



24 November 2020

CHAIRMAN'S AGM ADDRESS

On behalf of the Directors and in my first AGM as Chairman of Stanmore Coal, I am pleased to present this update to shareholders on our commendable operational performance in the 2020 financial year – a year of significant change for the company against the backdrop of a global pandemic.

The Company's revenue from operations totalled \$364.5 million, a reduction of 10% from the previous year. This resulted in a gross profit of \$97.0 million, which was lower than our \$164.8 million profit in FY19.

Underlying Earnings before Interest, Tax, Depreciation and Amortisation saw a 43.5% reduction to \$87.5 million, against the FY19 result of \$154.9 million. This decrease in underlying margin was a result of increased waste removal costs following changes to our mine plan and the mix of equipment deployed to deal with geological challenges, as well as a decrease in our average realised price from coal sales by A\$14/tonne, resulting from the combination of a relatively strong Australian dollar against the US dollar, and reduced demand because of the effects of COVID-19 on our customers. Stanmore Coal reported Net Profit After Tax of \$34.9 million, compared with \$91.6 million for the previous year.

The Board declared a fully franked interim dividend of 3 cents per share which was paid to shareholders on 30 April 2020. Shareholders on the register at that date also received a bonus issue of 7,788,200 new fully paid Stanmore shares, for no consideration.

Taking into account the Company's FY20 earnings, cashflow performance and the uncertainty relating to the ongoing impacts of COVID-19 and the current coking coal market for Australia, the Board has elected not to declare a final dividend for the financial year.

While the 2020 financial year has been incredibly challenging not only for us as a company but the community more broadly, the COVID-19 pandemic has had limited direct impact on our operations. I am pleased to say that we reported no cases of COVID-19 among our workforce because of the swift response from our management team and everyone at the mine, to follow public health guidelines and keep our site and local community safe.

Metallurgical coal has been relatively less affected by market dynamics than thermal coal. Over 99% of our production in FY20 was metallurgical coal, which has supported the Company's performance.

In addition, a large proportion of the Company's product coal is contracted to term customers, which underpinned demand, with the exception of COVID related shipment delays experienced in June 2020. The Company expects average realised prices on coal sales to remain in line with industry forecasts.

The road out of the current economic downturn will likely not be easy but we are confident in our strategic positioning of operating cost discipline and 'capital light' approach to capital investments. This disciplined strategy along with balance sheet strength gives the Company some protection against the low points in the cycle and ensures we can continue to deliver for shareholders.

Since the end of the 2019/20 financial year and publication of the annual report, the Company has completed our Bankable Feasibility Study for the Isaac Downs Project. This is an exciting project that will extend the life of our operations, producing 3.5 million tonnes of run-of-mine coal each year, which matches the nameplate capacity of our coal handling plant. Because it is a satellite project for our Isaac Plains Complex and feeds the existing coal handling plant, Isaac Downs will be developed at low capital cost. The feasibility study identified 17.9 million tonnes of marketable reserves at Isaac Downs, and the operation will produce 2.5 million tonnes per annum of saleable product coal, resulting in a favourable \$215m Net Present Value.

The unconditional on-market takeover offer by Golden Investments commenced on 2 April and closed on 18 May 2020. The offer closed with Golden Investments holding a 75.33% interest in Stanmore Coal.

Following the transaction, we have gone through a period of Board renewal with the resignations of Stewart Butel, Neal O'Connor and Stephen Bizzell as Directors of the Company on 15 May 2020. I would like to take this opportunity to thank these Directors for their dedication to the success of the business and their service to Stanmore Coal.

Four Non-Executive Directors were subsequently appointed: myself as Chairman, along with experienced executives Mark Trevan, Richard Majlinder and Mary Carroll. Jimmy Lim and Marcelo Matos also joined the Board during the reporting period, in October and November 2019 respectively.

The Company sincerely thanks Dan Clifford, who resigned as Managing Director and CEO in October 2019, for his leadership of Stanmore Coal. Dan led the company through a period of transition, and we acknowledge his contribution. Following Dan's resignation, Jon Romcke did an outstanding job leading the organisation as Interim Chief Executive Officer and I personally thank Jon for his contribution.

Craig McCabe was appointed as Chief Executive Officer on 1 April 2020 and resigned on 31 August 2020, after the reporting period. We wish Craig all the best for the future.

Marcelo Matos has been redesignated as an Executive Director and appointed as Interim Chief Executive Officer since August 2020 and has been leading Stanmore Coal with excellence. He has significant industry experience and familiarity with our assets and operations, including as Managing Director of Australia for Vale. In that role, he was responsible for managing Vale's interests at the Isaac Plains Complex before it was acquired by Stanmore, among other responsibilities.

On behalf of the Board, I would also like to thank the Stanmore management team, employees and contract partners for their efforts and teamwork that have delivered strong operational results in FY20 in what have been challenging circumstances.

Finally, thank you to shareholders for your continuing support for the Company. We look forward to delivering commendable results for the ongoing benefit of all stakeholders in the current year and beyond.

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About Stanmore Coal Limited (ASX: SMR)

Stanmore Coal Limited operates the Isaac Plains coking coal mine in Queensland's prime Bowen Basin region. Stanmore Coal Limited 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 Limited holds a number of high-quality development assets (both coking and thermal coal resources) located in Queensland's Bowen and Surat basins.

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