

stanmorecoal

Presentation to Analysts

June 2013



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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 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”).

Marketable Reserves Note: The Marketable Coal Reserves of 94Mt is derived from a JORC compliant run of mine (ROM) Probable 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)

Competent Persons Statement:

The information in this report relating to the Belview Project 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 all other project exploration results and coal resources is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Geoscientists and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner 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 Turner 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 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.

About Stanmore Coal

- Pure play, Queensland based coal company
- Founded in 2008
- Listed in December 2009

- ASX code - SMR
- Share price - A\$0.13⁽³⁾
- Shares – 207.8m
- Mkt cap - \$27.0m⁽³⁾
- Cash - A\$29m⁽⁴⁾
- Debt - A\$4.0m⁽⁴⁾

- 94Mt of JORC Marketable Reserves⁽¹⁾
- 231Mt of Measured and Indicated JORC Resource
- 686.2Mt of Total JORC Resource ⁽⁵⁾

- **975-1,498 Mt⁽²⁾ of additional exploration targets**
- **c.75% of exploration target is coking coal**

- Two 100% owned flagship projects:
 - Belview coking coal
 - The Range thermal coal
- Other prospective tenements in the Bowen and Surat Basins

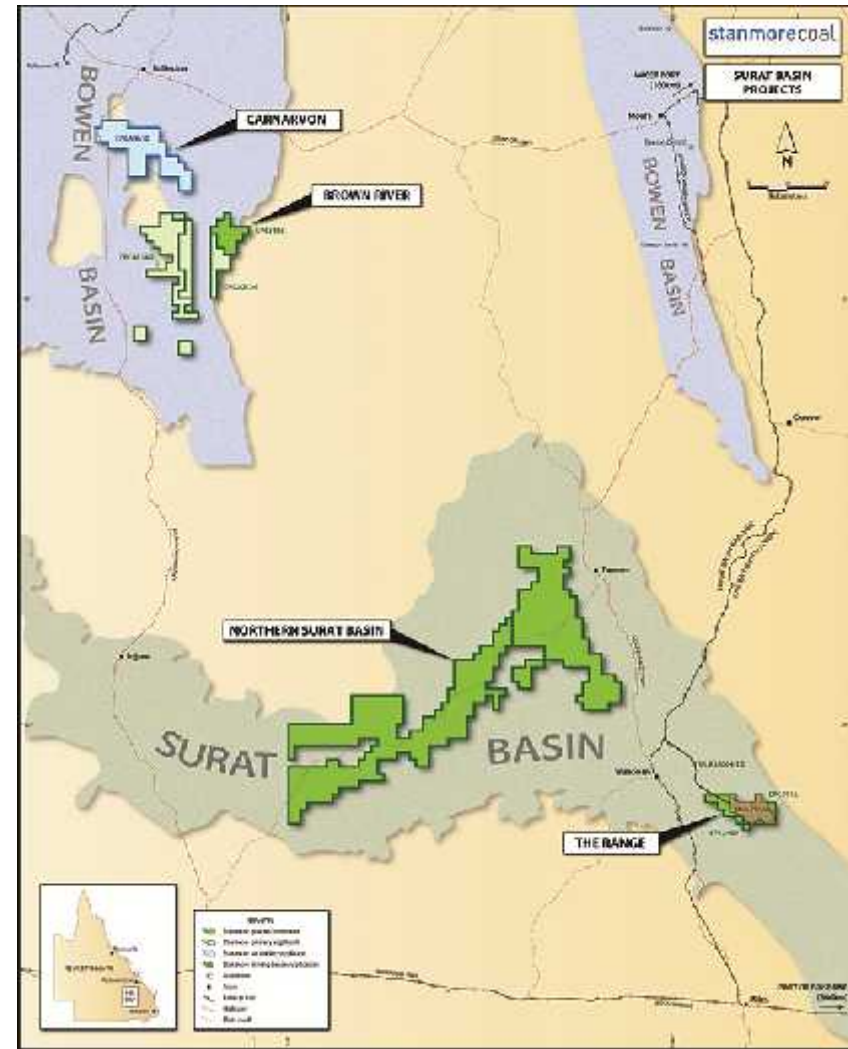
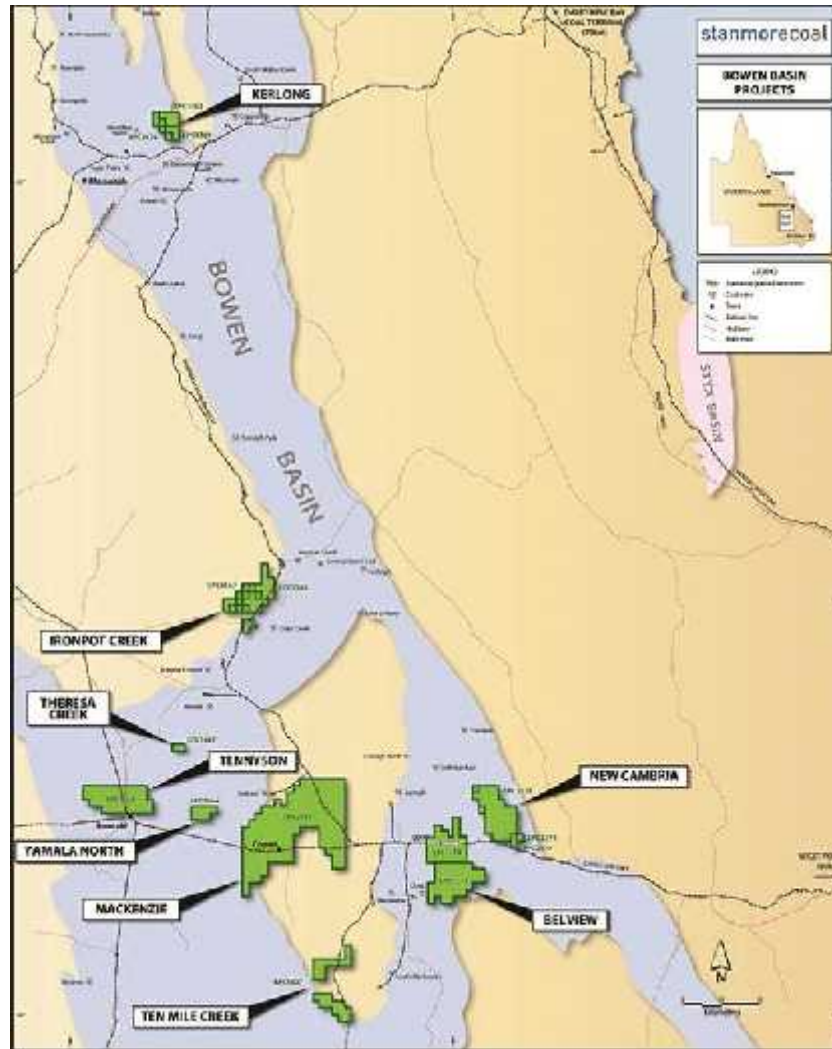
- 5Mtpa of port capacity at Wiggins Island Coal Terminal Expansion Stage 1
- Delivery of rail and port infrastructure in line with proposed mine development

- Strong Board and management team with proven track record of developing and operating coal mines
- Small, highly skilled management team with low overhead cost base

- Well funded with a strong, supportive cornerstone investor
- Financial capacity to pursue opportunities in the down-cycle

(1) Refer to Marketable Reserves Note (p.1) , JORC Probable Reserve(ROM) of 117.5Mt.
(2) Refer to Exploration Target Note (p.1)
(3) As at 11 June 2013
(4) As at 31 March 2013
(5) 18Mt Measured, 212.7Mt Indicated, 455.5 Inferred

Located in Queensland's Premier Coal Basins



Belview Project Overview

Acquisition of EPC 1186 Creates Large Coking Coal Project in Bowen Basin region

100% owned

- Substantial coking coal project in heart of the Bowen Basin
- Acquisition of EPC1186 provides access to shallower coking coal and significant increase in Exploration Target
- Aries and Gemini seam samples demonstrate attractive coking coal qualities (CSN up to 8)
- Concept mining study identifies 4 mining target seams
- 95Mt of JORC Inferred Resource with substantial exploration target¹

Depth Category	Exploration Targets		
		LOW	HIGH
	<500m	118	178
500-800m	617	925	
800-1000m	568	852	
Total	1,303	1,955	

- New drilling commenced March 2013, targeting NW area of EPC 1186. Updated JORC report anticipated Q3 2013
- First coal targeted for calendar 2017

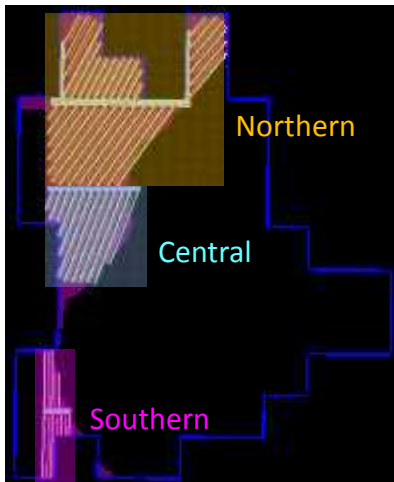
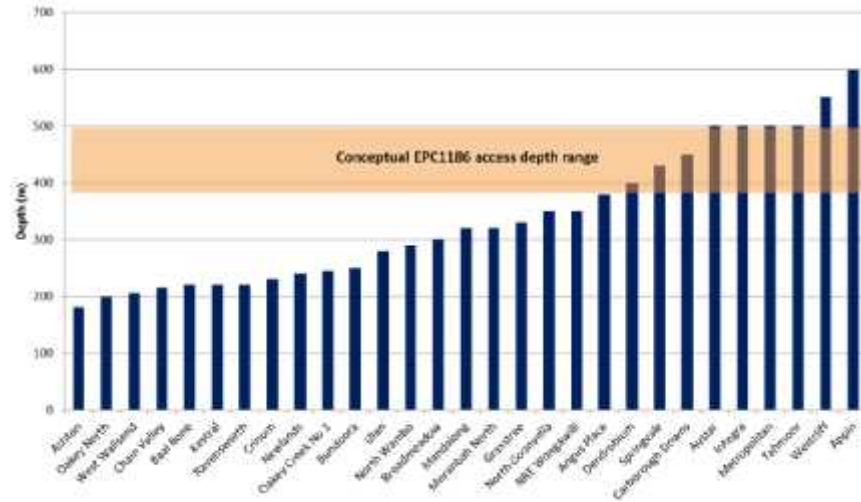


Note:
 (1) Refer to Exploration Target Note (p.1).
 (2) Refer Competent Person's Statement (p. 1)



Belview Project – Concept Study Results

EPC 1186 significantly reduces the initial depth of mining



➤ Due to maximum practical panel length restrictions & resource geometry, the mining concept has been split into 3 regions;

- Northern
- Central
- Southern

Note: Refer to Exploration Target Note (p.1). Within the Rangal Coal Measures to 800m depth

Source: Xenith Concept Mining Study

Asset description

Project ownership 100%

Location Blackwater, Bowen Basin, Qld

JORC Inferred Resource 95Mt

Exploration target¹ 735-1,103Mt

Infrastructure solution Blackwater line, Gladstone Port

Mining profile

Mining method Underground longwall

Production assumptions

Yield 80%

Product 80% coking
20% PCI/high energy thermal

Capital and operating expenditure estimates

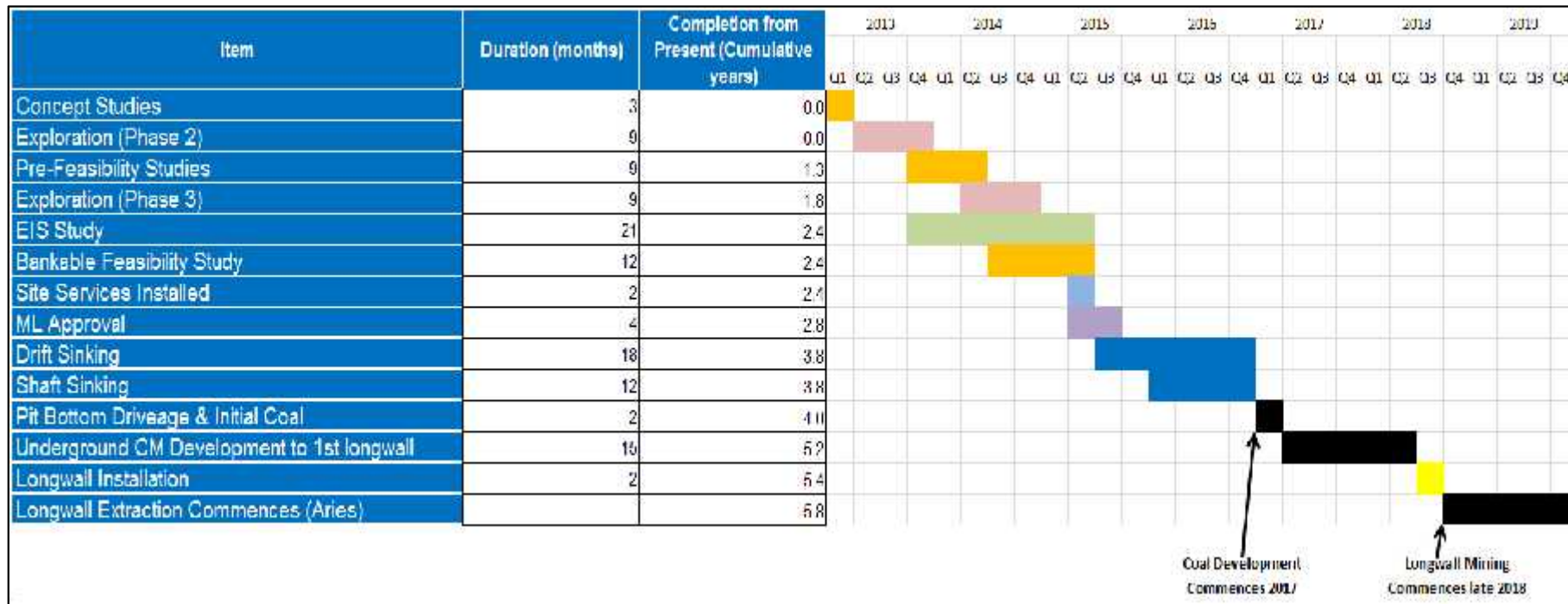
Development capital expenditure \$869 million



Belview Project Timetable

First coal target 2017

- Concept study estimates underground development can commence in 2017 and longwall mining can commence in late 2018



Source: Xenith Concept Mining Study

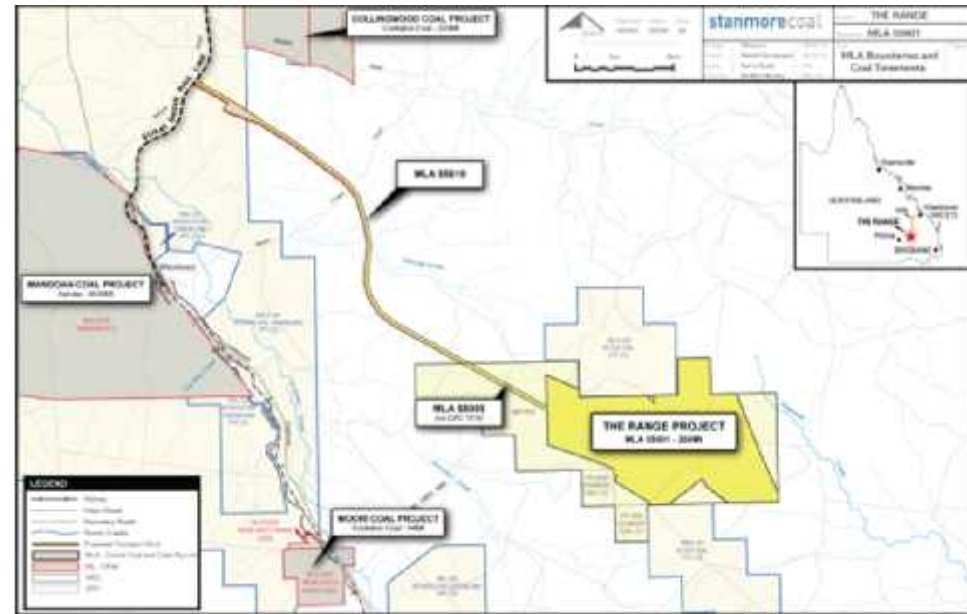


The Range Thermal Coal Project

Open cut, high energy, export grade thermal coal mine

100% owned

- Feasibility Study complete on 5Mtpa open cut export thermal coal mine over 25 years
- High energy, low emission thermal coal sought after in Asia
- Mining Lease on track for 1st quarter calendar 2014
- Infrastructure solution defined and awaiting delivery of rail and port solution
- No further expenditure required until rail and port infrastructure is committed



Category	Reserve (Mt)	Resource (Mt)	Target (Mt)
JORC Marketable Reserve ¹	94		
JORC Measured Resource		18	
JORC Indicated Resource		187	
JORC Inferred Resource		82	
Exploration Target ²			45-80
Totals	94	287	45-80

(1) Refer to Marketable Reserves Note (p.1), JORC Probable Reserve(ROM) of 117.5Mt.
 (2) Refer to Exploration Target Note (p.1)



The Range Thermal Coal Project

Feasibility Study Results

Asset Description	
Project	The Range, Surat Basin (Queensland)
JORC Resources ⁽¹⁾ / Coal Reserves ⁽²⁾	287Mt / 94Mt
Location relative to infrastructure	Located 27km SE of the proposed Surat Basin rail line
Mining Profile	
Mining method	Open-cut, truck and shovel
Potential project life	25 years
Production Profile Assumed in Mine Plan	
First coal production	2016, subject to rail
ROM production	~6Mtpa
Yield	~73% (3.5Mtpa 10% ash, 1.5Mtpa 16% ash)
Saleable coal production	5Mtpa
Average ROM stripping ratio ⁽⁴⁾	6.1:1
Product	100% export quality thermal
Owner Mining Operating and Capital Costs (first 13 years of production) ^{(3),(4)}	
Mining Cost (FOR)	A\$41.9/t
Total Cash Costs (FOB)	A\$76.1/t
Capital cost	\$599M

Key Highlights

- Confirmed the technical and economic feasibility of the project
- Attractive project NPV ~\$500M,
- Competitive ROM strip ratio⁽⁴⁾ averages 6.1bcm/t
- Substantial quantities of clean coal (~35% bypass) resulting in average product yield of ~73%
- Operating costs (owner mining, ex royalty) of A\$76.14/t (FOB)⁽⁴⁾
- Further potential to optimise cost structure as mining contractor and capital costs are expected to reduce in line with market dynamics
- Capital costs include costs for Wiggins Island Expansion Phase 1

- (1) Refer Reserves, Resource and Exploration Target (p.1)
 (2) Refer to Marketable Reserves Note (p.1), JORC Probable Resource (ROM) of 117.5Mt.
 (3) FOB cost excludes State Government Royalty.
 (4) Over the first 13 years of mine life.



The Range Thermal Coal Project

Feasibility Study Results

High energy export thermal coal

- Surat Basin coals are typically clean burning with good burnout characteristics and low nitrogen, ash and sulphur
- Suitable for all key markets including Japan, China, Korea and India
- Marketing trips to Japan and Taiwan confirmed strong interest in product coal
- Coal is capable of being washed to a range of ash levels from 10.0% to 16%. Product specifications identified as part of the FS:

The Range coal quality		10% Ash	16% Ash
Proportion of total production	%	75	25
Volatile Matter	%ad	41.8	39.6
Fixed Carbon	%ad	40.2	35.9
Total Sulphur	%ad	0.44	0.42
Nitrogen (ult)	%daf	1.10	1.12
Total Moisture	%	13.9	10.7
GCV	kcal/kg ad	6,466	5,904
GCV	kcal/kg daf	7,880	7,822



The Range Thermal Coal Project

Surat Basin Coal Quality Comparison

Surat Basin coals are typically high energy, clean burning coals featuring low impurities and emissions.

Quality	Surat Walloon Coals	Other Australian Export Coals	Chinese Coals	Comment
Sulfur (%)	0.4	0.3 - 0.7	0.4 – 1.1	✓ Low levels of trace elements and low emissions of atmospheric pollutants (oxides of sulfur, nitrogen and particulates) mean excellent environmental performance
Nitrogen (% ult daf)	1.1	1.0 - 2.1	1.0 – 3.2	
Ash (%)	10	13	9 - 36	✓ Lower than Newcastle benchmark
CO ₂ (kg/MWh S/O)	920-940	930-1,000	950 – 1,240	✓ Contain up to 30% more organically bound hydrogen than most thermal coals, resulting in lower CO ₂
Ash fusion temp (C)	1,420	1,190 – 1,540	1,050 – 1,450	✓ High ash fusion and favourable ash composition mean that slagging and fouling problems are minimal or eliminated
Volatile matter (%)	40-42	28-42	32 - 36	✓ Very high, consistent with its high rank and produces rapid combustion and good burnout

■ The favourable emission profile of Surat Basin Coal will underpin future demand from Asia

(1) a.d. means air dried basis; FC means fixed carbon; VM means volatile matter; ult d.a.f. means ultimate analysis dry ash free; IDT means initial deformation temperature



Milestones

Asset	1H13	2H13	2014	Beyond
Belview	Drilling EPC 1186 and PFS planning	PFS	FS & Approvals	2014 -2017: Development 2017: First coal
The Range	Feasibility Study & EA negotiation		ML grant and Construction	2016: First coal

KEY

Exploration & Studies	Development	Construction	Production
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SUPPLEMENTARY SLIDES



Strong Board and Management Team

NEVILLE SNEDDON



Chairman

Mining engineer with 37 years experience in coal, formerly CEO of Anglo Coal Australia, Chairman of DBCT Port and Director of PWCS Port

NICK JORSS



Managing Director

20 years in engineering, project management, resource financing and M&A

STEPHEN BIZZELL



Director

Extensive experience in commercialising resources companies; former executive director of Arrow Energy; and Chairman of Bizzell Capital Partners

VIV FORBES



Director

Over 40 years of Bowen Basin coal experience including all phases of coal mine development from exploration to production, including Burton, South Blackwater and Goonyella coal mines. Formerly Director of DBCT Port

ANDREW MARTIN



Director

15+ years in investment banking, infrastructure & resource financing and M&A

CHRIS MCAULIFFE



Director

Co-founder and MD of Sprint Capital Partners. More than 20 years experience in investment banking and private equity in Asia

DOUG MCALPINE



Chief Financial Officer & Company Secretary

15 years of accounting and finance capability in property and contracting. Strong experience in company reporting, taxation and contractual management.

VAUGHAN WISHART



General Manager Project Development

20 years in resource project development, study management, engineering and infrastructure delivery

MIKE McKEE



General manager Operations

Mine Manager with 23 years of exploration experience, mainly in the Bowen Basin. Most recently, previously General Manager at Mine at New H Yarrabee, and Sorbit mine position Coal.

Over 150 years of coal exploration, development and operational experience



Reserves, Resources and Targets

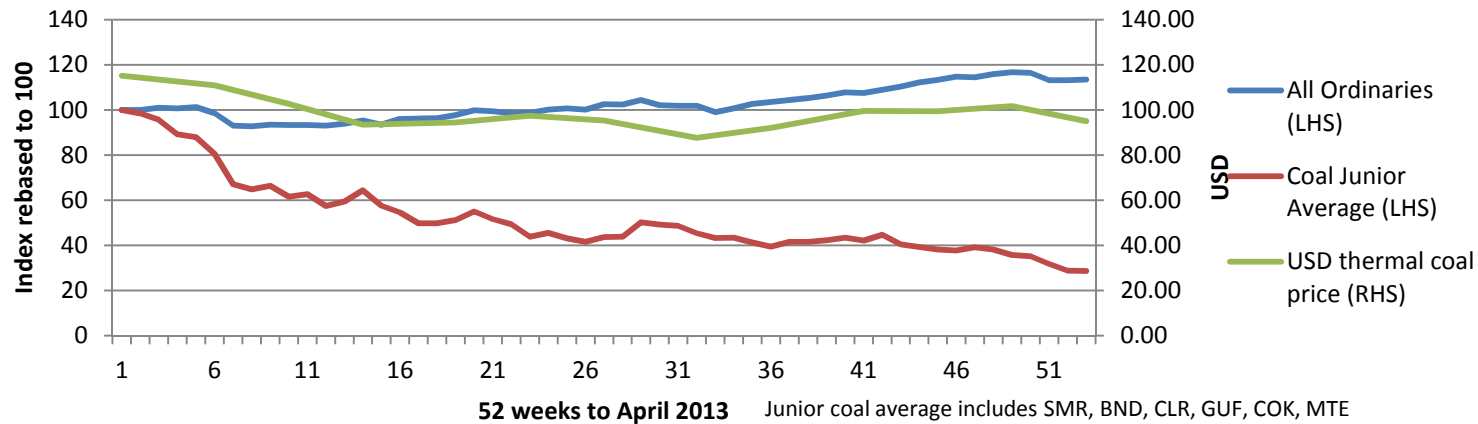
Project		JORC Marketable Coal Reserve ^{(1) (2)}	JORC Recoverable Coal Reserve ^{(1) (2)}	JORC Measured Resource ⁽¹⁾	JORC Indicated Resource ⁽¹⁾	JORC Inferred Resource ⁽¹⁾	Total JORC Resource ⁽¹⁾	Additional Exploration Target ⁽³⁾	
								Low	High
The Range	Thermal	94.2	117.5	18.0	187.0	82.0	287.0	45	80
Mackenzie	Coking	-	-	-	25.7	117.5	143.2	-	-
Belview ⁽⁴⁾	Coking	-	-	-	-	95.0	95.0	735	1,103
Tennyson	Thermal/Coking	-	-	-	-	161.0	161.0	65	120
1274/76	Thermal	-	-	-	-	-	-	130	195
Totals		94.2	117.5	18.0	212.7	455.5	686.2	975	1,498

- (1) Refer to Competent Persons Statement (p. 1)
- (2) Refer to Marketable Reserves Note (p. 1)
- (3) Refer to Exploration Target Note (p. 1)
- (4) Exploration Target within the Rangal Measures to 800m



Australian junior coal sector is oversold due to a myriad of factors...

Australian Junior Coal Stock Performance



- ASX listed Australian junior coal companies are down ~70% over the past year while the All Ordinaries has risen ~13% and thermal coal prices have been reasonably flat
- Long term dynamics of the coal industry continue to be positive for both coking and high quality thermal coal – Australian suppliers are well positioned to capitalise
- Junior coal companies have a strong history of identifying and bringing new projects into production - **8 of the 11 most recent Queensland coal mines were developed by juniors**

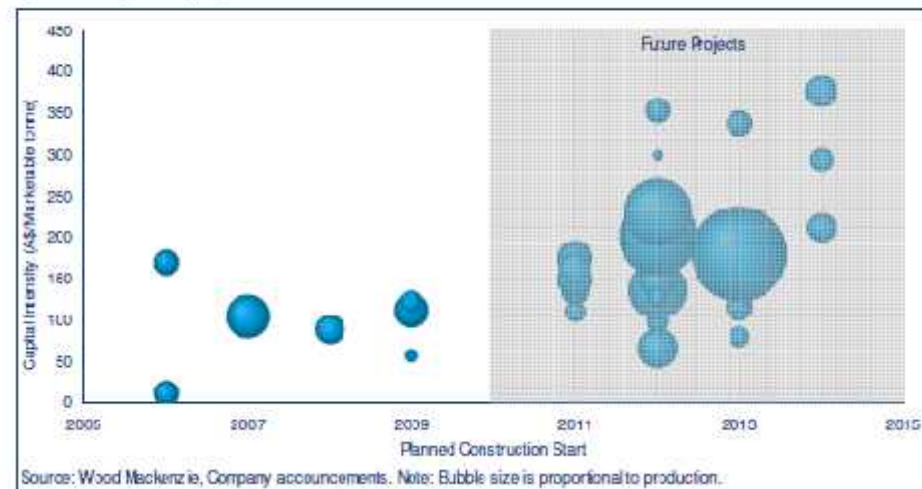


... but juniors have efficiently developed the majority of greenfield developments in QLD over the last decade

- Of the 11 greenfield operations developed during the period 2002 through 2011, only 3 have been developed by the 'majors'
- Significant input cost inflation has been incurred in recent projects which have been delivered by major miners:
 - Woodmac estimate an average capital intensity of A\$190 per tonne of marketable production capacity for Australian coal projects starting construction after 2010, compared with A\$101 per tonne for those constructed 2006-2010 (88% increase)
 - Majors have a recent record of delivering projects in the range of \$250-\$500/t of production capacity
 - By contrast, juniors have been successfully delivering projects at a lower cost base, with recent examples of sub \$100/t of production capacity

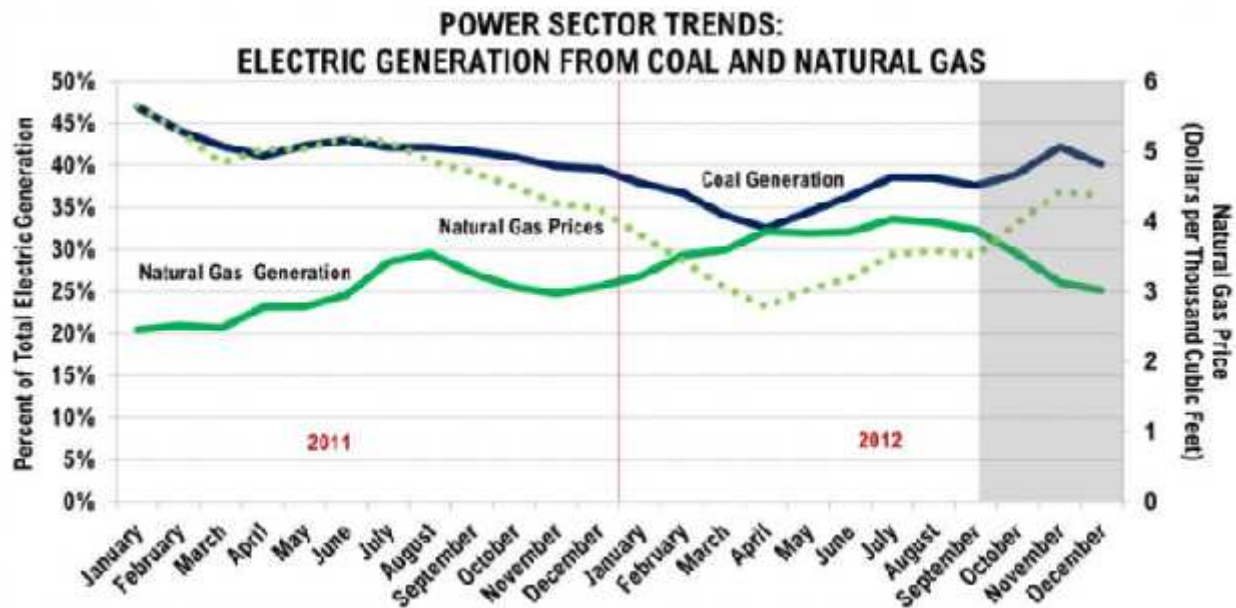
New Mine Development	First Year of Production	Initial Explorer/Developer	Current Owner	Nominal Production Capacity (Mtpa)
Minerva	2005	Felix	Yancoal	2.5
Rolleston	2005	MIM	Xstrata	6
Millennium	2006	Excel Coal	Peabody	3
Poitrel	2006	BHP	BHP	3
Isaac Plains	2006	AMCI/Aquila Coal	Vale/Sumitomo	2.8
Sonoma	2008	QCoal	QCoal	4
Carborough Downs	2004	AMCI	Vale	4.5
Lake Vermont	2009	Jellinbah Resources	Jellinbah Resources	4
Cameby Downs	2010	Syntech Resources	Yancoal Australia	1.4
Clermont	2010	Rio Tinto	Rio Tinto	12
Middlemount	2011	Custom Mining	Peabody/ Yancoal	4

Capital intensity for all projects



Thermal Coal Drivers - The switch back to coal in the US has already begun...

- 2012 trade was 12% higher, an additional 95Mt of demand which was offset by a lack of supply disruption in traditional export regions, low freight rates and a jump in US exports
- Natural gas prices in the US have recovered from their 2012 lows, driving an increase in domestic demand for coal and reducing the driver for US thermal coal exports



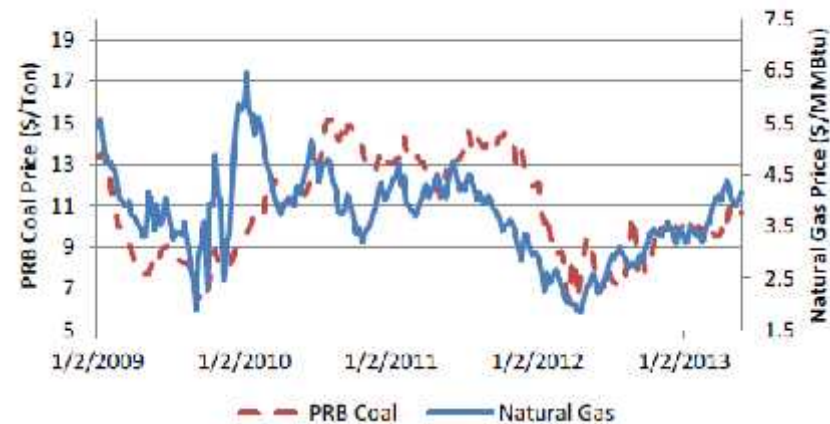
Source: U.S. Energy Information Administration, Monthly Energy Review, 26 March 2013, <http://www.eia.gov/totalenergy/tau/monthly/index.cfm>



... with the major producing basins now “in the money” compared to the lows of 2012

- Natural gas reached a low of \$1.82 / Mcf in April 2012 due to the shale gas drilling boom
- Sustainable long term gas prices in the US of \$5.00 - \$8.00 / Mcf are estimated to be required to ensure profitability of shale gas (dry) wells
- Henry Hub (US) gas price has currently recovered to US\$4.00/Mcf
- US shale gas rush is unlikely to be repeated in the near term elsewhere in the world due to:
 - Geological uncertainties
 - Lack of the US gas pipeline networks
- Increased gas prices are likely to lead to lower US coal exports and higher global coal prices

PRB Coal V. Natural Gas Prices



Estimated gas price at which switch back to coal occurs (Green favours coal at \$4 gas price)

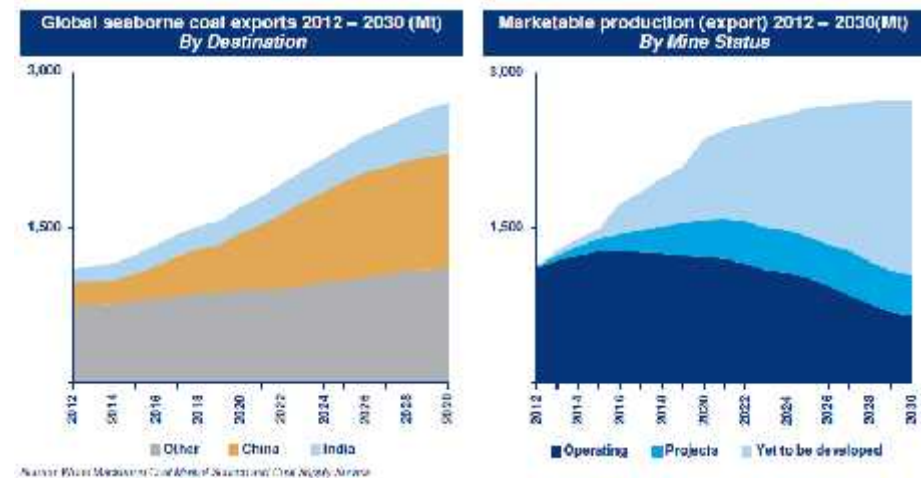
US Gas price (per MMBtu)	Location	% of US coal supply
\$3.25	Powder River Basin	42%
\$3.75	Illinois Basin	13%
\$3.75	Northern Appalachian	13%
\$4.75	Central Appalachian	16%

Source: Bloomberg, Clarkson Capital Markets' Estimates June 2013



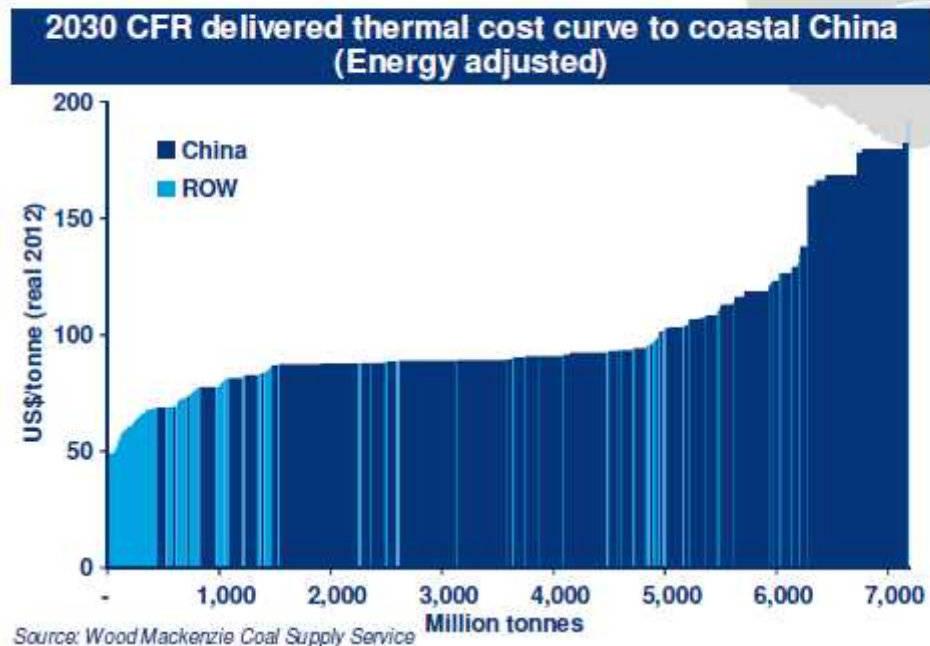
Project development of Australian thermal assets should continue in order to capture the trend of demand...

- Project delays will continue due to the weak current pricing market leading for potential for future supply shortages
- The global cost curve will continue to rise as existing projects deplete and new, more expensive projects come online
- The myriad of project delays and deferrals has taken the 'heat' out of the construction and labour market – this will assist new project development as input pricing pulls back closer to previously observed levels



... particularly as China will continue to be a significant importer as domestic supply becomes more expensive

- Imported coal is the cheapest source to coastal China - the largest import market
- Delivered coal imports are likely to be sustained into the future, regardless of the demand profile
- The downside risk of lower total coal demand is borne mainly by Chinese domestic supply due to their position on the cost curve



Potential impact of China's proposed low quality coal ban

- Whilst not yet legislated, in May 2013, China's National Energy Administration (NEA) circulated a draft regulation proposing to ban the use of certain coal types within the country
- The biggest impacts could be on imports from low energy countries (Indonesia) and those with high sulphur and pollutants (USA)
- Wood Mackenzie estimate this could displace around 25% (50Mt of 229Mt per 2012- imports) of the existing low energy imports into China, with a likely flow on effect being an increase in delivered coal prices
- Australian thermal coals exports could benefit from increased prices and the supply gap in the market

NEA proposed coal quality standards for domestic consumption

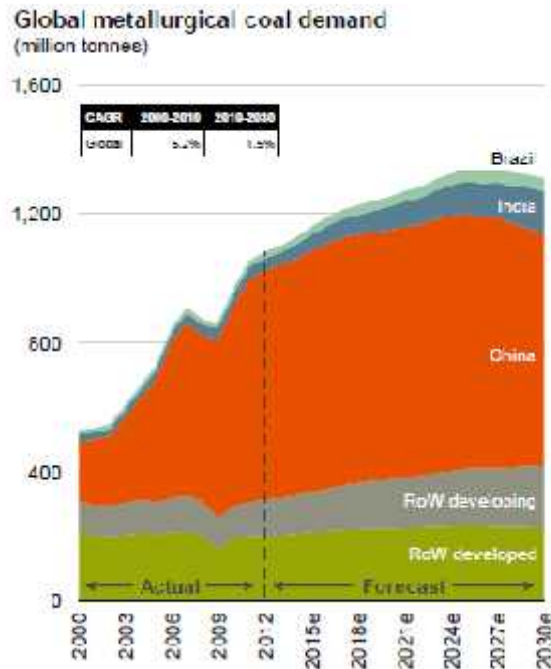
Supply source	Coal type	Ash (dry basis)	Total sulphur (dry basis)	Total moisture (as received basis)	S.E. kcal/kg NAR	
Imported	Thermal	25% max	1% max	-	4,544 min	Likely significant impact on imports
Domestic	Lignite	40% max	3% max	40% max	2,870 min	
Domestic	Thermal (ex.Lignite)	40% max	3% max	20% max	3,587 min	
Domestic	Coking	12% max	1.75% max	12% max	-	Likely small/no impact on domestic

Source: Wood Mackenzie

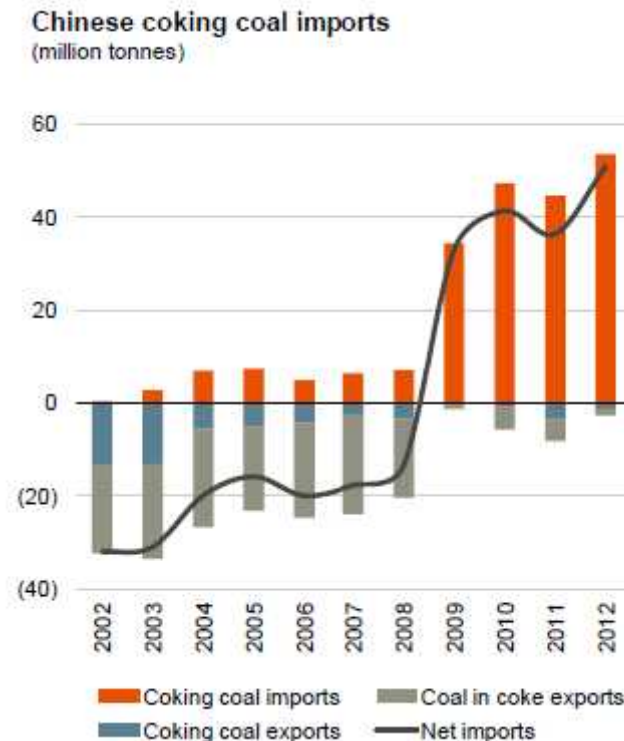


Steel production will continue to grow off a higher base as the urbanisation of China continues

- The urbanisation of China will continue to underpin strong steel demand, particularly in the lesser developed central regions
- Other areas to a lesser extent, such as India, will also contribute to steel demand and global urbanisation of developing countries
- China is now a significant importer of coking coal due to the price arbitrage presented by the current depressed seaborne market and low shipping rates

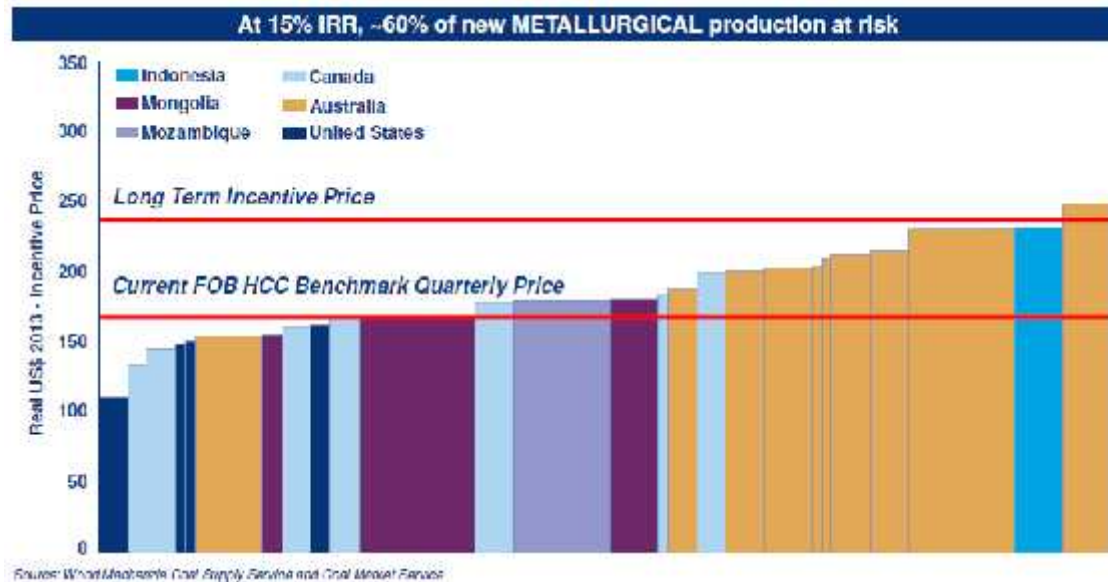


Source: BHP Billiton, World Steel Association



Future coking coal supply growth is likely to come from Australian prime deposits

- Australia holds quality hard coking coals which will continue to be amongst the most highly valued in the global market, particularly new supply
- Timing of the supply response from developing new basins is less certain due to technical and other challenges
- Given the high quality of Australian coking and the relatively high cost of bringing new production online, prices are likely to rise in the future to incentivise required supply



Metallurgical coal seaborne supply (million tonnes per annum)



Source: BHP Billiton, World Steel Association

