


24 November 2020

INTERIM CHIEF EXECUTIVE OFFICER'S AGM ADDRESS

I would like to open by welcoming our shareholders to today's Annual General Meeting. I also acknowledge the Barada Barna people who are the traditional custodians of the land where the Isaac Plains Mine Complex resides. It is my pleasure to present this update to shareholders as Interim CEO of Stanmore Coal.

FY20 Review

Record Safety Performance

Health and safety is central to the success of our operations and front of mind in our decision-making. During the year, Stanmore carried out a "safety reset" across our sites and head office, including all of our staff and contractors, to emphasise focus on the potential fatal risks at our operations.

I am pleased to report that, with the support from our contractor towards continuous improvement of our safety focus, we are seeing meaningful results, with no Lost Time Injuries recorded in the financial year. Additionally, our Total Recordable Frequency Rate is at historic lows of 3.4 injuries per million hours worked.

Operational & Financial Performance

Stanmore delivered record operating performance during the year, with a 3% increase in open cut run of mine (ROM) coal production to 3 million tonnes.

Total product coal production for FY2020 was 2.39 million tonnes and the proportion of metallurgical coal produced increased to 99%. The improved ratio of metallurgical coal sold helped to somewhat offset pricing weakness, with a decrease in our average sale price to A$159.5/tonne sold from A$173.8/tonne in FY2019.

As we expected, mining moved into lower coal elevations at Isaac Plains East, resulting in strip ratio increases which negatively impacted unit costs. Underlying FOB costs for the financial year increased to $105.9/ tonne excluding state royalties, or $119.7/tonne with royalties included, an increase from $88.8/tonne excluding state royalties in FY2019.

The above-mentioned price and cost impacts resulted in a reduced margin of $39.8/tonne for FY2020. The Company remains in a strong financial position with $168.6M of net assets as at 30 June 2020. Importantly, except for the Caterpillar 6060 excavator chattel mortgage, the Company today remains debt free.

Our rehabilitation program aim is to return all mined areas to grazing pasture. All rehabilitation areas are topsoiled and seeded with native flora and pasture species. During the financial year, we spent $4.9M recontouring 99 hectares of mined land, and top-soiling and seeding 144 hectares, contributing to our strong track record in this area.

DEVELOPMENT AND OUTLOOK

Progressing Approvals for Future Operations

During the year, significant work was undertaken to complete the Bankable Feasibility Study and update Reserves and Resources at Isaac Downs.

The Bankable Feasibility Study confirmed the attractiveness of the Isaac Downs Project with a $215M Net Present Value and 18-month payback period, driven by production levels matched to the 3.5mtpa ROM nameplate capacity of the coal handling and preparation plant.

Additional work on exploration drilling to increase geological confidence and improve understanding of coal quality was conducted in FY2020, with Mineral Resources for the Isaac Downs Project updated as at June 2020 to 36.2 million tonnes (Mt) from 22.9Mt at the time of acquisition. 17.9Mt of Marketable Coal Reserves at 97% metallurgical coal ratios have also been reported.

A number of project development elements of the Isaac Downs Project are running in parallel with the regulatory approval process. The Supplementary Environmental Impact Statement has been finalised and Environmental Authority & Mining Lease processes are well advanced. These approvals remain important to maintaining production continuity in the future.

2021 will be a transformational year for the Company as it transitions mining operations from Isaac Plains to Isaac Downs. Construction and mining are anticipated to commence in the second half of the 2021 calendar year.

With the move to Isaac Downs, we expect that a lower strip ratio and higher-ranking coking coals will provide considerable improvement in margins.

We obtained regulatory approvals for a test bulk sample pit at Isaac Downs to assist with market development of our products and are undertaking advanced work towards starting up development of this project within the first half of the 2021 calendar year.

Outlook and guidance

Coal prices have come under continuous and ongoing pressure over the past 18 months, aggravated by the impacts of the COVID-19 in global demand and the recent reductions of imports of metallurgical coal by China. A large proportion of Stanmore Coal's tonnage is sold on contract to long-standing customers in Japan, Korea, India and Europe, which provides us with some insulation against demand volatility and spot pricing risks.

Due to the above, we expect achieved sales prices to be lower in the second half of the 2020 calendar year, however we anticipate prices to return to longer term trend levels in 2021, consistent with the improving trend in coal price futures driven by the recent ad expected recovery in steel production levels in global markets.

Given the materially lower pricing environment, a strategic revisit of Isaac Plains East mine plans is being conducted with a focus on value over volume to ensure cost competitiveness and cash preservation. Pit shells are being optimised to lower strip ratios and inefficient mining activities are being minimised. The Company is exploring options to reduce excavator fleets as well as minimising the amount of overburden working capital and maximising low-cost dragline volume. These potential activities will optimise the cost base but will also lead to materially lower production from the existing Isaac Plains operations with a shorter remaining life in a low pricing environment.

The Company is looking at options to address this potential decrease in production through the development of other available resources and shareholders will be updated when this work is complete. An updated Reserve and Resources summary will be outlined in the December 2020 financial results.

The Company has secured its financial position through the recent conclusion of the US$40M facility agreement with our parent entity, GEAR. Financing work throughout the year has also seen a replacement of financial assurance sureties for current operations at Isaac Plains by way of transfer to the Queensland Government Financial Provisioning Scheme.

Conclusion

In closing, I would like to take the opportunity to thank the team at Stanmore Coal for their continued efforts. Implementation of strategy continues to be a collaborative effort and our employees and contractors both on site and in head office are committed to continued success and improvement.

Thank you also to my fellow Directors for their guidance and support in my current role as Interim CEO, and to our traditional owners, community, customers and shareholders for your continued support of Stanmore Coal.

For further information, please contact:

Marcelo Matos
Interim Chief Executive Officer
07 3238 1000

Frederick Kotzee
Chief Financial Officer
07 3238 1000

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.

Stanmore Coal Limited ACN 131 920 968

p: +61 7 3238 1000
f: +61 7 3238 1098

info@stanmorecoal.com.au
www.stanmorecoal.com.au

Level 15, 133 Mary Street, Brisbane QLD 4000
GPO Box 2602, Brisbane QLD 4001