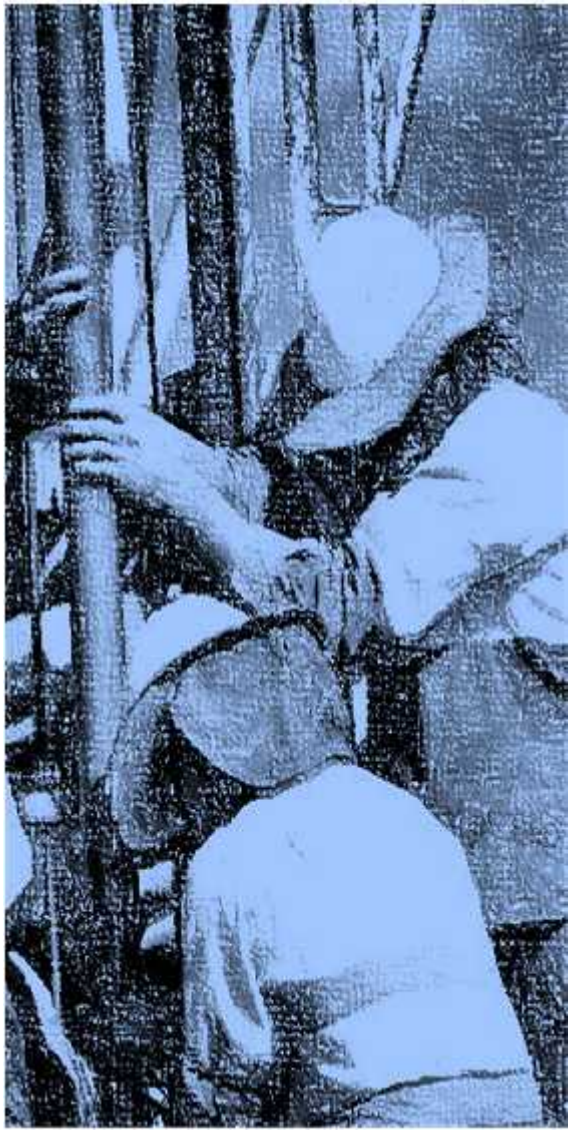
11th ANNUAL Coal MARKETS

stanmorecoal

Australian Thermal Coal Markets Outlook



Speaker: Mr Nick Jorss

Managing Director – Stanmore Coal Limited

Date: 30 January 2013

Time: 9.00am

Location: Hilton Hotel, Singapore

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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 exploration results and coal resources is based on information compiled by Mr Wes Nichols who is a member of the Australasian Institute of Geoscientists 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.

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Stanmore Coal Background

Stanmore Coal is an ASX listed coal explorer and developer that understands the dynamics of thermal and coking coal basins in Australia:

- Owns 100% of The Range Project located in Surat Basin. Bankable Feasibility Study close to completion
- End user coal quality criteria understood through marketing interactions with key potential Asian end-users
- Involvement in supply chain with committed capacity at the new Wiggins Island port (Gladstone) expansion and commitment to Surat Basin Rail
- Focused on delivering high quality coal while minimising costs across the supply chain

About Stanmore Coal

ASX code - SMR
Share price - A$0.19[3]
Mkt cap - $39.5m[3]
Cash - A$32.4m[4]
Debt - A$4.0m[4]

94Mt of JORC Marketable Reserves[1]

686.2Mt of JORC Resources[1]

- **975-1,498 Mt[2] of additional exploration target**
- **c.75% of target is coking coal**

- Attractive pipeline of Queensland coal projects at various stages of development

- On the path to becoming a significant coal producer

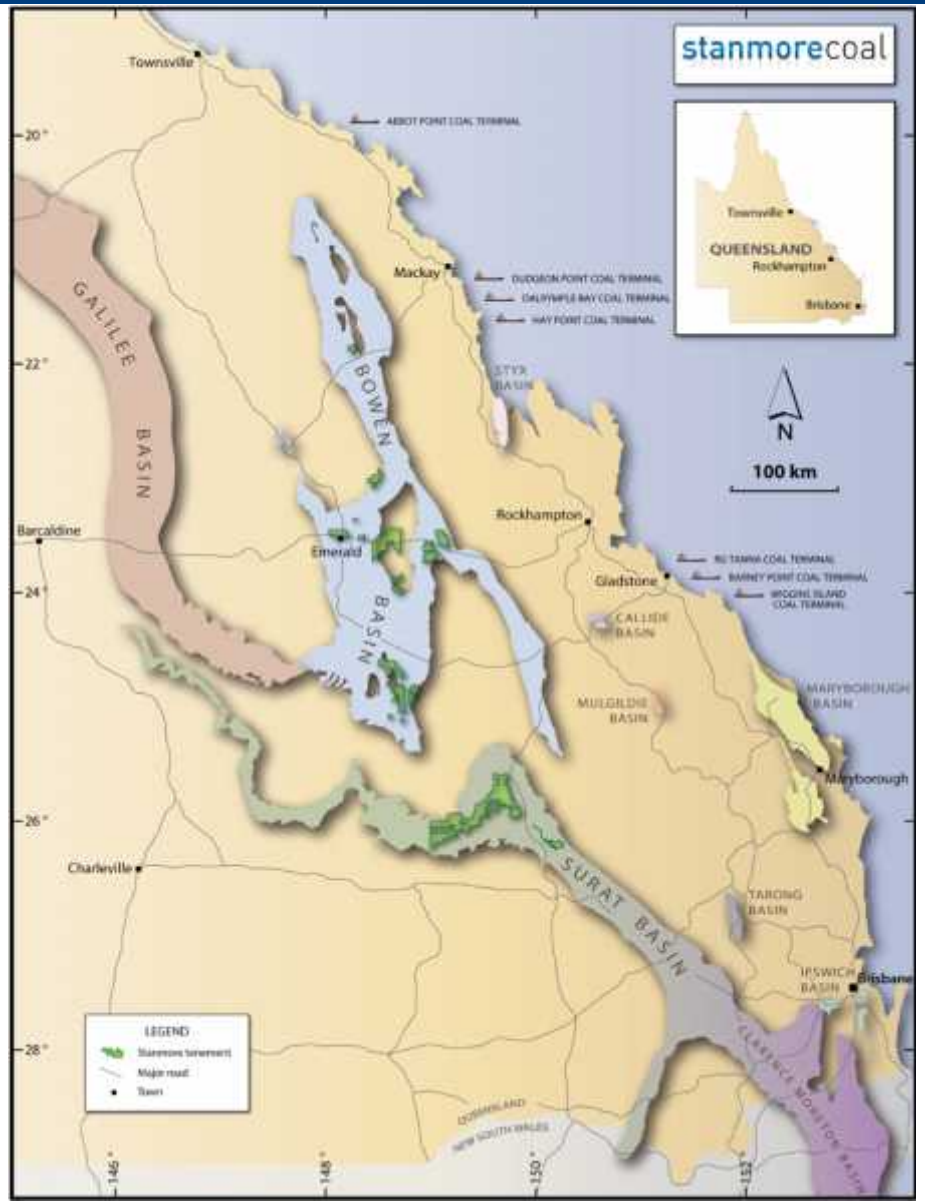
- Infrastructure development parallels proposed mine development

- Strong Board and management team with proven track record of developing and operating coal mines

- Well funded with a strong, supportive cornerstone investor

(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 23January 2013
(4) As at 31 December 2012

Queensland Coal Basins



Bowen (established)

- Established world class coking coals
- Many large, diversified resources companies operate in the region
- Numerous Stanmore coking and thermal coal projects

Surat (developing + established)

- High energy export thermal
- Clean burning
- Significant development potential
- The Range and Clifford thermal coal projects

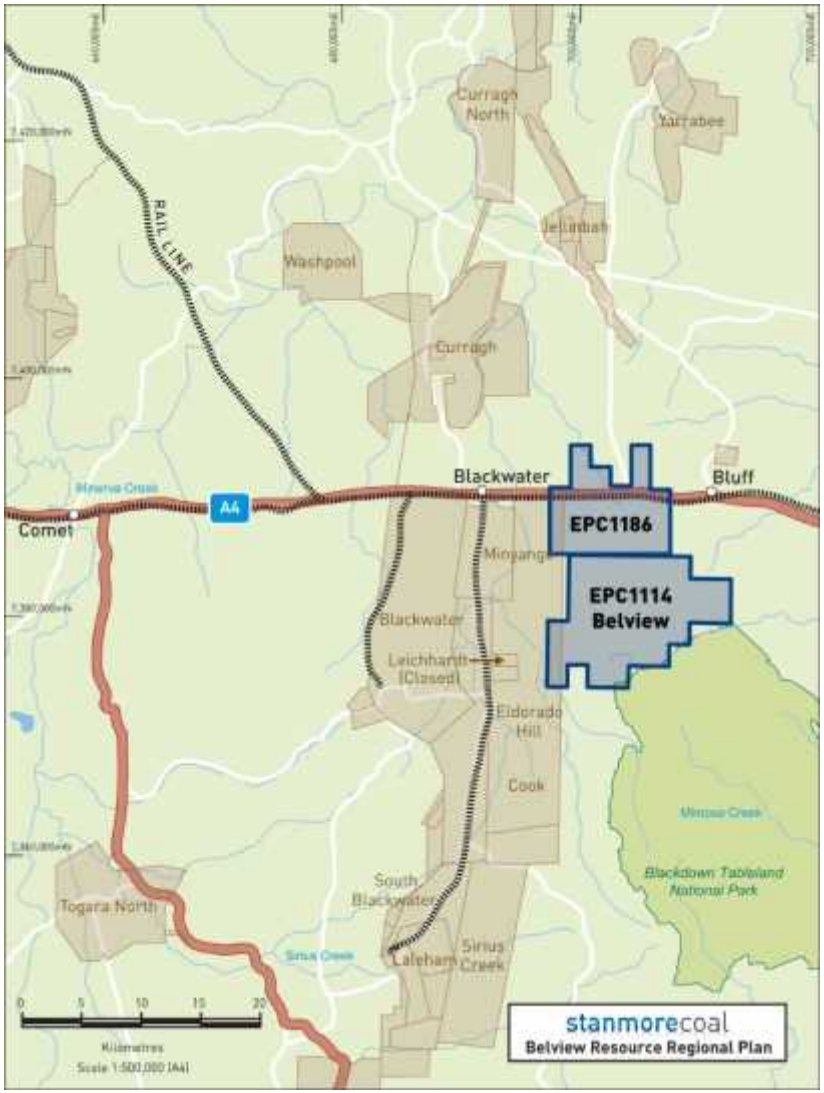
Galilee Basin (developing)

- Moderate energy thermal
- Large tonnages under proposed development

Belview Coking Coal Project

100% owned

- Substantial coking coal project in heart of the Bowen Basin near existing infrastructure. Initial JORC Inferred Resource 95Mt[(1)]
- Acquisition of EPC1186 provides access to shallower coking coal and significant increase in Exploration Target to 735 – 1,103Mt[(2)] across enlarged project area
- Belview (EPC 1114) contains 6m+ Gemini Seam
  - ✓ Primary high quality coking coal: average CSN of 7.5, ash of 6%, sulphur 0.35%
  - ✓ Secondary low vol PCI product
  - ✓ Aries seam samples also demonstrate attractive coking coal qualities (CSN up to 8)
- Previous Belview Conceptual Study (EPC 1114) indicated positive economics
  - ✓ multi-shaft access, 3Mtpa long-wall mine
  - ✓ FOB of A$104/t (ex-royalties)
  - ✓ capex of A$907m
- New drilling program planned for 2013 – expand resource base, update Concept Mining Study and project economics for addition of EPC 1186

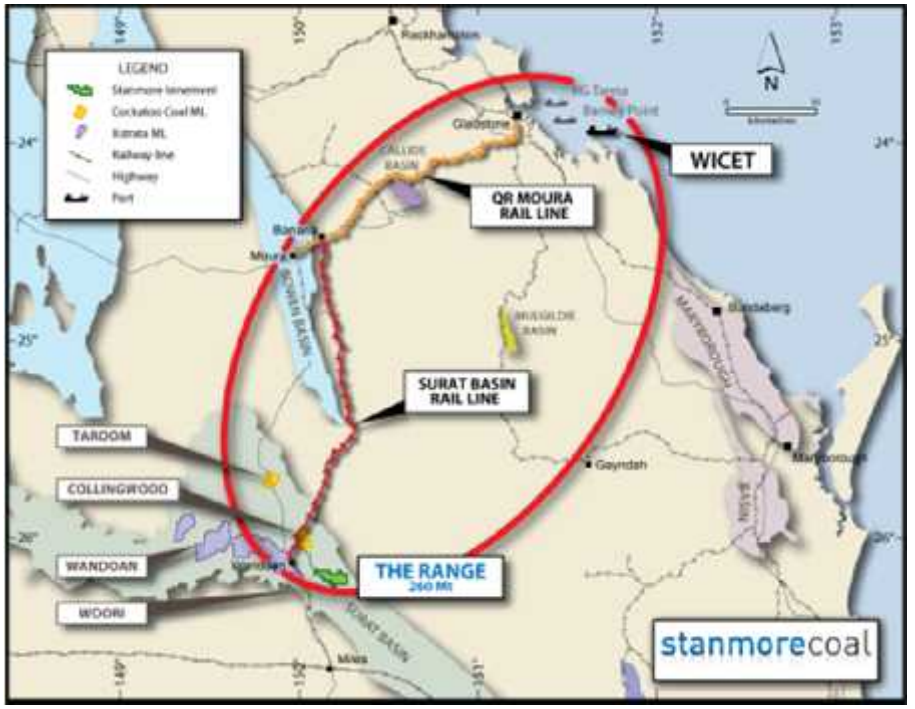


(1) Refer to Competent Persons Note (p.1)
(2) Refer to Exploration Target Note (p.1)

The Range Thermal Coal Project

100% owned

- 5Mtpa open cut export thermal coal mine over 26 years
- Bankable feasibility study nearing completion
- ML grant expected 2H, 2013
- Adjacent to Xstrata's Wandoan project - *"World's best undeveloped thermal coal mine"*(3)
- Surat Basin has strong fundamentals which support industry efforts to provide a route to export markets
  - High quality, clean burning export thermal coal
  - Relatively low cost of production
- Port - Capacity Commitment Deeds (CCD's) executed for 5Mtpa allocation in WEXP1
- Rail - Stanmore Coal has been invited to sign an SBR Capacity Commitment Deed



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)
(3) Xstrata presentation: 6th December 2011

Developing Queensland Basins –

What is next?

Developing Queensland Coal Basins – Surat Basin

Key Facts	
Distance to port	Northern Surat: +400km (via Surat Basin Rail to Gladstone) Southern Surat: +250km via Port of Brisbane
Typical product	High energy export thermal coal 6,000-6,800kcal/kg (ad basis) 9-16% ash (ad basis)
Potential output	+100Mt
Key developing mines	Wandoan (Xstrata) Collingwood (Cockatoo/Mitsui) Taroom (Cockatoo/Mitsui) The Range (Stanmore) Elimatta (New Hope)
Existing export mines	Cameby Downs (Yancoal) Wilkie Creek (Peabody) New Acland (New Hope)
Current export market	Japan / Taiwan / China / Korea

Coal Quality – Surat Basin (Walloon Coal Measures)

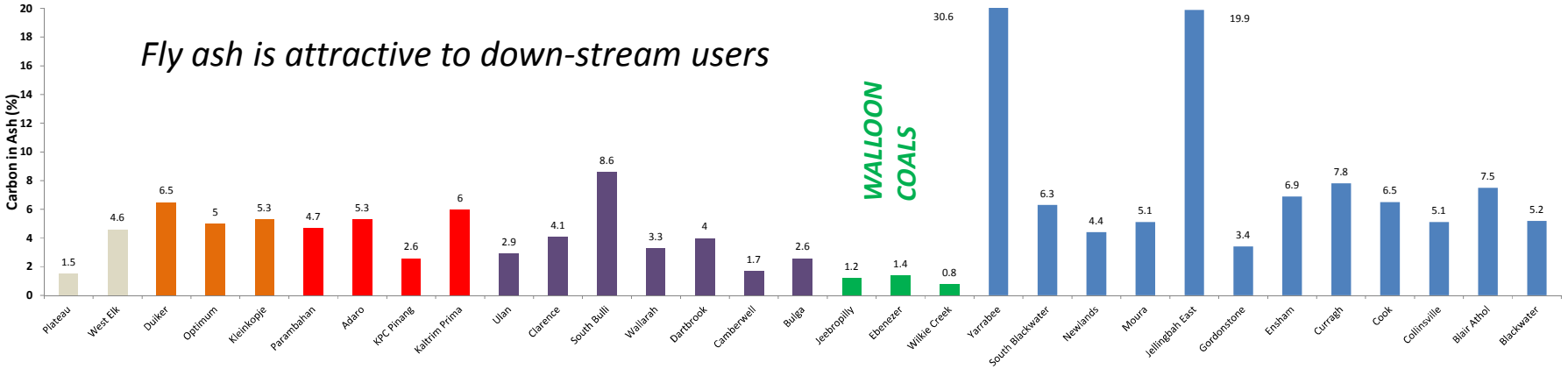
Surat Basin coals are typically high energy, clean burning coals featuring low impurities and emissions.

Specification[1]	"The Range" Product Gold	Silver	Comment[1]
Ash (%)	10.0	16.0	✓ Low ash product
Energy (kcal/kg, a.d.)	6,466	5,904	✓ High CV clean burning coals
Fuel ratio (FC/VM)	0.96	0.91	✓ Very low fuel ratio leads to very high burnout efficiency and good combustion behaviour
Total Sulphur	0.46	0.42	✓ Low sulphur levels indicate low SO_x emissions
Nitrogen (% ult d.a.f.)	1.10	1.12	✓ High VM and low Nitrogen leads to low NO_x emissions
Deformation temp (^{0}C, ash fusion)	1,420	1,430	✓ High IDT and favourable ash chemistry indicate very low slagging propensity

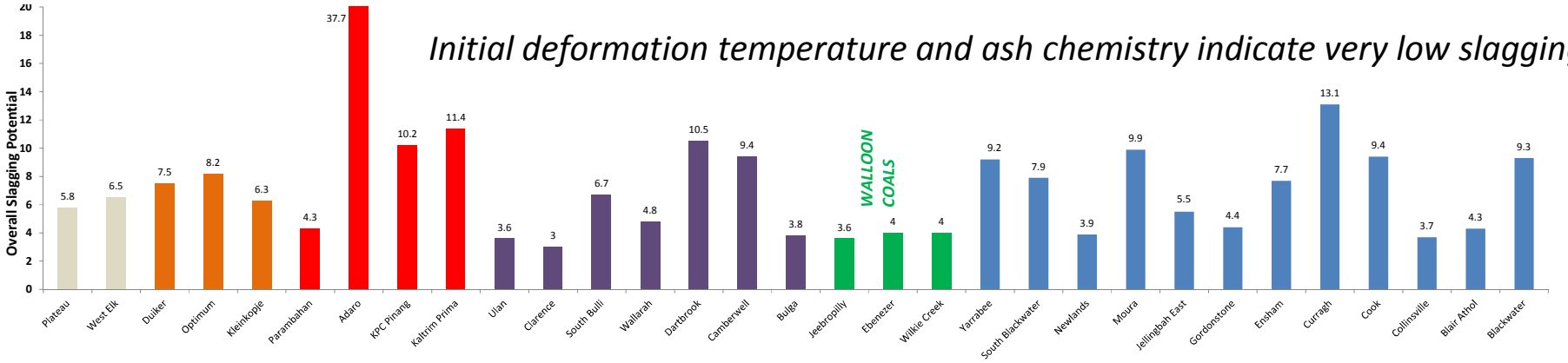
(1) a.d. means air dried basis; FC means fixed carbon; VM means volatile matter; ult d.a.f. means ultimate analysis dry ash free; IDT means initial deformation temperature

Coal Quality – Surat Basin (Walloon Coal Measures)

✓ Very low carbon in ash



✓ Low slagging propensity

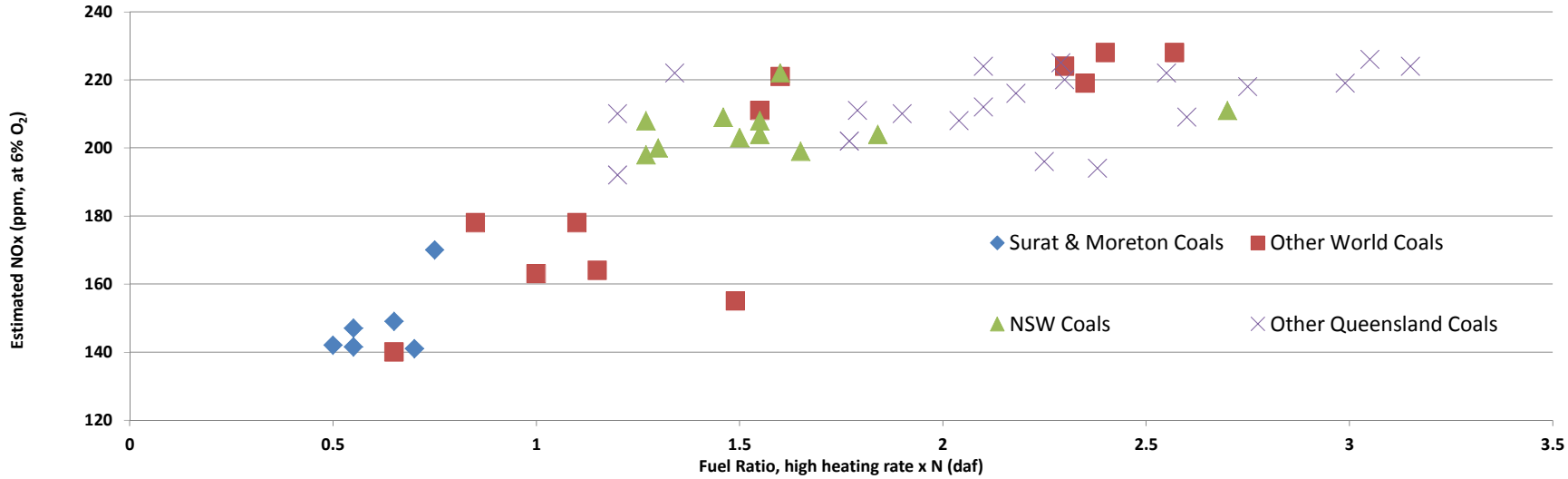


Source: Department of Mines and Energy, Utilisation of Walloon Coals of Southern Queensland for Power Generation 1999

Coal Quality – Surat Basin (Walloon Coal Measures)

✓ Low NO_x emissions

Low NO_x emissions typical due to high VM and low Nitrogen



✓ Low CO_2 emissions

CO_2 emissions lower than other traded coals

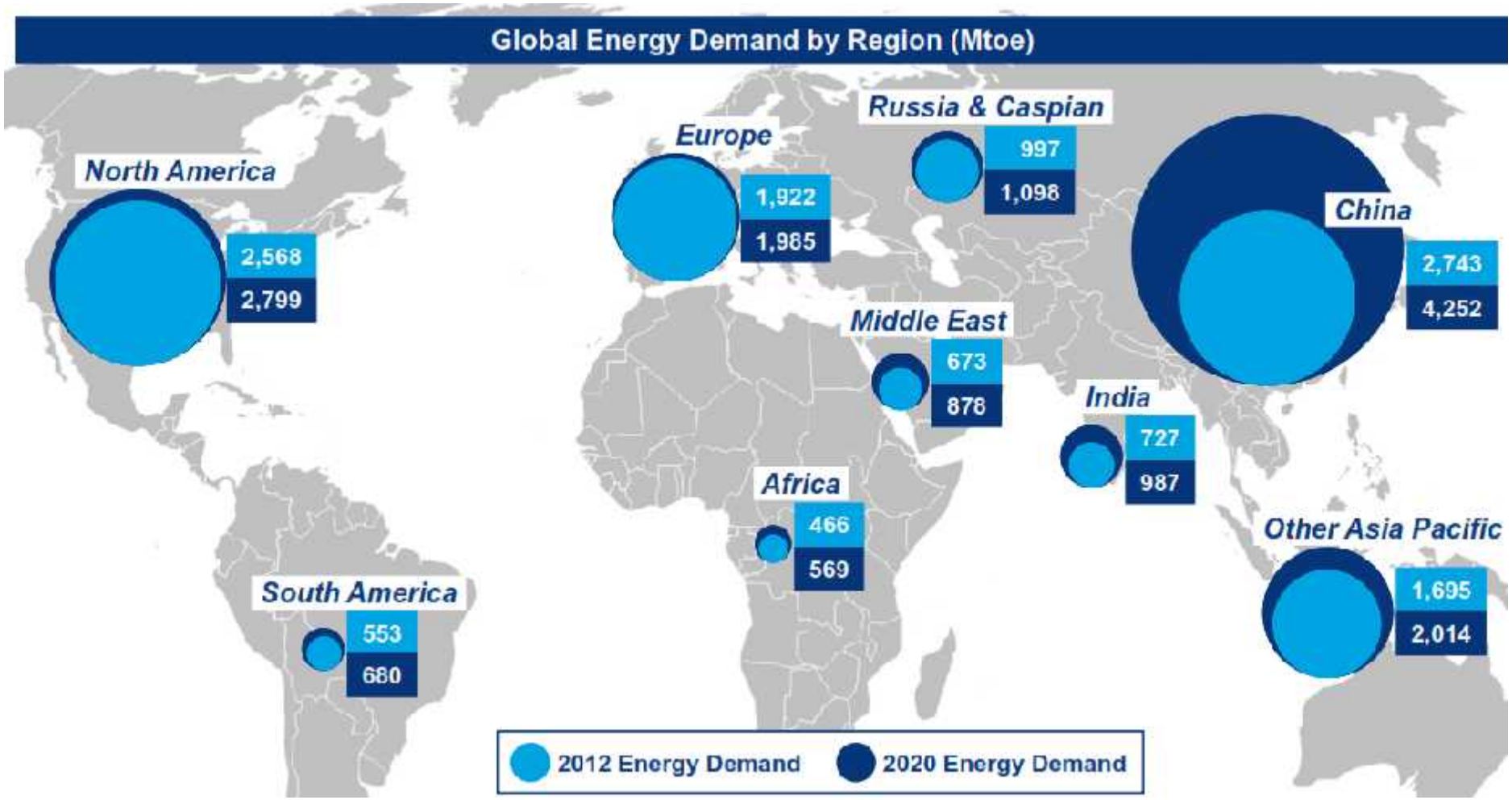
Source: Department of Mines and Energy, Utilisation of Walloon Coals of Southern Queensland for Power Generation 1999

Developing Queensland Coal Basins – Galilee Basin

Key Facts	
Distance to port	+495km to Abbot Point
Typical product	Moderate energy thermal coal 4,900-6,300kcal/kg (ad basis) 9-20% ash (ad basis)
Potential output	+200Mt
Key developing mines	Alpha (GVK/Hancock) Carmichael (Adani) Galilee Coal (Waratah) Kevin's Corner (GVK/Hancock) South Galilee (AMCI/Bandanna)
Existing mines	Nil (all greenfield developments)

Current resource, production and export targets

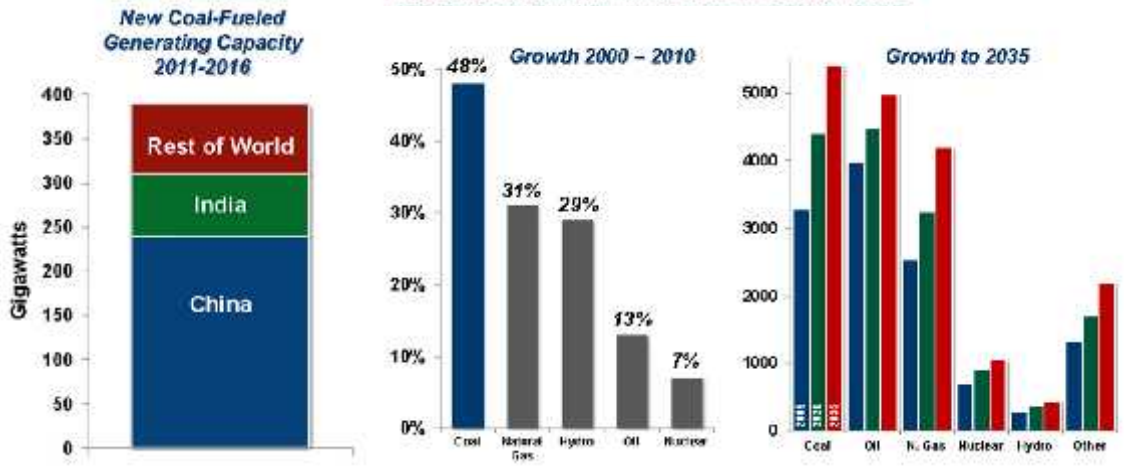
Energy Demand is driven primarily by Asia…



Source: Wood Mackenzie Global Energy & Metals Forum 2012

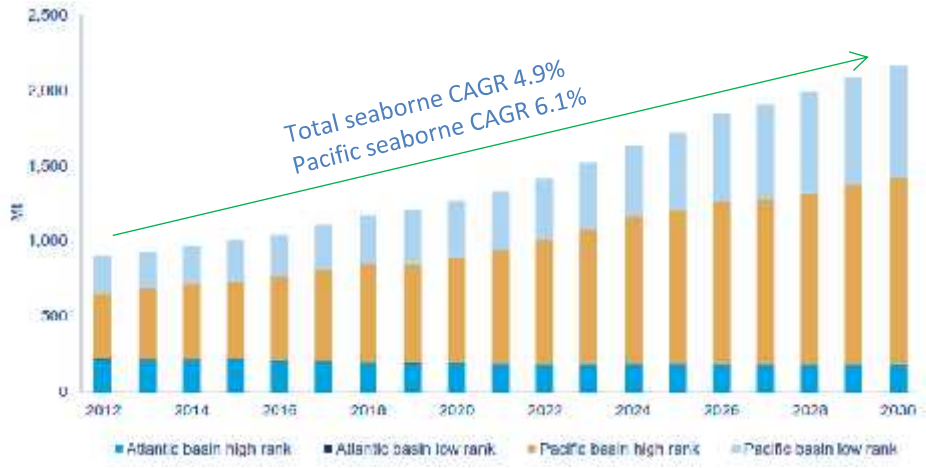
… with the bulk of supply coming from Pacific basin coal

IEA forecasts coal demand to grow 65% by 2035, overtaking oil as the largest supply of energy



Source: IEA World Energy Outlook 2011 'Current Policies' Scenario

Global seaborne thermal coal import demand by basin and rank (Mt)

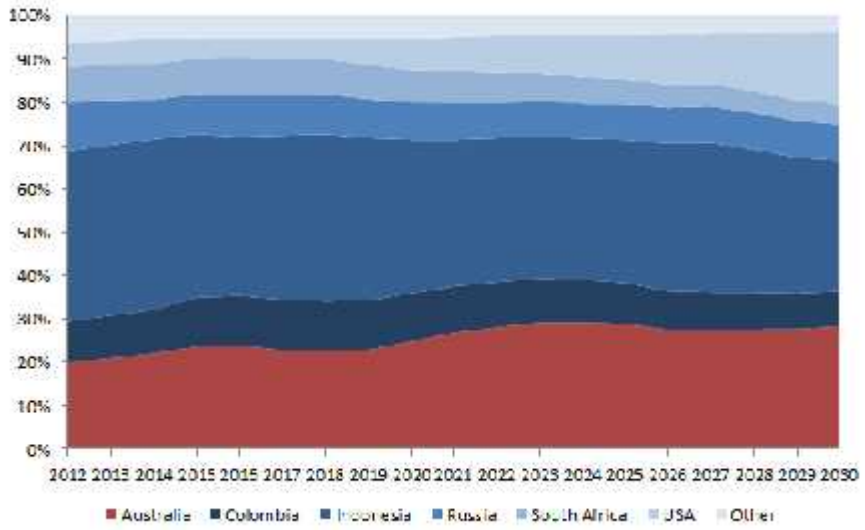


Source: Wood Mackenzie Coal Market Service, November 2012

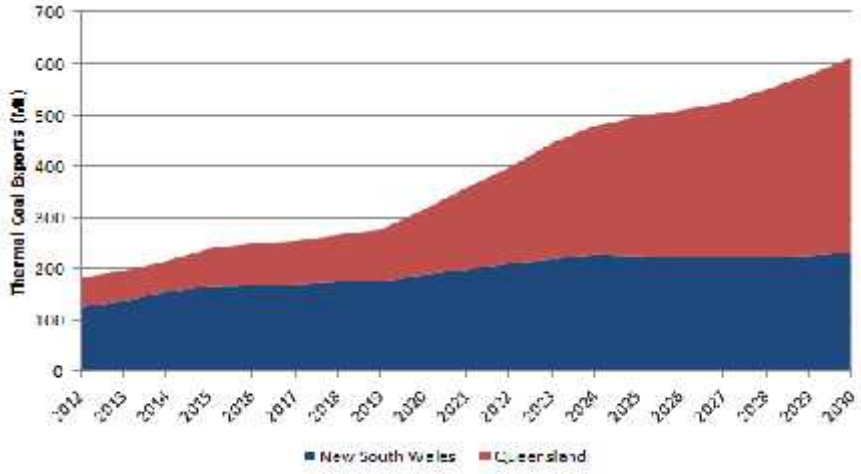
- Demand for energy coal, as a result of increased power-generation requirements, will be met by the seaborne market
- Thermal coal will **increase it's market share as an energy supply source from 27% to 30%** when compared to alternatives over the next 25 years (oil, natural gas, nuclear power, hydro & other)
- Wood Mackenzie forecasts that Australian thermal coal supply **will increase by 429Mt by 2030 (+235%)** to meet the Asian demand
- The Newcastle benchmark has increased off the recent lows and stable around US$90/t

QLD coals in particular will fill the supply gap

Australia will increase its share of the export market…



… with the majority of supply from QLD developing basins



Source: Wood Mackenzie Coal Market Service, November 2012

- Australian coals will increase their share of the global seaborne market from 20% to 28% due to factors such as:
  - superior coal quality;
  - proximity to end-user market (Asia);
  - delivery of key infrastructure; and
  - reliability of supply

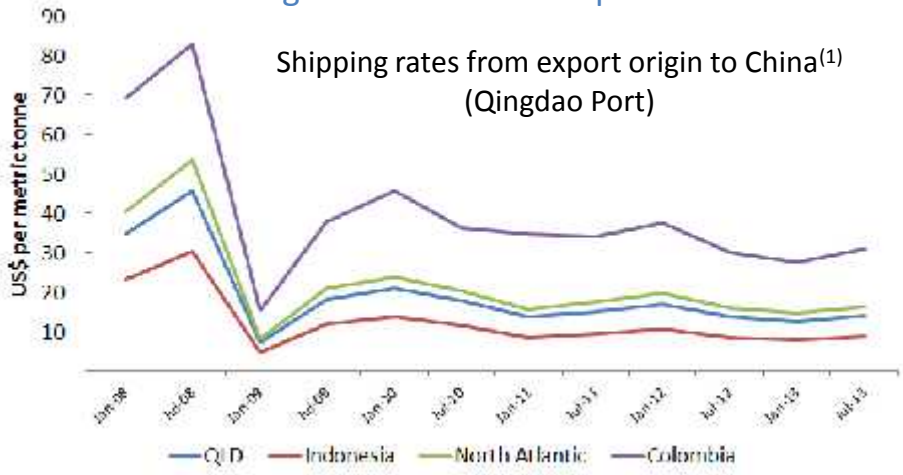
- Australia thermal coal exports to grow at 7.4% pa to 2030
- QLD coal growth substantial over the period at 11.7% pa

What role are freight rates playing in Australian thermal coal exports?

Long term freight rate fundamentals favour Australian coal

- In the short term, low freight rates, when combined with low natural gas prices, make western USA and Colombian coals economic for Pacific Basin buyers
- Depressed freight rates have resulted from latent capacity in vessels which typically transport OECD bulk goods. As OECD economic growth picks up, excess supply will reduce
- Long term freight differentials to Asia favour Australian miners, particularly Queensland
- **Example**: The differential between Qld and Colombian freight to China (Qingdao) was approximately US$35dmt in 2008 – in 2012 it was less than US$20dmt
  - As shipping oversupply reduces this differential should increase

Recent freight rate pricing has been volatile with historic freight differentials less pronounced…



… but rates and pricing band differentials should increase over the medium to long term(2)

1. Source: RS Platou. 70,000dwt basis
2. Source: Wood Mackenzie Coal Market Service

Strategies to remain competitive

Long term competitive position for Australia

- High quality, high energy coal with favourable clean burning characteristics
- Close proximity to target Asian markets
- Substantial current and planned infrastructure to transport coal to export markets
- Streamlining of regulatory process under way in Queensland to allow projects to develop at a faster pace
- Favourable, stable regulatory environment with low political risk
- As mines in existing basins get deeper, stripping ratios and costs increase. New basins open up opportunities to identify new deposits with robust economics

QLD port under construction – Wiggins Island

Source: Wiggins Island Coal Export Terminal website

Summary

1. **Pipeline of Queensland coal projects within key coal basins**

2. **On the path to becoming a significant coal producer**

3. **Access to market through development of infrastructure parallels proposed mine developments in the basin**

4. **Focused on delivering low cost, high quality coal products to end-users**

SUPPLEMENTARY SLIDES

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