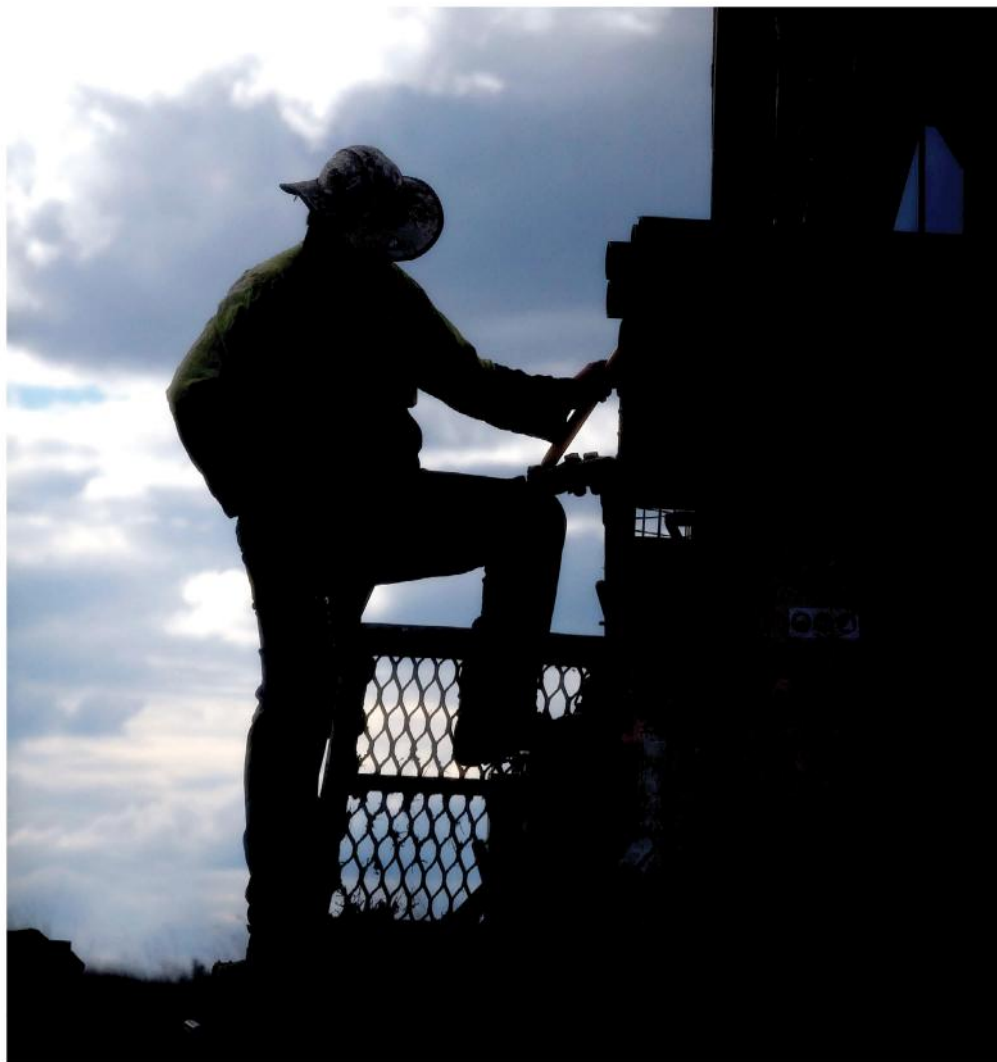


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**stanmorecoal**

**Quarterly activities report**

for the period ended 30 September 2012



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## Quarterly Overview

During the September quarter Stanmore Coal progressed its studies and EIS for the 5Mtpa high quality thermal coal - The Range project. The public consultation period for the EIS was completed with 35 submissions received; a Supplementary EIS is now being prepared to address the issues that have been raised. Engineering studies for the Feasibility Study have been completed, these are being compiled, and the company will release the finalised Feasibility Study by the end of the year.

At a general meeting of shareholders on 10 October 2012, shareholders approved the issuance of the second tranche of shares and convertible notes to Sprint Capital. Shareholders also approved the issue of options to Credit Suisse AG as part of a \$25M senior debt facility. As previously announced, this funding sees Stanmore Coal funded for its rail and port infrastructure commitments prior to execution of take or pay contracts.

Ministerial approval was granted for the exchange of the Altamondt tenement (EPC 2177) for Queensland Coal Corporation EPC's 1274 and 1276 located near Brookfield and Eurombah in the Surat Basin. The new tenements cover a combined area of 1,371km<sup>2</sup>, and have an initial defined Exploration Target<sup>2</sup> of 130 – 195Mt. The transaction involved only the exchange of tenements with no additional cash or equity consideration.

During early July Stanmore Coal completed and announced the results of a Concept Mining Study for the Belview coking coal project based on 3.4Mtpa Run of Mine (ROM) coal produced from a multi-shaft, single longwall operation. The Belview coal resource occurs within the Rangal Coal Measures and contains two seams for potential underground extraction, the Aries seam (2-3m thick) and the Gemini seam (5-6m thick). Operating costs are estimated at A\$104/t (excl. royalties) and the capital cost is estimated at A\$907m.

## Project Snapshot

Project	Status
<b>The Range</b>	<ul style="list-style-type: none"> <li>• Geology well understood with over 300 holes now drilled</li> <li>• Feasibility Study underway</li> <li>• 94 Mt JORC Marketable Reserve<sup>1</sup>, 287 Mt Total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred)</li> <li>• Supplementary EIS to be lodged before 31 December 2012</li> <li>• Capacity Commitment Deed executed with WICET for 5Mtpa capacity and due diligence requirements have been satisfied for both SBR and QRN Moura rail systems</li> <li>• Funding to satisfy the required feasibility bid bonds and early works obligations for these key infrastructure projects secured</li> </ul>
<b>Belview</b>	<ul style="list-style-type: none"> <li>• 95Mt Initial JORC Inferred Resource</li> <li>• Concept Study completed: 3.4Mtpa ROM production, \$907m capital cost and \$104/t FOB cost (ex royalty)</li> <li>• EPC 1186 acquired post quarter end, significantly enhancing project scale and economics Primary high quality coking plus secondary low vol PCI product</li> <li>• Planning underway to test the additional Exploration Target<sup>2</sup> of 205 – 345Mt followed by a pre-feasibility study during calendar year 2013</li> </ul>
<b>North Surat Basin EPC's 1274, 1276</b>	<ul style="list-style-type: none"> <li>• Tenements are located adjacent to the 4.5 billion tonne Xstrata Wandoan coal project and close to Stanmore Coal's Range Project</li> <li>• Initial Exploration Targets<sup>2</sup> of 130-195Mt defined within two key areas</li> <li>• A resource definition program is now being planned to define JORC Resources and additional Exploration Targets</li> </ul>
<b>Mackenzie</b>	<ul style="list-style-type: none"> <li>• 143Mt Total JORC Resource (25.7Mt Indicated + 117.5Mt Inferred)</li> <li>• Test work continues to investigate most likely economic targets within the 27km long project area</li> <li>• A joint venture arrangement was signed with Cape Coal after quarter end who have considerable technical experience in processing similar coals</li> </ul>
<b>Tennyson</b>	<ul style="list-style-type: none"> <li>• 2012 drilling and coal quality testing completed</li> <li>• Geological modeling continues with the aim of defining an initial JORC Inferred Resource in H2 2012</li> <li>• Exploration Target<sup>2</sup> of 220 – 290Mt</li> </ul>
<b>Kerlong</b>	<ul style="list-style-type: none"> <li>• Initial exploration drilling and seismic program conducted, with one drill hole and several seismic lines completed to date</li> <li>• Initial coal quality analysis results received</li> </ul>
<b>Corporate</b>	<ul style="list-style-type: none"> <li>• Equity and convertible note placements to Sprint Capital and Credit Suisse were approved by shareholders at the 10 October 2012 EGM</li> <li>• The company is well funded and its growth and development plans supported by its cornerstone shareholder Sprint Capital</li> </ul>

## Project Review

### The Range Project

EPC 1112, 2030 / MLA 55001, 55009, 55010

Stanmore Coal 100% ownership

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

**Area:** 92km<sup>2</sup>

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

**JORC Marketable Reserves<sup>1</sup>:** 94 Mt (included in the 287Mt Indicated and Inferred Resource noted above)

During the quarter Stanmore Coal progressed key elements of the Feasibility Study for the 5Mtpa high quality export thermal project at The Range.

### Environmental Impact Statement (EIS)

The public consultation period concluded during the quarter with the receipt of 35 submissions. A supplementary EIS is now being prepared to address the issues raised during the public response process and is expected to be lodged by 31 December 2012. The Department of Environment and Heritage conducted a site visit and confirmed there are no significant issues that will affect development and construction. The Federal Department of Sustainability, Environment, Water, Population and Communities has referred The Range project to the Independent Expert Scientific Committee on Coal Seam Gas and Coal Mining who have raised a number of questions relating to water management. As The Range will be a no-release site, Stanmore Coal expects that management plans will already address, or be easily modified to address, all issues raised by the Committee.

### Feasibility Study

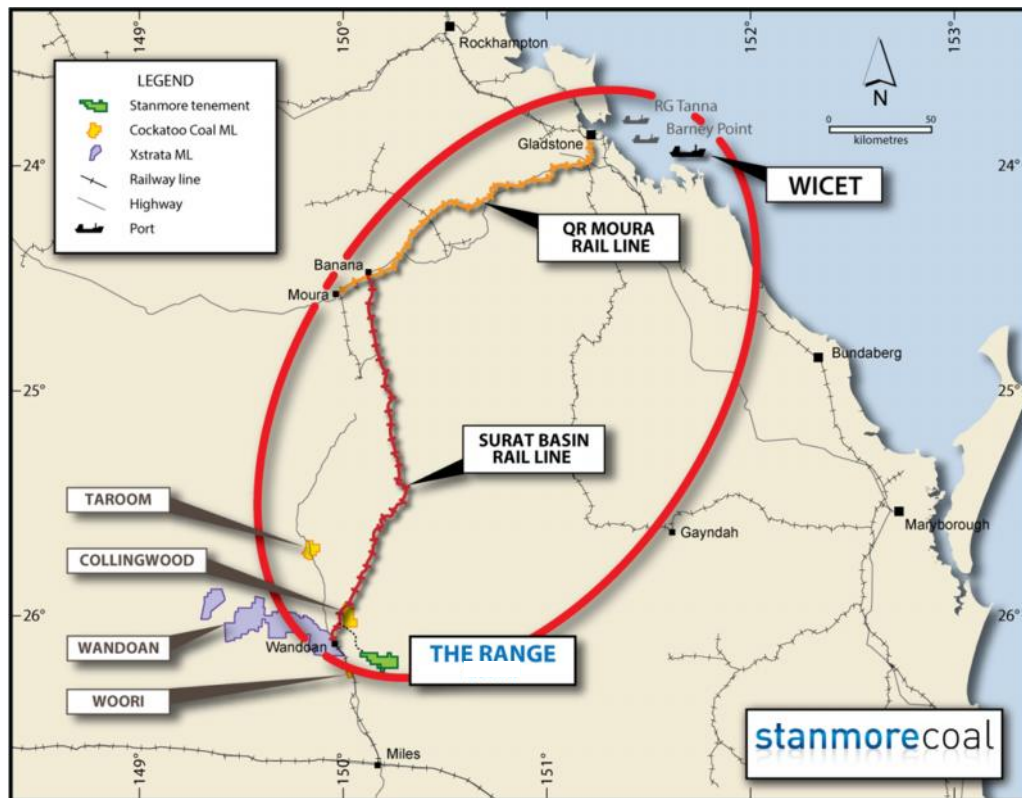
The general slow-down in the resource and infrastructure sectors is beginning to flow into lower costs for future work. The company expects to be able to capitalise on this trend as The Range moves towards construction.

The Engineering work for the Feasibility Study is now complete with over 500 technical drawings, specifications, datasheets and reports. The mining schedule has been optimised since the release of the Pre-Feasibility Study. Details of this will be provided with the release of the Feasibility Study later this quarter.

### Resource Upgrade

Post the end of the quarter, the company upgraded the project's resource position based on final laboratory and geological modeling results from the 2012 drilling program. The project now reports 94 Mt JORC Marketable Reserve<sup>1</sup>, 287 Mt Total JORC Resource (18Mt Measured + 187 Mt Indicated + 82Mt Inferred).

In addition, a 4Kg sample of Range Coal has been prepared for potential off-take partners in Japan as part of increased product marketing efforts in Asia.



The Range Locality Plan

## North Surat Basin

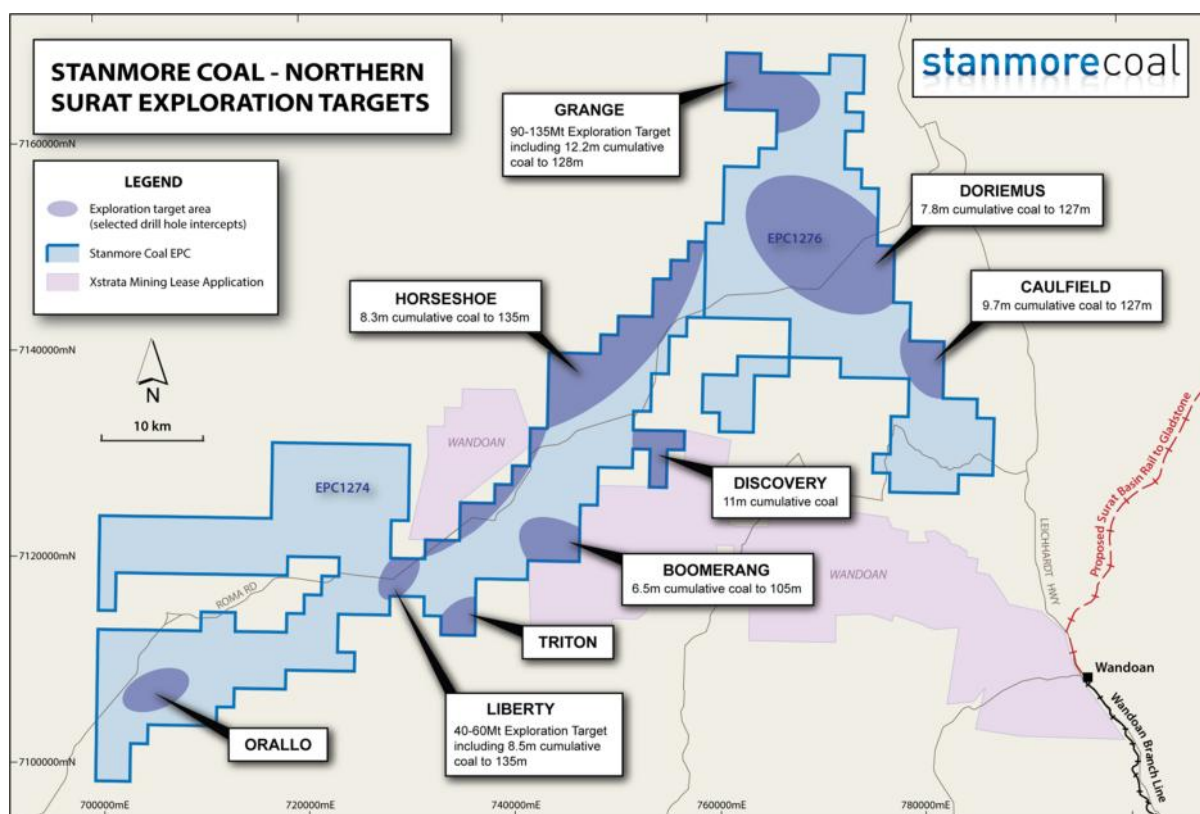
EPC's 1274, 1276

Stanmore Coal 100% ownership

**Location:** Surat Basin – 50 km west of Wandoan

**Area:** 1,371km<sup>2</sup>

Ministerial approval has been granted and contractual completion achieved for the agreement with Queensland Coal Corporation to exchange the Altamondt tenement (EPC 2177) for QCC's EPC's 1274 and 1276 located near Brookfield and Eurombah in the highly prospective Surat Basin.



**Figure 1 – Northern Surat Exploration Targets<sup>2</sup>**  
(coal thickness is derived from selected historical drill hole data)

An Exploration Target<sup>2</sup> of 130-195Mt has been defined on these tenements and an exploration program is currently being defined. The company will shortly commence a pilot scout drilling program with the aim of confirming open cut coal targets.

## Belview Coking Coal Project

EPC 1114

Stanmore Coal 100% ownership

*Location: 10km south-east of Blackwater*

*Area: 120km<sup>2</sup>*

*JORC Inferred Resource: 95Mt*

*Additional Exploration Target<sup>2</sup>: 205 – 345Mt underground prime coking coal*

In early July, Stanmore Coal completed a Concept Mining Study for the Belview coking coal project (on EPC1114 only) based on 3.4Mtpa Run of Mine (ROM) production. The Belview coal 95Mt JORC Inferred Resource occurs within the Rangal Coal Measures and includes two main seams for potential underground extraction, the Aries seam (2-3m thick) and the Gemini seam (5-6m thick).

The study proposes a three shaft, single longwall development that would take five years to fully establish from commencement of shaft sinking. First development coal production is targeted in 2018, with a ramp up to full longwall production from 2020. The capital cost<sup>3</sup> for the three shaft development, all services, mine development, longwall equipment, the coal preparation plant, gas drainage and infrastructure is estimated at \$907m.

Operating cost estimate summary:

<b>Operating Costs</b>	
(real \$A per product tonne)	
Mining (to pit top)	\$75
CHPP	\$6
Transport	\$23
<b>FOB (excl royalty)</b>	<b>\$104</b>
State Royalty <sup>4</sup> (est)	\$18
FOB (incl royalty)	\$122

At an estimated combined yield of 85%, the project will produce annual product coal of 2.9Mtpa.

The tenement is located 5km from the existing Blackwater line and is one of the closest Bowen Basin coal deposits to the ports of Gladstone.

Subsequent to the end of the quarter, Stanmore Coal acquired EPC 1186 which is adjacent to the existing Belview EPC 1114. This transaction substantially increases the size of the Belview project footprint and is likely to drive significant improvements in the project's scale and economics. Importantly, EPC 1186 is likely to contain significantly more coal at shallower depth than the existing EPC 1114. EPC 1186 is highly prospective for a similar high quality coking coal to the Belview project. Independent modelling by Xenith Consulting Pty Ltd based on recent drilling in EPC 1186 and Stanmore Coal's adjacent EPC 1114 has established an Exploration Target<sup>2</sup> for EPC 1186 of 659 - 989 Mt to a depth of 800m.

## Mackenzie Coking Coal Project

EPC 2081

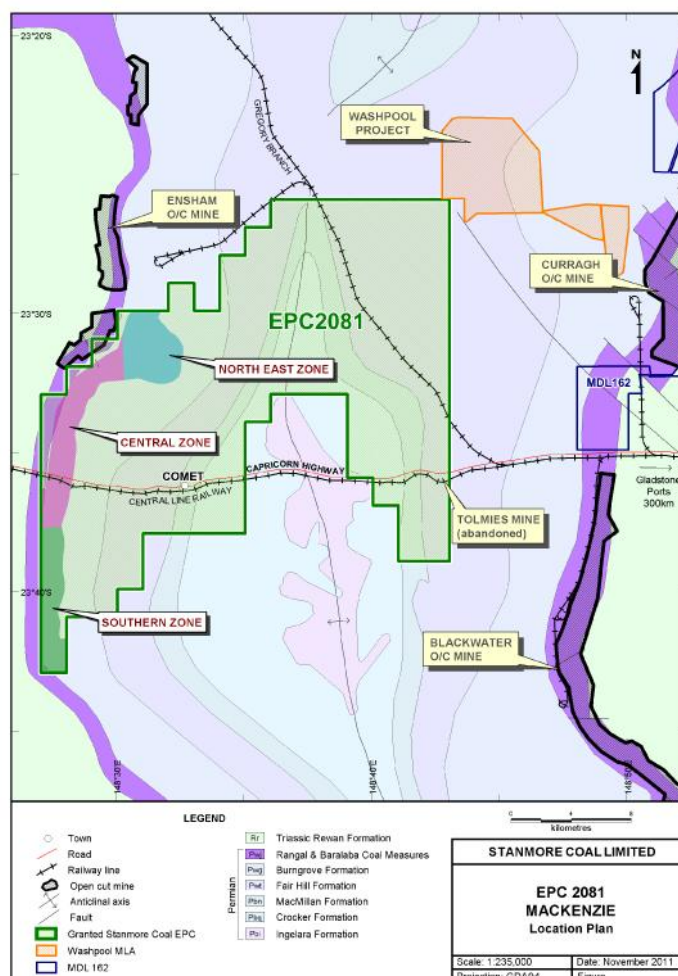
Stanmore Coal 100% ownership

**Location :** 30km west of Blackwater

**Area:** 469km<sup>2</sup>

**JORC Resource:** Total of 143Mt (25.7Mt Indicated + 117.5Mt Inferred)

Work is continuing on optimising processing methods that may improve product ash and recovery. This additional analysis includes optimising pre-treatment methods and extended analysis of the fines fraction with the aim of increasing fines recovery and maximising potential coal yields. In that regard, subsequent to the end of the quarter, Stanmore Coal announced that it has entered into a joint venture arrangement with Cape Coal Pty Ltd ("Cape Coal") in order to jointly progress the project. Stanmore Coal and Cape Coal have agreed to complete a Concept Study, focussed on evaluating the feasibility of producing a coking coal. Cape Coal's extensive knowledge in mining and processing similar coal deposits is to enhance the economic potential of the deposit. Whilst there is significantly more work to be undertaken, Stanmore Coal believes its partnership with Cape Coal best positions the project for potential commercial development.



## Tennyson Thermal / Coking Coal Project

EPC 1168

Stanmore Coal 100% ownership

**Location:** adjacent to Emerald

**Area:** 120km<sup>2</sup>

**Exploration Target<sup>2</sup>:** 220-290 Mt underground thermal and potential metallurgical coal

The 2012 exploration drilling program at Tennyson, comprising 4 partially cored HQ size drillholes was completed in mid August. Laboratory coal quality analysis is largely completed on samples received from the 2012 drilling program. Laboratory clean coal composite analysis received to date indicate the Aries seam has the potential to produce a high yielding export thermal coal. Typical Aries Seam product specifications at Tennyson are as follows: <10% Ash, ~80% yield, 0.2% sulphur & >6,200kcal/kg (ad) energy. Xenith Consulting are presently updating the geological and coal quality models prior to issuing an initial JORC Inferred resource report for the Aries Seam (Rangal Coal Measures). This initial JORC report will then be assessed with a view to progressing to a Concept Mining Study.

2012 Tennyson Drilling	
Drillhole	Aries Seam Thickness (m)
SCT012	2.69
SCT013	2.14
SCT014/15	1.69
SCT016	3.00

## Kerlong Coking Coal Project

EPCs 1552, 1769 and 2176

Stanmore Coal 100% ownership

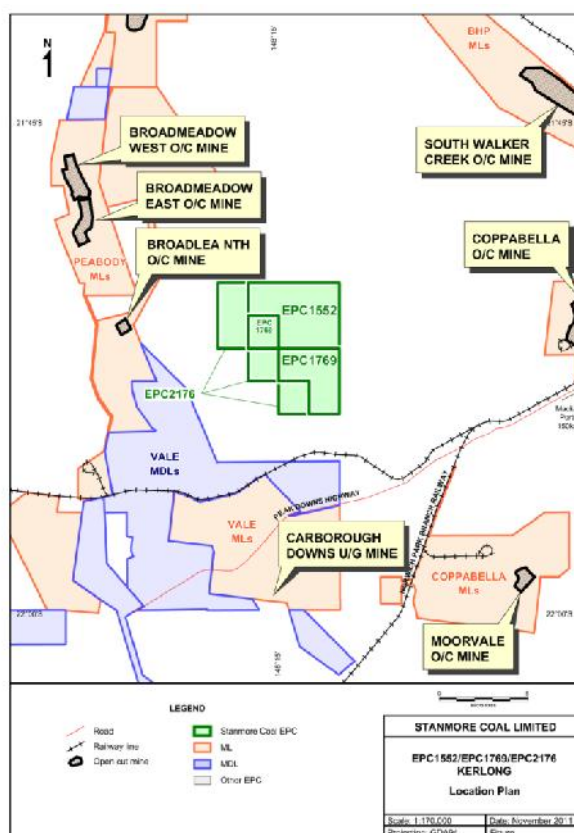
**Location:** 19km north-east of Moranbah

**Area:** 41km<sup>2</sup>

**Exploration Target<sup>2</sup>:** Underground PCI/coking coal

Stanmore Coal is targeting high quality underground coking/PCI coal at the Kerlong Coking Coal Project which is eight kilometres north of the rail line to Dalrymple Bay Coal Terminal. Target seams are extracted in nearby mines including Burton (Peabody), South Walker Creek (BHP Mitsubishi), Carborough Downs (Vale) and Coppabella (Peabody).

Stanmore has finalised drilling at site SCK002C at Kerlong Project. Three seams were intersected and fully cored, being the Burton Rider (1.7m @ 836m), Leichhardt (2.6m @ 871m) and Vermont seams (3.6m @ 916m). Raw and washed coal quality results have been received and clean coal composite advice has now been issued to the laboratory. Wash data simulations indicate the potential to produce a primary coking coal product from all three seams with CSN results ranging from 6 – 8 and washed ash levels ranging from 9.8% - 12.2%. A secondary thermal fraction was also achieved. Once clean coal composite results are received, they will confirm potential product specifications and yields.



## Corporate

At a general meeting of shareholders on 10 October 2012, shareholders approved the issuance of the second tranche of shares and convertible notes to Sprint Capital. Shareholders also approved the issue of options to Credit Suisse AG as part of a \$25M senior debt facility. Subscription proceeds from Sprint of \$23 million were received by the company on 25 October 2012 in respect of the shares and notes. This capital results in the Company being fully funded for its port and rail infrastructure obligations leading up to execution of Take or Pay Agreements. Sprint Capital has indicated their intention to provide substantial additional funds under a co-operation agreement to support Stanmore Coal in the funding of project development and growth by acquisition.

### 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 Andrew Barber**  
Investor Relations Manager  
07 3212 9216  
0418 783 701

### Competent Persons Statement

The information in this report relating to exploration results and coal resources is based on information compiled by Mr Wes Nichols who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Stanmore Coal. Mr Nichols is a qualified geologist and has sufficient experience that 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 JORC Code. Mr Nichols consents to the inclusion in this document 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 Minserv 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 260Mt total JORC Resource (184Mt Indicated + 76Mt 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%)

**Note 4:** State Royalty for Belview based on an average USD 190 coal price and AUD/USD rate of 0.85

### 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 98%) which cover over 2,800 km<sup>2</sup>. These projects include significant deposits of open pit coking and thermal coal and are typically well located for export infrastructure.

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