



Chairman's Address to AGM and Director Resignation – V Forbes

The last twelve months have been transformational for the Company with the re-opening of the Isaac Plains Coal Mine leading to our first export coal sale as a Company. The export coal market has also moved favourably for the Company in recent months with almost unprecedented strength since August this year. The Company is well positioned to capitalise on this price strength that few in the industry predicted.

The Company's share price has strengthened along with key milestones at Isaac Plains and the coal price, rising from below 20 cents per share this time last year to trading above 60 cents in the last 2 months. The Board acknowledges further work is required to unlock full value for shareholders from the internal and external opportunities available to the Company.

Safety

During the year ended 30 June 2016, the Company, both directly and through its contractors, completed over one hundred and seventy thousand hours of operating and exploration activity, reporting a nil lost time injury frequency rate for the year. The Total Reportable Injury Frequency Rate was 5.3 per million hours. Given the transition from explorer to producer during the year this is an excellent safety performance.

Isaac Plains Coal Mine

Following completion of the acquisition in November 2015 there have been a number of key milestones achieved by the Company in a short period of time. First overburden was mined in February; first product coal produced in April; and first coal loaded for export sale in May; within 6 months of completion.

In parallel with recommencement of mining key term contracts were established with some of the largest steel mills in Asia, providing a level of support to the operations at a time when spot or index market prices were lower than benchmark prices. 900 thousand tonnes

of semi-soft coking coal was contracted for the first year of operating with the balance of production being thermal coal.

In June the Company also commenced highwall mining through a specialist contractor within a disused southern pit of the mine. The highwall miner targeted an area that was otherwise uneconomic for open cut extraction and delivered around 220 thousand tonnes of run-of-mine coal through to contract end in early November 2016. This total fell short of the initial plan for 300 thousand tonnes, as highwall operations were impacted adversely by wet weather in the September quarter and machine reliability issues.

The open-cut mine has not been without its challenges. Overall open-cut production to date has been below plan due to changes in the mining path and minor weather timing impacts, however open-cut production remains in line with previous guidance for FY17. Wet weather events have impacted production at a number of mines in the Bowen Basin with unseasonal high rainfall experienced over winter. Stanmore and the principal contractor are in discussions on a revised mining schedule to account for changes to mining path and also consider accelerated pre-strip activities in FY17 to improve working areas and dragline system efficiency over the remaining life of the contract.

Isaac Plains East Extension

The approvals path for Isaac Plains East remains a critical focus for the Company. The lower strip ratio compared to the operating Isaac Plains mine and improved coal quality characteristics underscore the importance of this mine extension irrespective of the coal price. The next six months contains several key stage gates for the approval process and the Company is working diligently with relevant government departments and stakeholders to obtain licensing within the shortest reasonable timeframe. A further exploration program is commencing at Isaac Plains East this month to provide improved confidence around known fault zones and refine pit shell design elements.

Isaac Plains Underground Expansion

Whilst the open cut extension to the east of Isaac Plains remains a key priority for the Company, further investigation and analysis is also being undertaken on the potential bord & pillar underground operation within the eastern portion of the Isaac Plains mining lease. If the underground was to proceed in the coming years it would likely serve as incremental production to open cut operations given the capacity for these activities to be undertaken simultaneously.

Other portfolio projects

Exploration at the Clifford Project continued in the last 12 months in partnership with JOGMEC. The farm-in is anticipated to complete early next year with JOGMEC having invested approximately \$4.5 million over 3 years to earn its 40% interest in the project. A concept study is underway with the findings to guide the next development step for the project.

In light of the current coal market, the Company is undertaking a review of its portfolio assets to ascertain appropriate development strategies for each. The Company will assess a range of potential options with respect to maximising value for our shareholders.

Business Development Opportunities

In respect of the Isaac Plains Complex the Company is assessing a number of options including the potential introduction of a joint venture partner. These discussions are still early stage and conceptual with a broader process anticipated in calendar 2017.

The Company remains committed to pursuing acquisition opportunities that have operational or infrastructure synergies with the Isaac Plains Complex. In addition the company will continue assess realistically attainable assets with premium coal quality over the medium term.

Board changes

Earlier this month the Company officially welcomed Dan Clifford as the new Managing Director of Stanmore Coal. Dan brings with him a wealth of operational and development experience from a range of companies with key management roles for both open cut and underground operations. Dan has made a smooth transition in his first few weeks with the Company and the Board is looking forward to supporting Dan during this exciting phase for the industry.

Mr Nick Jorss, the former Managing Director of the Company, recently resigned from his Board and executive positions to pursue other business interests. Nick will continue to assist Dan with the transition over the coming months and remains a significant shareholder in the Company.

Also Mr Viv Forbes has today tendered his resignation from his role as a non-executive director of the Company. I would like to thank on behalf of the Board both Nick and Viv for their significant contributions to the Company.

Capital management

The Company has transitioned from the re-commencement phase of mining through to steady-state at a time when coal prices have increased significantly. The management of working capital has been challenging in recent months due to some variability in shipping schedules and the nature of our semi soft coking coal contracts whereby carry-over tonnes need to be delivered before the price resets to the latest quarterly benchmark. The recent months have therefore been the tightest for the Company resulting in the drawdown of USD 6 million from the Taurus working capital facility.

The key milestones achieved at site have been undertaken in a professional and diligent manner by our team and I wish to congratulate each team member for this significant period for the business. The Board thanks the management team and staff for their continued loyalty and hard work over the last twelve months through the very rapid start-up phase.

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 looks to build into a significant independent coking coal producer.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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ABOUT STANMORE COAL LIMITED (ASX CODE: SMR)

Stanmore Coal is an operating coal mining company with a number of additional 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 efficient operation of Isaac Plains and identification of further local development opportunities. Stanmore continues to progress its prospective high quality 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.

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