



ASX announcement

26 November 2014

Chairman's Address to AGM

The last twelve months have seen a continuation of the recent difficult trading conditions for coal companies. Coal prices remain unsustainably weak, with seaborne coking and thermal coal prices near 7 year lows largely as a result of short term global oversupply. In the face of these difficult trading conditions, the company continues to make good progress with its high quality projects strongly supported by the continued involvement of our valued Japanese funding partners. In the current market these strong positives have not translated into positive share price performance. In fact, like many of our peers, our shares have recently traded at below cash backing per share, a situation we believe is unjustified and unsustainable in the longer term. Commodity markets are inherently cyclical and your board is very focused on successfully guiding the company through these difficult times to maximise the long term value of the company as coal prices recover. It is important during pricing troughs such as this that we closely manage the company's cash position. The company has no take-or-pay liabilities, has substantially reduced its overheads, and retains a very strong cash balance. This provides us with strength and flexibility to respond to market challenges and opportunities.

Safety

During the year ended 30 June 2014, the Company, both directly and through its contractors, completed over four 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 strong safety record.

Belview Project

The Company continued to progress its Belview Coking Coal Project ("Belview") during the year by expanding the Project's JORC Resource base and undertaking further exploration. Coal quality analysis from this year's drilling program confirmed the initial results which show 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.

Earlier this month the Company announced it had secured an additional \$1.5million tranche of exploration funding from Taiheiyo Kouhatsu Inc. ("Taiheiyo"), supported by the Japan Oil, Gas and Metals National Corporation ("JOGMEC"). The funds will be used to complete an important phase of exploration which will drive feasibility studies and further evaluation of this attractive coking coal asset.

We believe that with the significant resource base, attractive coal quality and proximity to existing rail and port infrastructure, Belview has the attributes of a world class coking coal project. In 2015 the Company will complete the Taiheiyo-funded drilling program and undertake a pre-feasibility study, aiming to take advantage of the reduced cost environment for development. In parallel, the Company will continue to progress long lead items for the Environmental Impact Statement and the Mining Lease application.

Surat Basin Projects

We continue to explore our Clifford Project in the Surat Basin in partnership with JOGMEC. This partnership will see JOGMEC invest up to \$4.5 million over 3 years to earn a 40% interest in the project. The Company is part-way through an extensive program which aims to delineate a maiden JORC Resource. Initial coal quality testing indicates the deposit contains high quality, low impurity coal and we expect it will contain the same favourable environmental features of other Surat Basin coals, such as that found at The Range, which feature low emissions of NO_x, SO_x and particulates when burnt relative to many other coals. We believe that coals of the Surat Basin will be increasingly sought after by the growing Asian region as an increasing importance is placed on efficient and environmentally-conscious new sources of electricity generation.

The recent announcement that New Hope Coal will acquire Cockatoo Coal's share of the Northern Surat assets for \$25m (or 7c per resource tonne) is a reminder of the value contained within our own open cut assets within this high quality basin. The Range project contains 287Mt of high quality, low emission thermal coal and is potentially the most advanced northern Surat project outside Wandoan with its EIS completed and mining lease nearly ready for grant.

Port and Rail Infrastructure

The Company's options for rail and port infrastructure for its key projects such as Belview continue to improve as the coal market weakness extends. After financial year end, the Company's 5 Mtpa of capacity rights in the first expansion phase of the Wiggins Island Coal Export Terminal expired given the decision to put the expansion of the terminal on hold. The Company retains certain rights relating to recoupment of loaned amounts as a result of future expansions and could not justify continuing with the expansion at this time in the cycle given the poor coal and capital market environment.

Business Development Opportunities

Depressed short term market conditions present challenges but also opportunities as other organisations re-evaluate their portfolios and assets are rationalised. We are working hard to analyse ways to continue to strengthen the Company through any continued downturn by selectively adding to our asset base where acquisitions are logical for us and highly value accretive. We continue to pursue opportunities to expand the footprint of existing assets as well as acquisitions which would deliver the Company into production on a shorter timeframe.

Capital Management

The Company finished the year ended 30 June 2014 with \$17.8 million cash. As at the date of the AGM, the Company still holds in excess of \$17 million in cash. Our limited cash burn is due to our

third-party-funded exploration programs and careful cash management. Importantly the Company is debt free and, as stated earlier, has no take of pay obligations.

The Board is highly cognisant of the need to preserve capital to ensure we are in a position to capitalise on the strong long term outlook for coal and ultimately create real value for shareholders. In the Board's view this is best achieved through sensible further investment in the Company's projects and retaining a small, highly skilled management team to execute that strategy as well as pursuing selected growth opportunities where they demonstrate clear shareholder value. Through finding this balance, the Company will be in the best position to attract joint venture partners into its projects, on attractive terms. A recent reduction in head count ensures the team is appropriately resourced to deliver on the business strategy. The Board thanks the management team and staff for their loyalty and hard work over the last twelve months.

Outlook

The current cyclical lows in the coal market are driven by short-term oversupply while demand growth remains relatively robust. If the market price remains low, more mines will close and key investment decisions for new and replacement mines be delayed. As a result the next up-cycle may be more pronounced, as increasing regulatory constraints hinder the supply response. Thus we believe the seeds of the next cyclical upswing are being sown today.

The Company is firmly of the belief that coal will continue to play a vital role in the global market for many decades to come. In electricity generation, coal supplies approximately 41% of the world's needs as it is a reliable and very cheap form of base-load supply. In spite of massive government support for alternative energy forms, coal has been the fastest growing source of energy in the world every year for the past ten years. Coal is expected to play a very significant role in the development of emerging regions in the future. In the last three years India's coal use grew by 25%, and South East Asia's grew by 22%. These two important Asian regions host a combined population of over 1.8 billion people with per capita energy consumption levels that are only one eighth that of OECD countries, leaving substantial room for further growth.

There has been much debate recently about the future for coal consumption in China but I note 73% of China's 2014 energy generation is from coal and in the last three years coal usage in China has increased by 20%. The International Energy Agency recently released its World Energy Outlook which forecasts that in the five years to 2018 coal usage in China would increase by another 476Mt per annum, a figure greater than Australia's total annual exports.

Advanced nations such as Japan are facilitating the widespread adoption of best practice coal fired generation technology which will also play a role in the continued importance of coal. These nations are actively promoting these technologies and assisting developing nations with installation of high efficiency coal-fired power stations which consume less coal and therefore produce fewer emissions than their predecessors.

Whilst we are well funded, we will conserve our cash and invest in exploration, development and business development activities where we are confident they will add long term value to the business. At the right time we will seek to introduce joint venture partners and off-take customers to our projects to assist with project funding and development.

The Company has received a strong vote of confidence from its Japanese investment partners Taiheiyo and JOGMEC and wish to thank them for their continued support on the Belview and Clifford projects.

We of course would like to thank the shareholders of Stanmore Coal, for their continued support and encourage them to stay with the Company as it navigates difficult market conditions with the expectation of emerging as a stronger business as market conditions inevitably improve.

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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 2012 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.