stanmorecoal

JOGMEC/ TRADE AND INVESTMENT QUEENSLAND SEMINAR

Tokyo - February 2015

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Marketable Reserves Note: The Marketable Coal Reserves of 94Mt is derived from a JORC compliant run of mine (ROM) Probable Coal Reserve of 117.5Mt based on a 14.8% ash product and predicted yield of 80%. The 94Mt marketable reserve is included in the 287Mt total JORC Resource (18Mt Measured + 187Mt Indicated + 82Mt Inferred Resource).

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 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 all other project exploration results and coal resources is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Geoscientists and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience that 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 JORC Code. Mr Turner consents to the inclusion in this document 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.

CONTENTS

1. About Stanmore Coal

ABOUT STANMORE COAL

- Queensland based coal development company
- Advanced thermal and metallurgical coal development projects

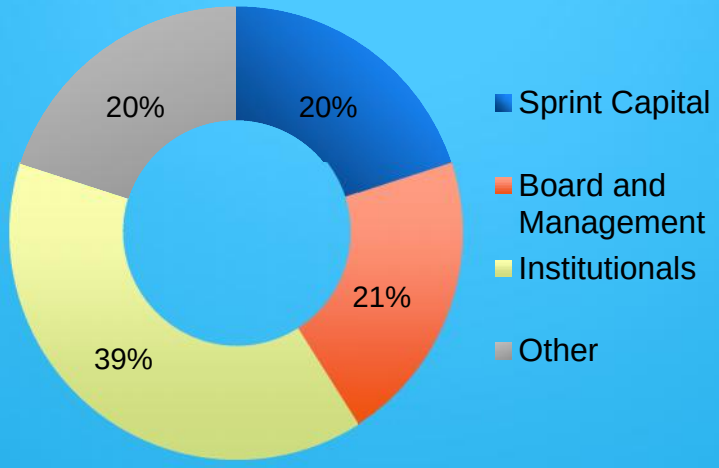
- Emerging coking coal producer at Belview
- Additional pipeline of attractive projects
- Rail and port infrastructure in place for key coking coal projects

- Strong Board and management team with proven track record of developing and operating coal mines
- Small, highly skilled team with low overhead cost base

- Well funded with a strong shareholder base
- No take or pay obligations
- Actively pursing further opportunities in the down-cycle

ASX Code	SMR
Share price	A$0.09
Shares	209.1m
Market cap	$18.8m[2]
Cash	A$17.2m[3]

Share ownership



Large resource base

Total JORC Resource[4]
933.2 Mt

Measured and indicated JORC Resource[4]
231 Mt

JORC Marketable Reserves
94 Mt

1. Refer to Marketable Reserves Note (p.2) , JORC Probable Reserve (ROM) of 117.5 Mt • 2. As at 29 January 2015• 3. As at 31 December 2014• 4. 18 Mt Measured, 212.7 Mt Indicated, 702.5 Mt Inferred

STRONG BOARD AND MANAGEMENT TEAM

Over 150 years of coal exploration, development and operational experience

Key Executives

Nick Jorss **Managing Director**
20 years in engineering, project management, resource financing and M&A.

Mike McKee **Chief Operating Officer**
Mine manager with 30 + years experience, mainly in the Bowen Basin. Most recently General Manager at Minerva, Yarrabee and Sonoma mines.

Andrew Roach **Chief Financial Officer & Company Secretary**
10 years of accounting and finance experience in the resource and financial sector.

Non-Executive Board

Neville Sneddon **Non-exec Chairman**
Mining engineer with 40 years experience in coal, formerly CEO of Anglo Coal Australia, Chairman of DBCT Port and Director of PWCS Port.

Viv Forbes **Non-exec Director**
Over 40 years of Bowen Basin coal experience including all phases of coal mine development at Burton, South Blackwater and Goonyella coal mines. Formerly Director of DBCT Port.

Stephen Bizzell **Non-exec Director**
Extensive experience in commercialising resources companies, former executive director of Arrow Energy and current Chairman of Bizzell Capital Partners.

Chris McAuliffe **Non-exec Director**
Co-founder and MD of Sprint Capital Partners. More than 20 years experience in investment banking and private equity in Asia.

Patrick O'Connor **Non-exec Director**
Experience in a wide range of industries including mining, oil & gas exploration, forestry, biotechnology and government utilities. He was recently the non-executive chairman of TFS Corporation Limited and non-executive director of Buccaneer Energy Limited.

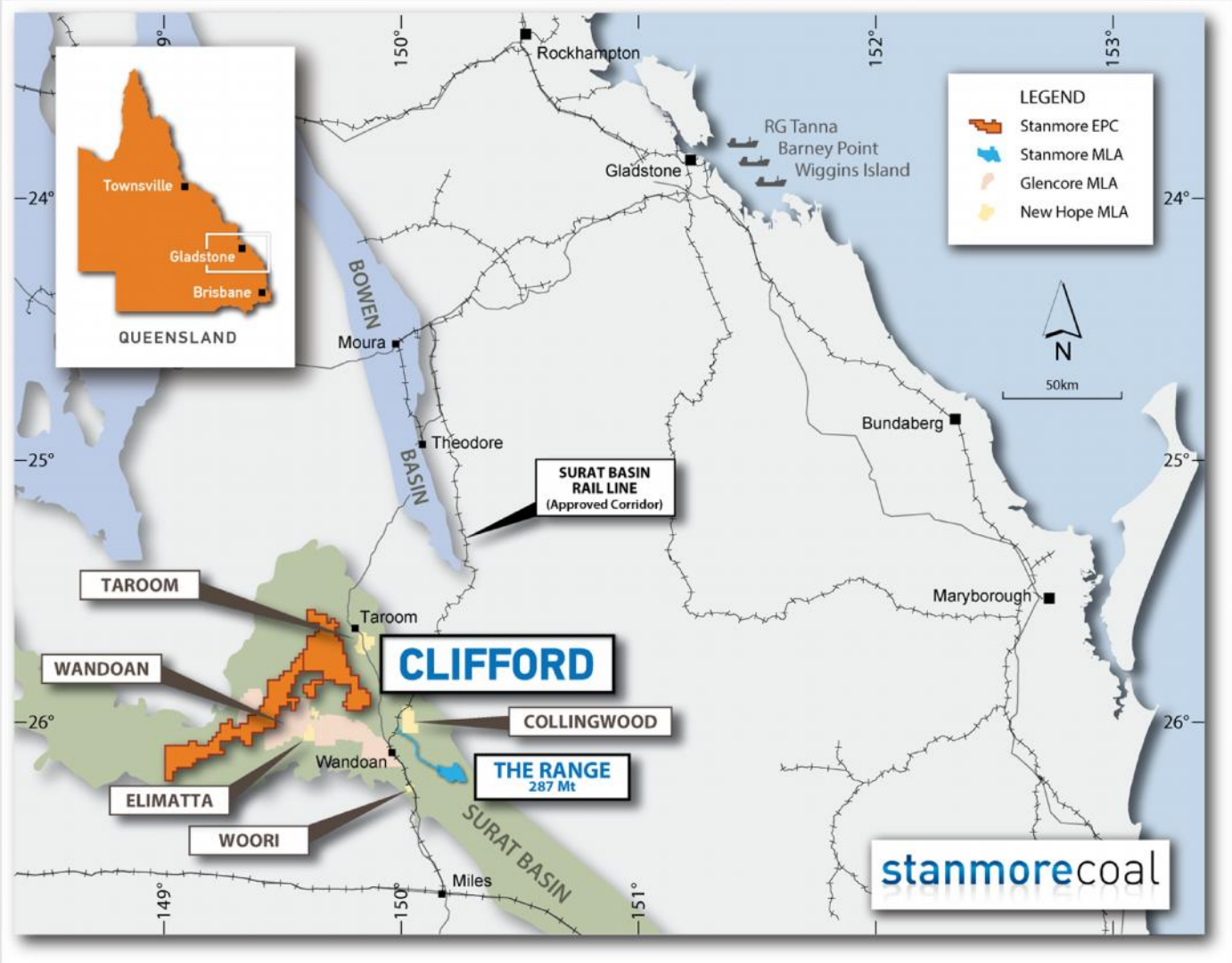
2. Update & Overview of JOGMEC Funded Exploration Programs

Clifford Project Update

CLIFFORD PROJECT
Regional Context

EPC 1274 & 1276

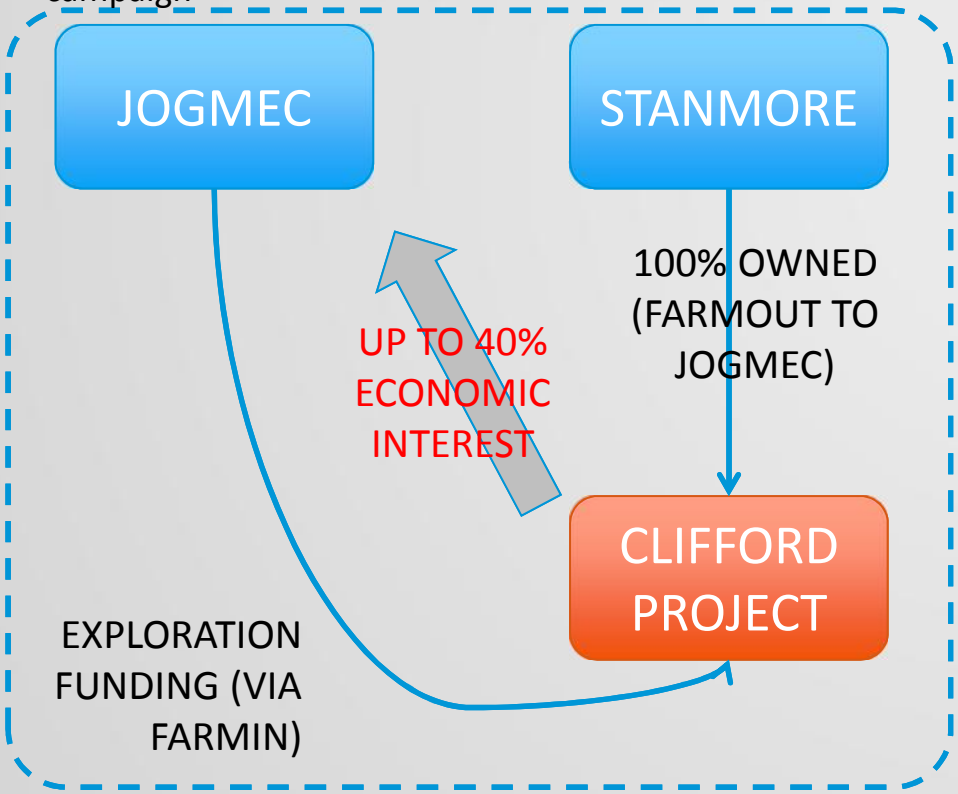
- Northern Surat Basin, close vicinity of townships of Taroom & Wandoan
- Proximal to Stanmore's The Range Project, a 5Mtpa advanced thermal coal project
- Directly north of Glencore Wandoan Mining Lease complex & New Hope Corporation's Elimatta Mining Lease Application
- New Hope Corporation recently enhanced foothold in the region with the purchase of 51% of Collingwood, Taroom & Woori Mining Lease Applications from Cockatoo Coal for A$25 million[1]
- High quality, low emission export thermal coal product potential, well suited to Asian markets

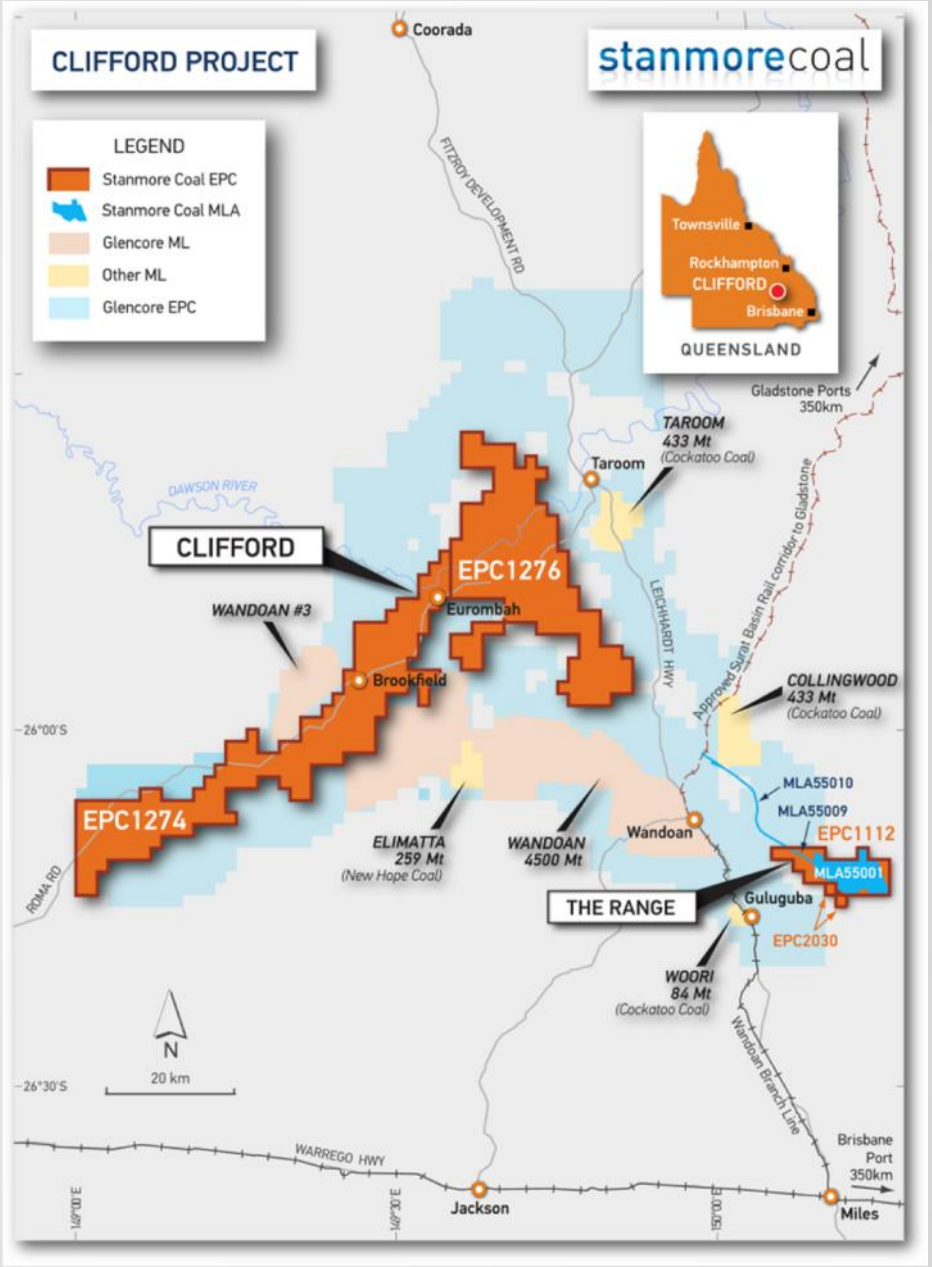


[1]**Source:** ASX Announcement, New Hope Corporation, 23/12/2014, *COK: Sale of Interest in North Surat Joint Venture*

CLIFFORD PROJECT
Joint Exploration Agreement

- Exploration agreement signed in December 2013 between Stanmore Coal (SMR) & Japan Oil, Gas and Metals National Corporation (JOGMEC) to provide A$4.5 million over 3 years to earn up to a 40% economic interest in the Clifford Project
- At completion of the farmin JOGMEC plans to on-sell the project interest to Japanese power generators/end-users
- Two more years to complete program after current 2014/15 drilling campaign

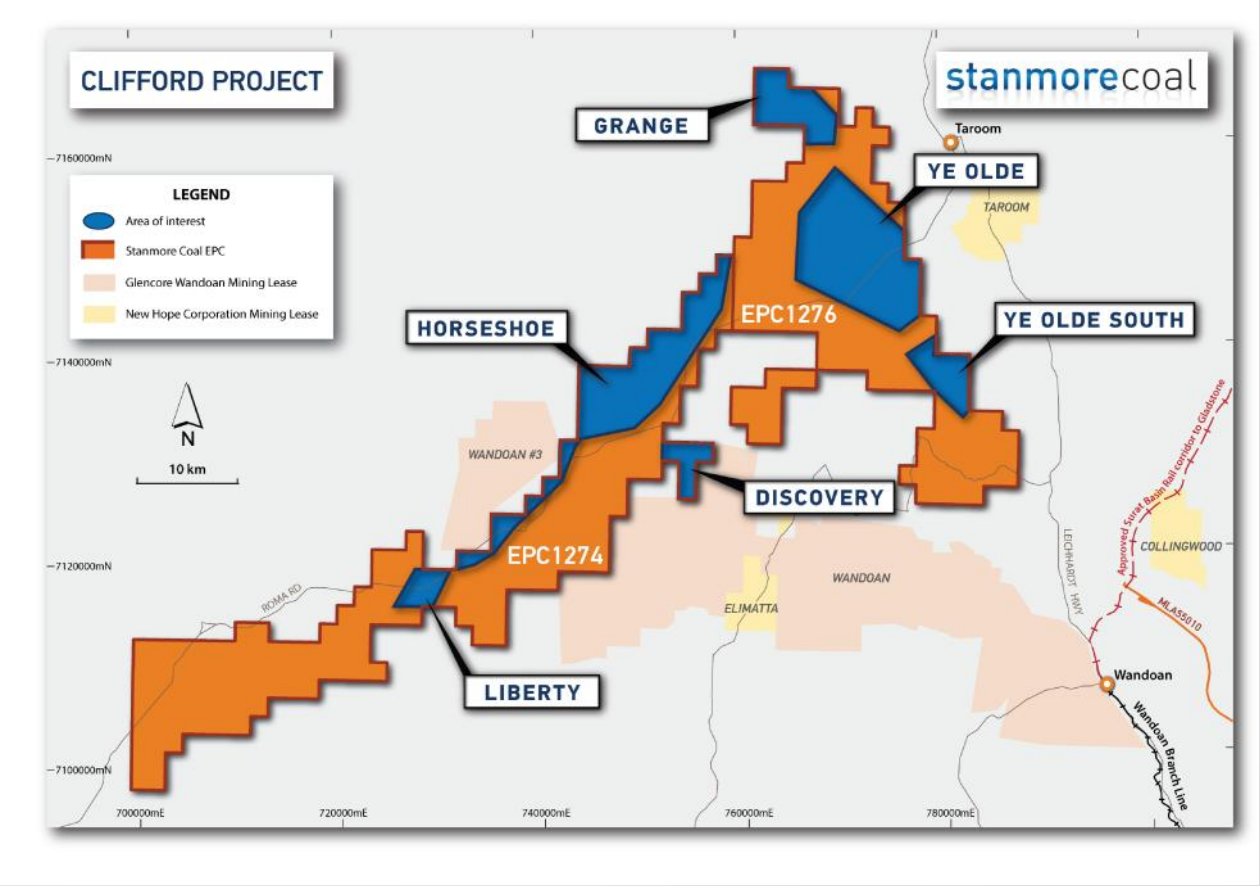




CLIFFORD PROJECT
Location & Geological Concept

EPC 1274 & 1276

- Extensive tenure area in excess of 1100km^2
- Historically held by MIM/ Xstrata and others
- Several hundred historical coal boreholes in area
- Shallow weathering profile
- Stanmore has conducted an extensive review of the tenements to identify areas with potential for shallow coal amenable to open-cut mining
- Geological assessments identified several target areas for shallow coal exploration as follows:
    - EPC 1274: Liberty, Horseshoe
    - EPC 1276: Grange, Ye-Olde, Ye-Olde South
- Initial field works commenced in 2013, works presently accelerating with JOGMEC support
- Targeting Initial JORC resources to be announced 1st half 2015



CLIFFORD PROJECT
Stratigraphy

WALLOON SUBGROUP (COAL MEASURES)

- Walloon Sub-Group divides into the following:
  - Juandah Coal Measures (upper coal bearing unit)
  - Tangalooma Sandstone (sandstone unit - minor coal)
  - Taroom Coal Measures (lower coal bearing unit)

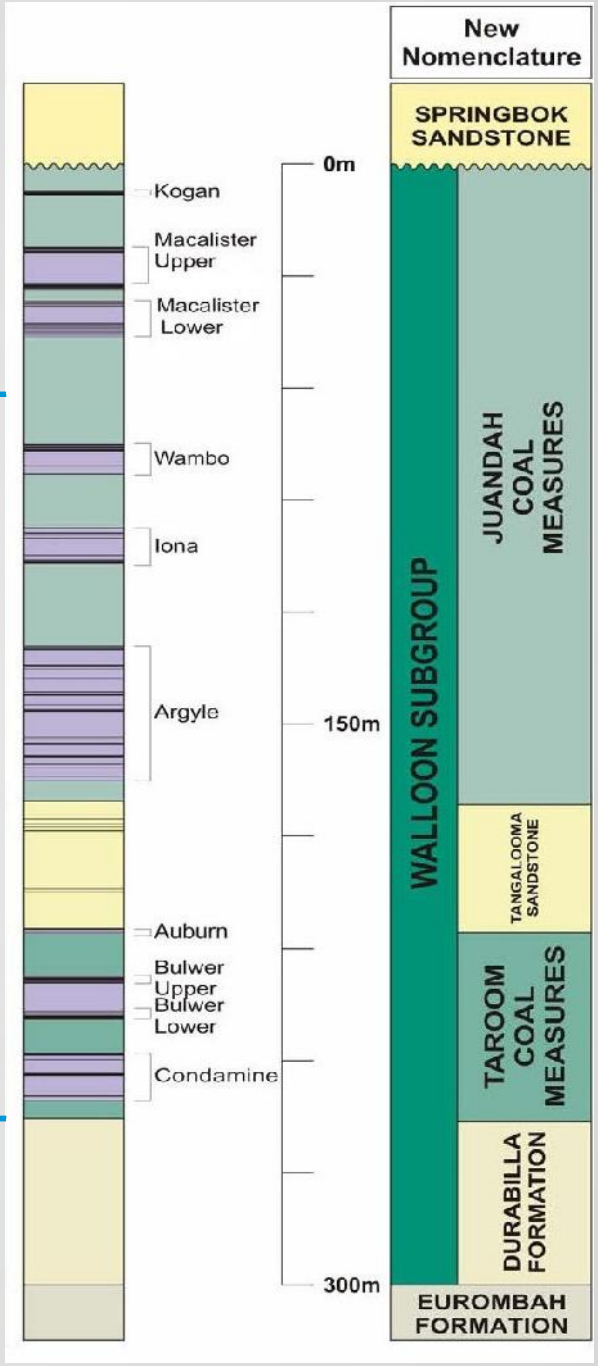
CLIFFORD PROJECT COAL MEASURES

- Typically targets Lower Juandah Seams:
  - **Wambo, Iona, Argyle** or
- Taroom Coal Measures seams
  - **Auburn, Bulwer, Condamine**

PROJECT SUB-AREAS

- **Discovery**
- **Ye Olde**
- **Horseshoe**

- **Grange**
- **Horseshoe**
- **Liberty**

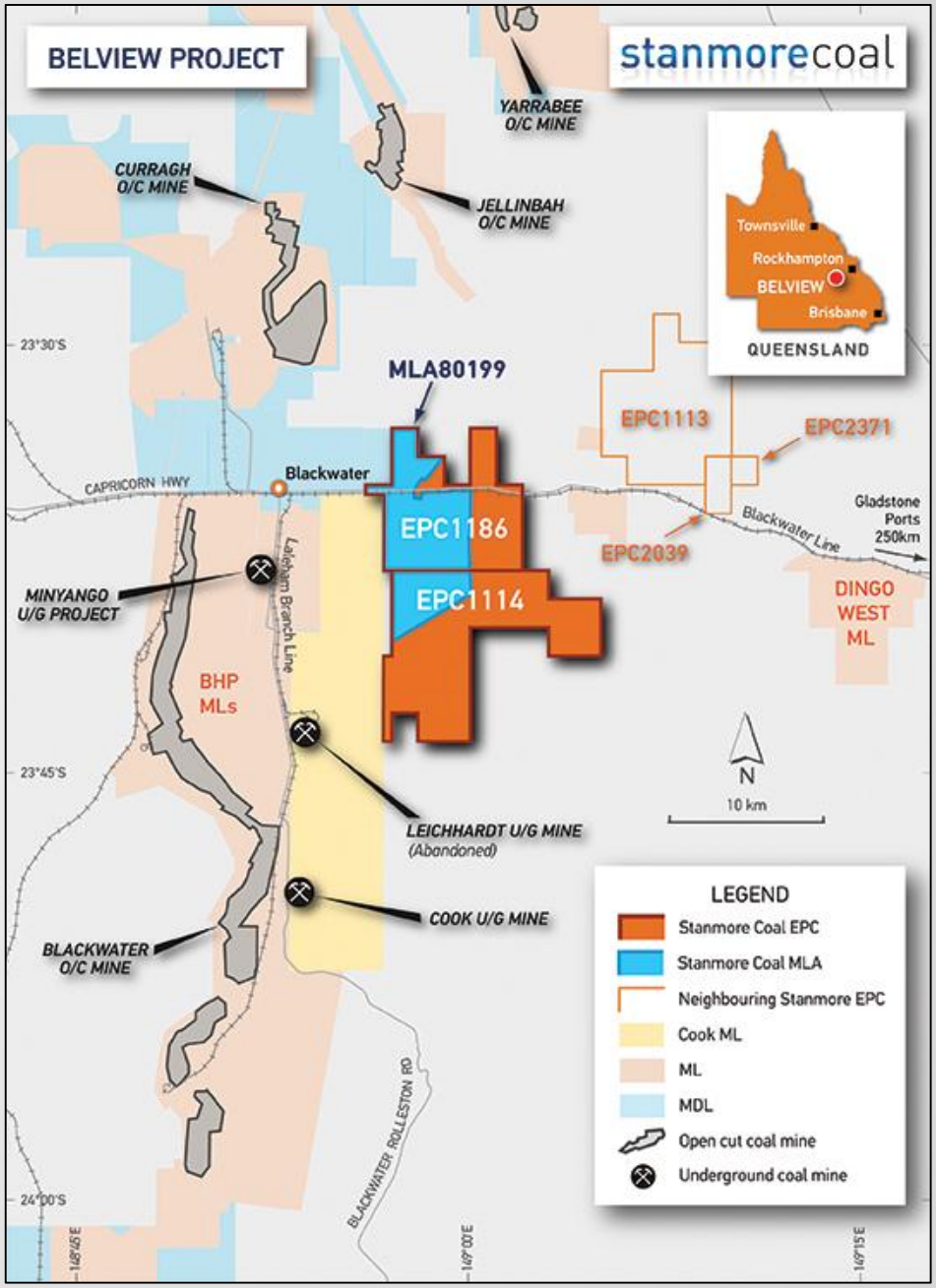


Belview Project Update

BELVIEW PROJECT
Overview

Significant coking coal project in the Bowen Basin
100% owned

- Substantial coking coal deposit in heart of the Bowen Basin – 342 Mt JORC Inferred Resource
- Infrastructure in place – located on existing Blackwater Rail Line to Gladstone Port
- Surrounded by operating coking coal mines
- One of limited number of large scale coking coal projects in Queensland
- Mining lease application submitted
- Stanmore is working with exploration funding partners Taiheiyo Kouhatsu and JOGMEC to undertake further drilling and development work



BELVIEW PROJECT
Coal Quality

Initial coal quality test results are positive

- Coal testing from bore cores indicate that Belview will produce a Hard Coking Coal ("HCC") primary product and a secondary low volatile Pulverised Coal Injection ("PCI") product
- HCC quality is excellent, exhibiting low ash, low volatile matter and low sulphur
- PCI quality is also very good, exhibiting high calorific value, low volatile matter and low sulphur
- Overall washed total yield is in the range of 73% to 83% for two high value metallurgical coal products (62% HCC, 38% PCI)

Parameter[1]		Primary HCC Product	Secondary PCI Product
Product Split	%	62	38
Inherent Moisture	%	1.5	1.5
Ash	%	7.5 - 8.0	9.5
Volatile Matter	%	19.5	18.0
Fixed Carbon	%	71.0 – 71.5	71.0
Total Sulphur	%	0.40	0.40
Phosphorus	%	0.07-0.1	0.07
Calorific Value	kcal/kg	7,750	7,500
Crucible Swell Number (CSN)		6 – 8	n/a
Maximum Fluidity	ddpm	20 - 70	n/a
Vitrinite Reflectance (RoMax)	%	1.45	1.45

1. Adb unless otherwise noted

BELVIEW PROJECT
Stratigraphy

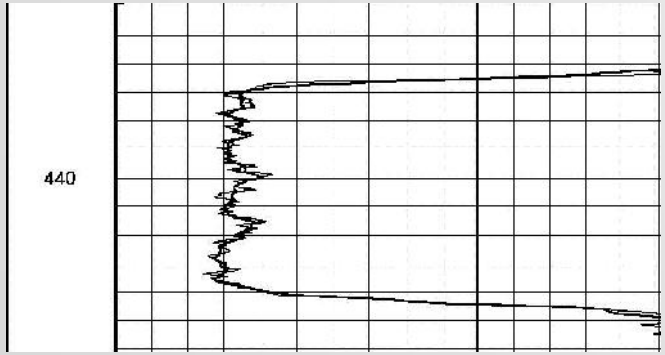
RANGAL COAL MEASURES

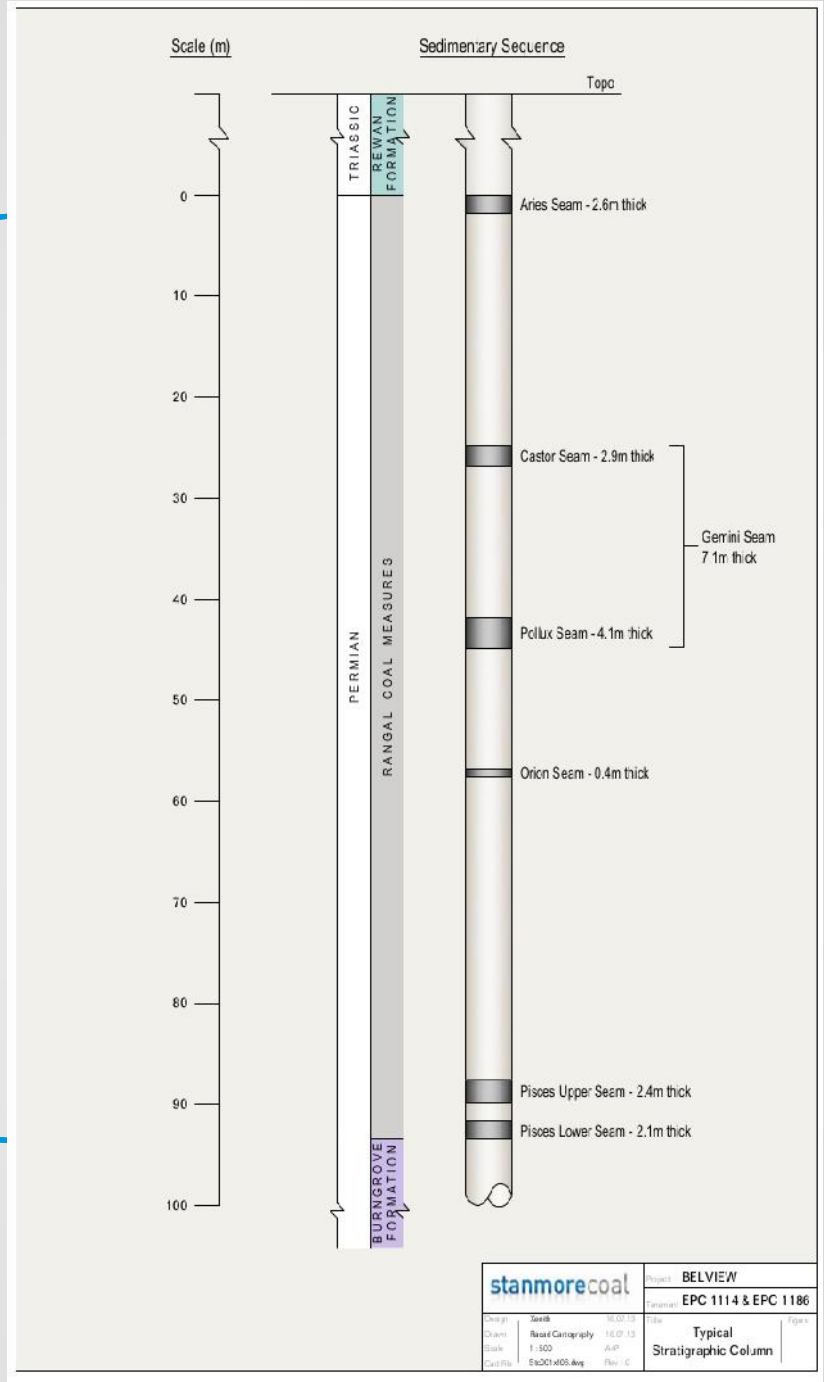
- Coal bearing sedimentary sequence
- Aries, Castor, Pollux & Pisces seams

SEAM THICKNESS (INDICATED TARGET AREA)

- **Aries** – variable, thin in north thickens in south
- **Castor** and **Castor splits** – variable, typically 1.5 to 2.5m
- **Pollux** – laterally persistent, typically 3-4 metres thickness
- **Pisces (Upper)** – variable, typically 1 to 2.5 metres

SAMPLE POLLUX & GEOPHYSICS (HOLE CQBN003)





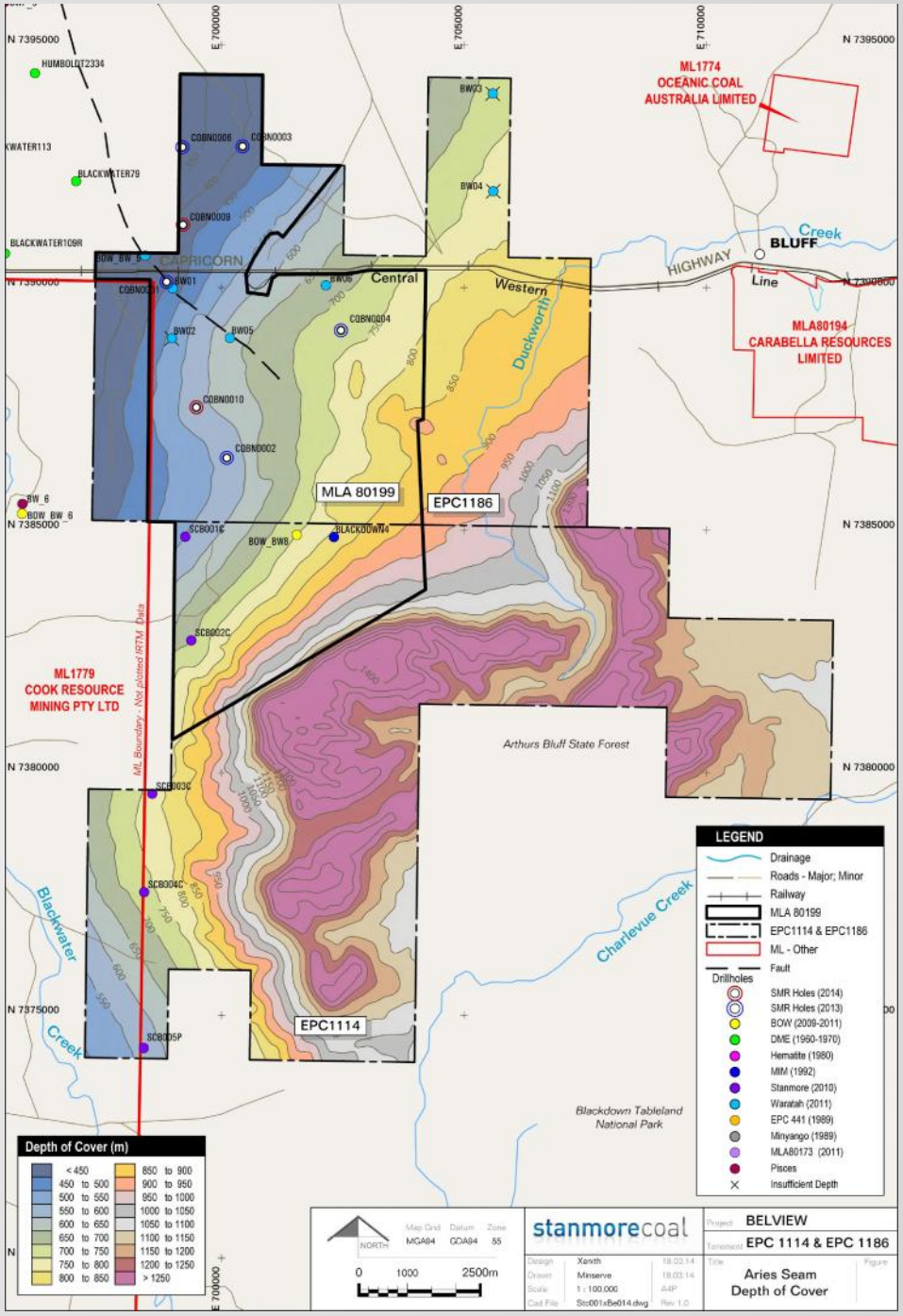
BELVIEW PROJECT

Previous Work

- EPC 1186 & EPC 1114: 23 previous boreholes
- JORC Inferred Resource of 342Mt
- Main resource contained in Pollux seam (166Mt)

EPC	Operator	Target	Period	Number holes
EPC1114	BOW Energy	Coal Seam Gas	2009 - 2010	1
EPC1186	BOW Energy	Coal Seam Gas	2009 - 2010	1
EPC1114	Stanmore Coal	Coal	2011	6
EPC1186	Waratah Coal	Coal	2009 - 2012	6
EPC1186	Stanmore Coal	Coal	2013	7
EPC1186	Stanmore Coal	Coal	2013 - 2014	2

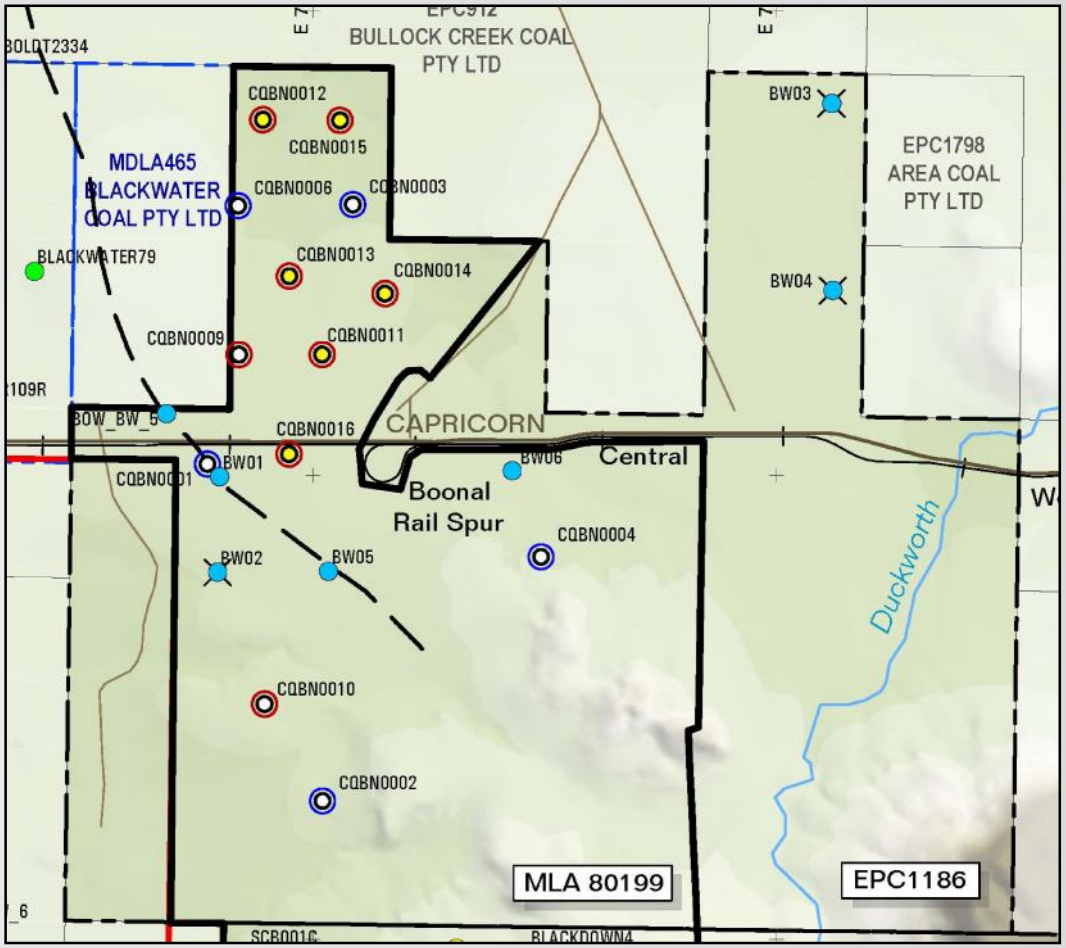
Seam	Mass (Mt)	Thickness (m)	Insitu RD	Raw Air Dried Coal Quality (adb)					
				Moisture %	Ash %	Fixed Carbon %	Volatile Matter %	Total Sulphur %	Calorific Value MJ/kg
Total Castor	132	2.5	1.57	1.7	29	52.5	17	0.4	18.2
Total Pollux	166	3.3	1.44	1.5	16.2	63.7	18.8	0.38	29.2
Total Gemini	23	6.7	1.42	1.2	13.5	65.2	20.1	0.37	30.3
Total Pisces Upper	21	2	1.44	2.1	17.4	64.6	17.1	0.39	29.9
Total Resource	342		1.49	1.6	20.7	59.8	18.1	0.39	25.3



BELVIEW PROJECT

Current Indicated 6 Hole Program

- 6 partial core holes, Rangal Coal Measure sequence
- Follow up previous Inferred Resource work
- Full suite of coal analysis, raw, dry & wet sizing, float-sink, 2 stage clean coal (Coking & PCI)
- Complimentary geotechnical testing (UCS, Slake)
- Finalise field work in February (weather permitting)
- Coal quality work ongoing, will support resource report completion in 1H 2015



3. Surat Basin Opportunity

SURAT BASIN OPPORTUNITY
Overview

- The Surat Basin will provide long term supply of high energy, low emission thermal coal at globally competitive operating costs which can underpin much of Japan's future energy requirements
- Surat Basin coal's unique environmental features provides long term certainty around coal quality and emission controls
- Investment in the Surat Basin creates the opportunity to control a substantial body of low cost export grade thermal coal in an jurisdiction with low sovereign risk and strong historical investment ties to Japan
- Stanmore Coal's The Range Project is significantly advanced having completed a bankable feasibility study and EIS.
- With JOGMEC support, Stanmore is proving up other nearby deposits which will add critical mass to the planned Surat Basin Rail line.

Surat Basin Highlights

- ✓High energy, low emission coal with superior environmental characteristics
- ✓Suitable for ultra-super critical power-plants
- ✓Security of coal supply – up to 100Mtpa for over 50 years
- ✓Low cost energy source
- ✓Well defined infrastructure solution - awaiting mine asset investment support
- ✓Government support for opening the Northern Surat Basin
- ✓Finance available from various infrastructure investors
- ✓Short lead time to commence construction

SURAT BASIN

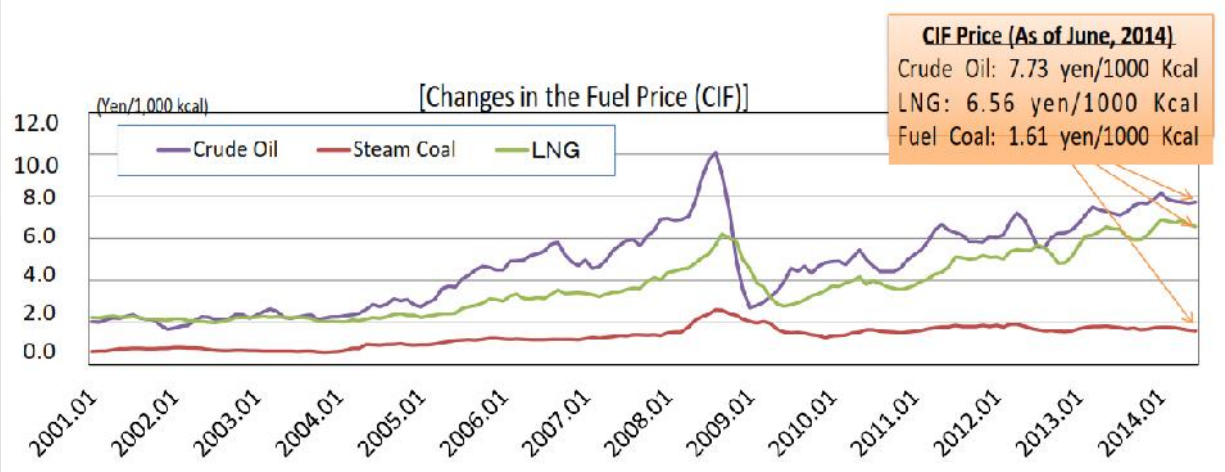
Japan currently has some of the highest electricity cost in the world

※産業用については、韓国の2010年、2013年は2009年の値、英国の2013年は2012年の値

Source: IEA Energy Prices and Taxes（OECD為替レートを使用）

SURAT BASIN
Coal Offers a Low Cost Source of Energy for Japan

- New power stations for Japan should feature:
  - Strong environmental qualities
  - Inexpensive fuel source
  - Stable source of fuel supply
- Coal offers the cheapest form of reliable fuel for new Japanese power stations



Source: The institute of Energy Economics, Japan, METI

- It is estimated that up to 10 GW of new coal fired power is planned for Japan[1]

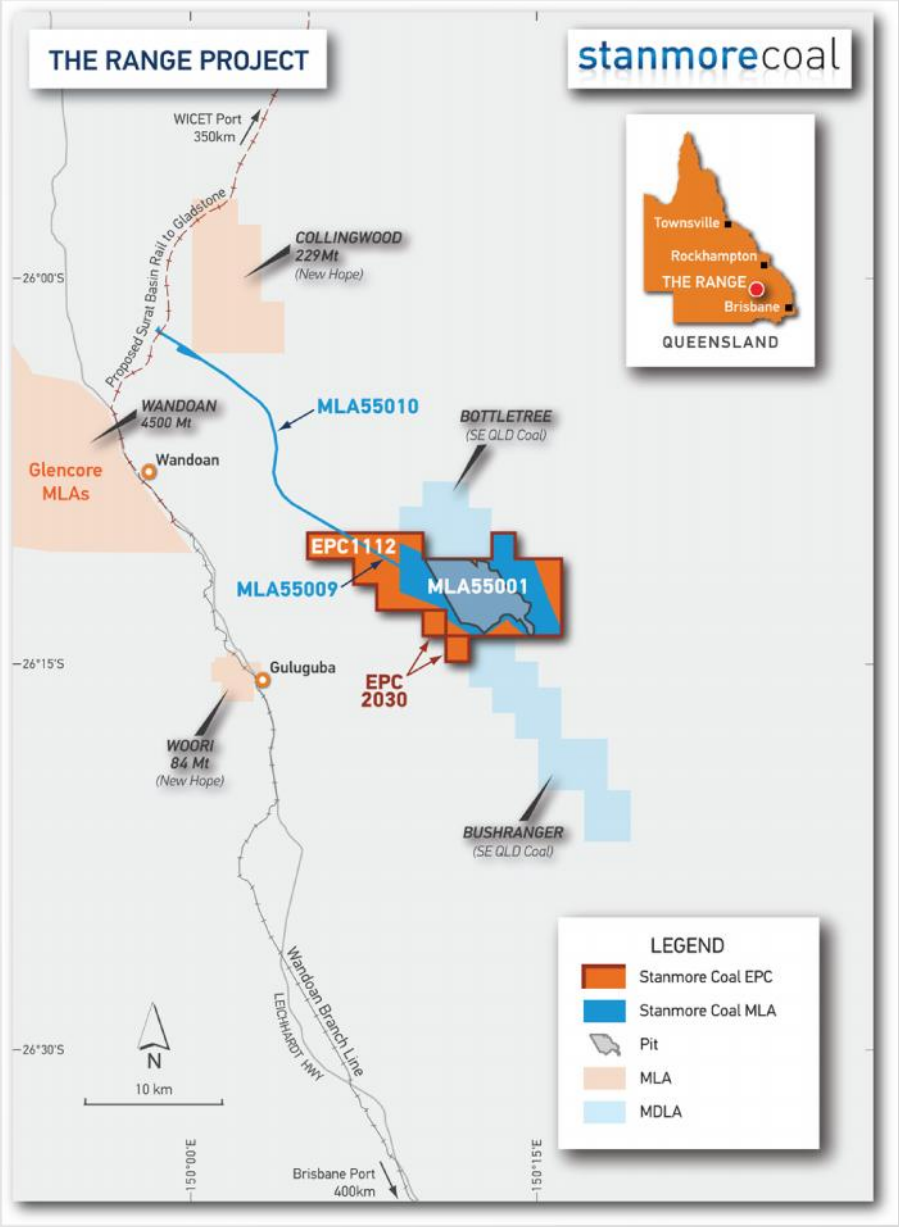
[1] Source: Stanmore Coal, METI

THE RANGE PROJECT

Open cut, high energy, export grade thermal coal mine 100% owned

- Feasibility Study complete on 5 Mtpa open cut export thermal coal mine over 25 years
- EIS completed and Mining Lease in process
- High energy, low emission thermal coal

Quality	Surat Walloon Coals	Comment
Sulfur (%)	0.4	✓ Low levels of trace elements and low emissions of atmospheric pollutants (oxides of sulfur, nitrogen and particulates) mean excellent environmental performance
Nitrogen (% ult daf)	1.1	
Ash (%)	10	✓ Lower than Newcastle benchmark
CO_2 (kg/MWh S/O)	920-940	✓ Contain up to 30% more organically bound hydrogen than most thermal coals, resulting in lower CO_2
Ash fusion temp (C)	1,420	✓ High ash fusion and favourable ash composition mean that slagging and fouling problems are minimal or eliminated
Volatile matter (%)	40-42	✓ Very high, consistent with its high rank and produces rapid combustion and good burnout



SURAT BASIN
A High Quality, Low Emission Source of Coal

Benefits of using Surat Thermal Coal

High Energy: 6,000 – 6,800 kcal/kg (adb)

Excellent environmental performance:

- Up to 75% lower particulate emissions than burning 20-25% ash coal[2]
- 50 – 80% lower SO_2 emissions than burning high sulphur coal[2]
- Low NO_x emissions relative to other thermal coals[3]
- Lower quantities of trace elements released into the environment
- Up to 15% lower carbon dioxide emissions than other thermal coals[2]

Superior operating parameters:

- Significantly less dust when handling and storing the coal[3]
- Low slagging and fouling propensity[3]
- Superior ignition and burnout characteristics[3]
- Reduced ash disposal requirements[2]

High Value-in-use:

- Improved utilisation performance and lower cost impact on power station than low energy, high ash coals[2]

Blending:

- Complementary with other Asian coals

Key Quality	Surat Coals
Energy (kcal/kg adb)	6,000–6,800[1]
Ash (%)	9.0–11.0
Volatile matter (%)	39–42
Sulfur (%)	0.3–0.6
Nitrogen (%)	1.0–1.2
CO_2 (kg/MWh S/O)	920–940

1 *Queensland Coals Physical and Chemical Properties, Colliery and Company Information – Queensland Department of Natural Resources and Mines, 2003*
2 *Eco-Friendly Coal for China – Value for the Environment and Value for the Power Generator, Juniper L., 2013*
3 *Utilisation of Walloon Coals of Southern Queensland for Power Generation, Dept of Mines and Energy Queensland, 1999*

- Surat Basin Coal's emissions profile has the potential to outperform Japan's existing emission requirements and designates it strongly as a coal for future long term use

"Surat Basin thermal coal exhibits superior environmental features when compared with existing and forecast global supply alternatives, containing less SO_2, NO_x and CO_2 than almost all other coals in the export market."

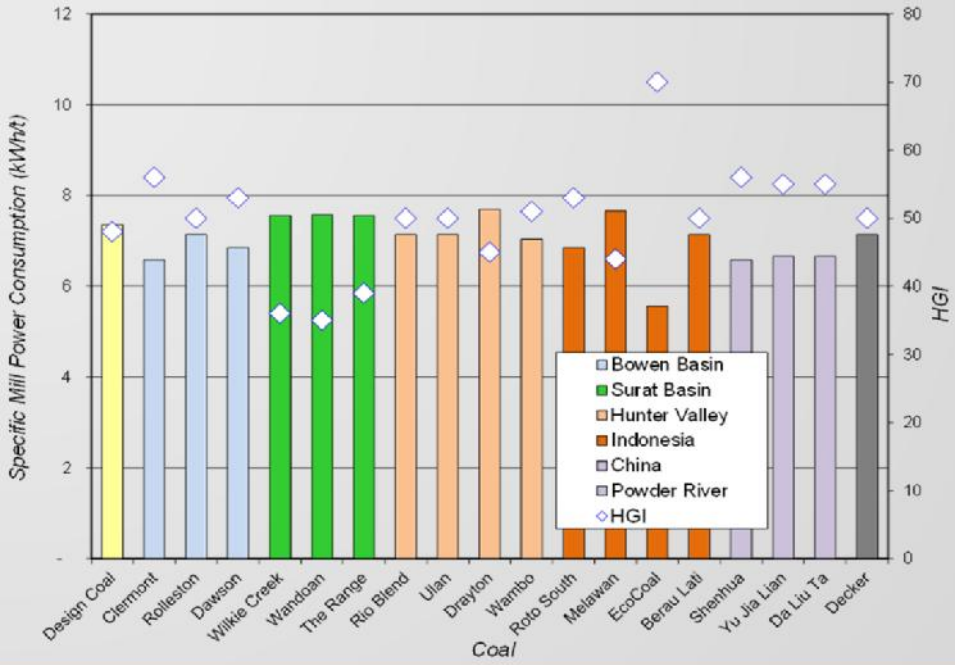
Lindsay Juniper, 2013

SURAT BASIN
Addressing Challenges of Low HGI

- Low HGI coals have been utilised successfully in a number of Japanese power plants for many years
- To compensate for increased hardness of Surat Basin coals, classifier settings can be adjusted to accommodate coarser PF without compromising carbon in ash targets and maintain maximum boiler efficiency
- Experience shows that accommodating for lower HGI does not have a material net impact on milling costs compared to other coals
- Surat Basin coals are highly suitable for new power generation assets where milling capacity can be designed in advance to address low HGI
- Considerable technical data is available addressing the issue of HGI in Surat Basin Coals

Low HGI Coal Queensland Case Study (Spero, C 1998)

- At Tarong and Swanbank power stations, low HGI Walloon (Surat equivalent) coals are pulverised less than other coals with > 45-55% passing 75 µm rather than the usual 70% passing 75 µm
- By doing this, mill power consumption is kept down to the same level as for coals with high HGI pulverised to a finer size and mill wear is minimised
- Even at the coarser grind size, the high reactivity of Walloon coals leads to lower carbon in ash values than other coals



SURAT BASIN

Surat Coal Can Play An Important Role In Satisfying Japan's Future Energy Needs

Key features of Surat Basin Coals

• Significant coal resource	> 6 billion tonnes of resource supporting at least 50Mtpa for over 100 years
• High quality coal – superior environmental properties	High energy, low emission thermal coal complementing existing Asian coal supply sources
• Cost effective coal source	Low strip ratio, open cut mining, compelling value-in-use leads to lower cost of energy
• Coal already used extensively in power generation	Long successful track record in power generation in Australia and Asia (Japan and Taiwan)
• Clear path to market	Close proximity to existing and proposed port and rail infrastructure with opportunity for significant expansion
• Stable jurisdiction	Located in a favourable jurisdiction with a long history of consistent coal supply
• Significant financial backing	Key deposits are owned by large coal companies such as Glencore, New Hope and Mitsui

4. Australia Coal Market Outlook

THE THERMAL COAL MARKET IS DRIVEN BY STRONG UNDERLYING DEMAND

- Currently 41% of global electricity is generated by coal
- Global demand for electricity is likely to double over the next three decades
- Over the last three years, coal consumption has grown materially within:
  - India – 25% (pop 1.25 bn.)
  - ASEAN – 22% (pop 600 m)
  - China – 20% (pop 1.35 bn.)

Both India and ASEAN have a per capita energy consumption level that is 1/8th of OECD countries

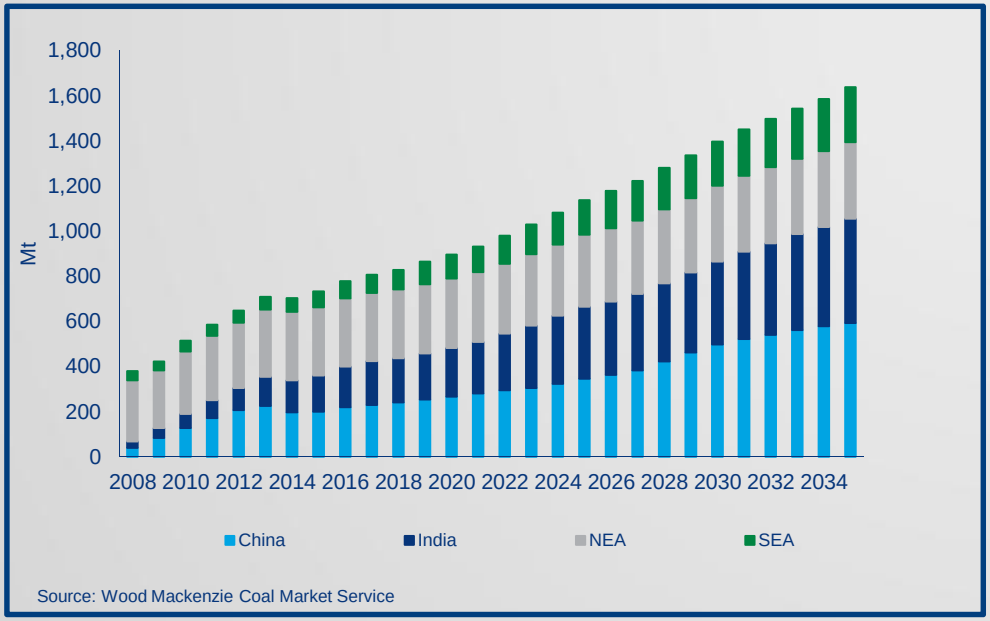
- Coal was the world's fastest growing energy source every year for the past 10 years

Source 1: World Coal Association

AS A LOW COST, RELIABLE FORM OF BASE-LOAD ENERGY, SEABORNE COAL MARKET GROWTH WILL BE SUBSTANTIAL

- Coal is forecast to account for more than 60% of the power mix in non-OECD Asia
- China, India and ASEAN will require the largest import demand growth for thermal coal
- Over 0.9 billion tonnes per annum of additional seaborne coal is forecast by 2035[1] in these regions

Seaborne thermal coal demand forecast in the Pacific basin (Mt, %)[1]



Source: Wood Mackenzie Coal Market Service

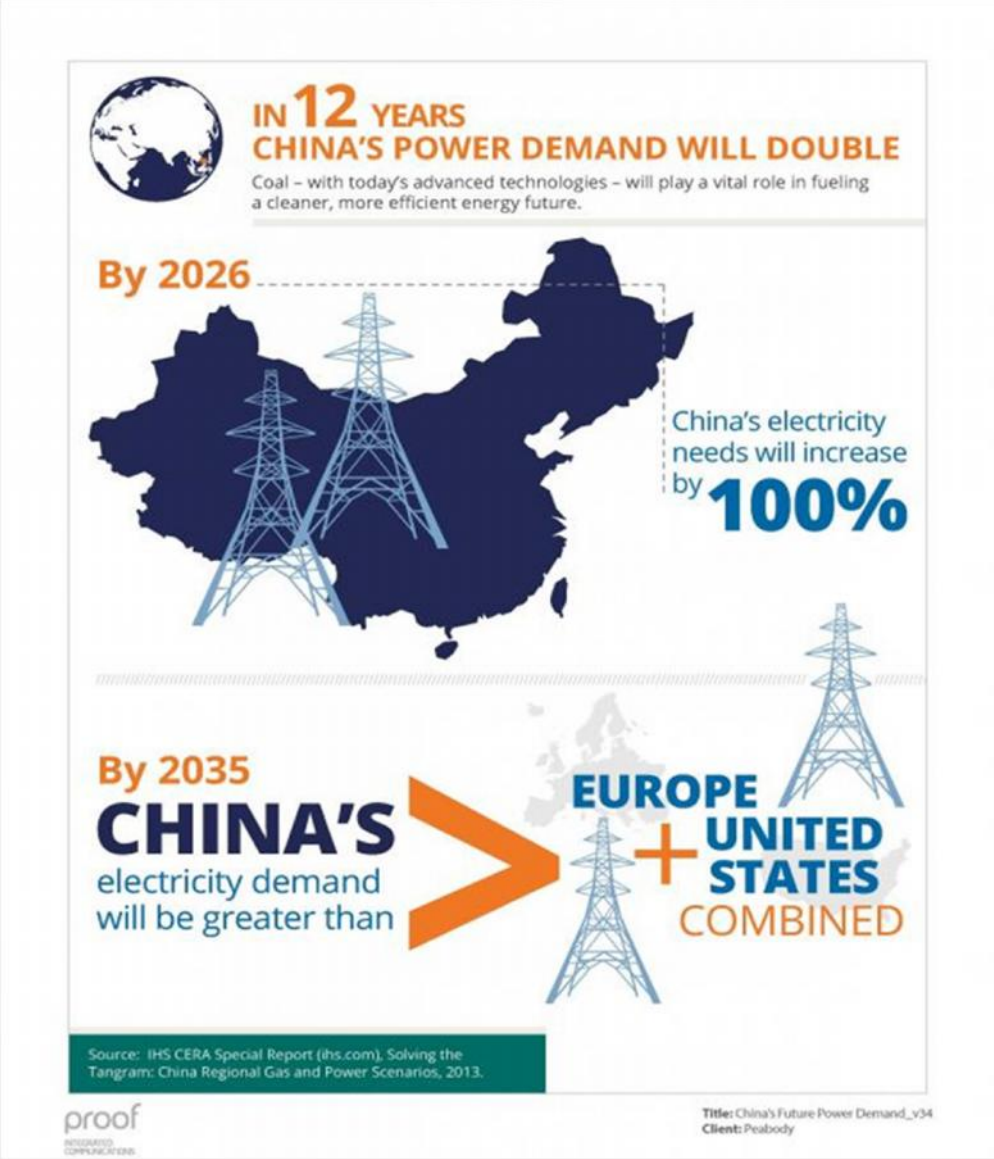
Country (region)	2014 imports (Mt)	2035 imports (Mt est.)	Seaborne Growth (Mt)
ASEAN	62	253	191 (308%)
India	142	462	320 (225%)
China	198	592	394 (199%)
Total			905 (225%)

Note 1: Wood Mackenzie Coal Market Service

CHINA'S DEMAND FOR ELECTRICITY WILL CONTINUE TO GROW SUBSTANTIALLY

- China's rapid economic growth over several past decades will continue at a slower pace but off a much higher base
- Coal played a significant role in China's incredible growth in power demand
  - In 2014, 73% of electricity generation was fuelled by coal[1]
- China's annual coal demand is forecast to increase by 476Mtpa by 2018 – this is more than Australia's total exports in 2013[2]

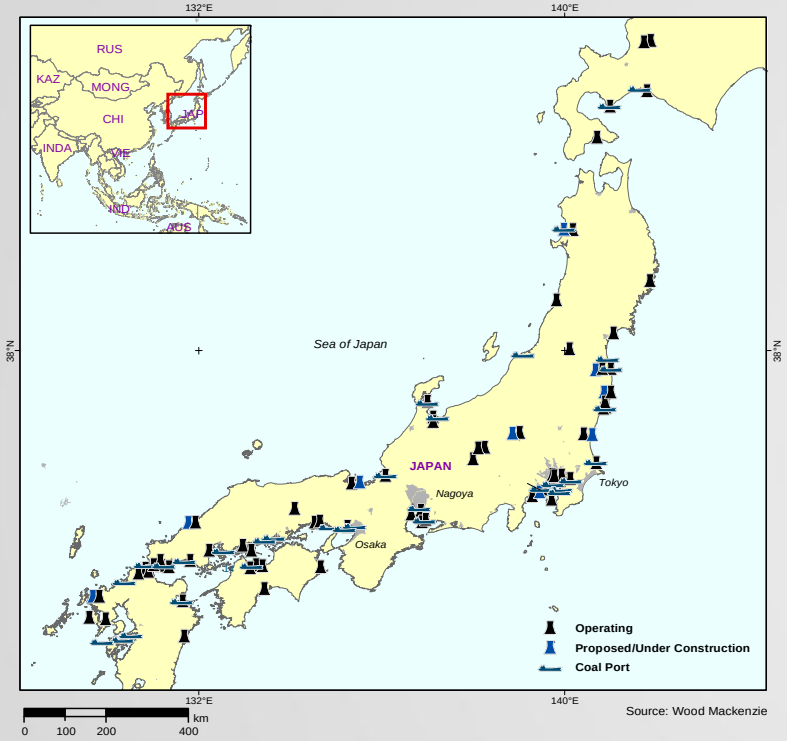
China's growth in perspective



Source 1: Platts May 2014
Source 2: IEA World Energy Outlook 2013

JAPAN'S LONG TERM ENERGY SECURITY IS CHALLENGED BY THE GAP LEFT BY NUCLEAR

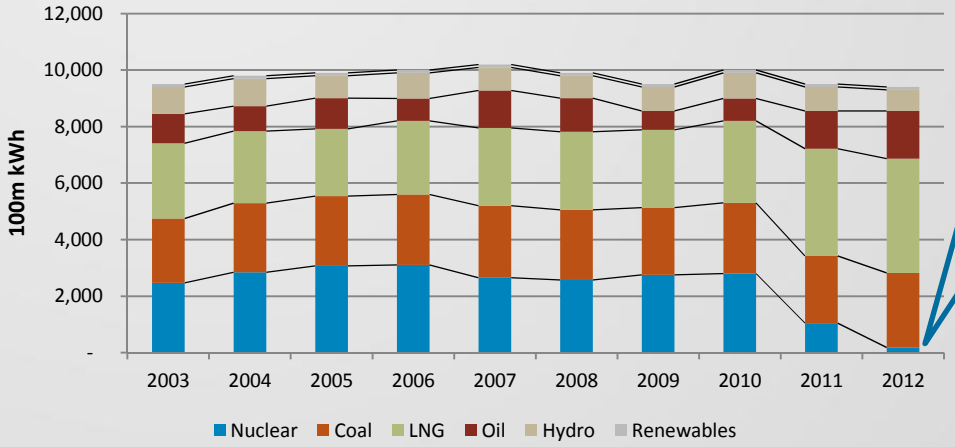
Japan's existing & planned coal-fired power plants



- Approximately 270 million MWh per annum of nuclear energy generation capacity has been idled post the Great East Japan earthquake
- This equates to approximately 90Mtpa[3] of high energy coal supply into new ultra super critical power plants
- Clean Surat Basin coal offers a long term reliable and environmentally friendly energy source to fill the ongoing shortfall from nuclear
- The projected generating shortfall presents an opportunity to develop and secure a cost-effective and reliable energy solution based on new coal-fired generation powered by clean Surat coal

Japan Generated Output by Year

Nuclear has been replaced by expensive LNG and Oil

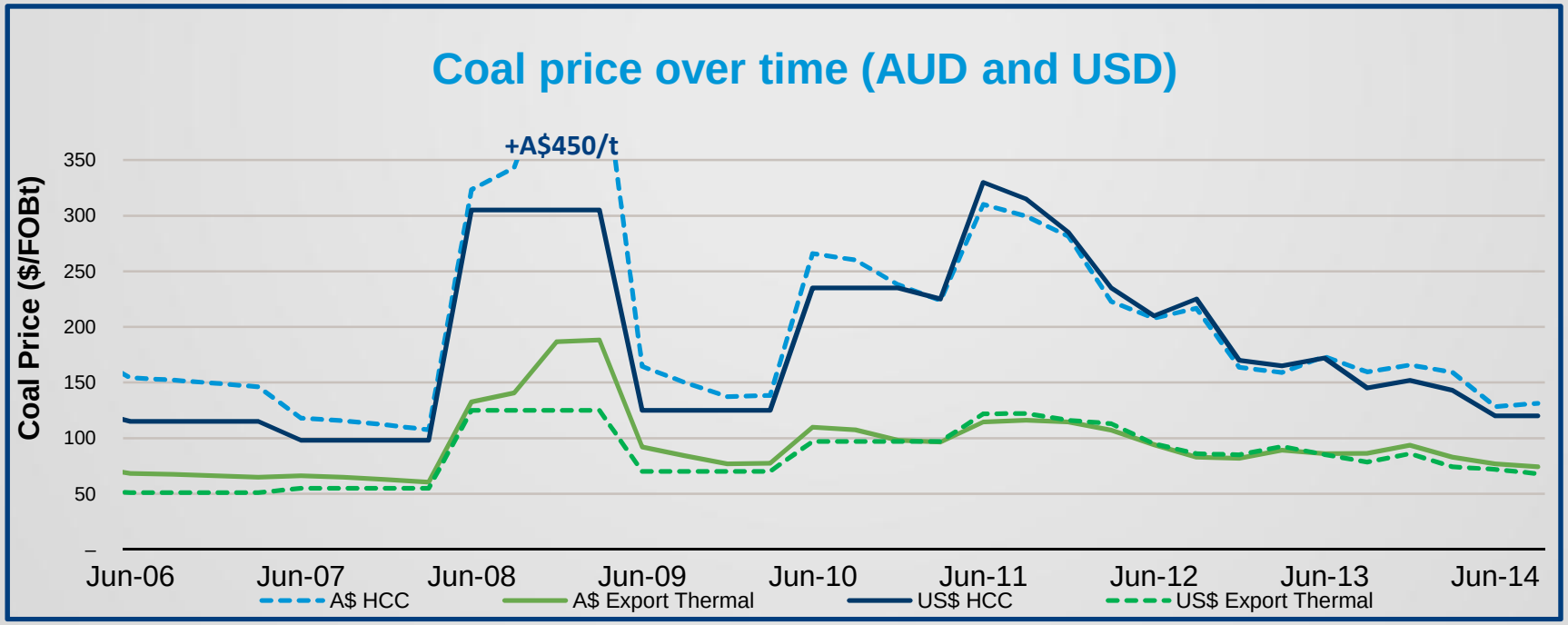


- Nuclear has phased out to nearly zero, from an average contribution of 28% (2003-2010)
- The shortfall has been replaced by LNG (27% to 42%[1]) and Oil (10% to 16%[1])

Sources
1: Platts May 2014
2: IEA World Energy Outlook 2013
3. Lindsay Juniper

CURRENT DEPRESSED COAL PRICES ARE A RESULT OF SIGNIFICANT NEW SUPPLY WHICH HAS FLOODED THE MARKET

- The price boom of 2008-2011 resulted in many new projects being developed. This new wave of supply has resulted in a material reduction in price for both thermal and metallurgical coal despite the demand profile continuing to grow
- The current low price acts as a disincentive for new project development. Over time supply demand balance will return putting upward pressure on prices

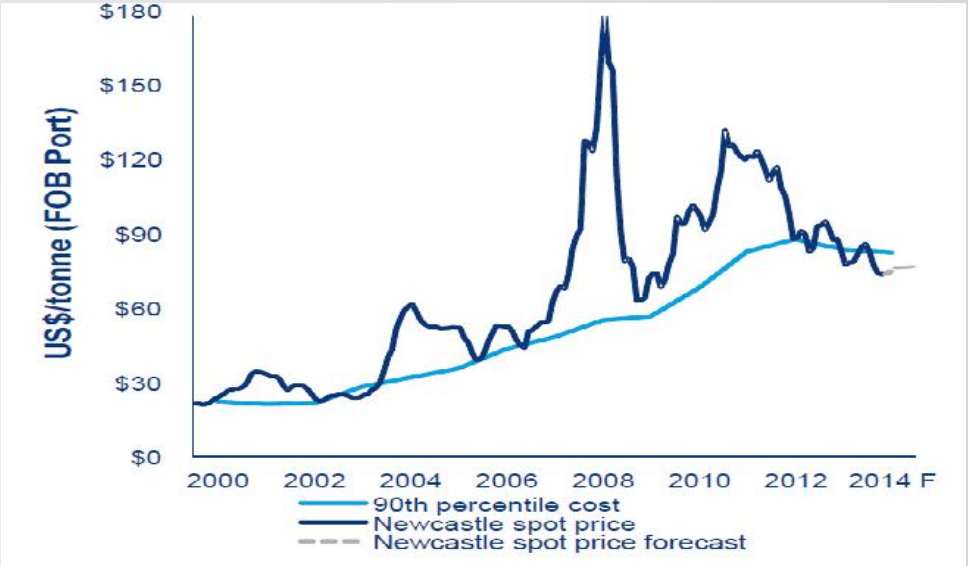


Source: RBA, Platts, Stanmore analysis

THE COST OF EXTRACTION FUNDAMENTALS WILL DRIVE THE COAL PRICE UP OVER THE LONG TERM

- The cost of extraction increases over time as resources get deeper and mines deplete
- If market prices stay around this level for a sustained period, three things are likely:
  - **Existing mines will close** – supply side rationalisation will continue
  - **New and replacement mines will be delayed** – incentive price for most new coal projects is higher than current prices
  - **More coal fired power stations will be built in Asia** – coal is the most reliable and cost effective fuel source for electricity generation

Thermal coal spot price versus 90th percentile cost



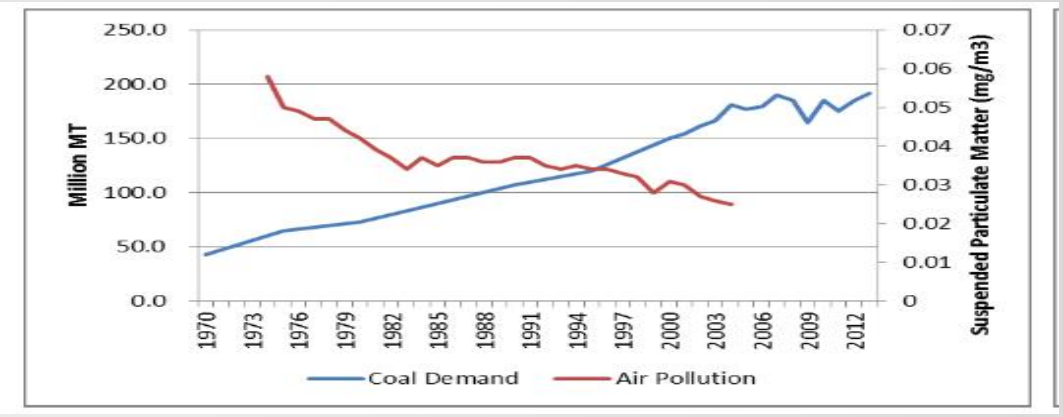
Source: Wood Mackenzie Coal Supply Service and Coal Market Service

The next up cycle could be more pronounced – increasing regulatory constraints will delay the supply response

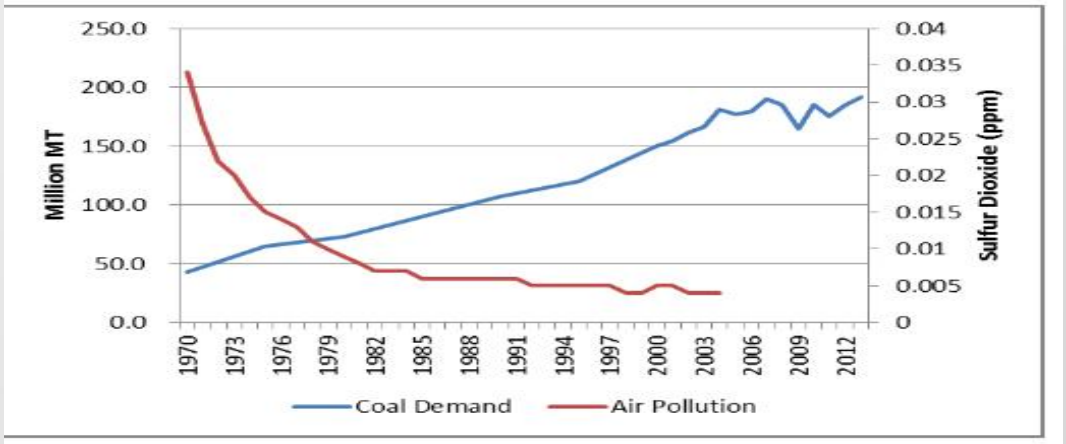
COAL'S IMPACT ON THE ENVIRONMENTAL CAN BE MINIMIZED THROUGH THE USE OF HIGH ENERGY, LOW EMISSION COALS

- Burning high quality thermal coal will reduce the emission profile of emerging economies
- In Japan, air pollution has historically decreased as coal consumption increased due to highly efficient, ultra supercritical coal plants
- Queensland in particular is endowed with substantial deposits of high energy, low emission thermal coal which will be increasingly sought after in Asian markets

Coal demand over time in Japan vs suspended particulate matter



Coal demand over time in Japan vs sulfur dioxide levels



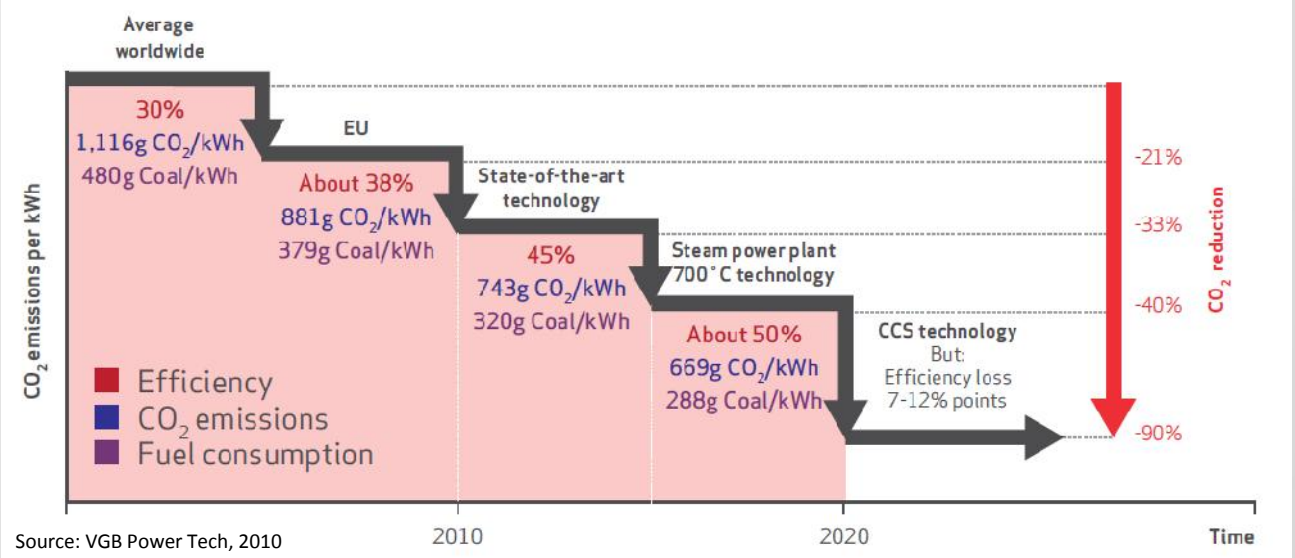
Sources: New Hope Coal Presentation
Air Pollution: "FY 2004 Status of Air Pollution" by Ministry of the Environment; Government of Japan
Coal Demand: 1970 to 2000: "Annual Report for Energy Production and Supply-demand Figures" (edition for each year) by Ministry of Economy, Trade and Industry; Government of Japan. 2000 onwards: "Foreign Trade Statistics" by Ministry of Finance; Government of Japan

THE ADOPTION OF MODERN, PROVEN TECHNOLOGY WILL DRIVE BETTER ENVIRONMENTAL OUTCOMES

- Upgrading the world's current coal-fueled fleet with advanced supercritical technology could deliver a:
  - 90 percent improvement in sulfur dioxide emissions rates;
  - 93 percent less nitrogen oxide emissions rates; and
  - virtually zero particulates[1].

- Japan's Ministry of Economy, Trade and Industry estimates that if China, India and the USA could achieve the same thermal efficiency as todays' Japanese plants, CO_2 emissions would reduce by approximately 1.5 billion tonnes per annum[2]

CO2 reduction potential of coal-fired power plants by increased efficiency

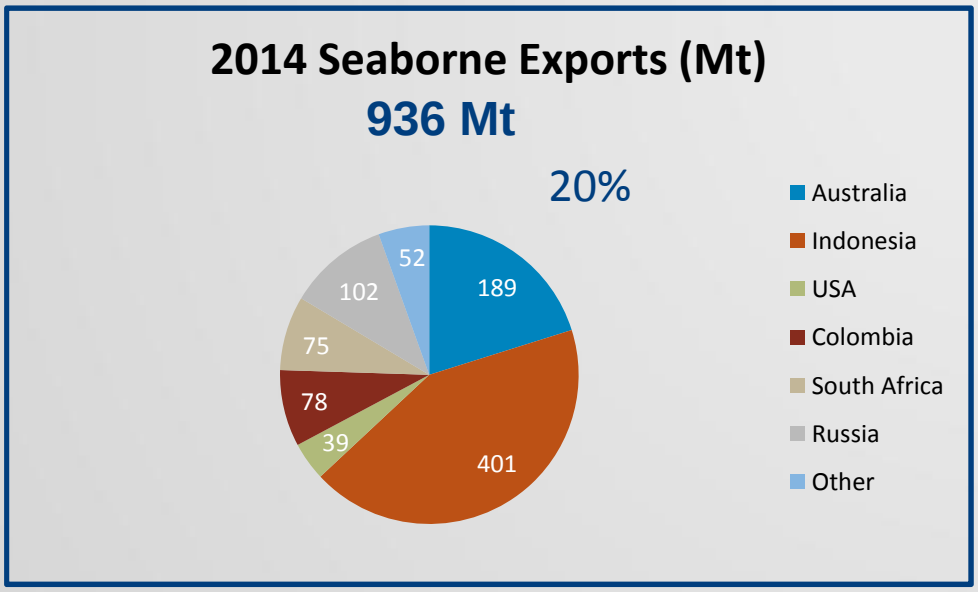


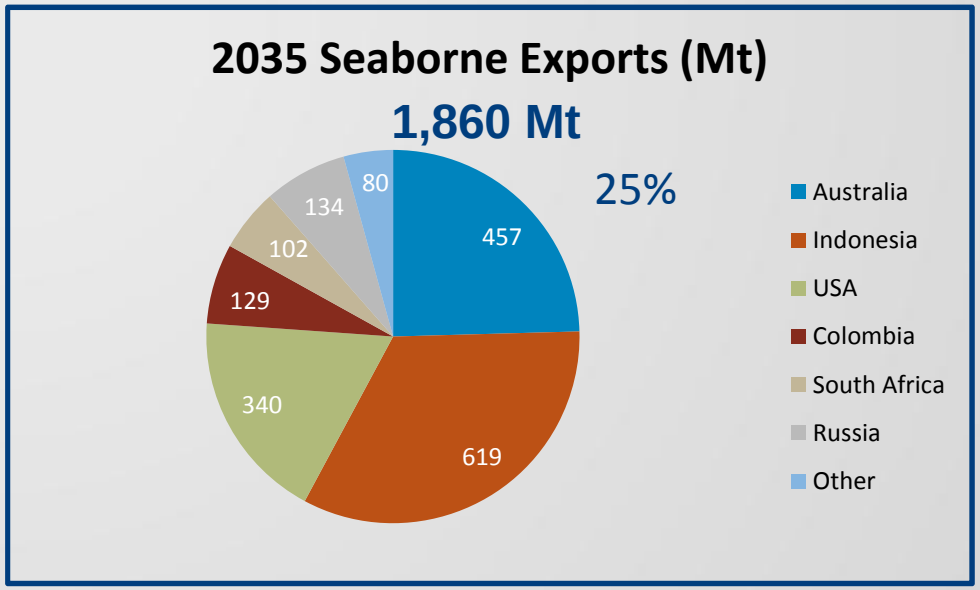
Source: VGB Power Tech, 2010

Source 1: Peabody Energy: Advanced energy for life.com
Source 2: Japan's Energy Policy and the Direction of Coal Policy, September 2014

AUSTRALIA IS WELL-PLACED TO BENEFIT GIVEN THE VAST QUANTITIES OF HIGH QUALITY COAL FROM ITS PRIMARY COAL BASINS

- Australia has abundant supply of good quality relatively shallow coal such as that located in the Surat Basin.
- Globally coal exports are expected to double over the next 20 years to meet the projected demand in developing regions
- This requires large increases in exports from Australia, Indonesia and the US
- Constraints exist on further exports from the US and Indonesia





Source: Wood Mackenzie Coal Market Service; Stanmore analysis

TIMING IS GOOD FOR INVESTMENT IN HIGH QUALITY THERMAL COAL OF THE SURAT BASIN

- Project valuations are at the bottom of the cycle driven by the low coal price
- Long term demand for high quality coal in Asia is set for a substantial increase
- The trend to cleaner coal is likely to continue
- The opportunity exists now for Japan to secure its future coal needs for many years in the Surat Basin

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Appendix 1 – Surat Basin Coal Characteristics

SURAT BASIN
Excellent Environmental Performance

Quality	Specification	Comment
• Low SO_2 emissions	Sulphur 0.4%	✓Low to moderate inherent sulphur content ✓High absorption of sulphur in ash (up to 25%)
• Low NO_x emissions	Nitrogen 1.1% (ult daf)	✓Low nitrogen content ✓High volatile content (Fuel Ratio = 1.0)
• Low CO_2 emissions	920 – 940 kg/MWh	✓Lower than most export coals due to high rank ✓High hydrogen content provides additional energy without generation of CO_2 ✓For an 800MW plant burning a Surat Basin Coal, the reduction in CO_2 emissions would be in excess of 550,000 tonnes of CO_2/year compared to a low rank Indonesian coal or 350,000 tonnes compared to the Galilee basin
• Low particulate emissions	1-5 mg/Nm^3	✓Very low fly ash resistivity means electrostatic precipitator (ESP) efficiency is excellent ✓Low ash
• Low trace elements	Arsenic, Boron, Cadmium, Lead, Mercury, Molybdenum, Selenium	✓Trace element levels compare very favourably with other globally traded coals ✓Gaseous emissions extremely low compared to statutory limits in Australian ✓Leachates in fly ash expected to contain levels significantly lower than Japanese guideline limits

- These attributes result in Surat Basin Coal having a high Value-In-Use (“VIU”) compared to range of other coals in the export market

SURAT BASIN
Superior Operating Parameters

- Surat Basin coals have been used successfully in Queensland and Asia over a long period
- In addition to their favourable environmental characteristics, Surat Basin coals also demonstrate the following beneficial operating features:

Parameter	Comment
• Low ash deposition	✓ Low slagging and fouling factors due to high ash fusion temperature and low Sodium Oxide (Na_2O) in ash ✓ Demonstrated by experience at Swanbank and Tarong power stations ✓ Particularly evident compared to Chinese and Indonesian coals
• Superior ignition and burnout	✓ High volatile content leads to excellent burnout characteristics and low carbon-in-ash
• Low mill wear	✓ Low quartz content compared to other Australian coals
• Low dust emissions	✓ Low relative dustiness of washed product due to HGI
• Low self heating	✓ Low propensity for spontaneous combustion during transportation and storage (ignition temperatures in excess of 150 degrees Celsius are required)
• HGI	✓ Queensland power plant experience has shown that the perceived disadvantage of low HGI is overcome by adjusting milling practices to produce a coarser grind ✓ Assisted by naturally high combustion reactivity