stanmore

20 July 2023

June 2023 Quarterly Activities Report

Highlights

- Consolidated June quarter Run of Mine (ROM) production of 5.0Mt, saleable production of 3.2Mt and total coal sales of 3.2Mt
- Strong production performance, supported by several operational records at South Walker Creek, however, June quarter end stockpile levels were higher as a result of underperformance of coal logistic chains delaying the recovery of sales volumes after the 1Q wet weather impacts
- Significant organic growth opportunities were initiated during 2Q, including approval of the 9.4Mtpa ROM coal and 1,200 tph CHPP expansion of South Walker Creek, and the development of Pit 5 North at Isaac Plains East (an area containing 1.4Mt of ROM coal)
- Commencement of works at our MRA2C creek diversion and Ramp 10 North Box Cut projects at South Walker Creek and Poitrel respectively
- Consolidated cash as at June 30 reached US$421 million, more than offsetting our long-term debt, with Stanmore now in a US$70 million net cash position

CEO Statement

Marcelo Matos, Chief Executive Officer and Executive Director:

"While our focus on lead safety indicators and strong TRIFR continues in 2023, we unfortunately reported five recordable injuries during the quarter. Saleable production for the quarter remained strong, while sales of produced coal also improved, but continued to be negatively impacted by the inability of both rail network and haulage to provide sufficient capacity to support the recovery of our sales volumes after the wet weather impacts experienced in the first quarter. All sites have ended the quarter with healthy levels of product and ROM stockpiles which should support our second half of 2023 sales performance. Metallurgical coal prices weakened early in the quarter and stabilised during May as general supply tightness eased and coal availability normalised. Performance of the logistics chain may remain a challenge with maintenance outages scheduled in Quarter 3, though we're expecting sales volumes to recover over the second half of 2023."

Consolidated Production & Sales Performance

Managed Production		Quarter Ended June-23	Quarter Ended Mar-23	Half Ended June-23
ROM Coal Produced	Mt	5.0	4.1	9.1
ROM Strip Ratio	*Prime*	8.0	8.0	8.0
Saleable Coal Produced	Mt	3.2	3.2	6.4
Sales of Produced Coal	Mt	3.2	2.7	5.9
Sales of 3rd Party Purchased Coal	Mt	0.0	0.1	0.1
Total Coal Sales	Mt	3.2	2.8	6.0

Safety

During the quarter, there were five recordable injuries reported across the group. The 12-month rolling TRIFR at the end of the quarter increased to 2.5 per million hours compared with 1.8 per million hours in the previous quarter but remained well below industry averages. We have undertaken a comprehensive review of our recordable injuries, examining the underlying causes encompassing processes, procedures, and organisational factors.

Operational Highlights

South Walker Creek

Managed Production		Quarter Ended June-23	Quarter Ended Mar-23	Half Ended June-23
ROM Coal Produced	Mt	2.1	1.9	4.0
ROM Strip Ratio	*Prime*	8.3	8.2	8.3
Saleable Coal Produced	Mt	1.6	1.6	3.1
Total Coal Sales	Mt	1.7	1.2	2.9

Total stripping improved 19% and prime stripping improved 13% over the first quarter attributable to lower rainfall and generally favourable mining conditions compared to 1Q. Truck and shovel stripping set a new quarterly record of 12.3Mbcm, while our draglines continued their recent consistent stripping performance by delivering a record quarter of 8.2Mbcm.

A focus on recovering the blasting position following the rain experienced in the first quarter resulted in record quarterly blasted volumes of 26Mbcm, more than double the first quarter result. The improved blasted inventory will assist with managing production risk for the remainder of 2023. Drilling improved 11% on the first quarter with increased drill bench availability on the back of improved stripping performance.

The CHPP continued to improve on its strong first quarter performance, with plant feed up 5%, setting a new quarterly plant ROM Coal feed record (2.1Mt). However, yield was lower due to the seam mix being mined, resulting in equivalent product coal to the first quarter.

We have been successfully granted an amendment to our environmental authority licence conditions during the quarter to allow increased ROM coal mining to up to 9.4Mtpa, enabling the approval of our mining and CHPP expansion.

Product stockpiles peaked at our CHPP during the quarter due to the strong production, however increased railings late in the quarter eased stockpile management pressure.

Poitrel

Managed Production		Quarter Ended June-23	Quarter Ended Mar-23	Half Ended June-23
ROM Coal Produced	Mt	1.9	1.2	3.1
ROM Strip Ratio	*Prime*	8.4	8.4	8.1
Saleable Coal Produced	Mt	0.9	0.7	1.6
Total Coal Sales	Mt	0.8	0.8	1.6

Poitrel recovered well from the challenges posed by the first quarter wet weather events, supported by record material movement and stabilisation of the mine sequence enabling continuous cast and dozer push operations.

Blast hole drill meters were 141% above previous quarter (412km), and blasted overburden was 172% above previous quarter (18.5Mbcm), significantly improving diggable inventory position compared to the end of 1Q.

In May, Poitrel produced its highest material movement on record (7Mbcm stripping, 0.8Mt ROM coal) with strong cast, dozer push and exceptional truck and shovel performance. June followed as the second-best month on record.

Poitrel CHPP successfully completed major planned maintenance in the last two weeks of May. Clean coal production was 18% above the previous quarter with strong feed availability in June ending the quarter with healthy ROM Coal stockpile inventory with a variety of coal types.

Due to a prioritisation of coal flow in 2022 driven by the strong metallurgical coal price environment, a catch-up on waste volumes was required throughout the course of 1H 2023. This has contributed to lower annualised sales volumes in 1H 2023 compared to 2022, albeit this is expected to normalise in 2H 2023. Updated production guidance will be provided with our 1H 2023 financial results.

Isaac Plains Complex

Managed Production		Quarter Ended June-23	Quarter Ended Mar-23	Half Ended June-23
ROM Coal Produced	Mt	1.0	1.0	2.0
ROM Strip Ratio	*Prime*	7.4	7.0	7.2
Saleable Coal Produced	Mt	0.8	0.9	1.6
Total Coal Sales	Mt	0.7	0.9	1.6

Favourable operating conditions enabled a strong quarter, delivering 9Mbcm of overburden and a further 1.0Mt ROM tonnes mined.

Despite some initial teething issues experienced earlier in the year from the commissioning and ramping up of the recently upgraded CHPP, throughput continued to improve during the quarter. This was highlighted by a throughput record of 380Kt ROM coal feed and a record monthly saleable production of 288Kt, both achieved in June.

The RMI wash campaign was completed in early April, which when combined with the record production noted above, enabled a strong quarterly saleable production result of 0.8Mt.

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, with auger mining ending in April. A total of 32Kt of ROM coal was mined and 12Kt of saleable coal produced at Millennium and Mavis Downs. Net shipments of 12Kt of coking coal were completed.

Underground operational coal commenced in late June, with 6Kt of ROM coal mined and the first washing at RMI expected in the coming weeks.

[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.

Projects

The Company is pleased to announce that the Board has approved, as part of our ongoing approach to increasing efficiency and maximising delivery of value by the Company's assets, the following projects:

South Walker Creek

Capital expenditure of US$69 million associated with:

- The expansion of our CHPP to 1,200 tph via the construction of a dense media cyclone modular plant adjacent to and to be connected to our existing CHPP to increase washing capacity to circa 9.4Mtpa of ROM Coal feed and resulting in circa 7.0Mtpa of saleable production of washed coal; and
- The construction of a new maintenance workshop to support our increased mining volumes and associated mobile fleets, as well as ancillary infrastructure.

The expansion project will also contemplate the introduction of three additional hired truck and excavator fleets with additional operating expenditure commitments expected to increase mining capacity to 9.4Mtpa annualised rate by mid 2024.

These investments are expected to take place during 2023 and 2024 within the aim to achieve the new steady state production rate of circa 7.0Mpta from early 2025.

Clearing and grubbing works for the MRA2C project, along with powerline relocation works, are now 90% complete, on schedule and under budget. The bulk earthworks contract has been awarded and is scheduled for commencement in 3Q 2023, and we expect to ramp up production of competitive ROM Coals at this new pit in 1H 2025 in line with our previously announced plans.

Poitrel

The Southern Levee extension project is underway and on track to enable pit progression in the Southern ramps, in 2024. Leveraging the exceptional drill and blast performance during the quarter, most of the overburden for the Ramp 10 North capital project has been successfully blasted, allowing for good recovery of the delays caused by the wet weather earlier in the year. Excavation progress is surpassing the latest forecast, enabled by the exceptional truck and shovel performance in June, and we still expect to conclude 2023 with the project on schedule.

Isaac Plains Complex

Development of Pit 5 North project at Isaac Plains East commenced in the quarter for additional mining production of 1.4 million tonnes of ROM Coal over a period of two years. A variation of our existing Mining Services Agreement with EPSA Pacific has been concluded and include the introduction of an additional truck and excavator fleet for a period of around 24 months from 2H 2023, as well as approximately US$2.5 million of capital expenditure for surface water management, culverts for a creek crossing and realignment of the 66kV overhung power line, clearing & grubbing and topsoil stripping.

Marcelo Matos, Chief Executive Officer and Executive Director:

"The approvals demonstrate the continued drive by Stanmore to maximise and accelerate shareholder value generation from our existing assets by implementing capital efficient organic improvement and growth projects."

Exploration

Exploration drilling was completed at Poitrel during the quarter. Drilling was focused on delineation of fault and structures in Ramp 10 and coal quality infill. A total of 6,385 metres was drilled since commencement in February, across a total of 51 boreholes (39 structure and 12 core). A second stage drilling program is scheduled to commence in August 2023.

Drilling at South Walker Creek Mine commenced in Toolah South early in the quarter, and is expected to complete in July 2023. A total of 4,060 metres across 34 structure holes were completed with three core holes for coal quality remaining. A second stage drilling program is scheduled to commence in mid-August.

The 2023 2D seismic program was completed in the Toolah South area of the South Walker Creek Mine, Ramps 30 and 40 at the Poitrel Mine, and at Nebo West/Pink Lily, for a total of 15.2 line km. Final interpretation of these lines is underway and expected to conclude by the end of 3Q 2023. An approximate 4km^2 3D acquisition commenced in Lancewood in late June and is expected to be finalised by late July.

A concept study was concluded for Lancewood (ML4752) and the Northern area of the larger resource known as Wards Well, identifying a potential sizeable resource amenable for open cut mining at competitive levels. Further exploration as well as ecology studies have commenced to support the upcoming environmental approval processes required to support commencement of mining in the near future. We intend to provide further market updates on the progress of this highly prospective premium hard coking coal project during 2H 2023.

Further drilling at Isaac Downs and Nebo West is also scheduled to commence in 3Q 2023. Analysis of previously collected quality and geotechnical samples continued for Isaac South, with an updated resource estimate for this project is expected in 4Q 2023.

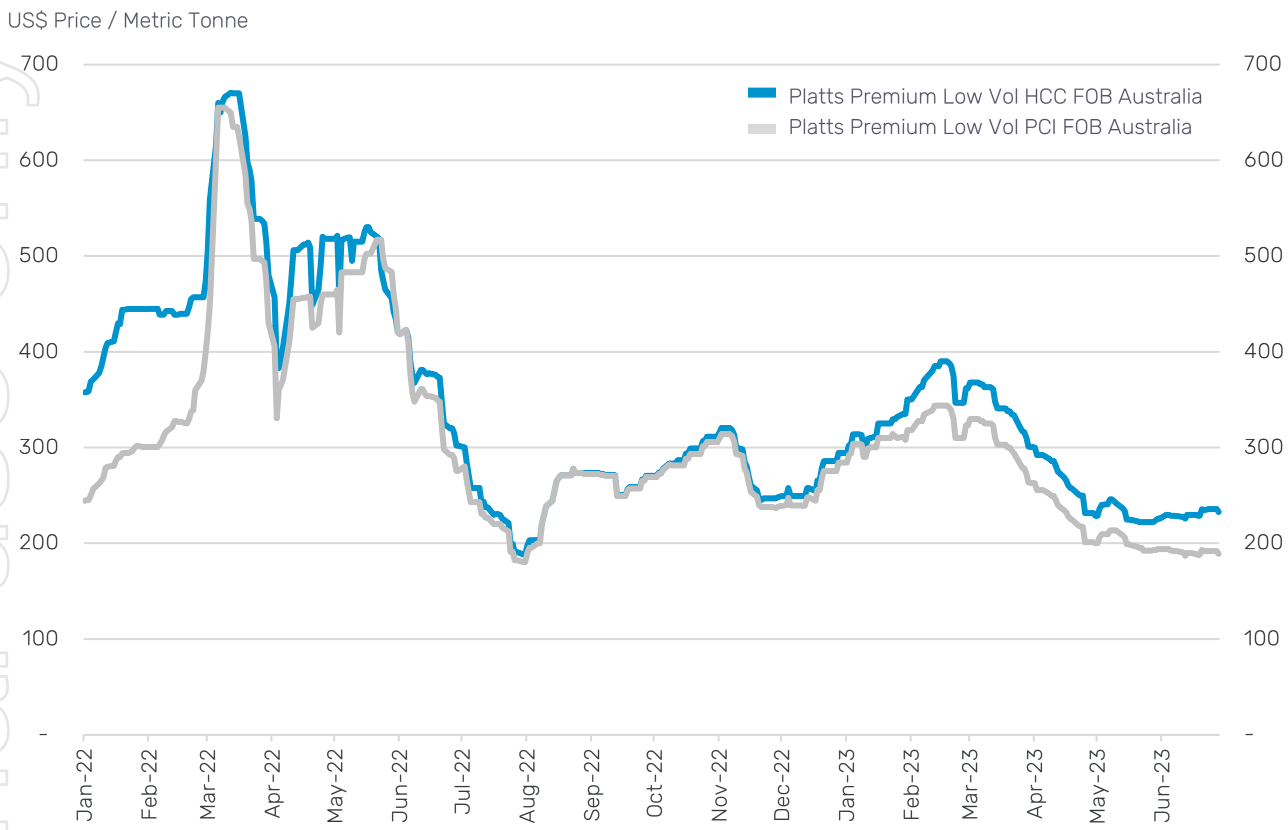
Coal Sales and Realised Pricing

Since the severe weather event experienced in January 2023 which impacted mostly the Mackay coastal area, rainfall has been mild and weather conditions for Bowen Basin operations have been favourable, allowing Queensland mine output to recover back towards planned levels generally. As Australian supply constraints has eased and coal availability normalised, premium hard coking coal prices adjusted by falling from US$300/t at the close of the March quarter to around the US$230/t levels by the end of April, stabilising around these levels for the balance of the quarter. This has occurred generally in conjunction with a sustained overhang of inventory in thermal markets, contributing to crossover weaker met coals seeking to return to the metallurgical market.

The performance of Queensland infrastructure logistics chains was subdued and restricted export volumes. Structural underperformance was observed especially from rail service providers, which in combination with maintenance periods resulted in the supply chain being bottlenecked for the period. The July to September period is forecast to continue to see scheduled infrastructure maintenance periods impacting export capacity for Queensland networks, and service providers are indicating continued tight conditions are likely to persist.

Considering the logistics chain constraints, the Company is taking action to manage its contracted position with infrastructure service providers on the short-term spot market combined with longer term increased capacity, which will be supported by ongoing actions to secure surge capacity to alleviate constraints in the medium term.

Steel makers have reported more challenging export market dynamics for steel products, and this has been consistent with the generally weak demand conditions for steel products in China where steel demand and steelmakers margins have been soft. Late in the quarter, India headed into its monsoon season, however procurement activity observed has been steady through the period – with robust demand ongoing. Large Australian producers are anticipated to continue with seasonal maintenance shutdowns through the July to September quarter, impacting the availability of prime hard coking coal material in the market. Russian material remains accessible to countries that have not undertaken to support sanctions activity and Russian producers are offering discounts to support this offtake.



Notes: *S&P Global Commodity Insights Platts Premium Low Vol HCC FOB Australia and Low Vol PCI FOB Australia indices: 3 Jan 2022 to 30 June 2023*
Source: *S&P Global Commodity Insights, ©2023 by S&P Global Inc.*

Corporate

The Company is pleased to report that shortly following the end of the March quarter, it was in a net cash position which accumulated during the quarter to a closing net cash balance of US$70 million as at 30 June 2023. This was despite a large income tax payment in June 2023, ongoing capital expenditure (including supporting the underground development at our MetRes joint venture through the increased loan facility) and strategic acquisitions of additional long term rail and port capacity. The net cash position is a remarkable result for the Company considering the US$795 million in total debt drawdowns during 2022 and subsequent acquisition of the remaining 20% interest in SMC funded by internal cashflows. The total cash balance at the end of the quarter was US$421 million. Following a scheduled amortisation of US$7.5 million, the balance of the Acquisition Debt Facility reduced to US$348 million.

The Company has agreed to extend the US$70 million loan facility with Golden Energy and Resources Limited (GEAR) until 30 June 2024, on a now unsecured basis. In consideration for the extension and removal of security, the Company agreed an interest rate of 12% per annum on drawn funds and an extension fee of 1.5%. The facility remains undrawn and will continue to provide a source of liquidity for corporate purposes and general operating requirements as and when needed.

Safeguard Mechanism

Currently our Poitrel and South Walker Creek mines are included in the Safeguard Mechanism. Following extensive industry engagement, on 7 July 2023 the Federal Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) finalised its coal production variable review as part of the broader Safeguard Mechanism reforms. DCCEEW determined a single production variable for run-of-mine coal incorporating coal mine waste gas emissions is most suitable. They also decided on a slower transition from the site specific to industry specific coal production variable compared to what had previously been communicated.

The Safeguard reform package will require a progressive reduction in carbon emission intensity, aligned with the intent of the Safeguard Mechanism. Stanmore will work towards implementing mitigations in line with previous commitments and work plans.

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

Further Information

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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 Production[3]

		Quarter Ended June-23	Quarter Ended Mar-23	Half Ended June-23
ROM Coal Production				
South Walker Creek	Mt	2.114	1.883	3.997
Poitrel	Mt	1.918	1.211	3.128
Isaac Plains Complex	Mt	0.982	1.013	1.995
Total	Mt	**5.013**	**4.107**	**9.120**
Strip Ratio				
South Walker Creek	Prime	8.3	8.2	8.3
Poitrel	Prime	8.0	8.4	8.1
Isaac Plains Complex	Prime	7.4	7.0	7.2
Total	Prime	**8.0**	**8.0**	**8.0**
Saleable Coal production				
South Walker Creek	Mt	1.552	1.554	3.106
Poitrel	Mt	0.878	0.743	1.621
Isaac Plains Complex	Mt	0.784	0.862	1.646
Total	Mt	**3.214**	**3.159**	**6.373**
Saleable Production - Coking Coals	*%*	*36%*	*37%*	*36%*
Saleable Production - PCI	*%*	*59%*	*58%*	*59%*
Saleable Production - Thermal Coals[4]	*%*	*5%*	*5%*	*5%*
Total Coal Sales				
South Walker Creek	Mt	1.680	1.176	2.856
Poitrel	Mt	0.800	0.762	1.562
Isaac Plains Complex	Mt	0.697	0.863	1.560
Total	Mt	**3.177**	**2.801**	**5.978**
Product Coal Stockpile				
South Walker Creek	Mt	0.387	0.544	0.387
Poitrel	Mt	0.236	0.146	0.236
Isaac Plains Complex	Mt	0.245	0.176	0.245
Total	Mt	**0.868**	**0.866**	**0.868**
ROM Coal Stockpile				
South Walker Creek	Mt	0.239	0.248	0.239
Poitrel	Mt	0.783	0.280	0.783
Isaac Plains Complex	Mt	0.235	0.369	0.235
Total	Mt	**1.257**	**0.897**	**1.257**

[3] Rounding may impact totals when computed in this table.
[4] 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.