26 October 2023

Agreement for sale of the southern area of Wards Well and related royalty and infrastructure arrangements

Highlights

- Stanmore Resources has executed a series of conditional agreements with Peabody as part of a comprehensive transaction which includes the sale of the southern area of Stanmore's Wards Well tenements.
- Consideration for the sale is approximately US$136 million[1], together with a contingent capped royalty stream of up to circa US$200 million payable on the first 120Mt of coal mined, the value of which is dependent on the prevailing coal price exceeding certain targets, with a potential additional royalty stream if coal is mined above 120Mt with the royalty cap to be pro-rated to the initial royalty cap on a tonnage basis.
- Stanmore will retain the Lancewood tenement and the Northern part of the Wards Well tenement, so will continue to have an interest in the JORC Resources which includes high quality hard coking coal.
- Completion of the transaction is subject to satisfaction of limited conditions precedent including regulatory approvals.
- An agreement for Stanmore to utilise latent capacity or expand any North Goonyella infrastructure is a Condition Precedent to completion which will enable an optional solution to minimise the start-up capital for the development of Lancewood.
- Framework Agreement signed for collaboration between existing neighbouring operations in areas such as potential toll washing, water storage, and mining of boundary reserves, among others.

Stanmore Resources Limited ("Stanmore" or the "Company") (ASX:SMR) is pleased to announce it has signed a definitive sale and purchase agreement ("Sale and Purchase Agreement") with Peabody to divest the southern portion of the Wards Well tenement in return for cash, royalties and access to critical infrastructure as an optional solution to minimise start-up capital for the initial development of Lancewood and the northern area of Wards Well which will be retained (the "Transaction").

Consideration payable by Peabody in connection with the Transaction comprises:

- US$136 million[1] upfront cash receivable on completion;
- a contingent royalty of up to circa US$200 million in the future based on a capped royalty profit sharing mechanism if the average sales price achieved is above certain thresholds for the first 120 million tonnes of coal produced from the tenement area sold, following Peabody recovering their initial investment associated with this transaction and the development capital of Wards Well via their existing North Goonyella underground workings; and

[1] Comprising US$125 million upfront cash and a US$10.5 million port and rail rebate

- if more than 120 million tonnes of coal is produced from the tenement area sold, a further royalty stream is payable based on similar coal price thresholds, with the royalty to be pro-rated to the initial royalty stream on a tonnage basis.

Peabody will pay the stamp duty costs associated with the Transaction, expected to be approximately US$8.1 million.

Completion of the Transaction is expected 1H 2024, following the satisfaction of certain limited conditions precedent, including but not limited to: FIRB approval, execution of a royalty deed and associated royalty security (in agreed form), Ministerial approval from the QLD Department of Natural Resources and Mines for the sale and boundary re-alignment, and certain other regulatory approvals and agreement in relation to infrastructure sharing arrangements between Stanmore and Peabody.

CEO Statement

Marcelo Matos, Chief Executive Officer and Executive Director

"This is an exciting transaction for Stanmore as it continues to realise value from the assets acquired from BHP in 2022. The transaction achieves the monetisation of the Southern part of the Wards Well tenement which would unlikely be mined by Stanmore for many years and would be most logically mined via the existing Peabody North Goonyella workings. Furthermore, substantial high quality hard coking coal resources will be retained in the Northern parts of the Wards Well tenement with the transaction providing optionality to minimise the start-up capital for the development pathway of Lancewood, before potentially moving underground into Wards Well North thereafter.

The agreement on a framework of collaboration arrangements provides a pathway to other potential co-operation opportunities to facilitate value accretion in the broader portfolio."

Transaction Summary

Subject to satisfaction of the conditions precedent to completion of the Transaction, Stanmore will transfer to Peabody the Wards Well ML blocks south of the agreed line (see map in the Appendix). The parties will work together to seek a boundary realignment of the relevant Wards Well tenements in order to enable the sale of the Wards Well ML blocks south of the agreed line. However, if a boundary realignment cannot be achieved, the relevant Wards Well tenements will be transferred to Peabody and the northern part of the Wards Well tenements (above the agreed line) will be leased back to Stanmore.

If the boundary realignment is achieved, Stanmore will retain the Lancewood tenement and the northern part of the Wards Well tenements. Lancewood has a JORC Resource of 249Mt and Wards Well has a JORC Resource of 1,168Mt[2], including 485Mt of measured premium coking coal resource. Stanmore is undertaking the necessary work with its Competent Persons to determine the total JORC Resource that will be retained by Stanmore once the sale completes, anticipated to be more than half of the current combined and Lancewood JORC Resources.

In consideration for the transfer, Stanmore will receive an up-front payment of US$136 million.

In addition, subject to executing the royalty deed and associated royalty security documentation (currently in agreed form), Stanmore will also be entitled to receive the following royalties if Peabody were to commence mining operations on the site in the future:

[2] See ASX announcement "2022 Annual Coal Resources and Reserve Summary" dated 27 February 2023.

- up to circa US$200 million in the future based on a capped royalty profit sharing mechanism if the average sales price achieved is above certain thresholds for the first 120 million tonnes of coal produced from the tenement area sold, following Peabody recovering their initial investment associated with this transaction and the development capital of Wards Well via their existing North Goonyella underground workings; and
- if more than 120 million tonnes of coal are produced from the tenement area sold, a further royalty is payable based on the average sales price being above certain thresholds, with the royalty to be pro rated to the initial royalty stream on a tonnage basis.

Shareholders should note that the royalty payments will only be made if Peabody commences mining in the area (which it is under no obligation to do) and are contingent to coal price and payback of the Wards Well investment by Peabody.

To facilitate a low capital expenditure development of the Lancewood project, the parties are also negotiating a separate infrastructure agreement pursuant to which it is expected Peabody will agree to provide spare capacity in infrastructure used in conjunction with its North Goonyella operation with an option at Stanmore's expense to further expand the North Goonyella infrastructure.

The parties have agreed key principles for other binding agreements to be finalised as conditions precedent to the Transaction, expected to include the following:

- $2/tonne premium above direct operating and sustaining capital costs of coal toll washed for spare capacity in the North Goonyella Coal Handling and Process Plant (CHPP)
- Stanmore's access to spare capacity in Peabody infrastructure, with a right to expand/upgrade such infrastructure including (but not limited to):
  - CHPP, rejects handling facilities, stockpiles and train loadout;
  - Private haul roads;
  - Water storage and transportation infrastructure;
  - Power network – eg transmissions lines, substations (but excluding any power station capacity); and
  - Camp accommodation facilities.

The parties also propose to enter into a gas rights arrangement pursuant to which Peabody will be granted the right to commercialise the gas with Stanmore having a right to match any commercial proposal. If Stanmore does not match it is intended that both parties will share in the value created from the gas.

The parties are also discussing a framework to develop other synergistic opportunities.

Further information regarding the royalty and infrastructure arrangements, gas rights arrangements, and other agreements to be entered into prior to completion, will be provided once those agreements have been executed by the parties.

Approval

This announcement has been approved for release by the Board of Directors of Stanmore Resources Limited.

Further Information

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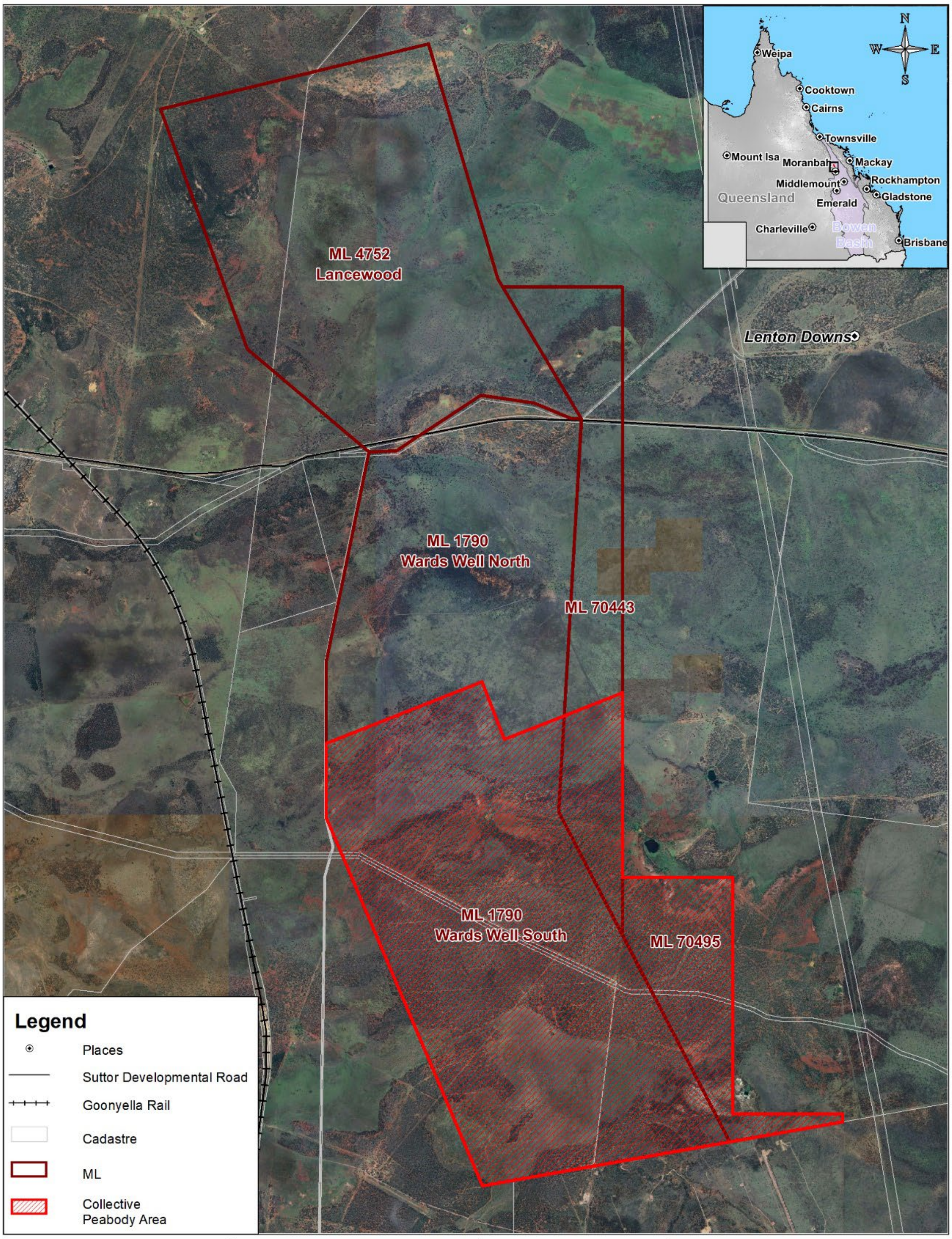
About Stanmore Resources Limited (ASX: SMR)

Stanmore Resources Limited controls 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: Tenement Transfer Areas



stanmore	0 2 kilometres Scale 1:75,000	Author: A. Jones Date: 24/10/2023 Proj: Longitude / Latitude (WGS 84)	**Wards Well Project: Peabody Collective Area**