

stanmorecoal

Quarterly activities report

for the period ended 31 March 2013



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Quarterly Overview

During the March quarter commodity and junior equity markets remained challenging. In response, Stanmore Coal Limited (“Stanmore Coal” or “the Company”) has focused its attention on its two key projects (Belview and the Range) and limited further expenditure on other projects. Belview is a high quality underground coking coal project targeting significant production by longwall mining at a very competitive expected cost position. The recent share trading range for Stanmore securities is at or close to net cash backing per security, which the Company believes is unwarranted given the Company has:

- a diversified portfolio of high quality coking and export thermal coal projects;
- 94Mt of Marketable Reserves, 686Mt of JORC Resources¹ and 975Mt – 1,498Mt of additional Exploration Targets^{2,3};
- secured 5Mtpa of capacity in WEXP1, but has not yet committed to a take or pay liability; and
- \$29 million of available funds and has the ongoing support of its major shareholder Sprint Capital who wishes to capitalise on future growth opportunities in the coal sector through Stanmore Coal.

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 ⁽²⁾	
								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

Finalisation of the Range Project Feasibility Study during the quarter confirms that the Range Project is an attractive 5Mtpa high quality, export grade, thermal coal project ready for execution upon the delivery of the Surat Basin Rail. State environmental approval for the project has been obtained and we expect that the Mining Lease will be ready for grant by the end of 2013.

The results of the Belview Project Concept Study were also released during the period and confirm that the acquisition of EPC 1186 has resulted in significant improvement to the underground mining potential of the Belview Project by providing a larger, shallower resource base which has reduced both operating costs and capital intensity.

The Company is well funded and well positioned to take advantage of any prolonged down-turn by reducing project capital and operating costs and selectively pursuing acquisition opportunities in conjunction with Sprint Capital.

The long term fundamentals of both the coking and thermal coal markets are strong, supported by increasing demand for coal in emerging economies including India and China. Management is working to ensure that Stanmore Coal emerges from the current downturn a stronger company and delivers long term value to its shareholders.

Project Snapshot

Project	Status
The Range	<ul style="list-style-type: none"> • Geology well understood with 330 holes now drilled • Feasibility Study results released in April 2013 • FOB (ex-royalty, first 13yrs of production) \$76.1¹/tonne is cost competitive on a global scale • 94 Mt JORC Marketable Reserve¹, 287 Mt Total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred) • EIS approved by the DEHP on 18 February 2013 • ML grant on track for end of calendar 2013
Belview	<ul style="list-style-type: none"> • 95Mt Initial JORC Inferred Resource • Concept Study (including EPC 1186) completed indicating project positive economics • Additional 5 hole drilling program commenced focussed on newly acquired EPC 1186 tenement area • Project targeting high quality coking plus secondary low vol PCI product
Clifford	<ul style="list-style-type: none"> • 12 chip hole scout drilling program ongoing with encouraging initial drilling results
EPC's 1274, 1276	
Mackenzie	<ul style="list-style-type: none"> • 143Mt Total JORC Resource (25.7Mt Indicated + 117.5Mt Inferred) • Further studies and evaluation are being undertaken by project partner, Cape Coal to identify most likely economic targets within the 27km long project area
Tennyson	<ul style="list-style-type: none"> • Maiden JORC Inferred Resource of 161Mt • Additional Exploration Target² of 65 – 120Mt
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)

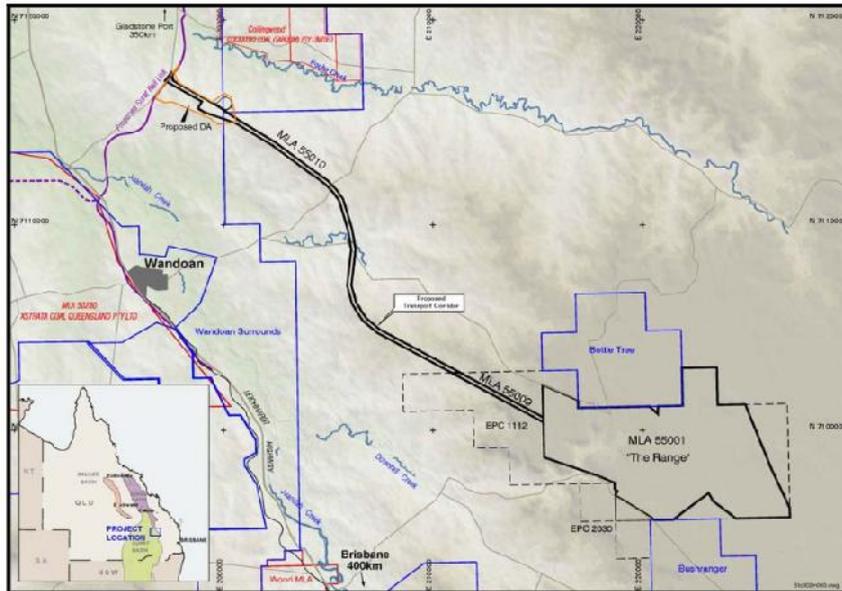
In April 2013, the Company announced the results of a Feasibility Study (“the Study”) which supported the Project’s technical and commercial viability. The Project demonstrates attractive economics under both owner-operator and contractor cases.

Key Financial Metrics - The Range Project

Key Financial Outputs	Owner Mining	Contract Mining
Unit Costs (\$A / product tonne)		
Mining and processing cost	41.9	51.1
Rail, Port and Overhead Costs	34.2	33.7
Total FOB Cost (first 13 years)	76.1	84.8
Project Economics		
Capital costs	\$599m	\$455m
NPV	\$499m	\$441m
IRR	18.6%	19.1%
Payback Period	9.0 years	8.8 years

Sufficient work has now been completed around geology, mining and cost structures to confirm that the Range Project is an attractive 5Mtpa high quality, export grade, thermal coal project ready for execution upon the delivery of the Surat Basin Rail linking the basin to the existing Aurizon Moura network via a 200km rail link.

The Environmental Impact Statement (“EIS”) and supplementary EIS have been completed and assessed by the Department of Environment and Heritage Protection (“DEHP”). The EIS was approved by the DEHP on 18 February 2013. It is expected that the Mining Lease will be ready for grant by the end of 2013



Contract mining costs in the Study were benchmarked against indicative pricing provided by mining contractors. The Company anticipates that recent project delays and deferrals will lead to moderation of activity in the mining and construction services sectors and consequently sees considerable scope to further optimise capital and operating costs when procurement contracts are ultimately awarded.

The Range coal measures feature good energy content at low ash levels, and the ability to produce a high quality product that contains low levels of trace element impurities by international standards, low sulphur and nitrogen contents and excellent burnout characteristics.

Stanmore Coal believes in the strong long term fundamentals of the thermal coal market supported by increasing demand for cost efficient base load power in emerging economies including India and China. The Company's view is that the demand for higher energy, high quality bituminous thermal coal, with lower emission profiles will be strongly supported and will be a key element of Asia's strategy to address existing pollution difficulties.

The focus of the Company in relation to the Range project is now on supporting the delivery of rail and port infrastructure and as such it is not expected that further material expenditure will be required on the project prior to the infrastructure solution being finalised.

Belview Coking Coal Project

EPC 1114 and 1186

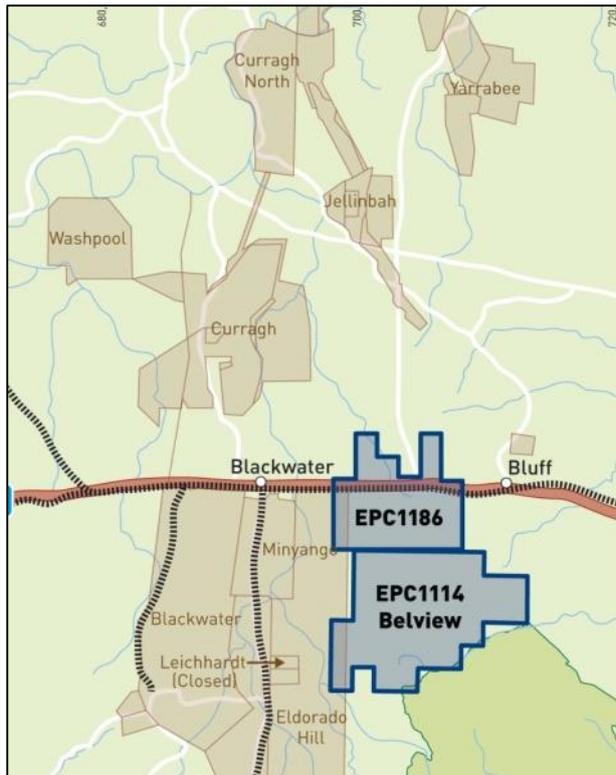
Stanmore Coal 100% ownership

Location: 10km south-east of Blackwater

Area: 120km²

JORC Inferred Resource: 95Mt

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



The Company announced the results of the Concept Mining Study (“the Study”) on its Belview Underground Coking Coal Project (“the Belview Project” or “the Project”). The Study considered a single and dual underground longwall operation based on refinement to the project geological model taking into account the acquisition of EPC 1186.

The Study confirmed that the acquisition of EPC 1186 has resulted in significant improvement to the underground mining potential of the Belview Project by providing a larger, shallower resource base which has reduced both operating costs and capital intensity.

Start-up capital requirements for a single longwall operation are estimated at \$869M and the Study also identified the potential for improved economics through the introduction of a second longwall unit. The Study included cash flow modelling supporting a conceptual mine plan in the northern part of the Project area which supports the shallowest mine access point and mining depth of cover.

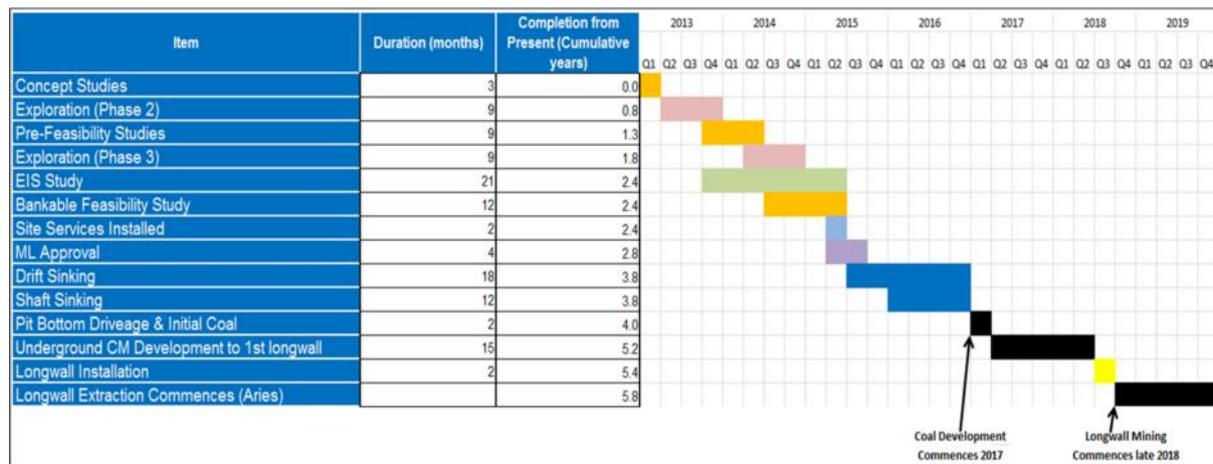
The Project will mine coal seams within the Rangal Coal Measures which are regionally well understood and down dip from existing and planned coking coal mines. Output from surrounding operations and coal quality analysis, indicates that the Belview Project has the potential to produce a high quality coking product with a secondary PCI or high energy thermal product.

To support the Study, the project geological model has been extended and refined to incorporate available data from 11 holes within the Belview tenement area and a further 33 boreholes located on adjacent tenements to the north and west of EPC 1186. This has improved the model confidence level significantly.

Based on this modelling, the Company has established an additional Exploration Target¹ of 735-1,103Mt (at a depth of 385m to 800m) which is in addition to the 95Mt JORC Inferred Resource previously established.

Based on the positive results of the Study, Stanmore Coal:

- has commenced additional drilling and geological modelling (including drilling, geotechnical stability analysis, coal quality analysis and seismic surveys) to improve resource confidence; and
- is planning to undertake a pre-feasibility study in the second half of 2013.



Corporate

Safety

The Group undertook approximately three thousand hours of drilling and exploration activity directly and through contractors during the three month period to 31 March 2012 with no reportable incidents. This was an excellent safety performance. The Company continues to develop and enhance its health and safety management systems to ensure health and safety risks are identified and resolved in a timely manner and the potential for harm to employees and other stakeholders is minimised.

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

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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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