



# ASX announcement

17 December 2015

## Restart of Isaac Plains – Award of Mining Contract

### Highlights

- Stanmore has awarded a three (3) year mining contract to Golding Contractors for the restart of the Isaac Plains Coking Coal Mine
- Mine restart on track for 1H 2016 producing at least 1.1 million tonnes per annum over three years
- Revised operating costs place the Isaac Plains Mine in the 2nd quartile of a margin-adjusted global metallurgical coal cost curve<sup>1</sup>
- Stanmore is well funded for the restart of Isaac Plains with projected cash and outstanding vendor payments of \$18m at steady state production in June 2016, plus an undrawn working capital facility of \$17m
- Operations to be undertaken by Golding have been optimised at a lower annual tonnage than the historic target to reflect a reduction in infrastructure take-or-pay commitments
- Stanmore's low cost approach and optimised Mine plan result in a FOB<sup>2</sup> unit cost reduction of around 35% largely due to maximising the use of the low cost dragline system and targeting the lower strip ratio coal in the northern pits only<sup>3</sup>
- The potential to further optimise the Mine plan is being jointly investigated by Golding and Stanmore

The Board of Stanmore Coal Limited (**Stanmore** or the **Company**) is pleased to announce that the Company has awarded the mining services and coal preparation contract to Golding Contractors Pty Ltd (**Golding**) for the Isaac Plains Coal Mine (**Isaac Plains** or the **Mine**).

<sup>1</sup> Wood Mackenzie Global Coal Service and Stanmore Coal analysis

<sup>2</sup> Free On Board

<sup>3</sup> Compared to prior operations at the Mine

Managing Director, Nick Jorss said, “Challenging commodity markets have presented an exceptional opportunity for Stanmore and in early 2016 we will become an independent producer of high quality coking coal for export to the steel industry in the region.”

“We are on track for Stanmore’s first coal shipment from Isaac Plains in April 2016, benefiting shareholders and creating approximately 150 new jobs in the Moranbah region. Reopening the Mine will also restart the flow of over \$7 million a year in royalties to the State of Queensland in addition to other State and Federal taxes”.

Stanmore is fully funded to commence production with existing cash reserves, significant vendor payments and a US\$42 million, two-year interest facility provided by Taurus Mining Finance Fund to cover financial guarantees and contingent working capital if required.

After a competitive tender process spanning 5 months, Golding was selected based on an all-inclusive pricing structure which categorises activities into three operational areas, being waste removal, coal mining and coal processing. Stanmore remains responsible for the provision of certain principal supplied plant (e.g. dragline and wash plant) and certain services (e.g. power, water and accommodation). Golding will take on full site responsibilities including statutory positions (Coal Mine Operator (CMO) and Site Senior Executive (SSE)), operation of Stanmore’s dragline, supply of truck & shovel and ancillary equipment, hire of operational personnel and plant maintenance amongst other things.

In relation to the wash plant activities, Golding will engage an experienced subcontractor to provide operational expertise and personnel.

The new Mine plan results in unit FOB cost reductions of around 35% relative to recent Mine performance due to:

- An optimised Mine plan at a lower throughput which maximises the use of the dragline relative to truck and shovel for overburden removal;
- Mining lower strip ratio coal in the northern pits only;
- Competitive mining contractor and coal handling and preparation plant (CHPP) costs in the current marketing environment; and
- Low overheads.

Chairman, Neville Sneddon said, “The acquisition of Isaac Plains for a nominal sum gives us a fully equipped coking coal mine with three years of mine life at current prices. It comes with over \$350m of plant and equipment including a dragline and wash plant with excess capacity. Combining this with our adjacent Isaac Plains East deposit has created a low cost, long term coking coal mine utilising the existing Isaac Plains infrastructure without the need for any material capital expenditure.”

“The current market conditions provide significant opportunities for Stanmore. We are well positioned to continue our growth into a substantial independent coking coal producer with high quality assets and a low cost approach at a cyclical low point in the market.”

### **ABOUT GOLDING (MINING CONTRACTOR)**

Golding is a long established Queensland based company which undertakes mining services, civil infrastructure projects and land developments throughout Australia. Golding has significant coal mining experience in Queensland with current and recent work in this sector including:

- CS Energy Kogan Creek Mine (11 year contract from 2006). Golding also holds statutory responsibility for the site as CMO and SSE;
- Wesfarmers Curragh mine overburden removal contract; and
- Various contracts for BHP Billiton Mitsubishi Alliance (BMA) Gregory, BMA Blackwater and Ensham mines.

### **CONTRACTING APPROACH**

Golding will be appointed as head contractor and CMO. Golding will be responsible for all site activities including:

- Blasting, overburden removal, coal mining, coal processing, train load out and overall responsibility of the Mine site;
- Provision of the truck and shovel fleet, ancillary equipment, and operational personnel; and
- Operations at the CHPP to be managed by an experienced subcontractor to Golding.

Golding will be paid on an all-inclusive basis, which requires the contractor to assume certain efficiency and operational risks to execute the Mine plan. Rates will be based on the following rolled-up services:

- Waste rate (\$/bcm<sup>4</sup>) covering blasting and all overburden removal. Golding will operate and maintain Stanmore’s dragline as part of their overburden operations;

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<sup>4</sup> Bank cubic metre

- Coal mining rate (\$/bcm) covering mining and transport to the CHPP utilising Golding fleet; and
- Processing rate (\$/ROM<sup>5</sup> tonne) covering operation of the CHPP and train load-out managed by an experienced Golding subcontractor with small fleet provided and operated by Golding.

The contract at Isaac Plains is for a term of 3 years, producing 3.3 million tonnes of product coal over the term. The contract provides Stanmore with various protections in order to manage certain fixed costs that are necessary to run the Mine and includes incentives and penalties to encourage maximisation of coal recovery. The mining services contract provides Stanmore with the flexibility to amend the Mine plan to access Isaac Plains East within the contract term.

On behalf of the Board

Andrew Roach

Company Secretary

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<sup>5</sup> Run of mine

**For further information, please contact:**

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**Mr Andrew Roach**  
Chief Financial Officer &  
Company Secretary  
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**About Stanmore Coal Limited (ASX code: SMR)**

Stanmore Coal is a growth focused coal mining company with a number of prospective coal projects and mining assets within Queensland's Bowen and Surat Basins. Stanmore Coal owns 100% of the Isaac Plains Coal Mine and the adjoining Isaac Plains East Project and is focused on the creation of shareholder value via the prudent operation of Isaac Plains and identification of further development opportunities. Stanmore continues to progress its prospective thermal coal assets in the Northern Surat Basin which will prove to be valuable as the demand for high quality, low impurity thermal coal grows at a global level. Stanmore's focus is on the prime coal bearing regions of the east coast of Australia.

**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.

The information in this report relating to coal reserves for Isaac Plains is based on information compiled by Mr Ken Hill who is a full-time employee of Xenith Consulting Pty Ltd. Mr Hill is the Managing Director of Xenith Consulting Pty Ltd, is a qualified civil engineer, a member 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 2012 Edition)". Mr Hill 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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