



# ASX announcement

23 November 2015

## Chairman's Address to AGM

The last twelve months have been significant for the Company as it has undertaken two important transactions to secure a path to metallurgical coal production in 2016. Whilst coal market conditions remain extremely challenging, the Company has been able to take advantage of a favourable acquisition environment to transition to operations in a short time frame. Coal prices remain flat in Australian dollar terms as a result of the US dollar price of coal largely tracking depreciation of the Australian dollar. Producers generally have experienced falling prices over the last 12 months with a significant number of local and foreign mines reportedly making significant losses. In the face of these difficult conditions, the Company has sought out and acquired what will be a low cost metallurgical coal mine which can be safely and efficiently be brought back into production.

Since the announcement of the Isaac Plains Coal Mine and the Isaac Plains East Project (formerly the Wotonga Coking Coal Project) acquisitions, the share market has reacted positively with the share price rising from lows around 5 cents per share to around 20 cents. The Board acknowledges that considerable further work is required to unlock full value for shareholders from these opportunities.

### *Safety*

During the year ended 30 June 2015, the Company, both directly and through its contractors, completed over ten thousand hours of exploration activity, reporting a nil lost time injury frequency rate for the year. This is an excellent safety performance and a continuation of our strong safety record.

### *Isaac Plains Coal Mine*

The Isaac Plains transaction represents a milestone acquisition for the Company. Completion of the transaction is anticipated by the end of in November 2015 with the majority of material conditions precedent already satisfied. Further information on the transaction will be provided upon completion of the transaction.

Concurrently the Company has conducted a tender process to select a principal mining contractor to carry out mining and wash plant operations on site. The process was competitively contested with final contract award anticipated to be announced by early December 2015. A key focus for the Company is ensuring that that contractor is able to safely mobilise and commence mining activities early in 2016. The Isaac Plains mine plan has been optimised at a lower production rate

of 1.1Mtpa which maximises the proportion of material moved by the low cost dragline acquired as part of the transaction.

The Company has commenced exploration activities at Isaac Plains. These activities include core drilling, 2D seismic analysis, line of oxidation drilling and laboratory-based coal quality analysis. The extensive program is anticipated to be finalised by the end of the March Quarter next year.

#### *Isaac Plains East Project*

Around the same time as the acquisition of Isaac Plains, the Company announced it had contracted to acquire the rights to the adjacent deposit to the east of Isaac Plains. This strategic acquisition has significant synergies with Isaac Plains where all necessary site coal processing and transport infrastructure is already in place. The acquisition of what is now Isaac Plains East was completed in September 2015.

The exploration program noted above has been extended into Isaac Plains East. There has been detailed assessment of the deposit by previous owners and the current programme is using up to date techniques to bring the geological model up to the standard required for contemporary JORC classification. In parallel, the background studies for requisite environmental approvals have been commenced. This will allow the submission of a mining lease application. Because the coal seams at Isaac Plains East are much shallower, it is anticipated to significantly extend the mine life at Isaac Plains and reduce the operating costs to among the lowest in the region.

#### *Belview Project*

In early 2015 the Company completed its most recent exploration program at the Belview Coking Coal Project (Belview). This \$1.5 million program resulted in an upgrade JORC Resource of 330Mt (including 50Mt Indicated and 280Mt Inferred) in April 2015. Exploration work was carried out with partner Taiheiyo Kouhatsu Inc. (Taiheiyo), supported by the Japan Oil, Gas and Metals National Corporation (JOGMEC).

Coal quality analysis of the main target seam (Pollux) indicated a strong overall washing yield of 79% with the primary hard coking coal product exhibiting a CSN of 6-7 and ash content of 6.5% (adb).

We believe that with the significant resource base, attractive coal quality and proximity to existing rail and port infrastructure, Belview has the attributes of a world class coking coal project. The Company is assessing development options for Belview and undertaking a mining review which will provide contemporary analysis for operating and capital assumptions.

#### *Surat Basin Projects*

Exploration at the Clifford Project continued in the last 12 months in partnership with JOGMEC. This partnership will see JOGMEC invest up to \$4.5 million over 3 years to earn a 40% interest in the project. The Company is well progressed through a further drilling program which aims to improve geological confidence of the maiden JORC Resource (330Mt) announced in July 2015. A second round of coal quality testing carried out at the start of the calendar year confirmed initial testing which shows the deposit contains high quality, low impurity coal with the similar favourable environmental features of other Surat Basin coals, such as that found at The Range.

These coals feature low emissions of NO<sub>x</sub>, SO<sub>x</sub> and particulates when burnt relative to many other coals. We believe that coals of the Surat Basin will be increasingly sought after by the growing Asian and wider developing region as an increasing importance is placed on efficient and environmentally-conscious new sources of electricity generation.

#### *Business Development Opportunities*

Prolonged subdued market conditions present many opportunities that may not otherwise be available in better conditions. Whilst the Company's focus is on the execution of re-commencement of mining at Isaac Plains, the Board and management continue to assess potential value accretive opportunities which could add further shareholder value.

#### *Capital Management*

The Company finished the year ended 30 June 2015 with \$15.2 million cash. As at the date of the AGM, the Company still holds in excess of \$8 million in cash. The vast majority of expenditure relates to pre-commissioning capital expenditure, exploration and diligence cost for the transaction to acquire the Isaac Plains Coal Mine. Approximately \$6 million has been spent by the Company to date and no further material expenditure contribution is required by virtue of the financing arrangements entered with Taurus Mining Finance Fund and certain compensation payments from the vendors. In the coming year we will continue to closely monitor our cash position as the Company transitions towards operations at Isaac Plains.

The Board is highly cognisant of the need to preserve capital where appropriate and ensure smooth execution of re-commencement of mining at Isaac Plains. The Board believes this opportunity has the potential to drive significant value to all shareholders. The acquisition of Isaac Plains is a transformational event for the Company, taking us into low cost coking coal production. The Board thanks the management team and staff for their loyalty and hard work over the last twelve months.

The Company continues to receive a strong vote of confidence from its Japanese investment partners Taiheiyo and JOGMEC and wishes to thank them for their support on the Belview and Clifford projects.

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 navigates difficult market conditions with the expectation of emerging as a stronger business as market conditions inevitably improve.

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**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.

The information in this report relating to coal reserves for The Range 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.

**About Stanmore Coal Limited (ASX code: SMR)**

Stanmore Coal is a growth focused, pure play 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 transitioning toward coal production through the acquisition of the Isaac Plains Coal Mine and the Isaac Plains East Project. 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.