

stanmorecoal

Quarterly activities report

for the period ended 30 September 2013



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QUARTERLY OVERVIEW

During the quarter Stanmore Coal Limited (“Stanmore Coal” or “the Company”) announced it had submitted a Mining Lease Application over the Belview Project in conjunction with a material JORC Resource upgrade for the Belview Project.

The lodgement of the Mining Lease Application is a significant step in the planning and approval process for the Belview Project and demonstrates the Company’s intention to develop this high quality underground coking coal asset. The Belview Coal Project now has a 322 Mt JORC inferred resource base and preliminary coal quality analysis confirms the ability to produce a coking coal and secondary PCI product.

The Board of Directors and Management are positive about the Company’s prospects underpinned by:

- a diversified portfolio of high quality coking and export thermal coal projects;
- a large resource base of coking and thermal coal;
- a strong closing cash position at 30 September 2013 of \$20 million; and
- no take or pay liabilities for rail or port access.

The Company’s JORC Resource summary at 30 September 2013 is shown in the table below.

Stanmore Coal believes that the long term fundamentals of both the coking and thermal coal markets are robust, based on an expectation of improved long term demand for high quality coal in fast growing regional economies including India, China and South East Asia as well as the traditional markets of Japan and Korea. The Company’s diversified portfolio of development and exploration projects puts it in a strong position to benefit as coal markets recover. Whilst current prices remain below the peaks achieved in the past few years, there has been some upturn in spot trading and contract settlements particularly for coking coal. The

PROJECT	COAL TYPE	JORC MARKETABLE COAL RESERVE ¹	JORC RECOVERABLE COAL RESERVE ¹	JORC MEASURED RESOURCE ¹
The Range	Thermal	94.2	117.5	18.0
Mackenzie	Coking	-	-	-
Belview	Coking	-	-	-
Tennyson	Thermal/Coking	-	-	-
Clifford	Thermal	-	-	-
Totals		94.2	117.5	18.0

Company continues to be of the belief that the current downturn in the commodity cycle presents an excellent opportunity to reduce the capital and operating costs of the Company's projects and to prudently expand the business within an environment of realistic asset prices.

The Company notes the recent positive actions of the Queensland State Government with respect to the agreement with the Commonwealth Government to streamline the major project approval process in October. Also in October the Department of Natural Resources and Mines announced a commitment to improve the approval timetable for exploration work programs. These actions will greatly assist junior coal explorers and are a strong indication of the State Government's desire to make Queensland an attractive environment for resource investors.

Management continues its comprehensive review of the capital cost estimates for the Belview Project and believes that material capital savings can be achieved through improved contractor pricing and the selective application of off-

balance sheet finance. Reducing project capital costs to the lowest possible level will improve the Company's prospects of attracting strategic project partners and procuring construction funding.

In light of current market conditions, the Company is focusing its expenditure on exploration and development activities which will demonstrate strong project economics, such as the Belview Project, to maximise the likelihood of attracting strategic project partners. The Company continues to review overhead expenditure and maintain its cash reserves whilst remaining sufficiently resourced to respond to opportunities and react when market conditions inevitably improve.

The Company remains well funded on a relative basis to its peers and has no material financial commitments, or take or pay obligations with respect to rail or port access. Stanmore Coal has significant flexibility in respect of the timing of delivering its projects and introducing strategic project partners.

JORC INDICATED RESOURCE ¹	JORC INFERRED RESOURCE ¹	TOTAL JORC RESOURCE ¹	ADDITIONAL EXPLORATION TARGET ²	
			LOW	HIGH
187.0	82.0	287.0	45	80
25.7	117.5	143.2	-	-
-	322.0	322.0	204	306
-	161.0	161.0	65	120
-	-	-	130	195
212.7	682.5	913.2	444	701

COAL IN THE NEWS

The new Stanmore Coal website (www.stanmorecoal.com.au) provides a new platform through which the Company will improve the quality and frequency of its communication with shareholders and other stakeholders.

Through the Stanmore Coal website we now report important domestic and global coal industry news and other articles. We encourage you to visit the website and keep updated with these industry trends, but have summarised key messages from a selection of articles during the last quarter below:

“Japan plans to start up 14 new gas and coal-fired power plants by the end of 2014, allowing a switch away from pricey oil, as Tokyo struggles with a shutdown of nuclear reactors and energy imports drive a record trade deficit”

REUTERS, 16 OCTOBER 2013

“Coal will replace natural gas as the dominant fuel for producing electricity in Southeast Asia as the region almost doubles its energy consumption in the next two decades, according to the International Energy Agency ... Coal is emerging as the fuel of choice because of its relative abundance and affordability in the region”

REUTERS, 2 OCTOBER 2013

“The next set of mines to get the go ahead I expect will be from small to medium sized companies. ... new players like Bandanna Energy and Stanmore Coal are getting closer to the starter’s gun on new projects ... they are taking very seriously the signals from the state government on things like co-existence with agriculture ... they are also designing their mines with cost structures that could withstand the current climate”

MICHAEL ROCHE, CEO QUEENSLAND
RESOURCES COUNCIL, 6 AUGUST 2013

“Coal will surpass oil as the key fuel for the global economy by 2020 ... Rising demand in China and India will push coal past oil as the two Asian powerhouses will need to rely on the comparatively cheaper fuel to power their economies”

WOOD MACKENZIE, 14 OCTOBER 2013

PROJECT SNAPSHOT

PROJECT	STATUS
Belview Underground Coking Coal	<ul style="list-style-type: none"> • 322 Mt JORC Inferred Resource and a further significant exploration target of 204–306 Mt • Preliminary coal quality analysis indicates the project can produce a high quality coking coal plus secondary PCI product • Work underway to reduce capital costs in light of market conditions • Pre-feasibility study planned for 2014
The Range Open Cut Thermal Coal	<ul style="list-style-type: none"> • Attractive economics under both owner operator and contractor cases demonstrated in Feasibility Study completed in April 2013 • 94 Mt JORC Marketable Reserve¹, 287 Mt Total JORC Resource (18 Mt Measured, 187 Mt Indicated + 82 Mt Inferred) • Well defined geology supporting the development of a 5 Mtpa (product coal) low strip ratio open cut mine (330 holes in the deposit) • High energy low emission coal well suited to Asian markets • EIS approved by the State and is awaiting Federal approval • Mining lease grant expected in calendar 2014 • Further opportunity to reduce capital costs in light of market conditions • No material level of expenditure required prior to decision to proceed
Lilyvale (previously Theresa Creek) Underground Coking Coal	<ul style="list-style-type: none"> • Historical geological data indicates the project area hosts the German Creek seam at a typical coal thickness of 2.2–2.5 m • 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 • Initial drilling and concept study planned for calendar 2014 • Close to existing infrastructure
Clifford Open Cut Thermal Coal	<ul style="list-style-type: none"> • Large tenement area with the potential to host a substantial thermal coal deposit suitable for open cut mining • Initial scout drilling program completed, some follow up drilling of encouraging drilling targets planned • Potential synergies with The Range
Tennyson Underground Thermal Coal	<ul style="list-style-type: none"> • Maiden JORC Inferred Resource of 161 Mt • Additional Exploration Target² of 65–120 Mt • Acquired EPC1580 under a royalty arrangement and no upfront consideration, expanding the project area by 60 sub-blocks

PROJECT UPDATES

BELVIEW COKING COAL PROJECT

MLA 80199, EPC 1114, 1186

Stanmore Coal 100% ownership

Location: 10 km south-east of Blackwater

Area: 120 km²

JORC Inferred Resource: 322 Mt

Exploration Target²: 204–306 Mt
underground prime coking coal

During the quarter the Company announced a material upgrade to the JORC Inferred Resource from 95 Mt to 322 Mt (increase 239%) based on drilling results from the program completed in July 2013. In addition to this significant increase the Company submitted a Mining Lease Application (MLA80199) which is an important step in the planning and approval process for the project which is targeting first coal by 2017. The Company welcomes recent changes by the State Government to improve the efficiency of the approvals process which is likely to assist in fast tracking Belview into production.

In conjunction with the lodgement of MLA 80199 the Company is updating the results of its earlier Concept Mining Study (“the Study”) to incorporate improved geological modelling developed and produced for the increased JORC

Resource. The previous Study on the Belview Underground Coking Coal Project (“the Belview Project” or “the Project”) considered a single and dual underground longwall operation based on refinement to the project geological model which occurred subsequent to the acquisition of EPC 1186.

The Study confirmed that the acquisition of EPC 1186 has resulted in significant improvement to the underground mining potential of the Belview Project by providing a larger, shallower resource base which has reduced both operating costs and capital intensity.

Start-up capital requirements³ for a single longwall operation are estimated at \$869 million and the Study also identified the potential for improved economics through the introduction of a second longwall unit. The Company is taking steps to reduce project capital costs through a combination of value engineering feasibility study designs and evaluating the ability to transfer the obligation to finance key assets to contractors.

The Project hosts coal seams within the Rangal Coal Measures which are regionally well understood and mined at nearby coking coal mines. Preliminary coal quality and washability analysis indicates that the Belview Project has the potential to produce a high quality coking product with a secondary pulverised coal injection (“PCI”) product.

THE RANGE PROJECT

EPC 1112, 2030/MLA 55001, 55009, 55010

Stanmore Coal 100% ownership

Location: Surat Basin – 24 km south-east of Wandoan

Area: 92 km²

JORC Resource: Total of 287 Mt high quality open pit thermal coal (18 Mt Measured + 187 Mt Indicated + 82 Mt Inferred Resource)

JORC Marketable Reserves¹: 94 Mt (included in the 287 Mt Measured, Indicated and Inferred Resource noted above)

Previously the Company announced the results of a Feasibility Study (“the Study”) which supported the project’s technical and commercial viability. The project demonstrates attractive economics under both owner-operator and contractor cases.

Sufficient work has now been completed around geology, mining and cost structures to confirm that the Range Project is an attractive 5 Mtpa 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 200 km rail link.

The Environmental Impact Statement (“EIS”) and supplementary EIS have been completed and assessed by the Department of Environment and Heritage Protection (“DEHP”). The EIS was approved by the DEHP on 18 February 2013. It is expected that the Mining Lease will be ready for grant during 2014.

Extensive geological evaluation and testing has been completed. Some 330 boreholes have been drilled within the project area and both

the regional and project specific geology is well defined. The project is a geologically benign, low strip, open cut mining operation.

The Study benchmarked capital and operating costs against indicative pricing provided by mining contractors and other Original Equipment Manufacturers (OEMs). The Company anticipates that recent project delays and deferrals will lead to moderation of activity in the mining and construction services sectors and consequently sees scope to optimise capital and operating costs when procurement contracts are ultimately awarded. The Company is planning to reduce project capital costs through a combination of in-house value engineering feasibility study designs and evaluating the ability to transfer the finance obligation for key assets to contractors.

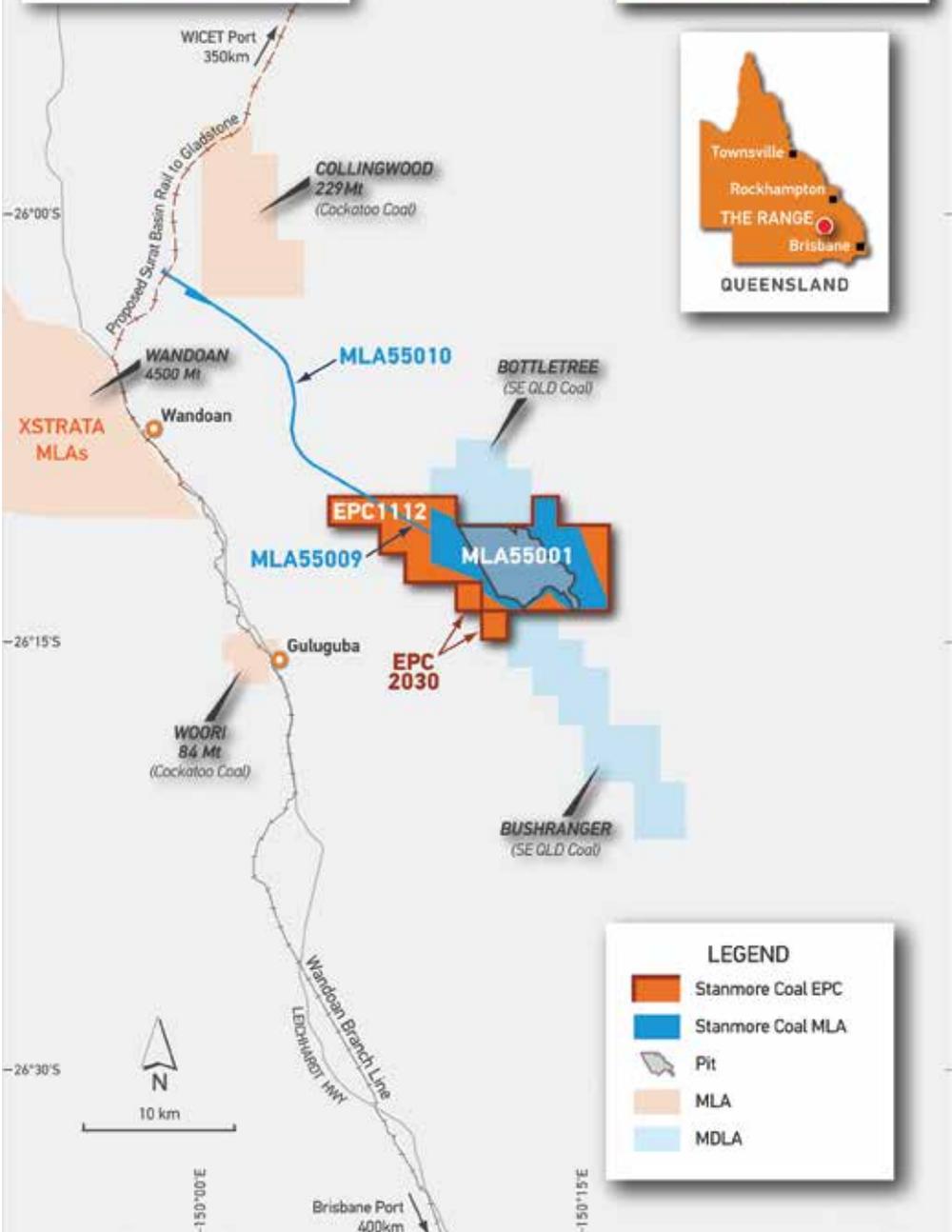
The Range coal measures feature high energy content and low ash levels, and the ability to produce a high quality product that contains low levels of trace element impurities by international standards, low sulphur and nitrogen contents and excellent burnout characteristics.

Stanmore Coal believes in the strong long term fundamentals of the thermal coal market supported by increasing demand for cost efficient base load power in emerging economies including India, China and other south east Asian countries. The Company’s view is that the demand for higher energy, high quality bituminous thermal coal with lower emission profiles will be strongly supported and will be a key element of Asia’s strategy to address existing pollution difficulties.

The focus of the Company in relation to the Range project is on supporting the delivery of rail and port infrastructure and as such it is not expected that further material expenditure will be required on the project prior to the infrastructure solution being finalised.

THE RANGE PROJECT

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LILYVALE UNDERGROUND COKING COAL PROJECT

EPC 1687, 2157

**Stanmore Coal 85% ownership/Cape Coal
15% ownership (on completion of farm-in)**

Location: 25km north east of Emerald

Area: 13 km²

JORC Resource: N/A

The Lilyvale project is located 25 km north east of Emerald and is in close proximity to the operating Kestrel and Gregory Crinum coking coal mines. The project is owned 85% by Stanmore Coal and 15% by Cape Coal Pty Ltd.

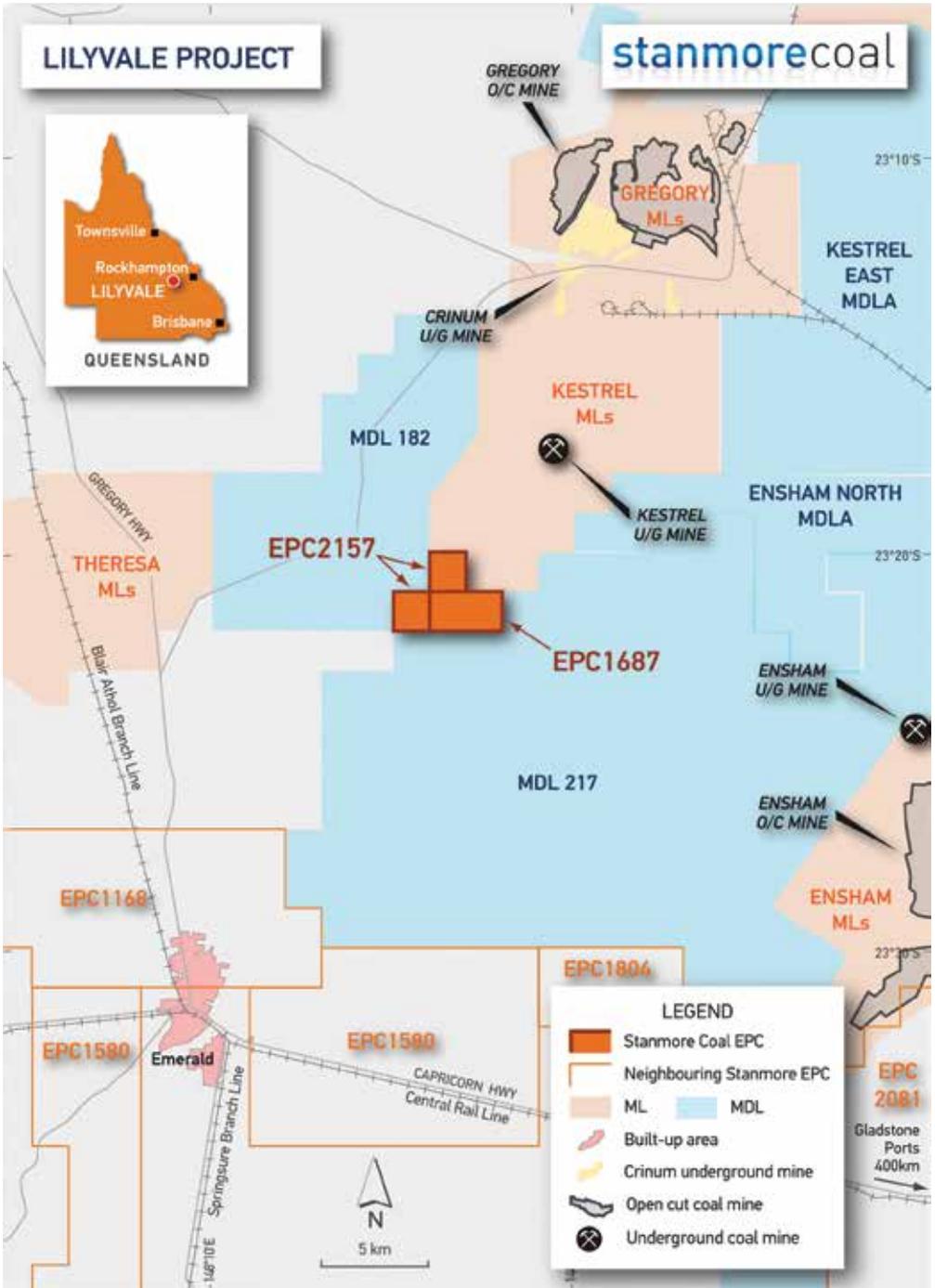
Previously Stanmore Coal completed the acquisition of EPC 2157 which doubled the project's area, for total consideration of A\$125,000. In conjunction with Cape Coal, the Company has now conducted a desktop review of the Lilyvale project and identified the German Creek (or Lilyvale) seam as potentially 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 project is well located relative to existing rail infrastructure.

Based on analysis of historical geophysical logs and bore holes in the surrounding region (including two cored holes with quality data within the project area) the Company estimates that the Lilyvale project hosts the German Creek seam from 336 m in depth with a typical thickness across the project area of 2.2–2.5 m. The geology of the project and surrounding areas is well understood and not expected to be geologically complex. Adjacent underground mines at Kestrel (Rio Tinto) and Gregory Crinum (BHP Mitsubishi Alliance) produce a low ash, high quality coking coal from the German Creek seam. Further concept studies are planned to confirm the geological and economic viability of this resource.

LILYVALE PROJECT

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LEGEND

- Stanmore Coal EPC
- Neighbouring Stanmore EPC
- ML
- MDL
- Built-up area
- Crinum underground mine
- Open cut coal mine
- Underground coal mine



TENNYSON UNDERGROUND THERMAL COAL PROJECT

EPC 1168, 1580

Stanmore Coal 100% ownership

Location: Adjacent to Emerald

Area: 120 km²

JORC Resource: Total of 161 Mt Inferred

Exploration Target²: 65–120 Mt

The Company has established JORC Inferred Resource of 161Mt for the Tennyson project near Emerald in the Bowen Basin. The 2012 drilling program confirmed the potential to produce a low ash, high energy export quality thermal coal utilising underground mining methods from a depth of 150 m.

Clean coal quality analysis to date indicates that the Aries seam is capable of producing a high yielding, low ash export thermal product.

The Company is restricting further expenditure on the project until coal market fundamentals improve and an appropriate strategy is agreed with landowners and the government in respect of accessing coal which underlies sensitive farming areas.

Recently the Company expanded the project footprint through the acquisition of EPC 1580 for nil upfront consideration and a royalty on sales revenue earned above a benchmark price. This acquisition provides access to further shallow coal and is expected to enhance overall project economics.

TENNYSON PROJECT

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THERESA MLs

EPC2157

EPC1687

MDL 217

EPC1168

EPC1580

EPC1580

EPC 1804

Emerald

CAPRICORN HWY

Central Rail Line

Gladstone Ports 420km

LEGEND

- Stanmore Coal EPC
- Neighbouring Stanmore EPC
- ML
- MDL
- Built-up area
- Underground coal mine



INFRASTRUCTURE AND CORPORATE

Wiggins Island Coal Terminal Expansion Stage 1

On 29 August 2013, Stanmore Coal executed a one year extension of the Capacity Commitment Deed ("CCD") for Wiggins Island Coal Export Terminal ("WICET") Expansion Phase 1 ("WEXP1") which continues to provide the Company with 5 Mtpa of port capacity for The Range Project, subject to ultimate financing and delivery of the port expansion. The extension to 31 August 2014 includes a revised, relatively low bonding and expenditure commitment that provides the WEXP1 users with the opportunity to continue to monitor market conditions in order to assess the optimal timing to proceed with reaching financial close.

The Company also continues to hold 2 Mtpa of capacity entitlements in Wiggins Island Export Terminal Expansion 2.

Safety

The Group undertook approximately two thousand hours of drilling and exploration activity directly

and through contractors during the three month period to 30 September 2013 with no reportable incidents, an excellent safety performance. The Company continues to develop and enhance its health and safety management systems to ensure health and safety risks are identified and resolved in a timely manner and the potential for harm to employees and other stakeholders is minimised.

Credit Suisse Debt Facility

During July 2013, the Company voluntarily repaid the Credit Suisse loan facility which had an outstanding net balance of \$3.2 million and Credit Suisse has removed their charges over the Company's assets. The options (exercisable at 51.8 cents) issued to Credit Suisse as part of the facility fee structure remain in place.

The facility was negotiated to assist the Company in financing its obligations in respect of WEXP1. Given Stanmore Coal's financial commitments (including bonding) were materially reduced as part of the extension to the WEXP1 CCD these obligations can be financed out of cash reserves.

EPC APPLICATIONS

PROJECT	TENEMENT NUMBER	TENEMENT NAME	APPLICATION DATE	TYPE
Current				
None				
Withdrawn during Quarter				
Brown River	EPCA 1546	Brown River	7/8/2008	Primary
	EPCA 2520	Brown River East	3/5/2011	Primary
Carnarvon	EPCA 1630	Carnarvon	28/10/2008	Secondary

MINING LEASE APPLICATIONS

PROJECT	TENEMENT NUMBER	TENEMENT NAME	APPLICATION DATE	STATUS
The Range	MLA 55001	The Range	3/11/2010	EIS advised
	MLA 55009	TR Transport Corridor	30/1/2012	
	MLA 55010	TR Transport Corridor	30/1/2012	
Belview	MLA 80199	Belview	4/9/2013	

CONTACTS AND NOTES

For further information, please contact:

MR NICK JORSS – Managing Director
07 3238 1000

MR DOUG MCALPINE – Joint Company Secretary
07 3238 1000

Competent Persons Statement

The information in this report relating to the Belview Project 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 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 1: Marketable Reserves Note

The Marketable Coal Reserves 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).

Note 2: Exploration Target Note

All statements as to exploration targets of Stanmore Coal and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained in this report as to exploration results or exploration targets has been made consistent with the requirements of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Note 3

Capital cost estimate for Belview is to a concept study level estimate (-25%/+40%).

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.

Stanmore Coal holds 100% interests in the majority of its coal project areas which cover over 2,769 km². These projects include significant deposits of open pit coking and thermal coal and are typically well located for export infrastructure.

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