



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2014

stanmorecoal

Additional

\$1.5 million

funding support provided by Japanese partners for the high quality Belview Project

Total of

6,439 m

of drilling during the quarter across Clifford and Belview Projects

Minimal net cash outflow for the quarter of only \$0.9 million. Strong closing balance of

\$17.2m

HIGHLIGHTS FROM

THE DECEMBER

QUARTER

During the quarter ended 31 December 2014, Stanmore Coal Limited (“Stanmore” or “the Company”) commenced follow-on drilling activities at the Clifford Project and secured an additional \$1.5 million grant for exploration at the Belview Project. These cash-neutral arrangements, coupled with a continued focus on cost control, enabled the Company to end the quarter with \$17.2 million cash at bank.

Importantly there were nil lost time injuries recorded during the quarter in which 5,355 hours of exploration was undertaken by contractors and employees of Stanmore. A total of 6,349 metres were drilled across 29 drill sites within the Clifford and Belview tenements.

Exploration continued at Clifford during the quarter in relation to the 2nd farmin period of the Joint Exploration Agreement¹ with the Japan Oil, Gas and Metals Exploration Corporation (“JOGMEC”). Over 40 open holes and 15 cored holes have been planned with a significant portion of these completed prior to the Christmas holiday period. The program is targeting the shallowest and most prospective zones within the project to delineate a number of potential JORC Resource areas. Drilling and laboratory analysis will continue in the March 2015 quarter.

The high quality coking coal Belview Project received a substantial show of support during the quarter as the Company secured a second tranche of exploration funding through relationship partners Taiheiyo Kouhatsu (“Taiheiyo”) and JOGMEC. The \$1.5 million grant will be applied to core drilling and laboratory analysis with the majority of on-site activities already completed to date. The final laboratory analysis is anticipated to support a JORC Indicated Resource which will underpin potential Pre Feasibility Studies in 2015. The exploration results and updated JORC Resource report are expected to be released 2Q 2015.

During the quarter, ordinary shares of the Company continued to decline in price off low trading volumes. As a result of shares trading at the implied cash-backing level, the Board announced an on-market buyback for up to 10% of the Company’s shares. The Board notes that a high volume of shares were traded post the quarter end but at the date of this report no shares have been purchased by the Company

under the buy-back. The substantial trading volume indicates a level of buying support for the shares at current depressed levels. The Board will continue to monitor trading in the Company’s ordinary shares.

Notable for the Australian coal industry during the quarter was the continued weakening of the Australian dollar against the US dollar. As a consequence the AUD price for hard coking coal has improved over the past 3 months (6% up in AUD terms) while currency changes have only partially offset the fall in thermal coal (2% down in AUD terms). Whilst not overly material for the industry as a whole, the depreciation of the Australian dollar provides some relief for those operating at the margin and could drive improved margins over time if the currency continues to fall.

Thermal coal has continued to decline as low value metallurgical coal products have been pushed onto lower indices, thereby creating increase supply. Overall the situation of oversupply has persisted despite the action of some to reduce production temporarily (ie Glencore holiday shutdown). Despite these events, the Company continues to see a strong future for thermal coal as a fundamental, cheap, base load supply of energy to the key Asian region as further sources of supply have been largely removed from the project pipeline. As demand catches up through continued steady growth the price will inevitably recover to levels that sustain high quality production from the key Australian regions.

The Board is cognisant of the need to manage and monitor overheads in order to maintain a low cost base during the current coal market downturn. The net cash outflow for the quarter was \$0.9 million, of which \$0.4 million is attributable to working capital timing differences for the Belview and Clifford exploration programs.

The Board would like to thank the shareholder base for continued support during this challenging phase in the resources cycle. Whilst the Company continues to closely manage costs, selected growth opportunities will be pursued where long term shareholder value can be enhanced. The Company remains strongly positioned with \$17.2 million cash at quarter end and no take or pay liabilities.

¹ Refer ASX announcement 20 December 2013

COAL IN THE NEWS

The number of news-article during the quarter related to government energy mix decisions which indicated a continued reliance on coal fired generation for the foreseeable future.

The full text of the below and other relevant coal market articles are accessible at our website and we encourage you to visit www.stanmorecoal.com.au to keep up to date with coal industry trends and information.

“In the United States, since 1970 industry has invested over \$100 billion in clean coal technologies, coal power generation has increased 170%, and the key emission rate for SO₂, NO_x and particulates has declined 90%”.

DR ROGER BEZDEK
ADVANCED ENERGY FOR LIFE

“Between 1990 and 2010, for every person who gained access to electricity thanks to renewable sources such as wind and solar, about four gained access due to hydro, six gained access due to natural gas, and 13 gained access due to coal”.

ROBERT BRYCE, SENIOR FELLOW MANHATTAN
INSTITUTE, OCTOBER 2014

“Most of the major power plants being built in the Philippines are coal-fired, as it is in the world’s two largest developing countries [e.g., China, India, etc.] and in neighboring Asean member- countries [e.g., Indonesia and Thailand]. Even developed countries in the region [e.g., Japan, South Korea, etc.] in fact continue to put up coal-fired power plants”.

PCCMI CHAIRMAN RUFINO BOMASANG
17 NOVEMBER 2014

“The market will begin to demand a higher risk premium to remain a buyer of Australian assets... by the end of 2015 we expect that the AUD will be trading at USD 0.74, and that in 2016, the prospects for a rebound look equally unlikely”.

ANZ RESEARCH
15 JANUARY 2015

PROJECT

SNAPSHOT

BELVIEW UNDERGROUND COKING COAL

- 342 Mt JORC Inferred Resource¹
- Additional \$1.5 million funding support provided by Taiheiyo Kouhatsu and JOGMEC to conduct further exploration
- Coal quality analysis work in 2014 confirms the project can produce a high quality coking coal plus secondary PCI product
- Studies planned for 2015 with a focus on reducing capital costs and developing initial mining options
- Mining Lease application (lodged in September 2013) is progressing with a focus on EIS requirements
- Located adjacent to Blackwater rail line which connects to the coal loading terminals of Gladstone

LILYVALE UNDERGROUND COKING COAL

- Historical geological data indicates the Project area hosts the German Creek seam at a typical coal thickness of 2.2-2.5m
- The region is not expected to be geologically complex and the German Creek seam is mined as a high quality coking coal in adjoining underground mines
 - Located close to an existing rail line that connects to an existing coal loading terminals

THE SURAT BASIN

- Substantial resource position established at The Range - 94 Mt JORC Marketable Reserve², 287 Mt total JORC Resource (18Mt Measured, 187 Mt Indicated + 82Mt Inferred)
- Recent acquisition by New Hope Group (Cockatoo Coal interest in northern Surat assets) indicates commercial potential of our strategic Surat Basin position
- JOGMEC funding at Clifford allows for substantial exploration activity. Current period expenditure likely to be in excess of \$1.5 million
- The Range EIS approved by the State and being progressed through Commonwealth approvals.
- No material level of expenditure required on the Range prior to development of rail infrastructure and decision to proceed.

BELVIEW

COKING COAL PROJECT

TENEMENTS

EPC 1114, 1186, MLA 80199

OWNERSHIP

100% Stanmore Coal

LOCATION

10 km south-east of Blackwater

AREA

170 km²

JORC INFERRED RESOURCE¹

342 Mt

During the quarter the Company announced it had secured an addition \$1.5 million of funding from Japanese partners Taiheiyō and JOGMEC. This follow on funding reaffirms their commitment to the project and its prospectivity.

As a result of this grant the Company drilled several partially cored holes in order to infill drill the deposit. This approach is primarily targeting an upgrade the JORC Resource which is currently 342Mt of Inferred. The balance of the drilling program and associated laboratory analysis will be completed in 1Q2015 with a market update anticipated for release in 2Q2015.

Early in 2014, coal quality testing was carried out with focus on the Castor and Pollux seams within the project area. The results of testing indicate that the HCC product will be a low volatile, low ash, low sulphur coking coal from the Rangal coal measures with a secondary PCI product with low sulphur, low volatile and a high calorific value. Additional coal quality data will

be obtained from the current exploration program.

The Mining Lease Application is progressing during this phase of drilling and monitoring, the outputs of which will valuable information to assist with several long lead items relating to the Environmental Impact Statement.

In 2015 the Company plans to undertake further studies with a focus on reducing capital and operating costs and evaluating initial mining options.

LILYVALE

COKING COAL PROJECT

TENEMENTS

EPC 1687, 2157

OWNERSHIP

85% Stanmore Coal, 15% Cape Coal

LOCATION

25 km north-east of Emerald

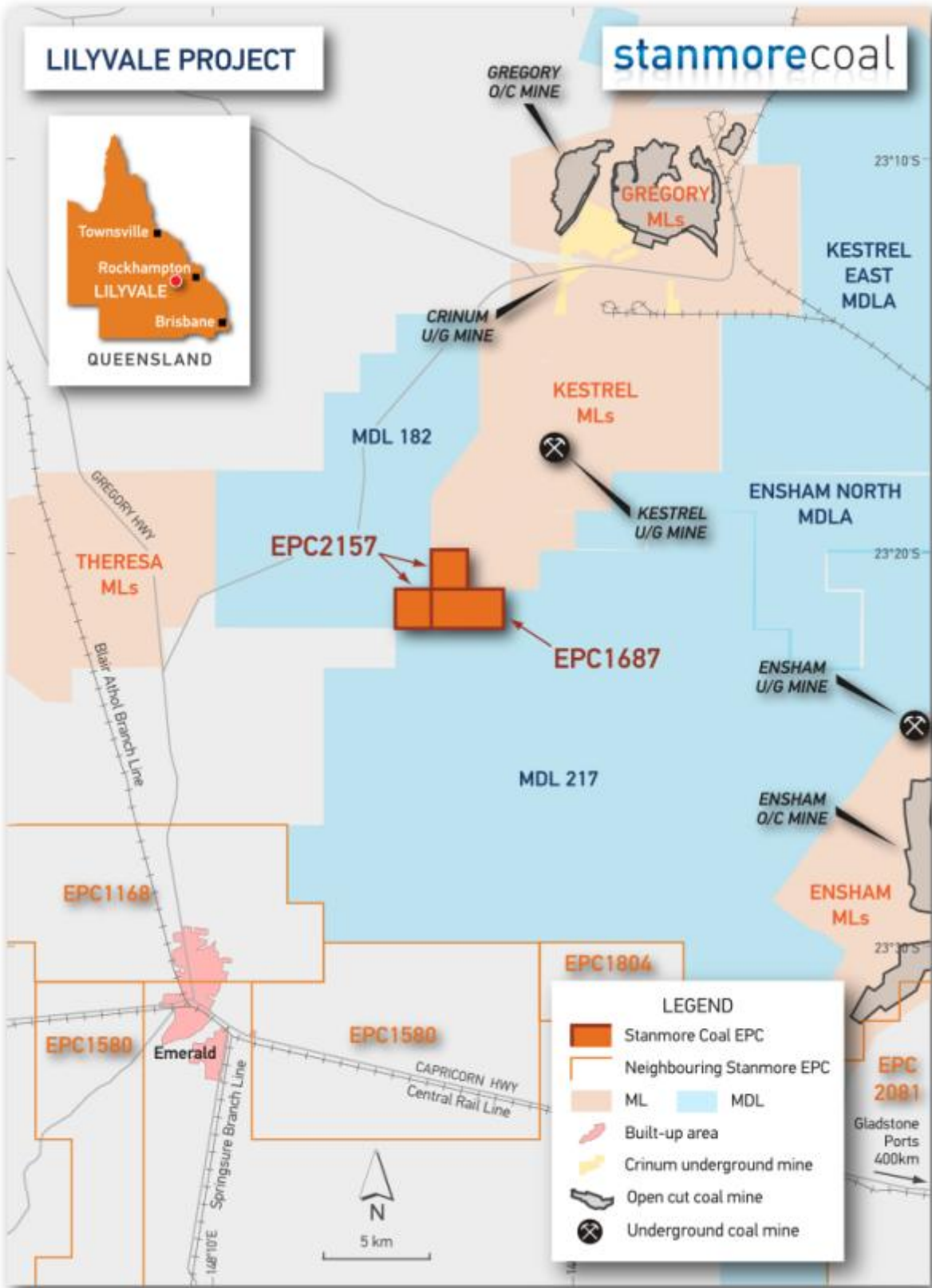
AREA

13 km²

The Lilyvale project is located 25 km north east of Emerald and is in close proximity to the operating Kestrel South and Gregory – Crinum coking coal mines. No work was carried out at Lilyvale during the quarter.

The German Creek (or Lilyvale) seam has been identified as potentially amenable to underground extraction based on depth and estimated seam thickness. This seam is presently mined as a high quality coking coal at the adjacent Kestrel and nearby Gregory - Crinum operations.

The Company continues to assess several contiguous expansion options for the project footprint which may provide the catalyst to undertake an exploration program in order to define a resource and carry out detailed coal quality analysis. As previously indicated the Company will continue to evaluate these opportunities and may consider introducing suitable funding partners at the appropriate time.



THE RANGE

THERMAL COAL PROJECT

TENEMENTS

EPC 1112, 2030, MLA 55001, 55009, 55010

OWNERSHIP

100% Stanmore Coal

LOCATION

24 km south-east of Wandoan (Surat Basin)

AREA

92 km²

JORC RESOURCE¹

287 Mt total high quality open pit thermal coal
(18 Mt Measured + 187 Mt Indicated + 82 Inferred Resource)

JORC MARKETABLE RESERVE²

94 Mt (included in the 287 Mt, Measured, Indicated and Inferred Resource
noted under JORC resource)

No material work was conducted at The Range during the December quarter.

A bankable feasibility study was completed in April 2013 which confirmed 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 190km rail link.

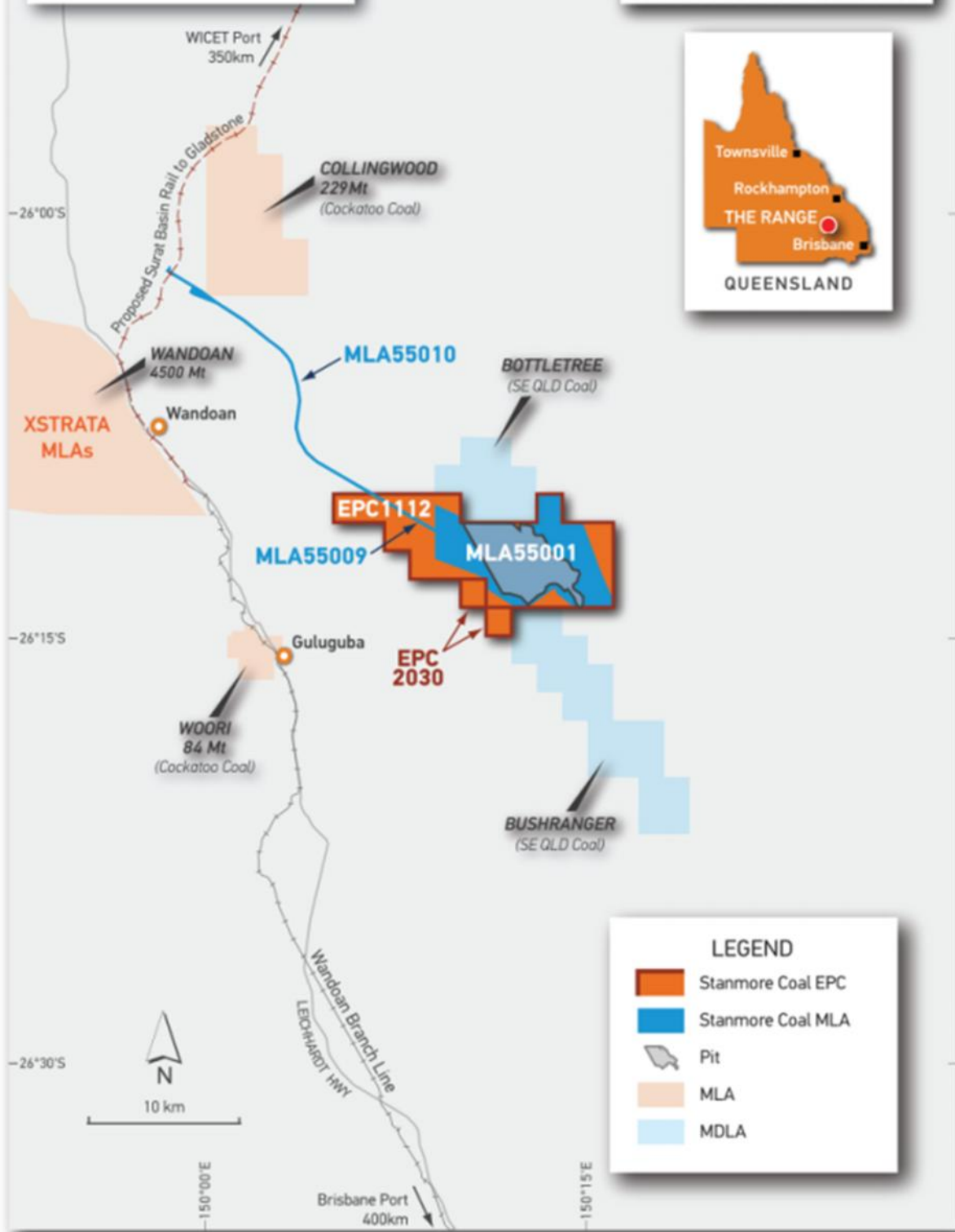
The Environmental Impact Statement ("EIS") was approved by the DEHP in February 2013

The New Hope Group transaction to acquire certain Surat Basin interest from Cockatoo is an indication of the commercial potential of the basin.

The Company has reduced ongoing costs to a minimum until there is clear visibility on the timing of a defined rail solution. The Company will continue with ongoing environmental monitoring and other minor on-site activities to maintain compliance with approvals. The project is strongly positioned to progress once a clear path to production can be realised.

THE RANGE PROJECT

stanmorecoal



CLIFFORD

THERMAL COAL PROJECT

TENEMENTS

EPC 1274, 1276

OWNERSHIP

100% Stanmore Coal (JOGMEC earn up to 40% economic interest)

LOCATION

24 km south-east of Wandoan (Surat Basin)

AREA

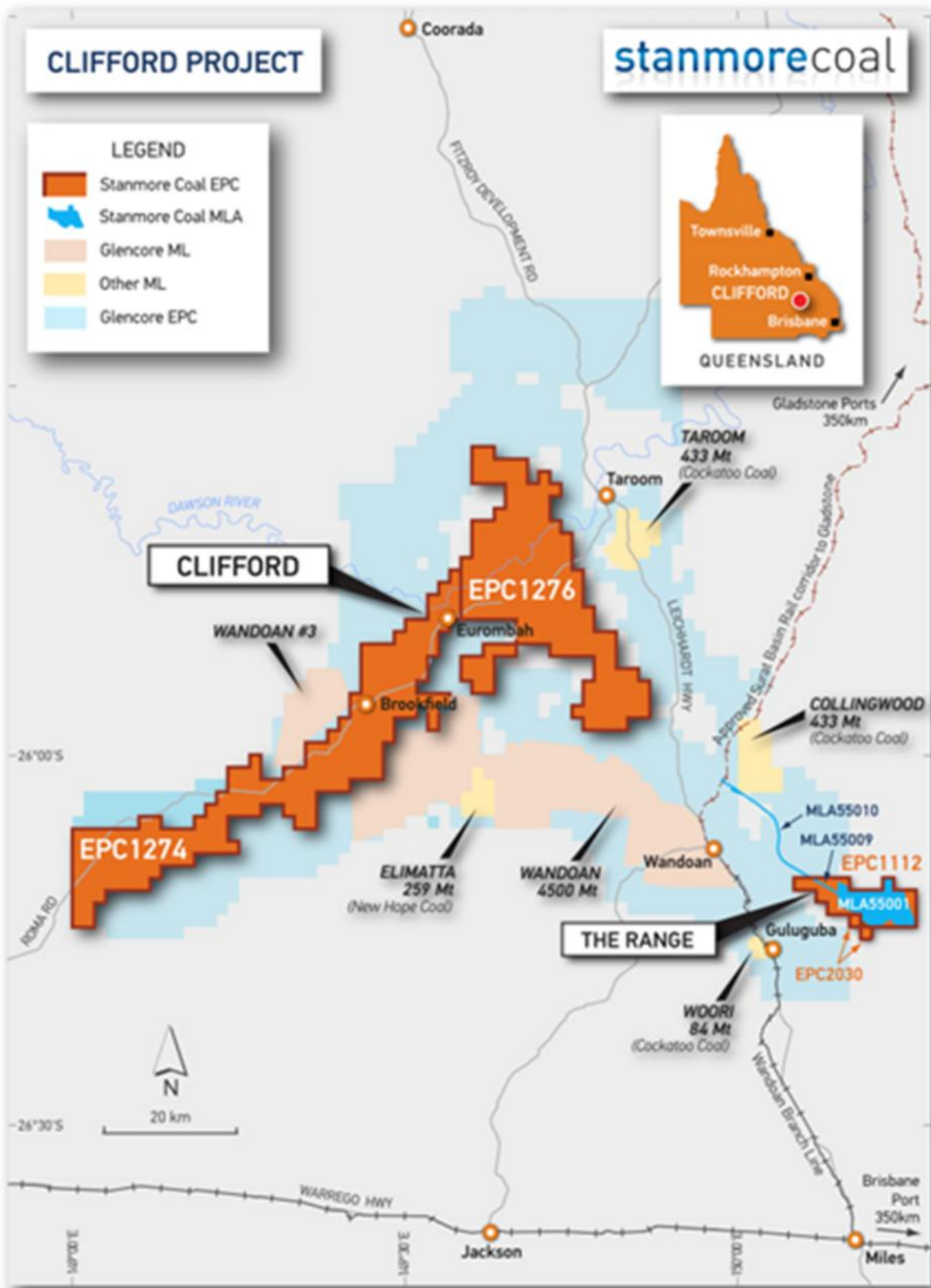
1,161 km²

The Company carried out a significant portion of the follow-on exploration during the quarter in partnership with JOGMEC². In this period 19 open holes and 4 core holes were completed despite several wet weather interruption incidents in December. The program is planned complete approximately 40 open holes and 15 core holes in aggregate, targeting the end of May 2015 for field and laboratory analysis. The Company anticipates an interim exploration update will be released to the market in 1Q2015.

As announced in September 2014, initial coal quality results from the project indicate the potential for a high energy, low ash export thermal coal. Some composites produced an energy content higher than the Newcastle thermal coal benchmark of 6,700kcal (air dried basis). Several sites produced over 10 metres of cumulative coal thickness which best indicative in-site strip ratios between 2.5:1 and 10:1 at depths shallower than 100 metres.

The Clifford Project (EPC 1274 and EPC 1276) is located within Queensland's highly prospective Surat Basin. Through a joint exploration initiative with Stanmore Coal, JOGMEC has an enhanced role in the development of a new, long term source of high quality thermal coal highly suitable for Japanese electricity generators. JOGMEC will provide up to \$4.5 million of funding for all of the planned exploration expenditure over three years within the Clifford Project area.

² Refer Joint Exploration Agreement ASX announcement 20 December 2013



SCHEDULE OF TENEMENTS

AS AT 31 DECEMBER 2014

Project	Tenement Number	Status	Beneficial Interest Held
The Range Surat Basin, QLD	MLA 55001	Applied 3/11/10	n/a
	MLA 55009	Applied 30/1/12	n/a
	MLA 55010	Applied 30/1/12	n/a
	EPC 1112	Granted	100%
	EPC 2030	Granted	100%
Belview Bowen Basin, QLD	MLA80199	Applied 4/9/13	n/a
	EPC 1186	Granted	100%
	EPC 1114	Granted	100%
	EPC 1798	Transfer pending*	Transfer pending*
Lilyvale Bowen Basin, QLD	EPC 1687	Granted	85%
	EPC 2157	Granted	85%
Clifford Surat Basin, QLD	EPC 1274	Granted	100%
	EPC 1276	Granted	100%
Mackenzie Bowen Basin, QLD	EPC 2081	Granted	95%
Tennyson Bowen Basin, QLD	EPC 1168	Granted	100%
	EPC 1580	Granted	100%
New Cambria Bowen Basin, QLD	EPC 1113	Granted	100%
	EPC 2371	Granted	100%
	EPC 2039	Granted	100%
Iron Pot Creek Bowen Basin, QLD	EPC 1545	Granted	100%
	EPC 1567	Granted	100%
Kerlong Bowen Basin, QLD	EPC 1552	Granted	100%
	EPC 1769	Granted	100%
	EPC 2176	Granted	100%
Yamala North Bowen Basin, QLD	EPC 1804	Granted	100%
Ten Mile Creek Bowen Basin, QLD	EPC 1627	Granted	100%

* During the quarter Stanmore agreed to acquire EPC 1798 for nominal consideration. At time of writing the transaction is still with the DNRM for approval.

CONTACTS

AND NOTES

For further information, please contact:

Mr Nick Jorss – Managing Director
07 3238 1000

Mr Andrew Roach – Company Secretary
07 3238 1000

NOTE 1: 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 a 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.

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 2: MARKETABLE RESERVES NOTE

The Marketable Coal Reserve of 94 Mt is derived from a JORC compliant run of mine (ROM) Coal Reserve of 117.5 Mt based on a 14.8% ash product and predicted yield of 80%. The 94 Mt Marketable Reserve is included in the 287 Mt total JORC Resource (18 Mt Measured + 187 Mt Indicated + 82 Mt Inferred Resource).

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.

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