



ASX announcement

27 November 2013

Chairman's Address to AGM

The last twelve months has been a turbulent period for commodity markets and the junior coal sector. As a result of weakening commodity prices, general investment support for coal exploration and development companies has contracted and the broad sentiment toward commodity based investments has continued to soften. As a result, significant progress made by the Company on its two flagship assets, Belview and The Range, has gone largely unrecognised. However, the Company's Board and management team remain optimistic about the Company's prospects and intend to position its projects for the inevitable improvement in coal prices.

Safety and Exploration

During the year ended 30 June 2013, the Company, both directly and through its contractors, completed one hundred and forty seven thousand hours of exploration activity reporting a nil lost time injury frequency rate for the year. This is an excellent safety performance and a continuation of our excellent safety record.

Belview Project

The Company continued to improve its Belview Coking Coal Project ("Belview") during the year by materially expanding the Project's JORC Resource base and completing further studies and drilling. The company acquired EPC 1186 for a modest price in October 2012 as it believed it contained substantial exploration targets at a shallower depth and consequently would significantly enhance the value of the Belview Project. Based on further exploration, drilling and laboratory testing completed during the year, the company successfully identified materially shallower coal and improved the Project's JORC Inferred Resource position from 95Mt to 322Mt, an increase of 240%.

Coal quality results from this year's drilling program demonstrate that Belview will produce two high value metallurgical products with a total washing yield of 73% to 83%. The primary hard coking coal product will be attractive to cokemakers and steelmakers in Asia and a low volatile PCI product can be produced from a secondary washing circuit which will result in high overall product value from the Project.

We believe that with these coal quality results, the Project's significant resource base and its proximity to existing rail and port infrastructure, Belview has the attributes of a world class coking coal project. We are currently completing a capital cost review with the objective of materially reducing the expected capital costs for the Project from the level identified in the Concept Study completed.

The Company lodged a mining lease application in September 2013, marking an important step in the planning and approval process for the Belview Project which is targeting first coal by 2017.

The Range Project

The Company also completed a feasibility study on The Range Thermal Coal Project ("The Range") during the year confirming it is an attractive 5Mtpa high quality, low cost, open cut thermal coal project. It is geologically benign with low strip ratios suitable for an open cut mining operation. The Company expects to finalise its environmental approvals and have the mining lease ready for grant in 2014. No further material expenditure is required on the Project until there is certainty around the infrastructure solution for the Surat Basin.

Port and Rail Infrastructure

Market conditions around access to rail and port infrastructure have changed dramatically since this time last year. The company currently has 5 Mtpa of capacity rights in the first expansion phase of the Wiggins Island Coal Export Terminal, but is not required to execute a binding take-or-pay contract until the timetable for the delivery of that expansion is certain.

Capital Management

The Company finished the year ended 30 June 2013 with \$24.4 million cash. In July 2013, the Company repaid \$3.2 million to collapse the Credit Suisse debt facility associated with our Wiggins Island capacity rights and incurred the balance of drilling and exploration costs associated with the Belview Project. At the date of the AGM, the Company has \$19.2 million in cash reserves and is debt free. The Board is highly cognisant of the need to preserve capital and return value to the Company's share price for the benefit of all shareholders. In the Board's view this can only be achieved through sensible further investment in the Company's projects and retaining a small, highly skilled management team to execute that strategy. Through finding this balance, the Company will be in the best position to attract joint venture partners into its projects, on attractive terms.

The Board constantly reviews the appropriateness of employees' fixed compensation in light of the Company's cost structure and the practices of its peers. The Board recognises that the Company's expenditure profile must be tightly controlled in light of current market conditions and consequently the size of the team has been reduced over the last 12 months. The Board will continue to assess its plans in light of market conditions and ensure the team is sized accordingly.

Outlook

Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are robust, based on an expectation of improved long term demand for high quality coal in emerging economies including India, China and South East Asia. The Board's view is that the operating environment is likely to improve as thermal coal prices stabilise in the medium term and excess capacity is eliminated through the combination of continued Asian demand growth and the rationalisation of excess supply. We have also recently observed significant improvement to the coking coal price.

Commodity markets are inherently cyclical in nature and the Board believes that the Company's diversified portfolio of projects and its large resource base puts it in a strong position as coal markets recover. Stanmore Coal is well positioned to manage short term market volatility as it has substantial cash reserves, a small but highly skilled management team and no debt or take or pay liabilities.

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. At the right time we will seek to introduce joint venture partners and off-take customers to our projects to assist with funding and development.

The Board thanks the management team and staff for their loyalty and hard work during a difficult twelve months. We also thank the shareholders of Stanmore Coal, for their continued support and encourage them to stay with the Company as it navigates difficult market conditions in the short term with the expectation of emerging as a stronger, better business.

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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.

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.