28 April 2021

CHAIRMAN’S AGM ADDRESS

On behalf of the Directors as Chairman of Stanmore, I am pleased to present this update to shareholders on our operational performance for the six month period ending 31 December 2020 – a period of consolidation following the significant change in the prior year whilst the backdrop of a global pandemic continues to impact us all. The Company’s financial reporting period has been changed to allow us to align with our parent shareholder GEAR.

During a difficult period of depressed coal prices, Stanmore has proactively managed working capital and worked closely with our contractors to restructure mining operations to reduce costs and implement more disciplined cash management.

The Company’s revenue from operations totalled $136.3 million. This resulted in a gross loss of $6.6 million, considerably lower than our $97.0 million profit recorded in FY20.

Underlying Earnings before Interest, Tax, Depreciation and Amortisation saw a reduction to $13.4 million loss, against the FY20 result of a positive $87.5 million.

Compared to the previous period, revenue has been negatively impacted by a 20 per cent reduction in the effective US$ sales price due to shifting market dynamics started by the impact of COVID-19 and China’s import restriction on Australian coal, which has been exacerbated by a 10 per cent strengthening in the Australian dollar. Waste removal costs per bcm have reduced following further revisions to mining plans and fleet reconfiguration.

Stanmore reported a Net Loss After Tax of $16.1 million for the period, compared to a $34.9 million profit for the full year to 30 June 2020.

Taking into account the Company’s earnings, cashflow performance and the uncertainty relating to the ongoing impacts of COVID-19 and the current metallurgical coal market for Australia, together with Isaac Downs investment required, the Board has elected not to declare a final dividend for the period.

While the period continued to be challenging not only for us as a company but the community more broadly, the COVID-19 pandemic has had limited direct impact on our operations. I am pleased to say that we continue to report no cases of COVID-19 among our workforce assisted by the continued focus from our management team and everyone at the mine, to follow public health guidelines and keep our sites and local communities safe.

Metallurgical coal markets have experienced two external impacts over the past 12 months, with both having significant repercussions on demand and pricing.

The first was the impact from the COVID-19 pandemic, which was an abrupt disruption to demand for coal, as industrial production was rapidly idled across the globe in the second quarter of 2020. The rapid release of large economic stimulus and release of lockdowns across the third and fourth quarters of 2020 saw demand in essentially all regions return to pre-COVID levels or higher by Q4 of 2020. The substantial margin available for steel producers, restocking effect and concern for wet weather disruptions for Australia drove demand and pricing back to US$140 with an increasing outlook in early Q4 2020.

The second external event was the escalation in political tension between China and Australia, eventuating in a total cessation of imports by late 2020 of Australian coals. This has had a disproportionate impact on the metallurgical coal market, as trade flows in a product-based market have not been able to quickly re-adjust. Banning Australian imports and seeking increased reliance on higher cost domestic production has increased the price of metallurgical coal domestically produced in China. However, producers in the US and Canada have not chosen to exit long term customer relationships elsewhere to divert coals to China, even with the significant price premium available in that market. This has meant a surplus of the prime low volatile hard coking coal grade, that was previously sold in large volumes to China, depressing prices for Australian metallurgical coals. Thermal market trade flows have more quickly readjusted, and pricing is reflecting the recovery in global demand.

For all other grades of coal, in line with fully recovered and expanding steel production across the globe, I am pleased that Stanmore’s consistent, quality metallurgical product and diversified customer portfolio have found stable demand and is well positioned to continue to pursue our objectives with the operation of the Isaac Plains Complex. Over 93% of our production in the period was metallurgical coal, which has supported the Company’s performance.

In addition, a large proportion of the Company’s product coal is contracted to term customers, which underpinned stable demand. The Company expects average realised prices on coal sales to remain in line with industry forecasts.

The road out of the current economic downturn will likely not be easy but we are confident in our strategic positioning of operating cost discipline and ‘capital light’ approach to capital investments as evidenced by the successful development of Isaac Plains East and the same approach proposed for our Isaac Downs project and the Millennium & Mavis Mine acquisition.

During the period, the Company completed our Bankable Feasibility Study for the Isaac Downs Project. This is an exciting project that will extend the life of our operations, producing up to 3.5 million tonnes per annum of run-of-mine coal, which matches the nameplate capacity of our coal handling plant. Because it is in proximity to our existing Isaac Plains Complex, Isaac Downs run of mine coal will be processed at our existing coal handling plant. Isaac Downs is expected to be developed at low capital cost. The feasibility study identified 17.9 million tonnes of marketable reserves at Isaac Downs, and the operation will produce 2.5 million tonnes per annum of saleable product coal. The Company remains committed to commencing production at Isaac Downs, once all approvals are finalised and construction is sufficiently advanced. Approved Bulk Sample works at Isaac Downs commenced late February 2021 with first trial cargoes scheduled for delivery to customers during this quarter.

Since the end of the reporting period Stanmore has entered into a Joint Venture agreement with M Resources to purchase the neighbouring assets of the Millennium and Mavis Mine from Peabody. This transaction provides the Company with increased optionality and various synergies with our existing assets.

The directors are recommending a change of name for the Company to Stanmore Resources. The Board believes that the name of the Company should be reflective of our aim to continue developing and strengthening our core metallurgical coal business, but also exploring other resource diversification opportunities, including but not limited to the renewable energy space.

In that vein a company called Stanmore Green has been created. The vision for this company is to leverage our assets and execution capabilities to explore and pursue diversification opportunities in the renewable energy space offering synergistic and value add to our existing and future operations.

Marcelo Matos was formally appointed as Chief Executive Officer in November 2020 and has been leading Stanmore with excellence.

On behalf of the Board, I would also like to thank the Stanmore management team, employees and contract partners for their efforts and teamwork that have continued to deliver strong operational results in a period where revenues have been challenged.

2021 promises to be another year of challenge but will lay the foundations for the ongoing success and growth of Stanmore.

Finally, thank you to shareholders for your continuing support for the Company. We look forward to delivering commendable results for the ongoing benefit of all stakeholders in the current year and beyond.

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About Stanmore Coal Limited (ASX: SMR)

Stanmore Coal Limited operates the Isaac Plains coking coal mine in Queensland's prime Bowen Basin region. Stanmore Coal Limited owns 100% of the Isaac Plains Complex which includes the original Isaac Plains Mine, the adjoining Isaac Plains East (operational), Isaac Downs (open cut mine project) and the Isaac Plains Underground Project. The Company is focused on the creation of shareholder value via the efficient operation of the Isaac Plains Complex and the identification of further development opportunities within the region. In addition, Stanmore Coal Limited holds a number of high-quality development assets (both coking and thermal coal resources) located in Queensland's Bowen and Surat basins.

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