

March 2023 Quarterly Activities Report



Highlights

- Consolidated March quarter Run of Mine (ROM) production of 4.1Mt, saleable production of 3.2Mt and total coal sales of 2.8Mt, despite wet weather impacting the Bowen Basin in early 2023
- Significant ROM and saleable coal stockpile levels at the end of the quarter as, despite strong production levels, there have been delays in the recovery of coal logistic chains from the 1Q wet weather impacts
- SMC acquisition financing cash sweep confirmed and paid in February 2023, with total debt reduced by 42% in 1Q 2023 from December 31, 2022 level
- Closing cash as at March 31, 2023 of US\$242 million

CEO Statement

Marcelo Matos, Chief Executive Officer and Director

“While our focus on lead safety indicators and strong TRIFR continues in 2023, we did disappointingly report three recordable injuries during the quarter. Saleable production from the quarter remained strong notwithstanding the wet weather experienced. Sales of produced coal were negatively impacted by disruptions at DBCT following significant January weather events and the inability of rail infrastructure and haulage (both below and above) to recover. All sites have ended the quarter with healthy levels of product and ROM stockpiles which should support a strong second quarter performance. The metallurgical coal market weakened during the quarter, as general supply tightness eased following better than expected production recovery from the wet weather season. The reopening of the China trade relative to recovering Australian supply, and India heading into monsoon season will be important factors for the market over the coming quarter.”

Consolidated Production & Sales Performance

		Quarter Ended Mar-23	Quarter Ended Dec-22
Managed Production			
ROM Coal Produced	Mt	4.1	4.4
ROM Strip Ratio	Prime	8.0	8.0
Saleable Coal Produced	Mt	3.2	3.1
Sales of Produced Coal	Mt	2.7	3.4
Sales of 3 rd Party Purchased Coal	Mt	0.1	0.1
Total Coal Sales	Mt	2.8	3.5

Safety

During the quarter, there were three recordable injuries reported across the group. The 12-month rolling TRIFR at the end of the quarter increased to 1.8 per million hours compared with 1.5 per million hours in the previous quarter.

Operational Highlights

South Walker Creek

		Quarter Ended Mar-23	Quarter Ended Dec-22
Managed Production			
ROM Coal Produced	Mt	1.9	1.7
ROM Strip Ratio	<i>Prime</i>	8.2	8.9
Saleable Coal Produced	Mt	1.6	1.4
Total Coal Sales	Mt	1.2	1.5

Strong total stripping performance continued in the March quarter despite above average rainfall for the period, with 185mm falling in January alone and 275mm in the quarter compared with 254mm in the quarter prior. Blast hole drill metres were 128% of the previous quarter (357km drilled in the March quarter) as the benefits of the contractor conversion began to be realised. 11.5Mbcm of overburden was also blasted (105% of previous quarter).

The CHPP performed strongly at industry benchmark levels feeding 2.03Mt and producing 1.55Mt of saleable product coal at 8,024 annualised hours and 76.6% yield. Strong levels of ROM and in-pit coal inventories at the end of 2022 positioned the mine well for 2023 and blending related yield benefits were realised in the March quarter. During the quarter the CHPP teams also achieved three years of Recordable Injury free performance.

The CHPP remains the site's bottleneck with a planned ROM inventory build over the next quarter. A three-day CHPP maintenance shutdown is planned for April 2023 to perform planned component repairs and replacements.

High clean coal product stockpile volumes at the end of the quarter (which are being managed) due to above rail infrastructure bottlenecks and multiple train cancellations experienced during the quarter as the system recovers from significant January 2023 rain events.

Poitrel

		Quarter Ended Mar-23	Quarter Ended Dec-22
Managed Production			
ROM Coal Produced	Mt	1.2	1.4
ROM Strip Ratio	<i>Prime</i>	8.4	9.8
Saleable Coal Produced	Mt	0.7	1.0
Total Coal Sales	Mt	0.8	1.4

Good truck and shovel performance continued in the quarter despite significant wet weather impacts, particularly in January. Over 250Kt of ROM coal from the Vermont lower ply was mined as an opportunity. These coals were excluded from reserves due to thickness and quality uncertainties. Latent CHPP capacity was used in the quarter to wash V23/VL coal including a recent trial of rewashing some rejects to ascertain longer term viability of this strategy. Notwithstanding this, sales and saleable production is lower quarter on quarter compared to 4Q 2022, due to an exceptional 4Q 2022 performance and planned timing of mine sequencing in 2023.

In addition to toll washing 300Kt of Isaac Downs Coal throughout the quarter, a successful trial wash of third party coals was completed at Red Mountain CHPP in February and March. The trial involved over 100Kt of feed, with haulage via the Peak Downs Highway. The synergy of Red Mountain Infrastructure and neighbouring mines allows for Poitrel Mine to provide additional product flexibility and optimisation when opportunity presents.

February saw Ramp 10 North gain all environmental approvals to continue its development. Vegetation clearing, topsoil stripping and de-watering activities have commenced to prepare the pit layback in the geotechnically challenging area, thereby maintaining coal flow into the coming years.

The exploration campaign for 2023 has commenced to gain further geological knowledge into the heavily faulted area in Ramp 10 North, and further validate the deposit coal quality.

Isaac Plains Complex

		Quarter Ended Mar-23	Quarter Ended Dec-22
Managed Production			
ROM Coal Produced	Mt	1.0	1.3
ROM Strip Ratio	Prime	7.0	5.0
Saleable Coal Produced	Mt	0.9	0.7
Total Coal Sales	Mt	0.9	0.6

The site continued to operate without recordable injury for the quarter.

Mining operations were affected by a number of wet weather events in January and March but delivered a strong ROM tonnage performance of 1.0Mt.

CHPP throughput was curtailed by a further feeder chain head drive failure in January, which resulted in unplanned downtime for repairs. CHPP performance has since normalised and stabilised with a new throughput record of 359Kt achieved in March.

Haulage of ROM coal to the Red Mountain CHPP at Poitrel via the Peak Downs Highway continued in the quarter and enabled new haulage records of 0.5Mt in March and 1.4Mt for the quarter. The extended RMI campaign offset the crusher outage at IPC CHPP in January and is now completed. Combined throughput at the IPC & RMI CHPPs allowed a record quarter saleable production record of 0.9Mt for IPC.

Millennium and Mavis Downs (50% Ownership Only) – 43kt Saleable Production (100% basis) ^{1 2}

During the quarter, MetRes continued conventional open-cut truck and shovel production and auger mining from available highwalls, producing 65Kt of ROM coal and 43Kt of product coal at Millennium and Mavis Downs. Net shipments of 41Kt of high-quality coking and PCI coal were completed.

Underground mining development drivage has continued, with operational coal expected in 2H 2023.

MetRes is continuing to mine opencut strips at the Millennium pit, which will assist with coal volumes to support the ramp up of underground operations.

¹ All figures are on a 100% basis.

² Stanmore's share is 50% through the ownership of MetRes Pty Ltd. Note that MetRes Pty Ltd financial performance and physical metrics are not consolidated into Stanmore Resources results for accounting purposes.

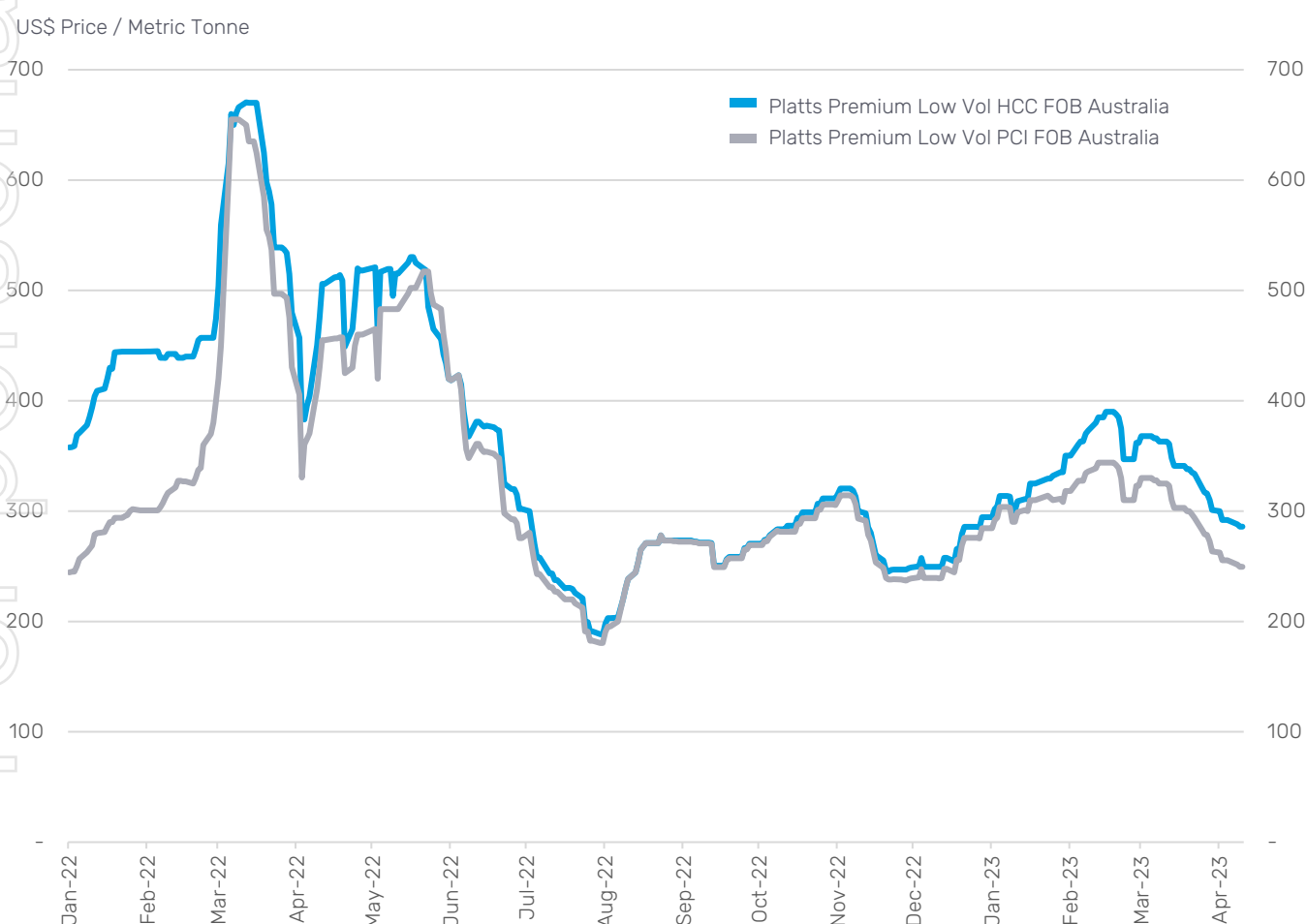
Coal Sales and Realised Pricing

The initial part of the January to March 2023 quarter was characterised by continuation of supply issues, in particular from Australia as a period of very intense rainfall severely affected the Dalrymple Bay Coal Terminal during mid-January resulting in temporary closure of the terminal and significant water related impact to stockpiles. In conjunction with the restocking of European mills as some of the 2022 blast furnace idling decisions were reversed, prices were driven to a quarterly peak of US\$390 by mid-February.

Inland Australian mine production was not as severely impacted by rainfall as the coastal shipping terminals, and by March, recovering coal production was placing pressure on the infrastructure chain to recover lost sales tonnages from January system losses. Collectively this resulted in improving availability of coal and weakening prices towards the end of the quarter.

During the period, the reopening of Australia-China trade has supported a strong recovery in thermal coal trade. By the end of March, the gap between FOB Australia and delivered China pricing had narrowed to a point that spot deals were observed for prime low volatile hard coking coal recommencing into China, supporting pricing. The reopening of the China trade relative to recovering Australian supply, and India heading into monsoon season will be important factors for the market over the coming quarter.

With adequate stock levels as a result of a milder than expected winter, thermal markets continued to show weak demand through the quarter with some increasing availability of crossover high volatile materials from the US noted.



Notes: S&P Global Commodity Insights Platts Premium Low Vol HCC FOB Australia and Low Vol PCI FOB Australia indices: 3 Jan 2022 to 12 Apr 2023
Source: S&P Global Commodity Insights, ©2023 by S&P Global Inc.

Corporate

During the quarter, Stanmore paid an annual cash flow sweep under the terms of our SMC acquisition financing of US\$252 million, which together with a scheduled amortisation payment of US\$7.5 million, reduced the principal balance of the Acquisition Debt Facility by approximately 42% to US\$355 million. The closing cash balance for the quarter was US\$242 million, resulting in a net debt³ position of US\$113 million and total liquidity of US\$466 million as at March 31.

Stanmore's unsecured surety bonding facility limit was increased from A\$25 million to A\$40 million during the quarter, to meet expected additional performance guarantee requirements and retain existing headroom.

The Company has agreed to amend the terms of its secured finance facility with MetRes Pty Ltd to support the ongoing development of the Mavis underground mine. The amended terms increase the total facility to A\$90 million at a revised interest rate of 14% per annum and extended the expiry date to 30 September 2024. The facility is subject to a structured repayment schedule.

The Company released its 2022 Sustainability Report and 2022 Annual Report on April 6, 2023.

The 2023 Annual General Meeting of Stanmore Resources is scheduled for 10:00 am on Wednesday May 24, 2023, commencing at 10:00 am (AEST).

Exploration & Projects

Exploration drilling commenced at Poitrel Mine during the quarter and will continue into 2Q 2023. The drilling initially started in the Ramp 10 area to further delineate fault structures and progressed to coal quality infill drilling. To date 3,900 metres of planned drilling has been completed. A second rig is scheduled to commence operation at South Walker Creek Mine early in 2Q 2023 with additional rigs expected to be deployed during the year.

Drilling at the prospective Lancewood and Nebo West areas is expected to commence in 3Q 2023 after the current active mines have been drilled.

Planning and preparation for the 2023 Seismic program continued with 2D and 3D seismic set to begin in early 2Q 2023. 2D seismic acquisition will commence in the Southern area of the South Walker Creek Mine before moving to Poitrel Mine and subsequently finalising works at Nebo West/Pink Lily. These programs are expected to be completed by the end of 2Q 2023. A small 3D trial is also planned for the north of Wards Well, with commencement likely to occur in second half of 2023, pending planning and final approval considerations.

Analysis of previously collected quality and geotechnical samples continued for Isaac South and will remain ongoing into 2Q 2023. An updated resource estimate for this project is expected in 3Q 2023.

Clearing and grubbing and powerline relocation has commenced on MRA2C, and all works remains on track.

³ Unaudited net debt calculated as the principal amount outstanding of the Group's debt facilities, excluding finance leases and lease liabilities accounted for under AASB 16, less consolidated cash on hand.

Safeguard Mechanism

Stanmore's newly acquired Poitrel and South Walker Creek mines both fall within the Federal Government's Safeguard Mechanism. Stanmore participated in the Government's consultation process as it finalised key design elements of the scheme, in particular the potential options for setting production variables for the coal sector which will determine emissions baselines under the scheme. An update to the market will be provided at the appropriate time as key scheme design elements are finalised and the potential impact to Stanmore is understood. The Company continues to assess site-based abatement opportunities, particularly in relation to fugitive emissions, and are investigating options for optimising carbon offset generation across our land holdings.

In 2022, Stanmore commissioned an independent energy assessment to accurately measure and verify energy usage at Poitrel and South Walker Creek, and identify energy efficiency, energy productivity and renewable energy opportunities. The results have informed the Company's Objectives and Actions for decarbonisation, as a better understanding is gained regarding Scope 1 (fuel and fugitive emissions) and Scope 2 (electricity) emissions baseline and the composition of emissions by source.

This Quarterly Report is authorised for release to the market by the Board of Stanmore Resources Limited.

Further Information

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Media

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About Stanmore Resources Limited (ASX: SMR)

Stanmore Resources Limited owns and operates the Isaac Plains Complex, South Walker Creek and Poitrel metallurgical coal mines, as well as the undeveloped Wards Well, Isaac Plains underground and Isaac Plains South projects, in Queensland's prime Bowen Basin region. Stanmore Resources is also a joint owner of the Millennium and Mavis Downs Mines and holds several additional high-quality prospective coal tenements located in Queensland's Bowen and Surat basins. The Company is focused on the creation of shareholder value via the efficient operation of its mining assets and the identification of further development opportunities within the region.

Appendix: Managed Coal Production⁴

		Quarter Ended Mar-23	Quarter Ended Dec-22
ROM Coal Production			
South Walker Creek	Mt	1.883	1.747
Poitrel	Mt	1.211	1.384
Isaac Plains Complex	Mt	1.013	1.317
Total	Mt	4.107	4.448
Strip Ratio			
South Walker Creek	Prime	8.2	8.9
Poitrel	Prime	8.4	9.8
Isaac Plains Complex	Prime	7.0	5.0
Total	Prime	8.0	8.0
Saleable Coal production			
South Walker Creek	Mt	1.554	1.428
Poitrel	Mt	0.743	1.038
Isaac Plains Complex	Mt	0.862	0.664
Total	Mt	3.159	3.130
Saleable Production - Coking Coals	%	37%	34%
Saleable Production - PCI	%	58%	63%
Saleable Production - Thermal Coals ⁵	%	5%	3%
Total Coal Sales			
South Walker Creek	Mt	1.176	1.534
Poitrel	Mt	0.762	1.361
Isaac Plains Complex	Mt	0.863	0.582
Total	Mt	2.801	3.477
Product Coal Stockpile			
South Walker Creek	Mt	0.544	0.125
Poitrel	Mt	0.146	0.093
Isaac Plains Complex	Mt	0.176	0.165
Total	Mt	0.866	0.382
ROM Coal Stockpile			
South Walker Creek	Mt	0.248	0.394
Poitrel	Mt	0.280	0.249
Isaac Plains Complex	Mt	0.369	0.615
Total	Mt	0.897	1.258

⁴ Rounding may impact totals when computed in this table.

⁵ Stanmore operates with a view to primarily producing metallurgical coals (coking and PCI coals) only; however a small percentage of thermal coal can be produced (typically less than 5% of annual production) as a by-product of metallurgical production.