



ASX announcement

1 July 2015

Stanmore acquires the Wotonga coking coal deposit in the Bowen Basin

Highlights

- Stanmore has acquired the Wotonga coking coal deposit contained within Mineral Development Licence (MDL) 135 and a portion of MDL 137 for \$2 million in up-front cash and additional deferred consideration
- The deposit is extensively drilled, with 197 rotary and 14 cored holes within the lease area
- The Leichhardt seam sub-crops at shallow depths, resulting in attractive in-situ strip ratios within the western and central regions of the deposit (starting from under 5:1)
- The coal quality characteristics indicate that Wotonga is likely to produce a medium volatile coking primary product with secondary coking or thermal products, resulting in a high total product value
- The acquisition provides Stanmore with a strategic platform for development given the numerous proximate infrastructure options

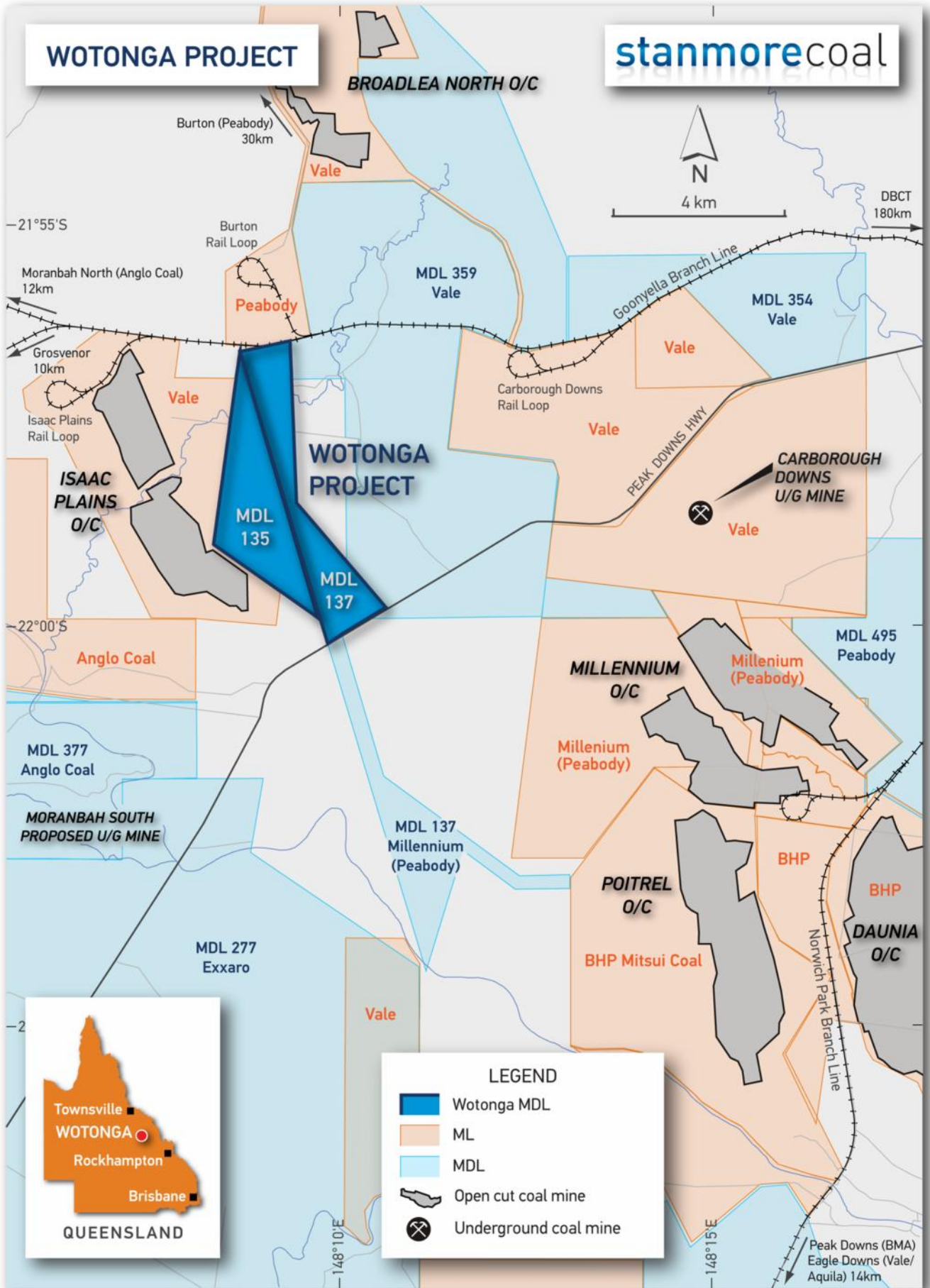
Stanmore Coal Limited (“Stanmore” or “the Company”) has agreed to purchase MDL 135 and the rights to a portion of MDL 137 (“Wotonga” or “the Project”) from Millennium Coal Pty Ltd (a Peabody Energy Australia subsidiary). The total consideration is \$7 million which is comprised of an upfront cash payment of \$2 million and two additional deferred payment mechanisms - \$2 million upon grant of a Mining Lease (ML) and \$3 million payable as a \$1 royalty per tonne sold. The upfront consideration will be funded from existing Stanmore cash reserves with future payments subject to development milestones of the Project.

Project location

The Project is located approximately 10km east of Moranbah and 140km southwest of Mackay within the Bowen Basin of Queensland. It is adjacent to the Peak Downs Highway and immediately to the south of the Goonyella rail branch which connects the Project to the Dalrymple Bay Coal Terminal (DBCT).

The area around Moranbah is a prime coking coal region within the Bowen Basin, with a number of nearby operating mines owned by significant players (refer Map 1). The region is serviced by the coal ports of DBCT and the Hay Point Coal Terminal (BMA) near Mackay. Wotonga is well positioned for infrastructure with three existing rail loading facilities located within 7km of the deposit. The Company is currently assessing a number of potential infrastructure solutions for the deposit.

Map 1: Regional locality of Wotonga



Historical exploration and geological modelling

The geological model for Wotonga contains 211 drill holes within the Project area. Of these, 14 holes are core holes which contain coal quality data. Exploration was primarily conducted during the period 1970 to 1982. A 2002 JORC Resource statement was conducted when the deposit was owned by BHP Mitsui Coal Pty Ltd. This report estimated 14.5 Mt of open cut Indicated Resource to a 90m depth cutoff within the Leichardt seam, based on the applicable JORC code at that time. Additional extensions down dip and the prospectivity of the underlying Vermont seam were not assessed at the time.

Whilst the close centred historical drilling provides considerable geological certainty about the deposit, the drilling occurred without the now-accepted practice of complementary geophysical logging, and as such it is not possible for a Competent Person to establish a JORC Resource or Reserve within the Project under current 2012 JORC standards. Stanmore's intention is to complete confirmatory drilling within 12 months of completion to verify existing data points. It is expected that this will result in the establishment of a JORC Resource within the Project area.

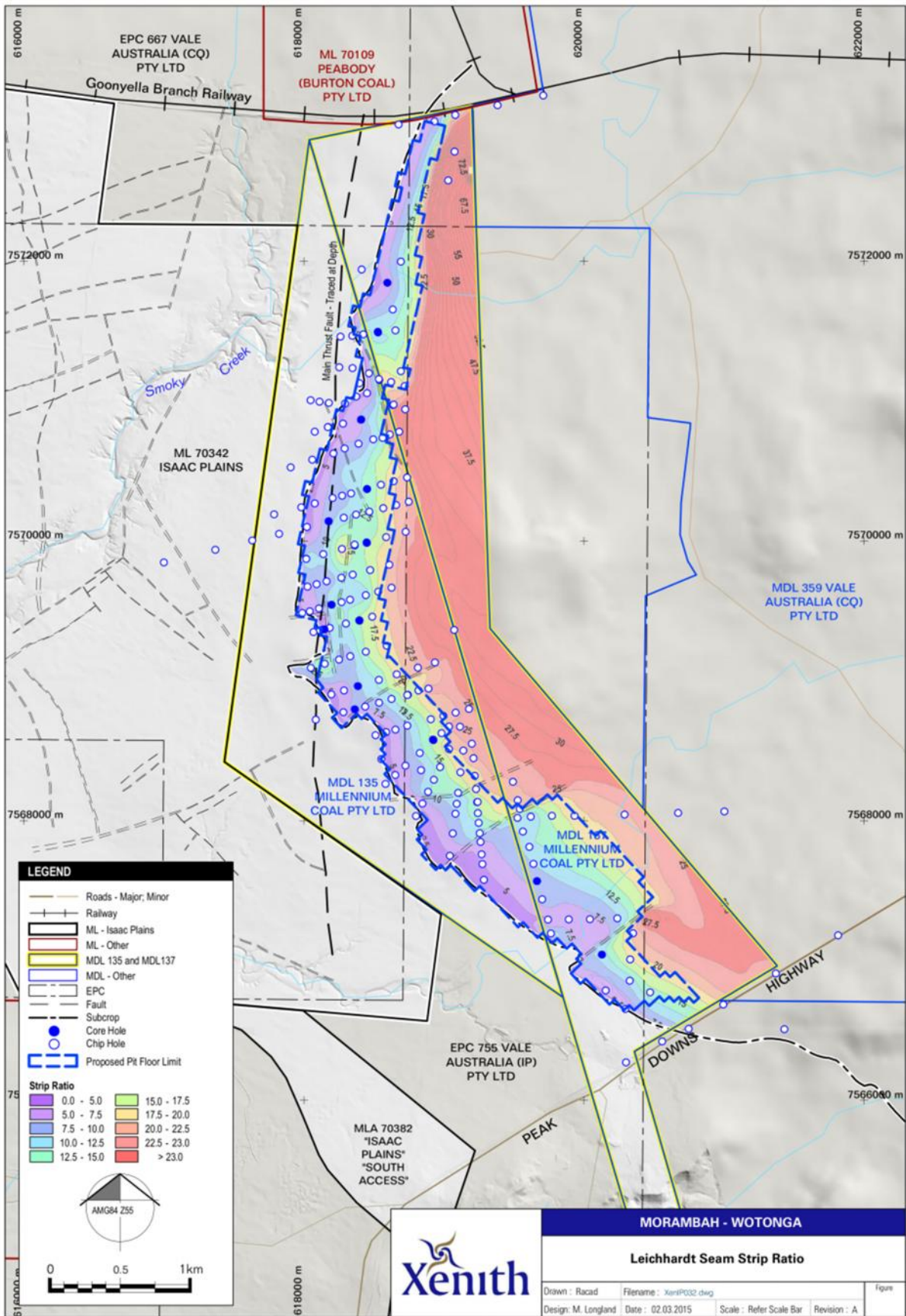
The coal seams are shallowest in the western area of the Project given the significant Burton Range thrust fault which runs regionally in a north south direction, between Isaac Plains and the Project. The thrust fault is east over west, elevating the coal measures to surface outcrop. The depth to base of weathering averages 21m with the coal measures dipping to the east at 6-7 degrees.

The main target within the Project is the Leichhardt seam which averages 2.8m in thickness and is mined extensively in the region as a coking coal. The Vermont seam is also present within the Project. The Vermont seam typically lies 15-20m below the Leichhardt seam at an average thickness of 0.95m. The Wotonga area is located within a syncline that plunges in an east north-east direction.

The in-situ strip ratio to the Leichhardt seam is less than 5:1 in the western areas of the Project given the coal seam sub-crops at the base of weathering. Further exploration drilling and mine planning will develop the run of mine strip ratio plots which will guide Stanmore's development plan for the Project.

The following map illustrates the interpretation of the Leichhardt seam in-situ strip ratio.

Map 2: Strip ratio to Leichhardt seam¹



¹ Assumed relative density of 1.4

Coal quality

The available coal quality data supports the likely production of a washed coking coal, with either a PCI coal or high-energy thermal coal as a co-product. The relatively low raw coal ash indicates potential for a high overall preparation plant yield.

M Resources Pty Ltd has reviewed the coal quality data. Based on the historical data, preliminary indications are that a washed coking coal from Wotonga would be classed as a mid-volatile bituminous coking coal, displaying the following key properties:

- Ash (ad) 8-9 %
- Volatile matter (ad) 25-26%
- Total sulphur (ad) 0.45 %
- CSN 5 - 7
- Phosphorus (ad) 0.06 - 0.08 %

Similar product coal is produced from nearby mines extracting Leichhardt seam coal such as Poitrel, Daunia, Millennium, Carborough Downs and Isaac Plains. The metallurgical coal users of north Asia are the main customers for these coals, for both coke blending and blast furnace injection.

A PCI or thermal coal middlings fraction is usually produced simultaneously with a coking coal from the Leichhardt seam. These products are readily saleable and increase the overall saleable coal yield.

Key transaction terms and conditions precedent

The total consideration of \$7 million is comprised of the following components:

- A \$2 million cash payment upon completion;
- A \$2 million cash payment upon grant of any ML within the Project; and
- A \$3 million royalty payment, payable as \$1 per sold tonne for all coal that is mined from within the Project

The main conditions precedent which, once satisfied, will allow completion of the transaction, include:

- Foreign Investment Review Board (FIRB) approval;
- customary Ministerial and State Government approvals; and
- acceding to a pre-existing royalty obligation in respect of the Project (which is not anticipated to be triggered by Stanmore).

Transaction completion is anticipated to occur by 31 August 2015.

Nick Jorss, Stanmore's Managing Director said, "The acquisition of the Wotonga deposit provides Stanmore with a high quality coking coal development asset with near term production opportunities.

"Wotonga is very well located in the heart of the Bowen Basin coal district of Moranbah with eight significant operating coking coal mines within a 20km radius. We are assessing a number of infrastructure options for Wotonga which may provide for fast-tracked development of the deposit. Wotonga provides an attractive, low strip ratio, coking coal deposit for development by Stanmore under what we believe will be rising metallurgical coal market conditions."

"The current severe coal market downturn is providing a number of expansion opportunities for assessment. Wotonga fits well with our strategic direction as we seek to grow into a significant independent coal producer focussed on exporting high quality, low emission coal. We continue to assess additional opportunities to grow the business in a disciplined manner consistent with our strategic goals as we look to create long term shareholder value."

On behalf of the Board



Andrew Roach

Company Secretary

For further information, please contact:

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Note 1: Competent Persons Statement

The information in this report relating to the Wotonga historical data and coal resources is based on information reviewed 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.

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