

Chairman's Address to AGM

On behalf of the Board of Directors, it gives me great pleasure as your new Chairman to present this year's Chairman's Address.

Stanmore Coal has had an outstanding year in FY18, it achieved a significant improvement in its financial performance, received approval for Isaac Plains East in March 18 and commenced pre-production capital to enable mining to commence at Isaac Plains East in July 18. It undertook the astute acquisition of Isaac Downs (Wotonga South) coking coal deposit in June 2018 which will effectively de-risked the business through future commodity cycles. All these activities underpinned the share price improvement which increased by 155% from 34 cents per share at the beginning of the year to 87 cents per share at end of the financial year.

<FINANCIAL PERFORMANCE>

Stanmore Coal's revenue from operations totaled a record \$208.1 million, up 51% from the 2017 financial year, producing a gross profit of \$52.3 million, which was an increase of 55% from prior year. The underlying Earnings Before Interest, Tax, Depreciation and Amortisation improved by 70% to \$45.5 million. During the year the company also recognised the remaining \$25.3 million contingent consideration due to the vendors of Isaac Plains, because the company has revised up its long-term pricing assumptions which is expected to have a positive impact on future EBITDA and operating cashflows.

Stanmore reported another profitable year with a Net Profit After Tax of \$5.9m.

Cashflow generation from operations was \$21.7m, a significant turnaround from cash outflow in the prior year. This allowed the company to repay its drawn working capital facility of \$15.6m and be debt free at year end, as well as fund its ongoing sustaining capital and

the pre-production capital of \$7.2 million at Isaac Plains East. This enabled mining to commence at Isaac Plains East in July 2018.

Based on the strong operational performance, the Board declared a maiden dividend of 2 cents per share for the year. With a focus on generating strong cashflows and maintaining balance sheet strength, Stanmore Coal aims to deliver returns to shareholders through improved returns on invested capital. As well as share price appreciation, Stanmore plans to pay ongoing dividends commensurate with performance in earnings, cashflow, the cyclical nature of our industry and any capital management decisions made from time to time.

<INDUSTRY CHALLENGES>

The outlook for metallurgical coal is positive. To date the industry response to improved long-term prices has been subdued following the overcapacity developed in the 2000s and the lessons learnt. However, as metallurgical coal prices remain above the long-term average we anticipate existing operations will absorb underutilised capacity and new

capacity will be developed, resulting in infrastructure constraints.

Stanmore Coal will remain agile and flexible to manage these challenges.

<PROTECTION AGAINST THE PRICE CYCLE>

Stanmore will continue to be disciplined and controlled with operating costs and capital expenditure to ensure profitability and flexibility throughout the coal price cycle. As we look forward to the next few years, we will strive to become one of the lowest cost producers in the industry to ensure strong, stable returns for our shareholders. This involves optimisation of our existing portfolio and ensuring that all investment decisions are made with this strategy at the forefront of our minds.

Permitting the recently acquired Isaac Downs deposit (Wotonga South) will be a key focus over the next few years.

<GOVERNANCE>

During the year the Board was renewed. This process was supported by a skills gap analysis with a targeted selection process, resulting in the

appointment of Neal O'Connor and myself in September 2017. The Board recommends the appointment of Andrew Martin at today's meeting. The Board will be well balanced, between independents and non-independents, with a full complementary mix of skills between the current Board members.

<THANK YOU>

On behalf of the Board, I would like to acknowledge my predecessor, Neville Sneddon, for his leadership, guidance and outstanding service to the company over the past eight years when Stanmore transformed from an exploration company to a coal producer.

I thank the Stanmore management team led by our CEO Dan Clifford, our employees and contract partners for their outstanding outcomes and effort during FY18.

I also express our gratitude to all investors and stakeholders for your continued support. Together we look forward to delivering superior returns to shareholders by accelerating the company strategy and taking

advantage of the improved outlook for metallurgical coal. I look forward to continuing the successes of Stanmore in 2019.