

September 2023 Quarterly Activities Report



Highlights

- Consolidated September quarter Run of Mine (ROM) production of 4.5Mt, saleable production of 3.4Mt and total coal sales of 3.3Mt
- Strong production performance and quarter-end product stockpile levels, with the benefits to Stanmore of strategic acquisitions of logistics capacity driving improved sales performance
- Consolidated cash on September 30 of US\$470 million, with net cash of US\$134 million after accounting for Stanmore's long-term debt position at quarter end
- Stanmore included in the S&P/ASX 300 Australian Stock Market Index from September 18, 2023

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 three non-severe recordable injuries during the quarter.

Saleable production for the quarter remained strong with coal sales starting to see the benefits of recently acquired additional logistics capacity, to counteract continued poor rail network and haulage performance in the Bowen Basin. Notwithstanding, all sites have ended the quarter with healthy levels of product and ROM stockpiles which should also support 4Q 2023 sales performance.

Pricing for metallurgical coals strengthened through the quarter, primarily on the back of restricted availability of premium hard coking coals. Stanmore remains well positioned to capture ongoing strong demand through the 4Q period underpinned by strong steel market fundamentals in India and South-East Asia.

Stanmore's inclusion into the ASX 300 during the quarter is an additional acknowledgement of the significant transformation Stanmore has undertaken over the past two years and will further strengthen our recognition and reach in equity markets going forward."

Consolidated Production & Sales Performance

		Quarter Ended	Quarter Ended	YTD Ended
Managed Production		Sep-23	June-23	Sep-23
ROM Coal Produced	Mt	4.5	5.0	13.6
ROM Strip Ratio	Prime	8.9	8.0	8.5
Saleable Coal Produced	Mt	3.4	3.2	9.8
Sales of Produced Coal	Mt	3.2	3.2	9.1
Sales of 3 rd Party Purchased Coal	Mt	0.1	0.0	0.2
Total Coal Sales	Mt	3.3	3.2	9.3

Safety

During the quarter, there were three non-severe recordable injuries reported across the group. The 12-month rolling TRIFR at the end of the quarter increased to 2.8 per million hours compared with 2.5 per million hours in the previous quarter but remained well below industry averages. We have completed a comprehensive evaluation of our recordable injuries, delving into the fundamental causes involving processes, protocols, and organisational factors, with the aim of preventing future incidents.

Operational Highlights

South Walker Creek

		Quarter Ended Sep-23	Quarter Ended June-23	YTD Ended Sep-23
Managed Production				
ROM Coal Produced	Mt	2.2	2.1	6.2
ROM Strip Ratio	Prime	8.3	8.3	8.3
Saleable Coal Produced	Mt	1.6	1.6	4.7
Total Coal Sales	Mt	1.6	1.7	4.4

The CHPP had the highest coal production quarter for the year maintaining a 6.2Mt annualised run rate off the back of strong operating hours and on-plan yield performance. Total stripping was 93% of the prior quarter and 111% of the first quarter due to planned shutdowns for both draglines, however total prime stripping was 102% of 2Q 2023 due to improved prime dozer push and cast performance and lower material rehandle. Coal mining performance was strong with 2.2Mt mined which is 103% of 2Q 2023 and 116% of 1Q 2023 respectively.

Congestion in the logistics system eased during the quarter, which together with the support of the introduction of a new rail haulage service provider to our contracted book resulted in 1.7Mt of coal railed during the quarter (111% of 2Q 2023), further relieving on-site stockpile pressures experienced earlier in the year.

Poitrel

		Quarter Ended Sep-23	Quarter Ended June-23	YTD Ended Sep-23
Managed Production				
ROM Coal Produced	Mt	1.6	1.9	4.7
ROM Strip Ratio	Prime	5.6	8.0	7.3
Saleable Coal Produced	Mt	1.2	0.9	2.8
Total Coal Sales	Mt	1.0	0.8	2.6

Saleable coal production in the quarter improved 37% on the previous quarter and 55% on 1Q 2023 performance. This reflects planned mine sequencing and the benefits from the 1H 2023 recovery from significant 2H 2022 coal production levels when coal prices were high. Total reported stripping in the quarter was 61% of 2Q 2023 (and 92% of 1Q 2023), largely due to the increased focus and catch-up progress on R10N box cut stripping, where waste volumes are being capitalised and hence not accounted into the strip ratios above and into our operational costs.

Total railing was up 152% on the prior quarter's performance due to benefits flowing from additional investments in logistics capacity as also noted above.

Isaac Plains Complex

		Quarter Ended Sep-23	Quarter Ended June-23	YTD Ended Sep-23
Managed Production				
ROM Coal Produced	Mt	0.7	1.0	2.7
ROM Strip Ratio	<i>Prime</i>	9.2	7.4	7.7
Saleable Coal Produced	Mt	0.6	0.8	2.3
Total Coal Sales	Mt	0.7	0.7	2.3

The third quarter included a three-week dragline shutdown and commencement of overburden stripping in Pit 5, which resulted in lower coal exposure and higher excavator stripping and a corresponding increase in strip ratio.

CHPP performance continued with favourable throughput and yield outcomes. Throughput and product records of 380Kt ROM coal feed and 288Kt saleable production achieved in June were matched in July, before a planned maintenance shutdown was undertaken in September.

Millennium and Mavis Downs ^{1 2}

MetRes has continued its conventional open-cut truck and shovel production activities with residual mining of A-Pit on track to be completed early in 4Q 2023.

Significant progress has been made in the underground operations as important steps have been undertaken towards increasing production through the introduction of a second production unit. However, near-term mining activities are facing some constraints due to the necessary creation of sufficient pit room during the regular course of mine development.

Furthermore, an inspection by the Regulatory Safety and Health Queensland (RSHQ) late in the quarter led to a temporary shutdown to allow the contractor to rectify some compliance matters. The mine returned to operations on October 14 following collaboration with the underground mining contractor and RSHQ.

A total of 184Kt of ROM coal was mined in 3Q 2023, including 67Kt from underground operations and 156Kt of saleable coal produced at Millennium and Mavis Downs. Net shipments of 116Kt of metallurgical coal were completed.

Projects

As part of our ongoing approach to increasing efficiency and maximising delivery of value by the Company's assets, progress on the following projects is noted:

South Walker Creek

Expansion to 9.4Mtpa of ROM Coal and 7.0 Mtpa saleable production

As noted previously, South Walker Creek expansion project will see mine production increase to 9.4Mtpa of ROM Coal between mid-2024 and early 2025 and to 7.0 Mtpa saleable production from early 2025. All approvals are in place and the commencing of work is on track with encouraging tender outcomes for the mining services contract, CHPP upgrade and MIA infrastructure works. We expect contracts to be awarded during 4Q 2023 for these packages of work. The project is on schedule and on budget to date.

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.

MRA2C Project

Progress on the project to date has included creek and levee alignment clearing, powerline relocation and over 90% of project works packages awarded. This project has continued to move forward in line with our plans during the quarter, with primary earth moving contractor mobilising and major water infrastructure contractors on site. Project remains on time and on budget to date.

Poitrel

The Southern Levee Extension Project is progressing well, with construction now ahead of schedule and within budget. The Ergon powerline which crosses the levee project area has been successfully relocated and the levee is expected to be built to design height by November 2023.

The increased stripping activity in Ramp 10N box cut has closed the gap created by 1Q 2023 wet weather and the mine is on track to deliver anticipated capitalised box cut volumes for the year.

Isaac Plains Complex

Development of the Pit 5 North project at Isaac Plains East continued in the quarter enabling overburden stripping to commence in August, construction works are to be completed in October. Significant progress was made in the construction of the Isaac Downs Mining Infrastructure Area and is due for completion in 4Q 2023. As noted previously, while being managed as a significant project, the overburden associated with the Pit 5 development will be expensed (rather than capitalised) for accounting purposes. First ROM coal is expected by the end of 4Q 2023, with approximately 1.4 Mt of ROM Coal expected to be mined during 2024 and 2025 calendar years.

Exploration

Exploration works ramped up across several exploration projects in August and September.

Drilling commenced at Nebo West exploration project on September 7, with 2,722 metres of chip drilling completed across 10 boreholes by the end of the month. Drilling is intended to continue throughout 4Q 2023, with the current program being widespread across the tenure and intended to better define broad structure and inform coal quality.

An approximate area of 9km² of 3D seismic capture was completed in Lancewood (ML4752) in late July, which exceeded the original target capture size by over 100%, as the opportunity was available to capture more data with favourable ground conditions experienced. This was sent for analysis throughout the quarter to further extend the detailed structural definition of the area with the results of this capture being finalised early in 4Q 2023. Preparation works were also completed in the third quarter to enable drilling works to commence in 4Q. The proposed drilling program will include, groundwater, geotechnical and coal quality drill holes along with further structural drilling of the sub crop to inform the next stage of conceptual mine design.

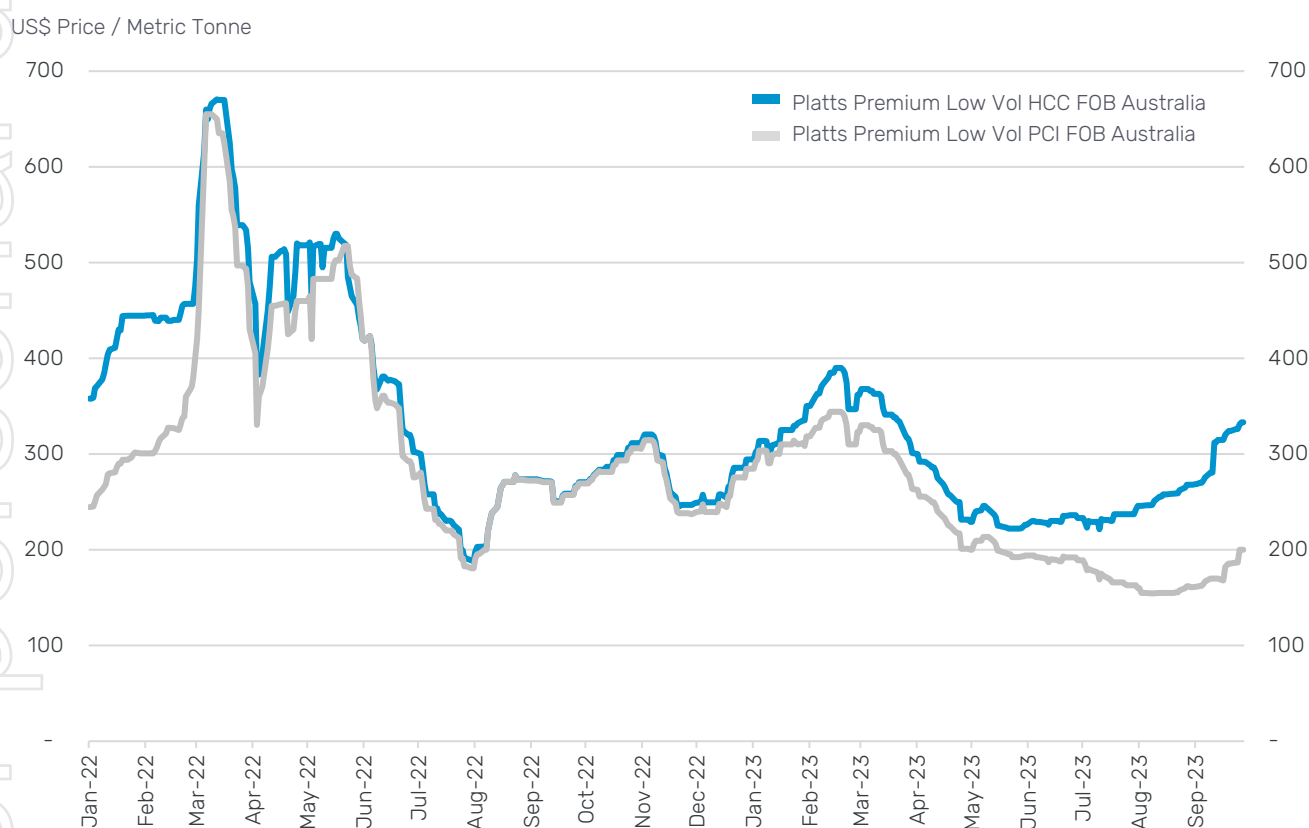
Coal Sales and Realised Pricing

The metallurgical coal market has seen mixed supply conditions through the quarter. With generally favourable weather conditions, Queensland operations have recovered to a position of stable supply for most grades. Notably though, a combination of extensive maintenance programs as well as production issues at large Queensland prime hard coking coal mines has resulted in a very constrained availability for this grade. The resulting price environment for premium hard coking coal through the quarter has been an increase from US\$233

per tonne at the outset of the period, up to US\$333 at the end of September with further transactions pushing the market above this level in October. Availability for non-premium grades of metallurgical coal has not been as tight as prime hard coking coal, and Russian competition for a number of non-prime grades has impacted relativity for these grades, although the market has segmented with differential pricing for FOB Australian benchmark quality PCI material. PCI relativity declined to 60% of prime low volatile hard coking coal at the close of the quarter, compared to the average relativity of 64% through the quarter.

As referenced in prior releases, export infrastructure availability continued to be impacted by maintenance periods, however Stanmore was able to achieve an increase in 3Q sales volumes as a result of the acquisition of additional infrastructure capacity.

While steel market demand remains subdued for the Eurozone and the USA, feedback from Indian steel producers remains that demand is very strong and expected to continue so for the forthcoming period, underpinning seaborne demand for metallurgical coal. The introduction of duties for coal exports from Russia has also impacted price expectations for material from this origin, and the upcoming winter period traditionally impacts availability from far Eastern ports. Stanmore remains well positioned with a strong sales portfolio for the October to December period.



S&P Global Commodity Insights Platts Premium Low Vol HCC FOB Australia and Low Vol PCI FOB Australia indices: 3 Jan 2022 to 30 September 2023
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Corporate

Stanmore's net cash position finished the quarter at US\$134 million, an increase of US\$64 million from the 2Q 2023. Operating cash flows generated during the quarter were primarily utilised to fund capital expenditures, which are weighted towards the second half of 2023 following rescheduling of works due to wet weather in the first half of 2023 and the ramp up of the large MRA2C project. In addition, a further A\$30 million was drawn down to the maximum limit of the A\$90 million MetRes Facility to support the ongoing Mavis Downs underground development and working capital requirements during the ramp up period.

Quarterly scheduled amortisation payments for the Acquisition Debt Facility stepped up to US\$15 million per quarter, reducing the outstanding balance of the Acquisition Debt Facility to US\$333 million as at September 30, 2023.

In looking ahead to cash flows in 4Q 2023, a tax payment of approximately A\$120 million is anticipated to be paid to the Australian Tax Office in December 2023. This tax payment relates to the final tax return to be lodged by the Stanmore SMC Pty Ltd tax group (SMC) (previously known as BMC) for the period July 1, 2022 to October 7, 2022, after which SMC joined the Stanmore Resources Limited tax consolidated group upon Stanmore's acquisition of the remaining 20% interest in SMC on October 7, 2022.

Stanmore is pleased to have been included in the S&P/ASX 300 Australia Stock Market Index from September 18, 2023, capping a remarkable 18 months for the Company following the acquisition of MC from BHP.

The Stanmore Reflect Reconciliation Action Plan (RAP) was formally endorsed by Reconciliation Australia on August 17, 2023. The RAP includes actions and initiatives that the Company has taken and plans to take on, to advance reconciliation with Aboriginal and Torres Strait Islander peoples. The RAP is based on the Reconciliation Action Plan framework developed by Reconciliation Australia, which consists of four types: Reflect, Innovate, Stretch and Elevate. Stanmore's RAP is currently at the Reflect stage, which means that we are preparing for reconciliation by building relationships, respect and trust with Aboriginal and Torres Strait Islander stakeholders and communities.

2023 Guidance and Outlook

Stanmore remains on track to deliver saleable production, FOB cash cost and capital expenditure within the guidance ranges previously provided. No change to guidance is required at this time.

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 Production³

		Quarter Ended Sep-23	Quarter Ended June-23	YTD Ended Sep-23
ROM Coal Production				
South Walker Creek	Mt	2.183	2.114	6.180
Poitrel	Mt	1.557	1.918	4.685
Isaac Plains Complex	Mt	0.731	0.982	2.726
Total	Mt	4.471	5.013	13.591
Strip Ratio				
South Walker Creek	Prime	8.3	8.3	8.3
Poitrel	Prime	5.6	8.0	7.3
Isaac Plains Complex	Prime	9.2	7.4	7.7
Total	Prime	7.5	8.0	7.8
Saleable Coal Production				
South Walker Creek	Mt	1.557	1.552	4.663
Poitrel	Mt	1.205	0.878	2.826
Isaac Plains Complex	Mt	0.631	0.784	2.277
Total	Mt	3.393	3.214	9.766
Total Coal Sales				
South Walker Creek	Mt	1.592	1.680	4.448
Poitrel	Mt	1.022	0.800	2.584
Isaac Plains Complex	Mt	0.691	0.697	2.251
Total	Mt	3.305	3.177	9.283
<i>Sales - Coking Coals</i>	<i>%</i>	<i>31%</i>	<i>36%</i>	<i>33%</i>
<i>Sales - PCI</i>	<i>%</i>	<i>61%</i>	<i>59%</i>	<i>60%</i>
<i>Sales - Thermal Coals⁴</i>	<i>%</i>	<i>8%</i>	<i>5%</i>	<i>6%</i>
Product Coal Stockpile				
South Walker Creek	Mt	0.380	0.387	0.380
Poitrel	Mt	0.445	0.236	0.445
Isaac Plains Complex	Mt	0.194	0.245	0.194
Total	Mt	1.018	0.868	1.018
ROM Coal Stockpile				
South Walker Creek	Mt	0.357	0.239	0.357
Poitrel	Mt	0.539	0.783	0.539
Isaac Plains Complex	Mt	0.103	0.235	0.103
Total	Mt	0.999	1.257	0.999

³ Rounding may impact totals when computed in this table.

⁴ Stanmore operates with a view to primarily producing and selling metallurgical coals (coking and PCI coals) only; however a small percentage of thermal coal is sold as a by-product of metallurgical coal production.