

stanmorecoal

Quarterly activities report

for the period ended 31 March 2014



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Quarterly Overview

During the quarter ended 31 March 2014 Stanmore Coal Limited (“Stanmore Coal” or “the Company”) completed approximately 2,184 metres of drilling and exploration activity using funding provided by its Japanese project partners Taiheiyo Kouhatsu Inc. (“Taiheiyo”) and the Japan Oil, Gas and Metals National Corporation (“JOGMEC”). These exploration funding arrangements for the Belview and Clifford Projects respectively were announced in December 2013. These funding arrangements, in conjunction with continued aggressive cost reduction initiatives enabled the Company to end with the quarter with strong cash reserves of \$18.9 million.

Management and the Board completed another review of the Company’s cost structure during the period and sharply reduced its overheads and ongoing running costs in recognition of current coal market weakness and to ensure capital is preserved. The Company is in a strong financial position with no material commitments or take or pay liabilities and remains sufficiently resourced to respond quickly in what the Company believes is an environment of increasing opportunities.

Two partially-cored holes were completed at Belview during the quarter which the Company anticipates will result in a modest increase to the project’s JORC Inferred Resource. Information from these holes will also allow refinement to the project geological model improving the Company’s understanding of coal continuity and quality within the shallower mining areas located within EPC 1186. Laboratory analysis on the Pollux and Castor seams from these holes is ongoing, however preliminary results continue to demonstrate the excellent coking properties and high overall washing yields observed from previous coal quality testing announced in November 2013. The Company intends to continue progress on resource definition and feasibility studies during the year as it moves towards development of this long life, high quality, metallurgical coal project.

During the quarter, the Company also conducted a 9-hole scout drilling program at Clifford with the objective of identifying prospective zones to target in the next round of drilling to be funded under the terms of the Joint Exploration Agreement (“JEA”) with JOGMEC announced in December 2013.

Stanmore Coal acknowledges the strong relationship it has developed with Taiheiyo Kouhatsu Inc. (“Taiheiyo”) and the Japan Oil, Gas and Metals National Corporation (“JOGMEC”) at both the Belview and Clifford Projects and looks forward to their ongoing support as exploration activities continue.

Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are robust, based on long term demand for high quality coal in fast growing regional

economies including India, China, Taiwan and South East Asia as well as the traditional markets of Japan and Korea. Management notes the increasing media coverage of coal-fired power plant construction as numerous countries around the world choose to restructure the composition of their energy mix towards coal as a cheaper and more reliable supply, particularly in developing nations. Management has also observed a renewed level of public commentary from the major miners who like Stanmore Coal believe that thermal coal is a critical foundation energy source for the developing world. The Company's diversified portfolio of development and exploration projects puts it in a strong position to benefit as coal markets recover.

Coal in the news

During the last quarter, the media picked up increasing number of strong public statements made by the large international miners. The key message from these significant coal players was that coal, as a cheap and reliable source of energy, will continue to play a significant role in the urbanisation of developing countries. Without coal as a base energy source the cost of electricity is sufficiently high that it could stymie economic growth in certain regions. This is consistent with Stanmore Coal's view that Queensland remains well positioned to satisfy substantial forecast thermal coal demand in Asia and other developing nations. We encourage you to visit the company's website www.stanmorecoal.com.au and keep up to date with coal industry trends and information.

"A ban on fossil fuel investment would "seriously" slow global economic growth...the choice is often just simply getting on the grid... 'If you were to force that shift in Asia, you would seriously stymie world growth, and that's before you think about all the people who you would condemn to stay in poverty."

*Andrew Mackenzie, CEO BHP Billiton
5 March 2014*

"You cannot exclude coal when you think about the best energy mix for Japan to keep energy costs stable... One way to do that is to use coal efficiently."

*Naoya Domoto, President of Energy and Plant Operations at IHI Corp
14 April 2014*

"Most future demand growth is likely to come from outside China, with the likes of India, a country not overly endowed with metallurgical coal, anticipated to be the most significant source of new demand... Australia is well placed to be a part of that global growth, but if we can't do it competitively then someone else will and the loss will be ours"

*Dean Dalla Valle, President BHP Billiton Coal
2 April 2014*

"It is clear we can't just wish away fossil fuels. Any solution to climate change must recognise the ongoing significant role of fossil fuels in the global energy mix. It would simply be impractical and unrealistic not to do so"

*Harry Kenyon-Slaney, Chief Executive, Energy, Rio Tinto
21 March 2014*

Project Snapshot

Project	Status
<u>Belview</u> Underground Coking Coal	<ul style="list-style-type: none"> • 322Mt JORC Inferred Resource • Mining Lease application lodged in September 2013 • Coal quality analysis confirms the project can produce a high quality coking coal plus secondary PCI product • Recent funding provided by Taiheiyo Kouhatsu and JOGMEC for additional exploration • Studies planned for 2014 with a focus on reducing capital costs and developing initial mining options • Located adjacent to Blackwater rail line which connects to the coal ports of Gladstone
<u>Lilyvale</u> Underground Coking Coal	<ul style="list-style-type: none"> • Historical geological data indicates the Project area hosts the German Creek seam at a 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 • Located close to an existing rail line that connects to an existing coal port
<u>The Surat Basin</u> The Range - Open Cut Thermal Coal and Clifford - Open Cut Thermal Coal	<ul style="list-style-type: none"> • Substantial resource position established at The Range - 94 Mt JORC Marketable Reserve¹, 287 Mt total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) • Substantial exploration opportunities within the 1,161km² Clifford Project Area with the potential to host a substantial thermal coal deposit suitable for open cut mining • Fully funded scout drilling program at Clifford completed in March 2014; planning for the next phase is underway with our project funding partners JOGMEC • The Range EIS approved by the State and being progressed through Commonwealth approvals. Mining lease grant expected in calendar 2014 • No material level of expenditure required on the Range prior to development of rail infrastructure and decision to proceed. JOGMEC sole funding allows for substantial exploration activity at Clifford

Project Updates

Belview Coking Coal Project

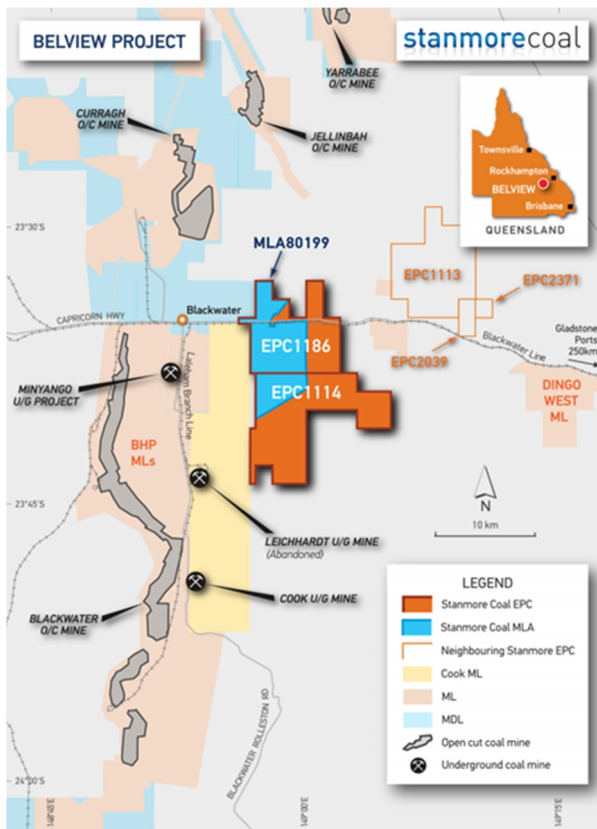
MLA80199, EPC 1114 & 1186

Stanmore Coal 100% ownership

Location: 10km south-east of Blackwater

Area: 120km²

JORC Inferred Resource: 322Mt



Using funds provided by Taiheiyo and JOGMEC, the Company completed two part-cored holes during the quarter. Final coal quality results are still being collated but preliminary analysis has confirmed the positive coal quality results achieved in the previous exploration program and has provided additional data for the project geological model. Coal quality testing was carried out using samples of coal collected from cores within representative areas from within the Castor and Pollux seams within the project area. The samples were washed to produce a 7.5% ash (adb) HCC product and a 9.0% ash (adb) PCI product.

Quality results indicate that the HCC product will be a low volatile, low ash, low sulphur coking coal from the Rangel coal measures that is similar in quality to other nearby Rangel coking coals of similar rank that are well established and accepted in the international coking coal market, such as Curragh and South Blackwater. Such coals are noted for their consistent quality, low coke oven wall pressure, high mechanical coke strengths and excellent coke yields. Consequently, it is anticipated that the Belview HCC product can be sold in established markets including Japan, South Korea, Taiwan, China, India, Europe and South America.

Quality results indicate that the PCI product will be a low sulphur, low volatile, high calorific value PCI which are well established and accepted in the market and similar in quality to that produced by neighbouring mines. The low volatile matter content, combined with the high calorific value of the

Belview product are its key features and indicate that it will exhibit a high coke replacement ratio. All other coal characteristics fall within the expected range for low volatile PCI coals. Other Bowen Basin PCI brands that fit into the low-volatile category include Moorvale, Curragh and Lake Vermont.

Analysis of the clean coal composites from previously completed washing tests presented the following indicative coal quality parameters. Final laboratory analysis of the two recently completed holes is expected to be consistent with these results:

Parameter ¹		Primary HCC Product	Secondary PCI Product
Product Split	%	62	38
Inherent Moisture	%	1.5	1.5
Ash	%	7.5 - 8.0	9.5
Volatile Matter	%	19.5	18.0
Fixed Carbon	%	71.0 – 71.5	71.0
Total Sulphur	%	0.40	0.40
Phosphorus	%	0.07-0.1	0.07
Calorific Value	kcal/kg	7,750	7,500
Crucible Swell Number (CSN)		6 – 8	n/a
Maximum Fluidity	ddpm	20 - 70	n/a
Vitrinite Reflectance (RoMax)	%	1.45	1.45

1. Air dried basis unless otherwise noted

Overall washed total yield is in the range of 73% to 83% for two high value metallurgical coal products.

The Belview Project is a large scale, metallurgical coal project located in the heart of Queensland's Bowen Basin. Belview currently hosts a 322 Mt JORC Inferred Resource and drilling is continuing. The Company has submitted a Mining Lease Application and is targeting first coal in 2018. Further studies are planned for 2014 with a focus on reducing capital costs and evaluating initial mining options.

Lilyvale Underground Coking Coal Project

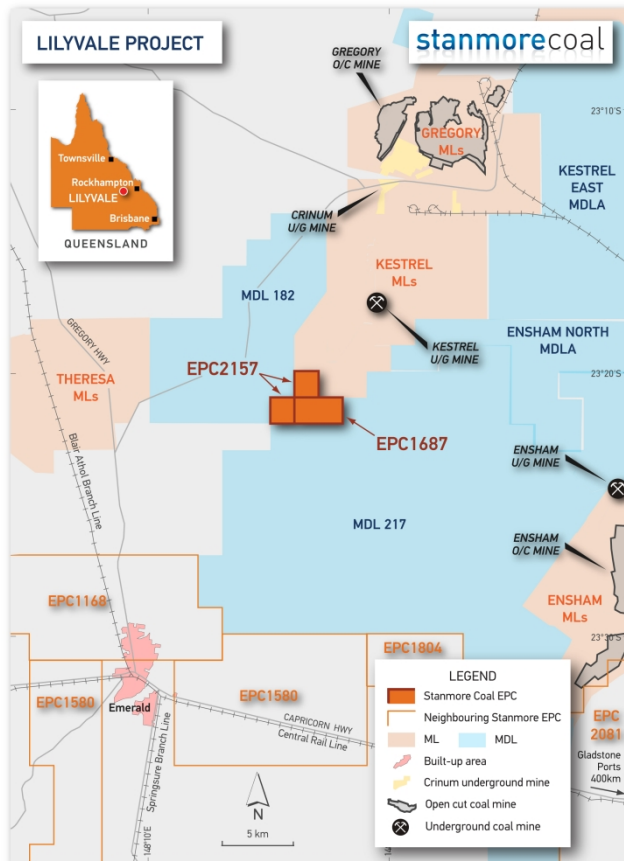
EPCs 1687 and 2157

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 owned 85% by Stanmore Coal and 15% by Cape Coal Pty Ltd.

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 located close to an existing rail line that connects to an existing coal port.

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.

The Range Project

EPC 1112, 2030 / MLA 55001, 55009, 55010

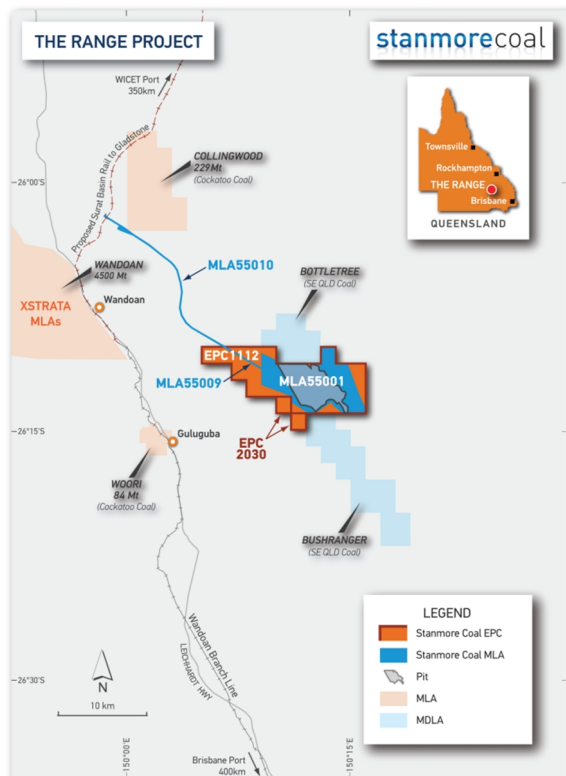
Stanmore Coal 100% ownership

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)



A definitive feasibility study has been completed around geology, mining and cost structures which 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 Project demonstrates attractive economics under both owner-operator and contractor cases.

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 and the Company is now addressing a small number of questions arising from the Federal approval process. It is expected that the Mining Lease will be ready for grant during 2014.

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. When the timetable to a final investment is understood, the Company will undertake a further project review with a focus on reducing project capital costs and transferring the finance obligation for key assets to contractors.

Extensive geological evaluation and testing has been completed as part of the feasibility study with approximately 330 boreholes drilled within the project area. The project is a geologically benign, low strip, open cut mining operation. 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. The Company's view is that the demand for higher energy, high quality bituminous thermal coal, with lower emission profiles will be strongly supported by emerging economies including India, China and other south east Asian countries as they address the provision of cost effective energy and minimise air pollution.

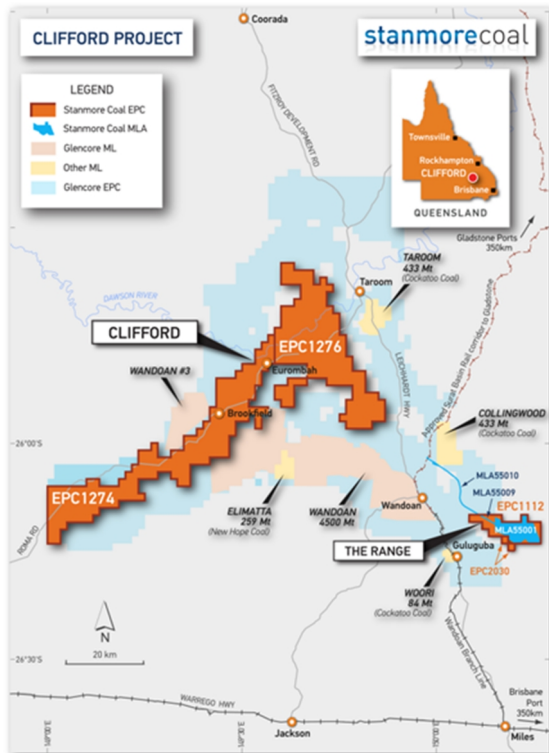
The Clifford Project

EPC 1274, 1276

Stanmore Coal 100% ownership (JOGMEC can earn up to 40% through provision of exploration funding)

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

Area: 1,161km²



The Clifford Project (EPC 1274 and EPC 1276) is an 1161 km² area within Queensland's highly prospective Surat Basin. The Surat Basin is an extensive coal basin featuring high energy, low emission thermal coal which is well suited for efficient electricity generation in Asia. Surat Basin thermal coals typically feature excellent environmental performance with a low emissions profile relative to other traded coals. There is a proven track record of Surat Basin coals being used for efficient power generation in Queensland and also for export to the Japanese market.

The Clifford Project is also in close proximity to Stanmore Coal's The Range Project, a 5Mtpa open cut export grade thermal coal project, which is at feasibility study stage and is expected to obtain its environmental approvals in 2014. The Clifford Project adjoins Glencore's Wandoan Project and is targeting thermal coal deposits at depths amenable to open cut mining.

Through a joint exploration initiative with Stanmore Coal, JOGMEC has an enhanced role in the development of a new, long term source of high quality thermal coal highly suitable for Japanese electricity generators. JOGMEC will provide up to \$4.5 million of funding for all of the planned exploration expenditure over three years including drilling, associated coal quality analysis and feasibility studies within the Clifford Project area. Under this arrangement, JOGMEC can up to a 40% economic interest in the project. Funding provided under this arrangement will also allow Stanmore to build a comprehensive geological model of the area utilising historical data within and immediately surrounding the tenement area.

Exploration activities for the first 9 holes under the JEA were completed during the quarter. The initial drilling campaign focused on areas within the tenement that are expected to host the shallowest coal. Results of the recent scout drilling activities are being collated but a number of shallow and significant seam thicknesses have been intersected. The next phase of exploration will focus on improving the geological understanding of the prospective areas. Planning for the next phase with JOGMEC is underway and we anticipate that further drilling will commence in the second half of calendar 2014.

EPC Applications

Project	Tenement Number	Tenement Name	Date of Application	Type
Current				
None				

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	
Belview	MLA80199	Belview	4/9/2013	

Contacts

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Mr Doug McAlpine
Company Secretary
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Competent Persons Statement

The information in this report relating 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)

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.

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