



## ASX announcement

29 November 2012

### Chairman's Address to AGM

During the twelve months since I last reported to you the Company has made significant progress in respect of its portfolio of thermal and coking coal projects. The Company acknowledges that challenging coal market and economic conditions have impacted the company's share price during the last 6 months (similar to that of its competitors), however, the Board believes that the Company remains strategically and financially well positioned. We expect difficult market conditions over the short to medium term, but the Company is working hard to enhance the underlying value in the company's assets which will in time restore value in the company's share price.

We have continued to improve the Company's total resource base across both the Surat and Bowen Basins with total JORC compliant Resources of 686.2Mt and further exploration targets of between 975Mt and 1,498Mt across the portfolio.

#### *Safety and Exploration*

During the year, the Company, both directly and through its contractors, completed fifty thousand hours of exploratory drilling activity reporting a nil lost time injury frequency rate for the year. Conducting our exploration and development activities within a safe working environment remains a critical component of the Company's business strategy and the Company continues to enhance its health and safety systems.

The Company invested \$14 million of shareholder funds in exploratory drilling during the period and we are pleased to report total JORC resources of 686.2 million tonnes (18 Mt JORC Measures Resource, 212.7Mt JORC Indicated Resource and 455.5Mt JORC Inferred Resource), up from 467Mt in the prior year. We have also established a 94Mt Marketable Reserve<sup>1</sup> derived from a JORC compliant run of mine Probable Reserve<sup>1</sup> of 117.5Mt at the Range Project.

#### *The Range Project*

The company will shortly complete a bankable feasibility study for the Range Project which indicates robust economics assuming a return to more sustainable long term coal pricing and exchange rates. Post release of the study results, we will continue the process to secure a joint venture party for the project. The Company is conscious of the need to deliver a project with a competitive cost structure that will be profitable during periods of volatility in commodity prices. The BFS will continue to highlight the underlying value of the Range deposit and the Board is confident that the resource can be successfully commercialised. Initial marketing of The Range

thermal coal product specifications have been positive with good interest from Japan, Taiwan and Thailand.

The Board believes that the project is well positioned to move into the construction phase once thermal coal prices stabilise and there is greater certainty around the timing for delivery of the Surat Basin Rail.

### *Belview Project*

The Company continues to enhance the Belview underground coking coal project having acquired the adjoining tenement to the north subsequent to year end. The Company completed a Conceptual Mining Study on the Belview project based on the identification of a largely continuous six metre seam of high quality coking coal. The recent acquisition significantly reduces the entry depth for the mine and a resource target for the enlarged Belview Project of approximately 1 billion tonnes. The Board believes Belview represents a significant opportunity for the Company and the project has already attracted substantial interest from international steel producers.

### *Port and Rail Infrastructure*

Management successfully negotiated 5Mtpa of port capacity through the WEXP1 to support The Range Project. The Range project has also satisfied the relevant due diligence criteria which will allow it to secure rail capacity on both the QR National system and the proposed Surat Basin Rail (SBR). There has been significant ongoing commentary in the press about the future of the Surat Basin and the development of the SBR. From the company's perspective, the Surat Basin is a world class basin of high energy and relatively low cost thermal coal. The development of the supply chain infrastructure necessary to extract these resources is advanced and the Company expects further progress in respect of this strategically significant area next year.

### *Capital Management*

The Company continued to benefit from strong support from its shareholders during the year raising \$24 million through an institutional placement and share purchase plan in December 2011 and January 2012. These funds were used to undertake the Bankable Feasibility Study (BFS) for The Range as well as further exploration drilling across several prospective assets.

In June 2012, the Company entered into agreements which resulted in Greatgroup (managed through Sprint) providing \$36 million of funding through a combination of equity and convertible notes. Sprint Capital is a Hong Kong based private equity firm that is focused on undertaking investments in the mining and resources sector. Sprint Capital is now the Company's largest shareholder and they have indicated their intention to provide ongoing strategic and financial support to the Company as its cornerstone shareholder.

The capital provided by Sprint Capital combined with \$25 million of senior debt provided by Credit Suisse, AG allows the Company to satisfy its bid bond and early works funding commitments for WICET, SBR and QR as those commitments arise.

### *Outlook*

The next twelve months will present both challenges and new opportunities as we continue to progress our existing portfolio of projects and pursue strategic opportunities as they arise. Whilst we are well funded, we will conserve our cash and invest in exploration and development activities where we are confident they will add long term value to projects. We will continue to seek to introduce joint venture partners and off-take customers to our projects to assist with funding and development.

Regulatory changes enacted during the past twelve months, particularly to the taxation regime, continue to challenge the economics of new generation coal development projects. However, the Board is confident in the fundamental value of the Company's coal deposits and believes that Queensland will continue to benefit from long term global competitive advantage in terms of coal quality and freight cost differentials to Asian markets.

The depressed short term outlook for both metallurgical and thermal coal pricing does however present opportunities as organisations re-evaluate their portfolios and assets are rationalised. In conjunction with Sprint Capital, the Company will judiciously pursue opportunities where the acquisition of assets adjoining the Company's existing projects will improve project economics or the quality of the Company's resource base.

The potential for continued economic and resource market volatility is likely to provide short term challenges for project funding for all coal developers. However it also gives us the opportunity to construct our mines and related infrastructure at a more globally competitive cost base, something that has not been possible in this country in recent years. We plan to strengthen the Company through any continued downturn, such that we are well positioned as the inevitable recovery occurs.

The Board's view is that the operating environment will improve as thermal coal prices stabilise in the medium term and excess capacity (producer and infrastructure) is eliminated by the combination of continued Asian demand growth and the rationalisation of excess supply.

In closing, I would like to thank the management team and staff for their loyalty and hard work. In addition I would thank you, the shareholders of Stanmore Coal, for your continued support and encourage you to stay with us for the next stage of the journey.

**For further information, please contact:**

**Mr Nick Jorss**  
Managing Director  
07 3238 1000

**Mr Doug McAlpine**  
Company Secretary  
07 3238 1000

Stanmore Coal Limited ACN 131 920 968

p: +61 (7) 3238 1000 | f: +61 (7) 3212 6250 | e: info@stanmorecoal.com.au | w: www.stanmorecoal.com.au

Street address: Level 11, 10 Market Street, Brisbane QLD 4000 | Postal address: GPO Box 2602, Brisbane QLD 4001

**Competent Persons Statement**

The information in this report relating to 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 consultant for Minserve Pty Ltd. Mr Hoskings is a mining engineer, a member 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: Exploration Target:**

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 document 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 2: 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 plus 82Mt Inferred).

**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 its seven coal project areas, covering over 2,769 km<sup>2</sup> in total. These projects include significant deposits of open pit coking and thermal coal and are typically well located for export infrastructure.