

stanmorecoal

Quarterly activities report

for the period ended 31 December 2012



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Quarterly Overview

During the December quarter Stanmore Coal continued to enhance its portfolio of thermal and coking coal projects. Stanmore Coal acquired EPC 1186, a strategic tenement immediately to the north and along strike to Stanmore's Belview Project. The transaction substantially increases the size of the Belview project footprint and is expected to drive significant improvements in project scale and economics. Importantly, the tenement is likely to contain significantly more coal at shallower depth than the existing Belview project. The shallowest coal intersected from current drilling within the enlarged project area is 428m (Aries seam) with modeling showing the potential for coal to commence from 385m.

The Range Project achieved a significant milestone with an initial JORC Measured Resource of 18Mt, covering the first 3 years of production. The total JORC Resource increased by 10% to 287Mt (18Mt Measured, 187 Mt Indicated + 82Mt Inferred), further supporting the long-life potential of the asset. The supplementary EIS was lodged for the Range project with an EA grant expected by September 2013.

A maiden JORC Inferred Resource of 161Mt was announced for the Tennyson project near Emerald. 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. A Concept Study is planned for 1H 2013 to evaluate the economic viability of the deposit.

The company also entered into a joint venture arrangement with Cape Coal Pty Ltd ("Cape Coal") in order to jointly progress the Mackenzie project. The Joint Venture is focused 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 which is expected to be finished by February 2013.

In December, the company commenced a 12-hole scout drilling program on EPC 1274 and EPC 1276 in the North Surat Basin. Stanmore Coal has targeted two particularly prospective areas within the larger tenement area with a view to identifying shallow thermal coal suitable for open cut mining.

At general meetings of shareholders held in October 2012 and November 2012, shareholders approved transactions which will allow Greatgroup (investment managed by Sprint Capital) to have a relevant ownership in the company of 25%, once conversion of their notes occurs after 27 June 2014. Greatgroup currently own an interest of approximately 20% in the company.

Project Snapshot

Project	Status
The Range	<ul style="list-style-type: none"> • Geology well understood with 330 holes now drilled • Results of Feasibility Study expected to be released in February 2013 • 94 Mt JORC Marketable Reserve¹, 287 Mt Total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) • Supplementary EA grant expected September 2013 • Capacity Commitment Deed executed with WICET for 5Mtpa capacity and due diligence requirements have been satisfied for both SBR and QRN Moura rail systems • Funding to satisfy the required feasibility bid bonds and early works obligations for these key infrastructure projects secured
Belview	<ul style="list-style-type: none"> • 95Mt Initial JORC Inferred Resource • EPC 1186 acquisition adds substantial potential to the enlarged deposit with an Exploration Target² of 735 – 1,103Mt • Initial Concept Study (ex-EPC 1186) completed: 3.4Mtpa ROM production, \$907m capital cost and \$104/t FOB cost (ex royalty) • Revised Concept Study incorporating impact of EPC 1186 acquisition to be completed in Q1 calendar 2013, with expectations of improved project economics. This will be followed by a Pre-Feasibility Study during calendar year 2013 • Primary high quality coking plus secondary low vol PCI product
Clifford EPC's 1274, 1276	<ul style="list-style-type: none"> • Tenements are located adjacent to the 4.5 billion tonne Xstrata Wandoan coal project and close to Stanmore Coal's Range Project • Exploration Targets² of 130-195Mt defined within two key areas • 12 Chip hole scout drilling program commenced in December 2012 with encouraging initial drilling results • Plan to define JORC Resources and additional Exploration Targets based on drilling results
Mackenzie	<ul style="list-style-type: none"> • 143Mt Total JORC Resource (25.7Mt Indicated + 117.5Mt Inferred) • Concept Study commenced to identify most likely economic targets within the 27km long project area • A joint venture arrangement was signed with Cape Coal who have considerable technical experience in processing similar coals
Tennyson	<ul style="list-style-type: none"> • 2012 drilling and coal quality testing completed • Maiden JORC Inferred Resource of 161Mt • Additional exploration Target² of 65 – 120Mt • Concept Study planned for 1H2013 to assess the economic viability and environmental sustainability of underground mining
Corporate	<ul style="list-style-type: none"> • The company remains well funded and its growth and development plans supported by its cornerstone shareholder Sprint Capital

Project Review

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)

During the quarter Stanmore Coal progressed key elements of the Bankable Feasibility Study including a Resource upgrade.

Environmental Impact Statement (EIS)

The supplementary EIS was lodged on 19 December 2012. Based on the 35 submissions received during the public consultation period, site visits conducted by The Department of Environment and Heritage and an Independent Expert Scientific Committee review of the water management considerations, Stanmore Coal expects that management plans will already address, or be easily modified to address, all issues raised through the EIS process. EA grant is expected in September 2013.

Feasibility Study

The continued trend of gradual slow-down in the resource and infrastructure sectors is beginning to flow into lower costs for future work. The company expects to be able to capitalise on this trend as The Range moves towards construction. Based on work completed to date both capital and operating cost estimates remain broadly in line with the results of the PFS.

Engineering work for the Feasibility Study has been completed with over 500 technical drawings, specifications, datasheets and reports. The mining schedule has been optimised since the release of the Pre-Feasibility Study. Further details will be provided with the release of the Feasibility Study in Q1 2013.

Resource Upgrade

The company upgraded the project's JORC Resource position based on final laboratory and geological modeling results from the 2012 drilling program. The project now reports 94 Mt JORC Marketable Reserve¹, 287 Mt Total JORC Resource (18Mt Measured +187 Mt Indicated + 82Mt Inferred).

Infrastructure

The company continues to work closely with management teams at WICET and SBR to progress the delivery of essential port and rail infrastructure to support the Surat Basin on expectations of improved thermal coal pricing in 2013 will assist the workability of these infrastructure projects.

North Surat Basin – Clifford Project

EPC's 1274, 1276

Stanmore Coal 100% ownership

Location: Surat Basin – 50 km west of Wandoan

Area: 1,371km²

Exploration Target²: 130-195 Mt

The company commenced a scout drilling program within two prospective areas during the quarter. An initial program of 12 chip holes is expected to be completed by February with the aim of confirming open cut coal targets for future Exploration activity during the year. Results of the initial program will be announced when available.

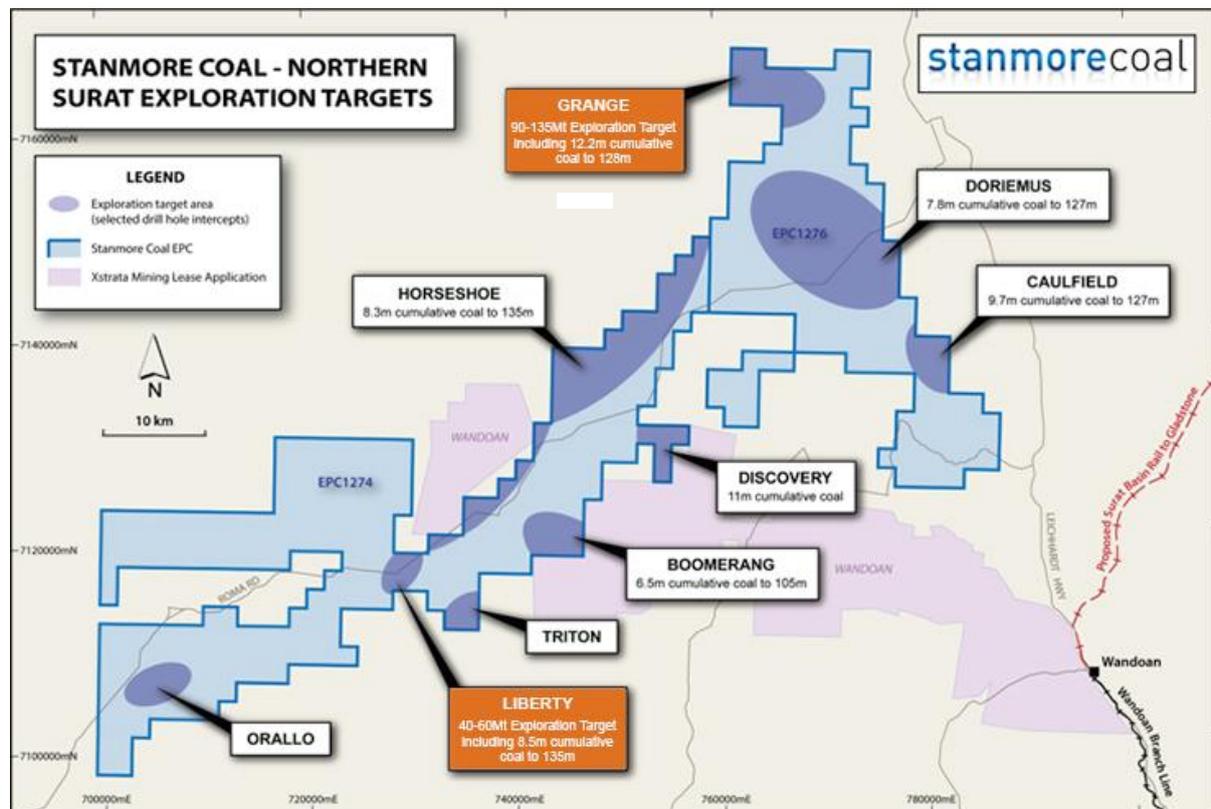


Figure 1 – Clifford Project Exploration Targets²
(coal thickness is derived from selected historical drill hole data)

Initial results have been encouraging and the company remains confident about the potential of these tenements which are geographically located in the highly prospective Surat Basin.

Belview Coking Coal Project

EPC 1114 and 1186

Stanmore Coal 100% ownership

Location: 10km south-east of Blackwater

Area: 120km²

JORC Inferred Resource: 95Mt

Exploration Target²: 735 – 1,103Mt underground prime coking coal

In October 2012 the company announced it had acquired EPC1186 to the north of Belview which significantly increased the scale and development potential of Belview. The new EPC is along strike and is likely to contain significantly more shallow coal than EPC 1114. It is expected to contain similar high quality coking coal to the Belview project.

The Belview coal 95Mt JORC Inferred Resource occurs within the Rangal Coal Measures and includes two main seams for potential underground extraction, the Aries seam (2-3m thick) and the Gemini seam (5-6m thick). Initial geological modelling and the results of drilling conducted primarily in the EPC 1186 area, suggest good continuity of those seams within the northern tenement area.

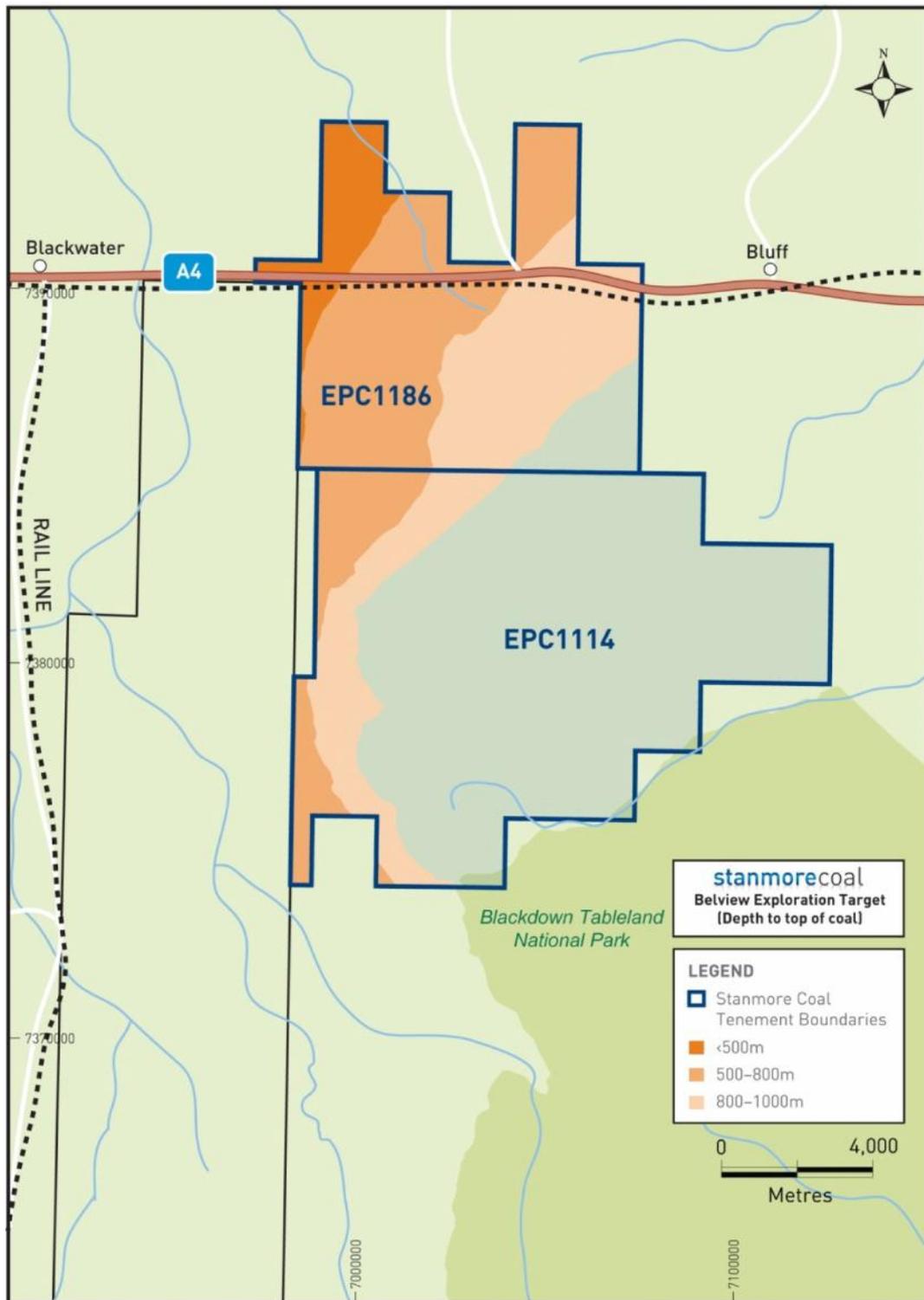
In July 2012 the company released an initial Concept Study for EPC 1114 that proposes a three shaft, single longwall development that would take five years to fully establish from commencement of shaft sinking. The capital cost³ for the three shaft development, all services, mine development, longwall equipment, the coal preparation plant, gas drainage and infrastructure was estimated at \$907m and the operating cost estimate was A\$104/t FOB (excluding royalties).

The company is now updating the concept study for expectation of shallow coal in the north of the combined project area. The company expects this will be completed in 1Q 2013 and will drive the scope of the exploration program for calendar 2013 and the extent of further economic evaluation to be undertaken during the year. A substantially shallower entry point and enlarged deposit area is expected to improve on the economics reported in the initial concept study. The Exploration Target² for the combined area is 735-1,103Mt.

Summary of JORC Resource and Exploration Target²

	EPC 1114 (Belview)	EPC 1186	Total
JORC Inferred Resource ²	95 Mt		
Exploration Target ² to 500m	-	118 – 178 Mt	118 – 178 Mt
Exploration Target ² 500m to 800m	76 – 114 Mt	541 – 811 Mt	617 – 925 Mt
Total Exploration Target² (in addition to JORC Resource above)	76 – 114 Mt	659 - 989 Mt	735 – 1,103 Mt

Expanded Belview Exploration Targets²



Mackenzie Coking Coal Project

EPC 2081

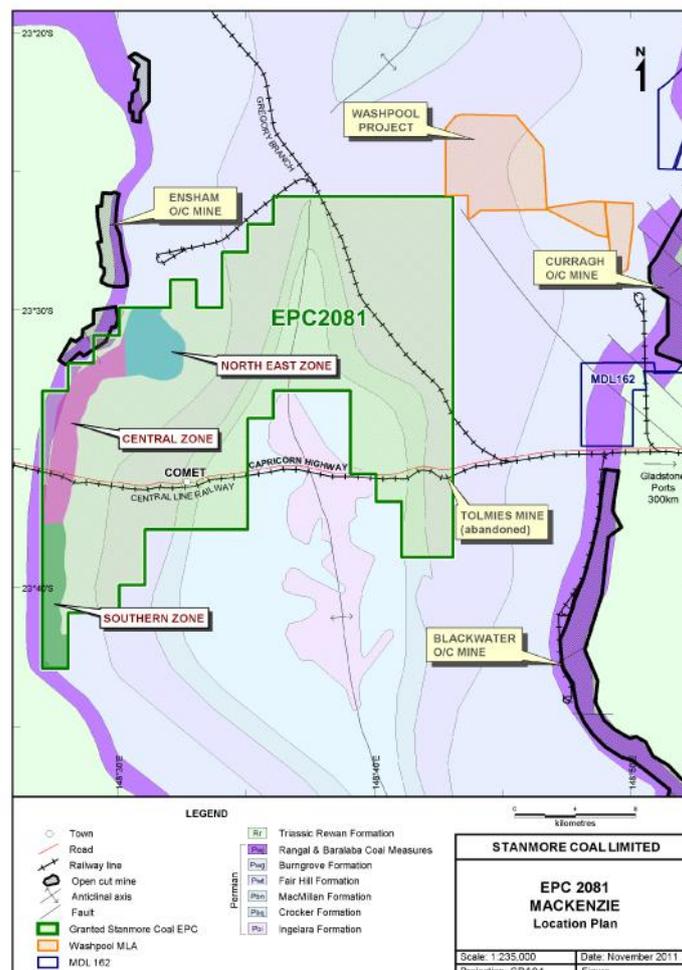
Stanmore Coal 98% ownership (Cape Coal 2%)

Location : 30km west of Blackwater

Area: 469km²

JORC Resource: Total of 143Mt (25.7Mt Indicated + 117.5Mt Inferred)

On 26 October 2012, Stanmore Coal entered into a joint venture arrangement with Cape Coal Pty Ltd (“Cape Coal”) in order to jointly investigate alternative processing methods that may improve product ash and recovery from the deposit. Based on Cape Coal’s extensive knowledge in mining and processing similar low yielding coal deposits, they are now completing a Concept Study for the project, focussed on evaluating the feasibility of producing a coking coal. Whilst there is significantly more work to be undertaken, Stanmore Coal believes its partnership with Cape Coal best positions the project for potential commercial development. The Concept Study is anticipated to be delivered in Q1 2013.



Tennyson Thermal / Coking Coal Project

EPC 1168

Stanmore Coal 100% ownership

Location: adjacent to Emerald

Area: 120km²

JORC Resource: 161 Mt Inferred

Exploration Target²: 65-120 Mt underground thermal and potential metallurgical coal

During the quarter the company announced a maiden JORC Inferred Resource of 161Mt for Tennyson, confirming the presence of high energy thermal coal within the Aries seam from a depth of 150m to 480m.

An additional Exploration Target of 65-120Mt² has been defined within the tenement after allowing for an exclusion zone of 2km around the township of Emerald. A Concept Study is planned for the first half of 2013 to evaluate the viability of an underground mining approach.

Coal Seam Details (Borehole Intersections)

Seam	Mean Thickness (m)	Maximum Thickness (m)	Minimum Thickness (m)	Number of Intersections	Minimum Depth (m)	Maximum Depth (m)	JORC Inferred (Mt)	Additional Exploration Target ² (Mt)
Aries	2.49	3.00	1.69	8	150m	480m	161 [#]	65-120

Aries Seam Product Coal Estimates (average across deposit)

Results	Thermal Coal
Yield	75%
Ash	ad 9.5%
Volatile Matter	ad 31.0%
Fixed Carbon	ad 50.7%
Total Sulphur	ad 0.26%
Specific Energy	kcal/kg ad 6,210

Kerlong Coking Coal Project

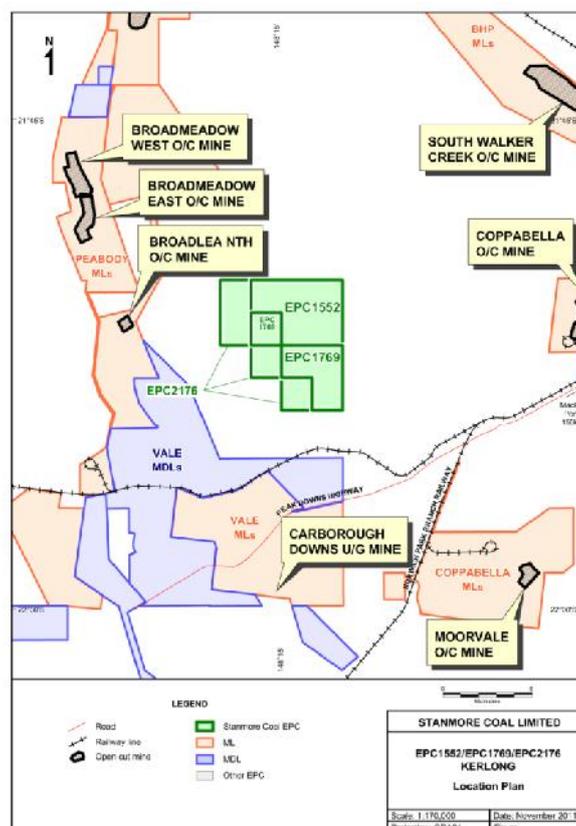
EPCs 1552, 1769 and 2176

Stanmore Coal 100% ownership

Location: 19km north-east of Moranbah

Area: 41km²

Stanmore Coal is targeting high quality underground coking/PCI coal at the Kerlong Coking Coal Project which is eight kilometres north of the rail line to Dalrymple Bay Coal Terminal. Target seams are extracted in nearby mines including Burton (Peabody), South Walker Creek (BHP Mitsubishi), Carborough Downs (Vale) and Coppabella (Peabody).



During the quarter Stanmore Coal conducted clean coal composite analysis and wash simulation on 1 hole drilled within the project area. Three seams were intersected and fully cored, being the Burton Rider (1.7m @ 836m), Leichhardt (2.6m @ 871m) and Vermont seams (3.6m @ 916m). On the basis of clean coal composite results received, the Company proposes to product the following potential products. Stanmore Coal will evaluate the economic viability of this product mix as part of a concept study to be commenced in the second half of calendar 2013.

Seam Name		Burton Rider	Leichardt Seam		Vermont	
As received (unless noted)		Coking Product	Primary Coking Product	Secondary Thermal Product	Primary Coking Product	Secondary Thermal Product
Seam thickness	Avg metres	1.7	2.6		3.6	
Yield (recovery)	%	50.0	40.0	37.5	30.0	17.5
Specific Energy	(adb) kcal/kg	7,690	7,725	6,940	7,480	6,960
Ash	%	9.1	8.6	15.5	11.1	15.7
Volatile Matter	%	20.2	19.0	16.6	17.4	15.5
Fixed carbon	%	60.7	62.4	57.8	61.5	58.8
Total sulphur	%	0.35	0.41	0.35	0.35	0.28
Phosphorous	%	0.02	0.09	0.18	0.01	0.01
Crucible swelling number (as tested)		7.5	8.5	-	7.0	-
Gray-king coke type		G5	G4	-	G	-
Maximum fluidity	Ddpm	300	120	-	4	-
Vitrinite reflectance	Ro max	1.30	1.37	-	1.44	-
Vitrinite	%	59	64	-	55	-

Corporate

At the annual general meeting of shareholders on 29 November 2012, shareholders approved the issuance of shares to Greatgroup on conversion of the convertible notes in accordance with the Subscription Deed. Greatgroup is an investment vehicle managed by Sprint Capital, a Hong Kong based natural resources private equity firm. The convertible notes issue was approved by shareholders at the extraordinary general meeting in October 2012 and allows Greatgroup to increase its relevant ownership of the company by approximately 5%. The shareholders also approved the election and re-election of all nominated Directors and the remuneration report at the annual general meeting.

Sprint Capital has indicated their intention to provide substantial additional funds under a co-operation agreement to support Stanmore Coal in the funding of project development and growth by acquisition.

The company is assessing a number of potential growth opportunities available in the market.

EPC Applications

Project	Tenement Number	Tenement Name	Date of Application	Type
Brown River	EPCA 1546	Brown River	7/08/2008	Primary
	EPCA 2520	Brown River East	3/5/2011	Primary
Carnarvon	EPCA 1630	Carnarvon	28/10/2008	Secondary

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	

Contacts

For further information, please contact:

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Mr Doug McAlpine
Joint Company Secretary
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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 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.

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)

Note 2: 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 report 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 3: Capital cost estimate for Belview is to a concept study level estimate (-25% / +40%)

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.

Stanmore Coal holds 100% interests in all its coal project areas (except Mackenzie 98%) which cover over 2,769 km². These projects include significant deposits of open pit coking and thermal coal and are typically well located for export infrastructure.

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