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stanmorecoal

Quarterly activities report

for the period ended 31 December 2013



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Quarterly Overview

During the quarter ended 31 December 2013 Stanmore Coal Limited (“Stanmore Coal” or “the Company”) continued its excellent safety record, undertaking approximately 1,040 hours of drilling and exploration activity directly and through contractors with no reportable incidents. The Company also demonstrated significant improvement to the Belview Project’s (“Belview”) intrinsic value and announced new sources of exploration funding.

Coal quality results released in November 2013 demonstrate that Belview will produce two high value metallurgical products at a high total washing yield. A primary hard coking coal product will be attractive to coke makers and steel makers and a low volatile PCI product can be produced from a secondary washing circuit, resulting in high overall product value. Stanmore Coal is pleased with the progress achieved at Belview during calendar year 2013 having established a substantial resource base of high quality coal. The Company intends to progress its resource definition and feasibility studies in calendar 2014 as it moves towards development of this long life, high quality, metallurgical coal project. Stanmore Coal management is focussed on reducing capital cost estimates for Belview and pursuing opportunities to expand Belview. Achievement of these objectives will further improve the Belview project economics and enhance the Company’s ability to attract the right strategic project partners and procure construction funding.

In December 2013, the Company also announced the successful completion of two funding deals with Japanese counterparties. These transactions emphasise the attractiveness of its key projects to third parties and also reflects the Company’s focus on introducing strategic third party funding at appropriate times in the projects’ lifecycles.

In September 2013, Japan Oil, Gas and Metals National Corporation (“JOGMEC”), a Japanese Government owned corporation and the Queensland State Government signed a Memorandum of Understanding (“MOU”) which sets out a framework for bilateral cooperation on natural resources and exploration and development in Queensland, including coal. Japan considers Queensland one of the most strategically important partners for its resources trade. Stanmore Coal is the first company to benefit from Japanese government support under the MOU.

Under the terms of a Joint Exploration Agreement (“JEA”) signed in December 2013, JOGMEC will provide up to \$4.5 million of exploration funding to Stanmore Coal over a 3 year period for the Clifford Thermal Coal Project, located in Queensland’s Surat Basin. JOGMEC will earn up to a 40% economic interest in the Clifford Project by sole-funding the exploration activities and has the right

to assign that interest to a Japanese nominee company in the future, in order to progress the project to development. Stanmore Coal and JOGMEC will jointly explore this prospective area in the Surat Basin, a major source of high energy, low emission thermal coal which the Company believes will become increasingly sought after in Asia.

In December 2013, Stanmore Coal and Taiheiyo Kouhatsu Inc. ("Taiheiyo") supported by the Japan Oil, Gas and Metals National Corporation ("JOGMEC") signed an Exploration Support Agreement ("ESA") which provides \$680,000 of funding for resource drilling and associated coal quality analysis at Belview. Drilling associated with the ESA has commenced and is expected to be concluded in the first quarter of 2014.

The ESA continues the strong relationship Stanmore established with Taiheiyo during exploration at The Range Project and with Japanese Government owned corporation, JOGMEC. Securing the exploration support funding allows us to maximise the exploration undertaken at Belview this year while preserving the Company's cash reserves.

In light of current market conditions, the Company is investing its existing cash reserves in exploration and development activities on its metallurgical coal projects, particularly Belview and is focussed on activities which will maximise the likelihood of attracting strategic project partners. Management and the Board constantly reviews the Company's overhead cost base to ensure capital is preserved, but is sufficiently resourced to respond to opportunities when market conditions inevitably improve.

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 and South East Asia as well as the traditional markets of Japan and Korea. 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, news articles from Asian media outlets reported renewed interest in the development of coal fired power generation capacity as Asian markets address increasing demand and attempt to mitigate the relatively high costs of gas and fuel oil. This is consistent with Stanmore Coal's view that Queensland remains well positioned to satisfy substantial forecast thermal coal demand in Asia. We encourage you to visit the company's website www.stanmorecoal.com.au and keep up to date with coal industry trends and information.

"Coal is emerging as the fuel of choice because of its relative abundance and affordability in the region. As long as fuel-price differentials continue to favor coal over gas by a significant margin, Southeast Asia's incremental power generation is set to be dominated by coal."

*International Energy Agency
2 October 2013*

"And even if China's growth in coal use were to slow sharply, the world's second-biggest importer India is likely to experience big growth in coal-fired power....."

*the shippingherald.com
18 November 2013*

"Southeast Asia's power sector will tilt away from gas to use more coal by the end of this decade, chipping away at demand for liquefied natural gas as the region of more than 600 million people tries to cut costs to meet soaring electricity needs"

*Reuters
10 December 2013*

"A positive global outlook for coal - with rising demand in China and India and booming population across Asia. Coal is the leading resource to affordably meet energy demand and alleviate electricity deprivation."

*Frank Clemente - Professor
emeritus at Penn State University
specialising in the socioeconomic
aspects of energy policy
1 November 2013*

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 close to an existing rail line that connects to an existing coal port
<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 • Initial drilling and studies planned for calendar 2014 • 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 • The Range Project demonstrates attractive economics under both owner operator and contractor cases demonstrated in 5Mpta Feasibility Study completed in April 2013 • 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
<u>Tennyson</u> Underground Thermal Coal	<ul style="list-style-type: none"> • Initial JORC Inferred Resource of 161Mt • Acquired EPC1580 under a royalty arrangement and no upfront consideration, expanding the project area by 60 sub-blocks

Project Updates

Belview Coking Coal Project

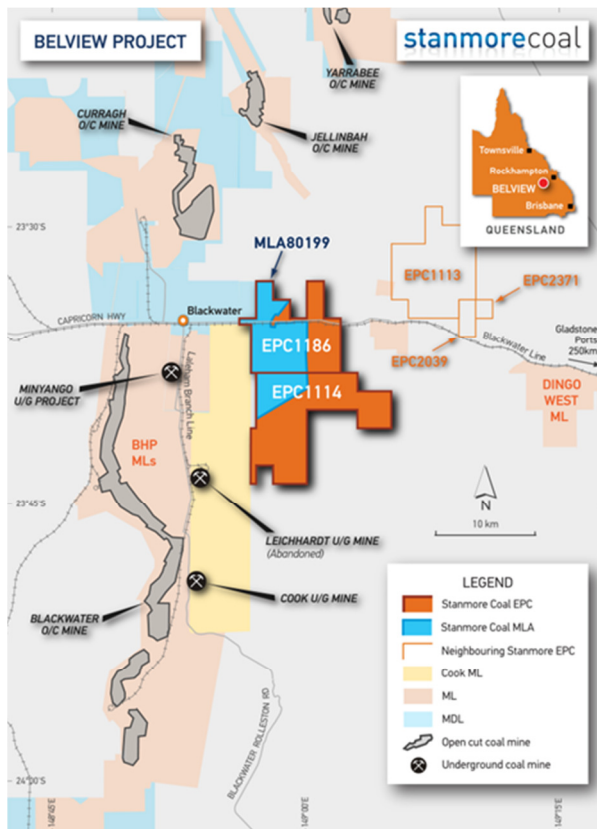
MLA80199, EPC 1114 & 1186

Stanmore Coal 100% ownership

Location: 10km south-east of Blackwater

Area: 120km²

JORC Inferred Resource: 322Mt



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 Rangal coal measures that is similar in quality to other nearby Rangal 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 washing tests presented the following indicative coal quality parameters:

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

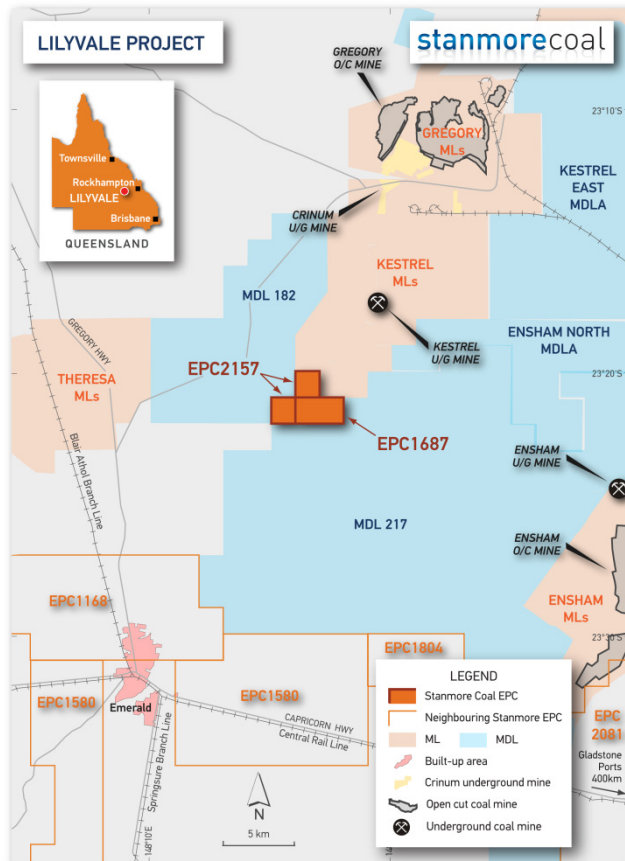
EPCs 1687 and 2157

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 in 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

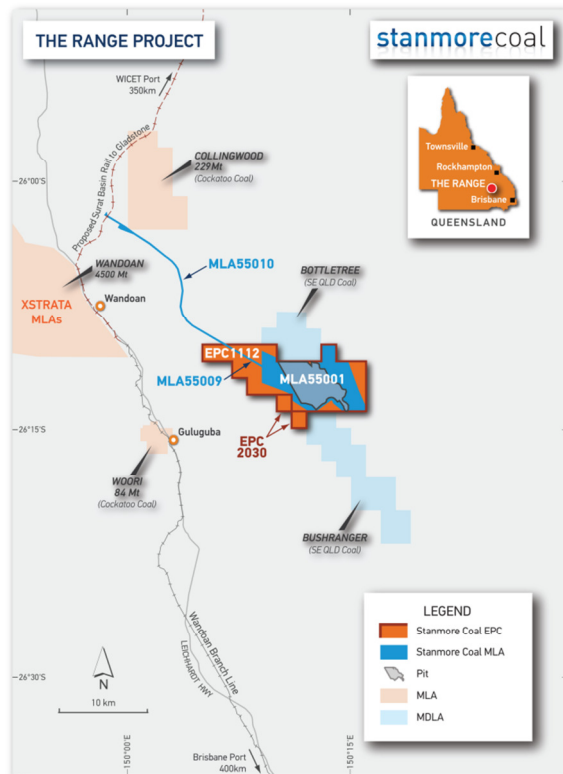
Stanmore Coal 100% ownership

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.

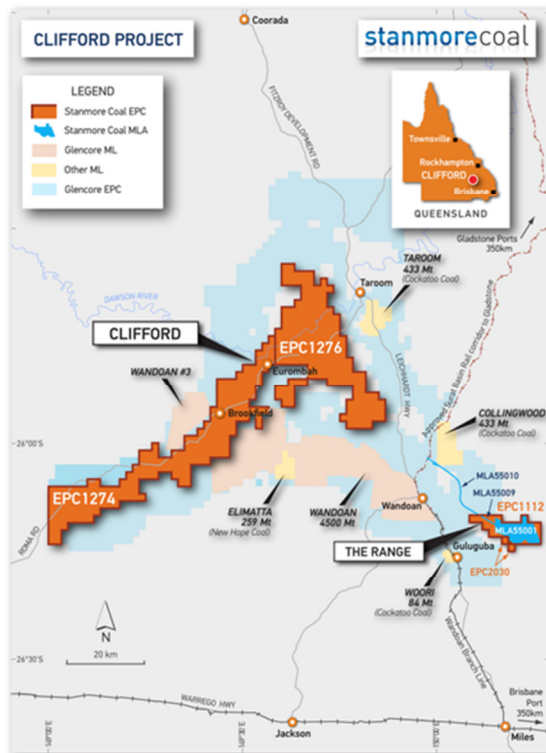
The Clifford Project

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 a 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 low emissions of NO₂, SO_x, particulates and CO₂ 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.

Pre-drilling activities under the JEA have commenced and the first 9 holes are expected to be drilled in the first quarter of 2014. The initial drilling campaign will focus on areas within the tenement which are expected to host the shallowest coal. Previous scout drilling by Stanmore and others within these target areas has identified significant coal intersections which have the potential to shallow and extend up-dip.

Tennyson Underground Thermal Coal Project

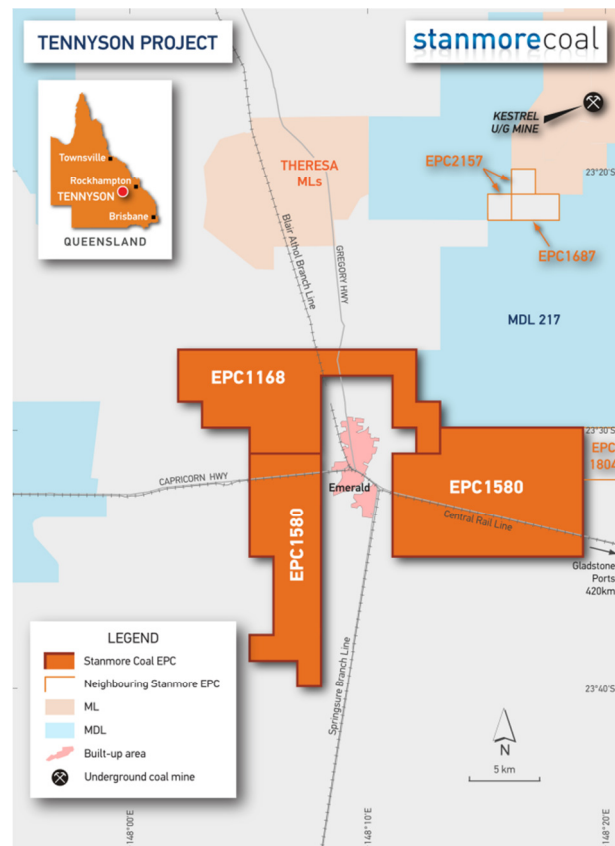
EPC 1168 & EPC 1580

Stanmore Coal 100% ownership

Location: adjacent to Emerald

Area: 120km²

JORC Resource: Total of 161Mt Inferred



The Company previously established a 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, some of which underlies farming areas.

Recently 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.

Corporate

The Company relocated its corporate office to Level 8, 100 Edward Street Brisbane, Queensland 4000 in December 2013.

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

For further information, please contact:

Mr Nick Jorss
Managing Director
07 3238 1000

Mr Doug McAlpine
Company Secretary
07 3238 1000

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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