



# ASX announcement

26 October 2012

## Joint Venture to Progress Mackenzie Coking Coal Project

### Highlights

- Joint Venture with Cape Coal Pty Ltd focussed on identifying new coal treatment and beneficiation techniques to improve yield and project economics
- A technical review of the project has already identified a number of coal mining and processing initiatives which underpin a Concept Study

### Background

Stanmore Coal Limited (ASX:SMR, “Stanmore Coal”) has previously announced that the results from historical drilling programs for the Mackenzie Project indicate considerable variability in yield across the deposit and further analysis was required to address beneficiation and metallurgical issues. As part of the company’s strategy to develop an economic approach to mine the deposit, Mackenzie Coal Pty Ltd (a wholly owned subsidiary of Stanmore Coal) has entered into a joint venture arrangement with Cape Coal Pty Ltd (“Cape Coal”) in order to jointly progress the project.

### Joint Venture with Cape Coal

The principals of Cape Coal are geological, mining, processing and metallurgical specialists with more than 60 years of combined experience in assessing and developing coal projects. Cape Coal has substantial exposure to relevant coal mining techniques and the design of specialised beneficiation processes for low yielding coal deposits. The principals of Cape Coal have previously developed and reviewed a number of projects in South Africa and Australia with top tier companies.

Under the terms of the agreement Cape Coal will progressively earn up to a 9% ownership interest in the project through the provision of technical and study management services to the Mackenzie Project. Cape Coal will work in conjunction with Stanmore Coal and its advisors. Cape Coal’s 9% interest will be earned as follows:

- an initial 2% interest in the project for undertaking an initial technical evaluation of the project and producing an initial Technical Review Report confirming project potential and the scope of the proposed Concept Study (complete);
- a further 3% upon completion of the Concept Study by Cape Coal (due 1Q 2013); and
- a further 4% upon completion of a Pre-Feasibility Study (target late 2013).

Cape Coal also has the right to purchase a further 10% interest (to a 19% total interest) in the project for AUD\$10 million within 3 months from the finalisation of a Bankable Feasibility Study. Intellectual property rights created through this process will be jointly owned by Stanmore Coal and Cape Coal.

### **Results of Technical Review**

Cape Coal has completed a technical review of the deposit which considered the impact of applying both conventional Australian mining and processing techniques, as well as alternatives familiar to Cape Coal through their experience with variable yield South African coal mining operations. The key outcomes of the initial technical review are:

- some areas of the deposit are disposed to dual washing which creates a primary 10% - 15% ash Coking Coal product with a secondary thermal coal product;
- better yield results are expected to be achieved by utilising best practice and alternative beneficiation techniques;
- ROM pre-treatment is likely to improve product yield; and
- the optimal economic approach may be to develop multiple smaller mines within the overall tenement area.

Based on the outcome of the Technical Review Report, Stanmore Coal and Cape Coal have agreed to complete a Concept Study for the project, focussed on evaluating the feasibility of producing a coking coal at Mackenzie. The Concept Study will confirm the technical and economic viability of various mining and processing options and is targeted for completion by the end of the first quarter 2013.

Commenting on the Joint Venture Managing Director Nick Jorss said, "Cape Coal brings a wealth of knowledge in mining and processing coal deposits in South Africa that are quite similar to Mackenzie. Their initial studies have indicated that application of best practice techniques has the potential to materially improve the quality and economic potential of the deposit. Whilst there is more investigation to be undertaken, Stanmore Coal believes its partnership with Cape Coal best positions the project for potential commercial development".

On behalf of the Board



Doug McAlpine  
Joint Company Secretary

### **For further information, please contact:**

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### About the Mackenzie Coking Coal Project

The Mackenzie Coking Coal Project in the Bowen Basin is well located for export markets as it lies on the existing Blackwater railway line to Gladstone. The project is located between the Ensham and Curragh operating mines and is adjacent to the Washpool coking coal project, which is also targeting the Burngrove Coal Formation.

The project contains a total of 80 bore holes. The coal sequence comprises two main coal seams being the Leo and Aquarius seams within the Burngrove Formation. The seams strike in a general North South direction over an approximate 27km strike length, and dip towards the west at approximately 2 degrees. The main coal seams occur at depths of between 10 and 110 metres.

Mackenzie currently has a JORC Resource as shown below:

	November 2011
<b>Indicated Resource</b>	25.7 Mt
<b>Inferred Resource</b>	117.5 Mt
<b>Total</b>	<b>143.2 Mt</b>

### Competent Persons Statement

The information in this announcement 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.

### About Stanmore Coal Limited (ASX code: SMR)

Stanmore Coal is a growth focused, pure play 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 the majority of its coal project areas which cover over 2,765 km<sup>2</sup>. These projects include significant deposits of open pit coking and thermal coal and are typically well located for export infrastructure.

### About Cape Coal Pty Limited

Cape Coal is an independent coal investment company with over 60 years of combined experience in all aspects of coal mine development including geology, metallurgy, coal processing and open cut and underground mining methods. Cape Coal has extensive experience in process design, commissioning and optimisation of coal processing plants, including for low yield projects in South Africa. Cape Coal principals have been responsible for the full lifecycle of coal processing plant design ranging from concept studies, prefeasibility studies and feasibility studies to detail design, commissioning, production ramp-up and performance guarantee testing.

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