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stanmorecoal

Quarterly activities report

for the period ended 30 June 2013



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Quarterly Overview

During the quarter Stanmore Coal Limited (“Stanmore Coal” or “the Company”) announced the results of the Range Project Feasibility Study and completed exploratory drilling on the Belview Coking Coal Project. Unfortunately, these significant milestones which would under historical market conditions translated into forward momentum in the Company’s share price, have occurred within a background of continued downward pressure on coal prices and negative investor sentiment toward early stage coal projects. Similar to its peers, the Company’s share price ended the quarter close to net cash backing per security. Notwithstanding, the Board of Directors and Management remain positive about the Company’s prospects given Stanmore Coal has:

- a diversified portfolio of high quality coking and export thermal coal projects;
- 94Mt of Marketable Reserves, 686Mt of JORC Resources¹ and 975Mt – 1,498Mt of additional Exploration Targets^{2,3};
- an upgrade to Belview’s JORC Resource position due early in quarter 1 FY14;
- a strong closing cash position at 30 June 2013 of \$24 million; and
- no take or pay liabilities for rail or port access.

The Company’s Resource base at 30 June 2013 is summarised as follows:

Project	Coal type	JORC Marketable Coal Reserve ^{(1) (2)}	JORC Recoverable Coal Reserve ^{(1) (2)}	JORC Measured Resource ⁽¹⁾	JORC Indicated Resource ⁽¹⁾	JORC Inferred Resource ⁽¹⁾	Total JORC Resource ⁽¹⁾	Additional Exploration Target ⁽³⁾	
								Low	High
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0	45	80
Mackenzie	Coking	-	-	-	25.7	117.5	143.2	-	-
Belview ⁽⁴⁾	Coking	-	-	-	-	95.0	95.0	735	1,103
Tennyson	Thermal/Coking	-	-	-	-	161.0	161.0	65	120
Clifford	Thermal	-	-	-	-	-	-	130	195
Totals		94.2	117.5	18.0	212.7	455.5	686.2	975	1,498

Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are robust, based on an expectation of improved long term demand for high quality coal in emerging economies including India, China and South East Asia. The Company’s diversified portfolio of development and exploration projects put it in a strong position to benefit as coal markets recover. The current downturn in the commodity cycle presents an excellent opportunity to reduce the capital and operating costs of the Company’s projects and to prudently expand the business within an environment of realistic asset prices.

Management has commenced a comprehensive review of the capital cost estimates for both Belview and The

Range and believes that material capital savings can be achieved through improved contractor pricing and the selective application of off-balance sheet finance. Reducing project capital costs to the lowest possible level will improve the Company's prospects of attracting strategic project partners and procuring construction funding.

In light of current market conditions, the Company will restrict its expenditure to exploration and development activities which will demonstrate strong project economics to maximise the likelihood of attracting strategic project partners. The Company is also in the process of further rationalising its already low overhead cost base to ensure it preserves its cash reserves whilst remaining sufficiently resourced to respond to opportunities and react when market conditions inevitably improve.

We believe that as other organisations seek to dispose of non-core assets in the near future, opportunities will arise to enhance the Company's existing projects and accelerate the Company's timetable to production. The Company aims to capitalise on these opportunities through transaction structures which limit the need for upfront capital or will identify new sources of capital to finance these transactions. Stanmore Coal has personnel with a strong history of identifying and capitalising on opportunities with a limited capital base. The Lilyvale Project expansion announced during the quarter is another example of the Company's successful approach in this area.

History reflects that many successful new coal projects and companies are built in difficult market conditions when large resource company strategies are driven by short term shareholder expectations. Stanmore Coal remains committed to delivering its Projects at a low capital cost and implementing a low cost, highly efficient operating model.

The Company remains well funded on a relative basis to its peers and has no material financial commitments, or take or pay obligations with respect to rail or port access. Stanmore Coal has significant flexibility in respect of the timing of delivering its Projects and introducing strategic project partners. As market conditions continue to remain volatile, the Company will continue to be disciplined to protect shareholder value and best position Stanmore Coal to emerge strongly from the current downturn.

Project Snapshot

Project	Status
Belview Underground Coking Coal	<ul style="list-style-type: none"> • Concept Study indicates positive project economics from a single longwall • 95Mt Initial JORC Inferred Resource and a further significant exploration target • Resource upgrade expected from drilling program completed in July 2013 • Preliminary coal quality analysis indicates the project can produce a high quality coking coal plus secondary low volatile PCI product • Further opportunity exists to reduce capital costs in light of market conditions • Pre-feasibility study planned for 2014
The Range Open Cut Thermal Coal	<ul style="list-style-type: none"> • Attractive economics under both owner operator and contractor cases demonstrated in Feasibility Study completed in April 2013 • FOB (ex-royalty, first 13yrs of production) \$76.1¹/tonne is competitive on a global scale • 94 Mt JORC Marketable Reserve¹, 287 Mt Total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) • Well defined geology supporting the development of a 5Mtpa (product coal) low strip ratio open cut mine (330 holes in the deposit) • High energy low emission coal acceptable to Asian markets • EIS approved by the State and is awaiting Federal approval • Mining lease grant expected in calendar 2014 • Further opportunity to reduce capital costs in light of market conditions • No material level of expenditure required prior to decision to proceed
Lilyvale (previously Theresa Creek) Underground Coking Coal	<ul style="list-style-type: none"> • Historical geological data indicates the Project area hosts the German Creek seam from 336m in depth with typical coal thickness of 2.2-2.5m • The region is not expected to be geologically complex and the German Creek seam is mined as a high quality coking coal in adjoining underground mines • Initial drilling and concept study planned for calendar 2014 • Close to existing infrastructure
Clifford Open Cut Thermal Coal	<ul style="list-style-type: none"> • Large tenement area with the potential to host a substantial thermal coal deposit suitable for open cut mining • Initial scout drilling program completed, some follow up drilling of encouraging drilling targets planned • Potential synergies with The Range
Tennyson Underground Thermal Coal	<ul style="list-style-type: none"> • Maiden JORC Inferred Resource of 161Mt • Additional Exploration Target² of 65 – 120Mt • Acquired EPC1580 under a royalty arrangement and no upfront consideration, expanding the project area by 60 sub-blocks

Project Updates

Belview Coking Coal Project

EPC 1114 and 1186

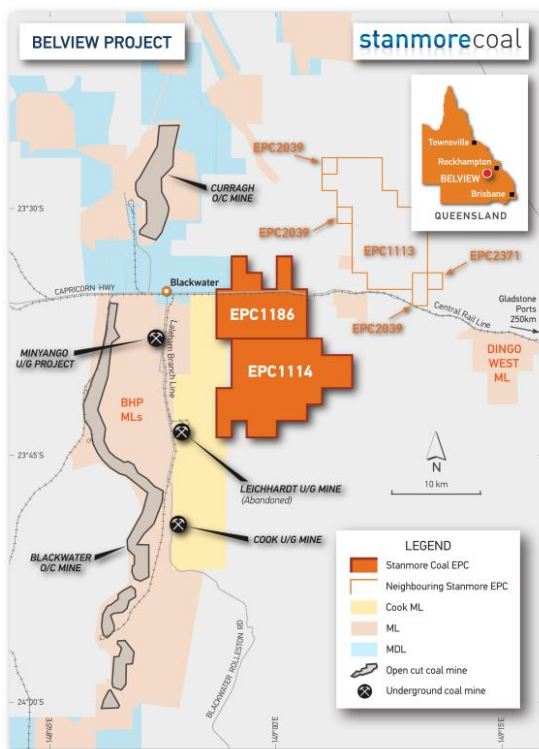
Stanmore Coal 100% ownership

Location: 10km south-east of Blackwater

Area: 120km²

JORC Inferred Resource: 95Mt

Exploration Target²: 735 – 1,103Mt underground prime coking coal



The Company recently announced the results of the Concept Mining Study (“the Study”) on its Belview Underground Coking Coal Project (“the Belview Project” or “the Project”). The Study considered a single and dual underground longwall operation based on refinement to the project geological model which occurred subsequent to the acquisition of EPC 1186.

The Study confirmed that the acquisition of EPC 1186 has resulted in significant improvement to the underground mining potential of the Belview Project by providing a larger, shallower resource base which has reduced both operating costs and capital intensity.

Start-up capital requirements for a single longwall operation are estimated at \$869M and the Study also identified the potential for improved economics through

the introduction of a second longwall unit. Similar to the Range Project, the Company is taking steps to reduce project capital costs through a combination of value engineering feasibility study designs and evaluating the ability to transfer the obligation to finance key assets to contractors.

To support the Study, the project geological model was extended to incorporate available data from 11 holes within the Belview tenement area and a further 33 boreholes located on adjacent tenements to the north and west of EPC 1186. This has improved the model confidence level significantly. Based on this modelling, the Company has established an additional Exploration Target¹ of 735 - 1,103Mt (at a depth of 385m to 800m) which is in addition to the 95Mt JORC Inferred Resource previously established.

During the quarter, the Company has drilled a further 5 core holes within EPC1186 and is in the process of finalising an upgrade to the project JORC Resource position and analysis of preliminary coal quality results.

The Project hosts coal seams within the Rangal Coal Measures which are regionally well understood and down dip from existing and planned coking coal mines. Preliminary coal quality and washability analysis indicates that the Belview Project has the potential to produce a high quality coking product with a secondary pulverised coal injection (“PCI”) product.

The Range Project

EPC 1112, 2030 / MLA 55001, 55009, 55010

Stanmore Coal 100% ownership

Location: Surat Basin – 24km south-east of Wandoan

Area: 92km²

JORC Resource: Total of 287 Mt high quality open pit thermal coal (18Mt Measured + 187Mt Indicated + 82 Inferred Resource)

JORC Marketable Reserves¹: 94 Mt (included in the 287Mt, Measured, Indicated and Inferred Resource noted above)

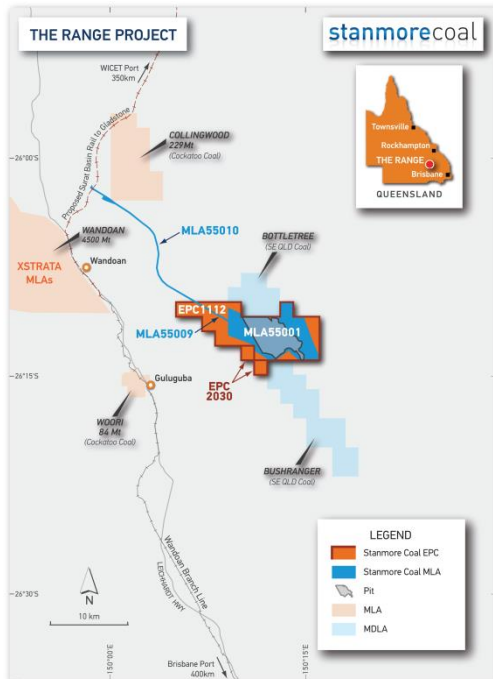
During the quarter, the Company announced the results of a Feasibility Study (“the Study”) which supported the Project’s technical and commercial viability. The Project demonstrates attractive economics under both owner-operator and contractor cases.

Key Financial Metrics - The Range Project

Key Financial Outputs	Owner Mining	Contract Mining
Unit Costs (\$A / product tonne)		
Mining and processing cost	41.9	51.1
Rail, Port and Overhead Costs	34.2	33.7
Total FOB Cost (first 13 years)	76.1	84.8
Project Economics		
Capital costs	\$599m	\$455m
NPV	\$499m	\$441m
IRR	18.6%	19.1%
Payback Period	9.0 years	8.8 years

Sufficient work has now been completed around geology, mining and cost structures to confirm that the Range Project is an attractive 5Mtpa high quality, export grade, thermal coal project ready for execution upon the delivery of the Surat Basin Rail linking the basin to the existing Aurizon Moura network via a 200km rail link.

The Environmental Impact Statement (“EIS”) and supplementary EIS have been completed and assessed by the Department of Environment and Heritage Protection (“DEHP”). The EIS was approved by the DEHP on 18 February 2013. It is expected that the Mining Lease will be ready for grant during 2014.



Extensive geological evaluation and testing has been completed. Some 330 boreholes have been drilled within the project area and both the regional and project specific geology are well defined. The project is a geologically benign, low strip, open cut mining operation.

The Study benchmarked capital and operating costs against indicative pricing provided by mining contractors and other Original Equipment Manufacturers (OEMs). The Company anticipates that recent project delays and deferrals will lead to moderation of activity in the mining and construction services sectors and consequently sees considerable scope to further optimise capital and operating costs when procurement contracts are ultimately awarded. The Company is currently taking further steps to reduce project capital costs through a

combination of in-house value engineering feasibility study designs and evaluating the ability to transfer the finance obligation for key assets to contractors.

The Range coal measures feature high energy content and low ash levels, and the ability to produce a high quality product that contains low levels of trace element impurities by international standards, low sulphur and nitrogen contents and excellent burnout characteristics.

Stanmore Coal believes in the strong long term fundamentals of the thermal coal market supported by increasing demand for cost efficient base load power in emerging economies including India, China and other south east Asian countries. The Company's view is that the demand for higher energy, high quality bituminous thermal coal, with lower emission profiles will be strongly supported and will be a key element of Asia's strategy to address existing pollution difficulties.

The focus of the Company in relation to the Range project is on supporting the delivery of rail and port infrastructure and as such it is not expected that further material expenditure will be required on the project prior to the infrastructure solution being finalised.

Lilyvale Underground Coking Coal Project

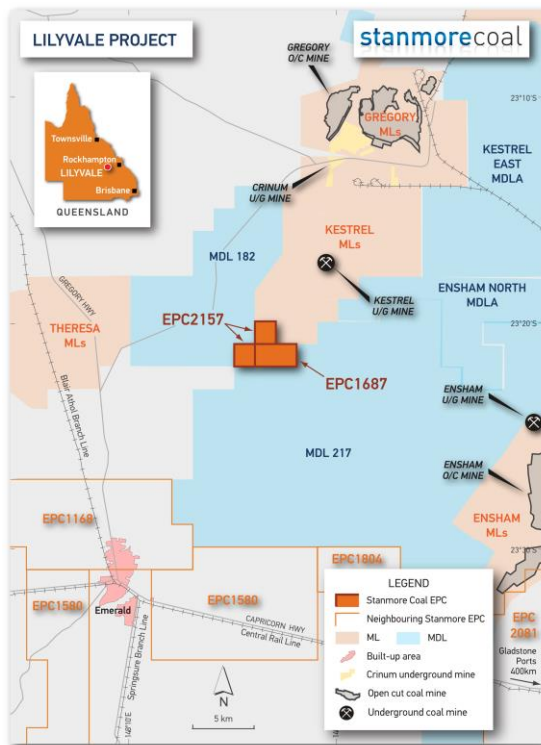
EPCs 1687 and 2157

Stanmore Coal 85% ownership/Cape Coal 15% ownership (on completion of farm-in)

Location: 25km north east of Emerald

Area: 13km²

JORC Resource: N/A



The Lilyvale project is located 25km north east of Emerald and is in close proximity to the operating Kestrel and Gregory Crinum coking coal mines. The project is currently owned 100% by Stanmore Coal but at the completion of certain milestones, Cape Coal Pty Ltd will earn a 15% interest.

During the quarter, Stanmore Coal completed the acquisition of EPC 2157 which doubled the Project's area, for total consideration of A\$125,000. In conjunction with Cape Coal, the Company has now conducted a desktop review of the Lilyvale project and identified the German Creek (or Lilyvale) seam as potentially amenable to underground extraction based on depth and estimated seam thickness. This seam is presently mined as a high quality coking coal at the adjacent Kestrel and nearby Gregory Crinum operations. The project is well located

relative to existing rail infrastructure.

Based on analysis of historical geophysical logs and bore holes in the surrounding region (including 2 cored holes with quality data within the project area) the Company estimates that the Lilyvale project hosts the German Creek seam from 336m in depth with a typical thickness across the project area of 2.2-2.5m. The geology of the project and surrounding areas is well understood and not expected to be geologically complex. Adjacent underground mines at Kestrel (Rio Tinto) and Gregory Crinum (BHP Mitsubishi Alliance) produce a low ash, high quality coking coal from the German Creek seam. Further concept studies are planned to confirm the geological and economic viability of this resource.

Tennyson Underground Thermal Coal Project

EPC 1168

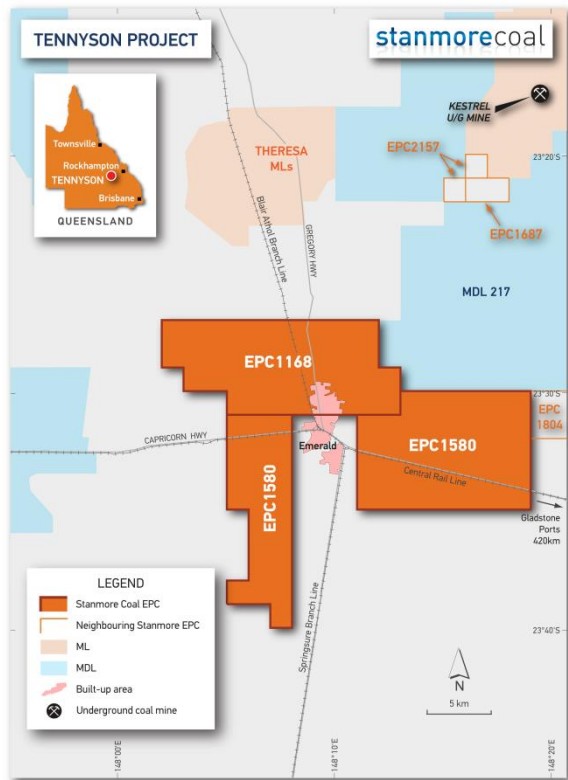
Stanmore Coal 100% ownership

Location: adjacent to Emerald

Area: 120km²

JORC Resource: Total of 161Mt Inferred

Exploration Target²: 65-120 Mt



The Company has established JORC Inferred Resource of 161Mt for the Tennyson project near Emerald in the Bowen Basin. The 2012 drilling program confirmed the potential to produce a low ash, high energy export quality thermal coal utilising underground mining methods from a depth of 150m.

Clean coal quality analysis to date indicates that the Aries seam is capable of producing a high yielding, low ash export thermal product.

The Company is restricting further expenditure on the Project until coal market fundamentals improve and an appropriate strategy is agreed with landowners and the government in respect of accessing coal which underlies sensitive farming areas.

During the quarter, the Company expanded the Project footprint through the acquisition of EPC1580 for nil upfront consideration and a royalty on sales revenue earned above a benchmark price. This acquisition provides access to further shallow coal and is expected to enhance overall project economics.

Infrastructure

Wiggins Island Coal Terminal Expansion Stage 1

On 27 June 2012, Stanmore Coal executed a Capacity Commitment Deed ("CCD") for Wiggins Island Coal Export Terminal ("WICET") Expansion Phase 1 ("WEXP1") which provided the Company with 5 Mtpa of port capacity for the Range Project, subject to ultimate financing and delivery of the port expansion. Due to delays to the Wiggins Island Coal Terminal Stage 1 construction timetable and weak commodity and capital market conditions, financial close for WEXP1 did not occur by 30 June 2013. The Board of WICET has granted WEXP1 participants, including Stanmore Coal, a two month extension to negotiate and document the terms of a longer extension. The terms of a long term extension require WICET Board approval. In recognition of the extended financing timetable for WEXP1, Stanmore Coal's financial commitments and bonding requirements are expected to be materially reduced in conjunction with any long term extension.

The Company also has 2Mtpa of capacity entitlements in Wiggins Island Export Terminal Expansion 2.

Corporate

Safety

The Group undertook approximately eleven thousand hours of drilling and exploration activity directly and through contractors during the three month period to 30 June 2013 with no reportable incidents. This was an excellent safety performance. The Company continues to develop and enhance its health and safety management systems to ensure health and safety risks are identified and resolved in a timely manner and the potential for harm to employees and other stakeholders is minimised.

Credit Suisse Debt Facility

Post 30 June 2013, the Company voluntarily repaid the Credit Suisse loan facility which had an outstanding net balance of \$3.2M and Credit Suisse has removed their charges over the Company's assets. The options (exercisable at 51.8 cents) issued to Credit Suisse as part of the facility fee structure remain in place.

The facility was negotiated to assist the Company in financing its obligations in respect of WEXP1. The Board expects that Stanmore Coal's financial commitments (including bonding) will be materially reduced as part of a long term extension to the WEXP1 CCD and consequently believes that it can finance these obligations out of cash reserves.

EPC Applications

Project	Tenement Number	Tenement Name	Date of Application	Type
Brown River	EPCA 1546	Brown River	7/08/2008	Primary
	EPCA 2520	Brown River East	3/5/2011	Primary
Carnarvon	EPCA 1630	Carnarvon	28/10/2008	Secondary

Mining Lease Applications

Project	Tenement Number	Tenement Name	Date of Application	Status
The Range	MLA 55001	The Range	3/11/2010	EIS advised
	MLA 55009	TR Transport Corridor	30/1/2012	
	MLA 55010	TR Transport Corridor	30/1/2012	

Contacts

For further information, please contact:

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Managing Director
07 3238 1000

Mr Doug McAlpine
Joint Company Secretary
07 3238 1000

Competent Persons Statement

The information in this report relating to the Belview Project exploration results and coal resources is based on information compiled by Mr Troy Turner who is a member of the Australian Institute of Mining and Metallurgy and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Turner consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

The information in this report relating to coal reserves is based on information compiled by Mr Richard Hoskings who is a member of Minserve Pty Ltd. Mr Hoskings is a mining engineer, a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and has the relevant experience (30+ years) in relation to the mineralisation being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2004 Edition)". Mr Hoskings consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

Note 1: Marketable Reserves Note

The Marketable Coal Reserves of 94Mt is derived from a JORC compliant run of mine (ROM) Coal Reserve of 117.5Mt based on a 14.8% ash product and predicted yield of 80%. The 94Mt Marketable Reserve is included in the 287Mt total JORC Resource (18Mt Measured + 187Mt Indicated + 82Mt Inferred Resource)

Note 2: Exploration Target Note

All statements as to exploration targets of Stanmore Coal and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained in this report as to exploration results or exploration targets has been made consistent with the requirements of the Australasian code for reporting of exploration results, mineral resources and ore reserves (JORC Code).

Note 3: Capital cost estimate for Belview is to a concept study level estimate (-25% / +40%)

About Stanmore Coal Limited (ASX code: SMR)

Stanmore Coal is a growth focused coal exploration and development company with a number of prospective coal projects and exploration areas within Queensland's Bowen and Surat Basins. Stanmore Coal is focused on the creation of shareholder value via the identification and development of coal deposits, with a focus on the prime coal bearing regions of the east coast of Australia.

Stanmore Coal holds 100% interests in all its coal project areas (except Mackenzie 95%) which cover over 2,769 km². These projects include significant deposits of open pit coking and thermal coal and are typically well located for export infrastructure.

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