



31 May 2023

CHIEF EXECUTIVE OFFICERS AGM ADDRESS

Before I begin my report to shareholders, I would like to acknowledge the Barada Barna people, who are the Traditional Owners of the land on which the Isaac Plains Complex, South Walker Creek and Poitrel mines operate, and the Widi people who share some of the Country surrounding South Walker Creek, and pay my respects to their Elders, past, present and emerging. I would also like to pay my respects to the Yuggera and Turrbal people, who are the Traditional Owners of the land on which our corporate office is based.

It is my pleasure to provide an update for shareholders on what has been an outstanding year for Stanmore Resources.

FY22 Review

Health and Safety

Ensuring the safety of everyone on our sites is our number one priority, and every one of our people is committed to achieving the highest standards of safety discipline across our operations.

With the integration of South Walker Creek and Poitrel mines into our operations, Stanmore's directly employed workforce increased from approximately 30 people in 2021 to a total of 718 at the end of December 2022. As a result, the number of working hours across our sites rose to 3.4 million compared to approximately 800,000 in 2021. Our commitment to safety is reflected in the fact that, while we worked more than four times as many hours in 2022, our Total Recordable Injury Frequency Rate fell to 1.5 per million hours worked. In addition, Isaac Plains celebrated 18 months without an injury this month, which is an outstanding performance.

Safety is a priority for us every day, and while we are pleased with our performance during 2022, there is no room for complacency. Integrating the workforces from Poitrel and South Walker Creek has created the opportunity to share safety practices across the group, and we remain focused on fostering a strong safety culture and on the disciplines to keep risks at an acceptable level and make sure our people return home safely each day.

Operational & Financial Performance

As our Chair said in his address, Stanmore's performance in 2022 has been outstanding by any measure. We achieved record production at the same time as we executed a seamless integration of the SMC mines, which reinforces the strength of our asset base and our operating model and culture. On top of this, we benefited from a year of strong demand and record prices for metallurgical coal, to report record financial outcomes.

We achieved all of this in spite of a range of challenges for the industry such as cost pressures from global inflation, continued supply chains disruptions and labour constraints, unseasonal wet weather events, and the last stages of recovery from the Covid pandemic. The resilience of our people, and their ability to adapt to these challenges, has been a highlight of the year personally for me.

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The business delivered record run of mine – or ROM – coal production of 13.5 million tonnes for the year, which was driven by strong performance at our newly integrated operations. South Walker Creek achieved its best results over its history, for annual coal mining, waste stripping and dragline performance, and between May and December delivered 5.4 million tonnes of ROM coal. Poitrel also achieved a number of production records, with ROM coal production of 4.2 million tonnes during the same period.

2022 was a transition year at our Isaac Plains Complex. Construction at Isaac Downs was completed early in the year. The team ramped up production and introduced new mining and coal haulage contractors, as well as upgrading the capacity of our coal handling plant and moving it into owner operations. The site produced a record 3.9 million tonnes of ROM coal in the 12 months to December.

With the successful integration of the SMC mines, our operations have begun to realise a range of synergies that were identified at the time of the acquisition. Among others, we have been able to offer customers extra coal blending options from across our mines, which optimises average sales pricing, and Poitrel's Red Mountain coal processing and handling plant washed 200,000 tonnes of ROM coal from Isaac Downs, to capitalise on low strip ratios at the mine and rapid dragline progression and strong ROM coal mining volumes.

We also completed the acquisition from Mitsui of the remaining 20% interest in SMC in October 2022, with the transaction fully funded by strong operating cash flows. Consolidating full ownership of the mines has allowed us to streamline management and control of the operations.

Combining the operations has also allowed us to implement systems that are fit for purpose and designed to meet the needs of the business, which are enabling us to create and support new opportunities and realise the full value of the SMC assets.

We received approval from the board for the MRA2C creek diversion project at South Walker Creek in January of this year. This will add a significant volume of low strip ratio, shorter haulage, high yield coal production at a very attractive rate of return and payback on our investment. This improvement project demonstrates the value potential of the acquired mines, as well as our drive to realise the opportunities and accelerate value delivery.

On the back of these impressive performances, Stanmore reported saleable production of 9.2 million tonnes and total sales of product coal of 9.3 million tonnes.

The inflationary pressures I have mentioned led to an increase in our Free On Board costs, excluding royalties, to US\$83 per tonne. This was more than offset by favourable coal pricing, with our sales price for the year averaging US\$290 per tonne compared to US\$131 the previous year.

The year's strong operational performance and pricing are reflected in our strong financial outcomes for 2022.

Strong saleable coal from Poitrel and South Walker Creek contributed to record margins. Underlying EBITDA was US\$1.46 billion, and cash flow from operations was US\$1.18 billion.

Cashflows generated during 2022 allowed Stanmore to make US\$249 million in various debt repayments in 2022 and a US\$252 million annual cash sweep repayment as part of our acquisition debt facility in February 2023. Stanmore continues to be focussed on balance sheet deleveraging and retaining available liquidity and borrowing capacity.

Sustainability

Sustainability is increasingly becoming central to how we operate and create value for our stakeholders, and I am pleased that we made solid progress in this important area of our business.

We acknowledge the Commonwealth Government's commitments to a net-zero economy by 2050. We will continue to play our part as a responsible producer of steel-making coal, seeking technically and economically viable ways to reduce the intensity of greenhouse gas emissions from our operations.

We conducted our first materiality assessment during the year, which has helped us to understand the areas of our operations that have the greatest impact on our stakeholders. Through this assessment, we have defined seven sustainability focus areas: decarbonisation; responsible water and waste management; sustainable land management and rehabilitation; health, safety and wellbeing of our people; working with and supporting our communities; workforce development and inclusion; and being a trusted and responsible mining company. Each of these areas has defined objectives and actions which give a clear focus for our sustainability efforts and allow us to manage and track progress.

Stanmore Green was established in 2021 as our vehicle to work in partnership and supporting our operations in developing and implementing energy transition and sustainable development initiatives by leveraging from our existing assets and capabilities. We set out our vision for Stanmore Green during 2022, with defined focus areas and an investment strategy that position the business for implementation going forward.

We continue to progress our Reconciliation Action Plan, which has been submitted to Reconciliation Australia for accreditation. As part of our RAP, we have established a working committee with representatives from Barada Barna Aboriginal Corporation and Gangali Narra Widi Aboriginal Corporation.

Closing

In closing Stanmore is well positioned to deliver on our strategic priorities, optimising our operating assets, focussing on safe operations and realising synergies from our expanded operations.

I would like to extend my personal thanks to the Stanmore leadership team and all of our people for the contributions they have made to our success over the last year. We would not have achieved the impressive performance we reported across the business during 2022 without their hard work and strong commitment. I would also like to thank the Board for their guidance and support during a landmark year for our Company, and of course I would also like to thank shareholders for your continued support.

Further information

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About Stanmore Resources Limited (ASX: SMR)

Stanmore Resources Limited controls 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.