

FANS

# QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2014

stanmorecoal

Initial coal quality results from Clifford project yielded energy content

**higher**

than Newcastle benchmark

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Significant planning undertaken for follow-on exploration program at

**Clifford**

Project

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Minimal net cash outflow for the quarter of only \$17 thousand. Strong closing balance of

**\$18.1m**

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# HIGHLIGHTS FROM THE SEPTEMBER QUARTER

During the quarter ended 30 September 2014 Stanmore Coal Limited ("Stanmore Coal" or "the Company") completed and released the results of initial coal quality analysis from an exploration program conducted at the Clifford Project in the Surat Basin. The farm-out arrangement at the Clifford Project, in addition to continued focus on cost control, enabled the Company to end the quarter with strong cash reserves of \$18.1 million.

Pleasingly the initial coal quality results from the recent drilling program indicate the potential for a high energy, low ash export thermal coal product. Some sampled composites delivered an energy content higher than the Newcastle thermal coal benchmark of 6,700kcal (air dried basis). Whilst the deposit is very large and energy is likely to vary across the tenement, this is materially higher than typical Surat Basin coals and a potentially attractive feature to end users of thermal coal. In addition the washing yields were in the range of 67% to 88% adopting a float sink parameter of 1.60.

A number of drill sites produced over 10 m of cumulative coal thickness with best indicative in-situ strip ratios of between 2.5:1 and 10:1 at depths shallower than 100 metres.

Significant work was undertaken during the quarter to plan the follow-on exploration program. The Company has successfully negotiated land access agreements with a range of landholders and engaged relevant contracting parties to carrying out drilling activities. In conjunction with funding partner JOGMEC, the Company has commenced on-site field activities since the end of the quarter which will focus on extensions of highly prospective area. The drilling campaign will run through to first quarter 2015 with laboratory processing and analysis completed shortly thereafter.

During the quarter the Company continued with planning activities for further exploration at the flagship Belview Coking Coal Project in the Bowen Basin. No exploration was conducted during the September 2014 quarter however the Company anticipates on-site activities to commence in the December 2014 quarter. The primary objective of the program will be –infill drilling in the northern area of EPC 1186 and data collection activities to support the long lead items of the EIS.

The Company notes that several significant announcements during the quarter were made which has the potential to impact the outlook for future seaborne coal demand. The Supreme Court in India cancelled a large number of coal licenses which may impact both short and medium term import fundamentals. Shortly after the end of the quarter the Chinese government announced the imposition of import tariffs on coal in a move to protect domestic producers. Whilst the developments in India are viewed as a net positive for the Australian coal industry, many commentators initially saw the tariff imposition as a significant blow to the industry. The pending Free Trade Agreement between China and Australia plus finer details of the China policy position reveal this will not be the case and in fact the recent coal quality measures also announced bode well for Australia given our resources are typically of very high standard compared to global competitors.

The Company is firmly of the belief that coal will continue to play a vital role in the global market for many decades to come. In electricity generation, coal supplies approximately 41% (World Coal Association) of the world's needs as it is a reliable and very cheap form of base-load supply. Given these features it is likely that coal will play a very significant role in the development of emerging regions such as India and ASEAN. Whilst these regions have experienced substantial growth in coal use in the past 3 years (25% and 22% increase respectively), per capita energy consumption levels are only one eighth that of OECD countries leaving substantial room for further growth.

Widespread adoption of best practice coal fired generation technology will also play a role in the continued importance of coal. Advanced nations such as Japan are actively promoting these technologies and assisting developing nations with installation of high efficiency coal-fired power stations which consume less coal and therefore produce fewer emissions than their predecessors.

The Company's diversified portfolio of development and exploration projects puts it in a strong position to benefit as coal markets inevitably recover. Additionally the Company continues evaluate numerous development opportunities that have become available in the current market environment. The Company is well positioned to take advantage of potential business development opportunities and holds in excess of \$18 million of cash at bank with no take-or-pay exposure.

# COAL IN THE NEWS

**The majority of news-flow for the quarter related to significant government and policy positions which have the potential to change the market dynamics of coal use and seaborne trade.**

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](http://www.stanmorecoal.com.au) to keep up to date with coal industry trends and information.

“The world continues to turn to coal as a competitive fuel source, and ongoing urbanisation and industrialisation trends are expected to drive long-term global coal demand growth”.

PEABODY ENERGY CHAIRMAN AND CHIEF EXECUTIVE OFFICER GREGORY H. BOYCE

“From 2010 to 2040, India’s net coal-fired electricity generation is expected to grow by a total of 910 terawatt hours, more than doubling from the 2010 total, while coal consumption for electricity generation will double”.

MINING AUSTRALIA, 15 JULY 2014

“Indonesia’s coal exports are expected to fall by between 15 and 20 percent in October from September and could decline 5 percent this year as firms scramble to obtain government export permits to comply with new rules due to come into effect on Oct. 1”.

REUTERS, 30 SEPTEMBER 2014

“By 2016, annual global coal demand is expected to rise 600 million tonnes. Peabody estimates that approximately 250 gigawatts of new coal-fueled generation will be built over the next three years, requiring an additional 750 million tonnes of annual thermal coal at expected capacity utilisation”.

PEABODY ENERGY CHAIRMAN AND CHIEF EXECUTIVE OFFICER GREGORY H. BOYCE

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# BELVIEW

## COKING COAL PROJECT

- Coal quality analysis confirms the project can produce a high quality coking coal plus secondary PCI product
- Significant funding support provided to date by Taiheiyo Kouhatsu and JOGMEC
- Mining Lease application lodged in September 2013
- Further studies planned for 2015 with a focus on reducing capital costs and developing initial mining options
- Located adjacent to Blackwater rail line which connects to the coal ports of Gladstone

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### TENEMENTS

**EPC 1114, 1186, MLA 80199**

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### OWNERSHIP

**100% Stanmore Coal**

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### LOCATION

**10 km south-east of Blackwater**

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### AREA

**170 km<sup>2</sup>**

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### JORC INFERRED RESOURCE<sup>1</sup>

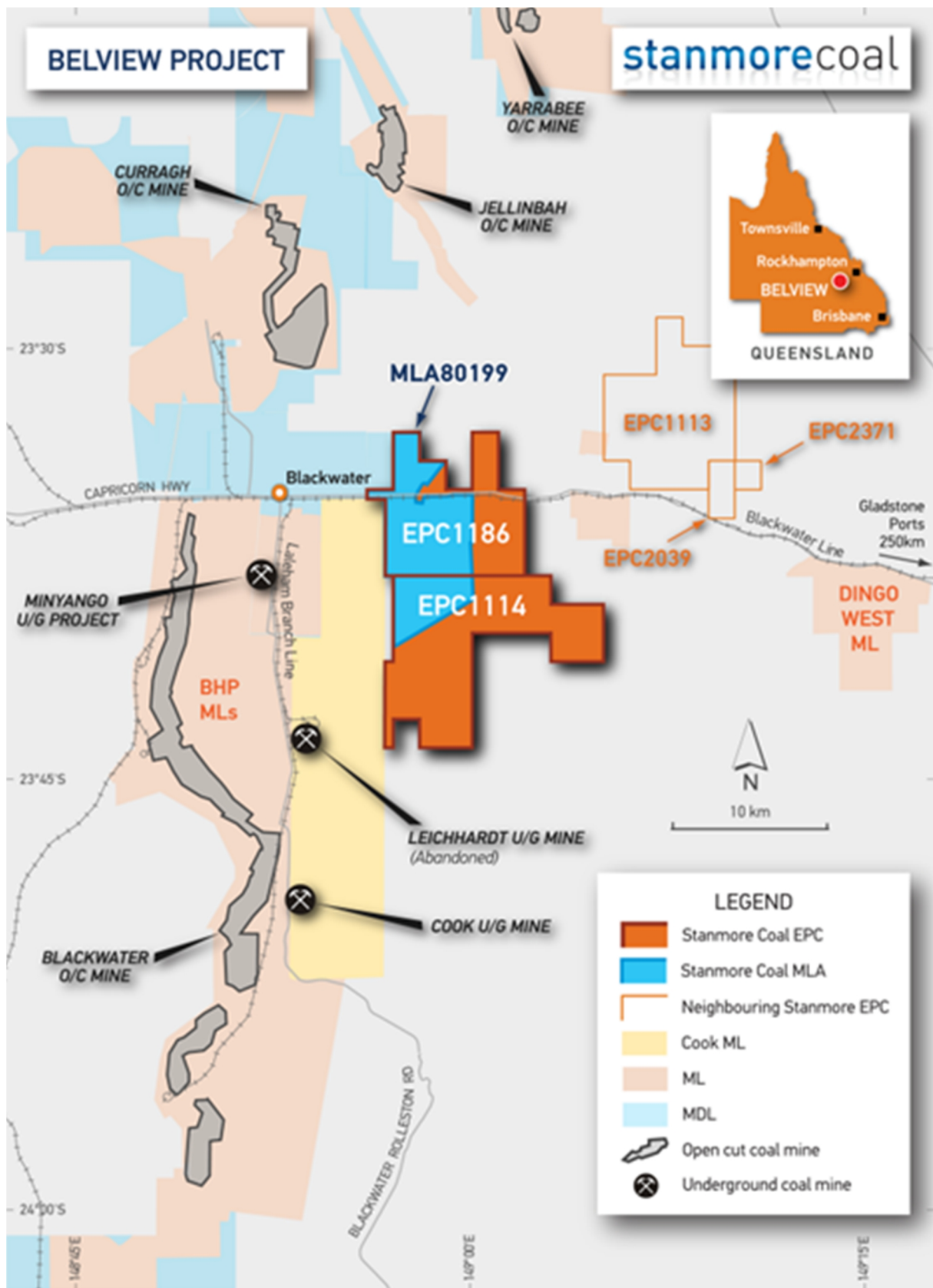
**342 Mt**

During the quarter the Company continued planning activities for the next phase of exploration which is anticipated to commence in Q4 2014. The objective of the program is to in-fill drill a portion of the northern area of EPC 1186. Earlier in 2014 the Company upgraded the JORC Resource from 322Mt to 342Mt and released updated coal quality analysis. Coal quality testing was carried out with focus on the Castor and Pollux seams within the project area. The samples were washed to produce a 7.5% ash (adb) HCC product and a 9.0% ash (adb) PCI product.

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.

PCI coals have a well-established market in Asia within the steel making process. Additional coal quality data will be obtained from the upcoming exploration program with results anticipated in Q2 2015.

The Company has submitted a Mining Lease Application and is progressing several long lead items related to the Environmental Impact Statement. Further studies are planned for 2015 with a focus on reducing capital and operating costs and evaluating initial mining options.



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# LILYVALE

## COKING COAL PROJECT

- 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 port

### TENEMENTS

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**EPC 1687, 2157**

### OWNERSHIP

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**85% Stanmore Coal, 15% Cape Coal**

### LOCATION

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**25 km north-east of Emerald**

### AREA

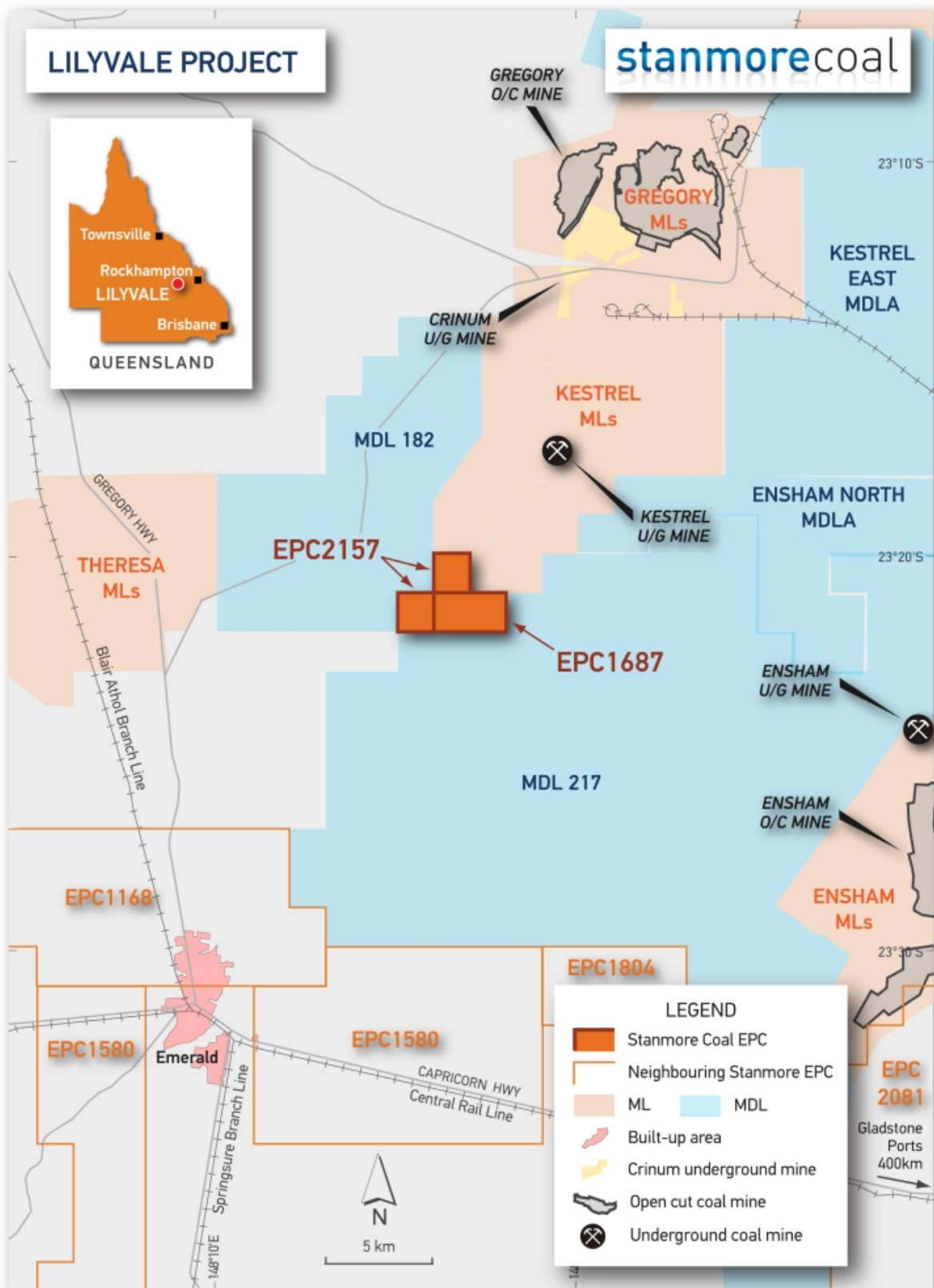
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**13 km<sup>2</sup>**

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.

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.



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# THE RANGE

## THERMAL COAL PROJECT

- Feasibility Study completed in April 2013
- The Range EIS approved by the State and being progressed through Commonwealth approvals.
- Attractive high energy, low impurity thermal coal project in the Surat Basin which is ideally suited for traditional export markets including Japan, China and ASEAN region

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### TENEMENTS

**EPC 1112, 2030, MLA 55001, 55009, 55010**

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### OWNERSHIP

**100% Stanmore Coal**

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### LOCATION

**24 km south-east of Wandoan (Surat Basin)**

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### AREA

**92 km<sup>2</sup>**

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### JORC RESOURCE<sup>1</sup>

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

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### JORC MARKETABLE RESERVE<sup>2</sup>

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

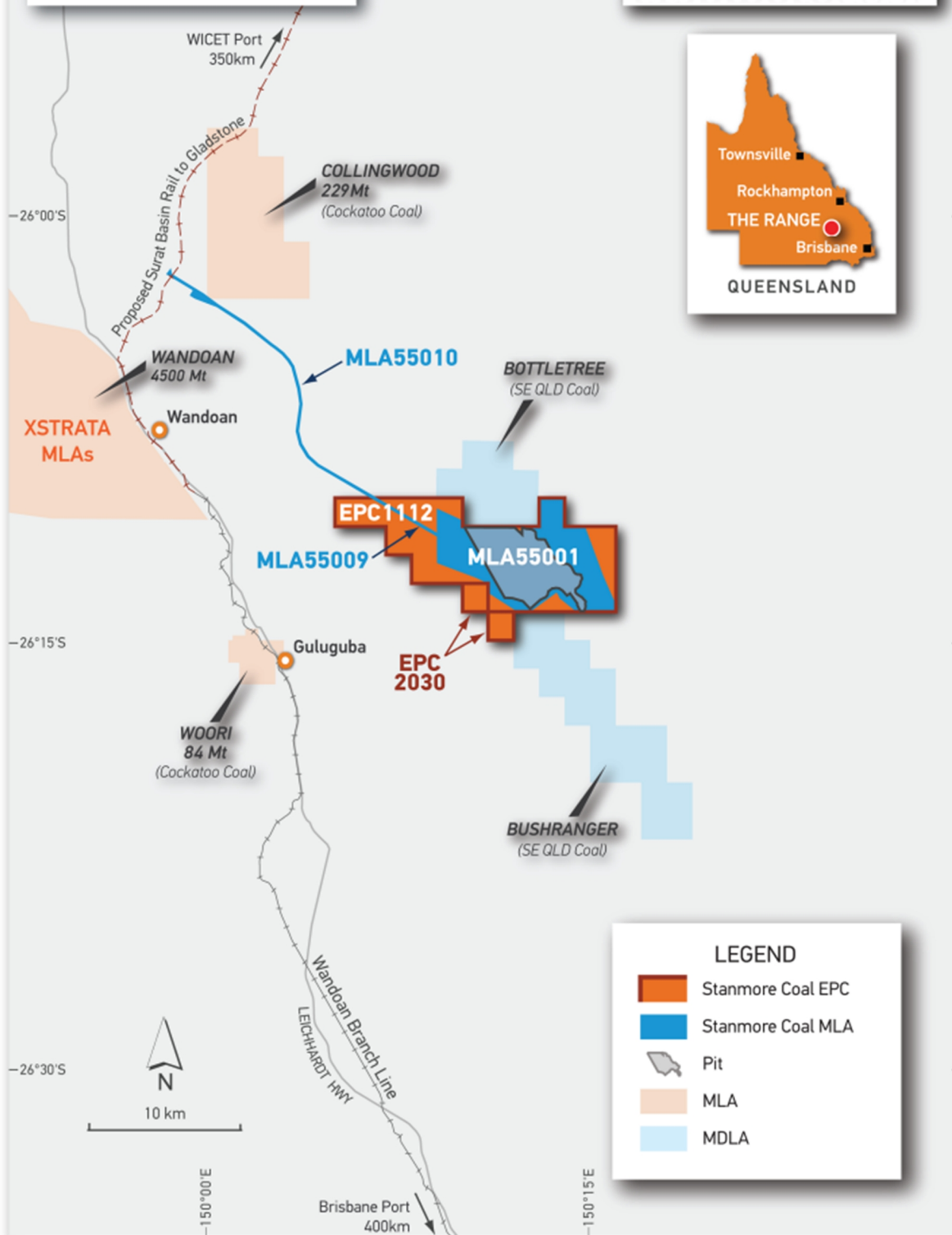
No material work was conducted at The Range during the September quarter.

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.

As previously indicated 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



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# CLIFFORD

## THERMAL COAL PROJECT

- Substantial exploration opportunities within the 1,161km<sup>2</sup> Clifford Project Area with the potential to host a substantial thermal coal deposit suitable for open cut mining
- Joint Exploration Agreement signed with JOGMEC in 2013. JOGMEC will provide up to \$4.5 million of funding over 3 years to earn a 40% economic interest in the project
- Potential synergies with The Range Project

### TENEMENTS

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**EPC 1274, 1276**

### OWNERSHIP

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

### LOCATION

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**24 km south-east of Wandoan (Surat Basin)**

### AREA

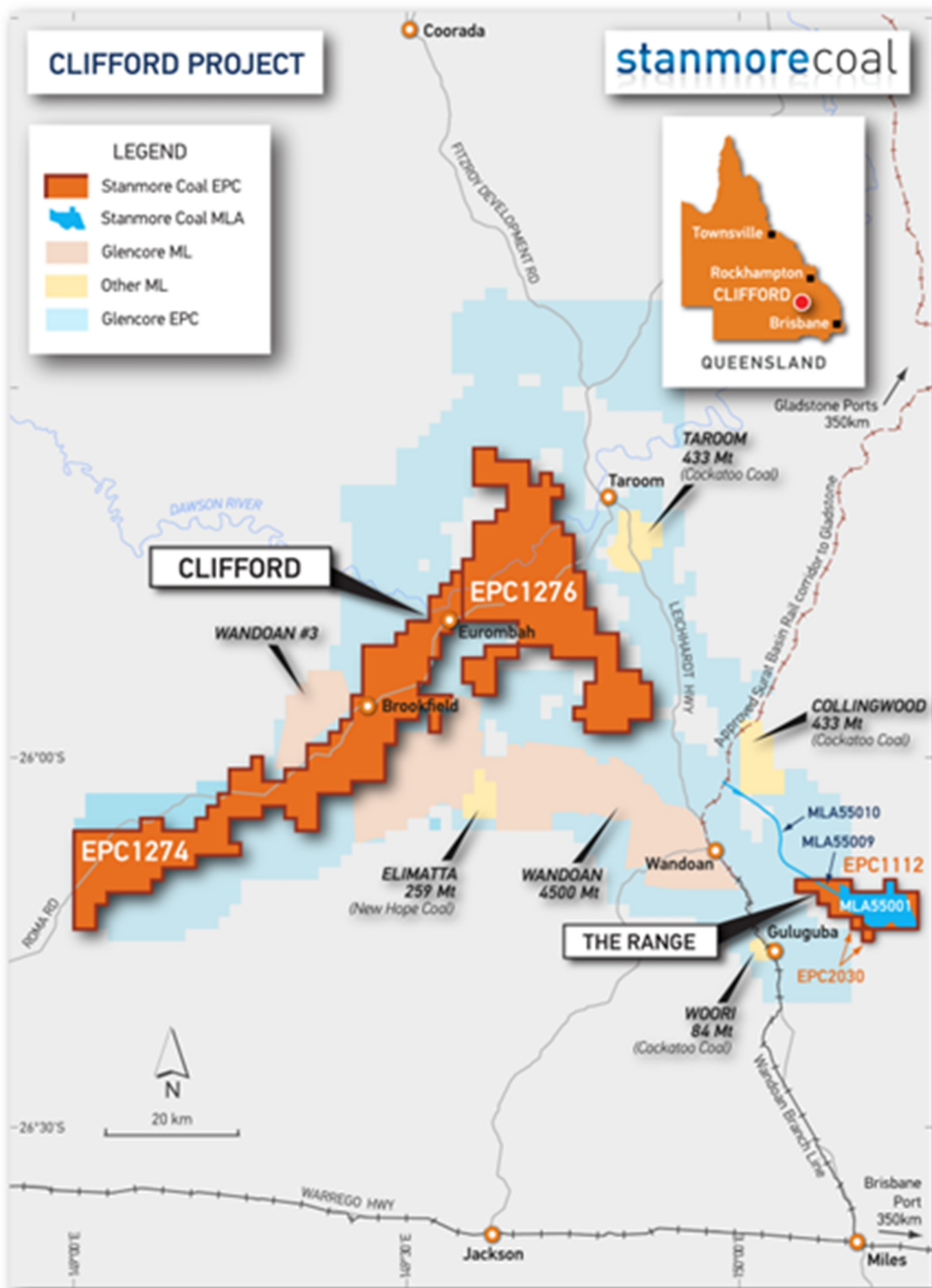
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**1,161 km<sup>2</sup>**

Significant planning and preparatory activities were undertaken during the quarter in lieu of the extensive exploration program which commenced shortly after quarter end. The Company, in conjunction with our funding partner JOGMEC, has engaged drilling contractors to carry out a program of approximately 30 holes within the most prospective areas of this large project.

The program will also involve detailed laboratory testing to further understand the coal characteristics given the initial testing results announced in September were very encouraging.

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.



# SCHEDULE OF TENEMENTS

AS AT 30 SEPTEMBER 2014

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

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# 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

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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

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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)

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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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