RAPER CAPITAL

Rees Fleming
Company Secretary and General Counsel
Stanmore Resources Limited
12 Creek Street, Brisbane
QLD 4000
Australia

February 27, 2023

Dear Mr Fleming,

Thank you very much for your February 24th reply. I write in follow-up to that communication, to further reiterate my concerns with the ongoing GEAR transactions, and, now, increasingly with our Company's apparent enabling of these shenanigans. Just this morning, as part of its FY2022 earnings releases, the Company eschewed providing FY23 guidance of any kind, offering only the following by way of explanation:

> '…as Stanmore is…a material subsidiary of GEAR…Stanmore has provided GEAR with information to meet its relevant regulatory disclosure requirements with regards to the GEAR transactions. Furthermore, any Stanmore disclosures (especially forward-looking statements and publication of guidance) are relevant to GEAR in the context of the GEAR Transactions and, consequently, Stanmore will not provide guidance until such time that the GEAR Transactions have concluded.'[1]

The decision to provide no guidance is questionable and this 'explanation' is highly unsatisfactory. In the same paragraph the Company both admits that further information has been given to GEAR (more than has been shared with SMR shareholders or the market), as well as that any Stanmore disclosures are 'relevant to GEAR in the context of the…Transactions.' If such information is so relevant, why is it not being disclosed to the broader market? The entirety of the market's concern with the GEAR Transactions centers around the valuation of its stake in Stanmore. Clearly, providing guidance for FY23, in the normal course, would facilitate a more transparent and informed marketplace, and allow the market – the best arbiter of SMR's true value – to draw its own conclusions.

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[1] See SMR press release, 'Annual Report', February 27, 2023, p.2: https://www.asx.com.au/asxpdf/20230227/pdf/45m23j2mytcm6s.pdf

Because the Company has eschewed to provide such guidance, I feel duty bound to ask directly for an answer to the following questions:

- *Has the Company communicated any kind of guidance for FY23 (production, costs, cash flow, etc) to the IFA conducting its valuation of SMR, for the purpose of the GEAR Transactions?*
- *If no, why not? It would be the very height of irregularity for a third-party valuation exercise of a listed company to be conducted without consulting management's forecast of current (and future) year's earnings;*
- *Was the refusal to provide FY23 guidance a direct instruction from GEAR?*
- *If so, please provide a link to the section of the Singapore Mainbook Rules outlining why or how the provision of current-year earnings guidance is prohibited during Voluntary Delistings or Exit Offers. I could find no such prohibition in my perusal of the Rules.*

These are crucial questions for the future of our Company, because – as previously explained – if unchecked they only further the perception that SMR is becoming 'captive' to the whims of an unscrupulous majority owner who does not respect basic governance norms and corporate best practice. Clearly this is a damaging development for all stakeholders in Stanmore.

Since the Company refuses to provide FY23 guidance, despite its obvious import to all involved, I will offer some broad strokes on the topic. In FY22, with less that a full year of production from the BMC acquired assets, considerable integration challenges, and uncooperative weather events, **the Company nevertheless generated $1.2 billion in operating cash flow, $730mm in net profit post tax, and >83 cents of earnings per share (all in USD)**. Allowing for a full year of production, the chart below demonstrates that at anything close to current spot levels the earnings power of our Company is prodigious:

(all USD unless noted)			
Saleable coal (mt)	12.5	12.5	12.5
Aus HCC $/t	250	300	350
Royalties at Qld formula %	19.8%	23.2%	25.6%
Royalties ($/t)	49.5	69.5	89.5
Cash costs ($/t)	88	88	88
EBITDA per ton ($/t)	*112.5*	*142.5*	*172.5*
EBITDA ($mm)	**1406**	**1781**	**2156**
D&A ($mm)	245	245	245
EBIT ($mm)	**1161**	**1536**	**1911**
Tax at 30%	348	461	573
NPAT ($mm)	**813**	**1075**	**1338**
Stock px	3.6	3.6	3.6
Shares out	901	901	901
Market cap (A$)	3245	3245	3245
Net debt (A$)	256	256	256
Current EV (A$)	**3501**	**3501**	**3501**
Current EV (US$)	**2381**	**2381**	**2381**
EV/EBITDA (x)	**1.7x**	**1.3x**	**1.1x**
EV/EBIT (x)	**2.1x**	**1.5x**	**1.2x**
EV/NPAT (x)	**2.9x**	**2.2x**	**1.8x**

That is, **our Company is trading at basically 1.5x EV/EBIT and, given it generates ~$400mm USD in free cash flow every three months at current spot prices, is already significantly net cash** as I write. Even on a conservative dividend payout policy of say 25%, it is quite likely that should the current coking coal curve persist, our Company would be readily able to pay a 45-50c dividend come year end. It is unclear to me why the Company insists on keeping this bare minimum of information from market participants.

Let me close by reiterating that, as a substantial minority shareholder – indeed, one who bought more shares this morning – the Company's prospects will be maximized through more, rather than less, disclosure and engagement with the markets. Obfuscation, and/or pandering to special interests, can only have tangible, long-term negative effects on our cost of capital; valuation of SMR equity; and, ultimately, on our ability to grow through opportunistic acquisitions. It is my fervent hope that this is not the direction in which our Company chooses to proceed.

I remain at your continuing disposal to engage upon any of the issues discussed herein.

Yours sincerely,

Jeremy Raper