TRANSCRIPTION

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Operator: Thank you for standing by, and welcome to the Stanmore Resources Limited 2024 Annual Report and Full Year Results. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mr. Marcelo Matos, Executive Director and CEO. Please go ahead.

Marcelo Matos: Good morning, everyone. Thank you for joining us following the release of Stanmore's 2024 full year results earlier today. To begin, 2024 has been another remarkable year for Stanmore, as summarised by the highlights on Slide number Three.

Starting with safety, our rolling 12 months serious accident frequency rate concluded the year at 0.3, an increase from the 0.19 in the prior year, but remaining below the latest industry average of 0.69.

As pre-reported in the December quarterly, we were very pleased to announce full year saleable production of 13.8 million tons above the upper bound of our previously stated guidance and underpinned by exceptional operational performance that has driven ROM mining records across all of our core operating assets.

FOB cash costs have remained relatively steady, increasing by AUD$3 per ton year-on-year, supported by the record volumes and contributing to a solid underlying EBITDA result of AUD$700 million.

Overall, the strong financial results for 2024, together with an assessment of our liquidity requirements and the substantial completion of our investment program, has enabled the Board to declare a final dividend of AUD$0.067 per share.

This brings aggregate dividends declared for 2024 to AUD$0.111 per share, equivalent to a yield of almost 7% at today's share price. We are very glad to be able to reward our shareholders for their patience over the last couple of years during our investment journey.

Moving into the body of the presentation and starting with more detailed look into our safety performance on Slide number Five. Safety performance was a year of two halves for 2024. Two serious incidents classified as serious accidents were recorded in the first half, increasing our frequency rate to a peak of 0.48 as of 30 June, '24. Before no serious accidents were recorded in the second half and the frequency rates subsequently reduced to 0.3 as of December 31, '24, far below the industry average for open-cut mines.

The two incidents were both related to line of fire hand injuries, which, while serious and have been thoroughly investigated, were thankfully found to be limited in their potential. And we were pleased to see the severity of our incidents reducing, as evidenced by a significant reduction in lost time injuries and workers' compensation costs amongst other metrics.

This is in line with an overall injury trend for the year where we have seen an increase to hand and musculoskeletal non-severe injuries, driving our increased focus on enhancement of our safety practices and targeted awareness campaigns in these areas.

On a positive note, we were very happy to receive an award at the Queensland Mining Industry Health and Safety Conference related to safety innovation performance at Poitrel.

However, overall for the industry, it has been a challenging year safety-wise, with multiple fatalities in Queensland providing a sobering reminder that we can never compromise on ensuring our people return home to their families safe and sound.

Before taking a deep dive into the numbers, we would like to take a moment to reflect on some of the key achievements across our operations on Slide number Six. 2024 was a massive year with significant intensity of activities at all our sites, delivering record ROM production at all three sites, in unison with execution and delivery of several large-scale projects.

Activity at South Walker Creek has been unprecedented, with the addition of three expansion truck and excavator fleets requiring the onboarding of an additional 150 people and the major projects require more than 1,500 contractors and a significant amount of mobile equipment.

Despite this, the all-time saleable production record from 2023 was matched in 2024, with a standout being world-class dragline performance, which set a quarterly record in March and closely followed this up with a strong result in December.

We have also been pleased to report on various project milestones, including first coal from the Y-South Box-cut in August, the successful completion of the dragline 27 conversion to AC, the commissioning of the newly upgraded CHPP in November and more recently, the handover of the MRA2C project to operations in early 2025.

Poitrel reached new heights in 2024 with the completion of the Ramp-10 box-cut immediately using benefits with an all-time quarterly ROM production record of 2.7 million tons in the September quarter.

Truck and excavator performance has been best-in-class at Poitrel, supported by the fleet replacement activities, including two 600-ton class diggers, a 400-ton class digger and a handful of dozers.

Lastly, the wet weather impacts from early '23 were most severe at the Isaac Plains Complex and the team has done a remarkable job in recovering the lost volumes to post an annual ROM production record in 2024. This is due to equally impressive dragline performance at Isaac as well as the introduction of a primary mobile crushing unit which enhance overall CHPP performance and yield.

Moving on to a more detailed operational performance on Slide number Seven. South Walker Creek produced 6.3 million tons of clean coal, exceeding the upper end of the guidance despite the 14-day shutdown in November for our CHPP upgrade.

Strip ratios increased year-on-year with the advancement of overburden removal ahead of the capacity ramp up, which was always expected, but also lower ROM mined in December due to wet weather impacts, meaning the coal flows slip into January '25.

Cost-wise, the FOB cash cost increased AUD$6 per ton year-on-year, in line with the plan and in accordance with the introduction of the additional expansion of fleets in South Walker in 2024. Poitrel set all-time records across all physical metrics; ROM, saleable production and sales, which offset lost volumes from the decision to close the Millennium Complex and facilitated the lower FOB cash cost year-on-year.

As highlighted earlier, this was underpinned by the completion of the Ramp-10 box-cut, which has enhanced the strike length and enabled the operation of larger loading units as well as the optimisation of haulage parts.

The Isaac Plains Complex delivered saleable production of 2.8 million tons, just below the upper end of guidance, whilst FOB cash costs increased in line with the plan as mining at Isaac Downs continues down deep and as opportunistic high strip ratio mining continued at Pit 5 North.

Importantly, a pathway for life extension at the Isaac Complex was secured with the agreement with Anglo and Exxaro in September, which will enable the development of what we are calling the Isaac Downs Extension project, which combines the acquired area with a resource we already own approximately 6 kilometers south of Isaac Downs.

Finally, to bring it all together, we are pleased to have reported a total consolidated saleable production of 13.8 million tons as previously indicated, above the upper end of guidance and FOB cash costs of USD$89 per ton, below the guided range.

I'll now hand over to Shane to briefly discuss the financial outcomes of this operational performance on Slide number Eight.

Shane Young: Thanks, Marcelo. Looking at FOB cash cost walk forward, we have highlighted our key cost drivers year-on-year. Overall, FOB cash costs are around USD$3 per ton higher in 2024 versus 2023, primarily as a result of the planned additional expansion fleets at South Walker Creek required for the production capacity ramp up.

You may recall in previous discussions that we expected incrementally higher consolidated unit costs as a result of introducing these fleets, as they increase the weighting of the higher cost truck and shovel volumes compared to the lower cost dragline volumes across that mine.

In addition to this impact, higher strip ratios and general cost inflation have been more than offset by higher sales volumes driven by record coal production, with 14.2 million sales tons recorded in 2024 and favorable movements in the Australian-U.S. dollar exchange rate, which reduced by more than AUD$0.06 over the course of the year.

In 2024, we generated underlying EBITDA of USD$700 million. At today's exchange rate, that's an Australian dollar result of around AUD$1.1 billion. The key contributor to the year-on-year movement in underlying EBITDA has been lower coal prices, which net of other uncontrollable factors such as royalties, foreign exchange and inflation, reduced underlying EBITDA by USD$450 million from 2023's record levels.

Notwithstanding this, our strong sales volume, particularly from the standout performance at Poitrel has helped partially mitigate this impact.

I'll now continue on to the next section of the presentation covering off on our group level financial results from Slide number 10. This slide provides a high-level summary of our financial performance and balance sheet position on a consolidated basis. I'll save the detail for the coming slides. However, we're extremely proud to have delivered such a strong financial result in a year of normalising coal prices.

Despite these softer conditions, we are pleased to have maintained a healthy dividend payout ratio, a significant achievement for Stanmore and our shareholders, especially as 2024 saw us settle some material once-off obligations with our final earn-out payment for the BMC assets and tax liabilities related to significant prior period taxable profits.

We also finished 2024 with a balanced net debt position and total liquidity of over USD$500 million or around AUD$800 million at current exchange rates.

Looking at the income statement in further detail from Slide number 11. The lower coal pricing environment mentioned earlier contributed to 11% lower income year-on-year, with higher sales volumes partially offsetting the 21% reduction in average sales price.

EBITDA at USD$715 million is slightly higher than underlying EBITDA for 2024 as it takes into account the net impacts of one-off items, including the gain on the sale of the southern portion of Wards Well, impairment charges mentioned during our half year results in relation to the Millennium Complex and other nonoperational transaction costs.

Final net profit after tax of USD$192 million has translated to earnings per share of USD$0.212 resulting in a payout ratio to NPAT of over 50% when accounting for aggregate dividends declared in 2024.

Moving on to cash flow and the balance sheet on Slide number 12. Excluding taxes and royalties, Stanmore generated over USD$1 billion in operating cash flows last year, with just over USD$600 million paid in taxes and royalties to Queensland and federal governments during 2024 alone, converting to AUD$924 million contributed by Stanmore to support government funding.

When factoring in capital expenditures largely related to our expansion activities at South Walker Creek, net cash flows after operating activities and capex amounted to USD$364 million. M&A-related payments covered the final BMC acquisition payment to BHP as well as upfront consideration for transactions related to the acquisition of Eagle Downs and the Isaac Downs Extension designated area agreement.

After factoring in M&A, Woods Well proceeds, finance and sundry cash flows as well as lease principal and dividends paid, Stanmore finished 2024 in a USD$26 million net debt position. We view this as relatively conservative following the discharge of material one-off obligations in 2024 as we near the conclusion of our large-scale capital reinvestment initiatives.

This slide also highlights the change in Stanmore's debt position year-on-year, with our 2024 refinancing reverting our debt balance outstanding to a similar position to that as at the end of 2023, but now at lower annual cost, longer maturity date and a fixed amortisation profile.

This leaves our assets conservatively geared with a strong liquidity position that provides coverage for working capital requirements over the various phases of the commodity price cycle.

Stanmore's financial position has come a long way since the BMC acquisition. So we thought it might be good to highlight now how we have allocated capital since the acquisition in May 2022 on Slide number 13.

As you can see, the capital allocation between shareholder returns, organic growth, net acquisitions and balance sheet allocations has surpassed USD$1.6 billion over the past 2.5 years, following the acquisition of the 80% of South Walker Creek and Poitrel from BHP. Please note too that this AUD$1.6 billion in capital allocations excludes more than USD$1.8 billion paid in government taxes and royalties over that same period.

Net acquisitions included the consolidation of the BMC assets through acquiring the remaining 20% interest in those mines, completion of all remaining deferred and earn-out BHP payments and the strategic Eagle Downs and Isaac Downs Extension purchases, all cash funded.

In addition to acquisitions, we have materially deleveraged the balance sheet with USD$551 million of debt repaid and USD$315 million reinvested into our business to support higher production volumes and cost optimisation through projects such as MRA2C, the South Walker Creek expansion and Ramp-10 at Poitrel, which Marcelo will discuss in more detail shortly.

Notwithstanding these investments, shareholder returns have also been delivered during this period, with total dividends declared of around USD$230 million over the past 2.5 years through the consistent application of the dividend policy announced as part of the pre-BMC equity raise in March 2022.

This policy continues to provide a balanced approach to shareholder returns, noting that the Board retains discretion to periodically assess and optimise our liquidity and consider any surplus accumulated cash and/or liquidity requirements in making dividend decisions.

As such, the final 2024 dividend of USD$0.067 per share was declared following consideration of these factors and also in light of the business entering a steady state phase with regards to capital expenditure and debt repayments.

On that note, I'll hand back to Marcelo for a more detailed overview of our key capital projects from Slide 14.

Marcelo Matos: Thanks, Shane. To explain further the performance of the capital project campaign we embarked on 2.5 years ago, this slide summarises the pipeline of major projects plotting original estimated spend versus final, actual or projected spend over the life of the project.

Total budget for the major project was more than USD$360 million and we are pleased to report that following substantial completion of the program in 2024, we expect that final total spend will end up more than USD$40 million lower than planned.

Furthermore, all projects were executed on time or ahead of schedule with conclusion of the final work packages at the MRA2C Creek diversion project expected in early 2025.

I would like to commend our project teams for delivering such a large capital program safely and efficiently. This is an extremely commendable effort and will further strengthen our portfolio and make our operations even more resilient and reliable and further endorsing our credibility in the delivery of successful capital projects.

Looking ahead, we expect 2025 to be a transitory year to a sustaining run rate of capital expenditure at our three core assets as reflected by our updated guidance for 2025 of between USD$105 million to USD$115 million, at least until we make decisions in relation to the next stage of projects such as Isaac Downs Extension and Eagle Downs.

On the next Slide 16, we have provided further detail around the overall South Walker Creek expansion. The overall expansion will deliver a ROM mining capacity of approximately 9.4 million tons per annum and 7.0 million tons per annum of saleable coal and is comprised of various projects that either debottleneck certain parts of the operation, such as the CHPP upgrade or ensure that South Walker Creek can retain its first-tier cost position such as the MRA2C Creek diversion and the Y-South Box-cut.

With first coal from the Y-South Box-cut in August, the commissioning of the upgraded CHPP in November, the mobilisation of an additional 4 mining fleets during 2024 and finally, the removal of the plugs for the MRA2C Creek diversion in January this year, the overall expansion project is now substantially complete.

We are also pleased to report that ramp-up of production at the expanded CHPP has been successful with the teams achieving the nameplate capacity of 1,200 tons per hour earlier than predicted, with the CHPP performing at times above this throughput rate without combustible recovery losses. There are minor work packages remaining in 2025 and '26 attributable to the establishment of new mining industrial areas to support the additional fleets.

Slide Number 17 provides a snapshot of the largest project at South Walker, the MRA2C Creek diversion, where clearing and grubbing has commenced in the first pit to be mined, the North pit, but I'll move straight to Slide 18 where we hash our portfolio of organic growth opportunities.

During 2024, we enhanced our portfolio of development projects significantly with the acquisition of the Eagle Downs project from South32 and Aquila and with securing an open-cut resource in a deal with the Moranbah South JV participants, providing a pathway for mine life extension at the Isaac Plains Complex.

These transactions have created a strategic complex of assets in the Moranbah region adjacent to our existing Isaac and Poitrel operations, providing significant optionality and flexibility in how we approach the development of each project, including the infrastructure and funding requirements.

For now, advancement of what we are calling the Isaac Downs Extension project has become a top priority for Stanmore, which we expect to be a capital-efficient project and support ongoing capacity utilisation of the Isaac Plains, CHPP and load-out infrastructure north of the Peak Downs highway.

We are working hard on all preparation work to enable submissions for all regulatory approvals by not later than early 2026 to target commencement of development between late '27 and early 2028.

Meanwhile, for Eagle Downs, we are busy with study works, including optioneering and optimisation for the development pathway to leverage our unique infrastructure position and neighboring assets to put us in a position to make decision in relation to the project from late this year.

2024 has also been a year of milestones in our de-carbonisation journey as highlighted on Slide 19. In August, we announced the South Walker Creek gas to electricity project, which seeks to reduce our emissions footprint by converting future methane fugitive emissions to on-site electricity.

This project will support the long-term electricity requirements of South Walker at stable cost and capacity and is the first to have been granted funding through the Queensland government's Low Emissions Investment Partnership. It will also be the first application of this technology in an open-cut setting, providing an important precedent for replication of the project and de-carbonisation of the industry overall.

In the December quarterly, we announced that in partnership with Idemitsu Kosan and Terviva, we have commenced a trial plantation of 14,000 pongamia trees, which is native species used as feedstock for renewable fuels. This will leverage the significant land holdings we have at South Walker Creek and follows collaborative efforts to study the use of pongamia with the University of Queensland.

Moving on to sustainability and people from Slide Number 21. Stanmore has focused on advancing the commitments outlined in our sustainability road map, adapting to regulatory change and delivering sustainable value to our stakeholders. Our materiality topics have remained unchanged and we have pressed ahead with our commitments and goals, including the endorsement of our group environment policy and the development of climate metrics and reporting in readiness for the ASRS reporting.

As highlighted on previous slide, we have made solid progress in our de-carbonisation plan and implementation framework with the announcement of the South Walker Creek gas to electricity project.

Meanwhile, our social performance is discussed in further detail on Slide Number 22. Starting with community, we are pleased to have followed up on our commitments and have increased spend with both local and individual suppliers by 7% and 37% respectively. This is in addition to our community grants program, which has seen an increase in individual grants year-on-year and has served to enhance contribution to local townships and communities in regional Queensland.

In terms of economic contribution, total royalties and taxes paid in 2024 have amounted to more than AUD$900 million, as previously explained by Shane.

We hope to see some of these proceeds invested back in the regions, providing crucial support to areas that are the lifeblood of the mining industry.

Lastly, at Stanmore, we greatly value our unique culture, which drives many of the highlights that we have touched on today's call. We continue to pride ourselves in our employment practices and are pleased to have seen a stable female participation rate year-on-year, whilst indigenous representation in the workforce has increased and is a testament to our desire to maximise indigenous employment through our dedicated trainee program and strong relationships with our traditional owners.

We will now move on to a brief overview of market conditions for metallurgical coal from Slide number 24. To recap briefly on our customer base and product mix, Stanmore continues to maintain a diversified sales book focused on traditional markets in Japan, Korea, Taiwan and Europe. Exposure to key growth markets such as India and Southeast Asia has been growing, whilst trade flows continue to be distorted by the Russia-Ukraine war, as shown by the import mix charts in a couple of slides' times.

The product mix by revenue has remained consistent and reiterates Stanmore's unique position as a metallurgical coal producer with thermal sales representing just 3% of total sales.

Looking at a short summation of historical pricing in Slide number 25. Prices for premium low-vol hard coking coal have generally trended downwards over the course of '24, although PCI has trended flat to slightly down as well activities improved significantly compared to 2023, owing to increased rollout of Russian sanctions and wider PCI utilisation.

Seasonal supply constraints provided support for prime grade materials in early '24 as wet weather constrained supply from Queensland and Indian restocking ensued. As supply constraints eased through the second quarter, PLV normalised to around US 250 per ton with a short-lived price spike following the announcement of the ignition event at Grosvenor in late June.

In the second half, it has been a story of subdued demand with ongoing elevated China steel exports persisting at record levels and a slower than expected return of demand from India post monsoon season, also impacted by the low steel price environment.

Further detail on the trade flows with China and India has been provided on Slide number 26. China metallurgical coal imports continued their strong recovery from the post-COVID low in 2021, increasing to 122 million tons in 2024. Mongolian and Russian supply into China has continued to increase together contributing more than two thirds of the import mix.

India demand was steady year-on-year against 2023, with lower steel prices and increased steel imports from China impacting utilisation rates in unison with efforts to diversify sources of met coal supply to Russia and North America. Nonetheless, we continue to remain optimistic on India with ongoing commissioning of blast furnace and coke ovens supporting India's long-term plans to expand its steelmaking capacity.

Looking more broadly at the market outlook on Slide number 27. Australian met coal exports were stagnant year-on-year and remain at decade lows with structural challenges from geological inflation as reserves continue to deepen and strip ratios increasing as well as regulatory environment adversities.

Significant wet weather in early 2025 is set to keep total exports subdued in the near term, whilst cost curve pressure will be kicking in for the higher cost marginal tons.

On the geopolitical and macroeconomic side, as you all know, it has been a dynamic start to the year with the various tariff announcements from the U.S. and China's first round of retaliation tariffs announced on U.S. coal imports earlier in February.

Global steel conditions remain sensitive to the threats of deglobalisation as well as any countercyclical measures announced by China to restimulate internal demand and hence, normalise the elevated volumes of finished steel exports.

Ex-China, safeguard measures introduced on China steel imports remains a key catalyst to seaborne demand of metallurgical coal, particularly in India, where announcements on infrastructure spending and ongoing met coke import quotas may provide near term support.

With that, I'll hand back over to Shane to close out the presentation with our 2025 guidance.

Shane Young: Thanks, Marcelo. Stepping through the various guidance figures, we have set the lower end of saleable production guidance in line with 2024 as we remain confident in an uplift in total portfolio production year-on-year, underpinned by the ramp-up of South Walker Creek during 2025. Meanwhile, guidance for Poitrel and the Isaac Plains Complex has been positioned in line with their strong results for 2024.

It has been a challenging start to the year weather-wise, with rainfall at Moranbah exceeding the total average in just one day earlier this month -- total monthly average in just one day. As a result, we have sought to factor these impacts from wet weather into our production guidance, expecting that like last year, first quarter saleable production is likely to be at a lower run rate when compared to subsequent quarters and the full year.

The lower bound of free onboard cash cost is also in line with 2024 actuals as we anticipate that increased operational costs from the introduction of expansion fleets will be partially offset by higher volumes and a lower Australian dollar foreign exchange rate assumption compared to 2024 guidance.

Finally, on capex, having largely concluded the capital investment program from 2024, we expect spend to transition to a sustaining run rate during the course of 2025 and have therefore guided to significantly lower capex year-on-year. I'll now hand back to our moderator for Q&A.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on speakerphone, please pick up the handset before asking your question. Your first question today comes from Brett McKay with Petra. Please go ahead.

Brett McKay: Good morning, gents. Another cracking result, well done. Just a couple of questions. I want to start on where you just left off there, Shane, around guidance. You note that weather impacts have been factored in. Is that on the basis that you don't get any further wet weather? Or are you assuming that there's sort of some further weather impact in your numbers?

Marcelo Matos: Brett, it's Marcelo. I'll take that one. Morning mate.

Brett McKay: Morning.

Marcelo Matos: Yes. I think the simple answer is yes. I think, obviously, we've guided based on the impact to-date. As far as the full year performance, Brett, I think we are not expecting any additional significant performance, but we are confident that the range itself already provides enough, let's say, wiggle room for going back even if we have further impacts, unless, of course, we have some material unexpected impacts like major cyclones or the like. So I think the range is a range that we are comfortable.

Q1 specifically, as Shane said, if we have more weather, probably Q1 is going to be a bit more affected beyond what we expected here when we provided this range. But as it stands now, the plan is looking like by, I would say, late April or early mid-May, we should be back to plan, assuming we get no additional significant weather.

Brett McKay: Yes. That makes sense. Can I just sort of hone in on South Walker Creek for a second, given that you've got a 6.5 million tons to 6.7 million tons number for this year post the expansion. And I know your comments in the presentation that that ramp-up has gone well. It feels like that's a fairly conservative number for this year around that asset specifically?

Marcelo Matos: Brett, South Walker was -- I think there are two sides of the story. One is the commissioning of the CHPP. We -- in our plans, we assumed a ramp-up curve to get to the 1,200 tons per hour, let's say, steady state. And we assume that to happen during a quarter, okay, which is where, I mean, we are now just going through the first quarter.

Things are looking good. So from a throughput processing rate it's looking positive, but it was not never only about the -- let's say, the CHPP being the bottleneck. It's also about the fact that we need -- we are ramping up capacity on the mining side. We are opening a new area in the MRA2C area, which is the E-North pit. Weather hasn't helped, okay, let's say, the start of E-North.

Having said that, I think I am confident that we should be able to recover and hit at least the midpoint, if not the higher end of this range. Brett, if all goes well and if the plant performs well without any glitches and if we don't get more weather, is South Walker able to potentially even go over that range? I would like to think so, okay?

But given it's a year of initial headwind with weather, commissioning of the CHPP and the ramp-up of a new pit in the MRA area, we just thought it was a bit more prudent to reflect that in the range. But as I said before, I'm pretty confident that we will be able to claw back and end the year well at South Walker.

Brett McKay: That makes sense. Just moving on to the growth projects, on Eagle Downs, can I ask two questions there? One of them is, do you think we'll get a bit of a framework as to what that development might look like prior to the FID, which is targeted for the end of this year? Is there a point during the year that you might sort of understand exactly how it might look should you take it to FID and that would be announced to the market?

Marcelo Matos: Brett, focus for us to get the work done to be ready for our investment decision. Whether or not we're going to make an investment decision depends on other factors, right? I think, of course, the timing for that investment decision depending on how the market looks like is one.

Having the right funding equation for the project is another one. And of course, the project looking attractive is what we are working hard to address now, right, running to ground the business case, see how much we're going to be able to build it for and what can we expect in terms of future performance out of a long wall operation like that.

So I think we want to be able to address those points over the year to be ready for a decision. Time-wise, I think we'll see how the market looks like. And as Shane said, I think we're going to -- we just finished a campaign of investment. Our balance sheet looks pretty robust.

As in whether we're going to be able to present a framework on how we're going to make some of those decisions and provide a bit more colour on the project, I think one of the critical points is, of course, the work package for the construction, how much they're going to cost and how that looks like from an infrastructure optioneering standpoint which is what we are doing now, right?

We are now looking at a complex type of view to see how it go down fits as a project and how it looks like as part of the portfolio in terms of optimising infrastructure utilisation in the -- amongst the assets in that area and how that looks like, for example, if we develop Isaac South because they may have a direct interaction as well because Isaac South will use the Isaac CHPP.

There's a few things we need to look because in a few scenarios. I would like ideally to avoid anything too premature if we are not ready. But assuming now that we have more conclusive views of capex and, let's say, an ideal development scenario, I don't see any problem in us providing an update. But I don't think that's going to happen before, I would say, the third quarter, for example.

Brett McKay: Yes. Okay. That's good. And just quickly, any comments on Lancewood? I noticed it's not mentioned in the preso. That feels like it's been pushed back given a longer time line and we've spoken about that in the past. So I don't think we need to go into the details, but it just feels like that one is maybe pushed to the back of the queue. Would that be correct?

Marcelo Matos: Correct. I think a simple answer is correct. We are still progressing with what we need to do from a regulatory approval standpoint, Brett. As you recall, we have a mining lease in Lancewood, but we need to progress the environmental approvals.

So we are doing the work to be able to have those approvals progressed. But as far as more development work, more site activity, it's going to -- it's back on the priority list compared to Isaac Downs Extension and Eagle Downs at the moment, one of the reasons being, for example, the fact that Eagle Downs will have all the approvals in place and can utilise existing infrastructure at our site.

So Lancewood was always about trying to explore the concept of a small open-cut. Small open-cut doesn't look like a dripping roast, as I mentioned in previous discussions. It is a more challenging open-cut because of the initial size of the box-cut and average strip ratios. So with that in mind and with the priority on the other two, yes, it's taking the back seat in terms of the priority list.

Brett McKay: Okay. Great. Just one final one for Shane. Can you give us any colour going forward around the lease, the cash lease payments? Obviously, a decent number this year and that whole change in strategy around the fleet is continuing to play out.

Can you give us any sort of colour what that number might look like on a go-forward basis? Is it similar to what you just printed or fractionally higher going forward?

Shane Young: Yes, I think that's a good way to categorise it. It should be relatively stable into 2025 compared to what we've just reported for 2024. Obviously, it covers off on the expansion fleet and other areas of our business where we've got assets and mobile equipment on leases as accounted for under the accounting standards. So yes, it should be relatively stable into 2025.

Operator: Thank you. The next question comes from Paul McTaggart with Citigroup. Please go ahead.

Paul McTaggart: Good morning, guys. So I had a couple of questions. Firstly, I mean, it's great that you came in AUD$30 million below on your Creek version. I just wanted to understand how you managed to achieve that, whether there was a change in scope and Eagle Downs, we talked a little bit about it, but I mean, what kind of infrastructure are you looking to share to try and get that capital cost down? If you could give us some sense of that?

Marcelo Matos: Hi, Paul. First on MRA. Look, the key savings were basically time related. We had an opportunity to introduce a nice shift at -- on the earthworks. And that significantly shortened the -- let's say, the conclusion of the earthworks and that brought a significant saving for us in relation to the overall project. There's been some minor tweaks in scope that also represented a saving.

There is one part of the project, which is demanding of one of the pits. I think it’s the [inaudible] Pit, if I'm not wrong, where we're going to have water storage movements. And we pushed back that expenditure into 2026, if I'm not wrong.

It's not a large amount, but that's going to be reflected in the operation of budget and rather than a capital project. And we don't think that's going to be a significant, let's say, increase in cost. It's already baked in our plans going forward.

So it's been a bit of both, but the majority of the saving was time related on the earthworks at MRA which was a fantastic outcome for us. We finished that in November, 95% ahead of the wet season, which was great. It could have been worse if we've seen a lot of this weather we've seen now in January and Feb.

On Eagle Downs, it's all about looking at how we can optimise capital by utilising the existing CHPPs that we have in that area, which is the RMI wash plant in Poitrel and the Isaac Plains CHPP or a combination of both and what investments we may need to make in those CHPPs to be able to cater for the tons from Eagle Downs, from Isaac South and from Poitrel in case Eagle Downs is developed at a time that Poitrel is still running at full throttle.

Poitrel was running down in the early 2030s as we expect, that could be a lot easier type of conclusion. So I think there's a lot of work looking at understanding how that looks like and of course, comparing with the trade-off against us building our own infrastructure at Eagle Downs onsite. Obviously, we would have to hook up to connect a whole road from Eagle Downs into Isaac South.

So we are looking at this from a fully integrated basis because Eagle Downs can connect to Isaac South, which is now what we are calling the Isaac Downs Extension. From Isaac Downs Extension, there is already a whole road plan to connect to the Isaac Downs CHPP. And from there, we are looking at having the flexibility to take both East to RMI or North to Isaac Plains.

So there's a bit of that. Obviously, if that's possible, we would have savings on rail load-out and rail loop and the likes. So we need to run to ground the possibility of limit investment onsite at Eagle Downs to basically underground workings, drift and shaft infrastructure and the surface raw materials handling, for example, ROM.

So the trade-offs we need to do is, is that the best thing long-term for the project. If we may run to a conclusion that longer term in 30 years, it's probably -- it could be even better to invest on all this infrastructure onsite. But the reality, that's not going to be one of the key decision-making metrics for us.

I think lower capital to start and a more capital-light project to get started and generating cash flows could be prioritised against 30 year type of value, which is what we want to run to ground between now and then.

Paul McTaggart: Thank you.

Operator: The next question comes from Glyn Lawcock with Barrenjoey. Please go ahead.

Glyn Lawcock: Morning Marcelo. Firstly, just you talked a little bit about the guidance and the weather. Is there one mine that potentially is a little bit risk? I think maybe something like an Isaac Plains, you're looking for growth there, but that seems to have not a lot of mining phases. So is there one that could struggle?

Marcelo Matos: This year, Isaac's always more -- it struggles more to claw back because of the less flexibility, as you said which is true. We have less -- let's say, less options where to go given the limited number of pits and given the mining method at Isaac Plains.

At South Walker, this year specifically was more affected than in the last two years. Simple reason being young pits, new pits like Y-South and the development of the E-North and MRA, which were at the early stages, which presents some challenges as well.

So I think I would say the two are a lot more, let's say, challenging compared to Poitrel. Poitrel has been, let's say, we had the blessing of as ended the year with healthy ROM as well. So that's helping. January, we had a lot of ROM out of Poitrel in January. So -- but as I said, Glyn, I think as things stand now, we are expecting to be back to plan by around, I would say, April, worst case, May in both South Walker and Isaac as well.

South Walker because of the ramp-up, of course, it just puts more pressure, on the site and the different sources of ROM. So there will be a bit of, let's say, different profiles of performance quarter-to-quarter. But look at the full year, pretty comfortable with the guidance range we have.

Glyn Lawcock: Okay. And then I think if you look at the stats, I mean, we've had probably the worst start for exports out of Queensland in over 10 years now. Yet the coal price doesn't seem to want to get off the deck as your chart showed more Russian coal going into the region.

And if we do manage to resolve the conflict between Russia and Ukraine, it's probably going to mean even more coal into the region. I mean your U.S. peers seem a lot more maybe pessimistic, cautious about the first next 6 months in the coal market. Do you have a different view?

I'm just trying to figure out, I mean, like India doesn't seem to be coming back. It's a reasonable market for you. I mean, is there any signs of them coming back?

Marcelo Matos: Look, India has been a bit slower than everyone expected, but it's been also, let's say, impacted by Chinese steel imports and Indonesian coke imports. The Indonesian coke imports is quite an interest story because for Australian met coal, it's kind of net-net. It's kind of a net impact because most of the Indonesian merchant coke producers that are exporting into India, they're actually using mostly Aussie met coal.

So if you have an impact of Indonesian imports of coke into India for Aussie met coke, even if the India imposed some quotas, for example, could be a net impact. Recovery, I think, will definitely be -- I mean, it will have to be related to what happens with Chinese exports of steel, Glyn.

And of course, with the expectations of what the government does to either stimulate consumption in China or, let's say, production rate. Can India go a bit faster on its own expansion plan? Look, it's happening. I think the commissioning of the new blast furnaces and coke plants that were expected, they are happening.

I don't see any significant delay. I think, of course, we are a bit -- a little -- I mean, we are getting a bit of a help on FX as well, as you said, some of our U.S. peers maybe don't have and there's an additional pressure on them from that sense as well.

Glyn Lawcock: Okay. Now understood. I guess, we just have to keep our eye on the market. And then just a little bit more around the lease spend, if I could. Obviously, you've guided now indicating flat year-on-year. I mean, your annual report only ever has that going out to 3 years and ceasing.

I assume you're just going to have to renew the lease. And so are they -- should I be thinking of this 180 million a year as a 20-year type payment, do we keep the equipment onsite and the mines operating?

Shane Young: Yes, Glyn, Shane here. I guess the accounts refer to the commitments that have been made at present. So I guess what you're referring to there is the likelihood of us renewing those for the purposes of maintaining the equipment and continuing to have those costs as we continue to mine coal. So I think the long and short of it is, we see leasing as a very effective way to finance mobile equipment. So we would likely continue that going forward…

Marcelo Matos: We've had a significant account pay off, let's say, fleet onboarding, Glyn, which has been a combination of expansion of fleets at South Walker, but also fleet replacement -- aging fleet replacement, for example, in Poitrel and to a certain extent in South Walker. Some of the replacement that we've done ourselves that they are not part of existing contracts with the contractors, for example.

If we have new gear that we purchased, which was the case in some locations with the new diggers, for example, as we get to, let's say, midlife, probably there will be a midlife type of investment, but we could probably extend life beyond that.

So I think we've just been through a process of fleet renewal, especially in Poitrel that was expected. The new -- if there's a renewal of lease of investments, they could be actually at a lower level possibly.

Shane Young: Yes, it's true. Yes.

Glyn Lawcock: Yes. But it's sort of -- we shouldn't just assume in the three years, it's going to go to zero. There will be some residual amount for whatever equipment. And I guess as we get closer, you'll keep us up-to-date with that?

Shane Young: Correct.

Glyn Lawcock: So if I look at the guidance then, FOB cash cost, call it, AUD$91, in capex is about AUD$8 and your leasing is about AUD$13. So you're at about almost AUD$113 a ton cash out-the-door and then your royalty to the Queensland government, let's call it, 13%.

So I gross all that up, you're about AUD$130 a ton cash out-the-door to run this business. But with realisation running at 70% and the net PLV at AUD$188, that's AUD$130 met coal price as well. So is it fair to assume it's a pretty tough business at the moment and you're not alone. So all-in, it looks like you're cash neutral today at spot prices roughly.

So I'm just trying to understand, if that's correct, the desire to pay the big dividend, I mean, it's just over 50% for the full year, over 100 % on the final, on the second half. Is that a fair assumption that you want to keep it at 50% into '25 given the potential backdrop?

Marcelo Matos: Maybe just on the numbers, Glyn, if you look at all-in cash plus including ROIC and sustaining capital, I would say probably a bit south of what you said at today's FX, right? It depends on FX is a major item in that equation and that's helping a lot at the moment.

And I think it's south from what you said. ASP, if you look at the Average Sales Price, probably 7 is the lowest point is what we are getting for our semi-soft, for example. So it's a bit above that. So there's a bit more wiggle room compared to what you said.

Yes, it's a lot -- it's PLV at AUD$180, something it's a lot different than it was some time ago. I think if you look especially in the U.S., we're going to start to see a lot more pressure. And that may assist if we see, for example, some U.S. coals getting out of India, for example, this may help. But definitely, definitely, it's a very different world than it was in the last couple of years.

I'll let Shane comment a bit more on divs and so on, but as he said in his initial talking points, when we look at dividend decisions now and we look at the future, given what capex for the business will be at before we make decisions in relation to the next campaign of projects, there's a huge amount of liquidity in the business. Part of the cash flow in relation to our policy some way was retained in previous years.

So I mean, there's more than AUD$500 million in liquidity, as even you mentioned in the last quarterly production, that's definitely something that was taken into consideration as well.

Shane Young: Yes, absolutely. It's -- I guess, what gives the Board a lot of confidence now is the refinancing that happened last year and the additional liquidity that brought to the business as well as certainty and a longer dated maturity on that debt.

So with liquidity well in excess of AUD$500 million, which is also a function of the profitability of the business over the past few years and the retention of at least 50% of free cash flow after debt service as per our policy up until that point.

That additional cash and liquidity has given the Board confidence that when we look ahead to the next 12 months, 18 months, 24 months and we run scenarios at lower cost and lower pricing environments, there's still sufficient liquidity and cash in the business to be able to pay this dividend quite comfortably.

Glyn Lawcock: Yes, appreciate that. That's great. Thanks very much for your time.

Operator: The next question comes from Tom Sartor with Morgans Financial. Please go ahead.

Tom Sartor: Congratulations on some very strong execution, another good result. I just have a really quick follow-up on the market itself. Your PCI realisations over the last few years really have proven to be pretty resilient and that's despite the softer steel environment and the Russian competition, which we know about.

But there's also some discussion in the market that mills are learning how to become less reliant on prime hard coal in their mixes, which does help narrow the discounts to your coal brands, but which might in itself reduce the upward tension on the Aussie HCC indexes against which you price.

So I'm just curious about whether you're seeing any evidence of that in the buying behaviour from your customers? Or if there's any credence to that sort of rebalancing of the pricing dynamic in that suite of met coals at all?

Marcelo Matos: Tom, yes. It's a pretty comprehensive one. Different elements in that equation, but maybe starting with PCI dynamics. Look, we have a very strong book, Tom, and I think that's a very important point and a strategy that's been very successful to-date.

So we have a strong contract book to have a lot of PCI spot exposure in a small -- in a market that's very small and that's not so liquid given what we've been through now with Russia and with Russia selling at $10 less CFR China, for example, than what the Aussie FOB is now if you net back the PCI price net China.

So it's -- we want to make sure that our book is strong. Fortunately, we have good products. They are very well demanded for both the South Walker and the Poitrel as well because we are selling a good volume of our Poitrel blended with South Walker into India, a very stable demand. We have been able to conclude some spot transactions last year that helped to support the PCI prices and the relativities.

And have no reason to see any change in the dynamics of PCI value in use against prime hard coking coal. At these levels now, it's a healthy relativity. I don't think there's any, let's say, technical driver or even economic driver of value in use to change that unless we have major supply or demand disruptions, okay, from a PCI, for example, standpoint.

For other brands, I think, look, they are not very far from what historic relativities have been. So I don't think there's any major distortion at the moment if you look at value in use from the different subcategories.

So no, I don't think -- I don't expect -- I don't see any major distortion, Tom. And I don't see anything that could be a driver for any very short-term change unless we have significant disruption, okay?

Tom Sartor: No worries that's useful, thanks guys I'll follow up cheers.

Operator: There are no further questions at this time. I would now like to hand the call back to Mr. Matos for closing remarks.

Marcelo Matos: Thank you all for joining today's call. It's been a remarkable year for Stanmore with a huge effort from all our employees, contractors contributing to our record production performance in a year that the intensity of activities in our operation has been unprecedented.

So as usual, I'd like to thank our shareholders for your ongoing support. Look forward to catching up with all of you over the course of this week. Thanks, everyone. Have a good day.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect your lines.

[END OF TRANSCRIPT]