



25 May 2022

## CHIEF EXECUTIVE OFFICERS AGM ADDRESS

I would like to begin by welcoming our shareholders to today's Annual General Meeting.

I 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 also share some of the country associated with the South Walker Creek operation, and pay my respects to their Elders, past, present and emerging.

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

### FY21 Review

#### Health and Safety

The safety of everyone on Stanmore's sites is our number one priority every day. We are committed to achieving the highest standards of safety discipline across our operations, particularly as we integrate South Walker Creek and Poitrel into our portfolio and become the operator of those mines and direct employer of over 600 people.

During 2021, Stanmore and our contractors at Isaac Plains undertook or managed a total of 754,930 hours of mining, exploration and mine development activities. While we are encouraged that our safety record remained better than industry averages with a Total Reportable Injury Frequency Rate of 7.9 per million hours, it is important that we remain focused on safety discipline, to ensure we keep risks at an acceptable level and our people return home safely from work.

#### Operational & Financial Performance

As I said in my letter to shareholders in the annual report, 2021 was a tale of two halves for Stanmore. The Company overcame a challenging first half but ended the year strongly. During the six months to June 2021, the business continued to respond to the then market downturn and impacts of the COVID-19 pandemic on demand in our main markets, as well as in global supply chains.

Production volumes in the first half of the year were below our past annualised level of 2.3 to 2.4 million tonnes per annum. This was a result of a combination of factors, such as the transition of our operations from Isaac Plains East to Isaac Downs, reduced mining fleet capacity to control costs and preserve cash flow during this transition and La Nina weather related interruptions.

After the challenges of the first half, our operational performance rebounded strongly in the second half. Construction at Isaac Downs progressed rapidly after we received all remaining regulatory approvals in July. We ramped up production and achieved record ROM production in the December 2021 quarter which is approximately 95% of the nameplate capacity of the Isaac Plains coal handling plant. Monthly feed rates to the CHPP and coal sales were ahead of historic levels, which helped

offset the softer production in the first half of the year, whilst also benefiting from the historic high coal prices.

To demonstrate the improving production efficiency since the transition to Isaac Downs, Free On Board cash costs were \$104 per tonne for 2021, 15% lower than the previous year. In the second half of 2021, unit costs were \$87 per tonne, which was a 19% improvement on the second half of 2020. These improved cost outcomes resulted from higher volumes and lower strip ratios at Isaac Downs. We expect that production rates and unit costs will continue to improve in the first years of production at Isaac Downs.

Stanmore produced almost 2.8 million tonnes of ROM (run of mine) coal in 2021 at a prime strip ratio of 9x. Prime overburden removal was 25 million cubic metres. Product coal for the year totalled 2.07 million tonnes, with our coal handling plant delivering a total yield of 75%.

Total coal sales were 2.16 million tonnes. The average sale price achieved for all coal during the year was A\$176.7 per tonne, compared with A\$115.1 per tonne in 2020. The price increase was driven by the rebalancing of global metallurgical coal flows triggered by the China import restrictions and by the rebound in industrial production and coal demand after the pandemic economic stimulus worldwide, particularly across Asian markets.

The year's strong operational performance is reflected in our strong financial outcomes for 2021. Cash flow from operations was \$127 million, and underlying EBITDA increased to \$54.5 million – 127% higher than 2020. At the end of 2021, Stanmore retained \$68 million of available liquidity, which was a 48% improvement on 2020.

The improved financial results were underpinned by a recovery in coal prices during the second half of the year, and our strong production results and improved FOB cost profile.

## Acquisitions

The acquisition of 80% of BMC that we announced in November 2021 comprising the South Walker Creek and Poitrel mines and the Wards Well development complements our existing operations at the Isaac Plains Complex and have transformed Stanmore into a significant global producer and exporter of high quality metallurgical coals.

We successfully completed the transaction earlier this month, and we are making good progress in integrating these assets and teams. They are world-class assets that are well capitalised and have long operating lives. They have been well managed over the years and we are delighted to welcome a workforce of experienced and capable people into the Stanmore family.

Our MetRes 50/50 joint venture to acquire the Millennium and Mavis Downs mine was announced in April 2021. This is a low-capital investment in high-quality metallurgical coal, supported by access to our now owned existing coal processing plant at Poitrel and transport infrastructure. The mine was in care and maintenance when we acquired our interest, and we moved quickly to re-start mining operations in the third quarter and deliver the first coal shipment in Q4 2021. We are now progressing towards our Mavis underground project, expected to ramp up from 4Q 2022.

In the past 12 months Stanmore has been transformed from a business with a single contractor-operated mine producing about 2.4 million tonnes per annum, into a portfolio of four mines and three coal processing plants with production capacity of over 13 million tonnes per annum, including also three draglines and a large fleet of mobile mining equipment and extensive land holdings, and 171 million tonnes of marketable reserve base and a strong resource base of over 2.8 billion tonnes.

Our immediate focus is to integrate these operations effectively and safely into the Stanmore business, ensuring business continuity and minimising disruptions, implement the Stanmore operating model to remain an agile, simple, entrepreneurial, and continuously improving organisation. All of our production assets are located in close proximity, within a 50 kilometre radius, which creates unique opportunities to realise synergies across the expanded portfolio. These will include, among others:

- product blending to maximise average prices for our product portfolio;
- utilising the excess processing capacity of the Red Mountain coal processing plant at Poitrel, which may unlock additional volumes from Isaac Downs while it uncovers coal rapidly given low strip ratios; and
- the potential to also use strategic infrastructure at Poitrel for consolidation or partnering opportunities with neighbouring projects.

## Sustainability

During 2021, we have also advanced our commitment to ESG. Earlier this month, Stanmore published its first standalone Sustainability Report, outlining our ESG impacts and performance, and our ongoing commitment to sustainable development.

Stanmore Green was established in 2021 as our vehicle for the development and implementation of initiatives such as renewable energy generation to support our electricity requirements, management of our emissions and carbon footprint, and involving mine rehabilitation and repurposing of mine affected land, among others, by leveraging our assets and capabilities. We have a range of early-stage initiatives being assessed within Stanmore Green. The most advanced of these is our innovative Solar to Water Project which was announced to shareholders in March.

The project will produce drinking water using “Hydropanel” technology, which uses energy from the sun to draw water vapour from the air and turn it into high-quality drinking water. The project’s water distribution system is powered with solar panels. As a result, this installation is entirely renewable, and will preserve 12 million litres of drinking water over the life of Isaac Plains.

## Vision, Mission & Values

As stated by our Chairman, the transformation of our operations has also been the catalyst to develop revised Vision, Mission and Values as the focal point for the culture of the business. Our Vision is to be a leading resources company in Australia, creating value to our stakeholders through sustainable development. The Vision, Mission and Values have been central to welcoming and integrating the BMC workforce into the Stanmore family, and will be important foundations for the way we treat each other, the environment, and all of our stakeholders.

## Outlook

Metallurgical coal remains a structurally well supported market, based on growing demand for steel, particularly in India and South East Asia where the blast furnace production route retains primary market share for growth in pig iron production. In contrast, supply remains tight, with supply chains in multiple key export markets, Australia in particular, struggling to respond to demand based on a number of constraints such as weather and availability of inputs and labour shortages.

Global energy markets are reflecting tightness across the board, with particular impact being felt from Russian actions in Ukraine and the resulting sanctions imposed on Russian coals. In the PCI market, considering Australia and Russia are the two key suppliers to the PCI export market, the

impact of declared sanctions and moves from steelmakers to otherwise reduce their dependence on Russian coals in advance of potential sanctions, are having a material impact to PCI prices driving strong price relativities against prime low volatile hard coking coal.

Whilst there remains a risk from global inflationary pressure and some near term divergence between Chinese and Rest of World steel markets, steel demand remains robust and order books for our products with reliable global customers are very strong.

Stanmore offers high quality products readily accepted in all global markets, and is now one of the largest individual producers and exporters of high quality PCI coals worldwide. We are well positioned to capture the benefits of strong demand and pricing, as well as to respond to any potential adjustment required in trade flows that may result from geopolitical or policy reasons.

We expect strong performance and cash generation from the enlarged Stanmore business in the remainder of CY 2022, resulting in healthy expected returns to shareholders going forward.

## Closing

In closing, I would like to extend my thanks to the Stanmore Board, the leadership team and our people for their incredible contributions over the last year and months. We wouldn't be in the enviable position we are in today if it weren't for the hard work of the entire Stanmore family. Of course, I would also like to thank shareholders for your continued support for the Company.

## Further information

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### About Stanmore Resources Limited (ASX: SMR)

*Stanmore Resources Limited controls, operates and has ownership interests in the Isaac Plains Complex, South Walker Creek and Poitrel metallurgical coal mines, as well as in 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 a number of 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.*