Equity value</b>	<b>4,284</b>	<b>2.56</b>	<b>3,658</b>	<b>2.18</b>	<b>3,128</b>	<b>1.87</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

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*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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