23 January 2023

December 2022 Quarterly Activities Report

Highlights

- Continued reduction in total recordable injury frequency rate (TRIFR) for the 12 months (1.5 per million hours vs. 2.1 per million hours in 3Q 22) despite three recordable injuries reported in the quarter
- 2H 22 production guidance achieved despite continued unseasonal wet weather
- Consolidated December quarter Run of Mine (ROM) production of 4.4Mt, saleable production of 3.1Mt and total sales of produced coal of 3.4Mt, supported by record monthly ROM production of 410Kt and 501kt at the Isaac Plains Complex in the months of October and November respectively
- Acquisition of remaining 20% interest in Stanmore SMC Pty Ltd (SMC) successfully completed on 7 October 2022 and was fully funded through internal cash flows
- Approval for the implementation of the Mulgrave Resource Area 2C (MRA2C) creek diversion project at the South Walker Creek Mine across 2023-2025
- Historical annual record of 188 hectares of rehabilitation completed at Isaac Plains East

CEO Statement

Marcelo Matos, Chief Executive Officer and Director

"With a number of major maintenance shutdowns occurring during the quarter, overall safety performance from the Group is pleasing despite three non-severe injuries being recorded. There has been a continued strong focus on lead indicators driving a continued downward trend in TRIFR. Saleable production from the quarter remained strong notwithstanding unseasonal wet weather experienced and annual CHPP shutdowns for maintenance purposes across all three sites including the capacity upgrade at Isaac Plains. Sales of produced coal strengthened during the quarter due to carry overs from Q3 and to take advantage of infrastructure opportunities. All sites ended the year with healthy levels of product and ROM stockpiles which should support 2023 performance. The metallurgical coal market has recently strengthened on expectation of easing import restrictions into China and supply tightness.

The completion of the acquisition from Mitsui of the remaining 20% in SMC is a great result for the Company, allowing Stanmore to fully realise the value of SMC and create opportunities across all assets. Stanmore now owns 100% of South Walker Creek, Poitrel and Red Mountain Infrastructure.

The approval of the MRA2C project further demonstrates the value of the SMC acquisition. It demonstrates the commitment of the Company to accelerate value delivery and realise the opportunities available within our enlarged portfolio. The MRA2C project will add a significant volume of low strip ratio, short haulage and high yield coals to the South Walker Creek life of mine plan and represents a very attractive payback project. We are also exploring potential options to expand South Walker Creek by addressing some of the existing bottlenecks. MRA2C would be crucial in such case, hence it is a no regrets decision from both a margin improvement but also in the event of a future expansion."

Consolidated Production & Sales Performance

Managed Production		Quarter Ended Dec-22	Year to Date Dec-22
ROM Coal Produced	Mt	4.4	13.5
ROM Strip Ratio	*Prime*	8.0	7.4
Saleable Coal Produced	Mt	3.1	9.2
Sales of Produced Coal	Mt	3.4	9.3
Sales of Purchased Coal	Mt	0.1	0.1
Total Coal Sales	Mt	3.5	9.4

Note: While ownership of SMC sites (South Walker Creek & Poitrel) moved to Stanmore from 3 May 2022, production statistics have been reported from 1 May 2022. All mines that Stanmore controls have been reported on a 100% basis.

Safety

During the quarter, there were three recordable injuries reported across the group. Despite this, the 12-month rolling TRIFR at the end of the quarter continued its downward trend to 1.5 per million hours compared with 2.1 per million hours in the previous quarter.

Operational Highlights

South Walker Creek

Managed Production		Quarter Ended Dec-22	Year to Date Dec-22
ROM Coal Produced	Mt	1.7	5.4
ROM Strip Ratio	*Prime*	8.9	7.8
Saleable Coal Produced	Mt	1.4	4.0
Total Coal Sales	Mt	1.5	4.1

Strong stripping performance by draglines and excavators continued in the quarter despite above average rainfall for the period. Dragline 28 posted record stripping performance for the calendar year. Both total stripping and coal mining quantities were the highest yearly numbers recorded for the operation. Robust ROM coal inventories at year end have positioned the mine well for 2023. Strategic inventories in satellite stockpiles enabled CHPP blending optimisation, resulting in higher yields for the quarter.

Throughput at the CHPP was maximised, operating at approximately 95% process utilisation and nameplate rate (1050 tph) for the entirety of the quarter. This was a 4% rate improvement on the previous quarter. The CHPP remains the operational bottleneck. A two-week planned maintenance shutdown during November saw overall throughput slightly down on previous quarters.

The mine transitioned blasthole drilling contractors during the quarter. This was executed smoothly with no impact to downstream operations. Mobilisation of equipment for the 7th excavator fleet was completed in December with onboarding of personnel well progressed and on track for a planned fleet start date in 1Q 23.

Poitrel

Managed Production		Quarter Ended Dec-22	Year to Date Dec-22
ROM Coal Produced	Mt	1.4	4.2
ROM Strip Ratio	*Prime*	9.8	8.4
Saleable Coal Produced	Mt	1.0	2.8
Total Coal Sales	Mt	1.4	3.0

4Q 22 saw strong sustained waste mining performance, building on 3Q performance resulting in record waste and total material movement volumes in October. This record volume along with exceeding waste volumes in all months within the quarter ultimately materialised into a historic record shipped product in November of 650kt. This strong production performance was driven by lower than planned absenteeism and improved 600t excavator fleet rates, partially offset by unseasonal wet weather in both October and November.

Through October, the Red Mountain CHPP saw its first feed supplied from the Isaac Downs mine via Peak Downs Highway haulage and ultimately over 200kt of feed was processed during the quarter. This synergy between the two neighbouring mines allows for Poitrel to assist in de-bottlenecking the Isaac Plains Complex CHPP during peak coal flow periods and provides additional blend flexibility between the two mines' products when appropriate.

November saw the commencement of the previously approved 7th excavator fleet delivered on schedule. That fleet is now focussed on development of Ramp 10 North and completing overburden in advance in the northern pits to counteract complex geotechnical conditions whilst maintaining consistent coal flow over the coming three years. This accelerated fleet ramp up was supported by the supply of hired contracted equipment and the ongoing utilisation of the Poitrel New-To-Industry training program for operations labour.

Isaac Plains Complex

Managed Production		Quarter Ended Dec-22	Year to Date Dec-22
ROM Coal Produced	Mt	1.3	3.9
ROM Strip Ratio	*Prime*	5.0	5.6
Saleable Coal Produced	Mt	0.7	2.4
Total Coal Sales	Mt	0.6	2.3

The highlight for the quarter was achieved on 27 November which marked a year since the last recordable injury at IPC, a remarkable outcome given the high levels of activity and transition at the mine. The mine also completed an annual record of 188 hectares of rehabilitation at Isaac Plains East.

Mining operations were augmented by the introduction of an additional excavator fleet in the quarter, which led to recovery of pre strip volumes missed in the wet winter. Coal mining proceeded well in the period with new ROM records of 410Kt and 501kt set in October and November respectively. December production was hindered by a week of wet weather which pushed some coal mining into the first week of January, but still contributed to an annual ROM record of 3.8Mt.

CHPP throughput was curtailed by further feeder chain failures in October, which resulted in unplanned downtime for repairs. The feeder system was upgraded during a two week shutdown in November where a brand new upsized feeder chain and a new secondary crusher assembly were fitted. As a result of the upgrade, a new throughput record of 356kt in December was achieved despite some ramp up teething issues with the crusher.

Haulage of ROM coal to the Red Mountain CHPP at Poitrel via the Peak Downs Highway commenced in October and is expected to continue until end of 1Q 23. This mitigates reduced washing capacity during 4Q 22 due to the Isaac Plains CHPP upgrade shutdown and ensures we benefit from unutilised capacity at Red Mountain CHPP to process available ROM production volumes from Isaac Downs.

Millennium and Mavis Downs (50% Ownership Only) – 0.1Mt Saleable Production (100% basis) [1] [2]

During the quarter, MetRes continued conventional open-cut truck and shovel production and auger mining from available highwalls, producing 63Kt of ROM coal and 62Kt of product coal at Millennium and Mavis Downs. Shipments of 91Kt of high-quality Coking and PCI coal were completed (excluding purchased coal sold of 71Kt).

Underground mining development drivage has commenced, with development coal expected from late 1Q 23.

MetRes is continuing to mine opencut strips at the Millennium pit, which will assist with coal volumes to support the ramp up of underground operations.

SMC Integration & Mitsui Acquisition

On 7 October 2022, the Company successfully completed the acquisition of the remaining 20% interest in BHP Mitsui Coal Pty Ltd, now renamed Stanmore SMC Pty Ltd ("SMC") held by Mitsui & Co. (Australia) Ltd and Mitsui & Co., Ltd (together, "Mitsui"). The Company now owns 100% of SMC, allowing Stanmore to realise the full value of SMC as well as consolidating its operations.

Stanmore successfully transitioned its SMC assets to SAP on 1 August 2022 and the remainder of Stanmore on 1 December 2022. The completion of this activity fully integrates business management reporting processes.

A key synergistic benefit of the acquisition commenced during the quarter with the Poitrel CHPP processing Isaac Downs coal.

MRA2C Project

The resource development strategy at South Walker Creek includes progressively opening and operating low strip ratio pits along the undeveloped strike of available resource, and mine highest margin strips to maximise and accelerate value generation. Mulgrave and Central have been identified as the next low strip ratio reserves to exploit, adding 58Mt ROM (40Mt Pulverized Coal Injection (PCI) product).

MRA2C provides the ability to combine lower strip ratio material with other ongoing pits to better manage fleet size with required waste volumes. Accessing the MRA2C areas is constrained by the Walker Creek. Key items for the project include:

- Creek diversion of approximately 8.5km
- Installation of flood protection levees of approximately 7km in length
- 66KVa powerline relocation
- Water infrastructure connections
- Construction of an alternative mine affected water storage location
- Capital expenditure approval for A$183 million over 2023-2025

All regulatory and environmental approvals are in place for the development of this project. Early works will commence January 2023 with bulk earthworks to commence following the conclusion of the 2022/23 wet season. The program of works is focussed on enabling mining to commence early 2025.

[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.

Coal Sales and Realised Pricing

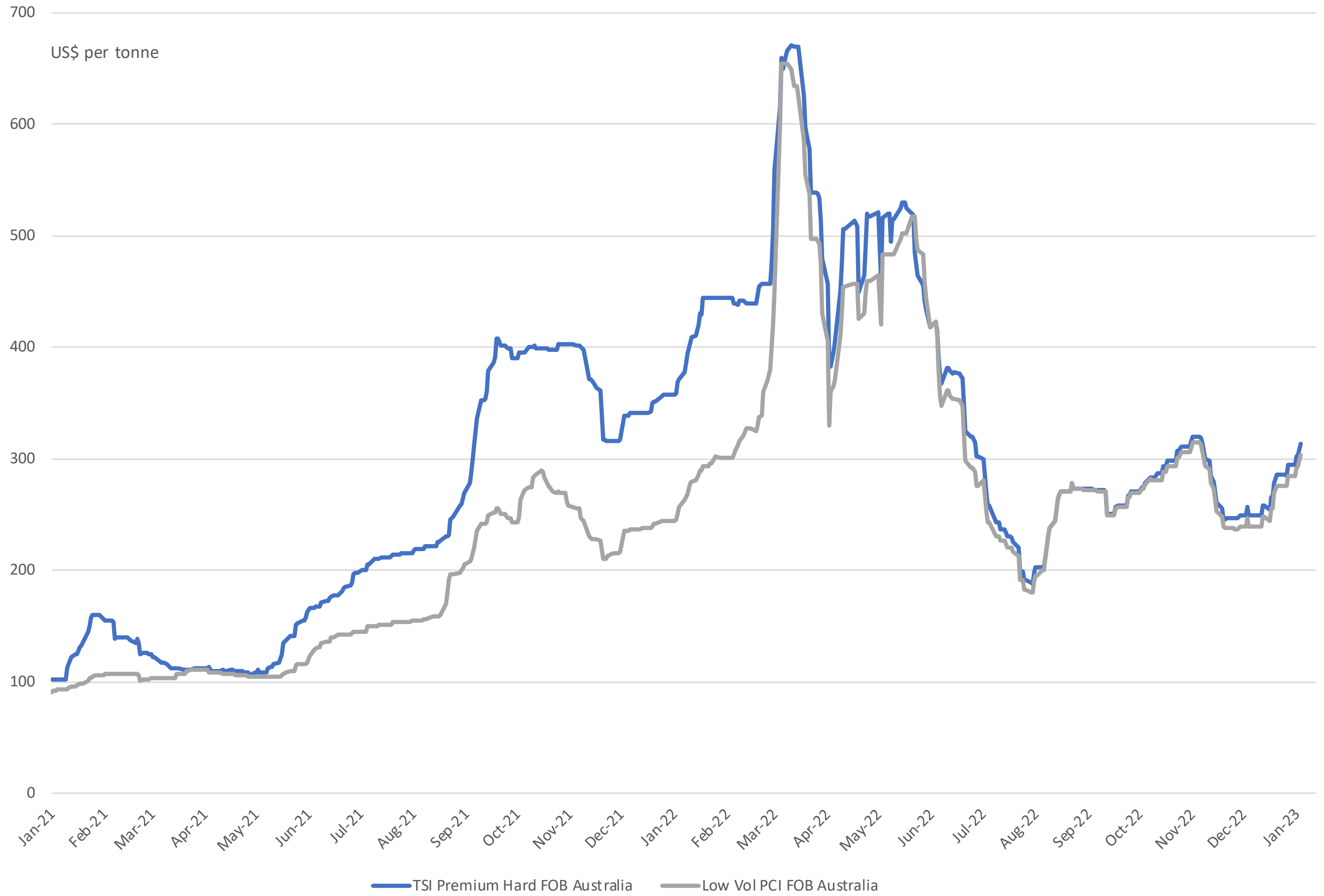
The initial part of the October to December 2022 quarter was characterised by tension between tight coal supply resulting from production issues and limitations in multiple regions, versus weakening demand. There were isolated heavy rainfall events through the quarter that impacted a number of Australian mines. European mills were making decisions to reduce output and, in some circumstances, idle blast furnaces.

Throughout November, blast furnace profitability deteriorated and decisions to reduce production or idle blast furnaces escalated through South East and North Asia. This in turn improved metallurgical coal availability as committed coal was made available to the market, and facilitated softening in metallurgical coal price.

During the period, the thermal market eased in Europe, and Russian supply of metallurgical coal was able to continue into selected seaborne importers. Despite the availability of Russian material and the reduction in steel production, PCI in particular remained in tight supply condition through the period, with any cargo resales promptly finding buyers.

By late November 2022, market pricing of around US$250 per tonne FOB Australia was a level attractive both to end users in India, as well as market intermediaries who saw strong purchasing demand re-emerge. Policy change to reverse steel export tariffs was viewed as net positive for Indian metallurgical import demand, as well as ratification of the FTA between Australia and India through December 2022. This, along with strong expectations in early December 2022 of the imminent emergence of Chinese import demand for Australian coal has driven the market towards its early January 2023 high of approximately US$315 per tonne.

Stanmore was able to capitalise on infrastructure system opportunities to increase exports quarter on quarter by 14 per cent and continues to closely align sales mix and infrastructure capacity to market conditions.



Corporate

During the quarter, Stanmore made the following material cash payments:

- US$110 million dividend to Mitsui (reflecting their 20% ownership of SMC at the time of declaration and payment);
- US$270 million to complete the acquisition of Mitsui's 20% remaining interest in SMC (US$380 million purchase price less dividends paid to Mitsui prior to completion);
- US$100 million to BHP as deferred consideration related to the 80% BMC acquisition;
- US$120 million repayment of the Ascend revolving credit facility; and
- US$44 million repayment of the GEAR revolving credit facility.

Following these repayments, both the Ascend and GEAR revolving credit facilities were fully undrawn as at 31 December 2022, and remain in place as committed lines of liquidity that can be redrawn as/when required until their respective expiry dates of June 2023 and March 2025.

Notwithstanding these cash payments, Stanmore ended the year with US$433 million cash and aggregate total debt[3] of US$615 million, resulting in a 31 December 2022 net debt position of US$182 million (note these are unaudited figures and are prior to the cash sweep payment due in 1Q 2023 under the terms of the acquisition financing).

A new unsecured surety bonding facility of A$25 million was also executed during the quarter, to help facilitate the release of approximately A$18 million in cash to Stanmore which was provided to support contractual performance guarantee requirements (A$9 million of which has been released as at 31 December 2022).

Exploration & Projects

Exploration drilling continued at Isaac South Project in 4Q 22. A program of chip, partial core and water bore drilling was concluded, consisting of 56 boreholes for approximately 6,000 metres drilled. Drilling works finalised in late November with site rehabilitation concluding mid-December. Laboratory analysis of coal quality and geotechnical samples is now ongoing, with results progressively anticipated to be reported throughout 1H 23. Analysis and subsequent modelling of results is expected to deliver an updated resource estimate by 3Q 23.

For the SMC assets, preparation commenced for the onboarding of the exploration teams for the 2023 program. The first seismic shots were taken at South Walker Creek as part of the larger program scheduled to continue throughout 2023.

[3] Aggregate total debt includes the principal amount outstanding of the Group's financing facilities, excluding lease liabilities accounted for under AASB 16.

2022 Overall Production Performance

Overall production results for 2H 2022 were within guidance ranges, driven by strong results at the Poitrel and South Walker Creek mines as per the table noted below.

Cost and capital expenditure for 2022 are still being finalised and will be provided along with our 2022 annual results announcement expected in late February 2023.

While still under review, 2022 cost per tonne is expected to be within guidance on a Stanmore consolidated basis; Poitrel and South Walker Creek below the low end of their range and Isaac Plains above the range. Additionally, consolidated capital expenditure for 2022 is expected to be higher than guidance given the capitalisation of box cut development costs for Ramp 10 North at Poitrel in late 2022. These are preliminary views. Final positions will be provided as part of Stanmore's annual report due for release in late February 2023.

		2H 22 Actual	2H 22 Guidance
Isaac Plains Complex			
Saleable Production	Mt	1.3	1.3 – 1.4
Poitrel			
Saleable Production	Mt	2.1	1.9 – 2.1
South Walker Creek			
Saleable Production	Mt	3.0	2.8 – 3.1
Stanmore Consolidated			
Saleable Production	Mt	6.4	6.0 – 6.6

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[1, 2]

		Quarter Ended Dec-22	Year to Date Dec-22
ROM Coal Production			
South Walker Creek	Mt	1.747	5.375
Poitrel	Mt	1.384	4.193
Isaac Plains Complex	Mt	1.317	3.935
Total	Mt	**4.448**	**13.503**
Strip Ratio			
South Walker Creek	Prime	8.9	7.8
Poitrel	Prime	9.8	8.4
Isaac Plains Complex	Prime	5.0	5.6
Total	Prime	**8.0**	**7.4**
Saleable Coal production			
South Walker Creek	Mt	1.428	3.956
Poitrel	Mt	1.038	2.812
Isaac Plains Complex	Mt	0.664	2.401
Total	Mt	**3.130**	**9.168**
Saleable Production - Coking Coals	*%*	*34%*	*40%*
Saleable Production - PCI	*%*	*63%*	*58%*
Saleable Production - Thermal Coals[3]	*%*	*3%*	*2%*
Total Coal Sales			
South Walker Creek	Mt	1.534	4.072
Poitrel	Mt	1.361	3.042
Isaac Plains Complex	Mt	0.582	2.314
Total	Mt	**3.477**	**9.429**
Product Coal Stockpile			
South Walker Creek	Mt	0.125	0.125
Poitrel	Mt	0.093	0.093
Isaac Plains Complex	Mt	0.165	0.165
Total	Mt	**0.382**	**0.382**
ROM Coal Stockpile			
South Walker Creek	Mt	0.394	0.394
Poitrel	Mt	0.249	0.249
Isaac Plains Complex	Mt	0.615	0.615
Total	Mt	**1.258**	**1.258**

Note 1: All controlled coal production shown on a 100% basis, with South Walker Creek and Poitrel showing statistics from 1 May 2022 onwards

Note 2: Rounding may impact totals when computed above

Note 3: 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 and/or on an opportunistic basis where thermal coal market prices are at elevated levels